

BEST MOMENTUM TRADING

STRATEGY FOR QUICK PROFITS

**The best way to build and
manage your trading account**



TRADING STRATEGY GUIDES.COM

Best Momentum Trading Strategy for Quick Profits

Implementing one of the best momentum trading strategy can be the best way to build and manage your trading account. Our team at **Trading Strategy Guides** believes that a momentum indicator strategy can reduce risk and enhance your overall returns.

Momentum trading is a very hot topic in trading because according to the efficient market hypothesis it shouldn't exist, but its effects are widespread and it has been used by many Wall Street elites to make billions upon billions of dollars in profits.

One of the core market principles is that momentum precedes price so in this sense a momentum indicator strategy is more like a trend following strategy. If you want to learn a simple yet effective trend following method we recommend to have a look at [The Trend Following Trading Strategy](#).

Before we dive into the best momentum trading strategy lets define what momentum is.

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What is Momentum?

The term momentum was borrowed from Newton's first law of motion where an object in motion tends to stay in motion until an external force is applied to it. Like in the law of physics a

market in motion tends to stay in motion rather than reverse which is the reason why a momentum indicator strategy is so powerful.

So, an instrument that goes up tends to continue going up:



And instruments that are going down tends to continue going down:



Essentially trends tend to continue and we can use momentum to determine when to buy and when to sell because instruments with positive momentum tend to have positive returns in the near future and vice-versa for those with negative momentum.

There are various explanations for why momentum occurs and each bias has its own name and psychological explanation behind it.

The simplest explanation would be that rising prices attract buyers and falling prices attracts sellers. Our best momentum trading strategy is based on this simple explanation.

Pretty simple, right?

Using a momentum indicator strategy, it means we're only going to hold the trade for a very short period of time, anywhere between a few minutes and up to a few days. Basically, the best momentum trading strategy runs until the momentum dries out.

So, we only want to concentrate on the relative strength of any instrument.

Now...

Before we move forward, we must define what technical indicator we need for the best momentum trading strategy and how to use it:

There are a variety of different momentum indicators, but the best forex momentum indicator is by far the Williams %R indicator. The best forex momentum indicator will help us identify profitable trading opportunities.



The best forex momentum indicator is named after legendary trader Larry Williams who invented it. Larry Williams used the best forex momentum indicator to great success, winning millions of dollars in profits.

So, this brings some credibility to the best forex momentum indicator.

The preferred settings for the best forex momentum indicator is 40 periods

The Williams %R runs on a scale from -100 to zero. A reading in the vicinity of -100 is an indication that the instrument is oversold and it's a potential buying opportunity and once it reaches zero, that's an indication of overbought and maybe the time to sell.



Now, let's see how you can effectively trade with the best momentum trading strategy and how to make profits from using the best forex momentum indicator.

The Best Momentum Trading Strategy using the Best Forex Momentum Indicator

Our team at **Trading Strategy Guides** believes that smart trading is the way to build the best momentum trading strategy. In this regard, we don't want to predict when the momentum will happen, but we let the market tip its hands and then react.

So, one of the characteristics of the momentum indicator strategy is that we use the principle to "buy high to go higher" and to "sell low to go lower." In other words, we trade in the direction of the trend while having the momentum on our side.

Moving forward, we present the buy side rules of the best momentum trading strategy.

Step #1: Define the Trend. An Uptrend is defined by a Series of HH Followed by a Series of HL.

The definition of an uptrend is pretty much standard. In an uptrend, we look for a series of higher highs followed by a series of higher lows. Two HH followed by at least another two HL is enough to define an uptrend.

A higher high is simply a swing high point that is higher than the previous swing high. While a higher low is simply a swing low point that is higher than the previous swing low.



We all know that the trend is our friend, but without momentum behind the trend, we might actually not have any trend.

In order to gauge momentum besides reading the best forex momentum indicator we also look at the actual price action.

Step #2: In an Uptrend Look for Bold Candlesticks that Close Near the Higher End of the Candlestick

A common concept in technical analysis is that you want to use multiple confirmation signs when buying and selling. This will increase the likelihood that's a high probability trading setup.

In this regard, the momentum trading strategy besides using the best Forex momentum indicator also incorporates the price action.



A practical way to read momentum from a price chart is to simply look at the candlestick length. What we want to see in an uptrend is big, bold bullish candlesticks that close near the higher end of the candlestick.

In the figure above, we have an ideal representation of what we're looking for: the upside price movement is preceded by big bullish candlesticks, which confirm the momentum behind the trend.

Now, it's time to focus on the Williams %R the best forex momentum indicator which brings to the next step of our momentum indicator strategy

Step #3: Wait for the best Forex Momentum Indicator to get oversold (below -80) and then rallies above the -50 level before Buying

We're going to use Williams %R, the best forex momentum indicator in a smart way. In an uptrend, we buy after the best forex momentum indicator has reached oversold conditions (below -80) and then rallied back above the -50 level.



Now, we have confirmation from both the price and the best forex momentum indicator that real momentum is behind this trend and the probabilities are in favor of more upside prices from here on.

Note* If the best forex momentum indicator continually stays in overbought territory (above -20 level) it signals a strong momentum and conversely a strong trend. Inversely the same is true in a downtrend.

The next important thing we need to establish is where to place our protective stop loss.

See below...

Step #4: Place Your Protective Stop Loss below the Recent Higher Low

We want to hide our protective stop loss below the most recent higher low level that formed right before the best momentum trading strategy issue the buy signal.



Alternatively, you can also trail your stop loss below each most recent higher low. This strategy will allow you to lock-in the potential profits in case of a sudden market reversal.

Last but not least the momentum indicator strategy also needs a place where we need to take profits, which brings us to the last step of the best momentum trading strategy.

Step #5: Take Profit once we break below the Previous Higher Low

A trend in motion can stay in that state longer than anyone can anticipate and since we want to maximize our potential profits we let the market tip it hands before liquidating our trades. In this regard, we look for a break in the trend structure respectively a break below the most recent higher low.



Alternatively, you can take profit once the best forex momentum indicator breaks below the -50 level.

Note** The above was an example of a BUY trade using the Best Momentum Trading Strategy. Use the same rules for a SELL trade. In the figure below you can see an actual SELL trade example.

Take a look:



Summary

The best momentum trading strategy leverages the tendency of a market's price to continue move in a single direction where the momentum might be upwards or downwards. In essence, the market timing is crucial for a momentum indicator strategy and in this regard, we incorporated in our momentum strategy the best Forex momentum indicator, the Williams %R.

Timing the market can be a daunting task, but our team at **Trading Strategy Guides** believes that using a pure price action like the [Price Action Pin Bar Trading Strategy](#) can get you a long way.

As a Bonus for you we always like to include examples of our strategy to help you perfect this trading system.

Example 1: GBP/USD 5-Minute Buy Example



Example 2: NZD/USD 1-Hour Sell Example



Example 3: Gold 1-Hour Buy Example



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The Strike Trader Elite uses powerful algorithms and technical indicators to analyze market data comprehensively.

During times of sideways market movement, it can be challenging for human traders to spot profitable opportunities.

However, our system's efficiency allowed it to uncover a hidden gem that had the potential for substantial gains.

But, with a system like the Strike Trader Elite, we have enhanced our chances of success in this dynamic market.

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Thanks!

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