

Title:

FOREX, A Trending Market.

Word Count:

444

Summary:

There is one type of market which will become very important for you to identify and understand in order to become a profitable forex trader. This is a trending market.

Keywords:

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Article Body:

The Forex market is widely known by its high liquidity and high volume of transactions occurring during most of its long trading week. These characteristics highly contribute to make the Forex market a very trendy market with few trend-less periods during the whole trading period.

But what does this mean to the Forex trader? Mainly this trendy characteristic of the currency markets means that there will be plenty of opportunities for the trader to find profitable trades during the day.

As you start analyzing forex charts you will realize that the market often display's some very familiar patterns of price movement, this is; trends; and you will notice that once a pattern is established, it becomes the most probable course of future price action until the market changes. Giving you a good forecast of what comes next with the currency prices.

There are two types of markets which will become very important for you to identify and understand; these are: trending and, the less frequent, trend-less markets. Each market type has two specific patterns which you will also notice over time.

A Trending market is defined as a steady, elongated price movements with less than a 45 degree angle with occasional pauses, profit taking, or resting periods.

In a Trending market, you will notice two main and quite evident patterns:

Uptrends - A pattern of higher highs and higher lows.

Downtrends - A pattern of lower lows and lower highs.

There is also the less frequent kind of market, this is a Trend-less market with erratic price movements which are often steep (greater than 45 -degree angle) and cannot sustain and therefore must reverse. Although the movements can move many points in a short period of time, they are constantly and rapidly oscillating with the consequence that they often result in very little net price movement over time.

In a Trend-less market, you will find these main patterns:

Choppy - An erratic pattern of higher highs and lower lows.

Sideways - A narrow pattern of lower highs and higher lows.

While up-trend and down-trend periods will offer excellent trading results most of the time, choppy markets often create stop outs, this is they activate your stops by constantly overshooting your projected resistance level but without ever really crossing too far from this level; while sideways markets produce for little in either direction making them hard to trade and to make any profit during these periods.

As always in Forex, your main trading objective is to get into profitable trades most of the time and a trending market is the perfect situation to find this profitable trades by riding the trends until you make your target profit objective of the day.