Understanding the Different Types of Forex Technical Indicators by Abbey Sage

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The secret of enduring profit in the forex market is developing a trading system that works for you. Every trading system has unique needs and requires unique indicators to back them up. Today, hundreds of forex technical indicators are available in the market and a clear understanding of what they are and whether they shall suit you shall save you a lot of bad trades. Here is a simplified approach to understanding FX indicators:

Trend Indicators

Indicators that help in trend analysis are called trend indicators. A market trend is an anticipated tendency of a financial market to move about in a particular fashion over time. Trends are recognised by technical analysis to predict the future movement of the forex market based on previous data and records. Trend analysis is based on the idea that what has happened consistently in the past gives a fair idea of what will happen in the future. There are distinguished as secondary, primary and secular pertaining to short, intermediate and long term trends respectively.

Momentum Indicators

Momentum implies that a moving trend will continue to move in the same direction as it is moving as of now. It is the empirical tendency of rising asset prices to continue rising and the declining assets to continue declining. Forex technical Indicators that indicate this tendency are called momentum indicators like RSI indicator.

Volume Indicators

Volume in forex trade is the sheer amount of capital being traded every year. For the entire forex market it comes to more than $4 trillion annually. Higher is volume of trade, higher is the liquidity and the market is said to be high. Liquidity indicates how many people are interested in buying and selling a particular market. Volume indicators are also known as liquidity indicators.

Geometric & Patterns Indicators

Information can be more easily understood and digested if it is in the graphical or pictorial form. Geometric and pattern Cycle Indicators

Cycle indicators indicate stages of cycle of the market based on the Dow Theory of markets. Cycle indicators could be either linear or a Fibonacci cycle indicators. These indicators can be may be used to determine ending cycle (i.e. turning points, market reverses). They have a built in Fibonacci Time Zone indicator.

It is recommended that you always use a combination of forex technical indicators and do not fall in one category. Using indicators from different genres shall give you a more holistic picture of the forex market.

Indicators for Forex are highly advanced and allow one object to be placed over other. Unlike simple charting tools that fit the pattern to the chart, these FX indicators will display the correlation value which is a valuable indicator.

Volatility Indicators

Volatility is the measure of instability in prices. It indicates how fluctuating the price of an instrument is over time. Volatility is noted by taking past market prices over a period of time and applying defined algorithms and formulas. This type of volatility is called historic volatility and is commonly used in forex.

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Abbey Sage - About Author:
Abbey sage has a high level of experience working with various a forex technical indicators and suggests the use of a RSI indicatorRSI indicator which is one of the popular FX indicators in the market. Learn the usefulness and benefits of RSI on his website.

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