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Multi-Time Frame Analysis
Think of Price Action in terms of waves. There are some waves which are large, and some are small. If a large wave is flowing towards the shore, and a small wave is going away from the shore, what will happen to the small wave when it meets the large

wave? Obviously, it will start flowing back towards the shore, in line with the large wave. There is no small wave capable to turning the course of the large wave, atleast in the now.

Now think of Candles in terms of waves. If the Weekly Candle (large wave) is Up, and Daily

Candle (medium wave) is Down, and Hourly Candle (smaller wave) is Down, will the Price go down. It may, and be enough to keep prices down and turn the Weekly Candle also down. The odds of this happening though are less. Therefore in Multi-Time Frame analysis one should trade

with the larger Trend. If the Weekly Candle is Down, and Daily Candle is Down, then, when the Hourly Candle goes Down, one can take a Short trade.

Vica-versa, when the Weekly Candle is Up, and Daily Candle is Up, then, when the Hourly Candle also goes Up, one may take a

Long trade. We are looking for all time-frames to be in alignment, before taking the trade. This results in two clear benefits.

First is the number of trades of the system will reduce. This will mean we are missing certain signals, yes. It will catch lesser number of moves

than before, yes. However, it will protect us during sideways/choppy markets. It will keep drawdowns (risk) low.

The other benefit is that this will improve the quality of the signal. If the reward/risk ratios on single time-frame is 1.3 : 1, in a multiple time-frame, it may improve to 1.7:1 for e.g. Both these improvements in totality cause dramatic improvement in the overall performance of the system. Another significant risk which this saves us from, or reduces for us, is the risk of losing capital. Because as we will be taking lesser

trades, we are lesser exposed to the market. Risk occurs only when there is exposure to the market i.e. we have a position. When we are in no position, (which by the way is also a position, and over time, to my mind, one of the best position), there is no risk. Some guidelines

are there in terms of how to choose time-frames. Rule of thumb is to have a minimum of 4:1 ratio between each frame. E.g, if one order higher time frame is Hourly, the next order (lower) time frame can be 15 Minute. And the next order Higher time frame can be 4 hour which is

4 times of Hourly. This gives a combination of 4:1:0.25 hours. i.e. 240:60:15 minutes. This is quite popular in forex.

For equities positional, Monthly/Weekly/Daily can be a good combination. For short-term/swing Weekly/Daily/Hourly may be used.

For intra-day/2-3 day holding period trades, Daily/Hourly/15-Minute may be used.
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