

## 4 Types Of Technical Indicator You Need When Trading Forex

If you have any experience in using any kind of charting packages to assist you with your forex trading, you will know that there are endless different technical indicators you can use. In this article I'm going to be asking what are all these indicators and which ones do you really need?

As you can guess from the title of this article, there are essentially four different types of technical indicator and they are as follows:

### 1. Trend indicators.

MACD, Parabolic SAR and the various moving averages are a few examples of trend indicators and they can all be used to identify a trend. It's widely argued that you should only trade with the trend so all of these indicators will help you to take the decision out of your hands, and therefore dictate which way you should be trading. Your only decision now is at what level to enter the trade.

### 2. Momentum indicators.

These types of indicators are essentially oscillating indicators and are most useful for determining overbought and oversold positions and can be very useful in signalling the start of a new trend. Examples include RSI, Stochastics and CCI.

### 3. Volume indicators.

As the name suggests, these types of indicators show the volume of trades behind a particular price movement which can be extremely beneficial because a price movement backed up by high volume is a much stronger signal than a price movement based on low volume. Examples here include Chaikin Money Flow, Force Index, Money Flow Index and Ease Of Movement.

### 4. Volatility indicators.

Volatility indicators generally use ranges to show the behaviour of the price and the volume behind any movements. This is useful because any dramatic change in behaviour can provide a good entry signal. Common examples include Bollinger Bands, Average True Range and Envelopes.

So there you have the four different types of technical indicators available to you. Which ones you use is entirely up to you, but it's generally advised that you have at least one type of each in order to provide additional confirmation for entering a trade.

Trading forex using technical analysis is all about probabilities in that when you enter a long position, for example, you want all of your chosen signals to be signalling an upwards movement, therefore indicating a high probability of an upwards movement taking place.

If you use a strict stop loss policy and use these different types of indicators to confirm positions, then over time this high probability trading method should provide you with more winners than losers in the long run.

## About the Author

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