

Forex Currency Strength Strategy

Author: M.Jamshidi

www.PipSafe.com

What is currency strength?

Currency pairs (symbols) are made up of two individual currencies. Currency strength in forex market means analysis the currencies value during specify time for example when GBPUSD and EURUSD go up and USDCHF and USDJPY fall down during last 4 hours it means that US dollar value decreasing this knowledge give us good view too analyze market for instance according to above example when we analyze AUDUSD and we saw sell signal on it we should think more about our analyze accuracy because US dollar value decreasing now well AUDUSD should go up here we can think about 2 scenarios:

- 1- US dollar value will effect on AUD later
- 2- AUD value is decreasing more than US dollar.

To understand this, we can look at the other currencies value vs Australian Dollar value like GBPAUD EURAUD AUDJPY etc. If we found that AUD value is decreasing vs the other currencies, it will show us our signal is correct but if it shows us AUD value vs other currencies is not decreasing it can show us our signal can't be correct.

For example, please look at pictures:



On 2016.02.12 US value versus EUR and CHF and USD increased but versus GBP decreased

Well now we should check GBP value VS other currencies:



This show us GBP value versus EUR, JPY, CHF, and US dollar increased.

Now we understand GBP value is increasing more than US value well let's look more carefully.

You can see EUR value versus USD and GBP decreased more than other currencies is it show us that EUR is a weakest currency and GBP is strongest?

Again we need compare EUR versus others:



PIPSAFE
Best forex rebate



EUR just against GBP and USD and CHF decreased but against JPY increased now we should think JPY is weakest currency or not?!

Again:



Now we understand that GBP is strongest and JPY is weakest currency in our challenge between USD, JPY, GBP and CHF
please look at GBP.JPY symbol in the next trading day I means 2016.02.15



You can see GBP.JPY goes up in the next day GBP was strongest and USD was strongest against the other three currencies now let see what happened for 2 strong currencies on 15 Feb 2016:



As you can see on GBPUSD we had uptrend till 8 O'clock but after 8 O'clock market fall down it show us USD win against GBP today.

If you search on the internet you can found a lot of indicators and expert advisors for trade on market according to the currency strength If you don't like use them, you can just look at the time frames and understand this.

To avoid mistake always check important news especially the EUR USD and GBP forex news because the news can change everything most time after an

important economic event the weakest currency will change the trend and become strongest during a few minutes.

The other important note is you can compare currencies pair and understand the market movement behavior after the news you can understand it for instance sometimes you don't know what is the retail sales effect on the market now When news announced you can compare all pairs and understand the news effect.

Why should I use currency strength indicators in my forex trading?

Five important reasons:

- 1- When most technical indicators and factor can't give us good analysis view forex currency strength analysis can give us good forex signal.
- 2- You will never know when not to trade or when conditions are favorable to trade but by comparing forex symbols you can understand this.
- 3- You will always know the condition of the overall market.
- 4- Using currency strength and weakness forex strategy keeps the emotions out of your trade decisions and emotions give way to using market logic to govern your trades.
- 5- Forex currency strength trading is straightforward and any forex trader can learn it very easy even if you are beginner you can understand market condition by compare chart by just a simple look.