

How I use Murrey Math

When I first started working with Murrey Math, I treated all the lines as simple pivots - support/resistance areas which could be used to confirm buy/sell signals. I realised that some levels are often repeated across different timeframes, which I thought simply made them stronger pivots. Then over time I got to understand a little more about how the Murrey works and here are a few tips from what I have learned so far. Firstly a bit about the individual lines themselves:

Firstly there's the obvious - when the market is over-extended in either direction (i.e at the overshoot or extreme overshoot lines) there's a good chance of a move back the other way, especially if there is confirmation from other indicators.

Then there's the one we've mentioned - the two Murrey strategies:

Buy at 1/8 close at 4/8 or Buy at 0/8 close at 2/8

Sell at 7/8 close at 4/8 or Sell at 8/8 close at 6/8

I haven't tested these too much but from what I can tell a little discretion is involved - the strike rate is not high enough to be purely mechanical about it. Candlestick patterns or confirming pivots might be a good "filter". See <http://www.graemenash.co.uk/forex/MM.doc> for more info on the strategies.

The "Trading Range" lines might seem a bit confusing at first, given that the market spends most of its time outside the trading range, but there's more to it than that - these lines are actually very important in determining the state or sentiment of the market. Basically, when the market is between the lines, it is in an undecided state (i.e a trading range). If it is above the 5/8 line then the market can be considered bullish, likewise below 3/8 we are in a bearish market. Hence 5/8 is a great support level for re-entering a long trend and 3/8 for short. A break of these lines can be very important. For example- If the market has been above 5/8 for a period of time but breaks below, that is a sign of bullishness fading. A drop to 4/8 almost always follows, and at that point 5/8 becomes significant resistance, because a break back above it would represent a re-establishing of the bullish scenario which had just previously failed.

If the market does indeed re-test 5/8 and fail, that confirms that the bullish sentiment has pretty much gone and an attempt at a move to 3/8 can be expected. If the market then breaks below 3/8, it has definitively turned bearish - and 3/8 then becomes strong resistance as a break back above would represent another change in sentiment, this time back to indecision.

Note that sometimes the re-test doesn't occur and the market will break one trading range line and head straight for the other!

People often ask what timeframe to use Murrey on - but I use it on almost all of them. I have 1m/5m/30m/1h/4h charts on-screen with murrey lines. When you understand more about the market context murrey can give you, it's useful to have them all up as it can give good clues about where the market is likely to head.

A good example would be a trade I did a while ago which used nothing but murrey lines to get me in. Now I'm doing this from memory so it may not be totally accurate, but will still give a good idea of what I'm on about (I hope!) :)

Cable had bounced strongly off the 0/8 line on the 4h chart, a move targeting 2/8 (according to the strategy above), which was at 1.8250.

When it started approaching that level, I looked at the 1h chart, which had broken above it's 3/8 line, suggesting a move to 4/8 was coming. 4/8 was also 1.8250.

When it got to there, I dropped down to the 5min chart to "zoom in" on the action a bit more, and saw that cable had broken above 3/8, retested and bounced off, targeting at least 5/8, which was **also** 1.8250 - it then broke this and went to 6/8 at 1.8265

By this time the upward move was running out of steam - the 4h and 1h targets had been hit, and the 5min had made a sizeable up-move and overshot the target by one level, suggesting it may need to pause and retrace a little.

When the price hit that 6/8 at 1.8265 I dropped down to the 1min chart to try to pick the exact entry for the reversal, and I saw that the 7/8 (stall and reverse) line was at 1.8272. In the context of what the other timeframes were saying, it seemed highly likely that if the market hit this level it would bounce straight away.

The market went up to 1.8272 exactly then bounced off, giving me a +50 trade!

So that's how I use murrey math - to give context on what the market is doing and where it might go. I think it's important to have all the timeframes up as once you get used to it they give great info, and sometimes when they all say the same thing you don't need much else!

** As I write this I've just closed a cable short (from 1.7792 - 0945am UK time, closed 1.7777 at 0957), which was signalled well enough by divergences, price channels, moving averages etc.

But a great confirmation for me was the fact that when I entered the trade, the 5min chart had risen up to test the 3/8 line at 1.7792 - as I said earlier if market is below this it represents strong resistance because it means a change in sentiment. Simultaneously, the 1min chart was on +1/8 (extreme overshoot), which meant there was not much room above and a bounce off was likely.

For the exit there were again good divergence/boll/price channel/pivot signals and the confirmation for me was the 1min chart sitting just above the 5/8 line at 1.7769 - strong support because it would have meant a change from bullish to undecided sentiment. I took the exit there because in my view the market was short-term bullish, having risen 80 points in an hour, so that level was likely to hold as support.

** update again - I then reversed to long (at 1.7776 - 10am) with the target for the trade at 1.8222, which has just been hit, because:

The 1min bullish scenario was intact after that 5/8 line held

If price broke above the 5min 3/8 the target would be 4/8 at 1.8222

Right down at the bottom (1.7723) cable had bounced off 1/8 a move which targets... 4/8!

