

Best time to trade forex.

The results which will surprise you.



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Introduction

SUMMARY

The TU Research Department (or TU) has conducted research to verify whether it is true that the traders perform the highest number of successful transactions in the periods of the highest volatility and liquidity in the market, as is commonly believed. As a part of the research, a survey of 2,000 successful traders working with the brokers via Traders Union has been conducted. As it turns out, the most successful traders perform a higher number of profitable trading transactions in a moderately volatile market.

The new data of TU's research findings suggest that the previously widely spread information produced by the Google search engine for a corresponding search on a multitude of websites is inaccurate.

BENEFITS OF THE RESEARCH

In this research traders will find answers to the following questions:



What is the best time of the day to trade Forex?



How volatility and liquidity depend on the time of day?



At what time of the day are the top currency pairs most liquid?



Which days have the highest liquidity and volatility?



Which days of the week are the best to trade Forex?

This research refutes a false assumption, and therefore provides more reliable data for making trading decisions.

 **Glossary**



Forex is a global financial market for the trading of currencies. The participants in Forex trading include central banks of various countries, businesses, multinational corporations, commercial banks, and private traders.



Forex broker is a financial services company performing the function of an intermediary between the buyer and the seller of currency in the Forex market.



Spread is the difference between the best buy price and the best sell price in currency exchange.



Volatility [21] is a term used to describe fluctuations of trading prices within a specified period of time. It is believed that the higher the range of price fluctuations, the higher the volatility.



Liquidity [22] is an economic term that refers to the ability of assets to be quickly sold at a price that is as close to market price as possible and with minimum possible expenses.



Trading session [23] is a period of time during which banks and trading platforms of one or several countries located in the same geographical trading zone conduct active trading in the Forex market, thereby causing rate fluctuations of the global currencies.



Overlapping trading sessions [23] are periods of time, when one trading session overlaps with another, thus largely influencing market liquidity and volatility.

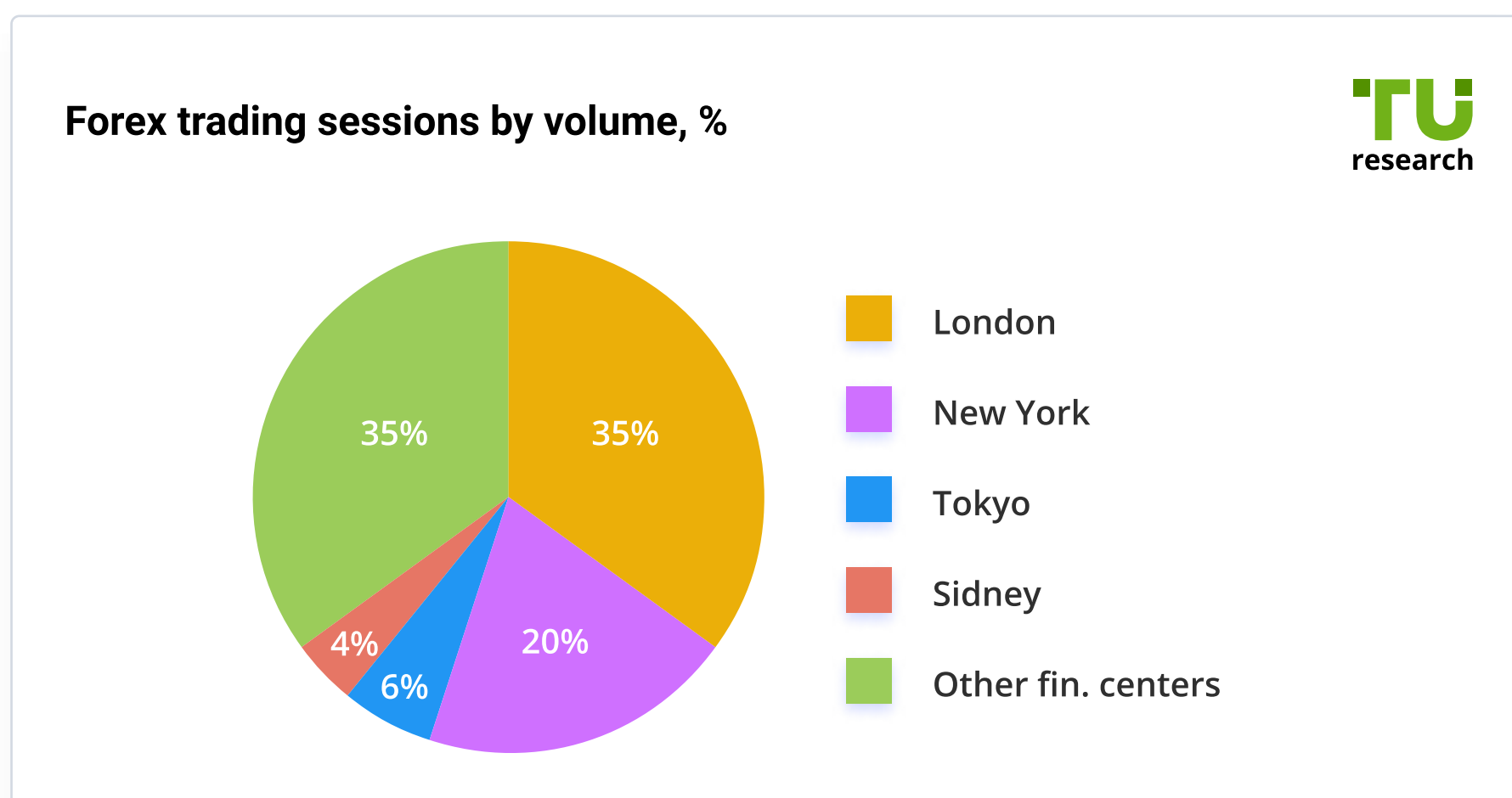
The basis for the assumptions that exists in open sources

Having analyzed open sources, including the materials of analysts and financial experts of top global brokers (Forex.com [14], Admiral Markets [1], XM.com [16], and IG.com [11]) and information portals such as Investopedia [8], Tradingpedia [18], DailyFX [12], Investing.com [2] and many others, dedicated to learning to trade on Forex, and also websites containing data on trading sessions and the best time for trading, **TU's Research Department has discovered a common belief that the periods of increased liquidity and volatility that fall on Thursday and Friday are the most profitable periods for trading (best time to trade Forex).**



Statistical analysis of the data

The main trading sessions of Asia (Tokyo), the Pacific Region (Sydney), Europe (London), and America (New York) have been analyzed to determine the most liquid and volatile time for trading Forex. By their volumes the trading sessions in the aforementioned financial center account for over 65% of the global Forex market; they also account for the main global liquidity (London – 35%, New York – 20%, Tokyo – 6%, and Sydney – 4%).



Picture 1. Forex trading sessions by volume, %

SIDNEY (PACIFIC REGION).

The trading runs between 22.00 GMT and 7.00 GMT. The most actively traded currency pairs in the region are NZD/USD, AUD/USD, and other currency pairs with NZD and AUD (New Zealand and Australian dollars).

Sidney is the economic center of the Pacific economic zone. Before the session begins in Tokyo (at 23:00 GMT), this is the calmest period in the market.

At certain hours, the general market volatility can be high, particularly if it is linked to key news, such as the release of financial reports of the Australian and New Zealand central banks. At this time, the currency pairs with AUD and NZD may show fluctuations in price. Overall, the news from these states has a much lower influence on the global financial markets than the news from Europe, Asia, and the USA.

TOKYO (ASIAN REGION).

The trading starts at 23.00 GMT and closes at 9.00 GMT. In this period, the most actively traded pairs are the ones with Japanese Yen (JPY), such as USD/JPY, EUR/JPY, GBP/JPY, and others. Asian states play a key role in the global economy because they are industrial and financial centers.

During the morning hours, active trading of all currency pairs coupled with the Japanese Yen is observed. Also, overlapping of the sessions in Sydney and Tokyo increases trading activity in the pairs with JPY and AUD. Still, the morning hours remain relatively calm on the majority of the trading days, because New York and London still remain the biggest financial centers of today's economy. This is why, if you observe high volatility during the Asian session, it is usually a continuation of the wave that rose in the previous "American-European" trading period.

SESSION IN LONDON (EUROPEAN SESSION) .

The session runs between 8.00 GMT and 17.00 GMT. The most actively traded pairs in this session are EUR/USD, GBP/USD, EUR/GBP, USD/CHF, and other currency pairs of the region.

The opening of the London exchange leads to an increase of activity on all currency pairs coupled with the British Pound, Swiss Franc, and Euro. The currency pairs GBP/USD, EUR/USD, USD/CHF, and others are in the top ten most popular trading assets among traders.

The news releases that come out during this period have the biggest impact on the rate of all traded currencies, stocks, and commodities in the market. Particularly impactful is any news about the actions of the central banks and also reports on the production output levels, employment, consumer activity, the condition of business environment, real estate sales, etc. Expectations of these events and their release are often accompanied by a very violent reaction of the market. It is difficult to predict it if you only use the technical approach to market analysis.

SESSION IN NEW YORK (AMERICAN SESSION).

The trading in this session opens at 13:00 GMT and closes at 22.00 GMT. The main currency pairs of this session are the pairs with the US dollar: EUR/USD, USD/JPY, GBP/USD, etc.

The opening of trading at the key economic centers on the New York and Chicago platforms triggers global growth of activity of the market players all across the world. Large traders – representatives of transnational corporations, banks, and other organizations enter the trading.



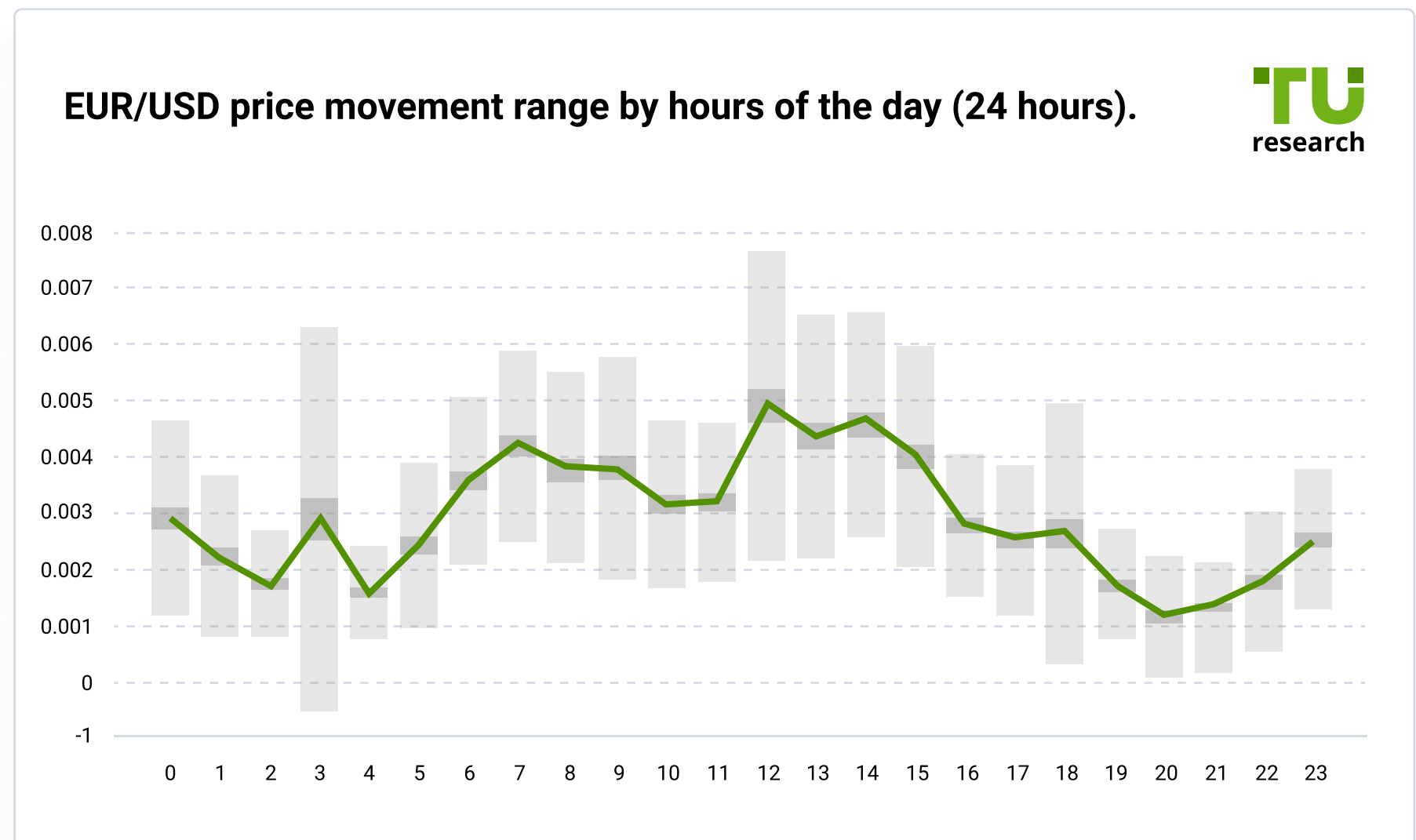
Picture 2. Global trading sessions hours (Forex market hours).

i **The most liquid time is the period of trading session overlapping in the Forex market.** In other words, these are the periods of time when one trading session overlaps with another one, which largely influences market liquidity and effectiveness of trading.

There are several trading sessions that overlap:

- Between 23.00 GMT and 7.00 GMT there is an overlap of trading sessions in Sydney and Tokyo; the maximum volume is observed in the currencies of this region (AUD/USD, AUD/JPY, AUD/NZD, USD/JPY, NZD/JPY, and NZD/USD, etc.)
- Between 8.00 GMT and 9.00 GMT, there is an overlap of trading sessions in Tokyo and London and, accordingly, this is the time of active trading for the currency pairs of Europe and Japan (EUR/JPY, GBP/JPY, etc.).
- Trading of the pairs EUR/USD and GBP/USD becomes more active during the overlapping of the sessions in London and New York (between 13.00 GMT and 17.00 GMT).

The chart below shows the change in the EUR/USD price movement range by every hour over 24 hours. The red line represents the average change and highlights the highs versus the lows for the day.



Picture 3. EUR/USD price movement range by hours of the day (24 hours).

During the periods of trading session overlapping the number of traders trading simultaneously considerably increases, thus impacting the trading volumes. An increase in liquidity means that the probability of slippages is lower, the chances of orders being executed are higher and the spreads on the currency pairs are lower.

TU's Research Department also reviewed information about the most volatile days with increased liquidity. The processed data showed that Tuesday and Wednesday are the most stable periods for the traders, and Thursday and Friday are the most active days based on price fluctuation and liquidity. Trading on Monday directly depends on the important economic statistics released on this day. If there is not much of it, the day is not active, and if there is a lot of it, the activity and liquidity increase to the level of Tuesday and Wednesday.

Activity on the trading days also substantially depends on the availability of reports and statistical data released in different countries. For this reason, Thursday and Friday are the most liquid and, at the same time, the most volatile days of the week.

The table below shows the volatility of the major currency pairs, according to the days of the week, where the most volatile days are highlighted in the darker colors and the least volatile ones in the lighter colors.

Currency pair	Monday	Tuesday	Wednesday	Thursday	Friday
EUR/USD	63	76	66	77	79
GBP/USD	82	101	92	116	113
AUD/USD	67	79	65	82	95
USD/CHF	60	70	54	62	58
EUR/JPY	70	74	71	77	75
GBP/JPY	90	105	96	118	108
USD/CAD	80	82	84	98	111

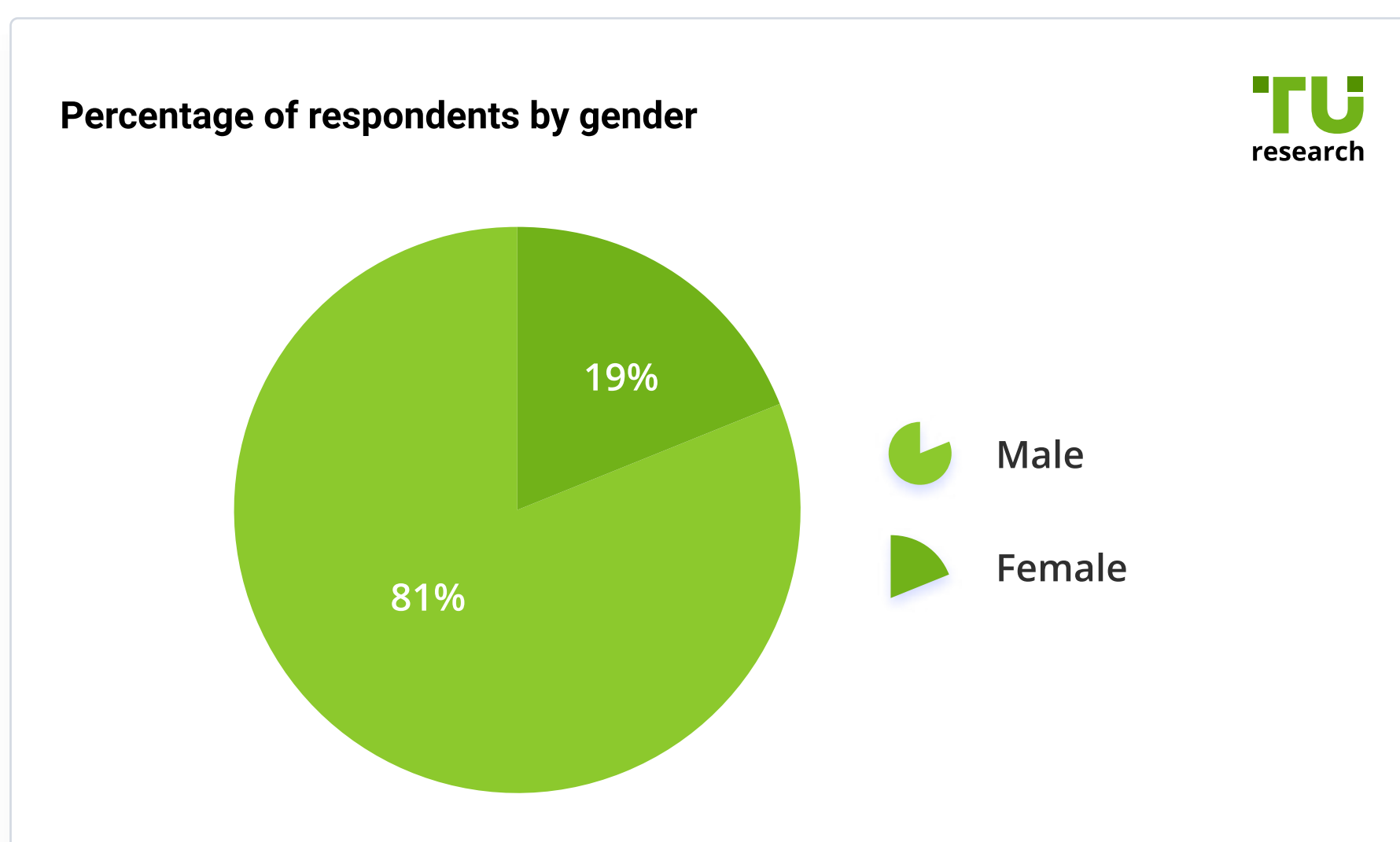
i Note:

Currency pair volatility in the table is provided in pips.

Results of TU's research (*)

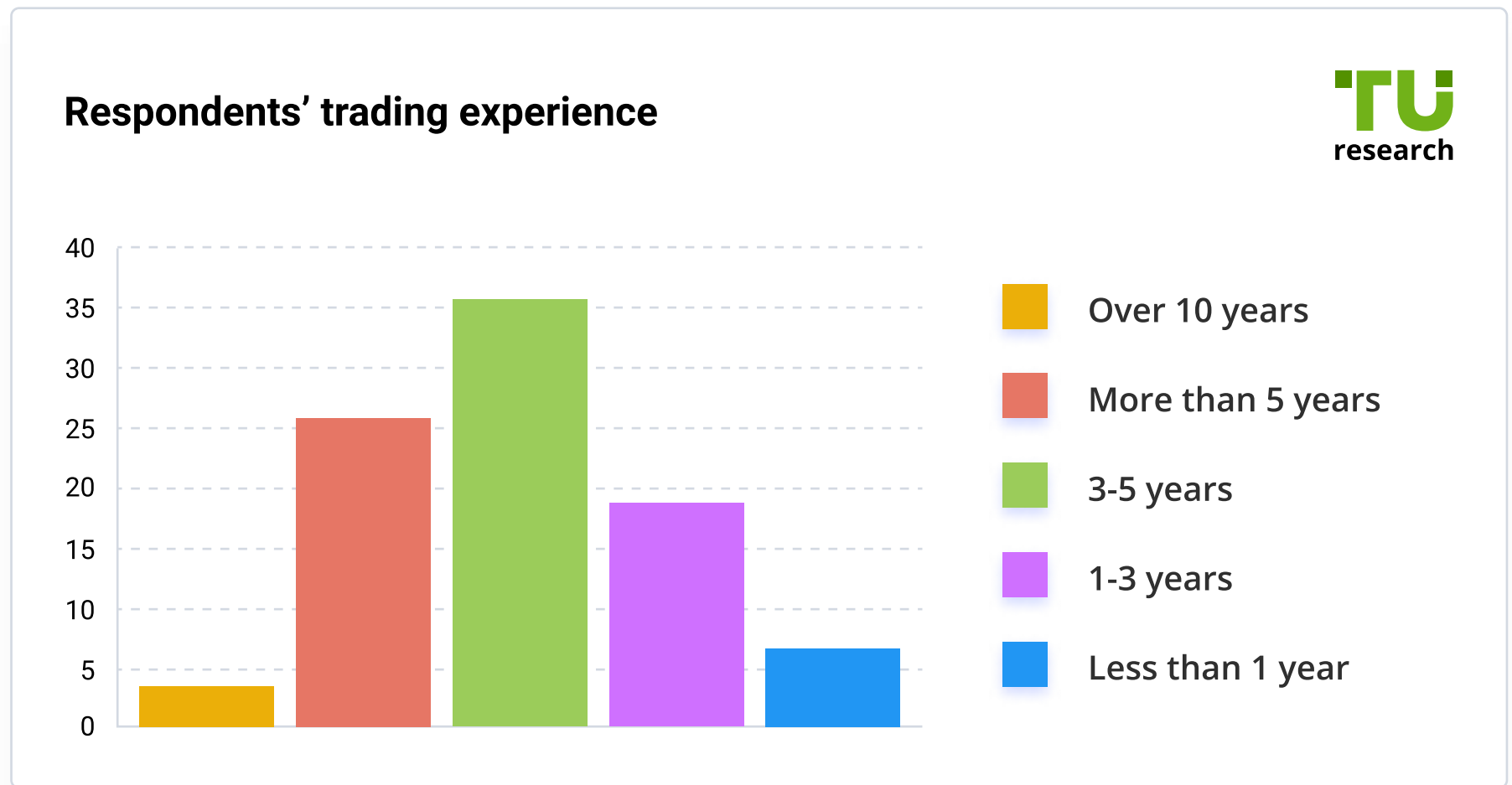
With the objective of practical testing of the aforementioned assumptions, the team of the Traders Union experts conducted their own survey among successful practicing traders, who are members of the Traders Union community. The survey was conducted using the CAWI (Computer Assisted Web Interviewing) method. The non-sampling error of the survey with a confidence level of 0.95 is no more than 2.0%.

The research was conducted via email interviews of traders from different regions of the world using a structured questionnaire. A total of 2,080 people were interviewed, comprising 81% men and 19% women.



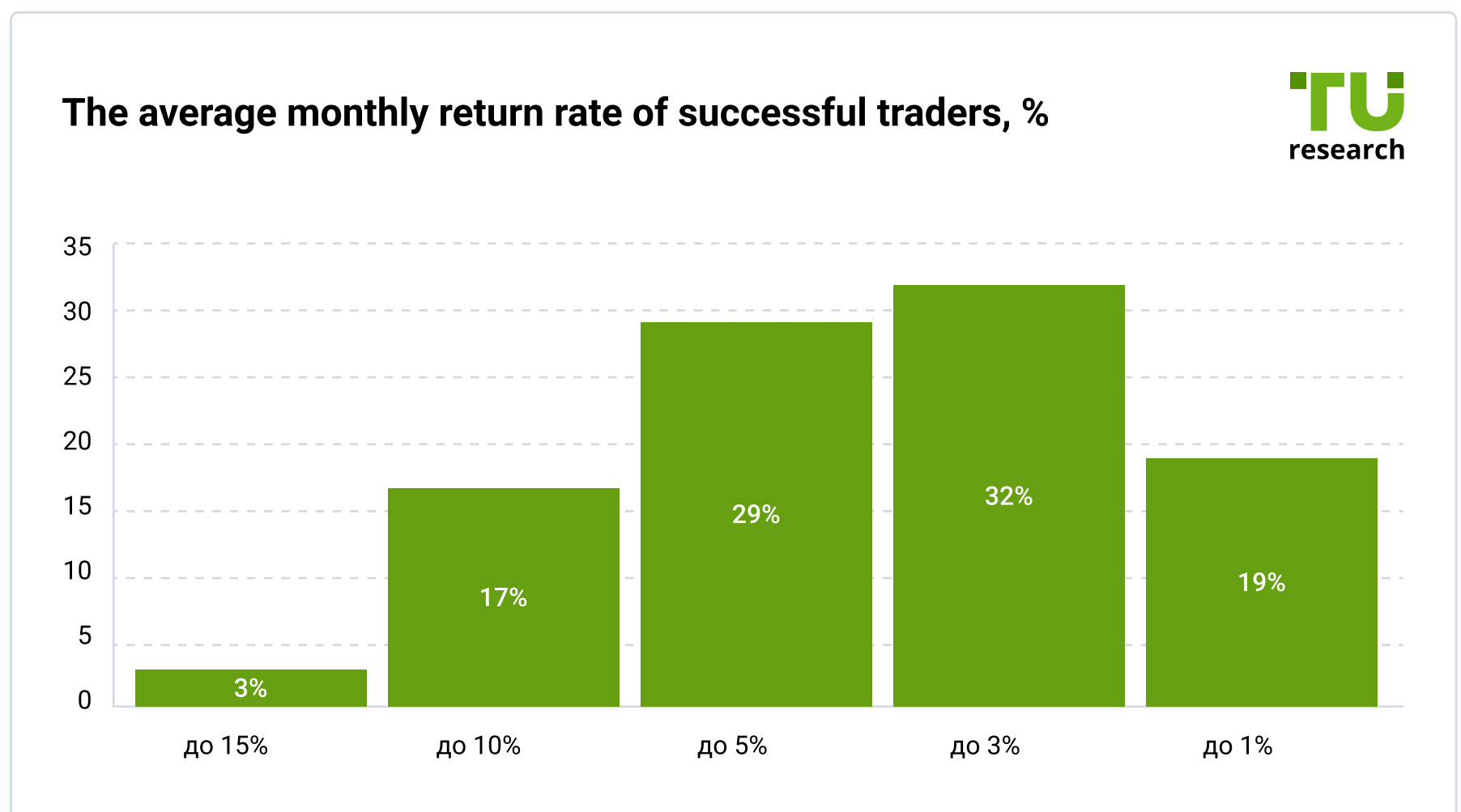
Picture 4. Respondents by gender, %

In terms of their trading experience, the composition of the respondents was as follows: 4% have been trading on Forex for over 10 years; 28% – more than 5 years; 38% – from 3 to 5 years; 21% – from 1 to 3 years; and 9% – less than one year.



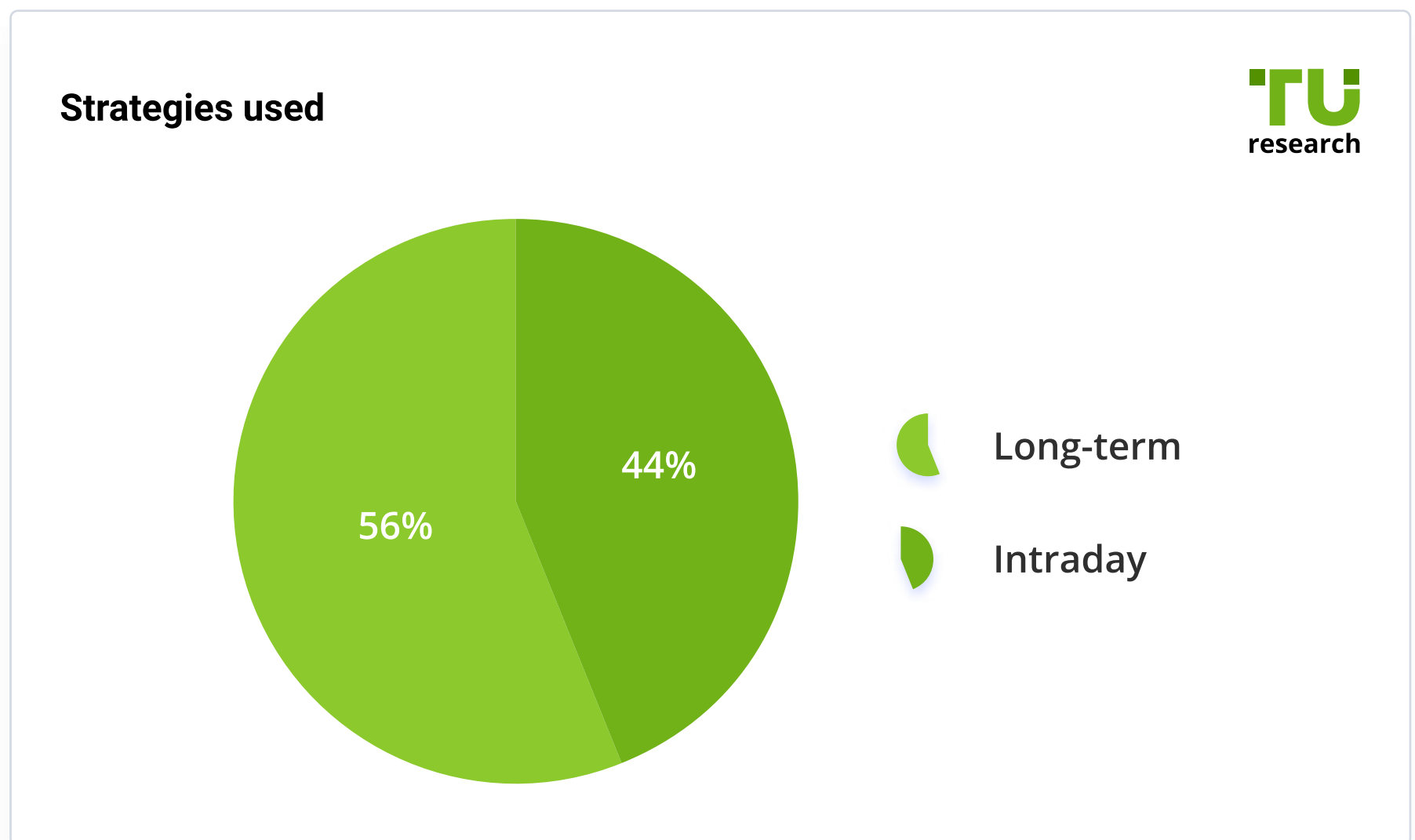
Picture 5. Respondents' trading experience, %

In terms of average monthly deposit growth for the last 6 months among successful traders, the results are as follows: 3% of respondents have shown an average monthly return of up to 15%; 17% – up to 10%; 29% – up to 5%; 32% – up to 3%; and 19% – up to 1%.



Picture 6. Average monthly return rate of successful traders, %

In terms of the trading strategies, 44% of traders use long-term trading strategies in their work on Forex, 56% prefer intraday trading systems.



Picture 7. Long-term or intraday trading strategies, %

Results of the survey on the best trading days of the week and the best time to trade.



What do you think is the most profitable day of the week for trading Forex?

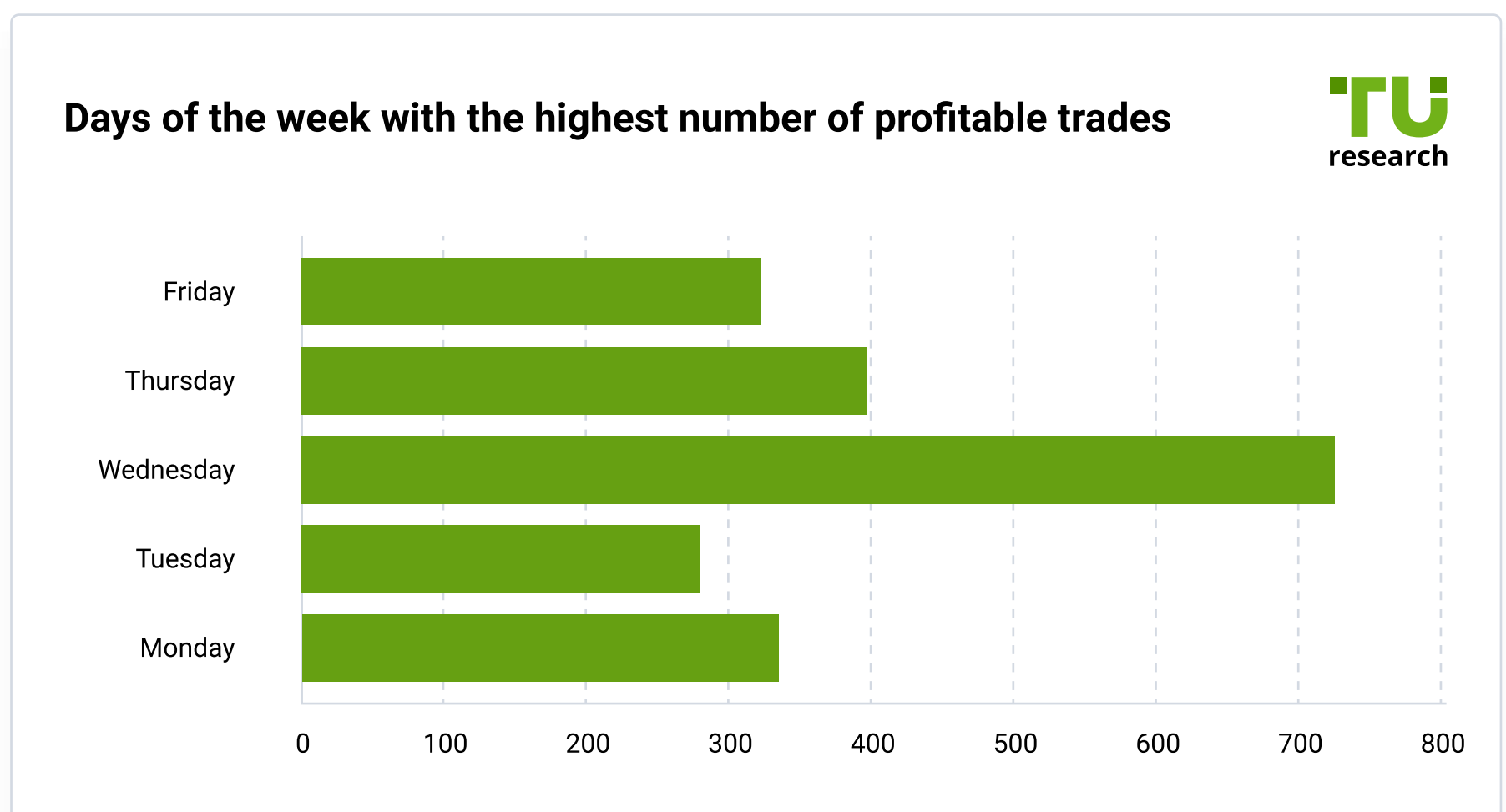
Gender, Experience	Male		Female		Over 10 years		Over 5 years		3-5 years		1-3 years		Less than one year	
	Votes	%	Votes	%	Votes	%	Votes	%	Votes	%	Votes	%	Votes	%
Monday	271	16%	68	17%	9	11%	99	17%	127	15%	61	14%	43	23%
Tuesday	202	12%	83	21%	12	15%	81	14%	103	13%	66	15%	23	12%
Wednesday	603	36%	127	32%	27	32%	210	36%	292	37%	152	35%	49	26%
Thursday	322	19%	78	20%	22	26%	122	21%	134	17%	92	21%	30	16%
Friday	286	17%	40	10%	13	16%	70	12%	134	17%	66	15%	43	23%
Total	1684	100%	396	100%	83	100%	582	100%	790	100%	437	100%	188	100%

Table. 1 Responses by gender and forex trading experience.

Return rate, Strategy	Long-term strategies		Short-term strategies		Return up to 15%		Return up to 10%		Return up to 5%		Return up to 3%		Return up to 1%	
	Votes	%	Votes	%	Votes	%	Votes	%	Votes	%	Votes	%	Votes	%
Monday	211	23%	128	11%	8	13%	57	16%	103	17%	92	14%	79	20%
Tuesday	110	12%	175	15%	9	14%	64	18%	78	13%	87	13%	47	12%
Wednesday	311	34%	419	36%	21	34%	124	35%	223	37%	240	36%	122	31%
Thursday	156	17%	244	21%	14	22%	67	19%	127	21%	133	20%	59	15%
Friday	128	14%	198	17%	10	17%	42	12%	72	12%	114	17%	88	22%
Total	916	100%	1164	100%	62	100%	354	100%	603	100%	666	100%	395	100%

Table 2. Responses by strategy type and monthly return rate.

The traders named the following days for candidates for the best time to trade Forex: Monday – 339 votes, Tuesday – 285 votes, Wednesday – 730 votes, Thursday – 400 votes, Friday – 326 votes.



Picture 8. Days of the week with the highest number of profitable trades (votes).



What period of the day do you consider the best to trade Forex?

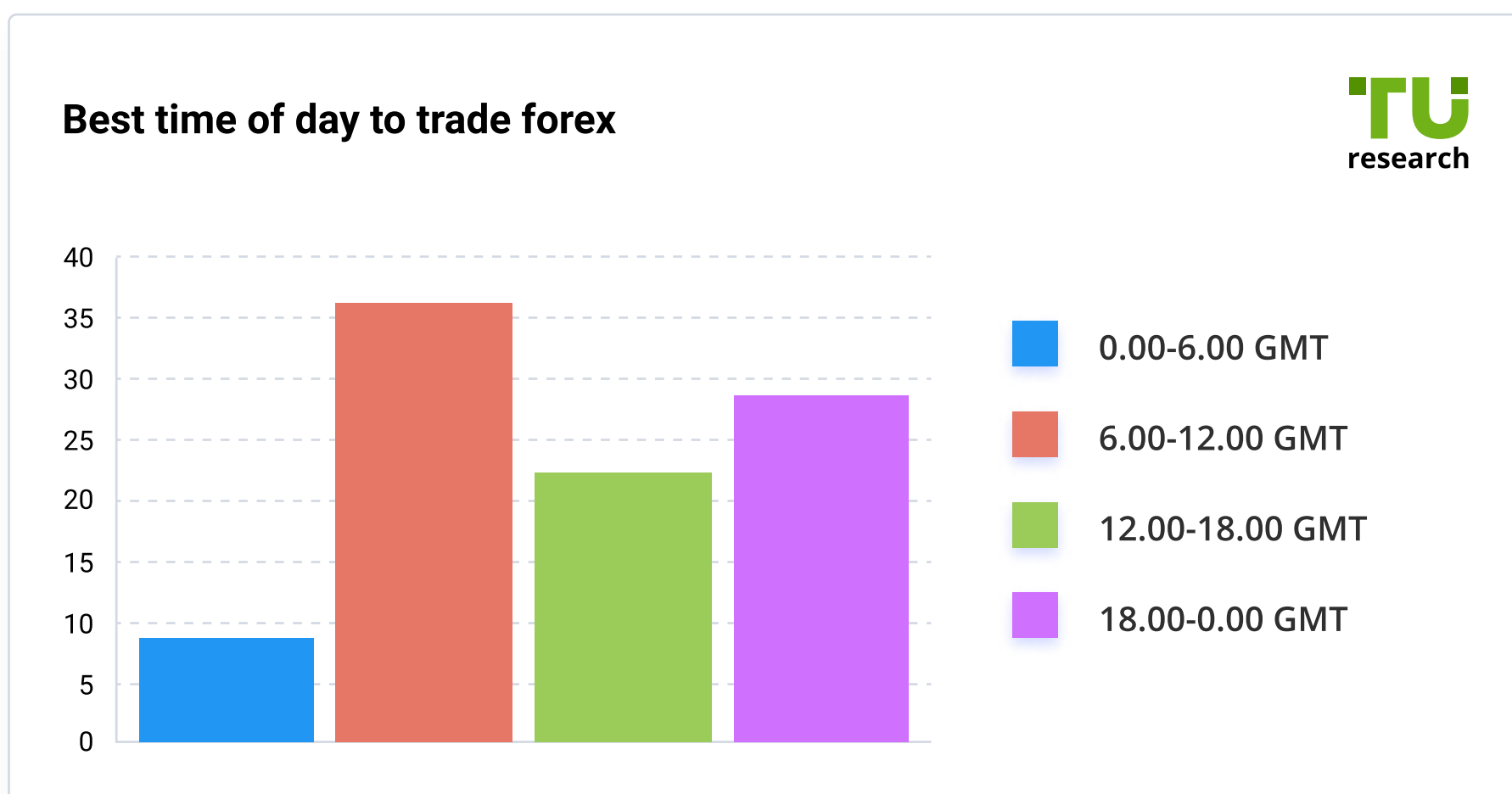
Gender, Experience	Male		Female		Over 10 years		Over 5 years		3-5 years		1-3 years		Less than one year	
	Votes	%	Votes	%	Votes	%	Votes	%	Votes	%	Votes	%	Votes	%
0:00-6:00 GMT	202	12%	27	7%	12	15%	41	7%	87	11%	61	14%	28	15%
6:00:12:00 GMT	623	37%	167	42%	27	33%	244	42%	292	37%	166	38%	60	32%
12:00-18:00 GMT	320	19%	96	24%	10	12%	122	21%	142	18%	96	22%	45	24%
18:00-0:00 GMT	539	32%	106	27%	34	40%	175	30%	269	34%	114	26%	55	29%
Total	1684	100%	396	100%	83	100%	582	100%	790	100%	437	100%	188	100%

Table 3. Responses by gender and Forex trading experience

Return rate, Strategy	Long-term strategies		Short-term strategies		Return up to 15%		Return up to 10%		Return up to 5%		Return up to 3%		Return up to 1%	
	Votes	%	Votes	%	Votes	%	Votes	%	Votes	%	Votes	%	Votes	%
0:00-6:00 GMT	82	9%	147	13%	9	15%	28	8%	78	13%	73	11%	40	10%
6:00:12:00 GMT	367	40%	424	36%	14	22%	124	35%	254	42%	253	38%	145	37%
12:00-18:00 GMT	192	21%	223	19%	14	22%	64	18%	84	14%	140	21%	115	29%
18:00-0:00 GMT	275	30%	370	32%	25	41%	138	39%	187	31%	200	30%	95	24%
Total	916	100%	1164	100%	62	100%	354	100%	603	100%	666	100%	395	100%

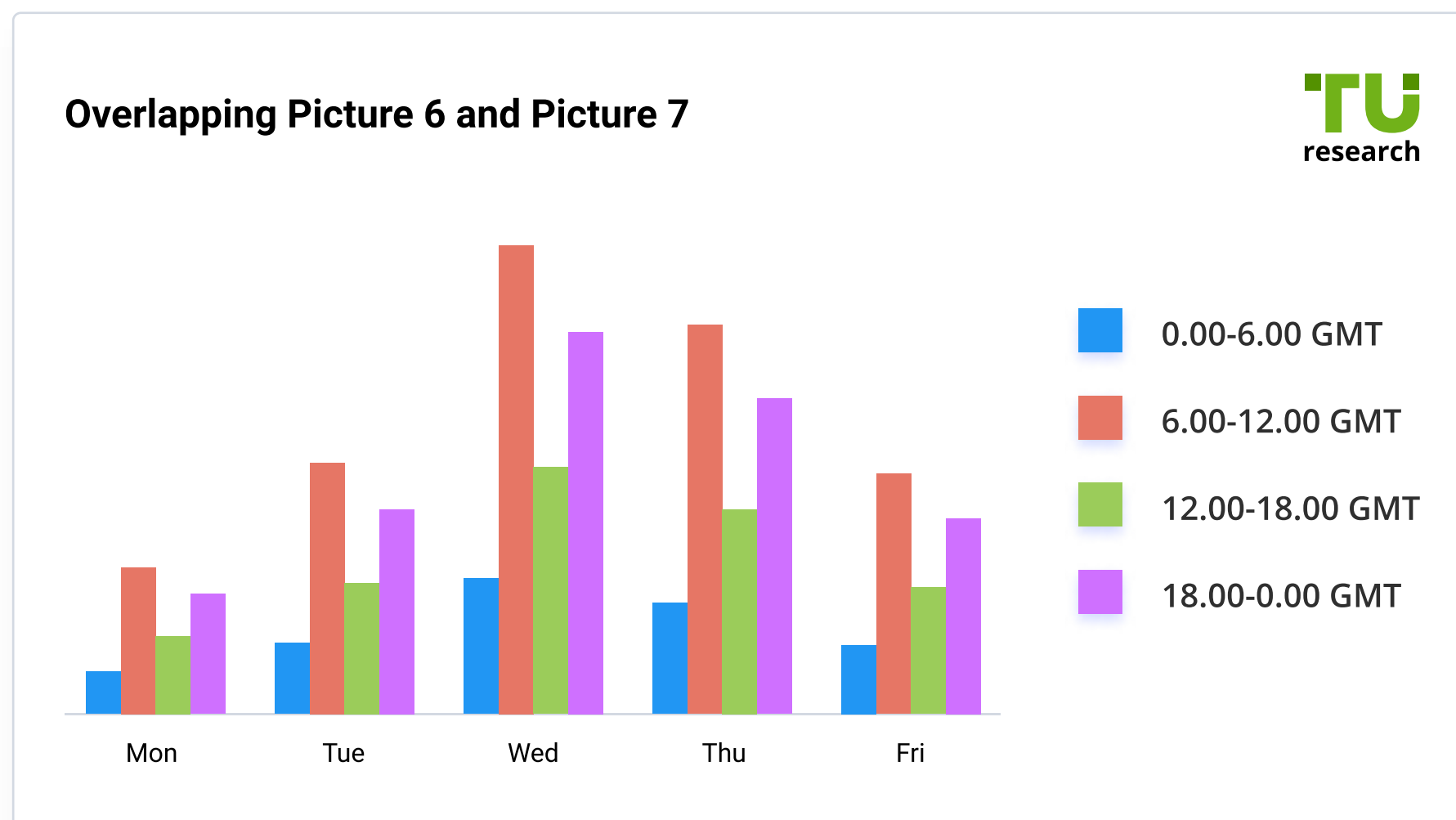
Table 4. Responses by strategy type and monthly return rate.

The best time to trade Forex according to the traders: 11% - 0.00-6.00 GMT; 38% – 6.00-12.00 GMT; 20% – 12.00-18.00 GMT; and 31% – 18.00-0.00 GMT.



Picture 9. The best time of day to trade Forex with the highest number of successful trades, %

The experts at TU also established a correspondence between the best days of the week and the best time of day to trade Forex and received the following results.



Picture 10. Overlapping Picture 8 and Picture 9 to determine the best day and the best time to trade Forex.

(*) Survey criteria

- ✓ Survey audience: Forex traders of the TU community aged 18 and older.
- ✓ The sample is representative in terms of age, gender, and Forex trading experience.
- ✓ Sample number: 2,080 respondents.
- ✓ Survey method: CAWI (Computer Assisted Web Interviewing)
- ✓ Non-sampling error of the study with a confidence level of 0.95: no more than 2.2%.
- ✓ Period: 23-24 March 2021.

Findings

In summary, based on the sociological survey on the best day and the best time to trade Forex, the following conclusions can be drawn:

① The majority of the traders who participated in the TU survey, contrary to the expectations and earlier published researches of other respectable publications, stated that they considered the trading hours and days that did not have the highest liquidity and volatility to be the most profitable for them.

② The respondents named Wednesday the best day of the week to trade Forex, even though this day is not statistically the most active and liquid day to trade currency.

③ According to the results of the survey, the best time of the day to trade Forex is the periods of 6.00-12.00 GMT and 18.00-0.00 GMT. That is the time when the highest percentage of profitable trades has been recorded.

④ For the traders using short-term trading strategies, in addition to Wednesday, Thursday is a good day to trade.

⑤ Traders using long-term strategies note that Wednesday and Monday are the most successful days for trading. It is noteworthy that the results of the survey do not depend on the gender of the trader. Both men and women, regardless of their trading experience, have the same opinion that Wednesday is the best day to trade Forex.

It is also noteworthy that the results of the survey do not depend on the gender of the trader. Both men and women, regardless of their trading experience, have the same opinion that Wednesday is the best day to trade Forex.

⑥ The popular assumption made by different open sources that the most volatile and liquid periods are the best time to trade Forex has not been confirmed.



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