

Timeframes, and what changing one changes

TIMEFRAMES

A timeframe is how much time each candle summarises: an M5 chart compresses five minutes per candle, an H4 chart four hours. Changing timeframe redraws the same prices at a different compression - four H1 candles contain exactly the price history of one H4 candle. Nothing is added or removed from what happened; only the summary's grain changes.

Click from H1 to H4 and the chart transforms: choppy becomes smooth, a messy afternoon becomes one confident candle. It is tempting to read the transformation as new information. It is the same information at a different zoom, and knowing exactly what the zoom does - and does not do - is the skill.

What happens when four candles become one?

The arithmetic is mechanical. The H4 candle's open is the first H1's open; its close is the last H1's close; its high and low are the highest and lowest of the four. Everything else the four hourly candles showed - three intermediate closes, the order the extremes came in, the back-and-forth between them - is folded away. Compression deletes sequence from the picture. The prices all still happened, and your account met every one of them; the bigger candle just declines to say in what order.

That is the whole trade-off, in both directions. Lower timeframes show sequence and cost you perspective: every wiggle demands attention, and most wiggles are the spread-wide noise of module 1's book at work. Higher timeframes buy perspective and hide the path: a smooth daily candle can contain an afternoon that would have stopped you out twice. Neither view is truer - they are answers to different questions about the same record.

Worked example - figures in USD

You hold 0.2 lots of EUR/USD through an afternoon whose H4 candle spans 60 pips. A pip on a full lot is worth \$10.

1. An afternoon of EUR/USD draws as one H4 candle with a 60-pip range. Switch to H1: the same afternoon is four candles that travelled up, back, and up again inside that range.
2. Price the afternoon at your size: \$10 per pip on a full lot makes your 0.2 lots position worth \$2 a pip, so the 60-pip range spanned \$120 - a number no timeframe change can alter.
3. What changed between the views was the visible path, and paths matter to positions: a stop inside that range was hit or missed by the sequence, which only the lower timeframe recorded. The H4 candle knows the destination; the H1 candles remember the journey.

What this means for you

Stop hunting for the right timeframe - there isn't one, because the choice is about the question, not the market. Ask where prices have been over weeks and the daily answers cleanly; ask what the last hour did to your stop and only the small candles know. When two timeframes seem to disagree, neither is lying: the higher one folded away the sequence the lower one shows. And carry one caution forward - a smooth candle is a summary's smoothness. The path inside it was as jagged as the book that made it.

Check your understanding

1. Four H1 candles combine into one H4 candle. Which of their numbers survive?

- a. First open, last close, and the highest high and lowest low of the four
- b. The average of each of their four numbers
- c. All sixteen numbers, redrawn smaller
- d. Whichever candle had the largest range

Answer: a. That is the aggregation rule - and everything else, including the intermediate closes and the order of events, is folded away. Nothing is averaged, the sixteen numbers reduce to four, and no single candle wins - the extremes can come from different hours.

2. A daily candle looks smooth and decisive. What does that tell you about the day's path?

- a. Nothing - the summary deleted the sequence, which may have been anything within the range
- b. The day traded steadily in one direction
- c. Volatility was low all day
- d. The lower timeframes will look smooth too

Answer: a. Smoothness belongs to the drawing, not the day: one candle records four numbers and no path. A steady day and a twice-reversing day can produce identical candles, intraday volatility is invisible at this grain, and the lower timeframes are precisely where the difference shows.

3. Does switching from H1 to H4 change what your open position experienced?

- a. No - positions settle on prices, and the prices are identical in both views
- b. Yes - larger candles mean larger moves
- c. Yes - the H4 view removes the noise your position felt
- d. Only if the switch happens while the candle is forming

Answer: a. The chart is a viewing choice; the quote stream your position lives on does not know which summary you are looking at. Candle size reflects compression rather than movement, the noise still happened to your account, and forming candles redraw for everyone without touching any position.

4. When is a lower timeframe genuinely the better view?

- a. When the question is about sequence - what order the moves came in
- b. Always - more detail is more truth
- c. Never - professionals use high timeframes
- d. When you want less noise

Answer: a. Sequence is the one thing compression deletes, so questions about paths - did the high come before the low, did a level get touched - need the finer grain. More detail is more of one kind of answer, no timeframe has a professional badge, and less noise is the higher timeframe's offer, not the lower's.