

Technical Analysis I: Introduction

Beginners Tutorials | Written by ActionForex.com |

Technical Analysis I: Introduction

There are two major approaches to analyzing the currency market, fundamental analysis and technical analysis. The fundamental analysis focuses on the underlying causes of price movements, such as the economic, social, and political forces that drive supply and demand. The technical analysis focuses on the studies of the price movements themselves. Technical analysts use historical data to forecast the direction of future prices.

The premise of technical analysis is that all current market information is already reflected in the price movement. By studying historical price movements, investors can make informed trading decisions. The following articles aim to give a thorough presentation of technical analysis tools and theories.

The primary tools of technical analysis are the charts. The articles first introduced common kinds of charts available on charting software. Charts are also used to identify trending and ranging markets. The articles continued on how to identify support and resistance price, trend lines and price channels. Next, it presented simple trading strategies in trending and ranging markets.

Through careful observation, technical analysts have found recurring patterns on the charts that can give us indication about future price movements. The articles introduced the important patterns, such as the trend reversal and trend continuation patterns. In addition, the Japanese Candle Stick has its own implications in terms of patterns, the articles then introduced how to read the Japanese Candle stick and the inference of its patterns.

Technical indicators are mathematical calculations based on historical prices, they are used extensively in technical analysis to predict changes in trends or price patterns. The final part of the technical analysis is a series of articles introducing two major types of indicators: trend following indicators and oscillators.

ActionForex.com