

Technical Analysis

What is Technical Analysis: Study of the Pricing based on the Charts.

A brief description of Technical Analysis: Interpreting chart patterns and attempting to predict future movement based on past behavior.

What is Fundamental Analysis: Study of the Pricing based on the Market(Politics,Climate,Time)

Trading: Buy Low & Sell High

Security: Any trade-able financial instrument. (ie.stocks, bonds, commodities, futures, indices, mutual funds, options)

Price of a Security:

~~Price of a Security represent a consensus(seeks widespread agreement among group members).~~

It is the price at which one person agrees to buy and another agrees to sell.

Issues in Forecasting:

If (s)he expects the security's price to rise, (s)he will buy it; if the investor expects the price to fall, (s)he will sell it. These simple statements are the cause of a major challenge in forecasting security prices, because they refer to human expectations.

Once *Isaac Newton* asked about the continuance of the rising of South Sea stock. He answered '*That he could not calculate the madness of people*'.

Psychology and Market: The key to technical analysis is that human behavior is considered invariant(constant).

A consensus amongst market participants is reflected in a 'trend'. Incorrect assumptions and disappointment is considered a 'breakout or breakdown'.

These patterns simply imply a set of expectations on behalf of those with an emotional stake in the outcome. Once the market behavior is classified in terms of a pattern and context, the technical trader can then form an opinion of future price action. Once the market behavior is classified in terms of a pattern and context, the technical trader can then form an opinion of future price action.

Price Forecasting: