4 FUNDAMENTAL ANALYSIS

Fundamental analysis means predicting the move in the market by the analysis of financial and economic news, political, social, and economic factors that could influence the overall price of the currency. While technical analysis means looking at the chart and trends and using different technical patterns to predict the market, trading on the aspects of fundamental analysis means buying or selling the currency based on the news and many other economic factors expecting the price to weaken or get stronger. (Babypips, 2021).

Different news in the forex market could have a different impact on the price. Some news could have a high impact on the market while some do not cause any effect on the price at all. Major news like Gross Domestic Product (GDP), Unemployment, Central Bank meetings, Consumer Price Index (CPI), and Unplanned Forex News like terrorism, political speeches, etc. could have a significant impact on the price and move the market rapidly. (Fxsignal, 2021).

The fundamental analysis gives information about the country's current and future economic conditions and helps to predict whether the currency of the country will strengthen or get weaker. It helps to analyze the economic condition of the country, where a good economy means strong currency value and a bad economy means the value of the currency gets lower. (Babypips, 2021).

A short-term fundamental analysis trader prefers news trading because of its volatility, where the market could move up or down by several pips in a very short time. A fundamental analysis trader uses an economic calendar to watch the upcoming economic events. The economic calendar refers to the events and release of the news that can affect the price of a currency. It is an important tool to watch for the upcoming economic information and important events of a country. Events like central banks meetings, interest rates, employment rates, GDP report etc. can be found on the economic calendar, with the time and date of the events along with the impact on the price, the event can cause in the market. The economic calendar is used by the retail traders to be attentive and protect their open position from the events or news release that may affect their trade. (babypips.com, 2021).

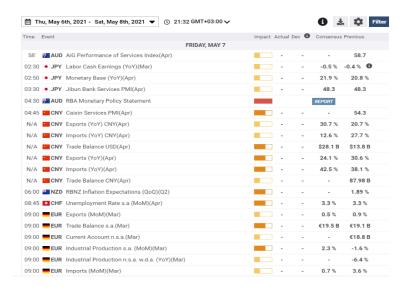


FIGURE 11. An Economic calendar of 8th May 2021. (https://www.fxstreet.com/economic-calendar).

The economic calendar in Figure 11 above is extracted from fxstreet.com. The calendar shows time in the first column, the currency name in the second, the name of the economic events in the third, and the expected impact of the event in the fourth (Red shows the high impact, orange shows the moderate impact, and yellow shows very low impact which can be ignored). The sixth column represents actual data which is displayed after the event is released and the seventh column deviation is the calculation displayed if the actual data is different from the consensus. The eight-column consensus shows the expected outcome of the number by the experts and the ninth column shows the previous outcome number when the event had occurred.