Title:
Winning Strategies With Forex Charts

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612

Summary:
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Fundamental analysis doesn’t rely on forex charts. It scrutinizes political and economic indicators to determine trades. Charts here are deployed as used as a secondary reference.

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Keywords:
forex, forex trading,online forex trading,forex online,forex trading system,online forex trading

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Fundamental analysis doesn’t rely on forex charts. It scrutinizes political and economic indicators to determine trades. Charts here are deployed as used as a secondary reference.

Technical analysis on the other hand, attempts to predict price swings by analysis of historical price activity. Those who use technical analysis study the relationship between price and time.

The most actively traded pair of currencies is the Euro and the US dollar, so we will use them in our example. The dollar is on the right hand side of the chart and the Euro is on the left hand side. The currencies are expressed in relationship to each other in pairing. Forex charges will always display how much of the currency on the right hand side is necessary to buy a unit of the currency on the left side. Looking at the typical EU-USD, chart you will notice the last price displayed per given date. This number is always emphasized. The time is tabbed horizontally across the bottom of a chart and the price scale is displayed vertically along the right hand edge of the chart. The time and the price are set in all caps to help the trader remember that technical analysis rests upon the relationship between time and price.

The trader observes the price and time movement on a chart. These include bars, lines, point and figure, and Japanese candle sticks-- the most favored method. With the candlestick method there is a large, red section that is the body of the candlestick. Lines protrude from the top and bottom and they are the upper and lower wicks. When you look at all the candles on a chart it is apparent that bodies come by difference sizes. Sometimes no body exists at all.

The same is true with wicks. Candle wicks come by many difference sizes; there may be no wick at all. The length of the body and the length of the wick are determined by the price range for the candle. Longer candles will have had more price movement during the time that they were open. The top of a candle wick is the highest price for that currency while the wick’s bottom is the lowest price. A currency is bullish when the close of the candle is higher than the open. In simple terms this means that there were more buyers than there were sales during the opening time period. Sometimes the candles will not have wicks. The price opened and it dropped off until it closed.

Forex charts don’t offer bullet proof trading hints, but they can help a trader. Past trends do have their place in forex trading as most traders will admit, and using the charts to track historical trends can assist a trader in making a snap decision.

The online investor typically joins a service that provides realtime charts that updates on currency activity. Charts can be checked on a minute to minute basis. For those who primarily do their trading based on historical accuracy this can ease the burden of prediction.

Most forex traders however use a combination of fundamental and technical analysis. They may chart historical trends, but they will also pay close attention to political, cultural and economic indicators within a region. They might use charts and other techniques to check correlation between political climate and currency fluctuations. But even the most sophisticated technical analysis software or tool has its limitations. A trader must be prepared to take risks… and invest money that is not needed for the immediate future.