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For stock traders, any edge is important to keep competition at bay. Technical stock analysis is one such tool that can be utilized by traders to keep ahead of the other brokers. Using all the instruments and charts available like price direction, trend lines, the peaks and valleys, support levels, the trader will be able to forecast market pattern. Basically if the market is up, you want to buy. When you find yourself at the other end of the spectrum, then you should look to sell. If the trend is moving sideways, you stay put.

Fundamental analysis or stocks technical analysis?

There are two principles utilized in stock trading. Fundamental analysis deals with real-time situation based on market data driven by supply and demand. It's Economics 101 essentially: when demand is up or supply is down, the price goes up. It all depends on the intrinsic value which will determine whether the market price is overvalued or undervalued.

Technical stock analysis, meanwhile, is interested the market action caused by price and volume. To simplify and sum up the difference between the two schools of thought, it's a question of cause and effect. Fundamentalists are more focused on triggers price movement while advocates of technical analysis in stocks are put more emphasis on the outcome.

The foundation of stocks technical analysis

Proponents of this method based their assumptions on three tenets: that studying the movement of the price already covers all the other intangibles (like politics or strength of the currency, for example), so they are not overly concerned about all those external factors. Second, price trends don't exist in a vacuum. According to the principle of technical stock analysis, the market price actually follows a cyclical pattern. What happened before will happen again because of, strangely enough, human fallibility. By studying these patterns and trends, the trader can anticipate when the price will go up or down and make the corresponding decision before anybody else does.

Is technical stocks analysis right for you?

As you may have realized, technical analysis requires a basic understanding of how stocks work, or advanced knowledge on mathematical or logarithmic calibrations. Online platforms on stocks and induces will only get you so much as the principle is anchored on human experience, knowledge and expertise. You need to find some sense among all those graphs and charts, identify reversal and continuation price patterns, the leading or lagging markers.

All these tools and principles are used to help you make three major choices: whether you go long (meaning you decide to buy); go short (or decide to sell); then finally do sit idle if the market moves side-ward. By using the principle of stocks technical analysis, and utilizing online platforms that track down market volume and price, you would be able to arrive at the best decision.

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