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In order to earn consistently from the stock and foreign exchange markets, a trader needs a reliable system to consistently predict and stay ahead of market movements and price fluctuations. Stock market technical analysis and fundamental analysis are the foundation of the current trading systems and are an essential tool and technique to learn if traders wish to become successful in the market.

Technical Analysis versus Fundamental Analysis

There are practically hundreds of factors that can affect the price and price movements of a particular currency or stock and the study and examination of all these factors together to create a proper prediction of price movements and fluctuations is called Fundamental Analysis. Technical analysis does not concern itself with other factors but rely solely on studying data and charts from past market actions and movements. This makes trading technical analysis great at analyzing a specific stock or currency's price movement through large time samples. Technical analysis can also follow more markets and market instruments at the same time and produce the results simultaneously.

The Application of Technical Analysis

Using technical analysis on a particular market instrument or stock can be hard to do manually but today's market analysis software and trading platforms often have features that can do this even on multiple items or samples. To be able to understand the output of the analysis, one should consider how technical analysis sees the data. First, without looking at the other factors other than market numbers, the analysis will not concern itself with the reasons for the changes but only the changes themselves. Second, the stock trading analysis will often follow or detect trends and patterns in the data. Finally, the accuracy of the analysis may depend on the sample size of the data you have chosen to input or consider. Any problems with the data source, such as it being too limited, can and will have an effect on the final analysis.

Responding to Technical Analysis

After the trading technical analysis, a trader must decide on how to respond to the results. Experienced traders can often easily tell if the analysis is accurate if the results show a large margin favoring one direction of movement. Through the combination of multiple results from multiple data points, traders can predict the movement of the stock via multiple view points and if they all agree on the direction of movement, the prediction will, in theory, become more accurate.

In the end, Technical Analysis is simply a tool that can provide another viewpoint and opinion to consider before entering a transaction in the stock and currency markets. Like many other tools, they are only as good as the ones using them and as such, practice and experience will ensure better results in the future.

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