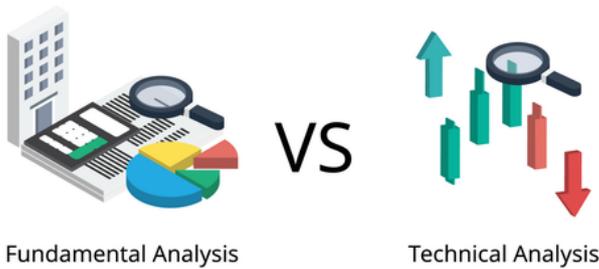




Market analysis is an essential part of any trading strategy. It involves using the information available to you now, to make educated predictions as to how a market will behave in the future.

There are two main types of market analysis:



Technical analysis focuses exclusively on the price movements of a market, while fundamental analysis looks at the wider economic factors that can affect its price.

You'll often find traders identifying themselves as either technical or fundamental analysts, extolling the benefits of one over the other. Though ultimately a grasp of both forms of analysis will give you the best platform to trade the financial markets.

WHAT IS TECHNICAL ANALYSIS?

Technical analysis is based on the premise that what happens in the past can be used to predict what might happen in the future - although, of course, you have to remember this can never be guaranteed, which means technical analysis shouldn't be used in isolation.

Technical analysis is what traders use to study the historical price movements of markets and by far the easiest way to do this is by looking at charts.

By examining the trends and patterns in market prices, technical analysts can interpret the behavior of buyers and sellers to help give an indication of where the market could go next. Since certain behavioral patterns have occurred repeatedly in the past, it's possible to identify them as they emerge and predict the likely future movement of the market.

For example, if the Commodity price of Crudeoil keeps dropping to around the 7600 price level and then rising immediately afterward, a technical analyst might choose to buy some commodity the next time it falls to that price, predicting that the pattern will repeat itself.



In the technical analysis world, the 7600 price level is called a support level. We'll study support levels and other patterns in more detail later in the upcoming article - but before we do that, in the next section we'll take a quick look at the three main types of charts you can use to analyze financial markets.