

# Module 3: Analyzing the Forex Market

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11 - 15

# 11. Intro to Technical Analysis

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# What is Technical Analysis?

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**Technical Analysis** is a method of evaluating trends and patterns on the chart which help us identify trading opportunities. It also helps us make decisions on when we should exit the market, whether win or loss.

Technical Analysis helps us find our edge in the market, which will give our trades a ‘higher probability’ of success.

This involves the use of tools such as:

- Trendlines
- Resistance and Support
- Fibonacci

# 12. Candlestick Patterns for Beginners

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# Candlestick Analysis

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**Candlestick Analysis** is a technique used to interpret price movements in the market. They provide a visual representation of price action over time. Used to identify trends, reversals, and continuation patterns.

A candlestick is made up of the body and the wick. It consists of four key price points:

- Open: The price at the start of the time period.
- Close: The price at the end of the time period.
- High: The highest price during the time period.
- Low: The lowest price during the time period.

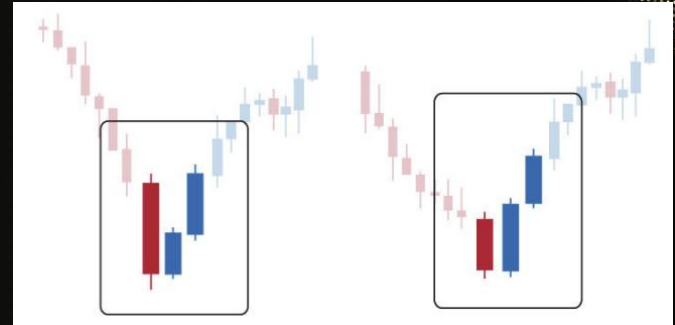
# Bullish Candlestick Patterns

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## Main Bullish Patterns:

### Bullish Engulfing Candles:

A bearish candle followed by 1 or 2 bullish candles closing above that previous bearish candle, signaling reversal to the upside.



### Morning Star:

A three candle pattern suggesting reversal from downtrend to uptrend.

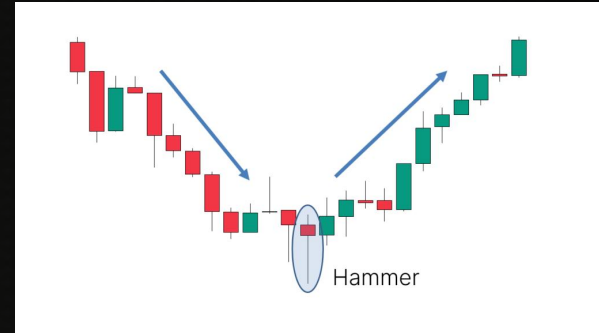


# Bullish Candlestick Patterns

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## Hammer:

A candle with a small body near the top, and a long lower wick, indicating potential reversal from bearish to bullish.



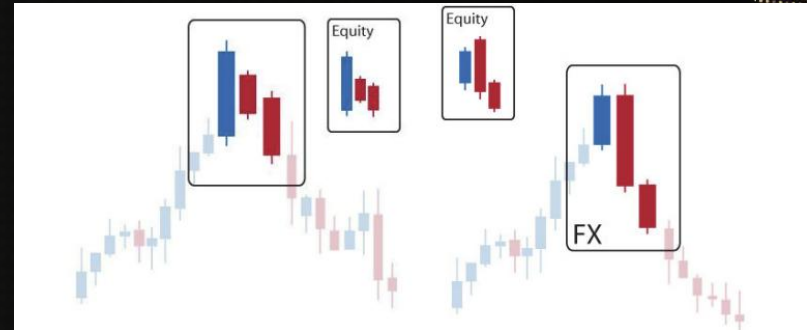
# Bearish Candlestick Patterns

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## Main Bearish Patterns:

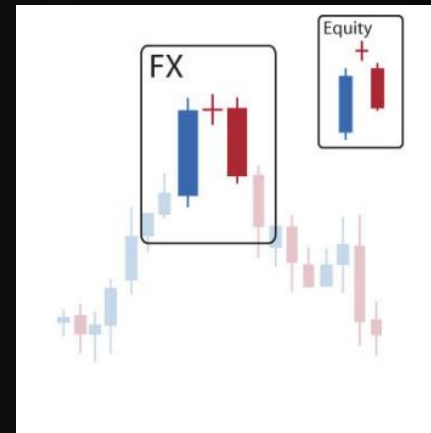
### Bearish Engulfing Candle:

A bullish candle followed by 1 or 2 bearish candles closing below that previous bullish candle, signaling reversal to the downside.



### Evening Star:

A three candle pattern indicating a reversal from uptrend to downtrend.





# Bearish Candlestick Patterns

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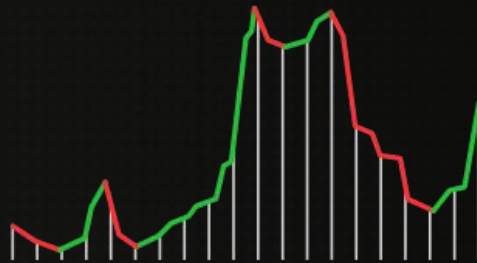
## Shooting Star:

A candle with a small body near the bottom and a long upper wick, suggesting reversal from bullish to bearish.



# 13. Key Technical Indicators

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# Technical Indicators

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## Moving Averages (MA):

Moving Averages are used to determine trend direction, persons also use it to identify potential support and resistance levels.

There are 2 primary types:

- Simple Moving Average (SMA)
- Exponential Moving Average (EMA)

Important:

When price is trading over the MA, the trend is bullish.

When price is trading below the MA, the trend is bearish.

# Technical Indicators

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## Relative Strength Index (RSI):

This is a momentum oscillator, measuring speed and change of price movement. Helps in identifying if a market is overbought or oversold to expect a reversal.

- Above 70: market is considered overbought, suggesting potential reversal or pullback.
- Below 30: market is considered oversold, suggesting potential upward reversal.

# Technical Indicators

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## **Bollinger Bands:**

These help identify overbought and oversold conditions also. As price moves towards the upper band, it may indicate overbought market while moving to the lower band will indicate oversold market

# Technical Indicators

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## Volume:

One of the simplest yet very important indicators. It measures the number of contracts during a specific time.

High volume would strong investor interest leading to high volatility.

Low volume suggest low investor interest, therefore low volatility in price movement.

For example:

- High volume in an uptrend - strong buyer interest - suggest strong buying pressure
- High volume in a downtrend - strong seller interest - suggest strong selling pressure.

# 14. Intro to Fundamental Analysis

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# Fundamental Analysis

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This involves reviewing the economic and political factors that can influence the value of a currency pair or other tradable instrument.

Currencies are heavily influenced by macroeconomic indicators, central bank policies, and geopolitical events.

Used hand in hand with Technical Analysis, traders can find a technical edge in the market then use their understanding of fundamentals to form stronger convictions for taking positions.



# Using Economic Calendars

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# Economic Calendars

Traders use this to be informed on the release of economic data that will affect the markets. A popular one is Forex Factory: <https://www.forexfactory.com/>

**Currency:** shows the currency the the news have an impact on.

## Impact:

- Yellow Folder - Low impact
- Orange Folder - Medium impact
- Red Folder - High impact

| Today: Jan 23 |           |          |               |                                   |                           |
|---------------|-----------|----------|---------------|-----------------------------------|---------------------------|
| Date          | Time      | Currency | Impact        | Event                             |                           |
| Thu<br>Jan 23 | Day 4     | All      | Orange Folder | WEF Annual Meetings               |                           |
|               | 7:00am    | GBP      | Yellow Folder | CBI Industrial Order Expectations |                           |
|               | 9:30am    | ))       | CAD           | Red Folder                        | Core Retail Sales m/m     |
|               |           |          | CAD           | Red Folder                        | Retail Sales m/m          |
|               |           |          | USD           | Red Folder                        | Unemployment Claims       |
|               | 11:00am   | ))       | EUR           | Yellow Folder                     | Consumer Confidence       |
|               | 11:30am   | ))       | USD           | Yellow Folder                     | Natural Gas Storage       |
|               | ▶12:00pm  | ))       | USD           | Red Folder                        | President Trump Speaks    |
|               |           |          | USD           | Orange Folder                     | Crude Oil Inventories     |
|               | 6:00pm    | ))       | AUD           | Yellow Folder                     | Flash Manufacturing PMI   |
|               |           |          | AUD           | Yellow Folder                     | Flash Services PMI        |
|               | 7:30pm    | ))       | JPY           | Yellow Folder                     | National Core CPI y/y     |
|               | 8:01pm    | ))       | GBP           | Yellow Folder                     | GfK Consumer Confidence   |
|               | 8:30pm    | ))       | JPY           | Yellow Folder                     | Flash Manufacturing PMI   |
|               | 10:00pm   | ))       | NZD           | Yellow Folder                     | Credit Card Spending y/y  |
|               | Tentative | ))       | JPY           | Red Folder                        | BOJ Policy Rate           |
|               | Tentative | ))       | JPY           | Red Folder                        | Monetary Policy Statement |
| Tentative     | ))        | JPY      | Red Folder    | BOJ Outlook Report                |                           |