



Assumptions Associated with the Theory of Technical Analysis Training

A majority of active investors or initial traders do not have an adequate understanding of technical analysis before they start using it. Therefore, it would be in your best interest, to begin with, the basic question –

What do you understand by technical analysis?

It would be best described as a process of analyzing security dependent on statistics inclusive of chart patterns, volume, and the previous price data.

Technical analysis training would entail the usage of oscillators and indicators, volume analysis, price patterns, and charts looking forward to predicting and profiting from price movement in the future.

It would be worth mentioning here that fundamental analysis would be different from technical analysis. It emphasizes only the charts and ignores various aspects such as price to book ratios, revenue in the future, earning numbers, and anything associated with the intrinsic security value.

Assumptions of technical analysis theory

When it comes to understanding the theory of technical analysis, rest assured it has been based on three assumptions. Let us delve into these assumptions.

1. Everything you know about security has been represented directly by its volume and price on the chart

According to technical analysts, it would be redundant to do any type of fundamental analysis. The major reason for their belief would be that all significant information about the security is known beforehand and the volume and price on the chart would determine their bias.

The best example of such practice would be day traders, as they use technical analysis only to decide on trading decisions. They would not be bothered by anything they come across on the chart apart from the price action.

2. Historical chart patterns could be used for determining prospective price movement in the future

As history repeats itself, the chances of historical pattern charts being used for determining the prospective price movement in the future would be relatively higher. Here, technical analysts would determine that traders tend to repeat the behavior of their predecessors.

In case, plenty of traders looking forward to purchasing ABC stock trading at fifty dollars would be based on the belief, if ABC trades at the same price again would allure more buyers and traders missing on the trade initially would ensure to get into the stock the second time. Technical analysis would aim to determine price movement in the future along with locating trading opportunities based on repetitive methods of patterns.

3. The trending markets

Last, but not least, the trending markets would be the final assumption. Consequently, after the establishment of a trend, the chances of price movement in the future continuing in a similar direction as a trend would become significantly higher.

It would be worth mentioning here that [technical analysis training](#) would be based on the final assumption. Traders and technical analysts would look forward to locating the trend along with the most common trading methods.

To sum it up

Gathering adequate knowledge about [technical analysis course](#) and the theory behind their work would help you learn and apply a few techniques to your specific trading needs.