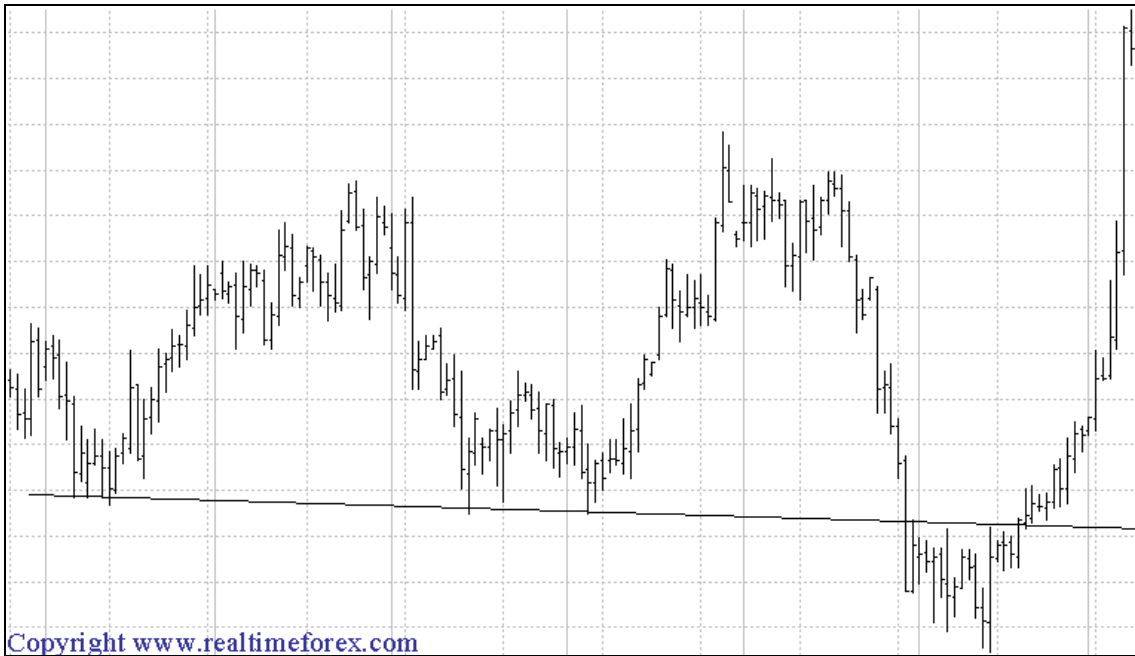


III. The Basic of Technical Analysis :

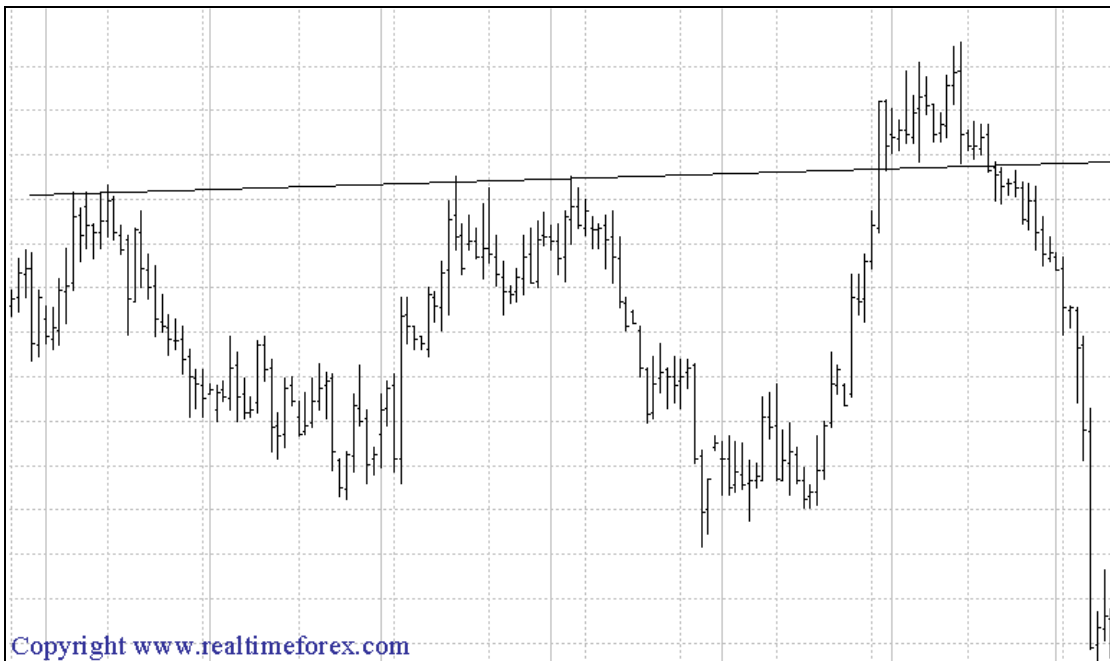
1. Support

A term used in technical analysis indicating a specific price level at which a currency will have the inability to cross below. Recurring failure for the price to move below that point produces a pattern that can usually be shaped by a straight line. A support level penetrated becomes resistance.



2. Resistance

A term used in technical analysis indicating a specific price level at which a currency will have the inability to cross above. Recurring failure for the price to move above that point produces a pattern that can usually be shaped by a straight line. A resistance level penetrated becomes support.



3. Trend

Trend is simply, the overall direction prices are moving, UP, DOWN, OR FLAT.

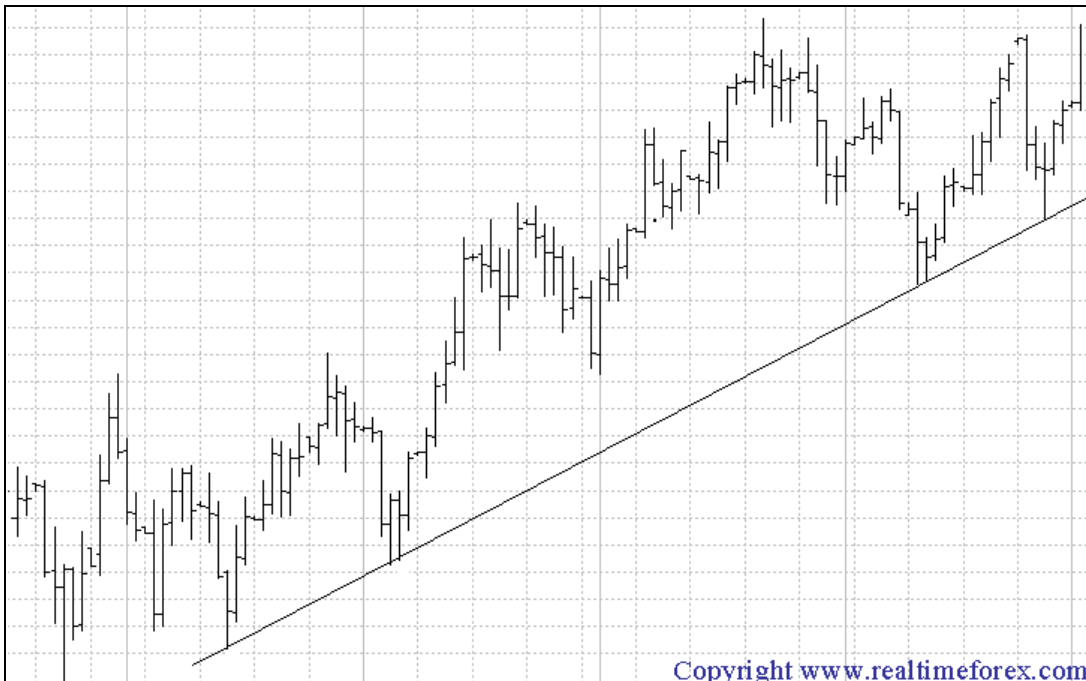
Classification :

Short term - less than 3 weeks,

Medium term - 3 weeks to 6 months

Long term (major term) - more than 6 months.

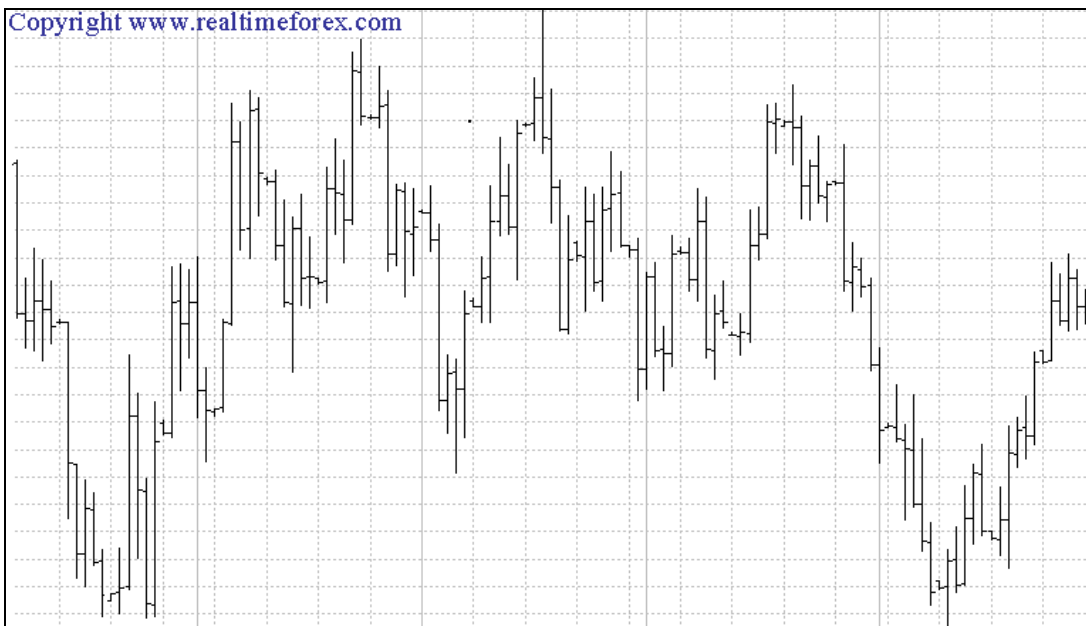
An **up-trendline** is a straight line passing through the "rising" troughs of an up-move. The importance of a trendline is increasing with every additional touching point, confirming the trendlines value. A reversal of the trend is indicated with a violation of the up-trendline.



A **down-trendline** is a straight line passing through the “falling” troughs of a down-move. The importance of a trendline is increasing with every additional touching point, confirming the trendline's value. A reversal of the trend is indicated with a violation of the down-trendline.



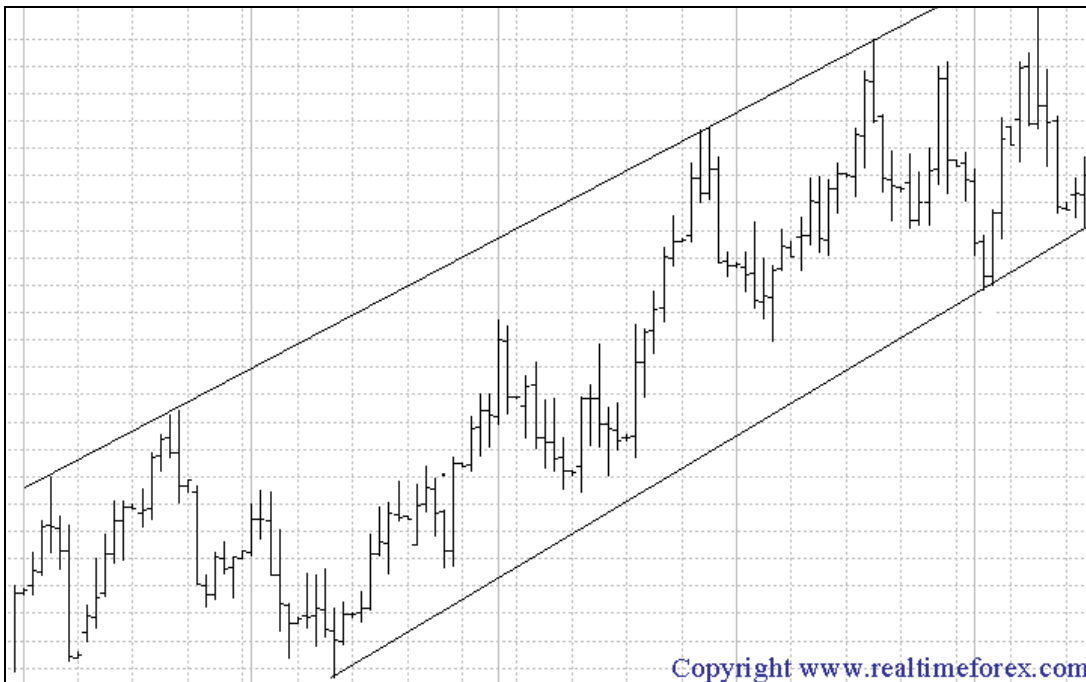
A **Neutral Trend** (No trend, Sideways trend) means there is no direction.



4. Channel

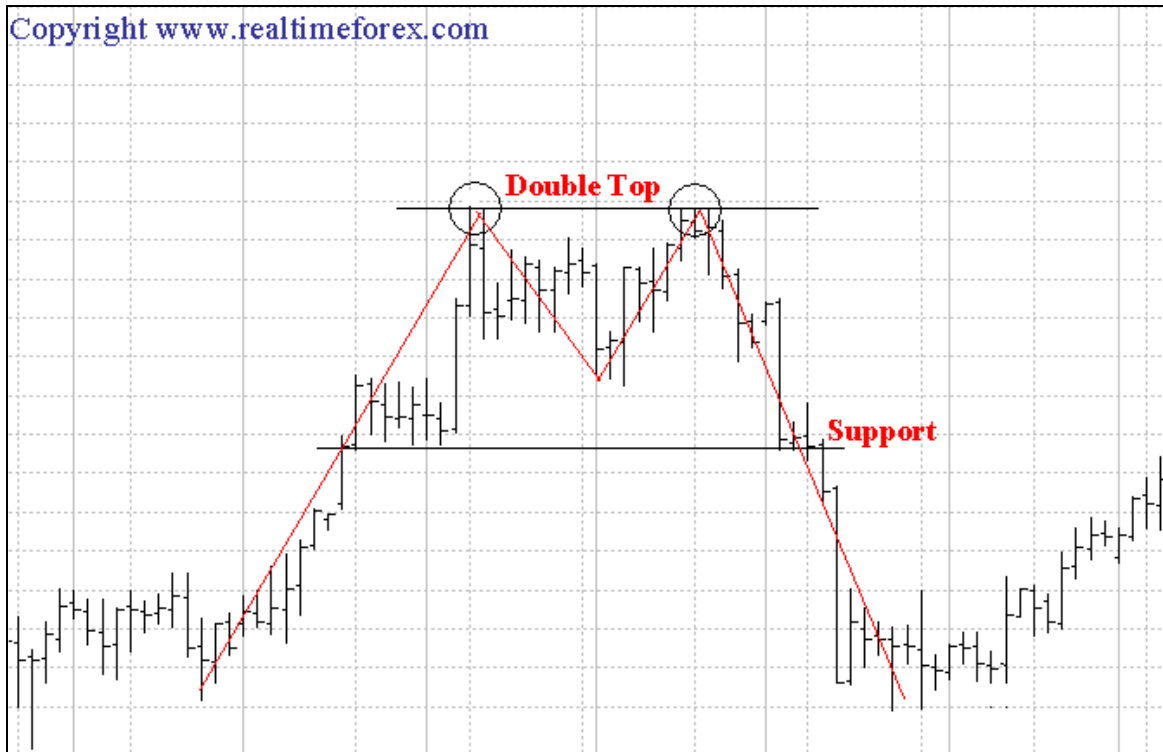
When prices trend between two parallel trendlines they form a Channel.

When prices hit the bottom trendline this may be used as a buying area and when prices hit the upper trendline this may be used as a selling.



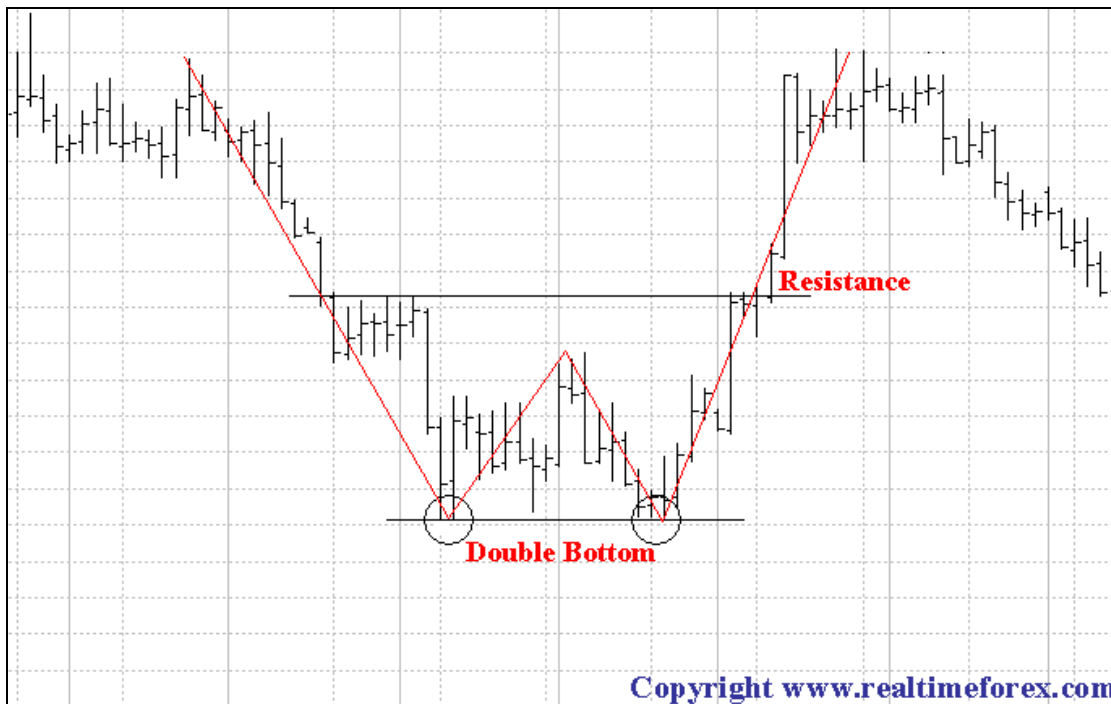
5. Double top (reversal formation)

For obvious reasons this is often called an "M-top". The market is failing twice at a resistance and is reversing then sharply. A break of the support would indicate further losses towards the target that can be evaluated through the following procedure. The vertical width of the "M" (price difference) is projected downwards from the breakpoint of the support.



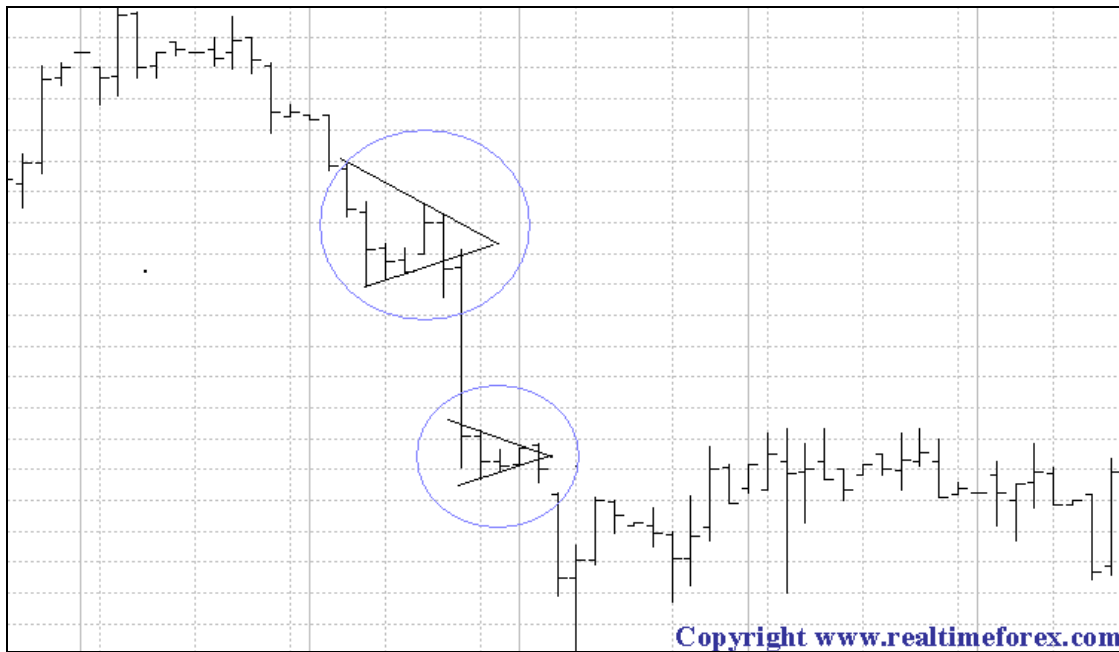
6. Double bottom (reversal formation)

The opposite of Double top. (often called an “W-top”). When the market is failing twice at a support and is reversing then sharply. A break of the resistance would indicate further rising towards the target that can be evaluated through the following procedure. The vertical width of the “W” (price difference) is projected downwards from the breakpoint of the resistance.



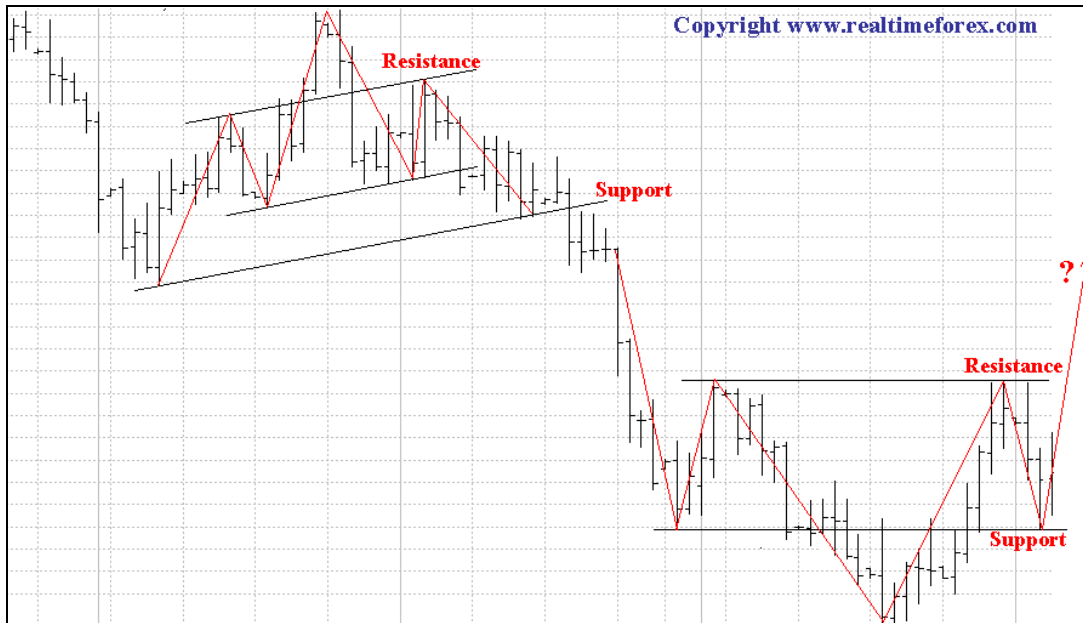
7. Triangle

The triangle formation can be quite difficult to analyse and the fact that a few different types of triangles exist doesn't make this task any easier. Furthermore a triangle is most commonly just a pause in a trend (continuation pattern) but can also terminate a trend (reversal formation).



8. Head and Shoulders

Formation of left shoulder forms a new high with a corrective dip, next rally forms higher high = head, correction from head goes below high of left shoulder and near as low of the left shoulder correction, breaching up trendline, rally of right shoulder does not breach head high, retracing half to three quarters of head correction.



9. Fibonacci

12th century monk Leonardo de Pisa, better known to his friends as Fibonacci, discovered a fascinating mathematics sequence that appears throughout nature. Beginning with a simple $1 + 1$, the sum of the last two number sets that precede it creates another Fibonacci value:

$1+1=2$ $1+2=3$ $2+3=5$ $3+5=8$ $5+8=13$ $8+13=21$ $13+21=34$ $21+34=55$ etc, etc.

These numbers possess an intriguing number of interrelationships, such as the fact that any given number is approximately 1.618 times the preceding number and any given number is approximately 0.618 times the following number.

PIVOT POINTS. For reasons that remain unknown, major ratios drawn from Fibonacci numbers describe a predictable interaction between trend and countertrend movement in markets. The most important ones to remember are 38,2%, 50% and 61,8%. Applying these percentages to trending price predicts the extent of retracement contrary to the underlying trend, as well as how far a new high or low will travel. For traders, these hidden points represent invisible support/resistance zones where prices will hesitate and/or reverse.

Most markets (and stocks) swing off Fibonacci ratios as they move from support to resistance and back.

Fibonacci retracement works as well on intraday charts as it does on weekly and monthly ones.

Fibonacci Retracements are displayed by first drawing a trend line between two extreme points, for example, a trough and opposing peak. The retracement tool then automatically inserts a series of three horizontal lines intersecting the trend line at the Fibonacci levels of 38.2%, 50%, 61.8%.

After a significant price move (either up or down), prices will often retrace a significant portion (if not all) of the original move. As prices retrace, support and resistance levels often occur at or near the Fibonacci retracement levels.

