Module 2: Technical Analysis Mastery

Evoin Sparks Trading Academy

Introduction

Technical Analysis is the art and science of reading **price charts** to make informed trading decisions.
Unlike Fundamental Analysis (which studies economic and business factors), Technical Analysis focuses on **price, volume, and patterns** to forecast market movements.

This module will introduce you to the most important concepts used in **Indian Stock Markets, Forex, and Crypto trading.**

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1. What is Technical Analysis?

- A method of analyzing **past price movements** to predict future trends.
- Based on the belief that **"Price discounts everything"** – meaning all known information is already reflected in the market price.
- Commonly used in **short-term trading** but also valuable for long-term insights.

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2. Key Principles of Technical Analysis

1. **Price moves in trends** – Markets don't move randomly.
2. **History repeats itself** – Patterns seen in the past often appear again.
3. **Support & Resistance** – Price often reacts to certain levels.

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3. Types of Charts

- **Line Chart** – Simple and clean, shows closing prices.
- **Bar Chart** – Shows open, high, low, close (OHLC).
- **Candlestick Chart** – Most popular, visually shows market psychology.

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4. Important Concepts

a) Trends

- **Uptrend:** Higher highs and higher lows.
- **Downtrend:** Lower highs and lower lows.
- **Sideways:** Range-bound movement.

b) Support & Resistance

- **Support:** A price level where buying interest is strong.
- **Resistance:** A level where selling interest is strong.

c) Volume

- Confirms the strength of price moves.
- High volume = strong conviction.

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5. Popular Technical Indicators

- **Moving Averages (MA):** Helps identify trends.
- **Relative Strength Index (RSI):** Measures overbought/oversold conditions.
- **MACD (Moving Average Convergence Divergence):** Trend-following momentum indicator.
- **Bollinger Bands:** Shows volatility and possible reversal points.

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6. Chart Patterns

- **Reversal Patterns:** Head & Shoulders, Double Top/Bottom.
- **Continuation Patterns:** Flags, Pennants, Triangles.
- **Candlestick Patterns:** Doji, Hammer, Engulfing.

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7. Application Across Markets

- **Indian Market:** Technicals help in intraday & positional trading on NSE/BSE.
- **Forex Market:** Patterns and indicators widely used for currency pairs like USD/INR, EUR/USD.
- **Crypto Market:** High volatility makes chart reading crucial for Bitcoin, Ethereum, and altcoins.

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8. Limitations of Technical Analysis

- Not always accurate – no indicator is perfect.
- Works best when combined with **risk management** and **fundamentals**.
- Over-analysis can lead to confusion (analysis paralysis).

Summary

In this module, you learned:

- What Technical Analysis is and its guiding principles.
- How to read charts and identify trends.
- Common indicators and patterns used in trading.
- Applications across Stock, Forex, and Crypto markets.

This sets the stage for **Module 3: Strategy & Risk Management**, where we'll combine fundamentals and technicals to build trading systems and manage risks effectively.

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