IMPROVING “TECHNICAL ANALYSIS” DEFINITION IN THE SITUATION OF DEVELOPING THE METHODS OF THE TECHNICAL ANALYSIS OF CURRENCY MARKET

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The article considers the process of starting the technical analysis of financial markets, the existing methods and means of technical analysis, the scientific proof of the applied terminology. The work is targeted at expanding “technical analysis” notion in the situation of new methods of currency market analysis.

In the beginning of the 21st century the world has come across a number of financial crisises that provoked the flow of financial resources that provoked the flow of financial resources from some markets to the others. The fall of securities and national currencies created the difficulties for the economic growth of many countries. All these processes have become extremely crucial in the situation of globalization of world economic processes.

The shocks in currency and financial markets become the great stimulus for carrying out the research in the sphere of finding complex approach to the analysis in investment process, taking into account both fundamental and market factors analyzed by the methods of technical analysis..

For the first time the notion of technical analysis appeared in the end of the 19th century in Wall Street Journal. It was the article of a famous analyst Charles Dow, the creator of Dow-John’s index that gives the grounds for the possibility to use the historical data of security in order to define its future value. Later these ideas were developed Dow’s follower William Peter Hamilton. In 1922 he published the book “The stock market barometer”. The theory was further developed in the book of Robert Rhea “Dow theory” issued in 1932. Initially the principles suggested by Charles Dow were used for the analysis of industrial and railway indices suggested by him. However in modern literature three ideas of Dow theory became widely spread.

Market takes everything into account. Price movement reflects the mood of market participants, their interests and attitudes to further dynamics.

Price movement is influenced by tendencies.

History repeats. This idea becomes the basis of any forecast method of technical analysis.

Therefore, we get the following definition of technical analysis given by John J. Murphy in the book «Technical Analysis of the Futures Markets»: technical analysis is the research of market dynamics mostly by the use of graphics targeted at forecasting the future trend of price movement. The term “market dynamics” includes three main information sources: price, volume and open interest. It is necessary to mention that the principals of technical analysis were firstly used in stock and commodity markets.

The popularity of technical analysis contributed to the appearance of the new methods of the analysis of financial instruments: graphic methods of technical analysis, digital filters and mathematical approximation, market structure theories, neuronet analysis method. Some technologies used in various methods of technical analysis (for example, the use of neuronets) use not only price volume and open interests, but the data of macroeconomic indices influencing the currency cost.

In this case the definition given by John J. Murphy cannot fully reveal the essence of technical analysis. A more adapted definition is the following : technical analysis is the set of means and methods of forecasting the prices with the help of all-round analysis of time dependences of currency rates for the previous time periods.

All the above mentioned facts reveal the necessity to give a more adapted to the modern means and methods of technical analysis definition of “technical analysis”. The author of the article suggests the following definition of

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technical analysis. He understands technical analysis as the research of statistical data of financial instruments by the use of various methods of market analysis targeted at forecasting future trends of price movements.

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