



4XC EDUCATIONAL MATERIAL

# TECHNICAL ANALYSIS

4XC is a trademark of 4xCube Ltd, registered in the Cook Islands with number ICA 12767/2018 and licensed by the FSC (Financial Supervisory Commission) with Money-Changing License number MC03/2018. 4xCube Ltd does not offer its services to residents of certain jurisdictions such as USA, Iraq, Iran, Myanmar and North Korea. 4xCube Ltd is audited by McMillan Woods.

# TECHNICAL ANALYSIS ESSENTIALS

## WHAT IS TECHNICAL ANALYSIS?

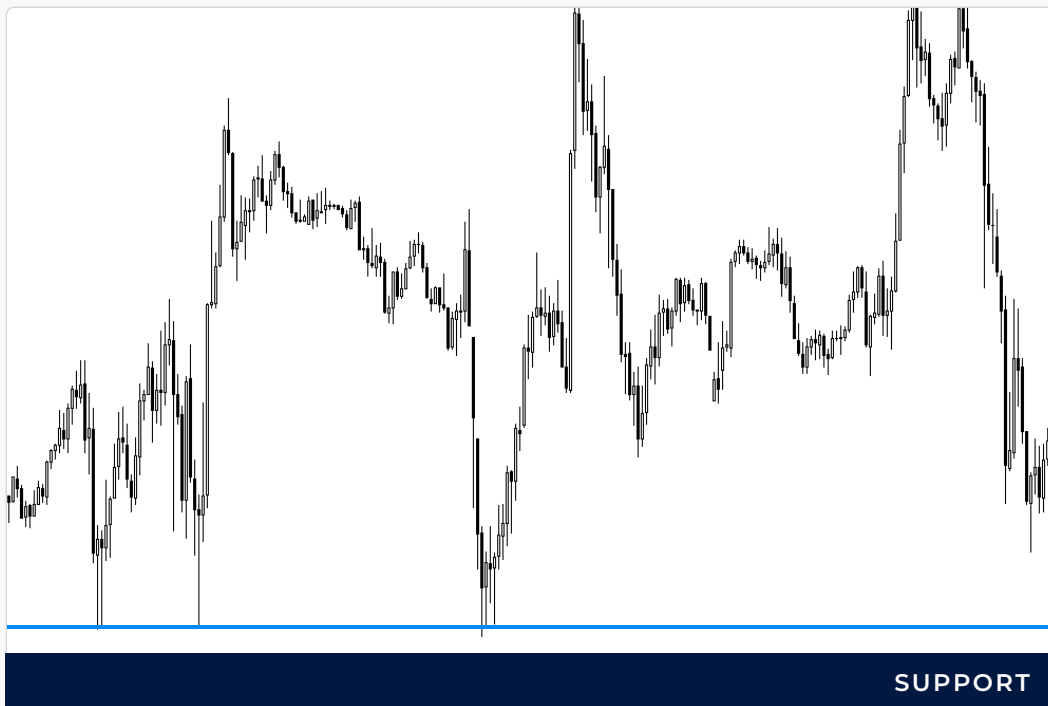
Technical analysis forecasts future price movements by analyzing a security's historical data. It operates on the premise that crowd psychology drives price patterns. Key elements include price movements and trading volume.

Analysts have developed numerous indicators to assess trends, with common ones including:

- Moving Averages
- RSI (Relative Strength Index)
- MACD (Moving Average Convergence Divergence)
- Bollinger Bands

## SUPPORT AND RESISTANCE

**Support levels** occur when a price stops falling and bounces back, while **resistance levels** form when a price stops rising and reverses. These levels gain strength with repeated testing. Once a support level is broken, it often becomes a new **resistance level**, and vice versa. Round numbers frequently act as psychological support or resistance points.



# TREND

Understanding trends is essential in technical analysis. Trend trading involves **buying during an uptrend or selling during a downtrend**, assuming the movement will continue. Positions are typically closed upon signs of a reversal.



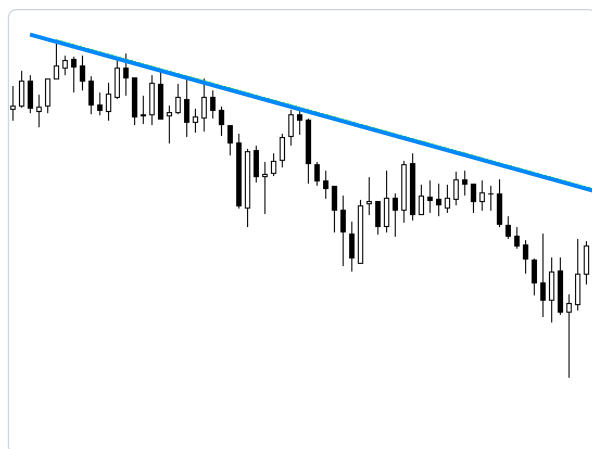
## UPTREND

Prices steadily rise, indicating a bullish market.



## DOWNTREND

Prices decline, characteristic of a bearish market.



## SIDEWAYS TREND

Prices move within a narrow range, often signaling market indecision.



**Trends progress through four stages:**

- ✓ **Consolidation:** Prices move sideways.
- ✓ **Breakout:** Prices breach support or resistance.
- ✓ **Continuation:** The trend strengthens in one direction.
- ✓ **Exhaustion:** The trend slows, leading to a reversal or sideways movement.

## CHART TIME FRAMES

Selecting the right time frame is crucial, but it depends on trading style:



### Swing traders

Use daily charts for primary trends, weekly charts for confirmation, and 60-minute charts for short-term trends.



### Day traders

Analyze 60-minute charts for trends and 5-minute charts for precise entry points.



### Long-term investors

Rely on weekly and monthly charts for trends, and daily charts for entry timing.

## INDICATORS

### What's a Technical Indicator?

Technical indicators are mathematical tools that predict price movements based on historical data. They are categorized as overlays (e.g., Moving Averages, Bollinger Bands) or oscillators (e.g., MACD, RSI). Experienced traders use multiple indicators to confirm signals and avoid false positives.

# MOVING AVERAGE

A moving average smooths price data to identify trends and support/resistance levels.

The most common types are:



**SIMPLE MOVING AVERAGE (SMA):** An average of closing prices over a set period.



**EXPONENTIAL MOVING AVERAGE (EMA):** Gives more weight to recent prices.

Key SMA periods include 20, 50, and 200 days. For strong trends:



## MACD (MOVING AVERAGE CONVERGENCE DIVERGENCE)

MACD measures trend strength by comparing two EMAs (12-day and 26-day) and a 9-day EMA (signal line). The histogram grows as the lines diverge and shrinks when they converge.

- ✓ **Bullish signal:** MACD crosses above the signal line.
- ✓ **Bearish signal:** MACD crosses below the signal line.

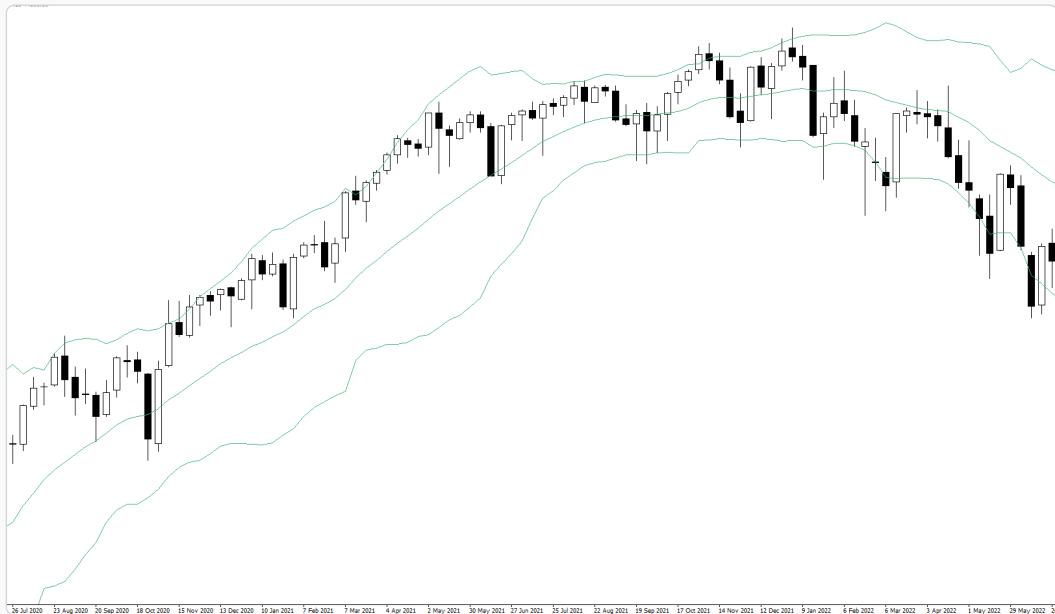
Divergences between MACD and price trends often indicate potential reversals.





## BOLLINGER BANDS

Bollinger Bands measure market volatility by placing bands above and below a moving average. Narrow bands suggest low volatility and a potential price breakout, while wide bands may signal the end of a trend. Since Bollinger Bands only indicate volatility, combining them with momentum indicators like MACD or RSI is recommended.

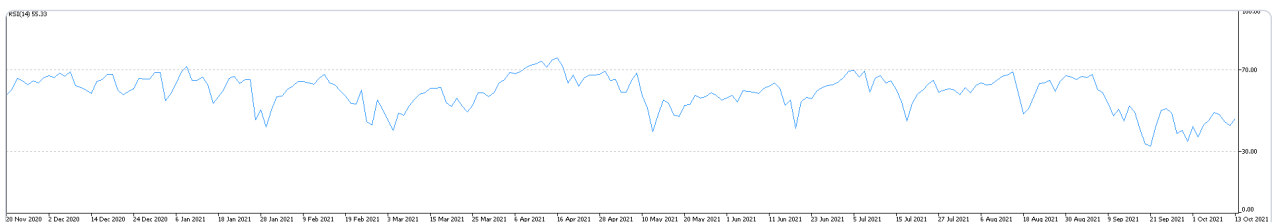


## RSI (RELATIVE STRENGTH INDEX)

RSI is a momentum oscillator that measures price movement speed and change on a scale from 0 to 100.

- ✔ **Overbought:** RSI > 70.
- ✔ **Oversold:** RSI < 30.

RSI can confirm trends or signal reversals when it diverges from price movement. However, during strong trends, divergence may occur without a reversal.





**Important Risk Disclosure:** Trading Forex/CFDs on margin carries a high level of risk and may not be suitable for all investors as you could sustain losses in excess of deposits. The products are intended for retail, professional and eligible counterparty clients. For clients who maintain account(s) with 4XC, retail clients could sustain a total loss of deposited funds but are not subject to subsequent payment obligations beyond the deposited funds and professional clients could sustain losses in excess of deposits.

Prior to trading any products offered by 4XC, any affiliates of aforementioned firms, or other firms within 4XC of companies [collectively the "4xCube Ltd"], carefully consider your financial situation and experience level. 4xCube Ltd may provide general commentary which is not intended as investment advice and must not be construed as such. Seek advice from a separate financial advisor. 4xCube Ltd assumes no liability for errors, inaccuracies or omissions; does not warrant the accuracy, completeness of information, text, graphics, links or other items contained within these materials. Read and understand the Terms and Conditions on 4xCube Ltd websites prior to taking further action.

**4XC is a trademark of 4xCube Ltd**, registered in the Cook Islands with number ICA 12767/2018 and licensed by the FSC (Financial Supervisory Commission) with Money-Changing Licence number MC03/2018. 4xCube Ltd does not offer its services to residents of certain jurisdictions such as USA, Iraq, Iran, Myanmar, North Korea and Ukraine.

4xCube Ltd is audited by  **McMillanWoods**  
Professionalism at the forefront