

Importance of technical and fundamental analysis in the European foreign exchange market

Thomas Oberlechner ✉

First published: 31 January 2001

<https://doi.org/10.1002/ijfe.145>

Citations: 113

Abstract

This article presents findings of a questionnaire and an interview survey on the perceived importance of chartist/technical and fundamental analysis among foreign exchange traders and financial journalists in Frankfurt, London, Vienna, and Zurich. Results confirm that most traders use both forecasting approaches, and that the shorter the forecasting horizon, the more important chartist/technical analysis is. Financial journalists put more emphasis on fundamental analysis than do foreign exchange traders. Results indicate that the importance of chartism may have increased over the last decade. Regarding the use of chartist/technical and fundamental analysis on seven forecasting horizons, four distinct clusters of traders can be identified. Forecasting styles and the overall importance attached to fundamental versus chartist/technical analysis vary across different trading locations. Foreign exchange traders mention a series of psychological motives and consequences of the use of chartism. Copyright © 2001 John Wiley & Sons, Ltd.

References

Allen H, Taylor MP. 1990. Charts, noise and fundamentals in the London foreign exchange market. *The Economic Journal* 100: 49–59.

[Web of Science®](#) | [Google Scholar](#)

Bank for International Settlements. 1995 BIS Review No. 214. Basle.

[Google Scholar](#)

Bank for International Settlements. 1998 Central Bank Survey of Foreign Exchange and Derivatives Market Activity in April 1998: Preliminary Global Data. Basle.

[Google Scholar](#)

Black F. 1986. Noise. *Journal of Finance* 41: 529–544.

[Web of Science®](#) | [Google Scholar](#)

Cheung Y-M, Chinn MD, Marsh IW. 1999 How do UK-based Foreign Exchange Dealers Think Their Market Operates? Centre for Economic Policy Research Discussion Paper No. 2230, London.

[Google Scholar](#)

Frankel JA, Froot KA. 1986. Understanding the US dollar in the eighties: the expectations of chartist and fundamentalists. *Economic Record* 62: 24–38.

[Google Scholar](#)

Frankel JA, Froot KA. 1990 Exchange Rate Forecasting Techniques, Survey Data, and Implications for the Foreign Exchange Market. IMF Working Paper.

[Google Scholar](#)

Goodhart C. 1988. The foreign exchange market: a random walk with a dragging anchor. *Economica* 55: 437–460.

[Web of Science®](#) | [Google Scholar](#)

Harvey JT. 1996. Long-term exchange rate movements: the role of the fundamentals in neoclassical models of exchange rates. *Journal of Economic Issues* 30: 509–516.

[Web of Science®](#) | [Google Scholar](#)

Ito T. 1990. Foreign exchange rate expectations: micro survey data. *American Economic Review* 80: 434–449.

[Web of Science®](#) | [Google Scholar](#)

Levin JH. 1997. Chartists, fundamentalists and exchange rate dynamics. *International Journal of Finance and Economics* 2: 281–290.

[Web of Science®](#) | [Google Scholar](#)

Lui Y, Mole D. 1998. The use of fundamental and technical analyses by foreign exchange dealers: Hong Kong evidence. *Journal of International Money and Finance* 17: 535–545.

[Web of Science®](#) | [Google Scholar](#)

MacDonald R, Marsh IW. 1996. Currency forecasters are heterogeneous: confirmation and consequences. *Journal of International Money and Finance* 15: 665–685.

[Web of Science®](#) | [Google Scholar](#)

MacDonald R, Taylor MP. 1992. Exchange rates economics: a survey. *International Monetary Fund Staff Papers* 39: 1–57.

[Web of Science®](#) | [Google Scholar](#)

Menkhoff L. 1997. Examining the use of technical currency analysis. *International Journal of Finance and Economics* 2: 307–318.

[Web of Science®](#) | [Google Scholar](#)

Menkhoff L. 1998. The noise trading approach—questionnaire evidence from foreign exchange. *Journal of International Money and Finance* 17: 547–564.

[Web of Science®](#) | [Google Scholar](#)

Merton R. 1948. The self-fulfilling prophecy. *Antioch Review* 8: 193–210.

[Google Scholar](#)

Neely CJ. 1997. Technical analysis in the foreign exchange market: a layman's guide. *Federal Reserve Bank of St. Louis Review* September/October: 23–38.

[Google Scholar](#)

Oberlechner T, Hocking S. 1997 Market Psychology and the Dynamics of Information: an Interdisciplinary View of the Foreign Exchange Market. Webster University, Vienna.

[Google Scholar](#)

Shleifer A, Summers L. 1990. The noise trader approach to finance. *Journal of Economic Perspectives* 4: 19–33.

[Web of Science®](#) | [Google Scholar](#)

Shiller RJ. 1989 *Market Volatility*. MIT Press: Cambridge, MA.

[Google Scholar](#)

Taylor MP, Allen H. 1992. The use of technical analysis in the foreign exchange market. *Journal of International Money and Finance* 11: 304–314.

Vigfusson R. 1997. Switching between chartists and fundamentalists: a Markov regime-switching approach. *International Journal of Finance and Economics* 2: 291–305.

Citing Literature



[Download PDF](#)

ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)

[Developing World Access](#)

HELP & SUPPORT

[Contact Us](#)

[Training and Support](#)

[DMCA & Reporting Piracy](#)

OPPORTUNITIES

[Subscription Agents](#)

[Advertisers & Corporate Partners](#)

CONNECT WITH WILEY

[The Wiley Network](#)

[Wiley Press Room](#)

