



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

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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.

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