

Stock Market Prediction

Predicting the stock market has always been a fascinating science. It can be done in different shapes and forms. Here are a few:

1. Stock Market Prediction based on Gurus

We see a lot of them on TV. Many seasoned traders and brokers appear on financial TV channels, and by using either fundamental analysis, technical analysis, or both, predict the move of a certain stock, whether for the next week, month or even for a longer term period. Even though these predictions can be used for long time investors, short term traders normally use personalized tools to predict the next movement in a particular security.

2. Stock Market Prediction based on Fundamental Analysis

Fundamental analysts scrutinise the company pertaining to the stock which they are going to trade. They get all the possible data figures for that company, they enquire on the directors and main shareholders, learn on the products or services they produce, keep a constant eye on news, not only financial, but information pertaining to their line of business, and more. Based on this information, analysts predict the stock movement for the next few days, weeks or months.

3. Stock Market Prediction based on Technical Analysis

Technical analysts look at charts, they draw trends on the chart by joining low points with high points, they insert formulas which produce various calculations based on past highs, lows and volumes. Lines can be drawn determining support and resistance levels. These are the basis of predicting a stock price based on technical analysis. Many times information like company dividends, news and directors are of no value to technical traders.

4. Stock Market Prediction based on Software Training

Predicting the stock market with state-of-the-art software is a possibility today with all the advances in technology. Some stock market software packages have the possibility to import data for the past weeks, months or years of a security, and based on specific formulas and equations, using complex algorithms, can train themselves on this data and on the movement of the stock price. The result of this is the prediction of the future price of the stock. Normally these packages work on technical information, but some are now also introducing fundamental analysis as part of this training and prediction process.

5. Stock Market Prediction based on Momentum

Many day traders use what is called ?Level 2? data to base their trades. While the stock market is open, the trader can see a list of buying orders on one side and a list of selling orders on the other side. Price and volume are shown, together with other information, from which seasoned traders gauge the momentum of the stock and take short term trades, normally lasting only a few seconds or minutes, to profit from a sudden change of price.

Successfully predicting the stock market, or even, one security, is a must for every trader. Success or failure depends on this. One needs to gain as much knowledge as possible on all possibilities available, and when one is comfortable with a pre-tested and working system, that system can be used as the basis on which to invest or trade in the stock market.

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