A STUDY ON FORECASTING CURRENCY PRICE USING TECHNICAL TOOLS-CANDLESTICK CHARTS (FOREX)

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ABSTRACT

In recent years, the foreign exchange market has attracted quite a lot of security from research all over the world. Due to its vulnerable characteristics, different types of research have been conducted to accomplish the task of predicting future forex currency prices accurately. In this research, present a comprehensive review of the recent advancements of forex currency prediction approaches. In which it shows huge potential in time series prediction.

KEYWORDS: *Foreign exchange (forex)market, time series prediction, currency prediction.*

INTRODUCTION

Forex is a global market in which a Currency pair is determined by the price quoted from the exchange rate of two different currencies traded in forex markets. From the analysis over 6.6$ Trillion Dollar is a trading volume per day in the forex market . Growth of forex trading is gradually increasing day by day. The study is based on the analysis of major currencies in their respective economy in dollar as the base currency, which are,

1)EURO-US Dollar (EUR/USD)

2)BRITISH POUND-US DOLLAR(GBP/USD)

3)US-DOLLAR-JAPANESE YEN (USD/JPY)

4)US-DOLLAR-SWISS FRANCE(USD/CHF)

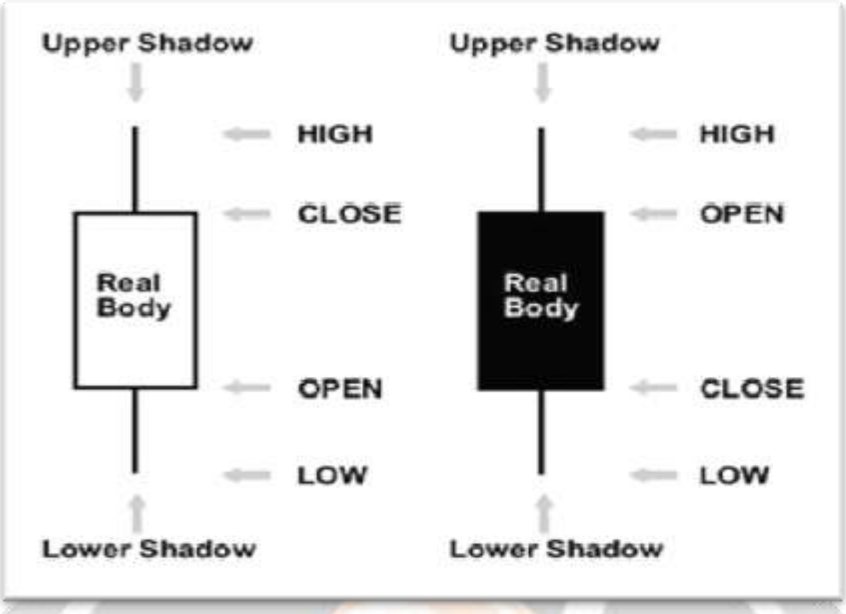
5)AUSTRALIANDOLLAR-US DOLLAR(AUD/USD)

6)US-DOLLAR-CANDIAN DOLLAR(USD/CAD)

RESEARCH METHODOLOGY

This study is described under secondary data in the forex market. To know the trend in market Japanese candlestick and candlestick chart pattern are used. The historical data is from tradingview.com, a trading chart platform.

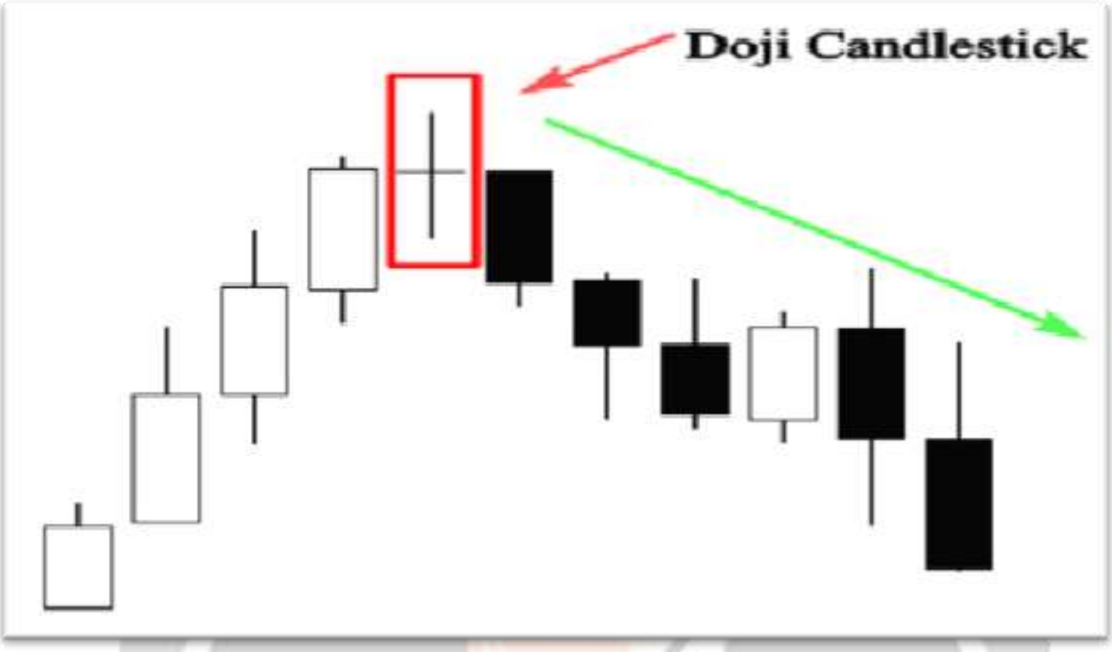
CANDLESTICKS



The candlestick chart is a graphic representation of a market's internal dynamics. Visual displays of the buying and selling pressures give traders quick access to market information. She candlestick shadows are helpful as markers of resistance and support, making it relatively simple to draw lines on the chart at these levels. Candlestick charts, however, show the market sentiment and change in market sentiment the best. This can be seen by comparing a bar chart to a candlestick chart..

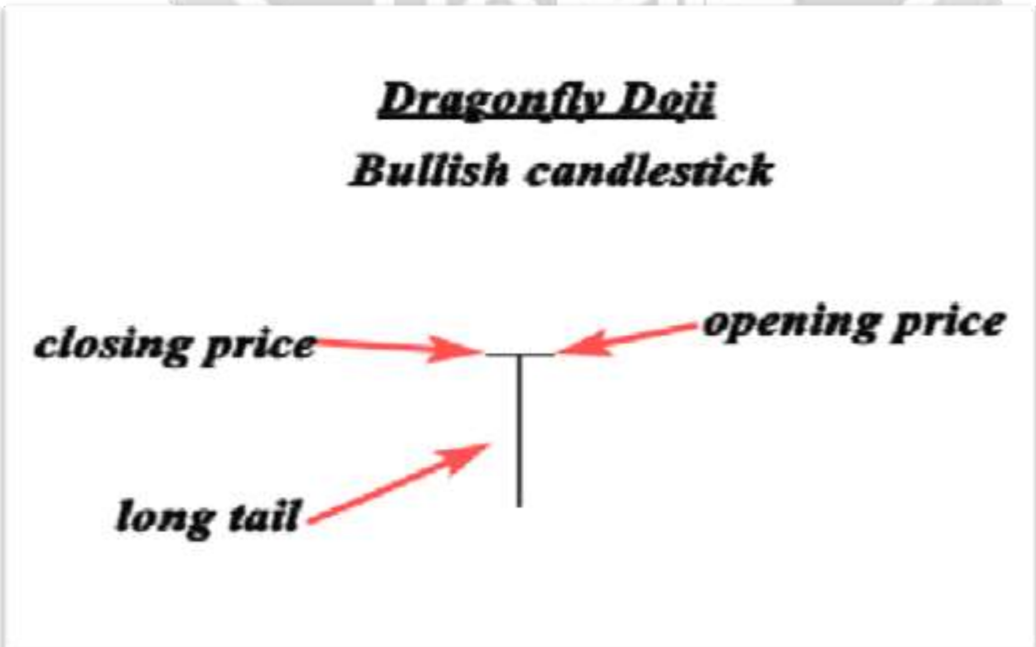
THE DOJI CANDLESTICK:

As you can see, the opening price is the same as the closing price, this signal means that the market has not decided which way to go. If this pattern occurs in an uptrend or downtrend, it indicates that the market is likely to reverse.



The chart above shows how the market changed direction after that Formation of Doji candlesticks. The market went up, which means that buyers dominated the market. The formation of Doji candlesticks indicates that buyers are unable to hold the price higher and sellers are driving prices back to the opening price. This clearly indicates that a trend reversal is likely. Always remember that the Doji represents fairness and indecision in the market. You will often find it during periods of rest after high tides or low tides. If it was below or above the trend, it was considered a sign that the previous trend was losing strength.

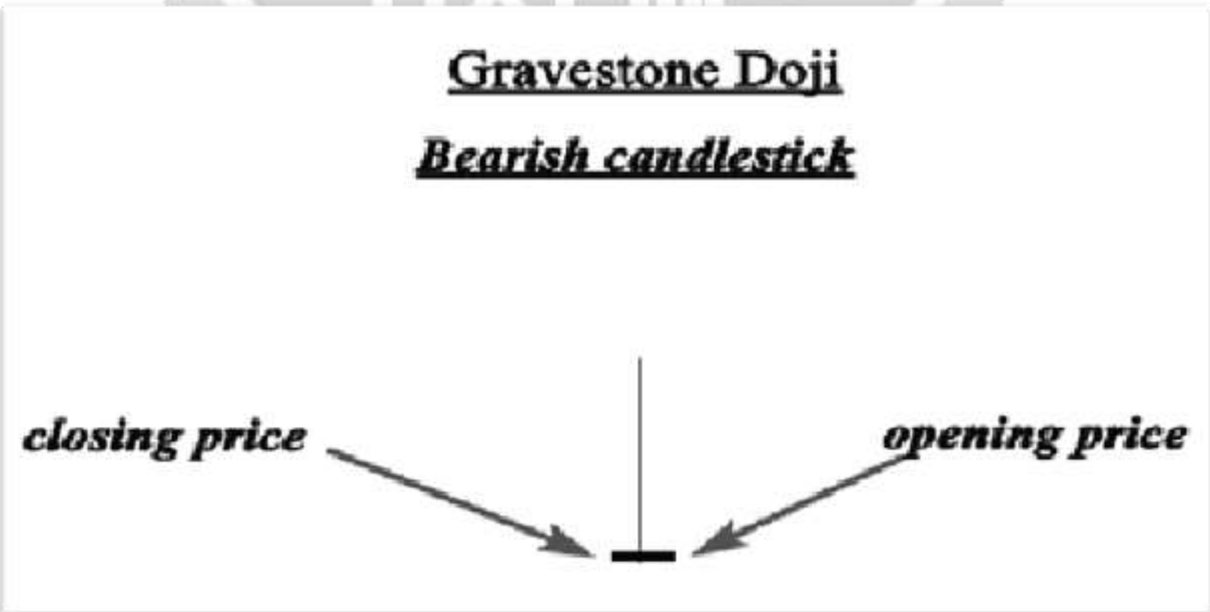
THE DRAGONFLY DOJI PATTERN:



Pictured above is the prefect Dragonfly Doji. A long lower tail indicates that the forces of supply and demand are approaching balance and the direction of the trend may be near a major turning point.

In the chart above, the market tested the previous support level which caused a strong pushback from that area. A long lower tail wedge indicates to us a Doji formation that there is a lot of buying pressure in the area. If you recognize this candlestick pattern on your chart, it will help you can visually see when there is support and demand. If it occurs in a downtrend, it is interpreted as an uptrend signal But as I always say, the candlestick pattern itself cannot be changed need other indicators and tools to determine high probability Dragonfly Doji signals in the market.

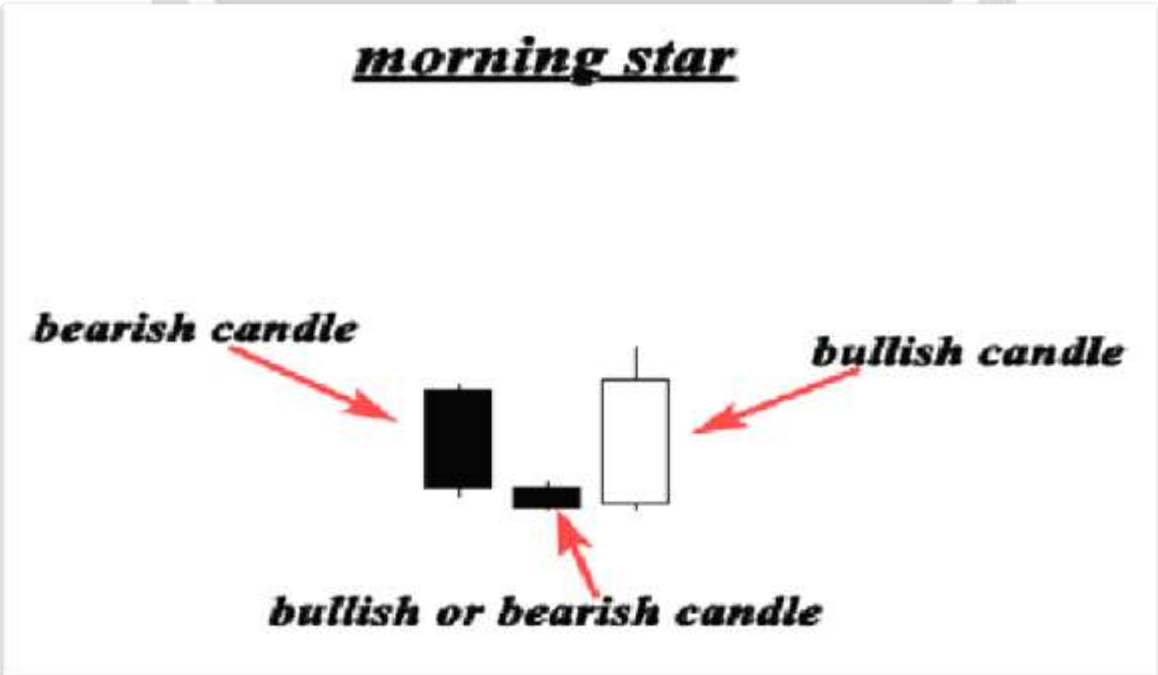
THE GRAVESTONE DOJI:



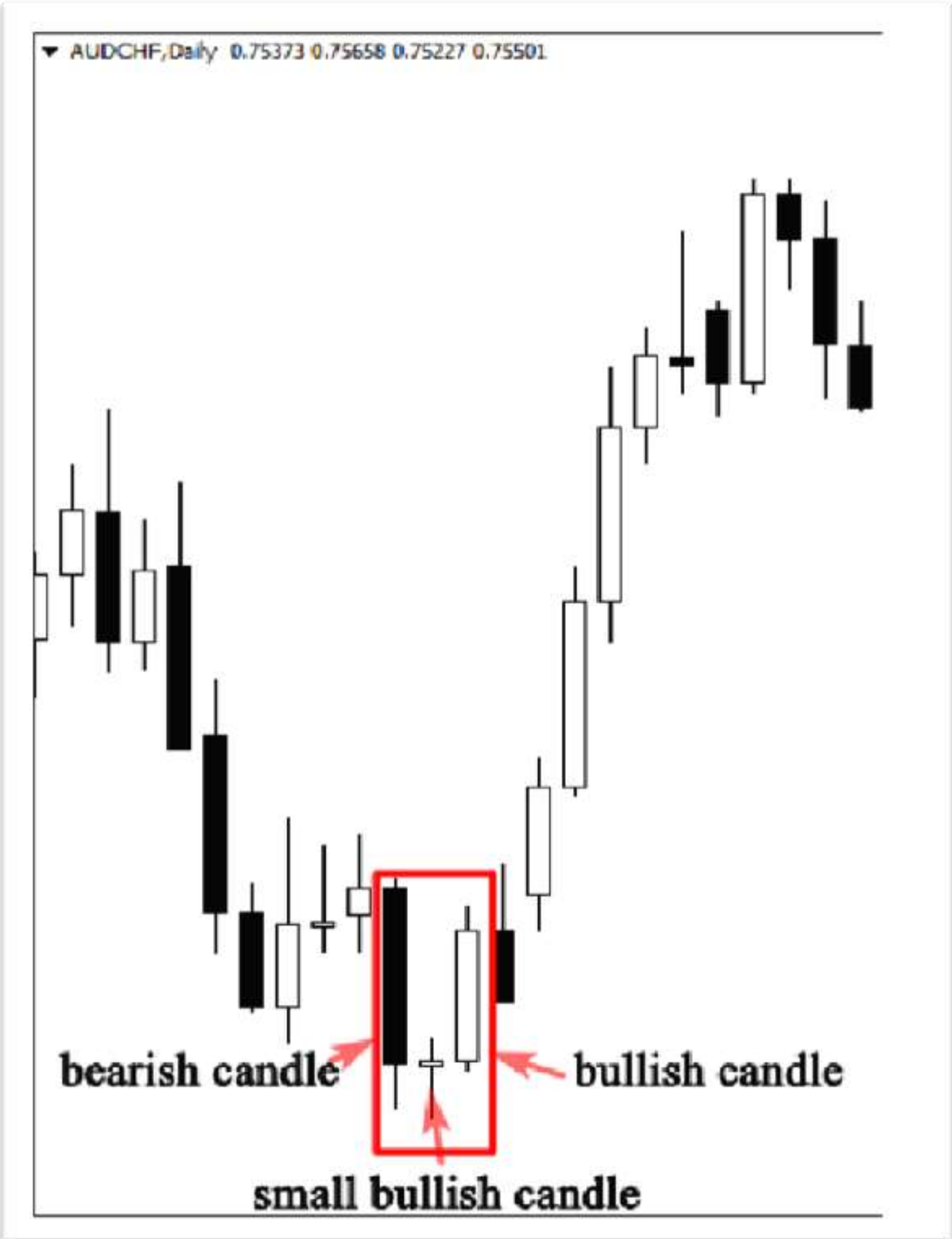
The image above illustrates a perfect Tombstone Doji. This model shows that although buyers were able to push prices considerably higher open Later in the day, sellers took over the market and pushed the price down withdraw This is interpreted as a sign that the bulls are losing momentum and the market is poised for a turnaround.

The chart above shows the Tombstone Doji at the top of an uptrend, after a strong explosion. The formation of this candlestick pattern indicates that the buyers are not dominates the market longer. For this model to be reliable, it must be occurs near the resistance level.

THE MORNING STAR:

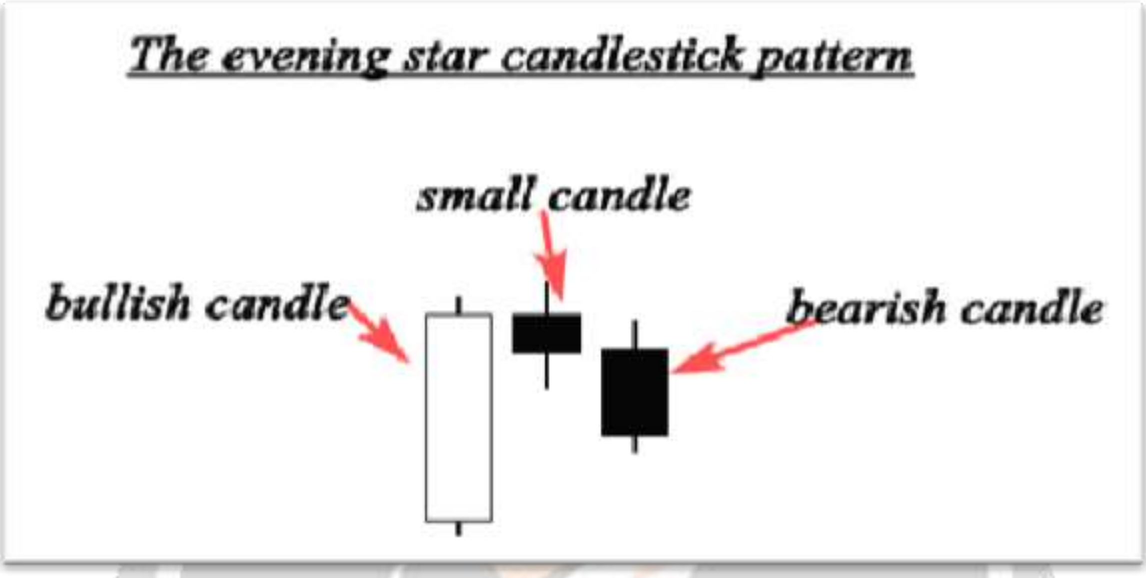


The morning star pattern is considered an ascending reversal pattern, it often occurs at the bottom of a downtrend and consists of three candlesticks: - The first candlestick is bearish, indicating that sellers are still involved market responsibility. -The second candle is small, which indicates that the sellers are the candle but they are not really suppressing the market and this candle can be ascending or descending. -The third candle is a bullish candlestick that opened wide and closed over the center of the first day body, it the candlestick contains an important trend reversal signal. The morning constellation shows us how buyers have taken control from a seller's market, if this pattern occurs at the bottom of a downtrend near a support level, it is interpreted as a strong trend. reverse signal.



THE CANDLELIGHT BUSINESS BIBLE near the support support level, it is interpreted as a strong trend reverse signal. See the image below: The chart above helps us identify the morning constellation and its is significant if it is formed based on a downward trend. As you can see, the pattern has appeared in a clear downtrend. The first candle confirmed the superiority of the seller, and the second create indecision in the market, another candle can be a Doji, or any other candle.

THE EVENING STAR PATTERN:



The first part of the evening star is the rising candle; that means bulls push the market even higher. Everything is going well at the moment. Forming smaller ones the body shows that buyers are still in control, but they are not as efficient as they were The third bearish candle indicates that the buyer's reign has ended, and a possible downward reversal is likely. Look at the second diagram illustrating the evening star significant trend reversal signal.

As you can see, the market was rising, the first candle the pattern shows a long uptrend. The second is a short candle that indicates price consolidation and indecision In other words, the trend that created the first long uptrend the candlestick loses momentum. The last candlestick opens below than the previous candlestick indicating confirmation reversal and the start of a new low.

CANDLE STICKS PATTERN

DOUBLE BOTTOM PATTERN

A double bottom is suggestive of a change in direction higher and possibly the start of a new uptrend. To put it in buyers/sellers terms, the sellers have created a downtrend that came to a low point (support), which led to a rebound or short-covering. The double bottom pattern denotes a probable bullish reversal signal and has two low points forming close to a comparable horizontal price level. Between the two low points, the price will gradually strengthen, providing some support for the price lows.

A downtrend's finish is marked by the double bottom chart pattern, which resembles the letter "W" (see chart below). Price drops to a new low before rising briefly before tumbling back to the previous low. Sellers give up trying to drive price to a new lower low to maintain the downtrend, and price abruptly recovers from this region.A break in the crucial price level, which is located at the highest point between the resistance levels at the "bottoms" (neckline), signifies a positive confirmation.

DOUBLE TOP PATTERN

The double pattern consists of two rounded tops in a row. The first rounded top forms an inverted U pattern. Rounding tops can often indicate a bearish reversal, as it often occurs after a long uptrend. A double stop has similar conclusions. When a double top occurs, the second round top is usually just below the peak of the first round top, indicating resistance and exhaustion. Double Tops can be rare and their formation often indicates that investors are looking to take final profits from an uptrend. Double tops often lead to downtrends, where traders profit by selling stocks in downtrends.

HEAD AND SHOULDER PATTERN

Head and Shoulders is one of the many popular chart patterns widely used by investors and traders to determine market trends. This formation usually occurs in the technical chart of a stock/index when it is about to reverse an ongoing trend. This pattern appears on the chart when the stock/index price reaches a peak and then declines. The price then rises above the previous high and falls. And finally it rises again, but not as high as the second peak, and descends from that point. Here, the middle peak forms the head and the peaks on either side form the shoulders.

CONCLUSION

Global results shows that trading in foreign exchange markets averaged per day is $5.3trillon. Among 6 major currencies pair due to stability traders currency pair due to stability and reliability on US-DOLLAR respectively. Due to market volatility, hourly category is more sensation technically moreover probability of volatility and rapid movement become less, decrease in the length of position category.

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