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Like many other fields, Technical analysis has its own share of myths and misgivings. Moreover, since money is involved here, it tends to elicit extreme emotional outbursts, both in favour, and against it.

It would be interesting to note here that even among die-hard practitioners of technical analysis, there are differences of opinion as to which particular aspect of technical analysis actually works. Majority of students of technical analysis will finally pick one or two tools to analyse the markets, and ignore or debunk the others.

The reasons for this behaviour, and whether this affects the acceptance of technical analysis are some of the factors that need detailed discussions. I take these up with my students during and after the course. These are one of the most common confusions that arise, once a student finishes the theoretical part of TA. For now, following are two of the common myths about TA.

1) It is simple, so it is good/bad

This is one of those aspects that is not a part of academic discussions or articles. However, this myth does exist subconsciously. Those against TA say that drawing a few lines is not an analysis at all. whereas, those that support TA say that if one can understand the markets by simple techniques, why bother about complicated aspects.

The fact is that TA may seem simple in theory, but it requires a great deal of dedication to understand it in a way it is meant to be. Practical trading using TA is a necessity, and a major part of learning. It requires time and patience, both of which are something that the students do not give much importance.

TA is ultimately all about catching the market sentiment through charts, and each trader will come up with his or her own unique ways to do that. So, remember that theory is just the first step, and the first step is never good enough to jump onto full-fledged trading.

2) Past prices are useless to trade in markets

This is one of the biggest myths and strongest criticism of TA, and the reason that many label TA as hocus-pocus, and the chart as parrot gimmicks used by astrologers.

It is true that past prices do not dictate future, but they are indicative of the areas where participants in the markets had been more active. Anybody who trades will know that some price levels gain importance, and the market does take a pause at those levels.

Nobody can claim that TA can predict the future, but at the same time, nobody can claim that any other study can do that either. There is a difference between prediction and probability, and TA looks for the probability.

Any TA practitioner, who says that markets can be predicted, is at fault. Past prices help in looking for probable moves, with the full understanding that it may turn out to be wrong. Combined with stop loss trigger, it can be a very useful tool in hands of traders.

Past prices are like our past memories of good and bad events. We take note and become attentive

when we encounter an event that proved to be exceptionally good or bad for us. Same happens with past prices that had been turning points of markets in some ways.

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