

Supply and demand is how the universe works. It is not just economics. If it rains too much an increasing number of people don't want more rain until the point where nobody wants anymore rain because their houses are floating away. You cannot sell rain to anyone during a monsoon. However go to the Sahara desert and you could make a fortune selling rain if you could produce any.

Little babies puke up their milk if they drink too much too fast. Supply exceeded demand and baby stops drinking and "oh god I better get rid of some of this...". You could probably use fibonacci to measure the timing of the upchuck if you were truly interested... but there's not much demand for that kind of information so that's why we don't have those kind of figures. Nonetheless supply and demand moves milk from place to place.

The same is true with forex... if the price of a currency seems right to a lot of people it just wanders around an equilibrium point for a while. But if something inspires traders that the currency price is over or undervalued then people begin to sell or buy it. As that happens the market gets flooded with more of one kind of order (buying or selling) than the other. Like if you are living on a street and there are for sale signs in front of every house then prices drop as buyers become less and less interested and sellers become more eager to sell. However if nobody has any houses for sale in a particular area and lots of people are looking for a house in that area then people line up and bid up the price for the one that finally decides the demand has risen enough to meet or beat the price they'll sell at.

However if you don't mind me saying your analysis sounds like you have perhaps a longer way to go than you may realize. Please don't take that the wrong way. Most people underestimate this business and fail because of it. There is a myriad of ways to filter the mass of information out there and most of it is done with some sort of tech analysis or price analysis on this forum. To keep from losing your money you'll need some key things. First you need a system that will most likely make money. Many people begin trading money before they have a solid system they are confident in. Don't.

I notice in your post that you may want to learn the types of analysis that forms the basis for any of the systems out there. That point leads me to something rather basic and that is to point out that there are two primary types of market analysis:

1. Fundamental. The collection and evaluation of market news that may affect peoples perception of a currencies value and forecasting the aggregate probable effect that it should have on a markets direction.

2. Technical. This is about using a variety of mathematical and visual tools to make quantitative measurements in order to evaluate historical price changes through time. TA (technical analysis) is based on the premise that the aggregate of all pertinent fundamental information is reflected in changes of market price. TA attempts to determine the probability of whether a market will continue in a direction or change direction by isolating potentially useful measurements of price changes into recognizable patterns and assigning degrees of significance to one sort of pattern over another.

Fundamental analysis can be used both as a short term and long term trading approach. Many traders get started by trading news releases and letting the market direction after a news item serve as an indicator of market supply and demand. Other traders take much longer term views and do complex forecasts of a currencies underlying financial stability and propensity to be affected by various kinds of events. Such approaches may lead a trader to buying or selling a currency against another for several years or as little as a few seconds.

In this forum there is some scattered discussion of fundamental analysis but what you'll find here is mostly TA. That is true for a variety of reasons that are beyond the scope of this post. About 10 percent of traders who use TA are able to trade profitably and probably 10 percent of those 10 percent are able to make serious income from it. To excel in this field the odds are about the same as excelling in any field (about 1 percent) but the odds of just making a living at it are much much lower than in most fields. There is not much to say about TA except that it is popular. The fact that it is the method of choice used by the 90 percent of retail traders who never trade profitably may be a bit unnerving until you also note that (at least in recent years) it has also tended to be the method of choice among the 10 percent of retail traders who do make a profit at this.

Lastly some traders combine the two. In fact some of the most successful traders combine the two. Regardless it is a good idea to develop a healthy immunity to the marketing schemes that you'll find everywhere with very compelling advertisements that give you the impression you can buy their system or signal service and make money right out of the gate. Probably the best value you can get in learning this business is from a few of the myriad of books out there for traders. Merlin has list of recommended books on this forum that is a great place to start. By the time you've read a few books James16 on this forum may have his teaching available. It looks like that will be an extremely good value.