What analysis is actually for

> **TECHNICAL ANALYSIS**
>
> Technical analysis is the study of price and volume history to reach a trading decision. Its useful output is not a forecast but a plan with a level attached: what you will do, and the price at which you were wrong. A method that cannot be wrong is not telling you anything, which is the standard every tool in this module gets held to.

Ask most people what analysis is for and you will get some version of predicting what happens next. That is the wrong job description, and holding it is the single fastest way to lose money with a chart open.

Analysis produces two things. A decision, and a price at which that decision was wrong. If a method gives you the first without the second, it has not finished.

Why the second half matters more

A forecast with no invalidation level cannot fail. Price goes the other way and the forecast is early. It goes further and the forecast is very early. There is no observation that settles it, which means there was never any information in it.

Attach a level and everything changes. Now the market can answer you. You are not asking where price is going; you are asking what has to be true for this idea to still be alive, and watching for the moment it is not.

That is a smaller claim than prediction. It is also the only one a chart can actually support.

What a chart can support

A chart is a record of completed transactions. Every mark on it is a thing that already happened - orders that met, at prices that cleared. Module 1 spent nine lessons on why that is: prices move because orders consume the book, and the chart is what the book leaves behind.

So the honest question a chart answers is not "what will price do" but "where have participants transacted, in what size, and what does that suggest about where their orders sit now".

Everything in this module is a way of asking that question. Some of the tools are better at it than others. All of them are asking it, whether their users know that or not.

The standard for the rest of the module

Each tool that follows gets three questions. What does it actually compute? What do traders commonly read it as saying? And what would have to happen for that reading to be wrong?

The third question is the one usually skipped. It is also the one that turns a chart from decoration into a decision.

Check your understanding

1. What is the defining feature of a usable analytical read?

a. A specific price target
b. A decision and a level at which the decision was wrong
c. Agreement between at least three indicators

Answer: b. The target is optional and often unhelpful. The invalidation level is what lets the market answer you: without it, no observation can settle whether the idea was right, and an idea nothing can settle carries no information.

2. A trader says a pair is going higher, with no level attached. Price falls 200 pips. What has been learned?

a. The read was wrong
b. Nothing - the claim was never testable
c. The timeframe was too short

Answer: b. Without a level, "going higher" survives any move. It was early, or it is a longer-term view. That flexibility feels like sophistication and is the opposite: a claim that cannot be refuted was never a claim.