



Financial Services, LLC

Types of Stock Market Analysis

There is no shortage of analysis for anyone interested in investing. A search for the term "stock market analysis" turned up over one billion results on Google and well over two billion on Yahoo.¹

The majority of stock market analysis can be lumped into three broad groups: fundamental, technical, and sentimental. Here's a close look at each.

Fundamental Analysis

The goal of fundamental analysis is to determine whether a company's future value is accurately reflected in its current stock price.

Fundamental analysis attempts to estimate the value of a particular stock based on a variety of factors, such as the current finances of the company and the prevailing economic environment. Fundamental analysis also may include speaking with a company's management team and assessing how the company's products are received in the marketplace.

When a fundamental review is complete, the analyst may decide the stock is an attractive opportunity because the market has underestimated its future prospects. The analyst also may determine the stock to be a "hold" or a "sell" if the value is fully reflected in the price.

Technical Analysis



Technical analysts evaluate recent trading movements and trends to attempt to determine what's next for a company's stock price. Generally, technical analysts pay less attention to the fundamentals underlying the stock price.

Technical analysts rely on stock charts to make their assessment of a company's stock price. For example, technicians may look for a support level and resistance level when assessing a stock's next move. A support level is a price level at which the stock might find support and below which it may not fall. In contrast, a resistance level is a price at which the stock might find pressure and above which it may not rise.

Sentimental Analysis

Sentimental analysis attempts to measure the market in terms of the attitudes of investors. Sentimental analysis starts from the assumption that the majority of investors are wrong. In other words, that the stock market has the potential to disappoint when "masses of investors" believe prices are headed in a particular direction.

Sentiment analysts are often referred to as contrarians who look to invest against the majority view of the market. For example, if the majority of professional market watchers expect a stock price to trend higher, sentiment analysts may look for prices to disappoint the majority and trend lower.

Which approach is best? There is no clear answer to that question. But it's important to remember three things: Past performance does not guarantee future results, actual results will vary, and the best approach is to create a portfolio based on your time horizon, risk tolerance, and goals.

Keep in mind that the return and principal value of stock prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost.

¹ Searches conducted June 13, 2022

The content is developed from sources believed to be providing accurate information. The information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties. Please consult legal or tax professionals for specific information regarding your individual situation. This material was developed and produced by FMG Suite to provide information on a topic that may be of interest. FMG Suite is not affiliated with the named broker-dealer, state- or SEC-registered investment advisory firm. The opinions expressed and material provided are for general information, and should not be considered a solicitation for the purchase or sale of any security. Copyright FMG Suite.
