

Subjective vs. Objective Technical Analysis

by Erik Grywalski

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Technical analysis is a topic that's widely scrutinized by stock investors.

Many claim that technical analysis doesn't work and isn't useful in any financial market.

In one way, critics are correct because 50% of technical analysis is ultimately determined by an individual/group opinion.

Unfortunately, **this opinion may be subjective (biased) and not objective (unbiased)**.

When this occurs, technical analysis becomes unreliable and an easy target to criticize.

Subjective technical analysis is more common than objective technical analysis.

The Two (2) Parts of Technical Analysis

Technical analysis consists of two (2) parts:

1. **Technical** - Market technicals (price, volume, etc.)
2. **Analysis** - Analysis of the market's technicals by an individual/group.

The [market's technicals](#) are **pure facts derived from its natural movement** and **they can't be wrong because they're created by everyday actions from stock investors around the world**.

However, some do argue with the market, but end up on the short end of the stick when it's all said and done.

This is because fighting with the market places a **minority opinion (individual)** up against a **majority opinion (market)**.

Those aren't good odds for anyone to overcome.

On the other hand, the [analysis of the market](#) **can definitely be wrong because it's a personal opinion that may not be objective/based entirely on current market facts** (technicals).

Do you see the key difference between the two parts of technical analysis?

One can't be wrong (technical) and the other one has the **potential to be incorrect (analysis)** if it's not entirely focused around the market's current price action.

I've detailed the specific risks behind technical analysis [here](#).

Personal Opinions are Detrimental to Technical Analysis

We certainly have the right to a personal opinion, **but it can be harmful while performing technical analysis because it shifts the focus away from the market and puts it on the individual (analyst)**.

This creates a problem because technical analysis should only be about the market's opinion (objective) and not a personal opinion (subjective).

Most don't think about this and just assume that technical analysis doesn't work when they perform their own or read someone's technical analysis and the market goes the opposite way.

This contributes to a negative perception of technical analysis, which is unfair to the discipline.

As an aside, I remember being screened by a portfolio manager who uses technical analysis.

It's my suspicion that the portfolio manager wanted to see if I was using **objective or subjective technical analysis**.

I thought I was being objective with my work, but I never received the consulting agreement.

In reality, I can't blame the screening process.

If I was to hire someone to provide technical analysis/research, the first question that I'd ask is **"how do you stay objective during your technical analysis/research?"**

This is a good lesson for all aspiring market technicians.

If you're not objective in your analysis, you'll have less opportunity because **few professionals want to know your opinion on the stock market**.

My technical analysis/research process is **grounded around the market** so that I can stay more objective.

You can read about it [here](#).

Not all Technical Analysis is Equivalent

Like anything else in life, **technical analysis requires a lot of work, experience in the market and years of historical study to become skilled at reading the market (more objective)**.

Is becoming a top athlete feasible after a couple of weeks/months of practice?

Believe it or not, it's the same thing for technical analysis.

Why would it be any different?

I'm not exactly sure why people view technical analysis as being easier than any other professional skill.

I guess it's more common to blame something than to take personal responsibility for learning a new skill.

Losing money during stock investing/trading doesn't mean technical analysis is at fault.

Consistent profitability during stock investing/trading requires different skills than a market technician may possess in their toolbox.

It's very possible that the individual who lost money in the market is also inexperienced using technical analysis.

After all, half of technical analysis depends on a personal opinion.

By the way, it's okay to be wrong using technical analysis because we're going to make mistakes (I've made many technical analysis errors in the past and will make them again in the future).

Just learn from those mistakes to improve your analysis skills.

I'm a big advocate of learning from market history to improve my own objectivity.

This site gives you a wealth of historical information to get started learning from the market.

If [history tends to repeat itself](#), why not learn from history to improve our technical analysis skills?

The Need to Move Towards Objective Technical Analysis

To close, there are many people in the financial world that still don't understand technical analysis and it's important to make sure they get it right.

To highlight this fact, I received an email from someone in the financial sector who said, "I'm not a big believer in technical analysis."

I understand the response, but the individual must have had **too much exposure to subjective technical analysis** to feel that way.

If technical analysis is presented in an objective manner, how could someone with money at risk not want to know what the market is doing now?

I believe that we need more education, but how can we make people understand that **technical analysis is a professional skill and not a hobby that can be picked up overnight?**

Maybe a new definition of technical analysis, analysis/research built around the market to improve objectivity or even more training on the benefits of TA?

I know that **leaving out the opinion of the majority of stock investors is not the way to go** when looking for a solution.

However, **removing/minimizing a personal opinion within the analysis of the market's technicals** sure seems like a direction to take to improve the perception of technical analysis.

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