

IV. Types of Chart

1. Introduction

A chart is a graphical representation of price movement over a specific period of time and is composed of an x-axis (time) and a y-axis (price). The choice of the time frame employed depends on the user's need. It is obvious that an intra-day scenario will not be based on a monthly chart.

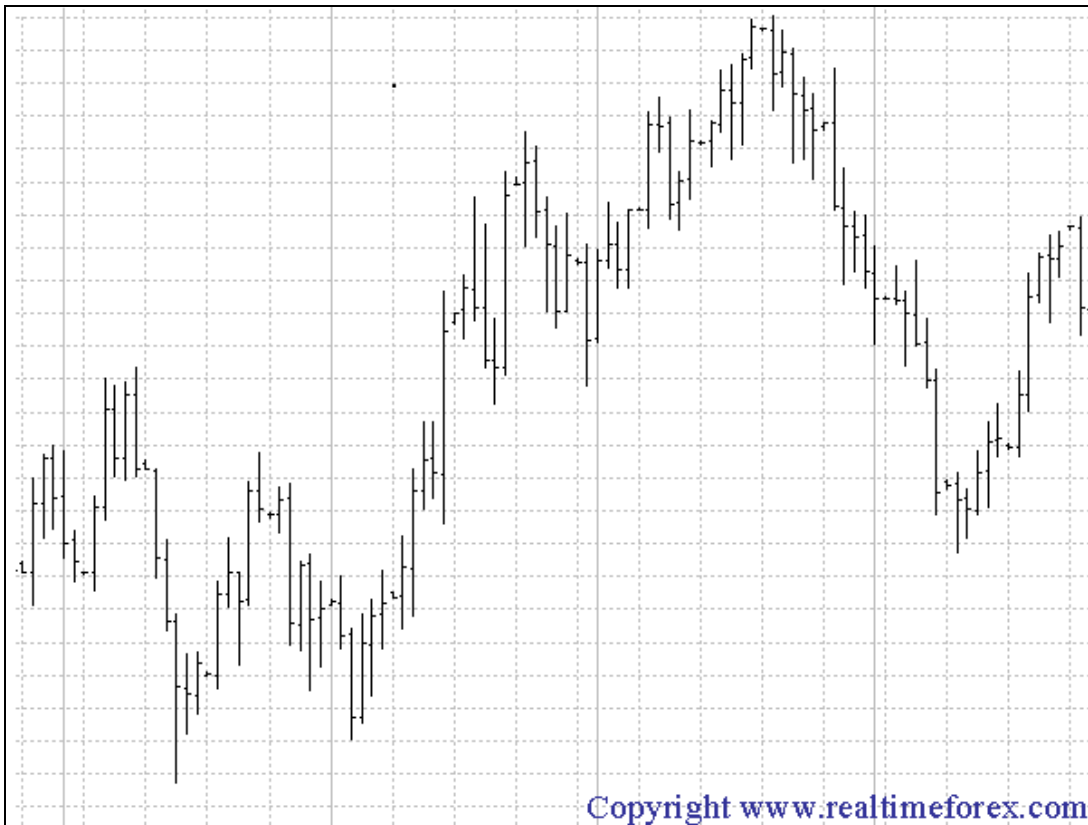
2. Line Chart

A line chart shows a line connecting the "closing prices". The closing is the last price recorded at the end of a specific period of time (session).



3. Bar Chart

Bar chart: Basically all characteristics mentioned for the line chart also hold true for the bar chart. However, the construction is a different one. The bar chart is composed of a high (highest price during a session), a low (lowest price during a session) and the close. All that is required is to draw a vertical line (bar) from the high to the low. Then, set a horizontal dot from the vertical line to the right, representing the close. Sometimes users refer also to the opening price; a dot drawn on the left side of the bar. The bar chart is probably the most popular chart in use today.



4. Candlestick Chart

The building blocks for the candlestick chart are the high, the low, the opening and the closing. The difference to the bar chart is that the open and the close form the cornerstones for the, so called, real body. The body is white if the closing is higher than the opening. The contrary is true for the black body. The candlestick charting technique is an ancient Japanese invention dating from the late 18th century. The theory tries to unveil trend reversal or continuation signals. Various tools of analysis (moving average, RSI, trend-lines etc.) can be applied in combination with the candlesticks.

