TYPES OF CHARTS

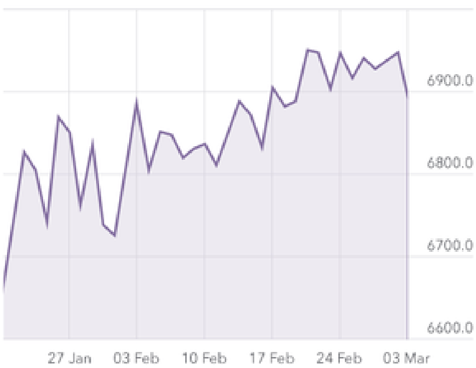
KEDIA ADVISORY

The first thing you'll need to understand as a technical analyst is the different types of charts at your disposal and their relative benefits.

Charts come in three main forms: line, bar, and candlestick. Let's have a look at how each type works.

LINE CHART

This is the simplest form of the chart - essentially just a number of data points joined by a line. This type of chart shows the historic price movement of an asset in a very clear and simplistic manner.



Unlike their bar and candlestick cousins, line charts only display the closing price of an asset over time. So if we look at the daily chart for spot gold, for example, each data point represents the closing price for gold on that day.

The benefit of using line charts is that they can make patterns easier to spot. However, due to their simplicity, you can miss some of the important price movements that occur between the open and closing of each data point.

BAR CHART (ALSO CALLED HLOC CHART)

More complex than line charts, bar charts show the opening and closing prices as well as the highs and lows for each period. That's why they are sometimes called HLOC charts because they display the High, Low, Open and Close.

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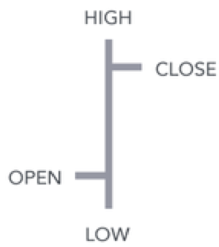

The very top of each bar represents the highest price traded during that period, while the bottom signifies the lowest. The horizontal notch to the left is the opening price, and the notch to the right is the closing.

Often bar charts are in black and white, but they can also be displayed in color, as shown on this five-minute chart of Gold. In this case, the red bars represent a five-minute period where the price has dropped, while the green bars represent a five-minute period where the price has risen.