



Brainy's Articles on Technical Analysis

Price charts in detail

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This article
is NOT free*

Introduction

The article TA-2100, "Price charts, time periods", provides an introduction to share price charts, and to time periods. It includes basic information on Daily price charts, including the Line chart, OHLC bar chart and the candlestick chart. It also included information about the Volume bar chart which is typically displayed on a price chart.

This article in Brainy's series on Technical Analysis (number TA-3100) provides more details on this topic, and includes discussion on: semi-log price charts, and various time frames (daily, weekly, monthly, quarterly and intraday). There is also a discussion about the pros and cons of candlestick charts versus bar charts.

Candlesticks versus bars?

It seems that with some experience traders and investors choose to use either bar charts, or candlestick charts to better understand the share price range during the period — that is, during the day on a daily chart, and during the week on a weekly chart, etc., remembering that the daily chart shows one bar or candle for each day.

But, which should you use — bar charts or candle charts? It basically boils down to which type of chart you find easier to read and interpret.

Some people love bar charts, and can easily interpret and visualise the intra-period price action. But other people find bar charts difficult to interpret quickly, and prefer candlestick charts. The author's own preference is for candle charts. I find it much easier to understand the relative position of the close and open of consecutive candles. Look at one "up" bar/candle (where the Close is higher than the Open). Is there a large price range between the Close of the bar/candle and the High? This is handy to know, and it is useful to be able to interpret this quickly on a chart with many bars/candles. So, try this exercise, and see which one you find easier.

Time frames — Daily, Weekly, Monthly, etc.

In this section we take a brief look at common time frames, and consider when you might use each of them.

- Daily chart (eg. over a 3-6 months period) — is a common time frame. The sample at right is over about 5 months. Each candle represents the range of prices over the day.
- Weekly chart — can be used by longer term investors to eliminate the "noise" of the daily charts.
- Monthly chart — is good for a longer term perspective of the price action.
- Quarterly chart — eliminates a lot of the noise of the shorter term period charts.



Figure 1: Sample daily chart