Charts for the technical analysis

Kinds of prices and time units. Charts for the technical analysis are being constructed in coordinates price (the vertical axis) time (the horizontal axis). The following kinds of currency prices represented on charts are being distinguished on Forex:

* open - a price at the beginning of a trade period (year, month, day, week, hour, minute or a certain amount of one from these units);
* close - a price at the end of a trade period;
* high - the highest from prices observed during a trade period;
* low - the lowest from prices observed during a trade period.

Providing the technical analysis one uses charts for different time units ••• from 1 year or more till 1 minute. The bigger is a time unit applied for the chart plotting the bigger is a time span to analyze price movements and to determine the major trend by means of the chart. For the short trading charts for less time units are more suitable.

Line chart. The line chart is plotted connecting single prices for a selected time period. The most popular line chart is the daily chart. Although any point in the day can be plotted, most traders focus on the closing price, which they perceive as the most important. But an immediate problem with the daily line chart is the fact that it is impossible to see the price activity for the balance of the period as well as gaps ••• breakups in prices at joints of trade periods. Nevertheless, line charts are easier to visualize. Also, technical analysis goes well beyond chart formation; in order to execute certain models and techniques, line charts are better suited than any of the other charts.

Bar chart. The bar chart consists from separate histograms. To plot a histogram in coordinates price ••• time the points responding to high, low, open and close prices for a time period analyzed should be marked on the one vertical bar. The opening price usually is marked with a little horizontal line to the left of the bar; and the closing price is marked with a little horizontal line to the right of the bar. Bar charts have the obvious advantage of displaying the currency range for the period selected. An advantage of this chart is that, unlike line charts, the bar chart is able to plot price gaps. Hence, it is impossible to see on a bar chart absolutely all price movements during the period.

Candlestick chart. The candlestick chart is closely related to the bar chart. It also consists of four major prices: high, low, open, and close. In addition to the common readings, the candlestick chart has a set of particular interpretations. The latter is possible thanks to the convenient visual observation of that chart.

The opening and closing prices form the body (jittai) of the candlestick. To indicate that the opening was lower than the closing, the body of the bar is left blank. Current standard electronic displays allow you to keep it blank or select a color of your choice. If the currency closes below its opening, the body is filled. In its original form, the body was colored black, but the electronic displays allow you to keep it filled or to select a color of your choice. The intraday (or weekly) direction on a candlestick chart can be traced by means of two "shadows": the upper shadow (uwakage) and the lower shadow (shitakage). Just as with a bar chart, the candlestick chart is unable to trace every price movement during a period's activity.

About the Author

Tomas Anderson is the editor of www.go-see.info - a free Article Directory, where anyone can submit articles or find free content for the website.

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