02-A

this is al brooks,and thank you for watching the brooks training course in this video,im going to be talking about chart basics and price action.first,I'm going to be talking about charts,and why use charts what's the purpose of charts,what types of charts are there?next,i'll talk about markets and how they work,not just the stock market but all markets.there are now two versions of the brooks trading course. there is the brooks trading course,and then there is a forex version.and each of the two versions is divided into two parts. the first part is the same for both courses and,its on price action fundamentals and.that's approximately half of the course. and this shows one power video,and this is another power video.

both courses have both,both have all the same videos.in the price action,fundamentals part of the course,I also call it the base course.i cover price action theory and I use mostly generic charts,although I have some e mani and some forex charts.these videos are for trading any market and any timeframe.there's also a second part of each course,so for example,in the how to trade price action for the brooks trading course.I have a lot of charts on mostly emi ni,but some commodities,some ETF,some forex charts and some start charts.

it's designed for traders to trade multiple markets,but for the brooks forex trading course.it's for forex only traders and I focus exclusively on forex trading and maybe ninety nine percent of the chart examples are forex examples.the concepts are similar to those in the brooks trading course,but the difference here is that all the narration has to do with forex markets and.the vast majority of the charts are forex charts.

why use charts?

what's the purpose of charts?

a chart shows current trades and recent trades,so here are the current trades,and these are the recent trades.traders want to see those trades because they can then formulate an opinion as to what the market will do in the future.that lets them know should they buy,should they sell.day traders in general prefer candlestick charts like this.over traders,institutional traders,

they usually prefer line charts,which is just a line like this. you can see the overall shape of this is.is similar to the candlestick chart.so for example,if this is a sixty minute candlestick chart and each bar is sixty minutes another bar,sixty minutes sixty minutes,and this is a sixty minute line chart.this chart is constructed by using only the closes,the close of this hour,the close of that hour,the close of this hour plots them.as dota and then it connects the dota with a line here,the dota are so small you don't see them.all you see is the line.this low point right here represents this low close right there.

this high close right here is represented by that high point right there again. this only shows closes it,does nt show this high price or this high price?there is no best chart there's simply different ways to represent trades all charts are good all show the same thing.extreme forms of charts are useless that do not help you make money,nbsp.you should choose a chart that's consistent with your personality and your goals as a trainer.

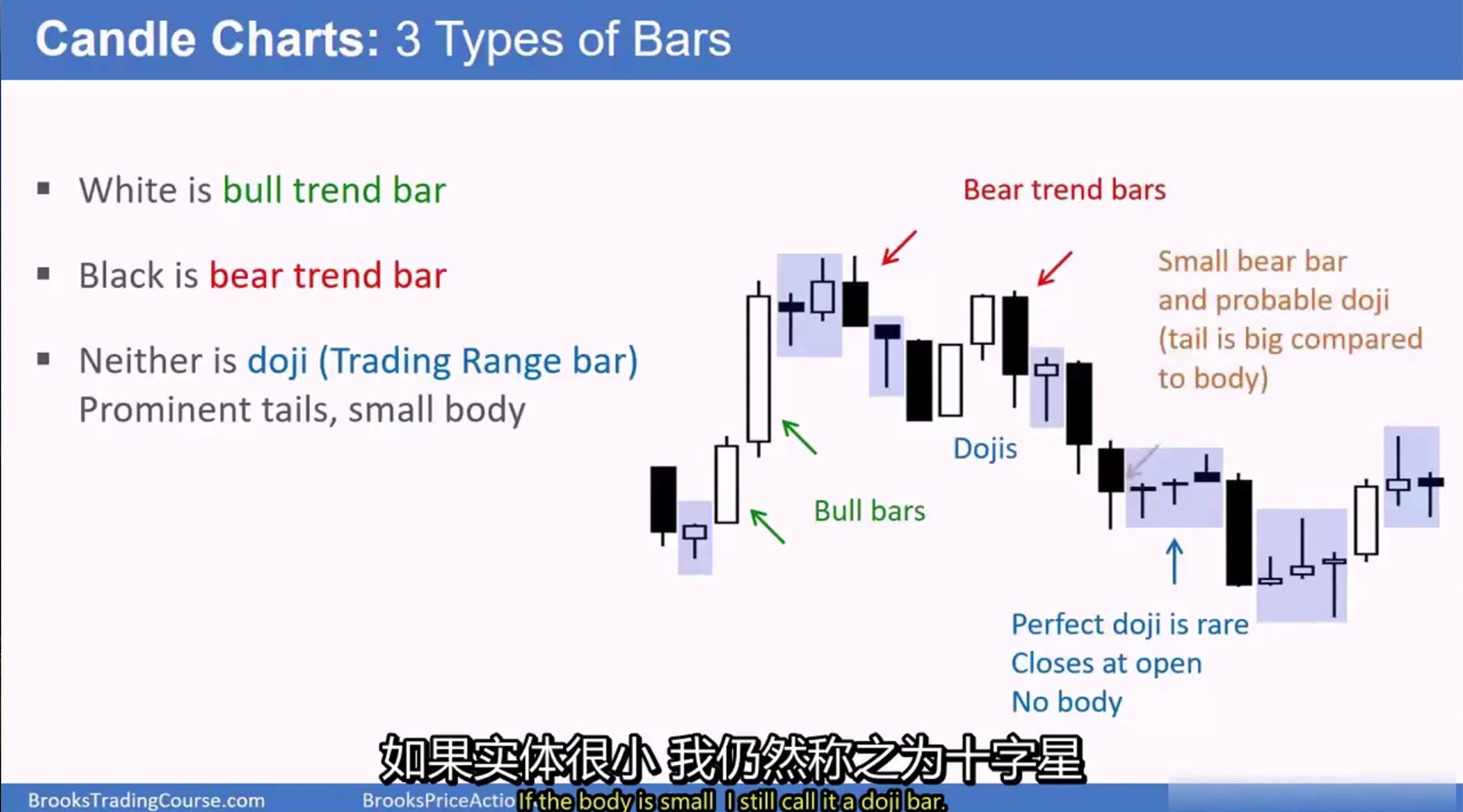
a chart is on a computer screen,a computer screen has two dimensions,

it's wide and it's high and therefore it can show two variables.traders usually put price on the vertical axis and time on the horizontal axis.

some types of charts have things on the horizontal axis other than time,but most traders use time.on the horizontal axis and price on the vertical axis.there are these volume charts that try to incorporate a third variable volume,and they do so by changing the width of the.

candlestick.so a wide candlestick has more volume than a narrow candlestick.most traders do not use these spars,in fact i don't know anyone who trades successfully using these spars.what's Nice about candlestick charts is you can quickly see who owns the bar.i could create bars using any colors,typically for a bull trend bar,a bar that opens on it slow and closes on its high. I use white.other people use green,but when I trade im using white.this means that the bulls controlled the bar,the bar open near slow and closed near its high.a bear bar,a black bar is a bear bar that means it opened at the top of the black rectangle closed at the bottom of the black rectangle and the bears owned the bar.this does not tell me what the bar did in between the open and the close or May have gone to the bottom May have gone up top and bottom five different times.

but in my mind.if I see a black bar,I know it opened here,I know it closed there. I assume bears one,the bears won the bar.if I see a white bar,I know it opened at the bottom of a white rectangle. all white bars open at the bottom,all black bars open at the top.if I see a white bar,I assume the bulls won the bulls own that bar.sometimes you get bars like this that have very small bodies,prominent tail below and above closing somewhere around the open.that is a balanced bar,the bulls and bears were about equally strong and i view it as a one bar trading range.there was a lot of two sided trading,

s

buying and selling.you can call it a training range Bari,call it a doji bar. some people use the term do ji to refer to a perfect do ji where the open enclosed are exactly at the same price.I think that's useless because it's very rare and why give a term to something that virtually never happens?for me,I see bars as either trend bars. here's a bull trend,here's a bear trend or trading range bars.a bar that's not going anywhere.in my mind,every bar is either a trend bara bull trend,bara bear trend bar or a trading range bar,and i call it a do ji bar.so bull bars every white bar,the bottom of the rectangle is when the bar opened,the top is when it closed every black bar.

the open is at the top and the close is at the bottom.beer trend bar opened here close there.and then trading range bars,do ji bars.you can see on the chart a lot of these bars,I would call do ji bars like this and that and this and these heres the only perfect do ji bar on the chart.do you think this bar has any special meaning compared to that bar or this bar or that bar or this bar? no,it does not.so worrying about whether or not a do ji bar is absolutely perfect or if it's slightly less than perfect,is foolish.it doesn't matter this bar is just the same as this bar and the same as this bar and the same as this bar. there's small trading range bars,the bulls and bears both.we're in control during part of the bar,and that's all i care about the bar does not represent a trending market. it represents a neutral market.so any small bar where the body is maybe half the size of the bar or less,

i call it a do ji bar.because,as I said,I used do ji to refer to a trading range bar,and I think of all bars as either trend bars here,a bare trend bar.bold train bars or training range bars here,so small bars do ji bars bars with prominent tails.are do ji bars,do ji bars can be very big if the body is small,I still call it a do ji bar.now you have some bars that.could be do ji bars,they could be trend bars,for example. here's a small bar,

the body is about half the size of the entire bar's height.I would call that a small bear trend bar.if the body is half the size of the bar or more,I tend to call it a trend bar if its less than half the size of the bar,especially if the bar is not very big,I tend to think of it more and.asado ji bara training range bar.look at the screen box.that is the high of the bar. that's the highest trade that took place during this five minutes,and i call that line above the rectangle a tail.here's another tail up here. here's a tail below a bar.it's simply the highest price or the lowest price that took place during the bar. some bars don't have any tails.for example,heres a bull bar theres no tail on the bottom. that means it opened on exactly the low of the bar and the market never traded below the open of the bar.the open of the bar in this case,

a bull bar is the very first trade that took place if this is a five minute chart. this is the first trade that took place as soon as that bar closed.and the close of the bar,the top of the white rectangle is the final trade.and as soon as that trade takes place,another candle begins.what bare bars is the opposite remember every bare bare very black bar opens at the top of the black rectangle,in contrast to a bull bar every bull bar opens at the bottom of the white rectangle.here,this's only a very tiny tail on top of the bar that means it opened and then it traded a little bit above the open and then closed on the low.if there's a tail below,that means it traded down and traded back up in this case because it has a black body. that means the open was here and the close was a little bit below.so the bottom of every black rectangle is the close of the bar. the rectangle is called the body a black body is of.a bare body,a white body is a bull body,a bull trend bar.

I mentioned that time charts can be any interval.in this particular example,this could be a five minute chart. it could be a one minute chart,each bar could be one minute long,it could be a fifteen second chart,it could be a monthly chart where each bar is one month,and here's the next month and then the next month and then the next month.so that is a time chart,and you can use any interval for time.volume trots are also popular and there are two different types. one is the number of contracts or shares traded.and the other is a tick chart.so for example,here.each bar is a ten thousand contract bar.let's say nine thousand,

nine hundred and ninety nine contracts were traded.and the next trait is a thousand contracts. then this bar will not have exactly ten thousand contracts,it will have nine thousand,nine hundred and ninety nine.plus,one thousand more so it'll have ten thousand,nine hundred and ninety nine.even though it's called a ten thousand contract volume chart,the bars usually do not have the same number of contracts as soon as a bar.has at least ten thousand contracts the bar closes and another bar begins.here is a tick chart.for example,five thousand ticks where each tick is a trade,so if a trade takes place,that's one tick if the trade has two.

two hundred shares in it or two hundred contracts in it is still one trade if it has one contract in it. its one trade.and as soon as there are five thousand trades,the bar ends and another bar begins.here are some examples of different types of bar charts that are not really bar charts,but i call them bar charts.a dot on clothes chart.if this was a five minute chart.this is the close of this five minute period and then during the next five minutes the market might be doing all kinds of things up and down and up and down.the charters INC are only plots. the final trade of that five minutes.same thing for the next five minutes and does not care if the market went up and down and up and down ten times all it cares about is,the final trade of,the five minute period.and it creates another dot.a line chart you can see is the same shape the line chart is the same shape as a dot chart all it is is a dot chart.where the dota are connected with the line and you make sure that the size of the dota when you are formatting the chart.

are no bigger than the line,so you do not see the dota,you only see the line connecting the dota.here's a traditional bar chart. every bar is five minutes at the end of five minutes,another bar begins.it shows all the trades that took place. it shows the lowest trade that took place during the five minutes,the highest trade that took place during the five minutes.the left dash on the side of the bar is,the first trade and on the right side of the bar that dash is the final trade.so the open it shows the open of,the bar,the lowest trade during the five minutes,the highest trade and then the close.and a candlestick chart is a version of that.except that if a bar open slow and closes high,

the candlestick chart gives it a white body.if a bar opens high and close slow,the candlestick chart gives it a black body,so it's just quicker to see how many bear bars there are and how many bull bars there are.here are can sick charts and some other less popular charts. some traders like to use rain charts,ka gging charts,kai zed charts.it doesn't matter they all represent the same thing and you can see the general shape is similar on all of the charts.here's an example of do ji candles.right there.closed around the open,some are relatively big,some are relatively small,and every do ji bar is a one bar trading range.and they can be any size,

is this a doe ji bar? it has prominent tails,but it has a pretty big body if the body is more than half the size of the bar.I usually call it a trend bar,so I would call that a bold trend bar with prominent tails. here's a bar with a bare body,is it a bare trend bar?no,I would call it a do ji bara bear do ji bar because it is a very small body relative to the size of the bar.there are some bare doe gees. this one,the the body is about half the size of the bar,so I would call it a doe gee plus it's a small bar.and here's a bull do ziabull body and prominent tails. the body less than half the size of the bar.the prominent tales mean that it's a weaker trend bar,but it's still a trend bar.you'll often hear people talk about the market or the stock market or the futures market or the forex market.and there are many types of markets.

in every interaction in life,there's always somebody who wants to give or sell something,and there's always somebody else who wants to buy something.and they trade between one another.for example,the real estate industry creates the housing market. it's a way to buy and sell houses if there's no market,and you want it to sell your house,you'd have to go door to door.or put an AD in the newspaper,hoping that you'd find someone who wants to buy your house more likely,you would not find many buyers.if there are not many buyers well,guess what they know you need to sell and there's not much competition.for them,buying they can offer a very low price.

also,for example,if you wanted to buy a house and there was no market,you could go door to door asking someone can I buy your house,can I buy your house,can I buy your house.chances are since there's no competition.you know,the seller does not feel like he's competing against a bunch of other sellers. he is only going to be selling for a very high price.he's an uninterested seller and few to get him to sell. you're going to have to offer him a very high price.the advantage of a housing market is,it brings lots of willing buyers and sellers together.and therefore you have buyers and sellers competing with one another and it tends to keep the price fair. so if there are a lot of buyers.they are not going to pay too much,they are not going to pay too little if there are a lot of sellers who have a lot of people deciding what fair value is.

and the housing price is more accurate,more more realistic.I said the industry creates the market just like there's a stock market industry that creates different markets,different exchanges in new york stock exchange and the nasdaq stock exchange.and the industry gets paid a commission,so the real estate brokers get together and they decide on a commission. so for example,in california.a six percent commission is common.if you're buying a house,you have a buying broker. if you're selling a house,you get a selling broker and they split the six percent.if you sell a house for a hundred thousand dollars,you do not get a hundred thousand dollars six percent is the commission you get ninety four thousand dollars.and the two brokers,the buying broker and the selling broker,

split that six percent as six thousand dollars.is very helpful if you're buying or selling a house to,know what comparable houses have sold for recently.in trading stocks,you really want to know what the last trade was.right? you want to look at recent comparable sales to get an idea of what the fair price is,so if you're trying to buy a house,you want to make sure that you're not paying too much.and one way to do that is to look at recent sales.if there are a lot of people in the market,a lot of buyers,a lot of sellers,you typically do not have to wait long to sell your house or to buy another house.because you trust that the prices are all just about right.so that's a tight spread between what the sellers want for selling the house and what the buyers want for buying the house.

the spread the difference tends to be pretty tight and it tends to accurately reflect the fair value of the house.so if you get a lot of buyers together and a lot of sellers together.traders tend to trust that the price is accurate and fair at that moment. it May be the wrong price a month or two from now,but at that moment when the buyer wants to buy and the seller wants to sell.if there are a lot of buyers and sellers chances are the price is going to be very close to what a fair value is.so if,you're selling a house.and you get somebody who says I want to buy your house,and they offer too little at least in your mind. they offer too little wait because.you can trust that if you price your house fairly.you'll be offered more by somebody else.also,if you're a buyer and you really want to buy value and you tend to offer ten percent less than the fair market value,you're probably going to have a hard time.finding house to buy because there are other buyers who want to buy and they're more willing to pay fair value instead of a low price.

so if you want to buy your house,you're going to have to pay more.financial markets,same thing.they bring fires and cellars together.the nasdaq has apple and google a lot of people at any instant want to buy apple. they want to sell apple. there are a lot of people who want to buy google and sell google.the new york stock exchange JP morgan,a lot of people want to buy JP morgan at the same time a lot of other people want to sell it.and the stock market brings the buyers and sellers together,and they get almost instantaneous transaction. you do not have to wait to complete a trade at,a fair price.you know that when you trade you're buying the exact appropriate price at that instant and is a very tight spread between.the bid and the ask so,for example,if I wanted to buy google,

the ask is five hundred and forty eight fifteen. I'm going to pay five hundred and forty eight fifteen.if I want to sell google,it might be oh eight and that's not a very big spread.here in JP morgan,the spread might be just a penny. it's a much cheaper stock,but one penny spread.and the industry.gets paid a commission you pay the industry a commission for creating the opportunity to have that transaction.the industry,the new york stock exchange,for example here.they have a building. they have the electronic infrastructure that allows buyers and sellers to come together,and they need to get paid to maintain that and.and that is,the commission that they charge both the buyer and the seller.

in the forex market,the commission is the spread.so here it would be,a one pip profit.markets are constantly trying to find a price that both buyers and sellers think is fair.they never know exactly they know exactly at one instant,but the price is always changing. there's always new information coming in,you know,more buyers,less buyers,more sellers,fewer sellers.and then there's international information coming in business information coming in every conceivable piece of information that comes into the market.moves the price up and down.and the markets constantly move in search of a fair price,

because that is the price that results in maximum trading and.that is the purpose of all markets to maximize the amount of trading if the price is way too low,yes,what no sellers so there will be no trades and.if the price is way too high,guess what no body s going to buy no trades will take place,so the market is always in search of a price.that will maximize the number of transactions in fair price.it's constantly changing with every piece of information. it's difficult to know exactly what the fair price is,the market's constantly probing up if it runs out of.buyers and sellers come in very aggressively,the price is too high,it goes down if all of a sudden it gets too cheap a lot of buyers come in and the sellers stop selling.at this price,they'll only willing to sell higher price goes up.

the market's always probing to find out what too high is what too expensive is and what too cheap is.so for example,here the market thought this was a fair price and then the fundamentals changed some piece of information that comes out and.in this particular case,the market suddenly decided that the price was way too high and we got a big bear breakup below the trading range.the market is in search of a new fair price where it will oscillate around and create a new training range.because fundamentals change constantly and there are countless fundamentals,you don't even know most of them different.institutions provide news buyers and sellers come and go. they changed reasons for buying and selling its changing constantly.the fair price changes constantly,however,it's usually in a fairly tight range. most of the time markets are mostly sideways.some of the time they quickly move because everyone perceives that the price is wrong.up here,traders decide if the price is too high.

buyers and sellers both decided that it's too high,so I had to move down quickly to find a price where both buyers and sellers thought the price was fair.for here,the market was staying in this general range.because buyers and sellers thought it was fair if it went up a little too high,no more buyers sellers got aggressive. the market went down.if it goes down too low,sellers think its too low to sell. they stop selling buyers think its a great value they buy and it tends to go up.markets constantly need reassurance that the price is right,that the price range is approximately right. it probes up,it probes down.it's constantly trying to break out tries,to break out reverses down tries,to break out reverses down tries,to break out reverses down.

tries up.reverses down,it probes down,maybe,maybe the fair price is down here,so lets try to get there cannot get the resellers stop buyers get aggressive.tries to go down fails,tries to go down fails,tries to go down fails,tries to go down and fails. so it's constantly trying to.breakout is constantly trying to see if maybe the price needs to go lower,maybe it needs to go higher and it spends most of the time going sideways.with eighty percent of breakout attempts up and down failing.that's how it determines where the appropriate range is and.the marcus really want the range to be extremely tight.

they want to bring.fires and sellers,together with very little.spread and they're always in search of the perfectly fair price the markets always want to be in trading ranges and they prefer to be in very tight trading ranges.I said the purpose of a market is to facilitate training.and one of the consequences of market moves is to create the maximum number of trades and traders the market is always moving in a way to force traders to behave to take trades.it's trying to get traders to trade even when they don't want to trade. so if you're long a stock,guess what the market is sometimes going to fall very far to force you to trade to force you to sell or force you to buy more.as I said,when price falls too far,no one's going to sell. so there's no trading.so the market has to move higher to find sellers.if it goes too high,fires are not going to buy.and the market has to go back down to find buyers. it's always in search of the price range where trading is going to be maximum.

it wants the maximum number of traders taking trades and wants the maximum number of trades taking place and wants the maximum number of contracts traded.let's say,for example,apple is being offered at a billion dollars a share.no one would buy.since no trades would take place,the volume would be zero.the price has to come down to find buyers.in this video,I talked about the purpose of charts and the types of charts,and I also talked about how markets work.this is al brooks and thank you for watching the brooks training course. this video was on chart basics and on price action.