CHARTS

We just saw that technical analysis is the study of data about price and volume of an asset-based on which we conduct statistical analysis to identify any trends that would help us in taking decisions regarding buying and selling of assets. Back in the days, all this was done manually or using a tabular representation. However, the same data can now be represented in a graphical manner which will help us understand trends better and makes decision making more convenient.
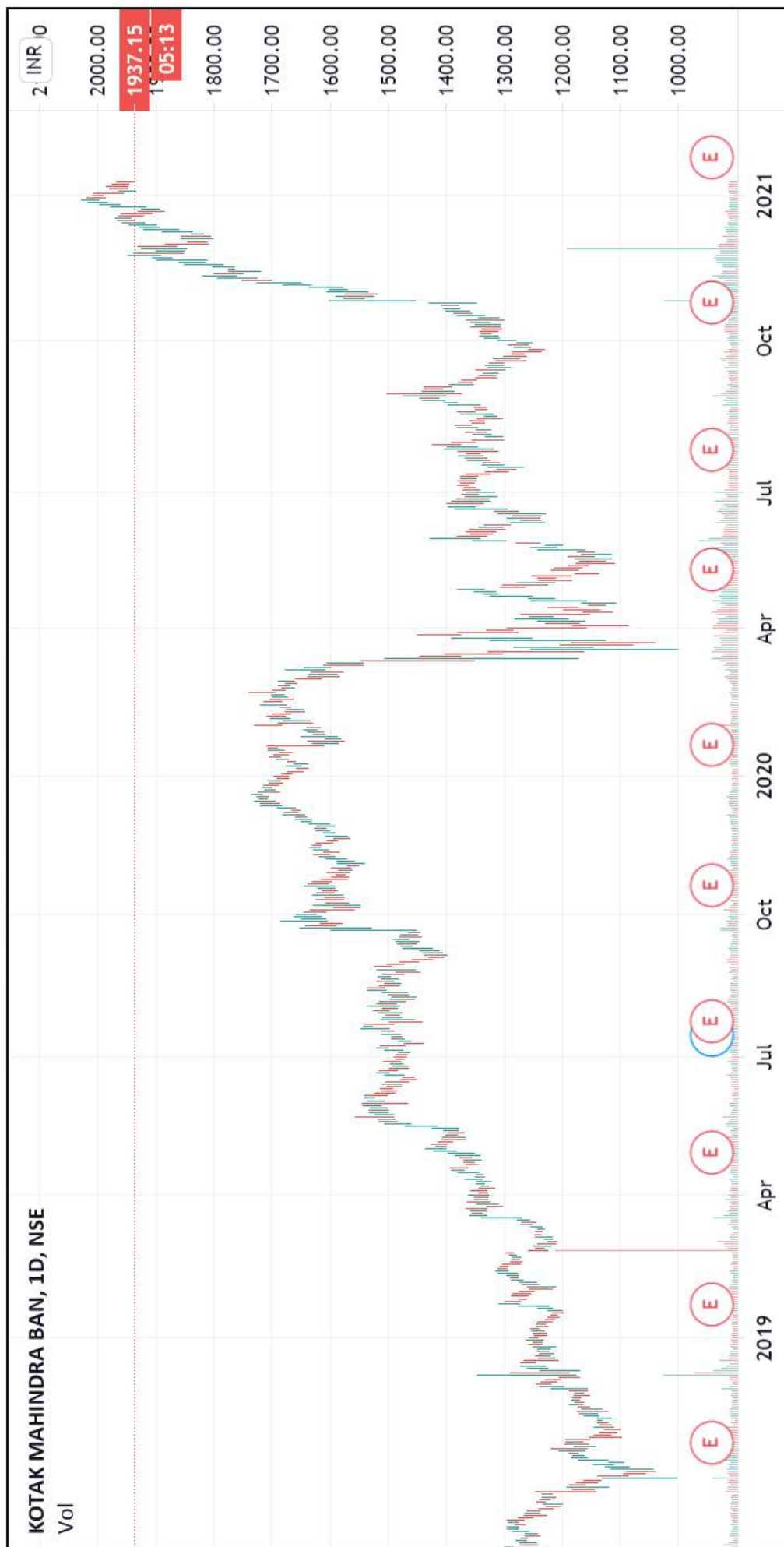

Instead of doing it manually or in a tabular manner, we conduct this analysis in a graphical manner so that analysts can better picture the same and conduct analysis on the same. All that is done in a chart can also be done using Tabular representation as well, but many patterns will go unnoticed in the process. As a result, charts is the standard way how Technical Analysis is done and based on actions, decisions are taken.
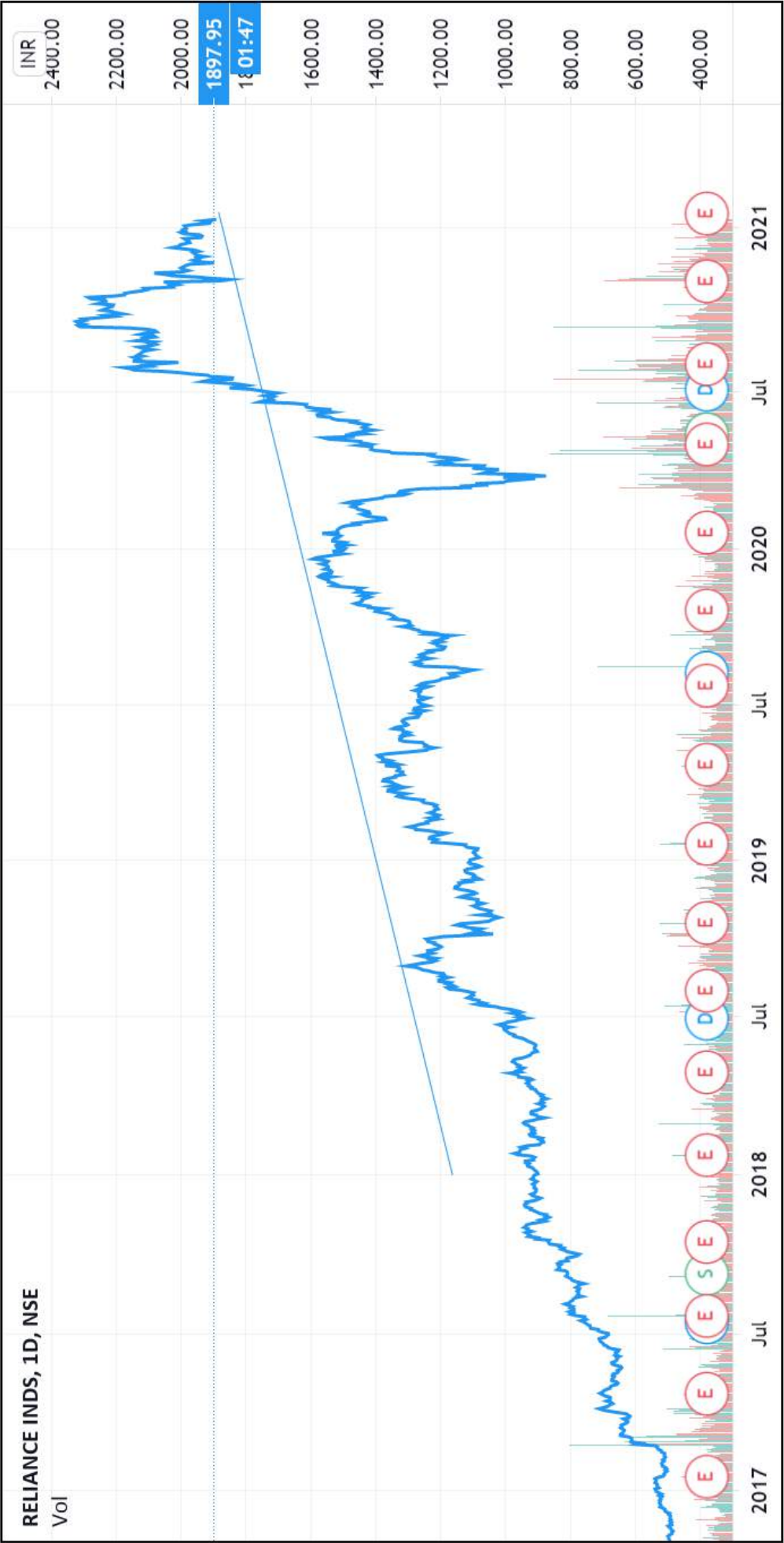
One who looks at these charts for the very first time could naturally get intimidated and overwhelmed and perceive it as intricate. However, that should not be the case. Charts are relatively simpler to comprehend and it will take an average person merely a week to recognize every element on them. However, it is an art to be able to read charts and identify patterns efficiently. There is a multitude of techniques to read charts and with years of considerable practice and experience, one becomes an expert at it.

Let us take a look at a few charts to decipher what a typical chart looks like, the different elements of the same and so on. We have shown charts with different indicators. The charts here are a representation of the typical ones and we will deal with them in a detailed manner without getting intimidated. This will just make reading charts a piece of cake for us. Right now, we will focus on the translation of data into a graphical representation.

NSE:KOTAKBANK, D 1937.15 ▼ −33.55 (−1.7%) O:1960.00 H:1966.90 L:1935.40 C:1937.15

KOTAK MAHINDRA BAN, 1D, NSE
Vol

TradingView

This is a plain vanilla price and volume chart. The chart shows price data through the line graph and the volume data using the bar graph plotted on the horizontal axis. Those marked as 'E' refer to the events faced by the company.
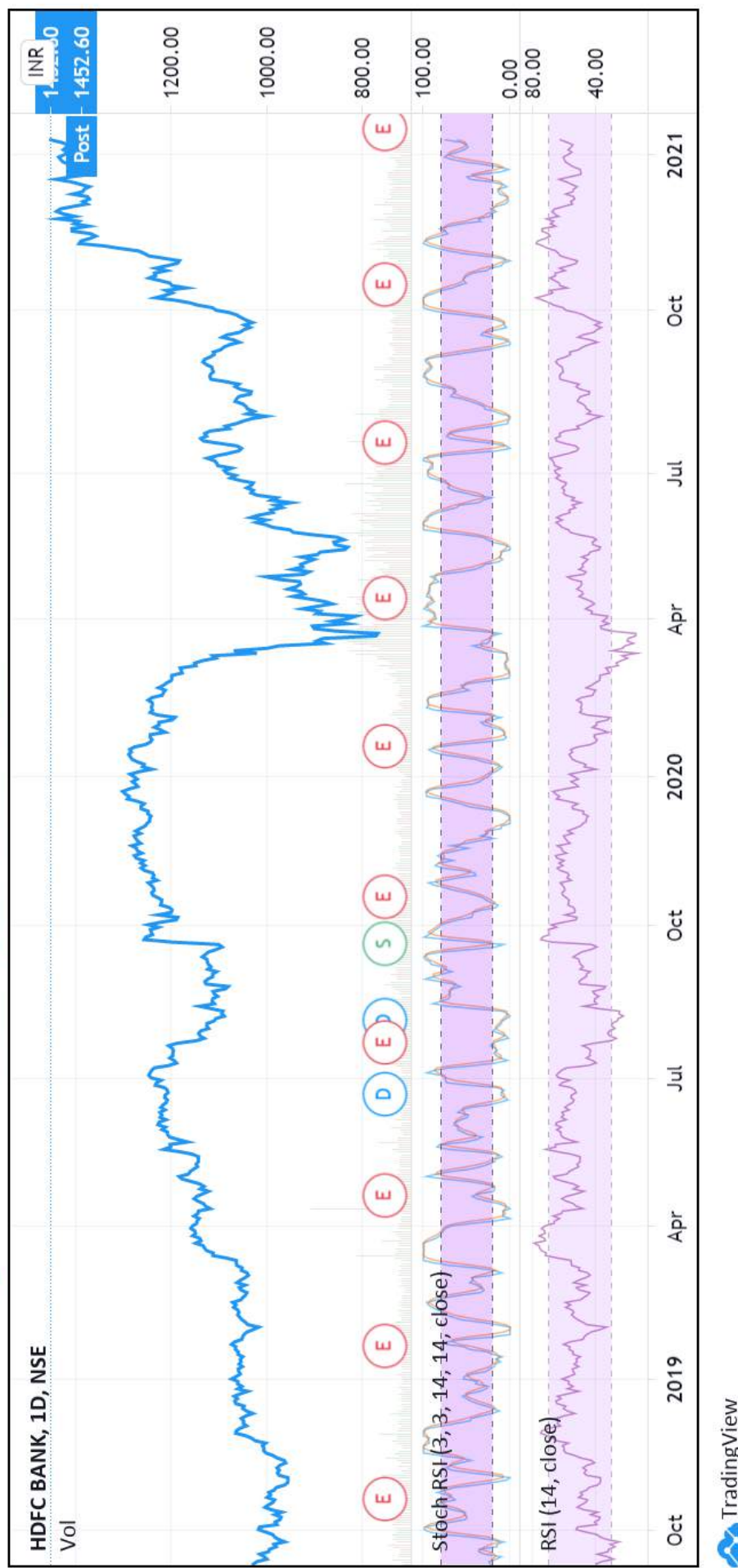
NSE:RELIANCE, D 1897.95 ▼ −35.75 (−1.85%) O:1938.80 H:1938.80 L:1892.50 C:1897.95
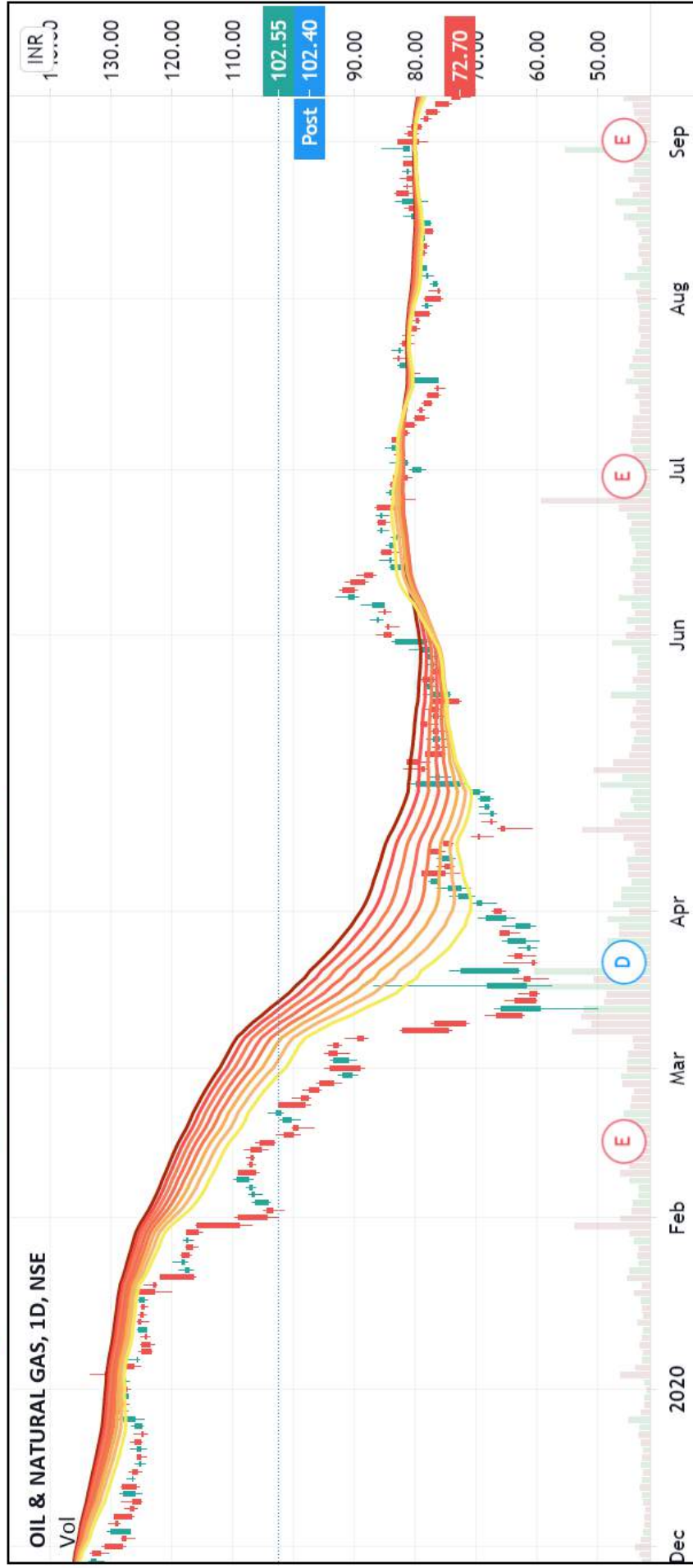
RELIANCE INDS, 1D, NSE
Vol

This is a simple price-volume chart. It has a pattern line marked, we can mark a series of such lines to understand the trend, direction and channel in which price is moving. All this is only possible through charts.

ZebraLearn published on TradingView.com, January 11, 2021 15:30:40 IST
NSE:HDFCBANK, D 1452.60 ▲ +20.95 (+1.46%) O: 1450.00 H: 1464.90 L: 1436.30 C: 1452.60

HDFC BANK, 1D, NSE
Vol

Stoch RSI (3, 3, 14, 14, close)

RSI (14, close)

TradingView

This is a price-volume chart that has two indicators – RSI and Stoch RSI. A single indicator or a combination of more than one indicators are used to generate buy and sell signals, based on those we make decisions.

ZebraLearn published on TradingView.com, January 11, 2021 15:33:59 IST
NSE:ONGC, D 102.55 ▲ +1.90 (+1.89%) O:101.50 H:102.90 L:98.05 C:102.55

OIL & NATURAL GAS, 1D, NSE
Vol

This is a price-volume graph that denotes moving averages. [This technique combines the use of a moving average (MA) with relative strength (RS). It is based on selecting a stock that performs better over a given period than the related index, and that this stock exceeds its (mostly long-term) MA.]

So, we see how charts look. These are simple graphical representations of price and volume. Statistical analysis is visually conducted on top of them to facilitate decision making. Charts will form the basis of all different kinds of analysis done going further.