Basic charting Techniques

Basic charting Techniques is a tool, or method, used to predict the probable future price movement of a security – such as a stock or currency pair – based on market data.

The theory behind the validity of technical analysis is the notion that the collective actions – buying and selling – of all the participants in the market accurately reflect all relevant information pertaining to a traded security, and therefore, continually assign a fair market value to the security.

Past Price as an Indicator of Future Performance

Technical traders believe that current or past price action in the market is the most reliable indicator of future price action.

Technical analysis is not only used by technical traders. Many fundamental traders use fundamental analysis to determine whether to buy into a market, but having made that decision, then use technical analysis to pinpoint good, low-risk buy entry price levels.

Charting on Different Time Frames

Technical traders analyse price charts to attempt to predict price movement. The two primary variables for technical analysis are the time frames considered and the particular technical indicators that a trader chooses to utilize.

The technical analysis time frames shown on charts range from one-minute to monthly, or even yearly, time spans. Popular time frames that technical analysts most frequently examine include:

- 5-minute chart
- 15-minute chart
- Hourly chart
- 4-hour chart
- Daily chart

The time frame a trader selects to study is typically determined by that individual trader's personal trading style. Intra-day traders, traders who open and close trading positions within a single trading day, favor analyzing price movement on shorter time frame charts, such as the 5-minute or 15-minute charts. Long-term traders who hold market positions overnight and for long periods of time are more inclined to analyze markets using hourly, 4-hour, daily, or even weekly charts.