

How To Study Stocks Trading Charts



What is stock trading? How do I make money from trading? How do you study stock charts? Anyone who invests money into any market or trade has only one thing in mind which is to make profit no matter how little. Stock trading and investment is one platform that assures you great returns for your money if you master the skill of studying stock charts properly and knowing your strategy. It is the greatest way to create wealth for life both for the short-term and the long term, that's why defistockchain.com has been set up to help everyone achieve results without having to bother about all the risks in trading by themselves.

But, what is the best way to study a stock chart? And why is stock chart reading so important? Stock trading starts with understanding the basic concepts of stock trading and learning how to read stock charts. And if you are new to stock trading and investment, or you are an experienced investor already, you will probably agree that studying stock chart is not really that fun, it is a skill that takes time to develop and when you do, you will be on your way to building a viable investment(s) for yourself.

Stock chart reading is simply a way different traders analyze the stock market data, and with the information gathered, they are able to stake a trade, invest, pinpoint the best entry point and the best points to exit the market. With good stock chart analysis, you can gain the quality data you need to make good and profitable trading and investment decisions.

Before you start analyzing your charts, you must load yourself with information about some of the stocks available to find out which ones are more profitable and the ones that will burn your money. Below is a list of websites to help you look for basic stock information.

Best Website To Get At Basic Stock Information

The market changes constantly and they are often manipulated by the news and information that happen every day. It does not matter if you are a professional stock trader or investor, or you are just a beginner. If you do not have access to accurate information, you would not be able analyze your chart properly or make adjustments to your investments. Here are some of the best websites to get stock information.

- defistockchain.com
- Yahoo! Finance
- Google Finance
- MetaStock
- Morningstar
- Bloomberg
- Alpha Vantage
- The Wall Street Journal
- Seeking Alpha

Every trader and investor should or must learn how to read charts which is very important if you want to perform technical analysis. You ordinarily need to learn how to read price patterns which would help you make calculated predictions of where the stock or market is going. There are 4 different types of the chart to help you navigate the market better, you can choose from this list the one you are most comfortable with and stick with. I for one use the Candlestick chart to analyze my market, but that is my own favorite you'd have to look for yours. The four charts include:

1. Bar Chart

The bar chart is more popular than any of the charts listed in this article. It is really nothing fancy, just a simple chart designed in a way that it shows the Opening price, closing price, high of the day, and low of the day.

2. Candlestick Chart

They are called candlesticks because they look like candles on the chart one candle represents an upward movement (white or green are mostly used for this type of trend). The second candlestick shows the downward movement of the market and it is usually identified with the red color. The candlestick has the main body sometimes called the real body, and then the thin line which is referred to as the shadow. Oftentimes, the thin line indicates fake-outs of the chart.

3. Line Chart

This is a simple line representing price movements and changes in the stock market. Unlike the bar and candlestick charts that show open and close prices, the line chart only shows closing prices that connect each closing day with the line.

4. Point and Figure Charts.

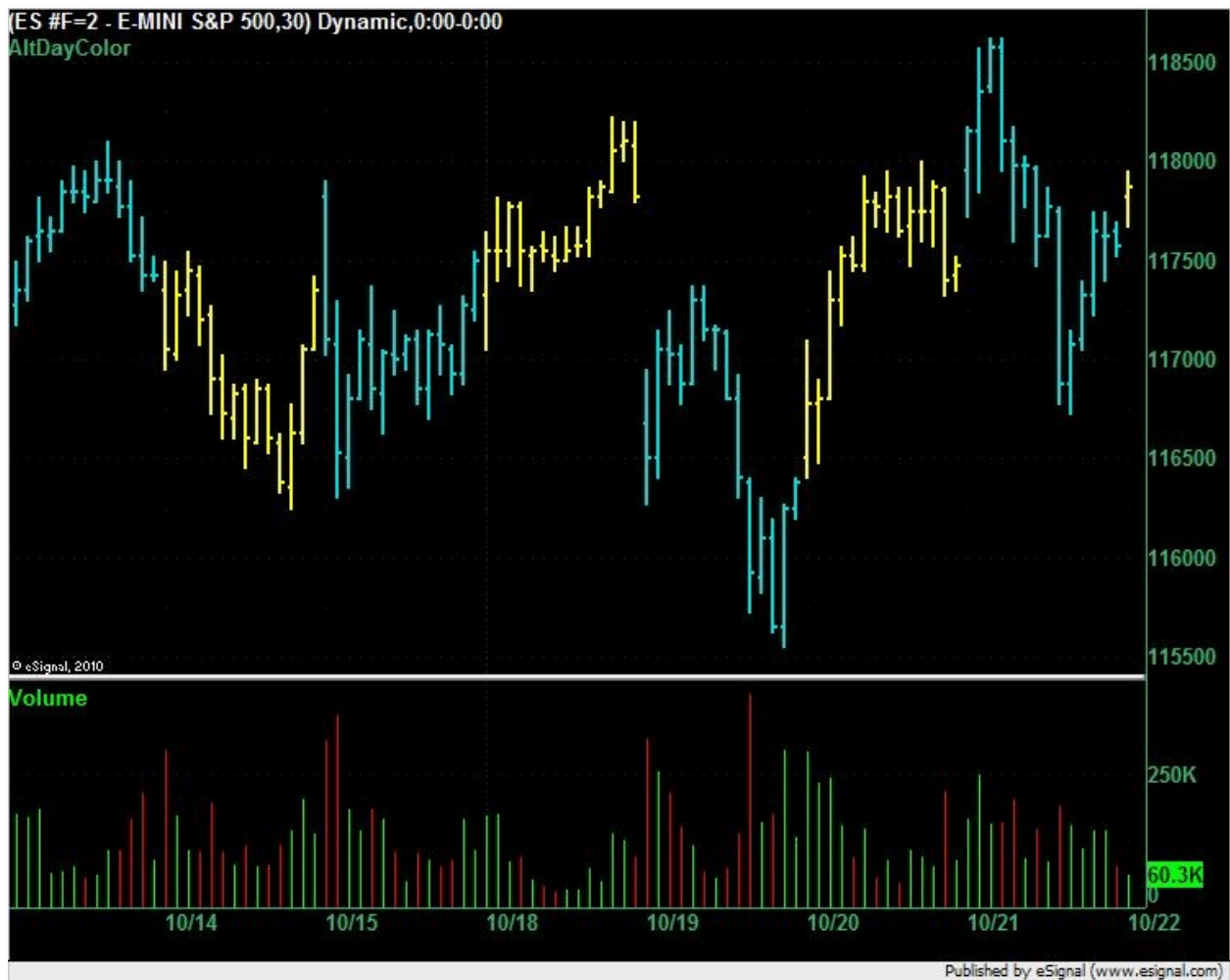
This is a straightforward chart different from the others, the Point and Figure chart represents the upward change in market price with an “X” while the downward changes in the market price are represented with an “O”. The point and figure chart focuses on price changes in the market and has little or no concern for time and volume. This type of chart is regarded by many as the best especially to spot market trends and reversals.

The type of chart you choose is of no big importance, what really matters is your understanding of the market, your analysis, your ability to read the chart properly, and your risk management. We will take a look at some of the best ways that you can read and analyze your chart to make a better profit

How To Read a Stock Chart

1. Make it Personal

Reading a stock chart can be somewhat personal. It starts from the chart settings, background color you choose for your chart down to the price bar and indicator colors, and generally organizing your layout to suit your taste. When you have sourced for stock market information, it is important that you read, interpret and analyze your chart fast to adapt to the different changing conditions in the market. One way you can achieve this is by creating easy-to-read charts and workspaces that can help you interpret the market activities faster.



- Organize Your Chart Settings and Make it Easy To Read

When you set up a good and working Chart and Workspace, it becomes much easier to gain the data you need to enter a market or trade. How you organize your chart can make or break your investment decisions.

Choosing a Chart Color

The organization starts with the color you choose, the font size of the text, the entire layout and how they are organized, the indicators and overlays as well. So, what chart colors, font size, etc. should you use? This is why I said earlier that setting up a stock

chart and workspace can be somewhat personal, the colors you chose are those ones that you are most comfortable with and easy for you to understand.

However, when selecting colors, either the background color or other chart colors, be sure to not use too many colors at least not at the same time as that could affect both you and everyone else trying to interpret your chart. The colors should be visually pleasing and easy to view, then each color you pick must connect with others to produce a good design and a well-contrasted chart.

Picking a Good Background Color

For your background color, you have to choose one that allows other colors on the chart to be seen. I personally use black color for my background this way, other colors on the chart including the text colors will become visible. There are also great colors like grey, and white colors, you do not want to use a red color to set up your background. Firstly, it is visually not appealing and may end up distorting your analysis or making it hard for you to choose other colors for the indicators, texts, etc.

If you have a neutral color as your background, it becomes much easier to fine-tune the chart. You can now move to select colors for things like the grid lines, axis, prices, and text.



Picking a Color for the Price Bar and Indicator

The price bar and the indicator should be carefully chosen because they are mostly what you will be looking at all the time. The colors should match the background color, for the up price bar I use green, and for the down price bar, I use red. These two colors will match perfectly with any of the neutral background colors I mentioned earlier.

Another place you should be careful when choosing a color is with the indicators and the overlay. When you have picked the write indicators for both the chart window and indicator window, you have to do that with the utmost care. And one thing you should be careful of is the number of indicators you add to your chart. Be sure to select only indicators you are sure you need and they are important to you, selecting too many indicators will only make your chart look clustered and sometimes confusing to read.

So, now you have set up your chart, you have chosen your colors, your indicators, your fonts, and sizes and they all suit your taste. It is now time to enter the next phase, which is learning how to read your chart properly.



- **Gather Your Market Data or Information**

The need to gather up stock market information cannot be overemphasized. It is one of the most if not the most important steps for an investor who wants to be profitable. The market is manipulated by different events that happen in the world and if you are not updated with current market data, you will likely fall prey to a stock dip and you make losses. Profitable traders and investors around the world see market data and information as the sauce to the market chart and it is a core addition for their analysis stage.

You should also understand historic trading volumes. The volumes are vital and will be beneficial if you know them but you should not make decisions only based on the information you get from looking at historic volumes. To find the historic trading volume, look at the bottom of your chart window you'd find small, vertical lines, which represent the trend of the volumes for trading the stocks.



Study and Identify The Trend Lines

When you enter a trade or invest in a stock, you do not want to go against the market trend that would be suicidal. The trend line indicates the movement and direction of the market over a period of time. Let's take an example. Apple really started to move up from 2009 and the trend line was a steady upward movement up until the year 2012 when they had a big drop which lasted until 2013. If you were investing or trading against the market trend of Apple from 2009 you will probably have blown your money. And the big drop was caused by the market news that Steve Jobs one of Apple's CEO resigned, this caused the profit margin of Apple to drop significantly.

Again this goes to show how important gathering market news and data is. Trend lines should prompt you to dig more to find out which big news is currently in circulation. When you see a large drop or a big up movement in the market, you should not dive into any decisions yet, you only need the trend line to show you the current direction of the market and see what is going on.



Identify the Support and Resistance Line

The support and resistance are levels and ranges in which the market moves within a particular time. These points for me are the points where the market is not really moving up neither is it moving downwards, at this point we could say that the market is “Correlation”.

From the Correlation level, the market can go anywhere either up or down, but with the trend lines and a better understanding of the support and resistance, we can predict with some level of assurance that the market will move in our direction.

You should not always assume that there would be a correlation in the market. It may appear to be correlating but the market ends up doing a different thing. It is also

important to note the history of volumes on the chart and what the current volume is before you make any decision on buy or sell.

The aim of reading or studying the stock charts, and doing a proper analysis is to know where and not necessarily when the market will move. When you know the lines of support and resistance, it would become much easier for you to either take a buy or sell a stock.

You have to really spend time reading and studying charts to get better at it. When you feel comfortable with your strategy and reading the stock chart, you should look to work on your emotions and then find tools to help you trade better.

If you want to easily learn how to study stock charts and make good technical analysis to enable you to make a profit faster, then you should consider signing up with defistockchain.com today. Defistockchain has provided a viable system that allows beginners and professional stock investors to study and analyze charts faster to make a better profit.