



Meta Title: Types of Charts in Forex and CFD Trading

Meta Description: Trading Forex can sometimes look harder than it actually is, partly because trading charts can look a little scary. They're not! Our article explains the ins and outs of the most popular Forex trading charts – bar, line and candlestick – and will teach you how to read Forex trading charts.

Fun Fact

While candlestick charts are thought to have originated from Japan, they were introduced to the Western world by Steve Nison in his book Japanese Candlestick Charting Techniques: A Contemporary Guide to the Ancient Investment Techniques of the Far East.

Lesson Length: 10 minutes

Types of Trading Charts and How to Read Them



Hello trader! In the past few lessons we've covered everything from defining Forex and CFDs to uncovering what influences them on a daily basis, last time looking at the importance of macroeconomics. It's all been quite theoretical so far, but we promise that you can get your hands on some price action and actual (demo) trading very, very soon.

But before you do that, we need to show you what you'll be looking at. This lesson will give you an overview of the type of charts out there as well as the features and benefits of each! So, hold on to your hats... things are about to get a lot more real!

An Introduction to Chart Types in Forex and CFD Trading

As you are already learning, when you start trading, you're going to have to make split-second decisions (hopefully correct ones) and in order to make those decisions, you'll be faced with a tidal wave of information flying around. Sometimes the meaning of that data can be tricky to visualise. This is where our handy trading charts come in.

Trading charts are a simplified method of displaying all of the information you need when you need it. They help you focus on the most important elements with as little complication or confusion as possible. Also, as we've learned, charts are crucial for performing technical and

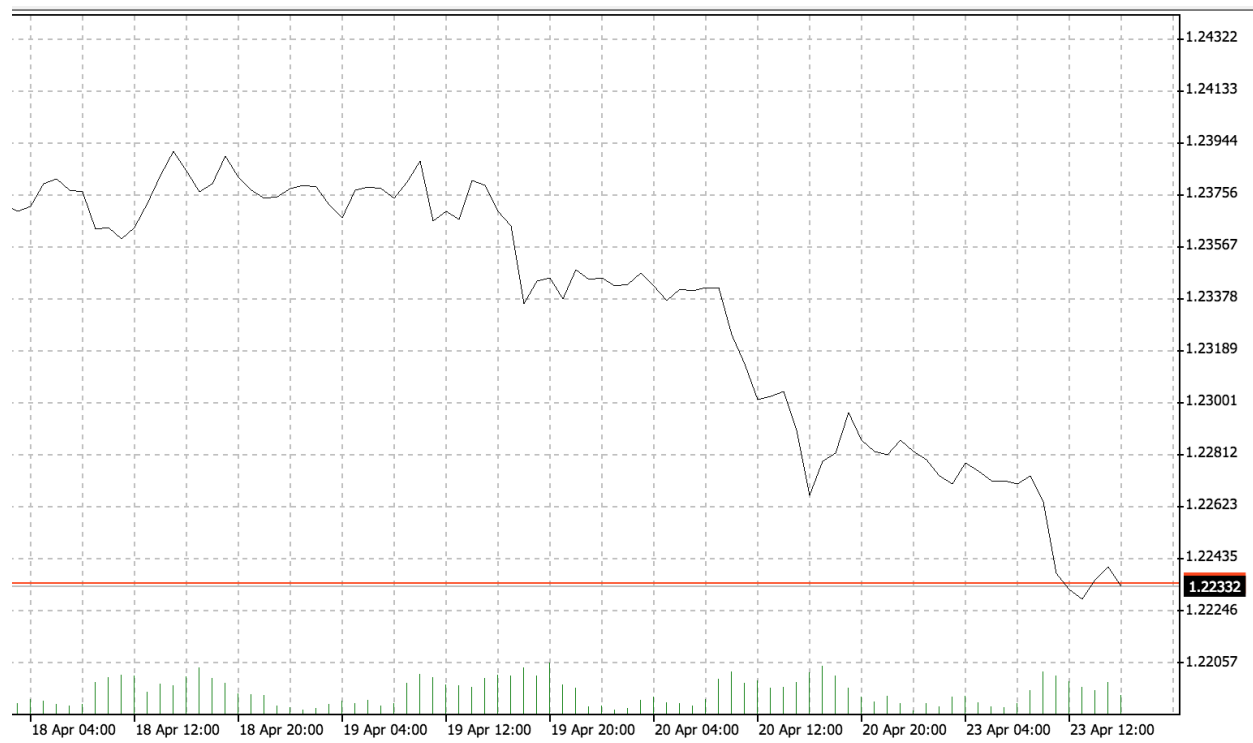
wave market analysis, as they're the most clear way of visualising price movements over time and for uncovering those crucial price patterns.

There are 3 main chart types in Forex and CFD trading, you'll most likely encounter all of them at some stage. They are:

- Line charts
- Bar charts
- Candlestick charts

So, without further ado, let's dive into explaining each of these Forex trading chart types and show you everything you need to know.

1. A Line Chart



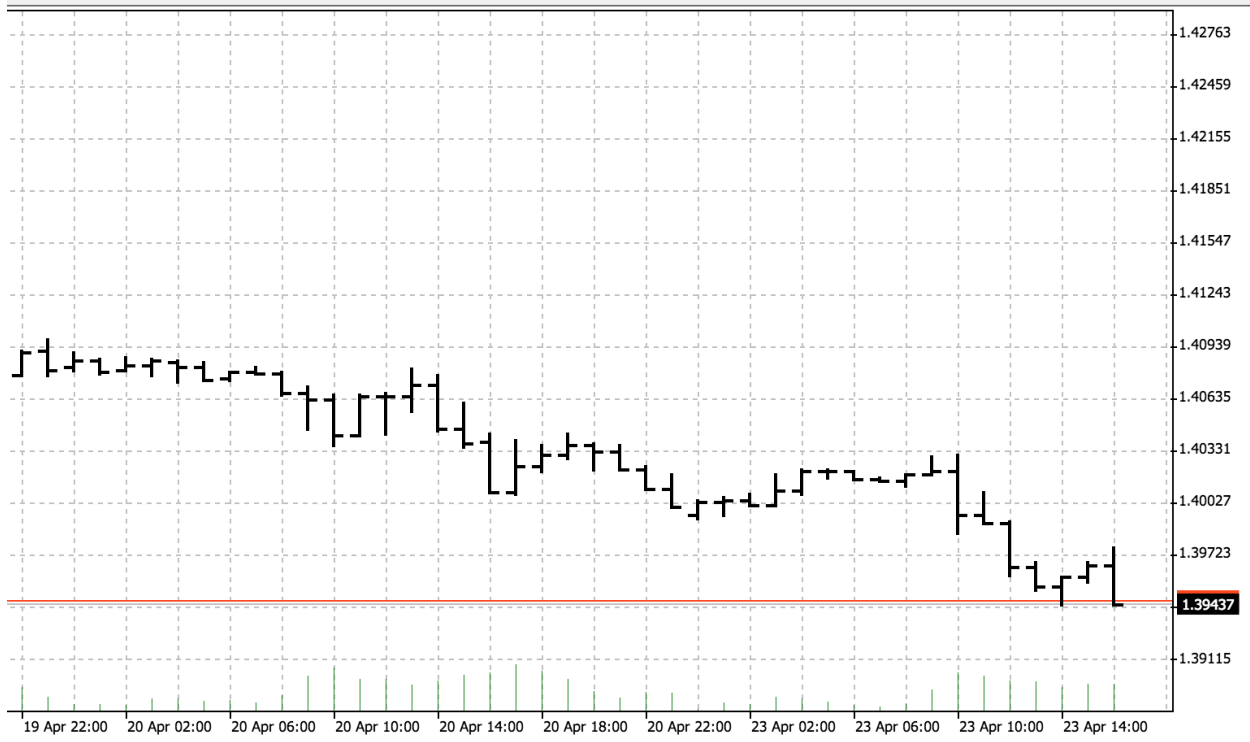
A line chart, showing EUR/USD price movements, 23.04.2018

Source: Admiral Markets

As you might be able to tell, a line chart is pretty simple. Line charts show a single line of price movement, from one closing price to the next closing price. They're basic in form and function. If you're looking for a super stripped back view of price action, then the line chart is for you.

Sometimes, there is beauty in simplicity. The line chart may be overly simplistic, but you'll be surprised at how many traders use them to de-clutter their screens and strip everything back, in an attempt to avoid the so-called '*paralysis of analysis*'.

2. A Bar Chart



A bar chart, showing GBP/USD price movements, 23.04.2018

Source: Admiral Markets

Bar charts display a little more information, so for this reason they're slightly more complicated. They show the **opening** and **closing** prices, as well as the **highest high** and the **lowest low** for that day.

How to Read a Bar Chart in Forex Trading

It's actually pretty easy when you know how... this should give you a hand:



The lowest point, i.e. the bottom of the bar, indicates the **lowest price** level that was traded that day.

The vertical bar shows the **full price range** across the day, with the tip-top point being the **highest achieved price** level.

The little horizontal line on the left of the bar symbolises the **opening price**, and the right-sided horizontal line is the **closing price**.

Told you it was easy!

Throughout your Forex adventure, you may find that bar charts are named differently – they’re sometimes referred to as “**OHLC**” charts – which stands for ‘Open, High, Low and Close’. It’s a pretty self-explanatory name, so don’t get too confused.

3. A Candlestick Chart



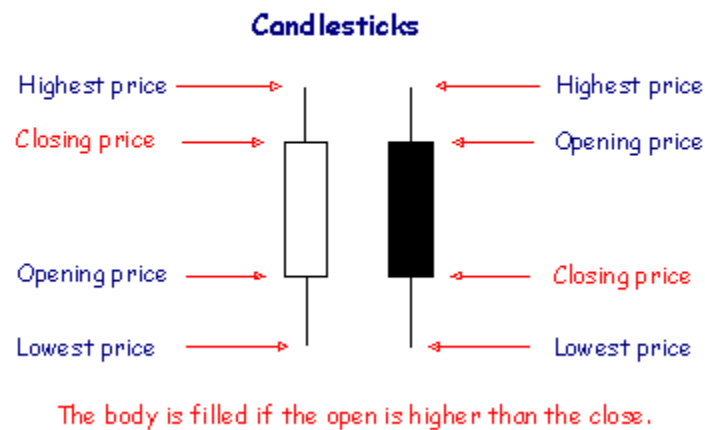
A candlestick chart, showing USD/JPY price movements, 23.04.2018

Source: Admiral Markets

Candlestick charts, or Japanese candlestick charts, show similar information to bar – or OHLC – charts, except they try and do so with a little more pizzazz!

How to Read a Candlestick Chart in Forex Trading

Candlesticks show the high-to low price range with a vertical line. The thick middle bit (the block, or 'body') indicates the range between the opening and closing prices. If this 'body' is filled, or sometimes coloured in, then it means that the currency pair **closed lower than it opened**. Conversely, if the **closing price is higher** than the opening price was, then the 'body' in the middle will be left blank or unfilled.



You'll find that some charts will show coloured bodies – in this case a **red body** would show that the price of the currency pair closed lower than it opened, whereas a **green body** would show that the price of the currency pair closed higher than it opened.

The filled/unfilled 'body' concept is what sets candlestick charts apart from the rest. A lot of traders like these charts as they provide excellent trend information, at a glance. With a quick look, you're able to see if prices are generally moving up or down, before getting into detailed analysis. You'll learn to love these time-saving beauties!

The advantages of candlestick charts are that they're:

- Super easy to read and give you a good snapshot of all the information you need to make a quick decision
- Really great at displaying chart patterns clearly and showing turning points in the market (don't worry, we'll get to this later)
- Colourful! And who doesn't like a splash of colour!?

We'll recap this and add even more detail in the next lesson. But first...

Quiz Questions

Let's see if you can chart your way to success with these themed questions...

1. Which of these is NOT a type of chart in Forex trading?

- A - Line
- B - Grid**
- C - Bar

2. What does 'OHLC' stand for?

- A - Oh Heck, Let's Check (Price)
- B - Open, High, Low, Close**
- C - Overly, High, Line Chart

3. What does the 'body' of a Candlestick show?

- A - The range of price from opening to closing**
- B - The highest price level for that day
- C - How much wax is left