

# DERIVATIVES

## LET'S LEARN HOW TO USE TRADING CHARTS FOR FUTURES TRADING



### Importance of Trading Charts

Understanding trading charts will allow you to do in-depth technical analysis on the current market. Once you understand how the trading charts work, you will be able to spot 'trends' and 'patterns' to capitalise on potential opportunities for your Futures Trading.

### How to Read and Use Trading Charts

Trading charts display information that helps you to decide "when to enter" and "when to exit" your position.

When should I exit?

When should I enter?



## The Types of Trading Charts

### Line Chart, Bar Chart, Graphical Analysis and Candlesticks Chart



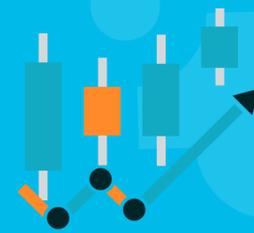
Line Chart

This is the most basic chart. The line chart is formed by connecting the closing prices over a set time frame. It shows only a closing price over a period of time. The closing price is often considered the most important element in analysing data.



Bar Chart

This bar chart is more detailed than a line chart. It includes several pieces of information on each data point, where each line represents trading information. It also includes the highs and lows of the trading period with the opening and closing prices.



Graphical Analysis

This is the most popular chart. The graphical analysis chart comes with its reliable 'Head and Shoulders' pattern. The reversal pattern is a sign that the current trend will soon see a reversal.

There are two versions of the Head and Shoulders pattern:

(i) Head and Shoulders Top: Formed at the peak of an upward trend and signals that the asset's price is set to fall once the pattern is completed.

(ii) Head and Shoulders Bottom (or Reverse Head and Shoulders): Usually formed during a downward trend, this pattern signals that the asset's price is set to rise.

What is 'Head and Shoulders' pattern?



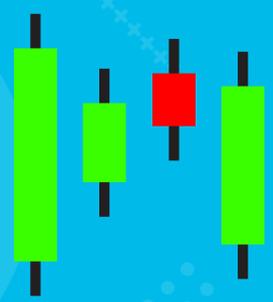
Candlestick Chart

The 'green candlestick' represents the bullish market, and the 'red candlestick' represents the bearish market. Both are important visual indicators.

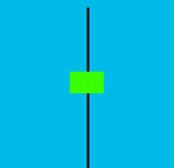
A candlestick chart is a combination of a line chart and a bar graph.

A candlestick chart gives great depth of information as each stick can be analysed. Each candlestick gives you four key pieces of information within your selected time interval. Each stick and wick on the chart will tell you where the market has been and where it could be going. The 'Doji' is an important facet of the candlestick chart as it provides many sets of information.

Hence, each candlestick represents only a small portion of the trading period.



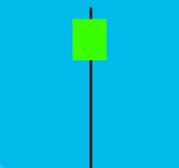
### The different stick lengths and its meanings.



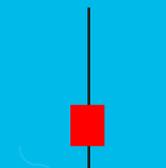
**Short Stick**  
Indicates little price movement throughout the trading period



**Long Stick**  
Indicates large price movement throughout the trading period



**Short Wick**  
Shows that most of the trading happened close to the starting price



**Long Wick**  
Shows that the price moved significantly



**Doji**  
Tells you that the period's beginning and ending prices were nearly identical



**Dragonfly Doji**  
Tells you that the opening, closing and highest prices of the period were nearly identical

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