Notes on Charting Styles

1. Imbalances cause price movement
    a. Actual, filled orders show where buyers and sellers had an imbalance.
    b. Large green candles show buyers had to be aggressive and raise price to attract the few sellers available.
        i. Demand, buying pressure causes prices to rise
        ii. Also helped by a lack of selling pressure
    c. Large red candles show sellers aggressively lowering prices to attract the few buyers in the area.
        i. Supply, selling pressure causes prices to drop
        ii. also helped by a lack of buying pressure
    d. Unless the trend changes, the imbalance is likely to remain when price returns to the area.
2. Pending orders
    a. If prices leave an area fast and quickly, there are likely to be unfilled orders left behind

Scalping is applying trading techniques to a short period of time

1. Holding periods are reduced to seconds or minutes
2. Charting types:
    a. Time Based - Charts are created based on time progression
    b. Trade (Tick) based charts - Charting is based on actual completed trades (Tick = Trade)
3. Volume (Share) based charts - Charting is based on the number of contracts traded (Not on ToS) Candles are based on a minimum number of contracts/shares traded. Time is not a factor.

Trade (Tick) based charts - Charting is based on actual completed trades. A tick is a completed trade with one buyer and one seller. The actual number of contracts traded can vary. 1 trade could be a buy or sale of 1 contract, 8 contracts, 29 contracts or even 2300 contracts.

1. More Trades = more pressureA larger red candle means to complete the required number of trades, the sellers needed to drop price aggressively to attract buyers. This means:
    a. There are no buyers in this area (lack of demand or buying pressure here)
    b. There are a bunch of sellers at this level
    c. On a return to that area, unless something changes, it is likely to happen again and is a good selling area.
2. A larger Green candle means to fill the buyer's demand, they had to raise prices aggressively to attract sellers. This means:
    a. There are no sellers in this area (lack of supply or selling pressure here)
    b. There are a bunch of buyers in this area
    c. On a return to the area, unless something changes (trend), it is likely to happen again and this is a good buying area

Volume (Share) based charts - Charting is based on the number of contracts traded (Not available on ToS, can be found on TS and Ninja) Candles are based on a minimum number of contracts/shares traded. Time is not a factor.

1. Candles are created when a certain number of contracts are traded. Share = # of contracts traded
2. Lots of candles created in a short period of time = lot of volume and activity and high momentum in the trend
3. Share charts incorporate volume into the chart. A price move on light volume is significant. There is no opposing pressure to halt it.
4. Few candles being created slowly being created = low momentum
5. Every candle has the same amount of volume, so
    a. Large green candles mean lack of sellers and buyers were aggressive to get orders filled
        i. Identifies imbalance and possible demand zone
        ii. When price returns, it is likely to bounce again as there are no sellers to hold price down
    b. Large red candles mean a lack of buyers and the sellers were aggressive
        i. Identifies an imbalance and possible supply zone
        ii. When price returns, the aggressive sellers and lack of buyers are likely to cause price to drop again
6. Smaller numbers of shares = less risk, faster trades, lower profit as the opposing zones are closer
7. Larger number of shares = more risk but more reward as the opposing zones (targets) are further apart
8. Demand Zones – Same rules as time based
    a. A large Green candle after a basing or
    b. Multiple (dominant) green candles showing a significant rally in price

9. Supply Zones – Same rules as time based
    a. A large Red candle after a basing, or
    b. Multiple red candles showing a strong drop in price