Twitter Thread by Prashant Bhansali



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A small thread on the importance of using log charts:

Rs 100 of 1990 is not comparable with Rs 100 of 2021 in absolute terms

Similarly, price of a stock some years back may not be comparable with today's price in absolute terms.

For EG, SBI quoting at Rs 10 in 2002 is not comparable with SBI quoting at Rs 400 now

For a 100% jump in 2002, stock would have to reach 20 (which is just Rs 10 in absolute terms)

While today, Rs 10 in absolute terms is a meagre 2-3% move

We shall always calculate moves in % terms

For this reason it's preferred to use log charts, especially long term charts

Log charts calculate moves in % terms

Also, if a stock goes from 20 to 200 in one year, even then it's preferred to use log charts.