Twitter Thread by Trendline Investor

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Even the biggest handles with 100k+ followers get this simple thing wrong in charting!■■■■

This is the most important thing especially if you are analysing long term charts!■

So, let's get this right today!

USE LOG CHARTS ■ FOR ANALYSING LONG TERM CHARTS!

Let’s go■...

1■ Wait, What's Log chart?

Before I define Log chart, let's look at the chart you are using daily - 'The Linear Chart'

- Linear chart is used by default in most platforms. This is probably why you never knew log charts

Wait, don't click on 'log' yet before you understand it...



2■ ok, so what does Linear chart mean?

Take a look at the image
- The y-axis is separated equally by 1000 points starting from 0 to 11000.
- So, any linear chart would have its y-axis equally separated by 'N' points always

And... that's where the problem lies...



3■ But, I don't see any problem?■

Ok ok.. let me explain...

- Can you look at this #TATAELXSI chart & tell me the price in '99 when it was listed? No!
- Can you draw a proper trendline in this chart? No!

Reason is because of the price congestion between '07 to '20...



4■ What else?■

- Whenever there is a price change in an instrument & it's drastic it'd be difficult to analyse on a linear chart

- Look at this example of #BTCUSD. What happened in 2021(refer to the red box)? ■

All this is because of the equally spaced Y-axis!

hmmm... ok■



5■ Let's talk about our hero - 'The Log Chart' ■■■■

Let's click on log first (refer chart)...

Do you see the change in the same #TATAELXSI chart? ■(Reason in chart)

Yes, but what do you see?..

There you go!
- Price trend visible clearly
- You can identify trends since listing



6■ Here's a side-by-side comparison

- Basically a log scale considers the 'Percentage' price change in the Y-axis which makes a huge difference especially where prices have moved dramatically

- This dramatic price change could have happened in just a month or over many years



7■ Ok, so when to use log/linear scale

- See, in the short term charts log/linear scale don't make a difference (Refer chat)
- If you're purely an intraday or a short term trader, then you can continue to use linear charts

But, if price moves drastically(crypto) then use log...

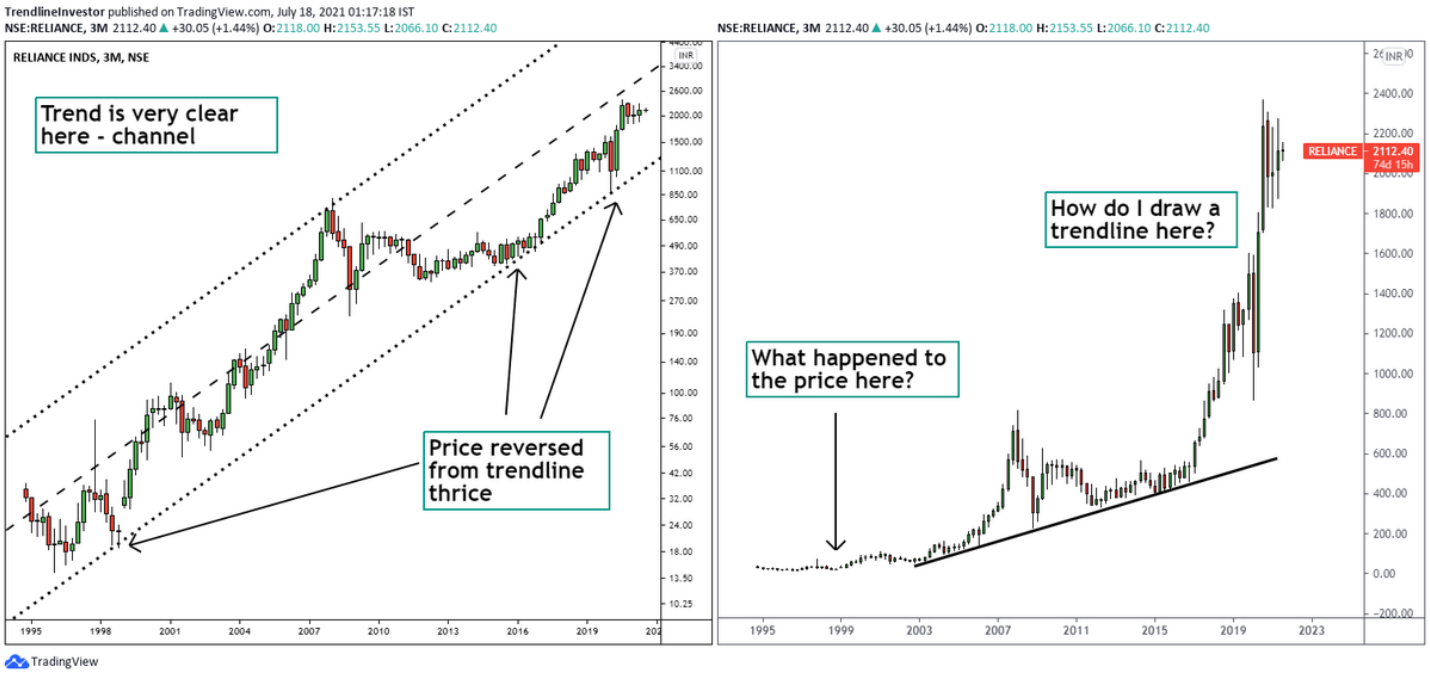


8■ But, I am a long term investor + swing/positional trader?

Yes, then you ought to switch to 'Log chart' FOREVER so that...

- You can analyse charts properly
- Draw clean trendlines
- Identify primary trendline/channel reversals

Short term charts should be just fine with log!



9■ So, the next time you see a big handle analysing a long term chart with 'Linear chart' like this on #twitter ■■■■share this thread on that tweet and kill it■

And, yes switch to 'Log' now...■



■ Learnt something? If yes, please■

1. Retweet the first tweet https://t.co/Xah2iGJL9d
2. Follow @dmdsplyinvestor

3. Subscribe to my YouTube channel for more content! https://t.co/yNCTzHVRsy

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> — Trendline Investor (@dmdsplyinvestor) August 28, 2022