

Twitter Thread by Trendline Investor



Trendline Investor

[@dmdsplyinvestor](#)



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 ■

Bitcoin / U.S. Dollar, 1D, BITSTAMP O20044.00 H20150.00 L19936.00 C19972.00 -73.00 (-0.36%)
Vol 123



TradingView

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

TATA ELXSI, 3M, NSE O8170.55 H10760.00 L7636.00 C9349.00 +1178.45 (+14.42%)
Vol 16.613M



TradingView



TradingView

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... ■

TATA ELXSI, 1M, NSE O8724.00 H10760.00 L8590.10 C9349.00 +658.95 (+7.58%)
Vol 10.703M



■ Learnt something? If yes, please ■

1. Retweet the first tweet <https://t.co/Xah2iGJL9d>
2. Follow [@dmdsplyinvestor](https://t.co/yNCTzHVRsy)
3. Subscribe to my YouTube channel for more content! <https://t.co/yNCTzHVRsy>

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— Trendline Investor (@dmdsplyinvestor) [August 28, 2022](https://t.co/yNCTzHVRsy)