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Futures and Options Specialists

The Different Views of Charts

“Vision is the art of seeing things invisible.”

Jonathan Swift, 18th century English writer

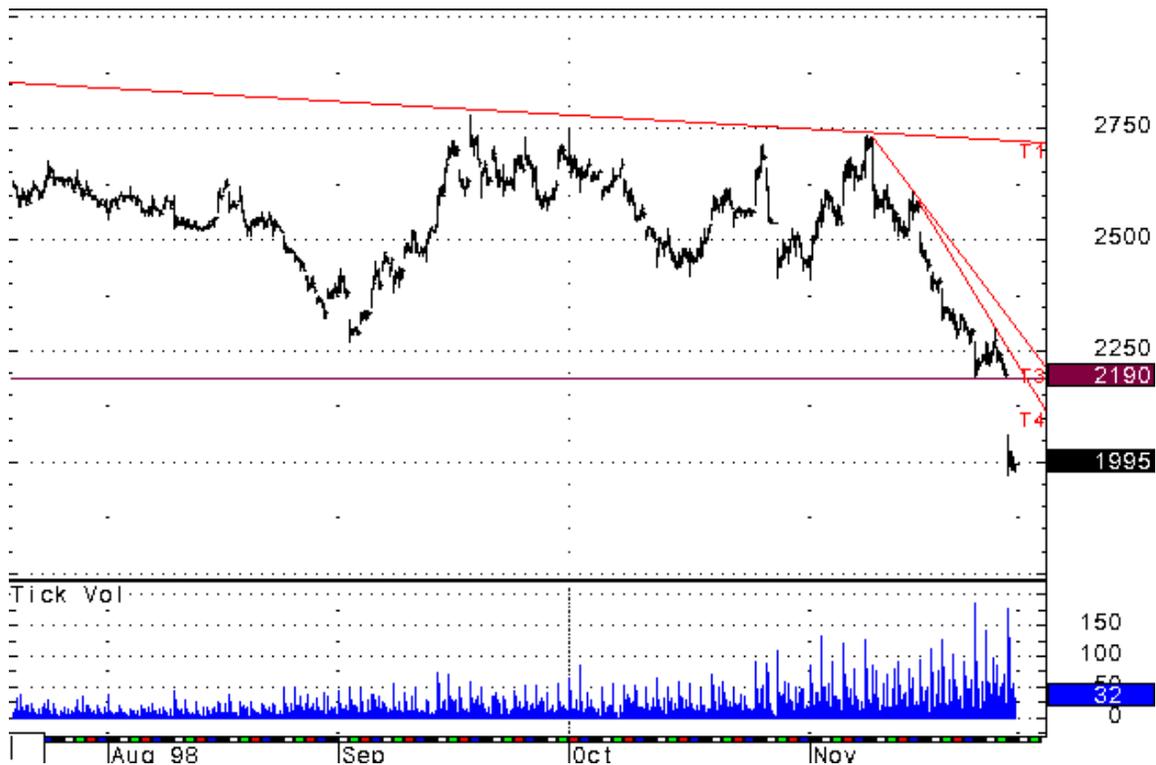


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Just like the photographer needs to change his lens to get a different perspective, so does the chartist. To see all the possible combinations of short and long-term possibilities, the chartist must examine the market from different time factors. To begin this process we begin by examining the 60-minute time frames. This short time frame helps see the intraday strata of support and resistance. In addition, the intraday chart often gives us the first sign of a change in market direction.

Natural Gas 60 Minute Chart



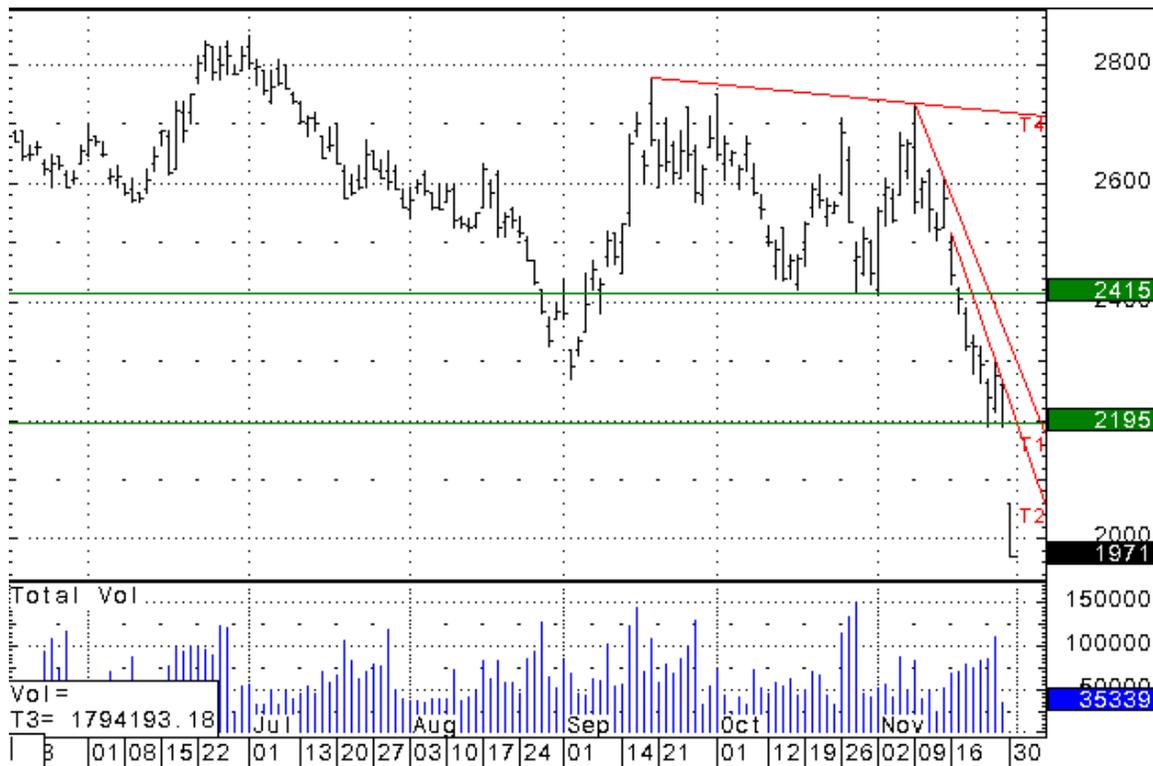


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The daily chart is generally the most common chart used. The major benefit from this chart is that we can see the emergence of trends and/or consolidation patterns. In the early stages of a consolidation pattern we can look for developing triangles, wedges and pennant formations. These patterns offer the trader and hedger excellent low risk places to buy and sell. While some formations develop quickly, others can take weeks or months to complete. Once the consolidation pattern is complete, the same chart will help to broadcast the markets next direction or reversal, usually a new trend. Notice how the top red line defines the resistance and the green line the support. For a period of almost three months these boundaries helped the hedger and trader by knowing the best place for buys and sales. Eventually, when prices broke below the green line of support, it triggered a sell signal and a new trend. A look at the two downward sloping trendlines helps to show the best places to be a seller.

Natural Gas Daily Chart



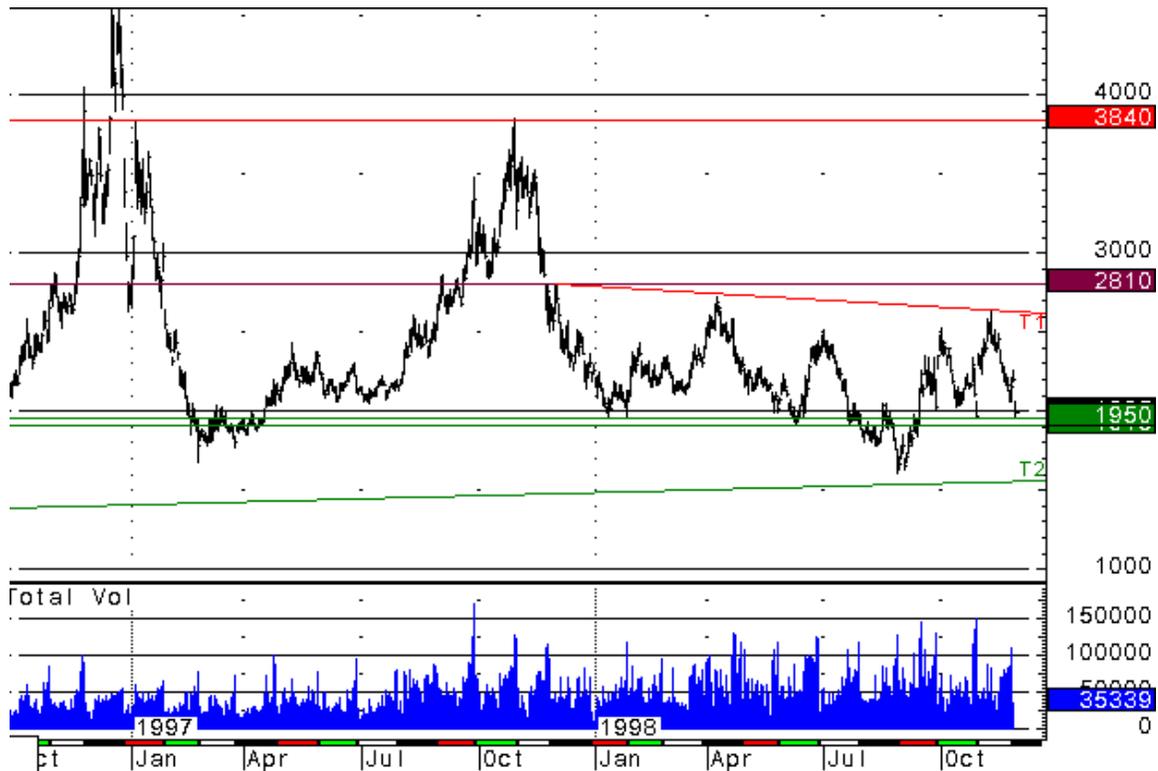


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Sometimes a market moves into a new territory, and it becomes difficult to anticipate the next levels of support and resistance. At other times, they directly tie to earlier support and resistance. To help the chartist see how one contract month might tie to the previous contract, we can look at the daily continuation chart. This chart is actually a continuing rollover chart of all spot months, which go back to the beginning of time. When it comes to trend lines or support and resistance numbers, it is very important to find those levels that have been well tested by past activity. This continuation chart is a critical look back.

Natural Gas Daily Continuation Chart



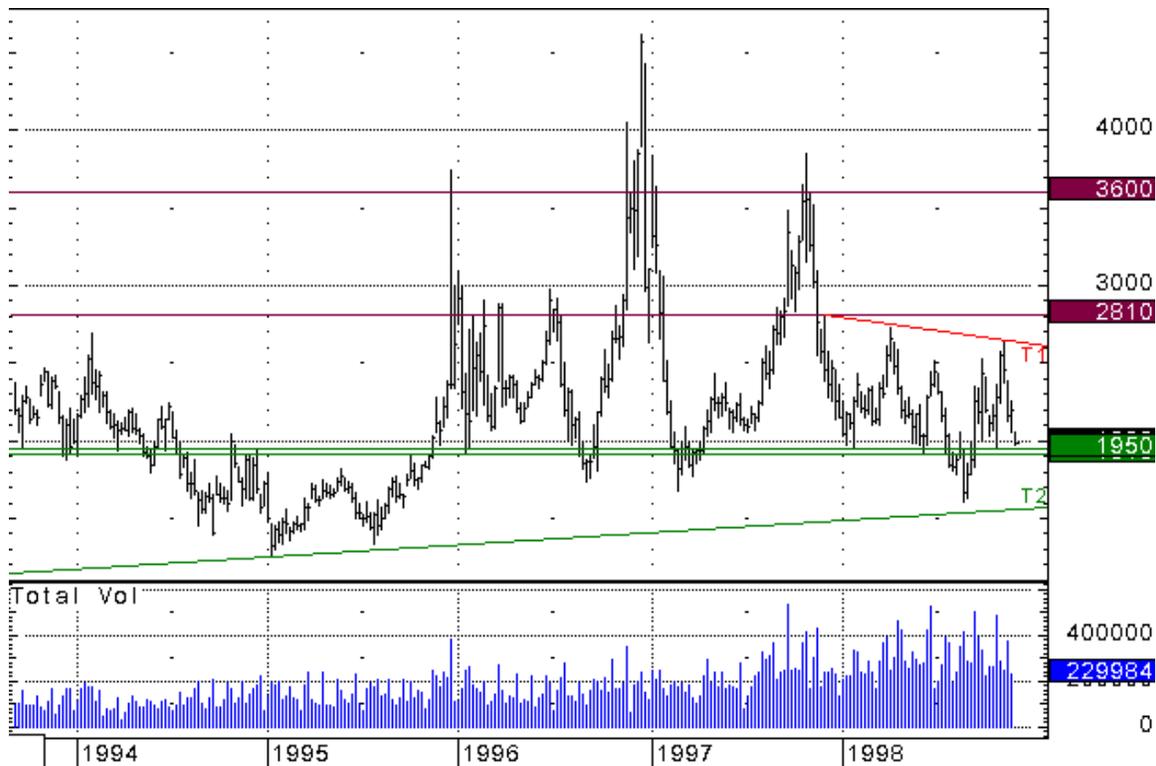


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To increase the focal point, we often turn to the weekly chart. The weekly chart is very similar to the daily continuation chart except it shows more of where the market has been and what the market has done. In fact, at a glimpse, we can generally see years of work on one page. Sometimes, when a contract makes a new high or a new low, our only reference is what we see on the weekly or monthly charts. This benefit is sometimes outweighed by the difficulty of getting enough sensitive information to make it useful. Technical analysis is a lot like geometry in that the chartist must know and obey the rules. All signals from the daily, weekly or monthly chart must be confirmed with a close above or below the key numbers. On the daily chart a nightly close is all the confirmation needed; on a weekly or monthly chart, however, it requires a weekly or monthly close.

Natural Gas Weekly Chart





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The monthly chart offers the chartist an opportunity to see the biggest picture. The value of the monthly chart can be incalculable when markets are making major price movements. In August of this year, for instance, prices were in a huge downward spiral. Most traders had no confidence where support would be. We could see a trendline that started from the January 1992 lows that we connected to the January 1995 lows. This line allowed traders and hedgers to take advantage of this low risk buying opportunity. Within five weeks of reaching these lows, the market rallied 90 cents. Ultimately the rally failed at the red down trendline of resistance!

Natural Gas Monthly Chart

