DECODE
CHARTS

DECODE TECHNICAL ANALYSIS

Trading is an art. Let’s decode it

Presented By

Vivek Jain , CFTe, EPATian

(Founder & Educator, Decode Charts)

More Information

info@decodecharts.com

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INTRODUCTION

Welcome to Decode Technical Analysis, a concise and practical guide crafted for traders, investors, and finance enthusiasts who want to approach markets with clarity and structure. My journey into trading began with the same struggles that most new traders face - confusion, emotional trading, and inconsistency. Through years of experience, global certifications and profitable practice,
I created this introductory framework to simplify technical analysis. This guide will provide clarity on charts, patterns, and indicators, with price action and risk management at the core.

CHAPTER 1

FOUNDATIONS OF TECHNICAL ANALYSIS

Technical analysis is the practice of using historical data and current price action to analyze and anticipate future price movements. It uses price charts to identify signals and patterns that offer insight into market psychology. Technical traders aim to benefit from this analysis by catching trend reversals and riding price momentum. This approach differs from fundamental analysis, which focuses on evaluating a company's financial strength and growth prospects. Technical analysis is valuable for timing entries and exits across different trading and investment horizons.

TA studies supply and demand in a market in an attempt to determine what direction, or trend, will continue in the future. It attempts to understand the emotions in the market by studying the market itself, as opposed to its components. TA works across stocks, commodities, forex, crypto. TA helps identify timing for entries and exits

TA relies on past market data mainly

- Price (OHLC)
- Open Interest
- Volume

CHAPTER 2

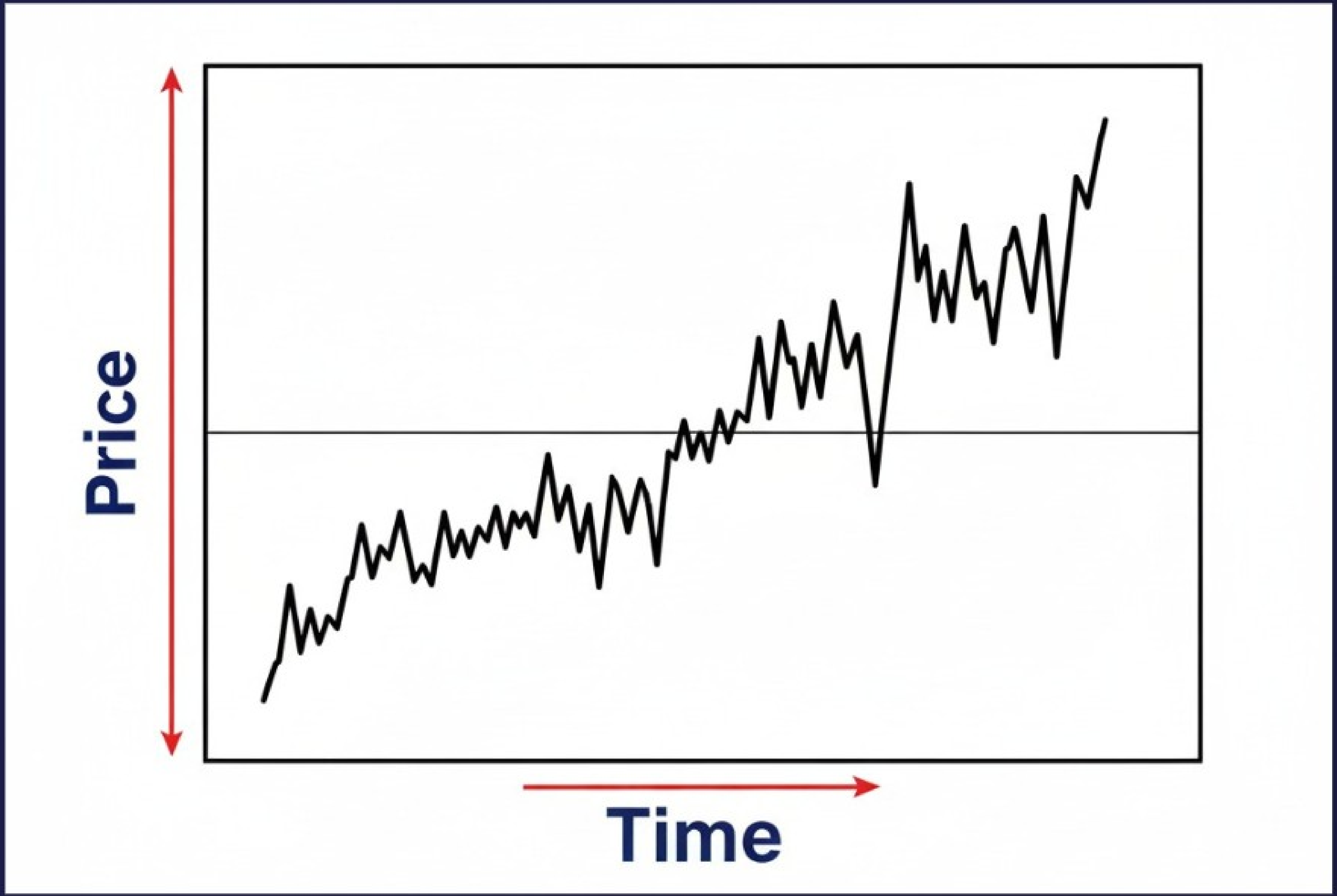
DIFFERENT CHARTS USED IN TA :

Technical analysts use a variety of charts based on the information they seek. However, there are three types of charts that are most commonly used. They are: Line, Bar and Candlestick

Charts are Graphical representation of price, volume, OI among others against time.
Time Scale : X-axis or Bottom axis
Intra Day(1min, 5min, 1hourly), Daily, Weekly, Monthly
Price Scale : Y-axis or Right hand Axis
Displays historical prices of securities

Line Chart :

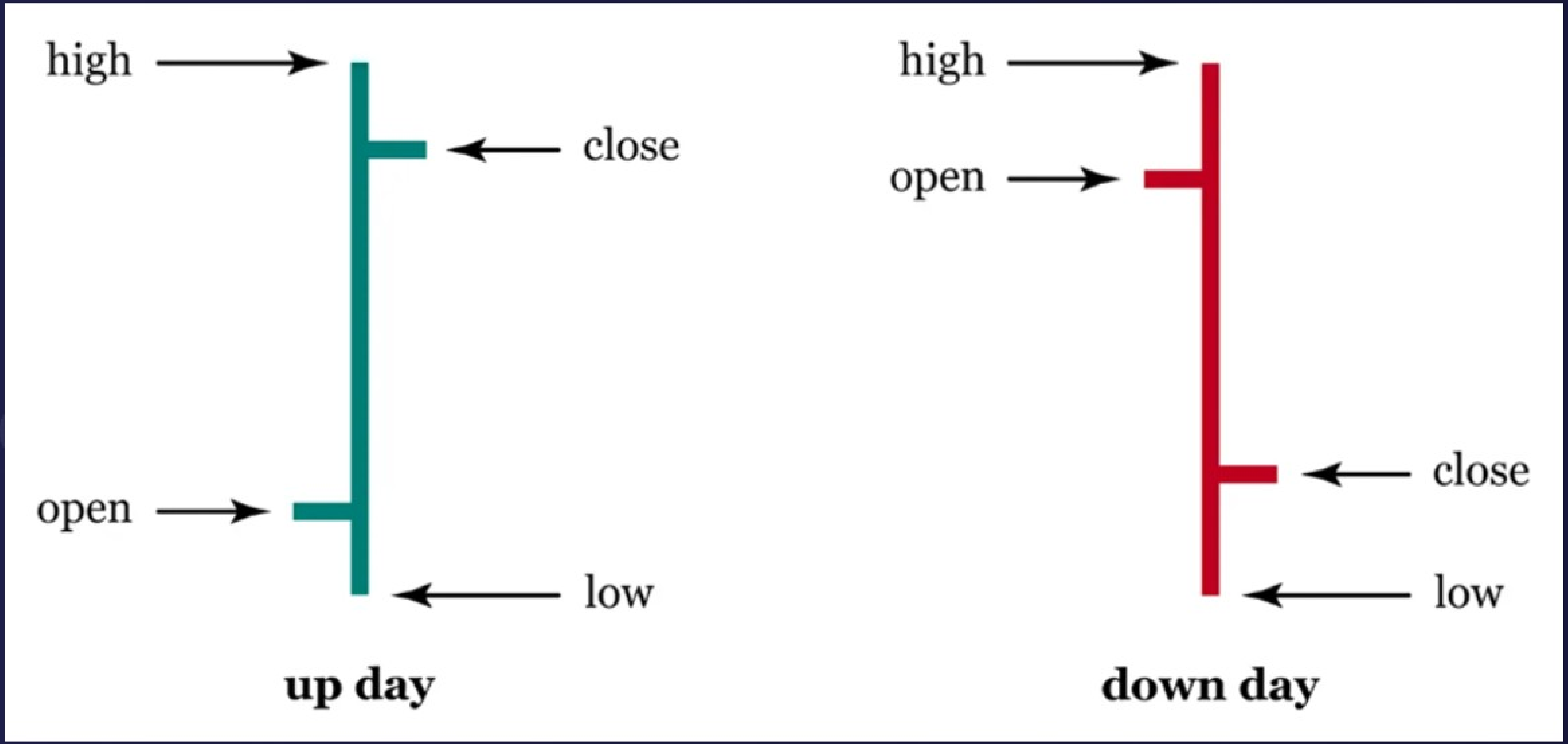
Represents only the closing prices over a set period of time. Line is formed by connecting the closing prices over the time frame used on chart.



Bar Chart :

A bar chart or bar graph is a chart with rectangular bars with lengths proportional to the values that they represent. It has 4 data points

High • Low • Open • Close



Candelstick Charts

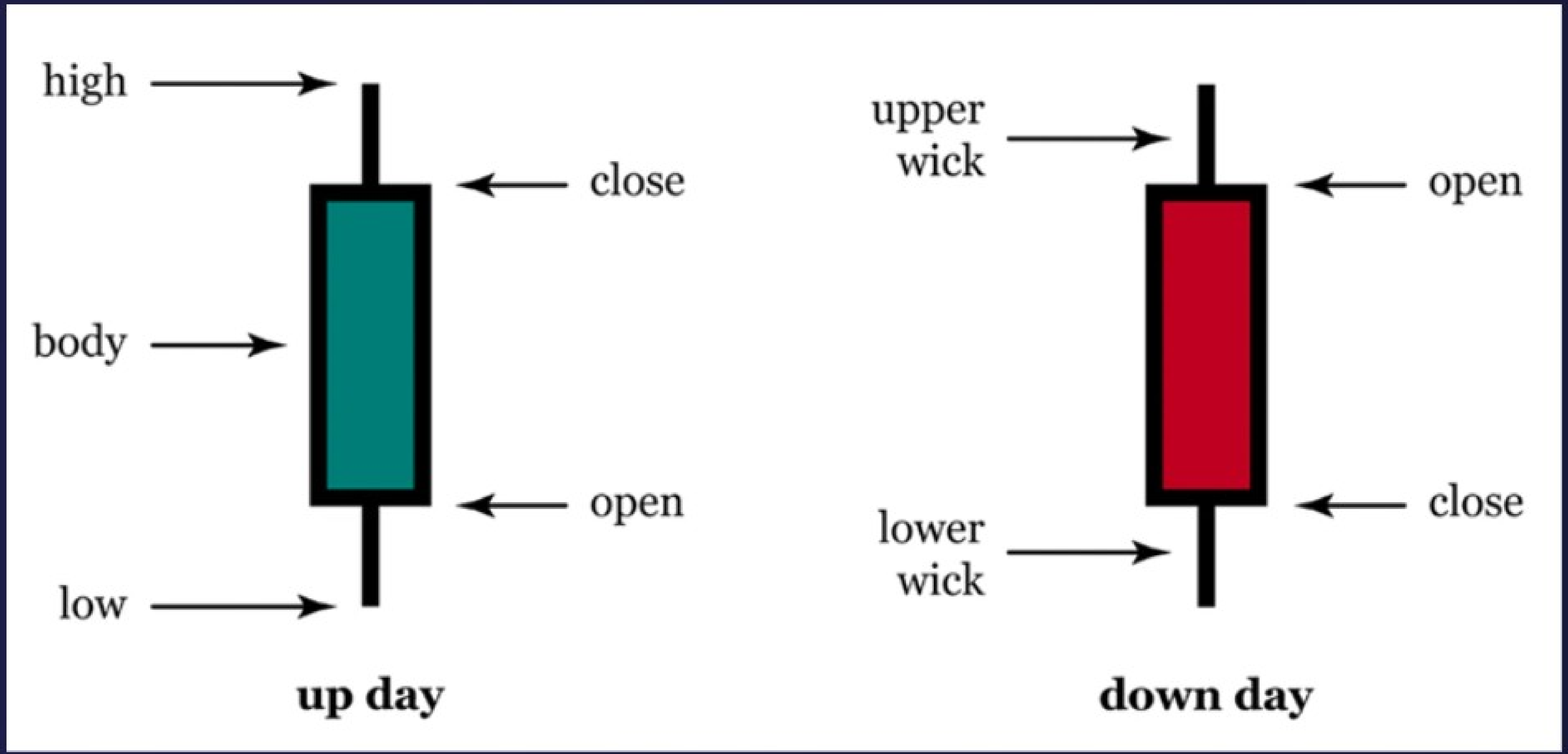
Candlestick chart is similar to a bar chart, difference comes in the formation of a wide bar on the vertical line, which illustrates the difference between the open and close. Rely heavily on the use of colors.

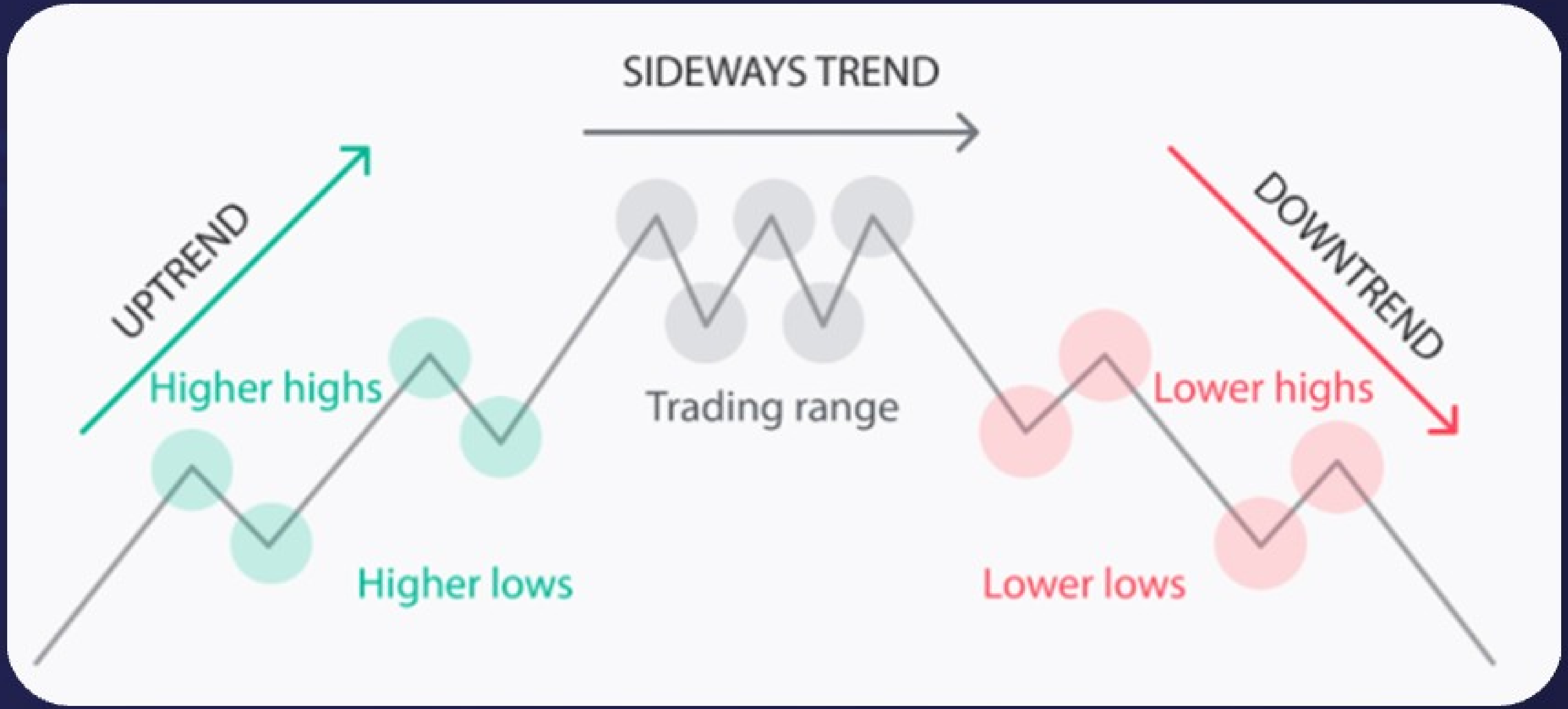
Close > Open => Green or white or Blank

Close < Open => Red or black or filled

Line charts only provide one data point, the closing price of a stock, but candlestick charts provide four: open, close, low of day (LOD), high of day (HOD).

A visualization of how a candlestick chart provides this information is illustrated below





CHAPTER 3

UNDERSTANDING TRENDS

Trend is the general direction in which a security or market is headed. An uptrend is classified as a series of higher highs and higher lows, while a downtrend is one of lower lows and lower highs. A downtrend occurs when each successive peak and trough is lower than the ones found earlier in the trend. A sideways or horizontal trend happens when there is little movement up or down in the peaks and troughs

CHAPTER 4
UNDERSTANDING TECHNICAL INDICATORS

Technical indicators are mathematical calculations derived from price, volume, or open interest data. They help traders interpret market behavior, spot opportunities, and confirm trends.

CORE TYPES OF TECHNICAL INDICATORS

01 Trend Indicators

Identify the direction of the market (e.g., Moving Averages, Supertrend).

02 Momentum / Oscillators

Measure speed and strength of price moves (e.g., RSI, MACD).

03 Volatility Indicators

Show price fluctuation and risk levels (e.g., Bollinger Bands, ATR).

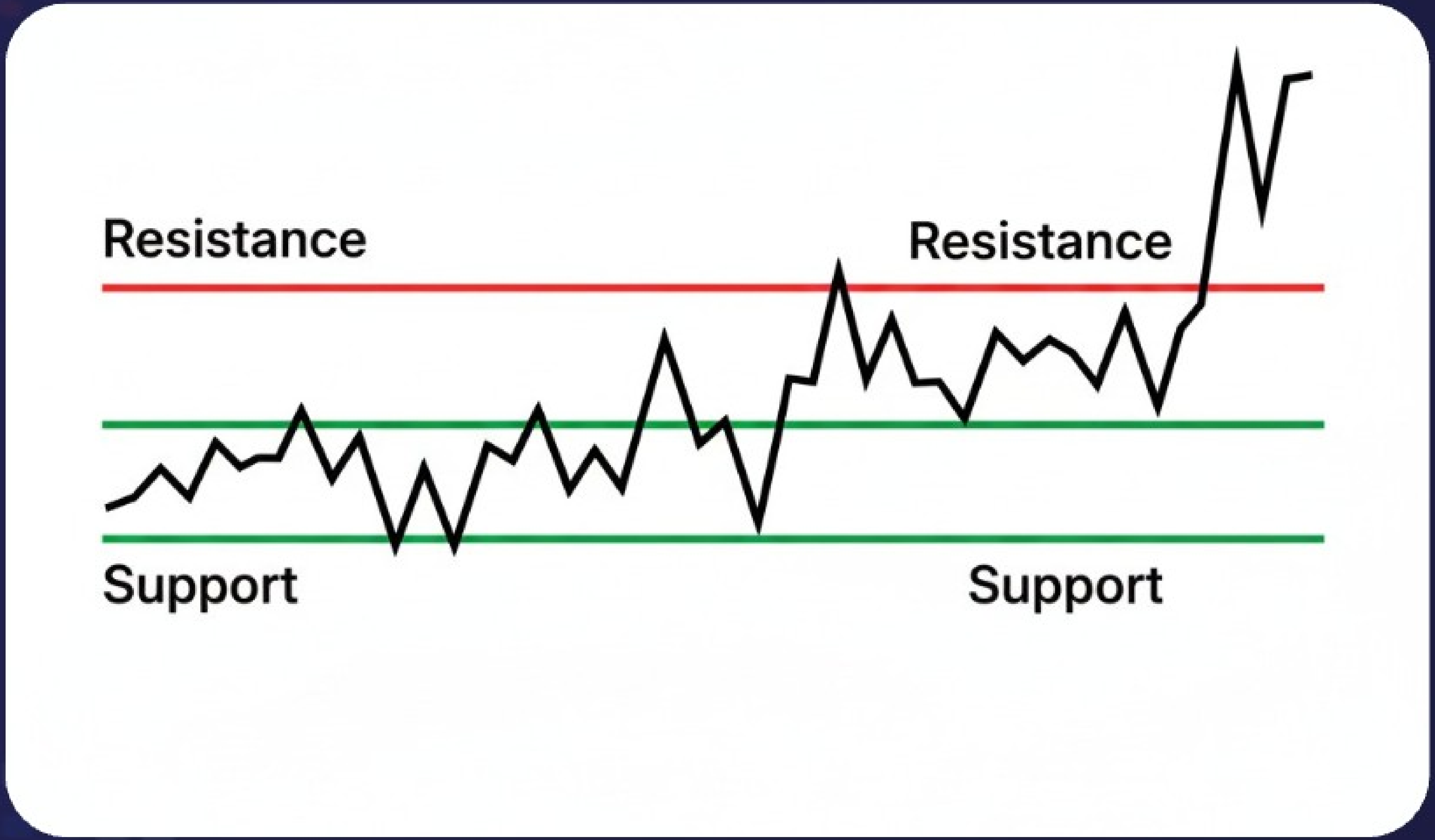
04 Volume-Based Indicators

Confirm price action with trading activity (e.g., OBV, Chaikin).

05 Breadth Indicators

Gauge overall market participation (e.g., Advance-Decline Line).

- Indicators simplify decision-making by highlighting trends, momentum shifts, and potential reversals. They provide structure and reduce emotional bias.
- No indicator is perfect - false signals are common. Always combine indicators with price action, risk management, and context for reliable trading decisions. **The chart example below illustrates Bollinger Bands, MACD, RSI, and OBV.**



CHAPTER 5

PRICE ACTION ESSENTIALS (SUPPORT AND RESISTANCE)

The troughs, or reaction lows, are called support. The term is self-explanatory and indicates that support is a level or area on the chart under the market where buying interest is sufficiently strong to overcome selling pressure. As a result, a decline is halted and prices turn back up again. Usually a support level is identified beforehand by a previous reaction low.

Resistance is the opposite of support and represents a price level or area over the market where selling pressure overcomes buying pressure and a price advance is turned back. Usually a resistance level is identified by a previous peak.

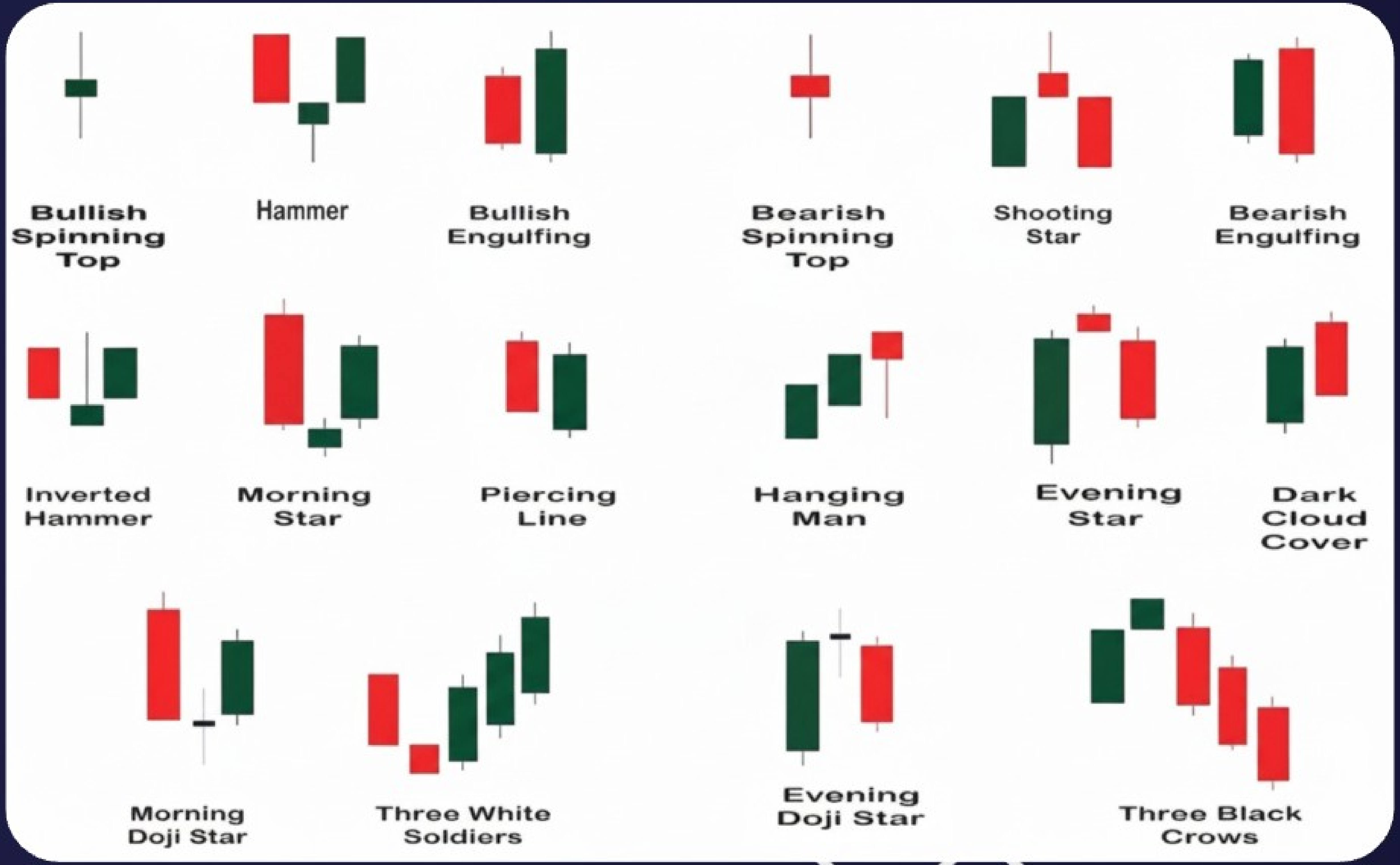
CHAPTER 6
CANDLESTICK PATTERNS

Candlestick patterns are short-term signals formed by one or more candlesticks, reflecting shifts in market psychology. They are widely used to identify potential reversals or continuations in price trends. Unlike broader chart patterns, candlestick patterns often capture tactical shifts in market psychology.

Well-known candlestick patterns include:

- Doji (indecision)
- Hammer & Hanging Man (reversal signals)
- Engulfing (bullish and bearish)
- Morning Star & Evening Star
- Shooting Star
- Spinning Top

Below is a ready reckoner of some important candlestick patterns



CHAPTER 7

CHART PATTERNS

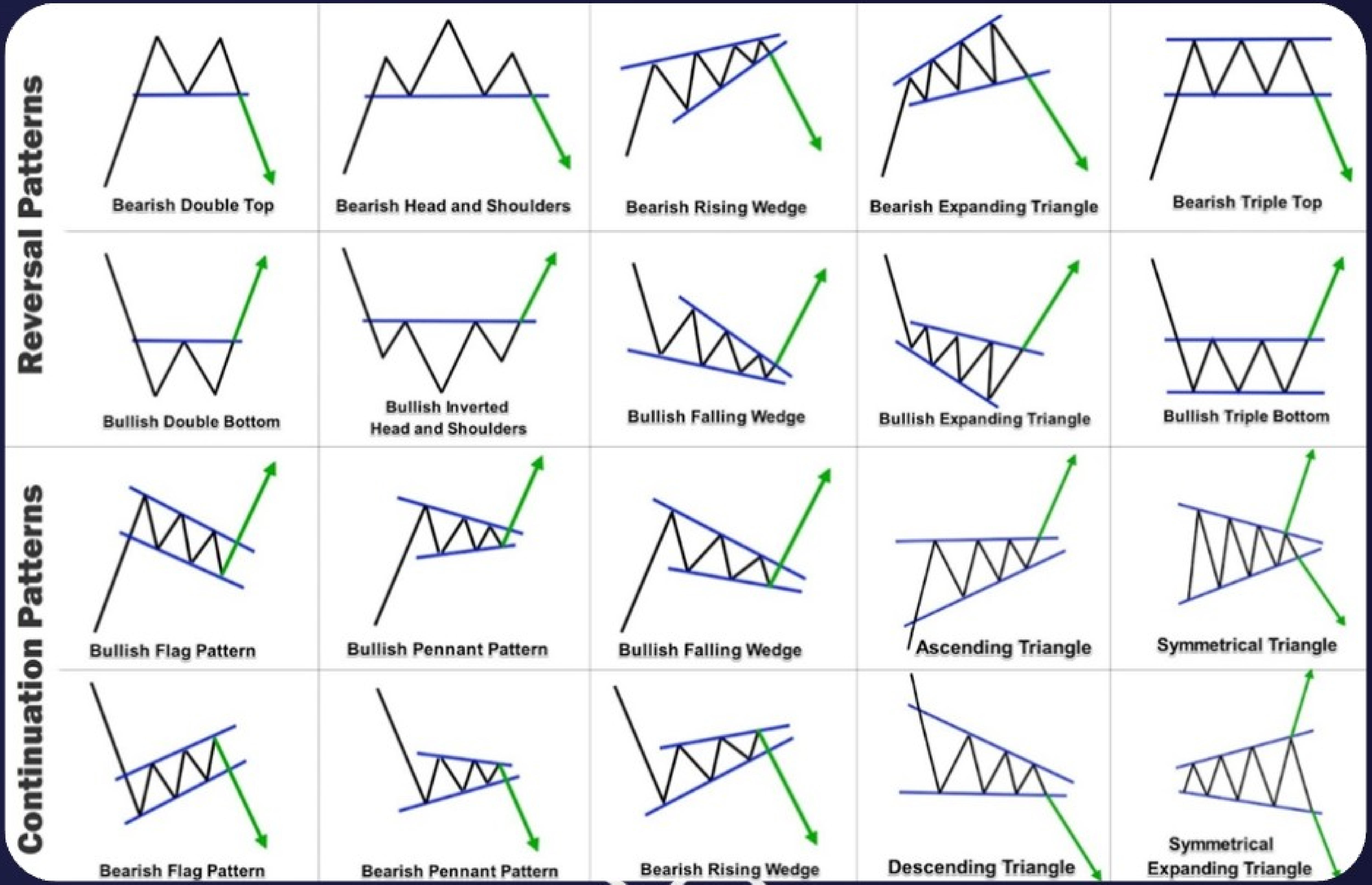
Chart Patterns

The terms patterns and formations are used interchangeably. A pattern is simply a configuration of price action that is bounded, above and below, by some form of either a line or a curve.

Well-known chart patterns include:

- Head & Shoulders / Inverse Head & Shoulders
- Double Top & Double Bottom
- Triangles (Ascending, Descending, Symmetrical)
- Flags & Pennants
- Rectangles (Trading Ranges)
- Cup & Handle

Below is a ready reckoner of some important chart patterns



CHAPTER 8

RISK MANAGEMENT

Risk Management

Risk management is the foundation of successful trading. While strategies and patterns identify opportunities, only risk control ensures long-term survival in the markets. Without it, even the best strategy can fail.

Proper risk management limits losses, protects capital during volatile phases, and allows profits to compound steadily over time. Traders who ignore it usually blow up their accounts, regardless of their technical skill.

Core Principles of Risk Management:

Position Sizing

Never risk more than 1–2% of your capital on a single trade.

Capital Preservation

Protecting your money is more important than chasing profits

Risk/Reward Ratio

Aim for trades where potential reward is at least double the risk (e.g., risk ₹1,000 to aim for ₹2,000).

Diversification

Avoid concentrating your capital in one stock, sector, or asset class.

Stop-Loss Placement

Predetermine your exit before you enter, place stops at logical technical levels, not emotional ones.

CHAPTER 9

Building a Trading Routine

A disciplined routine is essential to keep emotions in check and maintain consistency in trading. Without structure, decisions often become emotional, leading to overtrading or missed opportunities. A routine gives you clarity, reduces stress, and keeps you aligned with your trading plan

01 Daily Framework

Pre-Market – Spend 20–30 minutes reviewing global market cues, economic data releases, and overnight trends. Mark important support and resistance levels on your charts, and prepare a focused watchlist of stocks or instruments for the day.

02 Execution

During market hours, focus only on the setups you have planned. Follow your entry and exit rules with discipline, and avoid impulsive trades outside your strategy. Keep position sizes consistent with your risk limits.

03 Post-Market

Once the session ends, review every trade you took. Record entries, exits, and reasoning in a trading journal. Reflect on mistakes, note what worked well, and adjust your plan for the next day.

04 Key Insight

Consistency-not prediction-is the real edge in trading. A trader who follows a structured routine will often outperform someone with better strategies but poor discipline.

CHAPTER 10
BEYOND THE BASICS

Technical Analysis is a very wide domain. What we have discussed so far—price action, chart patterns, candlesticks, indicators, and risk management—forms only the foundation.

Some other popular specialized methods include:

Elliott Wave Theory

Focuses on market psychology and repetitive wave cycles to forecast future price movement.

Gann Analysis

Uses geometry, angles, and time cycles to identify potential turning points in the market.

Fibonacci Analysis

Applies ratios such as 38.2%, 50%, and 61.8% to measure retracements, extensions, and potential reversal zones.

Market Cycles

Studies recurring phases of accumulation, uptrend, distribution, and downtrend.

Intermarket Analysis

Examines relationships between equities, commodities, bonds, and currencies to identify cross-asset trends.

Each of these approaches requires deep study, practice, and often years of experience to master. They add value and perspective but should always be combined with the right learning and sound risk management

At Decode Charts, we are committed to providing the best of knowledge in all core domains of Technical Analysis, and to empowering beginners, traders and professionals to approach markets with confidence

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THANK YOU

Connect With Us to Start Your Trading Journey.

LinkedIn @vivekjain-ta

X @vivekquant