

How to read a Stock chart

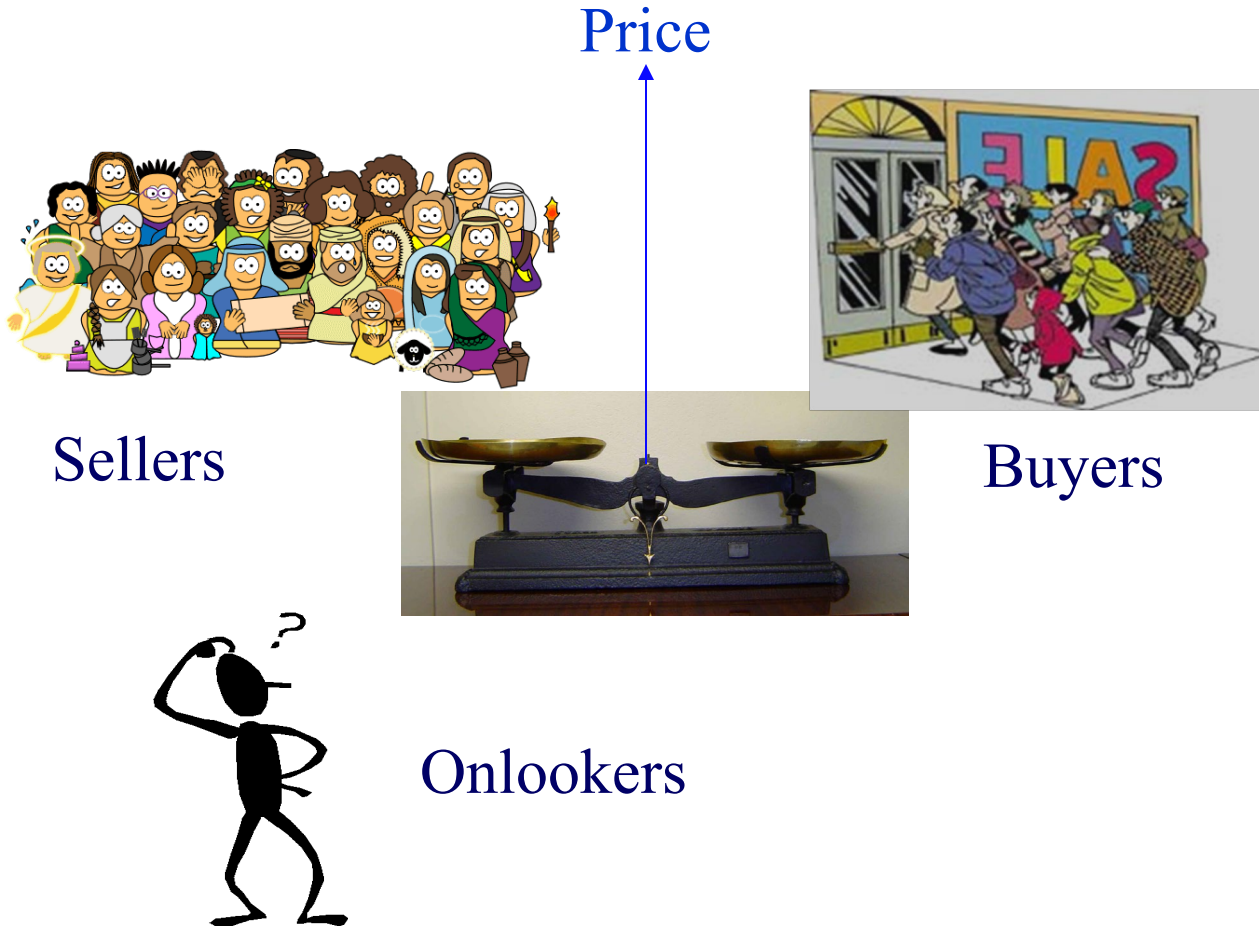
UD Osher – OLLI
Fall 2026

- **Rajeev A. Vaidya**
- **Rachel Mroz**

Today's Class

- Trends, support and resistance

What is a market ?



Market moves in waves



Trends: 3 (types) directions

Many technical analysis techniques are trend following

□ Uptrend

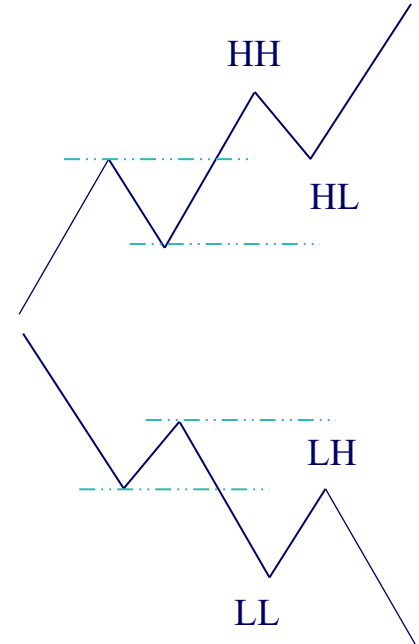
- Each peak (high) is higher than the previous one
- Each trough (low) is higher than the previous one
- Demand exceeds supply

□ Downtrend

- Each peak (high) is lower than the previous one
- Each trough (low) is lower than the previous one
- Supply exceeds demand

□ Sideways - horizontal

- Neither in an uptrend or downtrend
- Range bound market
- Prices / Supply-Demand in equilibrium



Trends: 3 (parts) time periods

- Major
 - Longer term - Overall direction
 - Typical time frames over a year (six months for fast markets)
- Secondary
 - Intermediate direction
 - Typical time frames 3 weeks to several months
- Minor
 - Near (short) term direction
 - Typical timeframes less than 2 to 3 weeks
- Each trend is part of (and sometimes correction to) the higher order trend.
- Infinite number of trends
 - Trade duration determines trend period relevancy
 - Trends for time periods 2 to 3 times your trade duration are typically relevant

Trends: 3 phases

- Accumulation
 - Informed buying by the most astute investors
- Public Participation (this is the biggest part followed by most)
 - Trend following phase
 - Business news improves, demand rises
 - Prices advance
- Distribution
 - News is public
 - Speculative and public participation volume is high
 - Astute participants are distributing their acquired shares before major selling begins

How strong is the trend ?

- A stronger trend is supported by
 - Trend in the same direction for a period one level higher than the period of interest.
 - Trend in the same direction for the sector and market.

- Time period for which trend has been active.
 - Not too short – jut starting
 - Not too long – long in the tooth? underlying asset over valued?

- Slope of the trend line
 - Much steeper than 45 degrees. Too strong a trend may correct to a more stable trend line.
 - Much shallower than 45 degrees. Weak trend

- All of the above are subjective. Any objective measures?
 - ADX with DI+ and DI-
 - Chande Trend Meter.

The trend is your friend

Trends are assumed to be intact till definitive signals of change appear.

- Trades in the direction of the trend are more likely to be successful.
- Trades in the direction of the trend for the period or entity larger than the trade entity or period are even more likely to be successful.
- This is why
 - Many trading systems are “trend following”
 - Investors look at longer term charts along with charts relevant to their trading period.
 - Investors look at industry or market charts in addition to their equity of interest.

Support and Resistance

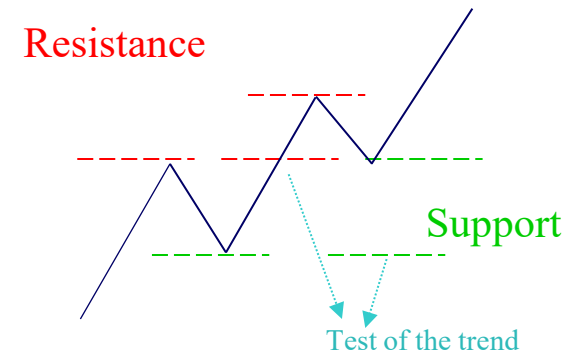
Pauses in the trend

Support

- Buying interest overcomes selling pressure
- In an uptrend each peak is higher than the last

Resistance

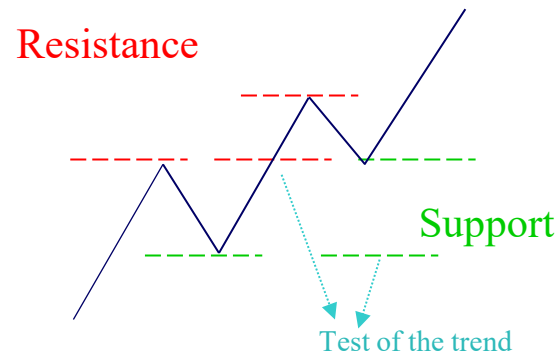
- Selling pressure overcomes buying interest
- Bullish penetration - buying pressure prevails and price goes and stays above prior resistance



Psychology

- These are levels where vested interests of longs, shorts and the uncommitted match in either

- supporting “buy the dip”



- OR “sell the high” action.

- Often “round numbers” are associated with support and resistance

Support and Resistance

Significance of a support or resistance level is higher

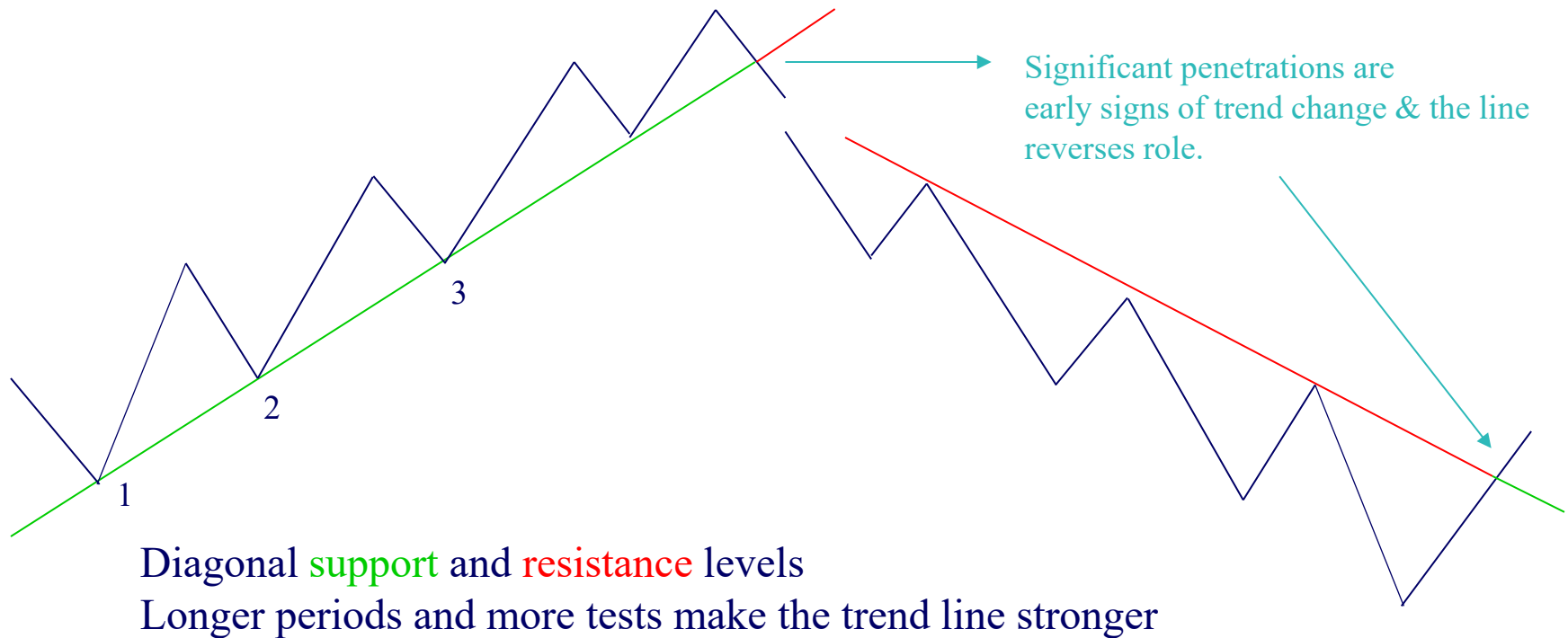
- The number of times the level is tested and prevails over time.
- Slope and size of the preceding price move
- The longer the time period that prices trade at that level
- The amount of volume in trading at that level
- How recently the level was established.

Support / Resistance Reversal

A resistance level that is penetrated by a significant margin often reverses roles and becomes a support level for future action and visa versa.

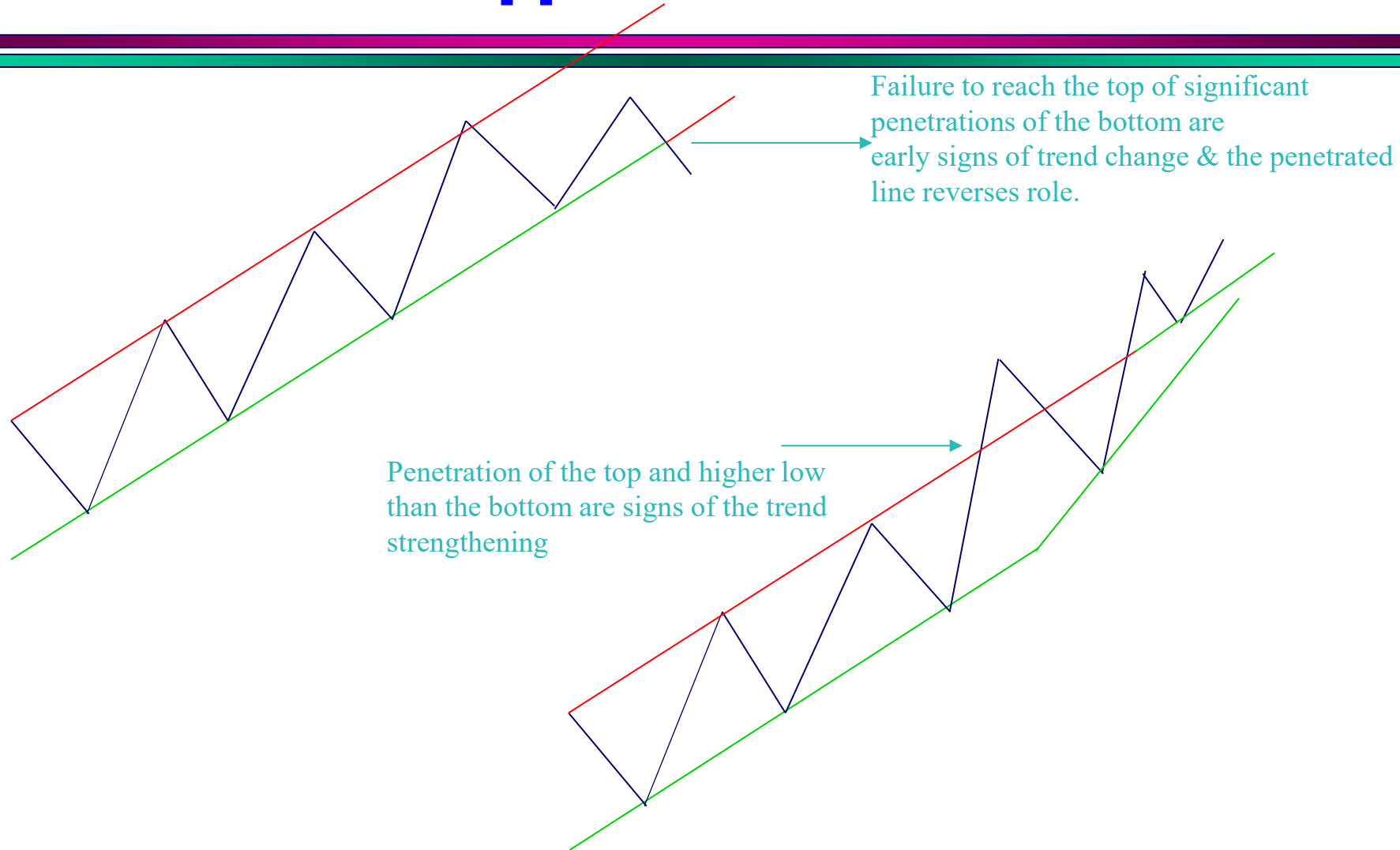


Trendlines are support and resistance



Buying and selling opportunities
(Entry and Exit prices)

Channels are support and resistance



Identifying levels

- Visually by looking at a chart
 - Looking at a chart over a longer time frame can be useful
 - Easier using a Line chart

- Stockcharts capabilities
 - Annotation
 - Autosupport resistance lines
 - Feature in Annotations tab in Stockcharts
 - Volume by price

Volume by Price

- Measures amount of volume in a price range over a period of time.
- Horizontal bars along the side of the chart
- Can be split to show up and down volume
- Slice size can be adjusted by user.
- Are useful in
 - Understanding Price levels of significance to the market
 - Identifying support and resistance levels
 - Understanding strength / significance of a change in trend.



References

- Investopedia - Basics

<https://www.investopedia.com/trading/support-and-resistance-basics/>

- Investopedia – Psychology of Support and Resistance

<https://www.investopedia.com/articles/technical/02/061802.asp>

- Investopedia – Reversals

<https://www.investopedia.com/articles/trading/06/supportresistancereversal.asp>

- Stockcharts Chartschool – Basics

https://school.stockcharts.com/doku.php?id=chart_analysis:support_and_resistance

- Stockcharts Charschool – Volume by Price

https://school.stockcharts.com/doku.php?id=technical_indicators:volume_by_price

Uses of Support and Resistance

- Significant levels in investing trading
 - Early identification of potential trend changes through support or resistance breaks.
 - Sell stops to protect long side losses below a support level
 - Entry prices for new positions just above support for “buy the dip” strategies.
 - Exit prices for taking profits just below resistance for “sell in the swell” strategies.
 - Strike process to sell covered calls with a low risk of assignment above resistance levels.
 - Strike prices to sell cash covered puts with low risk of assignment below support levels.

Let's ride the bicycle

Go live in [Stockcharts.com](https://stockcharts.com) and explore

1. Basics of Stockcharts setup
2. what we just learned

Next week's Class

- Moving Averages
- Bollinger Bands

Thanks !!

□ Happy Investing !!

□ EMail

□ Mine - diyinvst@udel.edu

□ Rachel – rs@udel.edu

□ Class website

□ <http://udel.edu/~diyinvst>