

Point and Figure Tutorials (1)

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Basics

The point and figure chart has two types of columns:

If we see a recent column with a X that means that the quotation of an underlying are in an up move. Demand are in command in that market at this time.

If we see a recent column with a O that means that the quotation of an underlying are in a down move. Supply are in command in that market at this time.

In a point and figure chart the price scale is on the vertical axis.

Columns of X,s and O,s alternate in a point and figure chart from the left to the right side of the grid.

In one column you can only have a X or O, you can't mix X,s and O,s in one column at least in modern point and figure charts when you use the 3 box reversal method. There are some exceptions to this rule when you use a 1 box reversal point and figure chart. Also in old point and figure charts you can see mixed columns of X,s and O,s in the same column. But bear in mind the almost all point and figure charts today use the 3 box reversal method and so you have to apply these rule.

There must be at least 3 boxes filled (3 X,s in an upmove and 3 O,s in a downmove) in every column of a 3 box reversal point and figure chart.

Most point and figure charting programs use numbers and letters to identify the beginning of the months of the year due to the fact that point and figure charts have no fixed timeframe. For january you use 1, february 2 and so on to september with a 9 and october where we use a A, for november a B and for december we use C. This makes sense because two numbers like 10, 11 or 12 won't fit good in the columns of the point and figure chart.

Normally we can use this charting method for any type of financial instrument currencies, commodities, stocks, indexes because we only gauge demand and supply independently of the time frame. Therefore point and figure charts don't have a fixed time frame like other charts (candelsticks or barcharts). But this is an advantage for us because we only go into a specific market if there are important movements because the only thing we look for is price. Close relatives of point and figure charts are renko, kagi and three line break charts. Advantages of point and figure charts

I recommend use point and figure charts mainly for the simple reason because price has dominance in this type of charts over the time factor, which makes it easier to see trends in the chart and interpret them accordingly. Moves they are not so important for the price trend are discarded (inferior then the box size of the chart). Bear in mind to look always at different box sizes (smaller and bigger) to see the key price points of a future or stock. So we mostly stay with the primer trend which indeed is a good stance for a trend follower. Reversal value

The reversal value in normal point and figure charts are three times the value of the boxsize. This reversal is an intrinsic filter in point and figure charts, that let us stay with the main trend, because it's not wise to change my perspective of a market if only a little correction of the main trend is on the way. I recommend for beginners the normal value of three for the reversal amount, because that way it's not so complicated to interpret the chart. Also most of the users of point and figure charts are using the reversal value of 3. If we have a boxsize of 1 \$ and a reversal value of three we need a move of at least 3 \$ against the current column direction to plot a other column on the right side of the last in the chart. We can use also different values like 1 to 6 but this reversal values are rarely used. Allocating a boxsize (value of every box)

The assignment of the boxsize for a point and figure chart is not very easy. We assign a value of 1 \$ for every box and we are at this time in a upmove column X,s y the quotation has advanced to 50 \$. If we assume that we have a 3 box reversal value, the underlying has to fall to 47 \$ (47.01 \$ is not sufficient) to plot a new column at the right side of the X last column. But due to the fact that we are now in a X column we have to look first if there was an move of at least 1 \$ to 51 \$. In this the case we have to add another X to the recent X column, because the recent column has precedence. In a second step we can look than for a reversal move to 47 \$. The rule is that the recent column on the chart (in this case a X column) has the preference. If we where in a O column we have to look first if today there was a move from 47 \$ to 46 \$ to plot another O in the actual column. If not we can look than for a 3 \$ (3 X 1 \$ = 3 \$) move upwards and if the quotation has risen to 50 \$ again we are able to plot a new X column on the right side of the O column. Chartcraft has a

default table to assign boxsizes so you have a roughly idea what kind of boxsize to assign:

value in \$ = boxsize

0 - 5	= 0,25
5 - 20	= 0,50
20 - 100	= 1
100 - 200	= 2
200 - 500	= 5
500 - 1000	= 10
1000 - 2000	= 20
2000 - 5000	= 50
5000 - 10000	= 100
10000 - 20000	= 200

The allocation of the boxsize is not as easy as it seems and you need further experience and you have to look up different values of the boxsize to see which value is the best one for the specific instrument i,m trading. For that reason trading is not a science it,s a form of art and you have to learn to interpret, like a singer on the search for his own music style. We can also use to allocate the boxsize percentages of the actual quotation value of a trading instrument. If we look for the dow jones industrial average which has now a value of approximately 13400 and if we apply 0.5 % for the boxsize which gives us a result of 67 we would look for the 50 and 25 boxsizes. As more charts we see of a specific market the more familiar we are with this market.Support and resistance levels

The form we are plotting point and figure charts facilitates the recognition of support and resistance levels, because we only look at levels that are important to enter long or short in a trade.Advertising

If you like to participate in my point and figure training courses which gives you an edge as a trader feel free to contact me. After this training you will see the market moves much clearer as before and don,t trade every pattern you see. Don,t make your broker rich because you have to make money.