

CANDLESTICK COLORS

Your charting program may offer the option to choose the colors of the candlesticks. Color choice is a personal preference. I prefer black and white candlesticks against a white chart background. If using candlesticks, the bars with an up close are hollow and the bars with a down close are shaded. Some traders prefer to have the up close bars displayed in a different color than the down close bars (e.g., green and red, respectively).

In TeleChart (version 7), the candlestick colors can be changed by editing the chart template. Press the letter "I" on the keyboard to open the editing dialog box. Click the hand and paper icon to the right of "candlestick chart." For green and red candlesticks, designate the attributes as follows (Figure 1.1):

- Change the Draw Color (numbered 1) to green.
- Check the box to the left of Plot Down Days in Different Color (2).
- Change the Down Color (3) to red.

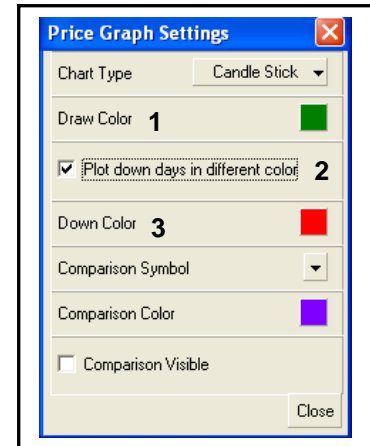


Figure 1.1
Candlestick Colors

Designating that the candlesticks be plotted in this manner will result in four candle-color variations to be interpreted as follows:

- Solid Candle = Bearish Bar – Price closed lower than it opened.
- Hollow Candle = Bullish Bar – Price closed higher than it opened.
- Green Candle = Up Close – Price closed higher than the prior bar's close.
- Red Candle = Down Close – Price closed lower than the prior bar's close.

Put that all together and you'll see the following bars on a candlestick chart as illustrated in Figure 1.2. Figure 1.3 shows how the same chart compares with black and white candles.

- Solid Red Candle = A lower close *and* a bearish candle (numbered 1).
- Hollow Red Candle = A lower close *but* a bullish candle (2).
- Solid Green Candle = A higher close *but* a bearish candle (3).
- Hollow Green Candle = A higher close *and* a bullish candle (4).

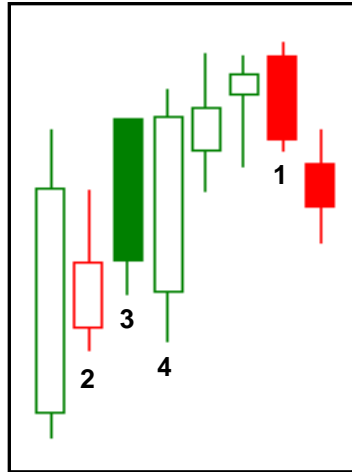


Figure 1.2
Red and Green Candles

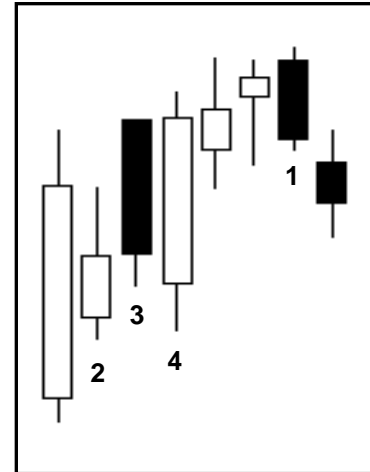


Figure 1.3
Black and White Candles

Interpreting the colored candles may seem a bit confusing at first, but the more you analyze the charts the easier it becomes. Personally, I prefer the standard black and white candles (black for a bearish day and white for a bullish day). I don't need to be shown by the candle color whether the current bar's close is higher or lower than the prior bar's close—that can quickly be determined by the position of the current candlestick's body in comparison to the prior bar's body.

The above information is an excerpt from Lesson 1-Building your Charting Foundation in Course 1 on Charting. [Click here](#) to purchase this lesson and/or to see a list of all the available lessons.