

ABSTRACT

Japanese candlestick chart is a technical system older than bar chart and point and figure chart, and it has been used by Japanese traders few hundred years ago to analyze the price of rice contracts in Japan. However, it is unknown and unpopular for the investors out of Japan until recently. It has started to gain popularity nowadays among investors for its flexibility and effectiveness. Japanese candlestick chart is a technique that can be used as a stand-alone charting technique or as a combination with other technical techniques.

This project aims to study the performance of Japanese candlestick chart in KLSE over moving average and a purely buy-and-hold strategy. The study commences with the description of each selected trading technique and a review of some relevant studies. This is followed by an analysis on the returns obtained for each trading technique. Statistical tests are performed to reinforce the results. The limitations of the study and some recommendations for future research are also discussed.

The result of the study shows that Japanese candlestick chart has produced significant positive returns. It also conveys that Japanese candlestick chart is superior in stock trading over buy-and-hold strategy and moving average, either when it is applied for securities under sectors or boards classification.