Repricing on a Candlestick Chart

How markets reset prices to new information, how that shows up on candles, and how to size the move.

By the end of this lesson you can: define market repricing; read a candlestick; spot the four signs of a repricing on a chart; estimate the size of the move with $\Delta P/P \approx -D \times \Delta y$; and explain why only the *surprise* reprices on the day. *All charts use illustrative data. This is educational material, not investment advice.*

1. What is repricing in a market?

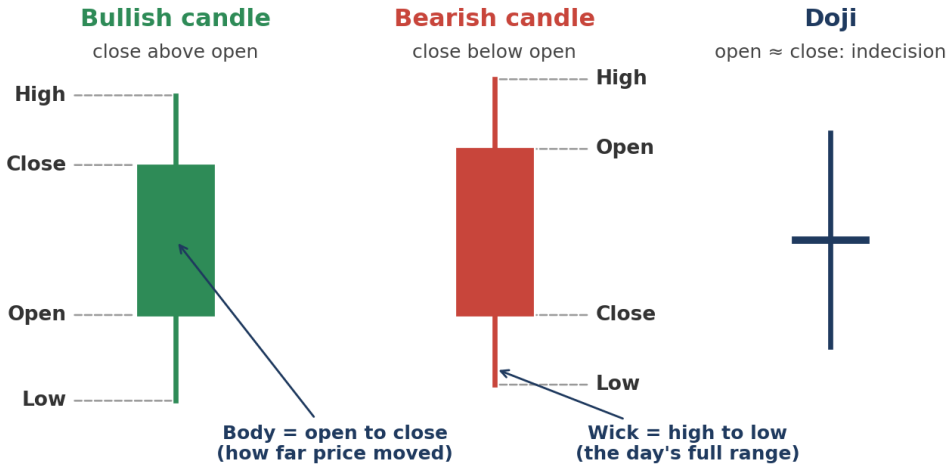
Repricing is a move of an asset's price to a new level because new information has changed what the market thinks it is worth. Typical triggers are interest-rate decisions, earnings, credit-rating changes and economic data.

It connects to the bank lesson. There, a rate reset changes a bank's **income** (net interest income). Here, the same rate news changes the **market value** of assets such as bonds. Rates up means bond prices down, and rates down means bond prices up.

2. Reading a candlestick

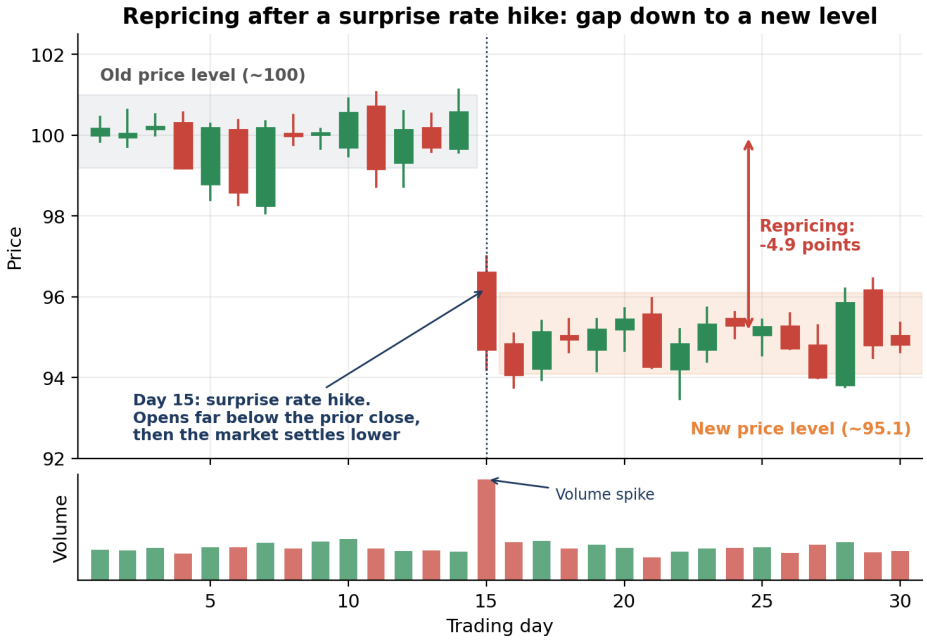
Each candle summarizes one period (here, one trading day) with four prices: **open, high, low, close**. The **body** runs from open to close and the thin **wick** shows the full high-to-low range. Green means the price closed higher than it opened; red means lower.

Anatomy of a candlestick (one candle = one trading day)



3. What a repricing looks like

A repricing is not just a red candle. It leaves four signs, and the more of them you see together, the stronger the case that the market has reset. Figure 2 shows a surprise rate hike: the price opens far below the previous close, and the following candles stay around the new, lower level.



Sign	What you see	Why it happens
1. Gap	Open sits far from the prior close, with no trading in between.	News arrives while the market is closed or moves too fast to trade at intermediate prices.
2. Long body	A large candle that closes near its high or low.	One side (buyers or sellers) stays in control all day.
3. Volume spike	Volume far above the recent average.	Many holders reposition at once.
4. New range	Candles settle around a new level instead of returning.	The market has accepted the new price as fair value.

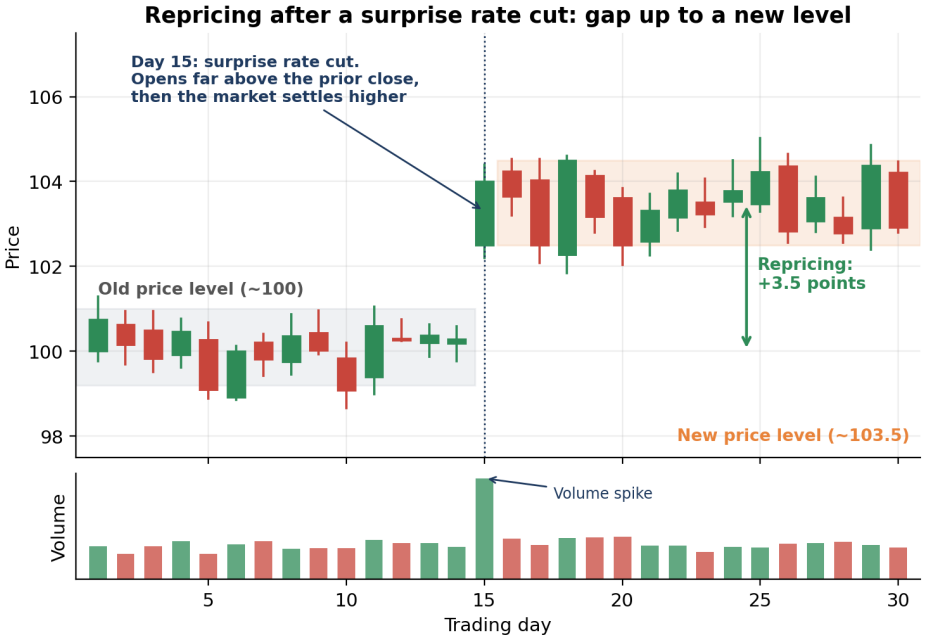
4. Sizing the move

$$\Delta P / P \approx -D \times \Delta y$$

For a bond-type asset, the percentage price change is roughly minus its **duration** (D, a measure of rate sensitivity) times the change in yield (Δy). Take a bond fund priced at 100 with D = 7:

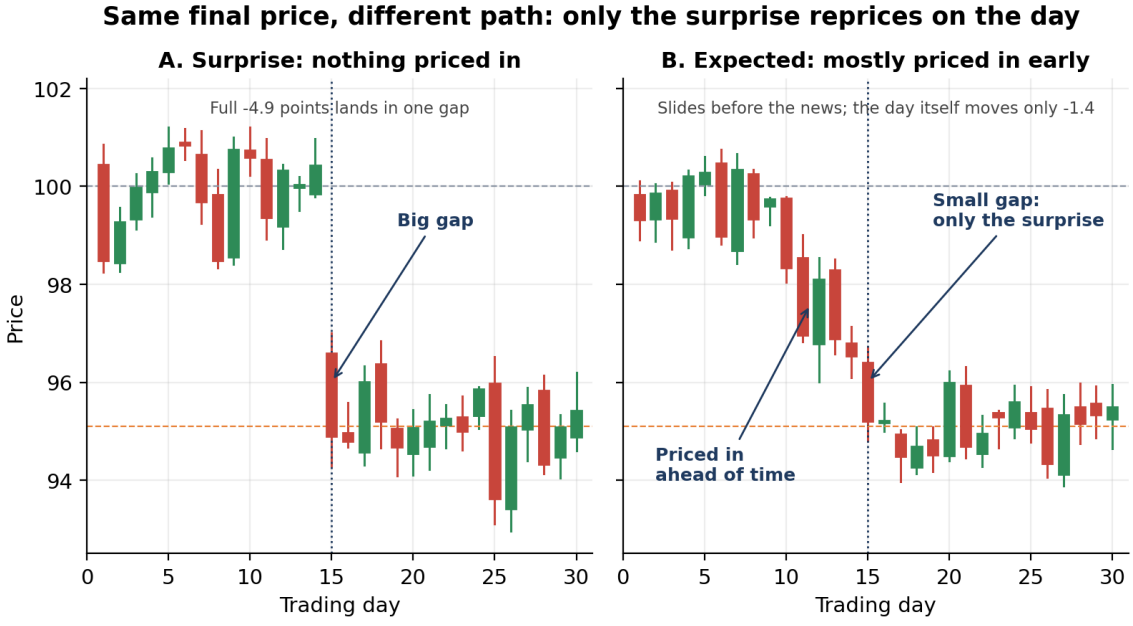
Event	Δy	ΔP/P	New price	On the chart
Surprise hike	+0.70 pp	−7 × 0.007 = −4.9%	95.1	Gap down (Figure 2)
Surprise cut	−0.50 pp	−7 × (−0.005) = +3.5%	103.5	Gap up (Figure 3)

This is an approximation (it ignores convexity), so real prices land near the estimate rather than exactly on it. The mirror image of Figure 2 is a rate cut, where the price gaps up and settles at a higher level:



5. Surprise versus priced in

Markets trade on **expectations**. If a rate hike is widely expected, the price starts adjusting days or weeks earlier, and only the part that was not expected reprices on the announcement day. In Figure 4 both markets end at the same price, but the path is very different.



Stage	Δy	Price effect (D = 7)	Price after
Anticipation: hike of 0.50 pp expected	+0.50 pp	−3.5%	96.5
Announcement: actual hike is 0.70 pp	+0.20 pp surprise	−7 × 0.002 = −1.4%	95.1
Total	**+0.70 pp**	**about −4.9%**	**95.1**

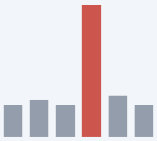
6. Limits and cautions

- **Charts show what and when, not why.** Always match a gap to actual news before calling it a repricing.
- **Gaps can fill.** Sometimes price drifts back toward the old level, which suggests the move was an overreaction.
- **Timeframe matters.** A gap on a daily chart may be a smooth move on a 5-minute chart.
- **The formula is an estimate.** Duration changes as yields move, and credit or liquidity news can swamp the rate effect.
- **Thin markets** can gap for reasons unrelated to fundamentals.

Summary

Repricing on a candlestick chart: cheat sheet

Repricing = price resets to new information | only the surprise moves it

1 Gap	2 Long body	3 Volume spike	4 New range
			
Open far from prior close	Close near the day's extreme	Far above normal volume	Candles settle around a new level

Size the move (bond-type asset)

$$\Delta P/P \approx -D \times \Delta y$$

D = duration, Δy = yield change

Read with care

Charts show what moved, not why. Gaps can fill; confirm with news.

Key takeaways

- Repricing is a price reset to new information. On a candlestick chart look for a **gap, a long body, a volume spike and a new range**.
- For a bond-type asset, $\Delta P/P \approx -D \times \Delta y$. Duration 7 and a 0.70 pp surprise hike gives about −4.9%.
- Only the **surprise** reprices on the day; expected moves are priced in beforehand.
- Treat the chart as evidence of *what* moved and confirm the *why* with the news.

Check your understanding

- A bond fund priced at 100 has duration 5. Yields fall 0.40 pp in a surprise. Estimate the new price.
- A candle opens at 97, closes at 99, with a high of 99.5 and a low of 96.5. Is it bullish or bearish, and where is the body?
- The market expects a 0.25 pp hike and the central bank delivers exactly 0.25 pp. What should the announcement-day candle look like?

Answers. (1) $\Delta P/P \approx -5 \times (-0.004) = +2.0\%$, so the price is about 102.0. (2) Bullish, because it closed above its open; the body runs from 97 to 99 and the wicks reach 96.5 and 99.5. (3) Little repricing: no large gap and no major volume spike, because the news was already priced in.