



Brainy's Articles on Technical Analysis

Trends and Trendlines

Article No:
TA-3200
page 1 of 3

(Rev: 30 Jan 10)

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Trends and Trendlines

This document (number TA-3200) provides a brief overview of the concept of a trend, and the all important trendlines. [NOTE: This Article is to be re-written based on the Technical Analysis Intro handbook!!!**]

Introduction

A trend can be confirmed by identifying the peaks and troughs on a chart, and looking for a succession of Higher Peaks and Higher Troughs for an uptrend, or Lower Peaks and Lower Troughs for a downtrend. In practise, many people interchange the terms *High* and *Peak*, and the terms *Trough* and *Low*.

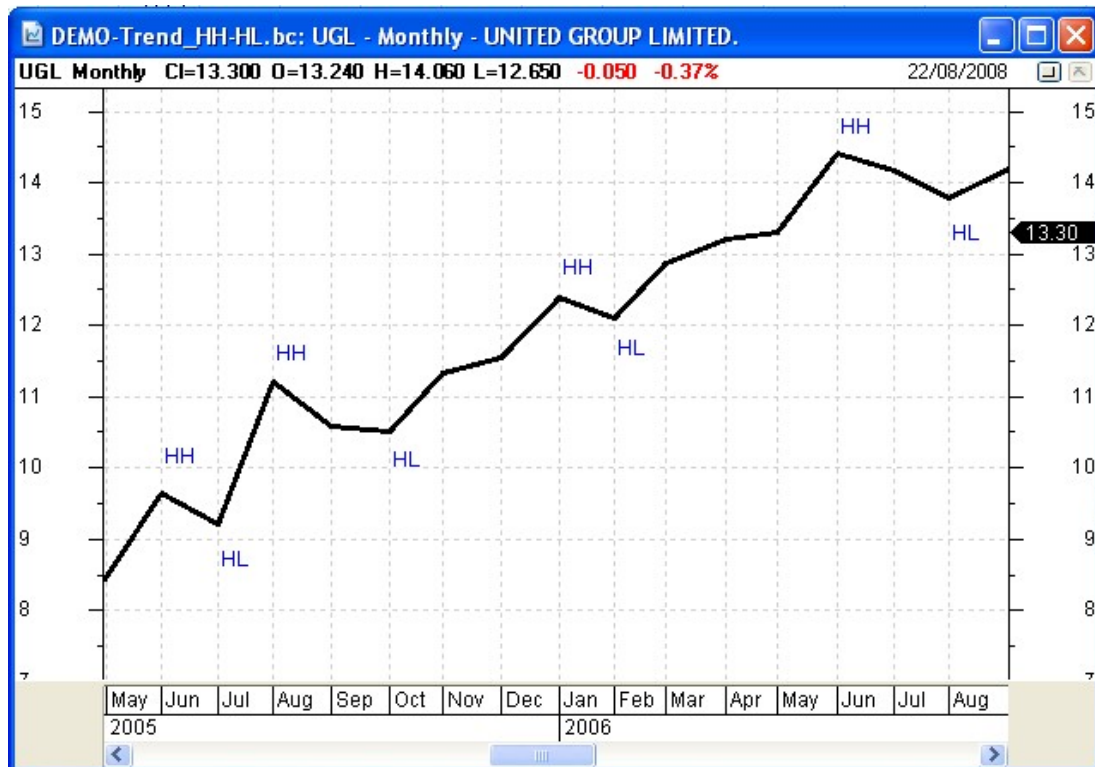
“The trend is your friend”

One of the most basic principles with share trading is to follow the trend. Once a stock is in a confirmed trend (either up or down), there is a greater chance of the trend continuing, than of it not continuing. Once a trend is confirmed, then that trend continues until it is confirmed to no longer be trending.

The simplest of trading strategies relies on (and in fact many trading strategies rely on) the confirmed presence of an up trend, in conjunction with other criteria.

Higher Highs and Higher Lows

In its simplest form, a trend is defined as successive Higher High prices, and successive Higher Low prices. This is demonstrated in the simple example in the share price chart (monthly chart of UGL) shown in the diagram below, where HH indicates a Higher High, and HL indicates a Higher Low.





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