Trends
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TRENDS

The trend is your friend and a trader typically has better probabilities for a successful trade when the trade is in line with the overall trend.

However, the trend is only your friend until the end, when it bends.

It’s vital to understand that there are trends within trends within trends, and so on. That is, there are different trends in place in different time frames. A trend on the 15-minute chart may be totally opposite to a trend on the weekly charts.

The key factors in trading trends extremely successfully are:

- Determining a trend exists and what the real direction is
- Entering the trend at the right moment that reduces risk and maximizes reward
- Keeping your trade in the trend for as long as possible
- Re-entering the trend after market price corrections
- Validating the continuation of the trend
- Correctly determining when the trend has finally ended
- Not trading in consolidation periods before new trends form

When trends are upward trends, indicators will typically display up. When trends are downward trends, indicators will typically display down.

In this system, all indicators will display:

- Upward characteristics when the trend is being supported and price is rising
- Downward characteristics when the trend is under pressure and the price is falling

Trends can form within bigger trends and this is a natural state of the market when price has undergone correction or price is gathering momentum in the direction of the overall trend.

The following chart depicts an upward trend. The chart is based on a weekly chart for the USDJPY pair. It shows each pivot low being higher than the previous pivot low, forming a gradual
trend-line, as well as the forming of a new and stronger upward trend within this trend.

The following chart depicts a downward trend:

This chart is based on a weekly chart for the USDJPY pair. It shows each pivot high being lower than the previous pivot high, forming a gradual trend-line and encompassing multiple stronger downward trends within the overall trend.