Trend Definition – Applying Subjectivity

As we discovered earlier, the market cannot be defined by fixed rules or mathematical models. It’s an emotional beast.

Every attempt to objectively define a trend will break down at some point in time. Regardless of how you define the trend, at some point in time it will produce a pullback that goes just far enough to trigger an objective trend definition change, before reversing to continue in the original trend direction.

Subjective definitions are superior, although difficult for newer traders to accept.

A pullback against a trend that triggers an objective trend definition change, but then fails, may not change the subjective trend definition.

Let’s look at an example…

We have here what is visually easy to identify as a downtrend. Following the strict definition of swing highs and lows, and trend change, we find that the trend changed from a downtrend to an uptrend by one tick (at point 3), before reversing and continuing downwards again.