

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.

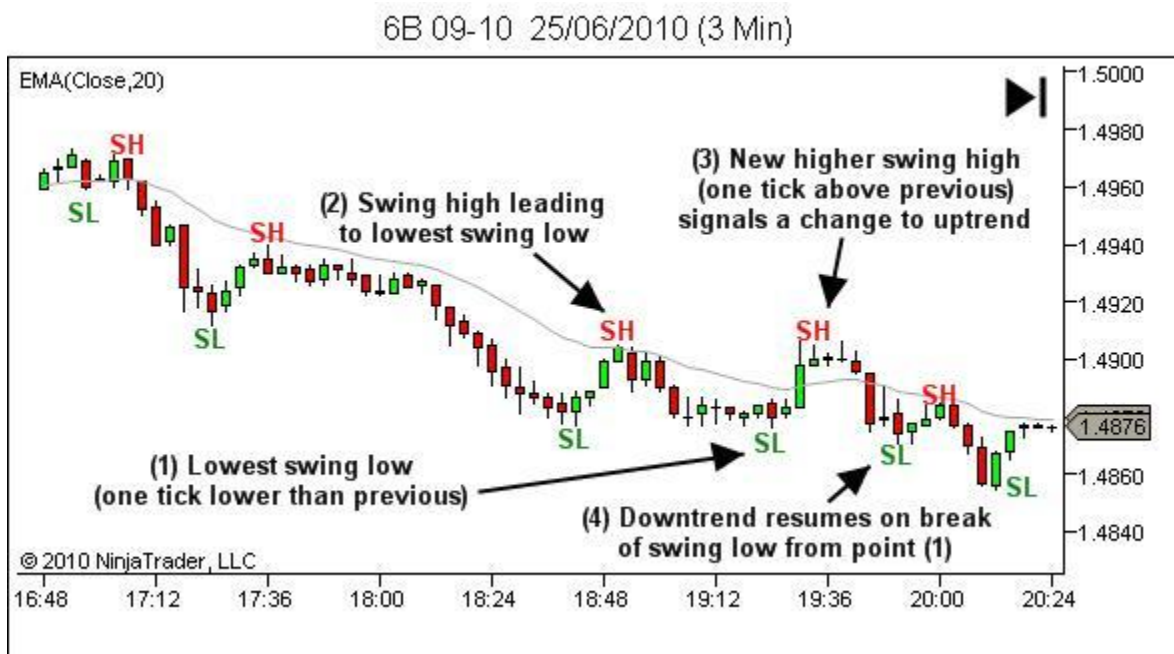


Figure 3.47 - Trend Definition Failure – Swing H/L