

Projection & Depth

Strengthening or weakening of a trend may also be observed through analysis of **Projection** and **Depth**.

Projection refers to the distance with which a price extension projects past the previous swing high (in an uptrend) or swing low (in a downtrend).

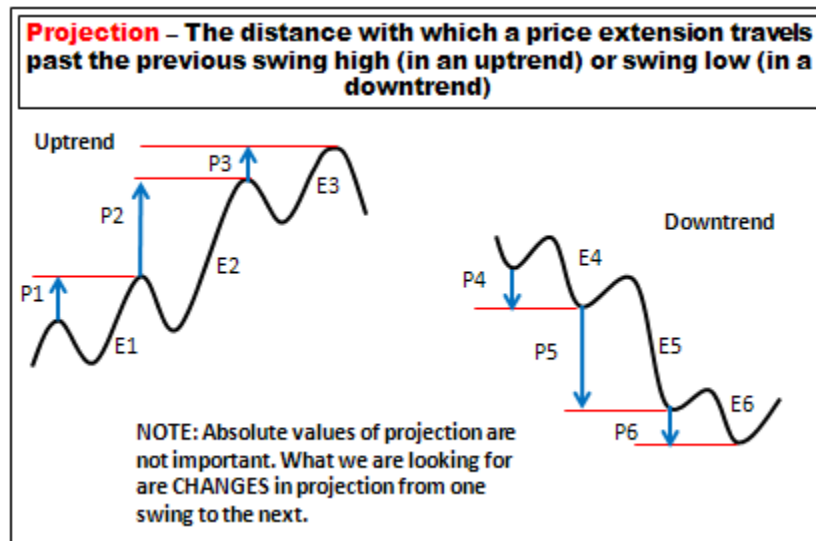


Figure 3.73 - Projection

Referring to the uptrend within figure 3.73, we see the price action shows three price extensions E1, E2 and E3. The projection of each is displayed as P1, P2 and P3. P1 is the distance with which E1 projects (or travels) beyond the previous swing high. P2 is the distance with which E2 projects beyond the previous swing high. And P3 is the distance with which E3 projects beyond its previous swing high.

The important information is not so much the distance, but changes when comparing one projection with the next.

Note the increased projection of E2 (P2) when compared with E1 (P1). Extension E2 projects much further than E1 did, indicating greater strength within the trend.

P3 is then much shorter than P2, indicating weakness developing with the trend.