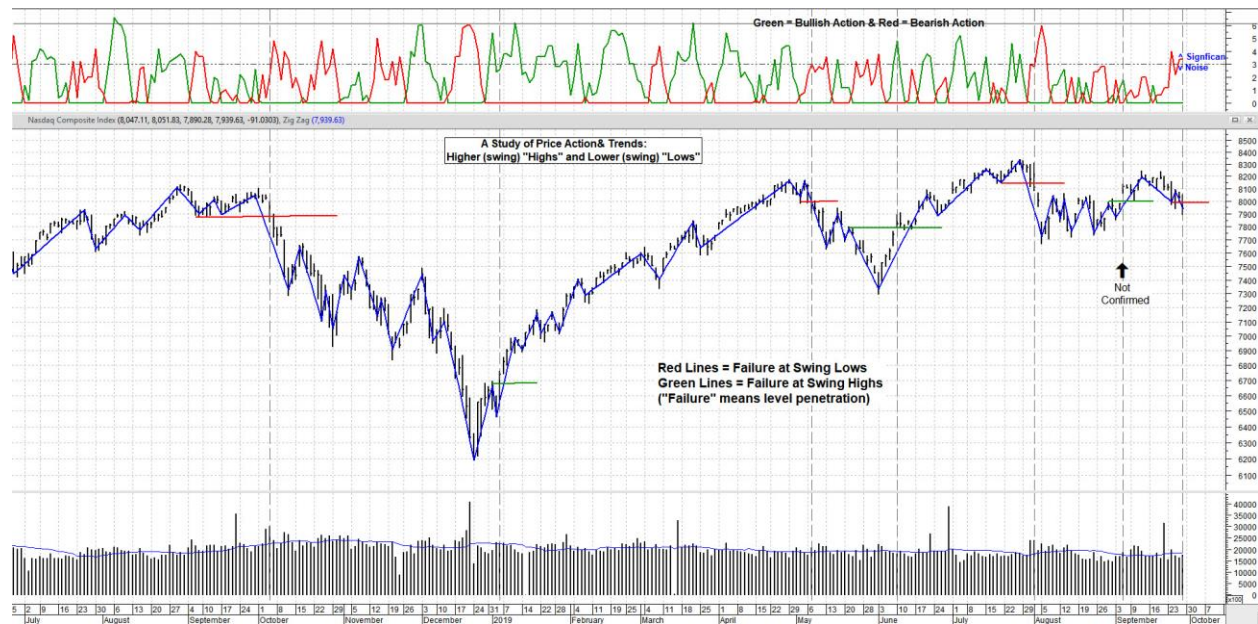


Ideas About Market “Price Action and Trends” Sept. 2019

First, let’s look at an old definition of trends of both stocks and indexes. It can quickly be summed up as if the security is making higher Highs then it is in an “Up Trend”, but if it is making lower Lows it is in a “Down Trend”. A “High” or “Low” is typically defined as a swing high or low and not necessarily a bar price high or low. For the purpose of illustration on the chart below, the blue “zig-zag” line shows a closing price movement of 2% or more. This “zig-zag” helps to visualize the swing highs and lows of price action.

Confirmation of an up trend change would not be just a break of a previous swing high level, but also a swing low that was higher than the last swing low. The opposite holds for confirmation of a down trend. The advantage of this conformation is to filter out brief price level breaks during a period of congestion, or sideways movement. The disadvantage is a delay waiting for that confirmation.



The red lines on the chart above show points where a swing low (*level*) was broken/failed; the green lines show where a swing high (*level*) was broken/failed.

Next let’s take a look at an indicator (*top window*) that attempts to factor price and volume over a short period of time to confirm “price action strength” early in a price move. I put a filter of “3” on the indicator to show if the movement is in the “noise” level of price movement or if above 3, a potential significant move. You can probably guess that the red is bearish movement and the green line is bullish movement.

I note that in the cases where a price swing high or low price level was broken, the indicator confirmed it at or before that point, except for Sept. 5, 2019, where the bullish price strength was below the “3” level and therefore considered “noise”. Currently both the indicator and break of a swing low level indicate a “bearish” short term trend in the NASDAQ Composite Index.

