Trend Lines

Prices do not only rise or fall but most of the time they actually move in narrow ranges. So, in accordance with the Dow Theory we can therefore divide trends into three types:

- **"bull"** (or "uptrend") => prices rise;
- **"bear"** (or "downtrend")=> prices fall;
- **"flat"** (or "sideways") ?=>prices are in a narrow range.

As a general rule, market consolidates prior to a rapid price rise or fall.

First of all, it is very important to determine if the market is uptrending or downtrending (this can be done with the help of trend indicators and trend lines or channels) and if the prevailing trend is strong or weak (with the help of oscillators and charts patterns).

Uptrend means that every next bottom is above the previous one, and every next high is above the previous one, so in this case, the trend line is drawn between bottom points. Obviously a trend line created by joining only two points will be less effective than a trend line created by three or more points

Downtrend means that every next bottom is under the previous bottom and every next high is under the previous high, so in this case, the trend line is created by using the highest points.

Any trend (bullish or bearish) must be confirmed by trade volume. Put it simply: when prices move in accordance with the prevailing trend, the trade volume increases; when prices move against the prevailing trend (rebound), then trade volume decreases. Once the situation changes and trade volume during rebounds becomes greater than that during the trend price movement, it is a serious signal that the trend may not be so strong (but it is not the signal to open the opposite position, as there is no confirmation of the trend reversal).

What is the Wolfe Wave?

- Simply put, the Wolfe Wave is a natural rhythm that exists in all markets. It is made up of waves of supply and demand that form their own equilibrium. . The key to its accuracy is in properly identifying the 1, 2, 3, 4 & 5 points. These are what give it its proper balance of equilibrium. It is very important to identify the dominant Wave. It is somewhat like recognizing those 3-D pictures. After a while a smile comes to your face and you say: "WOW, I see it."

Rules for Bullish WolfeWave Structure:

- Please note the odd sequence in counting, as you will see, it is necessary for the inductive analysis. By starting with a top we are assured of beginning our count on a new wave. (The reverse would apply for a bearish wave.)

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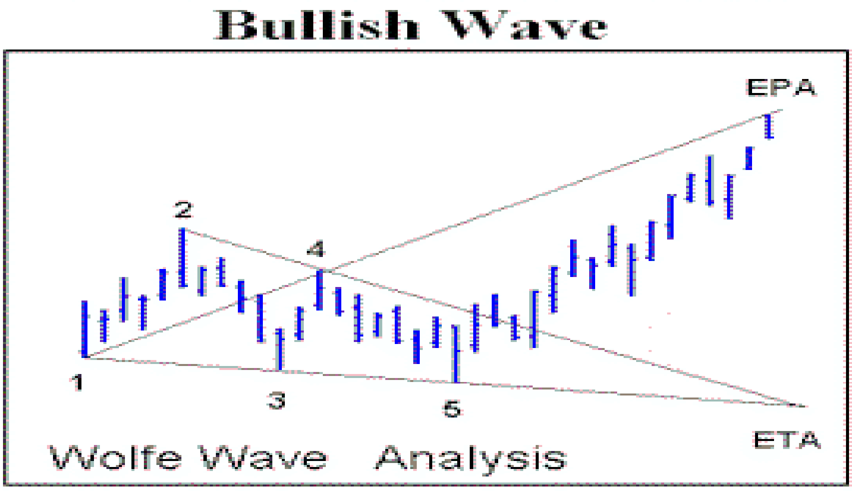

- Support and Resistance levels are patterns of classical technical analysis. All trend (channel) lines, reversal and continuation chart patterns are only combinations of support and resistance levels.

- Support level is a starting point of an uptrend, and is actually a tangent to the minimum prices. It is commonly thought that when the price falls down to the support level, Bulls (buyers) start to resist against further price decrease thus giving it support. This explains why is many cases the price will bounce back and start rising after having reached a support level.

After attempts the price may break the support level. Once the support is broken, it becomes resistance level.