momentum
securities

Reading the trend

Basic concepts of trend

GUIDE 5
A step-by-step guide to uptrends, downtrends and sideways markets

Price charts can look busy at first glance. A practical starting point is to identify the direction in which the market is moving. This guide shows you how to recognise the three basic trend structures by focusing on the sequence of peaks and bottoms.

Trend at a glance

Trend	What to look for	Plain language cue
Uptrend	Higher peaks and higher bottoms	Price is stepping upwards.
Downtrend	Lower peaks and lower bottoms	Price is stepping downwards.
Sideways	Similar peaks and similar bottoms	Price is moving within a range.

A useful discipline:

Read the sequence, not a single price move. One rise or fall does not show the full trend structure.

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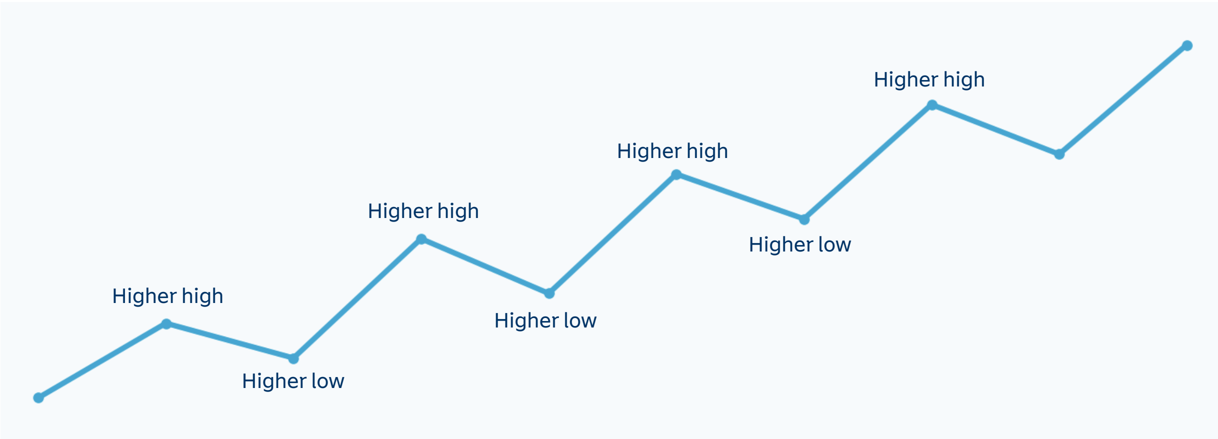
1. How to recognise an uptrend

An uptrend forms when price creates a sequence of higher bottoms and higher peaks. Each pullback holds above the previous bottom, and each advance moves above the previous peak.

UPTREND

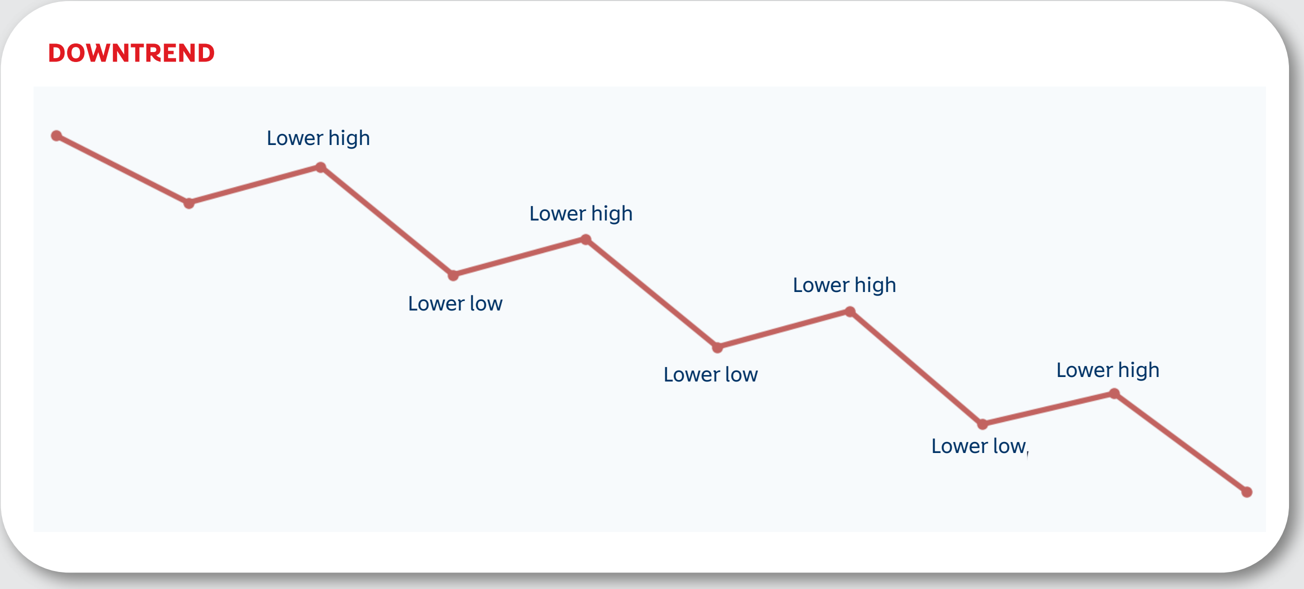


1 **Find the bottoms** Identify the points where price declines, pauses and begins to rise again.	**3** **Find the peaks** Identify the points where an advance pauses before price pulls back.
2 **Compare each bottom** Check whether each new bottom is higher than the one before it.	**4** **Confirm the structure** An uptrend is confirmed when the chart shows both higher bottoms and higher peaks.

What this means:
Buyers are, on balance, prepared to transact at progressively higher price levels. The trend continues until the sequence is interrupted.

2. How to recognise a downtrend

Volume reflects the amount of trading activity in the underlying instrument. In a rising trend, improving volume may provide additional support for the price move.

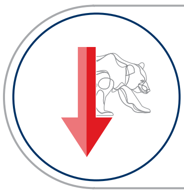


1 **Find the peaks**
Mark the points where a rally pauses and price begins to decline.

2 **Compare each peak**
Check whether each new peak is lower than the previous one.

3 **Find the bottoms**
Mark the points where a decline pauses before price rebounds.

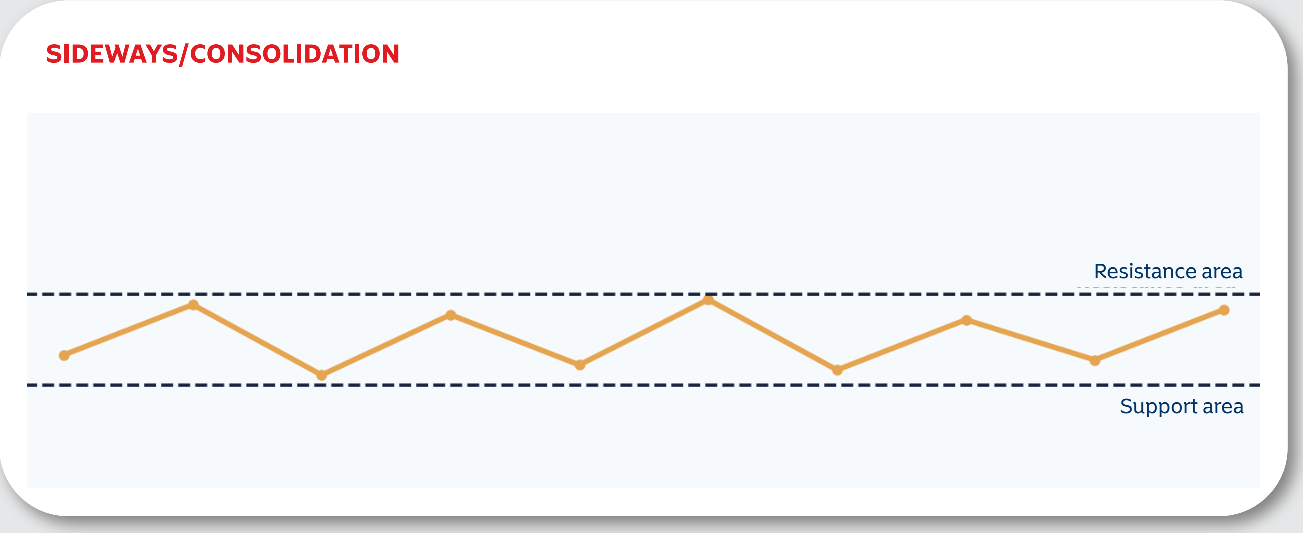
4 **Confirm the structure**
A downtrend is confirmed when the chart shows both lower peaks and lower bottoms.



What this means:
Sellers are, on balance, accepting progressively lower price levels. Watch for a break in the sequence before concluding that the trend has changed.

3. How to recognise a sideways trend

A sideways trend, also called a consolidation range, forms when the main peaks and bottoms remain at broadly similar levels. Price moves within a band instead of making sustained progress higher or lower.



1 **Mark the upper area**
Identify the level where advances repeatedly pause. This is often described as resistance.

3 **Check the range**
Confirm that several peaks and bottoms form around these broadly similar areas.

2 **Mark the lower area**
Identify the level where declines repeatedly pause. This is often described as support.

4 **Stay alert for a break**
A decisive move outside the range may signal that a new directional trend is developing.

What this means:
Neither buyers nor sellers have established a sustained directional advantage. The market is consolidating.

Your practical trend-checking routine

Use this quick routine each time you review a chart. It keeps the analysis simple, repeatable and focused on observable price structure.

1. **Zoom out first**
   Start with enough chart history to see the broader sequence, rather than reacting to the latest move alone.

2. **Mark obvious turning points**
   Identify the clearest peaks and bottoms. Avoid forcing a label onto every small fluctuation.

3. **Compare the sequence**
   Are the turning points moving higher, moving lower or staying broadly level?

4. **Name the trend**
   Classify the chart as an uptrend, downtrend or sideways consolidation

5. **Look for confirmation**
   Use more than one turning point. A repeated structure is more informative than an isolated movement.

Quick knowledge check

Price behaviour	Volume behaviour
Higher bottoms + higher peaks	Uptrend
Lower peaks + lower bottoms	Downtrend
Similar peaks + similar bottoms	Sideways / consolidation

Remember:
Technical analysis is a framework for interpreting price behaviour. It does not remove uncertainty or guarantee an outcome.