

“Pushed” Valid Trend Lines

Assume a Valid Trend Line (VTL) requires a 2-day pullback and subsequent advance to be “valid.” Consider the chart below:



Starting at the low of March 22nd the “envelope line” gets pushed down until it connects through the low on April 4th. That line (the lowest on the chart) does not become valid until the close on April 10th surpasses the previous high close of March 27th. On that same day (4/10) the envelope line from the low of 4/4 through the low of 4/10 also becomes a VTL. That line is labeled (1). As you can see from the lines drawn above, the VTL keeps getting pushed out and down by subsequent lows. Line (2) gets pushed by the low on 4/25. The VTL has become line (3) by May 10th. The close on May 11th is the first close to break the VTL by any margin that “looks” significant. If that wasn’t a break big enough to get you out, the VTL gets pushed again on May 16th and again on May 24th, 25th and 26th. On May 29th there is another “break” of line (5) worth noting. And so it goes until we have another significant break on June 14th of VTL (6), which coincidentally is nearly the same line as our original envelope off the low of March 22nd.