Trend on a series nobody trades

> **TREND**
>
> A direction defined precisely enough that two people looking at the same chart agree on whether it is present. On an index the definition has to name the series and the timeframe as well, because the same index gives different highs and lows depending on which of those you chose.

Trend is the most used and least defined word in market commentary. The fix is the same as in the FX track - define it so it can be wrong - with one extra requirement that is specific to indices.

Define it so two people can disagree

"Higher highs and higher lows on the daily chart, measured close to close, since a stated date" is a definition. "It is trending up" is an impression.

The test is whether someone else applying your definition to the same data reaches the same answer. If they cannot, you have not defined a trend - you have described a feeling, and module 6 cannot test it.

The index-specific requirement

Name the series. Module 2 lesson 3 established that a cash-session chart and a 24-hour futures chart give different daily highs and lows for the same index on the same day.

So a trend defined on highs and lows is defined differently on each. A trend that exists on one series and not the other is not a contradiction; it is two different measurements, and quoting one without saying which is the same incompleteness as quoting a correlation without its window.

What a trend is evidence of

That the weighted sum has been moving in one direction. That is genuinely something - persistence exists in index series often enough to be worth measuring - but it is a description of the past with a claim about the future attached by the reader rather than by the data.

Where it breaks

Around regime changes, when the driver shifts and the persistence stops.Across a roll, on a continuous futures chart, where a step is not a move - module 2 lesson 7.During concentration episodes, where the trend belongs to a few constituents.

None of these are reasons to ignore trend. They are the specific ways an index trend misleads, which is more useful than a general warning to be careful.

Check your understanding

1. What extra thing must an index trend definition name?

a. The index provider
b. The series - cash session or 24-hour - because their highs and lows differ
c. The currency

Answer: b. A trend defined on highs and lows is defined differently on each series. Quoting one without saying which is incomplete rather than imprecise.

2. What is the test of a trend definition?

a. That it matches the consensus view
b. That someone else applying it to the same data reaches the same answer
c. That it has held for at least three months

Answer: b. If two people cannot agree by applying it, it is an impression rather than a definition, and there is nothing for module 6 to test.