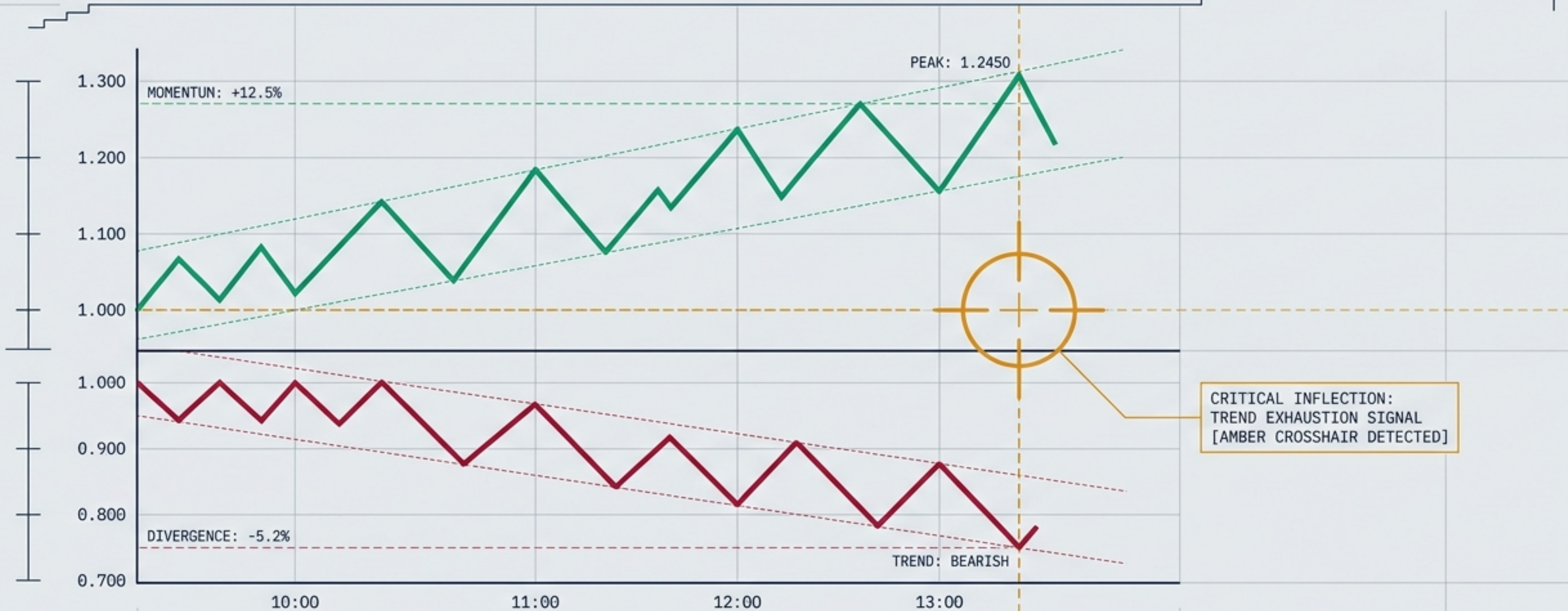


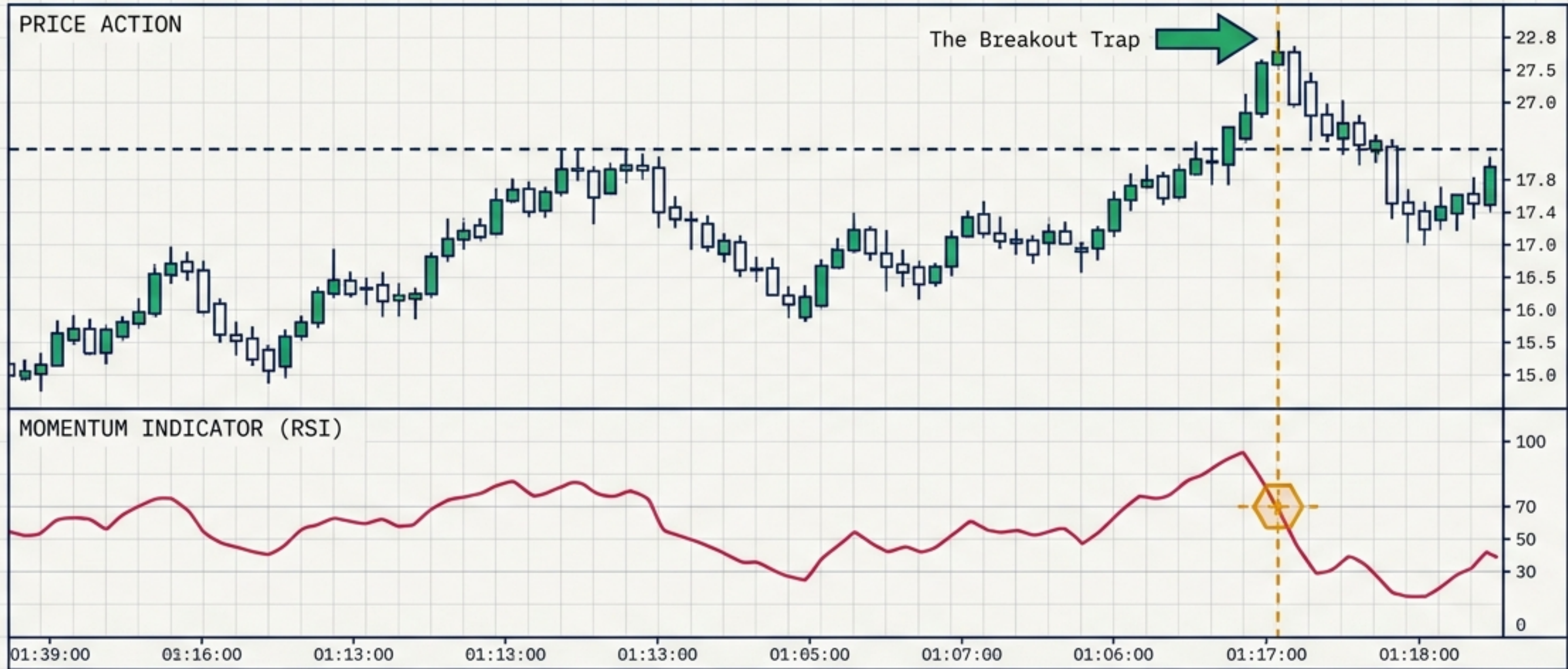
Decoding Market Momentum



Diagnostic playbook: Recognising trend exhaustion before the reversal.

The Anatomy of a Market Lie

Have you ever bought a breakout only for the market to immediately reverse?

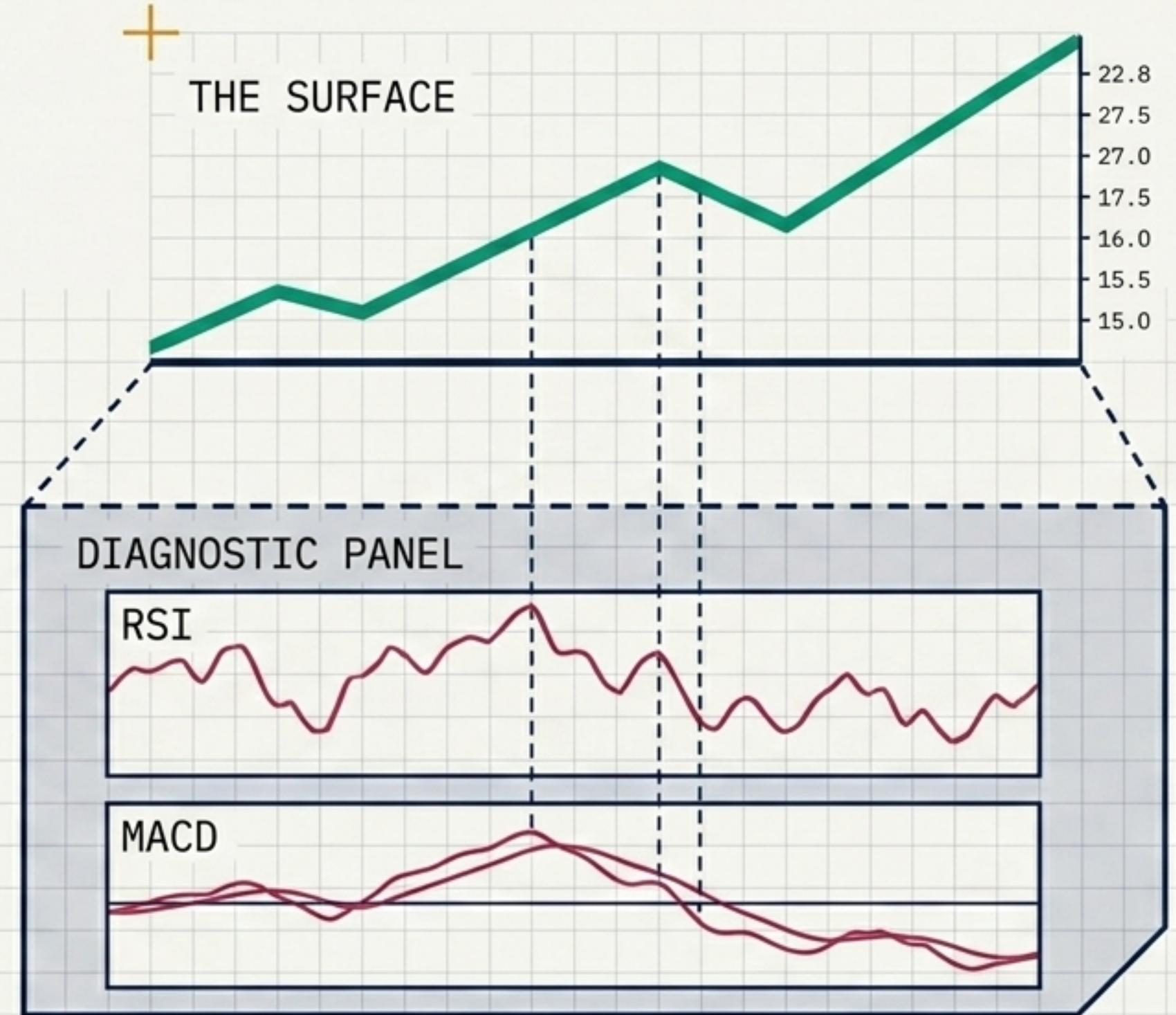


Price action alone can deceive you. When a trend pushes higher but the underlying buying pressure fades, the market is lying to you. Momentum indicators expose the cracks in the price structure.

Engine Diagnostics over Surface Aesthetics

TRADER'S NOTE

To spot trend exhaustion, you must look under the hood. RSI and MACD do not just track where the price is; they measure the velocity and weight of the capital driving it.



When price velocity disconnects from price position, we call it Divergence.

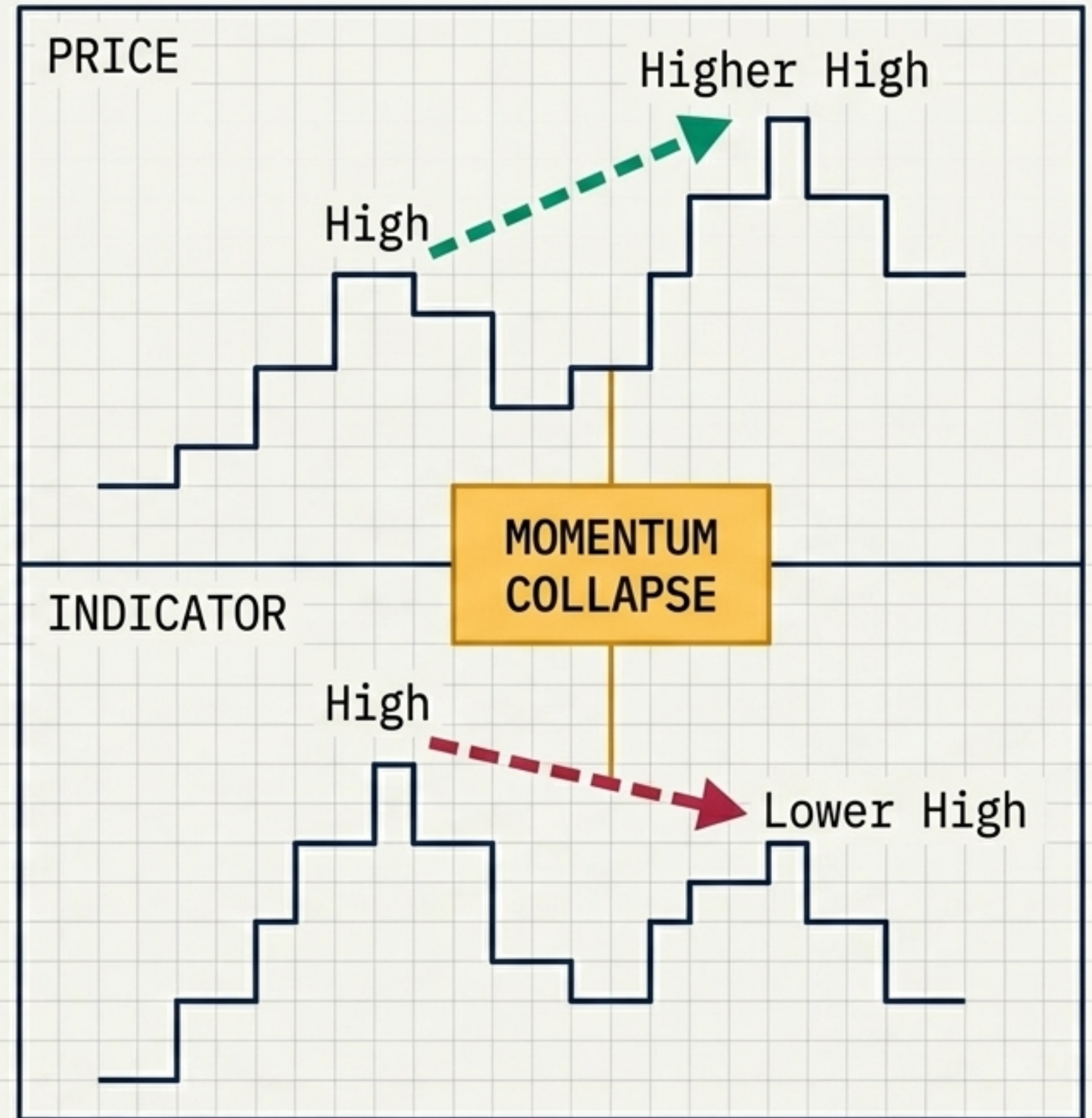
Regular Divergence signals the reversal

Mechanic:

Price achieves a Higher High, but the indicator prints a Lower High.

Translation:

The market is pushing to new price levels, but fewer buyers are participating. The trend is fundamentally exhausted and primed for a reversal.



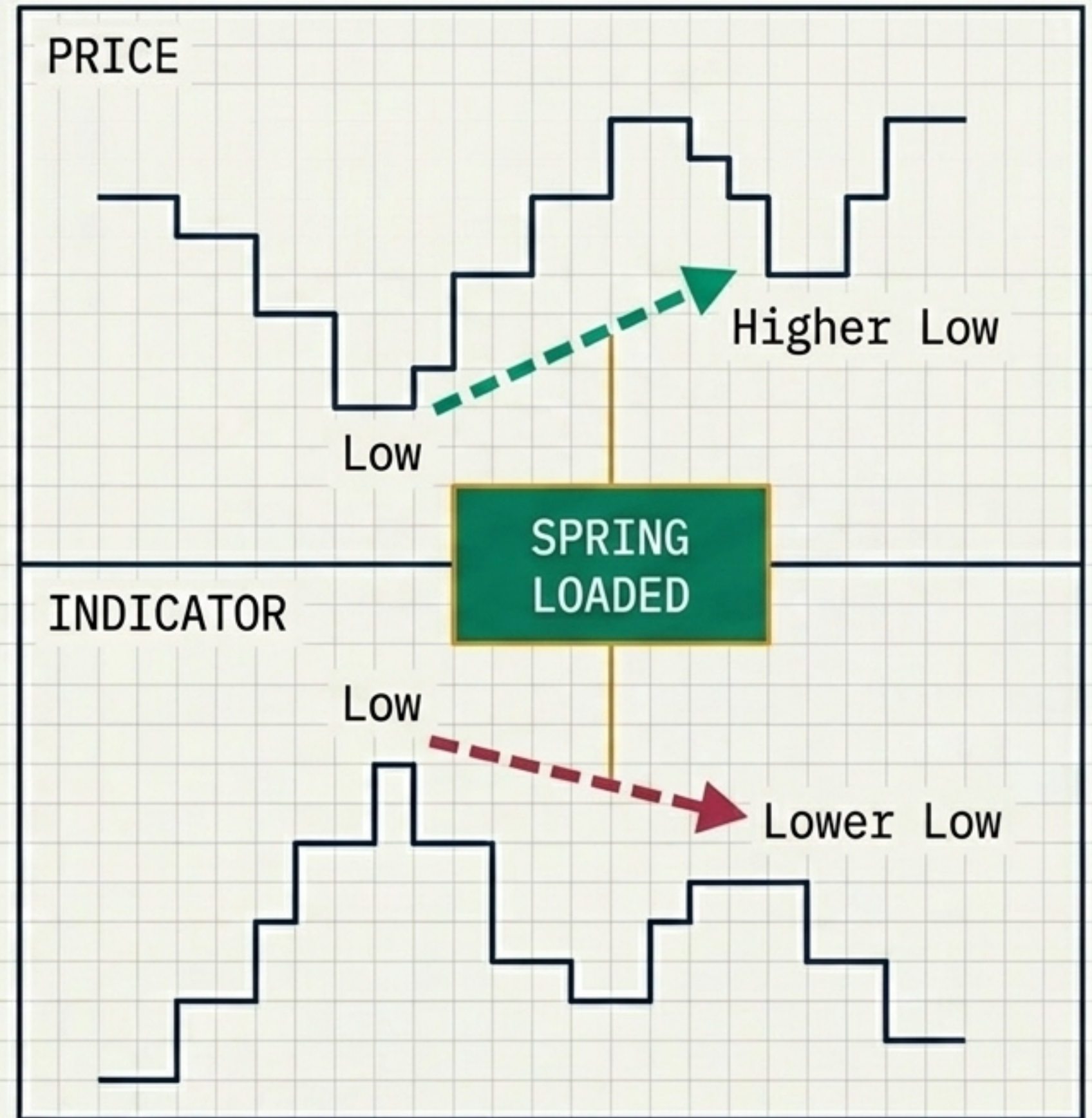
Hidden Divergence signals the continuation

Mechanic:







Price prints a Higher Low, but the indicator prints a Lower Low.

Translation:

Despite the indicator showing severe downward momentum, the price refuses to break its prior low. Buyers are fiercely defending the zone. The overarching trend will continue.



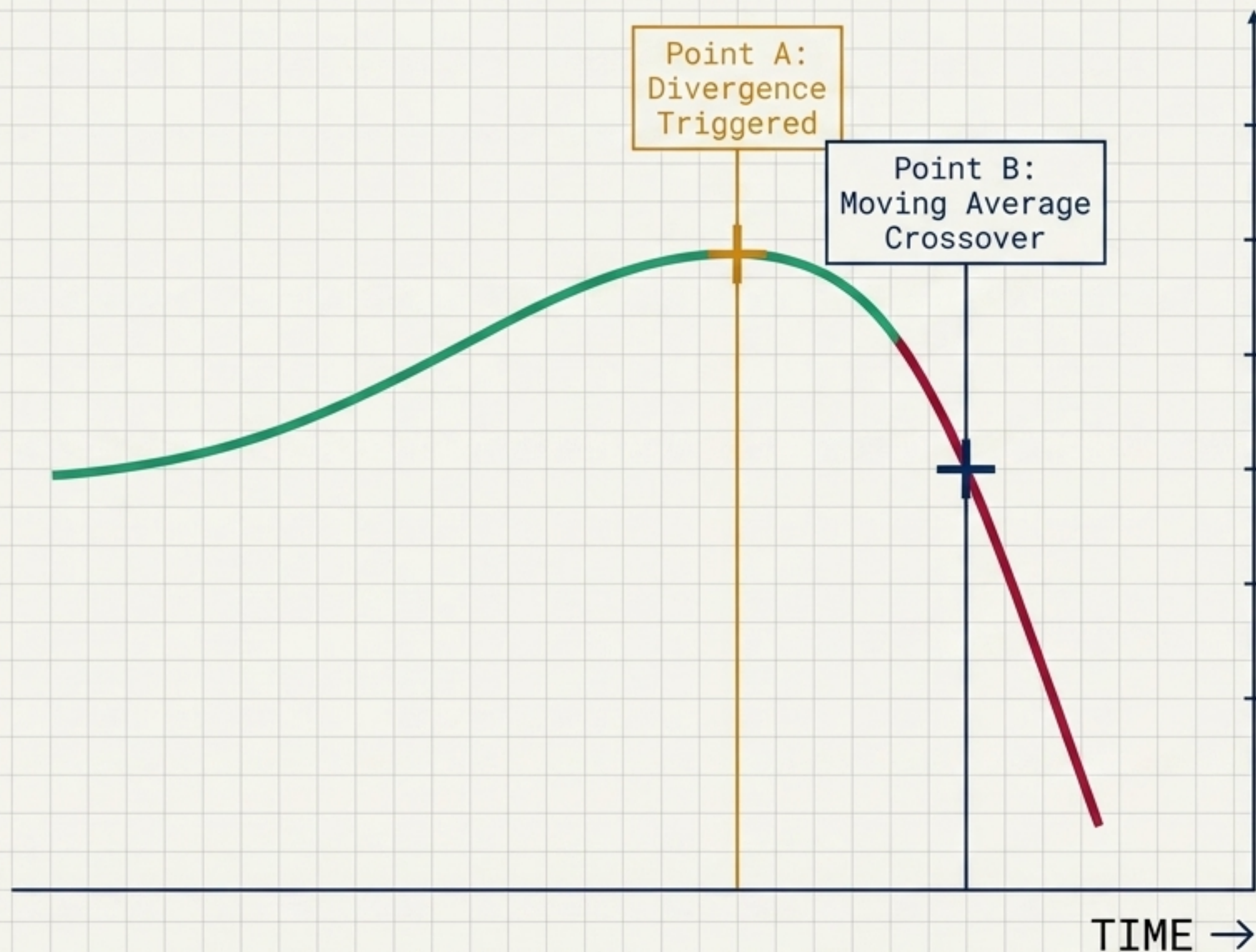
The Divergence Diagnostic Cheat Sheet

Divergence Type	Price Action	Indicator Action	Market Signal
Regular	Higher High 	Lower High 	Trend Reversal
Hidden	 Higher Low 	 Lower Low 	Trend Continuation

Application Rules: Regular appears at the end of a long move. Hidden appears during the pullback of an established trend.

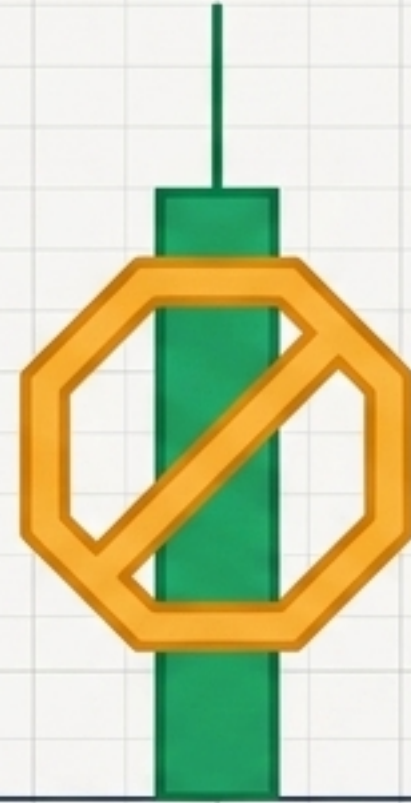
The advantage of a leading indicator

- Standard indicators confirm a trend after it happens. They lag.
- Divergence warns you of a structural failure before the price collapses. It is a leading indicator that provides a definitive edge in timing the exit.



Never buy the exhausted top

The ultimate purpose of divergence trading is not just finding entries; it is capital preservation.



RSI



The Golden Rule: Use momentum divergence to objectively stop yourself from buying at the very top of an exhausted move. When the engine stalls, do not buy the chassis.