Regular Divergence in Technical Analysis; Bullish and Bearish Normal Divergence

Regular Divergence in **technical analysis** is one of the methods used to identify potential **trend reversal points**. This concept uses various indicators such as **RSI**, **MACD**, and **Stochastic** to provide signals of **weakness** or **trenddirectionchanges**.

Trading with regular Divergence allows **entering near price peaks and troughs to minimizerisk**.



How to use normal divergence in technical analysis

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What is Regular Divergence?

Regular Divergence in **Forex Market** and other financial markets occurs when there is a discrepancy between the price movement and **technical indicators**.

This lack of alignment is usually a sign of weakness in the current trend and is considered a warning for a potential **market direction** change.

How Many Types of Regular Divergence Exist?

Regular Divergence can be divided into two types:

- **Bullish Regular Divergence**
- **Bearish Regular Divergence**

Bullish Regular Divergence

Bullish Regular Divergence occurs when the price of an asset registers **lower lows**, but the indicator shows **higher lows**. This type of **Divergence typically** appears at the end of a downtrend and can signal a potential price increase.

If, after the formation of the **second trough**, the indicator does not form a **lower low**, it indicates weakness in the **downtrend** and strengthens the likelihood of a price increase.

The image below shows an example of this type of Divergence:

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Schematic of how a regular divergence forms in financial markets

Bearish Regular Divergence

Bearish Regular Divergence happens when the price of an asset registers higher highs, but the indicator shows **lower highs**. This type of Divergence is usually observed at the end of an **uptrend** and can signal a potential price decrease.

If the price forms a new high but the indicator fails to surpass the previous high, it indicates a weakening of the **bullish trend** and **increases** the likelihood of price correction.

The image below shows an example of this type of Divergence:



Schematic of how a regular divergence forms in financial markets

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How to Use Regular Divergence in Trading?

Trading with regular Divergence is an effective method for detecting market reversal points. In this method, indicators like **RSI**, **MACD Indicator**, **Stochastic**, and **CCI** are used to identify Divergence.

Once regular Divergence is identified, it can be confirmed with other technical analysis tools, such as **support and resistance** levels, **trendlines**, and **candlestickpatterns**, to determine optimal **entry** and **exitpoints**.

Difference Between Regular and Hidden Divergence

The table below highlights the key differences between regular and hidden divergence:

Type of Divergence	Definition	Trading Signal	Additional Notes
Regular Divergence	Occurs when price and indicator move in opposite directions	Trend Reversal	Indicates a potential end to the current trend and the beginning of a new one.
Hidden Divergence	Occurs when price makes a higher high or lower low, but the indicator does not	Trend Continuation	Typically seen as confirmation of the existing trend continuation

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Conclusion

Regular Divergence in technical analysis is a practical tool for identifying trend reversal points. This Divergence occurs when a discrepancy between the price and indicators such as **RSI** and **MACD** appears.

In **bullish Divergence**, the price forms lower lows, but the indicator shows higher lows. Conversely, in **bearish Divergence**, higher price highs are accompanied by lower highs in the indicator.

Combining this signal with support and resistance levels and other technical tools enhances its reliability.

source:

1.our website link :
https://tradingfinder.com/education/forex/regular-divergence/

2.all Education :
https://tradingfinder.com/education/forex/

3.TradingFinder Support Team (Telgram):
https://t.me/TFLABS


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