

# 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 **trend direction changes**.

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



How to use normal divergence in technical analysis

# 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:



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

## 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 **candlestick patterns**, to determine optimal **entry** and **exit points**.

## 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                                                               |
|---------------------------|--------------------------------------------------------------------------------|--------------------|--------------------------------------------------------------------------------|
| <b>Regular Divergence</b> | 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. |
| <b>Hidden Divergence</b>  | 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              |



## 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.

## Sources:

Our Website Link :

<https://tradingfinder.com/education/forex/regular-divergence/>

All Education :

<https://tradingfinder.com/education/forex/>

TradingFinder Support Team (Telgram):

<https://t.me/TFLABS>



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