Trading with Hidden Divergence in Technical Analysis; Bullish and Bearish

Hidden divergence is a concept in **technical analysis** defined based on **indicators**. Traders use it to identify **trend continuation**.

Unlike regular divergence, this type of divergence indicates the continuation of the current price direction.



How to Use Hidden Divergence in Technical Analysis

What is Hidden Divergence in Technical Analysis?

Hidden divergence in **technical analysis** occurs when the price continues the trend, but the indicator shows signs of apparent **changes in movement**.

Unlike regular divergence, which refers to trend reversal, hidden divergence typically indicates **trend continuation** and confirms the **market's direction**.

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This concept applies to various **financial markets**, **including stocks**, **cryptocurrencies**, and the **forex market**. Hidden divergence in forex is considered one of the key methods for identifying trend continuation opportunities.

Types of Hidden Divergence in Technical Analysis

In general, hidden divergences occur in two forms:

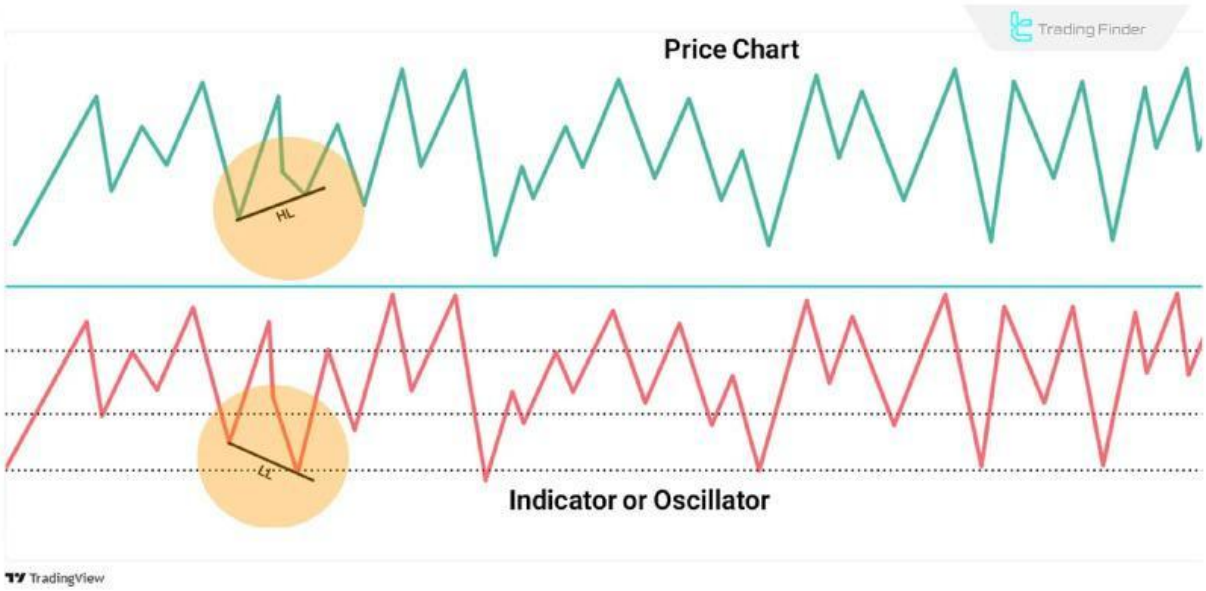
- **Bullish**
- **Bearish**

Bullish Hidden Divergence

Bullish hidden divergence occurs when the price forms a **higher low**, but the indicator shows a **lower low**.

This situation typically appears in an **uptrend** and can signal the **continuation** of the price increase.

In the image below, an example of a **bullish hidden divergence** is visible:



A sample of bullish hidden divergence indicating the continuation of the uptrend

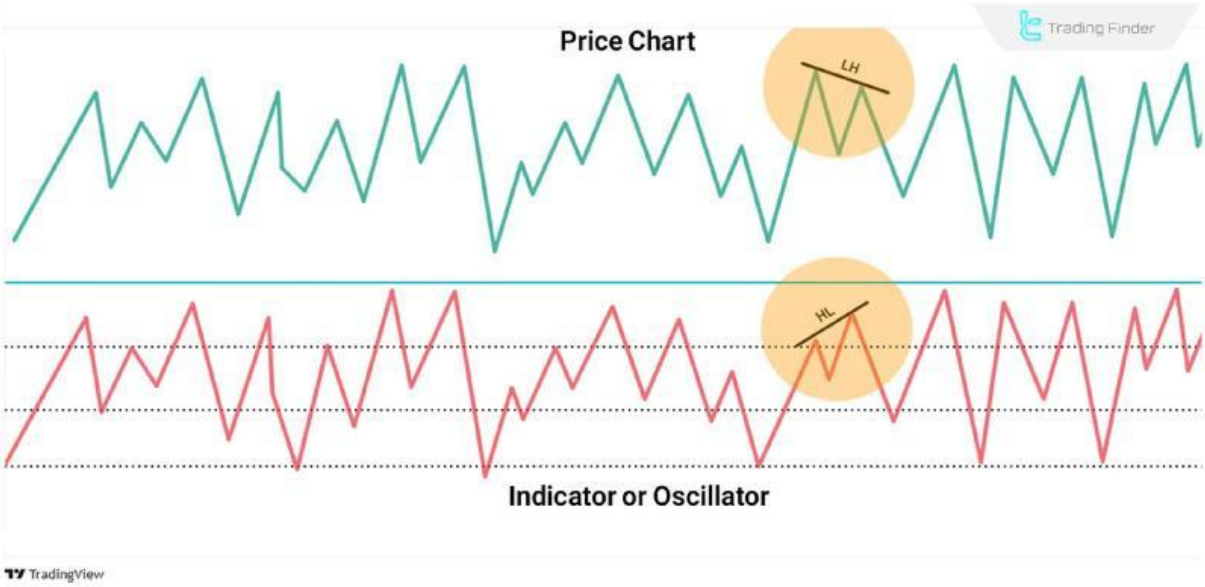
Bearish Hidden Divergence

Bearish hidden divergence occurs when the price forms a **lower high**, but the indicator shows a **higher high**. This situation is usually observed in **downtrends** and acts as a signal for the continuation of price decline.

Trading with hidden divergence in these conditions can be useful for trading opportunities in the market's bearish direction.

In the image below, an example of **bearish hidden** divergence is visible:

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A sample of bearish hidden divergence indicating the continuation of the downtrend

Trading with Hidden Divergence in Technical Analysis

Trading with hidden divergence in technical analysis requires **high precision** and the **use** of **confirmation** tools. **Steps to trade with hidden divergence**:

#1 Identifying Hidden Divergence

First, you should check for **hidden divergence** between the price and the indicator. To do this, use indicators like **RSI, MACD,** and **Stochastic**.

#2 Confirming the Signals

To ensure the accuracy of the **hidden divergence** signal in technical analysis, it's better to use other tools like **candlestick patterns**, **trendlines**, and **Fibonacci levels**.

#3 Entering the Trade

Once the divergence is confirmed, you can **enter the trade**. In the case of **bullish hidden divergence**, you can enter **a buy position**, and in the case of bearish hidden divergence, you can enter a sell position.

#4 Risk Management

Set stop loss and take profit levels to prevent significant losses in case of **market changes**.

Comparison of Hidden Divergence with Regular Divergence

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Regular divergence occurs when the price and the indicator **move in opposite** directions and is usually considered a sign of weakening the current trend and the potential for its reversal.

In contrast, hidden divergence happens when the **price moves** in the direction of the dominant trend, contrary to the indicator, and this situation typically confirms the **continuation of the trend**.

Simply put, **regular divergence** points to a market direction change, while hidden divergence strengthens the likelihood of trend continuation.

Is Hidden Divergence Usable in Forex?

Hidden divergence in forex is one of the **popular analytical** methods for identifying trend continuation points in currency pair price charts.

Using this concept, traders can stay in the **dominant trend** direction and use short-term corrections for **lower-risk entries**.

source:

1.our website link :
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2.all Education :
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