Trend Lines

Is It Going Up, Down, or Sideways? — Lesson Explainer

The Concept

A trend line is a straight line drawn across a chart connecting a series of **swing points** — the peaks and troughs price keeps bouncing off. In an **uptrend**, connect the swing lows (each low sits above the last). In a **downtrend**, connect the swing highs (each high sits below the last). If price isn't reliably making either, it's trading **sideways** — also called a range.

Uptrend: higher highs and higher lows. **Downtrend:** lower highs and lower lows. **Sideways / range:** highs and lows that stay roughly level.

Real Example: S&P 500, 2022 Downtrend Then 2022–23 Uptrend

Date	Close	Swing type	Trend
Jan 3, 2022	$4,796.56	Swing high	—
Mar 29, 2022	$4,631.60	Lower swing high	Downtrend
Jun 16, 2022	$3,666.77	Lower swing low	Downtrend
Oct 12, 2022	$3,577.03	Swing low (bottom)	—
Feb 2, 2023	$4,179.76	Higher swing high	Uptrend
Jul 31, 2023	$4,588.96	Higher swing high	Uptrend

From its Jan 3, 2022 all-time high, the S&P 500 formed a lower high on Mar 29 before falling to a swing low on Jun 16 — a clean downtrend. After bottoming Oct 12, 2022, it reversed into an uptrend: a higher high by Feb 2023, and higher still by Jul 2023. Same index — only the direction of the swing points changed.

5 Things to Know

1. You need at least two swing points to draw a line, but three confirms it.

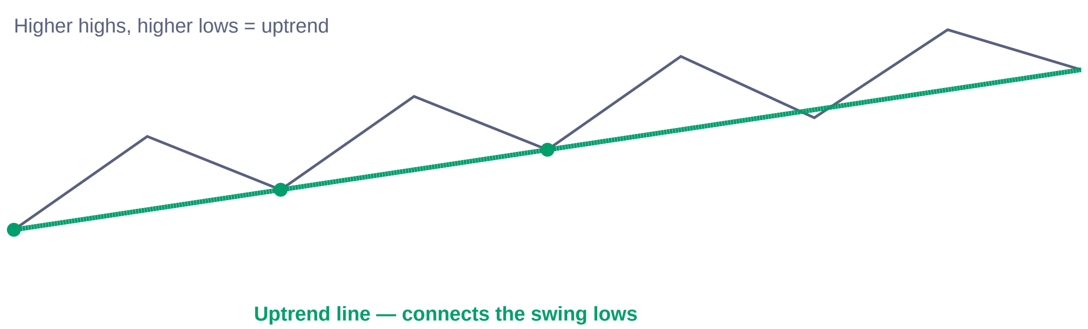
2. Uptrend lines connect lows; downtrend lines connect highs.

3. A broken trend line can flip roles — support becomes resistance, and vice versa.

4. Steeper trend lines are less reliable and more likely to break.

5. A breakout through a trend line is a signal, not a certainty — false breakouts happen.

How It Looks on a Chart



GCE

Trend Lines

Quiz — Answer the questions, then check the key on the next page

1. What defines an uptrend?

A. Rising trading volume every day
B. A single green candlestick
C. A pattern of higher highs and higher lows
D. Price staying between a fixed ceiling and floor

2. When drawing a trend line for a downtrend, which swing points should you connect?

A. The swing highs
B. The swing lows
C. The open prices only
D. The closing prices of every single candle

3. The S&P 500 closed at $4,796.56 on Jan 3, 2022, then a lower $4,631.60 on Mar 29, then lower still at $3,666.77 on Jun 16. What does this describe?

A. A sideways range
B. An uptrend
C. A single candlestick pattern
D. A downtrend — a series of lower swing highs and lower lows

4. What is a "breakout"?

A. When a stock is added to an index
B. When price moves decisively through a trend line it had been respecting
C. When trading volume drops to zero
D. A guaranteed signal the trend will now reverse

5. Why should you be cautious about a single intraday break of a trend line?

A. Trend lines can never be broken, ever
B. Intraday prices aren't real prices
C. False breakouts — where price pokes through and then snaps back — are common, so one poke isn't confirmation
D. It always means the trend is accelerating, not reversing

GCE

Trend Lines

Answer Key

1. What defines an uptrend?

Correct answer: C. A pattern of higher highs and higher lows

An uptrend is defined by the swing points, not any single candle — each rally reaches higher than the last, and each pullback holds above the last one.

2. When drawing a trend line for a downtrend, which swing points should you connect?

Correct answer: A. The swing highs

In a downtrend, price keeps failing at lower and lower highs — connecting those swing highs is what draws the (descending) trend line.

3. The S&P 500 closed at $4,796.56 on Jan 3, 2022, then a lower $4,631.60 on Mar 29, then lower still at $3,666.77 on Jun 16. What does this describe?

Correct answer: D. A downtrend — a series of lower swing highs and lower lows

Each swing point in that sequence is lower than the last — the textbook definition of a downtrend, which is exactly what the S&P 500 did through the first half of 2022.

4. What is a "breakout"?

Correct answer: B. When price moves decisively through a trend line it had been respecting

A breakout is price punching through a trend line it had been bouncing off — it's a meaningful signal, but "false breakouts" happen often enough that it isn't a guarantee on its own.

5. Why should you be cautious about a single intraday break of a trend line?

Correct answer: C. False breakouts — where price pokes through and then snaps back — are common, so one poke isn't confirmation

Price often pokes through a trend line intraday and closes back on the original side — waiting for a confirmed close beyond the line filters out a lot of these false signals.