

## QUESTION:

Name the three trends in the market and briefly explain what each one means.

## ANSWER:

**THERE ARE THREE TRENDS IN THE MARKET: Primary, Secondary and Minor**

**The Primary Trend will last for months or years, and will usually mean a move of at least 20%;**

### PRIMARY UP TRENDS.

Primary Up trends (bull markets) usually have three phases of upward movement.

The first phase is the result of far-sighted investors anticipating an improvement and accumulating stocks at a time when business is slow.

The second move up is a result of investors buying stocks based on increased company earnings.

The final phase occurs when the general public joins in, buying stocks when all the news is good.

### PRIMARY DOWN TRENDS.

Primary Down trends (bear markets) also generally have three phases.

The first phase occurs when far-sighted investors recognise that estimated business earnings are too high to be realised and they sell stocks.

The second reflects worry among holders of stock as buyers become scarce and sellers are more inclined to take profits where and when they can.

The final move down results from panic, distress selling and the need to raise cash.

**The Secondary Trend lasts for weeks or months** - generally for between three and thirteen weeks (not usually any longer) - it will frequently retrace one-third, one-half, or two-thirds of the preceding Primary move. *It is accompanied by diminishing volume.*

**Minor Trends - day-to-day fluctuations** (random noise) - are disregarded, but must be recognised for what they are, since they form a part of the overall picture

**The primary trend remains in effect until a reversal has been signaled by both the Dow Jones Industrials and Transportation Averages.**