

# Trend vs. Countertrend

By Ryan Watkins, Chief Content Creator at TraderTactics.com

One of the biggest issues traders go through in their trading career is whether should they trade with the Trend or should they trade Countertrend. I have traded both and I will give you my own personal experience both good and bad, but first we need to look at the main points.

- 1) What is Trend Trading?
- 2) What is Countertrend Trading?
- 3) What are the results – Let the data decide.

## What is Trend Trading?

Trading with the trend is like surfing with a wave or sailing with the wind or swimming with the current. In trading, a trend is simply the major direction price is moving, either up, down, or sideways. Here is an example of all three.



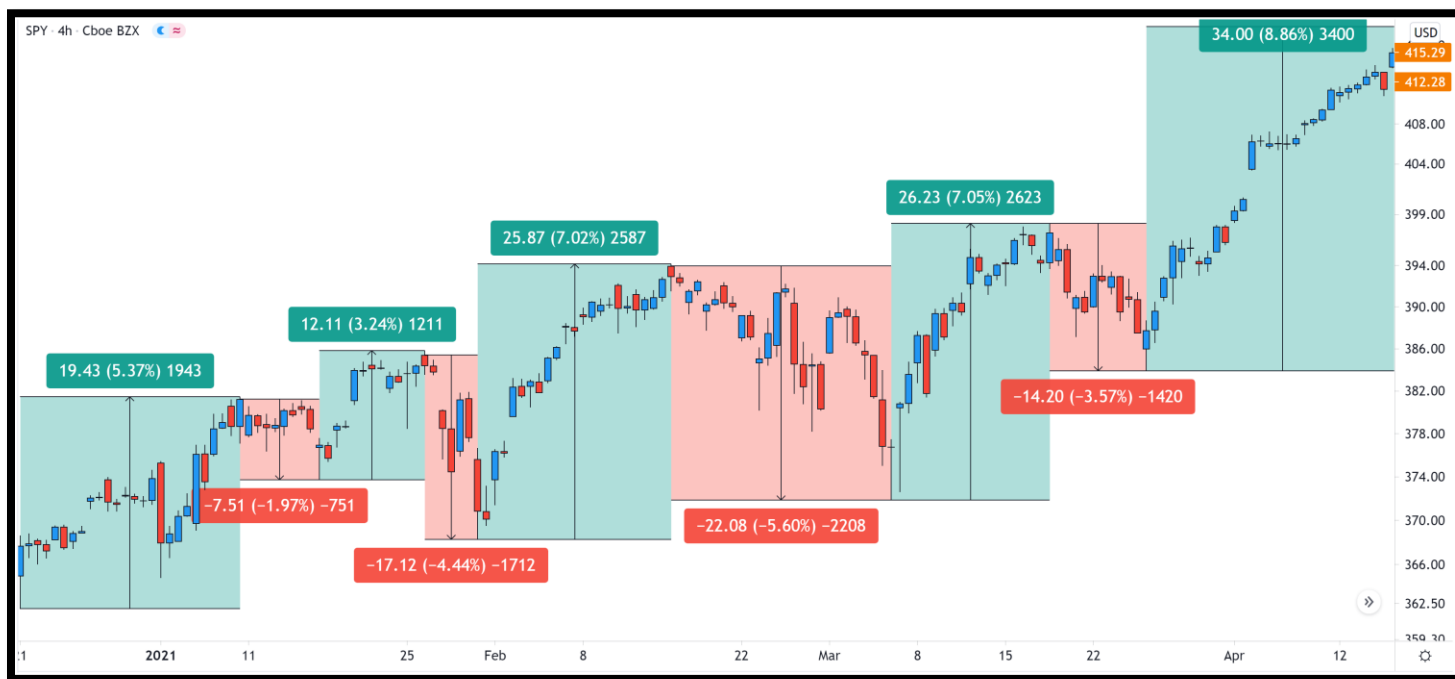
A Trend Trade would look for shorting opportunities in a downtrend, buying opportunities in an uptrend, and either no trade in the sideways market or “Buy Low, Short High” during a Sideways Trend.

## What is Countertrend Trading?

This type of trading is like swimming against the current. In a Downtrend, you would be looking to Buy. In an Uptrend, you are looking for Shorting Opportunities. Many traders are drawn to this style of trading because they can say they bought the exact low, or remarkably close to it, or they sold right at the high. It is an easy trap to fall into for an inexperienced trader, as they will have many losing trades, but the big advantage here is, if they do buy the low or short the high, they have huge profit potential.

## Let the data decide.

Let's take a simple uptrend example and see how this would have played out for a trend trader and a countertrend trader. Below is a chart of the S&P 500 ETF, "SPY" 4-hour chart between December 2020 to April 2021. You can use any chart and any time frame to duplicate this. I am confident the results will come to the same conclusion.



The green highlighted areas are the upward movements in price during this uptrend. The red highlighted areas are the downward or countertrend portion of the uptrend. Let's give a trader the best possible scenario. Let them buy the exact low and sell the exact high and for the countertrend trader, let them short the exact high and exit the exact low. Certainly, real results will not be that, but this will give us the best possible results under perfect entry and exit conditions.

The simple uptrend test resulted in a **trend trader with an average 6.31%** rally from low to high compared to the **countertrend traders with only 3.90%** from high to low. That is a **2.41% difference**.

In trading, it is critical to have an edge, an advantage. In this simple example, we can see an edge. I challenge you to test more markets and various time frames. I'm sure you will see trend trading has an edge that countertrend trading simply does not.

On a personal note, I have run studies like this many times, but with far more data. The results are always the same, trend trading produces more profit and profit more often. That means a larger profit per trade and profits more often than Counter-Trend when used with Stop Loss and Targets.

For traders that are just starting or a trader that is struggling in producing a consistent profit, I would suggest not only trend trading but focus learning at least one great Trend trading strategy and become very competent at that.

I hope this has given you some things to consider and improve upon in your trading and investing.

God Bless & Good Trading,

Ryan

Author: Ryan Watkins

You may learn more about Trading & Investing at [www.TraderTactics.com](http://www.TraderTactics.com)