

Directionally aligned divergence

What Is Directionally Aligned Slope Divergence?

Regular divergence = price and RSI going in opposite directions. Hidden divergence = continuation signal within a trend. **Directionally aligned divergence = price and RSI going in the SAME direction, but at DIFFERENT RATES.**

Both are going up — but price is going up at a 50° angle while RSI is only going up at a 20° angle. They're not opposing each other (so it's not regular divergence), but they're not in sync either. The rate of ascent (or descent) is different, and that difference = weakening momentum.

The Spectrum

State	What's Happening	Signal
Full convergence	Same direction, same rate	Very bullish — strong trend
Directionally aligned divergence	Same direction, different rate	Weakening — trend losing steam
Regular divergence	Opposite directions	Trend may be about to reverse

Think of it as a progression: convergence → directionally aligned → regular divergence → reversal. The trend starts healthy, begins to show cracks (directionally aligned), then the cracks widen (regular divergence), then it breaks (change of market structure).

Degree Matters

The greater the gap between the slopes, the more bearish (in an uptrend) or bullish (in a downtrend) it is. A slight difference is a mild warning. A massive gap where price is racing up at 60° but RSI is barely crawling at 10° is a strong warning — the trend is running on fumes.

How to Identify It

1. Draw a trend line or channel on your price action — note the angle of ascent/descent
2. Draw the same on your RSI — compare the angle
3. If price is climbing at 45-50° but RSI is only climbing at 20-25° = directionally aligned divergence
4. **Where it starts = your correction target.** The trend was genuinely strong before that point. Everything after is the "weak" portion that's likely to be corrected

S&P 500 COVID Bottom Example

From the COVID bottom, price and RSI went up at matching angles — convergence, healthy trend. Then price continued climbing steeply (45°+) while RSI started climbing at a flatter angle (~30°). That was directionally aligned divergence — the trend was weakening even though everything looked bullish on the surface. Eventually it moved into regular divergence, then changed market structure. The correction came back to the point where directionally aligned divergence started — the Fib 500 level aligned with it perfectly (two points of confluency for the target).

Bitcoin Example

Price going up in a parallel channel at a steep angle. RSI going up at a much flatter angle — directionally aligned divergence. The blinkers were on. When market structure changed (broke below support), the trade was confirmed — not just because of the structure break, but because the blinkers (directionally aligned divergence) had been warning beforehand.

The Three Types of Blinkers — Complete Framework

When you get a change of market structure, look back and ask: "**Did it have its blinkers on?**"

The blinkers can be any of:

1. **Regular divergence** — price and RSI going opposite directions
2. **Hidden divergence** — continuation signal within a trend (or the battle between hidden and regular)

3. **Directionally aligned divergence** — same direction, different rate

If your change of market structure has at least one blinker type backing it up, you have more evidence. If it has multiple, even better. **"Picture yourself in front of a judge — the more evidence, the stronger your case."**

Applying All Three Divergence Types Together

For Reversals

The full progression of a topping process might look like:

1. **Convergence** — everything matching, healthy trend (green)
2. **Directionally aligned** — same direction but different rates (early warning)
3. **Hidden bullish battling regular bearish** — the market is fighting between continuation and reversal
4. **Regular divergence** — price going up, RSI going down (clear warning)
5. **Change of market structure** — the trigger. Now look back and see all the blinkers that preceded it
6. **Convergence again** — both going down together, confirming the new downtrend

For Breakouts

Hidden bullish divergence before a breakout tells you the uptrend has more legs:

1. Check: was there hidden bullish on the pullbacks before the breakout? If yes, the trend is strong and the breakout should be genuine
2. After the breakout: don't panic on bearish divergence. **Regular bearish often turns into hidden bullish** — it's just the RSI resetting. 9 times out of 10, bearish divergence in a bull run is NOT the end. It resets, prints hidden bullish, and pumps again
3. Wait for divergence → convergence to know who won (hidden bullish vs regular bearish). If convergence resumes on the upside (both making HH/HL), hidden bullish won and the trend continues

Key practical takeaway: Don't get freaked out by bearish divergence during a bull run.

Regular bearish turns into hidden bullish, resets the RSI, and the trend continues. It's only a problem when it actually leads to a change of market structure.

For Pullback Entries

If you see directionally aligned divergence within a move up, you know a pullback is coming. Use it to:

1. Identify the starting point of the weakness = your correction target
2. Combine with Fibonacci (often the directionally aligned start point aligns with Fib levels)
3. Wait for the pullback to reach that zone
4. Look for a reversal pattern (double bottom + bullish divergence at the target)
5. Enter on the change of market structure back up

NVX Example — The Full Battle

This example showed the complete interplay:

1. Downtrend with convergence (both going down, matching)
 2. Regular bullish divergence appeared (potential reversal)
 3. But then hidden bearish appeared (continuation of downtrend)
 4. Battle between regular bullish and hidden bearish
 5. Hidden bearish won — price broke support and continued down
 6. Eventually regular bullish turned real → double bottom → convergence → breakout through support
 7. Uptrend established → directionally aligned divergence appeared (weakening)
 8. Pullback to the 382-618 zone (aligned with directionally aligned start point)
 9. Double bottom with bullish divergence at the target → re-entry
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Rules & Summary

- **Directionally aligned divergence is the EARLIEST warning** — it appears before regular divergence. Most traders will never see it because they only look for opposing directions
- **Same direction ≠ same strength.** Just because both are going up doesn't mean the trend is healthy. Check the rates
- **Where it starts = correction target.** Combine with Fibonacci for confluency
- **Don't sell on directionally aligned divergence alone** — it's a signal, not a trigger. Wait for change of market structure, then look back and use it as evidence
- **The progression:** Convergence → Directionally aligned → Regular divergence → Change of structure. Not every trend goes through all stages — sometimes it skips straight to regular divergence
- **Price action is ALWAYS primary.** All three types of divergence (regular, hidden, directionally aligned) are secondary. They complement the primary — they don't replace

it. Trade the trigger, not the signal

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