



The E-Book of Technical Market Indicators 2.0

Complex Technical Analysis Made Simple

How to build a rational decision making framework (systematic trading model) based on different kinds of technical market indicators

Preface

The transparency of the American markets offers an array of indicators and allows deep insights of prevailing sentiment. You find the Short Interest Ratio as well as the large block transactions of the institutional investors published every week.

Other tools for technical analysis include trend indicators, daily advances and declines, daily new highs and lows, volume, indices, put/call ratios and other useful information like Stochastic, RSI, MACD, TICK and more.

The problem is only that all these indicators contradict each other most of the time. Countless books have been written on this subject, and no matter how many will be written in the future: always be aware that there is no such thing as the Holy Grail of the stock market.

But some people are more successful than others and the answer is quite simple: No indicator is right all the time. More important is to combine different kinds of technical market indicators to a sound comprehensible investment process that will give you the competitive trading edge. This investment process does not have to be right all the time. It just should be right a higher percentage of the time than wrong.

Don't follow where indicators lead and switch to some others if they fail. Don't be a technician in the first half -year and a fundamentalist for the next half. Be consistent and disciplined in your approach. Don't abandon a good investment process/indicator just because you assume this time everything will work differently.

Happy Trading
WallStreetCourier.com

PS: This is the official update of the "E-Book of Technical Market Indicators Version 1.0"

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Introduction/Abstract

Over the years, investors have developed literally, hundred thousand of different technical market indicators in their efforts to predict stock market .

Nowadays every investor finds loads of different kinds of technical market indicators available for free on every financial site on the internet. Unfortunately, for the unwary, there are many misleading, untested, overstated or just plain wrong indicators. Additionally, different kind of indicators may contradict to each other. Therefore, such a situation will only lead to a more difficult process for investors to apply a successful and traceable trading approach.

Finally, the investors own emotional basis does interfere too often with the desired goal of maximizing trading returns although disciplined trading decisions are as important as accurate knowledge in actually making money.

Since there is no indicator which is right all the time, **a combination of different kinds of technical market indicators is the best method to understand the “big picture” plus the best way to beat the market in the long run.** A clear and understandable investment process will deliver more predictable results and allows traders to improve their approach over time.

The content of this book will give a brief overview on how to classify indicators into subgroups, including the advantage and the complicity as well as a detailed instruction on how to combine different kinds of indicators to a sound investment process. Furthermore, we highlight which types of indicators should be used by short- or long-term investors as well as which are suitable for low- or high experienced traders.

1. About WallStreetCourier.com

WallStreetCourier.com offers high quality market research based on a transparent decision making framework

Independent and objective research provider

About

- WallStreetCourier.com (WSC) is an independent research provider and investment advisor as well as a supplier for selected stock market information
- Since 1999 we provide a full range of sophisticated technical market indicators packed into a traceable investment process based on technical analysis
- We serve:
 - Individual investors
 - Registered investment advisors
 - Institutional clients
 - Investment firms
 - Mutual funds and hedge funds
 - Equity research departments





























Philosophy

- To provide high quality market research as well as powerful and well proven technical market indicators for our members
- We believe that the best way to achieve capital preservation and to outperform the market over long-term is by applying technical analysis which is based on a traceable decision making framework
- Therefore we apply a disciplined, objective and transparent investment process that is based on our technical market indicators which are permanently evaluating the condition of the underlying market.

Why WallStreetCourier.com

- WallStreetCourier.com offers its members a strong weekly market research relying on a transparent investment approach based on our published technical market indicators (WSC-Smart)
- WallStreetCourier.com believes that a clear and understandable investment process (WSC-Smart) will deliver more predictable results and allows members to understand easily the underlying drivers of our weekly market research
- WSC-Smart aims to deliver more consistent performances across different market environments and deliver consistent results and aid transparency
- Rational decision making process based on our published technical market indicators which are embedded into our weekly market research
- The end result of this investment process is a highly systematic weekly market research (WSC Smart) in order to ensure the consistency of risk-adjusted returns across different market environments

Services offered by WallStreetCourier.com

Name	Description	Short-term trader	Mid- to long-term investor	Low trading experience	High trading experience
Powerful Weekly U.S. Equity Market Research	<ul style="list-style-type: none"> • High quality weekly market research (buy/sell decisions) for the S&P 500 based on our technical indicators • Become a pro by following our weekly market research on a regular basis! 				
Proven Indicators: <ul style="list-style-type: none"> • Trend • Breadth • Contrarian <ul style="list-style-type: none"> – Smart-/Dumb Money – Market Sentiment – Options – Oscillators – Cycles • CFTC/Cot • Investment Process 	<ul style="list-style-type: none"> • Conduct your own research with our powerful technical market indicators • Indicators you need for a sound investment process • Unique daily/weekly updated indicators for traders and investors • Quality before quantity • Guaranteed, you won't find those indicators anywhere in the web • What are you waiting for? • Start a new trading live now! 				
Day Trading Strategies	<ul style="list-style-type: none"> • Eight unique day trading indicators • Beat the market by trading only on certain market behaviors 				
SPDR Sector Rotation Strategy	<ul style="list-style-type: none"> • Weekly updated buy-/sell decisions for the strongest S&P 500 sectors 				
Global Tactical Asset Allocation Strategy	<ul style="list-style-type: none"> • Weekly updated buy-/sell decisions for strongest global market indices 				
Data Downloads	<ul style="list-style-type: none"> • Short interest data for U.S. equities • Commitments of Traders Report Data 				
Free Stuff	<ul style="list-style-type: none"> • Daily market indicators for free • Indicator of the month • Daily/weekly market statistics 				

2. Overview – Classification, definition, advantage and the complicity of technical market indicators

There are a dozen ways how to classify different kinds of technical market indicators

WallStreetCourier.com classifies technical market indicators into four main groups

Trend Indicators

- To measure the main direction of the underlying security/market

Market Breadth Indicators

- To determine the strengths of a trend or of the market condition

Technical Market Indicators

Contrarian Indicators

- To track the investing behavior of different kinds of investment groups
 - Options Market Indicators
 - Smart Money vs. Dumb Money
 - Market Sentiment
 - Stock Market Cycles

Oscillators

- Are designed to lead price movements and are oscillating around a certain value

Definition, advantage and the complicity of trend indicators

Trend indicators are stronger than any other technical market indicator

Definition

- A market trend is a tendency of a stock market to move in a particular direction over time
- These trends are classified as secular trends for long time frames, primary trends for medium time frames, and secondary trends lasting short times
- Trend indicators are always lagging indicators as a trend has to establish first, before it can be measured

Advantage

- Money will only be made in strong trends
- **Identifying a trend is the most important part in technical analysis since a trend is stronger than any other indicator**
- Since stock markets are trending most of the time, trend-following indicators can be enormously profitable and easy to use
- Furthermore the main idea behind those indicators is to catch the middle part of a strong trend

Complicacy

- Trend indicators will never lead a price of a security. They are not designed to do so
- Trend indicators are always lagging indicators as they follow the price action of the underlying security (late in, late out)
- In sideways market, trend indicators are not effective
- The shorter the trend, the more signals will be produced and the more trading signals (costs) will be generated

Definition, advantage and the complicity of breadth indicators

Breadth indicators are designed to confirm a price action or an existing trend

Definition

- Breadth indicators are measuring the overall strength of a price action or an existing trend by analyzing the proportion of the overall stocks or volume that are participating in the market's up or down move
- Some measures of market breadth involve the volume of rising stocks compared to the volume of falling stocks

Advantage

- Rising stocks should be getting the most of volume in a healthy strong market
- In a healthy uptrend the amount of advancing stocks should dominate the amount of declining stocks etc.
- Positive market breadth occurs when more stocks are moving higher than are moving lower, and it is used to suggest that the condition of the market is healthy

Complicacy

- Breadth indicators are designed to point out unusual conditions but they cannot exactly be categorized by length and severity
- A divergence does not necessarily lead to a major price reversal. Nevertheless breadth indicators can be an important red flag on the horizon for traders

Definition, advantage and the complicity of contrarian indicators

Measure the investing behavior of certain trader groups

Definition

- Contrarian market indicators attempt to measure the overall bullish or bearish attitude towards the market among traders and investors (market sentiment) or tracking down the investing behavior of smart money and dumb money
- Those indicators lead and/or confirm price actions
- Somehow they are a mixture between trend- and breadth indicators and oscillators

Advantage

- A contrarian investor or the behavioral finance followers believe that when everybody is fully invested there will be no further purchasing power. At this point, the market is at a peak
- On the other hand, when people predict a downturn, they have already sold out, at which point the market can only go up. Normally when the market hits a new low, Smart Money will buy and Dumb Money will sell. Therefore following the behavior of Smart- and Dumb Money will give additional edge of information
- Most of the contrarian indicators lead prices, and in comparison with oscillators they do work in every market phase (trend and trendless market environments)

Complicacy

- If a contrarian indicator flashes a divergence that does not necessarily lead to a major price reversal
- Nevertheless contrarian indicators can be an important red flag on the horizon for traders

Definition, advantage and the complicity of oscillators

Oscillators are leading indicators as they lead a price move

Definition

- Oscillators are leading indicators as they lead a price move
- They move above and below a centerline (center oscillators) or are banded (banded oscillators) between two extreme values
- The banded oscillators are designed for discovering short-term overbought or oversold conditions. As the value of the oscillator approaches the upper extreme band the stock market is deemed to be overbought, and as it approaches the lower extreme it is deemed to be oversold

Advantage

- Oscillators are designed to lead prices and they work the best if the market is in a trading range or if the trend market is not confirmed by breadth
- If the market is in a strong uptrend, the best opportunity to buy is when the oscillator flashes an oversold signal
- If the market in a downtrend, it is the best to look for overbought conditions to sell your position

Complicacy

























- It is expensive to trade an oscillator signal against the major trend of the market
- Banded oscillators are used to identify overbought and oversold conditions, but overbought does not necessarily mean that a trend reversal is ahead
- The bottom line: oscillators should only be used in combination with trend and breadth indicators

All technical market indicators have a trade-off between sensitivity and consistency

Overview: factors being influenced by the underlying time period

Period	Time Lag	Trading Signals (Costs)	Avg. Return/Signal	Max. Loss/ Trade
Short-term indicators	Low	High	Low	Low
Mid-term indicators	Middle	Middle	Middle	Middle
Long-term indicators	High	Low	High	High

Indicators you should use, according to your trading horizon and trading experience!

Indicator type	Traders Time Scope		Trading Experience	
	Short-term trader	Mid- to long-term investor	Low trading experience	High trading experience
Trend indicators	short term			
	long term			
Breadth indicators	short term			
	long term			
Contrarian indicators	confirming			
	contrarian			
Oscillators	short term			
	long term			

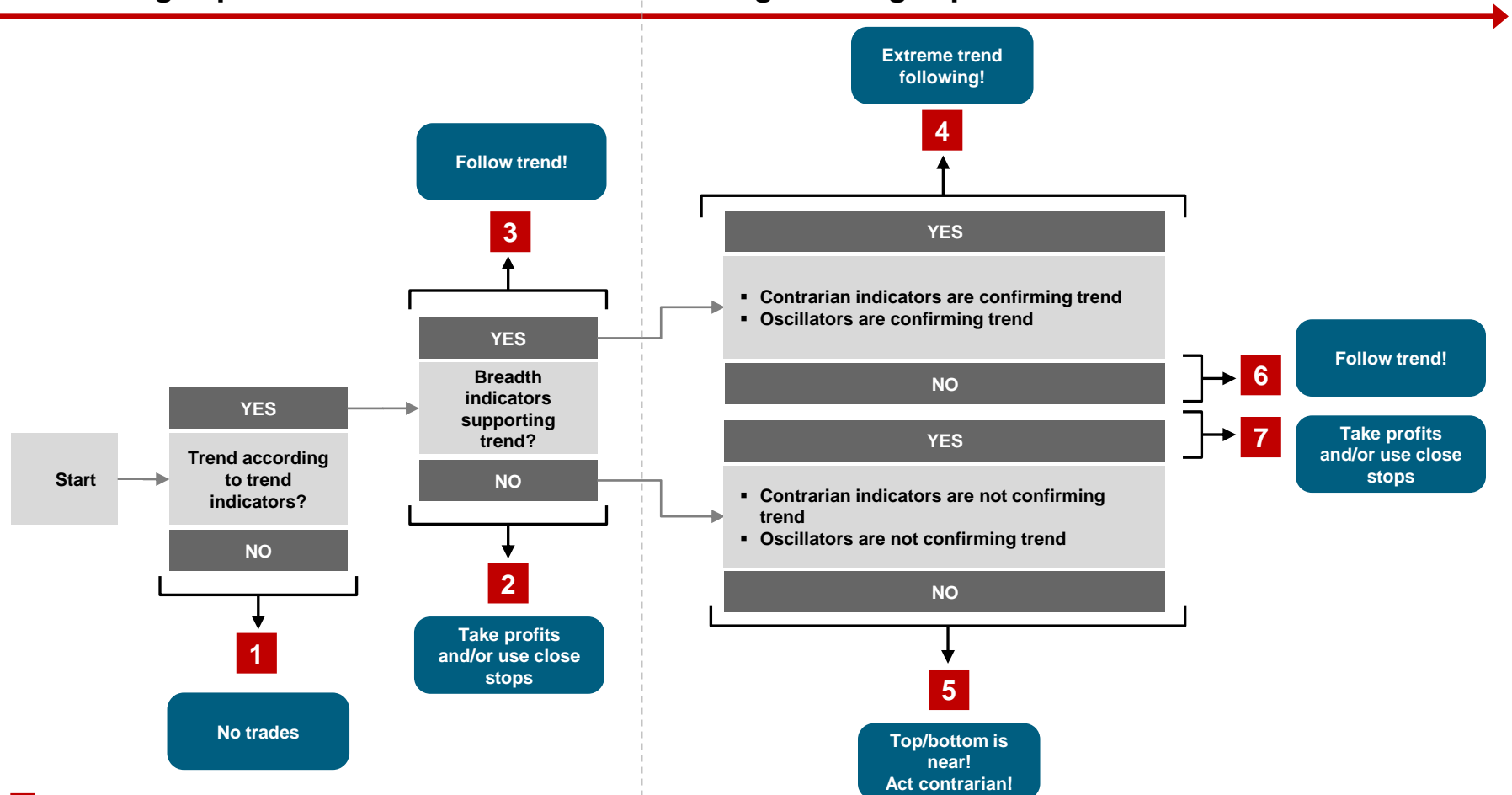
 low  high

3. Investment process – How to combine different kinds of technical market indicators into a sound investment process?

Trend indicators are crucial to watch since a trend is stronger than anything else (1/2)

Low trading experience investors

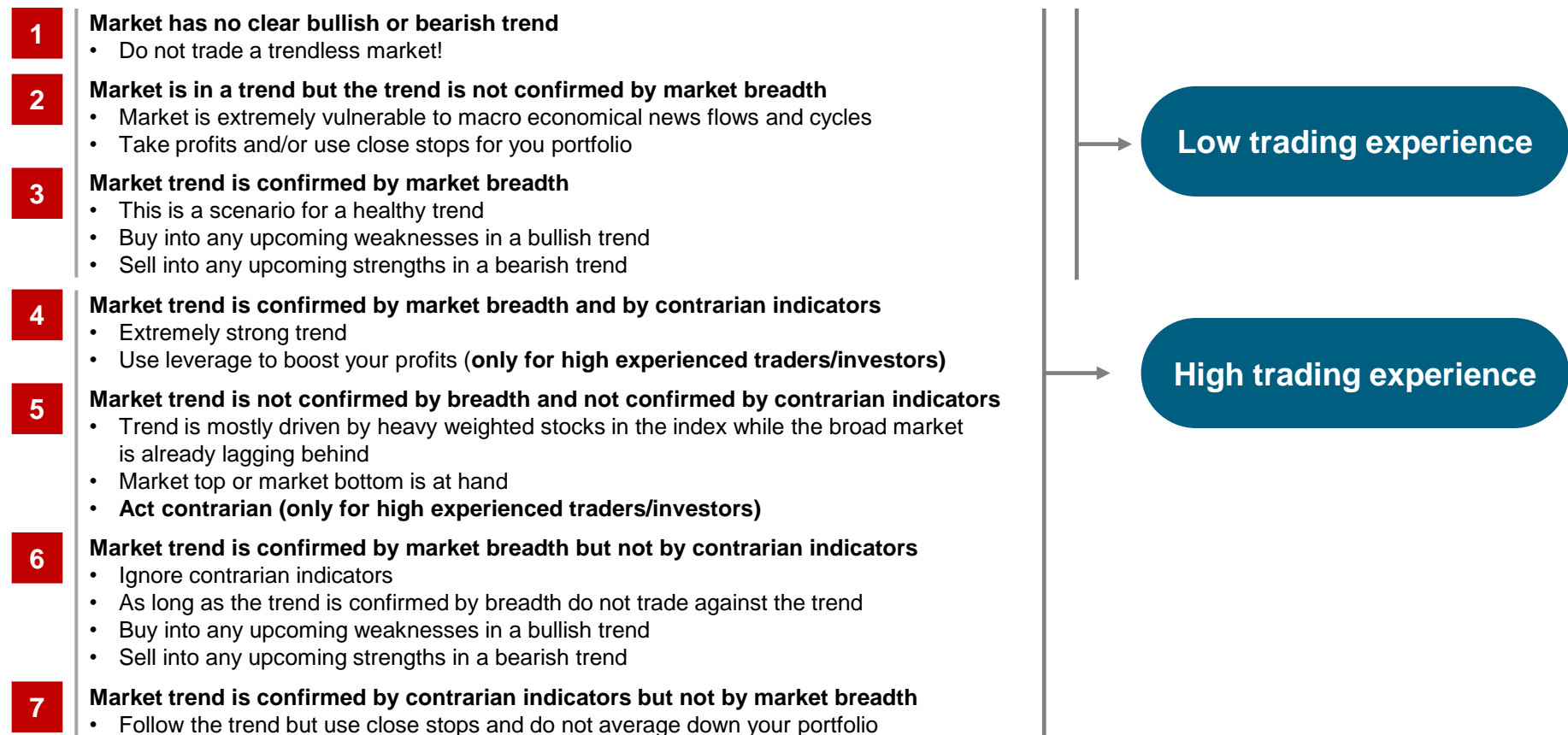
High trading experience investors



1 Detailed description please see next slide

Trend indicators are crucial to watch since a trend is stronger than anything else (2/2)

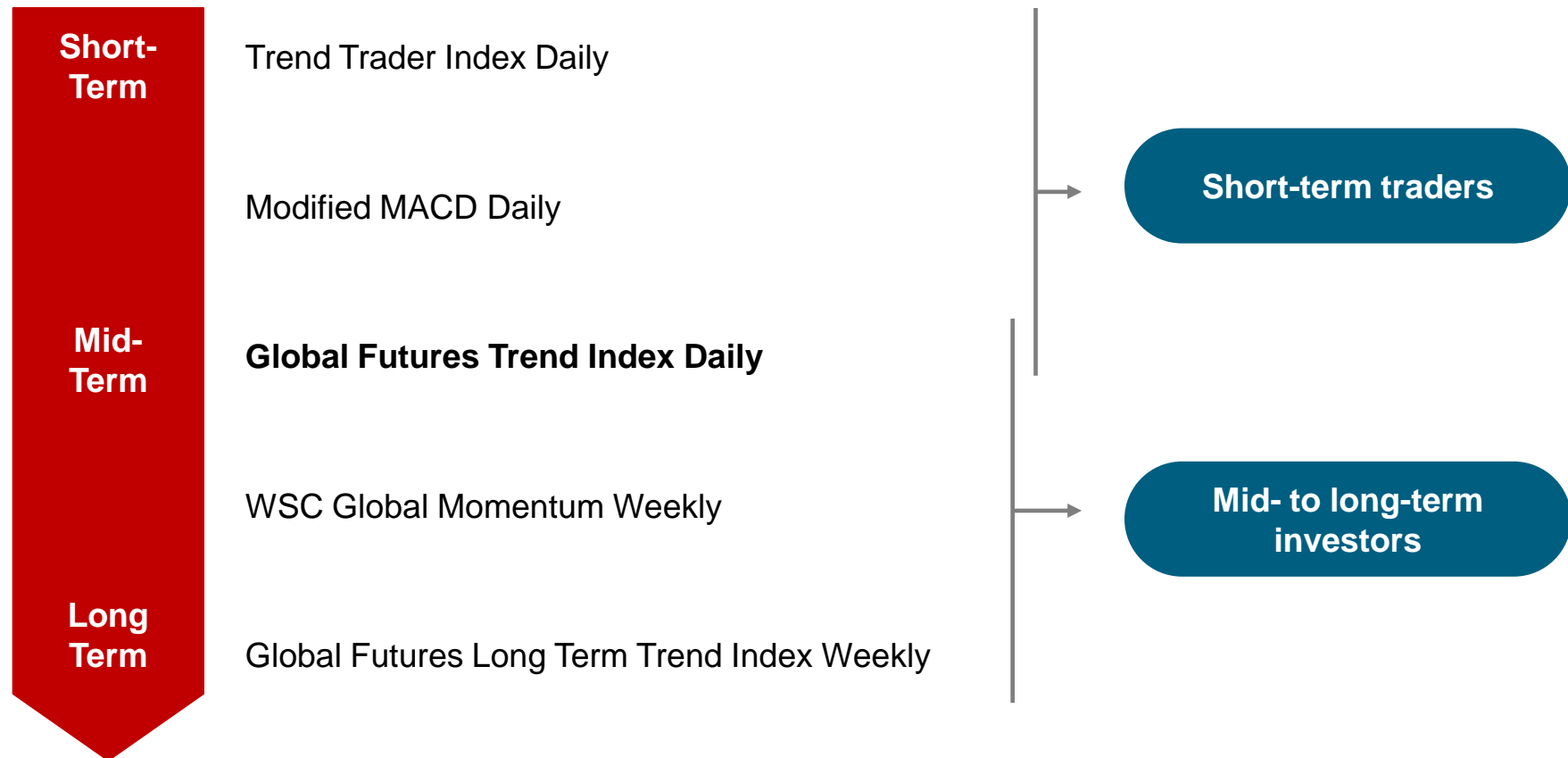
Description decision tree



4. Trend indicators - measure the main market's direction

Overview of most important trend indicators offered by WallStreetCourier.com

Sorted by time horizon

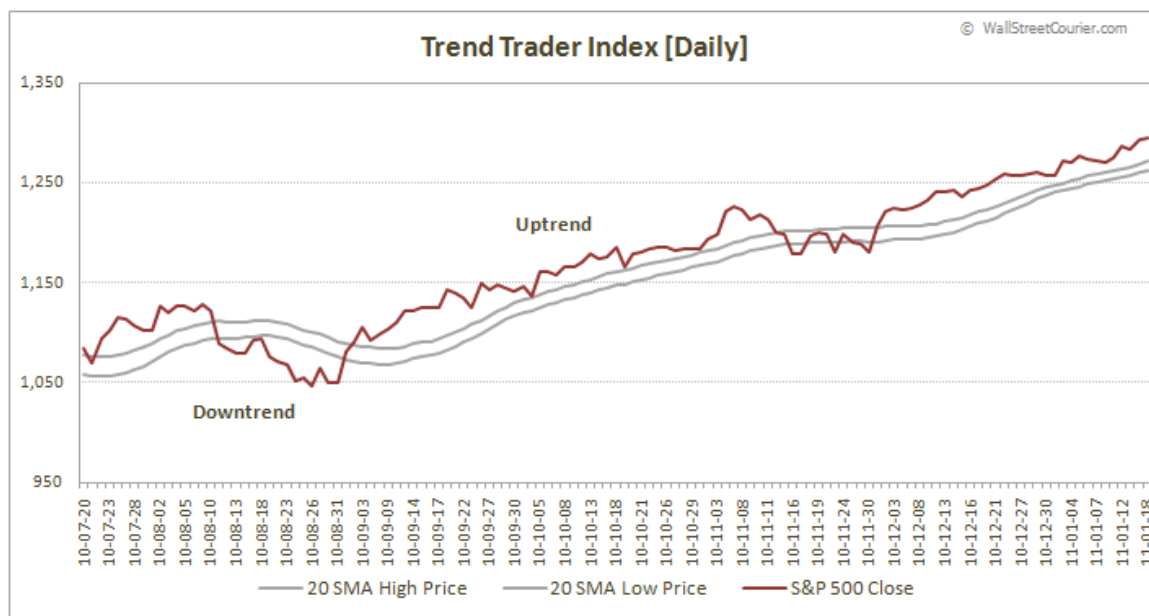


4.1 Trend indicators for short-term to mid-term traders

Trend indicators for short-term traders (1/3)

Short-term trend indicator

Trend Trader Index [daily]



Description and signals

Description:

- The Trend Trader Index calculates the simple moving average of the daily high and daily low price of the S&P 500 over the past 20 days.

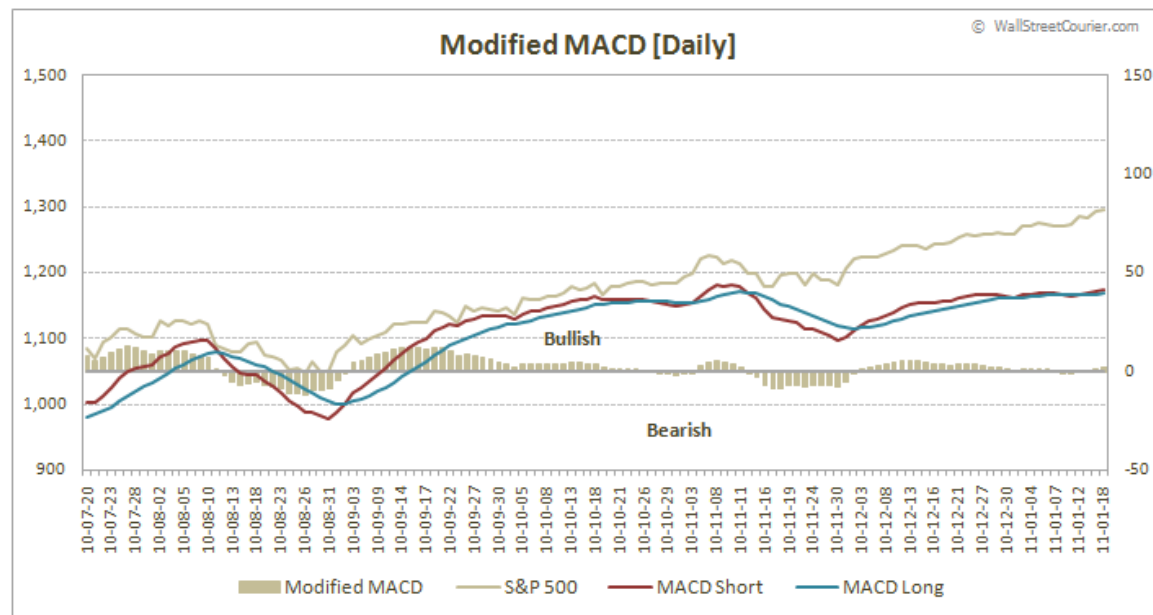
Signals:

- A short term uptrend is given, if the S&P 500 is trading above the 20 day moving average of the past highs
- A short term downtrend exists, if the S&P 500 is trading below the 20 day moving average line of the past lows
- Furthermore, the direction of the simple moving averages could also give an additional information about the trend direction

Trend indicators for short-term traders (2/3)

Short-term trend indicator

The Modified MACD [daily]



Description and signals

Description:

- Moving Average Convergence-Divergence (MACD) is one of the most effective trend indicators
- The Modified MACD uses two zero-lag adaptive moving averages of the S&P 500 to identify a trend

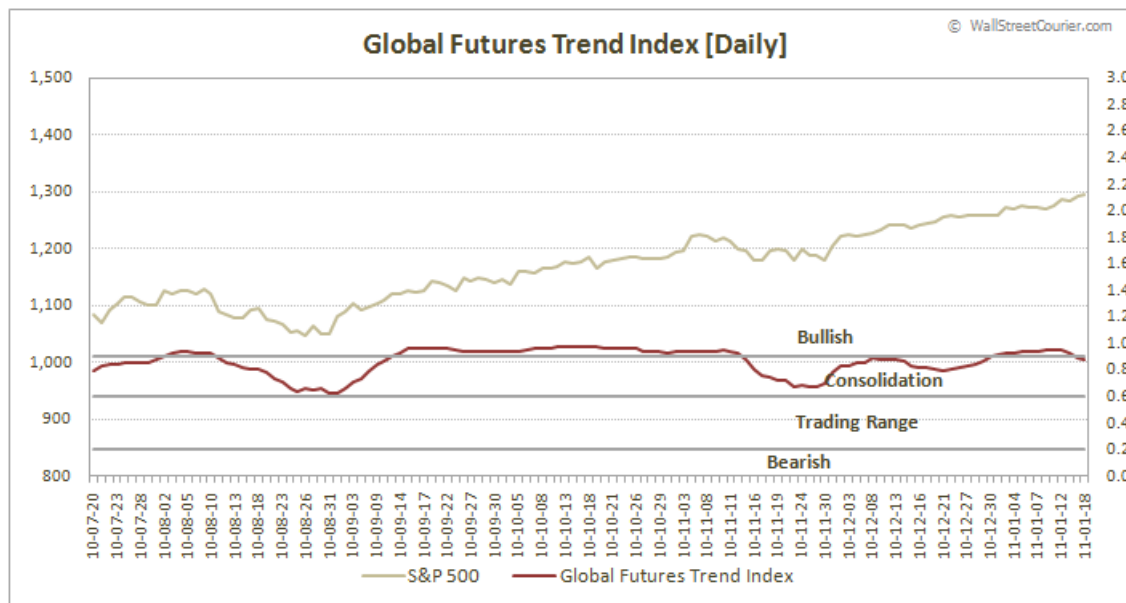
Signals:

- Investors should pay attention to a crossovers of the two signal lines (MACD Short and MACD Long)
- Bullish: MACD Short crosses the MACD Long from below
- Bearish: MACD Short crosses the MACD Long from above

Trend indicators for short-term traders (3/3)

Mid-term trend indicator

Global Futures Trend Index [daily]



Description and signals

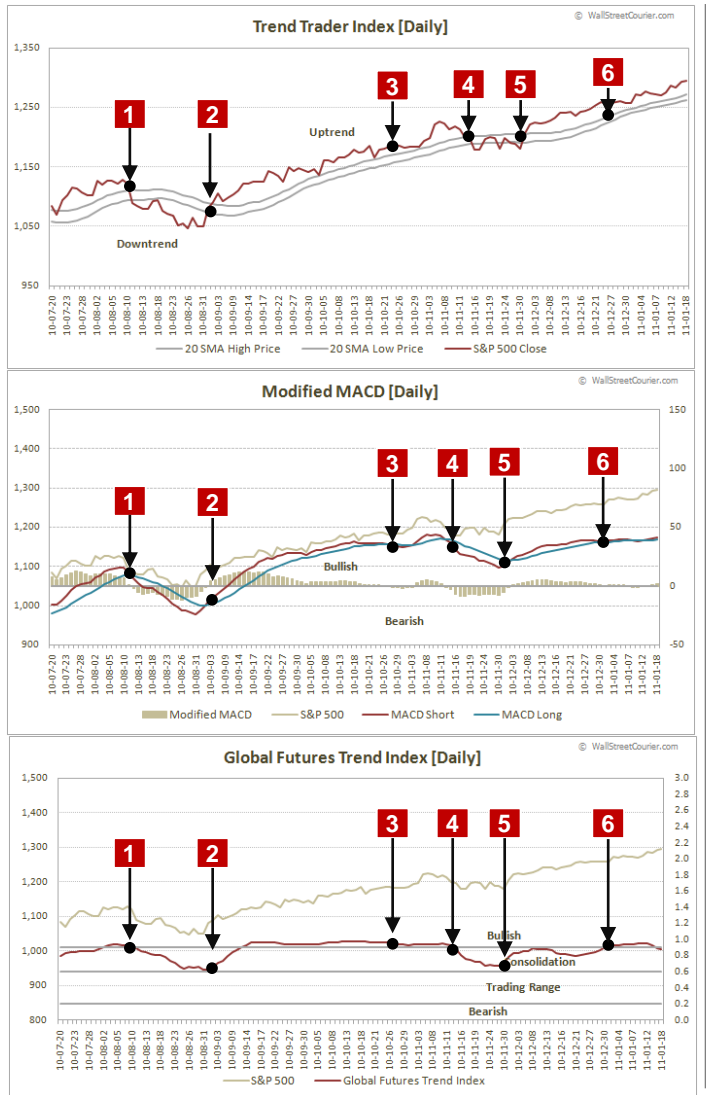
Description:

- The Global Futures Trend Index calculates the amount of stocks listed on NYSE which are reaching daily new highs or daily new lows

Signals:

- Bullish:** as long as the gauge of this index stays above the consolidation level (0.6), a solid bullish trend is in progress
- Bearish:** as long as the gauge of this index stays below 0.2, a solid bearish trend is in progress

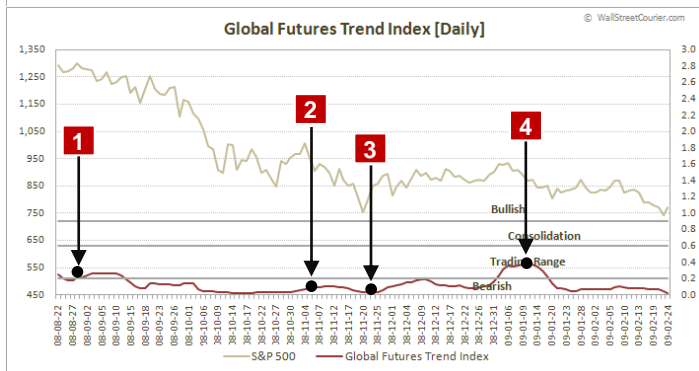
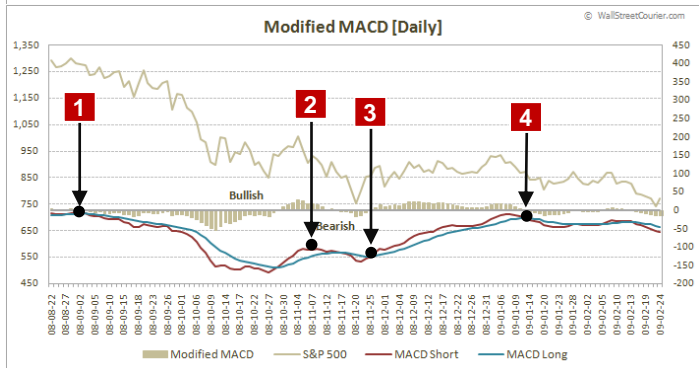
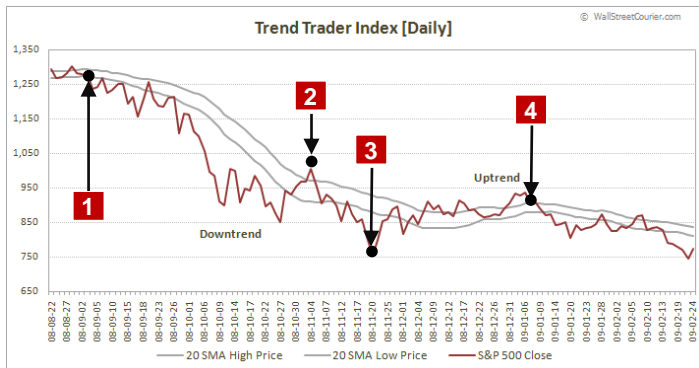
Example: combination of short- to mid-term trend indicators (1/2)



	Trend Trader Index	Modified MACD	Global Futures Trend Index	Check breadth and contrarian indicators ¹⁾	Trade
	Short-term trend Indicator	Short-term trend Indicator	Mid-term trend Indicator		
1	Bullish trend break	Bullish trend break	Bullish	Bullish	Take profits
2	Bearish trend break	Bearish trend break	Bullish	Bullish	Buy into weaknesses
3	Bullish	Bullish trend break	Bullish	Bullish	Hold long position
4	Bullish trend break	Bullish trend break	Bullish	Bullish	Take profits
5	Bearish trend break	Bearish trend break	Bullish	Bullish	Buy into weaknesses
6	Bullish	Bullish trend break	Bullish	Bullish	Hold long position

1) Low trading experienced: check breadth indicators only
 High trading experienced: check breadth- and contrarian indicators

Example: combination of short- to mid-term trend indicators (2/2)



	Trend Trader Index	Modified MACD	Global Futures Trend Index	Check breadth and contrarian indicators ¹⁾	Trade
	Short-term trend Indicator	Short-term trend Indicator	Mid-term trend Indicator		
1	Bullish trend break	Bullish trend break	Bearish	Bearish	Go short!
2	Bearish trend break	Bearish trend break	Bearish	Bearish	Sell into strengths
3	Bearish	Bearish trend break	Bearish	Bearish	Hold short position
4	Bullish trend break	Bullish trend break	Bearish	Bearish	Go short!

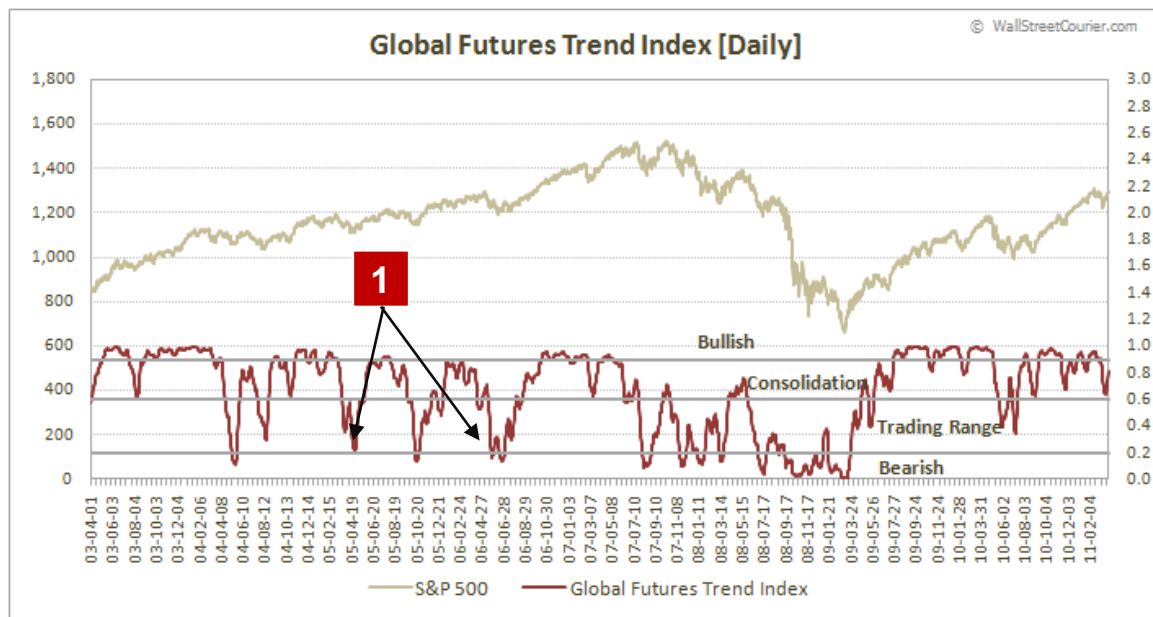
1) Low trading experienced: check breadth indicators only
 High trading experienced: check breadth- and contrarian indicators

4.2 Trend indicators for mid- to long-term investors

Trend indicators for mid- to long-term investors (1/6)

Mid-term trend indicator

Global Futures Trend Index [daily]



Description and signals

Description:

- The Global Futures Trend Index calculates the amount of stocks listed on NYSE which are reaching daily new highs or daily new lows

Signals:

- Bullish:** as long as the gauge of this index stays above the consolidation level (0.6), a solid bullish trend is in progress
- Bearish:** as long as the gauge of this index stays below 0.2, a solid bearish trend is in progress



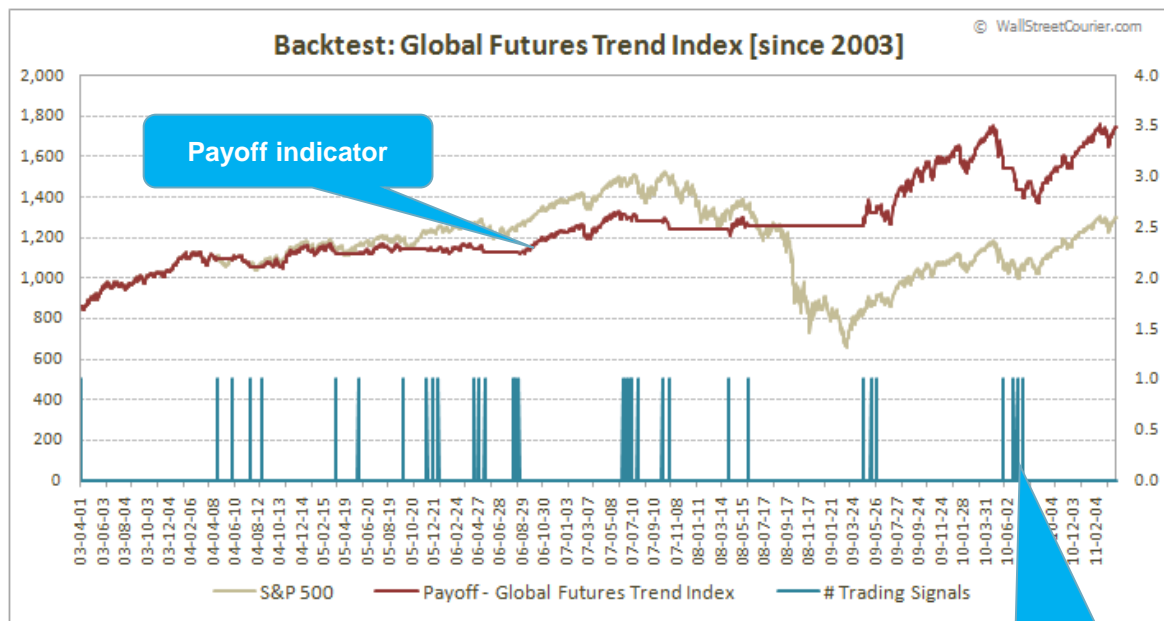
1

Countercheck with mid- to long-term market breadth- and other long-term trend indicators to increase performance

Trend indicators for mid- to long-term investors (2/6)

How our payoff would have looked like if you had followed the Global Futures Trend Index?

Backtest: Global Futures Trend Index [daily]



Description of backtest

Methodology:

- When the gauge of the Global Futures Trend Index is above 0.6 (previous page) a long position in the S&P 500 had been taken
- If the gauge of the Global Futures Trend Index drops below 0.6 no investment (therefore a flat line) had been taken
- Subject to one day lag (since you have to generate a signal first before you are able to invest)

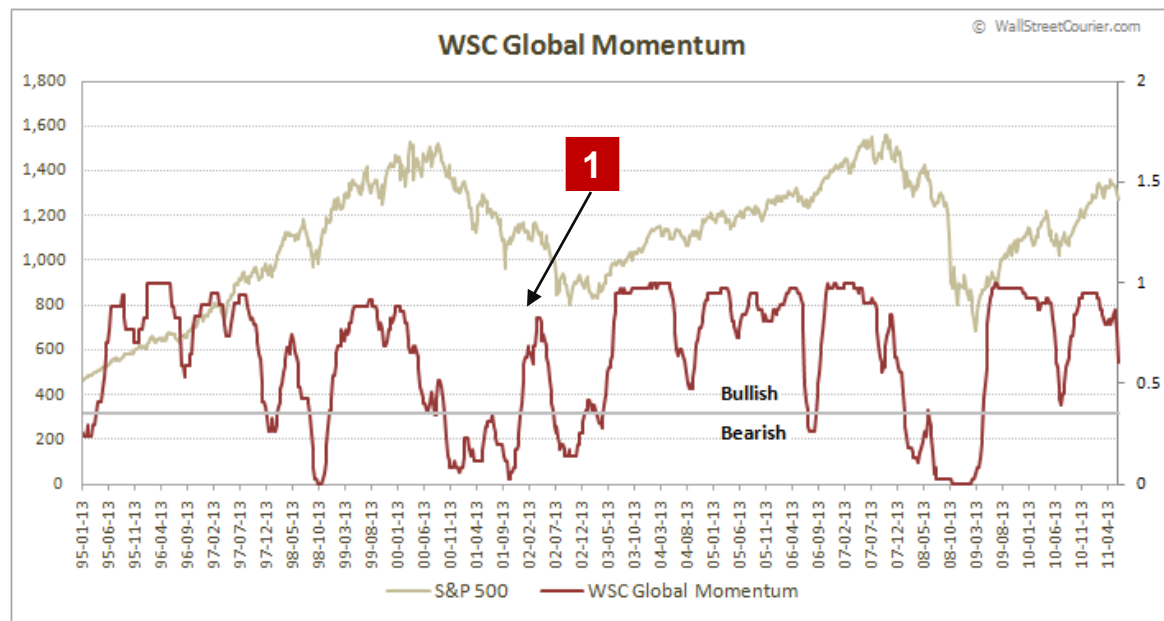
Chart:

- Right scale: trading signals
- Left scale: S&P 500 and Global Futures Long Term Trend Index payoff
- **The red line represents how your portfolio would have looked like, if you have followed this indicator**

Trend indicators for mid- to long-term investors (3/6)

Long-term trend indicator

WSC Global Momentum [weekly]



Description and signals

Description:

- The WSC Global Momentum Indicator is the underlying risk management indicator of the WSC Global Tactical Asset Allocation Strategy
- This indicator measures the percentage of 38 global stock markets which are gaining momentum
- When this indicator flashes a sell signal it should be compared with other long-term trend- and breadth indicators

Signals:

- Bullish: Gauge of the WSC Global Momentum above 0.35
- Bearish: Gauge of the WSC Global Momentum below 0.35

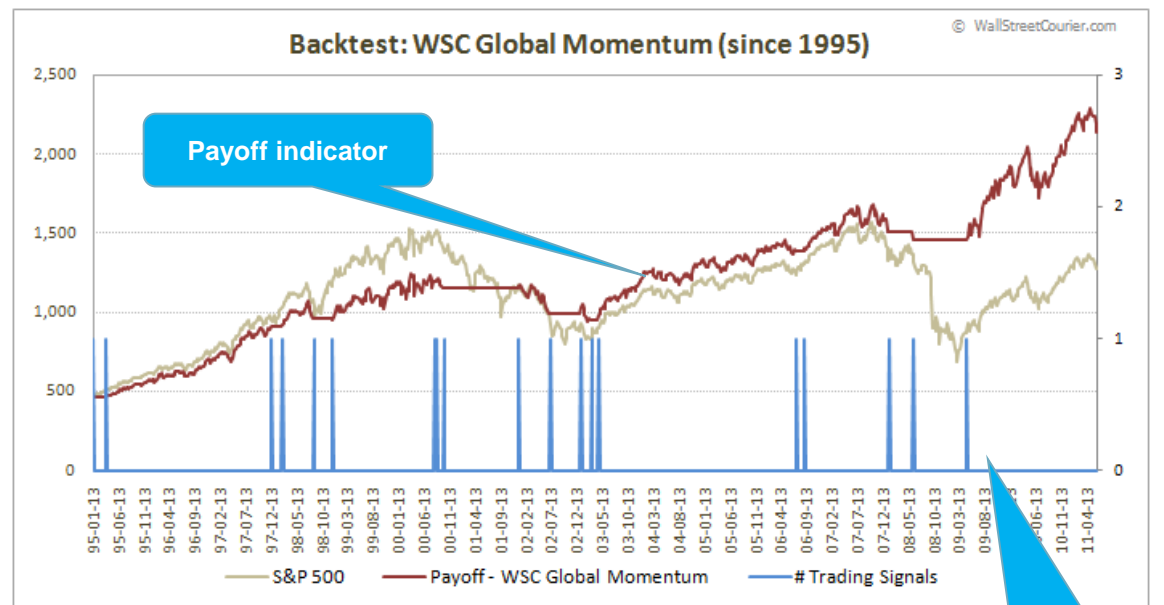
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Countercheck with mid-to long-term market breadth- and other long-term trend indicators to increase performance

Trend indicators for mid- to long-term investors (4/6)

How our payoff would have looked like if you had followed the this indicator?

Backtest: WSC Global Momentum [weekly]



Description of backtest

Methodology:

- When the gauge of the WSC Global Momentum Indicator is above 0.35 (previous page) a long position in the S&P 500 had been taken
- If the gauge of the WSC Global Momentum Indicator drops below 0.6 no investment (therefore a flat line) had been taken
- Subject to one week lag (since you have to generate a signal first before you are able to invest)

Chart:

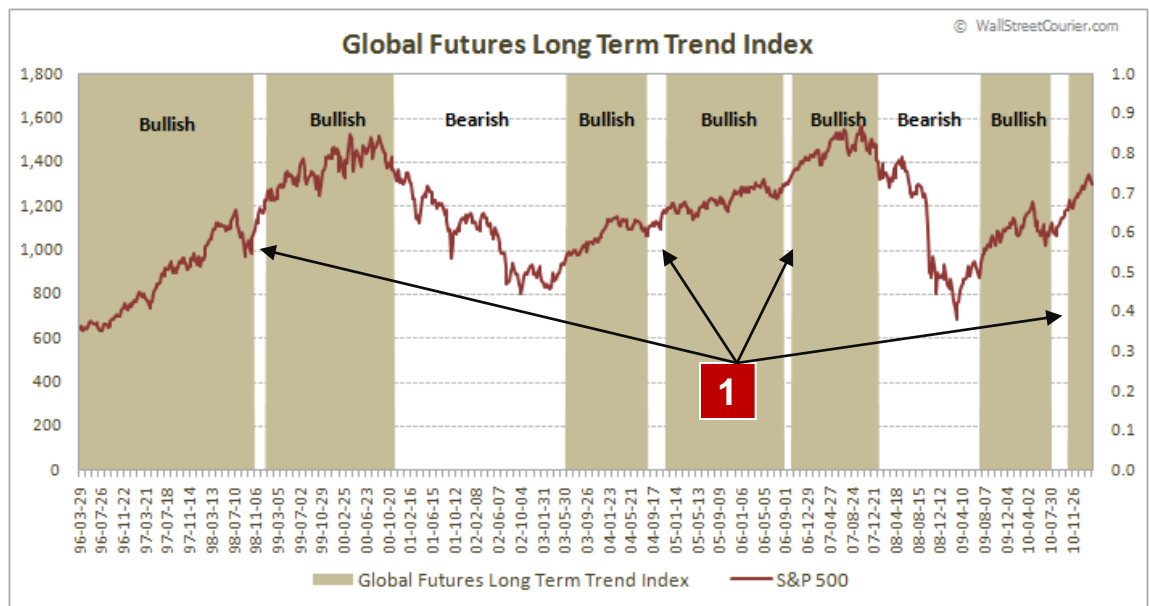
- Right scale: trading signals
- Left scale: S&P 500 and WSC Global Momentum payoff
- **The red line represents how your portfolio would have looked like, if you have followed this indicator**



Trend indicators for mid- to long-term investors (5/6)

Long-term trend indicator

Global Futures Long Term Trend Index [weekly]



Description and signals

Description:

- The Global Futures Long Term Trend Index is a long term trend index which is perfectly suitable for long term investors.
- The indicator flashes a beige box when the S&P 500 is entering a technical bull market and flashes a white box when the market is entering a technical bear market
- When this indicator flashes a technical bear market it should be compared with other long-term trend- and breadth indicators

Signals:

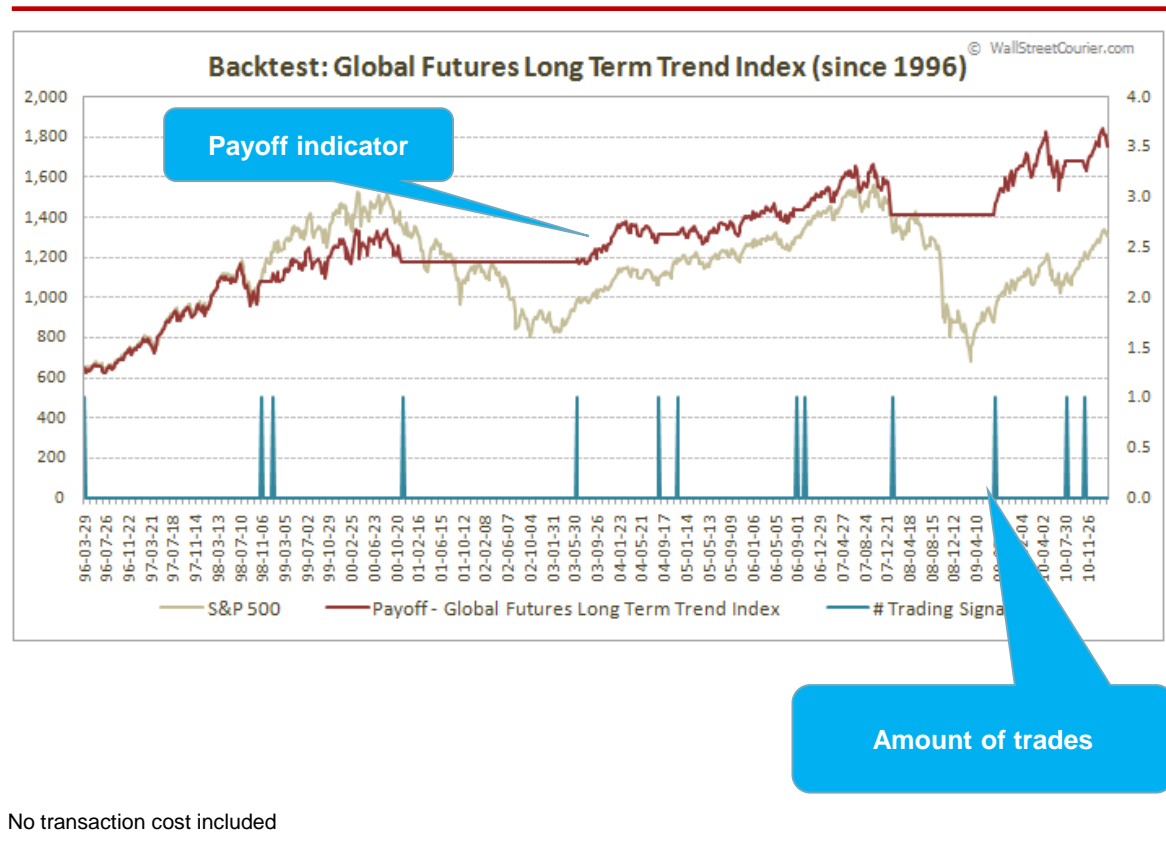
- Bullish: beige box
- Bearish: white box

1 Countercheck with mid-to long-term market breadth- and other long-term trend indicators to increase performance

Trend indicators for mid- to long-term investors (6/6)

How our payoff would have looked like if you had followed the GF Long Term Trend Index?

Backtest: Global Futures Long Term Trend Index [weekly]



Description of backtest

Methodology:

- When the gauge of the Global Futures Long Term Trend Indicator flashes a buy signal (grey box see previous page) a long position in the S&P 500 had been taken
- If the Global Futures Long Term Trend Index flashes a sell signal (white box see page before) no investment (therefore a flat line) had been taken
- Subject to one week lag (since you have to generate a signal first before you are able to invest)

Chart:

- Right scale: trading signals
- Left scale: S&P 500 and GF Long Term Trend Index payoff
- **The red line represents how your portfolio would have looked like, if you have followed this indicator**

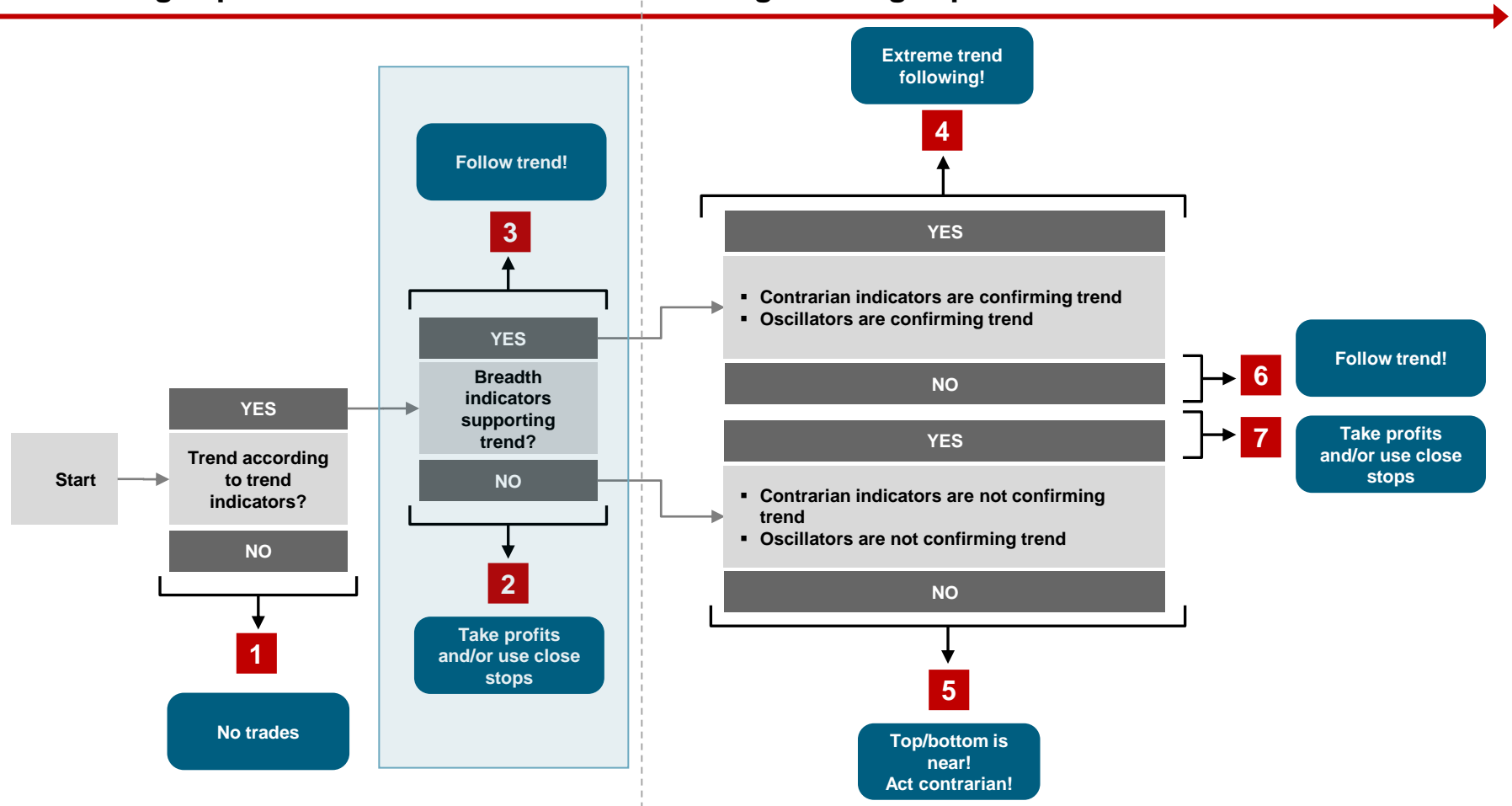
No transaction cost included

5. Breadth indicators – Determine the strengths of a trend

Trend indicators are crucial to watch since a trend is stronger than anything else

Low trading experience investors

High trading experience investors

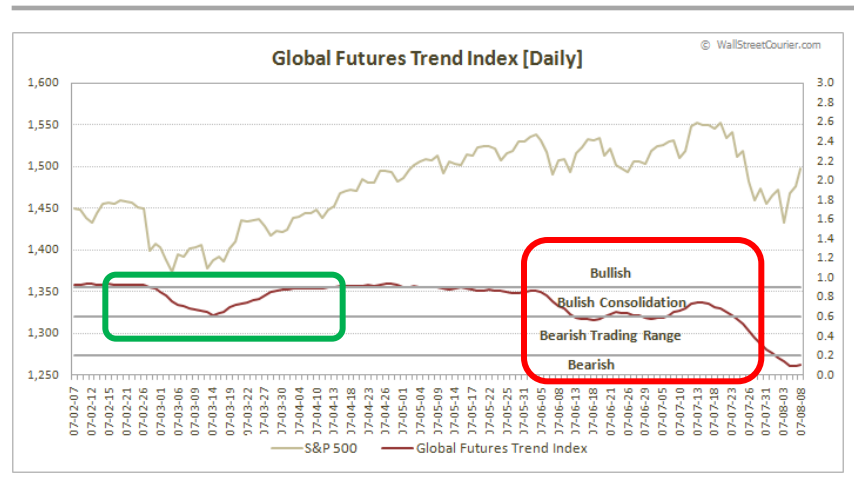


Trend indicators are always lagging indicators as they follow the price action of the underlying security – so investors are always late in and late out with their trades!

Breadth indicators are fulfilling two functions

Breadth indicators are telling you if a trend break is possible

Minimize wrong trend indicator signals and reduce the late out problematic

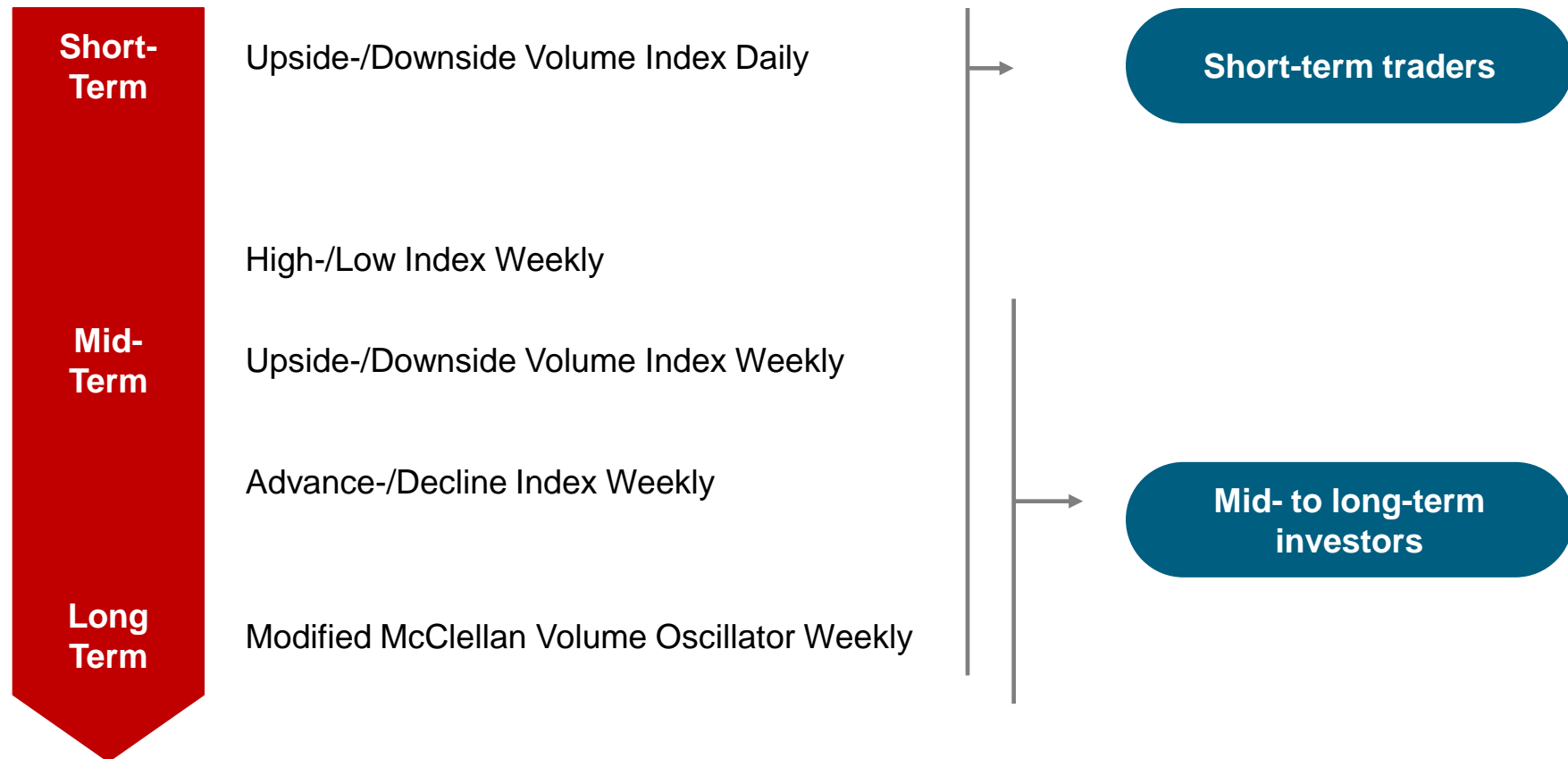


Short-term traders

Mid- to long-term investors

The overview of most important breadth indicators offered by WallStreetCourier.com

Sorted by time horizon

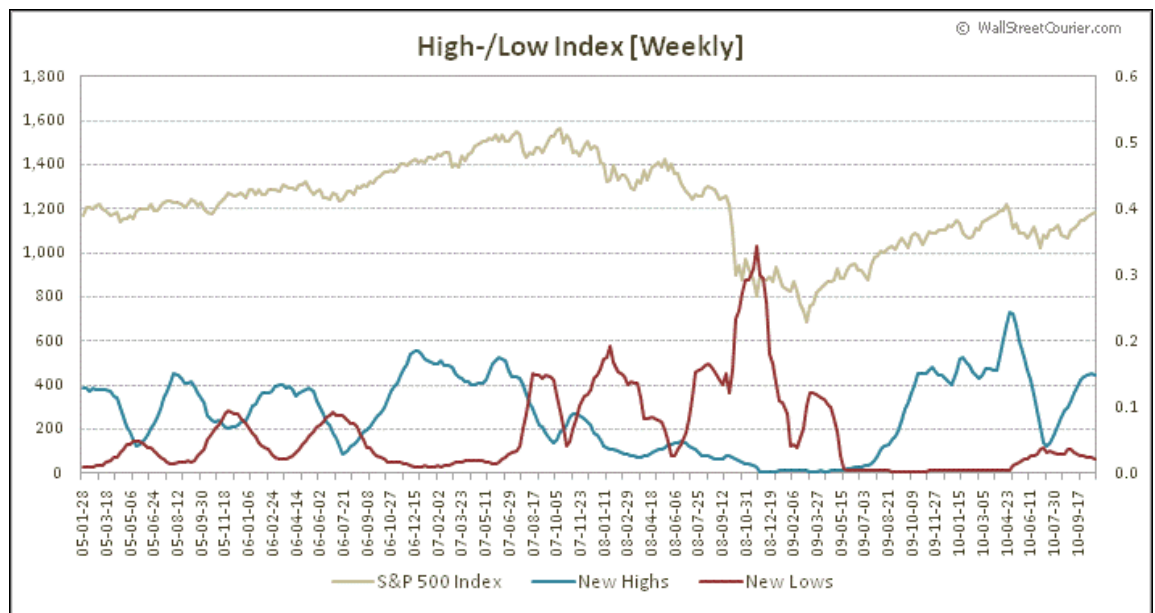


5.1 Breadth indicators for short-term traders

Breadth indicators for short-term traders (1/2)

Example: short- to mid-term breadth indicator

High-/Low Index [weekly]



Description and signals

Description:

- The High-Low Index is a breadth indicator based on new highs and new lows made on Nyse
- New high refers to the number of stocks reaching a new 52-week high. New low refers to the number of stocks reaching a new 52-week low.
- The index is calculated by dividing the number of new highs by the number of new highs plus new lows.

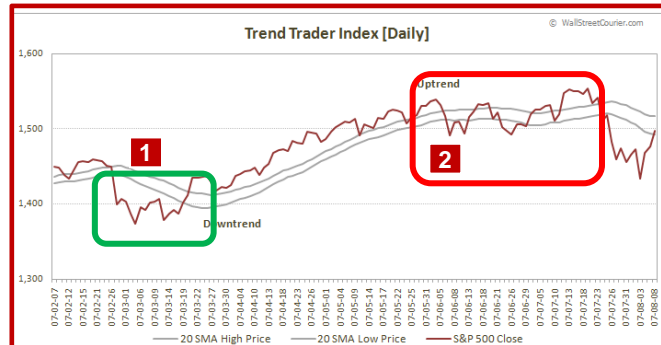
Signals:

- Bullish: New highs above new lows
- Bearish: New highs below new lows
- Watch out for divergences between the market and new highs



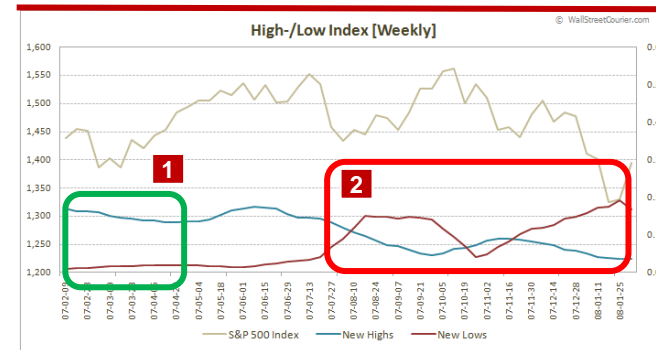
Breadth indicators for short-term traders (2/2)

Short- to mid-term trend indicators

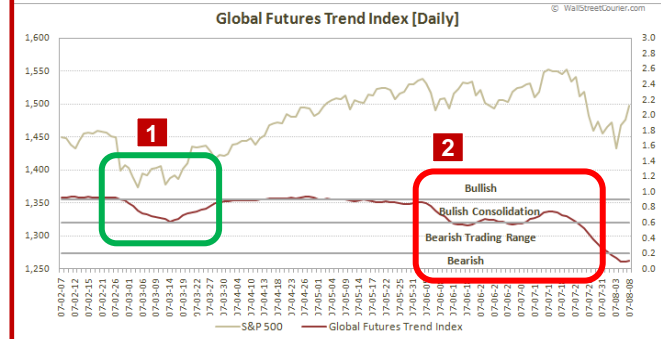
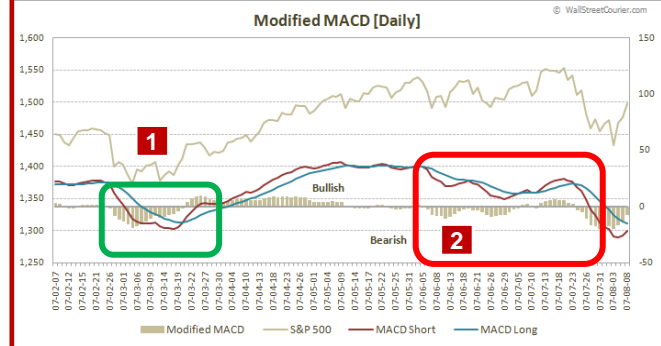


Short-term trend break but mid-term trend still bullish (Global Futures Trend Index) → check breadth indicators

Short- to mid-term breadth indicator



- The High-Low Index is a breadth indicator based on new highs and new lows made on Nyse
 - Bullish Signals:** New highs above new lows
 - Bearish Signals:** New highs below new lows



1 Short-term bullish trend break but mid-term trend still in force and confirmed by breadth

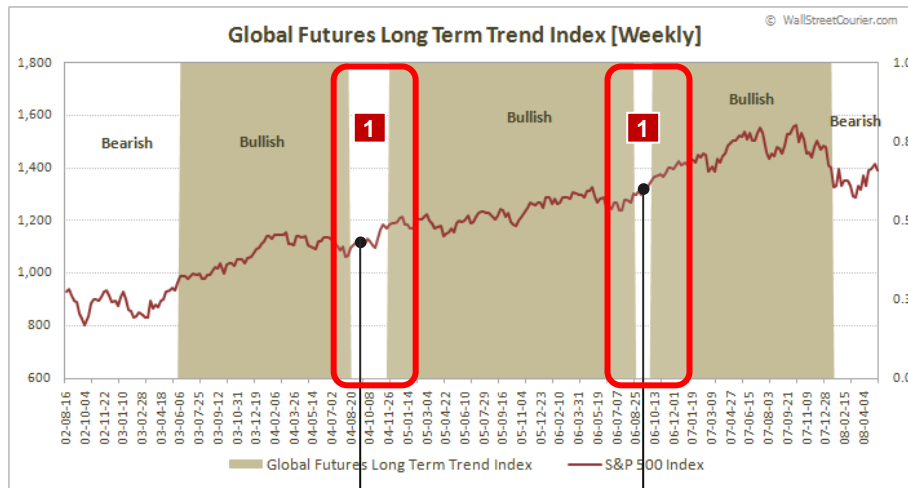
Buy into weakness

2 Short-term bullish trend break and mid-term trend still in force but not confirmed by breadth

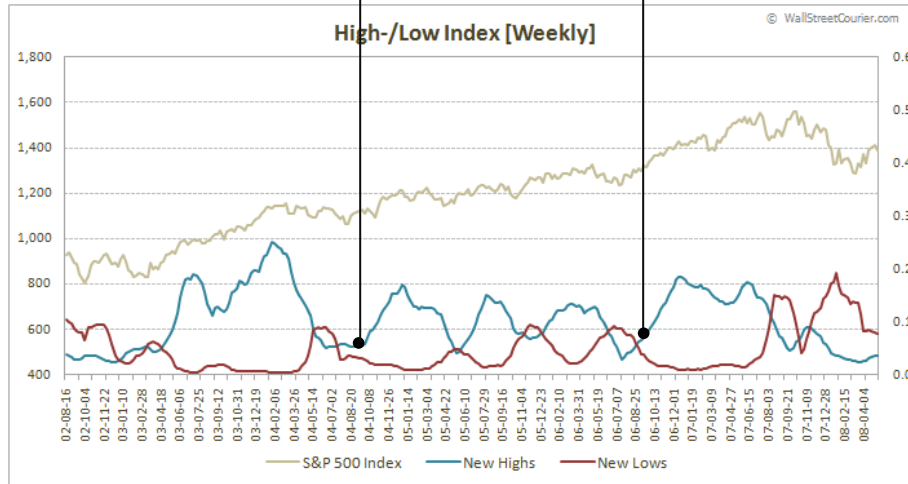
Sell into strengths

5.2 Breadth indicators for mid- to long-term investors

Mid- to long-term-investors: using breadth indicators to minimize wrong trend indicator signals



1 Trend break in the Global Futures Long Term Trend Index



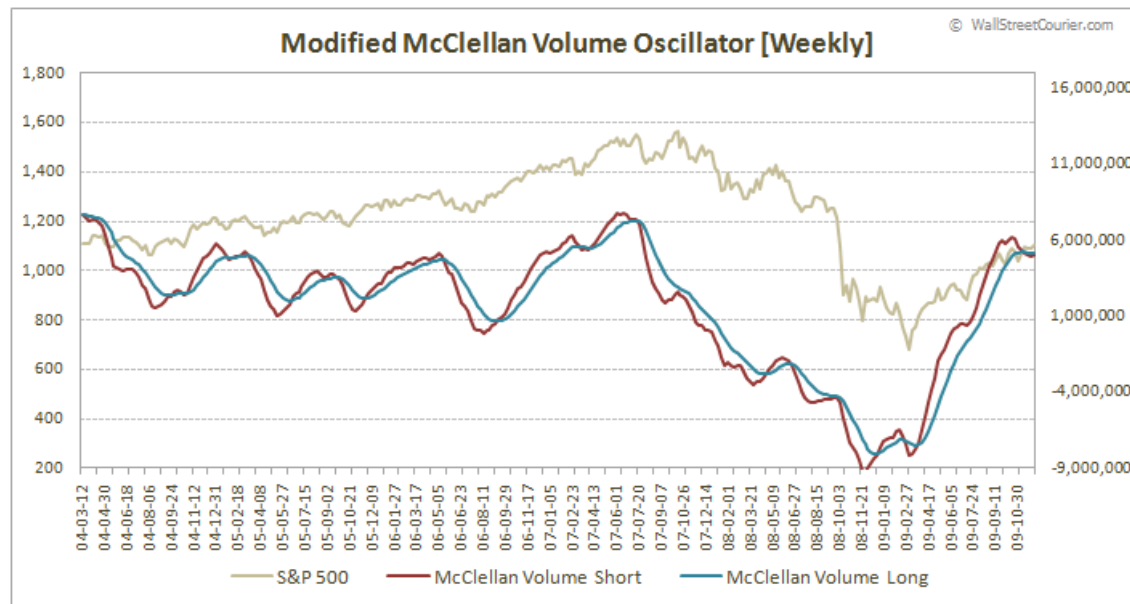
1 Market breadth (High-/Low Index) remains bullish!

Stay long!

Long-term investors: using breadth indicators to minimize the late-out problematic (1/2)

Example: long-term breadth indicator

Modified McClellan Volume Oscillator [weekly]



Description and signals

Description:

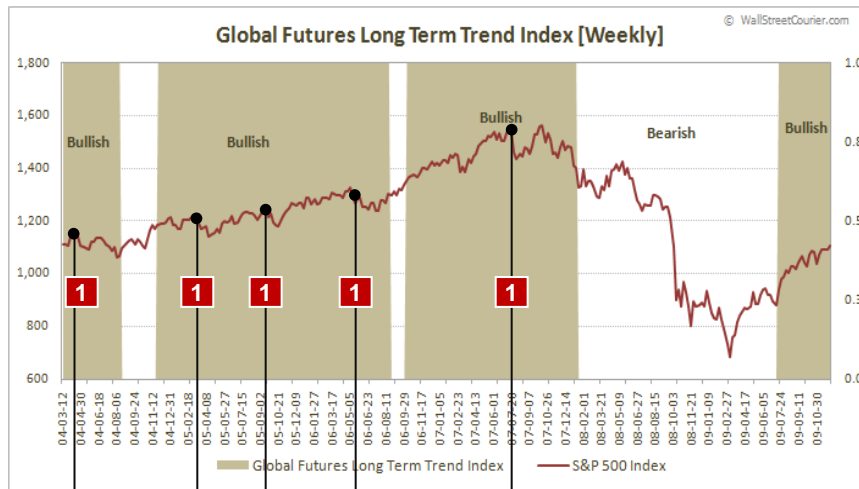
- This indicator is derived from the weekly net volume, the number of advancing volume less the number of declining volume.
- By applying 2 exponential moving averages (short and longer one) of net advances this is a perfect breadth indicator

Signals:

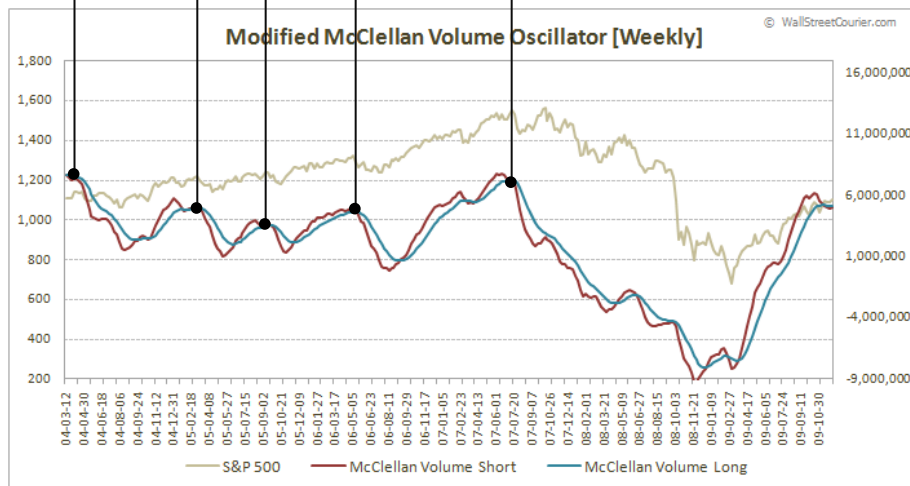
- Bullish: McClellan Short closes above McClellan Long
- Bearish: McClellan Short closes below McClellan Long
- Watch out for divergences between the market and the Modified McClellan Oscillator



Long-term investors: using breadth indicators to minimize the late-out problematic (2/2)



1 Global Futures Long Term Trend Index is bullish



1 Market long-term breadth (Modified McClellan Volume Oscillator) turns bearish!

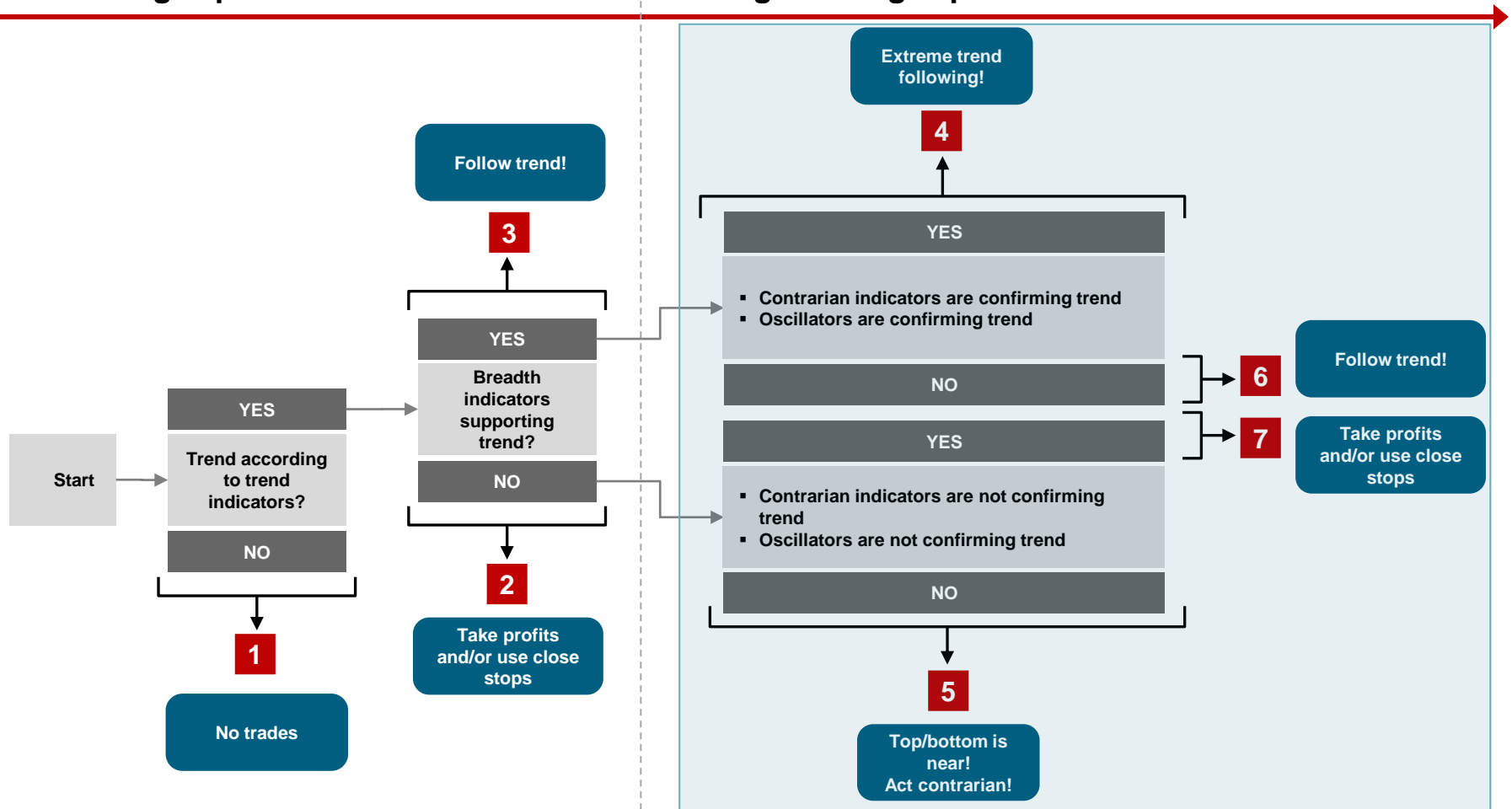
Hedge or sell positions

6. Contrarian indicators – Indicators for experienced investors only

Trend indicators are crucial to watch since a trend is stronger than anything else

Low trading experience investors

High trading experience investors



Contrarian indicators are tracking the investing behavior of four different kinds of investment groups

Classification according to WallStreetCourier.com

Smart Money Indicators

- Measure the investment behavior of well informed investors
- These market participants are usually **right** about the direction of the market and these indicators are therefore confirming indicators

Dumb Money Indicators

- Measure the investment behavior of uninformed investors
- These market participants are usually **wrong** about the direction of the market and these indicators are therefore contrarian indicators

Market Sentiment Indicators

- Measure the sentiment among investors
- This is important since when everybody is fully invested there will be no further purchasing power.
- At this point, the market is at a peak

Options Market Indicators

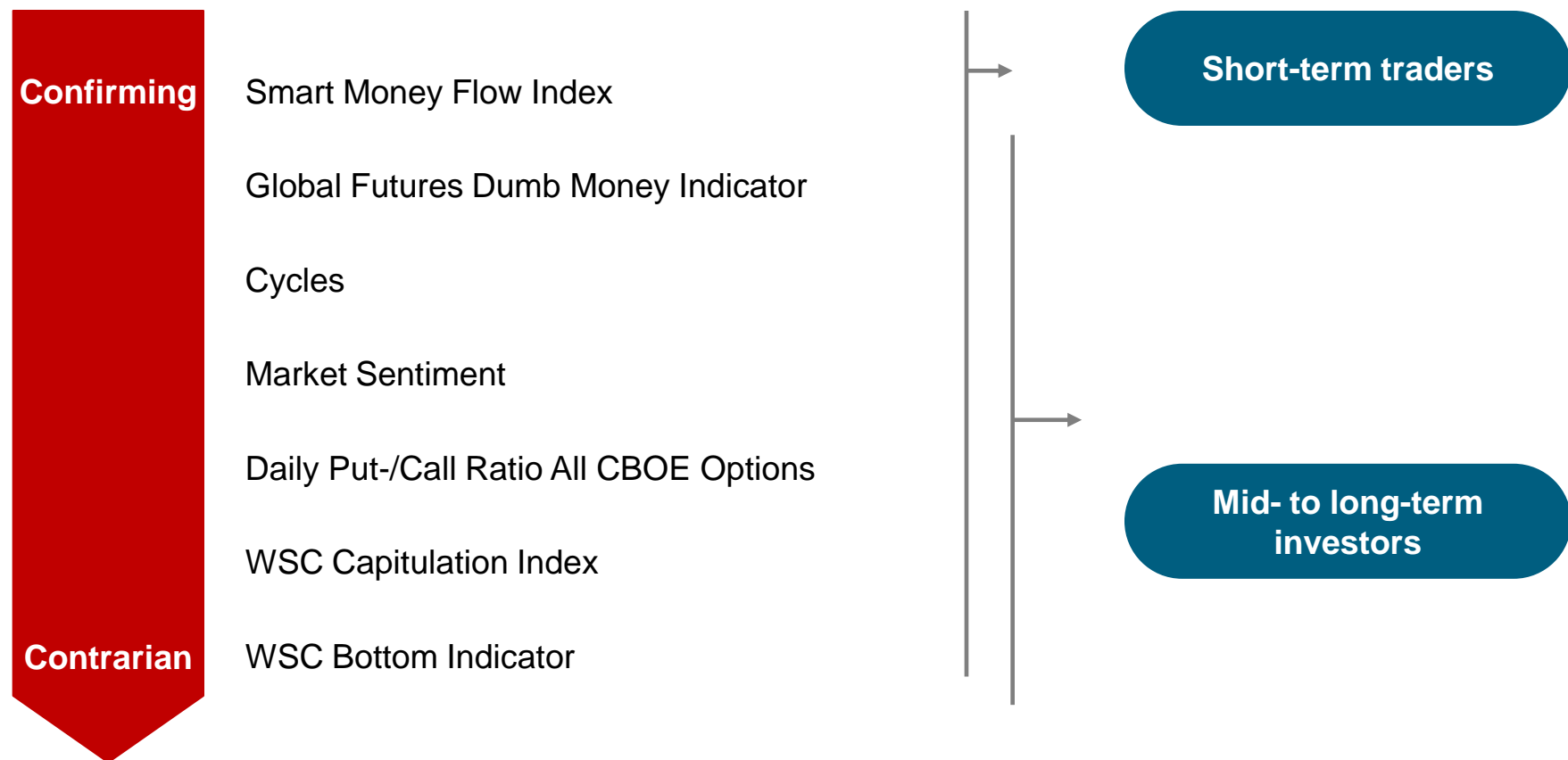
- The buying and selling activity for puts and calls can be used to help gauge investors sentiment in the market



Contrarian Indicators

Overview of most important contrarian indicators offered by WallStreetCourier.com

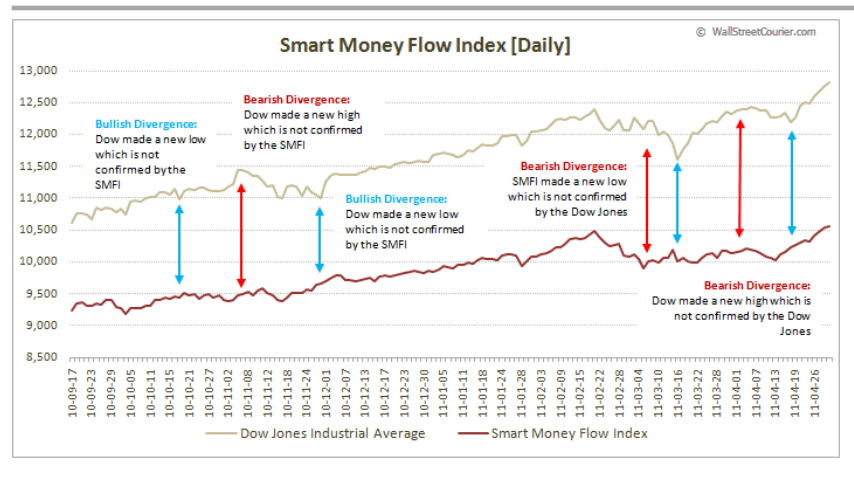
Contrarian indicators can be again divided into two subgroups (sorted by its nature)



Contrarian indicators are being used for money management or to act contrarian (experienced investors only)

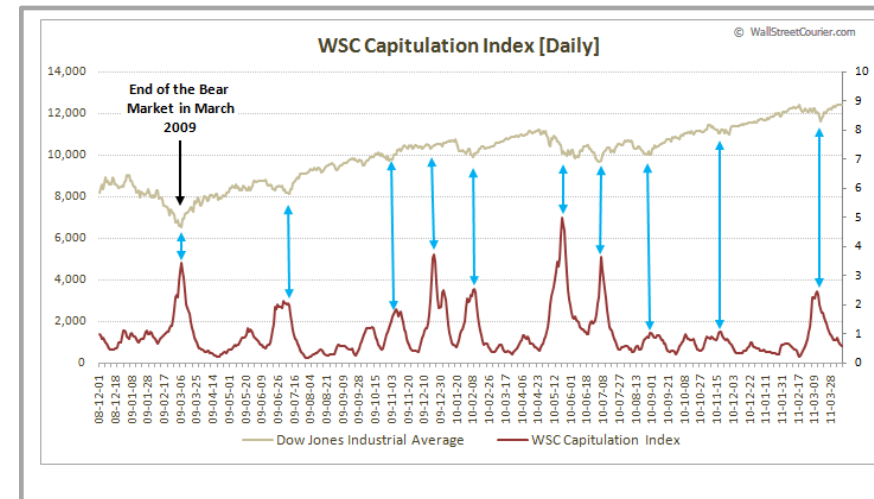
Money management refers to taking profits/averaging down the portfolio

Confirming indicator (example)



Take profits (if non confirming) and buy if confirming (use them always in combination with trend- and breadth indicators)

Contrarian indicator (example)

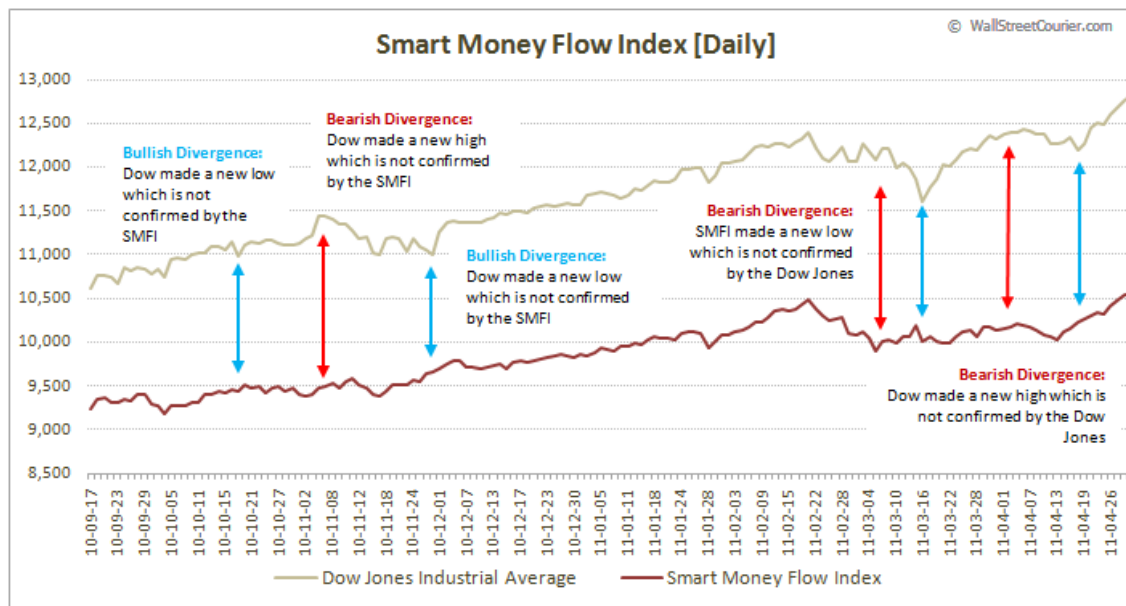


Average down your portfolio at the bottom (use them always in combination with trend- and breadth indicators)

The Smart Money Flow Index

Track what smart money is doing

Confirming indicator



Description and signals

Description:

- The Smart Money Flow Index is calculated by taking the action of the Dow in two time periods: the first 30 minutes and the close. The first 30 minutes represent emotional buying, driven by greed and fear of the crowd based on good and bad news.
- Smart money waits until the end and they very often test the market before by shorting heavily just to see how the market reacts.

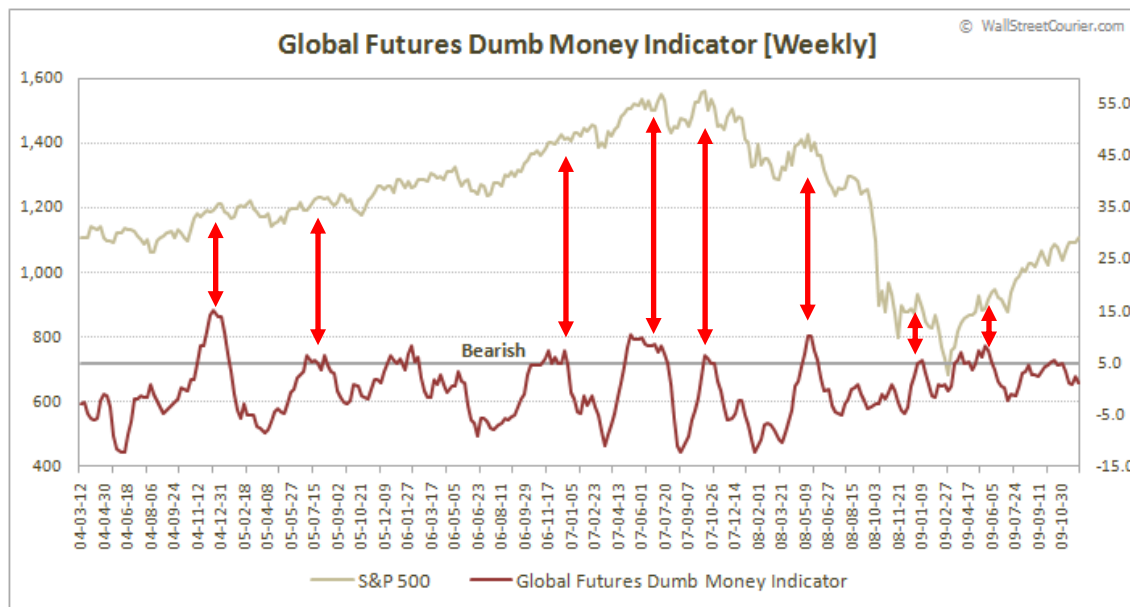
Signals:

- Whenever the Dow makes a high which is not confirmed by the SMI there is trouble ahead or the other way round.

The Global Futures Dumb Money Indicator

Do not behave like dumb money!

Confirming indicator



Description and signals

Description:

- The Global Futures Dumb Money Indicator is calculated according to a proprietary formula. It shows tops when the so called "crowd" gets too bullish.
- Take profits if the market is in a long term uptrend and this indicator turns bearish
- Go short if the market is in a long term downtrend and this indicator turns bearish

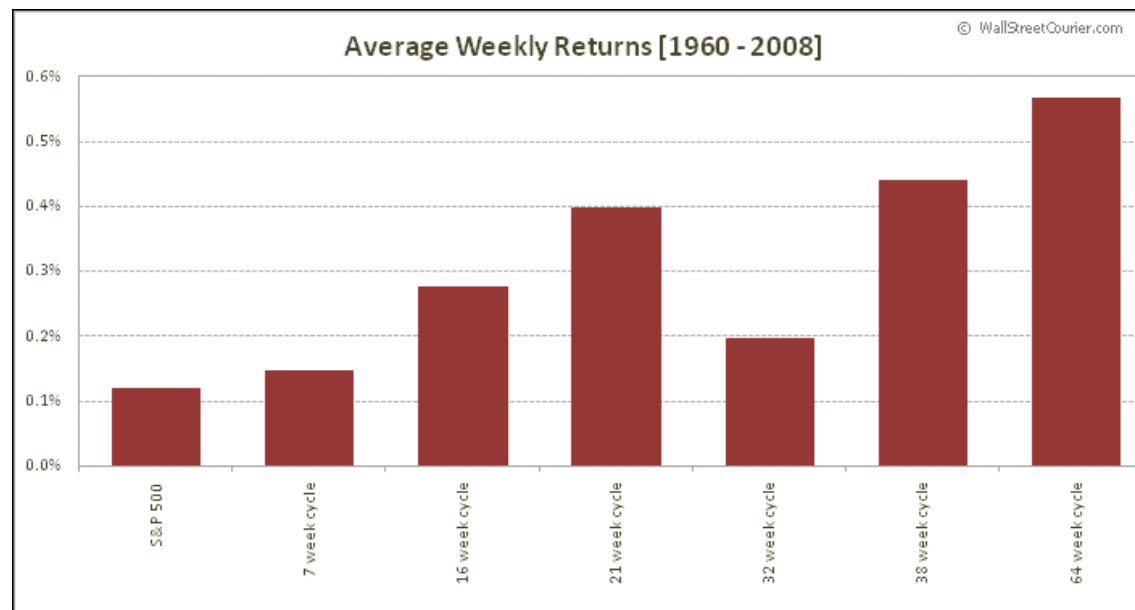
Signals:

- Bearish: gauge of the Global Futures Dumb Money Indicator above 5
- Bullish: no bullish signals

Stock market cycles do appear in different weekly regularity and they are very profitable for short-term opportunistic traders

Average weekly returns of the S&P 500 compared with the different bullish cycles

Confirming indicator



Description and signals

Description:

- Cycle analysis has a long history and is also part of technical analysis.
- All markets appear to be subject to cyclical patterns and forces caused by economic influences and countless other factors.
- Stock market movements seem to take place with cyclical regularity and timing your trades to coincide with anticipated cyclical movements can be very rewarding

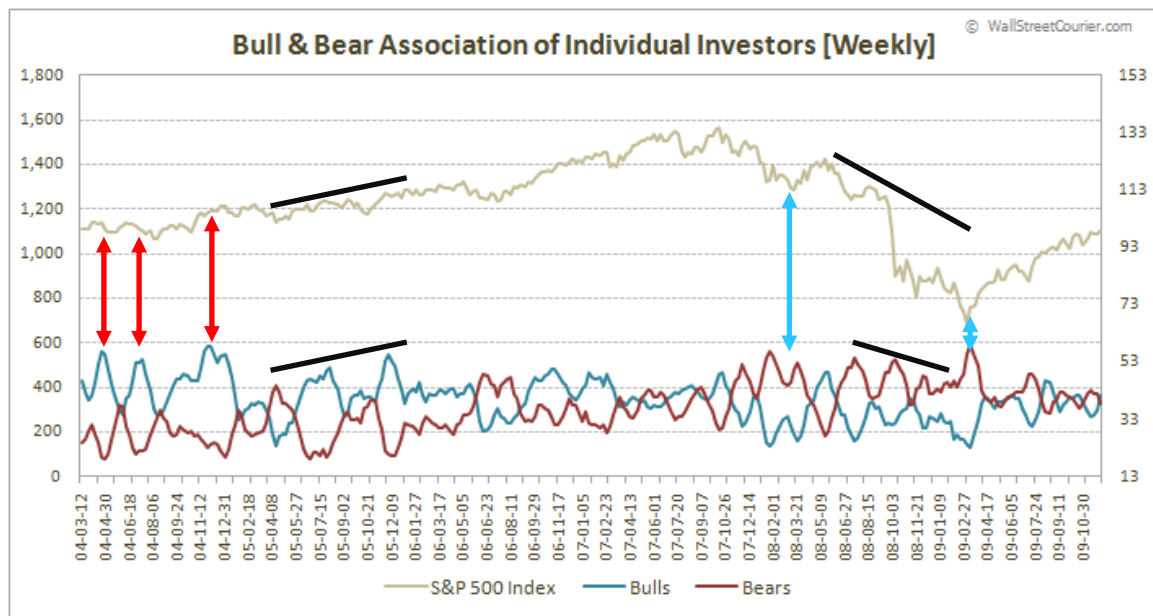
Signals:

- Bullish: 7-, 16-, 21-, 32-, 38- and the 64-week cycle

Market sentiment – a mixture between confirming and contrarian indicator

Do not get bearish when others are

Confirming/contrarian indicator



Description and signals

Description:

- Every week the AAI polls its 170,000 members how they feel about the market's performance in the next six months.
- The Bull & Bear AAI shows the number of bulls divided by the number of bears

Signals:

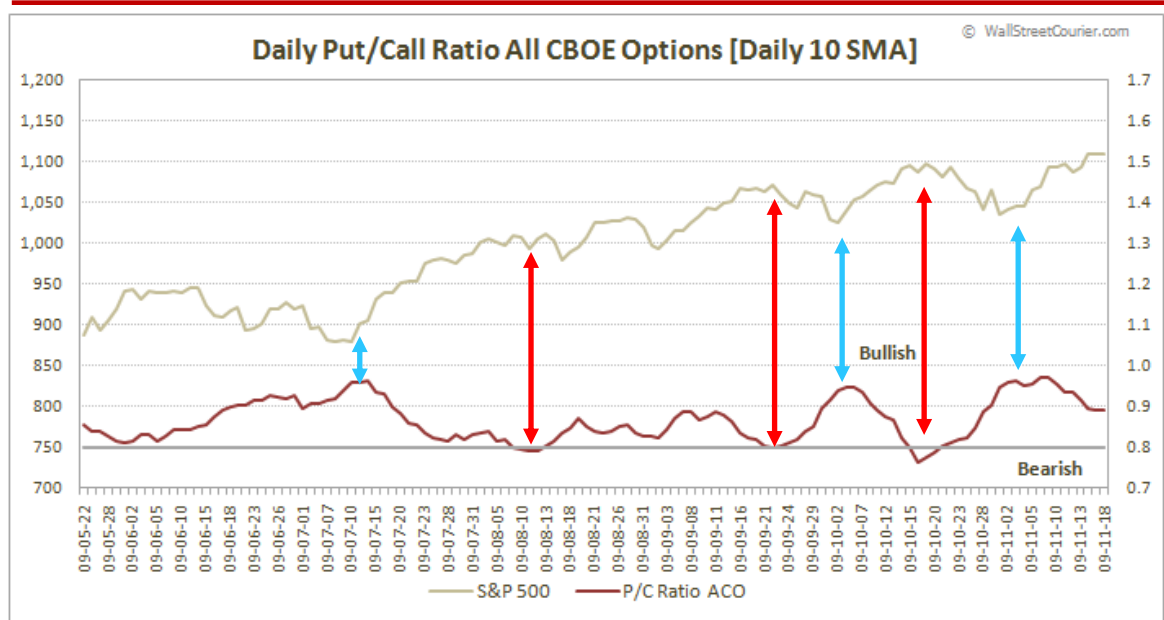
- Bullish: extremely low readings
- Bearish: extremely high readings
- Otherwise the crowd should confirm the current trend



Daily Put/Call Ratio All CBOE Options

Do not buy calls/puts when the crowd is betting on further gains/losses

Contrarian indicator



Description and signals

Description:

- This indicator refers to All CBOE (Chicago Board of Exchange) Options.
- High put/call ratios are often indicative of excessive pessimism and thus of large amounts of money on being at the "sidelines"
- Conversely, low put/call ratios indicate a point at when there is so much optimism causing a very little money left to push the stock or index higher

Signals:

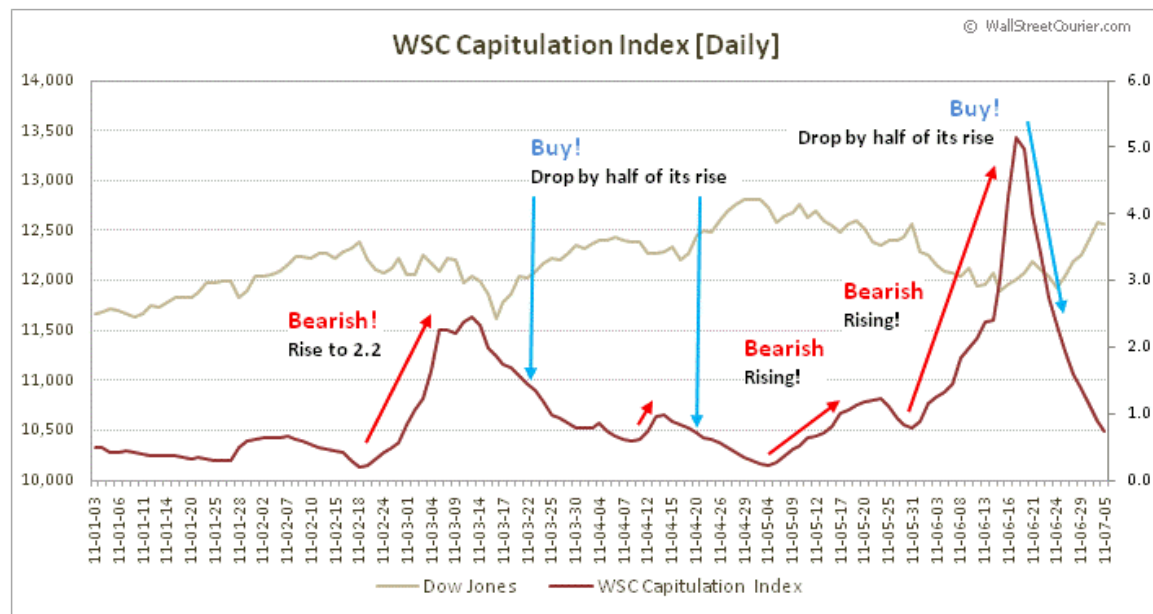
- Bullish: extremely high readings
- Bearish: readings below 0.8



WSC Capitulaton Index

Buy when dumb money is throwing in the towel

Contrarian indicator



Description and signals

Description:

- The WSC Capitulaton Index is shows bottoms when the so called "crowd" gets too bearish. It does not appear very often but it is extremely reliable when the market is at a turning point.
- It prevents long-term investors from buying at the wrong time and works especially well for option traders because of its incredibly perfect timing

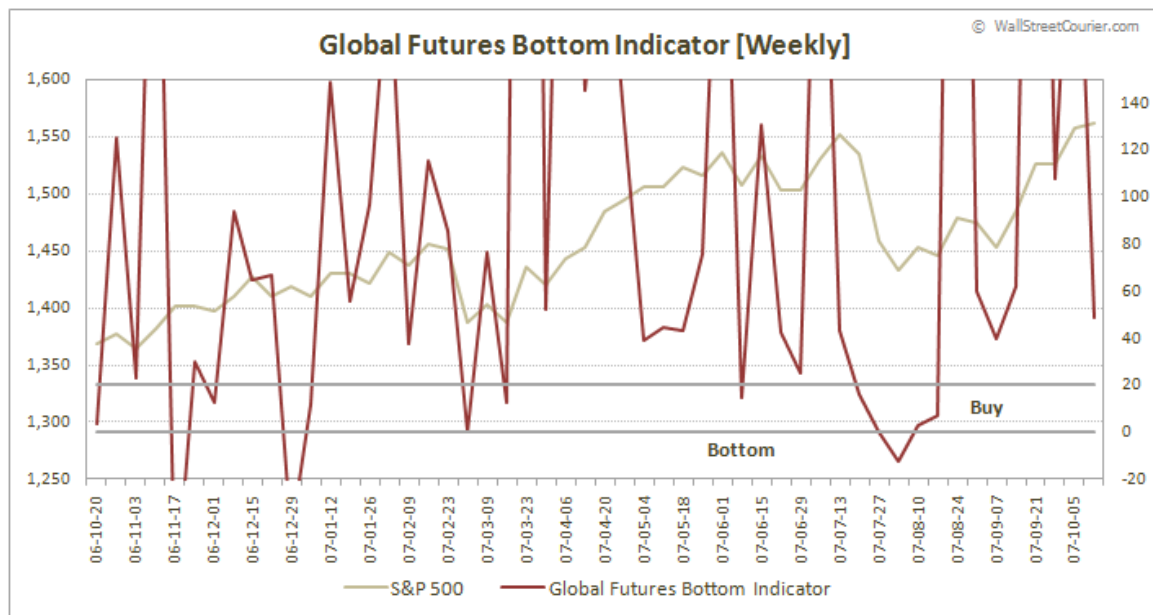
Signals:

- Bullish: gauge of the WSC Capitulaton Index drops by half of its rise
- Bearish: gauge of the WSC Capitulaton Index is rising

The Global Futures Bottom Indicator

Cover your shorts at the bottom

Contrarian indicator



Description and signals

Description:

- The Global Futures Bottom Indicator is derived from weekly calls and puts.
- It does not appear very often but it is extremely reliable when the market is at a turning point.
- It prevents long-term investors from buying at the wrong time and works especially well for option traders because of its incredibly perfect timing.

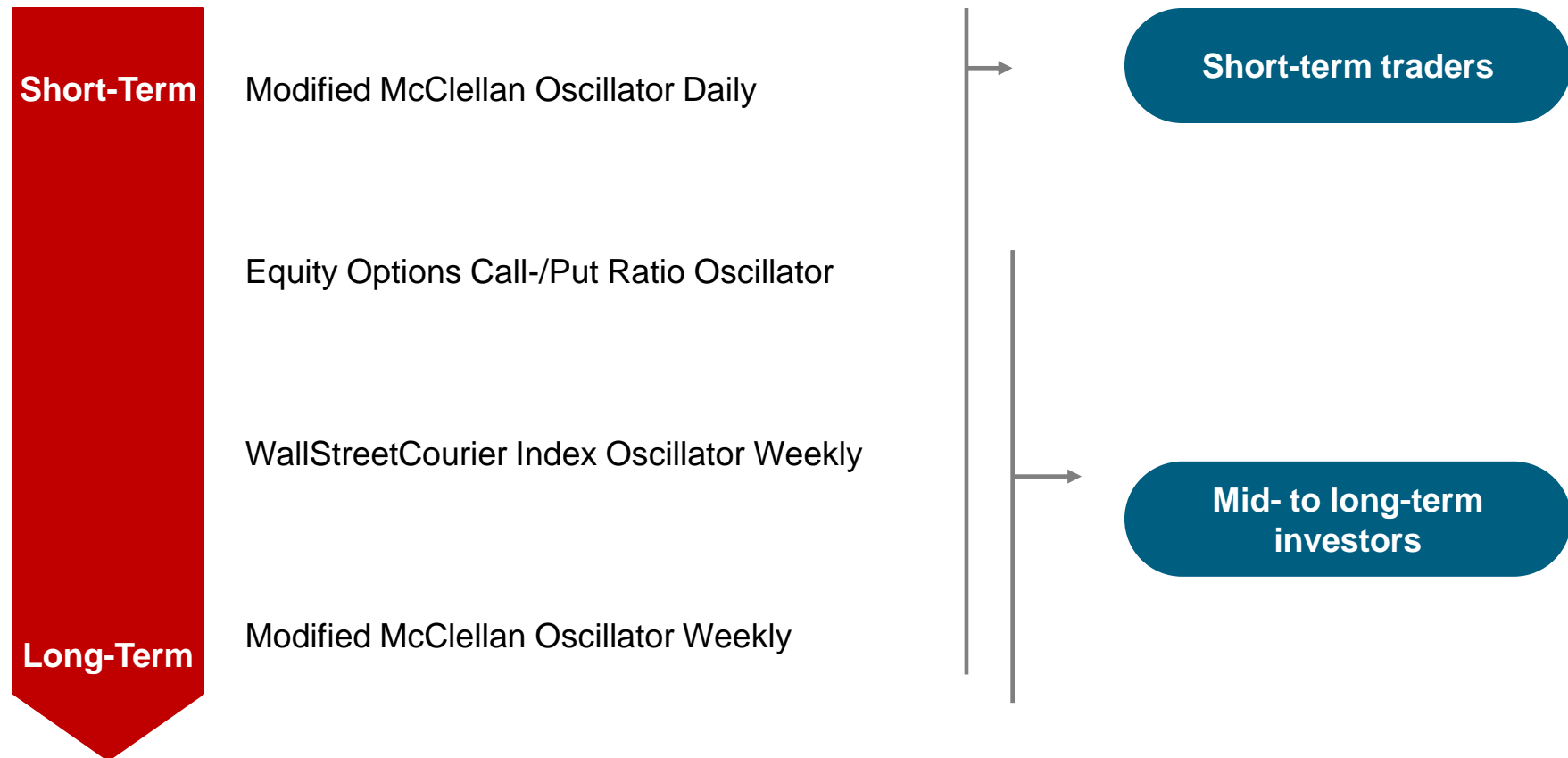
Signals:

- Bullish: gauge of the Bottom Indicator drops below 20
- Bearish: no bearish signals

- 7. Oscillators – a mixture of trend-, breadth- and contrarian indicators – are providing another unique inside about the condition of the market**

Overview of most important oscillators offered by WallStreetCourier.com

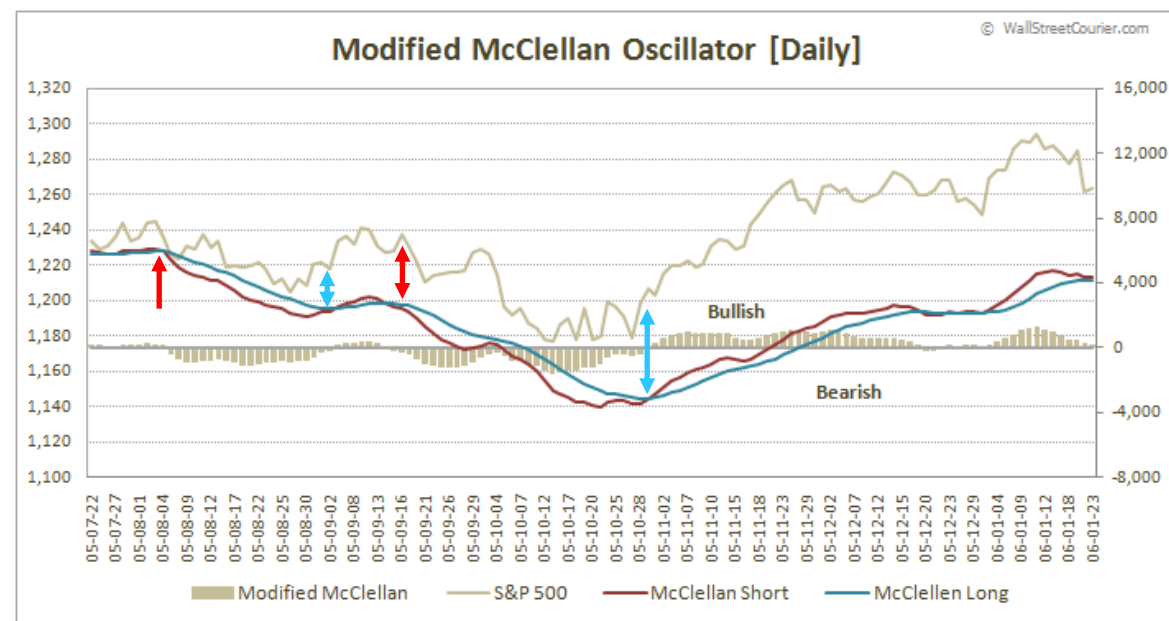
Sorted by nature



Modified McClellan Oscillator Daily – a mixture between trend- and breadth indicator

Use this indicator in combination with other short-term trend- and breadth indicators!

Trend- as well as breadth indicator



Description and signals

Description:

- This indicator is derived from the daily net advances, the number of advancing issues less the number of declining issues
- By applying 2 exponential moving averages (short and longer one) of net advances this is a perfect momentum as well as breadth indicator

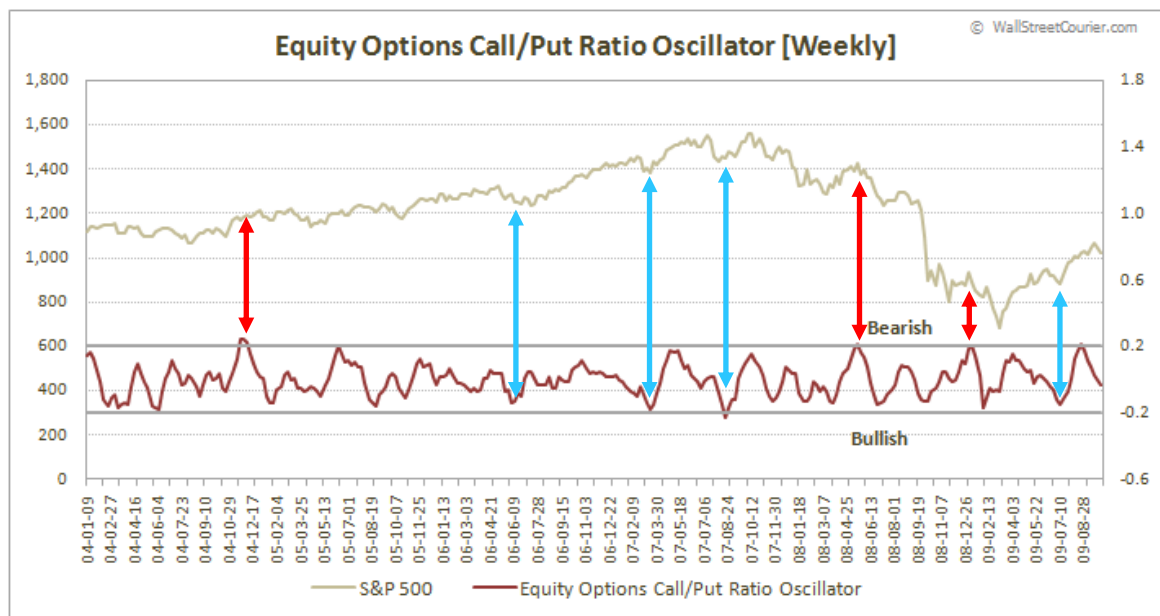
Signals:

- Bullish: McClellan Short closes above McClellan Long
- Bearish: McClellan Short closes below McClellan Long
- Watch out for divergences between the market and the Modified McClellan Oscillator

Equity Options Call-/Put Ratio Oscillator

Measure the momentum of calls and puts which are being bought by the crowd

Options market oscillator



Description and signals

Description:

- The buying and selling activity for puts and calls can be used to help gauge investor sentiment in the market
- The Equity Options Call/Put Ratio Oscillator measures the momentum of the Call/Put Ratio of CBOE Equity Options.

Signals:

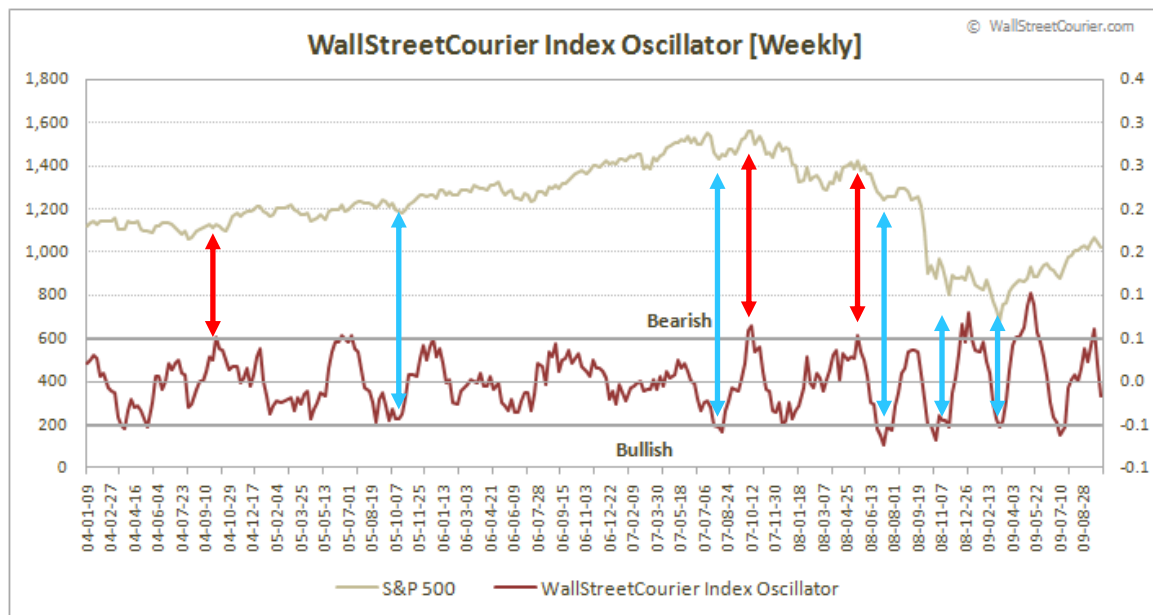
- Bullish: readings below -0.2
- Bearish: readings above 0.2

WallStreetCourier Index Oscillator

Works especially well when the Global Futures Long Term Trend Index is bearish!

Combines options-, smart- as well as dumb money data

Description and signals



Description:

- The WSC Index Oscillator is based on 15 different price information (option data, upticks/downticks data, new highs and lows etc)
- This indicator is a leading indicator as it leads the price move.

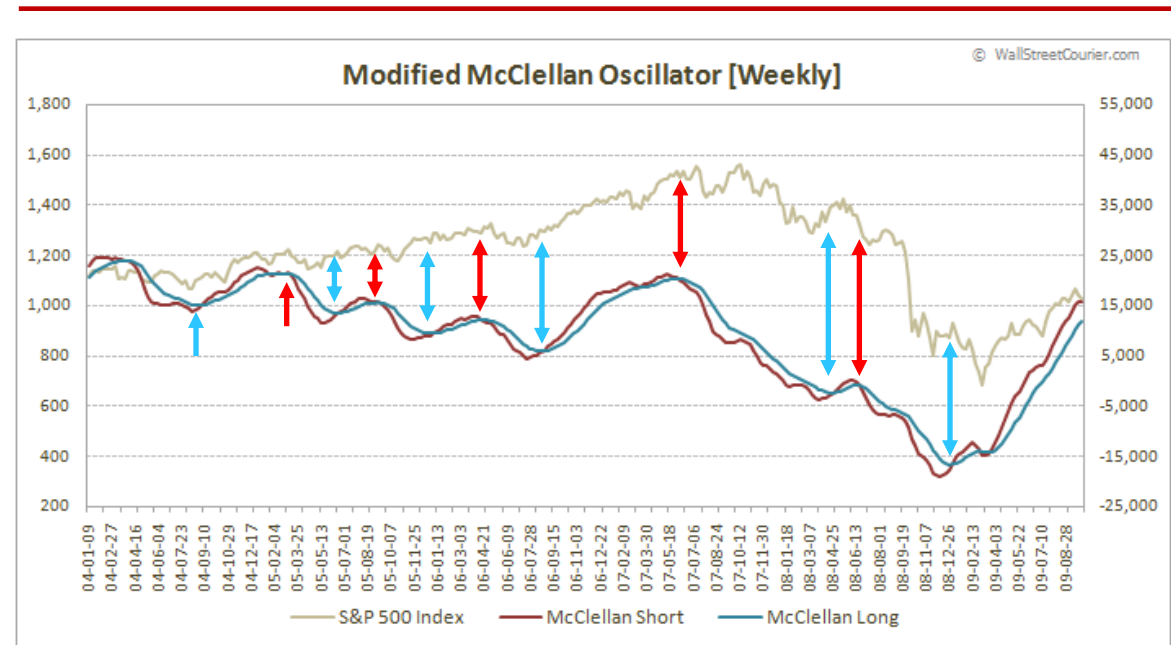
Signals:

- Bullish: readings below -0.1
- Bearish: readings above 0.1

Modified McClellan Oscillator Weekly – a mixture between trend- and breadth indicator

Use this indicator in combination with other mid- to long-term trend- and breadth indicators!

Trend- as well as breadth indicator



Description and signals

Description:





























- This indicator is derived from the weekly net advances, the number of advancing issues less the number of declining issues
- By applying 2 exponential moving averages (short and longer one) of net advances this is a perfect momentum as well as breadth indicator

Signals:

- Bullish: McClellan Short closes above McClellan Long
- Bearish: McClellan Short closes below McClellan Long
- Watch out for divergences between the market and the Modified McClellan Oscillator

A. Appendix

Services offered by WallStreetCourier.com

Name	Description	Short-term trader	Mid- to long-term investor	Low trading experience	High trading experience
Powerful Weekly U.S. Equity Market Research	<ul style="list-style-type: none"> • High quality weekly market research (buy/sell decisions) for the S&P 500 based on our technical indicators • Become a pro by following our weekly market research on a regular basis! 				
Proven Indicators: <ul style="list-style-type: none"> • Trend • Breadth • Contrarian <ul style="list-style-type: none"> – Smart-/Dumb Money – Market Sentiment – Options – Oscillators – Cycles • CFTC/Cot • Investment Process 	<ul style="list-style-type: none"> • Conduct your own research with our powerful technical market indicators • Indicators you need for a sound investment process • Unique daily/weekly updated indicators for traders and investors • Quality before quantity • Guaranteed, you won't find those indicators anywhere in the web • What are you waiting for? • Start a new trading live now! 				
Day Trading Strategies	<ul style="list-style-type: none"> • Eight unique day trading indicators • Beat the market by trading only on certain market behaviors 				
SPDR Sector Rotation Strategy	<ul style="list-style-type: none"> • Weekly updated buy-/sell decisions for the strongest S&P 500 sectors 				
Global Tactical Asset Allocation Strategy	<ul style="list-style-type: none"> • Weekly updated buy-/sell decisions for strongest global market indices 				
Data Downloads	<ul style="list-style-type: none"> • Short interest data for U.S. equities • Commitments of Traders Report Data 				
Free Stuff	<ul style="list-style-type: none"> • Daily market indicators for free • Indicator of the month • Daily/weekly market statistics 				

A.1 Systematic sector rotation investing

Sector rotation investing

Theoretical aspects of sector rotation investing

The basics



- The basic idea behind a sector rotation strategy is that economy operates in repetitive cycles
- An economic cycle is generally divided into four stages: early expansion, late expansion, early recession and full recession.
- The stage in which an economy operates has a significant impact on the profitability and prospects of different sectors (a sector refers to a group of stocks representing companies in a similar line of business or industry)
- For example, consumer staples or the health care sector is considered to be defensive, meaning companies in this sector are generally unaffected by economic fluctuations.
- The health care sector consists of pharmaceutical firms, biotech firms and medical equipment suppliers
- The demand of such products is fairly steady and these companies are not affected by rising or falling interest rates during an economic cycle. Therefore this sector is considered to be very defensive and it mostly outperforms the market during an economic contraction
- Therefore various sectors become more or less attractive at different stages in the economic cycle
- So in other words, at various stages in an economic cycle, certain sectors will outperform and other will underperform the underlying market

Sector rotation investing

Overview Select Sector ETFs yearly performance

Performance Overview Select Sector SPDRs										
Year	Consumer Dis.	Tech-nology	Industrials	Basic Materials	Energy	Consumer St.	Health Care	Utilities	Financials	
1999	16,1%	46,8%	19,1%	18,4%	16,5%	-13,0%	15,9%	-4,5%	0,1%	
2000	-13,3%	-45,1%	9,0%	-16,3%	24,3%	24,4%	-8,6%	22,4%	28,1%	
2001	17,7%	-14,7%	-5,4%	6,9%	-15,5%	-8,1%	3,9%	-13,4%	-6,0%	
2002	-20,9%	-42,6%	-28,5%	-4,6%	-14,8%	-21,5%	-1,2%	-30,3%	-14,3%	
2003	33,7%	32,4%	29,9%	33,5%	23,9%	10,1%	15,1%	23,9%	27,3%	
2004	14,2%	8,9%	18,0%	14,9%	31,1%	9,2%	3,6%	22,7%	12,4%	
2005	-6,0%	0,4%	3,3%	5,6%	37,2%	3,2%	6,6%	16,0%	6,6%	
2006	17,2%	12,1%	12,7%	17,2%	18,7%	13,3%	6,9%	18,7%	17,2%	
2007	-12,9%	16,3%	14,1%	22,6%	34,6%	13,3%	8,1%	19,8%	-19,0%	
2008	-35,1%	-52,4%	-48,0%	-53,4%	-44,6%	-17,8%	-26,2%	-34,1%	-67,0%	
2009	43,5%	47,7%	31,4%	48,0%	31,9%	17,7%	24,1%	18,5%	40,7%	
2010	24,6%	11,9%	25,1%	20,4%	20,9%	12,3%	2,5%	4,0%	12,9%	



Different sectors are more or less attractive at different stages in the economic cycle



Therefore proper sector rotation is key to profitable investing

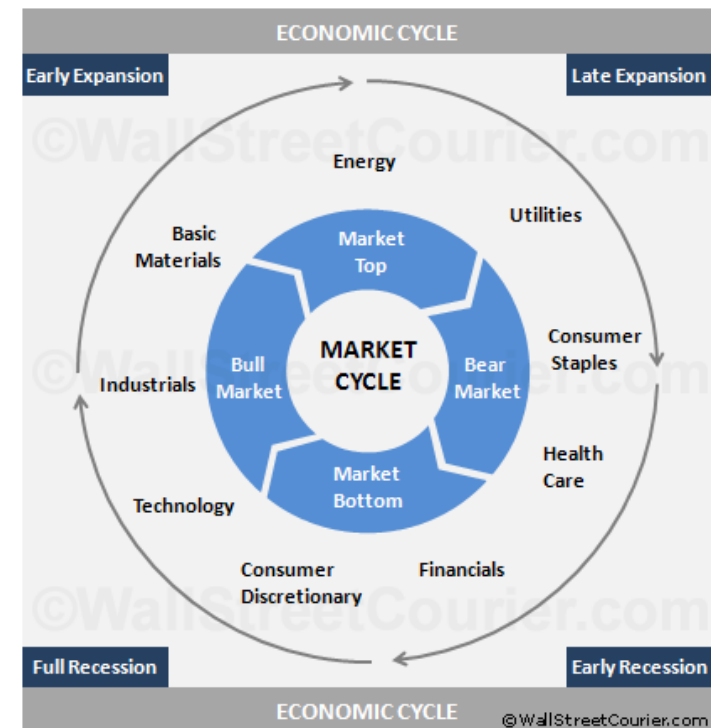
Sector rotation investing

Stock Market Cycle leads the Economic Cycle by 3 to 6 months

Sector rotation in a stock market cycle

- Recall that financial markets often lead the economic cycle by three to six months.
- That means that the stock market cycle is usually well ahead of the economic cycle
- The stock market tries to anticipate each new piece of economic information that is released and respond to it
- Therefore bull markets begin often before a period of early expansion and bear markets begin before a period of contraction
- The graph below shows the relationship between the economic and the leading stock market cycle. Additionally this graph should act as simple roadmap for investors to pinpoint those sectors which should benefit the most during various stages of an economic cycle

Economic- and stock market cycle



The WSC Sector Rotation Strategy

Weekly buy/sell decisions for the strongest S&P 500 sectors

Description

- The WallStreetCourier Sector Rotation Investment Strategy is a long only investment strategy which seeks to generate excess risk-adjusted returns relative to the S&P 500 through a quantitative and systematic investment process
- The target is to limit the downside during a bear market and profit at least as much as the market does during a bull market
- Therefore the main goal is to achieve steady returns and not to outperform the market at any time since the focus is based on the portfolio **accumulation effect** (reinvested gains with steady returns and low draw downs will lead to a higher portfolio value over time).



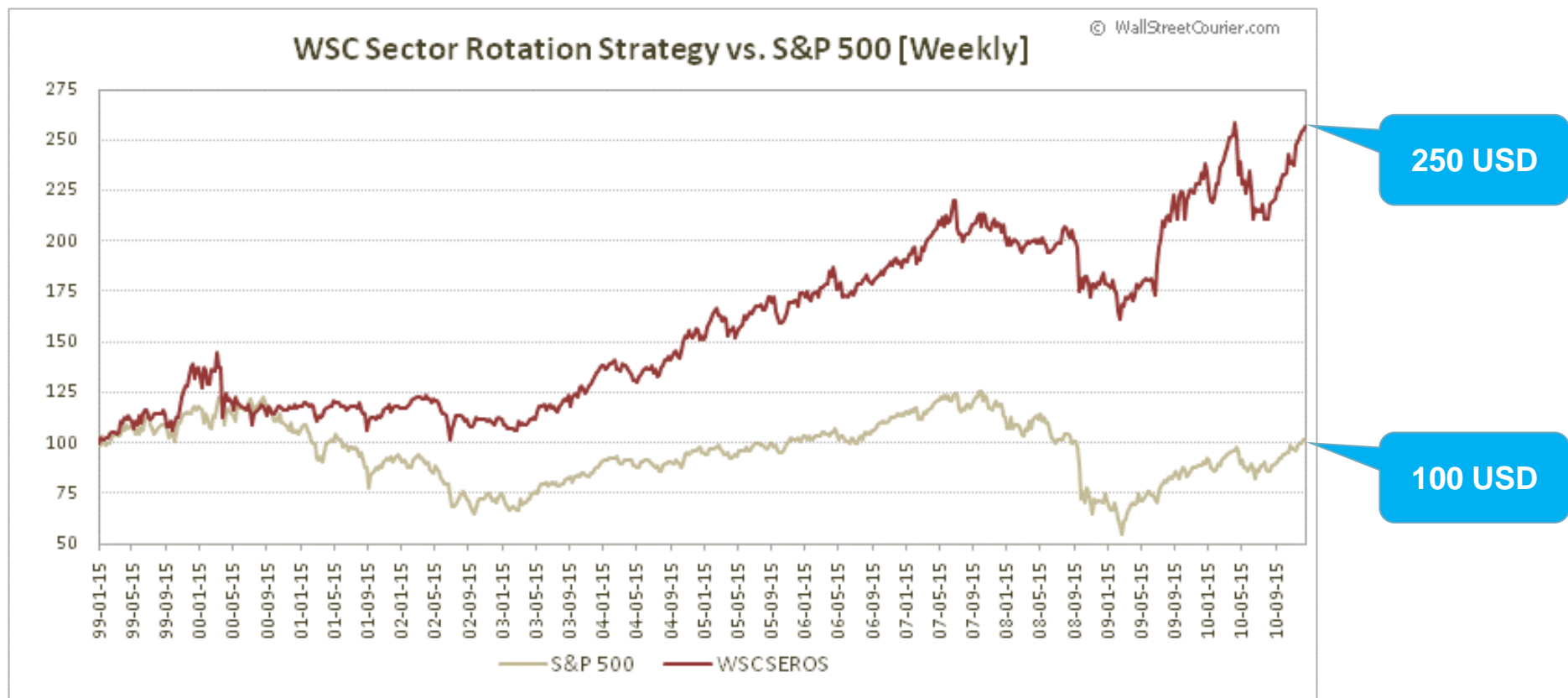
WSC Sector Rotation Strategy

Portfolio Accumulation Effect

- Portfolio Accumulation Effect: Portfolio A has a base value of 100 and gained 50% in the first year and lost 30% in the second year: So the value of Portfolio is 105
- Portfolio B which has also a base value of 100 only gained 30% in the first year and lost 10% in the second year: so the value of Portfolio B is 117.
- The strategy delivers weekly buy and sell decisions based on nine different Select Sector exchange traded funds (ETFs), which represent the primary sectors of the S&P 500 Index, plus an ETF that represents short-term treasuries.
- The strategy seeks to generate excess risk-adjusted returns to the S&P 500

Comparison of the S&P 500 and the WSC Sector Rotation Strategy

100 USD invested in 1999 would have been ...



No transaction costs included

Example of the weekly buy/sell decisions delivered by the WSC Sector Rotation Strategy

Low portfolio turnover and therefore perfect suitable for long-term investors

Markets	Yahoo		Status	Sell Date	Weeks since buy	Performance since buy	Performance S&P 500 since buy
	Ticker	Buy Date					
Consumer Discrt Select Sector SPDR	XLY	6/26/2009	OK		25	30.07%	20.41%
Technology Select Sector SPDR	XLK	6/26/2009	OK		25	22.87%	20.41%
Industrial Select Sector SPDR	XLI	9/4/2009	OK		15	11.89%	8.86%
Materials Select Sector SPDR	XLB	7/10/2009	OK		23	34.03%	25.85%
Financial Select Sector SPDR	XLF	7/17/2009	Sell	12/11/2009	21	18.90%	17.66%

➔ This table will be updated on a weekly basis on www.wallstreetcourier.com

A.2 Systematic global investing

Global Tactical Asset Allocation Strategy (GTAAS)

Weekly buy/sell decisions for the strongest global equity markets

Description

- The WSC Global Tactical Asset Allocation Strategy (GTAAS) is a global investment strategy which seeks to generate excess returns relative to cash and the S&P 500 through a quantitative and systematic investment process that enables members to gain tactical exposure to a broad variety of markets.
- The GTAAS seeks to profit from taking long positions in major world equity markets.
- The strategy could also invest 100% in cash (T-Bills), if global markets do not offer attractive returns.
- The object of the WSC Global Tactical Asset Allocation Strategy is for **experienced** asset allocators with a **short-term trading horizon**

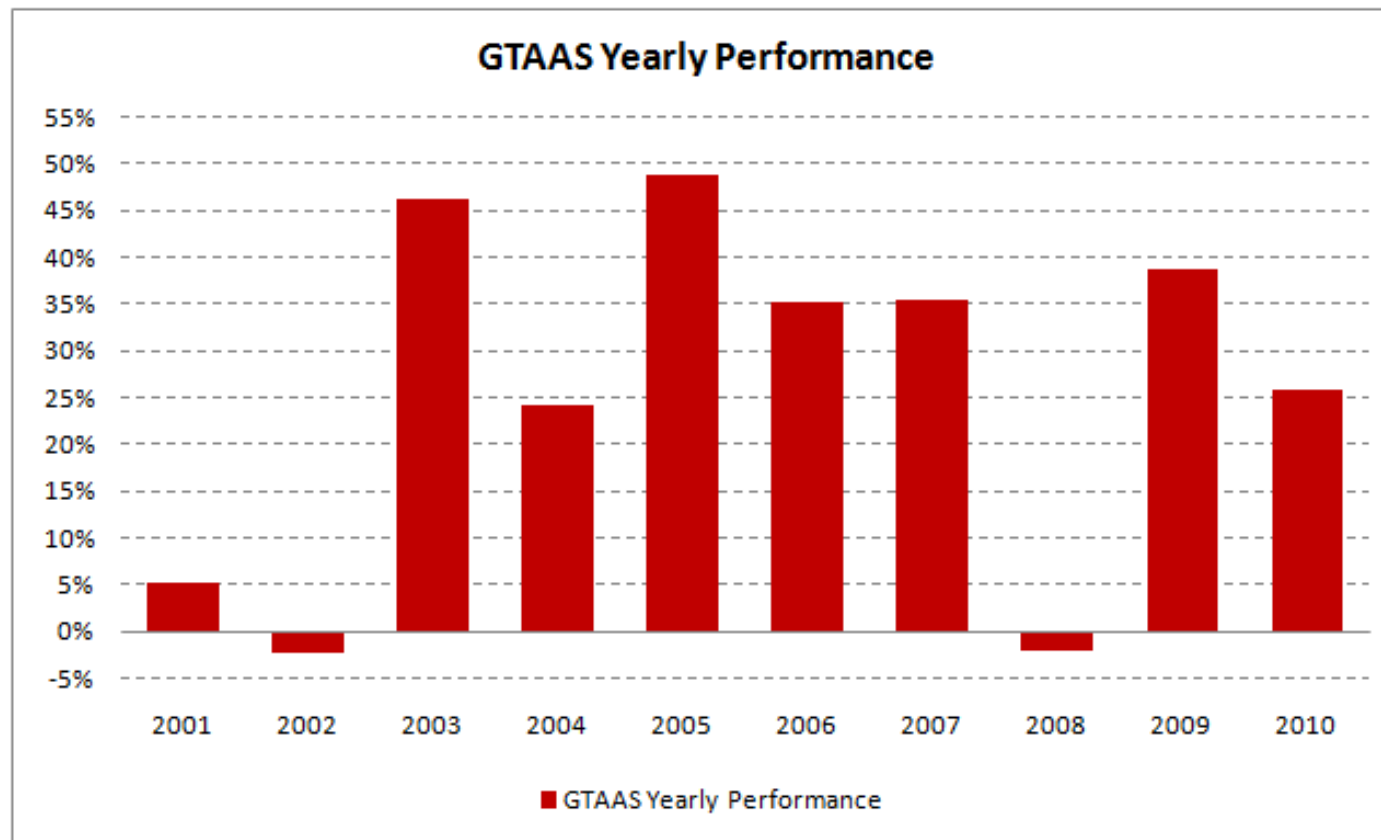
GTAAS

Global markets covered by the GTAAS

- S&P 500 (^GSPC)
- Nasdaq (^IXIC)
- Dow Jones (^DJI)
- France (^FCHI)
- Netherlands (^AEX)
- Germany (^GDAXI)
- Spain (^SMSI)
- Japan (^N225)
- UK (^FTSE)
- Switzerland (^SSMI)
- Austria (^ATX)
- Belgium (^BFX)
- Denmark (^KFX)
- Finland (^HEX)
- Greece (^ATG)
- Russia (^MTMS)
- Slovakia (^SAX)
- Turkey (^XU100)
- Egypt (^CCSI)
- Israel (^TA100)
- Australia (^AORD)
- Argentina (^MERV)
- Brazil (^BVSP)
- Chile (^IPSA)
- Mexico (^MXX)
- Peru (^IGRA)
- South Korea (^KS11)
- Indonesia (^JKSE)
- Malaysia (^KLSE)
- Singapore (^STI)
- Sri Lanka (^CSE)
- Taiwan (^TWII)
- Pakistan (^KSE)
- Philippines (^PSI)
- Venezuela (^IBC)
- India (^BSESN)
- China (^SSEC)
- Hong Kong (^HSI)

Since the Global Tactical Asset Allocation has no benchmark only yearly results are shown

Yearly results of the Global Tactical Asset Allocation Strategy



No transaction cost included, cumulated return in local currencies

Example of the weekly buy/sell decisions delivered by the Global Tactical Asset Allocation Strategy

High portfolio turnover and therefore perfect suitable short-term traders

Markets	Yahoo Ticker	Buy Date	Status	Sell Date	Time (Weeks)	Performance since buy	Performance S&P 500 since buy
Turkey	^XU100	5/26/2009	OK		76	112.06%	33.40%
Argentina	^MERY	9/7/2010	OK		9	24.11%	7.13%
Chile	^IPSA	5/24/2010	OK		24	29.92%	8.79%
Peru	^IGRA	9/20/2010	OK		7	14.95%	5.12%
India	^BSESN	6/28/2010	OK		19	13.99%	9.89%
Hong Kong	^HSI	11/1/2010	Buy		1	0.00%	0.00%
South Korea	^KS11	9/27/2010	Sell	11/1/2010	5	2.75%	3.00%
Indonesia	^JKSE	3/29/2010	OK		32	32.53%	1.43%
Malaysia	^KLSE	8/23/2010	OK		11	7.93%	10.41%
Sri Lanka	^CSE	7/6/2009	OK		7	178.26%	32.00%
Philippines	^PSI	5/10/2010	OK		26	35.86%	6.52%

Find the index on Yahoo

Holding period

Performance since buy

All markets are equally weighted

Date of buy transaction

Weekly status report: buy or sell

Time to sell

➔ This table will be updated on a weekly basis on www.wallstreetcourier.com

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