

Understanding the Technical Information Tables

This brief tutorial is intended to define the features of the technical information tables in a straight forward and simple manner and provide some suggestions of their meaning and on their use. The tables are based upon pure market data, i.e. the weekly or daily trading data. The basic trading data is obtained from commercial data vendors.

Each technical information table provides data and technical information on individual stocks, Indices or futures in the overall group of stocks, Indices or futures of the table. Technical information is provided to define the;

- Price Trend
- Momentum (i.e. Strength) of the Price Trend
- Relative Strength versus the other stocks, Indices or futures in the weekly table
- Percentage performance in the daily tables
- An overall Technical Rating for each stock, Index or future at the time of publication
- And in some cases, an overall rating of all the stocks, Indices or futures in the table

The information and data is provided for the three basic investment time periods;

- Shorter Term (**ST**) (a few days to a few weeks)
- Intermediate Term (**IT**) (a few weeks to several months)
- Long Term (**LT**) (greater than several months)

The intent of these technical information tables is to provide individuals with the market activity information to assist in determining the most appropriate timing of their investment activities. Most important, and missing from most other sources of information, is timely information highlighting a potential change in direction of stocks, Indices or futures allowing the investor to act early in its downward trend, thereby improving investment performance and protecting investment capital.

Table Features

Each table is divided into five (5) vertical sections.

Section 1 presents the Index or futures name.

Section 2 provides the latest closing price and the plus (+) or minus (-) percentage change in price of each stock, Index or future versus the previous period closing price. The previous period closing price refers to the previous Friday for weekly tables and previous day for daily tables.

Sections 3, 4 and 5 are similar sections providing technical information for the shorter term, intermediate term and long term perspective. This information is as follows.

The first column in each of these sections is the average price over the section time period. This is referred to as the moving average (**MA**). The moving average used is the weighted moving average. The next column defines if the **MA** is continuing to improve (+) or continuing to get weaker (-). A blank in this column reflects the latest **MA** as unchanged from its previous value.

The third and fourth columns in these sections provide the price momentum (**MOM**) information, i.e. is the strength of the latest price trend positive (**POS**) or negative (**NEG**) and is such strength getting stronger (+) or getting weaker (-).

The fifth and sixth columns represent the relative strength (**RS**) of each stock, Index or future, relative to the others in the weekly tables. The strongest stock, Index or future is number 1, the second strongest is number 2, etc. If the stock, Index or future's relative strength continues to improve a plus (+) symbol precedes the number. If the stock, Index or future's relative strength is weakening, a minus (-) symbol precedes the number.

For daily tables these columns represent the percentage performance (**PERF**) of each stock, Index or future for the appropriate time period followed by a (+) or (-) to indicate if the performance is improving or deteriorating.

The final column in each of these three sections is a final overall technical rating given to the stock, Index or future based upon the preceding information. The ratings decrease from the strongest to the weakest in the following order:

POS	positive (sometimes referred to as BULLISH)
+ N	plus neutral
N	neutral
- N	minus neutral
NEG	negative (sometimes referred to as BEARISH)

In some tables, at the bottom of the table may be found an overall **BULLISH / BEARISH Percentage** technical rating for the total table, for each time period.

Interpretation of the Table Technical Information

No technique, whether technical or fundamental, used to evaluate stocks, Indices or futures is perfect. No investor should expect the technical information provided in these tables to work perfectly all the time. However, history has shown this information to be very effective to the point that investors would be assuming greater risks in their investments if they invest (or hold stocks) counter to the message of this information.

The following is a brief description of the information in the tables and the message they may be providing. It should be noted that the shorter the time period the more aggressive and timely is the message from the information. However, the shorter the time period the more likely it is for reversals (whipsaws) in the information to occur.

Moving Averages (MA)

The **MA** value is the average closing price of the stock, Index or future over the indicated time period. This **MA** is calculated using a weighting technique which places greater emphasis on recent closing prices and lesser emphasis on earlier closing prices.

If the slope of the **MA** line is pointing upward (the latest value being greater than the previous value) this is represented by a + symbol following the **MA** value and is an indication of price trend continuation upward.

If the slope of the **MA** line is pointing downward (the latest value being lower than the previous value) this is represented by a - symbol following the **MA** value and is an indication of price trend continuation downward.

The **MA** line is a continuous line joining the daily or weekly **MA** values. It is a very popular indicator to assess the **TREND** of the price action. If the closing price remains above the **MA** line, and the line is sloping upward, the trend is considered positive (for that time period). If the closing price remains below the **MA** line, and the line is sloping downward, the trend is considered negative (for that time period).

Should the price close below an upward sloping **MA** line this is a warning sign that a change in trend from positive to negative may be occurring. Should the price close above a downward sloping **MA** line this is a warning sign that a change in trend from negative to positive may be occurring. A confirmation of trend change (for the indicated time period) requires the slope of the **MA** line to turn into the direction of the closing price.

Should the price close below an upward sloping **MA** line and then a week or two later reverse and close back above such positive **MA** line, this is very often a **strong sign** of a positive trend continuation. Should the price close above a downward sloping **MA** line and then a week or two later reverse and close back below such negative **MA** line, this is very often a **strong sign** of a negative trend continuation.

One should normally (but not always) expect to see price trend changes occurring first in the short term **MA** information followed sometime later in the intermediate term and then long term information.

Momentum (MOM)

The term “momentum” is probably one of the most overused and misused terms in the investment industry. Too often one does not REALLY understand what anyone means by momentum. Is it earnings momentum? Is it sales momentum? Is it price momentum, or volume momentum? Or is it any of dozens of other momentums?

As used in these tables, **MOM** attempts to assess the strength of the recent price activity, for the indicated time period. This **MOM** is usually where one might find the first hints of a stock, Index or future topping or bottoming activity in preparation for a trend reversal. Although **MOM** does not usually, by itself, define a trend or trend reversal it is a very important ingredient towards the final determination of a stock, Index or future technical rating.

There are literally dozens of momentum indicators. The **MOM** used for the weekly tables is a proprietary developed momentum indicator. The central feature of this indicator is a zero neutral line. The daily tables use the Relative Strength Index (**RSI**) as the **MOM** indicator. Its neutral line is the 50% line. If the **MOM** value is greater than zero, its strength is considered positive (**POS**). If the **MOM** value is less than zero, its strength is considered negative (**NEG**). A very short term moving average of the **MOM** value is used as a “trigger” line. If the **MOM** value is above its trigger line this implies increasing strength (+). If the **MOM** value is below its trigger line this implies weakening strength (-).

There is no mistaking the message of a + **POS** or – **NEG MOM**. The first suggests a **MOM** value that is above its neutral level and continuing to increase in strength while the second indicates a **MOM** value that is below its neutral level and continuing to get weaker. A – **POS MOM** is one that is still above its neutral level (still considered as a positive reading) but is weakening and heading towards the neutral line. A + **NEG MOM** is one that is still below its neutral level (still considered as a negative reading) but is strengthening and heading towards the neutral line. The next section will offer some suggestions on interpretation of these **MOM** readings when taken along with the other information.

Again, one would usually see a change in the strength of price activity prerequisite to a trend reversal in the shorter term **MOM**, then in the intermediate and finally in the long term.

Relative Strength (RS)

The **RS** information highlights which stock, Index or future has performed best over the indicated time period in weekly tables. The performance of each stock, Index or future is reviewed versus the performance of the other stocks, Indices or futures in the table. The best performer is given the number 1, the second best the number 2 and so-forth. Preceding the **RS** number is a + or – symbol. The + indicates that the **RS** is improving while the – symbol indicates that the **RS** is weakening.

I do not really consider the **RS** as a technical indicator. It should be more appropriately considered as a *COMPARATIVE* indicator as it compares the performance of one stock (or Index) against another.

Performance (PERF)

In daily tables the **RS** is replaced by an actual performance percentage. This percentage indicates the performance of the stock, Index or futures from the beginning of the time period to the latest date. A short term filter is used to filter out some of the more volatile moves. After the performance value a **(+)** indicates that the performance is improving while a **(-)** indicates that the performance is decreasing.

Overall Index or Future Technical Rating (RATE)

The last column in each section provides an overall technical rating assessment as to the technical position of the stock, Index or future at the latest moment in time. The order of the ratings had been defined earlier in this TUTORIAL and reproduced below.

POS	positive (sometimes referred to as BULLISH)
+ N	plus neutral
N	neutral
- N	minus neutral
NEG	negative (sometimes referred to as BEARISH)

There should be no confusion as to the meaning of the **POS** (or **BULLISH**) rating or **NEG** (or **BEARISH**) rating. These may be looked at as the two PRIME ratings. For want of a definition, one has everything good going for it while the other has everything bad going for it, relative to the specific time period. The various neutral ratings, however, require some additional definitions.

The neutral (**N**) rating may be visualized as an Index or future doing nothing in particular at that point in time, for the time period involved. One might visualize an Index or future price going sideways with no identifiable up or down trend (again, relative to the specific time period).

For the **+ N** and **- N** ratings their definitions depend upon where they had been prior to the **+ N** or **- N** rating. Let's take the **+ N** rating first.

Where its previous PRIME rating was **NEG**, a **+ N** rating defines a stock, Index or future that is moving towards the **POS** rating but not quite there yet. Where its previous PRIME rating was **POS**, a **+ N** rating defines a stock, Index or future that may have topped out or is in its initial topping stage, but not yet into the **NEG** area. **+ N** ratings can go either way from there, they can improve and go back to the **POS** or can continue to weaken and eventually become **NEG**. It is a warning rating.

Where its previous PRIME rating was **POS**, a **- N** rating defines a stock, Index or future that is moving towards the **NEG** rating but not quite there yet. Where its previous PRIME rating was **NEG**, a **- N** rating defines a stock, Index or future that may have bottomed out or is in its initial bottoming stage, but not yet into the **POS** area. **- N** ratings can go either way from there, they can weaken and go back to the **NEG** or can continue to strengthen and eventually become **POS**. It is a warning rating.

Putting it ALL Together

All this information is nice, BUT WHAT does one do with it?

These technical information and data tables are provided as an assist towards an investors overall investment strategy. They are provided to assist in the timing of one's purchase, and most importantly sale of stocks to improve performance and limit losses by an understanding of the position of the appropriate markets.

Fundamental analysis defines the strength or weakness of **companies**. Technical analysis defines the strength or weakness of the **price trend**. The two are often in sequence but at crucial junctures they may differ.

Very often one hears that "*you cannot time the market*". This may be true when considered from the fundamental discipline. However, history shows that market timing by the technical discipline has been proven to be a very viable concept. The proviso is that NO DISCIPLINE, fundamental or technical, is perfect all the time and some technical concepts are better than others.

Although there are always individual stocks that may move counter to the trend of the overall market (i.e. market Index), one should never forget the old adage that "*a bullish market lifts all stocks, even the dogs, while a bearish market drives down all stocks, even the cream of the crop*".

Getting the Most from the Information Tables

The following guidelines should help towards getting the greatest benefits from the technical information tables. They are provided in no particular order. The tables and guidelines should be used within an investors overall investment strategy, which might include fundamental as well as technical considerations.

Please note that all guidelines are provided from the view of a market technician. They may or may not conform to guidelines provided from other disciplines.

- It is very important to understand one's investment time horizon before making use of these tables. One might look at different information when one is concerned with intermediate term investing versus long term investing.
- The tables are primarily for the benefit of those with an intermediate or long term focus. The shorter term information is only included as an assist in determining intermediate or long term position of the Indices or futures.
- The shorter term information found in the weekly tables **SHOULD NOT** to be used for short term trading. Although often very accurate, they **ARE NOT** developed for that purpose and **ARE NOT** appropriate for short term trading.
- One should first determine the overall market direction before considering any investment commitments, i.e. is the market Index bullish or bearish.

- Once the overall market direction is assessed then the strength of the industry groups should be reviewed.
- Once you are comfortable with the market direction and the strength of the group, you can now concentrate on the individual stock.
- A stock, Index or future first turns positive (or BULLISH) when the price first crosses a + **MA** on the up side. Usually the **MA** turns up a few weeks after the price first crosses above the **MA**. This usually provides time to be prepared for a new trend.
- A long term investor would wait for the long term (**LT**) information to be **POS**, HOWEVER, if the **LT** information is moving towards the **POS** one might be a little more aggressive and buy on the intermediate term (**IT**) signal. In any case, the price should be above its **LT MA**.
- An intermediate term investor would wait for the **IT** information to be **POS**; HOWEVER, if the **IT** information is moving towards the **POS** one might be a little more aggressive and buy on the **ST** signal. In any case, the price should be above its **IT MA**.
- To act on information from the next more aggressive time period, the **RATE** should be **POS** for that time period.
- Regardless of your investment time horizon, if the **ST** information suggests a negative **ST** trend new investments within that particular stock, Index or future might be held off until such **ST** information improves. Remember, almost all new trends are first shown in the **ST** information.
- One should never enter a trade on the buy side unless one already has a firm criteria of exiting the trade, either with a profit when one is correct or at a small loss should the trade go against one. The best criteria, in my view, is one based upon technical considerations.
- It is always better to admit an error of judgment and take a small quick loss than to HOPE for the best and end up taking a huge loss.
- REMEMBER, if the trend direction turns on you, **you have made a mistake**. GET OUT and protect your capital. Do not argue with the trend. It is always possible that this itself MIGHT be a mistake. But if it is then you still have the capital to get back in and call any loss of profit an insurance premium. If the trend reversal was right and you did not heed the warning, you will not have the capital to invest at much lower prices.
- If the **MOM**entum rating in a stock, Index or future of interest has recently decreased in strength, this is a warning that a top has occurred or may not be far away, not the time to be buying within that stock, Index or future. Should the **MOM**entum rating reverse and strengthen then that would be a time to reconsider and review other information for appropriate transaction timing. Again, one might want to watch the **MOM** rating for the

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next more aggressive time period as a guide of what to expect ahead in your investment time period.

- A famous saying from a hundred years ago; *"If your investments cause you to lose sleep, sell to the sleeping point"*.
- One note about "**MOM**entum". Very often one might have a **MOM** that, although **POS**, is below its "trigger" line and moving lower, towards the zero line. This, while the stock price continues to moving higher. What this tells us is that the initial upside price move was quite aggressive and could not continue at such aggressive rate. The price then reverts to a less aggressive rate but still in an upward direction. **MOM** picks this change in price momentum and we get a – symbol (decreasing momentum) for a **POS MOM**. A change in momentum from + **POS** to – **POS** is therefore sometimes of little concern until the change goes further.

One Problem with the Tables

The first decision a programmer must make when developing an automatic program (such as the one that develops the technical tables) is "what is the primary intent of the program?". In developing the tables of information and data our primary focus was in developing a table of technical data that will assist users in determining the trend of the stock, Index or future price action. The final **RATE** (rating) does that effectively. Although the **RATE** in the tables provides a good assessment of the trend of stock, Index or future price movements there are times when a stock, Index or future price goes through a considerable period of sideways motion. During such extended sideways motion the technical information and stock, Index or future **RATE** may go through a period of whipsaws, i.e. ratings alternating from positive to negative due to the volatility of the sideways action. This is the one problem with these tables.

BROKERS or INVESTMENT ADVISERS

An investor, speculator or gambler should not act on technical information provided in the tables without checking the advisability of such action with one's broker or investment adviser. These tables are provided for information only and not intended as purchase or sales recommendations.