

Rambus Chartology

Moving forward

Wednesday Report...

Posted on [April 1, 2020, 11:20 pm](#) by [Rambus](#)

After the crash in the stock markets we experienced over the last month or so the indicators for buy and sell signals can be mixed until a new trend is established. We can end up with just as many buy signals as sell signals which can make it a bit confusing. Tonight we'll look at some buy and sell signal charts that I don't post very often because the signals they give are fairly rare but most of the time can be pretty useful.

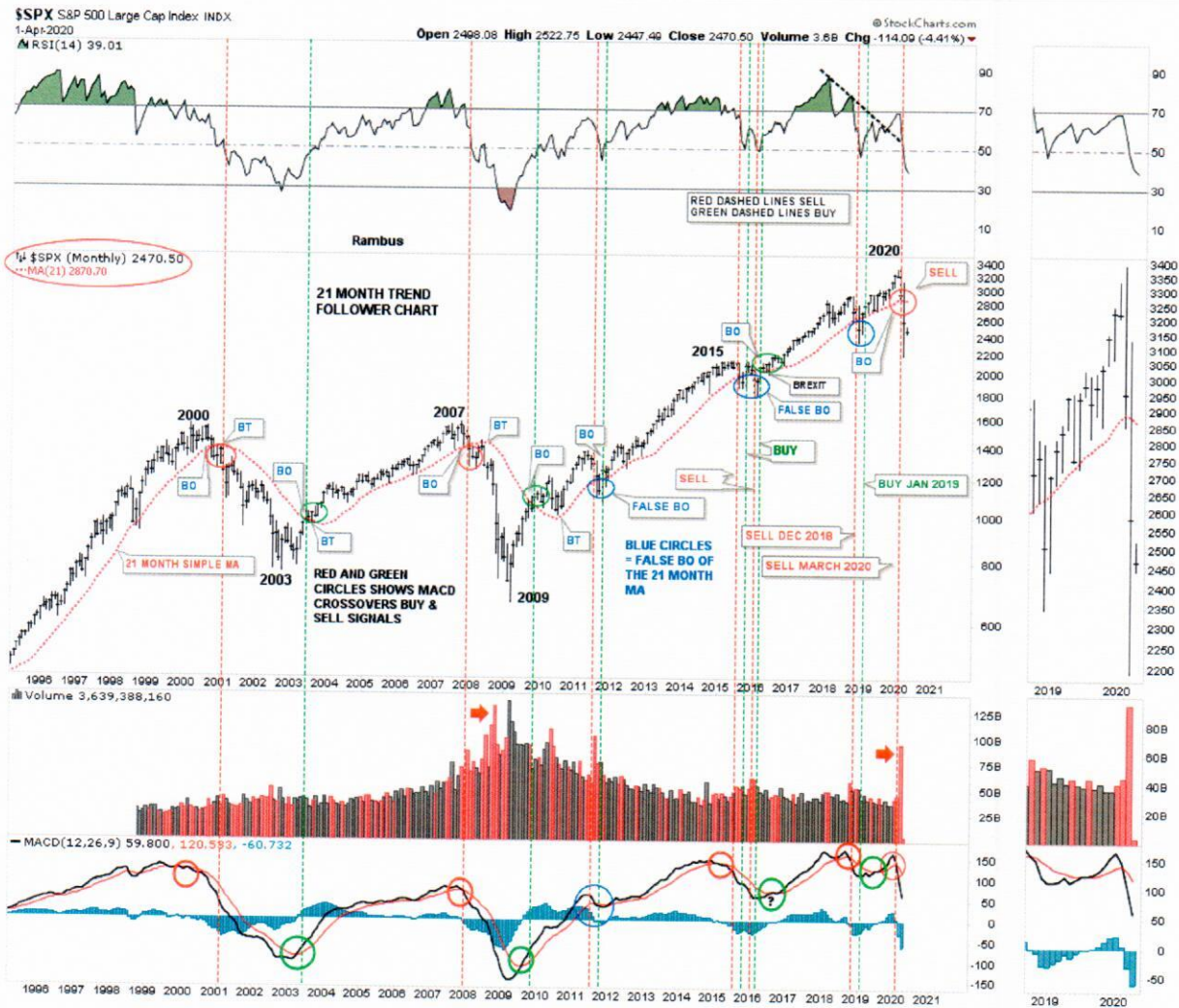
I would like to start with the one indicator that I like to use which suggests that we are either in a long term bull or bear market. Long term members will recall the 21 month trend follower chart using the SPX which uses just the 21 month sma for long term buy and sell signals. It's mechanical and very easy to use. When the price action is trading above the 21 month sma you are on a long term buy signal and when the SPX is trading below the 21 month sma you are on a sell signal.

The 21 month sma works just like a moving trendline. When the SPX breaks out above the 21 month sma you are on a buy signal. Most of the time after a buy or sell signal you will get a backtest just like on a normal trendline and then the impulse move.

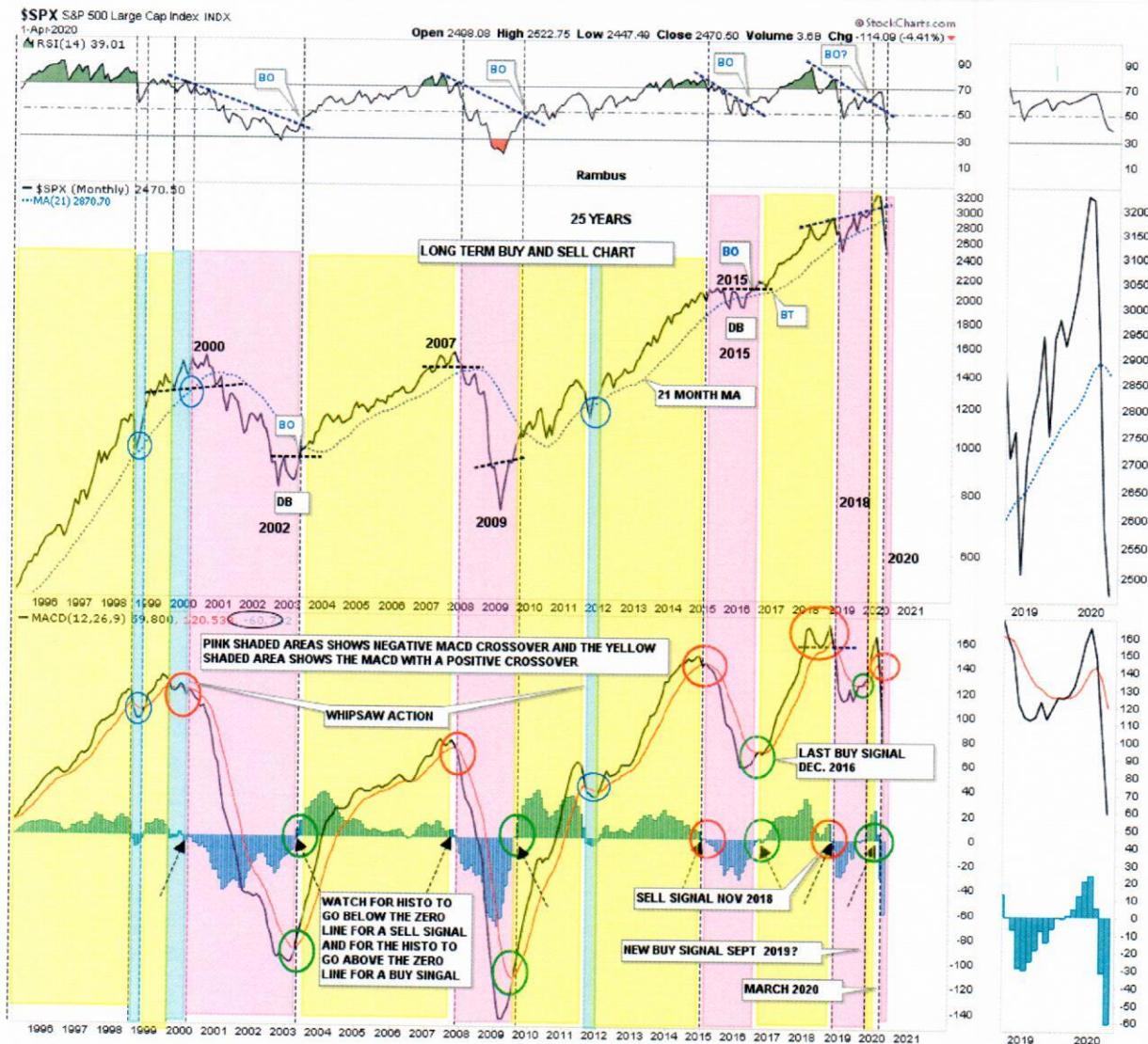
Below is a 25 year monthly chart for the SPX which shows all the buy and sell signals as shown by the green and red circles. Last month, March, we got the first sell signal since the last buy signal which was given in January of 2019. The current sell signal just given in March will stay on a sell signal until the SPX can close a month above the 21 month sma. I won't go into a lot of details as we've been over this chart many times over the years but if you start at the left hand side of the chart you can see the sell signal given at the 2000 secular bull market high, red circles. The green circle shows the buy signal in 2003 with the next sell signal given at the 2007 top just before the 2008 crash.

The blue circles show a whipsaw where the 21 month sma breached but once the SPX rallied back above the 21 month sma it was back on a long term buy signal. Over the last 25 years we have just 3 whipsaw sell signals that were immediately reversed to a buy signal. Before we move on follow the price action to see how it interacts with the 21 month sma for buy and sell signals with the breakouts and backtests.

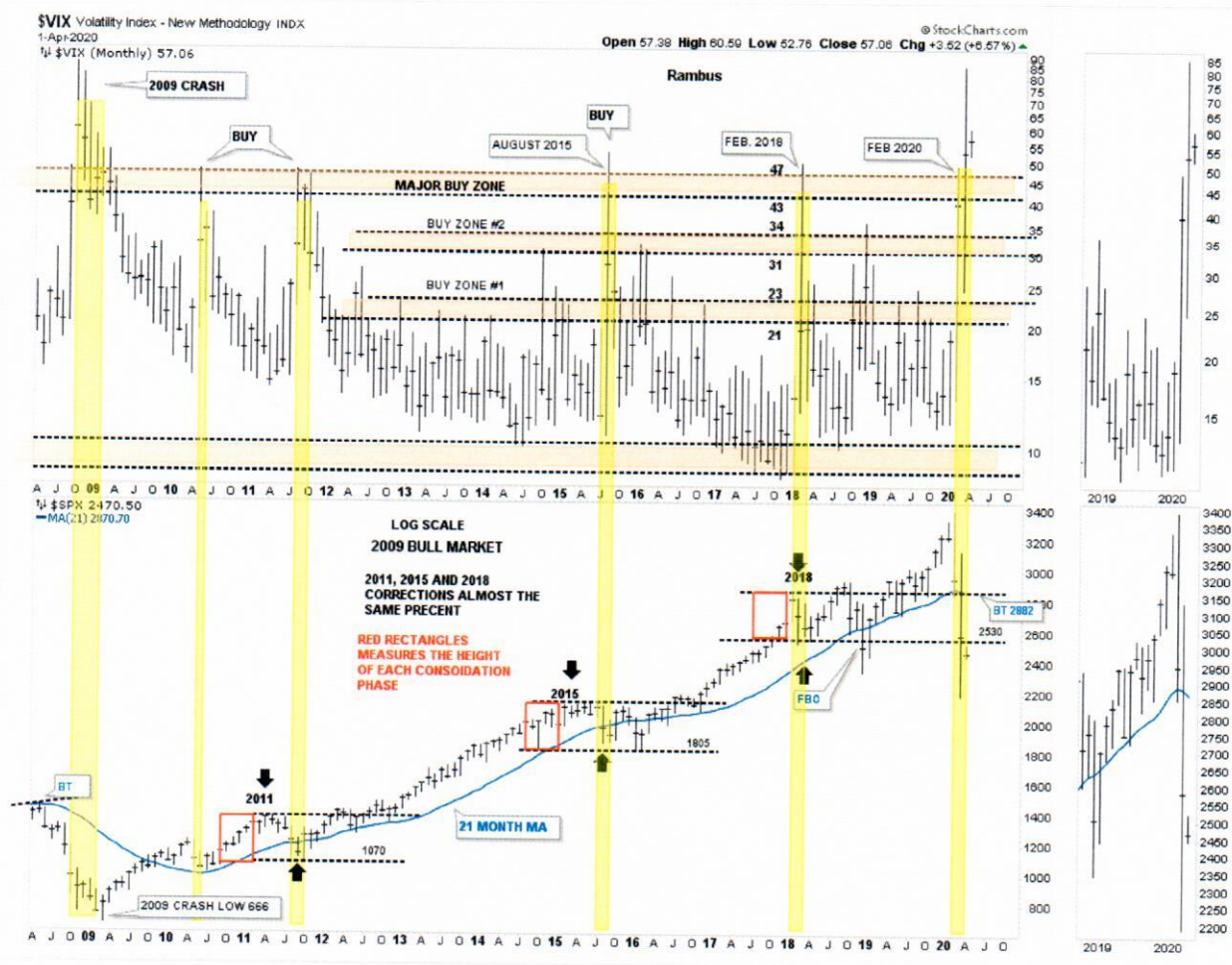
The current setup with last months sell signal says we are now in a bear market and will stay in the bear market until the SPX can close a month above the 21 month sma which is currently at 2870.



This next chart I use in conjunction with the 21 month Trend Follower Chart which uses the MACD and HISTOGRAM. When the black line crosses below the red line on the MACD, red circles, and the blue histogram crosses below the zero line you have a long term sell signal and just the opposite for a buy signal. This indicator just gave a sell signal in March of this year that coincides with the 21 month trend follower sell signal on the chart above. It will stay on a sell signal until the MACD has a positive cross, green circles and the blue histo trades above the zero line.



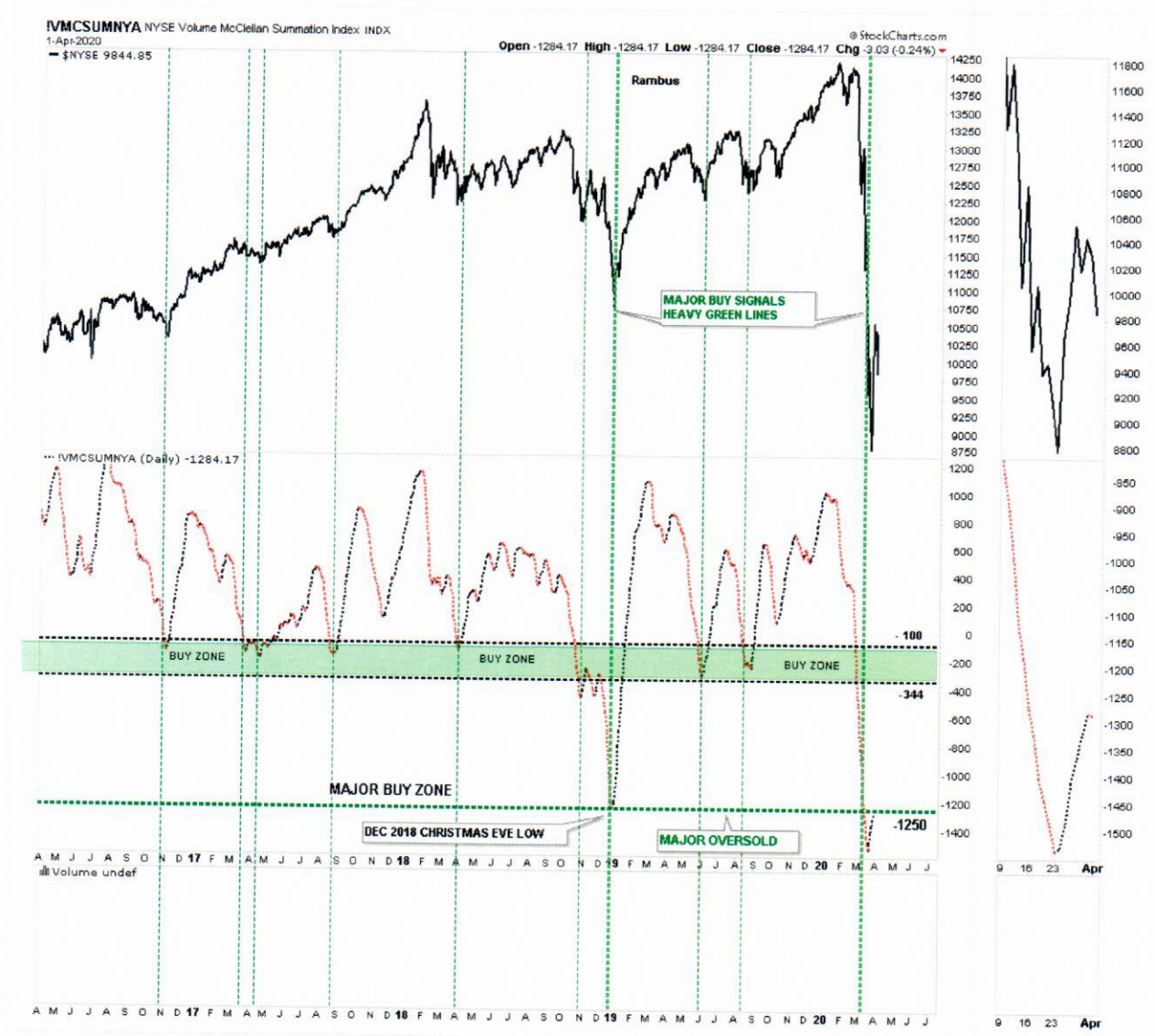
Many of these next charts have been around for years that are widely used by many technicians. Most have their own way they like to interpret the information. This next chart is a 10 year monthly chart for the VIX. I only use the VIX for buy signals as I never found it useful for sell signals. During the bull market years a spike above the 45 area is usually a good buy signal as shown but the yellow shaded areas. If the VIX keeps trading above the 45 area and refuses to move lower that can be a sign there is trouble in paradise. In 2009 during that crash period the VIX stayed elevated for close to 7 months in the Major Buy zone. The VIX is now entering into its 3rd month above the major buy zone which could be suggesting we have entered into a bear market. The last time this happened was in 2011 which ended up just being a strong correction in the ongoing 2009 bull market. This time however the SPX is trading below its 2019 trading range and has made an inter month low.



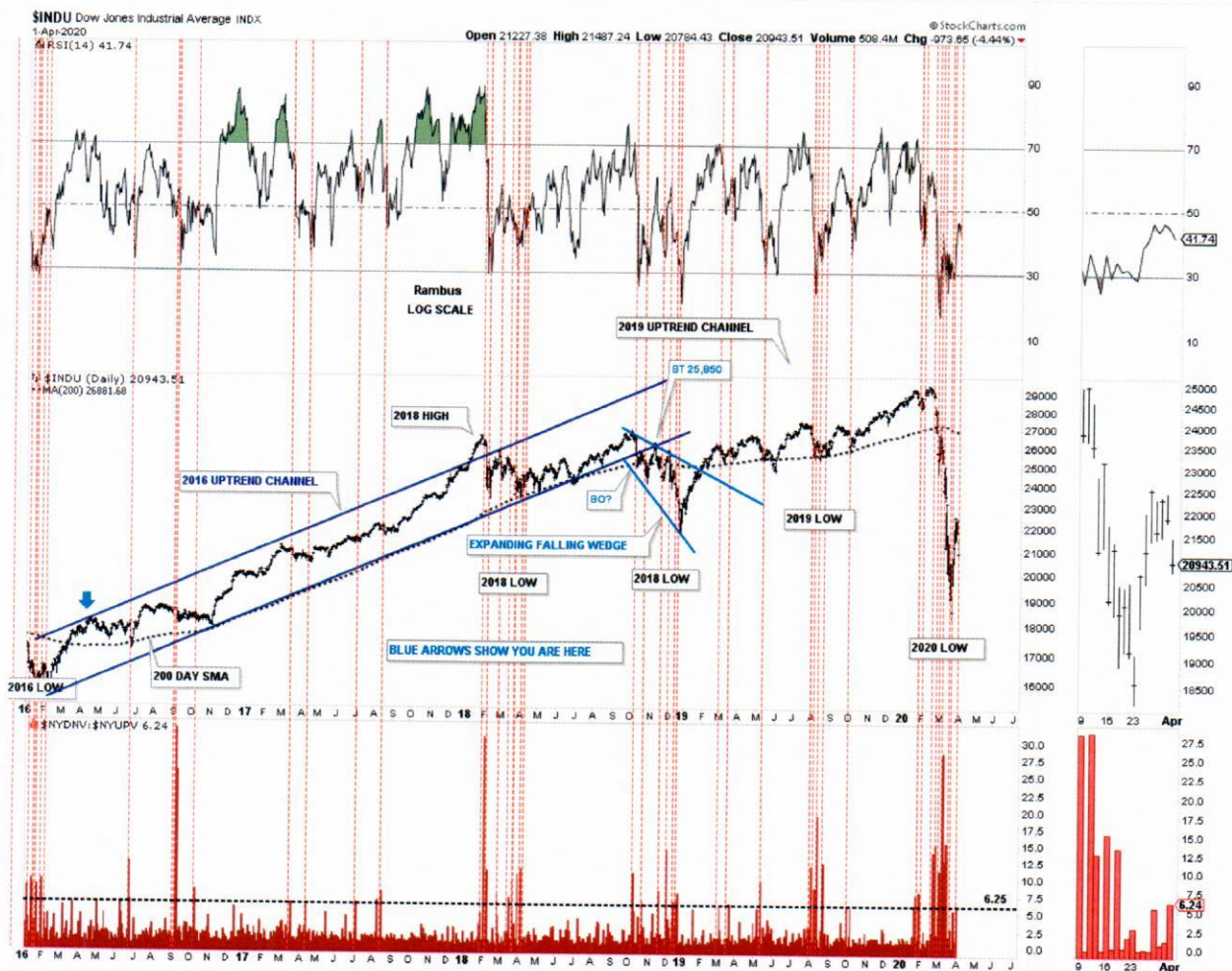
I realize how bearish most members are and could never bring themselves to ever go long the stock markets which is understandable as trading the markets is more psychological warfare than anything else. I would now like to show some charts that I don't post very often because the buy signals don't come around very often only at very oversold conditions. The current stock market crash has given us some very oversold conditions that are close to historic in some cases. If buying an important bottom was easy everyone would be doing it. I took a few positions over the last week but got shaken out today to keep my losses to a minimum. Was it the right decision? Time will tell. I can always get back in if a good setup takes place.

Now lets look at some charts which show just how oversold the stock markets are and how this area could be an important long term low which won't be known for many months or even years.

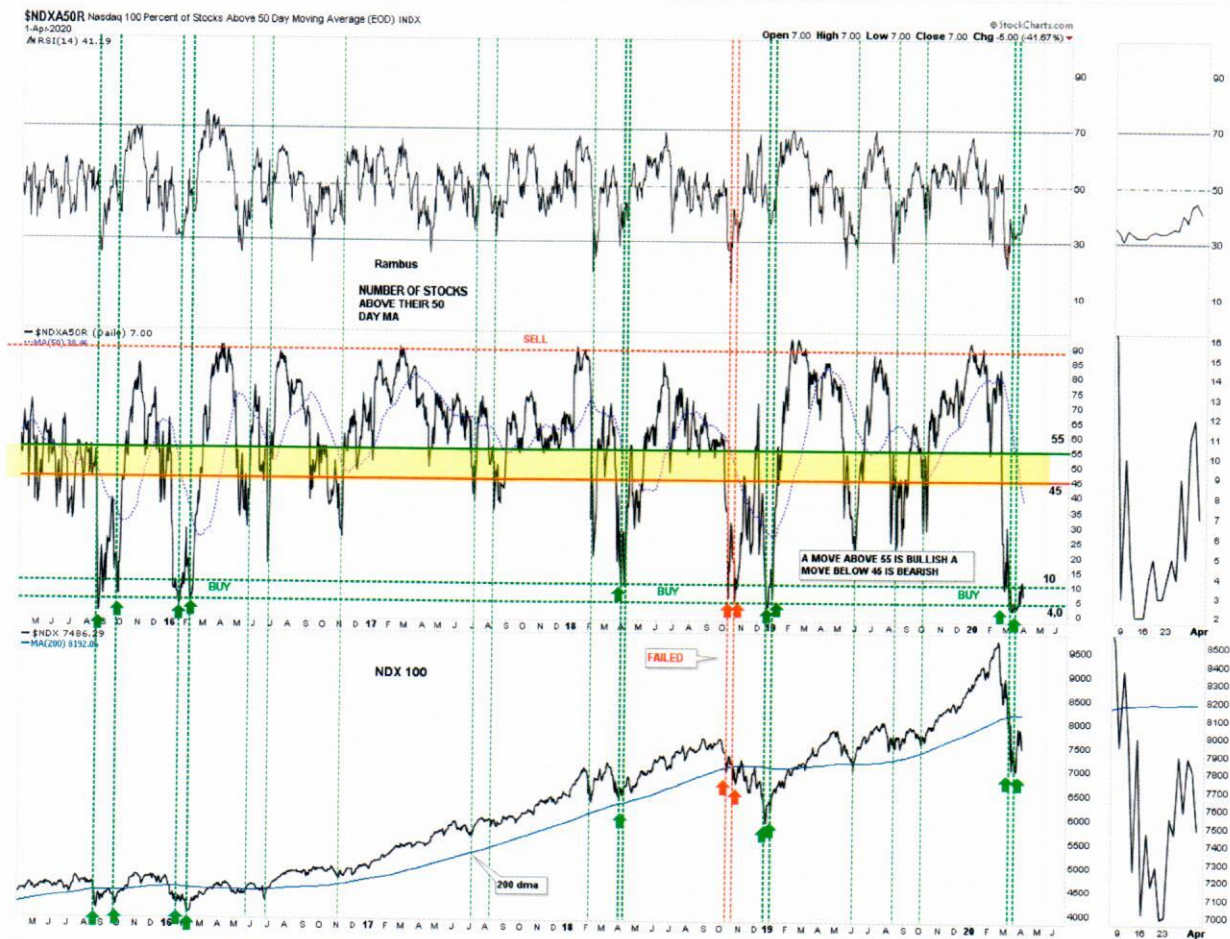
This first chart is a combo chart which has the McClellan Summation index on the bottom with the SPX on top. The Summation index is the most oversold in 4 years with the December 2018 Christmas Eve low putting in a strong bottom for the SPX which led to a major rally. This index is even more oversold now.



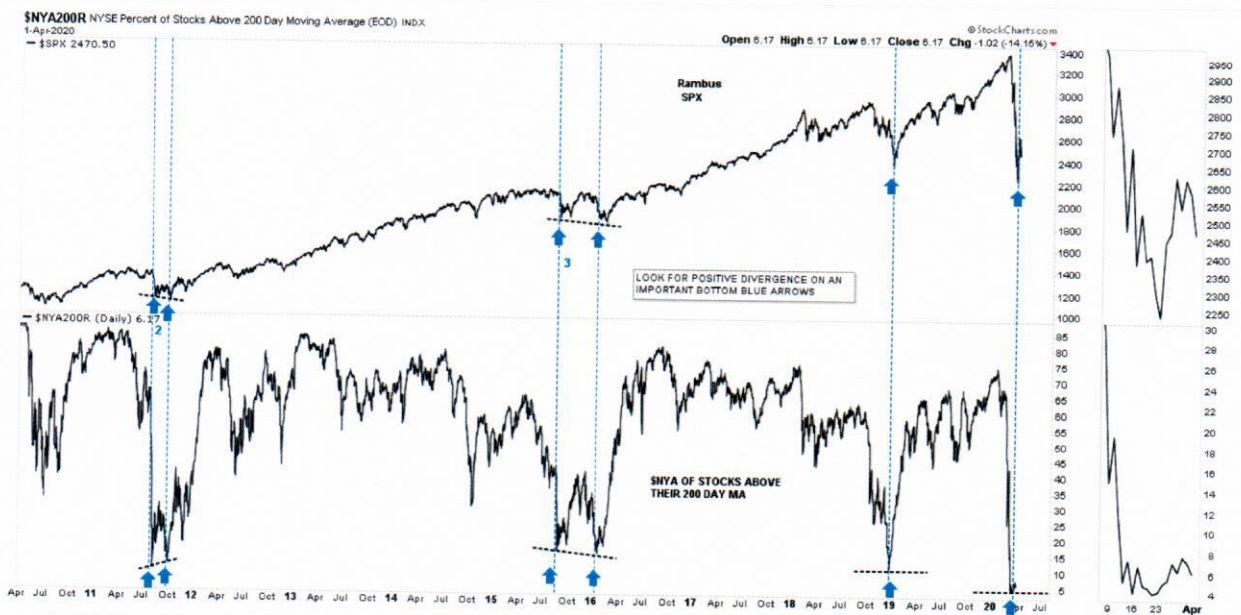
This next chart uses the down to up volume for buy signals. The red vertical dashed lines show that when the down volume exceeds 6.25 there is some pretty good selling taking place. Normally during a strong impulse move higher we might see just a day or 2 of strong selling to shake the bush and then the rally continues. On the other hand when we begin to see many days of red vertical dashed lines without the price rising much it can be a sign of a correction. Note all the red vertical dashed lines that have formed since February of this year which is showing a lot of strong selling taking place. This type of selling can eventually lead to a strong impulse move higher like in 2016, 2018 and 2019.



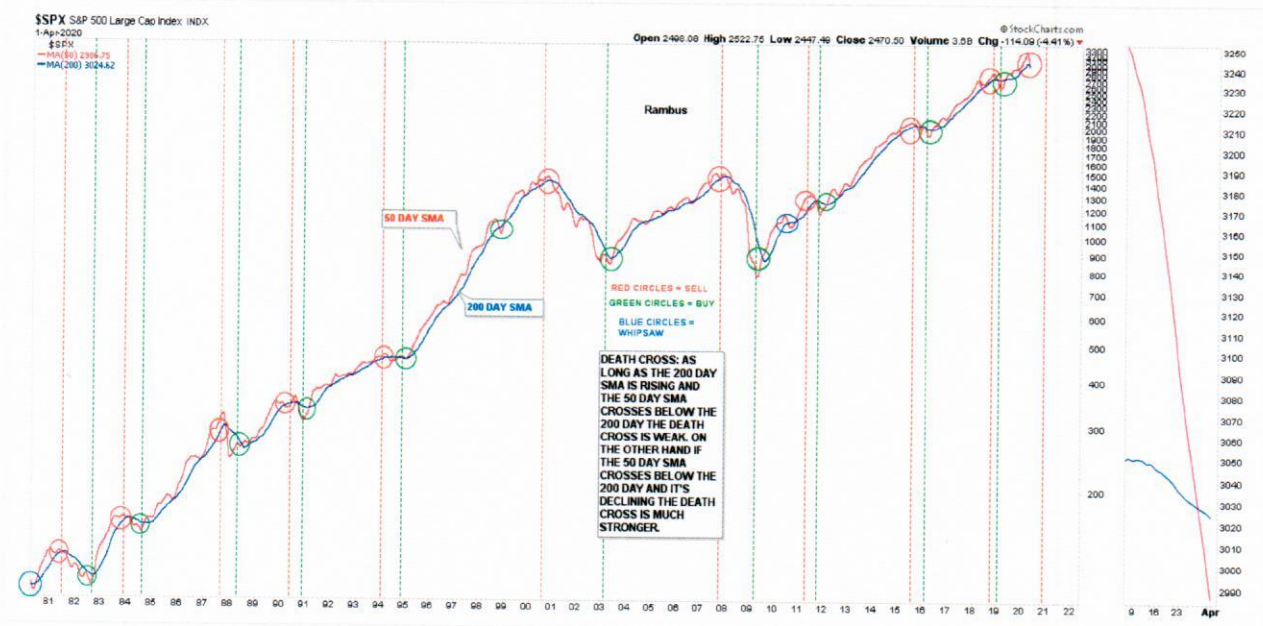
Most technicians are familiar with this next chart which shows the number of stocks above their 50 day ma. This combo chart has the \$NDXA50R, number of stocks trading above their 50 day ma, on top with the \$NDX on the bottom. The heavy dashed green vertical lines shows a very strong oversold condition with the thin dashed green vertical lines showing a modest oversold condition with the red vertical dashed lines showing a failure. You can see the \$NDXA50R is the most oversold it has been in the last 5 years.



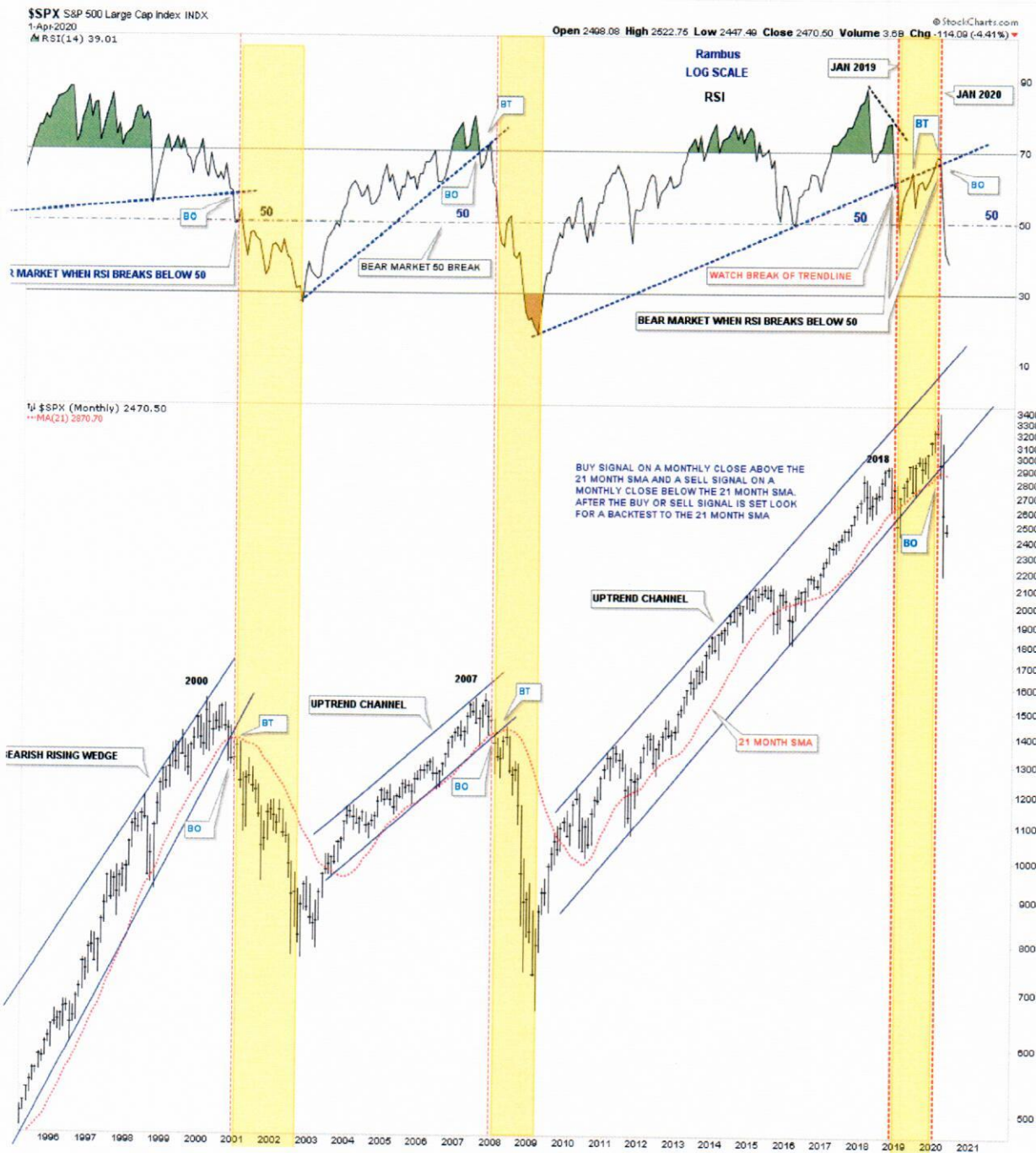
This next combo chart has the \$NYA200R on the bottom with the SPX on top. Here you can see the \$NYA200R is the most oversold going back 10 years. Sometimes there is a divergence at the lows which can offer a good spot to get in. Lets see if we get a second low for some type of divergence.



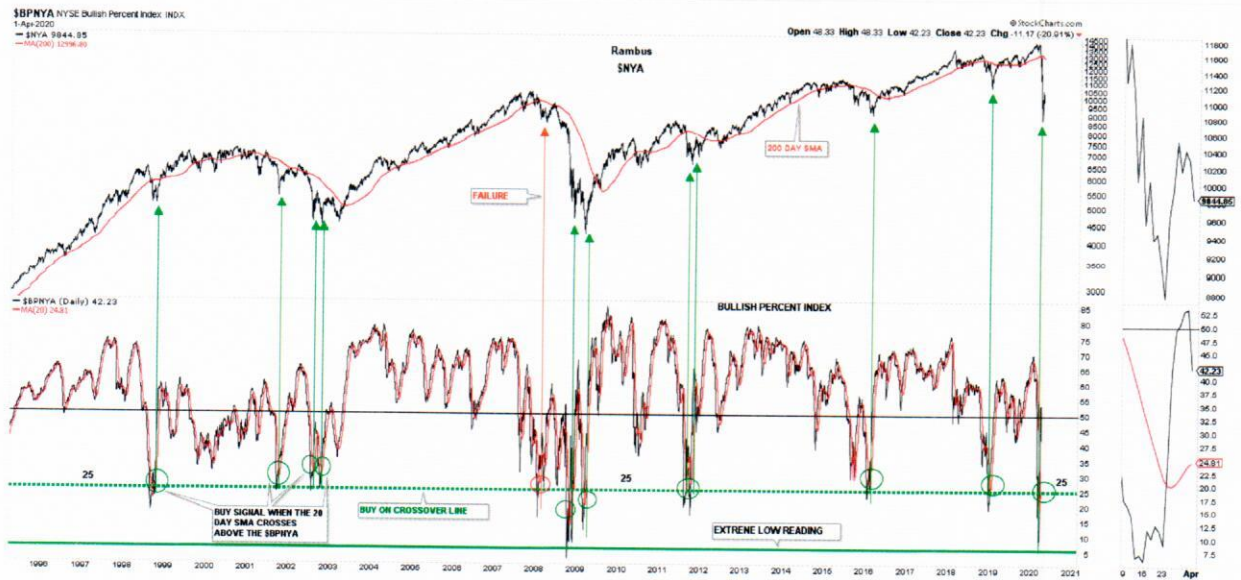
On the bearish side this long term chart for the SPX shows the recent death cross where the 50 day sma crossed below the 200 day sma while both were moving lower which gives the sell signal a little more credence.



This next combo chart uses the RSI on top with the SPX on the bottom. This chart is currently showing a bearish setup for the SPX. A sell signal, which doesn't come around very often is generated when the RSI breaks below its rising trendline and moves below 50. Back in January of last year the sell signal was close to exciting but the RSI couldn't stay below 50 so the sell signal was negated. Fast forward to last month which has now generated a sell signal as the RSI is trading well below 50.



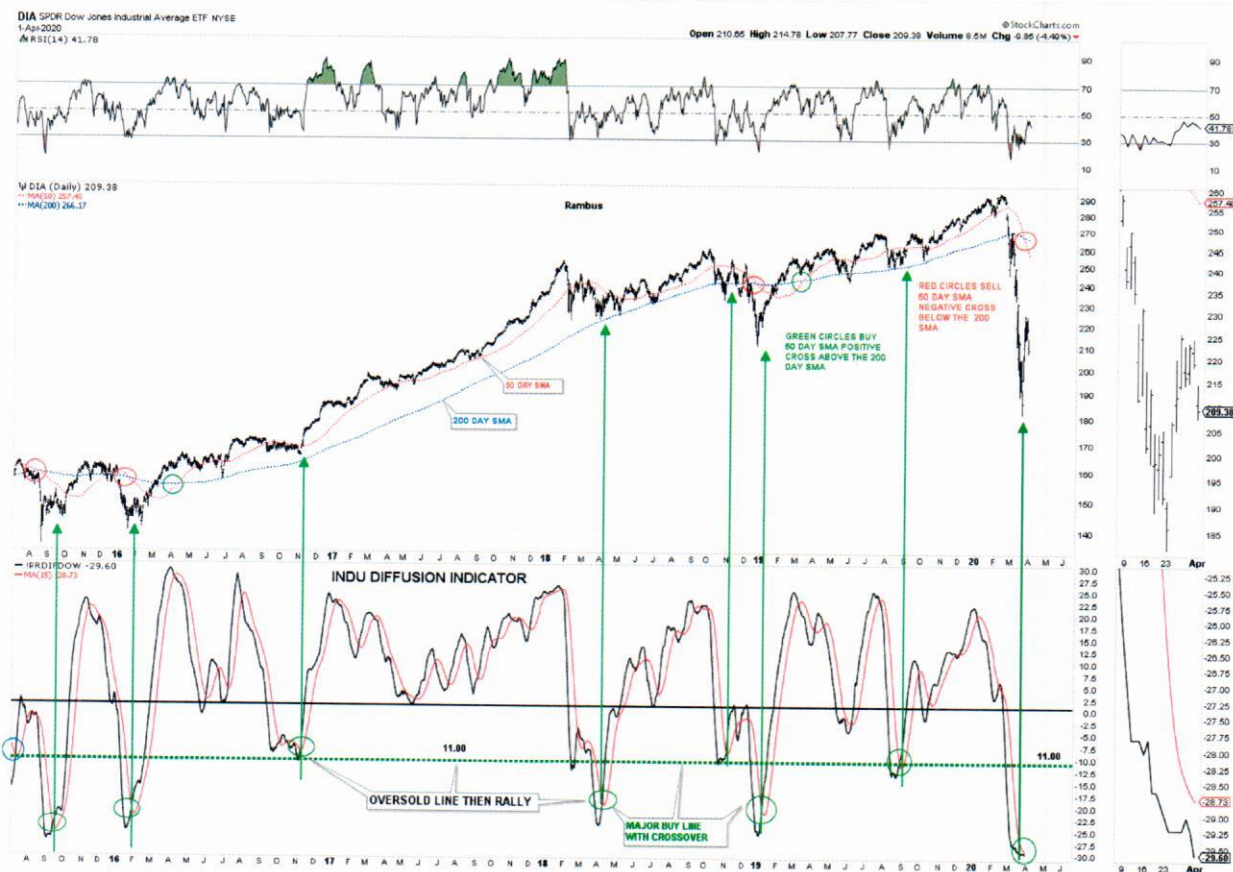
This next combo chart has the SPX on top with the \$BPNYA, bullish percent index on the bottom which goes back 25 years. Buy signals are in affect when the 20 day sma crosses above the \$BPNYA as shown by the green circles. The red vertical line shows the only real failure. The \$BPNAY is the 2nd most oversold it has been in the last 25 years.



This last chart for tonight is another combo chart which has the INDU on top with the Diffusion Indicator on the bottom. A buy signal is given when the Diffusion Indicator on the bottom crosses above its 15 day sma as shown by the green vertical lines below 11. You can see our current setup still hasn't given its buy signal until we get the crossover, close but no cigar just yet.

The bottom line for me is that we have a mixed picture for the intermediate to longer term perspective currently. The 21 month sma is my line in the sand for now, below is bearish and above is bullish. It looks like shorter term trading is going to be the way to go for awhile.

I want to apologize for being late but it took longer to put this post together than I originally thought. Take care of yourselves and those you love. All the best...Rambus



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