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The FRED Report – Monthly Review

Monthly Research Piece: Will return next Month

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Summary of Monthly Piec

ASSET CLASSES:

STOCKS:

Rating the Three Market Principles:
As readers know, we break the stock market down into three basic market principles: (a) Sentiment, (b) Internal Momentum, and (c) External Momentum. I will review these here.

Sentiment: *We use two indicators to measure sentiment. These are options activity and certain sentiment polls. For options, we use total CBOE volume and take the figure directly from the CBOE website. For our sentiment poll numbers, we prefer using % Bears from Investors Intelligence. We use only the % Bear's number because, in our opinion, the bears almost always act. It is rare to find a complacent bear. Sentiment is what we call a "Condition Indicator". By this, we mean it has nothing to do with timing trades – rather it is part of the overall mosaic of market activity.*

Our current reading of the sentiment indicators is POSITIVE/NEGATIVE. %Bears is almost at 30. It is normally in the 30's at bottoms and was over 40 at peak bearishness in 2022. The increase in %Bears has happened in a short time. Normally this takes longer in a decline to get to these levels. The Put/Call indicator is the problem, as it has showed short-term complacency until the last two days. We have discussed this in various venues. **We rate sentiment POSITIVE/NEGATIVE here because the intermediate sentiment indicator is at intermediate bottoming levels but Put/Call has not shown the "panic" associated with major trading bottoms.**

Internal Momentum: *We use several Breadth indicators to measure internal momentum. We publish three indicators in this Monthly Review: The McClellan Oscillator, an Indicator of New Highs on the NYSE vs. New Lows, and our own breadth oscillator – called **Fred's Breadth Oscillator**, or FBO. The McClellan gives great trading signals, while the last two are also "Condition Indicators".*

Our current reading of the internal momentum indicators is NEGATIVE. The daily FBO has been volatile, with big swings up and down, and it is close to bottoming levels, but could still have a bit more to go. **The McClellan Oscillator** is positive, but it could go lower if this is a bear market kick-off. **New Highs/New Lows** is still down. The **weekly FBO** is still diverging from price and has been since 2022. The combined picture from these indicators is intermediate-term is negative, but close to neutral and weakening. These indicators will likely move to Neutral/Positive intra month.

External Momentum: *We use several price indicators to measure this, and these are primarily tactical indicators. We use the 5 and 20 period moving averages, and a simple crossover to determine trend. We use Stochastics, another standard indicator, to measure overbought/oversold levels, or as we prefer to consider them, areas of risk and reward. The one criticism of Stochastics is that they are too sensitive, so we also have our own Price Oscillator we publish, called **Fred's Price Oscillator, or the FPO**.*

Summary of Monthly Piece…. continued

Our current rating of the External Momentum indicators is POSITIVE. Daily indicators have come down. **Weekly indicators** are mixed but very close to oversold. Most of these indexes are down, and indexes are falling enough so these indicators will become oversold after this report is out. Accumulation is falling off, a concern. XLF and XLI have favorable intermediate charts.

CONCLUSION: Equities did not rally in March, and the news environment is quite negative. This has led to a sharp break that continues as this goes to press. We need to see bottoming signs to set up for a rally. This should be a complex and not a "V" bottom. Intermediate sentiment suggests a strong rally is likely after this turmoil is over but it could take longer than expected.

FIXED INCOME: TLT is improving. MUB, LQD, and HYG have bottoming formations, and are stronger than TLT. TLT is having the rally we expected. First targets in the 92-area have been hit. We are still on a buy signal. TLT should still challenge 100 or better by July.

COMMODITIES:
Oil and Gasoline have entered negative seasonality. Watch oil via USO, UGA and DBC carefully. The oil stocks have ignored seasonality because of improved earnings – but oil has negative seasonality through May. UGA held support, as did USO and nearby futures. GLD and SLV have rallied, but Accumulation Models remain relatively weak. These could peak this month. Industrial Metals (DBB) have perked up. Our favorite broad-based Commodity Index ETF, DBC, is still in the range, but doing worse than expected. Copper is close to multiyear highs, suggesting no recession is likely. Agriculture normally makes a seasonal low in October, and we are now seeing improvement in these markets. These markets normally bottom in October/November and peak in July. Watch SOYB, as it is the smallest crop, and it often rallies first.

INTERNATIONAL:
International markets are interesting. Emerging markets now have weaker accumulation models than EFA does, and EFA failed at resistance. China has hurt Emerging Markets, but Accumulation was picking up. Chinese prices improved – but are getting hit on tariff news. Developed markets still look better than emerging markets short-term, and while Europe is doing well now this may not last through 2025. The Dollar Index (DX#F or UUP) is a consolidation for now, and it is at the bottom of the range. The Yen looks more like a bottom, and could move into a range. We are still recommending individual European ETFs. Watch EWL, our favorite, but EWG is starting to perform well also. It was a multiyear breakout before the recent market turmoil. Japan and India are long-term favorites but could consolidate.

SECTORS:
We are overweight XLI and XLF.. These have strong accumulation models. XLV is stabilizing as RFK Jr. takes the helm. **We are underweight XLRE and IYZ, although they are improving.** XLU is performing well but may consolidate – it is defensive. We keep XLRE as an Underweight as it is a downtrend in spite of the recent strength in this market turmoil. Banks are a concern, and may be a crowded trade. Insurance and Credit Cards look strong and XLF is holding up relatively well. IYW pulled back sharply. Accumulation weakened dramatically on the rebound in IYW and QQQ, suggesting there is still risk here, and rotation out of the sector. Small Cap is showing Accumulation but price is weak. MDY is weak. Large Cap High Relative Strength Tech is a hold as it pulls back. XTN is weaker than we would like to see and there is a Dow Theory sell signal, a concern although we do not use Dow Theory per se. XLE could weaken into spring. XLB is weak, and accumulation is weaker than other strong sectors. It is pulling back now. XLP is trading well, and dividend stocks are improving. The narrow market was improving prior to this break, and intermediate-term Breadth Momentum is weak, a concern. We continue to use RSP. We have added satellite positions in XLG for aggressive investors. We are recommending VBR and XMHQ for those wanting to add Small and Mid.

Market Review: Price Charts – SPY – SP 500 ETF

SPY pulled back more than expected: Accumulation models on SPY weakened on this, more than on QQQ. This correction could test intermediate support in the 500 to 475-area as mentioned in our alert. The daily stochastic is almost oversold, and the weekly is oversold. Intermediate-term Breadth indicators remain weak but shorter-term ones are not oversold relative to other big declines. Equity markets are falling, and will likely base before recovery. While we had been looking for a rally to begin in March, the news surprised not only us but others looking for this as well. We would wait until we see a weekly stochastic recycle to become positive.

Market Review: Price Charts – MDY – MidCap SPDRS ETF

MDY has moved into layers of support: MDY is still weaker than SPY is, despite moving to new highs on a closing basis. The daily stochastic is not yet oversold, and the weekly is oversold. The pattern relative to SPY is still weak. Back below 560 is a concern and closing below 420 would suggest a period of basing should occur. Look at XMMO, XMHQ, and DON as stronger alternatives to invest in Mid Caps. We expected an advance in March. Now, look to buy a weekly recycle. We are in no hurry to buy, wait for the set up.

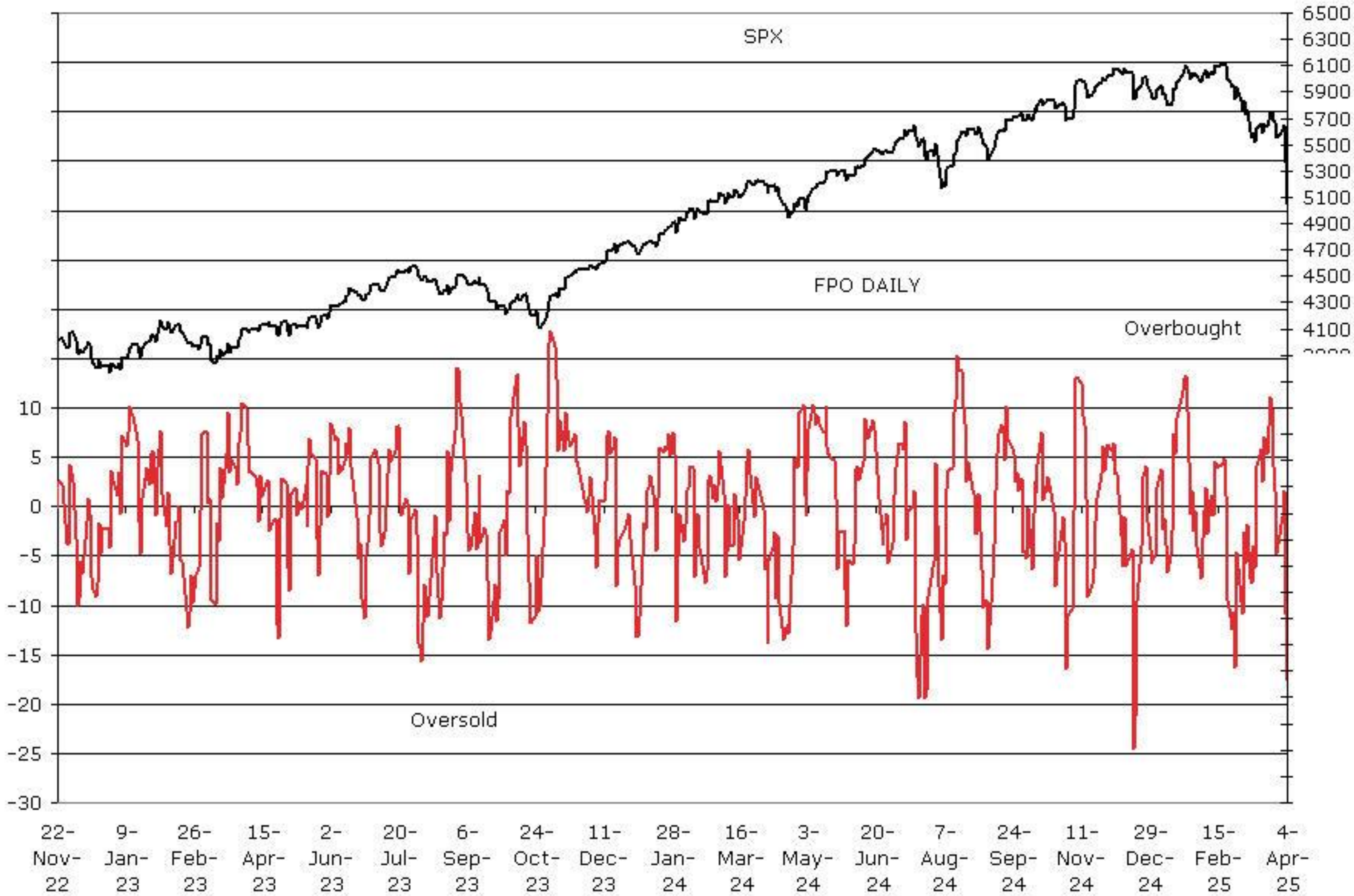
Market Review: Price Charts – IJR – IShares S&P SmallCap 600 Index ETF

Small Cap has broken most support areas: The daily Stochastic is not yet oversold, while the weekly is oversold. Smaller Cap names are still the weakest in terms of price, but accumulation has improved on this decline, although it is weakening not as strong as it was in 2020. Value is outperforming here, unlike the large caps. Watch VBR, it is stronger than this, and IWM. Small Cap could still perform well in 2025, as it should be less affected by tariffs. Above 105 would be signal recovery.

Market Review: Price Charts – XTN – SP Transportation Index

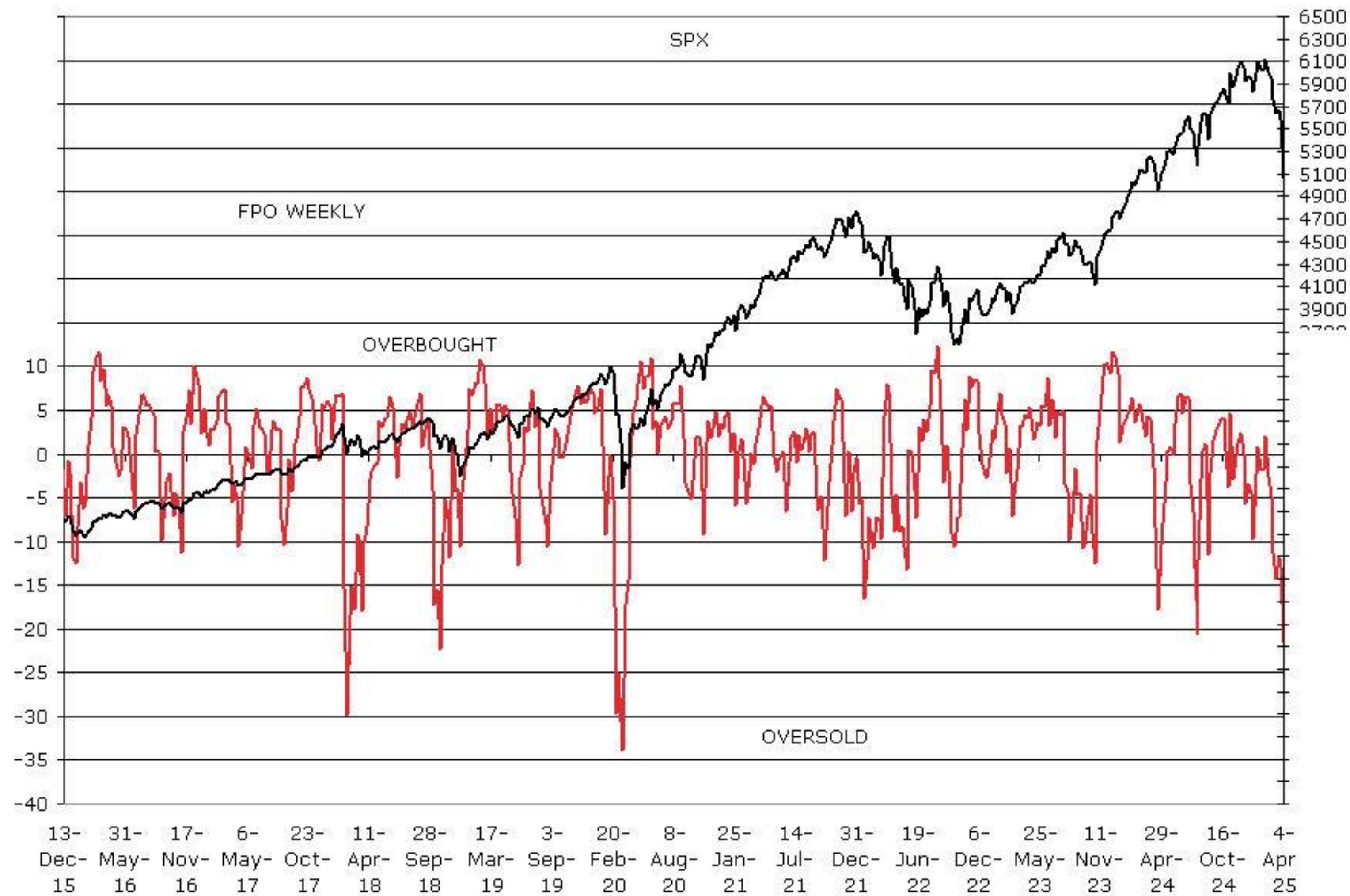
<u>XTN is close to making five-year lows, a concern</u>: As we have said for years, our favorite indicator of economic strength is the Transportations. Indeed, when the Transports lead, the market is generally strong. For just one example, the Transports made new highs before the Industrials off the bottom in 2020, and there are many other examples. Transports have been weaker since 2021. The daily stochastic is in buy mode, and the weekly is oversold. Transports have been forecasting some economic problems in 2025. Ideally, a rally should take this above 75. Otherwise, this is forecasting continued difficulty in 2025

Market Review: Price Charts – Daily – Fred's Price Oscillator



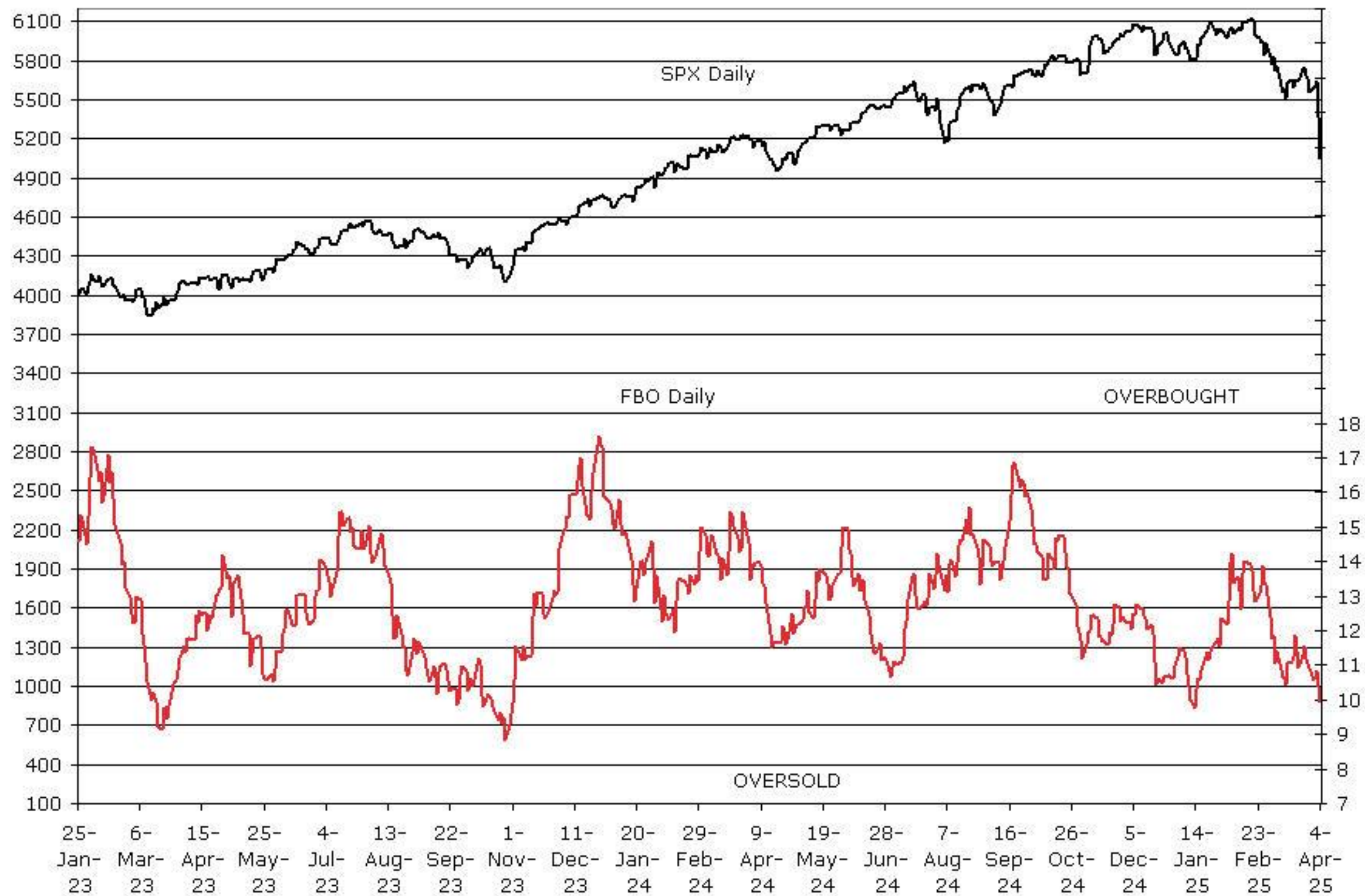
The daily FPO is oversold: This indicator is oversold. It has been lower, and may go lower in the coming week. The pattern on this indicator does suggest some upside, from here. The market has broken support. SPY could still challenge the 500 to 485-area we mentioned in our alert, and could test the 2020 high at 475 or so. Obviously, this move has been a surprise to us, and is probably not quite over. A push to -20 or below would imply some basing and a divergence bottom.

Market Review: Price Charts – Weekly – Fred's Price Oscillator



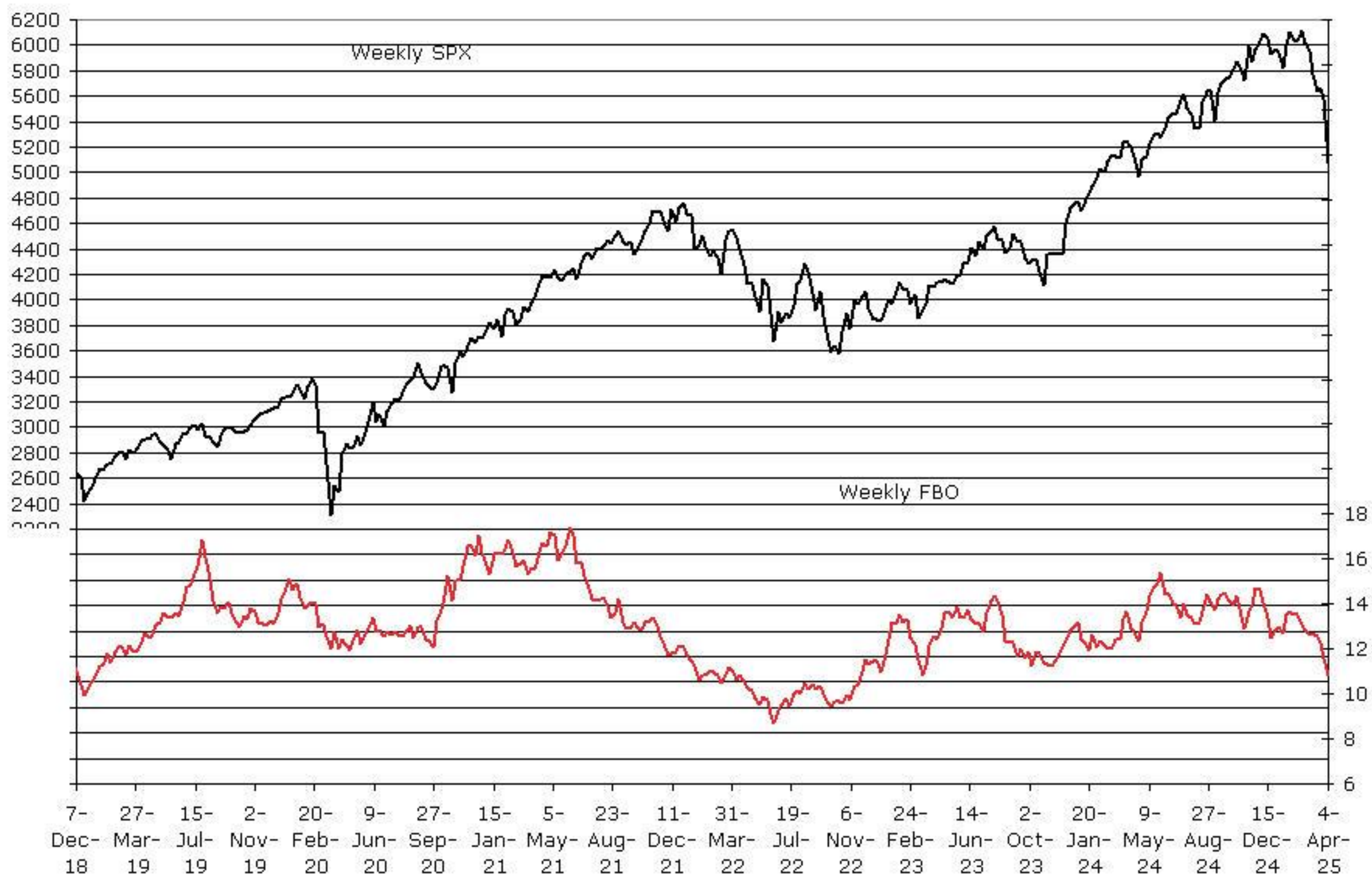
The Weekly FPO is oversold: This indicator has not showed good momentum on the last advances, with multiple lower highs. Stocks had been acting about as expected until the tariff news in spite of this, but the indicator did forecast some problems that are manifesting in the current trading. This indicator is oversold enough to suggest this is the last week of turmoil before some basing should begin. Indicators should be clearer by mid-April.

<u>Market Review</u>: Internal Momentum – Daily Fred's Breadth Oscillator



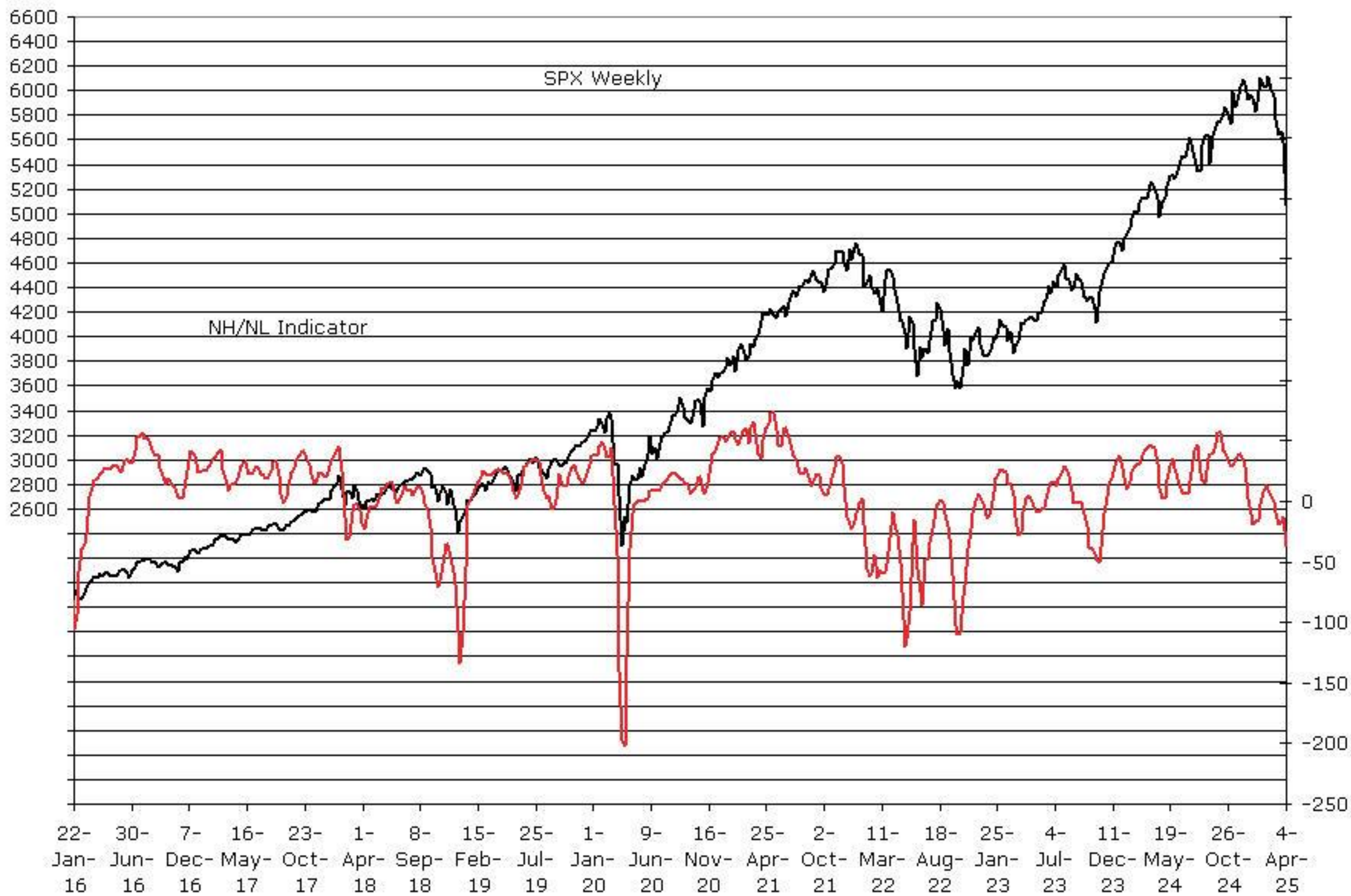
<u>Breadth momentum is still weak</u>: This indicator was diverging since early 2024. The narrowness of the market was a concern, and you can see this indicator failed to advance on the last short-term rally. We recommended adding money at 500 on SPY. This had the pullback we were looking for into the election, and has rallied into a double top. This is showing some improvement on the February pullback, but not really enough as it turns out. Let's see if we can get to 9 or so, an area that has ended most bear markets.

Market Review: Internal Momentum – Weekly Fred's Breadth Oscillator



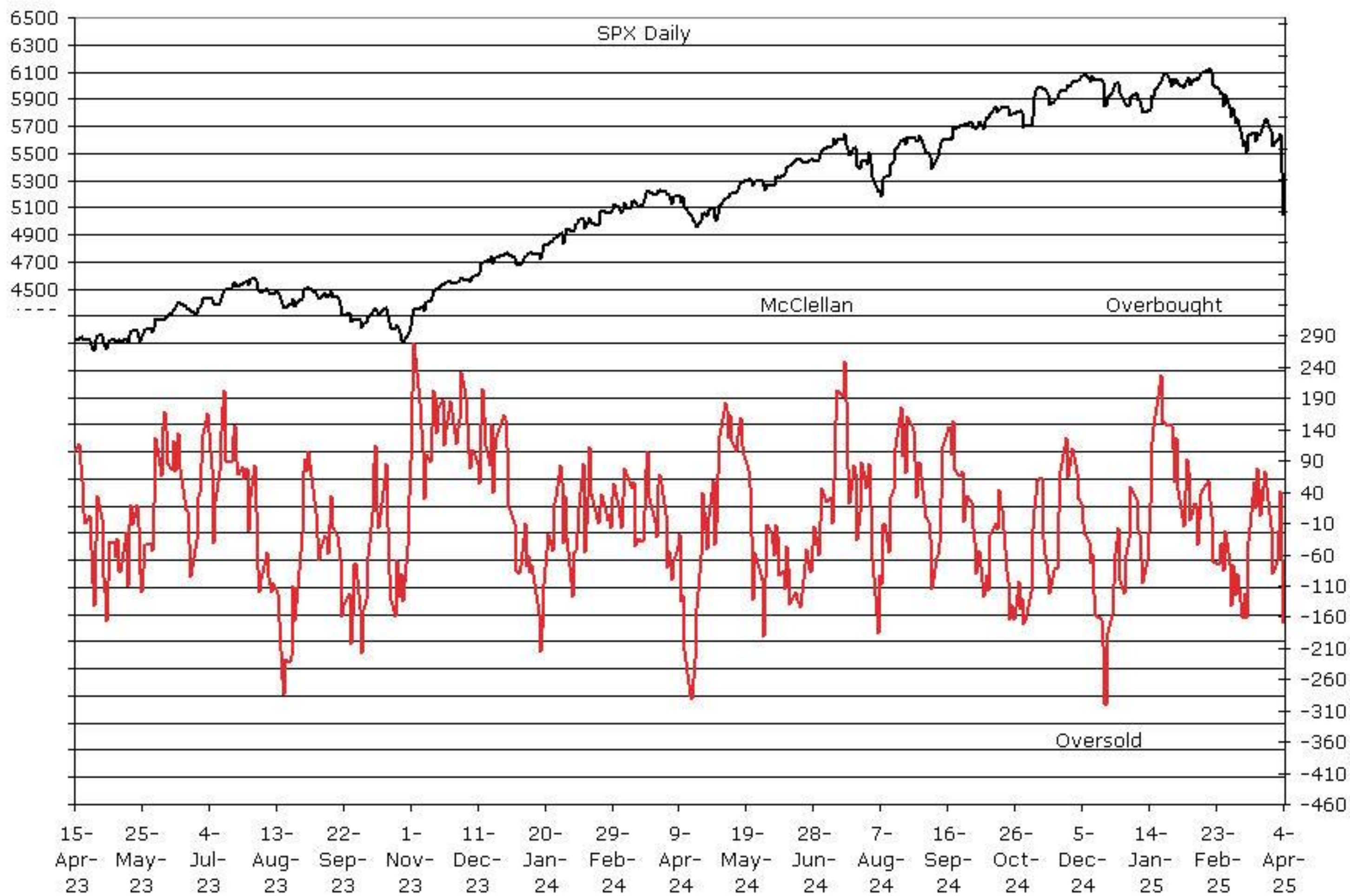
<u>The Intermediate FBO is still weak</u>: Weekly breadth momentum rallied from oversold after breaking the lows from 2016 and 2018. This is positive, but it has been weak since the low in 2022. Normally this indicator bottoms for a while before a significant advance in price, and the advance continued, but the indicator continued to make lower highs. Now, the uptrend since 2022 has broken, suggesting some lower lows in the indicator, and possibly price, can be expected.

Market Review: Internal Momentum - Fred's New Highs/New Lows Indicator



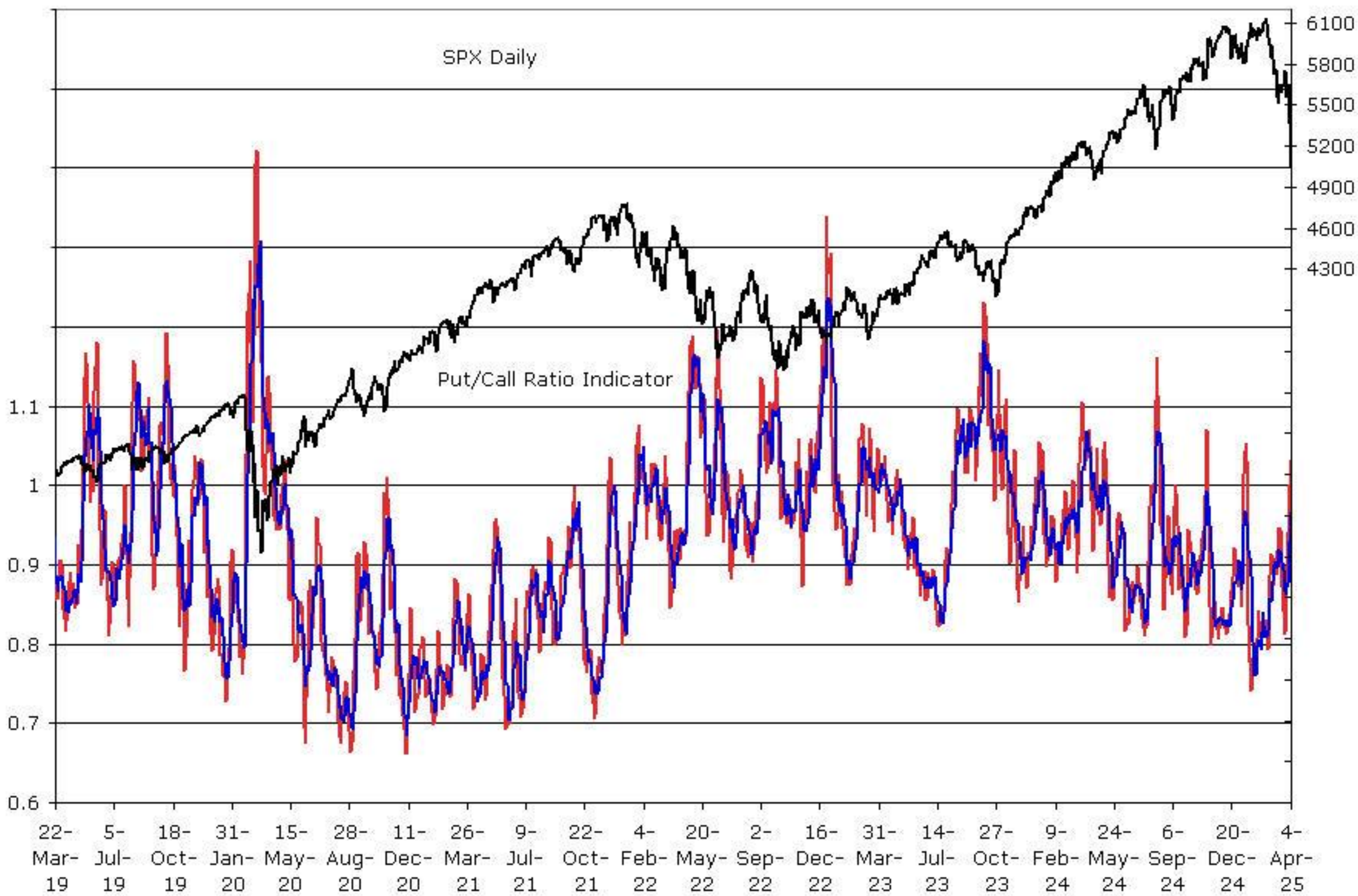
New Highs/New Lows has been weak since 2022: This tool measures the difference between the amount of new highs and new lows on the NYSE. This broke down hard before the market peaked in 2021. This indicator improved a bit in 2024, but started to weaken in 2025, forecasting the recent pullback. In some ways, this is actually stronger now, as New Highs New Lows did not make big new lows on this pullback at least so far. If this indicator can stabilize over the next couple of weeks it would be positive.

Market Review: Internal Momentum – McClellan Oscillator



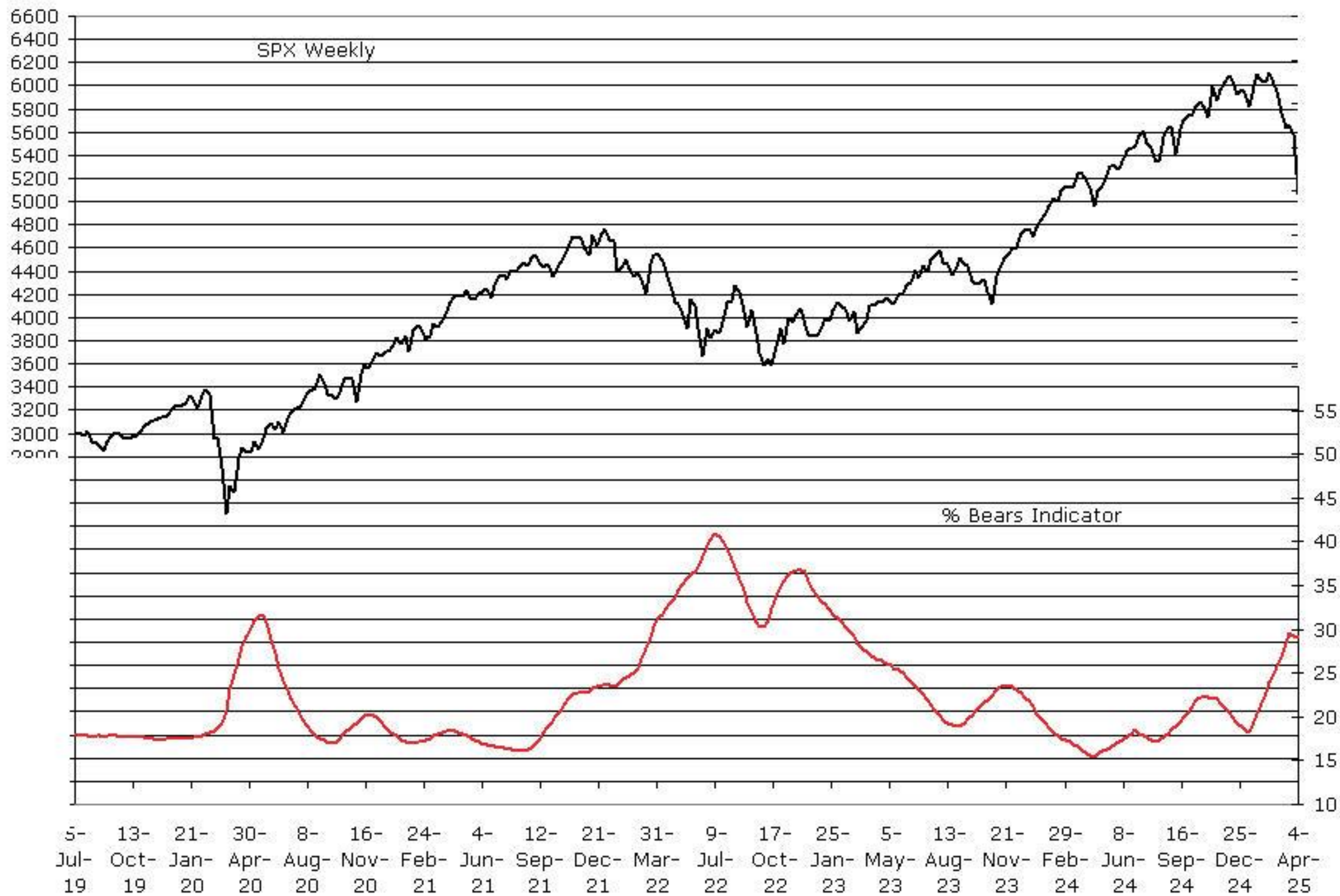
The McClellan Oscillator has come down: This declined from overbought, but could have more to go. The indicator suggested some upside last month and it still does. The McClellan is around -160, which means it can get more oversold, but we have seen rallies from this area as well. Overall breadth is weaker than we would like to see now, intermediate-term. the short-term suggests we are close to a relief rally at least This indicator, the most sensitive breadth tool we monitor, is better than we expected in some respects

Market Review: Sentiment – Put/Call Ratio



Put/Call is showing lots of short-term bullishness: Sentiment indicators are "condition" indicators for us, and not timing tools. Put/Call is more of a short-term indicator. We have been looking for a spike in this indicator and this spike is starting but is still not complete. This indicator is the only one we have that suggested this decline could occur. We would like to see some strong put buying over the next several sessions.

Market Review: Sentiment – Investors Intelligence % Bears Indicator (moving averages)



Investor's Intelligence %Bears is an improving pattern: This moved above the 40-area in 2022, the highest reading in years. Since October 2022, this remained elevated. The last move below 20 and then back above it is quite positive, suggesting investors were quick to turn bearish on any decline. Now almost to 30 is a plus, as the market has been strong. Overall, this suggests the sentiment backdrop is positive intermediate term. The recent new high in %bears is a plus. This suggests the next market buy signal may be greeted with skepticism. When you look at Put/Call (previous page) and combine it with this, it suggests short-term problems that are improving, and long-term positives.

Other Markets: Bonds – TLT – iShares Barclays 20+ Year Treasury Bond

<u>TLT bottomed, and has traded up to our first target</u>: TLT has hit and exceeded the 92-area target. The weekly stochastic is in buy mode, and it suggests there is more to go. The daily is close to overbought and suggests more to go as well. This is a base, and we continue to look for 95 or higher. Look at the other Bond ETFs in this report – TLT looks worse. We remain neutral intermediate-term, but within that context, this should move higher into the summer. We would try and sell this around 100 if we see this sooner than summer.

Other Markets: Bonds – MUB – iShares National Muni Bond

MUB is holding support at 105: This broke below, and above, the 2022 low. We have been using MUB above 105 to suggest rate rises should slow or reverse. This is stronger than TLT. The daily stochastic is in buy mode, and the weekly is a buy pattern with waning momentum. This pattern weakened but held support. Back below 105 would be a concern, but this looks unlikely for a while. This has been our favorite Bond ETF. The intermediate pattern remains constructive. This should be up over the next month or so.

Other Markets: Bonds – LQD – iShares iBoxx $ Invest Grade Corp Bond

<u>LQD is also stronger than TLT:</u> Corporates were where the Federal Reserve (FED) was buying the most bonds. The FED supported this during the pandemic, and afterward this market went to where it should have been. LQD had a double bottom in the 100-area. The daily stochastic is in buy mode. The weekly is almost overbought. This should be able to exceed 111 by the end of July, even if it fails in here. We would sell a move to 111 to 115 or so this week.

Other Markets: Bonds – HYG – iShares iBoxx $ High Yield Corp Bond

<u>The High Yield Bond ETF failed at 80-area resistance</u>: The daily stochastic is overbought, and the weekly is now overbought. Watch this carefully as it held the 70-area support. Now, the 77-area should hold. HYG made much higher lows than the other three we follow. Confirmation of a new uptrend will be a move above 80, which has failed so far but was tested again. Back below 77 suggests a test of 75, lower than this would be a concern and a surprise. So far, this is stronger than most Bond ETFs in spite of current weakness.

Other Markets: International – EEM – iShares: MSCI Emerging Markets

EEM has failed at 43-area support: This moved through the 44-area resistance and then broke down through that area. Last month, China showed improvement in Accumulation, and price has followed. This month China has started out weak. The daily stochastic is oversold and the weekly stochastic is a new sell pattern. EEM is still intermediate term range but could weaken further. This is not a favorite Emerging Market play. We continue to recommend an active manager or mutual fund solution for Emerging Markets. Look at EELV to avoid China exposure.

Other Markets: International – EFA – iShares: MSCI EAFE Index

<u>EFA is failing at resistance, as drawn</u>: EFA peaked in the 82 –area, with a potential exhaustion gap to 84. This area was retested and has failed so far. It is significant that EWG has improved, suggesting Europe should do well. We also like Japan – it may have ended a secular bear market. The daily stochastic is oversold, and the weekly is a new sell recycle. This should under perform the US even if Europe and other international markets improve. The key 75-area mentioned in the last Monthly, is being fully tested. Failure here would target the 66-area.

Other Markets: Currencies – FXE – CurrencyShares Euro Trust

FXE failed at resistance: Accumulation models still suggest that FXE is vulnerable. The Euro broke support, and so far, the last rally failed to test 105, which makes this a weaker chart than expected. This is still a range and is failing at 102. This may have set up a challenge of the 2022 low, and 95 is the last real support before that happens. Currently this is holding but it may not after a weekly sell recycle. Currencies trend more than other commodities so the intermediate decline could extend.

<u>Other Markets</u>: Currencies – FXY – CurrencyShares Japanese Yen Trust

<u>The Japanese Yen is trying to bottom</u>: When FXY broke the 80-area and fell off sharply, it started a completely new downtrend. FXY made a higher low. The weekly recycled as well. FXY remains intermediate-term weak. There have been signs of intervention by the Japanese government. Longer-term, it looks as if FXY could move into a trading range, which should be positive for the Japanese equity markets. If the daily recycles and this holds 58 a low is probably in. It looks like this has occurred at 61.

Other Markets: Currencies – DXY – US Dollar Index

The dollar moved out of the 100 to 106 range: The dollar broke out of the long-term trading range. This rallied through much of 2021 and hit trading targets as mentioned here in 2022. Look at FXE on p.22 as well, to get a handle on the dollar. The dollar moved out of the 2023 to 2024 range. The intermediate picture is still strong. Look at a long-term chart of the dollar. The dollar is a multiyear uptrend (since 2008) and this has resumed. Look at DXY on Bigcharts.com. This may hold in the range, from 100 to 110.

Other Markets: Commodities – DBC – PowerShares DB Commodity Index

<u>DBC is still building a base in the 20 to 26-area:</u> DBC is testing the low end of the trading range. The daily and weekly stochastics are in sell mode. This still is a bottoming pattern, but seasonal tendencies suggest oil is down into the spring. This hurts DBC as it is around 30% oil. Agriculture has positive seasonality now. This is not a bad chart, but it could get hit with some margin calls this week. We bought the last recycles. Buy the next daily recycle.

Other Markets: Commodities – GLD – SPDR Gold Shares

<u>GLD had seasonal strength into March:</u> GLD Accumulation has improved, but given the move it has had it is still a bit weak. The daily stochastic is in sell mode, and the weekly is overbought. Gold rallied on seasonal strength, but this has ended and it is testing support. Much below 278 targets 270. Several indicators are now giving some selling indications. Conveniently, this will occur as Seasonality peaks in the gold and silver markets. There is the strong possibility of an intermediate-term peak this month. GLD is a hold for now, for investors but be sure you have a stop loss point. Traders should sell this.

Other Markets: Commodities – USO – United States Oil

USO tested resistance in the 77-area: The daily stochastic is a new sell recycle, and the weekly is in buy mode. USO has a positive intermediate chart but seasonal weakness has started. There is strong support in the 65-area, and below 65 - 60. Oil still looks to be a range, but it was weaker at the end of March than we expected. Some of this price action is due to the equity market turbulence. We have to see how this holds up this week. This is a new buy recycle so it could rally from here.

Other Markets: Commodities – UGA – United States Gasoline Fund

UGA is still a base: The daily stochastic is in sell mode. The weekly is a buy pattern. This is a strong chart as long as the 55 - area can hold intermediate-term. Gas prices fell into the election, not a surprise. A move above 65 again would be our cue to look for higher oil prices and above that again targets 75 by summer. A move above the 75 resistance could target new highs, but would be unlikely, in our view. Traders have sold this, investors can hold for now. Let's see how this settles out as the equity market turbulence fades.

ETF Sector Charts: Consumer Discretionary (XLY)

Consumer Discretionary broke short-term support: XLY held the 170-area intermediate support. This broke short-term support at 210. Now, it could test 170 or so. Note that AMZN, a major component, looks very similar to XLY. This is a positive chart longer-term although it looks worse short-term. We added money on the last recycle, and you can add on the next one. The Accumulation Model is still weaker than we would like, suggesting a bit more turbulence is possible in this sector in 2025. We are seeing this now. We think our stock ideas are solid names even if the sector is showing less accumulation. The weekly is oversold, you can buy when it recycles. EQUAL WEIGHT

ETF Sector Charts: Consumer Staples (XLP)

<u>XLP is defensive and holding up well:</u> The intermediate-term chart broke out above 77.50 then moved below, and back above it. We recommended buying the last daily and weekly recycles. XLP is defensive and trading well. Since it moved above 77.50, it hit new highs, per our comments in the August Monthly. The daily and weekly stochastics are in sell mode so this may fall off if the market recovers quickly. This is short-term up as long as above 77. It looks like some Tech money is flowing in here. EQUAL WEIGHT

ETF Sector Charts: Energy (XLE)

XLE is an intermediate-term consolidation: Seasonal strength ended in February/March. The daily stochastic is in sell mode, and the weekly is close to a sell. XLE has strong accumulation. Compare this to USO – it is weaker but this should change. XLE does have some capitalization issues, but CVX and XOM are bases. The move above 90 targeted 93 on a trading basis, which hit, and suggests 110 is possible for investors in 2025. This rallied into the end of March. We need to be careful when the weekly stochastic becomes overbought. EQUAL WEIGHT

ETF Sector Charts: Financials (XLF)

XLF has weakened: XLF hit new highs but sold off with the market. The daily Stochastic is in sell mode. The weekly is also, and this could improve although it has turned into a crowded trade. We are surprised at the weakness in Banks, but other subgroups are trying to hold up. We added on the last daily recycle. Credit cards are also a strong subgroup intermediate-term. XLF could still outperform in 2025, and the chart is one of the strongest in this report. You can buy recycles. OVERWEIGHT

ETF Sector Charts: Real Estate (XLRE)

XLRE is holding up: This has probably made an intermediate-term bottom. Please see the long-term charts of IYR as it is similar to XLRE, but with more data. Interest rates have affected the real estate markets and XLRE is reflecting the rate situation, which the markets think is improving, but we are not sure it is – watch TNX, and TYX, which have failed at 5% so far but still look to move above that area this year, after this market turmoil. This has improved but it is not doing as well as most people thought. Below 42 is a concern, but this may trade back and forth around this area. The latest trading has improved the chart, mostly because it has been less weak. UNDERWEIGHT

ETF Sector Charts: Health Care (XLV)

XLV is testing support: XLV was a multiyear consolidation, and XLV showed relative strength throughout that consolidation. XLV traded through 140, fully tested it, and hit 160, our trading target, in August 2024. However, since the election this has been weaker than we thought, so we downgraded it to an Equal Weight a few months ago. Accumulation on XLV remains strong. The daily stochastic is oversold and the weekly is in sell mode. Healthcare is holding support, and it could do better in the second half. EQUAL WEIGHT

ETF Sector Charts: Industrial (XLI)

<u>XLI has started a consolidation:</u> The accumulation model on XLI remains very strong. The daily and weekly stochastics are oversold. XLI's strength is not widely acknowledged, so it should have more to run. This remains a strong formation as long as XLI is above 115 and holding this general area on a closing basis would be strong. XLI performed well in 2024 yet the markets are ignoring the performance of XLI. This should be a strong performer for 2025. We will buy a daily recycle, add on a weekly recycle. OVERWEIGHT

ETF Sector Charts: Materials (XLB)

XLB has broken 82-area support: XLB is weaker than we thought it would be. Short-term support from 82 has broken on a gap. The Accumulation was weak, suggesting this could have problems and this is why we have been an equal weight. We would keep adding to this on weekly recycles as we just had – be a bit patient as some subsectors are weak (steel for example). The weekly stochastic is a buy pattern, the daily is also, but these are not strong patterns. Back above 85 would start to correct this downtrend. The intermediate-term trend is now sideways rather than up, and the weak Accumulation and price action keeps it from being a favorite.   EQUAL WEIGHT

ETF Sector Charts: Utilities (XLU)

<u>XLU tested the breakout as drawn</u>: This broke out above 77, but is below there now. The daily stochastic is in sell mode. The weekly is a buy pattern but with little momentum. Income Investors were buying this on pullbacks, as we have recommended over the last six years. This is also an AI play, as the power grid should be attracting more money. These can do well in 2025. So far, this is outperforming and is functioning as a defensive sector. We remain an equal weight. Back below 75 would suggest this rally is over, but this can go sideways as the stochastics come down. EQUAL WEIGHT

ETF Sector Charts: Technology (IYW)

IYW is breaking the key 130-area: IYW has broken support in the 130-area, and it is important to realize that fewer and fewer names in the sector were advancing on rallies. Tech has been overvalued for a while, and this correction is masking an unwind of many tech over weights. Stochastics are oversold. We have consistently said not to sell the ultra high relative strength tech names, and they are trading better than the rest of the sector, but there are less of them. Buy the very best companies on recycles for your Tech allocation. We thought Tech could have problems later in 2025, so weakness here is not a surprise, although the overall market weakness is. Accumulation fell off on IYW and QQQ, but actually has started to improve on this decline. There are probably some opportunities now. EQUAL WEIGHT

ETF Sector Charts: Telecom (IYZ)

This is testing 25-area support: This broke out above 25 and is retesting that area, now support. IYZ is defensive and holding. We moved to an Underweight in February 2021. We have seen some advance in T, which is the probably the biggest reason this improved. The daily and weekly stochastics are in sell mode, but not oversold. This is still one of the weaker sectors intermediate-term, but it is improving and part of the rotation out of Tech we are seeing. For now, we will maintain our underweight. We want to see how this trades after this market turmoil ends. UNDERWEIGHT

Research Piece: Will return next Month

Below is a listing and definition of various proprietary and non-proprietary technical indicators we rely on during our analysis of the markets:

Moving Averages:
Moving averages are one of the building blocks of Technical Analysis, and there are almost as many ways to use this indicator as there are technicians.

At the FRED Report we teach and use a dual moving average crossover system to determine trend. Our favorites are the 5 period and 20 period moving averages. We consider the trend to be up if the 5 is above the 20, and down if below it.

Stochastics:
The Stochastic Oscillator is one of the commonly used momentum oscillators and is standard on charting programs. There are two lines on the chart below, %K and %D.

%K is the faster of the two lines and represents a mathematical formula that *measures where the current close is in relation to the trading range of the last "X" periods of time*. We use a 14-period look-back, so in plain English %K says where the current close is in the trading range of the last 14 days, expressed as a %.

At the FRED Report, we use it somewhat differently than is commonly taught. The standard way to use the indicator is to register a buy signal when it moves below, and then above, 20 (the lowest 20% of closing prices in the last 14 days). A sell signal is when the indicator moves above, and then below 80 (the highest 80% of closes over the last 14 days).

The other line, %D, is a 3-period moving average of %K. We have found that the Stochastic is sensitive, so we advocate taking signals only in the direction of the trend. When looking at the standard FRED report chart, this would mean taking buy signals when the 5 is above the 20 and sell signals when the 5 is below the 20 but using a different technique to exit positions. The reason for this is the Stochastic is quite sensitive, and can give early indications, especially in new trends. It also can get "stuck" in the direction of trends, which connotes strength and not weakness. Another, preferred interpretation is to use the indicator to measure risk. An example: buy in an uptrend, not when the stochastic is at 90% but rather wait until it falls below 50%, This way, even if a stock, commodity, or ETF does not give one of the "classic" signals, you can still use the indicator to assess risk, and leg into positions.

Fred's Price Oscillator (FPO):
This is an oscillator that I invented, using a combination of high, low and closing prices. Unlike the Stochastic, which is sensitive, this indicator is designed to be less sensitive. Other than that, it is, of course, proprietary, so we do not disclose much about the construction of the indicator. One of the characteristics of the tool is that when the Oscillator moves below/above -15/15 the market often creates a divergence. For those of you who do not know that term it means that price will make a new low/high and the oscillator will not confirm it. That is usually the sign of a turn. On sharp strong market moves, a couple of these divergences can occur. We use weekly data in our examples for you, as we have that data going back to the 1970's on the SPX, and farther on the Dow Industrials, which work the same way. We would note that we keep FPO's on the commodities, but rarely publish these, as most subscribers are interested in stocks. Like most oscillators it is most useful at bottoms, so our examples show bottoms. We can, and will, show some analysis of tops as they occur.

Fred's Breadth Oscillator (FBO):
This is an Oscillator that I invented. Unlike the McClellan Oscillator, which is sensitive and gives a lot of signals, this tool is more of a trend following indicator. It is proprietary to the FRED report, so we do not disclose much about the construction of the tool. It generally moves between 12 and 18. Moves below 12 or above 18 imply a divergence bottom or top is coming with high probability. This tool works best at extremes, and patterns can be significant. It also gives clearer signals at bottoms than tops, although when tops are perceived to be occurring, we will publish these charts, appropriately annotated. The FBO is only useful on the stock market, where advance/decline data is published.

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