

**A Near Perfect Stock Market Buy and Sell Trading Signal,**

**The Demand Power / Supply Pressure Indicator**

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**[www.technicalindicatorindex.com](http://www.technicalindicatorindex.com)**

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**This weekend, we are excited to share with you a near perfect stock market Buy and Sell Trading Market Timing Signal. It is the Demand Power / Supply Pressure Indicator. We update this key signal daily and publish this in every daily and weekend market forecast newsletter for our subscribers at [www.technicalindicatorindex.com](http://www.technicalindicatorindex.com) .**

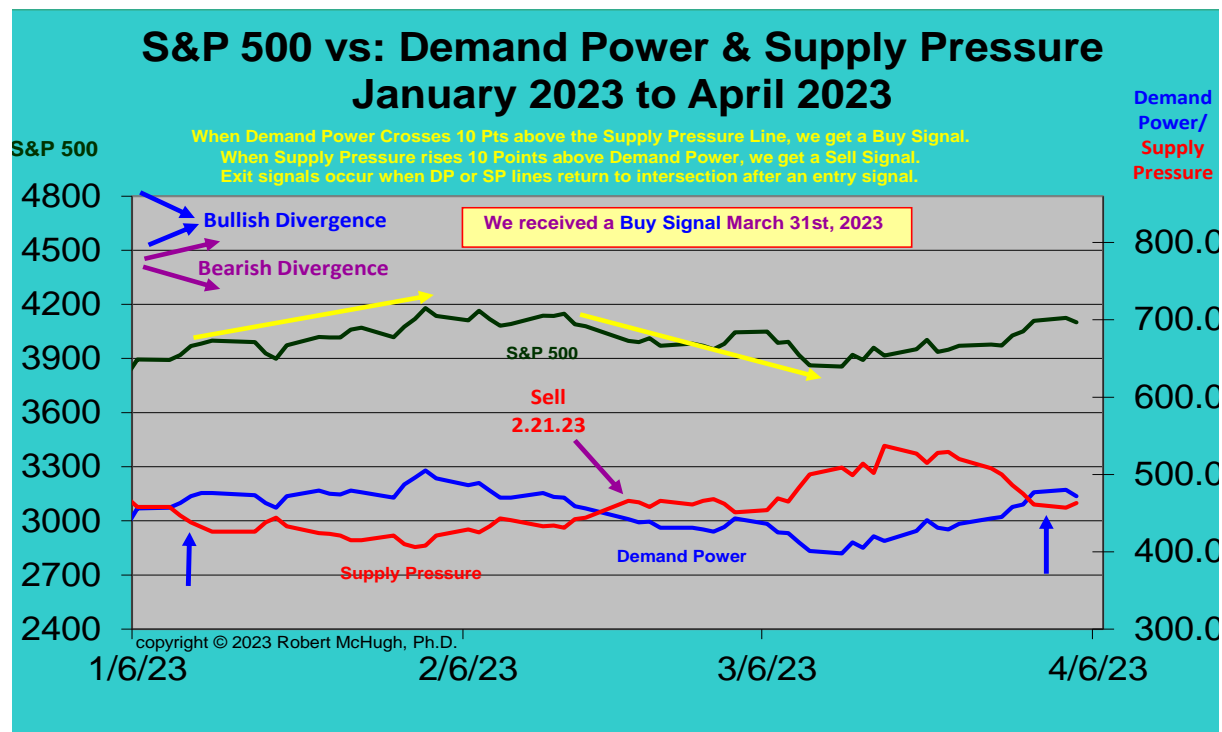
**This is an indicator we developed over 20 years ago. It measures momentum, tells us the relative strength of each day's price move, but most importantly, gives early warnings of coming trend turns, early warnings if the trend turn will be large, and gives the moment when the trend turn is about to occur, with a Buy or Sell signal, giving us the opportunity to generate profits.**

**In this article, we will show you Demand Power / Supply Pressure charts from the past three years, that show the highly reliable performance of the Buy and Sell signals generated. You will see how *early warnings* were given *before* the actual signals, *early warnings* of the *potential for a large price trend reversal* that were evident, and the resultant declines and rallies in the direction of the signals. Included in this article is how this indicator performed before and at the 2020 Lockdown crash, as well as the indicator's status for**

the current market.

First, let's make the point that in each of these instances, we presented these indicator charts and its forecast turn signals BEFORE the turns happened, so our subscribers could benefit from the heads up. The other point we want to make is that we made money in our Platinum Options and Silver ETF Trading programs trading from these signals.

So here goes:

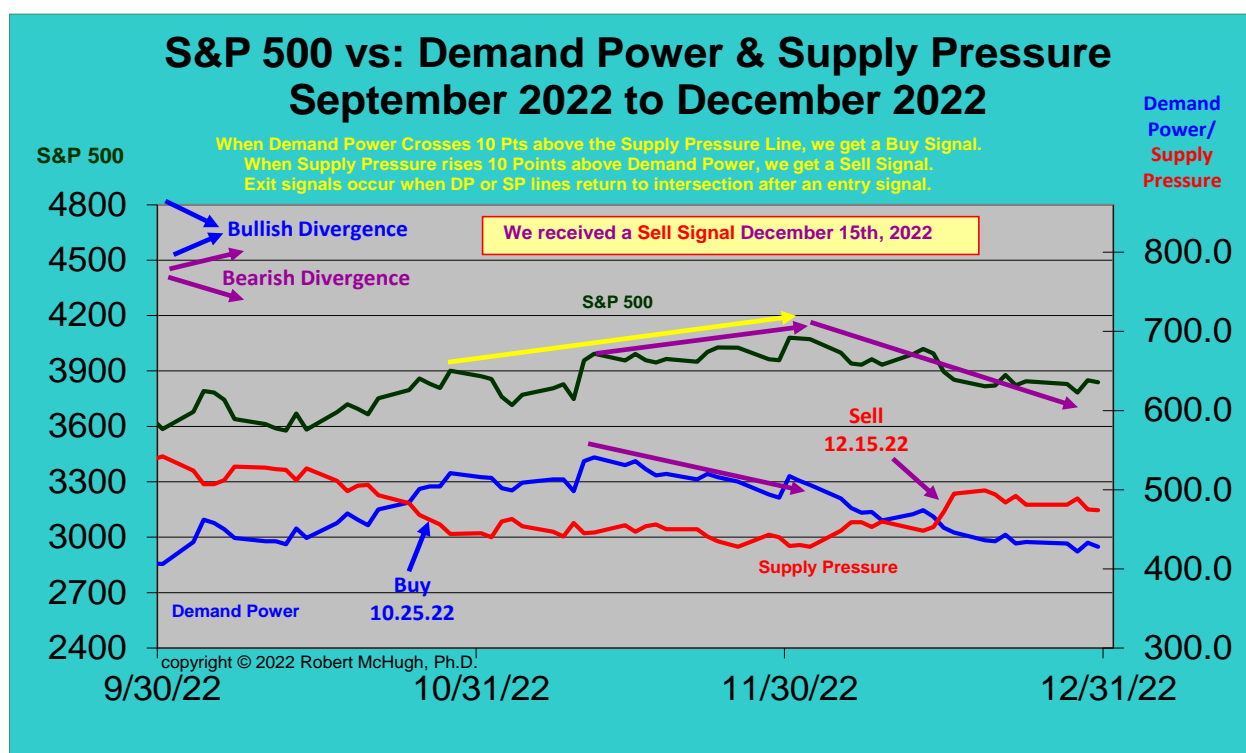


Above we see during the first three months of 2023, the indicator generated a Buy signal, followed by a Sell signal, which led to a stock market rally and then a decline, each in the direction of the signal, immediately after the new signal was given.

**Definition:** Demand Power and Supply Pressure is our medium-term

time horizon (1 to 3 months) proprietary measure of buying interest and selling interest. Like all of our key trend-finder indicators, **they are momentum measures**. We believe the best tool to find a tradable medium-term trend is by following momentum measures. **The blue line on our charts which we present in every newsletter represents Demand Power. The red line represents Supply Pressure.** Simply, whenever the blue line crosses above the red line, the odds are very high that a rising trend is starting. An aggressive trader could consider entering a long position on the date the blue line crosses over the red line. A conservative trader might want to wait for a decisive crossing before taking a position, which is when the new signal is given. That would be where Demand Power rises more than 10 points above the Supply Pressure reading, which is the standard we require to trigger a new medium term trend signal.

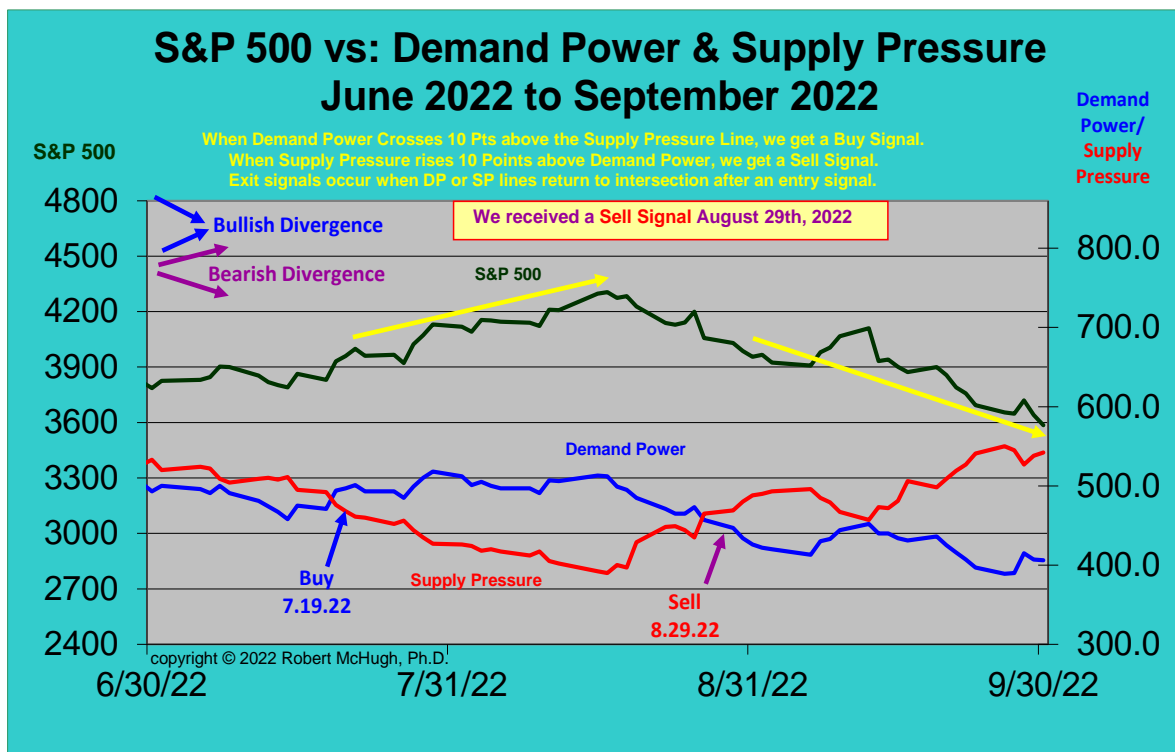
Another interesting dynamic with this indicator is, **when we start seeing the two measures converge, it is often an early indication** that a trend turn is starting before we get the actual Buy or Sell signal. Not always, but often enough for an early heads up.



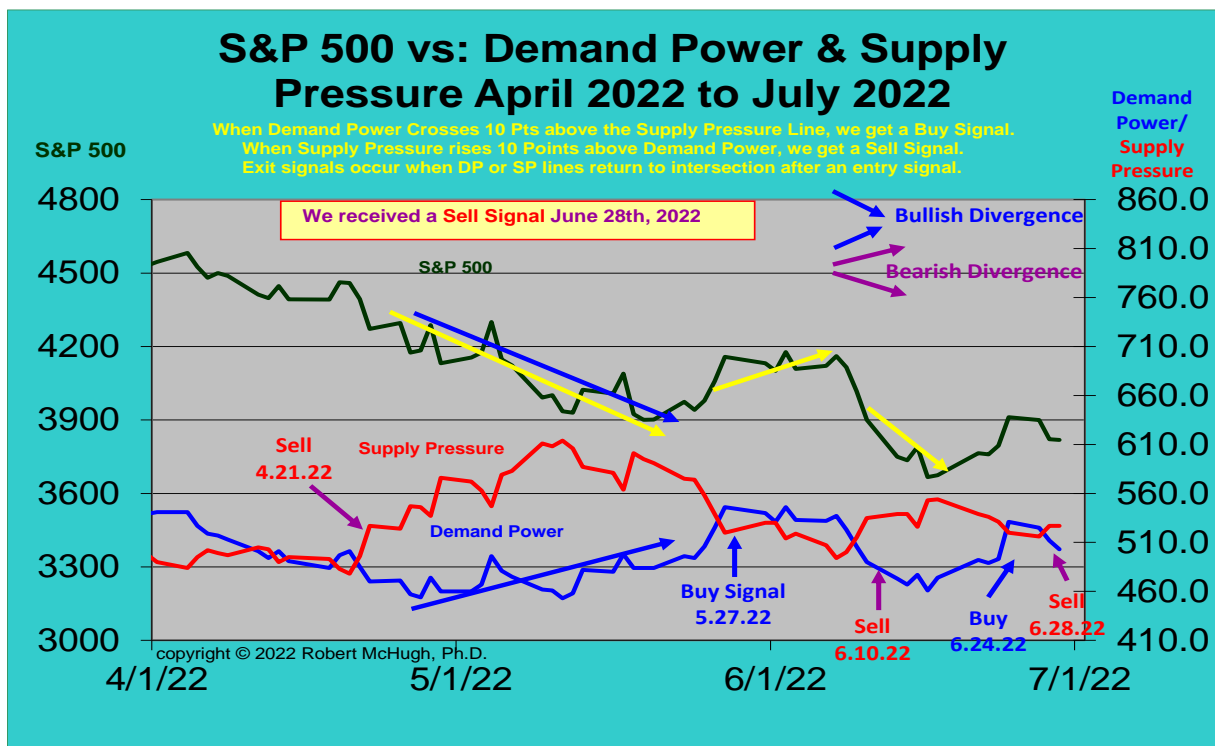
In the above chart we see that this indicator gave some additional information. It identified a Bearish divergence (purple arrows) between the S&P 500 (green line) and the Demand Power measure (blue line), which was an early warning that stocks were about to decline. In fact, stocks did start declining about a week before the new sell signal arrived.

*We also see another early warning in early December 2022, that a trend turn was coming soon, a coming Sell signal, a Convergence (narrowing of the distance) between the Demand Power and Supply Pressure measures, the red and blue lines.*

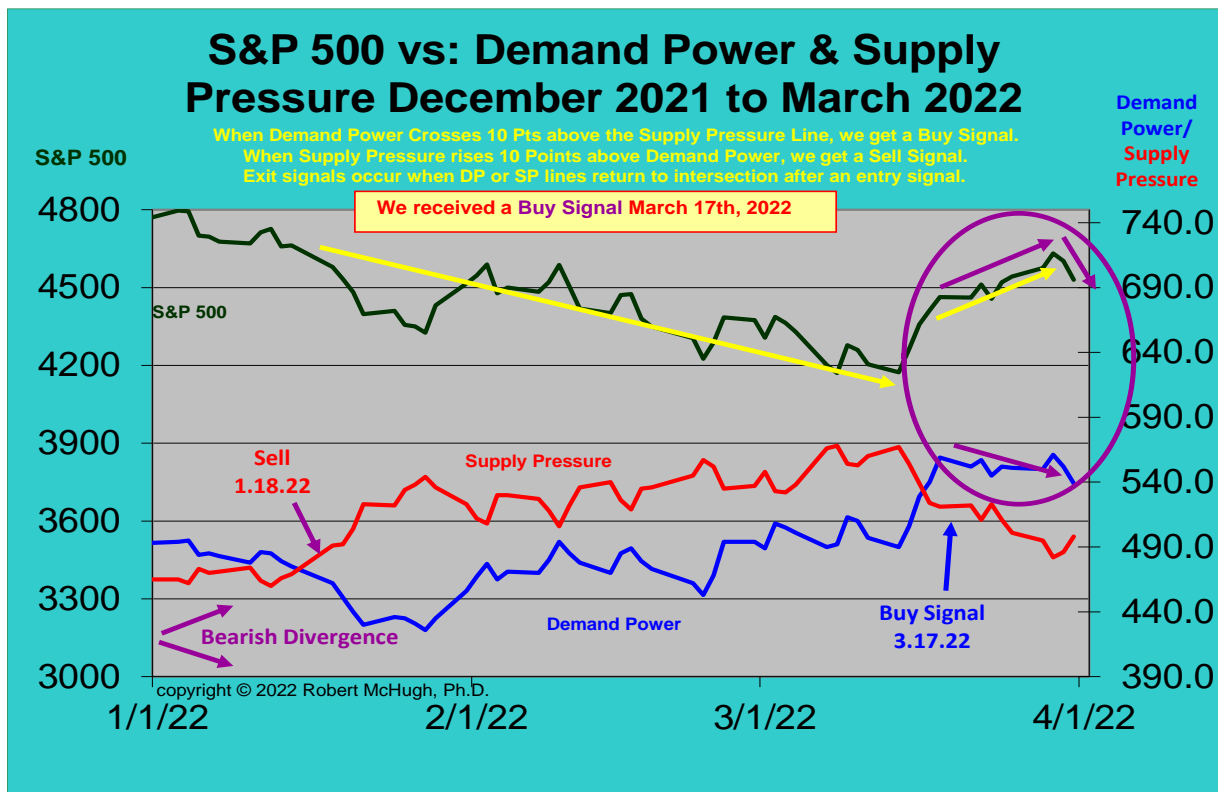
But also, when we see convergence, *that can be used as an exit indicator after the previous Buy or Sell signal entry.* In the above case, convergence occurred in early December, which would have been a good time to exit playing the market to rally after the October 25<sup>th</sup>, 2022 Buy signal.



The next chart shown above shows that the DP/SP indicator generated a Buy signal on July 19<sup>th</sup>, 2022, that led to a one-month rally that topped in mid-August, and then triggered a new Sell signal on August 29<sup>th</sup>, 2022 that led to a multi-week decline. Again, convergence between the lines gave a heads up the rally was ending and a new declining trend was coming, an excellent time to exit. Convergence can act as a highly reliable Exit signal.



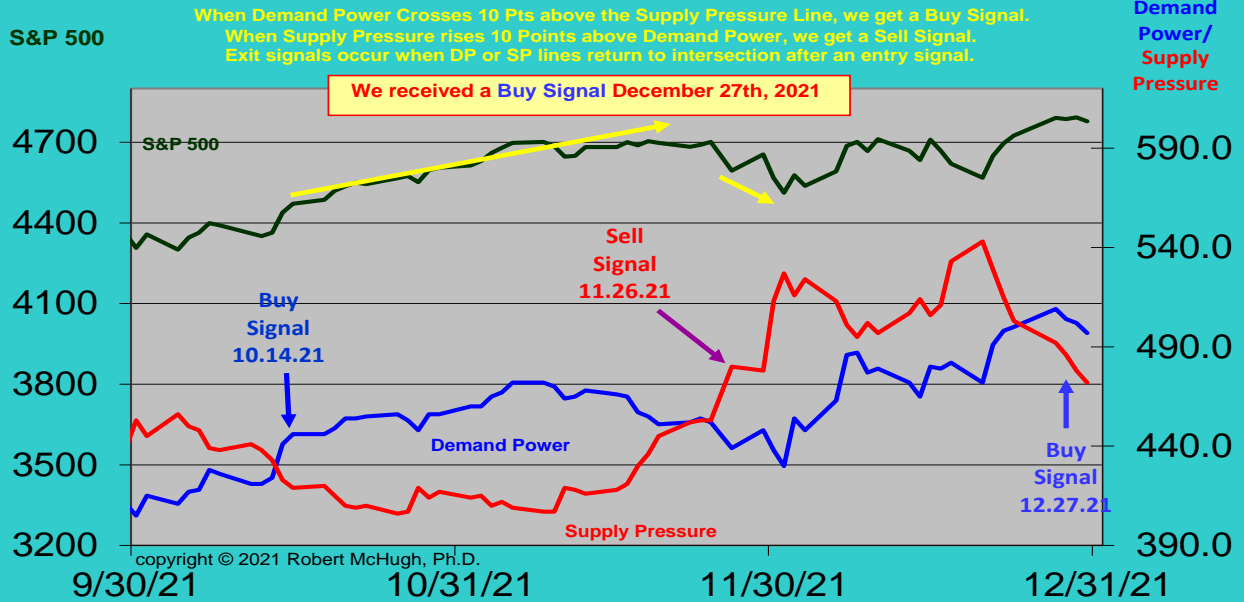
Above we see that for the period from April 2022 through June 2022, we see a Bullish Divergence occurred, an early warning that led to a rally. Convergences gave early warnings of trend turns and coming signal reversals, acting as good exit indicators. The signals themselves led to moves in the direction of those signals.



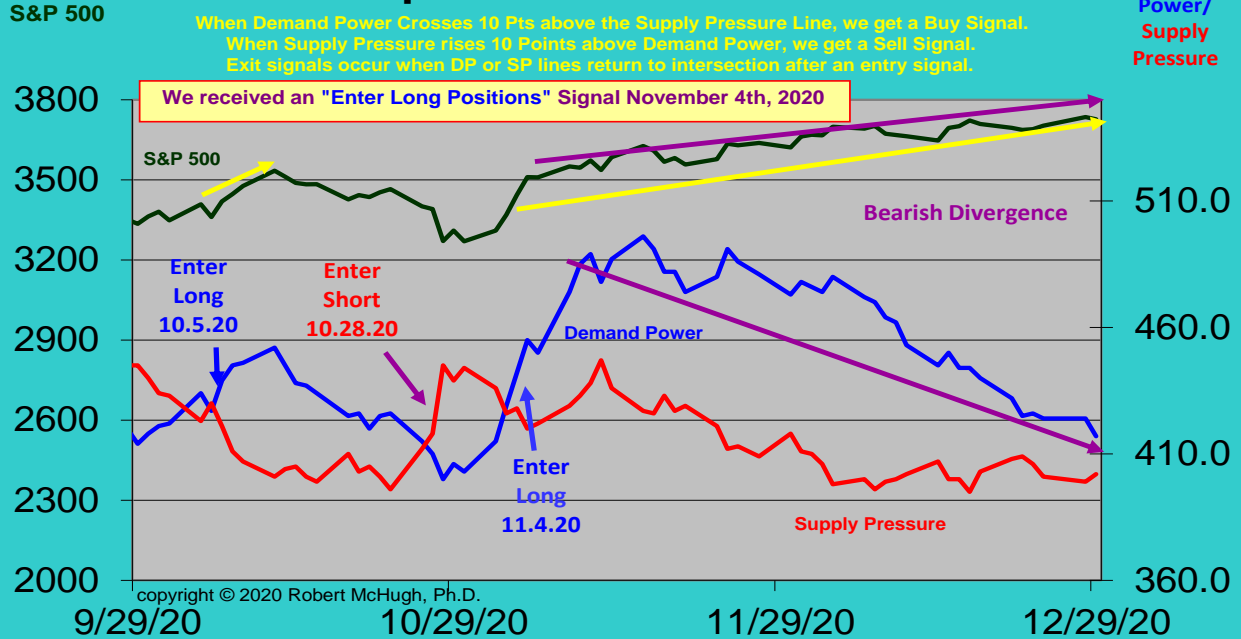
During the first quarter of 2022, we see a Sell signal on January 18<sup>th</sup>, 2022 that led to a strong stock market decline. A new Buy signal then arrived on March 17<sup>th</sup>, 2022, a rally in stocks did follow, however, almost immediately a Bearish divergence occurred warning that this could be a short-lived rally, which was the case.

In the fourth quarter of 2021, shown in the below chart, we see a Buy signal on October 14<sup>th</sup>, 2021, that led to a solid rally that lasted about three weeks. Convergence arrived then, signaling the likely end for this particular rally leg, which proved true. A sell signal then followed which led to a small decline. Convergence came fast for this decline, which indicated the decline would be short-lived.

## S&P 500 vs: Demand Power & Supply Pressure September 2021 to December 2021



## S&P 500 vs: Demand Power & Supply Pressure September 2020 to December 2020

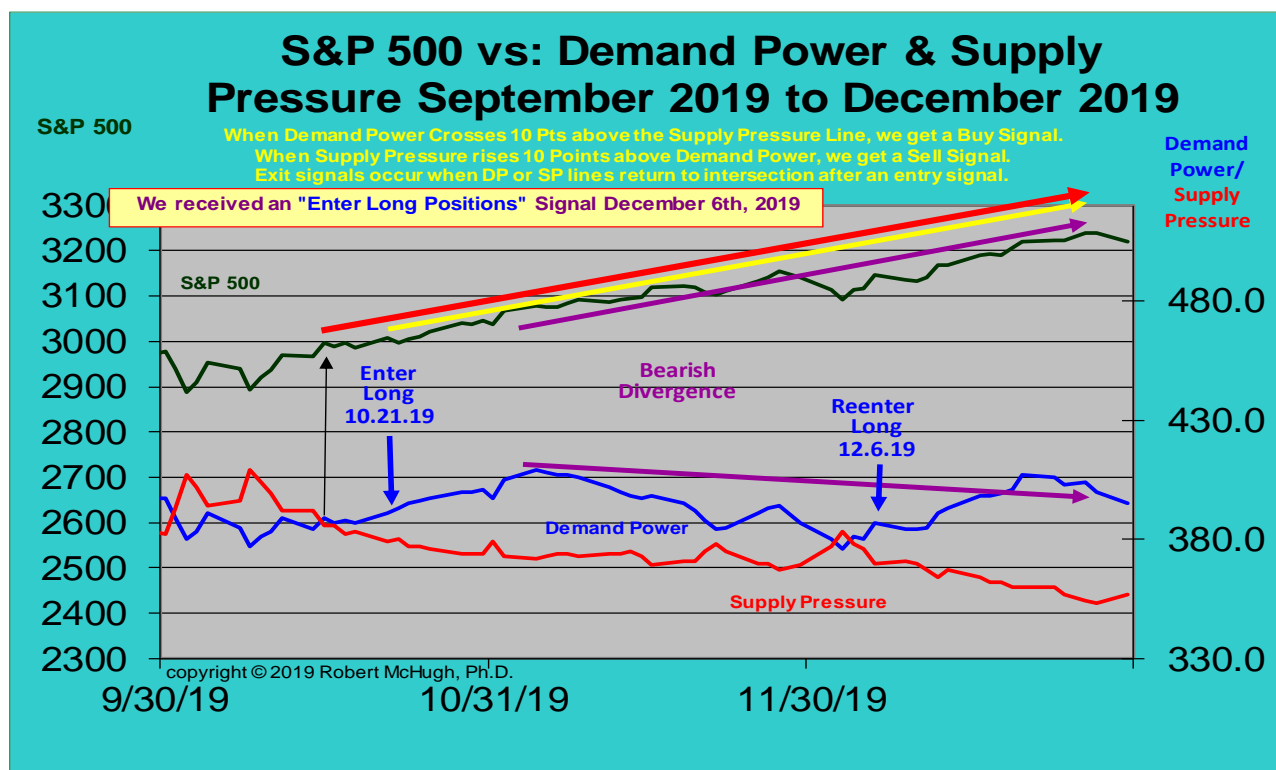


Above is another example of how well this Demand Power / Supply Pressure Indicator performed during the last quarter of 2020. If the

market reversed quickly, the DP/SP Indicator also reversed quickly, with convergence an early warning a trend turn was coming.

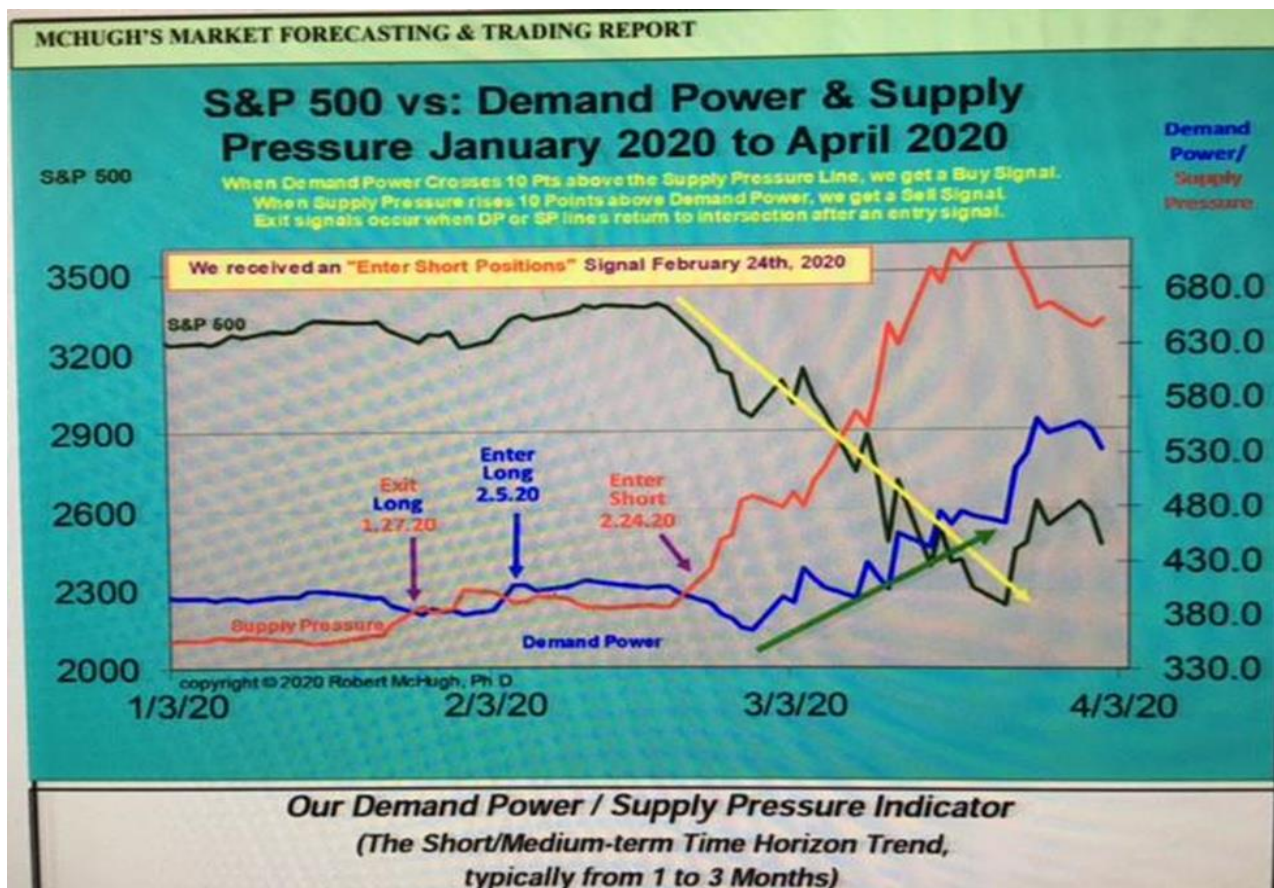
So, the next question becomes, did this indicator give early warnings, and a Sell signal, before the March 2020 lockdown crash occurred? Let's take a look.

The below chart shows there was a huge Bearish Divergence in the fourth quarter of 2019. The size warned that the coming reversal could be powerful.



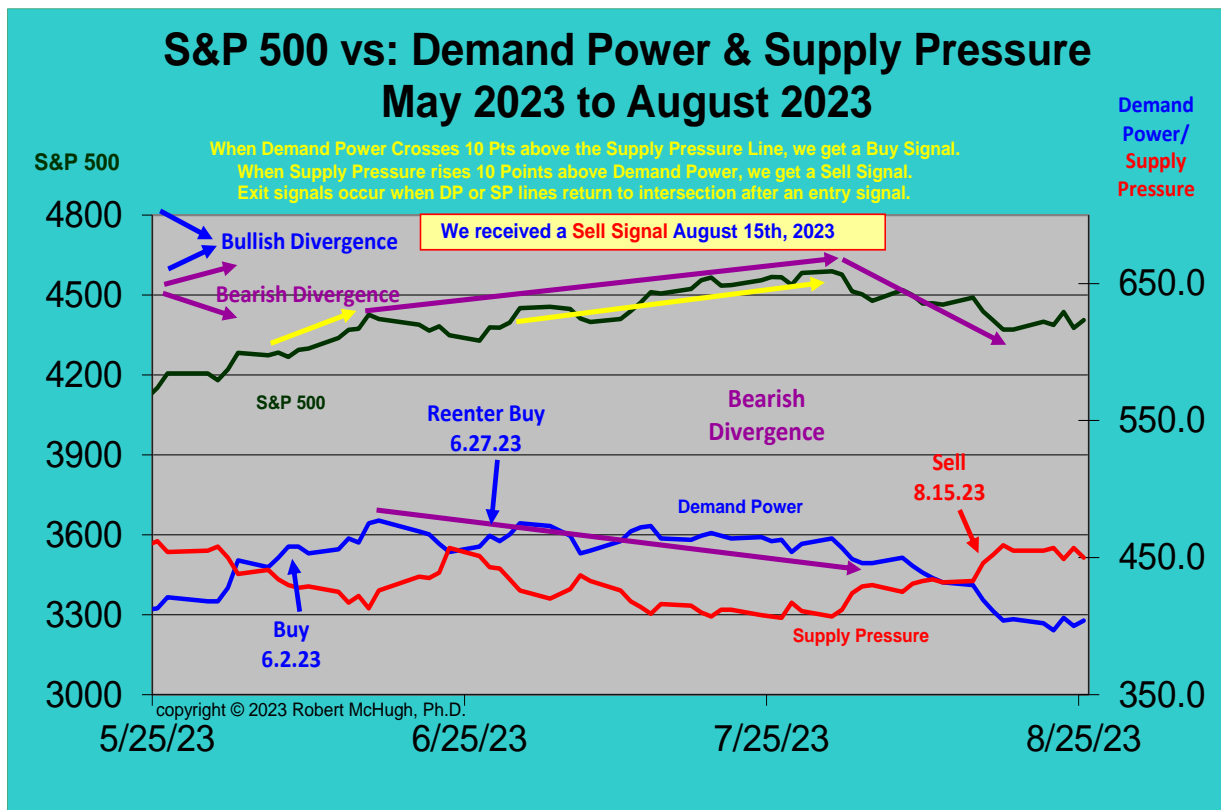
The indicator did pick up a Buy signal in late October 2019, that was followed by a long strong rally. However, that Bearish Divergence was letting us know not to get complacent. Big trouble was coming.





Above is the Demand Power / Supply Pressure Indicator for the first quarter of 2020. It shows that after our Demand Power / Supply Pressure Indicator identified an early warning Bearish Divergence in late 2019, about four months prior to the 2020 Lockdown stock market crash, this indicator generated a full Sell signal on February 24th, 2020, just as the stock market topped and the crash was imminent. It also showed convergence as the crash ended, which was an exit indication.

So, what is the Demand Power / Supply Pressure Indicator telling us now? This weekend, in the below chart, we see that another large Bearish Divergence has been developing, warning of major trouble coming. It will be important to watch what happens next.



Following this indicator on a daily basis, which we publish in our market newsletters, can be a great tool in generating an additional income stream by trading the Options and ETF Markets, or simply market timing when to get in and get out of S&P 500 positions.

If you would like to have this Demand Power / Supply Pressure indicator in your trading toolbox, forecasting a coming stock market turns on a daily basis, simply go to [www.technicalindicatorindex.com](http://www.technicalindicatorindex.com)

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