How to Benefit From Our Market Analysis Service

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Our Market Analysis service specializes in presenting several Indicators designed to find investable trends that last anywhere from several days to several weeks, and on occasion, several months. Our goal is to identify rising and falling trends that occur within the larger Primary Trend. Our Primary Trend Indicator is presented after the end of each month, and the other Primary Long Term trend indicator we follow, Dow Theory Buy and Sell Signals, are reported when they occur. Our proprietary Primary Trend Indicator generated a new Buy signal May 31st, 2010, and since that large degree buy signal, the Industrials have risen 1,883 points, or 18.6 percent.

Within the Primary Trend, which is identified by our Primary Trend Indicator, there are Secondary trends which we identify with several proprietary indicators. Long term investors can take long-term positions based upon the Primary Trend Indicator, and intermediate-term traders/investors can conduct market-timed transactions based upon our short-to-intermediate term indicators, either the Secondary Trend Indicator, our "key trend-finder" indicators, our Demand Power/Supply Pressure indicators or all of them in combination. Our Platinum Trading Service uses these and several other indicators which we have found make excellent filters to keep us on the right side of high momentum trends, leveraging the amount of trading capital at risk into strong returns.

Let us now focus on the performance of our Secondary Trend Indicator. The origin of this indicator is the name of our website, Technical Indicator Index. When we first started publishing our research and newsletters, back in 2003, we came up with a basket of indicators which we believed in combination would be a useful trend analysis tool, confirming whether or not current trends were significant, and identifying when new multi-week trends were beginning. It was a short-term/intermediate-term trend-finding indicator. We made modifications to which components deserved to be part of that Index and changed its name to our Secondary Trend Indicator in 2005. We have been presenting this indicator for five years in our newsletters using the same component formula that entire time. The components have remained the same since 2005 because this indicator works. It is time this amazing indicator gets more attention.

While our Secondary Trend Indicator is not one of what we call our "key trend-finder" indicators, it is an independent indicator that can be used to confirm the signals we get from our "key trend-finder" indicators. The STI caught most of the significant trends over the past five years. There were a few false signals, but they quickly reversed and caught the next significant trend.

What is our Secondary Trend Indicator? We have identified 8 statistics or indicators that we believe in combination are critical to the underlying strength or weakness of a market trend. Very simply, we assign a value of positive 1, negative 1, or zero to each of these 8 statistics/indicators every night. ***We total the results and assign that day's summation to a running accumulation of every day's results. Then we subtract from this accumulation a moving average of these summation figures and the difference is our Secondary Trend Indicator. We report this every day in our newsletter to subscribers. For example, for Friday, January 28th, our STI fell 8 points, close to the maximum move that is possible to occur on any given day. We subtracted that from Thursday's accumulated summation and arrived at our Secondary Trend Indicator reading of positive + 13 as of Friday night. STI readings above zero are buys and STI readings below zero are sells. Simple.***

For example, if both the PTI and STI are on buy signals, but the STI is deteriorating, however our key trend-finder indicators have just moved to a sell signal, we may want to take some action, but ease into our new positions. So, a short-term to intermediate-term investor could be getting ready to move to a short position (or move to cash and stay out of the market if conservative), or perhaps take a light short or light exiting position now, and then move into a heavier short or exiting position once the Secondary Trend Indicator confirms our "key trendfinder" indicator sell signal with a sell signal of its own. The best time to enter is right after new signals are generated. Jumping in after these signals have been in place for a while has more risk because every trend has time limitations, and the more time that has passed, the more likely the trend is maturing. The Demand Power/Supply Pressure Indicator shown in a chart on page one of every newsletter is yet another short-to-intermediate term trend indicator that should add confidence to the trend at hand, and to trend turns. It is very nice when the Secondary Trend Indicator, the key trend-finder indicators (all three, the Purchasing Power Indicator, the 30 Day Stochastic, and the 14 Day Stochastic), and the Demand Power/Supply Pressure indicators are all in agreement. We got a new exit long positions signal in the DP/SP indicator Friday, January 28th, so that is now deteriorating also.

These indicators should be the primary focus of investors and traders using our service. But while these are the objective signals we follow, we also pay attention to studies that give big picture guidance of over-the-horizon risks. Elliott Wave analysis, RSI, MACD, and Full Stochastics, pattern analysis, cycle turn analysis such as phi mate turn dates and Bradley model turn dates, as well as unique developments such as the Hindenburg Omen provide satellite maps of potential market storms and clearings approaching, beyond the vision of our trading/investing indicators. To invest or trade off of these over-the-horizon tools is usually a mistake, especially if the positions taken are in conflict with the STI, DP/SP, or key trend-finder indicators.

Here are the results of our Secondary Trend Indicator over the past five years in the chart that follows:

Secondary Trend Indicator Performance

Signal	Date of Signal	S&P 500 at time of Signal	Date Trend Ended (Furthest Move)	S&P 500 at end of trend (First Exit)	Price Move in Drection of Signal	Last Date Signal Held	S&P 500 at Signal's End	Price Gain at Final Exit
Buy	12/16/2010	1242.87	1/27/2011	1299.54	56.67	1/28/2011	1276.34	33.47
Buy	12/2/2010	1221.53	12/14/2010	1241.59	20.06	12/14/2010	1241.59	20.06
Sell	11/12/2010	1199.21	11/16/2010	1178.34	20.87	11/17/2010	1178.59	20.62
Buy	9/1/2010	1080.29	11/5/2010	1225.85	145.56	11/11/2010	1213.54	133.25
Sell	8/19/2010	1075.63	8/26/2010	1047.22	28.41	8/31/2010	1049.33	26.3
Buy	7/22/2010	1093.7	8/9/2010	1127.79	34.09	8/10/2010	1121.06	27.36
Sell	6/16/2010	1114.61	7/2/2010	1022.58	92.03	7/12/2010	1078.75	35.86
Sell	5/18/2010	1120.8	6/7/2010	1050.47	70.33	6/14/2010	1089.63	31.17
Buy	11/3/2009	1045.41	4/23/2010	1217.28	171.87	5/17/2010	1136.94	91.53
Buy	12/26/2008	872.8	10/19/2009	1097.91	225.11	10/27/2009	1063.41	190.61
Sell	10/2/2008	1114.28	11/20/2008	752.44	361.84	12/24/2008	865.42	248.86
Sell	6/17/2008	1350.93	7/15/2008	1214.91	136.02	7/29/2008	1263.19	87.74
Buy	4/24/2008	1388.82	5/19/2008	1426.63	37.81	6/9/2008	1361.76	-27.06
Sell	3/6/2008	1304.34	3/7/2008	1273.37	30.97	4/16/2008	1365.56	-61.22
Buy	2/11/2008	1339.13	2/26/2008	1381.29	42.16	3/3/2008	1331.24	-7.89
Sell	12/13/2007	1488.41	1/22/2008	1310.5	177.91	1/31/2008	1378.55	109.86
Sell	11/2/2007	1509.65	11/26/2007	1407.22	102.43	11/29/2007	1469.72	39.93
Buy	8/21/2007	1447.12	10/9/2007	1565.15	118.03	10/18/2007	1540.08	92.96
Sell	7/18/2007	1546.17	8/15/2007	1406.7	139.47	8/20/2007	1445.51	100.66
Buy	6/27/2007	1506.34	7/13/2007	1552.5	46.16	7/17/2007	1549.37	43.03
Buy	6/13/2007	1515.67	6/15/2007	1532.91	17.24	6/25/2007	1497.74	-17.93
Buy	3/8/2007	1401.89	6/4/2007	1539.18	137.29	6/5/2007	1530.95	129.06
Buy	8/16/2006	1295.43	2/20/2007	1459.68	164.25	2/28/2007	1406.82	111.39
Sell	5/10/2006	1322.85	7/17/2006	1234.49	88.36	8/15/2006	1285.57	37.28
Buy	3/10/2006	1281.58	4/5/2006	1311.56	29.98	4/10/2006	1296.62	15.04
Buy	12/21/2005	1262.79	2/27/2006	1294.12	31.33	3/3/2006	1287.23	24.44

The chart shows the initial date of a new signal, either buy or sell, in our Secondary Trend Indicator, then measures the price move in the S&P 500 in the direction of that signal to the date the trend ended. ***You can see this indicator found a ton of S&P 500 price movement for most of the significant trends over the past five years***. There were occasions when a false signal was generated (which are not included in this chart but occurred between ending and beginning trend dates shown), but in those instances, that signal was quickly reversed. But ***once a meaningful trend started, this indicator was on board very soon thereafter and rode it most of the way.***

The Secondary Trend Indicator is a momentum indicator, just like our key trend-finder indicators (the Purchasing Power Indicator, 30 Day Stochastic, and 14 Day Stochastic) and Demand Power / Supply Pressure Indicators are. We believe strongly that momentum rules markets, thus traders and market timing investors should include momentum indicators in their transaction decision-making process. Momentum catches the powerful mass psychological mood of market participants as well as the unexpected deep pockets intervention that can seem to move markets in bizarre ways and come out of nowhere. Because the STI is a momentum indicator, it will remain on the same signal for a short period of time (usually a few days) after a trend had ended and a new trend is starting. That is because it simply needs the time to gauge when momentum has turned in a powerful way in the opposite direction, versus the possibility that a trend-turn is weak, is a fake-out, and not deserving of a signal change.

But here is what is exciting about this particular indicator. If you were not smart enough to know precisely when the apex of the move occurred, if you were not clairvoyant, and you rode this STI until it changed its signal, you still were able to capture a significant number of S&P 500 points most of the time. In other words, it provides an exit signal, albeit coming slightly after the trend has concluded. In a perfect world, exits come at the furthest point of a trend's move, however that is very difficult to pinpoint most of the time. Exiting is in the eye of the beholder, dependent upon risk appetite, experience, and financial position. Some traders/market-timers exit based upon achievement of a targeted profit level. Others raise stops, hope they do not get stopped out (usually do, more often than not when least desired on a whiplash move) until greater profits are realized, while others ride an indicator until it changes its signal. The problem with the last approach, riding an indicator, is you can lose all your profits if the market turns faster than the signal does. So, if the decision is to ride an indicator and exit on a signal change, that indicator needs to be highly sensitive to a developing trend change. In our experience, most indicators flunk that test. However, based upon the results of the past five years, interestingly, the STI has done a fairly good job of providing a ride'em cowboy exit signal. Not perfect, but the furthermost column on the right shows those results, which are not bad in most cases. We are not recommending any particular exit strategy, as again, that is up to the trader/market-timer and their financial advisor. But we did want you to have the information on this STI for you to consider in your transaction decision-making.

If this is all too much for you, we consider the performance of the Secondary Trend Indicator, our Blue Chip key trend-finder indicators, our Demand Power/Supply Pressure indicators and certain relevant backdrop indicators and market patterns in our new Platinum Trading Service, now available at www.technicalindicatorindex.com .

We recommend that you visit our Glossary button at the left of the home page, as well as our other Guest Articles, especially the article *Understanding Our Primary Trend Indicator*, which is a major component of our "key trend-finder" indicator, dated October 21st, 2006 as well as the article *Demand Power and Supply Pressure Buy and Sell Signals*, dated April 22nd, 2007.

Available now, McHugh's exclusive Platinum Trading Service.

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