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Narrow Range For McClellan Oscillator

***e*Research Corporation** is pleased to provide a weekly commentary, authored by Tom McClellan, entitled "The McClellan Chart-In-Focus", which is a free technical analysis article published each week.

In this article, Mr. McClellan examines his patented market indicator, the McClellan Oscillator.

The article is reproduced below, beginning on the next page, or you can use this link to go to the article directly:

http://www.mcoscillator.com/learning_center/weekly_chart/narrow_range_for_mcclellan_oscillator/

You can also visit the McClellan Financial Publications Home Page at the link below. This is a subscription service, and there are two publications which can be subscribed for: (1) **The McClellan Market Report**; and (2) **The Daily Edition**.

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Bob Weir, CFA
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June 23, 2017

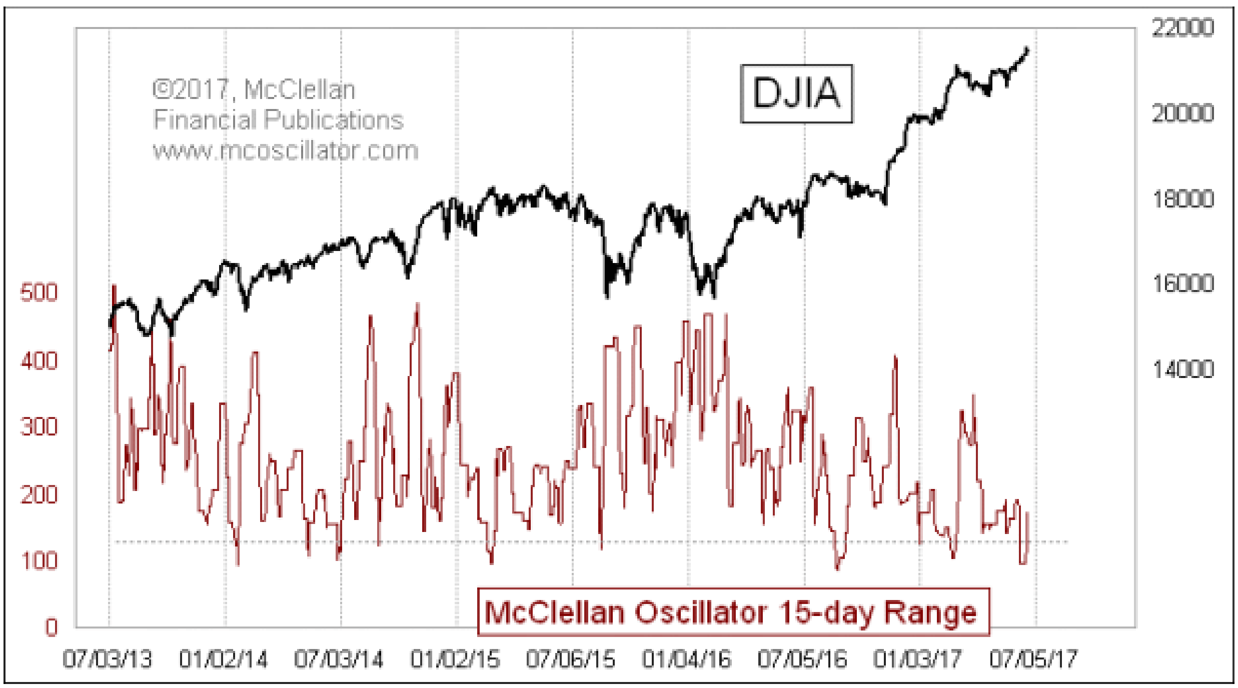
The McClellan Chart-In-Focus

by Tom McClellan (bio at end)

Narrow Range For McClellan Oscillator

A quiet market is one of the hallmarks of a price top, when no one seems to care enough about risk to move the market very much in either direction. The NYSE's McClellan A-D Oscillator has recently been displaying some of that quietness, trading only a few points above and below zero until just the past couple of days. That quietness in Oscillator readings is telling us something about that very complacency I was talking about.

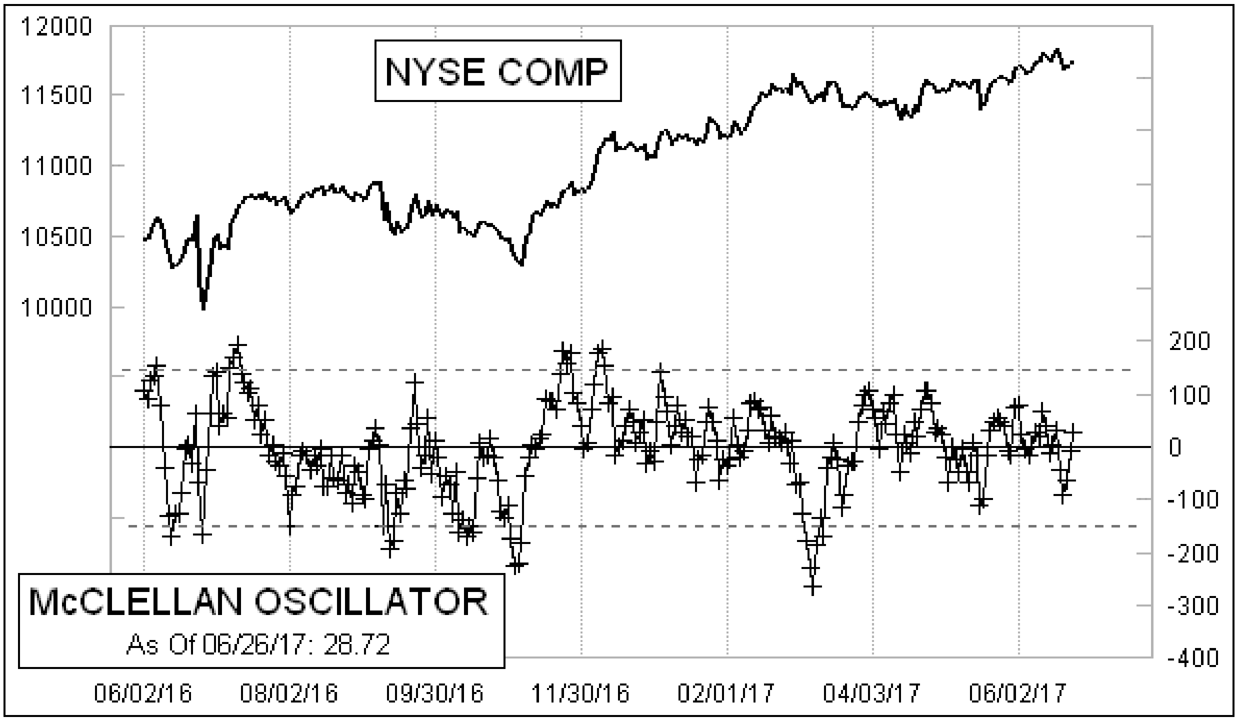
So to look at it more quantitatively, this week's chart looks at the 15-day high-low range of Oscillator values. Its calculation method disregards at what point level that range occurs; it is just looking at the highest minus the lowest readings over the past 15 trading days.



What we can see in this chart is that the high readings occur near inflection points, usually as prices are turning up. This makes sense. Think about a nice oversold (very low) Oscillator reading, which is then followed a few days later by a crossing of zero to a nice high reading. That is going to increase the magnitude of the readings for this 15-day range indicator.

But it is the low readings for the 15-day range that I find even more interesting, because they tell us more about what is going to happen, as opposed to what just did happen. These low readings, below around 120 points (dotted line on the chart), seem to give pretty good signals that a price top is at hand. This is similar to several other types of indicators that portray market calmness, such as Bollinger Bandwidth (AKA standard deviation), VIX, and Average True Range. Calmness of prices and investor complacency go together, and usually appear together at market tops.

A low reading like what we have just seen does not necessarily have to lead to a big price decline. But it does say that traders are feeling complacent, and that those who are going to be buying have likely done so, and that there is little immediate pressure left to help push prices higher. Waiting for a fearful event, with its associated volatility and oversold readings, will get a better short-term entry point.



This is a newfangled way of looking at McClellan Oscillator interpretation. For some of the more long-standing methods, check out our Learning Center chapter on the McClellan Oscillator. And to see a chart of the McClellan Oscillator updated every trading day, visit our Market Breadth Data page.

Tom McClellan

Editor, The McClellan Market Report

BW: Information on Tom McClellan and *The McClellan Market Report* and *The Daily Edition* follows on the ensuing page.

ABOUT THE AUTHOR

Tom McClellan

Tom McClellan has done extensive analytical spreadsheet development for the stock and commodities markets, including the synthesizing of the four-year Presidential Cycle Pattern. He has fine-tuned the rules for inter-relationships between financial markets to provide leading indications for important market and economic data.

Tom is a graduate of the U.S. Military Academy at West Point, where he studied aerospace engineering, and he served as an Army helicopter pilot for 11 years. He began his own study of market technical analysis while still in the Army, and discovered ways to expand the use of certain indicators to forecast future market turning points.

Tom views the movements of prices in the financial market through the eyes of an engineer, which allows him to focus on what the data really say rather than interpreting events according to the same "conventional wisdom" used by other analysts.

In 1993, he left the Army to join his father in pursuing a new career doing this type of analysis. Tom and his Father spent the next two years refining their analysis techniques and laying groundwork.

In April 1995 they launched their newsletter, The McClellan Market Report, an 8-page report covering the stock, bond, and gold markets, which is published twice a month. They utilize the unique indicators they have developed to present their view of the market's structure as well as their forecasts for future trend direction and the timing of turning points.

A Daily Edition was added in February 1998 to give subscribers daily updates on their indicators and also provide market position indications for stocks, bonds, and gold. Their subscribers range from individual investors to professional fund managers. Tom serves as editor of both publications, and runs the newsletter business from its location in Lakewood, WA.

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