The Carlucci Indicator

***e*Research Corporation** is pleased to provide a weekly chart and table of The Carlucci Indicator, which is billed as the “Best Stock Market Indicator Ever”. See the current reading below.

The Carlucci Indicator can be used to determine whether an Investor should be “In the Market” (Positive Indication) or “Out of the Market” (Negative Indication).

The Indicator, itself, is a function of Two Requirements. The First Requirement consists of a single parameter, and the Second Requirement comprises three parameters, two of which must be confirming.

To be invested “In the Market” (a Positive Indication), BOTH of the Requirements individually must give a Positive Indication.

FIRST REQUIREMENT

To be Positive (invested “In the Market”), the percentage of stocks in the S&P 100 Index must be >65%.

Current Reading: 74%, which is a **Positive** Indication.

SECOND REQUIREMENT

To be Positive (invested “In the Market”), there must be 2 out of 3 positive confirming indications, those being RSI>50%, and MACD and Slow Stochastics being “positive”.

Current Reading: only **one** of the three parameters is Positive, which is a **Negative** Indication.

CURRENT INDICATION

The Overall Score is ***Negative***: Investors should be ***Out of the Market***. See chart below.

COMMENT: *The original Carlucci Indicator utilized the S&P 100 Index. eResearch has adapted the same metrics to the S&P 500 Index, which provides a useful comparison. Currently, both of the Indexes are Negative. Investors should avoid the market, or reduce positions.*

Readings: September 13

S&P 100 Index: Negative

ORIGINAL: S&P 100 Index

% Stocks above 200-Day MA Must be > 65%	Reading	RSI Reading >50	Reading	MACD Reading	Slow Stochastics Reading
74.00%	Positive	49.09	Negative	Negative	Positive

S&P 500 Index: Negative

ANCILLARY: S&P 500 Index

% Stocks above 200-Day MA Must be > 65%	Reading	RSI Reading >50	Reading	MACD Reading	Slow Stochastics Reading
68.80%	Positive	46.65	Negative	Negative	Positive

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LATEST READINGS

1. S&P 100 Index

The Carlucci Indicator: September 13

S&P 100 - Negative: Be "Out of the Market"

	S&P 100 >65% Daily	RSI >50 Weekly	MACD B>R Weekly	Slow STO B>R Weekly		Need 2/3 Score
15-Sep-17						
14-Sep-17						
13-Sep-17	74.00	49.09	Negative	Positive	=>	1
12-Sep-17	72.00	46.41	Negative	Positive	=>	1
11-Sep-17	71.00	44.97	Negative	Positive	=>	1
8-Sep-17	69.00	41.83	Negative	Positive	=>	1
7-Sep-17	67.00	39.56	Negative	Positive	=>	1
6-Sep-17	69.00	41.83	Negative	Positive	=>	1
5-Sep-17	66.00	36.87	Negative	Positive	=>	1
4-Sep-17	Hol	---	---	---	=>	---

2. S&P 500 Index

The Carlucci Indicator: September 13

S&P 500 - Negative: Be "Out of the Market"

	S&P 500 >65% Daily	RSI >50 Weekly	MACD B>R Weekly	Slow STO B>R Weekly		Need 2/3 Score
15-Sep-17						
14-Sep-17						
13-Sep-17	68.80	46.65	Negative	Positive	=>	1
12-Sep-17	68.20	45.77	Negative	Positive	=>	1
11-Sep-17	67.00	43.92	Negative	Positive	=>	1
8-Sep-17	64.40	39.44	Negative	Positive	=>	1
7-Sep-17	63.60	38.56	Negative	Positive	=>	1
6-Sep-17	64.60	39.67	Negative	Positive	=>	1
5-Sep-17	63.60	38.56	Negative	Positive	=>	1
4-Sep-17	Hol	---	---	---	=>	---

COMMENT: *The "original" Carlucci Indicator uses the S&P 100 Index, not the 500 Index, so caution here.*

WHAT IS THE CARLUCCI INDICATOR?

The Carlucci Indicator uses the stock chart (OEXA200R) for the S&P 100 that shows the % of stocks that are trading above their 200-day Moving Average. The Indicator also incorporates three additional metrics to confirm whether investors should be "in the market" or "out of the market".

1. When To Sell And Exit The Market

Following a major market extended move upwards, the conditions for becoming Negative and, therefore, selling and exiting all positions, are when the following occur:

(1) Daily $OEXA200R falls to and remains below 65%;

And/Or two of the following three also occur:

(2) Weekly RSI falls to and remains below 50;
(3) Weekly MACD black line falls below the red line; and
(4) Weekly Slow STO (stochastics) black line falls below the red line.

Without the solid foundational support of two out of three Weekly secondary indicators it is unsafe to trade even if Daily OEXA200R edges above the 65% line.

The market is considered safely tradable as long as Daily OEXA200R remains above 65% and two Weekly secondary indicators remain positive. Volatility and risk for long traders are relatively low. The trend is on their side.

Conversely, when Daily OEXA200R drops to 65%, **and/or** two out of three Weekly secondary indicators turn negative, it is taken as the conservative signal to exit all long positions, even if Daily OEXA is above 65%. Volatility and risk increase substantially. In the past, this has often been a "tipping point" condition presaging a substantial market drop.

2. When To Buy And Re-Enter The Market

Following a major market move downwards, the conditions for becoming Positive and re-entering the market are when the following occur:

● **Daily** $OEXA200R rises above 65% (i.e., % above 200-day Moving Average);

And two of the following three Indicators (definitions provided below) must also occur:

● **Weekly** RSI rises above 50;
● **Weekly** MACD black line rises above and stays above the red line; and
● **Weekly** Slow STO (stochastics) black line rises above and stays above the red line.

COMMENT: *The Carlucci Indicator is a long-term indicator and should not be used for short-term trading.*

COMMENT: *When incorporating the reading of The Carlucci Indicator when it comes to making an investment decision (it should NOT be the only parameter in the decision-making process!!!), in keeping with the creation of the original indicator, it is the S&P 100 Carlucci Indicator reading that should be given the weight, not the S&P 500 reading. But, another "however": Since the S&P 500 is a more broadly-based Index than the S&P 100, some investors may consider it to be more useful in a market assessment.*

COMMENT: *Definitions for RSI, MACD, and Slow Stochastics are provided on the next page.*

DEFINITIONS (condensed from Wikipedia):

RSI: The **relative strength index** is a technical indicator and is classified as a momentum oscillator, measuring the velocity and magnitude of directional price movements. Momentum is the rate of the rise or fall in price. The RSI computes momentum as the ratio of higher closes to lower closes. The RSI is most typically used on a 14-day time-frame, measured on a scale from 0 to 100, with high and low levels marked at 70 and 30, respectively.

MACD: The **moving average convergence/divergence** is a trading indicator that reveals changes in the strength, direction, momentum, and duration of a trend in a stock's price. The MACD indicator is a collection of three time series calculated from closing prices. These three series are: the MACD series proper, the "signal" or "average" series, and the "divergence" series, which is the difference between the two. The MACD series is the difference between a "fast" (short period) exponential moving average (EMA), and a "slow" (longer period) EMA of the price series. The average series is an EMA of the MACD series itself. The MACD indicator thus depends on three time parameters, namely the time constants of the three EMAs. These parameters are usually measured in days. The most commonly used values are 12, 26, and 9 days, that is, MACD (12,26,9).

SLOW STOCHASTICS: The **stochastic oscillator** is a momentum indicator that uses support and resistance levels. The term stochastic refers to the point of a current price in relation to its price range over a period of time. This method attempts to predict price turning points by comparing the closing price of a stock to its price range. The calculation finds the range between a stock's high and low price during a given period of time. The current stock's price is then expressed as a percentage of this range with 0% indicating the bottom of the range and 100% indicating the upper limits of the range over the time period covered. The idea behind this indicator is that prices tend to close near the extremes of the recent range before turning points. The Slow Stochastic applies further smoothing to the stochastic oscillator to reduce volatility and improve signal accuracy; it is more stable and reliable than the Fast Stochastic.

DEFINING THE CARLUCCI INDICATOR

The Carlucci Indicator uses the stock chart (OEXA200R) for the S&P 100 that shows the % of stocks that are trading above their 200-day Moving Average.

The Carlucci Indicator, as derived from the chart OEXA200R, is a valuable metric used to assess the state of the market in order to make profitable trading decisions. That is, it can be used for assessing whether it is a bull market, a bear market, or transitioning from one to the other, as well as evaluating market volatility and risk within each of those situations.

Historically, it has given traders a clear early warning signal of impending serious market downturns and later safe re-entry points. While not intended as a day-trading tool per se, it can be used as background information by high frequency traders. The OEXA200R gives traders the ability to identify the most opportune conditions within which to execute their various long, short, or hold strategies.

Following a major market extended move upwards, the conditions for exiting all positions are when the following occur:

Daily $OEXA200R falls to and remains below 65%;

And/Or two of the following three also occur:

Weekly RSI falls to and remains below 50;
Weekly MACD black line falls below the red line; and
Weekly Slow STO (stochastics) black line falls below the red line.

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*e*Research Disclosure

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Bob Weir, CFA
Director of Research

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