

The McClellan Oscillator

eResearch Corporation is pleased to provide the daily **McClellan Oscillator**, courtesy of Tom McClellan of McClellan Financial Publications (see Link below).

WHAT IS THE MCCLELLAN OSCILLATOR?

Created in 1969, the McClellan Oscillator is recognized by technical analysts as the essential tool for measuring acceleration in the stock market. Using advance-decline statistics, it gives overbought and oversold indications, divergences, and measurements of the power of a move.

The McClellan Oscillator is the numerical difference between two exponential moving averages (EMAs) of Daily Breadth. These are known as the 10% Trend and the 5% Trend, the terminology owing to the original references to EMAs made by P.N. Haurlan. He was a JPL rocket scientist who used EMA math for tracking satellites in orbit, and who was the first to use EMAs to track stock prices.

The McClellan Oscillator offers many types of structures for interpretation, but there are two main ones. First, when the Oscillator is positive, it generally portrays money coming into the market; conversely, when it is negative, it reflects money leaving the market. Second, when the Oscillator reaches extreme readings, it can reflect an overbought or oversold condition.

When breadth has been persistently strong for a sustained period, the 10% and 5% Trends get pretty high and so it becomes harder to keep them up there. As a result, a negative Oscillator value which appears under such conditions often does not necessarily carry the same bearish implications that it would if the Trends were at a lower value.

When the Oscillator forms a "congestion zone" where prices chop up and down in a relatively tight range, and a drop-out occurs from such congestion zone, then it typically leads to a 1-3 day sharp sell-off in the market.

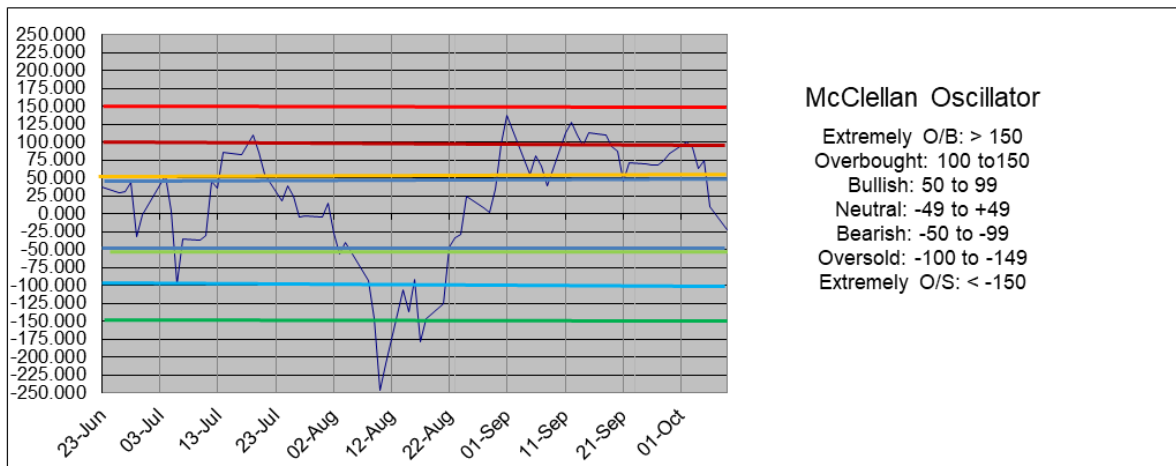
LAST TWO WEEKS' OSCILLATOR READINGS

| | <u>Tuesday</u> <u>10-Oct-17</u> | <u>Monday</u> <u>9-Oct-17</u> | <u>Friday</u> <u>6-Oct-17</u> | <u>Thursday</u> <u>5-Oct-17</u> | <u>Wednesday</u> <u>4-Oct-17</u> |
|--------------------|------------------------------------|----------------------------------|----------------------------------|------------------------------------|-------------------------------------|
| OSCILLATOR READING | 11.126 | -22.800 | 9.992 | 73.960 | 62.905 |

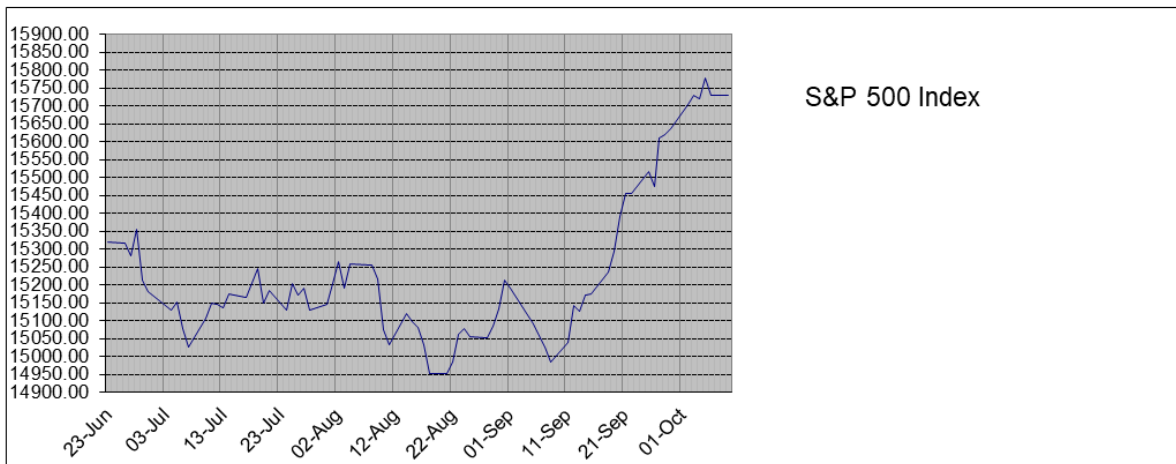
| | <u>Tuesday</u> <u>3-Oct-17</u> | <u>Monday</u> <u>2-Oct-17</u> | <u>Friday</u> <u>29-Sep-17</u> | <u>Thursday</u> <u>28-Sep-17</u> | <u>Wednesday</u> <u>27-Sep-17</u> |
|--------------------|-----------------------------------|----------------------------------|-----------------------------------|-------------------------------------|--------------------------------------|
| OSCILLATOR READING | 92.122 | 100.376 | 83.535 | 74.403 | 67.790 |

GRAPHIC DEPICTION OF THE MCCLELLAN OSCILLATOR (since June 23)

Neutral is between the **DARK BLUE** lines. **Bullish** is between the **GOLD** line and the **RUST** line; **Bearish** is between the **LIGHT GREEN** line and the **LIGHT BLUE** line. **Overbought** is above the **RED** line; **Oversold** is below the **Dark Green** line. The full range is shown on the graph.



Correlation with the S&P 500 Index:



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**.

Here is the link to the Home Page: <http://www.mcoscillator.com/>



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