Bumpiness Signals Weakness

***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 looks price action to determine bullish or bearish attitudes.

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

https://www.mcoscillator.com/learning_center/weekly_chart/bumpiness_signals_weakness/

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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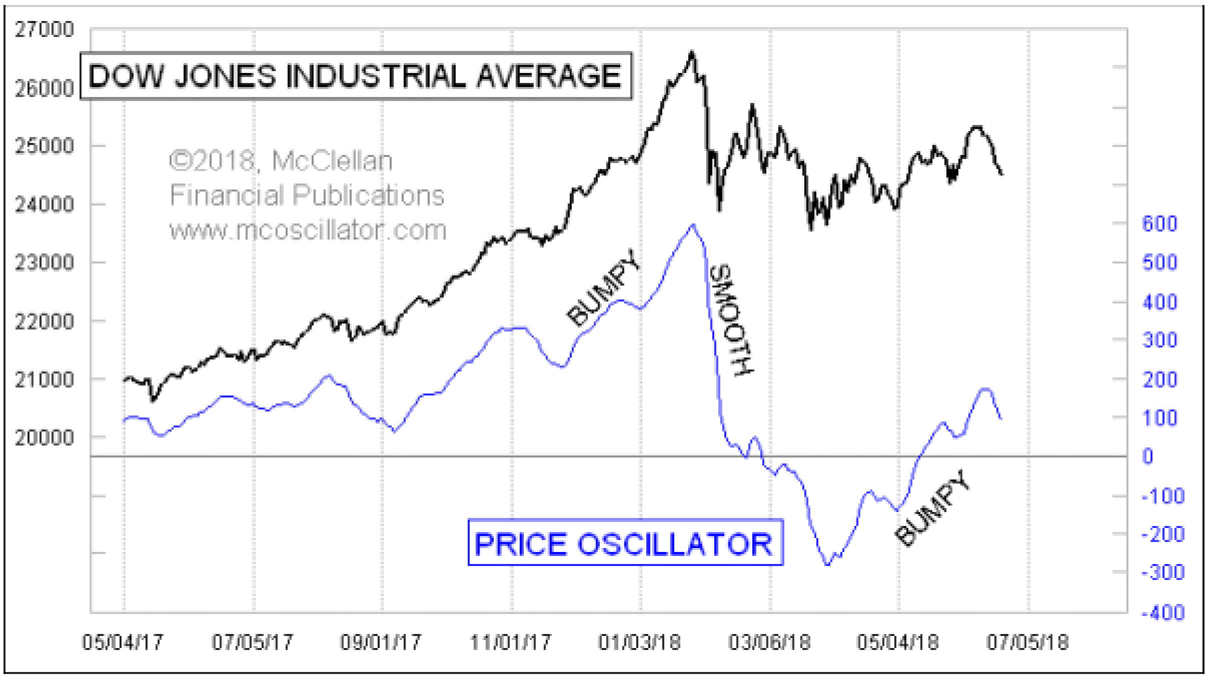
The McClellan Chart-In-Focus

by Tom McClellan (bio at end)

Bumpiness Signals Weakness

After bottoming on April 3, the DJIA's Price Oscillator has been making a bumpy up-move. That is important because bumpiness or smoothness of a move carries important information.

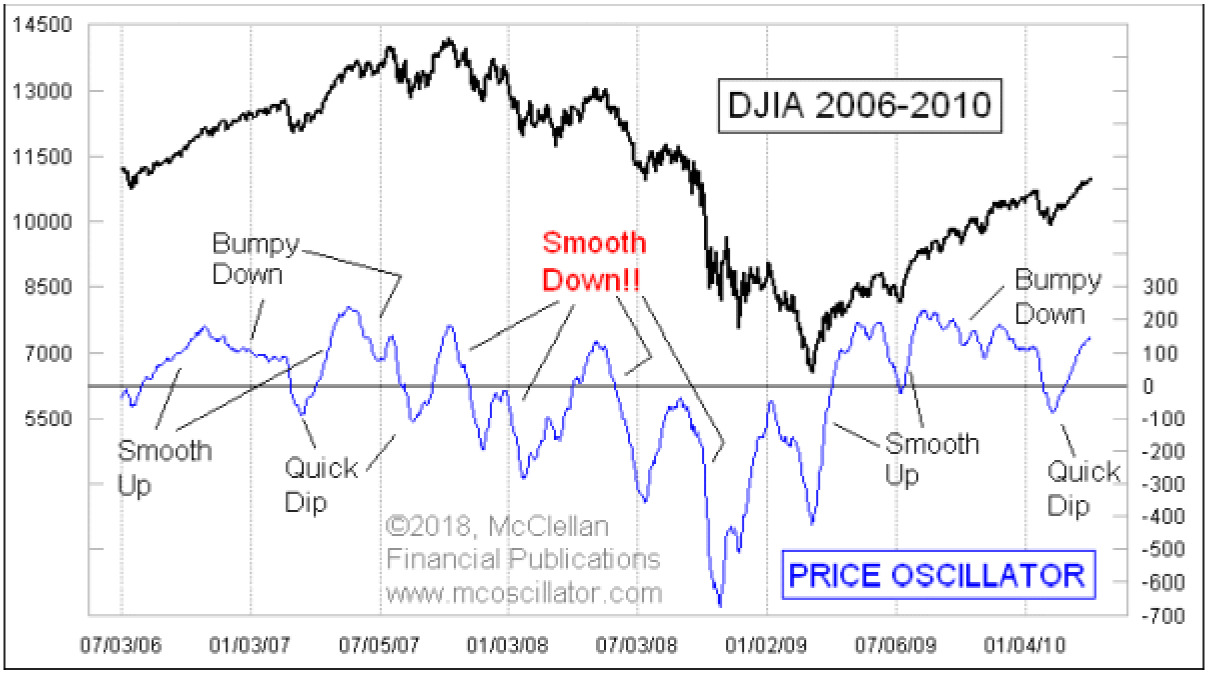
Dates are Month/Day/Year.



Our Price Oscillator is calculated using the same math as the McClellan A-D Oscillator, by finding a difference between two exponential moving averages (EMAs). The difference for the Price Oscillator is that it uses closing prices rather than daily A-D differences. See [this link] for details on the calculations.

A bumpy Price Oscillator is a sign of weakness for the direction of travel in which it is seen. That weakness may not manifest itself right away, but the message persists. A smooth Price Oscillator move is a sign of strength for the direction of travel in which it is seen. That strength may yield for a brief time to some corrective movement, but the message remains until it is contradicted by new information.

Here is a chart from 2006-10 which helps to illustrate this point:



During the uptrend to the 2007 market top, we saw a succession of Price Oscillator movements that were smooth up, bumpy down. That conveyed the message that the bulls were on the strong side. But that changed right after the October 2007 final price top to a smooth down, bumpy up pattern.

That finally changed in early 2009, when there was a rather bumpy down move in the Price Oscillator to the final price low in March 2009. That low was followed by a really strong price rally, which featured a smooth up-move by the Price Oscillator. The message then had changed.

Sometimes making an interpretation can be hard. Does one momentary bump invalidate a smooth move? As with all other types of chart analysis, this technique is not perfect and easy all the time.

For the current Price Oscillator up-move, its bumpiness does not tell us exactly when the bears are going to take charge again. What it does say is that the bulls' hearts are not really in this rally, and the bulls are not organized enough to make a nice smooth up-move. That should matter very soon.

Tom McClellan, Editor,

The McClellan Market Report

BW: Information on Tom McClellan and *The McClellan Market Report* and *The Daily Edition* is provided on the following 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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