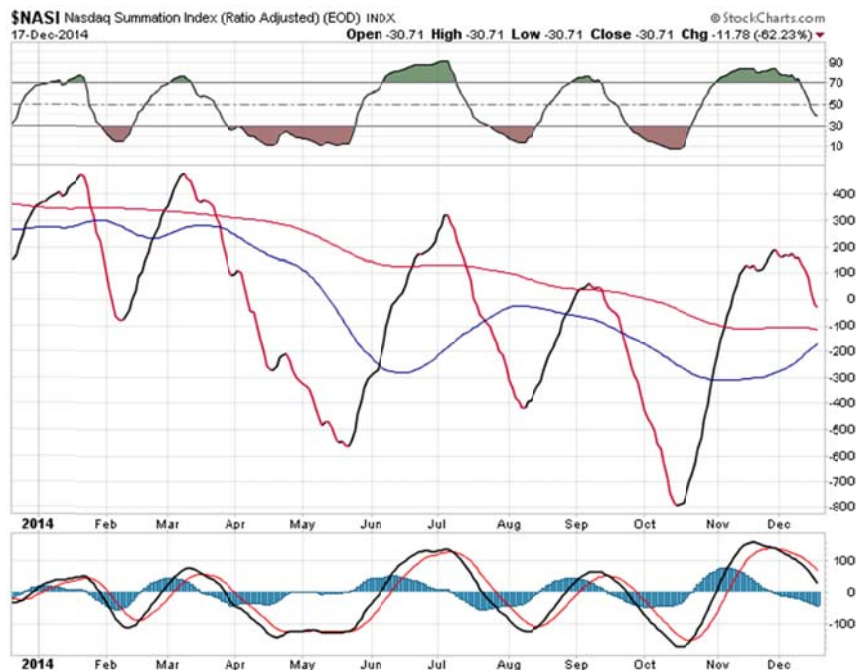




## Top 5 Technical Indicators

### 1. NASI – Nasdaq Summation Index

The Nasdaq Summation Index can be a great indicator of when the general market is starting to reach extreme overbought and oversold levels. You can see in the chart below, when the RSI of NASI reaches 10, it can be a great time to buy, such as in Mid-May, Mid-August and Mid-October 2014. Likewise, when RSI reaches 80-90 it can be a good time to take profits or think about getting short such as in early July, early September and late November 2014.



### 2. NYMO - NYSE McClellan Oscillator

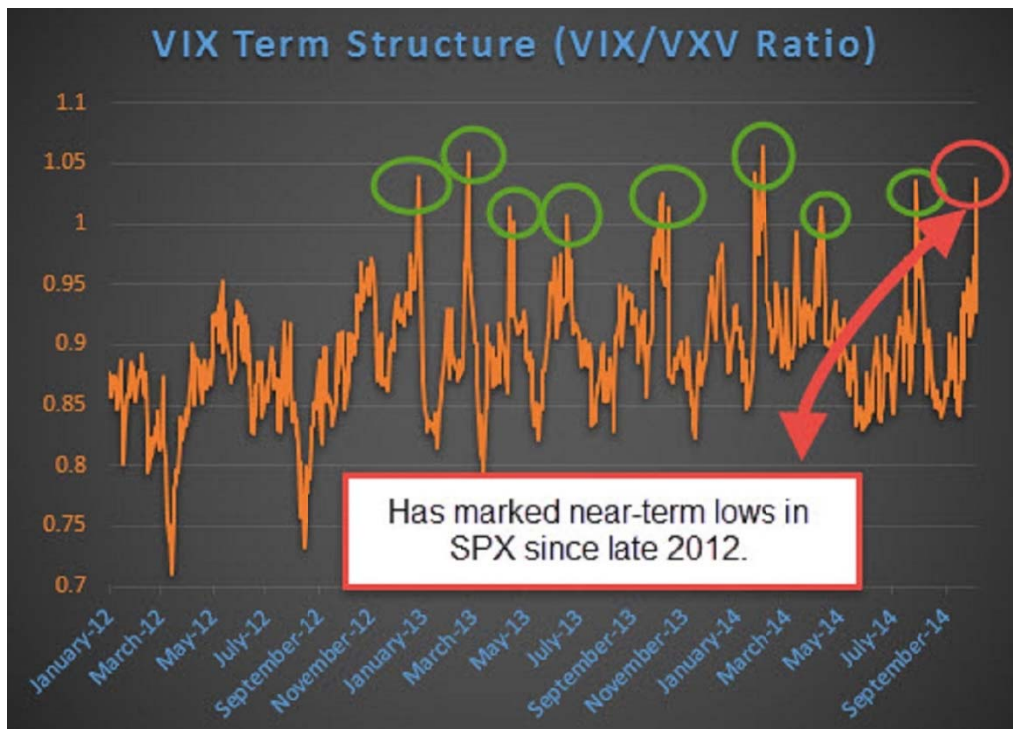
Another of my favorite indicators for determining short term overbought and oversold levels is the NYSE McClellan Oscillator. Similar to NASI, when this indicator reaches extreme levels, it can be a good signal to start making high probability direction trades. Examples would be going long in late July and mid-December and going short in late November.



### 3. VIX / VXV Ratio

The ratio of near term volatility (VIX) versus medium term volatility (VXV - CBOE S&P 500 3-Month Volatility Index) is another reliable indicator of short-term market bottoms.

When the ratio rises above 1.00, i.e. short term volatility is higher than medium term volatility, it indicates that there is excessive fear in the market. You can see below that when the ratio rises above one, it tends to reverse pretty quickly as fear subsides.



### 4. USHL - US New Highs-New Lows Index

The US New High-New Lows Index is another indicator that can help you in your trading. There are two ways to use this indicator. Firstly, to spot short term extremes, such as the extreme bullishness in early July 2014 and the extreme bearishness in mid-October 2014. Both instances resulted in sharp reversals.

The other way to use this indicator is by looking for divergence from the broader market. For example in early and mid-September 2014, the S&P 500 was breaking out to new all-time highs. However, the number of stocks making new highs was lower than the last time the index made all-time highs in July. This was a good indication that the strength of the rally was not as robust as two months earlier. Stocks then dropped around 10% over the next few weeks.



## 5. RSI - Relative Strength Index

The fifth indicator is a very easy one to use and also very popular. In an uptrend, when RSI hits 30, it is a good time to initiate bullish trades. The opposite is true in bearish trends.

You can see below, that during the bull market of 2014, trading the long side when RSI reached 30 was very profitable.

