

## **Fosback Absolute Breadth, An Old Indicator That is Still Useful**

**DISCLOSURE:** *The contents of this report were researched, analyzed, and written by Tom McClellan of **McClellan Financial Publications**, and were put into this report format, published and distributed by **eResearch Corporation**.*

**eResearch 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 at a sustaining stock breadth indicator that has been a useful market gauge tool.

The article is reproduced below, beginning on the next page, or you can use this link to go to the article directly: <Ctrl-Click> [HERE](#)

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/>

---

---

**eResearch** was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, our Subscribers (*subscription is free!!!*) benefit by having written research on a variety of small- and mid-cap, under-covered companies. We also provide unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis. We complement our corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals. We provide our professional investment research and analysis directly to our extensive subscriber network of discerning investors, and electronically through our website: [www.eResearch.ca](http://www.eResearch.ca).

Bob Weir, CFA  
Contributing Analyst

**Note:** All of the comments, views, opinions, suggestions, recommendations, etc., contained in this Article, and which is distributed by eResearch Corporation, are strictly those of the Author and do not necessarily reflect those of eResearch Corporation.

May 30, 2019

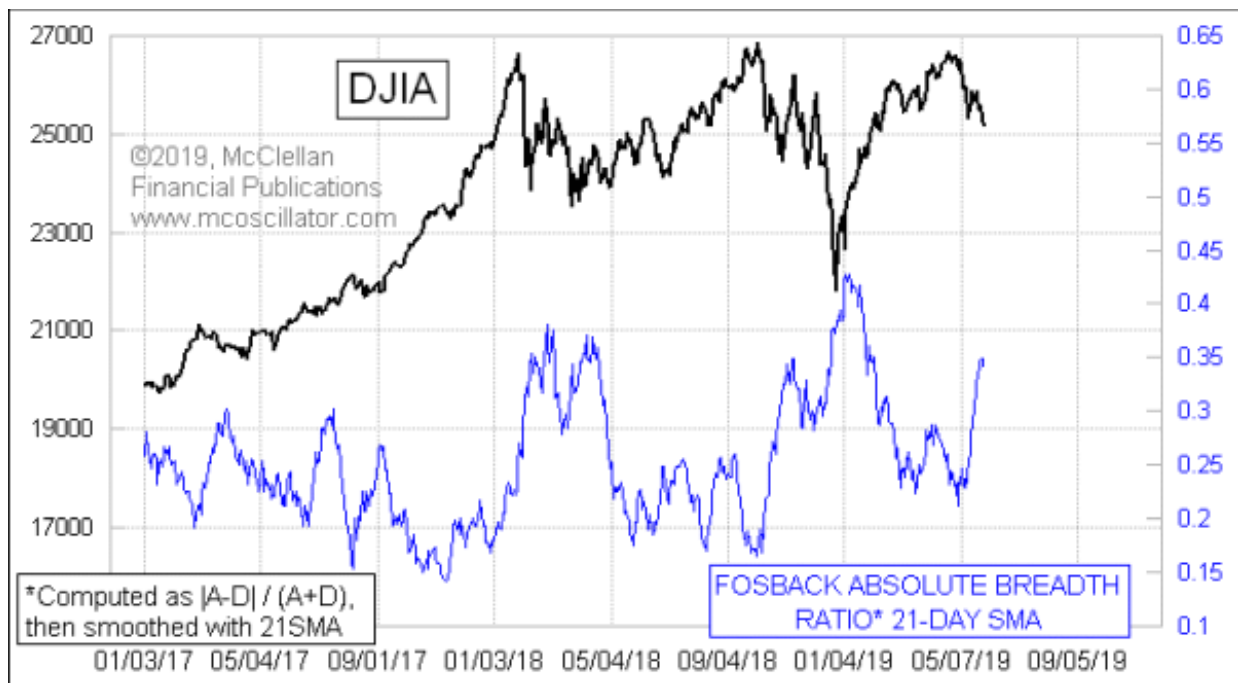
## The McClellan Chart-In-Focus

by Tom McClellan (bio at end)

### Fosback Absolute Breadth, An Old Indicator That is Still Useful

Years ago, market analyst Norm Fosback came up with his 21-day Absolute Breadth Ratio, which looks at the absolute value of the daily Advance-Decline (A-D) difference, and normalizes it by dividing by the sum of Advances plus Declines (A+D). He also then smoothed those daily numbers with a 21-day simple moving average. Bigger daily breadth readings, regardless of which direction they are going, are a sign of chaos associated with important price bottoms. Quietness is a feature of price tops, and shows up as lower readings for this indicator.

In this way, Fosback’s indicator acts a lot like Welles Wilder’s Average True Range (ATR). When traders are feeling panicky at bottoms, we tend to see bigger intra-day price ranges for the major averages. Quietness at tops shows up as lower ATR readings, which can be a “tell” that prices are topping.



As shown in the chart above, this indicator has been zooming up at a rapid pace in May 2019, reflecting the chaos traders are feeling in an environment of trade battles with China, increasing impeachment talk, and worries about the inverted yield curve harming the economy.

This type of high reading is indicative of a bottom for prices although, as we saw in November 2018, the bottoming effort associated with such a reading can give way to a further decline, after a rest-break.

For now, this indicator is up high enough to say that at least a rest-break in the price decline is in order, if not a rebound into an actual new uptrend. If that rest-break leads to a low Fosback indicator reading again in a few weeks, then we can start to worry about more corrective work to be done later this summer.

Tom McClellan, Editor, *The McClellan Market Report*

**BW: Information on Tom McClellan and *The McClellan Market Report* and *The Daily Edition* is provided below.**

## 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.

#####