

RASI: Market Outlook Positive; Trend Negative

DISCLOSURE: *The background information for this report was assembled 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 commentary on the Ratio-Adjusted Summation Index, RASI, which is a market indicator developed by Tom McClellan of McClellan Financial Publications.

Introduction

A reading on the Ratio-Adjusted Summation Index (RASI) that rises to and reaches a specified level (500 and above) can be a signal that a new market up-trend is starting. However, like any indicator, it can give a false positive, or it can occur well before or well after a market top is reached.

A downward corrective move in prices could take the RASI down close to zero or even below. The key then is to have RASI rise high enough to be able to say that the new up-move is strong and can achieve “escape velocity”.

The Summation Index changes each day by the value of the McClellan Oscillator. If the Oscillator is positive, the Summation Index moves up. If the Oscillator is negative, it moves down. The up or down increments equate to the value of the Oscillator. Thus, a number of positive Oscillator readings mean that the Summation Index (or RASI) moves higher.

The +500 level is an important dividing line for the RASI, in terms of giving a go/no-go signal about the new up-trend. When a rebound in the RASI occurs, but it falls short of getting up to the 500 level, historically that has meant trouble lies ahead. But zooming well above 500 is a sign that there is a lot of strength behind the move, and the higher it goes above 500, the more emphatic the message of strength.

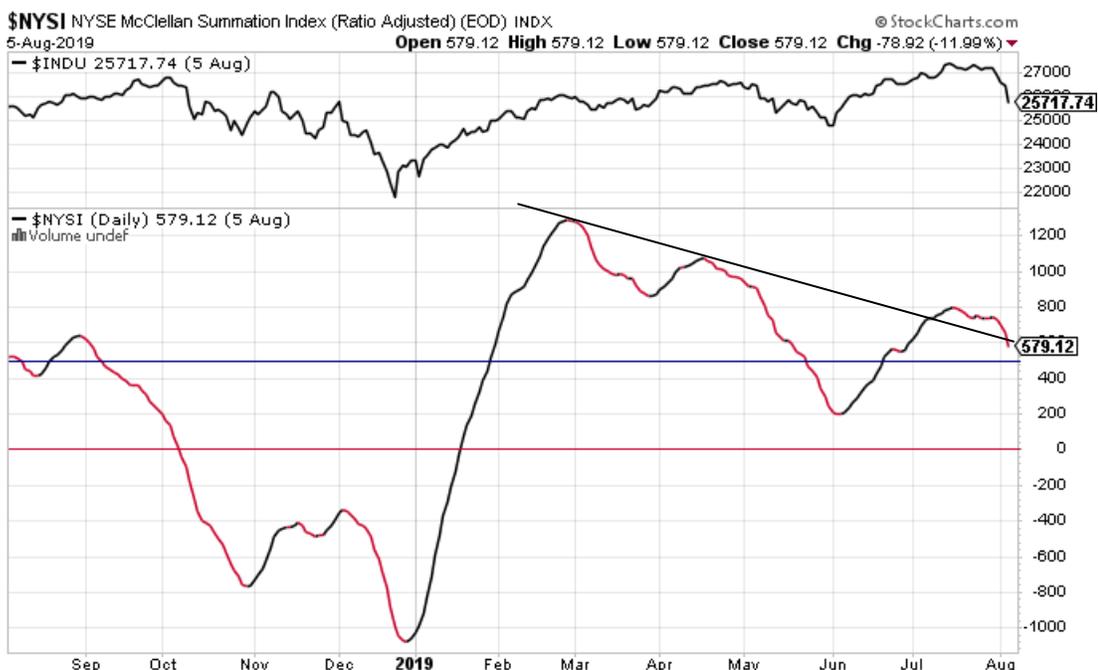
Conversely, a move from well above 500 down to and below 500 is a signal that the market is weakening and that it should move lower.

Current Reading: 578 ► Positive; Trend Is Down

The RASI at the close on Monday, August 5 is at 578, and continues to reflect a falling trend since the middle of July. RASI had declined below 500 in mid-May, but it rallied back above 500 in mid-June. The Index needs to be above 500 in order to generate a positive market expectation.

As shown in the chart on the following page, from the lows of last December, RASI rose consistently until the last week of February when it rolled over. After briefly rising above its down-trend line at the beginning of July, this down-trend line failed to act as support, and the Index has once again fallen below it. This is ominous, because the RASI Index has proven to be a good predictor of where the DJIA will go. This is shown clearly at the top of the chart.

<continued>



Conclusion

If positive A-D (Advance-Decline) numbers keep occurring every day, then that results in continued positive McClellan Oscillator readings, and a continued rise in the Summation Index.

Conversely, as the A-D line declines, the Summation Index declines, and the outlook for the market begins to dim.

Currently, the A-D line is downwards trending, with lower highs. The Index has once again broken below this down-trend line, a negative move.

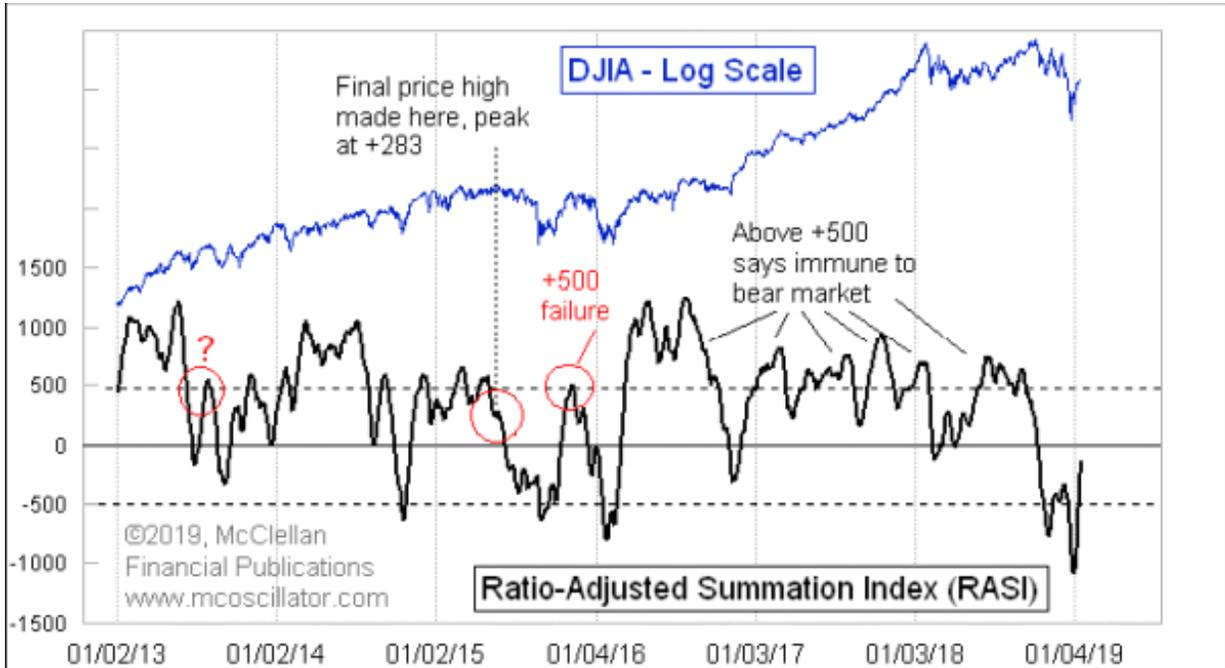
Link To The RASI Chart

If you want to watch the RASI for yourself to see how it performs relative to the +500 level, then you can follow it at this link: <http://schrts.co/DhTEqfaT>.

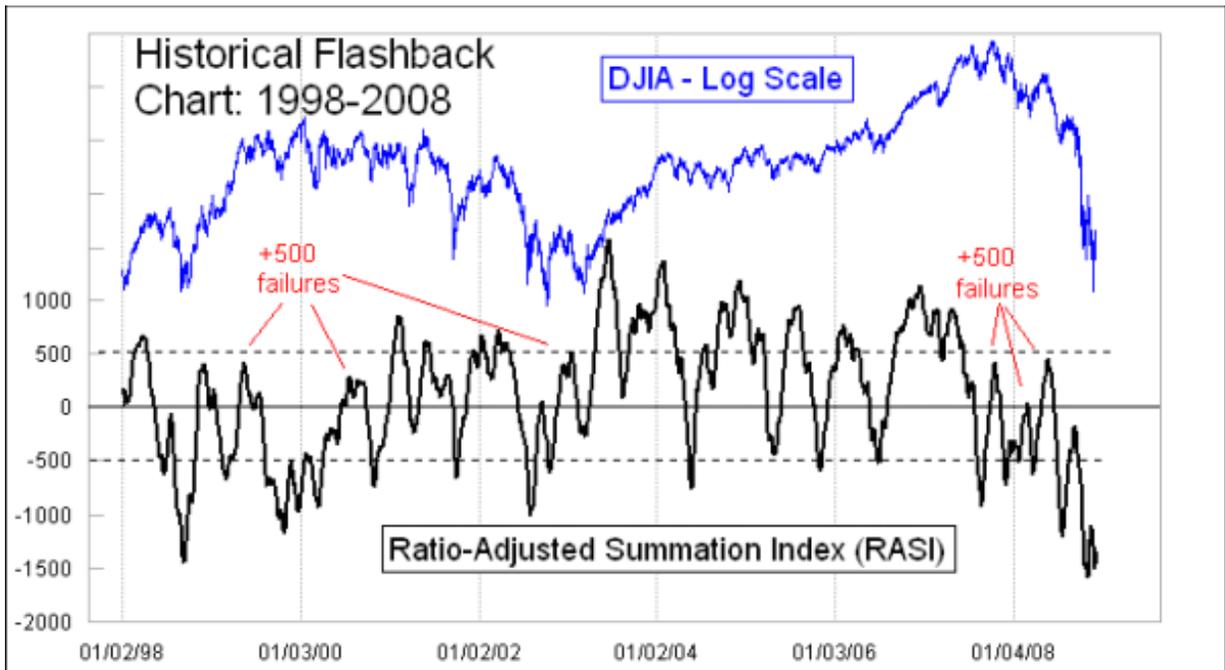
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How The RASI Works

The chart below shows the DJIA and the Summation Index for January 2013 – January 2019.



The next chart shows the correlation of the DJIA performance and the RASI reading for 1998-2008, with 500 or higher being the key level to expect a positive market experience.



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

ABOUT TOM MCCLELLAN



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.

McClellan Financial Publications

Each week, McClellan publishes its "Chart-in-Focus" report, which is posted on the eResearch website.

You can 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.mccoscillator.com/>

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