

# The Art of TradeStation

## Go Deeper with Market Breadth



Presented by

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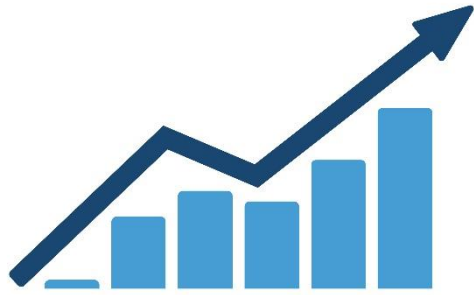
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# Agenda

- Loading the workspace
- What is market breadth?
- Limits of market cap weighting
- Advance / Decline Line
- Moving averages, 52-week highs & lows
- Equal weighted ETFs
- Using sectors



# What Is Market Breadth?

Market breadth analyzes the strength of the overall market by showing how stocks are performing in aggregate.

Market breadth looks deeper than the simple price performance of market-cap weighted major indexes like the S&P 500 and Nasdaq-100.

Breadth can help anticipate reversals or confirm direction.



# Limits of Market Cap Weighting

The S&P 500 and Nasdaq-100 emphasize stocks like Apple based on market cap.

While shows total money in the market, it can overlook strength or weakness in stocks overall.

Apple is bigger than the combined:

- 60 smallest members of the Nasdaq-100
- 200 smallest members of the S&P 500

*(As of 10/25/22)*





# Limits of Market Cap Weighting

Mainstream indexes can make it hard to see hundreds of companies (and entire industries) that may be lagging or outperforming.

Standard benchmarks also don't show which sectors are leading, which can provide meaningful clues of investor sentiment.



# Advance / Decline Line

The A/D line compares the total number of advancing stocks to the total number of declining stocks as a running net total.

Highs and lows can confirm or cast doubt on trends in the bigger index.

- Falling A/D line is potentially bearish
- Rising A/D line is potentially bullish



# Advance / Decline Line

The Advance / Decline line requires:

- A main chart with the key index
- A multidata chart w/ symbols for advancing and declining issues
- A subchart with the Advance-Decline Line indicator

*Consider keeping dedicated charts of each key index with dedicated subcharts.*



# Advancing / Declining Indexes

Symbol	Index
\$ADV	NYSE Advancing Issues
\$DECL	NYSE Declining Issues
\$ADVSP	S&P 500 Advancing Issues
\$DECLSP	S&P 500 Declining Issues
\$ADVND	Nasdaq 100 Advancing Issues
\$DECLND	Nasdaq 100 Declining Issues
\$ADVRL	Russell 2000 Advancing Issues
\$DECLRL	Russell 2000 Declining Issues

Indexes provided by TradeStation and are not securities.

Add to charts: Data → Add Symbol.

Then add line: Studies → Add Study → Advance-Decl Line

Use provided symbols as inputs.



## Advance / Decline Line

Signals can occur when the index makes a new high as the A/D line falls, which represents potential non-confirmation.

Historical examples:

- Late 2021
- Late 1998, all of 1999
- April-June 2006
- October 2007
- June-August 2015
- August-October 2018



# Moving Averages Indexes

Moving average indexes can provide another view inside the indexes.

TradeStation's precalculated indexes can display the number of stocks above key moving averages.

- Drops can show weakening breadth
- Comparing stocks above fast MA (20-day) vs slower MA (50-day) can provide crossover signals.



## 52-Week Highs & Lows

The number of companies making new 52-week highs and new 52-week lows can also help measure market breadth.

The included workspaces show new highs and lows in the S&P 500, Nasdaq-100 and Russell 2000.



# Equal Weighted ETFs

Equal weighted ETFs can help measure market breadth because they don't give more significance to big companies over smaller companies.

These can be charted against the main indexes with the relative strength indicator:

- Invesco S&P 500 Equal Weight (RSP)
- First Trust Nasdaq-100 Equal Weight (QQEW)





## Sector ETFs

Although breadth analysis doesn't typically consider sectors, they can provide some insights on market internals.

Outperformance by “safe-havens” like Consumer Staples can reflect economic fear.

Strength in a lagging sector can show exhaustion of a rally.

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