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MECHANICAL TRADING STRATEGY

STRATEGY COMBINING TWO TRADING EXPERT REPORTS PRODUCES 'OUTSTANDING RESULTS'

By David Vomund

In the book, *Trade Your Way to Financial Freedom*, Van K. Tharp says that it is not necessary to perform a thorough backtest on a trading strategy if you feel certain that it works. Utilizing the research published in the *Opening Bell* over the last seven years, I created a 100% mechanical "black box" trading system which utilizes two of AIQ's reports. Without performing a thorough backtest, I implemented the system in my weekly *VIS Alert.com* newsletter and the results have been outstanding.

I began a model portfolio based on this strategy at the end of the first quarter this year, and through November 5 the strategy is up 58%. The strategy is easy to follow and I will

detail it in this article.

My analysis style hasn't changed much over the years but what has changed is a shift to mechanical trading systems. This evolution began when I interviewed James O'Shaughnessy,

author of *What Works on Wall Street*, for the May 1997 *Opening Bell*. During that interview O'Shaughnessy discussed how he prefers mechanical trading systems over

human judgment. He noted:

"In virtually every test that was ever conducted where the outcome of the human forecaster was compared to the outcome of a simple actuarial model using variables that are known to be associated with the outcome, the mechanical model beat the human forecaster. ... The reason that the human forecasters fail is they are

"Mechanical trading systems eliminate the problem of not pulling the trigger. When a mechanical system gives a buy then you buy without second guessing."

DAVID VOMUND

MECHANICAL TRADING STRATEGY *continued* . . .

inconsistent. One time they use a bit of information that is highly relevant and another time they ignore it based on either their whims or the prejudice of the moment. It happens all the time on Wall Street. Eighty percent of traditional money managers fail to beat the S&P 500 because they inconsistently and haphazardly make investment choices. Most money managers have a good strategy. The problem is they don't follow the strategy."

Here is an example of inconsistency in analysis without a mechanical system. If a semiconductor stock had an attractive pattern with good indicators, then I'd buy it. If another stock had the same pattern but was in a different group, I might avoid it.

A recent example is Adobe Systems (ADBE). I liked everything about it but couldn't get myself to buy it because it was a software stock. ADBE has since been one of the best performers. Mechanical trading systems eliminate the problem of not pulling the trigger. When a mechanical system gives a buy then you buy without second guessing.

The mechanical strategy used in my *VIS Alert.com* newsletter combines two trading strategies that we've discussed in previous *Opening Bells*. The first is AIQ's mechanical trading strategy that uses the Weighted

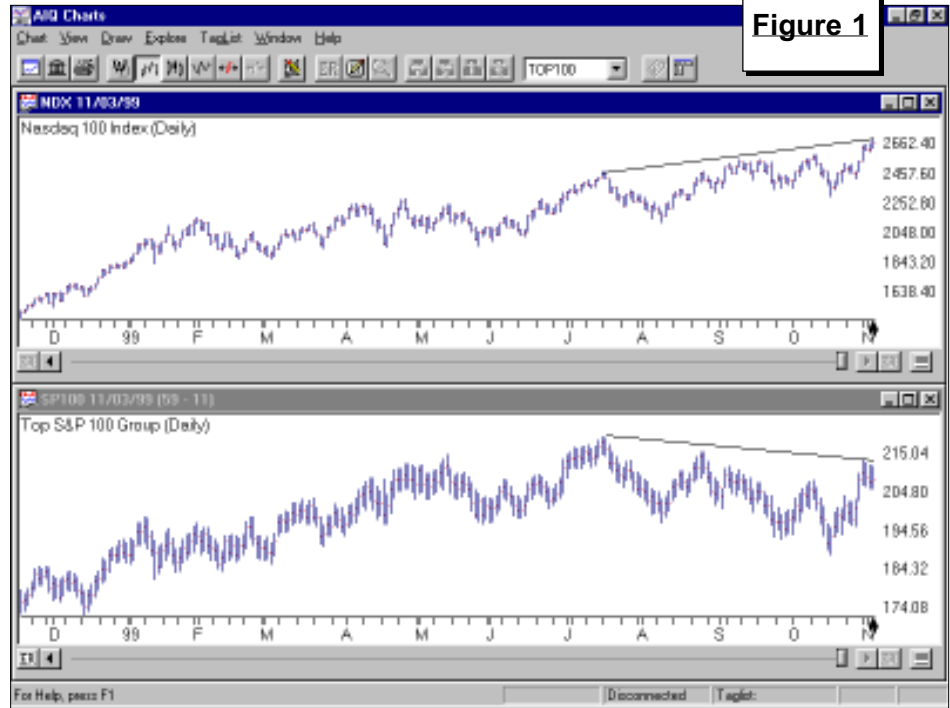


Figure 1

Action List report. With this strategy, you buy the top five stocks that appear on the Weighted Action List report when the AIQ market timing model gives a buy. The positions are sold when the market timing model switches to a sell. This strategy, which will be covered in detail in this newsletter early next year, has historically produced a 32% annual rate of return.

The second strategy uses the Relative Strength-Strong report. When AIQ registers a market timing buy signal you buy the top five stocks in the long-term section of the report and hold them until a sell signal is registered. We backtested this system in early 1997 and found a 32% annual rate of return.

We know that the Weighted Action List and the Relative Strength reports are effective in picking stocks that will outperform. For our model, 10 stocks makes us fully invested so five stocks are purchased using the Weighted Action List report and five stocks are purchased using the Relative Strength report.

Now the question is when to buy? For this model, we chose to not rely

on the AIQ market timing model but instead to stay fully invested and rotate between aggressive high-growth stocks and more conservative stocks. To help with this asset allocation technique, we compare the Nasdaq 100 index (NDX) to an index of large-cap stocks. The Nasdaq 100 index is a very good index of high growth/high volume Nasdaq stocks. When growth is in favor, these stocks do extremely well.

To get a more conservative index, I created an industry group of the 100 largest cap S&P 500 stocks. This is not the same as the S&P 100 or the OEX. You can use AIQ's Fundamentals module to get a list of the largest S&P 500 stocks based on capitalization or you can call Standard & Poor's at 800-221-5277 and purchase the *1999 S&P 500 Directory*. I update the group only once a year.

Figure 1 shows the Nasdaq 100 index along with my group of the 100 large-cap S&P 500 stocks. While they tend to move together, the strength of the advances or declines can differ. Notice in the last few months that the Nasdaq 100 failed to correct in October and hit new high ground in

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MECHANICAL TRADING STRATEGY *continued* . . .

November. The index of large-company stocks, however, looks like the S&P 500 index. It experienced a large correction in October and then rallied to the middle of its trading range by November.

In **Figure 2** we plot the weekly RSMD indicator of the Nasdaq 100 index versus our large company stock index. When the RSMD increases in value, then the Nasdaq 100 is outperforming. When the RSMD indicator decreases in value, then the large-cap stocks are outperforming.

Our Strategy

To begin with, plot the weekly RSMD indicator of the Nasdaq 100 versus the large-cap stocks. When the RSMD indicator increases for two weeks, run the Weighted Action List report and the Relative Strength Strong-Long Term report on a list of the Nasdaq 100 stocks. Buy the top five stocks on each report.

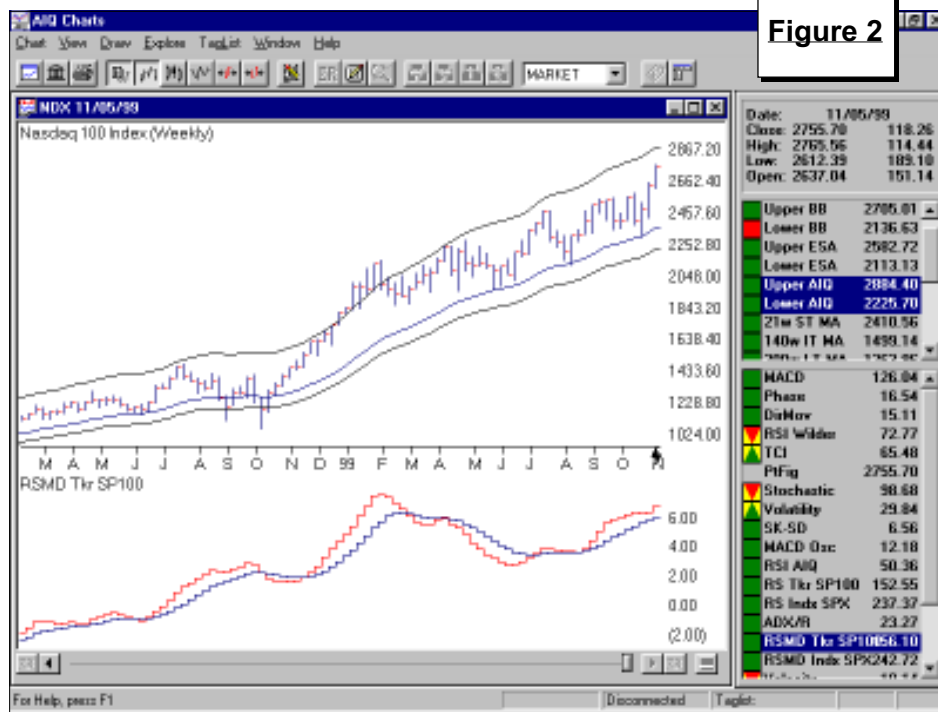
If a stock is a buy on both reports, then buy it from the Weighted Action List report and move to the next stock on the Relative Strength report. Equal positions are purchased in each stock.

The portfolio is held until the RSMD indicator moves lower for two weeks, favoring the large company stocks. When that happens, run the Relative Strength report on a list of large company stocks. Purchase the top five. Run the Weighted Action List report on a current list of the S&P 500 stocks. Purchase the top five. Again, if a stock is on both lists buy it from the Weighted Action List and move to the next stock on the Relative Strength report.

A listing of the stocks in the Nasdaq 100 can be found at www.nasdaq.com. A direct link to the page can be found on the links section of my web page at www.visalert.com.

Why It Works

By either holding an entire portfolio of Nasdaq 100 stocks or a portfolio of S&P 500 stocks, the system rotates between a very



aggressive position and a more diversified large-cap position. In very bullish times, when growth stocks perform well, the Nasdaq 100 will outperform so the portfolio will be aggressively invested in Nasdaq 100 stocks. When the market environment gets shaky and growth stocks start to falter, relative strength will favor the more conservative large-cap stocks.

By using the Relative Strength report, we buy the stocks that are driving the index higher. The Weighted Action List report, on the other hand, tends to buy a more diverse set of stocks. Some of the Weighted Action List stocks are in uptrends while some are not. Combining the two reports adds diversification.

When we created the strategy we performed a quick backtest for 1998. The backtest showed an 80% gain.

1999 Results

Table 1 shows the actual trades that were published in my *VIS Alert.com* newsletter. Note that this is an aggressive investment strategy. When Nasdaq 100 stocks are traded,

more often than not the gain or loss on each stock exceeds 20%. There are several cases where stocks are sold at a greater than 50% profit.

A unique element of this strategy is that there are no trailing stops leveled on the individual stocks. In a sense, there is a portfolio stop. If the portfolio does not go well, then it will rotate to the other group. That means there will be some big losses. For example, on the most recent holdings at the bottom of Table 1 we see VISX has a 30% loss. The other stocks are offsetting this loss so the portfolio is still held.

In Table 1 we see how the strategy keeps buying winning stocks but will knock out the losers. Every time the system rotated to Nasdaq 100 stocks, QCOM was purchased. That's because QCOM continued to perform well. Other stocks were not re-purchased. For example, YHOO was not re-purchased because it lost its leadership role.

Users can apply trailing stops on the individual stocks if they wish (I didn't test results of using stops). The problem with applying trailing stops

Mechanical Trading Strategy continued on page 4

is that you are locking in weakness but not locking in strength.

Note: When we began the strategy we ran both reports on the 100 large-cap stocks. There were several occasions when the Weighted Action List failed to have five stocks so we changed the strategy by running the Weighted Action List on all of the S&P 500 stocks when large-cap stocks are in favor.

Ways to Simplify the Strategy

This is a very simple strategy to follow, but it does have one complex element. The only complex element is creating and running reports on the 100 large-cap stocks. This step is not essential. You could use the S&P 500 instead of the 100 large-cap stocks. That means you plot the Nasdaq 100 index and use the RSMD SPX indicator to see whether the portfolio should be in Nasdaq 100 or in S&P 500 stocks.

My large-cap group index is nearly identical to the S&P 500 index so the rotation is generally the same. When the S&P 500 is in favor, then the Relative Strength and Weighted Action List reports are run on the S&P 500 list.

Ways to Improve the Strategy

The strategy rotates between the Nasdaq 100, an aggressive list of stocks, and the S&P 500, a more conservative list of stocks. An additional list of stocks can be created consisting of high-yielding conservative stocks. The result would be that in a very bearish environment the portfolio will rotate to a list of very conservative stocks that generally

hold up well in bad markets.

An additional method of improving the strategy utilizes a chart of your portfolio. Instead of comparing the Nasdaq 100 to an index of large-company stocks, you compare an index of your portfolio versus one of the indexes. For example, if the

portfolio is holding large-cap stocks, then you compare the relative strength of an index of your portfolio to the Nasdaq 100 in order to identify when to switch the portfolio.

Conversely, if you are holding a portfolio of Nasdaq 100 stocks, then you look at the relative strength of

Table 1

1999 Trades

Trade Period 1

03/29/99 to 05/03/99

	Buy	Sell	Gain
AMFM	46.94	54.88	16.91
EFII	42.38	47.31	11.65
QCOM	116.25	200.00	72.04
STEI	14.94	19.88	33.05
USAI	37.69	37.38	-0.83
AMZN	150.00	172.06	14.71
ATHM	160.72	143.94	-10.44
CMGI	185.13	254.50	37.47
IMNX	90.50	95.50	5.52
YHOO	177.00	174.69	-1.31

Trade Period 2

05/03/99 to 06/30/99

	Buy	Sell	Gain
MOB	104.13	98.06	-5.82
UMG	81.00	75.25	-7.10
ALD	58.63	63.50	8.32
DOW	131.19	128.50	-2.05
CSCO	56.88	62.38	9.67
IBM	104.00	124.81	20.01

Trade Period 3

06/30/99 to 08/09/99

	Buy	Sell	Gain
AMZN	116.50	91.50	-21.46
AAPL	45.69	54.34	18.95
AFM	54.13	48.00	-11.32
CATP	17.44	16.00	-8.24
MLHR	21.31	25.63	20.27
CMGI	113.50	78.81	-30.56
CNET	54.63	32.63	-40.27
QCOM	136.06	148.75	9.32
VISX	83.81	90.38	7.83
LCOS	45.94	34.75	-24.35

Trade Period 4

08/09/99 to 09/07/99

	Buy	Sell	Gain
CSCO	63.13	71.00	12.48
HWP	111.50	109.59	-1.71
IBM	123.63	128.84	4.22
MOT	88.38	95.13	7.64
ORCL	36.44	41.50	13.89
CBS	47.13	49.00	3.98
TX	63.25	64.63	2.17
SLE	22.31	24.31	8.96

Trade Period 5

09/07/99 to 11/05/99

	Buy	Sell*	Gain
ALTR	50.00	57.50	15.00
CMGI	85.25	105.00	23.17
LCOS	44.13	57.31	29.89
SEBL	75.13	128.25	70.72
VISX	94.31	67.00	-28.96
ATML	38.38	42.94	11.89
CNXT	38.31	49.50	29.20
JDSU	113.75	197.00	73.19
QCOM	163.50	294.38	80.05
XLNX	74.69	88.19	18.08

* Price on 11/05/99

1999 Return = 58.53%
(through 11/05/99)

Past performance does not guarantee future results

MECHANICAL TRADING STRATEGY *continued* . . .

your portfolio compared to an index of large-company stocks in order to determine when to switch the portfolio.

Market Timing

When I created the portfolio it was meant to be fully invested. Several people expressed an interest in incorporating market timing. In August, I began following the strategy using market timing. That is, the portfolio is only invested when AIQ is on a confirmed market timing buy signal and goes to cash when the timing model switches to a confirmed sell signal. This lowers the risk of the portfolio but also increases turnover.

For the period August 1 to

November 5, the portfolio using market timing is up 25%.

Wrap Up

Because this mechanical trading strategy has several variables, it is not easy to duplicate my actual trades. Duplicating the trades in this article isn't the goal. Rather, the purpose of this article is to offer an effective high-growth strategy.

A sound strategy will work even if the stocks purchased differ somewhat from one user to another. ■

For a free sample of David Vomund's weekly investment newsletter, VISAlert, go to www.visalert.com or call (775) 831-1544.

S&P 500 Changes

Tenneco Packaging (PTV) replaces Tenneco Inc. (TEN). PTV is added to the Containers & Packaging-Paper (CONTAINP) group.

Quintiles Transnational (QTRN) replaces King World Productions (KWP). QTRN is added to the Health Care-Specialized Services (HEALTHSS) group.

Teradyne Inc. (TER) replaces Case Corp. (CSE). TER is added to the Equipment-Semiconductor (EQUIPSEM) group.

STOCK DATA MAINTENANCE

The following table shows past and future stock splits and large dividends:

Stock	Ticker	Split/Div.	Approx. Date	Stock	Ticker	Split/Div.	Approx. Date
T-HQ Inc.	THQI	3:2	12/02/99	Dataram Corp.	DTM	3:2	12/16/99
Wild Oats Markets Inc.	OATS	3:2	12/02/99	BancWest Corp.	BWE	2:1	12/16/99
Vignette Corp.	VIGN	2:1	12/02/99	Emulex Corp.	EMLX	2:1	12/16/99
Tweeter Home Ent.	TWTR	2:1	12/03/99	Three-Five Systems	TFS	4:3	12/20/99
Brocade Comm. Systems	BRCD	2:1	12/03/99	Ariba Inc.	ARBA	2:1	12/20/99
Scient Corp.	SCNT	2:1	12/06/99	Atmel Corp.	ATML	2:1	12/20/99
VeriSign Inc.	VRSN	2:1	12/07/99	Bea Systems	BEAS	2:1	12/20/99
Sun Microsystems	SUNW	2:1	12/08/99	Idec Pharm.	IDPH	2:1	12/21/99
Sel-Leb Marketing	SELB	2:1	12/08/99	Network Appliance Inc.	NTAP	2:1	12/21/99
Allergan Inc.	AGN	2:1	12/10/99	Maxim Integrated	MXIM	2:1	12/22/99
Northern Trust	NTRS	2:1	12/10/99	Project Software	PSDI	2:1	12/23/99
Golden West Financial	GDW	3:1	12/13/99	Xilinx Inc.	XLNX	2:1	12/28/99
Exodus Communications	EXDS	2:1	12/15/99	Home Depot	HD	3:2	12/31/99
Saga Communications	SGA	5:4	12/16/99	MCI Worldcom Inc.	WCOM	3:2	12/31/99

Name/Ticker Changes:

Cincinnati Bell (CSN) to Broad Wing Inc. (BRW)
 EG&G Inc. (EGG) to PerkinElmer Inc. (PKI)
 Healthcon Corp. (HLTH) to Healthcon/WQebMD Corp. (HLTH)
 New Holland N.V. (NH) to CNH Global N.V. (CNH)
 Scandinavia Co. (SCF) to Xcelera.com Inc. (XLA)

Trading Suspended:

Asarco Inc. (AR), Case Corp (CSE), Chartwell Re Corp. (CWL), CNB Bancshares Inc. (BNK), Cold Metal Products, Inc. (CLQ), Edify Corp. (EDFY), Infoseek Corp. (SEEK), King World Productions (KWP), Knoll Inc. (KNL), Maxxim Medical Inc. (MAM), Neilsen Media Research Inc. (NMR), Net Gravity Inc. (NETG), Nord Resources (NRD), Orion Capital Corp. (OC), Sonat Inc. (SNT), Standard Products (SPD), Superior Services (SUPR), Trinet Corp Realty Trust (TRI), Western Bancorp (WEBC), Xomed Surgical Products (XOMD)

INTERVIEW

AIQ USER WESLEY NEVELS SHARES EXPERT DESIGN STUDIO MODEL

By David Vomund

By profession, Wesley Nevels is an airline pilot. When he is at home, he uses TradingExpert to actively trade stocks. In our interview he shares an effective Expert Design Studio scan that he created. Mr. Nevels can often be found on channel 7 in myTrack Chat and is also an active participant in an AIQ forum at www.onelist.com.

OBM: Tell me about your style of trading.

Nevels: I am a short-term trader but not a pure daytrader because mostly I hold positions for two or three days. I began using AIQ because of its real-time analysis and Expert Design Studio (EDS) features.

OBM: Do you prefer a mechanically based stock trading system or do you like to incorporate judgment?

Nevels: Mechanical systems are very helpful. I've spent a lot of time with the Expert Design Studio package and have tested literally hundreds of techniques. The me-

chanical systems give me stock picks, but I look at price action during the day to decide when to actually execute a trade.

OBM: Can you tell us about one of your favorite scans?

Nevels: I tested several EDS scans trying to find stocks that had one-day pops. I looked back histori-

“Recently the scan picked several banking and financial stocks, which predicted the quick rally in financial shares. I did well trading Silicon Valley Bancshares (SIVB).”

cally and printed out the charts of the stocks with one-day rises and looked at their indicators trying to find the common denominators. It took about a month to create this scan and hundreds of tests were used. As I tested the various indicators, if any indicator didn't show at least a 50% AROI then it wasn't kept. In all the tests, I used a fixed one-day holding period.

The first part of my favorite scan looks for stocks that have volume spikes. The Positive Volume Index and Negative Volume Index indicators proved to be very effective so I require that both of their 5-day slopes are diverging. Next, the Stochastic indicator is used. Rather than using it in its traditional sense, I simply required that its 5-day slope was increasing. I require that the Volume Accumulation Percent indicator has a

value greater than 5 and that the 28-period Intermediate Term Exponential Moving Average is greater than the 200-period Long Term Moving Average. Finally, with Parabolic SARs now available in TradingExpert's new 5.1 version, I recently added a rule requiring that the

daily high price of the stock be above its Parabolic SAR.

Figure 3 shows the rules in my final model. A backtest using a fixed one-day holding period is found in **Figure 4**.

OBM: Your test uses a fixed one-day holding period. Does this mean that you sell a stock after one day or do you use another sell criteria for your actual trading?

Nevels: The system was designed for one-day pops but for my actual trading I'll use very tight trailing stops. I will even sell a stock if it falls just 3/16ths. If the trade goes well, then I'll be in a stock for three or four days. In Real Time Alerts, I will draw a horizontal trendline just below the bid. If the stock falls below the trendline, especially on light volume, then I'm out. Judgment does not play a role in selling — when the Alert is triggered, I'm out. I typically use five-minute charts but I follow stock action on the quote screen as well.

OBM: What about the buy side. Do you buy on the open after a stock passes the scan?

Figure 3

```
less than 25 dollars
cheap if [close]<25.
|volume spike decreased from 1.91 to 1.22 to allow intraday use
yesterday is val[|volume|,1].
spike if [Volume]>([Volume ESA]*1.22) and [volume]>yesterday*2.
|not noticed
yesterdayclose is val[|close|,1].
NN if [close]< yesterdayclose*1.15.
|p-n vol divergence
divergence if slope[|N-Vol ESA|,5]<0 and slope[|P-Vol ESA|,5]>0.
|positive stock slope
pos if slope[|Stochastic|,5]>0.
exchange is MarketCode[|.
nasd if exchange="DC".
|bad sar
badsarday if [ParaSAR]>[High].
goodstock if cheap and spike and NN and not badsarday|
buy if goodstock and [va pct]>5 and [IT ESA]>[LT MA] and divergence and pos and nasd.
```


INTERVIEW *continued* . . .

Nevels: I'm not a buyer until the stock rallies above its previous day's high point. So before the market opens I draw horizontal trendlines starting from the previous day's high price. Once a trendline is broken then it is a buy.

OBM: What type of stocks do you buy?

Nevels: I run the EDS screening on a database of about 5,000 stocks and I favor Nasdaq stocks. Group rotation is important so I look at AIQ's Group Analysis report. The EDS scan can be used to identify group rotation as well. Recently the scan picked several banking and financial stocks, which predicted the quick rally in financial shares. I did well trading Silicon Valley Bancshares (SIVB).

OBM: What characteristic is required to be a successful daytrader?

Nevels: Discipline is the most important. As a daytrader, it is critical to have the discipline to get out when a stock goes against you.

OBM: Do you place your trades online as well?

Nevels: No, I find it more reliable to place the order over the phone with a discount broker.

OBM: Any other techniques that

		Winners	Losers	Neutral
		=====	=====	=====
buy				
Start test date:	11/21/97			
End test date:	11/19/99			
Number of trades in test:	4387	1944	1907	536
Average periods per trade:	1	1	1	1
Maximum Profit/Loss:		166.67%	(36.51)%	
Average Drawdown:	(1.35)%	(0.14)%	(2.96)%	
Average Profit/Loss:	0.68%	4.95%	(3.49)%	
Average SPX Profit/Loss:	0.08%	0.13%	0.04%	
Probability:		44.31%	43.47%	
Average Annual ROI:	171.52%	1238.83%	(896.49)%	
Annual SPX (Buy & Hold):	23.86%			
Reward/Risk Ratio:	1.45			

Figure 4

you want to share?

Nevels: One of the best daytrading indicators is one that I created in AIQ. It is a rate of change indicator. You take the current price divided by the price 21 days ago and then apply an 18-day moving average to that. The code you put in Alerts is: **Roc is (([close]/val([close],21)-1))*100. MAofROC is simpleavg(roc,18).**

With this indicator, you look for crossovers. A good example is found

in **Figure 5**. In this example, NVDM's ROC (Rate of Change) indicator has broken away from the signal line with increasing volume. NVDM immediately opens higher than previous days high, with no retracement. After a small gain of 2 1/2 points, it breaks down through the trendline that is confirmed by a cross down of the ROC indicator. NVDM bases at 17 3/4 and then appears to rally but this is not confirmed by the ROC. Later in the day, the ROC fluctuates through the signal line but, as with all indicators of this type, you ignore anything but a clean breakaway confirmed with volume.

OBM: Thanks for sharing your thoughts with us. ■



Figure 5

**TradingExpert 5.1
Now Available**

Trading Expert 5.0 users can download the new 5.1 version for free off the internet.

To download the file, go to www.aiqsystems.com. This web page also details the new features in this version.

MARKET REVIEW

Heading into November, AIQ was on an unconfirmed sell signal from October 25. The signal was unconfirmed due to the fact that the Phase indicator hadn't decreased in value since the signal. It wasn't until November 10 that there was enough weakness in the Dow to cause the Phase indicator to decrease.

The October 25 sell signal was obviously not a good one. The market rallied after the signal, led by the large-cap Nasdaq issues. While the October 25 signal was a valid sell, there were reasons to be skeptical. Looking at the market log on that date, there was a bullish WAL score. The WAL ratio showed that, of the stocks giving confirmed signals, 85% were on the buy side.

On November 22, AIQ registered a 97 sell signal. Again, the Phase indicator was rising when the sell was registered and as of this writing (November 23) the Phase is still increasing. Unlike the October 25 signal, the market log was leaning toward the bearish side with this signal. Of stocks giving confirmed signals, 87% were on the sell side.

How could the market averages rally throughout November when AIQ was on a sell signal? The reason is easily found by looking at the indicators. In **Figure 6** we see the Dow with its Money Flow indicator and the Advance Decline Line.

Money Flow uses the total volume figures on the NYSE and the Advance Decline Line uses breadth data on the NYSE. Notice that both indicators were weaker than the Dow. The Money Flow indicator was moving lower with a series of lower highs and lower lows since September, indicating that money was flowing out of the market. Along the same lines, the Advance Decline Line was near its October lows. The market averages were rallying but few stocks were participating.

Although few stocks participated in the November rally, those that did performed very well. Most of those stocks were large-cap Nasdaq issues. The AIQ market timing model won't always catch Nasdaq moves because the market timing signals are representative of the broader market. The Nasdaq behaves more like an industry group. In effect, it is an index of technology growth stocks.

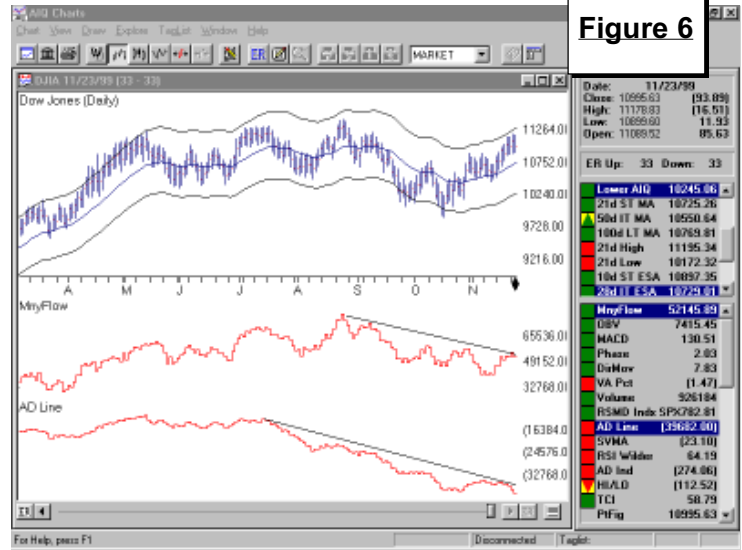


Figure 6

Decline Line. The volume figures used for the Money Flow calculation are derived from the 100 stocks that comprise the index. Similarly, the breadth figures are calculated based on the activity of the same 100 stocks.

In **Figure 7** we see that Money Flow was very strong. Beginning mid-October, the Advance Decline Line showed good participation as well. Most of the Nasdaq 100 stocks participated in the Nasdaq rally. The Nasdaq market was obviously the stronger of the two markets.

Most of the time, the Dow and the Nasdaq move in the same direction. However, this hasn't been the case over the last few months. The divergence is seen in the relative strength of a large-cap market index such as the S&P 500 when compared to the Nasdaq growth stocks. (First display a chart of the Nasdaq 100 index and then plot the RSMD SPX indicator.) When the indicator is rising, the Nasdaq 100 is outperforming. When the indicator is falling, the S&P 500 is outperforming. From a plot of such an indicator, you can see that the S&P 500 was the stronger from late September to late October. Since late October, the Nasdaq 100 has shown superior strength. ■

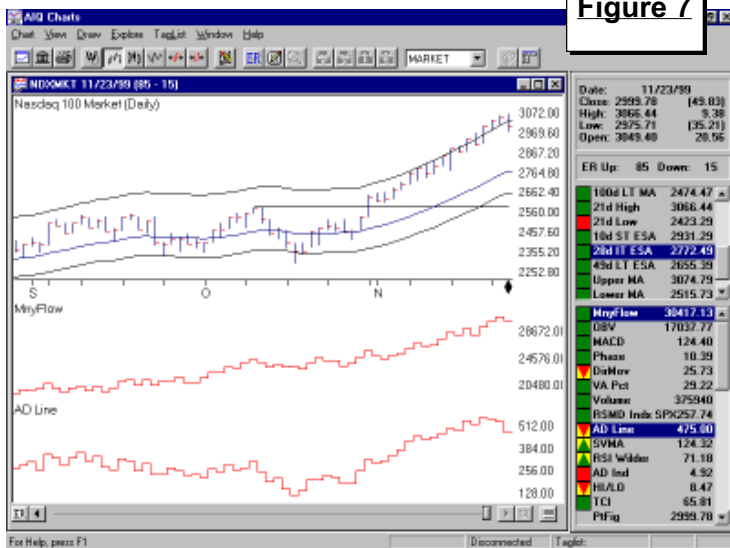


Figure 7

By creating a market based on the Nasdaq 100 index (NDX) we saw a very different story (for how to create a market see the *Opening Bell*, April 1999). **Figure 7** displays the Nasdaq 100 index with its Money Flow and Advance