

MARKETCOLOR[®] TUTORIAL

MarketColor is a stand-alone trading tool designed to provide a quick picture of a market's technical position. The service analyzes technical indicators using classical and proprietary systems and presents the results in a color-coded table.

The following is a description of the color code system, an outline of the different technical indicators analyzed, and a guide to interpreting a market's color profile.

MARKETCOLOR[®] PROFILE ANALYZED

COLOR CODE



Buy Signal Bull Trend Transition Bull Bear Bear Trend Sell Signal Neutral Extreme Trending

The following are a list of the different MarketColor indicators.
If you are not familiar with any of these studies please review our MarketColor Indicator Explained tutorial.

PRINT TABLE **Table Explained** **Tutorial**

MC VALUE	MARKET COLOR INDICATORS						CORRELATION COEFFICIENT		
	MA	DMI	ADX	RSI	SS	DC	Us	ND	DJI
2	Yellow	Brown	Brown	Brown	Blue	Blue	-0.61	-0.26	-0.2
0	Brown	Brown	Brown	Magenta	Brown	Blue	0.25	0.67	0
0	Brown	Brown	Brown	Brown	Brown	Brown	0.04	0.74	0
-3	Red	Red	Red	Red	Green	Brown	-0.18	0.94	0
-3	Red	Red	Red	Red	Green	Brown	-0.61	0.99	0
-3	Magenta	Red	Red	Red	Brown	Brown	-0.34	0.95	0.98

↑ 1 ↑ 2 ↑ 3 ↑ 4 ↑ 5

-4	Magenta	Red	Red	Red	Brown	Brown	-0.34	0.97	0.99
-4	Magenta	Red	Red	Red	Brown	Brown	-0.08	0.92	0.98
-5	Magenta	Red	Red	Red	Brown	Brown	-0.05	0.97	1
-5	Magenta	Red	Red	Red	Brown	Brown	-0.38	0.96	1.00
-6	Magenta	Red	Red	Red	Brown	Brown	-0.12	0.95	0.99
-6	Magenta	Red	Red	Red	Cyan	Red	-0.36	0.99	0.96
-6	Magenta	Red	Red	Red	Brown	Red	-0.66	0.98	0.95
-6	Magenta	Red	Red	Red	Brown	Brown	-0.32	0.98	0.98
-7	Magenta	Red	Red	Red	Brown	Brown	-0.53	1	0.97
-7	Magenta	Red	Red	Red	Brown	Brown	-0.25	0.95	0.96
-7	Magenta	Red	Red	Red	Brown	Brown	-0.50	1.00	0.99

- 1** **Trend**
Indicators that follow a market's trend.
MA (Moving Average)
DMI (Directional Movement Index)
- 2** **Trending Ability**
Indicators that show the market's ability to follow through and hold a trend or its inability to trend or sustain a signal.
ADX (Average Directional Index)
- 3** **Oscillators**
Indicators that show oscillation within certain bounded or unbounded set extremes.
RSI (Relative Strength Index)
ROC (Rate of Change)
MACD (Moving Avg. Convergence Divergence)
- 4** **Turning Point**
Indicators that show possible trend turning points.
FSTOSH (Fast Stochastic)
SSTOCH (Slow Stochastic)
- 5** **Extreme deviations**
Indicators that signal when the market is at an extreme.
DC (Dynamic Channels)
ATR (Average True Range)
ST DEV (Standard Deviation)

Indicators S&P500 Daily Continuation

MAC 13D	91 3/4
MAC 26D	93 15/16
MAC 50D	106 11/32
MAC 100D	113 1/32
MAC 200D	99 7/8
DMI+ 13D	16 43
DMI- 13D	23 43
ADX 7D	20 64
RSI 5D	49 12
RSI 13D	48
ROC 5D	-3
ROC 13D	6 99
MACD 13	-314.21
MACD 34	-800.27
FSTOC+	61.94
FSTOC-	58 90
SSTOC+	21 41
SSTOC-	23 23
DC HIGH	104 1/16
DC MID	91 23/32
DC LOW	78 11/16

MC Value **-3**

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1. Determine the market's trend

To begin analyzing a MARKETCOLOR profile, the 1st step is to determine if the market has a trend bias or not. To do this, the color profile of the Trending indicators, **MA** (*Moving Average*) and **DMI** (*Directional Momentum Indicator*), should be noted.

A **GREEN**, **BLUE**, **ORANGE** or **RED** color signifies a trend bias. If the color of either the **MA** or **DMI** indicator is **BROWN**, the other indicator's trend color should be discounted. If both are **BROWN**, the market is in a NEUTRAL posture.

In a NEUTRAL trend bias, the analysis should focus more on the Oscillator indicators. The Moving Average indicator can be in a **YELLOW** or extreme position, which would signal caution to any DMI signal.

2. Determine the strength of the trend

If the market has a trend, how strong is it? Do both the **MA** and **DMI** trending indicators confer?

If both trending indicators have any combination of **GREEN** | **BLUE** or **ORANGE** | **RED**, the market will have a strong trend bias. An **AQUA** or **PINK** color is transitional and should NOT be considered trending.

After a trend has been determined, the next indicator to look at is the market trending ability or **ADX** (*Average Directional Index*).

3. Determine if the market has follow through potential

An **ADX** with a **BROWN** color signals that the market is not showing any trending tendencies and would discount the trend color bias. In this instance, greater weight should be placed on the Oscillator indicators.

A **PURPLE** color signals a trending market and will add weight to any trend signal and discount the Oscillator indicators. A trending market with trending tendencies should then view the Turning Point (*Slow Stochastic*) and Extreme Deviation (*Dynamic Channel*) systems.



4. Is the trend at a Turning Point?

The **SSTOC | SS** (*Slow Stochastic*) Turning Point system shows momentum with or against the current trend.

Is the trend ready to reverse? If so, the **SSTOC|SS** will have a counter-trend action color (**GREEN** or **ORANGE**) associated with it and should always be respected.

A **YELLOW** color in this system is a signal that the market is at an extreme, and the trend is exhausting with the possibility of a pause or reversal of the current trend bias.

A **BLUE** or **RED** color in this indicator signals positive or negative momentum respectively and would reinforce any like-trend bias. A **BROWN** color discounts this indicator.

5. Is the market at an extreme?

The Dynamic Channel color profile shows if a market is moving to or is at an extreme (**YELLOW**). All other colors should be noted for their support for or against the current trend.

6. Is the market in a NEUTRAL posture?

If the market does not have a trend bias or any trending tendencies, then the Oscillator indicators (**RSI** – Relative Strength Index, **ROC** - Rate of Change and **MACD** - Moving Average Convergence Divergence) will determine the market’s tone. Note that the **ROC** and **MACD** indicators are not shown on the MarketColor Ranking Table, but are included in the calculation of the MC Value. The Oscillator indicators chosen are divided up into different time frames: the **RSI** is the shortest, followed by the **ROC** and then the **MACD** for the longer-term outlook.

7. Is the market overbought or oversold?

If any of the Oscillators are at an extreme, they will produce a color signal. The **RSI** is the only Oscillator indicator that can produce a momentum signal with a **GREEN** (BUY) or **ORANGE** (SELL) signal associated with it. This signal is usually early in a market's transitional posture.

MC VALUE	R REVERSAL	MARKET COLOR INDICATORS						COR COE
		MA	DMI	ADX	RSI	SS	DC	
5	51.85	Yellow	Blue	Purple	Brown	Blue	Brown	0.87
5	14.56	Brown	Blue	Purple	Brown	Blue	Brown	0.88
5	53.68	Yellow	Blue	Purple	Brown	Blue	Brown	0.83
4	51.47	Brown	Blue	Purple	Brown	Blue	Brown	0.58
3	82.48	Brown	Blue	Purple	Pink	Cyan	Yellow	0.87
3	36.52	Yellow	Blue	Purple	Brown	Cyan	Brown	0.86
3	29.13	Brown	Green	Purple	Brown	Brown	Brown	0.50
3	128.26	Brown	Blue	Purple	Brown	Cyan	Blue	0.92
3	51.46	Brown	Blue	Purple	Pink	Cyan	Blue	0.58
3	50.63	Yellow	Blue	Purple	Brown	Cyan	Brown	0.62
2	35.00	Brown	Blue	Purple	Brown	Blue	Brown	0.89
2	35.80	Brown	Blue	Purple	Brown	Blue	Brown	0.85
2	18.75	Yellow	Blue	Purple	Brown	Blue	Brown	0.94
2	44.13	Brown	Blue	Purple	Brown	Blue	Brown	0.70
2	26.2	Brown	Blue	Purple	Brown	Blue	Brown	0.72
2	28.75	Brown	Blue	Purple	Brown	Blue	Brown	0.70
1	88.45	Yellow	Blue	Purple	Brown	Cyan	Blue	0.95
1	29.69	Brown	Blue	Purple	Brown	Cyan	Brown	0.80
1	10.8	Yellow	Green	Purple	Pink	Cyan	Yellow	0.91

8. What is the general tone or MC Value?

The market's technical "color" profile is summarized into a single numeric value - the MC Value. The value is based off the color position of the different MarketColor Indicator technical systems. Markets with more systems in a positive position will have a greater positive MC Value, and markets with more systems in a negative position will have a more negative value. Markets counter-balanced or NEUTRAL in color will have a value of zero (0). The MC Value is by itself a stand-alone indication of a market's strength or weakness. The value has a range of +11 to -11.

-11 -10	-9 -8 -7 -6 -5 -4	-3 -2 -1 0 +1 +2 +3	+4 +5 +6 +7 +8 +9	+10 +11
Extreme	BEAR TREND	NEUTRAL	BULL TREND	Extreme

Conclusion

After going over the MarketColor profile and noting the MC Value, a market's underlying technical tone will be revealed. This result should be used as a component when making trading decisions with or without other supporting technical or fundamental work.

KNOW THE CODE

It is essential to have a general understanding of each indicator type to get the most out of the MarketColor analysis. Any serious student of the market should take the time to garner a general understanding of the supporting indicators to best profit from subtle nuances that they will present. This can be found in the MarketColor Indicators page at http://www.jsservices.com/AboutJSServices/mcolor_stats.asp.

For MarketColor analysis examples, go to http://www.jsservices.com/AboutJSServices/example_mc.asp

BULL TREND <small>Look to Buy Work it from the Long Side</small>	BEAR TREND <small>Look to Sell Work it from the Short Side</small>	NEUTRAL <small>Range Trade Conditions Fade Moves / Trade Levels</small>
Trade the market from the long side. The market is showing positive tendencies. All buy signals should be taken, and breaks down to support extremes bought.	Trade the market from the short side. The market is showing negative tendencies. All sell signals should be taken, and rallies up to resistance extremes sold.	The market is in a neutral position. Moves to the extremes should be faded, as no follow through is expected. This is a sign of digestion or consolidation.
CORRECTIVE BULL TREND <small>Range Trade / Buy Dips</small>	CORRECTIVE BEAR TREND <small>Range Trade / Sell Rallies</small>	CAUTION <small>Fade Extremes</small>
This is a corrective/transitional stage for a Bull trend. The market is preparing to make a move or is in the process of making one.	This is a corrective/transitional stage for a Bear trend. The market is preparing to make a move or is in the process of making one.	This is a caution/action signal. The market is at an extreme and should reverse in less than 3 days if the prior trend is to resume.
BUY SIGNAL <small>Look for Buying Opportunities</small>	SELL SIGNAL <small>Look for Selling Opportunities</small>	TRENDING ABILITY
This is an action color. The market has generated a buy signal and should be bought.	This is an action color. The market has generated a sell signal and should be sold.	The color indicates the market's propensity to trend. The market is showing trending tendencies, and follow through on signals with the trend should be expected.