

# **Buy-Sell Signals for Trend Following and Long-term Stock Market Timing**



**This guide explains for you the why, what, when and how of using Trend Signals to achieve long-term success when investing in the stock market.**

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Please browse through the different chapters or go straight to the topic of your interest.

Do not hesitate to [contact](#) us with any questions or comments. We will be very pleased to try to answer and address them.

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## **Introduction to Trend Signals**

Here you find a number of renowned and custom-developed long-term stock market timing and trend following signals. These signals indicate if the current trend in the price of the stock market index is currently "Up" or "Down".

In short we refer to these signals as "Trend Signals".

Long-term trend signals for major stock market indices are usually only updated after the closing of each month. When you are a long-term trend investor, you only need to review the trends and decide what action to take once per month.

## **How to use these Trend Signals?**

The long-term market trend changes only occasionally its direction (in most indices only 4 times during the last 20 years). Therefore, you can assume that most of the times the trend will continue in the same direction as is.

When the trend is "Up", you can expect that the market most likely will continue to go up. When the trend is "Down", you can expect that the market most likely will continue to go down.

Thus when the trend turns "Up" or is "Up" for a certain market, as a Trend Investor, you want to own index funds or low-cost mutual funds that follow that market index. When the trend turns or is "Down", you want to be out of these funds.

## **What is the reliability of Trend Signals?**

Trend Signals try to make a distinction between changes in the direction of the long-term trend and short-term price fluctuations. Even when the long-term trend changes direction only 2 or 3 times during a decade, nobody knows in advance when this will happen.

Years later, it is very easy to see when the long-term trend changed direction. Trend signals are designed to give a reliable indication as soon as possible after a change in the direction of the trend. There is a trade-off here between how soon and how reliable.

When the trend signal comes very late after the actual change in the trend direction, you as an investor will miss a lot of the potential gains. Therefore, the reliability of a trend signal is not 100% since we want signals as early as possible. Thus trend signals may sometimes give indications for a change that later appear to be false.

To cope with that, trend investors review the market trend signals on a regular basis. You adapt or correct your positions quickly when the trend is changing direction or when you have acted before on a false signal. Your long-term gains will be much larger than the occasional cost of acting upon a false signal.

## **Why would you use different Trend Signals?**

Different trend signals analyze the patterns in prices of stock market indices in different ways. Therefore, they do not all generate buy and sell signals at exactly the same time.

Sometimes one signal gives you an earlier indicator for a change in the direction of the trend than another signal. Working with different signal systems can give you then the opportunity to act quicker on new trends. The earlier you can jump onto a new trend by buying or selling funds, the more you can benefit from that trend.

At other times, a single signal can be a false indication and no change in the direction of the trend materializes. When multiple signals start indicating the same trend direction however, you can have more confidence in that observation. As a result you can decide to invest more of your savings to capitalize further on that trend.

Thus reviewing multiple signals to indicate the long-term trend can help you to achieve better returns. You can capitalize quicker on new trends and you can scale your investments when trends appear to be more robust.

## **The Different Trend Signals**

At Stock Trend Investing, you find 3 different types of Trend Signals:

1. Month-end Trend Signal (MTS)
2. Moving Averages Signals (MAS) (there are 3 different Moving Averages Signals)
3. Coppock Buy Signal (CBS)

The 3 different Moving Averages Signals (MAS) that we use are:

- a) Moving Averages Trend Investing Signal (MATI)
- b) Moving Averages 200/50 Signal (MA200/50)
- c) Moving Averages 250/100 Signal (MA250/100)

In the following chapters you get the explanation for each of these Signals and how you can use them.

## ***Month-end Trend Signal (MTS)***

The Month-end Trend Signal (MTS) is calculated after the closing of each month. It is based on the pattern in the month-end closing price of a stock market index during the last 6 months.

For each market index, the MTS shows you every month one out of five different statuses:

1. **Up**: The Initial Trend Expectation is "Up"
2. **Up + Warning**: The Initial Trend Expectation is "Up" but there is a warning for a possible correction or for an abrupt turning point in the trend. The reason for the warning is that the index has increased tremendously during the last 3 to 6 months.
3. **Down**: The Initial Trend Expectation is "Down"
4. **Unclear**: The latest month-end closing price does not indicate a clear trend "Up" or "Down". The Initial Trend Expectation remains the same as the most recent "Up" or "Down" signal.
5. **Unclear + Warning**: The latest month-end closing price does not indicate a clear trend "Up" or "Down". The Initial Trend Expectation remains the same as the most recent "Up" or "Down" signal. There is also a warning for a possible correction down. The reason for the warning is that the index has increased tremendously during the last 3 to 6 months.

MTS (Month-end Trend Signal) is a custom-developed signal. You can find this signal only at the Stock Trend Investing website and service.

For the US and Europe, we do not act upon a standalone Initial Trend Expectation for a single index. For the US and the major European markets, we calculate an overall Trend Expectation.

[See here the latest Month-end Trend Signal data chart for the S&P 500.](#)

## ***Overall MTS Trend Expectation for US and Europe***

### **US Market**

The Trend Expectation for the US Market is calculated every month based on the Month-end Trend Signal (MTS) analysis for 4 different US stock market indices:

1. Dow Jones Industrial Averages
2. S&P 500
3. NASDAQ
4. NYSE

Only by combining the MTS analysis for these 4 indices, we come to the overall MTS Trend Expectation for the US Market.

## **Major European Markets**

In a similar way, the Trend Expectation for the major European markets is calculated every month. In the case of Europe, we use the following indices:

1. DAX (Germany)
2. FTSE 100 (UK)
3. CAC 40 (France)
4. AEX (Netherlands)

Only by combining the MTS (Month-end Trend Signal) analysis for these 4 indices, we come to one overall MTS Trend Expectation for these major European Markets.

Be aware that not all the stock markets in Europe follow the major markets in Germany, France and the UK due to economic differences in Europe. We do not recommend using the MTS Trend Expectation for the major European market to make investment decisions in the stock markets of for example Greece, Ireland, Portugal etc.

## ***Moving Averages Signals (MAS)***

The Moving Averages Signals (MAS) for a stock market index are based upon the daily closing prices of that index.

Example: The 200 day Moving Average for an Index is the average closing price of that index during the last 200 trading days. Trading days are the days that the stock market was open.

Moving Averages Signals (MAS) often compare the Moving Average for a certain period with the Moving Average for a period of a different length. For example the 200-day Moving Average is compared with the 50-day Moving Average.

When these different moving averages are compared over a certain period of time, they occasionally will cross each other. When they cross depends on the development and fluctuations in the underlying index price. Such a crossover can be seen as a signal for a change in the direction of the trend.

Some Moving Averages Signals (MAS) are standard ones that are widely used. Others are proprietary and custom-developed by specialists.

## **Moving Averages Trend Investing Signal (MATI)**

The Moving Averages Trend Investing Signal (MATI) is an advanced custom-developed signal.

The MATI uses a number of different Moving Averages and is based on the patterns in and comparisons between these Moving Averages.

When the MATI is "Up", it signals investors to buy or stay in the market. When the MATI is "Down" it signals investors to sell or stay out of the market.

The MATI is designed to provide an earlier "Up" signal than the other Moving Averages Signals to enable to you step earlier into a bull market (trend "Up"). The side-effect is that the MATI provides occasionally a false signal.

You can only find the MATI at Stock Trend Investing since it is a proprietary, exclusive signal.

[See here the latest MATI for the S&P 500.](#)

## **Moving Averages 200/50 Signal (MA200/50)**

The Moving Averages 200/50 Signal (MA200/50) is one of the most widely used Moving Averages Signals.

The MA200/50 compares the 200-day Moving Average with the 50-day Moving Average.

When the 50-day Moving Average crosses the 200-day Moving Average and ends up above it, you can see this as a "Buy" signal. This is also called the "Golden Cross". The long-term trend is considered to be "Up" when the 50-day MA is bigger than the 200-day MA.

When the 50-day Moving Average crosses the 200-day Moving Average and ends up below it, you can see this as a "Sell" signal. This is also called the "Death Cross". The long-term trend is considered to be "Down" when the 50-day MA is smaller than the 200-day MA.

You may expect the MA200/50 to provide you with one of the earliest "Sell" signals when the trend turns down.

[See here the latest 200/50 Moving Averages Signal for the S&P 500.](#)

## **Moving Averages 250/100 Signal (MA250/100)**

The Moving Averages 250/100 Signal (MA250/100) is less frequently used than the MA200.

The MA250/100 compares the 250-day Moving Average with the 100-day Moving Average.

The MA250 is a more conservative signal that often identifies changes in the trend direction later than the MATI and MA200. You can expect fewer false signals from the MA250.

But by just following the MA250, you can expect to be late in buying and late in selling. You can see the MA250 as confirmation signal for the indicators that are already given by the other Trend Signals.

When the 100-day Moving Average crosses the 250-day Moving Average and ends up more than 1% above it, you can see this as a "Buy" signal.

When the 100-day Moving Average crosses the 250-day Moving Average and ends up more than 1% below it, you can see this as a "Sell" signal.

## ***Coppock Buy Signal (CBS)***

The Coppock Buy Signal ([also "Coppock Curve" or "Coppock Indicator"](#)) is an indicator for long-term stock market investors created by E.S.C. Coppock, first published in Barron's Magazine in October 15, 1962.

The indicator is designed for use on a monthly time scale. It's the sum of a 14-month rate of change and 11-month rate of change, smoothed by a 10-period weighted moving average.

Coppock provides only a "Buy" signal and no "Sell" signal.

You can expect the Coppock Buy Signal (CBS), like the MATI, to provide earlier "Buy" signals than the other Moving Averages Signals, especially after a major and longer down-turn. The CBS does not always give a "Buy" signal after shorter and less deep down-turns.

[See here our latest Trend Investing and Long-term Market Timing summary for the S&P 500.](#)

## **Acting Upon the Trend Signals**

As an informed investor, you can decide for yourself how you will act upon the different Trend Signals.

Important here is that you are consistent in how you act upon the signals.

One central aspect of Trend investing and Long-term Market Timing is to take the emotions out of the investing decisions. The signals are objective and results of calculations.

Therefore it is vital for long-term success that you decide beforehand how you will act and that you act accordingly.

At Stock Trend Investing, we follow these rules for our personal investments:

- For the US and Europe, we do not act upon Initial Trend Expectations for individual indices, but only on the MST Overall Trend Expectation for the region.
- After a MATI or Coppock "Buy" signal we start investing in that index or market, but we keep our exposure limit.
- We increase our exposure for a market in steps when both the MATI and MA200/50 give an "Up" signal or when the MTS gives an "Up" signal.
- We sell when the MTS, MATI, MA200/50 or MA250/100 gives a sell signal.

## **Our General Rules for Investing**

As a smart investor, you need to set a number of rules and guidelines for yourself to which you will adhere.

Here are our rules.

- We do not invest in individual stocks but only in index funds and low-cost mutual funds with a good track record.
- We only invest our savings that we do not need for at least 5 to 10 years. We never borrow money to invest in the stock market.

[Click here to learn more about a very simple trend following strategy to grow your savings sure and simple.](#)

Or,

[Click here to see how you can claim a risk-free trial with the proven Trend Following and Stock Trend Investing system.](#)