

BearCage

The nature of individual stocks means that the application of Technical Analysis in order to provide sufficiently robust (and just as crucially) sufficiently rare signals, is of such complexity and difficulty, that few take the leap of faith to even attempt to solve what can be a Pandora's box of theory and analysis. This is one reason why popular methods remain so archaic in both architecture and interpretation. What works in asset classes such as Futures rarely transfers to Equities. The reality is that in order to create good signals on daily data in equities the adage that "less is more" can never be truer. BearCage (and its sister signal BullWhip), attempt to quantify turning points in Equities on daily data, but as markets are generally skewed upwards, Bull Whip is the more useful of the studies.

Both indicators can be applied to watch lists.

The chart below is of EBay on a daily. The indicator marks a bar with a red circle when the signal is true and three points can be seen. If the signal appears on an up bar, it is prudent to wait for a subsequent down bar before taking action. Additional and powerful qualifiers include the Peak Long Term Study. On the first signals to the left, subsequent to the Bear Cage being flagged, the Peak jumps to the high of the range, which indicates a potential turning point in the stock has occurred. On the signal to the right of the chart, price has already failed at the Peak level from a previous turning point and so is an immediately validated sell signal.



Within the Set-Up parameters, the Lookback can be adjusted but is recommended to be kept at the defaults. There are two additional variables called Trend Continuation and Expansion, which act as an additional filter to further scale back the number of signals. The default is OFF.

