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A Snapshot Of Moving Averages

View from the Observation Deck

1. Today’s blog post is a follow-up to one we did last week showing the performance of the S&P 500 Index after it had registered its first correction in four years (click here to view).

2. The basic premise of that post was to show investors that the S&P 500 Index had recovered at least some of the losses it had sustained during the correction.

3. The chart above broadens the discussion by including small- and mid-capitalization stocks as well as the 10 major sectors that comprise the S&P 500 Index.

4. We are showing the percentage of stocks in each of the respective indices that are trading above their respective 50-Day and 200-Day moving averages.

5. Moving averages tend to smooth out day-to-day price fluctuations and can be a useful tool for traders to identify both positive trends and reversals, in our opinion.

6. The 50-day moving average more closely resembles the period since the bottom (8/25/15) of the recent correction in the S&P 500 Index. The green bars reflect the aforementioned recovery in stock prices.

7. The percentage of stocks trading above their 50-Day moving average exceeds 60% for each of the 13 indices in the chart. The range was 65% to 100%.

8. The percentage of stocks trading above their 200-Day moving average exceeds 60% for just three of the 13 indices in the chart. The range was 26% to 69%.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance, while the 10 major S&P 500 Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector. The S&P MidCap 400 Index is a capitalization-weighted index that tracks the mid-range sector of the U.S. stock market. The S&P SmallCap 600 Index is a capitalization-weighted index that tracks U.S. stocks with a small market capitalization.