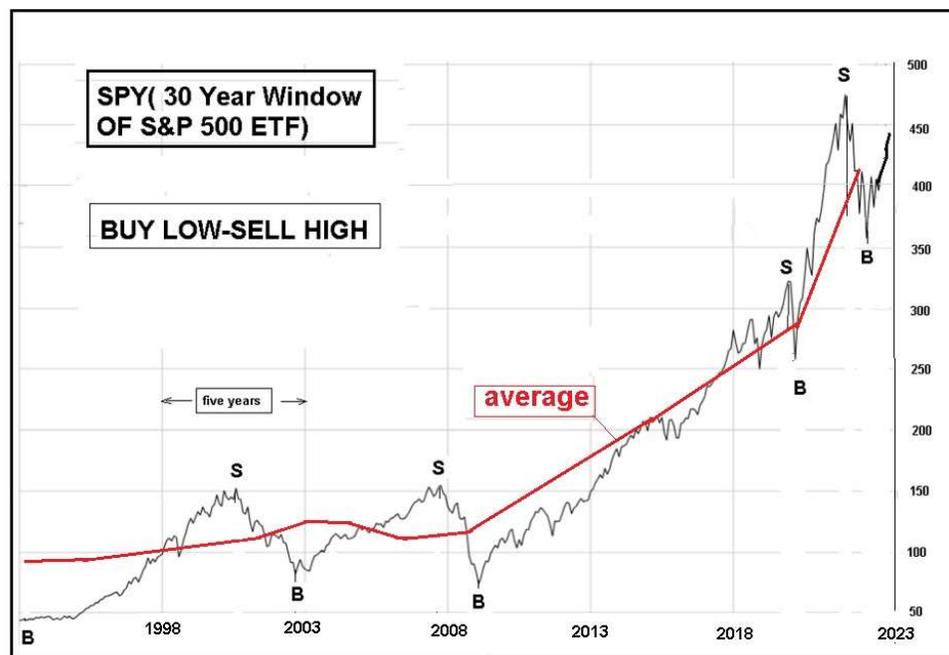


LONG TERM STOCK AVERAGES VERSUS BUY AND SELL SIGNALS

It is well known that stock prices fluctuate in price over time showing local buy points (B) and local sell points (S). These points lie on opposite sides of an average price curve (AV) based on a long term price window. It is our purpose here to find and then graph the average price curve , based on the location of local buy and sell points, for several different active stocks and ETFs. Once these are found it will become clear that a stock should be bought shortly after a B point is reached and shorted shortly after an S point is indicated. This procedure will insure that one always buys low and sells high.

Let us begin with the exchange traded fund SPY. This fund is the most active of the ETFs trading on the New York Stock Exchange and consists of hundreds of individual stocks meaning that its price closely follows the overall market designation of bull or bear market. It is also the ETF with which I have realized my best stock returns ever. We begin our price average construction by starting with the thirty year price window for SPY obtainable from <https://www.barchart.com> . On this chart I mark local maxima and minima in price and designate them by S and B, respectively. We obtain the VA curve by connecting the mean of a local S-B pair with the next pair by a straight line. Connecting all the straight lines together produces the desired averaged price curve shown-



From this chart we see that the sell and buy points lie on opposite side of the AV curve. The best returns occur by buying at the B point under the AV curve and holding until the next S point is reached on the opposite side of the AV curve. To short the ETF one should set the short

at S and cover things when B is reached. At the present time (July20,2023) SPY is still a buy although a S point will probably be reached at around 500.

Consider next the very active stock TSLA. Because this EV stock is relatively new to the market, we need to use a much smaller price window, say five years. The resultant B and S points plus the resultant AV curve looks as follows-



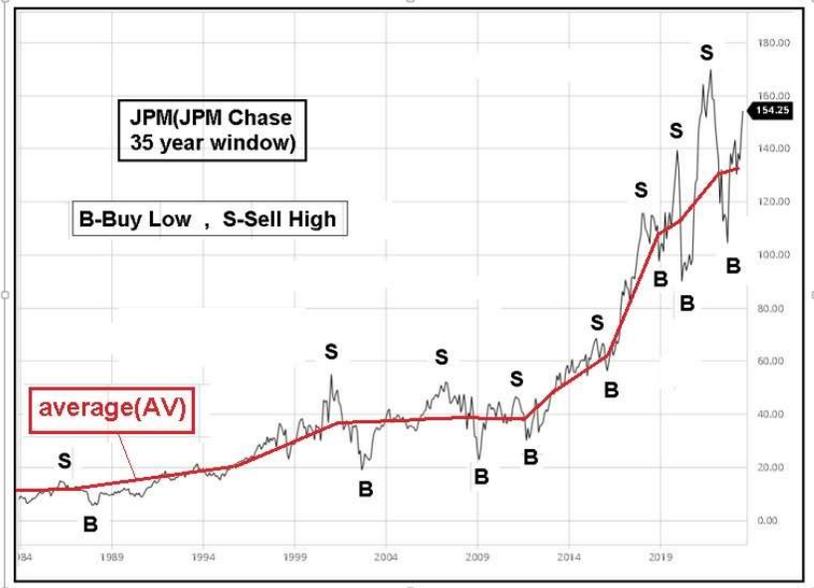
Again one buys at the B points and sells at the S points lying on the opposite side of the AV curve. The latest buy point (B=170) occurred in April of 2023 and a following S signal can be expected at around S=260.

Next we examine GE (General Electric) stock using a thirty year price window. After marking the S and B points lying on opposite sides of the desired average curve (AV), we connect the local B-S point average with straight lines to get the price average curve shown-



Note that the AV curve indicates that GE has been in a long term downtrend after Jack Welsh’s departure in 2001. Nevertheless, there have been several time segments when the stock was a buy. Long gains could have been made in the price ranges B to the next S. Shorts can be set when the picture is reversed and S precedes a B point. At the moment the price trend for GE is nearing a local S point where it should be sold. For GE to grow again will require that the quality of their consumer products , such as stoves and refrigerators, increase and their prices drop considerably in order to stay competitive with overseas manufacturers.

As a final stock we look at JPM Chase .This is probably the strongest bank within the US at the moment due partly to the recent Fed induced interest rate uptrend . Here is the worked out price behavior for JPM-



At the moment JPM has crossed its AV curve and expected in the next year or so to reach a sell point(S) near 172.

The above examples have shown that using a long term price window one can pick out points where a stock is cheap (B) or expensive(S) relative to its averaged VA curve. Note that all points where one should be long lie below the price average with the best gains obtained by buying close to B and then waiting to sell at S on the other side of the VA curve. One can short a stock by placing the order near S and then covering at the next B. I usually do not short a stock because of the higher risk involved, so that I am out of the market during those times. Instead, whenever the time frame is from S to B, I typically buy high yield short term bonds.

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