

\$TICK

The value of the stock index futures we trade is primarily determined by the prices of the stocks that comprise the underlying stock indexes. The Dow Jones Industrial Average (\$DJ or \$INDU) is an index based on the prices of 30 huge cap stocks. The Russell 2000 index (\$RUT) is based on the prices of 2000 small cap stocks. The S&P 500 index (\$SPX) is based on the prices of 500 large cap stocks. The NASDAQ 100 index (\$NDX) is based on the prices of 100 high tech stocks.

As we watch the value of the stock index futures move up and down, it would be very helpful to know many of the component stocks in the index are moving up or down. The concept is called market breadth, or how many of the component stocks are participating in a move.

For example, if the DJIA is moving up, and all 30 component stocks are moving up in price, then the move has very strong breadth. On the other hand, if the DJIA is moving up, and only 10 of the component stocks are moving up in price, then the move has weak breadth.

Fortunately, eSignal provides a market breadth index that we plot and use to get clues regarding the internal strength or weakness of a stock index move, and to help us to identify high probability turning points. This index is called \$TICK.

\$TICK is the primary market breadth index that we watch. It is based on the trading activity of all of the approximately 3,400 stocks traded on the NYSE. This index is a very useful proxy for getting clues regarding the internal strength or weakness of the price movement of any stock index future. \$TICK originates at the NYSE.

\$TICK is calculated by looking at the most recent trade of all 3,400 stocks. A TICK value is assigned to each stock.

- Stocks that have not traded today are assigned a value of 0.
- If the most recent price for a stock is greater than the most recent prior price, the TICK value for that stock is +1, and the stock is said to be trading on an uptick.
- If the most recent price for a stock is less than the most recent prior price, the TICK value for that stock is -1, and the stock is said to be trading on a downtick.
- If the most recent price for a stock is equal to the most recent prior price, the TICK value for that stock remains at its previous value, which is not the correct way to do the math. The correct value should be 0 if it's unchanged, not +1 or -1. This is one problem with \$TICK.

The second problem with \$TICK is that eSignal only updates it every 6 seconds

The value of \$TICK at any point in time is the sum of these 3,400 TICK values. This tells us the number of stocks trading on an uptick minus the number of stocks trading on a downtick.

\$TICK is calculated every 6 seconds, and we plot it in pane 2 of several charts in NeoTicker. The maximum value of \$TICK is +3400 and the minimum value of \$TICK is -3400. Thus \$TICK has a range of 6800. \$TICK is not cumulative and is sometimes incorrectly referred to as Cumulative TICK. Cumulative TICK is something different and is used on daily charts only.

Neoticker charting software allows us to create our own \$TICK index in which the math is done correctly. Nevertheless, we also use \$TICK because it's very broad at 3400 stocks.