

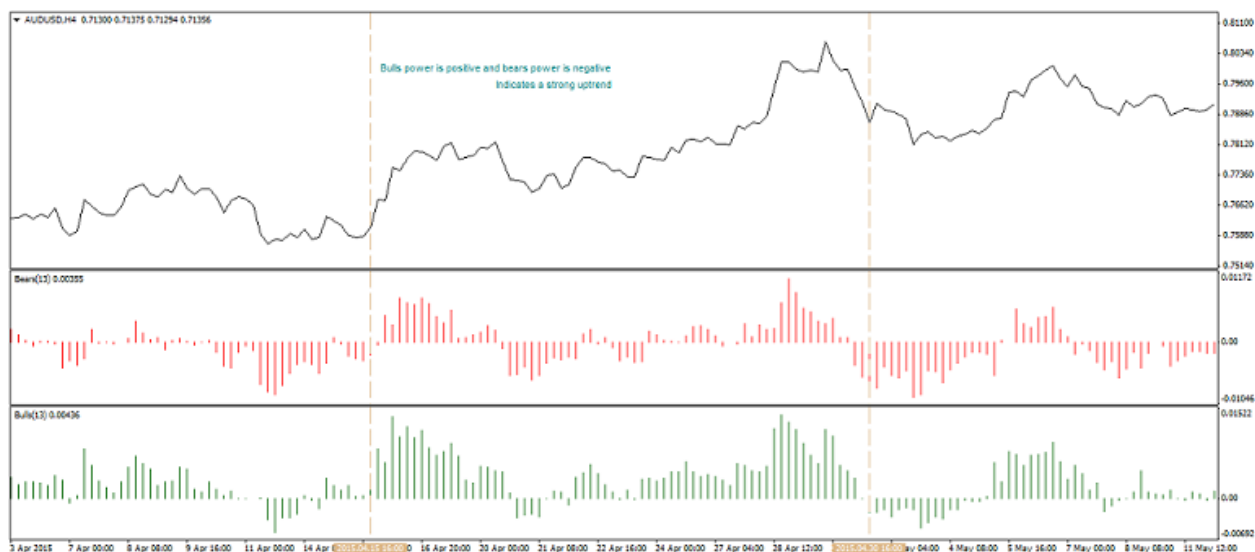
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Bear/Bull Power Indicator

The Bear/Bull power indicator was developed by Dr. Alexander Elder and is a versatile indicator used to measure the strength of the bulls and bears in the market. The stronger one is over the other, the more quantified prices are. For example, in strong trending markets, bull powers are normally positive and bear powers are negative. But when there is a switch, meaning that bull powers turning negative and the bear powers turning positive, it indicates a strong move to the downside in the markets. Besides the switch, the Bulls and Bears power indicator can also show extremes. In such instances for example, when the Bears power turns strongly negative, it also indicates a decline in prices while at the same time Bulls power indicator can remain in positive territory.

On the standard MT4 trading platform, the Bulls and Bears power indicator are available as two separate indicators. The first chart below shows the bulls and bears power indicator attached to the chart in two sub windows.



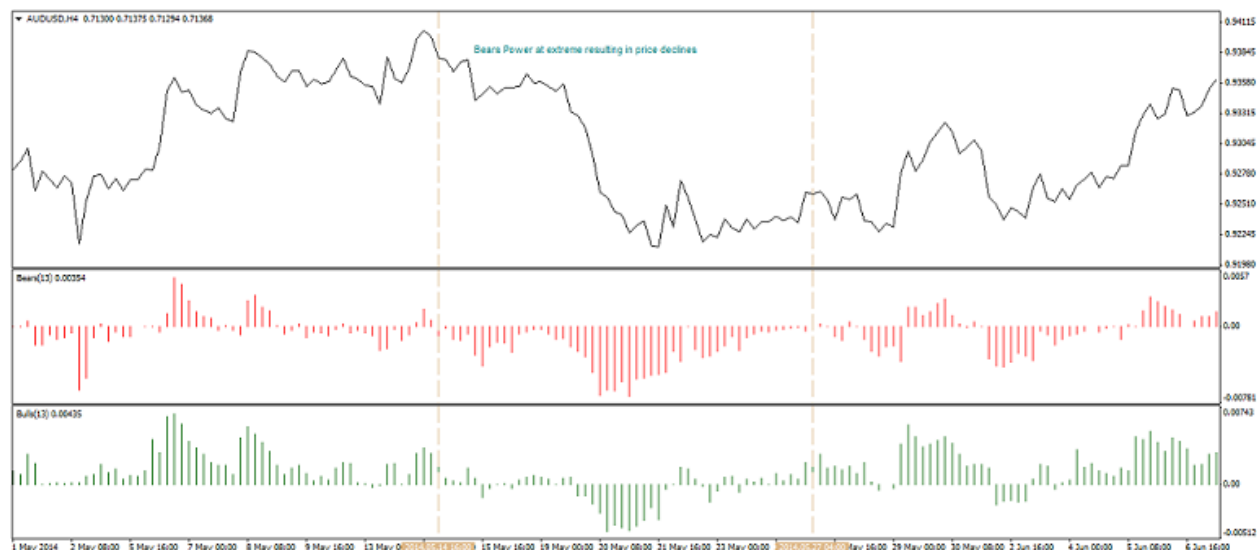
Price rally when Bulls power is positive and Bears power is negative

The next chart below illustrates the scenario where the Bears power indicator turns extremely negative and depicts a strong decline in prices as a result. Not to be confused with strong Bears power in negative sentiment resulting in a strong rally.

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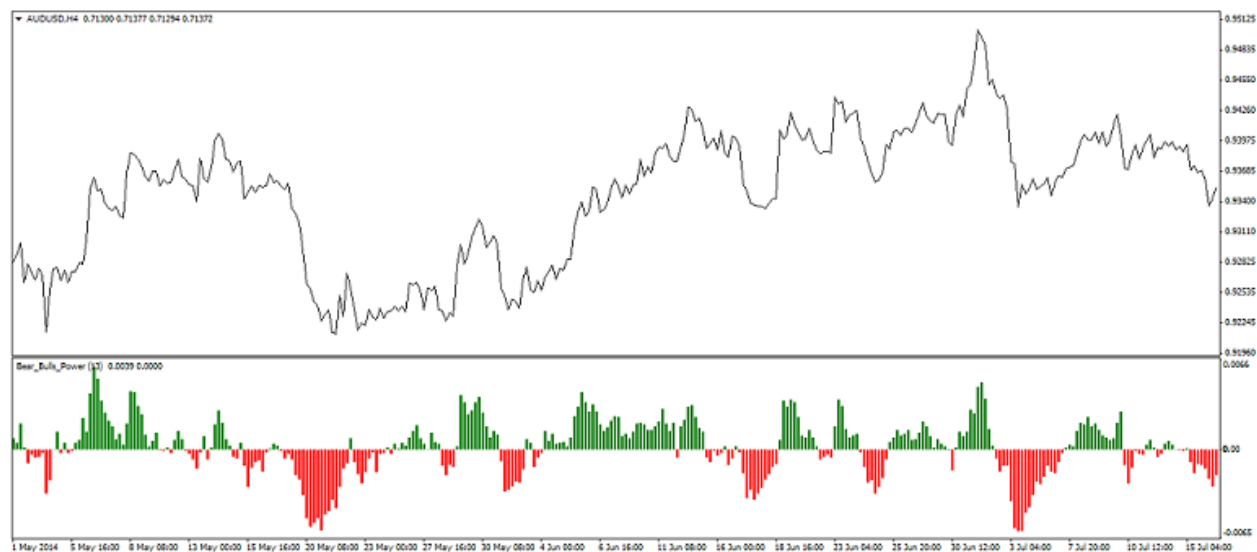
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Bears power extremely negative, resulting in price declines

While it might seem confusing to use two different indicators, traders can download a combined version called the Bulls_Bears_Power indicator. When applied to the chart, this compact indicator plots the bulls and bears power as a histogram oscillator as shown in the next chart below.



Bulls – Bears Power indicator combined

As you can compare from the above three charts, the Bulls/Bears power indicator which is combined offers a lot more than using the indicators individually. In the above chart, notice that as the bulls power starts to rise, prices tend to rally strongly and when the bears take over, prices post strong declines in the market. The Bulls/Bears power indicator can therefore be used as a way to expect potential short term strengths in the markets (and not to be mistaken when trends).

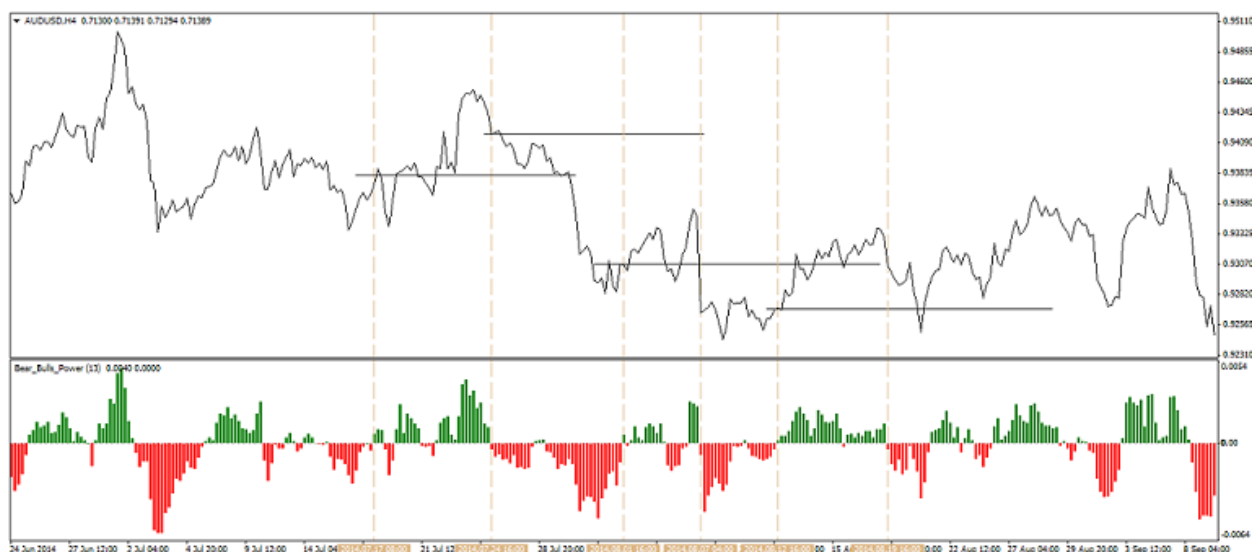
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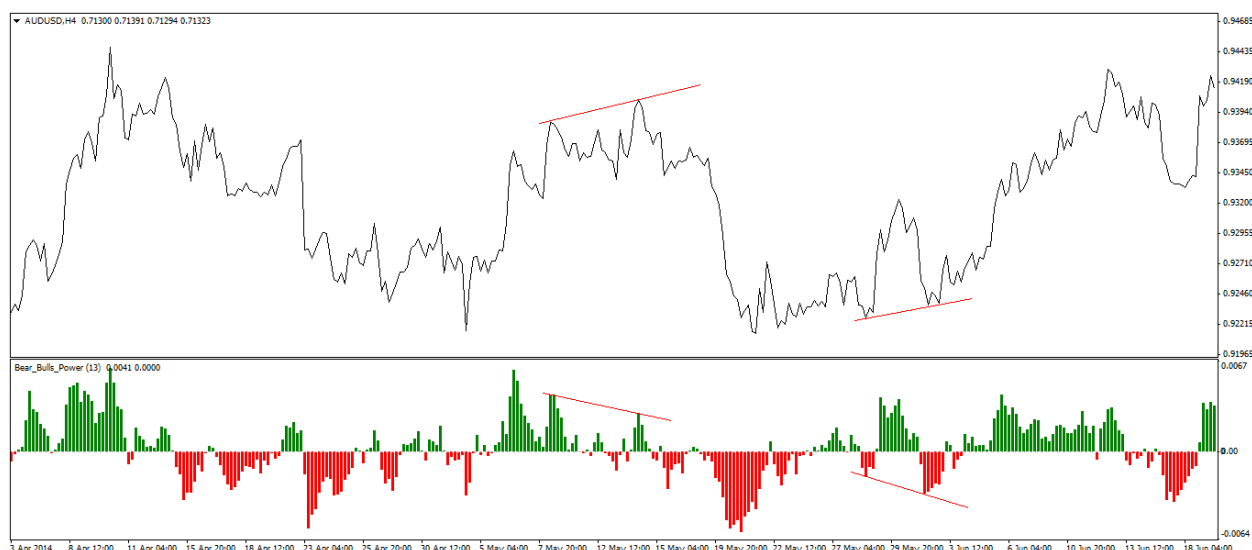
How to trade the Bulls – Bears Power Indicator?

The Bulls Bears power indicator can be used as an oscillator where buy/sell signals are triggered when the indicator crosses above and below the 0-line. The following chart illustrates the buy/sell signals generated by the Bulls Bears power moving above and below the 0-line.



Buy/Sell Signals with Bulls/Bears Power Indicator

Besides using the 0-line, the Bulls Bears power indicator can be used to spot divergences as well. Because the indicator measures the strength of the bears and bulls, when a new low or a high fails to be confirmed by the Bulls Bears indicator, the short term divergence can offer trading opportunities. The next chart below outlines a few divergence based trade set ups.



Bulls Bears Power Indicator with Divergence

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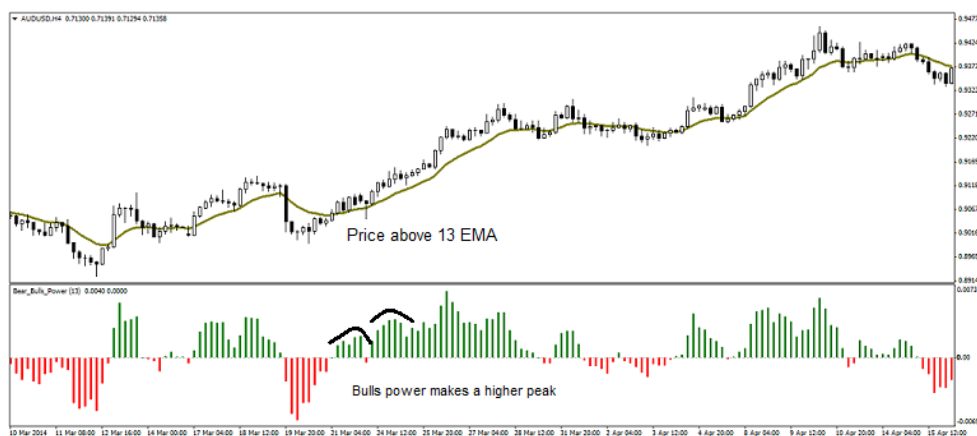
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Alexander Elder's Bulls Bears trading system

Besides the above two ways, Alexander Elder also defined his own set of trading rules using the Bulls Bears power indicator and a 13 period EMA. The Buy Sell rules are defined below.

Long Positions:

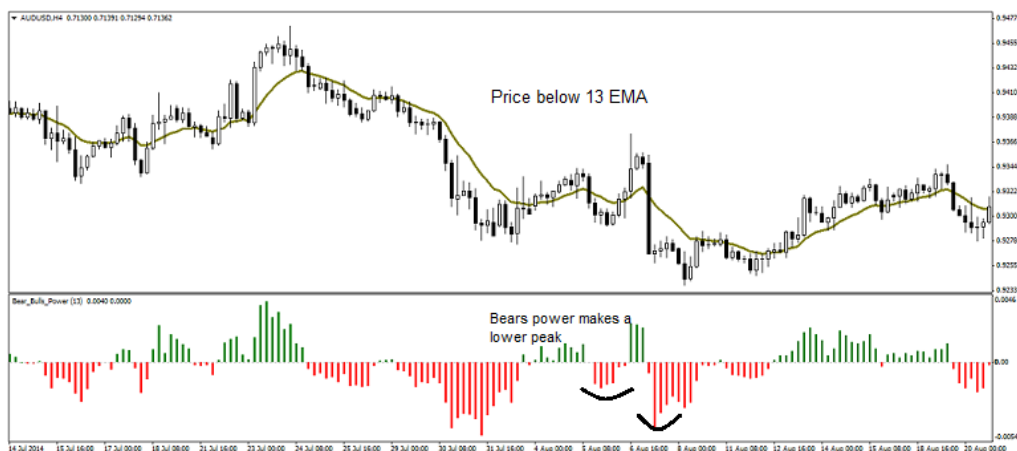
- Prices are trending upwards identified by prices trading above the 13 EMA
- Bears Power is negative and rising (optional requirement)
- The latest Bulls Power peak is higher than its previous peak
- Bears Power is rising from a bullish divergence (optional requirement)



Long example using Elder's Bulls Bears trading system

Short Positions:

- Prices are trending downwards identified by prices trading below the 13 EMA
- Bulls Power is positive, but declining (optional requirement)
- The latest Bears Power trough is lower than its previous trough
- Bull Power is declining from a bearish divergence (optional requirement)



Long example using Elder's Bulls Bears trading system

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