



MEASURES OF OVEREXTENSION CHECKLIST

Measure of Overextension	Description	Rating -10 to +10 (Max Oversold to Max Overnought. 0 is Neutral.)
Distance from the Moving Average (MA)	One of the simplest ways to gauge if a stock is overextended is by looking at its distance from a moving average (MA). A significant deviation from a widely observed MA (such as the 20-day, 50-day, or 200-day) can suggest that the stock is overbought (if above the MA) or oversold (if below the MA).	
Distance Above or Below The Bollinger Band	Bollinger Bands are a technical analysis tool that consists of two lines, each two standard deviations above and below a central moving average line. Particularly during periods of volatility, a stock trading consistently above the upper Bollinger Band may be considered overextended to the upside, indicating overbought conditions. Conversely, trading below the lower band suggests oversold conditions.	
The Number of Up/Down Days in a Row (Daily Chart)	Stocks experiencing several up days in a row without a significant pullback might be considered overextended. Especially if the ranges of the bars are significant and expanding, this can indicate exhaustion in buying or selling pressure and a	

	potential for reversal or consolidation.	
Distance from Recent Consolidation or Inside Bars	Another indicator of overextension is the distance from recent consolidation zones or inside bars. Consolidation periods or inside bars (where the current bar is fully contained within the range of the previous bar) often serve as areas of equilibrium before the next move. A rapid departure from these zones can indicate overextension, with a possible return to these levels as traders take profits or re-evaluate positions.	
Acceleration in Price/Increasing Slope of Price Over Time	Acceleration in price, especially when compared to its historical volatility or trend, can signal overextension. This is observed when the slope of the price increase becomes steeper over a short period, indicating a surge in buying momentum that may not be sustainable.	
Acceleration of a Stock Versus the Market or Comparables	Comparing a stock's acceleration to the broader market or to its sector can reveal relative overextension (ideally, only if there is no fresh news). If a stock is surging while its comparables or the market is not, it may be moving too far too fast, highlighting potential overextension.	
	TOTAL:	/ 60