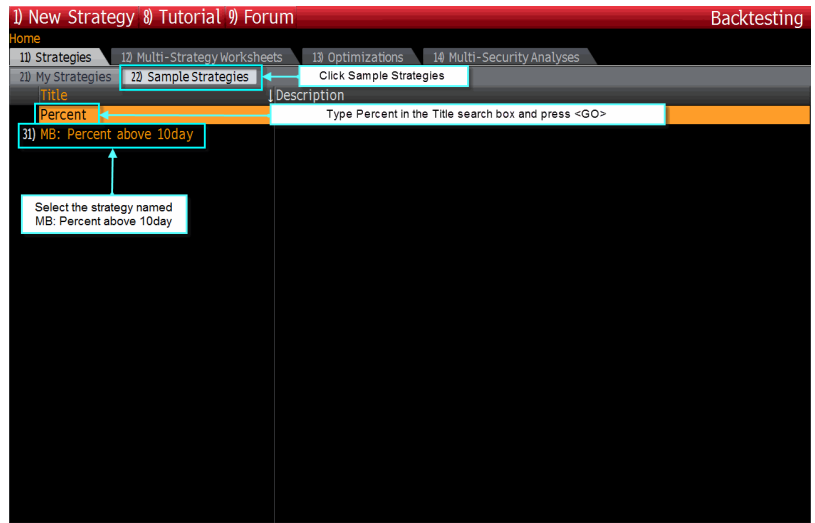


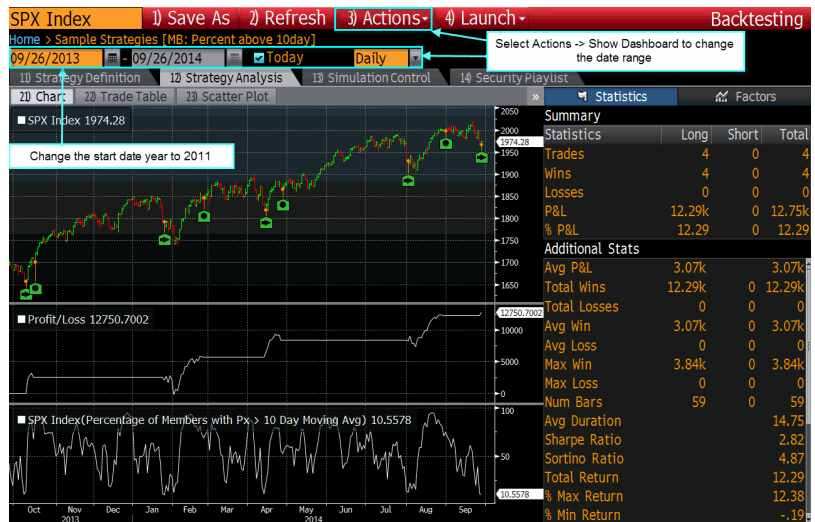
### Showing When to Buy the S&P 500 With Backtesting

Profitable S&P 500 entry points often occur when fewer stocks in the index trade above their moving average. Bloomberg backtesting functionality shows that such a buy signal happened on Sept. 25.

Type "S&P" and select 'SPX Index' from autocomplete. Type "backtest" and pick 'BT' from autocomplete (or run the shortcut { SPX Index BT <GO> }). Hit the gray '22) Sample Strategies' tab. Type "percent" in the amber '<Filter by Title>' field and select 'MB: Percent above 10day'.



The daily chart has entry and exit points overlaid. The second panel shows profit/loss and the bottom panel shows the percentage of stocks in the S&P 500 above their 10-day simple moving average. Over the last three years, S&P 500 entry points appeared when the percent of stocks in the index trading above their 10-day moving average fell below 15 percent.



On Sept. 25, this dropped to 10.6 percent.

To backdate the strategy further, click '3) Actions' on the red toolbar and select 'Show Dashboard'. Enter 2011 in the first date range year box and hit <GO>. The Sharpe Ratio, which measures the excess return versus the risk of an investment, was 2.15. Generally, a Sharpe Ratio greater than 1 is considered strong.



Combining this entry with an exit when the percent of stocks trading above the 10-day moving average crosses below 75 percent has resulted in a profit on 16 out of 17 trades over the last three years.

To save this strategy, click 1) Save As', assign a name and hit '1) Update'.

For more data, type "market breadth" and select 'WEIB', or run WEIB<GO>.

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