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## 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.

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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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