


Pring's Bottom Fisher

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The Pring Bottom Fisher ([!PRBFISH](#) ) is a Market Indicator that helps identify bottoms in the US stock market. Here is Martin Pring's description of this indicator:

It's a fairly obvious statement to say that the greatest potential for any market develops just after it reaches its low. For a market average or any series that contains a number of constituents, this occurs when the momentum of those components in aggregate moves from a declining trend below zero to a rising trend below zero. In Figure 1 this is represented by the transition from the "winter" position to that of "spring." Momentum, in this case, could be represented by an RSI, or an ROC. However, since we are interested in a series that offers a relatively deliberate change of course, a smooth momentum series, such as a MACD or Stochastics works best. In reality, the Bottom Fisher uses the KST.

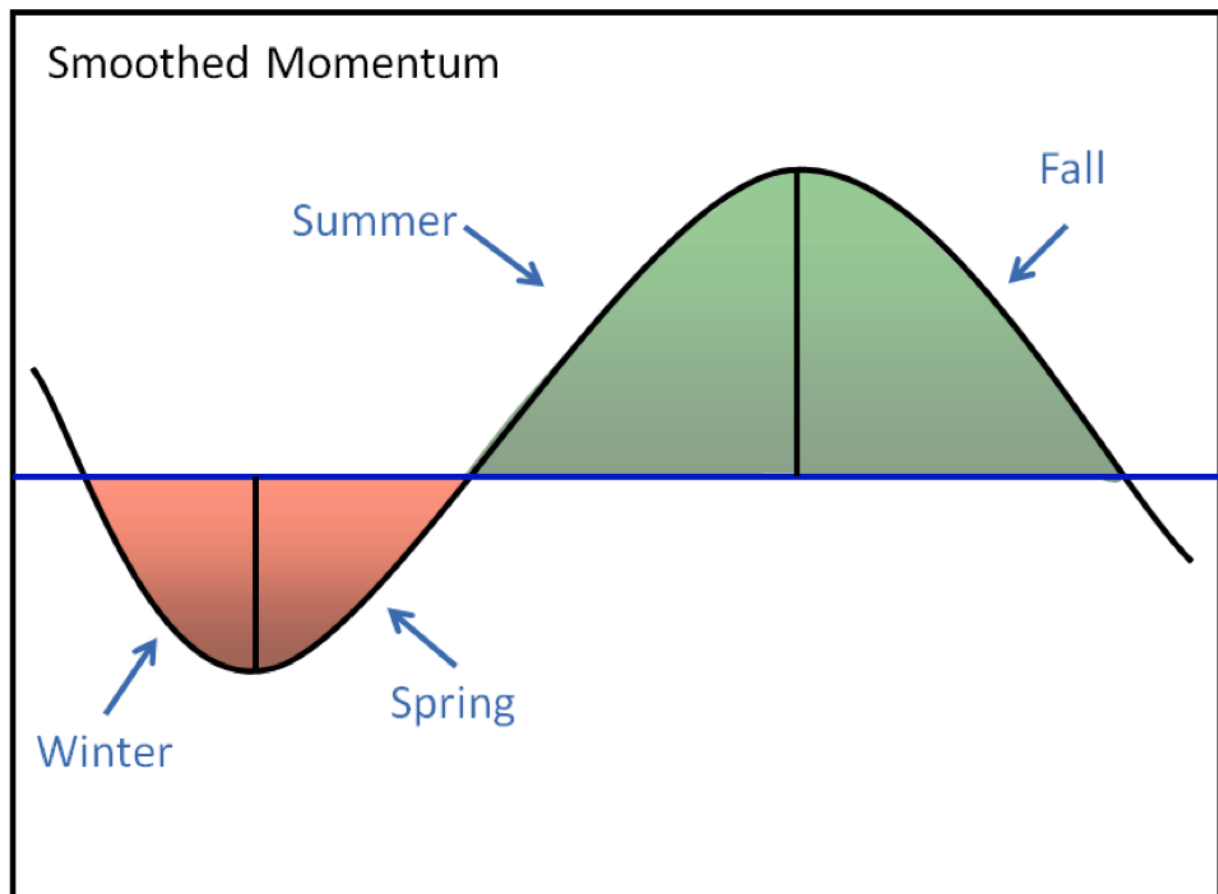


Figure 1

It is calculated by counting the number of Dow stocks whose short-term (daily) KST is in the winter and spring positions. The Bottom Fisher itself is the differential between them. As progressively more groups experience winter relative to spring, the indicator falls. When this differential starts to reverse to the upside the indicator bottoms, and a buy signal is

generated. Note that the actual data is plotted inversely so that movements in the indicator correspond to those of the Dow, S&P or any other market average that it is being compared to.

In order for a reversal to qualify, we must see the indicator fall to either of its oversold levels indicated in Chart 1 and then reverse. These signals are usually reliable, but that of May 2012, flagged by the dashed arrow, warns that it is by no means a perfect indicator. For this reason, a more conservative approach is to wait for a positive MA crossover of the !PRBFISH. The MA used in this case is a 10-day SMA. Even so, in the vast majority of reversals that develop at or below the 11 oversold condition do so in a slow deliberate manner with very little in the way of false upside reversals.

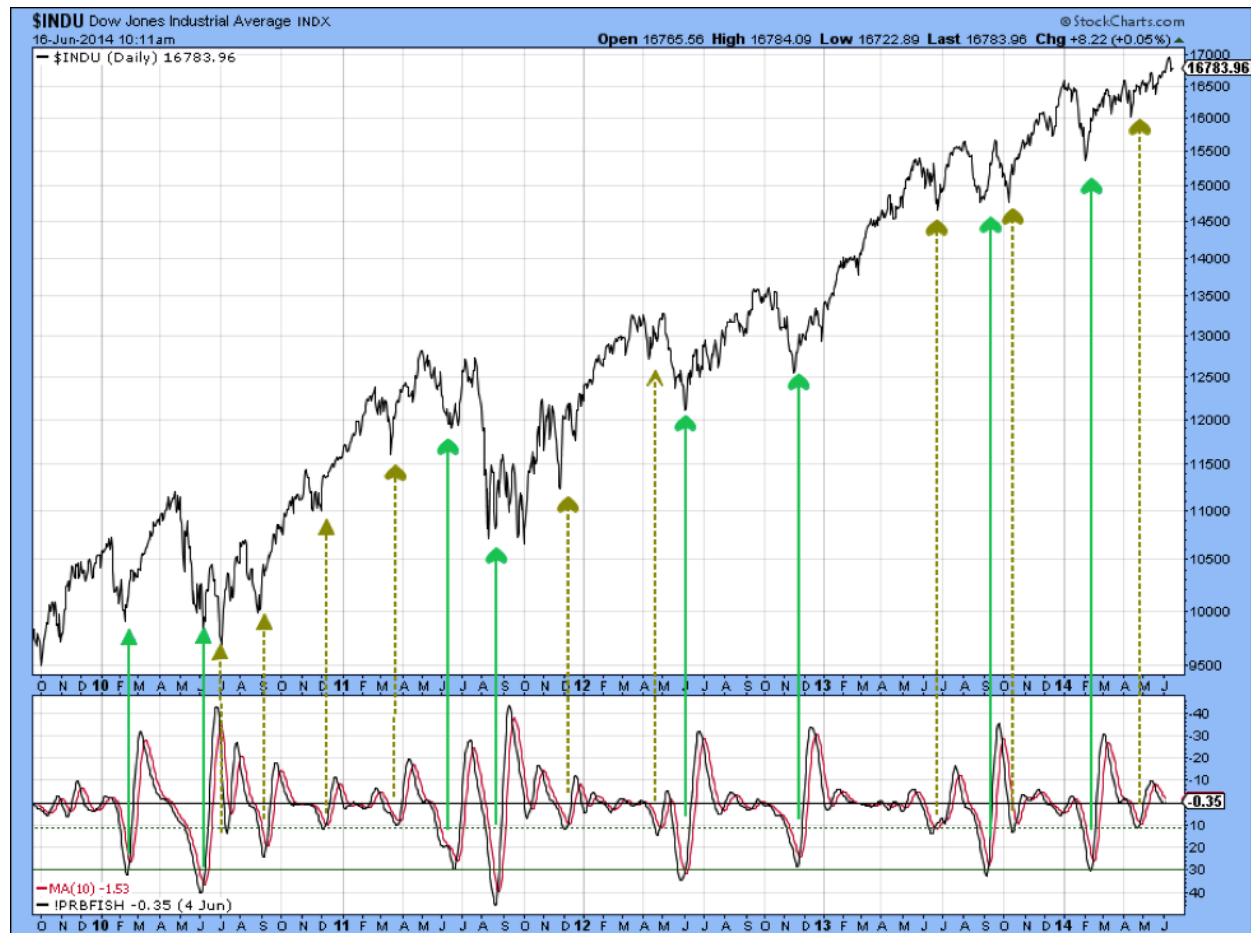


Chart 1

Chart 2 compares the Bottom Fisher to the S&P Composite ETF, the SPY, where the results are pretty similar to those for the DJIA.

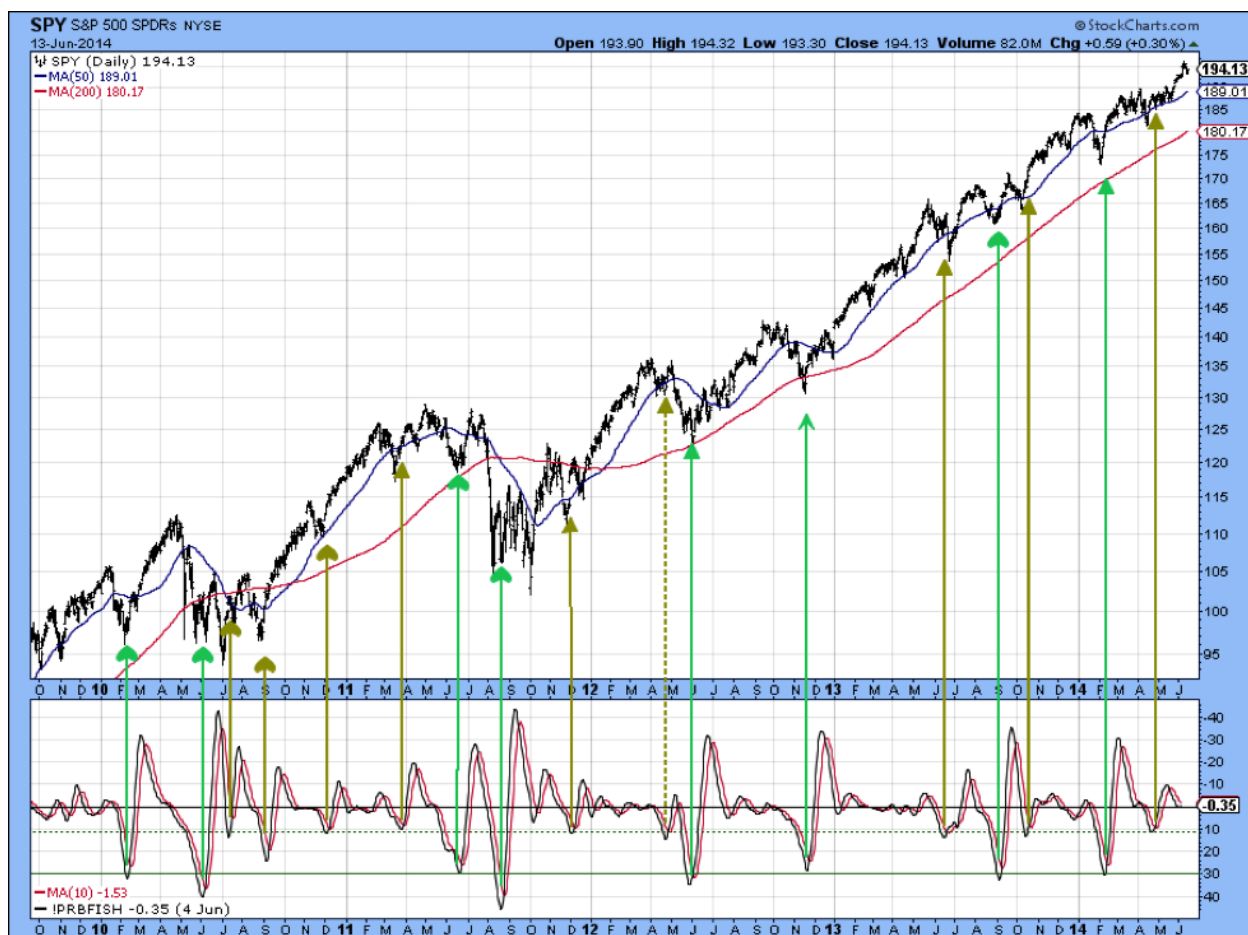


Chart 2

The Bottom Fisher is pretty good at calling bottoms, even counter-cyclical ones, but it's important to note that that is its only function in life. Occasionally it can call a top with a timely reversal from an extended level, but there are far too many exceptions to apply this approach, because the indicator has been specifically designed to identify short-term buying opportunities.

- Martin Pring