Net New 52-Week Highs

stockcharts.com/school/doku.php

Table of Contents

Introduction

Net New 52-Week Highs is a simple breadth indicator found by subtracting new lows from new highs. "New lows" is the number of stocks recording new 52-week lows. "New highs" is the number of stocks making new 52-week highs. This indicator provides an immediate score for internal strength or weakness in the market. There are more new highs when the indicator is positive, which favors the bulls. There are more new lows when the indicator is negative, which favors the bears. Chartists can analyze daily fluctuations or apply a moving average to create an oscillator that meanders above and below the zero line. Net New Highs can also be used like the AD Line by creating a High-Low Line based on cumulative Net New Highs.

Calculation

```
Net New Highs = New 52-Week Highs - New 52-Week Lows

High-Low Line = Prior Cumulative Net New Highs + Current Net New Highs
```

Net New Highs is straightforward enough that no explanation is required. The High-Low Line, or **Cumulative** Net New Highs, is a little more involved, but still fairly easy to understand. The actual value depends on the starting point for the calculation. The High-Low Line has to start somewhere so the first calculation is simply Net New Highs for the first period. The next value for the High-Low Line is the previous value plus the current value for Net New Highs. And so it continues. Think of it as a running total of Net New Highs.

Nasdaq Date	New 52-week Highs	New 52-week lows	Net New Highs	Cumulative Net New Highs
22-Apr-10	297	9	288	288
23-Apr-10	348	7	341	629
26-Apr-10	404	4	400	1029
27-Apr-10	159	14	145	1174
28-Apr-10	93	12	81	1255
29-Apr-10	206	6	200	1455
30-Apr-10	169	12	157	1612
3-May-10	126	14	112	1724
4-May-10	43	38	5	1729
5-May-10	47	60	-13	1716
6-May-10	50	165	-115	1601
7-May-10	11	73	-62	1539
10-May-10	31	12	19	1558
11-May-10	55	22	33	1591
12-May-10	126	12	114	1705
13-May-10	115	12	103	1808
14-May-10	24	27	-3	1805
17-May-10	33	47	-14	1791
18-May-10	51	35	16	1807
19-May-10	15	75	-60	1747
20-May-10	9	144	-135	1612
21-May-10	10	119	-109	1503
24-May-10	12	49	-37	1466
25-May-10	7	164	-157	1309
26-May-10	19	55	-36	1273

The example above shows the calculation for 25 days beginning on April 22, 2010. The first value is simply Net New Highs for that day (+288). The second value is higher because Net New Highs for April 23rd was positive (+341). The High-Low Line for April 23rd = 288 + 341 (629) and its value increased until Net New Highs turned negative on May 5th (-13). Even though the actual value for the High-Low Line would be different if we began a year earlier, the shape of the line would be exactly the same. It simply rises and falls as Net New Highs rise and fall. The shape and direction of the High-Low Line are important, not the actual value.

Interpretation

In general, a stock index is deemed strong (bullish) when Net New Highs is positive, which means new highs exceed new lows. Conversely, a stock index is deemed weak (bearish) when Net New Highs is negative, which means new lows exceed new highs. The degree of bullishness or bearishness depends on the level of Net New Highs. This value is also dependent on the number of stocks in the index. The Nasdaq and NYSE are usually in strong uptrends when Net New Highs is consistently above +100. Conversely, strong downtrends usually prevail when Net New Highs is consistently below -100.

The Lag Factor

New highs and new lows often lag the underlying index at major turning points. In other words, the market will change direction one to three months before there is a significant shift in new highs and new lows. Think about it. It takes at least 52 weeks to forge a new high or a new low. An extended move, therefore, is required for a stock to record a 52-week milestone. There are plenty of new highs after an extended advance, just as there are plenty of new lows after an extended decline. New highs dry up when a stock index corrects after an extended advance. Some new lows might surface during a correction, but it takes an extended decline to generate a serious increase in new lows. Similarly, new lows dry up when a stock index bounces after an extended decline. Some new highs may surface during this bounce, but it takes an extended advance to generate a serious increase in new highs.

Actual versus Percent

Net New Highs can also be shown as a percentage of the total issues traded. SharpCharts users can do this with a ratio chart. Simply enter $NYHL:$NYTOT in the symbol box. The first symbol is Net New Highs for the index ($NYHL) and the second symbol is total issues for the index ($NYTOT). By using percentages, we can compare percent Net New Highs for the NYSE, Nasdaq, Amex and other indices. This can determine the index with the most or least underlying strength.
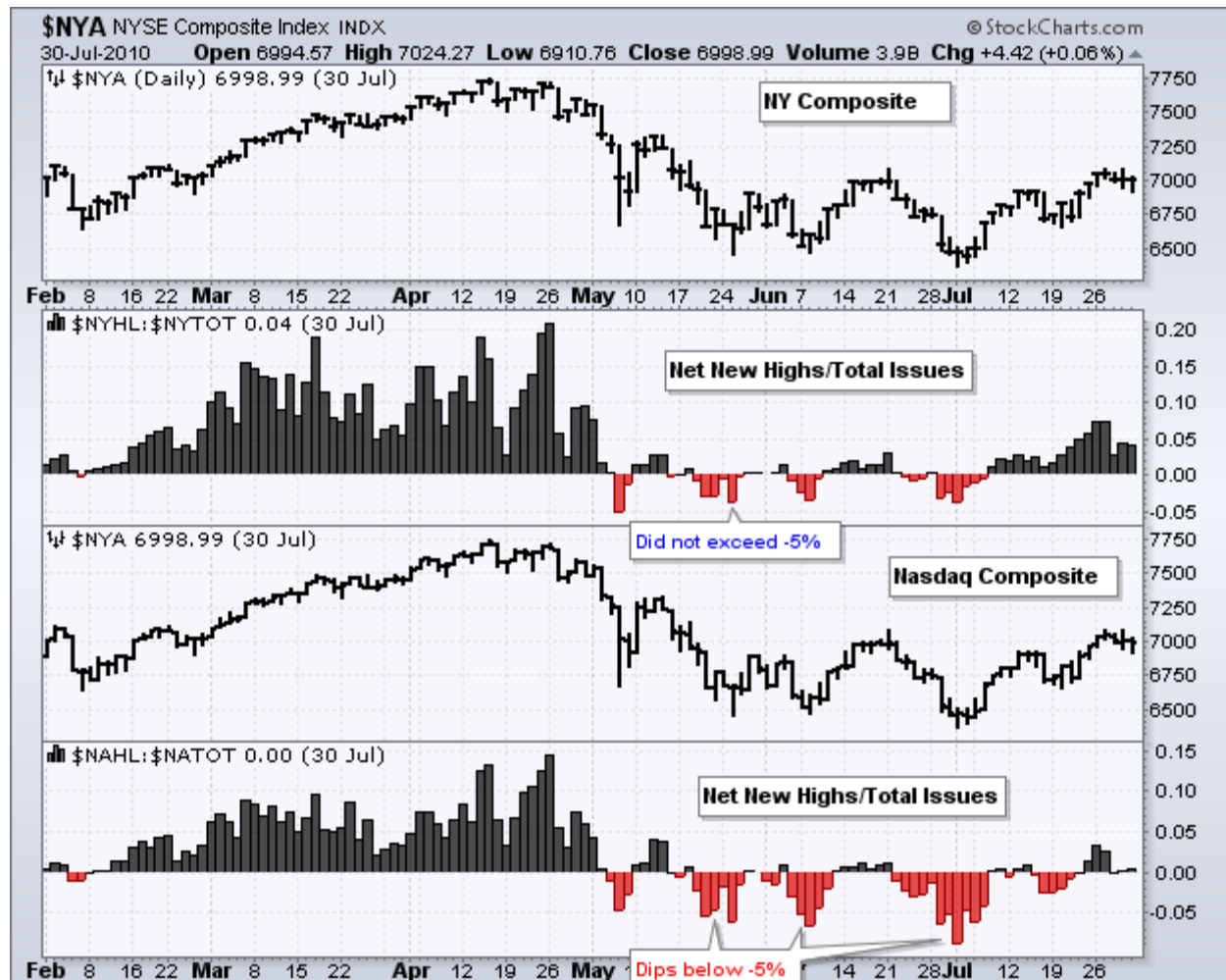
The chart above shows NYSE Net New Highs ($NYHL) as a percentage of NYSE Total Issues ($NYTOT) using the ratio chart ($NYHL:$NYTOT) and Nasdaq Net New Highs as a percentage of Nasdaq total issues ($NAHL:$NATOT). On a percentage basis, Nasdaq Net New Highs dipped below -5% in May, June, and July, but NYSE Net New Highs did not, and subsequently held up a little better.

Defining the Overall Trend

Net New Highs can be used to define the overall trend. As noted above, the bulls have the edge when Net New Highs are positive and the bears have the edge when Net New Highs are negative. Chart 2 below shows the NY Composite ($NYA) with NYSE Net New Highs ($NYHL) in 2009. There are four distinct periods here: strong downtrend, recovery, strengthening and strong uptrend.

The NY Composite transitioned from a strong downtrend to a strong uptrend quite fast, but Net New Highs did not adjust nearly as fast. First, Net New Highs were decidedly negative from January to early March as the downtrend extended. Don't forget that the NY Composite had been moving lower throughout 2008 and was in a well-established downtrend. The NY Composite bottomed in early March and moved sharply higher until early June. Despite this strong advance, Net New Highs did not increase significantly. This is the lagging nature of the indicator. Net New Highs did not increase until mid-July and did not exceed +100 until August.

Moving Average Smoothing

Net New Highs can be smoothed with a moving average to reduce centerline crossovers and whipsaws. The next chart shows the TSX Venture Composite ($CDNX) with Net New Highs for the index ($CDHL). The indicator ($CDHL) is invisible and the blue line is a 10-day SMA of Net New Highs. The green dotted lines show crosses into positive territory and the red dotted lines show crosses into negative territory.

There were some pretty good signals and one whipsaw in October 2007, just before a significant peak. Also, notice how the 10-day SMA of Net New Highs met resistance at the zero line three times in the first half of 2008 (blue arrows). The TSX Venture Composite ($CDNX) bottomed at the end of 2008, but the 10-day SMA of Net New Highs did not turn positive until mid-May in 2009.

Cumulative Line

The High-Low Line can be used like the AD Line or AD Volume Line. Net New Highs are not as volatile as Net Advances or Net Advancing Volume so the High-Low Line will not fluctuate as much as the AD Line or AD Volume Line. Chartists can also apply another moving average to identify upturns and downturns in the High-Low Line.

The chart below shows the Nasdaq with the High-Low Line in red and a 10-day SMA of the indicator in blue. The price plot of the Nasdaq is overlaid as a bar chart for an easy comparison. The High-Low Line rises as long as it holds above the 10-day SMA (blue line). The market shows strength when new highs consistently outpace new lows. A move below the 10-day SMA means the High-Low Line is falling and new lows are outpacing new highs, which shows underlying weakness in the index.

The chart above shows downturns in red and upturns in green. Also, notice that a large bearish divergence formed from July to October. The High-Low Line formed a lower high as the Nasdaq formed a higher high. New highs did not keep up with the Nasdaq at the October high and this showed underlying weakness.

The next chart shows the Nasdaq High-Low Line with its 10-day SMA and the Nasdaq bar chart behind. The indicator transitioned from downtrend to uptrend in 2009. Notice how the Nasdaq bottomed in early March, but the High-Low Line did not turn up until April, a month later. Moreover, notice that the High-Low Line did not accelerate higher until mid-July, four months into the advance.
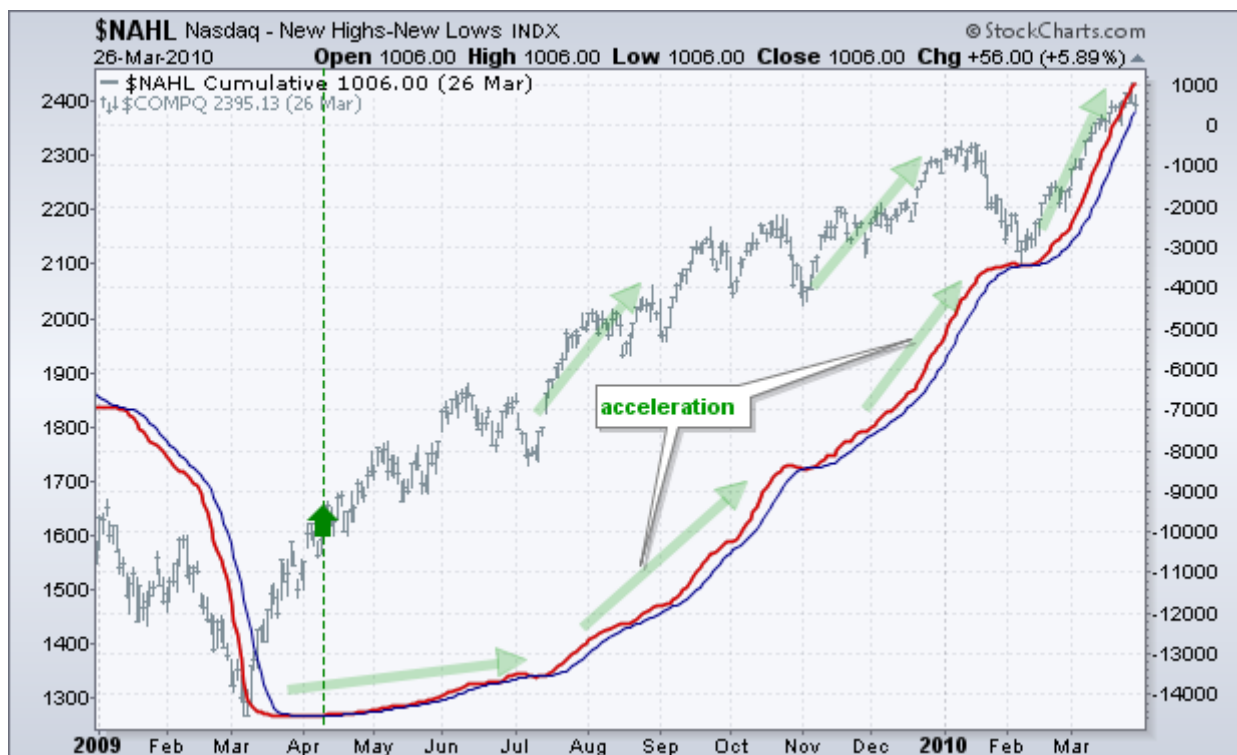
Conclusions

Net New Highs is a valuable tool that can be used to define the overall trend and identify meaningful trend reversals. Smoothing the indicator with a 10-day SMA reduces insignificant movements to focus on the general trend. The underlying index favors the bulls when the smoothed Net New Highs line is positive and the bears when negative. Armed with this information, chartists can define a trading bias when looking at other indicators and aspects of technical analysis. An index with a bullish bias would warrant a preference for bullish signals or signals in the direction of the bigger uptrend. Conversely, an index with a bearish bias would warrant a preference for bearish signals.

SharpCharts

SharpCharts users can plot Net New Highs and related indicators for six indices: the Amex, Nasdaq, NYSE, TSX Composite, TSX Venture Composite and Nasdaq-NYSE Combined. A symbol sample is provided below. This first example shows the NY Composite in the main window with Net New Highs below in the first indicator window. The second indicator window hides Net New Highs by choosing "invisible" as the chart type. This puts the focus on the 10-day SMA of Net New Highs. Click here for a live example.

$NYA NYSE Composite Index INDX   © StockCharts.com
8-Sep-2010   Open 6959.94 High 7033.89 Low 6959.94 Last 6999.94 Volume 3.4B Chg +40.00 (+0.57%)

Here are the steps to create the chart above.

- Enter the index symbol in the "symbol" box in the upper left.

- Go to "indicators" and select "price".

- Enter the symbol for Net New Highs in the "parameters" box.

- Select "above, below or behind" for the "position" of the indicator plot.

- Select "histogram" for the "style". Click update to see results.

A second indicator window can be added by selecting "price" under "indicator" and repeating these steps. An indicator can be made invisible by using the "style" options. A moving average can be added by choosing "advanced options" and selecting an "overlay".

Cumulative Charts

Cumulative Net New Highs can be shown with the following steps.

- Enter the symbol ($NAHL) and select "cumulative" for the plot "style".

- Make sure "log scale" is not selected.

- Select "price" as an indicator and enter $NYA in "parameters" box.

Click update to see the initial results. A 1-day moving average can be added to show a thicker line (solid) for the Cumulative Net New Highs line. A 10-day moving average can be added to easily identify turns in the indicator (overlays). The underlying index (NY Composite ($NYA)) can be positioned behind, above or below the main plot (position). Click here for a live example.

Symbol Samples

StockCharts.com users can find a list of symbols for Net New Highs using the symbol catalog. Simply search for "high and low" (without the quotation marks). The image below shows a working list of symbols. Chartists can also use the High-Low Percent indicators to create histograms, High-Low Line and indicators based on Net New Highs. High-Low Percent is Net New Highs divided by the total issues for the particular index or ETF. Click here for an up-to-date list.

Site Search

All   Articles   Documentation   **Symbols**   Symbol Mentions

```
high and low
```
Search

Request a symbol   Advanced Options

Symbol		Name
	$AMHILO	AMEX High-Low Index (EOD)
	$AMHL	AMEX - New Highs-New Lows
	$AMHLDJ	AMEX New Highs-New Lows - Dow Jones (EOD)
	$AMHLW	AMEX - New Highs-New Lows (Weekly)
	$CDHL	TSX Venture - New Highs-New Lows
	$DJTHLP	Dow Transports New Highs-New Lows Percent (EOD)
	$DJUHLP	Dow Utilities New Highs-New Lows Percent (EOD)
	$DOWHILO	DJIA High-Low Index (EOD)
	$DOWHLP	Dow New Highs-New Lows Percent (EOD)
	$GDXHLP	Gold Miners New Highs-New Lows Percent (EOD)
	$MIDHLP	S&P 400 New Highs-New Lows Percent (EOD)
	$NAHILO	Nasdaq High-Low Index (EOD)
	$NAHL	Nasdaq - New Highs-New Lows
	$NAHLDJ	Nasdaq New Highs-New Lows - Dow Jones (EOD)
	$NAHLR	Nasdaq New High/Low Ratio (EOD)
	$NAHLRDJ	Nasdaq New High/Low Ratio - Dow Jones (EOD)
	$NAHLW	Nasdaq - New Highs-New Lows (Weekly)
	$NDXHILO	Nasdaq 100 High-Low Index (EOD)
	$NDXHLP	Nasdaq 100 New Highs-New Lows Percent (EOD)
	$NYHILO	NYSE High-Low Index (EOD)
	$NYHL	NYSE - New Highs-New Lows