

My **BigTrends Daily Scans** look for both bull and bear opportunities from my three favorite technical indicators: Acceleration Bands, Percent Range (%R) and the Commodity Channel Index (CCI). In this special report, I'll details examples of each indicator with specific case studies and lessons to incorporate as you review the scans in your daily trading.

I created **Acceleration Bands**, which I shared with the world when I launched BigTrends.com back in 1999. The **Commodity Channel Index (CCI)** was developed by Donald Lambert and **Williams' Percent R (%R)** was created by Larry Williams. I've modified CCI and %R from their original parameters and created specific rules to use to help find the bigger trend moves for swing and position traders.

A major problem that many traders have is too many signals. In other words, their criteria need to be tightened and refined. As many of you already know, I look for the Big Trends that rarely occur—this helps me leverage my capital while reducing the number of total trades.

Acceleration Bands

I developed Acceleration Bands in the late-1990s and my success trading these strong trend signals allowed me to launch BigTrends.com in 1999. These bands are adaptive bands (similar to Bollinger Bands but different in how they factor trend as well as volatility) that contain 95% of price action usually used in the last 20 periods. We like to focus on daily charts and daily timeframe scans to find the bigger trends you should be looking at over the next month or so, after which you can easily drill down to use hourly charts on those same names if you like to swing trade over 1 week or less.

Trading signals occur when price action is confirmed with closes outside the Acceleration Bands. This indicator targets the top 5% of moves, keeping traders focused on the best trends. Two consecutive closes outside the upper Acceleration Bands drives bullish signals while 2 straight closes under the lower Acceleration Bands sets up a bearish breakdown trade.

Note that in bearish signal shown for Endo (ENDP), which appeared on my BigTrends Daily Scans focus list at the beginning of March, the stock managed to drop 22.8% over the next 11 trading days. The breakout outside the Acceleration Bands acts as a thrust indicator, showing a powerful move is underway. This does not guarantee that there won't be pauses within the trend, as you can see that ENDP shares retraced back inside the bands briefly before the next sharp leg down. That's why I prefer to use a trailing stop based on a close back against the prevailing 10-day exponential moving average to avoid missing out on the continuing trend move after these unusual acceleration signals.

Endo (ENDP) Chart with Bearish Acceleration Bands Signal



Williams' %R

The BigTrends Williams' %R method examines the unusual breakouts that can occur and persist after a stock goes into the overbought or oversold zones. We have smoothed out and modified Williams' %R to make it an even more powerful indicator to find the major trends, in both bull and bear markets.

Larry Williams created the Percent Range oscillator to highlight overbought versus oversold levels in securities. Traditionally, "overbought" connotes a long exit or sell short entry and "oversold" would insinuate the opposite. However, we generally consider overbought to be potentially very bullish with oversold being a setup for bearish trends to come. The Big Trends %R system targets the top 20th percentile and bottom 20th percentile.

You can see in the chart of Yahoo (YHOO) that the breakout into overbought mode in the top 20% of potential readings was not a sign of an end of the up move, but rather just the beginning of a prolonged, enduring advance in the shares. The confirmation points occurs when the stock closes above the high of the initial breakout bar, as it's a sign of a continuation trend move developing rather than the top of the trading range.

All traders want to know if a stock is trending or range-bound, as this affects the choice of the proper indicators to trade the anticipated move. You can see that YHOO shares gained over 11% just 7 days after the confirmed uptrend began. And there were multiple other points of entry afterwards too, as each retracement back into the overbought

threshold sets up a "retest" where a good trend will hold that support and ready itself for another move higher. And if the stock closes under the retest bar's low then the uptrend is ended and you can exist quickly for good risk control.

Yahoo (YHOO) with Percent R Bullish Trend Signal



Commodity Channel Index

The Big Trends CCI method focused on bullish and bearish breakout strategies. We have again smoothed out the CCI to create less noise and focus on the most meaningful signals. Donald Lambert originally developed the Commodity Channel Index (CCI) for the futures markets, and the principles work very well for stocks and ETFs and even for the options charts Price Headley has taught his BigTrends traders to follow.

Lambert created a Typical Price that averages the High, Low and Close each day, rather than most indicators which mainly focus only on the Close. The BigTrends CCI system targets readings above the +100 overbought threshold for continued bullish trends, while focusing on bearish moves below the -100 oversold boundary. One of the main value-added benefits to CCI in addition to Percent R is that CCI is not bounded, while %R shows readings between 0% to 100%. CCI can move up or down many multiples of the overbought and oversold boundaries, which makes CCI a better momentum indicator to assess just how powerful a breakout can become.

In the chart below of drug stock Valeant (VRX), we have the CCI line (in blue) breaking down under the oversold -100 threshold on February 22, and then confirming that breakdown with a follow-through close below the initial oversold low on February 29.

VRX shares actually appeared on multiple days of scans in the first part of March, including a further bearish signal just one day before the stock lost a whopping 51% of its value at the close the next day in the 33 range versus its prior day close near 67. Note that we get an exit signal on the daily downtrend when CCI has a reading back above the -100 threshold, followed by a close over that retest bar's high. That did not happen on this chart as VRX remained in the BigTrends CCI downtrend.

Valeant (VRX) Chart with CCI Bear Signal



Of course, as you master each of the BigTrends Top 3 Indicators, you will find that trading becomes even more powerful when you see an alignment of two or preferably all three of these top indicators in the same direction. I have found that the unique combination of Acceleration Bands breakouts along with CCI breakouts and the BigTrends' %R method makes for a very effective trading tool and system. I encourage you to start testing this on your favorite stocks as it has helped me increase my winning percentage, and find much bigger trend moves, while reducing those whipsaws that many traders experience from using just one indicator alone.

Trade Well,

Price Headley, CFA, CMT
BigTrends.com, CEO & Founder