



Combining Chaikin Money Flow and Relative Strength

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Topics of Conversation

What is Chaikin Money Flow?

What is Relative Strength?

How Can They be Combined for Market Analysis?

Current Examples

Chaikin Money Flow (CMF)

Developed by Marc Chaikin, Chaikin Money Flow measures Money Flow Volume over a specific period. Money Flow Volume forms the basis for the Accumulation Distribution Line. Instead of a cumulative total of Money Flow Volume, Chaikin Money Flow simply sums Money Flow Volume for a specific look-back period, typically 20 or 21 days. The resulting indicator fluctuates above/below the zero line just like an oscillator. Chartists weigh the balance of buying or selling pressure with the absolute level of Chaikin Money Flow. Chartists can also look for crosses above or below the zero line to identify changes on money flow.

$$1. \text{ Money Flow Multiplier} = [(Close - Low) - (High - Close)] / (High - Low)$$

$$2. \text{ Money Flow Volume} = \text{Money Flow Multiplier} \times \text{Volume for the Period}$$

$$3. \text{ 20-period CMF} = \text{20-period Sum of Money Flow Volume} / \text{20 period Sum of Volume}$$

Money Flow Persistence

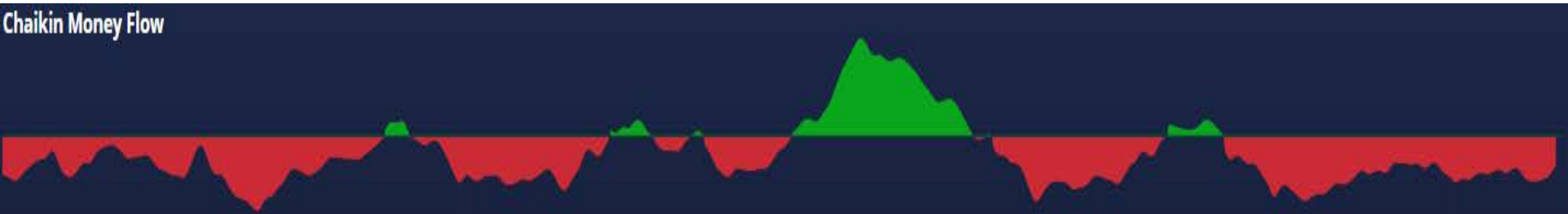
When researching a stock, look for evidence of strong money flow persistence, meaning significant regions of green over the last 6-9 months. Prefer stocks with strong Money Flow Persistence when possible.

Bullish vs Bearish Money Flow Persistence

Chaikin Money Flow



Chaikin Money Flow

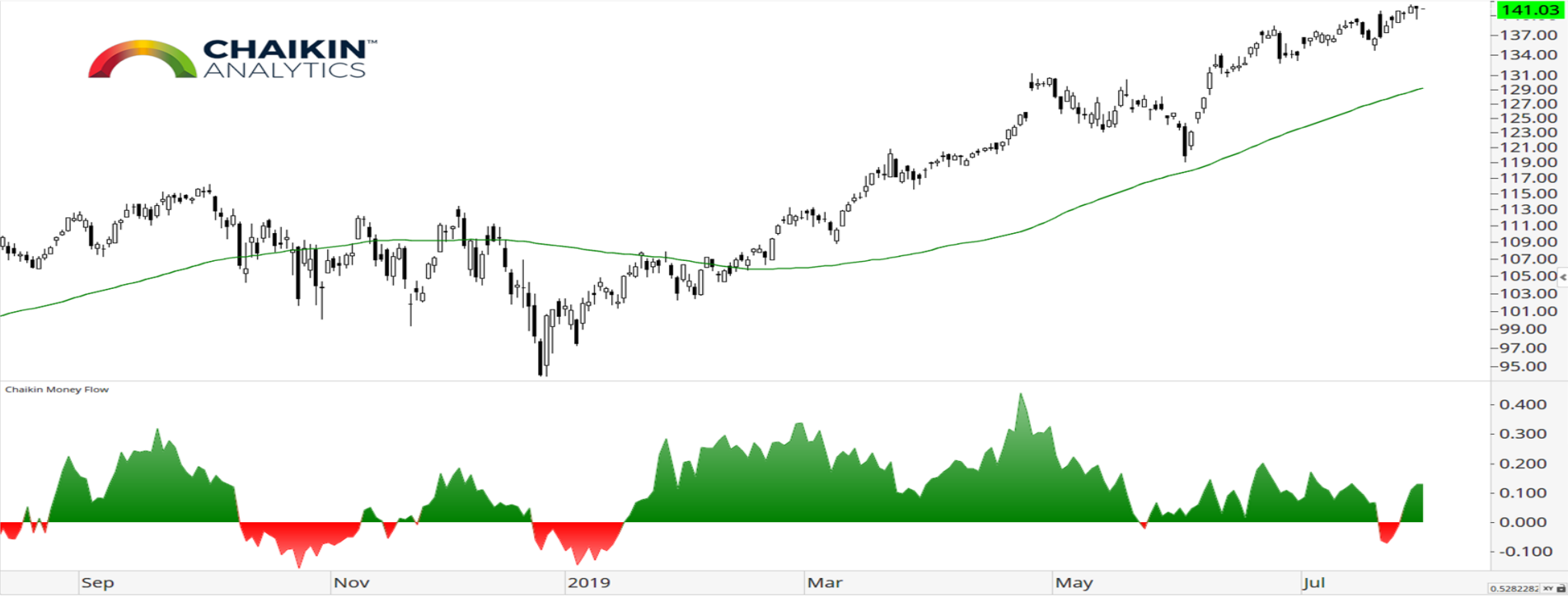


Strong Money Flow Persistence

Microsoft Corporation - MSFT (NASDAQ) - 1 Day CandleStick Chart - USD - No Layout --- Data from IQFeed

Change (%): 0.46%

Microsoft Corporation



Weak Money Flow Persistence

Aerie Pharmaceuticals Inc - AERI (NASDAQ) - 1 Day CandleStick Chart - USD - No Layout --- Data from IQFeed

Change (%): -65.73%

Aerie Pharmaceuticals Inc



Money Flow Divergence

A *money flow divergence* occurs when a price move is not accompanied by a similar change in Money Flow. A *negative money flow divergence* can be an important indication of potential short-term risk.

Generally, Money Flow should correlate with price movement over time – as price goes up, money flow should, on average, get more green, and as the closing price goes down over time, money flow should get more red. So if a stock has a short-term rally while Money Flow stays positive, this confirms the move and doesn't necessarily add any information.

But if a stock has a short-term rally and Money Flow stays noticeably red, this could indicate a higher likelihood of a pullback.



Money Flow Divergence

Netflix Inc - NFLX (NASDAQ) - 1 Day CandleStick Chart - USD - No Layout --- Data from IQFeed

Change (%): 0.00%

Netflix Inc



What is Relative Strength?

Relative Strength compares the performance of one security to another with a ratio chart. This indicator is also known as the Relative Strength indicator or Relative Strength Comparative. Often, the Price Relative indicator is used to compare the performance of a stock against a benchmark index, such as the S&P 500. Chartists can also use the Price Relative to compare the performance of a stock to its sector or industry group. This makes it possible to determine if a stock is leading or lagging its peers. The Price Relative indicator can also be used to find stocks that are holding up better during a broad market decline or showing weakness during a broad market advance.

Relative Strength is simply the base security divided by the comparative security. Typically, the underlying security is a stock and the benchmark is the S&P 500.

In a Table - For Quantitative Studies

Comparing SPY to other SPDR Subsectors ETFs

Chart	Rating	Symbol	Name	Power Bar	Last	Week	Month	3 Mos	6 Mos	1 Yr	YTD	Exp Ratio	
<input type="checkbox"/>		XSD	Semiconduct...		↓	93.20	3.20%	7.32%	5.96%	23.85%	22.52%	44.05%	0.34
<input type="checkbox"/>		XSW	Software & S...			100.71	1.44%	3.85%	2.88%	14.95%	16.31%	35.11%	0.34
<input type="checkbox"/>		XAR	Aerospace & ...		↓	105.50	0.77%	1.82%	7.29%	14.25%	14.66%	33.68%	0.34
<input type="checkbox"/>		KIE	Insurance			34.82	1.28%	0.96%	4.60%	12.94%	12.32%	22.74%	0.34
<input type="checkbox"/>		XITK	Innovative T...			110.68	1.23%	3.72%	0.80%	12.70%	9.11%	33.82%	0.44
<input type="checkbox"/>		RWR	Dow Jones R...			100.56	1.81%	1.94%	0.59%	4.70%	8.33%	16.93%	0.25
<input checked="" type="checkbox"/>		SPY	S&P 500			301.46	1.20%	1.96%	2.53%	10.53%	7.26%	20.62%	0.09
<input type="checkbox"/>		KBE	Bank		↑	44.55	2.91%	1.95%	-3.17%	2.79%	-8.47%	19.28%	0.34
<input type="checkbox"/>		KRE	Regional Ban...		↑	54.77	3.38%	1.86%	-3.30%	1.65%	-12.07%	17.05%	0.34
<input type="checkbox"/>		XRT	Retail			43.05	2.18%	1.39%	-6.09%	-3.24%	-14.04%	5.03%	0.34
<input type="checkbox"/>		XBI	Biotech			85.46	-0.51%	-3.16%	-0.87%	1.40%	-14.65%	19.11%	0.34
<input type="checkbox"/>		XPH	Pharmaceuti...			38.02	1.14%	-5.42%	-7.06%	-6.93%	-15.85%	3.82%	0.34
<input type="checkbox"/>		XME	Mining			28.57	0.04%	1.35%	-2.19%	-6.57%	-22.32%	9.09%	0.34
<input type="checkbox"/>		XOP	Oil & Gas Exp...			23.74	-4.35%	-12.65%	-19.78%	-21.06%	-44.03%	-10.44%	0.34
<input type="checkbox"/>		XES	Oil & Gas Equ...			8.52	-6.06%	-12.16%	-22.33%	-26.04%	-48.92%	-5.44%	0.34

Ratio Charts

SPDR S&P Aerospace & Defense ETF - XAR (AMEX) - 1 Day Bar Chart - USD - No Layout --- Data from IQFeed

Change (%): -0.60%

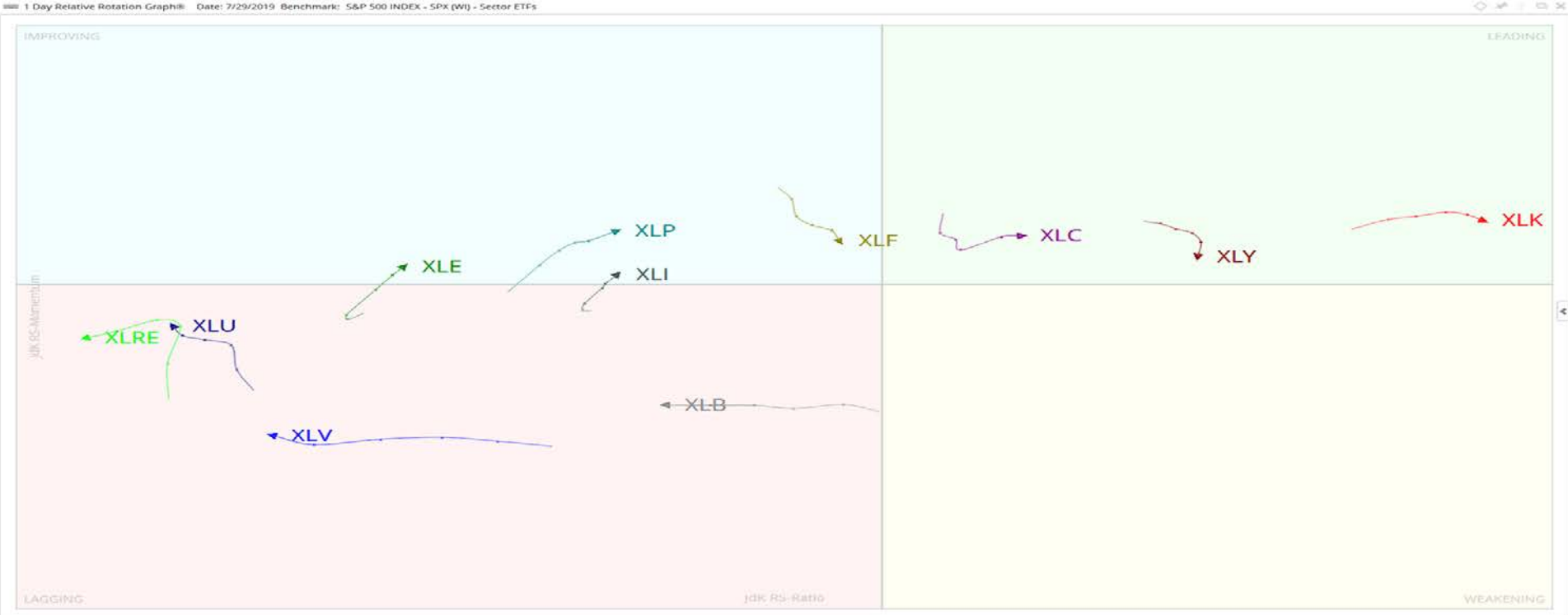
SPDR S&P Aerospace & Defense ETF

Relative Index Comparison to S&P 500 INDEX & 200 Period Simple Moving Average



30th Jul 2019

Relative Rotation Graph (RRG)



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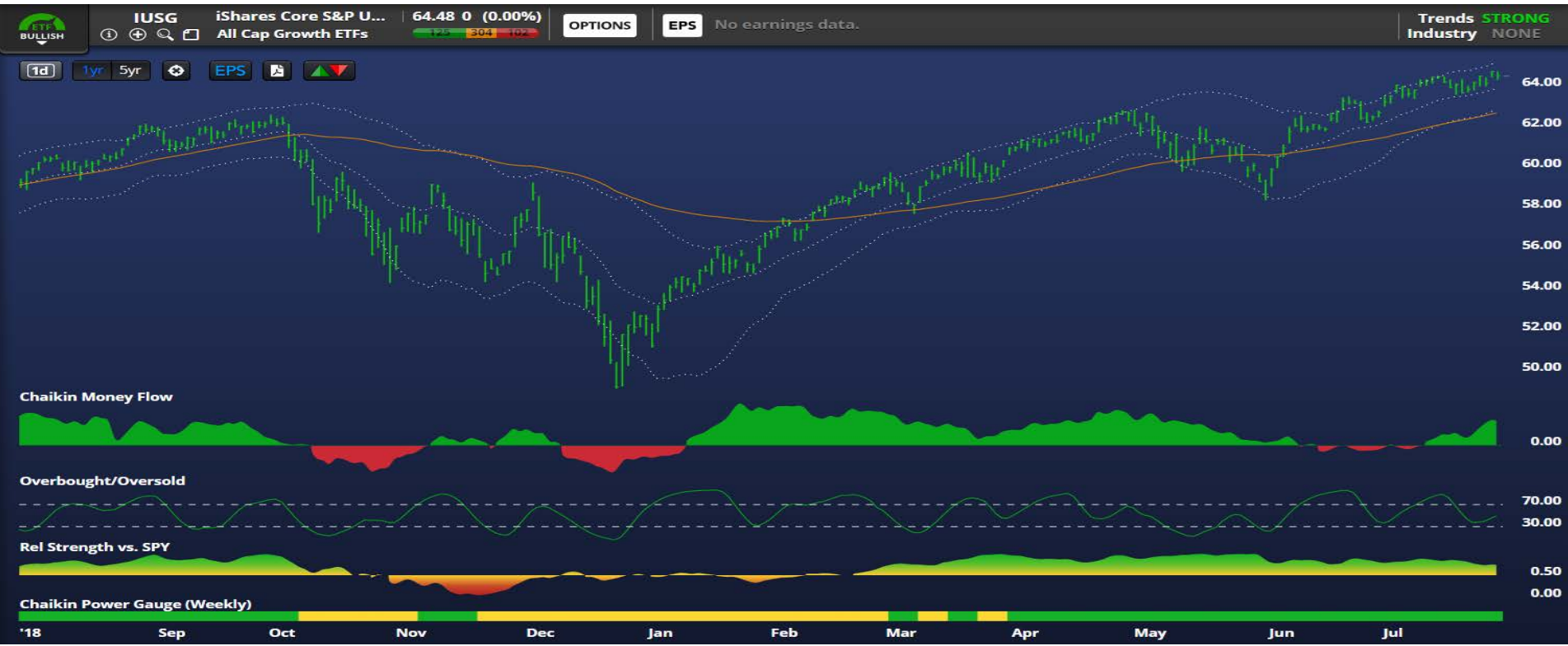


Asset Allocation Decisions

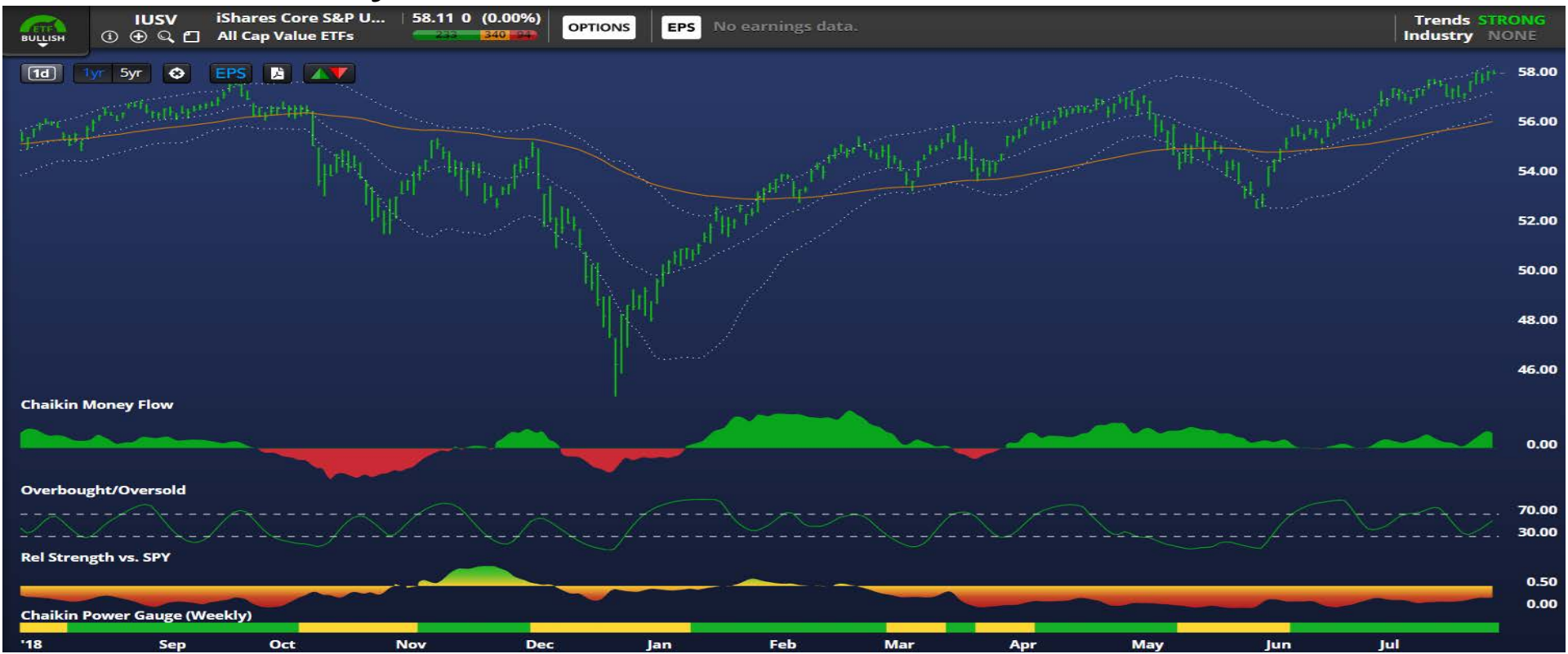


Chart Source: Chaikin Analytics

Style Decisions: Growth or Value



Style Decisions: Growth or Value



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For more information

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