

Coppock Indications

by Dr. John Steed

During weekend of 23 July 2004 to be precise, I found time to go thro' my Coppock Oscillator Charts. I hadn't done so for some time, and the previous time I looked there was not even a hint of turning signal in the offing. (For those not familiar with the concept, the Coppock Oscillator is the precursor intermediate calculation to the Indicator itself - the original, not the Investors Chronicle 'refinement').

Out of the subset of 250 charts (starting alphabetically at M) which I looked thro', there are only 18 for which the oscillator hasn't fallen through the indicator. Of those there's only one FTSE 100 stock - Marks & Spencer. For a good half of the 250 set I looked at the Indicator itself is well and truly past its peak and on its way down. I think I can assume that the rest which've just crossed will follow suit.

There is massive long term support for the FTSE 100 just at its most recent bounce, but looking at those Coppocks, I just don't see how it can hold for long. Also of interest is that the FTSE 100 and All Share Absolute Earnings as proxies for UK plc profitability are back at their all time highs. For the FTSE to go higher that requires profits to break their records in the face of Gordon's machinations and historical P/Es to maintain their overvaluations - fat chance.

By way of definition, FTSE 100 Absolute Earnings = FTSE 100 index divided by FTSE 100 P/E, and similarly for All Share. I've got an almost continuous weekly record going back to February '93.

In fact I've done some further analysis (at 27 August 2004). I don't actually think we'll see a dramatic fall off. Much more likely, I think, is a steady, but slow, drift down with the same continued low range of action until at least Christmas, after the American Elections. I reckon there's only a couple of hundred points in it for the FTSE 100 itself. I could be wrong, and frequently am - but...