This little-known indicator has a remarkable 93-year track record of signaling the best, low-risk buying opportunities in the stock market.

The Coppock Guide

The Coppock Guide or Curve was originally developed over 50 years ago by Edwin S. Coppock. It’s been described as a “barometer of the market’s emotional state,” methodically tracking the ebb and flow of equity markets from one extreme to another. By calculation, the Coppock Guide is the 10-month weighted moving total of a 14-month rate of change plus an 11-month rate of change of a market index. In simpler terms, it’s really just a momentum oscillator. Because of this, it reverses direction when the momentum or rate of change in the market reaches a peak or a trough.

The historical value of the Coppock Guide lies in signaling or confirming low risk buying opportunities that emerge once a bear market bottom is in place (black dotted lines on graph below). And since market bottoms are usually sudden or “spiked” reversals, the Coppock Guide works amazingly well – as it did immediately after the bottom in 2009.

Once the Coppock Guide drops to ‘0’ or below, a mere 1-point upturn can usually be treated as an excellent buying opportunity. And often, the more negative the Coppock Guide is when it turns upward, the more impressive the profits ahead. The only four false signals under this guideline were in 1938, 1941, 1947 and November 2001.

-Double Tops-
“Killer Waves”

S&P 500


NOTE: S&P 500 estimated prior to 1928 by correlation with a similar index.
However, the Coppock Guide has never been noted for timely sell signals. The reason is that market tops are usually slow, rounding formations in which momentum (and the Coppock) peak up to a year or more ahead of the market. Except, that is, in a few cases…

In the late 1960s a technician named Don Hahn observed another phenomenon about the Coppock Guide. When a double-top occurs without the Coppock falling to ‘0’, it identifies a bull market where corrections haven’t driven out nervous investors or cleansed excesses from the market. When those psychological excesses are not washed out, the nervousness can continue to build and extremes can multiply... with the result that the next downturn can become severe as everyone heads for the exits.

So there is a critical historical aspect to double-tops: They can result in nasty bears! Double-tops have occurred only 7 times in 93 years – with 5 of them accompanying the start of the most notorious bear markets of the 20th century: 1929, 1969, 1973, 2000 and 2007.

The table at right shows the month of the second peak, along with the start of the S&P 500 bear market. And a glance at those resulting bear markets reveals why the double-top in the Coppock Guide has been nicknamed a “Killer Wave.” The average decline (excluding the -86% loss in 1929) was almost -42%!

In summary, there are two critical lessons in this model. First is the inherent danger that accompanies a double-top in the Coppock Guide. Such a formation often precedes the biggest and most devastating bear markets. The second, and perhaps most important, lesson is the knowledge that the safest and most profitable buying opportunities appear after this Guide declines to (or below) ‘0’ and then turns upward.

With its remarkable track record, the Coppock Guide should be a key tool in any investment strategy. When used with our other indicators, it can provide the discipline and patience to avoid treacherous bear market rallies and wait for the best buying opportunities that occur only a couple times each decade.