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A RARE “WHAT’S THE LIMIT ON THE CREDIT CARD” BUY SIGNAL

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EXECUTIVE SUMMARY

The Zweig Breadth Thrust (ZBT) is a variant of the [IBD Follow-Through](#) pattern, but on steroids. Steven Achelis at [Metastock](#) explained the indicator this way [emphasis added]:

A “Breadth Thrust” occurs when, during a 10-day period, the Breadth Thrust indicator rises from below 40% to above 61.5%. A “Thrust” indicates that the stock market has rapidly changed from an oversold condition to one of strength, but has not yet become overbought.

*According to Dr. Zweig, **there have only been 14 Breadth Thrusts since 1945. The average gain following these 14 Thrusts was 24.6% in an average timeframe of 11 months.** Dr. Zweig also points out that most bull markets begin with a Breadth Thrust.*

Monday’s strong NYSE breadth has pushed the ZBT Indicator into buy signal territory. Call this a “what’s the limit on my credit card” buy signal for investors, though not necessarily traders.

We believe the ZBT buy signal is a rare display of bullish positive momentum. While investors have to be prepared for some short-term setbacks, the odds favour higher stock prices in a 12-month timeframe.

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A Rare Zweig Breadth Thrust Buy Signal

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A Brief History of ZBT Buy Signals

Here is the history of ZBT buy signals in the last 20 years.

Exhibit 1: Zweig Breadth Thrust Buy Signals in the Last 20 Years



Source: Stockcharts

Even though the sample size was small (N=5), we can make the following observations:

- The market was always higher a year later, which is consistent with Marty Zweig’s original observation
- The market came back down to re-test and undercut the lows after the ZBT buy signal in three (60%) of the instances.



Below are the histories of the individual buy signals. Here is the one from May 14, 2004. Tactically, the market weakened for two days after the buy signal. It proceeded to rally, and then pulled back to test and undercut the previous low three months later.

Exhibit 2: ZBT 2004



Source: Stockcharts

The ZBT buy signal of March 18, 2009 was the best-performing signal of the last 20 years. The market still saw a three-day tactical pullback and consolidation after the signal.

Exhibit 3: ZBT 2009



Source: Stockcharts

The buy signal of October 14, 2011 only saw a brief one-day pullback after the buy signal. However, the market did weaken and correct within two months.



Exhibit 4: ZBT 2011



Source: Stockcharts

The buy signal of October 18, 2013 was one of the strongest momentum thrusts of the ZBT buy signals in the last 20 years. The market kept rising and never looked back. When the corrective pullback occurred 3-1/2 months later, the decline did not weaken sufficiently to test the previous low.

Exhibit 5: ZBT 2014



Source: Caixin

The buy signal of October 8, 2015 was the weakest of the ZBT signals in the last 20 years. The market consolidated and pulled back within a week, rallied, and weakened again to undercut the previous lows within a three-month period.



Exhibit 6: ZBT 2015



Source: Stockcharts

In conclusion, the ZBT buy signal is a rare display of bullish positive momentum. While investors have to be prepared for some short-term setbacks, the odds favour higher stock prices in a 12-month timeframe.



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