

## What is the difference between a Golden Cross and a Death Cross Pattern?

By [Investopedia](#)

A:

The [golden cross](#) and the [death cross](#) are exact opposites. The golden cross indicates a long-term [bull market](#) going forward, and the death cross signals a long-term [bear market](#). Both refer to the solid confirmation of a long term trend by the occurrence of a short-term [moving average](#) crossing over a major long-term moving average.

The golden cross occurs when a short-term moving average crosses over a major long-term moving average to the upside, and is interpreted by [analysts](#) and [traders](#) as signaling a definitive upward turn in price in a market. Conversely, a similar downside moving average [crossover](#) constitutes the death cross, and is understood to signal a decisive downturn in a market. Either crossover is considered more significant when accompanied by high trading volume. Once the crossover occurs, the long-term moving average is considered a major support level (in the case of the golden cross) or resistance level (in the instance of the death cross) for the market from that point forward. Either cross may occur as a signal of a trend change, but they more frequently occur as a strong confirmation of a change in trend that has already taken place.

There is some variation of opinion as to precisely what constitutes this meaningful moving average crossover. Some analysts define it as a crossover of the 100-day moving average by the 50-day moving average; others define it as the cross of the 200-day average by the 50-day average. Analysts also watch for the crossover occurring on lower time frame charts as confirmation of a strong, ongoing trend. Regardless of variations in the precise definition or the time frame applied, the term always refers to a short-term moving average crossing over a major long-term moving average.

## Impending "death cross" warns of new long-term downtrend



Source: FactSet

### Similar Historical "Death Crosses" (1930-2011) Risk-Reward Ratios

	Two Week Later	One Month	Six Weeks	Two Months	Ten Weeks	Three Months
% WIN	63%	38%	38%	31%	50%	44%
% LOSS	38%	63%	63%	69%	50%	56%
AVE GAIN	2.06%	1.64%	2.79%	2.73%	3.80%	5.70%
AVE LOSS	-4.73%	-6.89%	-5.90%	-6.10%	-6.14%	-6.00%
R A GAIN	1.29%	0.62%	1.05%	0.85%	1.90%	2.50%
RA LOSS	-1.77%	-4.31%	-3.69%	-4.19%	-3.07%	-3.38%
RR Ratio	0.73	0.14	0.28	0.20	0.62	0.74

Historical risk-adjusted losses are greater than the risk-adjusted gains

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For illustrative purposes only.

## 2.4.2018 “Death Cross of S&P500 Index”

