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8 Technical Signals Traders Should Watch Before Major Earnings Catalysts

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On the following page you will find an article that is a summary of the [Crowd Forecast News Episode #516 panel discussion](#).
The article is an attempt to distill the most important points from the episode down to a single, brief article.



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Duration (video & podcast): 62 minutes

Highlights:
• Tariff decision by Supreme Court surprises investors in the market
• The two most important levels to follow on both the SPX and the QQQ today
• A huge breakout opportunity created from NVIDIA's earnings
• Both Bulls and Bears are getting clear VIX signals today
• Pivot in bond yields has the potential to create a new portfolio landscape for you
• A commodity breakout to open up new opportunities in Energy and Metals
• Software stocks are currently underpriced and set up for a possible rebound
• Mag7 is currently at a critical technical juncture
• Some specific options trading strategies with clearly defined risk
• Real examples of how to use Options to generate Explosive Wins

Lineup for this Episode:
• The Option Professor of OptionProfessor.com

[Click here to watch the full episode.](#)

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The article below is a summary of the recent CFN panel discussion. The quotes are statements directly from the panelists on the show; click the link above to watch the full episode!

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[AD] 🚨 **PDF: QQQ Options Playbook**

Title: 8 Technical Signals Traders Should Watch Before Major Earnings Catalysts

Earnings reports can provide an inflection point to the entire market -- or to specific sectors. However, the most well-prepared traders do not rely solely on the headline to initiate their trading activity. The best traders watch the technical signs preceding the earnings event to gauge whether the event will lead to a massive breakout or a sharp breakdown. Below are the 8 key indicators to watch before your next big event.

1. Overhead Resistance Price Levels On Indices

Identify the exact price levels at which index prices consistently bounce back prior to the beginning of earnings season. Repeated failure to penetrate these price zones, indicates cautionary positioning. Breakout above such price zones provides confirmation of institutional conviction.

“6900 6950, we get above that. Then this concept that we're going to rally, and this concept of we're going to go up towards 7200 would make a lot of sense.”

2. Volatility Compressing Or Expanding Prior To Earnings Season

Prior to earnings season, volatility is often reflective of the current emotional status of the markets. Low VIX (volatility) readings indicate confidence and stability in the markets. Rising VIX readings indicate increased fear and anxiety that could lead to accelerated losses.

"we really need this vix to get under 17, to take a really clear breather."

3. Broad Participation In Market Rally

A rally in only a few select stocks is very vulnerable to breaking apart. A strong, broad-based rally with increasing percentages of stocks moving above long-term moving averages confirms that increasing numbers of investors are actively participating in the rally.

"you really want that percentage of stocks above the 200 day average to continue to matriculate higher."

4. Multiple Moving Averages Closing In

Multiple moving averages closing in on one another, typically indicates that the market has absorbed a large amount of volatility and is preparing to make a powerful directional move in response to a catalyst.

"when a tight range and look at all the moving averages converge, I mean, you know something, something is probably going to happen of size off of this."

5. Relative Strength Index (RSI) Divergence

Relative strength index (RSI) divergences usually develop just prior to price reversals. A price making new lows, while RSI is also at new highs, may signal diminishing selling pressure -- and a possible relief rally in response to good news.

"we've made new lows, and the RSI is at 2930 to me, that's a divergence."

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6. Important Support Levels

Identify important support levels prior to the earnings announcement date. Once price breaches the identified support level(s), the potential for rapid price decline increases significantly, particularly if volatility begins to expand.

"If you take out 6850 and then you get under 68 on the future, it opens up a rather significant potential drop."

7. Valuation Multiples Have Been Compressed

The most effective catalysts occur when investor expectations have already adjusted downward, resulting in a depressed valuation multiple. Therefore, relatively small amounts of good news can prompt aggressive buying in the stock.

"Valuations have compressed dramatically."

8. Indicators Of Sector Rotation

Monitor which way money is rotating -- both in and out of sectors. When money is leaving defensive sectors and entering previously battered growth areas, it is indicative of a shift in investor risk appetite -- prior to earnings announcements.

"If they come out of the piggy bank here and rotate into the other then that would be something."

Earnings reports do not create trends alone -- they magnify existing technical conditions. Traders who track resistance levels, volatility, breadth, momentum divergences, and sector rotations position themselves to react decisively to the catalyst.

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