

# COMMODITY CHANNEL INDEX



CCI 20 SMA 20 85.63



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The Commodity Channel Index (**CCI**) is a momentum-based oscillator used to help determine when an investment vehicle is reaching a condition of being overbought or oversold.

### Key Takeaways

- The **Commodity Channel Index (CCI)** is a technical indicator that measures the difference between the current price and the historical average price.
- When the **CCI is above zero**, it indicates the price is **above the historic average**. When the **CCI is below zero**, the price is **below the historic average**.



## What Does the CCI Tell You?

The CCI is primarily used for **spotting new trends**, watching for overbought and oversold levels, and spotting weakness in trends when the indicator diverges with price.

When the CCI moves from **negative or near-zero** territory to above 100, that may indicate the price is starting a new **uptrend**.

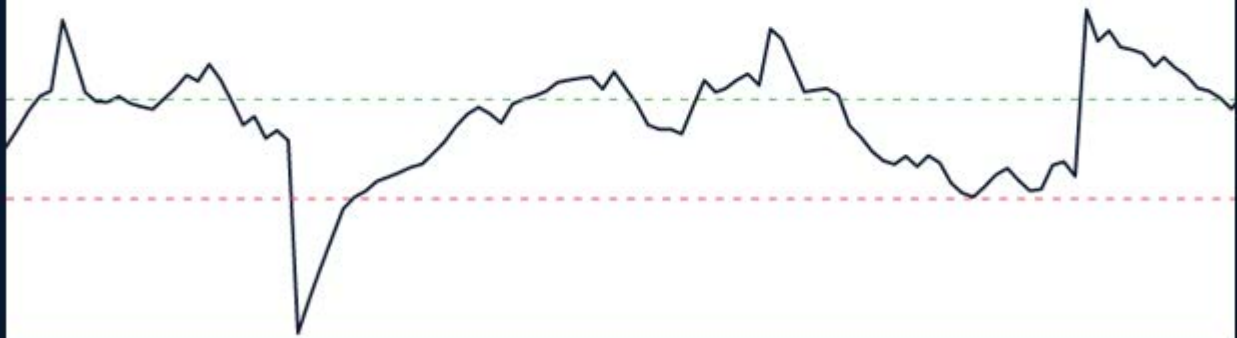
When the indicator goes from positive or near-zero readings to **below -100**, then a **downtrend** may be starting.



## Limitations of the CCI

There are two main limitations;

1. The CCI is **used to spot** overbought and oversold conditions, is highly subjective as the CCI is unbound.
2. The indicator is also **lagging**, which means at times it will provide poor signals as the signal trend **may come too late**.



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