Our chart shows horizontal lines at +100 and –100 and outside these lines are two others at +200 and –200 respectively. We consider the latter to be extreme readings. The zero line is marked by the arrow at "H." The rules for trading with the CCI were originally designed for short-term commodity traders. When the CCI crossed above the +100 line it was a buy signal. When it fell below that line it was a sell signal. Similarly, a short sale would be entered when the CCI crossed below -100 and it would be closed out when the CCI crossed above –100. The thinking was that these regions represented occasions when momentum was relatively high and when small profits could be captured in a few days. Since the CCI was originally formulated, other ways of using it have been found. Here are some of the ways it is used.

1. Buy when the line moves above –100 from below (see arrow at "F") and sell when it drops below +100 (see arrow at "E") or any time it rises above +200 (see point "C"). If it does rise above +200, some traders prefer to wait until it drops below that level to sell.
2. Buy whenever the line crosses below –200 or wait until it crosses back above –200. Sell when it crosses from above to below +100.
3. Sell or buy when it crosses an uptrend line or downtrend line respectively (see the sell signal when it crossed the line connecting "A" and "B" and the buy signal when it crossed the line connecting "C" and "D").
4. Buy when the CCI bounces off of the zero line. When the CCI reaches the zero line, the stock’s average price is at the moving average used in computing the CCI. Therefore, a bounce off the 20-day CCI zero line occurs when the stock bounces off its own 20-day moving average (that is, the moving average of its daily average price). This is often considered to be a good time to buy because the stock has not only pulled back to its short-term support (providing a relatively low entry price) but it has also reaffirmed its upward trend by bouncing off the average.