Breadth: what the index is not telling you

> **BREADTH**
>
> How many constituents participated in a move, as opposed to how far the index went. Advancers against decliners, or the share of constituents above their own moving average. It is the only routine way to see past the weighted sum to what the median company did.

Every lesson so far has said the index is a weighted sum and hides its constituents. Breadth is the measurement that stops that being a permanent blind spot.

What it measures

Advancers and decliners: how many constituents rose against how many fell, each counting once regardless of size.The share of constituents above their own moving average, which is the same idea over a longer window.New highs against new lows, which catches the extremes rather than the middle.

Each is a count, and the point of a count is that the largest company gets one vote.

The reading that matters

An index rising while breadth is weak means a few large constituents are carrying it. That is a fact about participation, not a prediction - a narrow advance can continue for a long time, and saying otherwise is the most common overreach in breadth commentary.

What it does license is a statement about what you own. An index at a high on weak breadth is an index whose level depends on a handful of firms, which is module 4 lesson 7's exposure count arriving through a different door.

Where the data comes from

Breadth needs constituent data, which your trading platform usually does not carry. Exchanges and data providers publish it, and for major indices it is widely available - but it is a thing to go and look up rather than something on your chart.

The honest limits

It is a lagging count of what already happened. It says nothing about which constituents, and a breadth reading on an equal-weighted basis can disagree with the cap-weighted index by construction - which is lesson 2 of module 1, met again.

Use it to qualify a read, not to generate one.

Check your understanding

1. What does an index rising on weak breadth tell you?

a. That the advance is about to fail
b. That a few large constituents are carrying it
c. That the index is being manipulated

Answer: b. It is a fact about participation, not a prediction. Narrow advances can continue a long time, and claiming otherwise is the usual overreach.

2. Why does each constituent count once in a breadth measure?

a. To make the arithmetic simpler
b. Because the point is to see past the weighting to what the median company did
c. Because weights are not published

Answer: b. The index already weights by size. Breadth exists precisely to give the largest company one vote instead of many.