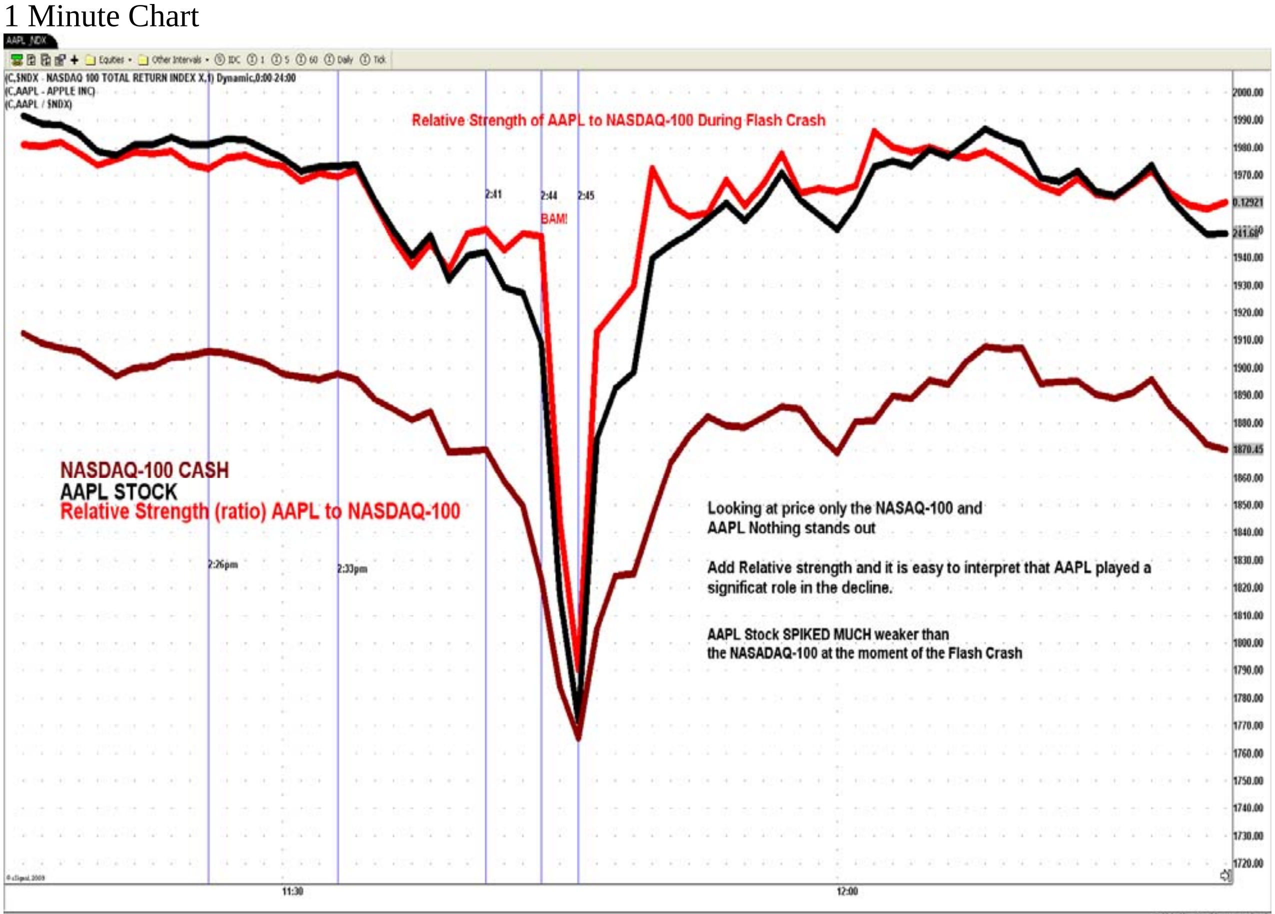
More Evidence That Apple is Relevant to the Flash Crash

Relative strength measured by ratio analysis on one minute charts provides a surprising level of detail about the Flash Crash that cannot otherwise be interpreted. I believe that this innovative use of ratio analysis is critical to understanding the compressed events of the Flash Crash.

Here is a chart of the **NASDAQ-100 index**, **AAPL,** and the relative strength (ratio analysis) of Apple to the NASDAQ-100 on a one minute chart in the moments leading up to, and during, the Flash Crash. What ratio analysis shows is that at 2:44 pm on May 6th, 2010, AAPL **spiked down hard** relative to the Index itself. In other words, Apple was MUCH WEAKER than the index during the Flash Crash, or conversely, **much stronger to the downside** than the index.

In [Was the Flash Crash Apple's Fault] I showed that the NASDAQ-100 was the weakest link during the Flash Crash and that Apple represents 20% of the weighting of the NASDAQ-100. Adding this chart to the evidence I presented in that article, it is not a stretch to logically interpret that Apple pulled the index down with it, rather than vice versa.

1 Minute Chart



In contrast, look at this chart that depicts the relationship of IWM, the #1 broken ETF during the Flash Crash (by trades and volume), to the NASDAQ-100 on a relative strength basis. During the same pivotal moment of the crash, IWM spikes higher, confirming that the NASDAQ-100 on a relative basis spikes lower at that moment. This clearly elucidates that despite the large number of broken ETFs during the Flash Crash (69% of all broken stocks), ETFs were a victim of the crash rather than the cause.

1 Minute Chart