Revisiting Andrews’ Median Line Method with Qcharts 4.3
Daniel Chesler, CMT, CTA

Background
The Andrews’ ‘Median Line Method’ – known also as ‘Pitchfork Lines’ – has been a part of technical market analysis since the late Dr. Alan Andrews first taught it to students in the 1960s and 1970s. Andrews, the son of an investment advisor and a graduate of Harvard and MIT, was inspired to create the Median Line Method after becoming familiar with the action-reaction theories of another MIT grad, financier Roger Babson.

Babson had adapted Isaac Newton’s Third Law – ‘for every action there is an equal and opposite reaction’ – to form his own action-reaction theory. Babson’s belief was that this principle governed ‘the field of human relations’ as well as that of physics. While Babson applied his theory of action-reaction to economic data as a means of forecasting business activity, Andrews applied the action-reaction idea to the analysis of the stock and commodity prices, notably through the use of his Median Lines.

I diverge here for a little history. There is another interesting connection between Babson and modern technical analysis that dates back even earlier than Alan Andrews’ fascination with Babson. Babson may have been one of the earliest proponents of stock market breadth analysis, when, speaking at a business conference in Wellesley, MA on September 5, 1929, he said:

“The present market shows that the forty leading stocks of a year ago, which stood at an average of 190, have maintained their position and have shown gains of approximately 42 percent, while the number of declining stocks had steadily increased... There are today about 1200 stocks listed on the New York Exchange. If we subtract from this list the 40 leaders, we find that around one half of the remaining stocks have declined during the past year.... A further detailed study of the market shows that the group of advancing stocks is continually becoming narrower and smaller. In other words, while the leaders are continuing to go up, there are fewer and fewer stocks following them. This means that the group of stocks declining is constantly in-...”

9/5/29 - New York Times

Going back to Median Lines. Though Median Lines are one of the lesser known and lesser discussed techniques in our field, there is considerable literature available on the subject, ranging from articles in Stocks & Commodities magazine, to chapters in technical analysis books, to full courses. Plug ‘Andrews Pitchfork’ into Google and you’ll find no shortage of information.

The Median Line Method is best described as a discretionary technique; it involves the same kind of human judgment required to draw a standard trend line. However, it should also be noted that every element of the Median Line Method is perfectly quantifiable. For those with programming skills, the method lends itself well to the creation of testable, automated systems.

The Andrews technique is not merely another ‘traders pipe dream’ either. Median Lines form the basis of at least one successful money manager’s investment strategy. Timothy Morge, of Blackthorne Capital, Inc., a Chicago-based CTA with over 10 million dollars under management, has racked up double-digit annual returns over the last four tumultuous market years using methods based on Andrews’ techniques.”.

Some Examples
The Median Line Method is one of the few techniques that attempt to forecast both the path and boundaries of a stock’s future price. The concept is relatively simple. Start by locating the beginning and end points of a well-defined impulse move. Ideally this should be a price move that has recently created a new high or low on the chart. By ‘end points’ I mean completed reaction highs and lows, which are sometimes referred to as ‘pivots’ or ‘cycle turning points.’

For example, after rising for most of the 90s, Ford’s stock rallied to new, all time highs in early January 1999 (point Z in the first Ford chart), then lost 20 percent of its value by March (point X), and then rallied once again in April to retest the January high (point Y). The rally from March to April, and the sell-off that began shortly thereafter, formed two clearly defined cycle turning points on the weekly chart at points X and Y. The next step is to locate the nearest significant penultimate high or low pivot. That would be point Z on the Ford chart, formed during the January rally.

Once you have identified these three points, the Median Line is constructed by dividing the line connecting points X and Y by the penultimate high or low pivot, and extending that point forward along the angle created by its intersection. As can be seen in the second Ford chart, the Median Lines based off the pattern formed in early 1999 accurately projected both the path and the extent of the move in Ford’s stock for the next 12 months. Support and resistance areas projected by the Median Lines served as reliable oversold and overbought indicators (arrows).

Looking at a more recent example, Home Depot’s stock has been in a tailspin for the last three years (Home Depot chart 1). Does this chart tell us anything about the future of Home Depot’s stock price?

Continued on page 4
From the Editor’s Desk

First, on behalf of all MTA Members and Affiliates, a word of sincere thanks should go out to Phil Roth and Tony Tabell for their generous donations of materials to the MTA Library. Tony Tabell was kind enough to donate very valuable original books and Phil Roth provided many years’ copies of MTA newsletters and Journals. Please let me know if I’ve neglected to mention any others who have donated items to the MTA Library, which is still in the process of rebuilding. Also, a reminder that we still need items for the library. If you have anything that may be appropriate, please contact Dan Chesler, who oversees the MTA Library Committee at Chesler@bellsouth.net.

Speaking of Dan Chesler, this month Dan has written an excellent cover story on the Andrews’ Median Line Method. You asked for more articles on technical analysis, so here you go. Also this month, Aaron Task, a journalist who writes a daily column for RealMoney.com, has penned some thoughts from a non-technician’s perspective on how the MTA can better deliver its message to the media. This is a must read for any technicians who have the opportunity to talk to the media.

Last month’s article on the uneasy relationship between technical analysis and behavioral finance from Peter Kendall of Elliott Wave International generated a tremendous response and too many letters to print in this month’s issue. I did, however, want to touch on some of the interesting feedback. Walter Deemer wrote that a discussion he had with Peter Bernstein generated, among many others, the following insight: “Behavioral Finance is just one interpretation...I think complexity (still not really applied by anyone) is much better. Market prices emerge from the confluence of everything possible and, at any given time, a subset of everything.” Walter noted that this suggests that “the answer lies not in Behavioral Finance – but beyond it.” In another vein, Yngvi Hardarson wrote that “Perhaps Behavioral Finance has more appeal to academics because it asks the “Why” question in a similar way as fundamental analysis. It might however be possible to increase TA’s appeal by focusing a bit on why traders/technicians don’t need the “why” and how the “why” can get in their way.”

Don’t worry, Peter Kendall will discuss this feedback and offer some ideas of his own as we revisit the relationship between technical analysis and behavioral finance in a future issue this summer.

Best regards,
Kevin Depew

From the Desk of the President

Dear MTA members and affiliates:

When you receive your MTA annual dues notice in a couple of months, you might be surprised that the dues are going up to $300 per year. Here is why this is happening:

Many changes are afoot for MTA this year and the years to come. It started back before 9/11, but the biggest change started in October 2002 at a meeting of the MTA Board and committee chairs. It was agreed that the MTA needed to be run like a business, and we needed to hire someone to help us do this. Six months later, along came John Kirby, our first executive director. He has been on the job only two months, but he, along with the MTA staff, have put together one- and five-year plans and budgets. At a summit meeting on April 12, these budgets were approved in principle, and at a Board meeting shortly after, the 2003-2004 budget was approved.

We need to and will provide more benefits and products to our current membership, and also let people outside the MTA know we’re here and tell them about the CMT program. Public awareness (extensive advertising) and product production are among the projected expenses that we didn’t have before.

In the end, the MTA has not had a dues increase in the last 8 years, and we will still be lower than many other similar associations. To make the increase easier for all of us, we are working on a discount plan (for example, pay for three years and receive a reduced annual cost) as well as a payment plan (for example, your credit card would be charged a small amount each month). Details will be provided when we send out the dues notices.

Thank you for your support.

Sincerely,
Ralph Acampora, CMT

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From the Desk of the Executive Director
Do Rivers Run Upstream?

The New York Times reports the $1.4 billion settlement. Times are changing. Do the stars come out in the daytime? Do famous Fundamentalists agree with Technicians, and use Technical Analysis in evaluating markets?

Hmmmm. From Rich Karlgaard, publisher of Forbes, in the May 12, 2003 issue: Warren Buffett and John Bogle – say the US equity markets are headed for a long period of under performance. This death march might last a decade or longer.

Buffett looks at historical performance of stocks and sees an unrepeatable period. The S&P returned about 15% annually, counting dividends but net of inflation, during the 1982-2000 period. Returns for the longer 1900-81 period averaged half that. Buffet thinks the 2000-15 market will regress like a downdraft off a mountain until it aligns with history’s average. That means returns, net of inflation, could average out to perhaps only 4%.

John Bogle, founder of Vanguard, uses different data to make the same point. The market traded at 8 times earnings in 1981, and now trades in the mid-20s. Bogle reminds us that the average market P/E for the 20th century was 15.” The times are changing. Sounds like the old buy and hold kings might be changing their tune.

A secular bear market is our friend. This is the Golden Age of Technical Analysis and your MTA is on the move. Your Board has just approved next years budget. It incorporates more change for our association than ever before. A public awareness program, an educational program, more benefits for members, a new generation of professional management for the organization, and the ability for us to reach out to our friends around the world to strengthen Technical Analysis are just a few of the changes.

Management of these changes will be a challenge to us all. As we move forward, instead of asking why, we must ask ourselves, why not?

Sincerely,
John Kirby, Executive Director

In Memoriam

Joseph H. Barthel
1944-2003

It is with great sadness that we announce the death of Joseph H. Barthel, an MTA member since 1978. Joe had a long distinguished career in our industry, he was a friend to many, and he will be sorely missed by us all.

A memorial fund has been established. Donations may be sent to the NYC chapter of the Leukemia Society, 475 Park Avenue South, 8th Floor, New York, NY 10016, or call 212/448-9206 and ask for Bob Kennedy. Please specify the donation is for the Joseph Barthel fund.

Letter to the MTA Library

Michael Kahn

I just looked at the Library portion of the MTA Website. It was clear after about 2 seconds that this is the EASIEST procedure I have ever seen for doing ANYTHING on the web. Go there NOW and take out a book. It’s like being in the best book store with someone else’s credit card.

Looking for something to tell prospective members as to why they should join the MTA? This is it. Don’t think this will be forgotten at all marketing events.

Michael Kahn is MTA Marketing Chair, mnkahn@optonline.net

Call for SFO Articles

SFO Magazine welcomes author inquiries regarding article submissions for upcoming issues.

SFO seeks articles on futures and stock trading strategies, written in an easy to understand format. The audience is individuals – retail investors/traders.

If you are interested, please submit a paragraph outlining your article idea to Kira McCaffrey Brecht, Associate Editor at: k.brecht@att.net

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Has your firm allowed you to use your CMT designation?

Maria Wittek

We have been notified that the CMT designation has not been industry recognized by a certain firm. If the same has happened to you, please let us know. Contact maria@mta.org

Maria Wittek is Manager of MTA Member Services

Don’t forget about the calendar on your home page on the website. If you are traveling near one of the regional chapters and are willing to speak to the group, add your name to the travel list.
Andrews’ Median Line Method continued from page 1

Yes. By drilling down to the daily time frame, we can see how the Median Lines, constructed using points A, B and C, accurately forecasted the stock’s path for most of March and April 2003. Note again how support and resistance levels that were projected back in February have acted as reliable overbought and oversold indicators going forward (arrows).

Drawing Median Lines with Qcharts 4.3

In order to draw accurate Median Lines, you need the right tools. For diehards, charting by hand and using a ruler to draw your lines is one option. While I have definite respect for the people who do this, charting software is still the best option for most of us. I’ve used many charting packages over the years. Some contained the Pitchfork tool and some did not. Of the packages that did contain the tool, some were clumsy and inaccurate in terms of placing lines directly on top of a high or low price. Qcharts 4.3 however is a precision tool that excels in the construction and placement of trend lines and trend line tools such as the Pitchfork.

Qcharts: Evolution, New Features

Qcharts has been commercially available since 1996. The product gained its recognition as a competitively priced, high quality real time data provider, with a lesser emphasis on its analytic capabilities. However, in recent years, Qcharts has evolved into one of the most full featured charting and analysis packages on the market. Frankly, the product is a remarkable value given the breadth of its indicators, screening, sorting and charting tools, and real time and historical data options.

Today Qcharts is both a sophisticated and elegant product with powerful analytics and simplicity of use all wrapped into one. Some may point out that Qcharts does not offer back testing or programming capabilities. For me, and probably for others as well, 98% of the technical studies and screening capability that I need is already available from within the product itself. Thus I can devote more time to analysis and trading, rather than ‘fiddling’ with the program. However, if ‘fiddling’ is really your thing, you won’t be let down as Qcharts still provides wide flexibility in terms of user preferences, sorting and screening.

There are a number of new features in Qcharts’ latest build, including an updated suite of charting tools ranging from Fibonacci time and target projection tools, to enhancements to the existing regression line tool, to a ‘Pitchfan’ which combines elements of a Gann Fan and a Pitchfork, to variants of the traditional Andrews’ Median Line. These include the ‘Inside’ and the ‘Modified Schiff’ Median Line variants.

An example of the Median Line Inside variant is shown in the Citibank chart below. The basic difference between the traditional Median Line and the Inside variant is that rather than bisecting the line connecting points H and I by a penultimate high, the H to I line is bisected by a reaction pivot occurring forward in time. The Modified Schiff variant offers yet an additional permutation on the original Median Line concept, and should keep Median Line enthusiasts well occupied. When you realize the power of such a simple tool to help make price projections, it’s easy to get hooked.

Qcharts also contains several new indicators. While these are unrelated to drawing Median Lines, they are worth mentioning. For anyone wanting to learn about all of the new features in Qcharts, simply go to: www.tinyurl.com/9ws9

One of these new indicators is the Float Turnover Channel. This indicator marks the highest high and lowest low of a stock’s price over a number of periods (days, weeks or months), where the cumulative volume of that period is equivalent to the stock’s float, or the number of shares outstanding. This gives the analyst some idea as to the concentration of trading occurring in a stock, particularly at important topping and bottoming areas. In the daily chart of Micron Technology, the thick horizontal lines mark the price range and number of days in which a cumulative volume equal to the entire capitalization of Micron’s stock has traded. Breakouts of such regions often signal long-term trend reversals.

Lastly, several new quote sheet fields are included in Qcharts 4.3 that should prove useful to short term traders and analysts, such as the NetSinceOpenPct field. This field measures the net change in price since same-day open, as a percentage relative to open. Imagine a day when the broad market indexes are all down hard. While most stocks will be, by definition, trading below their previous day’s closing price, ‘under the surface’ we can isolate those issues that are trending up strongly on an intraday basis, as measured from their opening price. Any sharp disconnect between the action in an individual issue and the market itself tells us something powerful, and in many cases can represent at least a good trade. Think of this as a ‘mini-relative-strength’ indicator. However, you won’t find these stocks if you only focus on the net change relative to a stock’s previous close. With Qcharts 4.3, I can easily screen any list of stocks I want for this condition, as well as many others such as Unusual Volume, Block Trades, Float Rate, etc.

Daniel Chesler, CMT, CTA is a trader and technical analyst living in Palm Beach, Florida. He can be contacted at: Chesler@bellsouth.net

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Reporting on the Art of the Chart
A Journalist's Takes on Technical Analysis
Aaron Task

Like most journalists, I didn’t know much about technical analysis when I started covering the financial markets in the early 1990s. But since then I’ve come to rely on them as a way to explain market developments, and increasingly so in the past few years as the bear market has proven most fundamental analysts to be quite fallible.

I focus on technical analysis more than most of my peers because that’s what my sources are doing, and because technical analysis (TA) so often provides an explanation of market action that is otherwise inexplicable or seemingly illogical.

For me, there’s something intuitive about looking at a chart pattern when assessing the state of a given stock or index. In the days before I worked at TheStreet.com (which prohibits its employees from trading individual stocks), I always looked at the chart of a stock I was thinking about investing in. That’s even though my decision was based on “fundamental analysis” and my understanding of TA pretty rudimentary.

My interest in TA increased dramatically when I started doing daily stock market coverage in 1996. Early on, it became very clear that stock proxies did not always move “in sync” with fundamental news developments such as economic data or corporate developments. I was unsatisfied with explaining this dichotomy by writing the market rose or fell “despite” some such as economic data or corporate developments.

In sum, several reasons contribute to my increased focus on technical analysis. Given the failure of many fundamental analysts to accurately forecast the ongoing bear market, TheStreet.com’s readers are increasingly interested in and receptive to discussions of technical analysis. I plan to regularly provide a forum for these discussions, more especially as the market appears to have entered a long-term “swing-trading” environment, in which technical analysis is a critical tool for investors.

Looking forward, I think the best thing MTA members can do is to stress the “art” of chart reading over the science. Obviously if it was “easy” or “full-proof,” everyone would use TA and we’d all be fabulously wealthy. But too often, the technicians I see quoted in the press/on TV speak as if the message from the charts is unmistakable. Offering caveats may seem like “hedging” but it also may ultimately increase the awareness and acceptance of technical analysis, perhaps even including some other members of the Fourth Estate.

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Larry M. Berman, CMT, CFA, CTA is Chief Technical Strategist for CIBC World Markets. Prior to joining CIBC in 1997, Larry was a senior technical analyst for Thomson IFR in Boston and senior technical analyst and trader for Marleau, Lemire Futures in Toronto. Larry began his career as a Toronto-based investment advisor in 1989. Larry is a Chartered Market Technician, a Chartered Financial Analyst, and is registered as a Commodity Trading Advisor. He completed a technical internship in New York with the Market Technicians Association in 1994, where he studied the techniques of many top Wall Street technicians. Larry was graduated from York University in 1989 with a BA in Economics.

Thierry Bechu is currently a hedge fund manager for Société Générale Asset Management in Paris. He has been a proprietary trader for Commerzbank (Frankfurt) and for Dresdner Kleinwort (Paris). Thierry began his career as a technical analyst. He has master’s in economics and finance and post graduate in finance (Orleans University). Thierry has written a French book on technical analysis, “l’analyse technique, pratiques et méthodes,” which is considered as the French reference in TA. He has been president of the French Society (AFATE) since 2002. Thierry has 15 years experience in technical analysis and the markets and a regular speaker at conferences and seminars.

Ron Brown has been a private investor for over 20 years. After graduating from the University of Nevada, Reno with a BA in Journalism and Political Science, he pursued a 20-year career as an advertising photographer. While pursuing a career in photography, he broadened his investment skills and knowledge while trading and investing part-time. In 1995 he started an Internet web site development division for a marketing company where he oversaw the development of web sites for various clients including Omaha Steaks and Time-Warner Book and Music Clubs. During this period he embraced online trading, and developed his Internet skills. He retired in 1999 to pursue his dream of becoming a full-time investor. He also writes a weekly market report to demonstrate how he uses HGS Investor to analyze, and to stay in tune with the market and group and sector rotation. His weekly analysis has helped keep many HGS Investor users on the correct side of the market during these turbulent times.

Peter Eliades is the publisher of “Stockmarket Cycles” for the past 28 years. Upon graduation from Harvard University and Boston University Law School and passing the Mass. Bar, Peter moved to New York City where he entertained as a singer and pianist in Manhattan cabarets and off-Broadway musical comedy. In 1967, he moved to Los Angeles and continued his musical career. In 1968, with a lot of time and curiosity and a little money, Peter initiated his stock market studies. In 1972, he began his financial career as a stock broker. In recent years, he has directed his attention to the development of trading systems, but has remained deeply involved with studying and developing technical indicators for analyzing the stock market. In 2001 Peter’s paper won the Charles H. Dow Award from the MTA.

Steven Hochberg is Chief Market Analyst for Elliott Wave International in Gainesville, Georgia. He is also co-editor of The Elliott Wave Financial Forecast and Short Term Update. Mr. Hochberg began his professional career with Merrill Lynch & Co. and joined Elliott Wave International in 1994. Mr. Hochberg is an alumnus of the University of Vermont and received his graduate degree from Northeastern University. He is a sought after speaker who has lectured extensively around the world on the Elliott Wave Principle. Mr. Hochberg has been widely quoted on Reuters, Bloomberg, The Washington Post, Forbes, TheStreet.com, CBS MarketWatch and The Nightly Business Report.

Ulf J. Lindahl is Chief Investment Officer of A.G. Bisset & Co., Inc. which he joined in 1981. Ulf developed the firm’s currency model in 1983 and directs the firm’s currency overlay and currency alpha programs with over $1.1 billion under management. Ulf has been responsible for the firm’s global investment research since 1984, when the firm began to publish its “Review of Emerging Trends,” a report that brings together a broad array of financial markets for a comprehensive global investment outlook. He hold a BA in economics from the Stockholm School of Economics and an avid student of financial & economic history. Ulf has contributed articles on currency management that have appeared in international publications including Global Pensions, Investment & Pensions Europe and Global Investor.

Claude Mattern joined BNP in 1989. Previously, he worked as an economist at the Banque Fédérative du Crédit Mutuel in Strasbourg. Between 1989 and 1995, Claude worked in the Economic Research Department of BNP Paribas, where he was responsible for technical analysis, providing daily forecasts on FX, Future Interest Rates and CAC 40. When Claude joined the dealing room in 1995, he also ran proprietary positions. Since the merger with PARIBAS, he has been in charge of the daily technical analysis on FX. Claude holds a DESS (Master’s degree) in International Finance and Economics from the University of Louis Pasteur – Strasbourg and the Diploma of International Technical Analysis (DITA) of IFTA. He is currently the Accreditation Chairperson of IFTA.

Saleh Nasser, CMT is the Chief Technical Analyst for Commercial International Brokerage Company (CIBC) in Cairo, Egypt. His main job is to recommend brokers and investors of the company what to buy/sell and how to manage their positions. CIBC is the largest brokerage firm in Egypt. Saleh began working in the stock market using technical analysis in 1997 at United Brokerage Corporation, a small brokerage company based in Cairo. He then worked as Chief Technical Analyst for Fleming CIC, also in Cairo, Egypt. Saleh is the head of the education committee in the Egyptian Society of Technical Analysts (ESTA), as well as the Treasurer and Member of the Board of Directors of ESTA. He has conducted many courses and seminars, teaching brokers, investors, and undergraduate students about technical analysis. Saleh was graduated from Cairo University in 1995 with a BA in Economics.

Alan M. Newman spent 20 years in a family owned and operated real estate business (while pursuing stints as an actor and game designer) before becoming a broker with Herzfeld & Stern in 1981. Although he was always interested in technical analysis, the 1987 crash catalyzed an imperative turn to full time technical analysis and stock market commentary. In 1990, Alan became a member of the MTA. Alan has been the editor of Crosscurrents since the first issue was published and has been published in Barron’s. He is best known for his unique market perspectives and controversial commentary. Alan is now associated with Longboat Global Advisors.

Meet the Speakers at this year’s IFTA Conference in November in Washington, DC
Ian S. Notley is President of Yelton Fiscal Inc. which has offices in the United States, Canada, Switzerland, Great Britain and Hong Kong. He has been conducting studies into price fluctuating phenomena and collecting data for over 30 years. His specialty is long-term studies of secular trends. He has investigated most investment techniques that are present in the public domain. The Notley Information Service covers more than 80 global markets including equities, bonds, rates, commodities, currencies, business and credit cycle, etc. The service is designed for the institutional fund manager seeking the use of a global database with a longer term outlook.

Robert R. Prechter, Jr., CMT is founder and president of Elliott Wave International, Bob has been publishing market commentary since 1976. In December 1989, Financial News Network named him “Guru of the Decade.” Bob served on the Board of the Market Technicians Association for nine years and in 1990-1991 served as the MTA’s president. During the 1990s, he expanded his firm to provide analysis on all major markets worldwide for institutions. Bob has written 12 books on the stock market, most notably The Wave Principle of Human Social Behavior and the New Science of Socionomics. His latest title is Conquer the Crash - You Can Survive and Prosper in a Deflationary Crash and Depression. In 1999, Prechter received the CSTA’s first annual A.J. Frost Memorial Award for Outstanding Contribution to the Development of Technical Analysis.

Martin J. Pring entered the financial markets in 1969 and has grown to become a leader in the global investment community. In 1981, he founded the International Institute for Economic Research, and began providing research for financial institutions and individual investors around the world. Since 1984, he has published a monthly market review offering a long-term synopsis of the world’s major financial markets. Demanded as a speaker worldwide, he is the author of several outstanding books including, Introduction to Technical Analysis, Martin Pring on Market Momentum, and Technical Analysis Explained, now in its third edition. Since this unique book first appeared in 1979, Technical Analysis Explained has established itself as the number one guide of its kind. Described by Barron’s as a “technician’s technician,” Martin’s articles have been featured in Barron’s, and he has been quoted in The Wall St. Journal, International Herald Tribune, The New York Post and Los Angeles Times newspapers and the National Review.

Antonella Sabatini is an MIT graduate and Laurea in Electrical Engineering. CEO and CFO of Finbest. She is a SIAT member, technical analyst, portfolio manager and project Manager for Corporate Investors in Italy, Switzerland and the USA. Antonella uses technical Analysis and Quantitative Methods with strong emphasis on risk Management. She also uses Derivatives Systematic-Day-Trading. Research on and Application of Chaos Theory and other Time-Series Digital Signal Processing Techniques to Financial Markets. Antonella is a developer and owner of Riskina” (Asset Allocation Quantitative Methodology for Portfolio Value-at-Risk Reduction).

Michael Smyrk started charting the commodity markets in 1965, and has been expanding his technical analysis horizons ever since. A firm believer in the power of ‘the crowd,’ he enjoys the constant challenge of taking money from the markets.

Currently Michael coaches and writes about technical analysis, and is the Global Administrator of IFTA – a post he will leave at the end of this year. In addition to speaking at the MTA’s 25th Anniversary seminar in Atlanta, Michael has been a frequent speaker on TA in Britain as well as Sweden and Italy.

Ian Woodward is the President of Woodward Investments, a firm engaged in the education of Financial Investors through seminars, newsletters and CDs associated with the HighGrowthStock (HGS) Investor software product. For the past 10 years, he has crisscrossed the nation, enlightening new and seasoned investors about high growth stocks with his own brand of logic, wit and practical experience. His seminars, more recently in conjunction with Ron Brown of Brown Investments, have helped thousands of investors learn the principles of HGS Investing and the ingredients to, as he puts it, “Buy rockets and sell rocks!” Ian graduated from Faraday House in London, magna cum laude, in Electrical Engineering and came to the U.S. in 1960. With over 30 years’ experience in strategic, business and technical senior management using computers, communications and xerographic systems gave him the background of understanding the facets of sector and industry group strategies.

Plus a few more speakers......(TBA)!

Tax Deductible Contributions to the MTAEF
Maria Wittek

Your MTA has put together some information on how you can benefit from your contributions to the MTA Library through the MTA Educational Foundation. Contact Maria Wittek at maria@mta.org for details.

Recently, we have received valuable contributions from Phil Roth, Mike Epstein, Tony Tabell and Rick Redmont.

IRS Requirements...

As the value of your donations increases, so does the complexity of your tax reporting and record keeping. See what the law requires in the illustration on page 11.

What You Can Deduct

As long as you itemize on your tax return, you may deduct gifts to religious or charitable organizations, such as churches and synagogues and groups like the Boy Scouts, Red Cross and YM/YWCA.

You also may deduct contributions made to scientific, literary, and educational organizations, as well as to organizations devoted to the prevention of cruelty to children or animals or those that foster amateur sports competitions.

Deductible gifts to charity can take many forms. You can deduct cash contributions equal to 50% of your adjusted gross income (AGI), and any excess contributions can be carried forward for up to five years. You also can make donations of property – from used clothing, to furniture, to computer equipment – and earn tax deductions. When you donate property, your deduction is generally equal to the fair market value of the property at the time you give it, not its original cost.

To make the most of your charitable contributions, consider donating appreciated capital gains property that you’ve owned for more than a year, such as shares of stock or a mutual fund. When you donate long-term property that has appreciated in value, you generally earn a deduction for the property’s fair market value and never have to pay capital gains tax on its appreciation. Contributions of appreciated capital gains property are generally limited to 30% of your adjusted gross income.

What You Cannot Deduct

Generally, gifts to individuals are not deductible. You also cannot claim a deduction for political contributions, gifts to labor unions, donations to homeowners’ associations or gifts used for tuition.

Payments made partly as a contribution and partly in consideration for goods or services furnished to the donor by the charity – referred to as quid pro quo contributions – are not fully deductible. For example, if you buy a $100 ticket to a charity concert performance and the equivalent ticket normally costs $40, you may deduct only $60. If you choose not to attend the event and return the ticket to the charity to be resold, however, you may deduct the full $100.

continued on page 11
2003 Charles H. Dow Award Guidelines

Market technicians are invited to submit a paper and application for the 2003 Charles H. Dow Award for excellence and creativity in technical analysis. The Charles H. Dow Award is sponsored by the Market Technicians Association, Inc. (MTA), Barron’s magazine, and Dow Jones Newswires and will be given to the work that breaks new ground or makes innovative use of established techniques in the spirit of pioneering market technician Charles H. Dow.

This year’s Charles H. Dow Award will be presented at the IFTA Annual Conference in Washington, DC in November 2003 (hosted by the MTA). The winning author will receive a personal award and will be recognized in Barron’s magazine and on their website. The winner will also be invited to discuss the paper at the IFTA Seminar or at a monthly meeting of a MTA chapter. A perpetual plaque including the author’s name with those of previous recipients of the Charles H. Dow Award will reside at the MTA office in New Jersey.

The publication or a summary of it may be published in the MTA’s Journal of Technical Analysis, the MTA newsletter, the MTA website, and/or Barron’s magazine. Additionally, Dow Jones Newswires will make copies of the paper available to the public through various media. At the discretion of the judges, the authors of runner-up papers will receive personal awards. No cash award will be given to any award winner or runner up.

Submission Deadline: Wednesday, July 9, 2003

Guidelines

1. Standards of Judgment
   A submitted or nominated work will be judged according to the following:
   a. The work is based upon the concepts of technical analysis.
   b. The work is either original or is a significant extension of an established work of technical analysis.
   c. The subject matter is substantive. Solid research and analysis are imperative.
   d. The work is practical and enhances the understanding of market action.
      A market forecast will not, by itself, be considered for the Award. The presentation of an analytical method or trading system is expected to include the results of applying the technique to specific past data according to generally accepted standards of testing.
   e. The strength and clarity of writing are superior.

2. Submissions of Published Works
   Papers written especially for the Award or works published between July 1, 2002 and June 30, 2003 may be submitted. There is no fee for submissions. Submissions are to be sent to Charles H. Dow Award, Market Technicians Association, 74 Main Street, 3rd Floor, Woodbridge, NJ, 07095.

3. Style
   The text must be a succinct and conclusive presentation of the subject. The charts, tables, and figures should be used to exemplify or to supplement the text and should not be the primary means of conveying the writers’ points.

   Papers:
   A submitted paper must not contain less than 1,500 or more than 4,000 words. A paper shall not contain more than 10 charts, tables, or figures total. Submissions must be printed on white paper (8.5" x 11" size) in black ink. Charts, tables, and figures should be placed in appropriate sections of the text. When it is not possible to do so, they must be presented on white paper (8.5" x 11" size). Charts, tables, and figures must be individually labeled in numerical sequence. They shall be submitted in camera-ready format and may be presented in color. Seven complete hard copies of the paper must accompany a submission. A copy of the paper saved on disk/CD must also accompany the submission. The preferred format is Microsoft Word.

4. Deadline
   The last day for receipt of publications is Wednesday, July 9, 2003. Entries received after that date may be accepted at the discretion of the judging panel.

5. Judging Panel
   The judging panel will include at least three past winners of the Charles H. Dow Award, selection preference given to the three most recent winners. The past winner of longest standing will rotate out of the judging panel each year to be replaced by the latest Award winner. In addition, the judging panel will include no more than one voting representative from each of Barron’s, Dow Jones Newswires, and the MTA. Members of the Board of Directors of the MTA, excepting the editorial board of the MTA Journal, shall not be eligible for the judging panel. The Chairman of the Award committee will be a non-voting member of the judging panel. No author shall ask for or receive assistance of any kind from a member of the judging panel.

6. Decisions of the Judging Panel
   Decisions of the judging panel will be made in the best interest of technical analysis. The judging panel’s selection and acceptance of a work will be final and without recourse for reconsideration either by the judging panel, Barron’s, Dow Jones Newswires, or the MTA.

7. Post-Award Publicity
   Barron’s, Dow Jones Newswires, and the MTA may publicize the award, its recipients’ names (but not necessarily their places of employment) and all or part of the winning publication or of runner-up publications. Recipients of the Award and runners-up may publicize their awards in an appropriate manner without undue enhancement.

8. Authors’ Copyright and Permission to Produce Copies
   The author of the winning paper and the papers that may be awarded certificates shall retain the copyrights to the papers, but the authors shall permit Dow Jones Newswires to produce and distribute copies in any medium of all or part of each paper. Dow Jones Newswires will bear the expenses of copy and distribution but will not remunerate the author.

9. Invitations for Submissions
   Award guidelines, including invitations for submissions, shall be published in the MTA newsletter prior to the annual deadline. The guidelines shall be published concurrently on the MTA website. Invitations may be publicized in any other manner chosen by Barron’s, Dow Jones Newswires, or the MTA. Invitations shall be publicized in order to reach the largest number of potentially interested people.

10. Chartered Market Technician (CMT) Papers
   A paper submitted to the MTA to fulfill the requirements of the Chartered Market Technician program shall not be eligible for the Charles H. Dow Award unless the paper has been accepted by the MTA as a CMT paper prior to its submission for the Award.
When To Make Your Deductible Contributions

Charitable Contributions - continued from page 8

When To Make Your Deductible Contributions

To qualify for a deduction in a given tax year, you must make your gift by December 31. That includes checks or properly endorsed stock certificates mailed by New Year’s Eve or a gift charged to a bank credit card by that day.

Documenting Your Contribution

Canceled checks are sufficient documentation for cash donations under $250, but you’ll need more proof of your generosity if you donate $250 or more. The rules require that you have a receipt, letter or other statement from the charitable organization listing the amount of the cash donation, or, for contributed property, a description of the property donated. In addition, the receipt must state whether or not the charity provided any goods or services in exchange for the cash or property. Where a charitable organization provides goods or services in exchange for contributions over $75, the organization must provide the donor with a good-faith estimate of the value of the goods or services provided.

For non-cash contributions over $500, you must complete Form 8283 and attach it to your tax return. If the non-cash contribution exceeds $5,000 ($10,000 for gifts of closely held stock), you also may have to obtain and attach a written appraisal. A summary of the appraisal should be attached to the tax return to substantiate the deduction. (Additional requirements apply to contributions of art if you are claiming a deduction of $20,000 or more.)

There is no appraisal requirement for publicly traded securities for which a market quote is readily available on an established stock exchange. CPAs recommend that you make sure that you have adequate receipts and other documentation for your charitable gifts. Doing so will make the preparation of your tax return a little easier next year and give you peace of mind in knowing that should you be audited, your records are in order.

Maria Wittek is Manager, Member Services

2003 Calendar of Events

May 12    New York
MTA monthly meeting at Baruch College – with speaker: Nelson Freeburg, Formula Research. To attend the virtual e-meeting, contact tom@mta.org

May 13    Boston
Monthly Chapter Meeting. Speaker: Adrienne Toghraine, Trading On Target, at MIT, Sloan School, Cambridge. $10 MTA/$20 non. For reservations/info: chuck@trendadvisor.com

May 15    Cincinnati
For information/location, contact Ron Brandt at ronbrandt1@msn.com

May 20    New York
SIRE monthly meeting at the Princeton Club. Contact Richard Suttmeier at rsuttmeier@josephstevens.com

May 21    Chicago
Monthly chapter meeting. Meetings are usually the third Wednesday of each month. Contact Ross Leinweber: rleinweber@lakeshore trading.com

May 29    Atlanta
Monthly chapter meeting. Meetings are usually the last Thursday of each month. Contact Tim Snavely: tim_snavely@rhco.com

June 9    New York
MTA monthly meeting at Baruch College. To attend the virtual e-meeting, contact tom@mta.org

June 10   Boston
For reservations/info: chuck@trendadvisor.com

November 6-9  Washington, DC
MTA hosts IFTA Annual conference at the Capital Hilton Hotel

May 15 is the deadline for materials for the June newsletter. Send all contributions to editor@mta.org

Technically Speaking Advertising Rates

There are new multiple issue discounts offered - 10% savings on 6 insertions and 15% on 12 insertions - of the same size. For details on ad sizes and rates, download the Ad Rate Card from the MTA web site: www.mta.org Technically Speaking is formatted in 3 vertical columns per page. Rates are as follows:

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Black and white ads only. Send ad artwork in a TIFF or JPEG format to barbara@mta.org and your payment to the MTA office in Woodbridge, NJ
Another Opportunity to Advertise!

2003 Advertising Rates for *Journal of Technical Analysis*

The Market Technicians Association’s *Journal of Technical Analysis* is published twice a year – May and November. It has a direct global distribution of 8,000 issues, specifically to Market Technicians Association and International Federation of Technical Analysts members and affiliates, libraries, technical analysis professionals - traders and service providers, as well as to professors of finance at leading business schools. The *Journal* emphasizes and encourages research in technical analysis and in the teaching of technical analysis.

**Advertising Rates for the Journal of Technical Analysis** are based on the 2-column text format, plus the covers. The finished size of the Journal is 8-1/2 x 11, saddlewired. Ads must be in the two colors only: IFC, IBC and Back Cover are Black and PMS 485 (red) – are printed on coated stock. The advertisements within the text pages are also in black and PMS 485 and are printed on gloss text stock – no bleeds. The sizes noted are the actual, printed and usable sizes. Rates are commissionable to recognized agencies.

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**Inside pages**

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Send the artwork in a .jpg or .tiff format to Barbara Gomperts: barbara@mta.org  **Submission deadline is the 15th of May and the 1st of November, 2003.**

Please check the ad type and mail this form with your check to: Market Technicians Association, Inc. at the above address or mail/fax this form with credit card information to: 732/596-9392

☐ VISA   ☐ MasterCard   ☐ American Express

Name on Card

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Card Number

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Signature