How Experts Make Decisions Under Uncertainty
Brett N. Steenbarger, Ph.D.

A recent research study reported in the New York Times (January 20, 2004; Subconsciously, Athletes May Play Like Statisticians by David Leonhardt;) offered intriguing insights into how athletes are able to make complex decisions in a split-second fashion. www.nytimes.com/2004/01/20/health/20TENN.html

Consider a couple of examples that I have assembled:

- A major league baseball batter faces a pitch thrown at over 80 miles per hour. The pitch is headed directly for the batter’s hand. If it is a curve ball, the pitch may break down and away for a strike. In that case, the batter will want to stand his ground and take a swing. If it is a straight fastball, the pitch may strike the batter and end his career. In a couple of moments, the batter must assess numerous variables to determine whether to stay in the batter’s box and swing or duck and protect himself. The speed and rotation of the ball, the movement of the pitcher’s hand, knowledge of the pitcher’s repertoire-all to into an equation that is solved faster than it can be verbalized.

- Col. John Boyd studied the behavior of “top gun” fighter pilots of military aircraft and found that, during dogfights with enemy planes, they make sophisticated decisions in a matter of seconds. He described the decision-making process of Observe, Orient, Decide, and Act (OODA), and became convinced that the key to training was to accelerate the OODA loops so that pilots could respond more quickly and accurately than the enemy. A top pilot himself, Boyd was famous for his challenge that pilots could respond faster than it can be verbalized.

What makes these examples worthy of consideration is that the expert performer is facing a high degree of uncertainty. There is no way of predicting in advance whether a pitcher will throw one pitch or another, and there is no way of anticipating one’s next adversary in the air. Once the situation arises, there is also no opportunity for calm, rational, explicit reasoning through the situation. The subconscious mind must assess the relevant variables and make the optimum decision before any explicit reasoning occurs.

How is this Possible?

Here’s a snippet from the New York Times article that describes the recent research:

Each participant in the experiment sat down and placed a hand on a tabletop. A projection of a computer screen blocked their view of the hand. The goal was to guide a cursor, which followed the movement of the hand, from one side of the screen to a target on the other side.

Adding to the uncertainty, the cursor usually appeared slightly to the right of the hand, and the participants caught at most a quick glimpse of it when it was halfway across the screen. Sometimes, the cursor appeared as a discrete point; other times, it was an ill-defined cloud.

The researchers found that when no cursor flashed, people relied on what they had learned during 1,000 practice runs before the experiment: namely that the cursor was, on average, one centimeter to the right of the hand. When a cloud flashed, they considered it, but only somewhat, in a pattern that followed what Bayes’s formula predicted. When a distinct cursor flashed, they relied on it and not past experience.

“Most decisions in our lives are done in the presence of uncertainty,” Dr. Körding said. “In all these cases, the prior knowledge we have can be very helpful. If the brain works in the Bayesian way, it would optimally use the prior knowledge.”

There are several important pieces of information from the research:

- To make their decisions, subjects needed a prolonged learning period. It took 1000 practice runs to enable subjects to make accurate predictions of the location of the cursor. This is consistent with the “implicit learning” research, which has found that subjects who are exposed to complex patterns for thousands of trials eventually learn those patterns and can make predictions based on those patterns at levels far better than would be expected by chance. Amazingly, however, they cannot verbalize those patterns or how they are making their decisions. Their learning is truly implicit-process entirely by the subconscious mind.

- When subjects encountered new, uncertain information that contradicted the patterns they had learned for 1000 trials (the cloud), they weighted the new information in a complex manner that was consistent with Bayesian mathemetics. Stated in practical terms, the subjects gave increasing weight to the new information over time, revising their estimates of the cursor’s location in a way that integrated the new, uncertain information with what they had learned previously. This also is consistent with the implicit learning research literature. People can process information in complex, mathematical ways, even when they are not familiar with complex mathematics!

- When subjects encountered new, certain information that contradicted the patterns they had learned for 1000 trials, they abandoned their previous learning and went entirely with the new data. That is, they were able to put aside their prior expectations and quickly create a new basis for decision-making. This is not as easy as it may seem. People have a natural “confirmation bias” that leads us to seek out information that supports our expectations and ignore data that contradict what we believe. Here’s a link to an academic article on the subject of confirmation bias: www.peel.pitt.edu/esa2003/papers/wolfe_confirmationbias.pdf What is particularly interesting in this article is that the authors find that the confirmation bias prevents people from making decisions in a Bayesian fashion. That is, people do not accurately integrate new, uncertain information with old experience-the way experts do-when they stay anchored to their old expectations. This makes them too slow to react to new data. Experts are thus not only able to make lightning, subconscious decisions; they can also quickly revise those decisions as new data arrive. Fast and flexible are hallmarks of expertise.

There are very important implications for short-term trading in this research. One key conclusion is that the distinction between intuitive, discretionary trading and research-based, quantitative
From the Editor’s Desk

This month we present a wealth of membership information on these pages, along with some thoughts on trading psychology and a chart that can serve as a starting point to study bond seasonality. Also, this month, a well-researched article by former MTA President Phil Erlanger, CMT, is available only in the web edition of Technically Speaking. It’s our first step towards using more detailed charts in color, and we describe this goal in more detail later in the issue you now hold.

The rejuvenated Newsletter Committee has now published its sixth issue, demonstrating that we can deliver high quality newsletters every month. The Committee seems to be working well, and we appreciate the support of all contributors. But, we can always use more help. Writing skills aren’t even required – we’ll work with you to develop ideas and prepare articles.

As always, we hope you find this newsletter enjoyable and practical. Please send your feedback and contributions to me at any time.

Cordially,
Mike Carr, CMT
Technically Speaking Editor

MTA Office E-mail Directory

<table>
<thead>
<tr>
<th>Inquiries Directory</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Questions</td>
</tr>
<tr>
<td>Membership Information</td>
</tr>
<tr>
<td>CMT Information</td>
</tr>
<tr>
<td>Technically Speaking</td>
</tr>
<tr>
<td>Journal of Technical Analysis</td>
</tr>
</tbody>
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<tbody>
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<td>John Kirby</td>
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<td>Shelley Lebeck</td>
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<td>Tom McMahon</td>
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<tr>
<td>Marie Penza</td>
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<td>Cassandra Townes</td>
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<tr>
<td>Barbara Gomperts</td>
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From the President

Greetings MTA Members and Affiliates:

I am writing this letter towards the end of June, and looking at various things the MTA has undertaken over the past year. By and large, we have had a good year, with the new career center and the insurance plans now being offered. These are concrete benefits the MTA is now offering members. We are looking at various ways to expand these, and to add more in the year ahead.

Overall, the integration of professional management and the Executive Director into the MTA structure has continued to go well, and in the year ahead we are looking to expand the work of the committees and integrate these into the management structure of the MTA more effectively. We continue to look at ways of streamlining the work overall, and members will be seeing more of this in the year ahead. We have some tremendously talented people out there working now, and I am grateful to them all.

One of the main missions of the MTA is educating the public in the use and value of Technical Analysis. We are looking at various ways of increasing our exposure in this area. Members should see a number of new products available, and to see some new types of classes, in different venues, in the year ahead. I encourage all members and affiliates to contact me directly with any ideas education - this area is vital and we must work as creatively as possible to increase our exposure in this area.

The Constitutional committee continues to work on amendments. This is a mammoth task, being worked on by two committees led by the Rules committee and Mike Moody. We hope to have further information out in July, and a timeline on completion.

Our new board will be meeting for the first time in mid July. We will be further honing our plans for the year ahead. I encourage you all to contact me, or individual board members regarding any matters of concern. My very best to you all of a great summer!

Best regards,
Fred Meissner, CMT
President
Questions, Questions, Questions

Over the last month, you have received several surveys concerning our seminars for next year, you may have received a pilot survey for the Body of Knowledge Study, and when you go to pay your dues this year you will see more questions with regard to your professional profile.

After many years of guessing, the MTA is now asking you what you want, what you do and who you are. Why are we asking so many questions?

Well, for the seminars for example, we found out that you wanted two seminars instead of one, that you wanted one in New York and one in San Diego, that you wanted them to be less expensive, one to be more advanced, and one to be more broadly educational. You also told us what topics are most important to you, which speakers you wanted to hear from and which vendors you wanted to see. Your seminar committee is now working to make that happen. Hopefully, the result will be seminars that will serve more of the membership.

The body of knowledge survey will help us to improve the quality of our exams and to tell employers and the public more about your expertise. With the guidance of the Chauncey Division of Educational Testing Service, it is going out to Technical Analysts around the world. We will have the results in the fall, and those results will be reflected in the May 2005 exams.

The professional profile you are asked to complete when you pay your dues will help us to tell the MTA story to employers, advertisers and the public. Today, our membership is younger, better educated and better paid than ever before. This survey of the professional profile confirms that story.

It is thanks to the internet that more questions can be asked more easily but more importantly it is thanks to YOU that more questions are being answered. The participation rate in our surveys is extremely high. Your level of interest in your professional organization is a tremendous credit to your sincerity.

Thank you very much for your help. We will try to keep the surveys short and the questions relevant.

Cordially,

John R. Kirby
Executive Director

Letter To the Editor

I am disturbed by some of the disinformation that is circulating regarding the rule requiring sell-side stock analysts to take examinations, series 86 and 87, or seek an exemption. (At present the only exemption available is successful competition of the CFA level I and II examinations.) This rule became effective 30 March 2004.

In some quarters the joint NASD and NYSE regulatory effort is being seen as an attack by fundamentalists (in the guise of CFAs) upon technicians. It is not such and should not be seen as such. The regulatory proposal arises from the perception of extensive analytical abuses and the fact that there were no CFAs amongst those implicated in the wrong doings surrounding the Internet bubble. (As of this time there still are none implicated that I know of.) The absence of CFAs from the ranks of the wrong doers is seen as evidence that the CFA’s self-regulatory program is a successful effort. The knee-jerk reaction of regulators seeking to prevent abuses is therefore to require some of the rigor of the CFA process, or a CFA-like designation—the series 86 exam, of all sell-side analysts. This process is underway and may cause severe problems for technicians for whom such an exam is inappropriate. (The series 86 exam is an analytical exam, the series 87 exam is a regulatory exam and another issue altogether.)

While I do not agree with the current regulatory approach, it is a fact, a fact we must deal with. Our response should be, and thus far has been, that the Chartered Market Technician designation is an equivalent designation to the CFA for practitioners of our discipline and therefore should qualify for the same exemption granted to those having passed the CFA exams. To make this happen we must convince the regulators that the CMT is as rigorous a program as the CFA program and that our standards of conduct and ethics programs are rigorous, enforced and complied with. Toward this end we are making the correct strides. The current programs to improve our testing process and systematize our body of knowledge are key elements in our progress, but there is more we need to do. First and foremost, we must require a minimum level of numerical literacy of all CMT holders. Second we must require of all of our members the very highest levels of rigor and conduct when reporting performance and presenting the effectiveness of their analysis, systems, techniques, etc. We must require that track records be complete and that claims of all types be fully supported by verifiable facts and so on. There is of course more to do, but that is a good start.

It is of primary importance is that we understand that this is not a case of fundamentalists versus technicians and should not be treated as such. Fundamental, technical, quantitative and behavioral analysts all face the same common adversaries, the markets and the Efficient Market Hypothesis. The natural conclusion of all analysts should be to recognize their commonalities and band together in a mutual effort to deliver superior results to their clients.

Nearly 20 years ago I proposed the idea of Rational Analysis, then defined as the juncture of the sets of fundamental and technical analysis. Much has changed in those twenty years, so that now that definition is obsolete. Today Rational Analysis must be defined more broadly as the union of behavioral, fundamental, quantitative and technical analysis.

Let us bury the hatchet with the other branches of analysis, the very idea of one approach being superior to another was absurd to begin with, and join together in an effort without taxonomical barriers to serve our clients in the best possible manner.

John Bollinger, CFA, CMT, President, Bollinger Capital Management

Just in Time for Summer

MTA Online Store has New Apparel

T-Shirt
Heather Grey 100% cotton (Large and Extra Large) 100% heavyweight cotton jersey. Embroidered with red MTA logo and grey wording on left sleeve. $23

Ballcap
Brushed twill cap with velcro closure. Black with red logo and grey wording (as modeled by our own Connie Brown) $17

Polo shirt
Heather Grey 100% cotton (Large and Extra Large) 100% cotton extra heavyweight pique knit sport shirt with a welt collar and cuffs and 3 buttons. Embroidered red MTA logo and grey wording on left sleeve $33

Laptop Case
Black (16” L, 12” H or 4”W) Multi-function organizer with PDA, phone and pen holders. Padded computer compartment. Debossed logo on front panel. $46

To order, go to: www.mta.org log on to your home page and click on Electric Books. All prices include domestic shipping and handling. Overseas products will be sent priority mail or DHL (your choice) - price will be determined with each overseas order.
trading may be smaller than we think. Here is the outstanding finding of the research:

**Our Subconscious Mind is a Quant!**

When expert traders have been exposed to thousands of examples of intraday price and indicator patterns, their subconscious minds are able to extract patterns from the noise in a manner that they themselves cannot verbalize. This is implicit learning. As new information from the market arrives second by second, the subconscious mind integrates it with the old knowledge in a complex, Bayesian fashion. One or two pieces of discrepant information—one or a few ticks against one’s swing position, for example—will not necessarily trigger a decision to abandon the trade. As the discrepant information accumulates, however, it changes the expert trader’s estimates of the likelihood that the trade will succeed. The trade starts to feel wrong before the trader can put his finger on what’s not right. That gut impression comes from an important place—and is not just a subjective intuition. It is the result of a rigorous (subconscious) mathematical analysis!

When new information arrives to the expert trader that obviously contradicts his or her expectations (such as a sudden market reaction to a piece of economic news), the prior learning goes out the window. The expert trader is quick to exit the trade and revise expectations, rather than wallow in a confirmation bias that now fights the tape.

What keeps traders from becoming expert performers? How can we become good Bayesians? If Colonel Boyd can train a top gun to analyze an enemy fighter pilot’s actions and outmaneuver than low in a confirmation bias that now fights the tape, we can learn to accurately respond to short-term market patterns.

A Bayesian quality, weighting recent events against past ones to respond to shifting patterns of circumstances, can also be found in expert traders. When a market shifts volatility, for example, the expert trader must integrate the new data with his or her large database of experience to anticipate the next tick or the next directional move. How much weight to give the new experience, and how much to alter that weighting with each fresh experience, is the task of the Bayesian. It appears that the subconscious mind is capable of performing sophisticated integrations of new and old data to anticipate future events. This allows for peak performance under fast, stressful conditions that do not permit conscious, explicit processing, such as those faced by fighter pilots, professional boxers, and scalpers.

Can this subconscious basis for expertise be cultivated? In an earlier article drawn from the training of elite Army Rangers, I looked at one possible model for facilitating superior performance. Perhaps we can also learn from the training of elite athletes and develop models for improving the performance of traders.

**Research in Sports Psychology**

What do we know about the psychological factors that contribute to success among athletes? A comprehensive research review reveals several important ingredients of superior performance:

- **Goal-Setting:** Over 500 studies find that setting goals facilitates performance across a variety of short-term tasks and long-term objectives. Goals that are highly specific, achievable but challenging, and performance rather than outcome-focused tend to be most effective. There is also evidence that blending short- and long-term goals, as well as group and individual goals, can enhance effectiveness in achievement-oriented settings.

- **Practice:** A wide range of studies of athletes, as well as experts in other fields, finds that cumulative practice is closely related to the development of expertise. This is especially the case where there is implicit learning-situations requiring the acquisition of performance skills that cannot be verbalized (such as learning to hit a tennis ball). Large numbers of practice trials with immediate feedback are particularly helpful to skill development.

- **Arousal:** Research suggests that moderate degrees of stress aid performance, while high distress can produce catastrophic declines in performance. Recent findings indicate that it is how anxiety is processed—how each person views their own stress—that is more important to performance than the absolute degree of physiological arousal.

- **Self-Efficacy:** The athlete’s beliefs about his or her own capacity to perform is significantly related to actual performance. The belief in one’s own capacity to succeed is the single most important personality factor associated with athletic success. Studies find that interventions that improve self-efficacy tend to improve athletic performance, even when they involve mental practice (imagery) rather than actual athletic performance.

- **Coaching:** Recent research finds that the self-efficacy beliefs of coaches are significantly and positively correlated with improvements in the performance of their athletes. Differences in coaching style also meaningfully affect athletic performance, primarily by influencing the motivation of the athlete.

**How are these Different Findings Related to the Research on Subconscious Learning?**

A plausible explanation is that goal-oriented intensive practice with rapid feedback not only builds skills, but also increases the self-efficacy of athletes. This allows the elite athlete to use arousal to facilitate rather than interfere with performance, as stress is viewed non-threateningly. The role of the coach is less to teach skills—since the skills are implicit—than to create the conditions under which skill acquisition can be maximized. These include motivational conditions, but also conditions related to the effectiveness of practice sessions.

It is worth noting that much of this elite training takes place in team environments, including sports teams, military units, and business settings. The team setting assists with motivation by creating a supportive environment for demanding training, but also allows participants to learn from each other through observation and peer coaching. Friendly competition between teams also serves as a preparation for actual competition, honing skills under realistic performance conditions.

**Summary**

The success with which a trader can learn to read ever-changing market patterns may be related to the quality and extent of training he or she undertakes. Every major study of implicit learning finds that it takes thousands of concentrated learning trials before an individual develops mastery of a task. Most traders fail, I would suggest, because they never develop the critical mass of intensive learning trials needed for subconscious expertise. Without a team environment to model skills, motivate skill development, and provide goal-oriented coaching, the majority of individual traders may never develop the self-efficacy needed to weather inevitable periods of loss and flat performance. This is particularly problematic for the part-time trader, who may lack the intensive practice needed for mastery simply as a function of the reduced amount of time available to internalize market patterns, rehearse execution skills, and utilize feedback.

While much market writing focuses on the development of new indicators or methods for analyzing market data, it may well be the case that the most promising avenues for improving trading performance are tools and technologies that supercharge learning and accelerate the learning curve.

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Brett N. Steenbarger, Ph.D. is Associate Professor of Psychiatry and Behavioral Sciences at SUNY Upstate Medical University in Syracuse, NY. He is also an active trader and writes occasional feature articles on market psychology for MSN’s Money site (www.moneycentral.com). The author of The Psychology of Trading (Wiley; January, 2003), Dr. Steenbarger has published over 50 peer-reviewed articles and book chapters on short-term approaches to behavioral change. His new, co-edited book The Art and Science of Brief Therapy (American Psychiatric Press) is due for publication during the first half of 2004. This article, along with many more of Dr. Steenbarger’s articles and trading strategies are archived on his website, www.brettsteenbarger.com

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**Dow Award Process Reopened**

Because there wasn’t a winner for the 2004 Charles H. Dow award, the process has been reopened. Those wishing to submit papers can see the revised guidelines on page 11 of this newsletter or at www.mta.org
The process of distribution continues to produce broad tops on the long-term point and figure charts of big cap stocks. It seems to be an inherent part of the way the stock market works. Many times the broad tops will appear long before the negative fundamentals become known.

Because of a bad experience with a stock in the middle '60s I started experimenting with charts as a defense against faulty Wall Street research. In this situation, I checked with five Wall Street analysts and four were extremely bullish and only one was bearish, so I decided to believe the majority and I recommended that we stay with the stock. The lone bear was right and the stock dropped precipitously. This was my “baptism of fire” with a collapsing stock.

I stumbled across point and figure charting when I attended a presentation by Alan Shaw in the Denver office of Harris Upham. To me, this was intriguing, and when I came across the 3-point, point and figure method I learned that I could do it myself on a daily basis and I didn’t have to wait for an out-dated chart service to arrive by mail. The 3-point charting technique compressed a long-term chart into a small space and the long-term perspective was very important because I was working for a bank trust department at that time, and we applied long-term investment methodologies.

I started posting a few dozen charts by hand on a daily basis and the management of the trust department tolerated my experiment in the hope that it might help improve our investment performance. Success with the charts came slowly at first due to a lack of experience and a reluctance to believe what the charts were telling me. I kept adding more and more charts to my daily posting routine and my batting average started to improve, but more importantly, I was gaining experience and confidence in the method.

I took a job with a GO-GO investment counseling firm in Century City, CA, and that’s where I spent the bear market of ’69-’70. This bear market was extremely bad for the OTC market and that’s where my new firm’s portfolios were concentrated. My previous experience with the downside implications of broad tops allowed my firm to sidestep quite a few serious disasters during that bear market. These experiences with broad tops on the long-term point and figure charts added to my confidence and my willingness to sell any stock that started to break down from a broadening top. This was truly a “warm up” for the major bear market of ’73-‘74.

The overall stock market had entered a long-term trading range in ’66 but we were almost totally unaware that we had entered a long-term trading range. This trading range persisted until 1982! As it turned out, the 3 point, point and figure charting technique usually covered three to five years of history and long-term support and resistance showed up clearly on these charts. It was easy to spot the highs and lows of the trading ranges for individual stocks and to act accordingly.

A major bullish fad did develop in the early '70s, however, and it produced extremely high valuations for a group of stocks known as the Nifty-Fifty. The average PE for the Nifty-Fifty stocks at their peak was probably greater than 50 times earnings. The average stock carried a PE of probably no more than 12, so the stage was being set for a serious correction in the group.

By late 1972, broad tops on the Nifty-Fifty charts were clearly evident. Some of these tops were over 40 columns wide and the downside implications were extreme. This was one of the most dramatic episodes of distribution that I have ever seen. There were many reasons for the bear market of ’73-‘74, but the excessive valuations in the Nifty-Fifty created a total collapse among these stocks. The message from the long-term point and figure charts on the Nifty-Fifty was clear and it was – Sell!

My apprenticeship, in terms of time and effort in the daily posting of the charts by hand, had proven to be well worth it. The bear market of ’73-‘74 made the case, “in spades.”

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W. Clay Allen, CFA, has operated Market Dynamics since June 1998. He applies his PnF relative strength methodology to long-term investment decisions. More information can be found at www.clayallen.com

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Barclays Names Jordan Kotick as Head of Technical Analysis

Barclays Capital has named Jordan Kotick as global head of technical analysis as it expands in the U.S. Barclays Capital is the investment banking unit of Britain’s third-largest bank by assets. Kotick will be responsible for technical analysis of fixed income, foreign exchange and commodities in New York. He was previously a vice president and technical analyst at J.P. Morgan Chase.

Kotick is also the recently-elected MTA Vice President and former MTA liaison to IFTA.

He can be reached at 212/412-1137 and jordan.kotick@barcap.com

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Alexander Davidson is a financial journalist based in London and has written a number of books on investing. Unfortunately, his latest effort offers little for the professional technician on this side of the “pond” with a book that dwells too much on the seamy side of outright speculation.

The book attempts to do too much in one volume. How to be your own fundamental analyst and technical analyst. Part Three covers a number of speculative approaches like contracts for difference which are unique to the British market which appears to be just one of several ways to separate a trader from his capital.

One part of the book I must say was particularly well done – the Appendix with a wide-ranging list of web sites – you never know where your next idea will come from and you shouldn’t overlook sites from the UK or elsewhere.

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When using measures of sentiment, it is often a problem to determine the precise point of excess to act upon. This white paper makes an effort to deal with the difficulties of managing sentiment indicators through the use of displaced moving averages.

Introduction

It is an age-old problem. How high is high? What constitutes an excess of sentiment? When does one act on such extremes?

The heart of contrary opinion is that when market participants collective take one side of the market, they are at extreme risk to a contrary move. Our experience tells us, however, that it pays to wait for some measure of confirmation from “price action” before committing to the anticipated contrary trend. The primary reason for this is there is rarely a fixed set of parameters when judging excesses of sentiment... in other words, non-stationarity is a phenomenon very prone to sentiment indicators. One process to manage this circumstance finds “triggers” that reflect or indicate a switch to the anticipated contrary trend in price.

This white paper focuses on displaced moving averages as a short-term “trigger” mechanism.

Definitions

A “displaced” moving average (DMA) is simply a normal moving average shifted to the right or left. A displaced moving average can be computed based upon a stock’s closing price, high price and/or low price.

A short-term DMA setup popularized by Tom Joseph (Trading Techniques, Inc.) involved 2 DMA averages. These 2 averages form a channel that make clear any trend change event, as well as the strength of a trend underway. The first average is a 6-day average of price highs displaced 4 places to the right. The second is a 6-day average of price lows displaced 4 places to the right.

Applying DMA to the Erlanger Trading Rank

DMAs by themselves are not intended as buy and sell signals. Rather, DMAs are best applied as short-term “triggers” and as short-term trend “monitors” in conjunction with other, independent indicators.

A “trigger” occurs when price moves across one or both DMA lines - the DMA channel. “Monitor” status occurs when a trend is underway. For example, if there is an upturn in price, we look for price to stay above the DMA channel. We are also concerned with the slope of the channel. The steeper the slope of the DMA channel, the more powerful the advance phase. This brings us to the heart of the matter. Stocks generally transit from advance phase to decline phase and back to advance phase - so on and so on. How the current phase unfolds can setup the tone of the next phase... if an advance phase is mediocre, the next decline phase is more likely to be nasty. If a decline phase in mild, this could setup a stronger advance. The DMA helps in monitoring the tone of the current advance phase.

The Erlanger Trading Rank (ETR) is a normalized, composite measure of equity options trading. It is stock specific. The higher the ETR, the greater are the negative expectations on the part of options traders. The lower the ETR, the greater are
the positive expectations on the part of options traders. At extremes, contrary opinion suggests looking for a contrary trend change. The DMA helps us determine and monitor the progress.

The large chart to the left is a chart of Microsoft with a DMA channel and ETR plotted.

This chart shows many successful setups, but it also shows setup failures. The DMA aids in handling both situations.

The following graphic shows the first setup contained in the above chart. The Erlanger Trading Rank is high, indicating excess negative expectations. Price has just moved (actually gapped) above the DMA. Upside follow-through ensues:

The next figure shows a failure from the setup starting with point “A.” The ETR had risen to reasonably high levels, and price turned up through the DMA channel. The subsequent test failed to hold (blue circle), and price ultimately sank to lower lows. Not every setup is going to work, but the ETR and DMA channel make it easier to manage these failures by clearly showing when price fails to measure up. In this case, the ETR had quickly eroded during this brief upturn, returning to a low level at point “B.”

This failure did however contribute to the next setup at point “C” where the ETR rose to higher levels. The next upturn of price through the DMA channel tested successfully, and resulted in a meaningful advance phase:

In the next figure, point “D” is a clear setup for a decline phase. Despite a pending judgement concerning a potential breakup, the ETR showed excess call activity versus puts. Price quickly fell below the DMA trigger. The decline phase was large and experienced 5 successful tests of the trend in the form of moves to but not above the DMA channel. Put activity grew at point “E,” setting up for the next advance phase, but this setup was early as price was unable to advance until after point “F.”

The figure below shows another instance when the DMA channel made clear when a setup and trigger fails. Price rose above the DMA channel after the ETR setup at point “H.” The advance phase was weak, however, and price flattened out while slipping below the DMA channel (see blue box). The slope of the DMA channel and the price action made clear the failure of MSFT to accomplish the anticipated advance.

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Vancouver Chapter Monthly Meeting Review
Will 2005 be a Bullish Year?
Olaf Sztaba

The relatively new Vancouver chapter of the Canadian Society of Technical Analysts - northern brother of the MTA - was pleased to host a market forecast presentation by Ron Meisels. The event took place in one of the most beautiful cities in the world, Vancouver, British Columbia.

A few years ago, I had the pleasure of meeting Ron Meisels in person during his presentation in Calgary, Alberta. Since then Ron has been my mentor in the challenging field of market analysis.

With the younger members of MTA in mind, I would like to say a few words about Ron Meisels. He is the founder and first president of the Canadian Society of Technical Analysts (CSTA), and founding secretary and past director of the International Federation of Technical Analysts (IFTA). Ron is the president of P&C Holdings, a firm specializing in independent research into Canadian securities and also a contributor to NA-marketletter.com, an electronic market-letter. He has been ranked among the top three technical analysts by Canadian institutions for six consecutive years (Brendan Wood Survey). Ron is the recipient of the 2003 A. J. Frost Memorial Award for his outstanding contribution to the field of technical analysis.

With those credentials, Ron Meisels didn’t have any problems attracting the top brokers in Vancouver to the presentation. The presentation began on a light note, as usual, with Ron asking the audience the “to be or not to be” question: “Who is bullish? Who is bearish now?” As expected, the audience was split on this matter. In response, with typical Ron-like confidence, he cut the discussion short by saying: “I am bullish for now!” Next, Ron laid out his bullish case step-by-step, causing the miraculous conversion of the most stubborn bears by the end of the meeting.

First, Ron presented the logic behind his favourite area of technical analysis, cycle analysis. He related cycle analysis to a road map: when travelling from point A to point B, he explained, we do not use feelings or rely on luck; we use maps and road signs. The similarity between “a road trip” and the stock market is striking. When we want to know whether there is a bull market or bear market, what stage it is at and what is ahead, we should also look at a map. This map is cycle analysis.

Ron’s favourite cycle is the four-year cycle (some call it the presidential cycle). He explained that March 2000 was the top of the four-year cycle. Accordingly, October 2002 was a four-year cycle low. Ron reminded us that the October 2002 low was accompanied by extreme pessimism and a positive MACD divergence. Therefore, it was not a surprise that his Market Comment, “This is the bottom,” issued in October 2002, was greeted with widespread scepticism.

Ron finished his presentation on a bullish note, suggesting that the recent trading range was in line with past Leg 4s, that the indices are now “perfectly normal,” which confirms his bullish view. At the same time, he reminded the audience that in this business nothing is guaranteed and even the best make mistakes. This often overlooked statement had a much more powerful meaning as it came from a man with 35-years of experience of charting his way through the biggest ups and downs of the last half of the century.

We would all like to thank Cory Coviello, the CSTA’s representative for Vancouver, for his commitment and hard work in making this meeting possible.

Olaf Sztaba is the president of Olafinvest Research, a market research firm based in Vancouver, B.C. He is an affiliate of the MTA and a member of CSTA. He can be reached at osztaba@jna-marketletter.com

Outlook 2004 Midyear Forecast
At the Marco Island Annual Seminar, four of the MTA’s best and brightest offered their opinions on the rest of the year and beyond. Ralph Acampora, CMT, of Prudential Financial; Ken Tower, CMT, of CyberTrader; Phil Roth, CMT, of Miller Tabak; and John Bollinger, CFA, CMT, of Bollinger Capital Management, participated in a casual question and answer session filled with profound insights.

Ralph began by pointing out that the technical community has done a great job of painstakingly explaining the differences between a secular trend and a cyclical trend. We have been enjoying a cyclical bull market advance within a secular decline, and he doesn’t think the top of this move has been seen yet. While Ralph expects a consolidation or correction within the bull move, he is looking for another leg up to be led by large caps.

Ken agrees with Ralph, and adds that it is tough to find any line of reasoning to support the argument that the current upmove is a secular advance. He feels the broad market topped in April 1998, as evidenced by peaks in breadth and broad indexes such as the Value Line Geometric Index. The most popular indexes, such as the NASDAQ and S&P 500, continued higher for the next two years in a narrow advance led by what became large cap technology stocks.

Phil also shares the opinion that we have the benefit of a cyclical bull market which should last one to two years; although he sees it ending before the end of the year. In his opinion, we never fully corrected the excesses of the advance which peaked in 2000. Margin debt remains worryingly high, along with valuations, and in his words, “institutions forgot to raise cash in the last decline.” He thinks these indicators, along with others he follows, will need to confirm lower prices before a new secular bull gets underway.

John made it unanimous - he agreed that the current move is a cyclical advance. In his opinion, the Asian contagion that occurred in 1998 broke the back of the secular bull market dating back to 1982. He found that less than 150 stocks carried the broad indexes to new highs in 2000.

He expressed confidence that we are in a long term expansionary economy, with periods of consolidation occurring between the extended periods of growth. During these consolidative phases, we experience extended sideways movement of stock prices. The classic illustration of this trading range behavior is the period from 1966 to 1982. While the P/E ratio of the S&P 500 fell from near 20 to about 7, prices began and ended the period near 1,000 on the DJIA. Ken agrees that we are in an era of consolidation, and his research indicates that these phases historically last for 13 to 15 years, expecting to see a secular bull market beginning early in the next decade.

At this time, John thinks we are six years into a consolidation while most people are still in denial. He also foresees a continuation of this envi-
All panelists agree that interest rates have reached, or soon will reach, a bottom. Ken points out that we saw a peak in interest rates in the early 1980s, so it makes sense that we are seeing a bottoming process. The question to him is whether rates skyrocket from here, and he thinks that can happen only in a booming economy. Ralph thinks gold and commodities will be profitable investments in the rising interest rate environment, but reminded the audience that it is critical to time entries and exits on these investments. Summing it up, Phil said, “Bonds are a lousy investment, stocks are mediocre in this environment and cash offers no return.”

Turning to promising sectors, in addition to metal and commodity equities, Ralph likes defensive names such as consumer staples. In the next upleg, he is looking for healthcare to be among the leading sectors. Ken likes energy stocks. He thinks that a consensus will develop that higher prices are a reality and that this is not just another price spike similar to those we've seen in the past. At that point, the market will reward energy stocks with higher P/E ratios. Phil thinks all financial assets are overpriced and expects real assets to fare better over the next decade. He is looking for small caps to outperform large caps and likes energy stocks, metals and cyclical stocks. John agrees that small caps will do better. He also likes energy stocks but feels this won’t be an easy theme to play.

The panel answered a question on the low levels of the VIX and what it means. Phil finds VIX to be a better indicator of bottoms than tops and doesn’t want to read too much into the current levels. John feels the low level indicates we have little upside in the current market. He also pointed out that VIX factors in the low interest rates we are currently experiencing since it is based on implied volatilities and interest rates are a factor of that calculation. Ken agreed that the VIX is a mathematical formula and it needs to be analyzed as such. He prefers to look at a 5-day average of the VIX divided by a 126-day average. This indicator does not have the same meaning it did during the secular advance of the 1990s, and therefore the absolute value of the indicator does not have the same meaning it did during that time.

The entire question and answer session is available for viewing at the MTA web site (http://www.mta.org/membership/video/).

Why Did I Get this Newsletter in the Mail?

This month’s issue begins a transitional phase of the MTA newsletter that will continue over the next six to twelve months. We are moving into an electronic era, and we begin our journey with what appears to be a step backward. Although more than 1,400 members and affiliates have opted to receive the electronic edition of Technically Speaking, this month’s issue arrived in your mailboxes anyway. And now, I want you to believe that this is a step towards the future.

Web site usage shows that about a fifth of the MTA newsletter is viewed online each month. Assuming half of those getting hard copy deliveries actually read the newsletter, we fear that up to 60% of the membership may not value this newsletter. If that’s true, that’s fine. But, we want to try to earn your readership before abandoning the newsletter.

The MTA Board considers the newsletter to be a benefit of membership, and we strive to deliver a useful product each month with at least one practical idea that can be applied in the real world. To meet that goal, we are making improvements. This month, everyone received an issue in the mail. We need feedback. Does this newsletter meet your expectations? Is it worth the time and money to produce every month?

All feedback received will help us to deliver a new electronic newsletter. Software is being customized to allow us to deliver an email with headlines and summaries that link into each story. Individual stories can then be downloaded, printed or emailed to colleagues. Or, the whole newsletter can be downloaded or printed as a single file. This technology will allow us to prepare more in-depth articles which include links to concepts that more advanced technicians will not have to take the time to review. It will also allow us to publish more articles with charts, and to use color in those charts.

For a preview of what the future holds, please visit the MTA web site and download the electronic version of this issue. We’ve included color photos, plus an article on applying displaced moving averages in trading written by Phil Erlanger, CMT. Phil’s article is educational and practical. But, it includes charts with black backgrounds and varying colors. It’s the type of high quality work we strive to publish, but couldn’t until now.

Watch for changes over the next year, and let us know what should and should not be included. As always, please email comments or contributions to market.strategist@wyowbi.com or any Board member.

Mike Carr, CMT, Editor
As of June 1, 2004, the MTA Dow Award committee is reopening the Charles H. Dow Award competition to all technician analysts and writers. Entries must meet all guidelines for the Award as listed on the MTA website and be submitted by the August 31, 2004 deadline. Anyone with any questions regarding the process, please contact Dow Award chairman Ross Leinweber at rleinweber@lake shoretrading.com

5 Questions, 5 Answers 2004 Dow Award

Why is the Charles H. Dow Award competition being re-opened and the deadline being extended?
The Dow Award committee received 5 submissions for the initial March 15th deadline. Each of these papers had excellent qualities, with some being of a higher standard than others. However, the judging panel made the decision that none of the 5 papers contained all of the requirements needed to be awarded the honor for 2004. Some of papers needed more comprehensive quantitative evidence to support their assertions. Other papers did not contain a logical and clear flow to the writing and descriptions of the research. Thus, a decision was made to allow each of the authors a chance to re-draft and re-submit their entries if they desired. In addition to allowing for the re-drafts, the judging panel believed that the competition should be re-opened in honor of fairness to allow other technicians an opportunity to submit entries for the Award.

In essence, the goal of the Dow Award committee and judging panel is to select a paper that showcases a well-written, innovative, and intriguing piece of technical research. In the event that such a paper is not submitted, the committee will do all that it can to work with participants to attain that standard of quality. However, the committee will not lower this standard just to give the award. They have made the decision in the past to forego giving the award and reserve the right to again if the submissions fail to meet the stated requirements.

In which of the “Standards of Judgment” is the judging panel seeing room for improvement in submissions?
The most visible area of weakness in submissions has been the lack of quantitative evidence to support assertions outlined within the papers. Comprehensive statistical work needs to be presented to defend why a proposed new indicator or enhanced technique or strategy is superior to the traditional measures. Comparative results should be described either with in the text or through appendices. In addition, the methodology employed in the research should be clearly defined and communicated. The steps taken to calculate the measurement should be transparent.

Another common area of weakness for papers is the formatting and structure of the writing. The judging panel has found a lack of formality to the submissions with entries lacking comprehensive introductions and conclusions. A judge from the panel recently stated, “What ever happened to the old adage of introduction, body, and conclusion: one saying what will be said, the next saying it, and the conclusion saying what was said?”

And finally, entrants need to do a better job of citing the resources they use for their research. Formal bibliographies need to be appended to the submissions and credit needs to be given where credit is due.

What is the new timeline for 2004 Charles H. Dow Award?
The new deadline for all submissions is August 31, 2004. The Dow Award committee will forward the papers in the first week of September to the judging panel and the judges will be given the month of September to review the papers. A conference call to select a winner will be held in the first week of October and all entrants will be notified of the outcome shortly thereafter.

Describe for me how the judges make their decisions on the Award winning paper?
Each judge receives a copy of each submission in anonymous form. They are asked to review each paper and merit them based on the “Standards of Judgment” as listed in the competition guidelines. Judges are asked to communicate their initial ideas about each paper through an online forum on the MTA website. Conceptual problems of entries may be discussed, along with other issues that each paper presents. A conference call is then held to pick a winner. Major issues raised in the online forum are verbally discussed once again and the higher qualities papers are merited against one another base on the “Standards of Judgment.”

What are the incentives for submitting a paper and winning the Charles H. Dow Award?
Winning the Charles H. Dow Award is a prestigious award within the organization and throughout the field of technical analysis. Each Award winner is invited to speak at the Market Technicians Association national seminar traditionally held in May. They also are given to speak at local chapters throughout the country. The Award winning paper is posted on the front page of the MTA website and is showcased as a merited piece of research in the MTA’s Journal of Technical Analysis.

In addition, publication of winning papers has appeared in other investment magazines and journals. In 2002, Paul Desmond’s winning submission appeared in Barron’s magazine. In 2003, Gary Anderson’s winning paper appeared in Barron’s magazine and he was also interviewed by Kira Brecht of SFO Magazine. We have tentatively arranged for the winning author to be interviewed by Ms. Brecht again this year and an interview of the winning author showcasing him/her and their work will appear in SFO Magazine.

Each year, the judging panel may also nominate non-winning entries of outstanding quality for publication in the MTA’s Journal of Technical Analysis.

Set Your Standards Higher.
Barclays Capital is accepting resumes for both a potential junior and senior technical analyst/strategist to join their Global Technical Analysis Group. Based in New York, the positions will cover the Fixed Income, Foreign Exchange and Commodities markets, servicing both internal and external clients. The applicants will work alongside and report directly to the Global Head of the group.

The successful completion of CMT Level 1 for the junior position and CMT Level II (ideally CMT Level III) for the senior position is a requirement, no exceptions.

Please send a cover letter and resume by mail only to:
Jordan Kotick, CMT, Global Head of Technical Analysis, Barclays Capital, 200 Park Avenue, New York, NY, 10166. Resumes will be accepted until August 16, 2004.

www.barclayscapital.com

Vancouver is Looking for Speakers
Vancouver chapter of the Canadian Society of Technical Analysts is looking for speakers! Anyone visiting Vancouver in the next 12 months who would like to speak to the CSTA Vancouver chapter, please contact Cory Coviello, cociello@igrade.ca or 604/605-4164.
2004 Charles H. Dow Award Now RE-OPENED
Revised Guidelines

Each year, Market technicians are invited to submit a paper and application for the 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) 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.

The awarding winner may receive a personal award and be invited to discuss the paper at a national MTA seminar or at a monthly meeting of a MTA regional 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, Technically Speaking, and the MTA website. 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: Tuesday, August 31, 2004

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 and the competition is open to anyone with an interest in technical analysis.

2. Submissions of Papers
   Papers written especially for the Award or works published between March 15, 2003 and August 31, 2004 may be submitted. There is no fee for submissions and the competition is open to anyone with an interest in technical analysis.
   Preferred Format – PDF: Submissions should be sent to the Dow Award Chairman, Ross Leinweber at dowaward@mta.org All references to the author’s name should be removed from the paper’s content - the title page should contain the paper’s title ONLY. In the e-mail message, please give the Dow Award Chair all the important information: author’s name, contact information AND the title of the paper. Papers not following this guideline will not be accepted.
   Alternate Format – Hard Copies: There must be seven (7) hard copies sent to Ross Leinweber, Charles H. Dow Award, Lakeshore Trading, 550 Frontage Road, Suite 3400, Northfield, IL 60093. All references to the author’s name should be removed from the paper’s content. In addition, two title pages should be submitted: the first should list the title of the paper and all of the author’s contact information; the second title page should only include the title of the paper. Papers not following this guideline will not be accepted.

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.
   The 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. 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 as appendices to the submission. Charts, tables, and figures must be individually labeled in numerical sequence.

4. Deadline
   The last day for submitting publications is Tuesday, August 31, 2004. Entries received after that date may be accepted at the discretion of the judging panel.

5. Judging Panel
   The judging panel will consist of seven (7) voting members and be selected from the following sources: prior winners of the Charles H. Dow Award, full members of the MTA, and representatives of sponsoring organizations. Members of the Board of Directors of the MTA, excepting the editorial board of the MTA’s Journal of Technical Analysis, 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, sponsoring organizations, or the MTA.

7. Post-Award Publicity
   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 the MTA to produce and distribute copies in any medium of all or part of each paper.

9. Invitations for Submissions
   Award guidelines, including invitations for submissions, shall be published in the MTA newsletter, Technically Speaking, prior to the annual deadline. The guidelines shall be placed concurrently on the MTA website. Invitations may be publicized in any other manner chosen by the MTA or other sponsoring organizations. 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 already been accepted by the MTA as a CMT paper prior to its submission for the Award.
An increasing number of portfolio managers have realized that fundamental analysis alone often does not make the best investment approach. They have increasingly included the benefits of technical analysis. Also, the volatile trading markets have focused increasing attention on the proper blend of fundamental and technical analysis for a broad array of investors with various time horizons. Some call this new popular trend - fusion analysis.

This workshop reviews some of the basic tools of fundamental and technical analysis. It will be geared mostly for the equity investor, but will cover some other asset classes such as fixed income and commodities. It then attempts to blend the best of both approaches to a successful investment strategy.

John Palicka CFA CMT, the instructor, will utilize both the theory and hands-on practice in his 25 years of managing and advising billions in both equity and fixed income funds. This course will stress three bodies of knowledge: (1) The major tools of technical analysis; (2) The major tools of fundamental analysis; (3) Generating quant stocks screens that provide promising stock ideas that technical and fundamental basis.

Level: Advanced

Details
Mondays 2-23 August, 2004, New York US$1350, 5:30pm - 8:00pm, NY Institute of Finance Headquarters, Instructor: John Palicka

Robert Rubin Sees Volatility Ahead

In a keynote presentation to the annual NYSSA awards dinner on June 7th, 2004 Robert Rubin, former secretary of the Treasury under Bill Clinton’s Presidency, warned of volatile times ahead. Mr. Rubin, who currently is Chairman of the Executive Committee and Member of the Office of the Chairman of Citigroup Inc, was extremely cautious in his statements since a lot of investors still pay close attention to every word he says.

Mr. Rubin did however warn his listeners to keep a close eye on the huge budget deficits that the Bush administration is building. His concerns covered many economic sectors as well as the global implications of the War in Iraq. Much of his presentation had the air of someone who is familiar with large cyclical trends such as those illustrated by Elliott Wave theory. Although Mr. Rubin did not allude to any technical aspects of the market in his presentation, he pointed out many comparisons between today’s financial situation and those of past decades. His concerns extended to the health of the US dollar, the manufacturing sector, Japan and China and a myriad of other indicators and trends which all point to problematic times ahead.

During the extensive question and answer period after his formal presentation, Mr. Rubin proved adept at skirting questions directed at his opinions as a former secretary of the Treasury and instead adroitly substituted his personal insights and thoughts. The audience enjoyed his repartee with them and several times the obvious tension under which Mr. Rubin was forced to operate, was broken by good-natured and self-deprecating humor. Ultimately, Mr. Rubin left his audience mostly having to surmise rather than be certain about, specifics and details which, as a former government administrator and a current Bank officer, he was not at liberty to share.

Photo courtesy of the The New York Society of Security Analysts, Inc.

2005 MTA Seminars - Saves the Date(s)

January 21-22, 2005
San Diego, California

May 19-22, 2005
New York, New York

Complete details on both seminars will be published in this newsletter and on www.mta.org as they become available. Stay tuned and mark those calendars!
MTA Annual Dues

Many of you have a dues expiration date of June 30, 2004 — if you have already paid your July 2004-June 2005 dues by the time you receive this newsletter, please ignore this message.

For those who have not yet paid, MTA annual dues for July 1, 2004 through June 30, 2005 are payable now. First dues notices were sent via email on May 31, then a copy was sent in the postal mail. Second notices are being sent. Your website access is good only through July 30 so you can still go online and pay your dues — www.mta.org/membership/

Also, you can ‘sign off’ electronically on the required annual Professional Conduct Statement by paying your dues online.

Contact Update

Please take a brief moment to go to your personal home page of the MTA website and check all of your contact information.

If you need your userID and password again, please send a message to admin@mta.org

You can check this information by going to View Personal Record (at the top of the page), then Update Personal Record, make any changes and SAVE. Please check all office or home information (addresses, phone & fax numbers) as well as your email addresses. These are listed in the update section as All Email To: and Alternate Email. Messages from MTA office will be sent to the All Email To address.

However, we appreciate very much having an alternate email address for everyone. We are finding that people leave their jobs or change their main email, forget to tell us and we have trouble getting in touch with them to get new information.

A Frequently Asked Question

Am I able to change my password for MTA website LOGIN? YES, you may change your password — it can be 2-10 letters and/or numbers. You can make this change by going to your personal home page, go to View Personal Record, then Update Personal Record, then Modify Password, change and UPDATE. Your userID cannot be changed.

CMT Program Update

To CMT 1 & 2 candidates who took exam on May 22, 2004: Results were sent via postal mail by Chauncey Group on Wednesday, June 30. Please note that individual scores will not be given out, you will receive ONLY Pass or Fail notification. Pass or Fail will also be posted on your personal home page CMT program section.

As you know, MTA uses the services of Chauncey Group, division of Education Testing Services (ETS). The passing scores for the exams are based on a statistical analysis of score distributions that varies with each administration and ETS/Chauncey does not make this number public.

For Level 3, results should be mailed (not received) by mid July. Exact date of mailing will be posted on the website, and PASS/FAIL results will also be posted in the CMT program section.

Next CMT exams (all 3 levels): Saturday, November 20, 2004. Registration is now open; go to CMT program section of your personal home page. Registration deadline for the November exam is Friday, October 1.

To CMT candidates who are MTA affiliates: remember that you will need to be an MTA member to receive and use the CMT designation.

From the MTA Constitution, Article C4, July 2003: Members are those whose professional efforts are spent practicing financial technical analysis that is either made available to the investing public or becomes a primary input into an active portfolio management process or for whom technical analysis is a primary basis of their professional investment decision making process.

You must be regular engaged in this professional analytical or investment management capacity at the time of application, and for a minimum period of five years. This time period is automatically waived to three years for those who have completed the Chartered Market Technician™ (CMT®) Program.

Further, persons seeking Member status must be sponsored by three MTA Members in good standing who are familiar with the applicant’s work. No more than one of the sponsors may be associated with the same organization as the applicant. The sponsor needs to be an MTA member, but does not necessarily have to hold the CMT designation. You can consult the Search Directory feature from your personal home page to find contact information for these potential sponsors, who MUST be contacted in advance before using their name. For those who have not begun the membership process, it is highly recommended that you do not wait until you have completed Level 3 before starting the process. Your sponsors should know you and your work at the very least 6 months before sponsoring you.

MTA Calendar of Events

July 8: Cincinnati Chapter Meeting
David Stendahl, How to Develop a Trading System (Part II) Contact: Ron Brandt, ronbrandt1@msn.com

July 10:
Technically Speaking submissions due to market.strategist@wyowbi.com

July 12: New York Chapter Meeting
Contact: Cassandra Townes, admin@mta.org

July 21: Chicago Chapter Meeting
Group Discussion: Filters for Trading Systems
Contact: Ross Leinweber, reinweber@lake shoretrading.com

November 4-6: IFTA Annual Conference
Are You Ready for the Next Bull Market? Intercontinental Castellana Hotel, Madrid, Spain. For complete details, log on to the IFTA website: ifta.org/events/next.html or the AEAT www.aeatonline.com/events.html

For the latest information on chapter meeting times and locations, log into www.mta.org/membership/meetings/
MTA Regional Chapters Need Your Help

If you are visiting any of these chapter areas over the next several months and might be willing to make a presentation to the local group, please contact the regional chapter chair as noted to work something out. Some are long-standing chapters, some are trying to get started, but ALL of them are in need of speakers now and then.

Atlanta  Tim Snavely  404/926-5473  tim_snavely@rhco.com
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New York City  Jeanette Young  optnqueen@aol.com
Portland, Oregon  Leonard H. Smith (Under Construction)  lensmith@teleport.com
San Antonio  Duke Jones  210/213-7813  duke.jones@sectorrotationfund.com
San Diego  Julia Bussie  858/350-8101  jebussie@aol.com
Virginia/SE  Dave Clemens  757/229-6111  DRCEMENS@LeggMason.com

If you have any questions about the regional chapters, please contact the Regions Chairperson, Tim Snavely, 404/926-5473; tim_snavely@rhco.com

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*Notes: Michael Kahn is the President of the Market Technicians Association, Inc.*