Technically Speaking

David Keller, CMT
By Molly Schilling

David Keller, CMT, is the Technical Analysis Application Specialist for Bloomberg and a Director of the MTA. David and I sat down in a conference room on the fabled Sixth Floor at Bloomberg World Headquarters on Lexington and 59th Street in New York City.

Molly Schilling (MS): Tell me something about your background and school and how you got into technical analysis.

David Keller (DK): I went to Ohio State, and I actually studied music and psychology. My plan was to go on to study conducting at a conservatory. I ended up with the two degrees, and after six years of school, I was really burned out with music, and so I decided to do something else for awhile.

That’s when my wife and I moved out here and I joined Bloomberg. I started in an entry-level position, but there was no one at Bloomberg to spearhead technical analysis. So a couple of us seized the opportunity and started to study it. We talked to everyone we could to learn and after a while, I ended up being the one to move into a full time position.

I found it to be a good match because when you study music seriously, especially contemporary 20th century music, and being inclined toward conducting and score study, I was used to looking at a piece of music and trying to pick out patterns looking to see how all the pieces fit together. I realized that looking at a chart involves the same thought process. So it just clicked immediately, and I knew technical analysis made sense.

MS: Now what about psychology? What did you study?

DK: Studying psychology exposes you to a range of topics from developmental theories to brain structures. My focus and interest was in industrial organizational psychology, where you’re basically looking at group theory. It’s more like sociology – how groups come to a decision, how a company is structured, and what type of people do well in different roles. Today it is called Behavioral Economics, Behavioral Finance.

MS: Behavioral Finance…

DK: Looking at the market and the psychology of it, looking at the relationships. When I started to study technical analysis, I saw the psychological part of it. All these individual traders and investors, their emotions, and how they’re trading relative to their emotions. That was interesting.

MS: When did you come to Bloomberg?


MS: From your worldwide vantage point, where is TA strongest, and how is it growing and changing?

DK: The United States has a greater concentration of the “higher-end use,” where people are doing a lot of back testing and optimization and more exploration of new techniques. I have spent time recently in South America, and in the emerging markets. There definitely is an interest in technical analysis, but they’re about 10 years behind the US and London.

Techniques that we take for granted are just gaining traction in other parts of the world. That’s so with the markets there in general. A lot of the markets don’t have any derivatives, so there are no options, no shorting. When I went to Colombia, traders told me that there are very limited ways to have exposure to a stock. It is basically long only. Techniques that you can use to try and generate returns are limited. You have to use ones that are going to make sense for that type of environment.

MS: Do you see the role of the technical analyst changing?

DK: Things are changing in that the role of the traditional sell-side technical analyst is going away. We’re seeing a technical analysis role more frequently located at a hedge fund or as an independent research analyst, or maybe a third party independent-research contributor. And you don’t necessarily have to be in New York City or in the financial hub. You could be in Cleveland, or wherever. You have the ability now to be all over the place.

MS: So the TA job opportunities have evolved?

DK: Absolutely. Ten, even 15 years ago, most major banks in the US had a sell-side technical analysis “shop”. Now, Smith Barney and CitiGroup, Prudential, Lehman, and Morgan Stanley – all of those firms have cut their technical analysis group during the last five years. They are tending to use small, niche types of independent research shops. The key idea here is that the jobs are still out there.

MS: Can you say more about these types of jobs?

DK: What basically has happened is, as sell-side research overall has changed – and they’ve been segmenting the research, so instead of the idea that “I have a relationship with Merrill Lynch, so I get all of their research”, you’re actually paying hard dollars or you’re selecting what pieces you want to get – and sell-side firms are deciding that technical analysis, quantitative, economic research a lot of times is stuff that isn’t really a big driver, so they don’t really need them as much.

MS: So, the big players are still buying TA, but…

DK: I think investors, traders, and market participants overall are using more charting and

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MTA Membership:

A few announcements that may interest you:

- Recently, the Nominating Committee of the Board submitted its Slate for Officers/Directors at-large for voting by the Membership at its next Annual Meeting, scheduled for May 17, 2008. In the coming weeks we will open the voting for this slate. Please view the article on page 9 for full details on the slate and the electronic voting process.
- A one-day MTA Symposium event will take place at the Bloomberg facility (59th and Lexington Ave) in New York City on May 16, 2008. During this one-day symposium, the MTA will, among other presentations, have a “Favorite Sectors and Best Ideas in 2008” panel (Moderated by Thomas Keene, with Louise Yamada and John Roque confirmed as panelists), celebrate and hear from this years Service and Charles Dow Awards recipients, discuss the current “State of the MTA” and have one or two keynote presentations from some of the most prominent TA leaders in our field. The day’s activity will conclude with a cocktail hour at a nearby saloon.
- Both members and non-members of the MTA are invited to attend this one-day event. The initial agenda will be announced shortly, and registration will shortly follow.
- If you are interested in supporting the MTA and put a footprint on the current efforts in that stock, please let us know and we will publish the details in coming issues.
- If you had an indicator that warned of the carnage that impacted that company? We reproduce two charts have provided a clue to the stunning events that may interest you:

   • An index to track that market created by MTA Member Ken Winans. Can technical analysis be applied to this market? If so, perhaps an argument can be made that we are oversold.
   • A chart of Bear Stearns. We also have a chart of nontraditional markets.

We also have an interview with Dave Keller, a few other articles and some MTA business included in this month’s newsletter. Details for the Annual Meeting and one-day Symposium in New York are still being finalized, but the Seminar Committee is working to bring the best minds in the business to the Bloomberg Building. In coming issues, more information about speakers will be available. Tentatively, Ralph Vince is scheduled to be the keynote speaker. For those unfamiliar with his work, the December 2007 issue of Technically Speaking including an interview with Ralph and a review of his comprehensive book on money management.

Sincerely,

Mike Carr, CMT
Editor

From the Editor

This is an interesting time for technicians and we try to present some examples of that in this month’s newsletter. The collapse of Bear Stearns took its chairman by surprise, according to the testimony he delivered to Congress. Could the charts have provided a clue to the stunning events that impacted that company? We reproduce two charts and ask for your input on that question. If you had an indicator that warned of the carnage in that stock, please let us know and we will publish the details in coming issues.

A chart of housing prices is as bearish as the chart of Bear Stearns. We also have a chart of an index to track that market created by MTA Member Ken Winans. Can technical analysis be applied to this market? If so, perhaps an argument can be made that we are oversold. Again, we’d like to know of any analytical tools that you’ve applied in housing, or other nontraditional markets.

We also have an interview with Dave Keller, a few other articles and some MTA business included in this month’s newsletter. Details for the Annual Meeting and one-day Symposium in New York are still being finalized, but the Seminar Committee is working to bring the best minds in the business to the Bloomberg Building. In coming issues, more information about speakers will be available. Tentatively, Ralph Vince is scheduled to be the keynote speaker. For those unfamiliar with his work, the December 2007 issue of Technically Speaking including an interview with Ralph and a review of his comprehensive book on money management.

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Mike Carr, CMT
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technical analysis now than they ever have before. And I think the need for technical research is greater than it has ever been. The only thing they’re changing is where that research is coming from and whether it’s Dave Keller, the technical analyst at Morgan Stanley, or Dave Keller, the founder of Dave Keller’s Buckeye Technical Research. That’s the only difference. It’s how it’s getting to you as the investor.

**MS:** So there’s more of an entrepreneurial community of technical analysts now.

**DK:** Definitely. Absolutely. And really there’s only a handful now of sell-side firms that still maintain an active technical-research group. Merrill Lynch has one with Mary Ann Bartels, and Fred Meissner, and Walter Murphy. Barclay’s has Jordan Kotick and MacNeil Curry, some other guys. But there’s very, very few compared to what they had been before.

**MS:** How important is the CMT?

**DK:** That’s a great point and I think it’s actually essential right now because what’s happened is if I’m Dave Keller at Lehman Brothers, the fact that I’m part of a Lehman Brothers’ technical team or the Lehman Brothers’ research has that credibility automatically because Lehman’s a recognizable name, of course, with a great history of investment strategy, etc., etc. Whereas if I’m Dave Keller from Dave Keller Research, there’s really no track record, there’s no implied credibility there at all, unless there’s something that demonstrates my understanding, and something like the CMT designation, I think, is really the best way that you can do that to show, yes, this is recognized that I have expertise and I know what I’m talking about.

**MS:** You’d have credentials.

**DK:** Definitely.

**MS:** You are currently on the board of the MTA.

**DK:** That’s right.

**MS:** When did you start?

**DK:** I actually just joined the MTA Board August of 2007.

**MS:** What’s it like?

**DK:** The organization has a lot of energy driving it now. The Board meets every month on a conference call to discuss what’s going on. And then, of course, there are lots of casual discussions among the members going on all the time.

The MTA is going through a real revival. The leadership continues change. There’s a lot of interest in what the group needs to do for long term goals. The MTA understands that the market is changing and that technical analysis as a job, as a practice, is changing as well. So I think the organization is really trying to clarify its direction. It is more focused on how we can get the members connected with jobs, what we as an organization can do to promote technical analysis to leverage our members, that kind of thing. I spend a lot of time working as a Board member.

**MS:** Tell me more about your global vision at Bloomberg.

**DK:** We’ve become more global in terms of how we are looking at the markets. The average American investor looks overseas and as a professional, you have to understand how other markets are performing, whether they have the potential to take business away or whether there are opportunities there. Bloomberg has 40-50 global offices. Many of those are news bureaus, though, that don’t have a sales force or a core terminal force. Those are just news bureaus. But in terms of our terminal, our core users, we have, I’m going to guess, eight sales offices. So New York, San Francisco, Sao Paolo, Tokyo, Hong Kong, Sydney, London, Frankfurt.

At Bloomberg, we have over a quarter of a million clients; we have about 260,000 users now globally. Many of those are in the financial centers, of course, but in the course of doing this, we have users in Dubai, in Brazil, in Vietnam, pretty much everywhere, and they’re all using charts to some degree. In terms of a guess in how many of those are using technical analysis, my guess, right off the top of my head, would be 65, 70%. You write off 30% because remember half of our business are going to be fixed income users, and a bond trader definitely is going to look at charts to look at interest rates, but someone who’s in muni origination or we have a lot of municipalities that are issuing muni bonds, they’re not going to have a lot of interest in looking at charts. But in terms of the core investor, yes, 70% I think is reasonable.

**MS:** Are you making worldwide relationships?

**DK:** We’re finding, through the MTA, that we’re starting relationships with, for example, the Arab Society of Technical Analysts. We’ve talked to a group in Hong Kong. At our last major event, our annual seminar in Florida, we met with representatives of a potential collaboration partner in India. They talked of exceptional interest for the need of additional technical analysis information. I think that as those markets become more developed, and as they try to understand how they can better analyze their markets, technical analysis will become an important feature.

**MS:** What about China?

**DK:** China is difficult broadly speaking, and at Bloomberg, China is difficult because there are so many regulations regarding who can do business there and how you’re able to do business there. Hong Kong is different because it’s a Western area. We have a lot of Bloomberg clients in Hong Kong. We have an office there. But mainland China is very tough.

**MS:** What inspired you to write your book, *Breakthroughs in Technical Analysis*?

**DK:** Bloomberg Press had written a book back in 1998, bringing together different contributors, and calling it “*New Thinking in Technical Analysis*.” That book ended up being the most successful book for Bloomberg Press ever.

And so they knew that there was an interest in technical analysis, and when they approached me about writing a new version, my response was there really hasn’t been a global technical analysis book where you have contributors from across the world. Our new book was designed to have a contributor from Japan, and one from Australia, some from Europe, some from the US, to really get an idea of people were using techniques and what short of techniques made sense for the different markets everyone was using. And that was the real driver of it.

**MS:** What did you like most about writing that book?

**DK:** I didn’t want it to become too scripted where every chapter would be identical and that was a challenge. We didn’t want cookie-cutter chapters, but we needed the chapters to conform to a central theme. We worked to make sure that each chapter could stand alone, but if you moved through all ten, it would feel coherent, and it would flow.

**MS:** What is your feeling about the state of the market?

**DK:** I have to qualify it by saying I’m definitely not making a recommendation or anything. But in terms of what our technicals are saying, the indicators we have been looking at and at Bloomberg we put out a weekly “purely educational” technical report, we’ve found two things that have been very interesting: first, a lot of our indicators turned very bearish on the equity markets in the second half of 2007. Probably the most glaring one that we watch is the percent of stocks above the 200-day moving average, on the NYSE is the one that we use.

If you look at that relative to the S&P for the last five years, going back to 2002, they’ve pretty much moved identically. So if the S&P’s rallying, more stocks are above the 200 day, which makes sense, they’re going to be in an uptrend. And what happened, there’s this very interesting decoupling at the middle to end of last year where the S&P was doing the final move up. You saw the percent of stocks just started to drop off a cliff, and by the time we had that second peak in the S&P, I think it was October of 2007, it was almost right at or just below 50%, meaning over half of stocks had already broken down while the S&P was still going higher, and that sort of weakness was glaring. I mean, it jumped off the page in terms of how key

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The Challenge for Technicians

By Mike Carr, CMT

Readers of Technically Speaking are doubtlessly aware of the stunning collapse of Bear Stearns (BSC). The question that naturally arises in such cases is whether or not technical analysis would have gotten you out of the stock. A classic post mortem of Enron done by Dorsey Wright and Associates (http://www.dorseywright.com/internal/index_enron_int.htm) clearly showed that Enron should have been sold early in its collapse. From the perspective of an individual investor, the case against BSC is no less compelling.

The weekly chart is shown in Figure 1. Some may see a head-and-shoulders top with the head forming at the beginning of 2007. The break below 140, followed by a small throwback, was clearly bearish. That run-up was not confirmed by momentum indicators, RSI in this chart. A larger topping pattern, perhaps a rounding top, and support were broken at 100 in late 2007. The price was decisively below its 50-week moving average by this time. BSC was well below its 200-day moving average and had been for nine months.

The P&F chart in Figure 2 (on page 5) gave a number of clear sell signals (price action is shown from August 2007). Long-term and short-term traders should have been out of this stock based upon the chart. This is another example of how useful P&F charts can be for traders.

While individuals could rely on technical analysis, could institutions have sold based upon these indicators? English billionaire Joe Lewis increased his investment in the company near $100 a share. At the time of the plunge, he and many institutions were holding the stock. We’d like to hear from readers about the role of technical analysis in the decision making process of their firms. Email any comments to editor@mta.org.

MTA Job Board

The MTA has established a new Job Board. Companies and organizations are able to post job openings, and members have the ability to browse the job bank.

In addition, we have provided you with various links to outside websites that may be listing a job opening that is of interest to you.

If you are interested in posting a job opening please contact Tim Licitra at tim@mta.org or at 646-652-3300.

Figure 1 - Weekly Chart of BSC from www.stockcharts.com.

Figure 2 - P&F Chart of BSC from www.stockcharts.com.
of a divergence that was. Since then, most of those breadth indicators that we followed have stayed fairly negative suggesting that there’s really no necessarily end in a bear move.

Secondly, we keep track of interest rate movement through one of our Sequential indicators which is basically looking at trend exhaustion. And if you look at weekly charts of the 10-year yield, or I think you could also look at the long-bond future, the 10-year future, you’ll find that they all signaled a pretty major reversal about two months ago. And on the 10-year yields, suggested the yields were bottoming out this is a little unusual because assuming the Fed continues to lower rates, you would think that interest rates would probably be starting to come down, but it sort of suggests a steepening in the yield curve. And if you look, the signal still appears to be in place where it’s a long-term bottom and starting to rally. So those are probably two of the key signals we follow.

MS: David, it’s been a pleasure to learn about your work. Thank you so much.

DK: Thank you.

Molly Schilling is an independent trader and freelance writer. Molly has been a member of the MTA since 2005.

MTA Annual Award Winner Biography Project

The MTA Annual Award recognizes those who have made a significant contribution to the field of technical analysis. As we have learned in recent years, there is not a lot of information readily available about the lives of some of the winners. To address this gap in the history of technical analysis, the Awards Committee is initiating an information project that we hope will evolve into a new section on the MTA web site. The project will feature biographies for the recipients of the coveted MTA Award. As an interim step, we will be publishing biographies in Technically Speaking beginning with the next issue. Think of these articles as a starting point. We welcome any additional information or photographs you wish to provide about the award winner to help us preserve their accomplishments for future generations. Submission information will be provided with each article.
MTA Benefits: Mentorship  
By Mike Carr, CMT

Experience is often thought of as the best teacher. As traders, many of us know that experience is often the most expensive teacher in the markets. In many careers, a mentor can share experience and lessen the pain of the learning process. Technical analysis is no different in that respect.

Mentoring is usually an unstructured relationship that allows less experienced people in a field to benefit from the wisdom of those who have gone before them. With a mix of experienced and inexperienced members, the MTA offers a lot of opportunity for mentorship. This is a benefit that comes with all memberships, but is largely being overlooked and is undoubtedly under utilized.

On a personal level, I have benefitted greatly from the mentoring of more experienced members. Although I thought I had a grasp of the English language, after joining the MTA I learned that my writing skills needed a great deal of work. A former editor of this newsletter spent a great deal of time mentoring me in that area, without even realizing how important he was to my professional development. To me, that is the essence of the mentoring relationship – mutual benefits and a shared objective.

Michael Kahn’s goal was to produce a high quality newsletter, on time, each month. My goal was to learn about technical analysis and develop my writing skills. The objective was that I would deliver one page a month towards the newsletter. I will always feel I got the better part of this deal. In the days before the internet, relying on what passed as technology, I received a videotape of the presentation made at the New York monthly meeting. I watched the video and prepared a one page summary of the presentation. I learned more about technical analysis than I could have imagined by being exposed to the wide variety of monthly speakers. These meetings were very helpful as I prepared for the CMT exams (another MTA benefit: learning from the experts, now available through videos on the web site).

Summarizing the meetings, I created CMT study notes and I also learned to write. My drafts were edited by Michael, and each month I compared my draft to what was eventually published. When I thought he was wrong, I went to a style guide and learned, invariably, that he was correct. This review process took a few hours each month, but I rarely made the same mistake twice. It was my goal to get published with no changes, indicating I had met the high standards required to be included in the newsletter. More than a year would pass before I achieved that goal. The impact of Michael’s mentoring benefits me to this day.

The success of my mentor relationship depended on my initiative. I never asked Michael to mentor me, and if he reads this, it will be the first time I give him the credit he deserves for my success. Had I simply asked him to be my mentor, neither one of us would have known what the goal was, and I doubt either of us would have benefitted. I knew he was busy and respected his time. I learned from his experience by finding out what I could do to help, and then accepting his feedback.

Another mentor, Charlie Kirkpatrick, helped me to learn what my trading style is. Charlie won the Dow Award in 2001 and I was fortunate to have breakfast with him the next morning at the Seminar. The seminars and meetings are overlooked avenues for mentorship, where the newest member can meet seasoned pros and learn from them. We discussed his paper, which I had read and reread several times the night before. He explained it to me in detail and offered to answer any additional questions I had.

I spent several months programming his technique and then sought his feedback. I also saw he was involved in several committees and asked him if I could help. While working on committees, he continued to provide feedback on trading. Again, without my mentor realizing how valuable his assistance was, I benefitted greatly from a more experienced member. The small amount of help I provided to the MTA committees in no way repays what I learned from Charlie over the years.

Mentorship is available to all within the MTA. I don’t believe it can be forced. In all honesty, we just don’t all get along. Assigning a mentor could easily lead to failure because there might not be a mutual benefit. However, meetings and seminars offer opportunities to interact. The MTA directory can also be used to contact members with specific questions via email or telephone. If the request is sincere, mentoring is a possible outcome to the initial contact. Sometimes, a mentor might be too busy to respond. This is the unfortunate reality of our business and any other professional field.

For those seeking a mentor, my suggestion would be to get involved. Work on a committee and attend functions. You can be involved with email or phone calls; there is no excuse in physical remoteness. If you are working on a paper or a trading system and have a question, there is no harm in asking the expert. I would explain why I was contacting them, instead of just sending the question. And I always mention the MTA, we do share camaraderie.

For those willing to be a mentor, I would encourage you to do the same – reach out at meetings and seminars. Volunteer for a committee and you’ll notice the new names. I am certain that newer members will not be offended to receive an offer of assistance.

“There is a season.. turn..turn..turn?”
-The Byrds

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Current Trends in the Foreign Exchange Markets

By Mike Carr, CMT

Scott Petruska, a Vice President in the International Department of Commerce Bank, NA, in Kansas City, spoke at a meeting of the MTA Denver Chapter on March 13. The MTA partnered with the local CFAI Society to sponsor the meeting. Attendance totaled about thirty, with slightly more CFA participants attending.

Recognizing the diversity of his audience, Scott began with an overview of the foreign exchange markets. Having been involved with these markets for more than 30 years, he is an expert and was able to explain the concepts in an easy-to-understand manner. Foreign exchange, Forex or simply FX, are all terms used to describe the trading of the world’s many currencies. With nearly 180 countries, there are virtually an unlimited number of possible pairs for trading. The Forex market is the largest market in the world, with trades amounting to trillions of dollars every day, dwarfing the size of global stock and fixed income markets. Most Forex trading is speculative, with only a small percentage of market activity representing governments’ and companies’ fundamental currency conversion needs.

Unlike trading on the stock market, the Forex market is not conducted by a central exchange, but on the interbank market, which is best thought of as an over the counter market. Trading takes place directly between the two counterparties necessary to make a trade, whether over the telephone or on electronic networks all over the world. The worldwide distribution of trading centers means that the Forex market is almost 24-hour market. Trading actually runs from Sunday evening to late Friday afternoon New York time.

A currency trade is the simultaneous buying of one currency and selling of another one. The currency combination used in the trade is called a cross (for example, the euro/US dollar, or the GB pound/Japanese yen.). Given access to the right trading desks, any cross can be created. Even nonconvertible currencies are traded in fairly liquid markets using cash settlements.

Technical analysis works very well in these markets. Scott uses a number of techniques, some based upon his work and others that are readily available in the literature of technical analysis. He recommends the work of Linda Bradford Raschke. Some of the specific strategies he highlights include:

- The “Holy Grail” trade, which was originally described in Raschke’s Street Smarts book. The setup occurs when the 14-period ADX rises above 30. If price retraces back to the 20-period EMA, the trade is entered in the direction of the primary trend.

- The “Anti,” another Raschke setup looks like a small flag pattern, but it is found in a trading range or just after a reversal instead of occurring as a continuation patterns in a well defined trend.

He also employs Rascke’s Turtle Thrust and Turtle Soup + 1. Among the other strategies that he looks at are Jeff Cooper’s 1234 and Dave Steckler’s Stochastic Pop.

In only an hour, Scott provided enough information that anyone would be able to begin researching the Forex markets and decide if this trading arena was right for them. Interestingly, the fundamental analysts were the first to corner Scott after his presentation, indicating the broad based appeal of his topic.

Scott Petruska is a Vice President in the International Department of Commerce Bank, NA, in Kansas City, managing the sales and trading activities for Foreign Exchange and Interest Rate Derivatives. He has more than 25 years of experience in the currency and interest rate markets, and has worked in several global financial centers, including NYC, Boston, Singapore and Tokyo. Mr. Petruska has the Chartered Financial Analyst, Financial Risk Manager and Certified Market Technician designations. He is a graduate of the University of Wisconsin with a BA in Finance and Statistics.

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Charting Home Prices
By Mike Carr, CMT

The Winans International Real Estate Index (WIREI) measures U.S. new home prices from 1830. It was developed by Kenneth G. Winans, CMT, with the assistance of Justin Gularte, CMT. This allows for comprehensive long-term analysis of the current market environment and to place current trends into historical context.

Winans found that, historically, new home prices have been the most accurate and consistently tracked real estate dataset. According to the National Bureau of Economic Research there have been five significant studies done on new home prices since 1830:
- Census Bureau’s New Home Median and Average Monthly Prices (1963 to present)
- Long Studies (1869 – 1936)
- Gottlieb Studies (1837 – 1868)
- Riggleman Studies (1830 - 1836)

Unlike most real estate indexes, the WIREI incorporates volume. In order to accomplish long-term “apples to apples” evaluations between the WIREI and major stock & bond indices, it’s important to have some idea of trading activity. The number of US new home sales has been continuously available since 1963. A chart, with volume, is shown in Figure 1.

The index is showing a bear market in housing. From its all-time record of 296,000 set in March of 2007, the index has declined -16.8% to its current level of 246,300 in February 2008. This marks the worst price decline in U.S. new home prices since the 17-month decline of -17.8% from May 1969 to October 1970. The worst decline of U.S. new home prices in the last 100 years was the -55% decline from 1929 to 1932.

Applying the tools of technical analysis to real estate indexes may help analysts develop stronger opinion about this market. For more information on the WIREI, please visit http://www.winansintl.com/indicesresearch.html.

Figure 1: WIREI from 1969 (Winans International, http://www.winansintl.com/index.html, used with permission)
MTA and ASTA Collaboration Agreement

By Sameh Abou Arayes, CMT

It’s a pleasure writing here after signing the MTA/ASTA agreement. Actually, my pleasure is doubled, once as the ASTA (Arab Society of Technical Analysts) President and once as an MTA member.

As you know, a collaboration agreement has been signed between the ASTA and the MTA, effective April 1. According to this agreement, members of the MTA in the Middle East will be members of the ASTA as well, with access to all support privileges provided by the ASTA to its members.

The ASTA is a not-for-profit professional organization for technical analysis professionals in the Middle East, headquartered in Cairo, Egypt.

Our main goal is to promote technical analysis and to help exchange experiences between technical analysis professionals in the region.

Our activities include technical analysis education, and organizing technical analysis conferences, seminars and meetings. According to the agreement, we will also be promoting the CMT program in the Middle East, and helping anyone who is interested in going through the CMT program.

At the moment, we are planning a series of public awareness lectures about the MTA and the CMT program in the Middle East.

At the same time, we are discussing with capital market authorities recognizing the CMT program as an official license for technical analysts.

In late 2007, Phil Roth and Ralph Acampora visited us in Cairo, Egypt, where we organized a one day seminar for stock market professionals and a morning lecture for students in Cairo University.

We also arranged for Phil and Ralph to visit the Cairo Stock Exchange and meet its chairman. We took the opportunity to inform him about the CMT program, and we got very positive reactions on the visit from the financial community in Cairo. We were also able to have media coverage for the event.

In January 2008, I attended the Mid Winter Retreat where we finalized the agreement. We believe that this agreement is a great step for the ASTA and the MTA, which, in my opinion, will be helpful in promoting technical analysis in the Middle East and internationally, which of course is our common goal.

Sameh Abou Arayes, CMT
is the founder and first president of the Arab Society of Technical Analysts, ASTA which is a not for profit professional organization for technical analysts in the Middle East. He is also a board member of Egyptian Association for Capital Market Development. Sameh is the chief technical analyst of Pioneers Holding, one of the biggest and fastest growing investment banks in the Middle East.

News From the MTA Board of Directors

On March 27th, 2008, the Nominating Committee of the Board submitted its Slate for Officers/Directors at-large for voting by the Membership at its next Annual Meeting, scheduled for May 17, 2008.

The recommended Slate, approved by the Board for submittal to the Membership, was as follows:

President: Larry Berman, CTA, CFA, CMT
Vice President: David Keller, CMT
Treasurer: Craig Fullen, CMT
Secretary: Tim Snively, CFA, CMT
At-Large Directors:
- Kristin Hetzer, CMT, CIMA, CFP
- Doaa Fahmy, CMT
- MacNeil Curry CFA, CMT

Within the next few weeks, Tim Snively, MTA Board Secretary, will be distributing the Annual meeting Notice/Agenda and new Electronic proxy voting forms for Member voting. All MTA Members, Honorary Members, and Emeritus Members will receive a link, via email, to submit their vote electronically. A link will also be posted on the MTA website as an alternative for you.

We thank the Nominating Committee for their fine work—(Jordan Kotick, Chairman and committee members: Matt Blackman, John Copp, Sam Levine, Fabio Verdelli, Kenneth Tower, Katie Townshend)

Submiting an Article

If you are interested in submitting an article in the MTA’s monthly newsletter, please e-mail the editor Michael Carr, CMT at: editor@mta.org

If you have any questions about Technically Speaking please contact Tim Licitra at: tim@mta.org

Technically Speaking Opt-Out

For those of you who wish to read this monthly publication online only (from the newsletter archive section of the website and e-mail), please e-mail Tim Licitra at tim@mta.org.

He can remove you from this mailing list and make sure that you only receive the e-mail notification that it has been posted to the website.

“What’s Hot”
The MTA Library Announces...

The MTA Library would like to announce that the following books have been added to our Library. Go to our website at www.mta.org and visit our Library to check out your copy today.

- “Option Strategies for Directionless Markets” by Anthony J. Saliba
- “The Commitments of Traders Bible: How to Profit from Insider Market Intelligence” by Stephen Briese

The MTA would also like to thank former MTA Member, Jack Cahn, for his recent donations to the MTA Library. As we continue to add to the library, if you have any recommendations for us, please email Tim Licitra at tim@mta.org.
INTRODUCTION TO STEALTH TRADING USING FUSION, ALGORITHMS, AND DERIVATIVES FOR PROFESSIONALS-

Today, portfolio managers increasingly must use stealth trading in order to disguise their intentions and thus benefit from best execution. The old ways of staring at a Bloomberg to get bid/ask quotes and transacting an order is gradually being supplemented by more sophisticated strategies, such as, algorithmic models to meet various investment goals. The objective of this course is to give the student an introduction to various trading strategies that can achieve best execution. This course should help achieve: “Best Execution.”

ADVANCED CAPITAL MARKETS ANALYSIS

Spot, forwards, futures, swaps, options, and statistical issues are discussed in dynamic capital market strategies. This course was first introduced as a course to a top Ivy Business School. Solving the course problems and cases has brought angst to MBA and CFA candidates. Still, the topics are the food for advanced hedge fund techniques.

Instructor John Palicka CFA CMT is a top-ranked portfolio manager of Global Emerging Growth Capital (WWW.GLGEGC.COM) with over 25 years experience of managing $ billions. He has doubled client money, on average, every four years since 1980*. His high course ratings from major investment firms reflect clear interpretations and practical applications of complex topics; knowledge applied to examples and cases found in the current worldwide and GCC marketplace; his experience with specific situations actually encountered in his career and consulting contracts that parallel the learning topics. John has an MBA from Columbia University and also teaches these courses for leading training institutions, including The New York Institute of Finance (WWW.NYIF.COM).

To find out more about these courses in GGC locations, please call Esam Hassanyeh + 9714 391 0234 or visit his website: www.enhance.ae

* Past performance is no guarantee of future results.
A Book Review of:
“Breakthroughs in Technical Analysis”

Reviewed by Molly Schilling

This new book is intriguing on many levels. It serves as a kind of primer for ten fascinating technicians from all across the world, giving a broad sense of the cultural range of applications and creative thinking available to technical analysts today. Each chapter is written by one of the ten “superminds,” and each is concise, informative, and in every case aiming at elaborating the philosophy and character of the technique – the tricky ideas – and uncovering the essence of the theory along with demonstrations of how it works.

The overall feeling is that you are visiting, even having coffee with, one supermind after another. You have the benefit of his/her careful explanation of the model and how it works, but also of his/her experience, strength, and hope, chock full, in some cases, of anecdotes and insights. Variety across the spectrum of technique is as fascinating as is the inevitable home-plate consistency of good principles and sound guidelines.

David Keller, CMT, Technical Analysis Application Specialist for Bloomberg, located in New York City, has given us a peek into the minds of ten brilliant men and women. Lucky for some who have the resource of a Bloomberg terminal, this book is a wonderful companion piece to the DeMark Indicators and Ichimoku Japanese Clouds.

The idea of “breakthroughs” is central. Each chapter hone in on a model’s conceptual uniqueness. For example, Chapter 2, Trend Spotting with TD Combo, by Tom DeMark, opens with a discussion of his philosophy: “Most traders are content to trade with a trend. But what happens when buying and selling pressure move into equilibrium or when buying pressure overcomes selling pressure or when selling pressure overcomes buying pressure? During these transition periods of buying and selling pressure, market fundamentals, news, and expectations usually remain intact. However, under this veneer, the supply/demand dynamics are in fact being redefined. Maintaining a trading edge by anticipating these internal market changes is imperative to insuring a trader’s good mental health and financial health.”

Yosuke Shimizu authored Chapter 4, Reading Candlestick Charts, and this chapter lives up to its name. Shimizu wastes no time and moves quickly but insightfully through the basics of candlesticks. This is not didactic but full of wisdom about the nature of what you are seeing. He then considers the significance of patterns and clusters, and again the focus is on opening up our eyes in a fresh way. “Candlesticks illustrate… the dynamic movements of price…to let traders feel the rhythm of the market.”

In Chapter 5, Price and Time, by Constance Brown, CMT, we are introduced immediately to the core concept behind Ms. Brown’s work: confluence, “Price projection accuracy is possible when the concept of confluence is clearly understood.” She goes on to explain “Confluence is a precise target zone derived from multiple price projections utilizing the natural expansion and contraction of price movement found in all markets and time horizons. The results form a mathematical grid that allows precise entry and exit strategies prior to any trade with measurable risk-reward ratios.”

In Unlocking Gann, Chapter 6, David E. Bowden explains in detail how he constructed a year in advance his forecast for the Australian share market in 1989 and why he went to the trouble of getting it published. Beyond that, he shares his experience of being both right and wrong in his predictions, and how he has made the most of both.

Nicol Elliott in Chapter 3, Charting with Candles and Clouds, brings us into the world of Japanese Clouds (Ichimoku Kinko Hyo = cloud charting) with a charming anecdotal ease. She offers insights about features of the technique, such as the meaning of the Chicou Span (the lagging span or line), a mysterious but effective tool if you know how to read it. There are also examples of her time-earned wisdoms: “The name Technical Analysis sounds very scientific and rational...It isn’t…”. “Do not try to force a piece of the puzzle in, but try to look at it from a different perspective”; and “Charts are all about reading psychology and smelling raw emotion. Do not forget this.”

Other chapters include Ted Hearne on Drummond Geometry: Picking Yearly Highs and Lows in Interbank Forex Trading; Bernie Schaeffer on Options-Based Technical Indicators for Stock Trading; Jeremy du Plessis, CMT, FTSA, on Point and Figure Analysis: Modern Developments in an Old Technique; Robin Mesch on Deconstructing the Market: The Application of Market Profile to Global Spreads; and Robin Griffiths on The Ten Commandments.

The book is beautifully produced, oversized and graceful, and the type and charts are easy to read and follow. There is plenty of white space on each page which makes the mental processing a more comfortable task. I even found myself keeping the book on my bedside table along with my novels -- that certainly says something about its charm.

Would You Like to be Called Professor?

It’s hard to believe that MTA members have been involved on college campuses for the past 30 years. For perhaps 15-20 years we have been guest lecturers filling in at courses on investing with a one to three hour presentations on technical analysis. More recently we have a number of for-credit courses on the undergraduate and graduate levels in colleges in several states around the country. Also interest is quietly growing overseas in select executive MBA programs. As professors “discover” our tools and test them to their own standards and publish their results, we have gained credibility.

Many schools have built “trading rooms” or “interactive labs” to prepare their students for the world of finance and global trading and investing. These rooms with their banks of Reuters and Bloomberg terminals have increased our audience. Students who have grown up in the past 20-25 years have been exposed to one of the greatest bull markets ever and the field of finance has flourished. Courses on technical analysis make good use of these facilities and students are eagerly signing up when their eyes are opened to our techniques.

What’s the hitch? ECONOMICS

We have a rising demand curve from students and a stagnant supply curve of teachers. More professors are bringing technical analysis into the classroom and our list of guest lecturers and adjunct professors has not kept pace. To raise our stature on campus and get our positive message on including technical analysis into the investment decision making process WE NEED MORE LECTURERS!

What are the pre-requisites? Good knowledge of technical analysis, and of course being a CMT holder is a plus. A desire to give back and influence young minds. The ability to explain and illustrate our tools in a clear manner to college students.

Up to the task? Or just want to know more? Please contact Bruce Kamich or Charles Kirkpatrick, or email Tim Licitra at tim@mta.org. Their contact information can be found in the MTA Directory.
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