Letter from the Editor

Trading and getting involved in the MTA are the focus of this month's newsletter. Dan Zanger is a short-term trader with an enviable record of success. Ajay Jani offers insights into his thinking, and then we reprint what Dan considers to be among his most important rules. We also review a new book by Larry Connors and Cesar Alvarez from TradingMarkets.com. Short-term trading can offer high potential profits, but these articles also address the risk which is inseparable from trading.

We also have news from the MTA Educational Foundation and the Journal Committee. The MTA is constantly advancing into academia and these initiatives are at the forefront of that march. This will add value to your membership and bring added prestige to the CMT designation by improving the acceptance of technical analysis within the investment community.

Please let us know what you think of the newsletter, and how we can improve this member benefit for you.

Sincerely,

Mike Carr, CMT

Perseverance DefinedThe Story of Dan Zanger

by Ajay Jani

On April 23rd 2009, I had the opportunity to speak with Dan Zanger. Zanger is a legend in the stock trading business, having run up a six figure account to $42 million during the heyday of the internet bubble. Many dismissed his performance as sheer luck, but it took 20+ years of hard work and dedication before he became an “overnight success”. The story of Zanger’s struggles and learning experiences before he turned the corner should be an inspiration to all aspiring traders.

From 1969-1972, Zanger spent his life as a “ski bum”, working at resorts in Mammoth Lakes, CA and Steamboat Springs, CO. During this time, he came across Ed Thorp’s book “Beat the Dealer”, and every 3-4 weeks would travel to Lake Tahoe to play blackjack using Thorp’s card-counting methodology. He was thrown out of casinos several times using the strategy, and quickly learned that to succeed counting cards required focus, concentration, and desire. These character traits would be the foundation of Zanger’s eventual market success. Zanger also learned that “you absolutely must get back up after losing” instead of taking setbacks as an excuse to quit.

By the late 70s, Zanger had moved back to Southern California and began working for an L.A. area contractor. After a few years he struck out on his own to start a contracting and pool installation business, focusing on the Beverly Hills market.

His exposure to the stock market came through his mother, who often dabbled in shares. The home television was constantly tuned to KWHY, a Los Angeles area UHF station that had one of the nation’s first on-air stock tickers. The station’s daytime programming was dedicated to the stock market and other investments. Gene Morgan’s “Charting the Market” segment was particularly of interest to Zanger. Gene would show long-term charts from Daily Graphs, and his message was that the charts could help predict the future. This statement grabbed Zanger’s attention as he was looking for ways to build a second income. During this period, Zanger invested in stocks with a few successes and failures, but nothing noteworthy. One of his first picks in 1980 went from $1.00 to $3.50 in a few weeks, but Zanger admits that he spent all his time looking for “cheap”, low-priced stocks rather than focusing on the quality institutional stocks that would lay the bedrock of his future fortune.

In 1984, Zanger began reading Investor’s Business Daily, the new paper launched by William O’Neil, but Zanger’s investment style was still “eclectic” in style and not producing the results that he was after.

It wasn’t until a trinity of events transpired in close proximity during 1989 that Zanger’s life shifted towards the path that would eventually lead to his eye-popping returns. In that year, Zanger read a copy of Donald Trump’s recently released book, “The Art of the Deal”. One thing that stuck with Zanger was Trump’s statement that “There are a lot of smarter people than me that didn’t make a lot of money because they went into the wrong
business.” Trump’s no-nonsense advice was that “if you want to make big money, go into a field that pays big money.” For Trump, in the late 80s these fields were Wall Street and Real Estate. Trump’s advice resonated with Zanger, who began to take a more active interest in the market. As Zanger bluntly says: “The pool business sucked.”

Around the same time, Zanger attended an IBD seminar hosted by O’Neil which discussed the CAN SLIM method. One of the key moments during the seminar when O’Neil looked at the audience and said “If you do your homework, you’ll have more money than you’ll know what to do with.” Immediately, Zanger took this to heart and dedicated himself to work, work, and more work. In this case, it meant research involving endless hours poring over charts. Trying to save funds, Zanger would go to the printing plant in Playa Del Rey that produced the IBD Daily Graphs chart books. Each week, he would buy a copy of the latest chart book from the plant, and spend his entire weekend poring over charts looking for the next hot stock. Zanger admits that his social life suffered as he didn’t have time to go out to dinner or drinks with friends. He became somewhat of a recluse, totally focused on his stock research.

Zanger’s mother passed away in 1989, and this was the final event in the trinity that was to permanently transform Zanger’s life. She left him with a $100k inheritance, and suddenly Zanger decided it was time to get serious. Prior to this, Zanger never had any significant assets to worry about and thus was never forced to develop a proven investment framework. He had been more of a gambler, and as he says “I lose gambling.”

During 1990-1991, Zanger latched on to winning stocks such as Thom Apple Valley, National Western Life, and Cisco and in six months ran his account up to $450k. He began to think about the things he could win with his winnings, and he now ruefully recalls “as soon as you bring out the calculator, it’s time to go to cash.”

Zanger was still running his pool contracting business, which had grown to 30 employees. However, the 1990 recession coupled with the post-soviet defense cutbacks eviscerated his market. Southern California had been hit with a double whammy and the real estate market was crushed. No one wanted to spend money on a pool. Zanger decided he’d better focus on his investments if he wanted to continue to make a living. However, even on this front, Zanger was having difficulties…

The 1990 bear market hit Zanger hard. Since his contracting business “had collapsed” (he went from 35 employees to 3), he had all the time in the world to look at charts. He carried a portable quote device called the “Quotrek”, and the combination of extra time and easy access to live quotes resulted in a frenetic bout of activity, though not always productive. Zanger tried to trade for a living but admits he was getting “clocked, making a lot of rookie mistakes.” At one point, he was long the stock of Creative Technologies. He watched it go from 18 to 36, and carefully monitored its progress. All the while he was increasing his exposure during the advance, a strategy that he now calls “a classic rookie error. You don’t add on the way up, you trim on the way up!” The stock then pulled back to 30, which put him at the breakeven level. The next day while driving on the freeway, he saw on his Quotrek that the stock had gapped down to 22 at which point Zanger pulled over to liquidate the position. This trade along with a loss in Chantal Pharmaceuticals left Zanger’s account at less than $100k. Zanger learned his lesson to be very careful of how you add on the way up. Zanger laughs at the recollection and admits that if his broker had allowed Chantal to be purchased on margin, Zanger would have lost his house because he was so bullish.

From 1991 to 1997, Zanger’s account experienced a series of ups and downs, but he always felt he was increasing skill in the markets. During this time, he also began publishing his newsletter (www.chartpattern.com). In the beginning, he would fly to the Money Shows, and since he couldn’t afford a booth, would just stand in the entry way and hand out samples of his market picks. At the time, it was just a text newsletter without any charts, which he also distributed via e-mail. He built up a loyal readership of more than 300 people. The price was right since Zanger was not charging for the service at that time.

Zanger had also been an AIQ subscriber since 1991, and he went to a user group meeting in 1996 where he presented is newsletter picks. The group liked his ideas so much that they repeatedly invited him back. Zanger enjoyed the forum for presenting his ideas but didn’t want to spend the time commuting to the meetings when he could be doing market research. Eventually, Zanger moved the meetings to his home, which would grow to 30+ people at a time. Soon this became too much of a distraction, and Zanger switched to faxing out his market picks. Finally, so many people were clamoring for Zanger’s newsletter that he decided to move to a subscriber model, thinking that it would be a profitable business. Zanger laughs when recalling that of the 300+ readers, only one agreed to actually pay for the information once he moved to a subscription model.

In 1997, Zanger had an epiphany about the market and though his prediction turned out to be right, he ended up broke. During the fall of that year, oil stocks were among the big market leaders and the OIIX index, which tracks the group, experienced a key reversal. Zanger felt the group had put in an important top but he did nothing. The next day the group was hit hard again, but still Zanger did not act. The market continued to correct, and when Zanger finally tried to sell his positions, his web account was frozen. His broker had been purchased by another company and during the transition their website went down leaving Zanger’s margined account at the mercy of the market. The market showed none. When the dust settled, Zanger’s account was wiped out, leaving him with $775 in cash. Chastened, Zanger looked to learn from the experience and deadpans: “I learned never to hold a stock that is going down.”

It was now that Zanger’s most important lesson, learned decades earlier at the Blackjack tables came to inspire him to push forward: “You must get up after losing.” Zanger would tell himself as he looked to rebuild his stake and resume his trading. He sold a classic Porsche he owned for $10k, and opened a new trading account with the grand sum of $10,775. In just a couple of years, this stake would multiply into $42 million through astute stock picks and disciplined risk management.

In 1998, Zanger had two goals:

1. Rebuild his trading capital
2. Move his newsletter to a website based subscription model.

In the summer of ’98, Zanger made progress towards the 1st goal, increasing his capital from $11k to $90k via trading gains. Although he was $200k in debt from the pool business and living off credit cards, he also hired a web designer to build the new site to market and distribute his newsletter. Zanger chuckles when he found out that of his 300 free readers, the only one who took up a 30 day free trial to the paid service was from Sri Lanka. The site didn’t really take off until 2000 after Fortune magazine published a story covering his amazing success during the 1998-2000 internet boom. As word of Zanger’s stock trading coups spread in the marketplace, the readership took another jump during 2004.

After a brief bear market in late summer of 1998, growth stocks took off into what was to be an 18 month frenzy of internet stock market gains that
Zanger would ride to make his fortune. Taking stock of the lessons he had learned over the past 20 years, he vowed to manage his risk while being aggressive in the high quality internet growth stocks that had brought him success in the past. When the dust had settled, he Zanger was sitting on a fortune of $42 million.

I asked Zanger what he had learning during the '00-'03 bear market. Zanger acknowledged that he had been hit hard, and he learned that he must go to cash during bear phases. Zanger believes that even if strong stocks break out during a bear market they are more prone to failure. Says Zanger “if you are going to try and buy during a bear market then you need to the change the way you handle positions and entries.” Zanger also acknowledges that the set-ups are changing due the effect of ETFs and “black-box trading strategies” on the market. Zanger believes that follow-through on breakouts is not as strong as it used to be and so different trading approaches need to be used to take positions in high relative strength stocks.

Zanger does very little shorting, though he recalls one time where he shorted E-Bay into an earnings announcement. Zanger had watched another prominent internet company deliver a stellar earnings report and then fail to make further progress after the announcement. When he saw E-Bay drifting down into the event he felt there was a good risk/reward to being short in case the numbers failed to impress. His hunch paid off, to the tune of $3.2 million overnight.

I asked Zanger where he stood on the “nature vs. nurture” argument for becoming a good trader. He felt that both were important, and that he still thinks it takes at least 4-5 years of very hard work and learning before one can expect to become proficient in the market. When asked how people might emulate his success, Zanger replies “homework, homework, and homework.”

With Zanger already a candidate for any “Trader’s Hall of Fame”, I asked what continue to drive him. He replied that he continues to strive to improve his trading game, and also to share his knowledge via his newsletter and also his annual seminar where he provides an intense one day program to a small group of aspiring traders. Zanger, who admits that he’s “very nervous” when giving the talks, nonetheless works hard to provide a venue where others can learn the strategies that took Zanger to the top.

Ajay G. Jani has been in the investment business since 1989, and is currently Managing Partner of Single A Capital, LLC, a hedge fund investing in Emerging Markets. He is an MTA member and has completed levels I & II of the CMT.

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**Dan Zanger's 10 Golden Stock Rules And Trading Tips**

This article is excerpted from Dan Zanger’s web site http://www.chartpattern.com/10_golden_rules.html and is reprinted with permission.

Notice: This method and its methodology work best for those people that can act promptly and without hesitation executing the golden rules and general notes listed below. It is also for those that are preferably on real-time quotes. Many stocks are listed in the nightly newsletter (provided as a service by Zanger) and only those that move quickly, on heavy volume, through the trend lines and buy points, should be considered.

In addition to these 10 rules, please see notes below. And if you are new to trading or investing please see the paragraphs with the * at the bottom.

1. Make sure the stock has a well formed base or pattern such as one described on this web site and can be found on the tab "Understanding Chart Patterns" on the home page, before considering purchase. Dan highlights stocks with these patterns in his newsletter.

2. Buy the stock as it moves over the trend line of that base or pattern and make sure that volume is above recent trend shortly after this "breakout" occurs. Never pay up by more than 5% above the trend line. You should also get to know your stock's thirty day moving average volume, which you can find on most stock quote pages such as eSignal's quote page.

3. Be very quick to sell your stock should it return back under the trend line or breakout point. Usually stops should be set about $1 below the breakout point. The more expensive the stock, the more leeway you can give it, but never have more than a $2 stop loss. Some people employ a 5% stop loss rule. This may mean selling a stock that just tried to breakout and fails in 20 minutes or 3 hours from the time it just broke out above your purchase price.

4. Sell 20 to 30% of your position as the stock moves up 15 to 20% from its breakout point.

5. Hold your strongest stocks the longest and sell stocks that stop moving up or are acting sluggish quickly. Remember stocks are only good when they are moving up.

6. Identify and follow strong groups of stocks and try to keep your selections in the these groups.

7. After the market has moved for a substantial period of time, your stocks will become vulnerable to a sell off, which can happen so fast and hard you won’t believe it. Learn to set new higher trend lines and learn reversal patterns to help your exit of stocks. Some of you may benefit from reading a book on Candlesticks or reading Encyclopedia of Chart Patterns, by Bulkowski.

8. Remember it takes volume to move stocks, so start getting to know your stock's volume behavior and the how it reacts to spikes in volume. You can see these spikes on any chart. Volume is the key to your stock's movement and success or failure.

9. Many stocks are mentioned in the newsletter with buy points. However just because it's mentioned with a buy point does not mean it's an outright buy when a buy point is touched. One must first see the action in the stock and combine it with its volume for the day at the time that buy point is hit and take keen notice of the overall market environment before considering purchases.
10. Never go on margin until you have mastered the market, charts and your emotions. Margin can wipe you out.

Note: If you are new to trading or investing, I suggest reading these rules many times over until they become ingrained so you can act without emotions.

Stocks that breakout and move up with tremendous volume and close near the highs of the day seem to work out best. However many stocks that move up 15% or more on breakout day often fail. You’ll just have to watch your stock’s action like a hawk and get to see and understand these things over a long period of time. If trading were easy everyone would be making millions. It’s not; it takes years and years of hard work and long hours.

Many traders employ a half hour rule, meaning that for the first half hour of the day many traders do not buy any stock that gaps up in price. If the price holds after the first half hour then often many traders will step in to buy the stock. I find this rule works good after the market has moved up for few strong weeks and is not very effective at the start of a new strong move.

If it’s earnings season then it’s an absolute must that you know the date that your company reports its earnings. Many traders prefer to be out 100% before a company reports its earnings in case the company misses its earnings or guides lower. Others I know reduce positions substantially before earnings are released to lower risk. The choice is up to you. You can see an earnings calendar at http://www.chartpattern.com/stock_sources.html. Please verify this information by calling the company or visiting the company’s website which you should be able to find in any search engine.

*The market moves in waves that can last anywhere from weeks to months. Then a correction or setback starts, which can last anywhere from 5 to 8 weeks or even as long as 4 to 6 months. If you are starting and are a novice you may be lucky to join just as the market gets underway, in which case you will see the full power of charting. If however you start after the move has been going for sometime then things won’t look as good as traders are paring down positions. Or even worse the market could be selling down hard and working off the prior up move in which case you will be completely discouraged. The power of charts is through waiting for the correction to end whereby the chart patterns will then be fully developed. After weeks of base or pattern building, stocks will begin to lift off and that’s when the big rewards come in. The question is, are you willing to wait and be here for the start of the next big move? The biggest mistake a novice can make is to come back after a move has started.

I give setups of stocks that are ready to potentially move. That’s my job. Your job is to get to know the stock and its movement along with the general market each day. You are the only one that can do this in realtime during market hours. Then if a stock acts well (i.e. volume is very heavy and the stock is moving easily out of the base) then that is the one to buy. I do not buy most stocks that breakout as most do not meet my heavy volume/price action behavior during the day. Also, I buy only the most expensive stocks as the percent loss is least if the stock pattern fails. High priced stocks are the best quality stocks as a general rule in playing the market. Remember to buy as close to the trendline as possible and the volume should come in at least 10 to 20 minutes after you buy (or even earlier) and if not by then, you know no one wants the stock and might as well check out early.

Thanks, Dan
should work. That is followed by a detailed explanation of the rules, reliable testing of the strategy, and examples of real-world trades. Beginning traders can benefit from simply reading each section to learn how trading systems should be developed. The format used in the book is suitable for individuals and institutional traders to document their own ideas.

Connors also seems to believe that traders need to do their own testing. Just like in previous books, he explains the rules and presents test results, but does not go into detail on the risk side of the equation. While each strategy is worth considering based upon the win rate and potential profits, traders are going to want to consider the drawdown before actually trading the system.

This is one of the things I like best about Connors’ writing style. Everything is revealed and you can simply put the book down and immediately begin trading. However, by not addressing the risk, traders will be forced to program and test each strategy on their own. This may lead them to improve on the basic idea, and will definitely lead them to develop a sense of ownership and confidence in the system which is critical to trading the system in good times and bad.

An example of the systems includes a strategy called TPS, which stands for Time, Price, Scale-in. TPS identifies when an ETF reaches an overbought or oversold extreme and then averages into a trading position as the ETF becomes more overbought or more oversold. Connors writes that he originally presented the concept to a private research group his firm runs called Chairman’s Club, which consists of high-end professional traders including hedge fund traders and also successful individuals who manage their own money. This group has been reviewing TPS for more than a year, and Connors and Alvarez write, “…literally tens of thousands of variations of TPS have been published and presented to the Chairman’s Club members. To put this in perspective it would take thousands of pages (meaning an encyclopedia) for us to publish the complete TPS findings and the many ways to trade it.” In other words, they view this system as a starting point for their own research, something that is very important for any reader of this book to do as well.

The basic rules for a TPS long trade is to find an ETF that is in a long-term uptrend but is oversold when looking at short-term RSI. A small initial position is initiated when the trade is spotted and then added to on subsequent lower closes. The exit signal occurs when RSI reaches an overbought level. This is the core of the strategies in this book – find long-term trends and enter a trade on a short-term reversal.

Related to TPS, Connors and Alvarez write, “The results? On the majority of all equity ETFs traded (through the end of 2008) you’ll see results on the long side from as low as 80% correct all the way up to 95% correct. This includes country ETFs, sector ETFs and any type of non-leveraged, non-inverse equity ETF that has been created since the inception of trading for each through 2008. And this is on thousands and thousands of TPS set-ups. This is high probability trading at its best.”

The authors urge readers to use the book as a starting point to develop their own trading strategies. They demonstrate what is possible and save countless hours by providing the basic trading ideas. Anyone serious about short-term trading will greatly benefit from this book. Even those looking for a quick solution to develop a trading plan will benefit, but will most likely be inspired to dig deeper and become a better trader.

The book also has a companion web site, http://www.highprobabilityetftrading.com, where traders can learn more about the ideas.

Larry Connors is CEO & Co-Founder of TradingMarkets. Mr. Connors has over 28 years experience working in the financial markets industry. He started his career in 1982 at Merrill Lynch and later moved on to become a Vice President with Donaldson, Lufkin and Jenrette. Mr. Connors has authored top-selling books on market strategies and volatility trading, including How Markets Really Work, and Street Smarts (with Linda Raschke). Street Smarts was selected by Technical Analysis of Stocks and Commodities magazine as one of “The Classics” for trading books written in the past century. His latest book, Short Term Trading Strategies That Work, was released in November 2008 and is already in its second printing.

Cesar Alvarez is Director of Research for Connors Research LLC. Previously Mr. Alvarez was a senior designer of Excel, helping Microsoft further create and build-out Excel. For the past 8 years Cesar has been a professional market researcher. Mr. Alvarez has been at the forefront of stock market research, having developed a number of successful trading systems now used by numerous investors and fund managers in the United States and internationally. Cesar attended the University of California, Berkeley where he received his Bachelors of Science in Electrical Engineering and Computer Science in 1989 and his Masters of Science in Computer Science in 1990.

A sample of a growing list of fundamental and technical courses is shown below. The courses are associated with global destinations and dates, both for open and private client formats in 2008-9. They are produced by various knowledge vendors throughout the world (some listed below). Specific details can be provided by contacting them, or John Palicka (palicka@pipeline.com).

**Taught by John Palicka CFA CMT**
Letter from the Editor of the Journal of Technical Analysis

The MTA Journal of Technical Analysis Welcomes Robert R. Prechter, Jr., CMT and Sid Mokhtari, CMT

On behalf of the MTA Journal of Technical Analysis, we would like to announce changes in our manuscript review board.

What does the review board actually do for you? We are about to begin our process for the next Journal. The authors of papers are made anonymous and their papers are sent to two reviewers for their judgment if a paper has merit for publication. This is more than just a thumbs up or down decision that is made. Sometimes a paper is very close but needs an omission corrected, a concept clarified, formulas to be checked and results confirmed. As your editor I review these recommendations and communicate directly with the authors. While our reviewers have an important role to accept papers that reflect the highest standards within our industry, they also strive to further encourage and guide you with their detailed comments to further the development of your work.

After many years of service Ken Tower, CMT has stepped down to serve the MTA in other responsibilities that are very time demanding. Ken has always been very active and helped guide the Journal to the high standards we represent today. He was a valued reviewer because of his extensive experience and knowledge about chart analysis. I would also like to thank Philip McDonnell for his past contribution to help our Journal grow within the academic community and thereby helped us all.

Robert R. Prechter, Jr., CMT founder of Elliott Wave International in Gainesville, Georgia has graciously accepted the important role of Manuscript Reviewer for our Journal. He is highly respected and a tremendous addition to our review committee because of his field of expertise. The Journal represents all methods of technical analysis including market psychology, geometry, and the Elliott Wave Principle. These disciplines do not always fit easily into a paper directed toward statistical outcomes and I felt we needed a clear statement that these are important disciplines our Journal encourages you to further develop and research. Robert Prechter brings the highest standard to these disciplines and we will all gain from his comments to help us raise the bar of excellence.

Our Journal represents members around the world with the CMT certification experiencing a rapid growth in all countries. As your editor I felt our review board must include the interests of our Canadian neighbors. Saeid (Sid) Mokhtari, CMT with CIBC World Markets in Toronto has graciously accepted the position of Manuscript Reviewer. Sid Mokhtari is on the day-to-day frontlines tracking global markets. His institutional experiences and diverse technical methods are a great asset to our review process. His name was presented to me by several Canadian analysts and his work reflects the standards we strive to achieve.

Please join me in welcoming Robert R. Prechter, Jr., CMT and Sid Mokhtari, CMT to the Journal’s review board. They join reviewers Julie Dahlquist, Ph. D., CMT, Cynthia Kase, CMT, Michael Moody, CMT, Ronald Davis and our Associate Editor Michael Carr, CMT. Together, with your help, we will strive to grow the extensive and diverse knowledge base that has evolved over the past 100 years.

Connie Brown, CMT
Editor

An Interview with Jeremy Berkovits, CMT

by Yevgen Avramych

After speaking at the MTA Symposium in May, Jeremy Berkovits took a few moments to discuss the path he took to become a market technician. He also offered some career advice for aspiring CMTs, and shared his views on the financial markets in these volatile times.

Like many technicians, the path Jeremy took towards a career in finance is an unconventional one. He had absolutely no investment background and in fact studied political science and conflict resolution theory. After exploring the job market with various non-governmental organizations, he realized that prospects in this field of work were not very good. At that point Jeremy tried his luck at retail brokerage to pay the bills, expecting eventually to return to international relations. Jeremy found some success and was able to stick around for a long time in a job that had a very high turnover rate.

Recognizing that he could not rely on his firm for unbiased recommendations for his clients, Jeremy independently studied fundamental analysis. Until 1998, fundamental analysis seemed to work well for him. But the Asia Pacific crisis shook Jeremy’s belief in fundamentals as he saw many of his holdings depreciate significantly despite being fundamentally attractive companies. About this time, some of his colleagues pointed him towards John Murphy’s book which served at his introduction to technical analysis.

From that day on, Jeremy began to focus on studying TA. As he immersed himself deeper and deeper, he began to realize that this strategy was superior to fundamental analysis. After developing a good foundation in TA, Jeremy took the New York Institute of Finance Advanced Technical Analysis a class taught by Ron Daino of Salomon Smith Barney in 2001. Then, Jeremy started working for National Securities. He later left the firm to start his own research firm and was actually rehired by National Securities to launch their technical analysis department.

In his opinion, it is difficult to get established as a market technician and to practice it professionally. The biggest obstacle remains the fundamentally biased academic community, according to Jeremy. Although there are glimmers of hope that this might finally be changing, academia remains heavily skewed towards fundamental analysis.
Because TA is not a mainstream approach to financial market analysis it often gets ignored or dismissed as illegitimate by Wall Street professionals. However it is events such as the 1998 panic, the tech bubble in 2000, and most recently the 2007-2009 crash which show the superiority of technical analysis as an alpha generating and risk management strategy.

To those pursuing the CMT designation and wanting to get involved in TA professionally, Jeremy thinks the best thing to do is to network. The MTA as is a very good place to network with established TA professionals; it creates opportunities for its members through relationships that people can create during their involvement in MTA events.

He also thinks that is important to establish credibility by working on your own research, documenting and publishing your methods. Once your name is on a published document, people in the investment world will seek you out if they appreciate your work and this in turn will open a lot more doors for someone who is just starting out. Jeremy does acknowledge that this is a difficult job market but for a person who has shown the he or she can generate alpha and manage risk, there will always be opportunity.

As for Jeremy's opinion on the current state of the financial markets there is a rift between his short and long term views. In general, he is a top down analyst - he likes to figure out the long term picture before moving into the shorter time frames. Relative strength analysis is a very big part of the research he conducts but he also widely employs the use of trend lines, moving averages, MACD, and DeMark Indicators. Jeremy’s general view (in early June) is that we are currently in a short bull run within a massive secular bear market and we are a lot more likely to see a new low form before we see a new high in the S&P500. In the short term, there are a number of very bullish patterns emerging but the long term perspective is very negative, especially for equities. Jeremy is also very negative on the US Dollar citing the fact that a long-term structural support zone has been broken. The fallout from the declining value of the dollar, which is now being exacerbated by government policies, will eventually have devastating effects on our buying power and is truly a cause for concern.

Despite his gloomy outlook on the future, Jeremy believes that TA can be used effectively to manage risk and generate a profit under any market conditions. The beauty of TA is its simplicity. He points out that it can be applied over many different markets over various time frames. A three-minute chart can be looked at in the same way as a multiyear chart, and the same tradable patterns can be found in both. A commodity can be analyzed in the same manner as a stock or a currency. Risk can be managed within specific boundaries easily observable as support and resistance levels. All of these factors put together are what sets TA apart from fundamental analysis and gives the technical analyst the tools needed to succeed in the most difficult market conditions.

Jeremy Berkovits, CMT is an experienced market technician with diverse analytical skill set, specializing in intermarket analysis of global bond, commodity, currency and equity markets. Jeremy is the founder and head of the National Securities Technical Research Program. The NSC Technical Research Program publishes daily research to institutional and retail investors worldwide on Bloomberg, FactSet and Reuters. Their research is designed to deliver early discovery of asset classes and sectors likely to show extended periods of outperformance or risk. In 2007, their unique buy-side readership represented approximately 21,000 users from 1,500 financial institutions, located in 45 countries. Jeremy is a Chartered Market Technician and has been a member of the MTA since 2007.

Yevgen Avramych works in the investment services area of Prudential Financial in New Jersey. He is a 2008 graduate of Seton Hall University, with a degree in Finance and minor in Economics. Yevgen has passed the level 1 exam of the CMT program.

On Campus

by Kimberly Sokoloff, CMT

I recently had the pleasure of teaching two Series 7 classes with MTA Educational Foundation President Bruce Kamich, CMT, at the University of Delaware. We had 24 students in each of the classes, which were conducted this past May. The class was very well received by the students, and we also had the dean of the business school sit in on one of the classes.

When I contacted the business department in September 2008, they were very agreeable to having Bruce and I visit the campus to teach the Series 7 class. This may have been due to the fact that the exam now has a chapter dedicated to Technical Analysis.

Walking into the Alfred Lerner business school, then stepping into their Exelon trading simulation room was a trip in itself. It simply amazes me how much schools have advanced in terms of technology over the past twelve years, since I completed my undergraduate studies. Bloomberg terminals, streaming live quotes, real-time charts and much more - these students are lucky to have the same tools that Wall Street uses. Much of this was possible because of a joint effort between the University of Delaware and Exelon to fund the trading room. The result is a 2200 square foot trading facility with sixteen workstations, as well separate research rooms which have real-time feeds. We had several traders that work at Exelon sit in on the presentation as part of their association with the university, which was videotaped for later re-use.

Being an alumni of Delaware, it was even more memorable for me. Making the trip down memory lane was well worth the visit to see how much students love Technical Analysis and how they actually use it to trade their own accounts. Many students came over to Bruce and me to ask questions regarding the CMT program.

After our successful visit, we plan to make another trip back to Delaware in the fall. I highly recommend that you contact your old stomping grounds and see if they have any interest in a CMT teaching a class. It is very rewarding, and well worth the time and effort. It can even lead to additional opportunities to get involved with your school. Since my visit, I was contacted by the dean to participate in their executive mentor program.
MTA Financial Position

by Diana Perez

As the Controller of the MTA, I am pleased to announce the fiscal year ending June 30, 2009 financial results. Please note that at this point the financials are "unaudited". The audit is being conducted now by RSM McGladrey and we expect to be complete by the end of September, 2009.

For the fiscal year just ended (July 1, 2008-June 30th, 2009) the MTA recorded:

- Total Revenues of $1.7 Million
- An Operating Excess of revenues over expenses, of $152 thousand
- Net Assets as of June 30th, 2009 of $1.4 Million, the majority of which is cash and laddered certificates of deposit.

These results will be audited by our auditors, RSM McGladrey in the upcoming months. Once their review is complete, the audited Financial Report will be posted on-line.

For additional information about our fiscal year I can be reached at diana@mta.org or 646-652-3300.

CMT Program Update

by Jeanette Young, CFP, CMT

The CMT Test Development Committee and CMT Advisory Committee will be very busy during the next several months in a combined effort to continually enhance the CMT program. We are pleased to announce that the MTA Board of Directors has commissioned a Job Analysis facilitated by Prometric (an outside psychometric consultant) for the CMT 1 and CMT 2 exams. This analysis will seek to obtain current information about the tasks, tools, knowledge and skills required to perform the job of technical analysis. This is the first full update since implementing the original Job Analysis in 2004. Smaller Pulse Surveys were done in 2007. The objective of this initiative is to ensure that our curriculum and exams are up-to-date with current and new advances in technical analysis.

We will have our first task force meeting during the weekend of August 15-16 to kick-off this very important process. Almost all the members of the test development committee will attend this Prometric session in August. We have been writing questions, reviewing the CMT 1 and CMT 2 exams for the fall, and continue to prepare the CMT 3 exam for the fall.

As future enhancements are made to our “Gold Standard” CMT examination process we will keep you informed and encourage you to contact the CMT Program Director, Jeanette Young, CMT, at Jeanette@mta.org, with any questions or comments that you may have.

MTA Announcements

MTA Educational Web Series

Registration is now open for the following upcoming presentations of the FREE MTA Educational Web Series.

- **Sign Up Now** - Monday, August 10th, Joe Kinahan and Ryan Campbell, CMT will present "High Probability Option Trades with Reversal Patterns." Register for this webcast.

- **Sign Up Now** - Wednesday, August 26th, Michael Carr, CMT will present "Applying Academic Studies to Real World Trading." Register for this webcast.
**New Archive Available** - For those of you who were unable to attend Dennis Gartman's August 3rd presentation on Fundamentals and Technicals: Stealing from Both Schools, it has now been posted to the mta.org website. Please click here to view the recording.

View the entire schedule of upcoming webcasts...

**Knowledge Base - New Addition!**

Today, August 3rd, the MTA announces its first blog posting! In the inaugural edition of the MTA's Chart of the Week, Jeffery E. Lay, CMT, President of Talon Eight Global Wealth Management and MTA Board Member, reveals the leading and lagging disparities between the S&P 500 and the NASDAQ 100 indices. Click here to view this posting.

**MTA Chapters - New Chapter!**

As the number of MTA Chapters continue to grow, the MTA is pleased to announce that Ken Winans, CMT will be the Chapter Chair of the new MTA San Francisco Chapter. We would like to thank Ken, and supporting members, for all their efforts to expand the MTA in this important market. Information on the first MTA San Francisco Chapter meeting and a letter from the Chapter Chair will be made available shortly. Click here to view a letter from the new San Francisco Chapter Chair, Ken Winans, CMT.

**Long Range Planning Committee (LRPC) Announcement**

On September 26th, 2009, the MTA will hold its Long Range Planning Committee (LRPC) meeting. At this meeting the MTA Board of Directors and selected volunteers will gather to discuss the MTA future plans, goals and initiatives. We will include feedback that we have gathered through various membership surveys this past year. However, if you would like to make any comments to the Committee that you have not expressed in these surveys, feel free to e-mail LRPC@mta.org. To view a video announcement from the LRPC Chairman, and MTA Vice President, David Keller, CMT, please click here.