In This Issue

Letter from the Editor

This is the second issue where we provide a brief summary of a presentation available for viewing in the MTA video archives. Watching the speakers from years ago may seem like a nostalgic divergence from the current markets. Nothing could be further from the reality that these videos are an invaluable learning tool for novice and experienced technicians.

The MTA has always served more as a breeding ground of ideas instead of a ‘stock tout club.’ In conversations with early members of the MTA, that is frequently mentioned as one of their goals. They wanted to have meetings where the ideas discussed would withstand the test of time. They felt there were plenty of opportunities to gather and exchange tips. The MTA was designed to be different. The video archives meet this goal in a way that the founding members never dreamed of as a possibility.

Of course the technology that makes this possible was not known when the first meetings were held. At that time, New York City was the center of the organization, and the only place to have access to the expert presentations that have long been the standard of the New York meetings. I would guess the regional chapters and worldwide growth of the organization were never envisioned in their original discussions.

With the video archives, and other valuable services available through the MTA web site, you can benefit from membership without ever being in New York. We hope you find Technically Speaking to be one of the benefits of membership.

Sincerely,

Mike Carr, CMT

Selling Short: A Review

By Kim Husebye, CFA, CMT

The mechanics of selling short are not complicated: As with other financial assets, the aim is to buy low and sell high in order to capture a capital profit. The same is true with shorting, except that we enter the sell order first, and the buy order later at a (hopefully) lower price. Since we are selling something which we do not own, we must first borrow the shares from a broker.

Selling short should be contemplated only in a bearish market environment, since most stocks ultimately follow the market’s direction. If this requirement has been met, then we can begin to search for individual stocks which are poised to decline.

CHARACTERISTICS OF GOOD SHORT CANDIDATES:

1. High Liquidity: Look for stocks which trade at least 600,000 shares per day, but preferably over 1 million, so that entering or exiting positions is easy.

2. Large Market Capitalization: Stocks with a market cap of $5 billion or more will have greater liquidity. The large size also lessens, but does not eliminate, the probability of take-over risk or a “short squeeze”. A short squeeze occurs when a rally forces the majority of short-sellers to buy back their shares, which in
3. **Major Institutional Ownership:** Mutual funds, banks and other institutions can move stocks significantly, both up and down. Institutional ownership of at least 20% or more is ideal.

4. **Low Short Interest:** This refers to the number of days it would take to cover all the outstanding shares that are short at the stock’s average daily trading volume. If too many investors are short, then the risk of a short squeeze increases. Avoid stocks with a short interest greater than 3 or 4 days.

5. **Former Leaders:** Stocks that extended far to the upside in the prior bull run often will fall the greatest amount in a subsequent bear. Look for candidates above $50 to $60 a share or higher.

**USING CHART PATTERNS TO IDENTIFY SET-UPS:**

The best patterns typically involve some sort of high-volume breakdown from peak or near-peak prices. The common upward bounce in price which follows such a break often presents an ideal entry point. Three of the most successful reversal patterns will be considered.

1. **Head and Shoulders Top**

This pattern is characterized by three peaks on the chart, corresponding to the Left Shoulder, Head and Right Shoulder, in that order. The Left and Right shoulders are often similar in height, but the Head is higher. A trend-line joining the low points of the pattern is referred to as the Neckline.

As the peaks within the pattern are formed, volume often trails off as prices rise on the left side of each. Conversely, volume tends to pick up as prices come down on the right side of each peak. When prices ultimately break below the Neckline on the right side of the Right Shoulder, volume should pick up substantially.

Whereas the Neckline previously provided support for prices, it often will become overhead resistance after being broken. Therefore a good short entry point may be on a rally up to or near the underside of the Neckline. Added confidence is obtained if the rally volume is light and prices tag a minimum Fibonacci retracement.

![Chart showing Head and Shoulders pattern](source: Thomson Reuters)

The chart of Apple (AAPL) shows the Neckline in the area of 249.00. When that is finally broken, we can expect lower prices fairly quickly. A common method to project a price target is to take the distance from the Head to the Neckline and subtract that from the Neckline.

In the example above, a more conservative target of 211.44 is obtained by subtracting that distance from right side of the Neckline. Coincidentally that also corresponds to a major unfilled gap at 210.71 from March 4th.

2. **Trend-Line Break and Confirmation**

A properly drawn uptrend line should connect the lowest low to the highest minor low preceding the highest high.
for the time period under consideration. Three stages of trend-line breakage give us progressively greater indications that the trend has changed.

In the case of VMware (VMW) prices broke the trend-line on August 11th on much higher volume (Point 1). The selling continued the next day as a minor low was registered at 71.60. Two factors told us that a bounce could be imminent: First, the black candle on the day of the break shows a long wick at the bottom, indicating that institutional buyers were able to close the stock well off its lows. Second, the break on day two created an unfilled gap at 76.93.

As the stock rallies up towards Point 2, we should be on the lookout for any signs of failure, such as weak volume on the rise, high wave candles, or any short-term reversal patterns. If such a failure is detected then an order to sell short can be entered, as we are now in the zone of a probable change of trend. This becomes invalid if prices surpass the old high at 82.17 with conviction.

If prices break below 71.60 on increased volume (Point 3), then we have a confirmed change of trend and can sell short on any bounces with greater confidence.

As with similar patterns, the line of former support often becomes overhead resistance once it has been broken.

3. Diagonal Wedges

A wedge is a sloping pattern bounded by converging trend lines. The beauty of wedges is that once they finish, prices almost always retrace quickly to the start of the pattern. Downward sloping wedges usually precede a thrust to the upside and upward sloping wedges often precede a move down.

Baidu (BIDU) built a wedge on light volume from 65.90 to its top at 88.32 on August 10th. The following day it broke down through the bottom of the wedge at 86 as volume surged. Applying the common principle that support becomes resistance, an order to sell short could have been placed just below 86. That order would have been successfully filled four days later as BIDU rallied to 86.05 before failing.

Fibonacci retracements also can provide a useful guide for possible entry points. By retracing the initial decline from 88.32 to 80.10, we see that the expected target areas for a bounce range from 83.24 (38.2%) to 85.19 (61.8%).
A full retracement of the wedge should take prices back to the mid-60’s in the near term. After that, much further downside exists as the stock moves toward its unfilled gap in the mid-40’s.

A common wedge pattern in Elliott Wave analysis is an Ending Diagonal, which occupies the fifth and final wave position in impulsive structures, and occasionally appears in the final position of corrective patterns. But in all cases, it is found at the termination points of larger patterns, indicating exhaustion of the larger movement.

THE STOCK MARKET TODAY (written 8/24/2010):

The recent upward correction in the Dow Jones seems to have culminated in an Ending Diagonal on August 9th. The expected move down should quickly take prices to the start of the pattern near 9600. However this is only the initial phase of a decline which ultimately should carry prices far below recent lows.
The foregoing may assist in identifying short sale candidates and the timing of entry points, broadly answering the questions of "what" and "when" to short. Now we turn to the basic mechanics of "how" to short, using a discipline that endeavours to protect capital and maximize potential profits.

**A TRADING SYSTEM FOR SELLING SHORT:**

The following can be used as a guide in building a short position, setting stop levels and projecting targets in accordance with a risk : reward ratio of 1 : 3. A full position is assumed to be 1000 shares, but other sizes can be used by applying the 60% – 40% allocation to the number desired. By layering in it is possible to gradually increase leverage while reducing risk.

First Short Sale:  
Sell 600 shares at X  
Cover on a stop at $2 above short entry point or at (X + 2)  
If stop is triggered then:  
Loss = Cover Price – Short Sale Price  
= (X + 2) – X  
= $2.00 per share or $1200  
Else add to position as follows:

Second Short Sale:  
If price declines by $4 from initial entry point  
Sell 400 shares at (X – 4) for a total short position of 1000 shares  
Break even = (600X + 400(X – 4))/1000  
= (X – 1.6)  
Lower stop to $2 above latest short sale or at (X – 2)  
If stop is triggered then:  
Profit = Short Sale Price – Cover Price  
= (600X + 400(X – 4))/1000 – (X – 2)  
= $0.40 per share or $400  
Else if stock continues falling then:

Maximizing Profit:  
Follow the stock down with a stop about $2 above the market price – and remember to avoid round numbers. Once the cover price drops to (X – 5.2) the net profit reaches $3600, achieving the desired risk : reward ratio of 1 : 3. Thereafter the profit increases by $1000 per point decline in the share price. If at any time a sudden panic plunges the stock, cancel the stop and cover at market immediately.

References:
Using Bond Spreads to Trade Equities

By Kevin Berkowitz

With equity trading volume contracting last month in typical summer fashion, interpreting conviction behind movement in the indexes becomes more difficult. Indicators that can help provide confirmation of the markets direction are therefore more useful. One indicator that we find helpful for doing this is the relationship between investment grade and high yield corporate debt, measured using the ETF's LQD and HYG respectively.

Not surprisingly the direction of this ratio tends to move opposite to the S&P 500 Index, as times of uncertainty cause capital to favor higher rated issues resulting in outperformance by LQD relative to its riskier peer. Conveniently, trend changes in the ratio's level typically show up alongside trend changes for the major equity indexes. In certain instances they will even lead the equity markets slightly, adding to their usefulness.

The chart below shows a daily history of LQD versus HYG going back to April of 2007 (the inception date for HYG). A 20-period ROC is plotted below the price and does a good job of leading short term (3-4 week) trend changes. Equally interesting is the timing of the ensuing trend line breakouts for the level of the ratio itself. Two dates of particular interest are noted on the chart. The date on the left is immediately recognizable for its proximity to the 2007 high. Here an improvement in the relative strength of LQD occurred less than a week after the intraday high of 2007, serving as a warning that equities were not as strong as their absolute price levels would suggest.

More recently the level of the ratio pushed above another trend line which was acting as resistance dating back to early in 2009. This trend line was interacted with numerous times, and the breakout signaled an end to the yearlong preference for high yield over investment grade. The date of its occurrence was just two weeks after a peak in the equity indexes, and only days before the May 6th flash crash.
Focusing on the action since the most recent breakout we are seeing signs that staying cautious on equities remains the most prudent course of action.

Since May, prices have been hovering near the upper end of a flag pattern formed after the initial surge higher. If this resolves to the upside a logical level for the ratio to gravitate to would be the 1.34 area, representing a measured move of the distance off the low heading into the flag. The 1.34 level also lines up with 35% retracement of the larger move down from the March 2009 highs.

Another aspect of this ratio suggesting a similar outcome is a cycle which lines up with major lows in the ROC, and lasts around 112 days. Iterations of this cycle have translated to the left dating back to March 2009. The most recent one is a deviation from this pattern, being the first to translate to the right in some time. Its low point occurred at the beginning of August, and if the level of the ratio follows this form, the next peak would be expected around the end of September, signaling an aversion towards equities until that time. Finally, checking a measure of longer term momentum, in this case a weekly MACD, shows both the MACD and Signal Lines recently crossed above the zero line, after forming what resembles a saucer like base.

While we are not suggesting that decisions should be made solely on the indications highlighted here, they do shed light on what is possible for equities heading into September as we wait for other confirming signals such as volume to return to the market.

Kevin Berkowitz is an Equities Trader at Momentum Trading Partners LLC in New York. In addition to trading customer orders he provides technical analysis of the markets to the firm's sales team and clientele. Prior to joining Momentum, Kevin worked on the NYSE trading floor for six years. His interest in technicals began with the study of momentum oscillators as a means of interpreting short term price swings. Kevin graduated Pace University Cum Laude with a BBA in Finance.

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This report is derived from technical analysis information and models that are free of subjective inputs. It objectively analyzes historical industry price relationship comparisons. Its purpose is to identify highly correlated and / or de-correlated relationships, anomalies and aberrations. Inputs cannot be changed to obtain desired results. Any references to individual securities are by way of example only and are not to be construed as a recommendation, solicitation or offer or to buy or sell any securities.

Due to the nature of technical analysis, the content discussed in this report may not be continuously followed. Accordingly, anyone reading this report must regard this report as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or securities.
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. 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).

**FUSION ANALYSIS**

This is a professional approach that blends fundamental, technical, behavioral and quant strategies. The approach attempts to exploit profitable opportunities in market investing by both investors and traders. Whilst the course focuses on US equities, other asset classes, such as, fixed income, commodities, FX, real estate, and GCC stocks will also be analyzed. Given the plethora of strategies, the workshop will help create focused approaches to meet specific investment objectives. Fusion Analysis can create: “The better approach to investing”

**EQUITY PORTFOLIO MANAGER**

Serious managers will utilize this course to analyze leading Wall Street valuation models and investment strategies for equities using fundamental, behavioral/technical and quant approaches, and then study how these are modified by the best performing equity portfolio managers to produce risk-adjusted excess returns. Also reviewed are: accounting and cash flow tricks that are sidestepped by professional investors, but punish many investors; various trading strategies, incorporating algorithms, hyper-trading, dark pools, and derivatives; new reporting requirements for regulatory considerations, consultants and clients as well as fund marketing techniques; and career advice to get the big bonus checks. An interactive investment workshop reinforces these skills when participants get to select stocks, choose a performance measurement method and then determine a marketing style and vehicle to create an investment approach producing excess returns. Case studies examining the investment approaches of leading versus average performing portfolio managers are also included. This intensive course goes beyond basics into the sophisticated and subtle strategies that can help achieve: “Top Quartile Manager”

**INVESTMENT FUND SELECTION**

This is a must attend course for all professionals involved in the selection and management of third-party investment managers. Investment Fund Selection offers an insiders perspective into the various challenges in determining the most appropriate fund structure, managerial style and fund value-added performance of third-party investment managers in order to achieve individual investment objectives. Portfolio theory considerations and statistical issues are discussed with behavioral considerations.

Reviewing different fund structures, such as mutual funds, private equity and hedge funds, participants explore regulatory, audit, established and recent portfolio performance measures and, learn about subtle tricks that some funds can use to “dress up” performance records and charge unwarranted fees.

An optional and practical one-day investment fund selection workshop will also include various fund case studies and exercises to reinforce the definitive selection techniques learnt. Participants get to perform an investment fund selection role-play in order to evaluate and screen funds for specific investment criteria and answer the question: “Is my fund manager giving me my money’s worth?”

**TECHNICAL ANALYSIS CMT 1**

A must attend 4-day course for investment professionals wishing to gain the CMT Level I professional
qualification in Technical Analysis from the Market Technicians Association (MTA). Using real-life charts, participants learn traditional technical tools of charting and many specialized topics. Whilst the course focuses on US equities, other markets including GCC stocks, commodities, and real estate will also be explored. An optional 1-day session entirely dedicated to exploring trading opportunities for US and GCC equities, FX, commodities and bonds using technical analysis. Prior workshops correctly called turns in the US market, collapse of real estate, and the decline of the Saudi market by blending technical indicators. This course should help answer the question: “Buy or Sell and When”

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 supplanted 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 the mathematical challenges of creating algos and, utilizing 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 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.

STRATEGIC GOLD INVESTING

Gold has been one of the very few assets to have created wealth in the past several years. Gold offers investment opportunities for investors, traders, and financial engineers. Erroneously, some feel that one must only speculate on rising or falling gold prices to make money. In fact, there are strategies other than pure directional ones that may also offer investment opportunities. Preconceived notions on gold may soon be giving in to today’s global economic challenges. This course is for believers and non-believers in gold. Gold offers hedges against both inflation and fear. Portfolio strategies can also benefit from owning gold. Bull and bear traders can profit by using unique strategies to capitalize from gold’s fluctuations. These strategies include the use of complex technical analysis, behavioral, economic, and algo models. Financial engineers may also be interested in replicating or enhancing traditional investment strategies with gold. This course should help answer: “Is gold the future global currency or the future paperweight”.

GLOBAL SMALL CAP INVESTING

Global small cap stocks offer investors the ability to participate in the world’s future big winners. Certain trends have made this exciting area more attractive. These trends include more common product standards and consumer expectations, as well as freer capital and financial information flows. It is more likely that innovations will be produced globally rather than in traditional countries. Despite the attractive nature of this investment universe, it holds many traps and challenges for the stock analyst and portfolio manager. Therefore, the typical global small-cap manager has not produced an alpha. This course also explores alternatives in venture, emerging, frontier, BRIC, and financially engineered companies. This course covers fundamental, technical, behavioral and quant approaches to investing in global small-cap stocks. Global small-cap investing will help answer: “Now why didn’t I invest in that company?”

Instructor John Palicka CFA CMT is a top-ranked portfolio manager of Global Emerging Growth Capital (WWW.GLGEGC.COM) with over 30 years experience of managing $ billions. He has doubled client money, on average, every 4 1/2 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 GCC locations, please call Esam Hassanyeh + 9714 391 0234 or visit his website: www.enhance.ae. * Past performance is no guarantee of future results.

Q&A: Technically Speaking Interviews Véronique Lashinski, CMT

Edited by Amber Hestla
How would you describe your job?
I am a technical analyst. I work for Newedge, a leading Futures Commission Merchant. I cover a broad range of futures markets. My reports are meant to help market the firm’s services and generate ideas for brokers and their clients. I used to be a commodities broker, and my work has evolved from the quick-end-of-day reports I used to write for my clients in the 1990’s.

What led you to look at futures markets instead of stocks or another tradable?
Pure luck. I was a Marketing and Communications consultant in France and was looking for a change. I went to London in 1993 as the “City” was experiencing a boom. The energy desk at ED&F Man was looking for a beginner in the field who was fluent in French and German.

Do you look at any fundamental or economic inputs to develop your opinions?
Sure. First, being in a trading room gives me a good feeling for what is going on in financial markets each day. This often has an influence on commodities, especially energy markets. In WTI (West Texas intermediate crude oil), sentiment regarding the economy is very important right now.

Separately, I like the financial news channels in trading rooms nowadays. I find that they are a great indicator of the mood. When a commodity makes the headline, or better still, when they replace the Dow as default price in the corner by WTI or Gold, that tells me it’s time to look for a top in the weeks ahead.

Finally, I like to be aware of the major fundamentals, such as a serious problem with a crop and of the season. For example, the growing season or the harvest for a given crop, or the US winter or driving season for energy markets.

You’re a practitioner of the Ichimoku technique, also known as cloud charting. Can you describe this tool?
I will quote my research paper here, with a few changes:

A newspaper writer, Goichi Hosoda, invented the cloud charts, or Ichimoku Kinko Hyo charts, in Japan before World War II. The method is built from a 6-day working week, which was the case in Japan at the time.

The various lines are built from the middle of the range over different periods, with some of the lines projected forward. One line is made using the close, projected in the past.

As the cloud is plotted forward, it provides a unique, visual idea of support and resistance in the future, not available in other techniques.

Tenkan-Sen/Turning line: (Highest high + lowest low)/2, which is the middle of the range, for the past nine trading days.
Kijun-Sen/Base line: (Highest high + lowest low)/2, once again the middle of the range, but for the past 26 trading days.
Chikou Span/Lagging Span: Today’s close, plotted 26 trading days behind.

The position of the Chikou Span relative to prices and to the cloud gives an idea of market strength.

In other terms, prices 26 days ago are relevant, and represent current support/resistance.

Now, the two cloud lines:

Senkou Span A: (Tenkan-Sen + Kijun-Sen)/2, plotted 26 trading days ahead.
Senkou Span B: (Highest high + lowest low)/2, for the past 52 trading days, plotted 26 days ahead.

The area between Senkou Span A and Senkou Span B is typically shaded and represents “the cloud”. It represents key support (if the cloud sits below prices) or resistance (if the cloud sits above prices). Whether the cloud is rising or declining, and thinning or widening is also part of the analysis.

For example, if prices are on a collision course with the cloud, and the cloud is very thin, it will be easier for prices to continue through it. A wider cloud is stronger support (or resistance).

Cloud charting is not very well known or widely practiced. How did you first learn about it?
I attended an IFTA conference in London in 2002 and had the pleasure of meeting Nicole Elliott there. She gave a presentation about the method and how she used it to select options strikes. At that time, there was very little information in English available about clouds. I spent a lot of time experimenting on my own with the cloud formulas. I did some backtesting on periods and on crossovers for example. My 2008 research paper and the oscillators I mentioned in my seminars were just part of that process.

Do you use other techniques along with the clouds?
Yes. In particular, I like to combine it with an ADX. I just about always use it in addition to classical techniques, hardly ever in isolation. I am very happy to see that the Ichimoku method has gained in popularity. Now I include cloud charts regularly in my reports.

You’re a futures analyst, does the strategy work well in all markets?
I have changed my default period setting years ago. I explain this more in detail in the research paper that was published in the 2008 MTA Journal. Even though the “true” practitioners of the method call it a heresy, I find that
it works well for me in commodities.

**Would the technique work well with equities?**
I don’t see why not. I know it is very popular in the currency markets, and it is gaining popularity in financial futures and in commodities. In my MTA webcast earlier in 2010, I show examples of oscillators that can be drawn from some of the ideas in the cloud charts. Those are ideas to experiment with for those who prefer to look at the information as oscillators. As more traders experiment with the cloud charts, and test various assumptions, they will find a tool to call their own.

**Can you share any longer-term market opinions?**
At time of writing, early August 2010:

- Crude Oil has been looking heavy for a while, and has been dragging its feet on the way up. I would not be surprised to see a corrective decline later this year.
- I think CBOT Wheat is starting a major rally.

**What advice would you have for someone starting in the business today?**
Any person with a quote vending system can hit a button and get a RSI and find 3 points to draw a trendline, but the depth of the work will make the difference.

Thank you, Veronique.

Véronique Lashinski, CMT is a Vice President and Senior Research Analyst with Newedge USA, LLC. She is responsible for producing research on a broad range of markets and has over 15 years experience in derivatives. She was a speaker at various industry conferences around the world, as well as at the Massachusetts Institute of Technology (MIT), the Market Technicians Association and Bloomberg.

Her research paper on Japanese Clouds was published in the Market Technicians Association Journal of Technical Analysis in 2008. Her publications also include contributions to the magazine “The Technical Analyst” and a chapter in the books “Technical Analysis of the FX markets” and “Technical Analysis of the Commodities markets”.

Ms. Lashinski is a Director of the International Federation of Technical Analysts, a former Officer of the American Association of Professional Technical Analysts, and a member of the Market Technicians’ Association. She holds a Masters of Science degree in Management from Ecole de Management de Lyon, France and is a Chartered Market Technician.
This is a brand new membership service that is in direct response to your requests. It is limited in its initial resources, but will be added to continuously by experience professional Technical Analysts as well as Human Resource Professionals. Go to the MTA website, click on the MTA Career Development Center, and tell us what you think. Do you have ideas for the site; would you like to volunteer for the CDC committee, write articles, provide an interview for a podcast?

Please contact the MTA to learn more about working with this committee, or to learn more about the other volunteer opportunities available with the MTA.

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Take a Technician or Trader to Lunch

By the MTA Educational Foundation

The MTA Educational Foundation is reprising its popular ‘Take a Technician or Trader to Lunch’ fundraiser. Just like last year, dozens of technicians, traders and even economists are making themselves available to help advance the mission of the MTAEF to further the acceptance of technical analysis in the academic community.

To participate, you simply bid on EBay. The high bid wins the chance to sit and learn from industry leaders over a relaxed lunch. Winning bidders coordinate the time and location directly with the winner. Among the success stories from last year, John Bollinger reported that he was inspired to create new indicators after lunch last year.

A year ago, winning bids ranged from $200 to $7,000. Many lunches were $200 to $300, especially affordable for a good cause and possible tax deduction.

This year’s auctions include analysts from around the world:

- Ralph Acampora (NY)
- Guy Adami (NY/Chicago)
- Robert Barbera (NY)
- Rick Bensignor (NY)
- John Bollinger (LA)
- Peter Eliades (LA)
- Richard Edwards (UK)
- Phil Erlanger (Boston)
- Robin Griffiths (UK)
- Steven Hochberg (Atlanta)
- David Keller (Boston)
- Ron Meisels (Montreal)
- John Mendelson (NY)
- Martin Pring (Sarasota)
- John Roque (NY)
- Phil Roth (NY)
- Katie Stockton (CT or NY)
- Jason Trennert (NY)

Bidding starts on Monday October 4 and will run for ten days. Now is the time to develop your trade plan. For more info, check www.mtaeducationalfoundation.org frequently.

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The Long Term Treasury Mania

By Jeb Handwerger

Since April 2010 and the emergence of the European Debt crisis, treasuries have been in a strong uptrend as investors are seeking protection from risky investments. It appears we are in a deflationary crisis, similar to 2008 when treasuries soared higher before the massive government stimulus. Now, in August 2010, for the first time since the 2009 lows, the markets are under pressure with a major run out of equities and toward treasuries. A question many ask is whether this rise in treasuries is sustainable. My conclusion is that the treasury markets are unable to sustain a parabolic rise. When a technician sees a run in 2 to 3 weeks with several upward gaps, it should send warning signs of a potential bubble top. A study of the previous top in treasuries in 2008 shows a
parabolic move upwards, but only four months after this run all gains were wiped out. Many investors chasing the climax would have lost 26% in a supposedly safe asset. Studying technicals, one can obviously see there is no safe market or investment without a disciplined trading strategy. At the previous top, investors were putting money into treasuries for no return or at certain points a negative return, where you pay the Fed to hold your money. There is no sound basis as an investment for the U.S. to keep your money for negative interest. It is a parabolic rise based on fear.

Fundamentally, we are seeing less demand from China for U.S. debt. They are decreasing their holdings in U.S. treasuries by a record amount. Nevertheless, the recent parabolic rise in treasuries is quite opportune for the Unites States as it is financing its staggering debt level by offering its obligations to other countries. Price shows demand is from investors who are fleeing equities in favor of long term treasuries and gold. This move has historically been hysterical, and coincides with other “fear” indicators spiking such as the VIX and the Put Call Ratio did in 2008. This time in 2010, the panic has not set in yet. We may continue to see that increasing as long term treasuries reach their 2008 high at 142.50 (Figure 1).

FIGURE 1 COURTESY OF STOCKCHARTS.COM

One must learn from history, which often repeats itself, although not always perfectly. Although 142.50 may be a point of reversal, the mania may continue and bring treasuries to new highs and extreme overbought conditions. Most often, steep rises end in devastating reactions.

Long Term U.S. Debt appears to be making a 2 year “M” formation (Figure 2). Potential double tops should be monitored as an area of resistance. The previous high will also be an area where investors feel more comfortable taking risk and could precede a potential bottom in the equities market.
Figure 2 shows the long term treasury ETF compared to ETFs that track gold, the U.S. dollar, and the Euro ETF. The Euro vs. dollar negative divergence is pronounced as trend reversals appear at the exact same time. The Euro vs. dollar negative divergence is pronounced as trend reversals appear at the exact same time. The European Debt issues that came into the picture in December of 2009 proved to be an intermediate low for the dollar. This started a six month uptrend as investors were exiting the Euro - a generally more risky currency - to enter treasuries and the dollar. Nevertheless, through all these global crises gold has remained largely immune in a gradual primary uptrend. Gold does not appear to be making any form of a parabolic rise and has continued to find support at the long term trend. If you are asked to identify a bubble in a chart and have the treasuries and the gold charts in front of you, it would be evident that treasuries are experiencing a buying hysteria while gold is in a steady and gradual uptrend.

Investors are aware of the U.S. debt situation and the outcome of the record spending of the last decade. Unemployment is still high and the real estate market is dealing with record high inventories. The recent sovereign debt issues are seeing governmental and economic collapse, yet long term U.S. debt is still receiving a lot of attention as a safe haven. No one is certain how long this will continue, but I am concerned about the aftermath of a treasuries asset bubble burst.

Meanwhile, gold, as shown in Figure 2, maintains its long term trend. Despite the debate on whether we will be experiencing inflation versus deflation, gold has withstood the recent equity breakdown. This relative strength of gold should be monitored in the face of a deteriorating equity market and sharply rising bond market. Gold, on the other hand, has shown great relative strength despite the general market correction and negative sentiment about the economy. Gold is close to breaking into all time highs. It has not shown any signs of bubble-like mania despite some concerns. When I start seeing climax tops or gaps on gaps, then I will consider gold to have reached a pinnacle. Those indications are not there as gold has had a secular bull market with healthy corrections during one of the greatest financial turmoil in U.S. history.

Jeb has been an independent market technician and trader for the past 20 years. Since 2001, he has been using technical analysis to identify trends and breakouts in the junior mining sector. Jeb earned his Bachelors degree in Mathematics from University at Buffalo and a Masters Degree from Nova Southeastern University. He has taught courses in technical analysis for Broward County Adult Education Division. Currently Jeb’s newsletter is syndicated on major financial websites such as Kitco, Safehaven, Minyanville and Seeking Alpha focusing on currencies, fixed income and precious metals. Jeb’s daily bulletin is read by over 2,700 investors in over 40 countries. To read Jeb’s writing or to subscribe to his daily bulletin visit his blog at http://goldstocktrades.com.
By Mike Carr, CMT

On April 9, 2007, James Turk spoke at the New York Region Meeting. The video of his talk is available by clicking here.

Turk presents his view on how the gold market looked at that time, and admittedly it would seem to be dated information. But, as in many of these archived video presentations, the speaker offers valuable insights into their thought process. The value of this presentation is not in knowing whether you should buy or sell gold in the spring of 2007, but the chance to see the way the opinion is formed is well worth the time.

A technician since his college days, Turk combines technical analysis with fundamental analysis in his work. He read William Jiler’s classic book, How Charts Can Help You in the Stock Market, and has seen the value of technical analysis ever since.

The first lesson he learned is to believe the market. The most important application of technical analysis in his opinion is to identify the trend. Most of his work is moving average based. Even his fundamental analysis employs charts. As an example, a chart of the M3 growth rate offers a backdrop to his analysis. Unfortunately, M3 is no longer reported by the Fed, but other money supply data is widely available and can offer similar insights. Like many analysts, Turk regrets the Fed’s decision to stop providing the M3 data and feels that valuable information was lost when that decision was made.

Like any other good, money has a supply and demand curve. The supply can be determined to at least some degree by using Fed data. Like with any other good, the demand is largely unknown with any degree of precision. The value of the dollar compared to other currencies offers insight into what the demand is. Declining demand is reflected in exchange rates. At that time, he noted a shift was visible in some cases where investors were looking to commodities as a store of value. His long term view was bearish on the U.S. dollar.

The concern about the value of the dollar and other paper currencies can be bullish for other assets. In particular, precious metals offer a perceived safe haven in this environment. Turk presents a variety of long-term charts and adds an interesting historical perspective to the analysis of several economic indicators and tradables. Looking at oil since the 1940s offers new insights into the trend in this market. The Dow priced in gold back to 1913 is also an interesting chart, showing a cyclical nature that offers timing opportunities.

Far from being dated, Turk’s long-term approach to analysis is as timely today as it was when he made his presentation. His ideas are actually still tradable, three years later, and worth studying by any technician but especially those wanting to understand the gold market.

James Turk has specialized in international banking, finance and investments since graduating in 1969 from George Washington University with a B.A. degree in International Economics. His business career began at The Chase Manhattan Bank (now JP Morgan Chase Bank), which included assignments in Thailand, the Philippines and Hong Kong. He subsequently joined the investment and trading company of a prominent precious metals trader based in Greenwich, Connecticut. He moved to the United Arab Emirates in December 1983 to be appointed Manager of the Commodity Department of the Abu Dhabi Investment Authority, a position he held until resigning in 1987.

Since 1987 James Turk has written The Freemarket Gold & Money Report, an investment newsletter that publishes twenty issues annually. He is the author of two books and several monographs and articles on money and banking. He is the co-author of The Coming Collapse of the Dollar (Doubleday, December 2004), which has been updated for a newly released paperback version, now entitled The Collapse of the Dollar.

He is the Founder and Chairman of GoldMoney (http://goldmoney.com/) and you can learn more about his work at Free Gold Money report (http://www.fgmr.com/index.html).

MTA Announcements

Career Development Center - New Additions!

The MTA would like to announce that the following resources have been added to the Career Development Center.

- Linkages to Other Industry Related Job Boards
- "Preparing for a Behavioral Interview" by MRI Network
- "Twelve Steps to a Smooth Resignation" by MRI Network
To visit the Career Development Center, please click here!

**Career Development Bookshelf**

The MTA has opened a new portion of our library, dedicated specifically to career development books. In this section, we will suggest various additional reading materials, each of which are available through the MTA Library free of charge. This week we have added the following books:

- "Gallery of Best Cover Letters: A Collection of Quality Cover Letters by Professional Writers" by David Noble

Visit the Career Development Center for a listing of the newly added books. If you have any suggestions of books that should be included in the Bookshelf, please contact Tim Licitra.

**Career Development Podcasts**

The MTA is pleased to announce that we will be adding podcast interviews to the Career Development Center! Please keep a look out for these interviews which will be coming soon!

**Call for Submissions**

The MTA is interested in starting a new section in the Career Development Center that is focused around past employment experiences. This new section, Success Stories, will feature personal testimonials and unique stories from our membership about what worked for them in the job search process. If you are interested in submitting a Success Story please email tim@mta.org.

**MTA Regional Seminars - Don't Miss Out On A Meeting Near You!**

The MTA is pleased to announce that the inaugural chapter meetings, held in London and Amsterdam two weeks ago, were both great successes! Registration is still open for the following events.

- **US West Coast Regional Seminar** (San Francisco, CA) On Saturday, September 18th, the MTA will be holding the MTA West Coast Regional Seminar at the Parc 55 Hotel in San Francisco, California. For those attendees that will be in the area the day prior to the seminar (Friday, September 17th), you will have the opportunity to take a tour of the old San Francisco Mint, with a cocktail networking event to follow.

- **US Mid-West Regional Seminar** (Columbus, OH) On Friday, October 1st, the MTA will be holding the MTA Midwest Regional Seminar at Ohio Dominican University in Columbus, Ohio. A cocktail networking event will follow this seminar at a local Columbus bar/restaurant.

These additional regional seminars will, of course, be free for all MTA Members and Affiliates. Sign up early! For more information on these FREE events, including agendas, speakers, and registration instructions, please click here.

Within the next two weeks, the MTA will announce additional regional seminars to be held in both US and non-US markets over the next few months!

**MTA Knowledge Base Blogs - New Blogs and Resources!**

The MTA would like to announce that the following blogs and resources have been added to the MTA Knowledge Base.

**New Blogs**

- "Waves & Pivots" - Fibonacci and Price Memory by David Waggoner, CMT (08/31/2010)
- "Chart of the Week" - 08/30/2010 by Jeffery E. Lay, CMT
- "Technical Observations" - TECH stocks showing weakness by Tanmay Purohit (08/28/2010)
- "Chart in Focus" - 60-year Cycle In Interest Rates by Tom McClellan (08/27/2010)
- "Sentiment, Market Psychology & Tape Reading" - Objective Technical Analysis? by Craig Fullen, CMT (08/26/2010)

**Recently Added Resources**

- Can Price Patterns Be Objective Tools? (Article) (Knowledge Base ID: 3.1.27)
The MTA is always looking for volunteers to help populate the Knowledge Base with technical analysis information. If you are interested in volunteering, please email Tim Licitra at tim@mta.org.

CMT Institute (CMT®) - Classes Start In Three Weeks!

Sign up today to start viewing these archives and begin your study process now! We are pleased to announce the opening of the Fall 2010 session of the CMT®, to help you prepare and do your best for your respective exams. As we have done in previous administrations, upon registering for the CMT®, you are given instant access to recent, relevant, archived presentations. To register for one of the CMT® courses, please click here, or call Cassandra Townes at 646-652-3300.

MTA Library - New Additions!

The MTA would like to announce the following library additions of:

- "Aiki Trading: Trading in Harmony with the Markets" by Jeffery Tie
- "Trading Pairs" by Mark Whistler

If you have any suggestions of books that should be included in the Library, please contact Cassandra Townes.