REGISTRATION FOR THE OCTOBER 2012 CMT EXAM ADMINISTRATION IS NOW OPEN!
LETTER FROM THE EDITOR

In this month’s issue, we provide summaries of several additional presentations that were made at the Market Technicians Association Annual Symposium in April. We included several summaries in last month’s issue. Speakers included some of the best minds in the technical analysis community and the presentations are filled with actionable ideas.

The presentations we’ve summarized over the past two months along with several additional presentations can be viewed online at http://go.mta.org/505.

We are always appreciative of your feedback and look forward to hearing your thoughts on Technically Speaking. You can email us at editor@mta.org.

Michael Carr
TREND FOLLOWING: TRADING FOR EXCEPTIONAL RETURNS
SUMMARIZED BY MIKE CARR, CMT

This is a summary of Michael Covel’s keynote presentation made at the 2012 Annual Symposium on April 19th - 20th, 2012 in New York City.

In a nutshell, Michael Covel set out to show that “Surprise events, uncertainty, chaos, and even primal fear might not appear to be the states needed for market success, but they are. Great investing, great trading, great trend following embraces the shock and so should you.”

Michael began his presentation by pointing out that trend following is one component of technical analysis. While there might be many who want to deny that technical analysis works, there is really no denying that trend following and other tools of technical analysis do work based on the data. A long-term chart of almost any major stock market index from around the world, like the Nikkei or the S&P 500, will show that buy-and-hold strategies don’t always work. Many savers have learned that significant interest payments from the bank on savings deposits can no longer be counted on. Despite these realities, many people still want to believe that those old investment ideas work. However, volatility is the reality and trading strategies must be employed for success. Money in the stock market or a savings account is at risk. Technical analysts understand risk and use strategies like trend following to manage risk and avoid the problems that buy-and-hold investors have encountered.

An important influence on Michael’s career was a meeting with a recently retired CEO of Solomon Brothers, Jim Massey, who agreed to meet with him. Massey told him the important thing to remember is that you don’t necessarily need to be the best, you just need to win. This was what Michael called an “A-Ha moment” in that it got him thinking about was required for success.

About a month later, he saw a magazine that identified the top 100 highest paid Wall Streeters for 1993, and one of the highest paid was a turtle trader named Jerry Parker who made $37 million after being trained by Richard Dennis. This served as the inspiration to study trend following and he set out to obtain a meeting with Parker. It took about 18 months to get the meeting. His real-world results showed Michael that trend following could be the key to success. From there he found other trend followers and studied their work. The results of trend following, in his opinion, should inspire anyone to want to learn more about technical analysis.

Trend following can be simple. Michael learned in a visit to his office that Bill Dunn, a very successful manager with decades of success, relied on simple technology. While some technical traders need multiple monitors and incredible complexity, Michael discovered that many of the most successful trend followers will have a simple system. Their goal is to keep losses small and profit from big winners and that does not require a great deal of technology. Trend followers can’t predict which trades will be the big winners so they must take all of their signals and usually apply their
strategies over many markets. That is what Bill Dunn has done, and his record shows this idea works. From 1984 through 2011, $1,000 invested with Dunn Capital would have grown to $40,218 compared with a return of only $7,889 in the S&P 500, according to data at TrendFollowing.com. However, it was not easy to endure the draw downs that accompanied those returns.

Trend following works best at those times when markets are volatile. While the fundamentalists and many technical traders had difficulty in 2008, trend following worked well for many traders.

August 1998 also presented an excellent example of how volatility can benefit trend followers. Michael pointed out that the markets at that time sometimes boiled down to a group of Nobel Prize winning Ph.Ds. at Long-Term Capital Management against the trend followers. He noted that there was almost a one-to-one wealth transfer from LTCM to trend followers in some markets. The trend followers had no way of knowing who was on the other side of their trades, and they had no reason to care. They simply knew that their systems had them positioned to take advantage of the trends created at that time.

The difficulty with sticking with trend following is often the draw downs. The volatility that delivers the big gains can also result in periods of large losses, as can be seen in the chart of Dunn’s performance. Sticking with the system is the key to long-term success and trend followers find they can do this if they control their losses rather than trying to control the winners. There is no way to know how much you can win on a single trade but by managing losses with rules it is possible to control those losses. Draw downs will still be steep but they will be controlled and the data shows that the long-term results will be profitable.
Right now, in Michael’s opinion, one of the most successful trend followers may be David Harding of Winton Capital. In another “A-Ha moment,” Covel heard Harding say that he wanted to be like Madonna and he just wanted to survive by adapting to the current trends. That is why Michael is a trend follower because trend followers can survive over the long-term.

He also pointed out that trading systems come down to five questions:

1. How does the system determine what markets to buy or sell at any time?
2. How does the system determine how much of a market to buy or sell at any time?
3. How does the system determine when to buy or sell a market?
4. How does the system determine when you get out of a losing position?
5. How does the system determine when you get out of a winning position?

Even if you are not a trend follower, these five questions could help any trader frame their strategy in a way that clients can understand.

Michael W. Covel is the author of *Trend Commandments* (FT Press; Jul, 11) and *The Little Book of Trading* (Wiley; Aug, 11). Mr. Covel’s past bestsellers include *Trend Following* (FT Press; 09, 07, 05, 04) and *The Complete TurtleTrader* (HarperCollins; 09, 07). His trend following books have been translated into 10+ languages. Mr. Covel also directed the documentary film *Broke: The New American Dream* (Nature Nurture Productions LLC; 09). He has presented live to audiences in Chicago, Dallas, Hong Kong, Las Vegas, Macau, Miami, Paris, São Paulo, Tokyo and Vienna. Mr. Covel’s research firm (www.trendfollowing.com) has been training trend following traders since 1996 in more than 70 countries. His original website was TurtleTrader®, which has drawn millions of visitors. Mr. Covel holds a B.A. in politics and government from George Mason University and an MBA from The Florida State University.

### Membership Renewal

The MTA is only as strong as its members! July is an important month as many of you will be renewing your membership. We appreciate all of the positive feedback in the recent membership survey. We are glad to hear that the many improvements and additions to your member services have been valuable. We look forward to continuing our global initiatives in the years to come and look forward to serving you as members and working with you as volunteers.

To renew, simply log into MyMTA and in the middle of that page you will find a section called “My Membership” and there you will find a link to renew your member dues. If you would prefer, you can call the MTA Headquarters at 646-652-3300 and renew over the telephone with any of the MTA Staff members.
This is a summary of a presentation by Greg Bender, CMT and Brian Barry, CMT that was part of the 2012 Annual Symposium on April 19th - 20th, 2012 in New York City.

Brian spoke about the applications of technical analysis in algorithmic equity trading. Greg discussed ways to analyze market sentiment using the VIX, new implied volatility benchmarks and tradable products.

Brian began the presentation with an overview of the increasingly complex decision process that traders face. At the macro level, traders must decide what and when to trade. They must then decide how to trade, a decision that requires traders to select an execution algorithm.

Some traders use scheduled algorithms, which include VWAP (volume weighted average price) and TWAP (time weighted average price). VWAP is defined as the ratio of the value traded (price * volume) to total volume traded over a particular time frame, and is usually defined for one day. VWAP is often used as a trading benchmark by investors who want to execute orders with minimal market impact. TWAP is a trading execution strategy that attempts to execute an order evenly over a specified time frame. As an example of the differences between the two, a VWAP order might have 40 percent of the trade executed in the first half of the day and the rest in the second half, while a TWAP trade would be executed evenly throughout the trading day. VWAP trading would result in a smile-shaped curve during the trading day with more volume being seen near the open and close than in the middle of the trading day while the TWAP trade would be seen as a flat line.

Other trading algorithms include POV (Percentage of Volume) which Brian described as a way to slice the order quantity by the participation rate in the market. Liquidity seeking algorithms execute trades by sending orders to the exchange or dark pool with the most liquidity for that security. Implementation shortfall algorithms are opportunistic strategies that seek to balance risk and use unscheduled orders to try to obtain an execution price that is better than the midpoint of the arrival price (the bid and ask at the time the order arrives).

Trade execution then require decisions on where to route the order to (exchanges, dark liquidity pools, or other venues), what size order to send, and when to seek execution. Some traders will pursue a passive algorithm based on these factors while others will pursue an aggressive approach. Some traders may prefer to use dark pools while others will favor lit exchanges. Technical analysis can help with all of these decisions.

Brian presented a chart of Microsoft (MSFT), using ten-minute bars. The chart showed MSFT with its VWAP and in the lower panel of the chart is an indicator showing the current premium or discount of the price to VWAP. Brian pointed out that MSFT has a tendency to revert to its VWAP.
To take advantage of this tendency, he presented the example of a client that comes in around noon and wants to trade MSFT which is sitting below its VWAP. Knowing that MSFT has a tendency to revert to its VWAP, Brian would recommend that the trade be executed with TWAP to avoid getting caught in this mean reversion when the volume increases at the end of the day and MSFT is likely to be above the VWAP based on the reversion idea. The TWAP algorithm would execute the trade on a straight line rather than seeing the majority of the trade executed at the edge of the smile that volume creates near the close.

In another example, Brian presented the case of a client looking to buy Wells Fargo (WFC) as its price is advancing along a trend line. He would suggest that the client use a POV strategy as long as the trend line holds and then switch to a VWAP strategy while price is under the trend line. This will weight the order more towards the end of the day if price falls and the volume smile will ensure most of the trade gets executed at the lower price if WFC declines.

After another example, Brian turned the presentation over to Greg, who is also an execution consultant at Bloomberg. Greg is on the derivatives side while Brian is an equity market specialist. Greg discussed some of the tools available to traders looking to take advantage of changes in volatility. Hedge funds, other institutional traders and retail investors are driving triple digit growth in volatility trading over the past several years and the liquidity in these markets is helping traders execute their strategies.

VIX is a statistical gauge of the implied volatility of the components of the S&P 500. As an example of implied volatility, he cited Apple (AAPL) which was trading at about $600. In a low volatility environment, a $610 call on AAPL has no intrinsic value and could trade near $1 or $2. In high volatility environments, the same call might be worth $9 or $10 which indicates that implied volatility is high.

As a statistical gauge, VIX is not directly tradable. Futures, options, and Exchange Traded Notes (ETNs) are available to trade, but they are derived from VIX so there are pricing differences between each of them.
Because implied volatility is an estimate of the standard deviations of returns estimated by the market and is also a function of time, the “Rule of 16” applies. There are 256 trading days in a year and the square root of 256 is approximately 16. When the VIX is 16, that means traders are handicapping a 1 percent move in the S&P 500 on 2 out of every 3 days. Traders are concerned about the third day, when the price moves beyond that range. This rule allows traders to quickly spot if implied volatility is high or low. That means traders can use this rule to help develop trading strategies.

VIX futures are tradable and are an estimate of the future implied volatility while the spot VIX, a theoretical value, is the commonly quoted index. That means the ETNs will not trade exactly in line with the spot quote or the futures. There are other factors that influence the pricing in ETNs like the credit quality of the issuer. Each tradable will need to be understood because they will behave differently.

There are also VIX indexes available for individual stocks and other tradables like gold and oil. There are opportunities available in this market, Greg noted. Buy-writes or covered call strategies might be profitable to sell when volatility is high relative to the index. This idea is shown in the chart below with AAPL’s volatility being high and rising relative to the VIX in the NASDAQ 100. That creates an opportunity for option writers. Goldman Sachs (GS) is a bellwether for financial stocks and is shown in the bottom half of the chart below.

VIX products are also available for traders in the credit markets and they are available on stock market sectors, among other things. Pairs trades and intermarket trading strategies could be developed for any of these ideas. Spread curve analysis is also possible, as shown in the next chart.
VIX FUTURES CURVE: VXZ – VXX SPREAD

VXZ and VXX are volatility ETNs. When this futures curve is above zero, it implies that volatility is likely to increase. For the ETNs themselves, this relationship has a large impact on returns. When the spread is greater than zero, the futures are in contango, the roll yield on the contracts will be negative and if the contango market conditions continue, these products will eventually go to zero. This could be a useful idea for traders to explore.

VIX and trading algorithms are an area that traders may be able to exploit and could be one of the new frontiers in technical analysis.

Brian W. Barry, CMT, is an equities execution consultant for Bloomberg Tradebook based in New York. He is responsible for the coverage of buy-side and sell-side clients that trade global equities programs and ETFs.

During his 16 year career, Brian has held positions as a portfolio trader, sales trader, and market maker at firms including Newedge USA LLC, Piper Jaffray Cos., and Knight Capital Group, Inc. Brian received a degree in finance from The University of Massachusetts at Amherst and was awarded the CMT designation in January 2008. For the past two fall sittings, Brian has graded the CMT level 3 examinations.

Greg Bender, CMT, is a derivatives execution consultant for Bloomberg Tradebook based in New York. He is responsible for the coverage of buy-side and sell-side clients worldwide that trade the U.S. listed derivatives markets. Prior to joining Bloomberg, Greg traded the futures and options markets as a member of the COMEX division of the New York Mercantile Exchange and as a member of the American Stock Exchange. In 2010, Greg was part of the Institutional Research Panel at the 2010 Annual Symposium.

The archive of this webcast can be seen by visiting: http://go.mta.org/188.

Interested in advertising in Technically Speaking? Contact Tyler Wood at tyler@mta.org for more details!
OPTIONS INTELLIGENCE: PUTS AND CALLS AS ANALYTICAL TOOLS
SUMMARIZED BY MIKE CARR, CMT

This is a summary of by Scott Fullman’s presentation made at the 2012 Annual Symposium on April 19th - 20th, 2012 in New York City.

Scott first started teaching at the New York Institute of Finance in 1989 where he met Ralph Acampora, CMT. While spending time with Ralph, Scott realized that options are a time sensitive product and that technical analysis is a valuable tool for timing. He used these insights to focus on how to use options.

Exchange traded options have a history dating back to 1973 and have enjoyed incredible growth over that time as the chart below shows.

Options are the fastest growing exchange traded products in the industry. There are now options available on nearly 4,000 stocks. Some of this increase in market activity is because of advances in technology that allow for real-time data dissemination and real-time pricing of the options. These investment tools have now become so widely accepted that there are now more mutual funds, among the most conservative institutional investors, looking at using options for hedging. Scott believes that this is a reaction to the market downturn in 2008 when managers realized they needed a tool to hedge long exposure.

The rise in the popularity of options along with increases in market liquidity, transparency of pricing, and advances in technology have all contributed to options being a more accepted trading and informational vehicle. This has led to the development of several methods of using options for market analysis.

Volume on options can be a useful tool to analyze the underlying market. Higher volume is generally associated with institutional movement. Options movement may be reflected on the price of the chart if market makers take offsetting positions but options could also be used for speculation and hedging. Speculation was behind some of the trading activity in Apple (AAPL) call options earlier in the year. The high price of the stock led to some managers being concerned about establishing significant positions and some of them turned to options as a less expensive alternative to a stock purchase. This led to the options becoming overpriced and led Scott to develop strategies to take advantage of those price premiums. 
Some options analysis can be done with fairly simple tools. Unusual options volume is often a signal of an impending big price move in the underlying stock. The purchase of the option itself can reveal what traders are expecting in the underlying stock. For example, the call’s strike plus the premium is the required point for a breakeven move for an options trade. The put strike minus the premium shows the price those traders expect the stock to fall to. If the options trade is on large volume, this can be a valuable piece of market intelligence.

Running a pricing model in reverse could yield additional information. This tool can show what the implied volatility is in the actual prices. Using different options, an index of this implied volatility can be created. This calculation yields a chart like the one shown below.

- **Risk Premiums/Implied Volatility**

This chart can highlight opportunities for volatility trades. When implied volatility is higher than the realized volatility, it could be best to sell options. This is because the two lines tend to revert towards each other over time.

Scott also noted that by comparing at-the-money options in the first expiration period with at-the-money options in the next expiration period we can determine how traders are anticipating price moves in the stock related to an upcoming event. The event could be an earnings announcement, same-store-sales, or binary events in a company’s operating results such as the award of a government contract. Even if you don’t trade options themselves, this information can be valuable information to traders in the stock.

Another useful tool is known as pinning, which is the concept that a stock gravitates toward the strike price with high open interest at expiration. Scott estimates that 70 to 80 percent of the time, the stock will move towards that strike price. The movement is based on the economic relationships between the price of the underlying stock, call premiums, and put premiums. Butterfly spreads (buy an in-the-money option, sell two options at the strike price and buy an in-the-money option) are a possible way to take advantage of this tendency.

In conclusion, Scott noted that technical analysts should look beyond stocks and indexes. Even for those who don’t trade these markets, the derivatives market is filled with intelligence and information that can complement technical analysis of equities.
For more than 30 years Mr. Fullman has been advising professionals on the use of options strategies for increasing returns, risk control, and improving the probability for successful results over a wide range of prices and movements. He has been employed by several well-known financial services firms and has taught/lectured at Seton Hall University, the New York Institute of Finance, the Market Technicians Association, and at other venues.

CMT Exam Registration is Open!

We are thrilled by the record participation in the CMT Program during the past administration. Over 800 candidates registered to take the exams earlier this month. Nearly half of these candidates were outside the US, reflecting our organization’s global reach.

The next administration of the CMT exams will take place on Saturday, October 20th, 2012. Whether you are advancing to the next level or need to retake a previous exam, please register today.

It is important that you register early for the CMT exam. Several individuals were unable to take the exam during the past administration because they waited until the close of registration before reserving their place at a test center. Please be sure to sign up as soon as possible for these exams to ensure your preferred time and location.
INSIGHTS IN MARKET PROFILE: UNDERSTANDING AND APPLYING THE MARKET PROFILE METHODOLOGY TO TODAY’S MARKETS
SUMMARIZED BY MIKE CARR, CMT

This is a summary of Steven Hawkins’ presentation made at the 2012 Annual Symposium on April 19th - 20th, 2012 in New York City.

Market Profile™ is a hybrid of the statistical bell curve that presents a unique view of the price activity in a market. This tool was jointly developed by renowned trader, software developer and author J. Peter Steidlmayer and the Chicago Board of Trade. Over the years this unique tool has helped traders gain unparalleled understanding of markets and allowed traders to identify profitable trading opportunities. The trading tool is often described as “simple in concept yet complex in detail.” Market Profile™ charts organize a number of elements into an easily understood graphic form. This makes it possible to spot trading opportunities that other methodologies may miss.

In general, the technique starts with the concept that trades follow a standard distribution that is turned on its side. In his presentation, Steven addresses the question of how the Market Profile™ develops. The industry standard 30-minute display takes half-hour ranges and assigns consecutive letters of the alphabet to the time ranges. The first half-hour range of the profile is assigned a chronological letter and the prices that are seen within that half hour range are displayed along the y-axis using that letter. Consecutive half-hour arrays are added to the display with their corresponding range of prices and assigned letters. As a price occurs on multiple trades, prices move one column to the right and price probes expanding to new highs or new lows continue to occupy the left most column of the display. What is uncovered over time is a Market Profile™ display with the belly representing the frequently traded prices and
the thinner part(s) of the profile representing areas of decreased frequency of trade.

The presentation includes several examples of what a Market Profile™ looks like. A Market Profile™ can take on many appearances. The standard display takes on the look of a normalized bell curve with the majority of the letters near the middle of the displayed range and less letters or time-price opportunities (TPOs) as you move towards the extremes. Over time, markets have evolved to become more efficient as the impact of locals and specialists has faded. As a result of this structural change, a hybrid Market Profile™ has evolved. The characteristics of this hybrid are a preponderance of letters or TPOs near one of the vertical extremes, and price rejection at the other extreme. These three ideas are shown below.

Over the years, Steven has worked with Mr. Steidlmayer to make additional refinements to this tool. Additional details of their efforts can be found in their book, *Steidlmayer on Markets: Trading with Market Profile*, 2nd Edition, or at http://www.profiletrading.com/default.html

Steven B. Hawkins has been involved in the markets throughout his professional career. He has acted as an institutional broker and analyst to some of the largest investment banks and trading houses in the world (Citi Bank, J. Aron, Tudor Investments, Bankers Trust, Enron, Vitol Oil, Harvard Endowment Fund, and Deutsche Bank among others). Additionally, he is a partner in Myan Capital, LLC; a fully automated CTA based in Chicago. Over the past 20 years, Mr. Hawkins has instructed traders in the United States, Europe, Australia, Canada, Singapore, South Korea and Hong Kong. He has also collaborated on the writing of trading books and has written articles for industry trade publications. His most recent book, “Steidlmayer on Markets, Trading with Market Profile™; 2nd edition” is universally considered as the classic guide to the revolutionary technical trading methodology called Market Profile™. Hawkins graduated from the University of Illinois with a degree in economics.

The presentation included a number of examples of how these charts can be used to make trading decisions. In addition, Steven demonstrated software tools that can help traders implement Market Profile™ strategies.
SPECIAL THANKS TO THE MTA MEMBERS WHO PARTICIPATED IN THE MTAEF’S SUCCESSFUL SILENT AUCTION
BY PHIL ROTH, CMT

The MTAEF’s silent auction at the MTA’s April 19-20 2012 symposium was very successful. The great venue of Chelsea Piers was a big help. We had plenty of room to display our offerings, and right alongside the refreshment tables made it easily accessible for the symposium participants. As a result, we sold virtually everything.

Among the items sold were four stock certificates, a half dozen books, some charting packages, a couple of bottles of unusual wines, and a test drive of the hot Audi A8. This was the first time we had a fund raiser at an MTA activity; we will make it a regular event.

The MTAEF Board thanks everyone who participated for their generosity. Remember, much of your donation will be tax deductible. Our plans are to use the proceeds to fund student scholarships for the CMT program. We were able to raise enough funds to offer eight scholarships allowing the awarded students to register for the CMT Level I exam. Among the likely recipients will be students at Baruch College, the University of Arkansas, Texas A&M, Brandeis, and Penn State, among others.

We give a special thanks to Gregg Rainone of RainONE Capital, whose purchases totaled over $1000! Thanks also to Ali Atias, Mary Ann Bartels, Larry Berman, Phil Erlanger, Kristin Hetzer, Dave Keller, Nick Lonzisero, Sebastian Messina, J.C. Parets, Matt Pasts, Michael Reenock, Shari Rossi, and Bob Schott.

The MTAEF is in the process of planning other auctions and events so please visit our website (www.mtaef.org) for more information. At these upcoming auctions we will be auctioning more Wall Street memorabilia, new books, investment services and comestibles. In addition, we have set November 1, 2012 as the date for our annual fundraiser at Baruch College. Mark your calendars and we look forward to seeing you again in the near future.

A Special Offer from Bloomberg Brief

Bloomberg Brief is a new publishing division of Bloomberg, the premier source of data and analytics for the financial world. The group publishes 17 market leading newsletters available through the terminal or via a separate subscription.

They have recently launched Technical Strategies - a fortnightly newsletter delivering technical analysis of global markets across all asset classes. The newsletter is edited by Paul Ciana, author of Wiley’s New Frontiers in Technical Analysis. Sign up for your free three month subscription by visiting http://go.mta.org/507
Investment Courses For Professionals
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. Details can be provided by contacting NYIF.COM, or John Palicka (palicka@pipeline.com).

_Taught by John Palicka CFA CMT_

**FUSION ANALYSIS**-
This is a professional approach that blends fundamental, technical, behavioral and quant strategies.

**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.

**INVESTMENT FUND SELECTION**-
This is a must attend course for all professionals involved in the selection and management of third-party investment managers.

**TECHNICAL ANALYSIS CMT 1**-
A must attend course for investment professionals wishing to gain the CMT Level I professional qualification in Technical Analysis from the Market Technicians Association (MTA).

**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.

**ADVANCED CAPITAL MARKETS ANALYSIS**
Spot, forwards, futures, swaps, options, and statistical issues are discussed in dynamic capital market strategies.

**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.

**GLOBAL SMALL CAP INVESTING**
Global small cap stocks offer investors the ability to participate in the world’s future big winners.

**PORTABLE WEALTH INVESTING**
Portable Wealth (PW) management offers investment opportunities for wealthy investors and their advisors. PW can generate attractive risk-adjusted excess returns to traditional and alternative investments.

_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)._

* Past performance is no guarantee of future results.
INTERVIEW WITH ANDY GARCIA
BY AMBER HESTLA-BARNHART

How would you describe your job?

Currently I am a partner at TideTraders. We provide online broadcasts that cover live market commentary as well as educating new and struggling traders. My primary focus is helping others develop chart literacy. So, in a nutshell, I teach others how to trade and use technical analysis. I am in charge of the Forex division of the website. I give analysis and market commentary about the major currencies as well as a more in depth market commentary each weekend. In addition I help run the website.

What led you to look at Forex instead of stocks or another tradable?

I primarily trade the Forex market, but got my start in the futures market. My very first trade in college was in the soybeans market. I had no clue what I was doing. Looking back it was not a wise idea, but the experience was worth its weight in gold.

I trade Forex for a number of reasons. Primarily Forex trading has a low barrier to entry. When I first started, this allowed me to get started with a small account, and I never looked back. Since the world is moving to a more global framework, Forex sets up nicely for the future.

Do you look at any fundamental or economic inputs to develop your opinions?

Since my background is in finance and economics, I will look at the fundamentals or economic inputs for the long term decisions. On the short term and intermediate term outlooks, I prefer to interpret what the charts are telling me.

What advice would you have for someone starting in the business today?

I think my best help can be to shine a little light on a couple key mistakes that I made when I first started. So here it goes. The first thing for anyone starting in this business is to set aside the things that you know, and try to imagine all the things that you don’t know. In the beginning, I thought I had it all figured out. Avoid making that mistake. Second, remember that you will not master this craft overnight. As with any other profession, there is a learning curve. Sit back, relax and enjoy the journey. Third, ignore the temptation to re-invent the wheel. It is very rare that someone starts in the business and immediately comes up with a revolutionary breakthrough. Finally with that being said, be a sponge and soak up as much guidance and information that you can from everyone you come in contact with. This obviously is not comprehensive, but might give an up and coming technician a few things to think about.

Can you share any longer term market opinions?

I don’t spend a lot of time forecasting where the market will be two to five years from now. My focus is on the more immediate future. However, when I do think about the long term prospects, I have confidence that there will always be a role for market technicians. I feel that technical analysis has
been, and will continue to be an asset to my overall philosophy and approach to the markets. Technical analysis will always have its place.

Andy Garcia is a partner at TideTraders LLP. Andy is an independent currency trader and analyst dedicated to educating new and struggling traders and investors. He is an emerging Portfolio Manager and market technician and successfully completed the CMT 2 exam in May 2012. Andy has been teaching others how to navigate the markets since 2009.

These questions and answers have been compiled by Amber Hestla-Barnhart, an independent market researcher. If you’d like to participate in a future interview, please contact her at amzhondacbr@yahoo.com.
A SPECIAL THANK YOU TO THE MTAEF
BY MTAEF INTERN MARCELO KIM

My name is Marcelo Kim and I have been an intern for the MTAEF for the past six months. Through the program, I was able to meet and shadow professionals who use technical analysis. I met professionals in different areas of finance who all used technical analysis in one way or another. This internship was very helpful to me, especially since neither my family nor friends have careers in the financial markets, so my experience prior college and joining the MTA was very limited.

At first, I was not sure what to expect from this internship but I am glad I applied for it. From my education I have an understanding of charts, patterns and indicators, but I have not had the experience to see how professionals are utilizing these tools in their day-to-day jobs. Being given the opportunity to participate in this internship, I was able to witness the use and importance of technical analysis. The technicians have been looking at charts for years and so it is second nature for them to identify patterns and trends. They would flip through charts quickly while I was still trying to figure out what they were seeing. Since the internship, I have been studying even more so that viewing charts and identifying patterns and trends can become second nature to me, as well.

One of the most memorable meetings that I had was being at a trading desk. This was the first time being there and I felt like a kid going to an amusement park for the first time. I was amazed at all the screens, the different information, and all the noise. Even though fast paced and sometimes stressful, the traders seemed to truly enjoy their work and I found this very encouraging and exciting.

Through the program, I was also able to go to the MTA’s Annual Symposium, which I enjoyed and had the opportunity to network with other financial professionals. Some presentations were way over my head, reminding me that there is still much to learn about technical analysis. During the event, I was able to meet with different technicians from all around the globe. It was great to see how technical analysis was spreading.

The “finale” of the internship was a trip to Boston and to meet with the staff of Fidelity Investments and Wellington Management. That was really different compared to the meetings that I had in New York. Being able to meet different technicians all in one company was the main difference because they each have their own unique styles but still need to work together as a team. Fidelity has a lot of resources that are not available to
other technicians like their chart room and their programs/database. The Fidelity Center for Applied Technology felt like a startup tech company. They had cutting edge, useful technology that is only available to Fidelity employees which gives them an advantage over others.

At Wellington, there was a different pressure to their technical analysis department because they have to translate technical analysis into practical portfolio decisions. I was able to sit in one of their meetings where they exchange ideas with other technicians. I learned so much from the meeting about specific technical tools and also about each technician’s unique approach.

This internship was a great learning experience towards my knowledge of technical analysis and the finance world. This program would really help those students who like me have difficulties being involved in the market and for the technicians this is a good opportunity to teach the next generation of technicians that are to come. I want to thank for all those who took time off their busy schedules to meet with me and I hope we continue to keep in touch. I look forward in becoming a CMT in the near future.

Thanks to Bruce Kamich, Craig Cohen, Darren Chabot, David Keller, David Lundgren, Frank Gretz, Guy Cerundolo, Harold Mac Dowell, Jeanette Schwarz Young, Joe DiGregorio, John L. Morace, Joshua Rosen, Kenneth Tower, Mark D. Arbeter, Mark Dibble, Mary Ann Bartels, Michael Ryan Harris, Michael Sacchitello, Mike Murphy, Patrick Torbert, Philip Roth, Richard Gula, Roy Justice, Terrence F. Martell, Tyler Wood, and Walter J. Burke.
THREE PEAKS AND A DOMED HOUSE BY ED CARLSON, CMT
REVIEWED BY MIKE CARR, CMT

George Lindsay was a well-regarded technical analyst in the 1970’s and 1980’s. He had developed timing models that allowed him to forecast market turns with great accuracy. In the days before CNBC, Wall Street Week with Louis Rukeyser was a weekly television show on PBS that brought the financial markets into the homes of individual investors.

Rukeyser was a pleasant host who challenged his guests when necessary. In the case of Lindsay, Rukeyser delivered praise for his work and called him "uncannily accurate". The Stock Traders Almanac called his work "the finest long-term forecast we have ever seen."

Despite precisely forecasting the start of the long bull that started in 1982, Lindsay’s work was largely forgotten after his death until Ed Carlson researched Lindsay’s life and work and presented the details in his book, “George Lindsay and the Art of Technical Analysis.” That book was cited as “the best investment book of the year” for 2012 in the Stock Traders’ Almanac. In this new DVD, Three Peaks and a Domed House, Ed builds on the book and presents details on how to apply Lindsay’s work in the markets.

From there, Ed presents detailed examples. The charts are used to teach viewers how to use the pattern. Complex patterns are often easiest to find in hindsight, but that knowledge is not particularly useful for real-time trading. This complex pattern is broken down to its components and the lessons in the DVD give traders the ability to watch the pattern unfold in real time. That makes it possible to profit from the pattern.

The pattern can be difficult to identify and use because there is some complexity to it. Most technicians familiar with the pattern have seen a numbering system that uses 28 points. In his book, Ed focused on how the work can be used in a practical sense and he continues with that approach in this DVD. He begins by explaining that the most important point is to spot the pattern rather than focus on the count. He provides a simplified numbering scheme that Lindsay also developed.
As an example, Ed highlights that the Three Peaks and the Domed House are separated by a decline. This “separating decline” is a big sell off that can alert traders to the upcoming Domed House formation. Even if the Three Peaks pattern is missed, the trader will be able to duplicate Lindsay’s strategies going into the expected market top and ensuing decline.

In addition to determining the direction of the trend, the patterns offer a tool to develop a precise time forecast. Traders would look for a top 221 to 224 calendar days after a test of the low reached during the separating decline. This is an example of the precision offered by this timing model and in the DVD, Ed uses charts to illustrate how to apply these timing tools to trade the stock market today. He also adds to Lindsay’s work by redefining the range and explaining the characteristics traders should look for in timing market turns.

Lindsay developed this model for the Dow Jones Industrial Average and showed that it was accurate 60% of the time when applied to a narrow market average. While this pattern may be applied to other markets or even individual equities, that is unproven and traders should test that idea before applying these techniques beyond the Dow. After watching this video, traders will be fully prepared to complete those tests. Ed himself is testing the patterns in other markets and he will be sharing those results in his future work.

While the Three Peaks and a Domed House pattern will help pinpoint when a market turn will come, the Tri-Day Method is Lindsay’s only price forecasting method. This simple formula allows traders to forecast the expected level of the bear market low that will follow the peak in the Domed House. This technique, along with the original pattern analysis, allowed Lindsay to forecast that 1982 low to within 17 days and 7 Dow points. Again, this technique may be applicable to other markets and offers a testable idea for traders in those markets. The technique is illustrated and explained in the DVD.

This product is very useful for technicians. Technical analysis is appealing to many because it is a visual approach to the markets. Those techniques can be difficult to master from books and newsletters. The presentation that Ed offers is a valuable educational tool for those who prefer the art of technical analysis. It is also consistent with his book where the history of Lindsay’s life was richly detailed. Ed takes advantage of his medium to make Lindsay come alive with pictures that humanize the subject and with the liberal use of quotes that make it feel as if Lindsay himself is teaching these patterns.

Ed Carlson, CMT, author of *George Lindsay and the Art of Technical Analysis* (published in English, Japanese, and Chinese), is an independent trader and consultant based in Seattle, Washington. Carlson hosts the MTA Podcast Series: Conversations and is a contributor to *Technical Analysis of Stocks and Commodities* and *SFO* magazines. He also manages the website Seattle Technical Advisors.com, where he publishes daily and weekly commentary. Prior to that, he spent twenty years as a stockbroker and holds an M.B.A. from Wichita State University.