LETTER FROM THE EDITOR

This edition of *Technically Speaking* consists almost entirely of ideas discussed in Seattle at the recent MTA Regional Seminar. I did not attend the Seminar hoping to find these ideas but all MTA events result in a large number of ideas for me. The speakers are always thought-provoking and discussions with participants who travel to the events are equally inspiring. In the end, I always find more ideas than I have time to test or write about.

Meetings of the MTA have been serving this purpose for years. As the number of members increased, the MTA adopted technology to bring the benefits of meetings to members around the world. Blogs and discussions forums on the MTA web site are offering me an increasing number of trading ideas and increasing networking opportunities.

The MTA will certainly keep improving the opportunities for members to interact, but there is no way anyone can improve the quality of the interactions among market professionals that have defined the organization for nearly 40 years.

I encourage everyone to take advantage of the opportunity to gain insight, discover new techniques and celebrate with the global technical community at the 2013 MTA Annual Symposium in New York on April 4 & 5, 2013. For complete information please visit https://symposium.mta.org

Please send any comments you have about our newsletter to editor@mta.org.

Sincerely,

Michael Carr
NOTES FROM SEATTLE: A SUMMARY OF PRESENTATIONS MADE AT THE MTA REGIONAL SEMINAR
BY BRETT VILLAUME, CMT, CAIA

It was admittedly a difficult decision, whether to leave the warm and comforting breezes of the late-autumn weather in my City by the Bay (San Francisco, California) and travel north to Seattle, that other inlet metropolis on the Pacific better known for its cold and gloomy, drizzling rain, which at this time of year most assuredly repels all Californians. The MTA’s Seattle Regional Seminar was taking place on October 19th at the Hotel Monaco in downtown Seattle and I, as the current Chair of the MTA’s San Francisco Chapter, felt a nagging obligation to fly up there and check it out. While many MTA members on the East Coast of the U.S. or in another country may not realize it, everything out west is way, way farther apart than you think (New York to Chicago is about the same distance as the flight from San Francisco to Seattle).

Yet, I knew from past experience that the MTA’s regional seminars are among the best events offered through the organization. Chapter meetings offer the opportunity to network with local MTA members and the Annual Symposium in New York provides an impressive array of the finest technical analysts in the world as guest speakers. The Regional Seminar achieves both objectives. The lineup of speakers scheduled for the Seattle event looked great and I knew I would meet lots of fellow chart readers who share my passion for technical analysis.

As it turned out, all five speakers at the Seminar were not only top notch, world renowned experts in technical analysis, but each speaker brought a unique perspective. Fellow San Franciscan Roman Bogomazov, adjunct professor at Golden Gate University, is an educator of technical analysis and consultant to traders. Mebane Faber, known for his work on moving average timing systems, is a fund manager. Craig Johnson, who had recently completed a worldwide tour de force as Principal and Research Director at Piper Jaffray, creates institutional-grade technical analysis for clients. Tom McClellan, co-chair of the Puget Sound Chapter who hosted the event, writes the McClellan Market Report for a base of several thousand subscribers. Mike Carr, author of two books and current editor of this publication, crafts insightful technical commentary for traders.

Indeed, the event was a huge success with over 70 attendees, including individual traders, money managers, research analysts (including yours truly), and financial planners all coming together to share ideas and learn what knowledge the speakers might impart. Below are a few of my observations from the speakers’ presentations.

Wyckoff Springboard: Selection of the strongest swing candidates
Roman Bogomazov

Although the Wyckoff Methodology of stock selection is complex, Roman pointed out a couple of important and useful rules that can help you decide when to buy a stock (or sell it). The complexity can be seen in the first slide Roman presented (shown below) and in subsequent slides he explained how this chart can be interpreted with Wyckoff.
While most technicians believe that volume must be present during an uptrend in order to assign any level of confidence to the move, this is not necessarily the case. As price rises and the quantity of stock supplied decreases, it may take less demand to move the stock higher. Fewer bidders may be present, but if the supply is very small, then price can nevertheless be adjusted upwards. This was the case during the most recent decline and subsequent rally in the Dow Jones Industrial Average, which Roman notes is still in an uptrend.

In keeping with the Wyckoffian strategy that states you should allow the market to tell you what is happening rather than trying to predict what it will do, Roman presented the “springboard” pattern for initiating a position. Wyckoff defined phases A through E of a market reversal. It is during the latter stages of consolidation that the springboard develops, where there’s evidence of demand and the stock begins to move out of the range but first retests the top of the range as support.
He also suggests using comparative strength analysis as a confirming indicator—looking to see whether the market’s price pattern confirms or denies the stock’s pattern.

Market Outlook: ETF’s on the Horizon

Mebane (“Meb”) Faber, CMT, CAIA

Meb stressed that it is important to be asset class agnostic in pursuit of diversification, but the power of a timing system compared to “buy and hold” is obvious. He showed how a sample portfolio with five key asset classes (U.S. stocks, foreign stocks, real estate, bonds, and commodities) that also used a moving average buy/sell signal outperformed and experienced a much smaller drawdown in the 2008 selloff. His trend-following system uses multiple moving average timeframes in order to gain a broad perspective. Examples of Meb’s work can be found at http://www.mebanefaber.com/ where papers with system rules and results are available.

In his latest work, Meb has been researching the idea of “shareholder yield.” He noted that dividend payout ratios have declined each decade throughout the last century, but the amount companies return to shareholders though stock buybacks has been increasing. Shareholder yield combines the two amounts and looks at how much cash a company is returning to shareholders through both processes. A portfolio consisting of dividend payers that are actively buying back their own shares has shown strong performance and should be considered as an investment strategy.
Fusion Analysis: Combining Technicals and Fundamentals
Craig Johnson, CMT, CFA

Craig begins with the idea that there are four types of analysis to consider: Economic, Fundamental, Quantitative, and Technical. He believes all four should be used for best results.

Analysts who rely strictly on fundamental analysis commonly say that “you drive the car looking in the rear view mirror,” as a way of describing the approaches used by others. Yet, the most well respected and often used decision criteria used by many fundamentalists is actually Fusion Analysis—the combination of fundamentals and technicals that is the price-to-earnings ratio (P/E).

Craig noted that while fundamentals tell us the “WHAT AND WHY” to buy, technicals are used to define the “WHEN AND HOW”. All analysts have the same goal, which is simply making money for clients. The fundamental approach focuses only on the “E” of the P/E ratio, and ignores the “P.” Craig suggests that the best approach is to start with price, then view sentiment readings, zero in on a couple of fundamental “whys”, and then form a fully informed investment opinion. He suggests using earnings as a confirmation of the price pattern.

Relative Strength Analysis: Practical Tools to Improve Performance
Michael Carr, CMT

The academic community has written extensively on momentum and suggests that it offers useful information about buying and selling. Technical analysts have implemented this idea with relative strength (RS).

To calculate a measure of RS, which is a definition of which stock is strongest, rank order all stocks by the magnitude of their price movement over time. You can use a formula that is very complex or very simple. Some of the possible formulas are shown below.

RS Formulas

- **ROC**
  \[
  \text{ROC} = 100 \times \frac{P_{\text{today}} - P_{6 \text{ months ago}}}{P_{6 \text{ months ago}}}
  \]

- **Front-weighted ROC**
  \[
  \text{ROC}_{\text{fw}} = 100 \times \frac{\text{Price}_{\text{today}} - \text{Price}_{1 \text{ month ago}} - \text{Price}_{1 \text{ month ago}}}{\text{Price}_{1 \text{ month ago}}}
  \]

- **Back-weighted ROC**
  \[
  \text{ROC}_{\text{bw}} = 100 \times \frac{\text{Price}_{\text{today}} - \text{Price}_{1 \text{ month ago}} - \text{Price}_{1 \text{ month ago}}}{\text{Price}_{1 \text{ month ago}}}
  \]

- **Price/MA Ratio**
  \[
  \text{RS} = \frac{P_{\text{today}}}{\text{Average of closing prices over last 26-weeks}}
  \]

- **RS Ratios**
  \[
  \text{RS} = \frac{\text{Average of closing prices over last 10-weeks}}{\text{Average of closing prices over last 26-weeks}}
  \]
Using the RS formula, identify an overbought level (for example when RS is greater than 70%) and buy when RS goes above that level. Sell on a breakdown below that level.

The Rate of Change (ROC) indicator is a simple strategy that eliminates the market influence because when several stocks are being ranked the denominator used in most other RS formulas cancel out. One system he found that works is to apply a 26-week ROC with a 52-week moving average (MA) of the ROC, buying if the ROC is greater than the MA.

A similar RS system can even be applied to one’s trading portfolio to gauge whether a system is working or not. Plot the total equity in your account over time and when your equity level moves below the 60-day moving average, go to cash. This approach tells you whether or not the RS system you are using is moving in line with the market. You can choose to get back into the market when the equity moves back up above the MA.

The Lost Decade

Tom McClellan

Tom began by pointing out that there have actually been lots of other “lost decades”, such as the 1970’s, 1930’s, 1910’s, and the 1890’s. In fact, a pattern of bear markets that last for at least a decade have occurred every couple of decades. Demographics may explain some of this pattern. The baby boom generation has led to a series of booms and busts in oil and gold in the 1970’s, technology in the 1980’s and 1990’s, real estate in the 2000’s and finally now in the bond market. The bond market bubble may be nearing an end as bonds could be reaching the bottom of a 60-year cycle, a fact that could have a large impact on investment markets for years.

This pattern of booms and busts in the markets is likely to be repeated in the future as the baby boomer’s echo generation will reach its peak earning capability in or around the year 2022.

Tom also presented what he calls “liquidity waves”, which are intermarket relationships he has identified between apparently uncorrelated or even inversely correlated markets. Liquidity waves can help predict large moves years in the future. The general concept is illustrated in the next chart.
Specific examples include the unemployment rate and changes in inflation with the Consumer Price Index (CPI-U) leading turns in the unemployment rate by about two years.

What I considered to be among the most interesting relationships Tom shared was the link between the Commitment of Traders report data on Eurodollar futures and the S&P 500. Whether commercial traders are net long or net short, with the data being set forward by one year, does an incredible job of predicting intermediate-term movements in the S&P 500.

A number of examples of Tom’s work can be found at http://www.mcoscillator.com/learning_center/weekly_chart/.

Brett Villaume, CMT, CAIA is a Research Analyst with FIG Partners. He has over 13 years of experience as a professional technical research analyst. He currently serves as Chair of the San Francisco Chapter of the MTA. He has achieved the designations of CMT and CAIA. Brett received a B.S. in Economics from The University of Idaho. He can be reached at bvillaume@figpartners.com.
NIGHTMARE ON WALL STREET: THIS SECULAR BEAR HAS ONLY JUST BEGUN
BY ED EASTERLING

Editor’s note: This research piece is presented as an example of Fusion Analysis, hopefully illustrating in more detail the ideas presented by Craig Johnson at the Seattle Regional Seminar. It was originally published by Crestmont Research at www.crestmontresearch.com on July 1, 2012.

Secular bull markets are great parties. Investors arrive from secular bears really wanting to take the edge off. As the bull proceeds, above-average returns become intoxicating. By the time it is over, the past decade or two has delivered bountiful returns.

In contrast, secular bears seem like hangovers. They are awakenings that strip away the intoxication, leaving a sobering need for an understanding of what has happened.

Conventional wisdom explains these periods as irrational or coincidental periods. In reality, secular bulls and bears are periods driven by longer-term trends in the inflation rate. A trend away from low inflation, whether to high inflation or deflation, drives the value of the market lower. That leaves investors with below-average returns. The return trip—when the inflation rate trends toward low inflation—drives the value of the market higher. That provides investors with above average returns.

Then there was the “party” in the late 1990s! Intoxication!! Can you imagine a party so extreme that you end the next day feeling just as groggy as when you first woke up? A long, long day of frustration and misery? That day was the past decade. In stock market terms, it has been twelve years of pain that just now brings investors to the starting line.

Wake-up…this must be a nightmare.

Oh no, it’s not!!!

This is a moment of consternation—an eerie tension between hope and fear. You find yourself saying, “It’s not fair… It doesn’t seem right… Secular bear markets average eleven years, don’t they? Isn’t this one supposed to be over by now? Some pundits are saying there might be just a few more years left in this nasty old bear… What do you mean this secular bear has only just begun?” We’ll get to that in a moment; but for now, please step back from the edge.

Even if a big bull is not around the corner, there’s plenty of opportunity. In fact, it’s conditions like these that provide the greatest potential for astute investors. First, they must understand the environment. Then, investors can use that knowledge to their advantage. This discussion is about the first part—understanding. The upcoming charts will explain why we are actually early in the current secular bear and how we got here. There are many other resources for the second part—what to do about it.
SECULAR CYCLES IN PERSPECTIVE

Let’s start with a look at secular bull markets over the past century. Figure 1 presents all four secular bulls since 1900. Each line represents the price/earnings ratio (P/E) annually over the life of the four secular bulls. The level of P/E is displayed on the vertical axis. Time, in years, is displayed on the horizontal axis.

To reduce the distortions to P/E caused by the earnings cycle, earnings (E) have been normalized using the approach popularized by Robert Shiller at Yale. The index for the numerator (P) is the year-end value for the S&P 500. Therefore, the P/E displayed on the chart is the year-end Shiller P/E (i.e., Year-end P/E10).

First, note that secular bulls start when P/E is low and end when P/E is high. The low points for all secular bulls have been quite similar. In the chart, the low range is designated with green shading. The high point for all secular bulls had also been fairly similar, until the late 1990s. It is as though the 1980s/1990s secular bull ran its course through the mid-1990s, then the party started and P/E more than doubled again. The already high P/E ascended to the stratosphere. Pundits often compare the late 1990s to 1929. Yes, the valuation of the market (as measured by P/E) was fairly high in 1929. But 1999 is in a league of its own.

As the new millennium opened, the bubble stopped expanding—but it did not pop. An immediate decline of fifty percent would have been required to correct the excesses and to reach a typical secular bear start. Instead, the stock market see-sawed for about a decade. With each decline, it bounced back. As the underlying economy and baseline earnings level grew, the market slowly whittled its P/E back to levels associated with typical secular bull ends and secular bear starts. So it has taken more than a decade to wear away the effects of the late 1990s extremes.

BEAR!

Who says that markets are not considerate? A sudden decline in 2000 would have been a cruel polar bear plunge. Instead, the market tip-toed lower, allowing time for investors to adjust. Some investors have known for over a decade that we are in a secular bear market. Many of them, however, may not have realized just how elevated P/E was when this secular bear began.
Figure 2 shows just how far we had to go. P/E is on the left axis; time is across the lower axis. The chart presents all of the secular bear markets from the past century. The format is similar to that in Figure 1.

Pause for a moment to reflect upon Figure 2. Contrast it back and forth with Figure 1. Every secular bear cycle prior to our current one followed a secular bull that ended with P/E in or near the red zone. That set the starting point for every adjacent secular bear. But this time, the super secular bull of the late 1990s ended nearly twice as high—it was a major bubble. Therefore, it is realistic to expect that our current secular bear might last a lot longer or be twice as gnarly as past secular bears.

Because the Fed and other factors have kept the economy in a state of relatively low inflation, the current secular bear has ground its way back to the reality of the red zone.

What goes up, must come down. Figure 2 is noteworthy for highlighting the lofty start of the current secular bear. Now after twelve years, the market P/E is down, but only into the red zone. That level, however, is not overvalued. It was overvalued in 2000 and at many points over the past decade. There were not plausible economic and financial conditions to justify P/E near 30, 40, and more.

Now, finally, the stock market is fairly-valued for conditions of low inflation and low interest rates (assuming average long-term economic growth in the future). But what about the future? If inflation remains low and stable indefinitely, then this secular bear will remain in hibernation until the inflation rate runs away in either direction.

A period of hibernation, however, does not cage the bear and allow a bull to roam. Rather, it means that investors will receive returns consistent with relatively high starting valuations—nominal total returns for the stock market of around 5%-6%. Hibernation avoids the declining P/E of a secular bear. It is the decline in P/E that causes secular bears to deliver near zero return.

Hibernation also means that there is almost no chance of better returns. Average and above-average returns require a significant increase in P/E.
From the red zone, higher P/E requires an irrational bubble. That is never a prudent assumption for a financial plan.

HOW & WHY

The economy experiences periods of rising inflation, disinflation (i.e., declining inflation), deflation (i.e., negative inflation), reflation (i.e., increasing inflation inside of deflation), and price stability (i.e., low, stable inflation). The periods run in a natural sequence around the starting point of price stability.

To illustrate, the cycle starts with low inflation. Then, due to excess money supply growth or other factors, the inflation rate rises. At some point, economic policies or factors reverse the trend, thereby starting a period of disinflation (i.e., declining inflation). Once back at price stability, the trend can either hold in a state of low inflation or it can move upward or downward across another cycle.

The P/E for the stock market is driven by the trend in and level of the inflation rate. As a result, there is a cycle for P/E based upon the inflation-rate cycle. High inflation and deflation drive P/E lower. Price stability drives P/E higher.

The P/E cycle creates secular bull and secular bear markets. Some secular periods have been long, yet others have been relatively short. Time does not drive secular periods. Rather, the inflation-rate cycle determines whether they will be relatively quick or quite extended. Inflation-rate trends can last a few years or they can extend for decades.

Secular bull markets transition into secular bears, which are followed by secular bulls. Neither secular bulls nor secular bears are isolated periods. Instead, they necessarily precede and follow each other. This is why they are designated as cycles rather than simply as periods.

They are called secular because they have a common characteristic and driver that extends over an era. The term secular is derived from a Latin word that means an era, age, or extended period. Actually, an original Latin variation of the word has been closer to hand than most people realize.

On the back of the American one-dollar bill is the Great Seal of the United States. One part of the seal is the circle on the left-hand side bearing a pyramid topped with an eye. Look closely under the pyramid: there is a banner with the phrase “novus ordo seclorum.”

In 1782, Charles Thomson, a Founding Father of the United States, and secretary of the Continental Congress, worked as the principal designer of the Great Seal. There is extensive symbolism included in the seal. When Thomson proposed the seal to Congress, he described the meaning of novus ordo seclorum as “the beginning of the new American Era.”

When the word secular is used to describe stock market cycles, it expresses that the cycle is an extended period with something in common throughout. Secular bull markets are extended periods that cumulatively deliver above-
average returns. These periods are driven by generally rising multiples of valuation as measured by the price/earnings ratio (P/E). Secular bear markets are the opposite: extended periods with cumulative below average returns driven by a generally declining P/E for the market. Thus the secular aspect of these periods relates to the generally rising or falling trend in P/E over an extended period of time.

THE FUTURE: DECADES

If history is a guide, the inflation rate will at some point trend away from the present price stability. The result will be a significant declining trend in P/E. If this occurs over a few years, the market losses will be dramatic.

More likely, it will take a decade or longer. That will enable the underlying economy and baseline earnings to grow, thereby offsetting the decline in P/E. As we have seen from history, that means another decade or longer of near-zero returns.

When the adverse inflation-rate trend reaches its nadir, we will mark the end of this secular bear and the start of the next secular bull. As the economy or the Fed reverses the adverse inflation-rate trend back toward price stability, P/E will trough at its lows and begin the long climb that drives secular bull markets.

These processes take many years. Be careful not to let hope for the next secular bull mask the reality of the current secular bear. Many more years of vigilant investing will be required for portfolio success. As Robert Frost so aptly wrote: “The woods are lovely, dark, and deep, / But I have promises to keep, / And miles to go before I sleep, / And miles to go before I sleep.”

Ed Easterling is the author of Probable Outcomes: Secular Stock Market Insights and the award-winning Unexpected Returns: Understanding Secular Stock Market Cycles. He is President of an investment management and research firm, and a Senior Fellow with the Alternative Investment Center at SMU’s Cox School of Business, where he previously served on the adjunct faculty and taught the course on alternative investments and hedge funds for MBA students. Mr. Easterling publishes provocative research and graphical analyses on the financial markets at www.CrestmontResearch.com.

This article was originally published at http://go.mta.org/1957
CLASSIC TRADING TECHNIQUES:
GARTLEY PATTERNS
BY LESLIE JOUFLAS

Editor’s note: While making a presentation at the MTA Seattle Regional Seminar, I mentioned that one of the earliest references to relative strength in the literature is a 1946 article written by H. M. Gartley. Afterwards, one of the attendees, Leslie Jouflas, showed me a photo of Gartley, her dog who she had named after the great market analyst. Below are three short articles Leslie has written based on techniques she learned from studying the original work of H. M. Gartley.

Trading AB=CD Patterns from Coils

The markets go through a constant process of range contraction and range expansion. The range contraction can many times form great AB=CD patterns as the price tests the upper and lower ends of the range. Eventually the market will move out of that range one direction or another in the form of range expansion or a trend. I like to think of this process as coiling, and the coils store energy and eventually that energy is released in a stronger trend move.

The trader should be aware when the market is in either process so as to make prudent trading decisions. Although I like to trade the patterns as they complete there are times where it is best to stay out of the market or use an alternative approach such as trend trading techniques. The first rule if you are a swing trader is to not continue trying to go opposite a trend. It is much better to sit it out than to keep trying to force a trade that has low probabilities of working.

Below is a chart of a coil that formed in the SP 500 Emini. It is an inverted Head and Shoulder pattern. Notice where the blue line is, that is the breakout to the upside out of the coil pattern. Other coil patterns are triangles, broadening tops and bottoms to name a few.
The red arrow is pointing to a long bar coming out of the breakout or neckline area.

Chart #2 shows an AB=CD sell pattern but there are warning signs present and this pattern is formed coming out of a large coil. This is a condition that the trader may want to step aside and not enter the trade or wait for confirmation such as a Japanese Candlestick signal.

Symmetry in Patterns

During a Webcast on the AB=CD Pattern I talked about symmetry. We were watching an AB=CD sell pattern form with the 1.0 completion at 825.25 and the 1.27 completion about 826.50. See Chart #1 and notice the number of bars in the AB leg compared to the first completion where the red arrow is at 825.25.

Notice also the long bar in the CD leg. The next chart will show you the completion point at the 1.27 D completion point and how that was also at the .618 retracement of the daily range.
Now you can see almost perfect symmetry; 8 bars in the AB leg and 8 bars in the CD leg. Sometimes a long bar does not necessarily mean to avoid the entire trade; it may indicate having a bit more patience.

**Combining Intraday Patterns with Daily Support or Resistance**

Many times if price is coming into a large support or resistance area on a larger time frame, such as a daily time frame, the intraday charts on shorter time frames will be forming patterns that will also be completing into the same area.

The first chart below shows a Daily chart of the SP 500 Emini that is coming into a previous resistance area.

The blue line shows the resistance area where the red arrows are marked. This was an area that buyers were not able to push prices higher and as you can see a large decline followed which led to the early March 2009 lows.

The next chart shows an intraday view of the market forming sell patterns into this previous resistance area.
This is a 4000 tick chart which would be about a 15 minute chart on a bar chart. There were 2 Butterfly Patterns that formed completing into the resistance area that can be seen on the daily chart.

The first Butterfly Pattern completed and had a correction that would have been a profitable trade. It then formed the second Butterfly sell pattern. The total correction from these patterns was 49 points, see the next chart.

Here is another current example of the SP 500 Emini coming into a Daily Resistance area.
This is one method of combining time frames that allows the trader to get a closer or inside view of price. The upper and lower blue lines show the correction on the daily. This correction would have been very difficult for a trader only watching the Daily time frame to have profited on.

Learning to combine time frames can alert traders to potential trade setups that otherwise may be missed.
Leslie Jouflas began trading in 1996 and left a 17-year airline career in 2000 to pursue a full-time trading career. She has studied many trading methodologies, including Elliott Wave, options strategies, momentum trading, classical technical analysis, and Fibonacci ratios and patterns. After trading stocks and options on stocks, she now trades futures and commodities with an emphasis on the S&P 500 EMini market. Leslie has co-authored two books, Trade What You See – How to Profit from Pattern Recognition (Wiley & Sons, 2007), published in English, German Italian, Chinese and Japanese, and Essentials of Trading: It’s Not WHAT You Think, It’s HOW You Think (Traders Press, 2006), and has published articles for such publications as Trader’s Journal, Active Trader, and Technical Analysis of Stocks & Commodities. In addition she teaches live workshops and webinars providing ongoing education for traders. Leslie has been an invited speaker at many of the Trader’s Expo’s and has done several interviews with the Money Show and founded www.tradingliveonline.com, an educational website.
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 1 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 PAUL CIANA, CMT
BY AMBER HESTLA-BARNHART

How would you describe your job?

The Application Specialist group at Bloomberg serves as liaisons between many divisions of the firm. We generate research for and consult with our clients, are involved in the development process of the Bloomberg Professional Service, create and implement marketing strategies, provide training to our sales and analytics division and assist our sales division in growing and defending our business.

What led you to look at the particular markets you specialize in?

What lead me to specialize in technical analysis was the direction our business at Bloomberg was taking and my genuine interest in the topic. A small part of two finance classes I took, one in high school and the other in college, discussed technical analysis and thus peaked my interests. While focusing on the equity markets at Bloomberg, I saw an opportunity to become a resource on the topic of technical analysis because we were investing in the product. When we develop products, we always create resources for it so my goal was to be that resource. At one point I worked on a team that managed our business at Morgan Stanley. I worked regularly with the FX, interest rate and equity desks and increased my understanding of these markets. In 2008 I began the role I’m in now. As of late, our technical analysis team is taking an increased focus in FX and Commodities.

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

Absolutely. I consider fundamental, technical and economic information to anticipate the direction of the financial markets. As the adage goes, fundamental analysis tells you what to buy; technical analysis tells you when to buy it.

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

Accumulate value from the opportunities you pursue. Then share and offer some of that value in developing your business relationships. Always look a couple steps ahead and take action on the things that will get you there. Never expect or wait to arrive there.

What is the most interesting piece of work you've seen in technical analysis recently?

A few months ago Jeffrey Hirsch was kind enough to accept my invitation to speak at the New York MTA Chapter meeting. His work in stock market cycles is compelling. We hear many great analysts state their opinions. What he did differently was he presented a chart of the S&P500 including the NEXT ten or so years, or the rest of the secular bear market. I’ve never seen someone estimate what the chart will look like in the future or go to that length to explain their views. Seeing what a chart may look like can change you the way you feel about an investment.

Editor’s note: Jeffrey Hirsch also offered a webcast presentation on July
25th, 2012 as part of the MTA's Educational Web Series. That presentation was called “Handicapping the Election: Where to Invest and What to Trade in Q4 2012 and 2013 Regardless Who Wins the Election” and the video of that presentation is available at [http://go.mta.org/1094](http://go.mta.org/1094).

**What research area do you think offers the greatest potential in technical analysis at this time?**

Global market breadth data and different visualizations of the markets. Accurate and global measures of market breadth are hard to come by, so we are developing them. The initial phase will include roughly 3000 new data series representing market breadth for 50 or so global stock exchange indexes. For example, a historical time series for the percentage of stocks on an exchange that are below 30 on their 14 day RSI. This type of data should add a different perspective to many macro strategists’ research and views. Regarding visualizations, we have been doing a lot of work with the Relative Rotation Graph, KASE Bars, and Market Picture through the application of a group of technical studies called TAS Pro. They all have a unique and different visual of the markets and challenge you to look at things differently.

Paul Ciana, CMT, is an Application Specialist at Bloomberg LP where he consults with market participants on developing technical strategies, directs a week long class on technical analysis and proposes the development of new technical tools on Bloomberg. He is the author of the Bloomberg Global Technical Strategy report and contributes quarterly to Bloomberg Markets magazine. He graduated from the University at Albany with honors, majoring in finance and management, and minoring in economics. Paul can be reached at [pciana@bloomberg.net](mailto:pciana@bloomberg.net).

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](mailto:amzhondacbr@yahoo.com).
Nifty futures have finally broken down after building a two week sideways range. The breakdown occurred with a 74 point down move led by selling pressure in Banking, Realty and Consumer Durables. We have been commenting in our previous reports about the inability of the index to scale the firm overhead supply zone around 5730 over the past 14 sessions. In today's session too, the index reacted after reached the high of 5725 and witnessed selling pressure for the remainder of the day's session. Overall market breadth turned weak with more than 75% of the broader BSE 500 stocks closing in the red. Declines outpaced advances in the ratio of nearly 3:1 for the benchmark BSE 30 index. Volume on yesterday's down move was higher than the 5 day average.

With the index breaking down from the erstwhile trading range, the short-term trend which was non directional has now reversed down. This raises the probability of further downside in the near term. At today’s low of 5620, the index has tested a rising demand line connecting the preceding swing highs of July and August 2012 (see chart). Given the distribution in prices, a failure to hold this immediate support zone can increase selling momentum for a downward drift to 5530 - 5550 levels which coincides with a 5 month rising trendline as well as the 50% Fibonacci retracement of the preceding upswing (5237 – 5855). In addition to the above, the “Rising Gap” at 5455 - 5530 is also a key downside support to watch out for in the near term. On the upside, any bounce back rally is likely to face stiff resistance in the range of 5670 - 5680 for the coming session. Only a close above 5730 levels shall negate the short term downtrend and provide fresh buying impetus.

Posted on October 30, 2012

Shravan Dharmaraj is a technical analyst with Brics Securities, [http://www.bricssecurities.com](http://www.bricssecurities.com). Shravan is pursuing his CMT designation and has been studying technical analysis for four years. He can be reached at raj_shravan1981@yahoo.co.in
Near Term Trading Opportunity in Silver by Natarajan Visweswaran

Buy silver. MARKET PRICE: $32 TARGET $34

- Silver has retraced back from its recent highs near $35.27 to $31.45.
- The RSI (20) periods is near the Bull market support zone near 40.
- A high wave candle was formed on October 26, 2012 and a hammer pattern formed on October 24, 201. Both signify support near the $31.50 zone.
- At present this commodity presents a good reward-risk trade. Probable near term target near $34. Stops must be placed below $31.45 on closing basis.
- In MCXSILVER stops should be placed below 58700 on close basis, Targets on higher side is near 61700.

Natarajan Visweswaran is a technical research analyst at Progressive Share Brokers Pvt Ltd, a stock broking firm in Mumbai. He has been in this equity research field for the past 7 years. Natarajan focuses on market psychology, short term price patterns and wave theory. He can be reached at natrajancmt@gmail.com.
MTAEIF HOSTING FALL 2012 “TAKE AN ANALYST TO LUNCH” AUCTION

The MTAEIF is pleased to announce the beginning of the Fall 2012 “Take an Analyst to Lunch or Dinner” Auction! In previous years, we’ve held this auction on eBay, however we recently revamped our website and will now conduct all of the auctions right here!

- All auctions prices will begin at $300 USD.
- All bids should be placed in $10 increments.
- Winning bidders will be contacted by the MTAEIF staff at the close of the auction to verify the contact information to be passed to the analyst.
- If you cannot meet with the analyst in person, a 45-minute phone call can be substituted in place of the lunch.
- Select auctions include additional items from the analyst. Please read each analyst’s bio directly for more information.
- Winning bidders will have 1 year to schedule their lunch and/or phone call.
- All auctions will end on Tuesday, November 27th, 2012 at exactly 12 Noon EST.

To see a complete listing of all the analysts up for auction, visit the MTAEF website!
AUTHOR GUIDELINES

The Market Technicians Association serves a global community and the organization’s publications strive for articles that can be easily understood by readers around the world. To meet that objective, all submissions to Technically Speaking should be in English and minimize the use of vernacular phrases and references. This is necessary to improve the readability for international members who may not understand phrases commonly used in one region but unknown in most of the world.

In Technically Speaking, we want to publish articles that use simple language whenever possible. Specific terms associated with financial analysis in general and technical analysis specifically should be defined unless they are found in the MTA’s Body of Knowledge. The editors may have to make changes to any work that is published for clarity and consistency.