

## Walter Bressert Thoughts on Cycles and Trading

By Matthew Caruso, CMT

*This month, we feature excerpts from a discussion with Walter Bressert, a name synonymous with cycle analysis in the markets. Matt Caruso, CMT, recently spoke to Walt about his 30+ years in the markets.*

Basically I look at my job as a trader and analyst using cycles to anticipate tops and bottoms in a market, and to generate high probability buy and sell signals in the direction of the cycle. It's not that cycles affect markets, rather markets move according to the cycles. In other words - the cycles come first, they're there and we use oscillators to click into that energy of the cycles. I don't make the cycles; I have a program that finds them and identifies the cycle lengths in any market I choose to look at. So, my job is to try and figure out how accurate specific cycles actually are, and then how to integrate them on different time frames. My programs will identify cycle lengths, and after identifying the cycle lengths we shift into buying and selling by anticipating the time periods for cycles of specific lengths.

When I first started trading and became interested in cycles I thought they were the greatest thing in the world... but I kept losing money. I decided that I needed to get an edge on cycles to really know when there would really be a cycle bottom. Then I seriously started studying the markets... and what I found was that when I had a good history I could go back and make counts from cycle bottom to bottom to bottom etc... If for example, I look at a weekly chart and look back to get my bottom to bottom counts, then calculate cycle time periods that cluster, lopping off some of the shortest and longest time periods I have built a reasonably accurate Time Band. In the future when I get that same cycle count I'm going to expect the market to top and bottom in historical Time Bands...., and if it doesn't then I may have a cycle inversion—in which a cycle tops when it should bottom, and bottoms when it should top. While cycles do make inversions they are most often "few and far between." - it took me a lot of time and money to figure that out.

The mistake that many short term traders make is that they don't pay attention to trend, and cycles give you a picture of trend....Larger cycles set trend direction for smaller cycles...I start yearly when I have the data, for example we have the four-year cycle in the Dow (cycles are measured from bottom to bottom). Then, I drop down to a seasonal

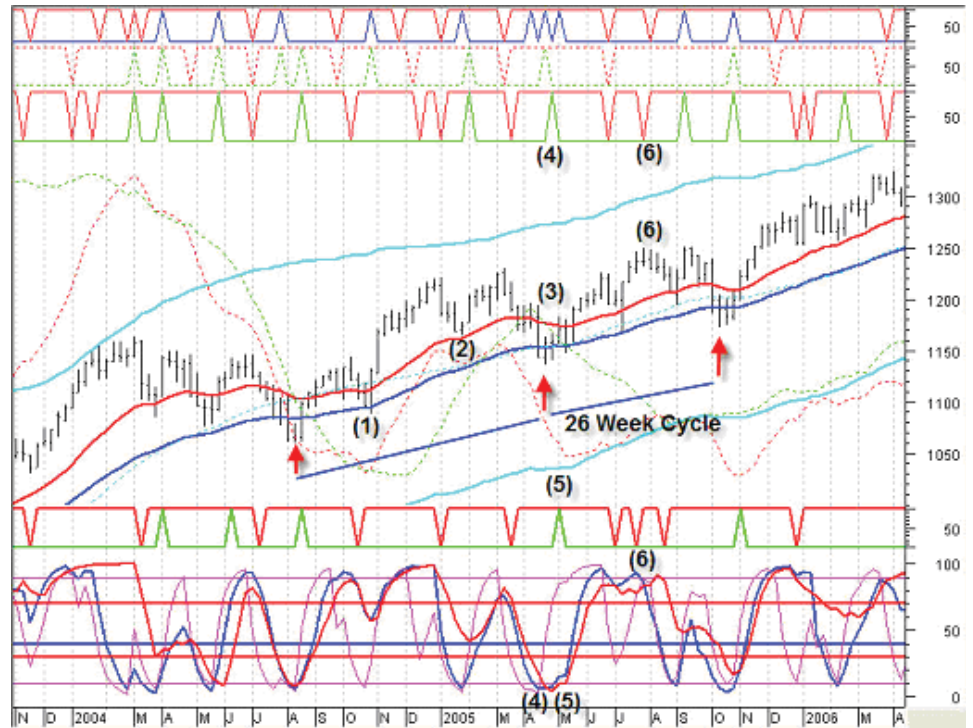


Figure 1 - S&P 500 (Nov 2004 - Apr 2006)

cycle, and then go into monthly, weekly, daily, and multiple intraday cycles. The key to this approach is that the longer-term time frames show you the trend for the shorter-term time frames. For example, if I am trying to enter long on a cycle in a 20-minute time frame, I have to be aware of cycles that are present in the next longer time frame, the 60-minute. The reason for this is that if the cycle on the 60-minute time frame is moving down, no matter how good the buy signal on my 20-minute time frame looks, the reality is that with my 20-minute cycle, the trend is moving down, as determined by my 60-minute cycle. By using multiple cycles I am constantly aware of the trend. Then, of course I'm looking to buy cycle bottoms and sell cycle tops. I have trading tools to show me when I can buy a certain bottom because the odds are 70, 80 or 85 percent that there is a bottom.

Cycles can sometimes shift, but basically, I have not seen a significant change in any cycle lengths that exist in the many markets I track and trade, in both stock and commodity markets, as well as forex. I put something together 30 years ago called a Cycle Finder, which listed the individual cycle lengths for many markets

and gave the dimensions for the timing bands. However, cycles do stretch and contract, and that is why I built Timing Bands, in which cycles can be expected to top and bottom in about 70% of the time.

The picture I want to get across is shown clearly in an example of the S&P 500 index (Figure 1). There was a weekly cycle low made on April 22, 2005. In the Dow and S&P 500 I am

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# Technically Speaking

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## A Letter from the MTA Treasurer

*This month, instead of A Letter from the Executive Director, we have decided to provide you with an update on the MTA financials from our Treasurer, Julia E. Bussie, CMT.*

As Treasurer, I am pleased to report that the financial condition of the MTA is excellent. Membership continues to grow as does interest in the CMT program. Our annual budget is developed and monitored through the joint efforts of our Executive Director, Tom Silveri, our able and enthusiastic Bookkeeper, Elliott Capon and the input of the Finance Committee – Brad Herndon, Harold Parker, Tom McClellan and myself. The budget is then approved by the Board of Directors.

Fiscal year 2007 which ended June 30 finished with a surplus of \$274,000, exceeding our budget forecasts. Annual expenses for 2007, at \$1.2 million, were up slightly from 2006 due to costs associated with the move back to NYC and additional salary expenses. Major expenses include costs to administer the CMT program, for the technology platform and updates, for publishing and mailing the *Journal of Technical Analysis* and *Technically Speaking* and for general office expenses and support staff.

As of July 31, the MTA had \$1.1 million in assets including \$442,050 in a liquid operating account and the remainder in CD's with laddered renewal dates to provide us with the maximum flexibility. Funds are held in three banks – Valley National, Chase and Washington Mutual at an annual return of about 5%.

After a year of adjustments and realigning of our priorities under the guidance of Tom Silveri, the MTA is ready and financially able to move forward with new projects. Fiscal 2008 should be a very exciting year.

Regards,

Julia E. Bussie, CMT  
MTA Treasurer  
Western Pacific Capital Management

## From the Editor's Desk

Traders enjoy instantaneous feedback - seconds after placing a trade they know whether or not it's working. Traders also have the ability to review their performance at any time just by checking their equity curve. In most other professions, an annual employee performance review is the only feedback available. In large corporations, it is possible to spend 364 days in a delusional bliss, only to learn on appraisal day that they have failed miserably at supporting corporate objectives. As editor of your newsletter, I must admit it would be great to receive constant feedback on whether or now we are meeting your needs. But, we rarely hear from the more than 2,600 recipients of *Technically Speaking*, and we are wondering if we are doing well or enjoying an extended period of delusional bliss. This month, we thought we'd ask for feedback, and we hope to hear from everyone.

Feedback of any kind is welcome: just send an email to editor@mta.org. For those thinking they have nothing to say, consider answering any, or all, of these questions:

- In the past year we have devoted a great deal of space to interviews. Do you find these articles to be useful?
- Book reviews are printed almost every month. Do you find these articles to be useful?
- Would you like to see more information about the operations of the MTA, such as this month's "Letter from the Treasurer"?
- Are you aware of what is going on in your local Chapter? Should the newsletter provide more information about Chapters?
- What else would you like to see?
- Have you ever considered submitting an article?

Thanks! We'll report back on what we learn and will incorporate all constructive feedback that we receive.

Sincerely,

Mike Carr, CMT  
Technically Speaking Editor



**Market Technicians Association**

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# The CMT Institute (CMTi)

## SIGN UP NOW!!

The CMTi is an online CMT Exam prep course available to MTA Members and Affiliates only. This is a self paced study program with live review and prep sessions including access to CMTi Faculty and discussion groups. The classes will meet once a week and run for four consecutive weeks. All classes will be recorded and posted as an archive within 24 hours. In addition you will also receive the archived sessions from the previous year. These classes are available first come first serve with a maximum capacity, so sign up early! Registration is open, **SIGN UP NOW!!!**

Registration is easy! Simply click here to be taken to the EVENTS portion of our shopping cart. From here, you will select which program you'd like to sign up for (Levels 1, 2, or 3) and check out as if you were purchasing a regular product!

\* If you wish to register over the phone please contact Tim Licitra at the MTA Office by dialing 646-652-3300. \*

### CMTi LEVEL 1

Dates: Saturdays (9/29, 10/6, 10/13, 10/20)

Time: 10 AM EST

Price: \$500

Instructor: Christopher Ruspi, CFP, CMT

### CMTi LEVEL 2

Dates: Wednesdays (9/26, 10/3, 10/10, 10/17)

Time: 7:00 PM EST

Price: \$500

Instructor: MacNeil Curry, CFA, CMT

### CMTi LEVEL 3

Dates: Thursdays (9/27, 10/4, 10/11, 10/18)

Time: TO BE ANNOUNCED

Price: \$500

Instructor: Jeffery E. Lay, CMT

## “What’s Hot”

### The MTA Library Announces...

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

- “*The (MIS) Behavior of Markets*” by **Benoit Mandelbrot and Richard L. Hudson**
- “*The Options Doctor: Options Strategies for Every Kind of Market*” by **Jeanette Schwarz Young, CMT**

## 2008 Charles H. Dow Award Competition

By George A. Schade, Jr., CMT

The competition for the 2008 Charles H. Dow Award is open. The award for excellence and creativity in technical analysis has been presented since 1994, and today it is the most important writing competition in the field.

The last day to submit papers is February 1, 2008. The Board of Directors has approved a \$2,000 cash prize. The standards for writing content and style have been raised.

The winning author will be invited to discuss the paper at a national MTA seminar or at a monthly meeting of an MTA regional chapter. The paper or a summary may be published in the MTA's *Journal of Technical Analysis*, in *Technically Speaking*, and the MTA website. The author of the runner-up paper may receive a certificate.

The guidelines are posted on the MTA's Web site under Activities. Address inquiries to [DowAward@mta.org](mailto:DowAward@mta.org).

Recipients of the Charles H. Dow Award have been:

- 1994 Charles D. Kirkpatrick, II, CMT, “*Charles Dow Looks At The Long Wave*”
- 1995 William X. Scheinman, “*Information, Time and Risk*”
- 1996 Timothy W. Hayes, CMT, “*The Quantification Predicament*”
- 1998 Christopher L. Carolan, “*Autumn Panics: A Calendar Phenomenon*”
- 1999 Eric Bjorgen and Steven C. Leuthold “*Corporate Insiders' Big Block Transactions*”
- 2001 Peter G. Eliades, “*Sign of the Bear*”, and Charles D. Kirkpatrick, II, CMT, “*Stock Selection: A Test of Relative Stock Values Reported Over 17 1/2 Years*”
- 2002 Paul F. Desmond, “*Identifying Bear Market Bottoms and New Bull Markets*”
- 2003 Gary E. Anderson, “*The Janus Factor*”
- 2004 Jason Goepfert, “*Mutual Fund Cash Reserves, the Risk-Free Rate, and Stock Market Performance*”
- 2007 Buff Pelz Dormeier, “*Price and Volume - Digging Deeper*”

## Walter Bressert

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looking for an 18 to 25 price bar cycle, so for the weekly it would be an 18 to 25-week cycle. The cycles can shift, and that's why I have timing bands. The way that I identify cycle tops and bottoms is by using oscillators that I've built. When I first started trading I became really excited about cycles, but would often lose money because I could see the flow of the cycles, and had a concept of them, but didn't know how to work with them....once I figured a few things out, things fell in place for me.... Finally I figured out that the way I was going to get it to work was that I need something to tell me when the market is going to turn. The first thing I built were timing bands... because I went back to my charts and saw that the markets made a move from bottom to top, or bottom to bottom of so many price bars. This gave me an edge, even though the accuracy of the market cycles was about 70%... So, about 70 % of the time, once I identified that cycle bottom, it was going to go up. When I identified the cycle top it was going to go down.

That April 2005 cycle bottom (4) is a particularly interesting picture. In working with cycles you must look at the longer time frames. When looking at the April time period I have a big picture move of three cycles within a single cycle. The sequence begins with a very significant double top prior to the April bottom. The market then comes down into the April bottom, which is above the significant cycle bottom in August of 04 and then starts back up again. There is a 26-week cycle bottom.

So coming back to April of 05, that cycle bottom was the end of an extended weekly cycle that began in August of 04. This particular cycle had 3 sub-cycles within it, which had bottoms in October 04 (see #1 in figure 1), January 05 (2) and the actual bottom of the nominal 20-25 week cycle in April 05 (3).

I call them nominal cycles because cycles contract and extend. In hindsight it is easy to see the picture; the market moved up in three steps. Starting from the weekly cycle bottom in August 2004 there was a sub-cycle of 11 weeks that bottomed in October. Coming out of that bottom we see a similar move that went up for ten bars and then down for three, then completed another sub-cycle in January of 05.

The next sub-cycle that is intra to the dominant weekly cycle went up from the January bottom, double topped and came down to give me a very high probability weekly cycle bottom in April of 05. I then had a buy signal the weekly price bar after the weekly cycle bottom (4), and surpassing the high of the weekly price bar with the buy signal conformed that the weekly cycle had bottomed.

I learned early in the game that I don't want to make judgment calls. I need to have something that takes the pressure off. I found that when I was trading in the early years of my career I was always making judgment calls and it caused me to lose money. That's why I started developing

the mechanical signals, they take the pressure off and leave me free to evaluate what is going on and what I think is going to happen. At the low in April 2005 the picture is really clear because this cycle low dropped below the previous sub-cycle low in January 2005 and gave a buy signal the next price bar, and that signal was followed by another buy signal the following price bar as well (5, in figure 1). My approach is to have multiple entries to confirm what I'm doing... so I have different entry signals that overlap. This particular bottom in April 05 had a buy signal followed by a continuation and then another buy signal. I had two buys coming off that bottom which is always a good picture for a probable up move. Everything is probable, nothing is certain.

As you can see, the market did move up for 14 price bars, and made a top that was quite apparent - mainly because the blue 10 doublestoch oscillator turned down (6). (*Ed note: the color chart is available online at www.mta.org.*) When that oscillator turns down and prices take out the low of that price bar, the odds are approximately 70% that I have a cycle top. So I always look at the odds, and am not trying to fudge anything. I know I can lose money if I don't wait for my signals. Therefore, I let the market tell me what is going on relative to the trading tools that I've developed, and the cycles that I work with.

I then saw the cycle high in July of 05, which is confirmed by taking out the low of the price bar in August. Once the market takes out the low of the sell signal in August, I have a confirmed 70% top.... An approximate 70% probability of having a top is pretty good just based on that, and then of course, I'm using other technicals such as the fact that prices are close to the upper Keltner band.

I'm also using another signal I developed called a B-line. I have what I call a cluster near that top of different indicators which is saying that we are making a top. If the market takes out the low of the price bar with the sell signal - taking out the low is the key - the odds are 70% to 80% that the cycle top is in place.

Therefore my sell signals confirm tops. I have three or four sell signals that confirm a high probability top, and use the high of the cycle as my initial exit. As this cycle moved lower I would prepare to buy the bottom. It came down to make a swing low in September and swing lows frequently develop into buy signals, as swing highs frequently develop into sell signals. Therefore I watch them very closely and see when they correlate with my oscillators. The September swing low did correlate reasonably well with an oscillator but I had other indicators pointing down. Although the market moved up the week of September 9th, the market did not surpass that high which is crucial, because from my viewpoint that is a failure pattern, which is very significant and the market then has a high probability to continue in the other direction. What it did was fail to surpass that high, made a swing high, and then dropped into a cycle bottom. To be honest, I do not use the weekly to buy and sell, but to give me the bigger cycle picture. With "Deep

Pockets" you could trade the weekly chart and have similar results to what I have on the smaller time frames, but you would just be winning and losing larger amounts of money.

When we finally come to the October cycle bottom, I get three buy signals, and I wait for the next bar to confirm the buy signals by surpassing the high. As the cycle keeps moving lower, I watch the oscillators. When they turn up I have a buy because the cycle count is right, and if I get a mechanical buy signal the odds are 70% I have a bottom. Then I got a b-line buy which is a second buy signal and the market was telling me it was going to go up.

**I always have an idea of seasonal patterns; which you need to especially trade the grains.** I keep the seasonal pattern in the back of my mind, but my cycles tell me much more than the seasonal pattern. The cycles will top at the seasonal pattern top, therefore it's a question of timing, and that is why my timing bands are so important. Usually, I'm looking for the signals to occur in my Timing Bands. I also have what I call buy and sell dots which also show me to anticipate significant tops and bottoms. I'm saying this because I'm not just relying on the Timing Bands. I could be off balance and not quite figure something out, and suddenly these buy and sell dots will start appearing and telling me I'm coming into a cycle bottom or top. I use multiple oscillators for different things, analysis and trading patterns.

Buy and sells dots come from a particular indicator that offers a high probability of correct activity, as I would put it. I also use multiple time frames for the oscillators. In the example of the S&P 500 weekly charts I have a 30 doublestoch oscillator that gives me an evaluation of what the 10 doublestoch oscillator is doing because it's longer term.... Let me digress a little bit. I was using the 5 doublestoch, which is very fast moving, and I was fast moving in those days. Then as I got hurt more and more I decided that I had to find something besides the 5 doublestoch because, although it does give good buy and sell signals, it can be very wrong at times. I then developed other oscillator, that's where I developed the 10 Doublestoch and the B-Line. When all of the oscillators line up together it is very significant, and fortunately, they do so often.

**Any oscillator turn is showing a change in energy.** A 5 doublestoch has a shorter term energy and the markets will make smaller moves than with a 10 doublestoch. My 30 doublestoch is for the big picture, and I use it to evaluate the patterns I see in the 5 and 10 doublestoch, and the b-line. When I have my 5 and 10 doublestoch, along with my B-line coming to bottom or top, I have a high probability that the market is going to reverse. It is going to reverse because those oscillators show me the energy of the cycle. I realize that what I just said is rather hard to explain. I used to teach my approach in a three-day workshop from 8 in the morning until dinner and then another 3 hours, but I don't do that anymore.

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## Walter Bressert

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**It is possible to obtain price projections from cycle bottoms or tops.** I have one pattern that I call a "mid-cycle pause price projection" which will give fairly accurate price projections for tops and bottoms. I worked long and hard to get that pattern, they are not easy to find. Since there are cycles in the markets, if you know the cycles you can get a decent idea of what is going to happen coming out of a cycle bottom especially if you trade in the direction of the trend - which I always do now. I have another indicator called the "trend and momentum indicator" that I developed a number of years ago that shows trend well. Before I created that indicator I really didn't have a handle on trend, the trend to me was higher highs and higher lows. The trend momentum indicator uses direction and colors, and I finally understood. I could combine cycles with trend and it was phenomenal. The trend momentum indicator is based on multiple moving averages along with some other stuff.

**When I enter a position I look to make a "three portion" trade.** The first part I take off for a short term profit, I get out really quick. The second part is for a longer term profit, maybe taking it to a cycle top. When I get into the timing bands, they are telling me that it is a good time for a cycle top or bottom depending on what the case may be, but I use a mechanical sell signal to get me out. If I don't get that sell signal, I then look for a swing low to get me out. I use swings in everything that I do, cycles are just bigger swings. The third part is for the long term picture and that's where my trend momentum indicator comes in, it gives me a real edge on trend.

All too often when people are trading they take the money and run, then along come some bad trades and they get killed. I've been using this for 30 years and it works. So much of trading is balance. The method I have put together is to balance me. I've found that if I'm out of balance and I can't connect, I'm going to make a mistake and lose money. That's why I decided to take a quick profit on my first portion because if I do I then have money in my pocket. On my second part I may make a lot of money, or I may not, but either way I'll have a good stop. The third part I leave run for the big moves, and I've made a lot of money with this concept.

**I don't have emotions when I trade.** I lost a half a million dollars when I started. I couldn't keep going like that, it was horrible. I paid my dues and realized that I don't want judgment calls. I now have 70% judgment-free trades.

When I first started, I had a lot of losing days when I found I had to just get into a hot bath and lay there for half a day. I was shattered..... My cycles were supposed to do this and that and then I thought, "wait a minute let's take another look here." Then I started using stops. In my early years (30 years ago) I thought my job was to identify cycle bottoms and get out near cycle tops and vice versa, and that was how I was basically trading the

market. The problem was that you can get really hurt, and I did, and I lost quite a bit of money. After four or five spectacular busts, I figured there had to be a better way.

That was my initial learning experience. I was not going to give up. I had bad days, weeks, and months but wasn't going to stop trading because I knew that cycles, and good money management, were the keys to success, I could feel it - and it was cycles. Over time I learned to control my fear and greed.

**Determination, on the one hand, separates successful and unsuccessful traders.** On the other hand, traders who understand the price bars, trading patterns and cycles can trade technically. Fundamentals are just too complex. I can teach anyone to trade technically. Once you understand it for one market, you can carry it out in all the markets. Those who take a technical approach to the markets and stick with it are, in the initial stages, in a learning experience. At some point they will realize that their learning experience is finished and that they're in control. Until that happens, they are going to lose more money than they make. The worst thing that can happen to someone is that they make a lot of money when they start trading. Everyone I've seen do that eventually did very poorly. They thought they understood it and they thought it was easy, but the market wants the money back.

**You have to know the fundamental picture, and stand aside for the big reports. It's not easy to develop a fully mechanical system based on cycles, believe me.** As a matter of fact I developed one for the Euro called Euro Trader. All along, as I've been working with the market, I've been trying to develop mechanical buy and sell signals that I put together into a trading package that I traded myself. I then tried to trade it mechanically and it didn't work because the brilliance of the brain cannot be thrown into a group of price bars without some kind of connection. The connection from my viewpoint was cycles and oscillators.

We traded it short term, intra-day, rather than tried to do something longer term such as daily and weekly. We spent probably two years on it and did extensive backtesting where we learned invaluable information on what can and can't be done with backtesting. I doubt if anyone has gone into it in as much depth as we have. When we were done, we made money in the market, and it's capable of making money today.

We use multiple cycles. We went back in time and really looked to see what happened. We found some very significant patterns that occur time and time again to get decent profits. That's what made the difference; we didn't just put together a few oscillators to see what we'd get. I tried that and it doesn't work. The system was put together piece by piece; and each piece had to be profitable over the longer term.

**For technicians entering the business, find a mentor, or find an approach that you feel comfortable with, ideally both.** Search to see what makes sense to you and if you see something you

think works, start paper trading. Paper trading helps you get a feel for trading, in the real world you are going to lose a lot more often. You should paper trade though because that gives you the skills to make a little money in the market. If you just jump in, you're going to have a much harder time.

There is so much more information and trading programs out there now. When I started there wasn't really much on technical analysis. It took me awhile, but I learned there is a big difference between analyzing the cycles, and trading the cycles.

*For more information about Walt and his work, readers can go to [www.walterbressert.com](http://www.walterbressert.com).*



*Matthew Caruso, CMT is an independent trader, writer and analyst.*

## CMT Exam Registration for Fall 2007

### Now Open!!

The Exams will be given between October 25th and November 3rd, 2007. Sign up early for the best times/dates!

If you have any questions regarding the CMT Exam, please contact Marie Penza at [marie@mta.org](mailto:marie@mta.org) or 646-652-3300.

The CMT is the only Technical Analysis designation that is recognized by the NYSE and NASD. It is also the only designation for Technical Analysts that qualifies as a Series 86 exemption.

Please note the change to the Levels I and II recommended reading list



## Trading Alert: Elimination of the Shorting Up-Tick Rule/ A New Field

By Chris Gurkovic, CMT

On July 6, 2007 the SEC fully eliminated the requirement for an up-tick needed for shorting. These rules were put into place in the 1930's, first restricting shorting on a down tick in 1931, then confining shorting to an up tick in 1938. Basically the last 70 years of data have new definitions, the playing field has been changed for Technicians. It should be taken as no surprise that in the next weeks to follow July 6, volatility picked up immediately. The VIX (Volatility) index closed at 14.72 on Friday July 6. By Friday August 3, four weeks later, the close was 25.16. This represents a 70% increase by the VIX. True the market was going down during this period, but I am sure the up-tick elimination has added to the steepness and severity of the decline. In my opinion, the impact on Technical Analysis, and especially Quantitative Analysis is going to be profound. It may take some time for the impact to filter into models, methods and charts, but the impact will be felt.

Most significantly affected is the NYSE TICK index, measuring the amount of up verse down ticks for NYSE. In the 20 days before July 6 the average up tick was 1315 while the average down tick was -994. For the 20 days after July 6 the average up tick was 1124 while the average down tick was -1205 according to data on Bloomberg. This makes up approximately 200 points of difference for each up and down ticks. The average up tick as a percentage of up plus down ticks averaged 57% for the 20 days before and 48% after July 6. Looking back 5 years, the time frame that I can verify data, I have never had that low of a

reading. Even though the market was mostly down during the period after July 6, there does seem to be a difference. More time is needed to study the difference in markets, but again it may not be a coincidence that this ushered in a down draft.

The TICK is an element that I closely follow, and put a lot of significance into. The changes have drastically altered a few of my models and indicators. This is only the most obvious of obvious impacts. As technicians we need to think about the implications and differences in the future, now that we are on a new playing field. For instance, could blow-off tops be much harder to form? Will capitulation be much easier to spot? What about indicators using high and low parameters? Only time will tell. Stay tuned and traders beware, we are playing ball on a whole new field.

*Christopher Gurkovic, CMT, is an internal Market Strategist for First Brokers Securities, as well as an independent trader. He has been at FBS for 8 years, where he works for one of the partners, managing a diverse portfolio of funds as well as proprietary trading. He created The Gurk Oscillator, a proprietary indicator that combines several market internals into a short term trading oscillator. Chris received an MBA from the Fox School of Business and Management at Temple University.*

## Submitting an Article

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

If you have any questions about Technically Speaking please contact Tim Licitra at: [tim@mta.org](mailto:tim@mta.org)

## Advertising

If you are interested in advertising in the MTA's monthly newsletter or journal, you can find a listing of our advertising rates on our website.

Please e-mail Tim Licitra at: [Tim@mta.org](mailto:Tim@mta.org) if you wish to submit an advertisement or have any questions.

## MTA Job Board

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

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

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

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## Fusion Analysis

4-6 November 2007, Kuwait

*Also, other planned courses for 2008 in GCC countries (Enhance Training and Development) and in New York and Beijing*

### EQUITY PORTFOLIO MANAGER INVESTMENT FUND SELECTION TECHNICAL ANALYSIS CMT 1

#### INTRODUCTION TO STEALTH TRADING USING FUSION, ALGORITHMS, AND DERIVATIVES FOR PROFESSIONALS

- Taught by John Palicka CFA CMT -

#### FUSION ANALYSIS:

This is a must attend workshop that blends fundamental, technical, behavioral and quant strategies to exploit profitable opportunities in market investing by both investors and traders. Whilst the course focuses on US equities, fixed income, commodities and GCC stocks will also be considered as the techniques can be applied to other markets and asset classes. 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.

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

A practical one-day investment fund selection workshop will also include various 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 some more specialized topics. Whilst the course focuses on US equities, other markets including GCC stocks (Saudi, Kuwait & U.A.E etc.) and real estate will also be explored. An optional 1-day session entirely dedicated to exploring trading opportunities for US and GCC equities (Saudi, Kuwait, U.A.E etc), FX, commodities and bonds using technical analysis. *Prior workshops correctly called the rise of the US market 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 supplemented by more sophisticated strategies to meet various investment goals. The objective of this course is to give the student an introduction to various trading strategies that can achieve best execution. This course should help achieve: **“Best Execution.”**

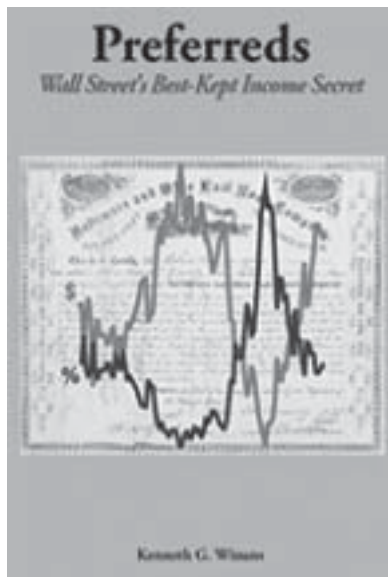
*Instructor John Palicka CFA CMT is a top-ranked portfolio manager of Global Emerging Growth Capital (WWW.GLGEGC.COM) with over 25 years experience of managing \$ billions and, he has doubled client money, on average, every four years since 1980\*. His high course ratings from major investment firms reflect clear interpretations and practical applications of complex topics; knowledge applied to examples and cases found in the current worldwide and GGC marketplace; his experience with specific situations actually encountered in his career that parallel the learning topics.*

*To find out more about these cutting-edge courses in GGC locations, please call Esam Hassanyeh + 9714 391 0234 or visit his website: [www.enhance.ae](http://www.enhance.ae). John also teaches these courses in New York at the New York Institute of Finance, website: [WWW.NYIF.COM](http://WWW.NYIF.COM)*

\* Past performance is no guarantee of future results.

## Preferreds - Wall Street's Best-Kept Income Secret by Kenneth G. Winans, CFA, CMT

Reviewed by Mike Carr, CMT



Technical analysis is generally applied to common stocks, market averages, debt instruments and futures markets. An overlooked investment, preferred stocks, is rediscovered in this book, and the author demonstrates that technical analysis works in these issues. This book, which may be the first book dedicated to preferred stocks published since the 1930s, is a worthwhile read for investment managers and advisors looking for new ideas to generate returns in their income investing accounts.

Winans noticed that the number of listed bonds was declining at a time when conservative investors were facing a bear market and increasing

downside stock market volatility. From 1988 through 2005, the number of NYSE-listed bonds declined by 88%, the number of retirees was increasing, and concerns about stock market returns worried many investors after the declines of 2000-2002. Offsetting these forces, Winans observed, was an increase in the size of the preferred stock market, which more than quadrupled as bond offerings contracted.

The question needing to be answered is whether or not preferreds are liquid enough to be used in income accounts. Winans found that the market for these stocks is liquid, and actually can be analyzed with standard technical tools, including trendlines, chart patterns and indicators. This book includes many examples of that analysis. It also includes detailed reports on more advanced analysis techniques. In one illustration, regression lines with standard error channels were used to identify overbought and oversold extremes. The method was shown to be profitable, and serves as a great starting point for skilled analysts to continue research, building upon the basic idea.

Kenneth G. Winans, CFA, CMT is the president and founder of Winans International Investment Management and Research. For more than 24 years, he has conducted extensive investment analysis and designed innovative investment models and strategies. *The Wall Street Journal*, *Barron's*, *Forbes*, and *USA Today* have published much of his investment research. Ken can be heard every Wednesday 1-1:30 p.m. on Los Angeles' most popular news radio station, CBS affiliate KNX (1070 AM), in a segment called *Wednesdays with Winans*.

For more information about this work, please see [www.preferredsthebook.com](http://www.preferredsthebook.com).

## MTA Updates

Here are some updates on MTA happenings...

- Traders' Library and the MTA have reached an agreement and have created a special website that offers all MTA Members and Affiliates our recommended reading list at the lowest possible rate! To visit this site please go to [www.invest-store.com/mta](http://www.invest-store.com/mta).
- Several new job openings have been posted in the MTA Job Bank. To view these new postings, please log into the website and click on Job Bank located on the Member Homepage. If you are interested in posting a job, please contact Tim Licitra at [tim@mta.org](mailto:tim@mta.org).
- **CMT Institute (CMTi) is open for registration!!** For more information on the CMTi, please visit the CMT Institute page. To register online, please go to the "Events" section of the "Shopping Cart" and follow the prompts. If you would like more information on the CMTi, please contact Tim Licitra at [Tim@mta.org](mailto:Tim@mta.org) or 646-652-3300.
- If you have recently had your work published in the media, in one form or another, please provide us with a copy of the work so that we can post it to the website. We think it is important for the membership to see what others are doing in the field of Technical Analysis. Please send all copies to [tim@mta.org](mailto:tim@mta.org).
- The MTA would like to announce the addition of David Keller, CMT to the MTA Board of Directors. He will be one of the replacements for Charles Kirkpatrick and Bruce Kamich. Thank you both for all your hard work!

### PREDICTIVE ANALYTICS

Cycles and Patterns In Business & Finance

• **Dr. John Casti**,  
Founder of the Kenos Circle. Professor of system theory and former researcher in complexity science at the Santa Fe Institute.

• **Dr. Theodore Modis**,  
A physicist, futurist, strategic analyst, and international consultant.

• **Richard Mokey**,  
Former Executive Director of the Foundation for the Study of Cycles (FSC), current board member of FSC.

• **William P. Sarubbi**,  
Fund Manager, Market strategist, has utilized predictive analytics for 30 years, current board member of FSC and fellow of the Kenos Circle.

**The speakers will address:**

**Global Trends**

**China-** When will spectacular growth level off?

**Energy-** Oil prices at \$20, \$200, or without oil altogether?

**Interest Rates-** When will the rate slide end?

**The economy-** Accelerating or slowing?

**Gold-** Barbaric relic or viable investment?

**The East/West Swing-** How far east will economic growth swing?

**Equity markets-** Will the bull market continue?

**Commodity markets-** Can this bull market peacefully co-exist with the equity bull market?

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**The Kenos Circle**

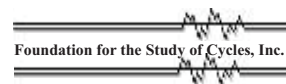
(<http://www.kenos.at/>) was founded

in Vienna in 2005. The Kenos Circle

is a society of professional academics,

business theorists, and commercial

consultants sharing a common interest in the concepts, tools, and methods of modern complexity science and management for understanding "the future".



**Foundation for the Study of Cycles, Inc.**

**The Foundation for the Study of Cycles**

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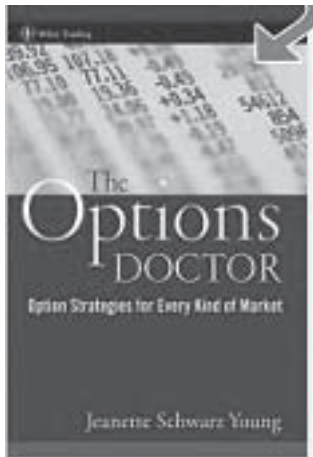
60 years, the Foundation has been

cataloguing cycles in many phenomena.

# The Options Doctor, Options Strategies for Every Kind of Market

by Jeanette Schwarz Young

Reviewed by Mike Carr, CMT



Jeanette Schwarz Young, CFP, CMT, has written an easy-to-read book that will appeal to novice and professional alike, a rare accomplishment in the field of investment and finance publishing. In the final chapters of *The Options Doctor*, she describes the actual techniques she uses to enhance her own trading profits after building a

common level of knowledge among all readers in the earlier chapters. In my opinion, this is where many authors fail to hold their readers' attention. But, her review of the basics includes tales of her trading pit experience along with her unique take on indicators and patterns that are well known to the professional audience.

In Part I, she provides an overview of technical analysis. This section by itself might serve as a good review for CMT candidates. Part II details options strategies, making the theory behind the Greeks completely comprehensible. She also describes exactly which strategy to use in uptrends, downtrends and trading range markets. In Part III, complex hedging and trade management strategies are discussed. This is the most valuable section for the professional, with detailed examples on managing trades that rapidly move against traders, a common event in recently volatile markets.

One section includes a description of Young's favorite indicators. One of these is the Commodity Channel Index (CCI) with a five-period moving average. Putting this idea to the test, I found that by optimizing CCI, this simple idea could identify correct entries 75% of the time. Young correctly cautions readers that this is not a standalone system, and the drawdowns are indeed dramatic, but it is a valuable input into her trading methodology and might be something other traders should consider looking at. In Figure 1, two sell signals are highlighted, both of which led to moves of at least 5% (more than \$2,000 per contract in Coffee).

It would be difficult for anyone to read this book without obtaining at least one trading idea that could make them money. Although the book is a quick read, novice traders will want to spend hours studying the concepts presented and professionals will want to spend more time backtesting ideas they gain from the reading.

Published by Wiley Finance, \$55.00, 210 pages

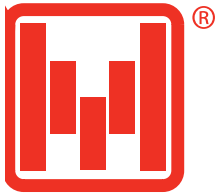
## Technically Speaking Opt-Out

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

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



Figure 1 - Coffee Continuous Contract, Apr - July 07 (chart provided by Genesis Trade Navigator, [www.gfds.com](http://www.gfds.com))



# Market Technicians Association, Inc.

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