



Educational Columns

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Identifying and funding educational programs in the field of Technical Analysis since 1993

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A Fundraising Event

in celebration of the

Opening of the MTAEF/MTA Library at Baruch College

Tuesday, November 17, 2009

five until nine o'clock

Newman Library at Baruch College

25th and Lexington • New York



Sponsored by



MTAEF Awards Dr. Andrew Lo First Annual Mike Epstein Award

The Market Technicians Association Educational Foundation (MTAEF) has initiated an Annual Award in the name of one of its past presidents, Mike Epstein. The Mike Epstein Award recognizes those who have worked to further the acceptance of technical analysis at the university level, have substantially helped the MTAEF

Library, or have acted in other meaningful ways to further the goals of the foundation. The Mike Epstein Award will be given annually at the MTAEF Fall gathering.



The first to receive the Mike Epstein Award was Dr. Andrew W. Lo from the Massachusetts Institute of Technology (MIT). Dr. Lo is the Harris & Harris Group Professor of Finance at the MIT Sloan School of Management and the director of MIT's Laboratory for Financial Engineering. He received his Ph.D. in economics from Harvard University in 1984,

and taught at the University of Pennsylvania's Wharton School as the W.P. Carey Assistant Professor of Finance from 1984 to 1987 and as the W.P. Carey Associate Professor of Finance from 1987 to 1988.

"I can't think of a more perfectly qualified candidate for the first annual MTAEF Mike Epstein Award than Dr. Lo, who has always had an open mind toward technical analysis both in the classroom and in practice. Mike Epstein freely combined disciplines in his approach to the markets and so does Dr. Lo. It was a perfect match," said John Bollinger, CFA, CMT, president and founder of Bollinger Capital Management and member of the MTAEF Board of Directors.

Technical Library Paves its Way

By Luis Sued, Business Editor, The Ticker

On Tuesday, November 17, the Market Technicians Association Educational Foundation and the Market Technicians Association hosted a reception and panel discussion at Baruch College in celebration of the opening of the Market Technicians Association / MTA Educational Foundation (MTA/MTAEF) library.

The Market Technicians Association, a top organization for analysts worldwide, was founded in 1973 and currently has 3,300 members worldwide, according to its website. The association administers the examination for the Chartered Market Technician (CMT) license, a prestigious designation on Wall Street.

There are 900 CMTs worldwide. In 1993, the MTA founded the MTAEF, which has since held a collection of technical analysis works, authored by prominent professionals.

MTAEF's mission, according to Professor Bruce Kamich, president of MTAEF and a technical analyst at Morgan Stanley Smith Barney, is to "bring technical analysis to the college campus."

Members of the MTA and MTAEF, attendees and officials at the event toured the MTA/MTAEF library at Baruch before the panel discussion started. During the tour, Arthur Downing, chief information officer of the William and Anita Newman Library of Baruch College, said that the MTA/MTAEF Library currently holds "the most comprehensive collection of technical analysis in the country."

Professor Kamich began the panel discussion by detailing how the Newman Library and MTAEF agreed to keep the collection here and provided a brief history of the relationship of technicians and Baruch College.

"We started with Bernard Baruch himself, who was well-known for his stock market savvy," Kamich stated.

After the events of 9/11, Baruch College professor Avner Wolf, David Krell (Baruch '71) and others worked on an agreement to keep the MTA collection in the school.

"Since [the] early 70s, technicians and traders have been involved here at Baruch and have been associated with the school," said Kamich. "It made logical sense to locate the library here."

The moderator of the panel was Vinny Catalano, president and founder of Blue Marble Research. Five financial services professionals discussed topics ranging from the current economic condition in the United States and the capital constraints of U.S. consumers to the relevancy of traditional economic indicators. Catalano called the panel "the titans club of technical analysis" given the magnitude of the panelists' ranks and expertise in their respective fields.

Robert Barbera, Ph.D., an executive vice president and chief economist at Investment Technology Group, was the first panelist. Barbera has published numerous works and has been quoted by *The Wall Street Journal* and *The New York Times*. The second panelist was John Mendelson, senior vice president and a market analyst at Potomach Research Group. Mendelson has visited many top business schools around the country addressing topics in his field of expertise.

Jason Trennert, the third panelist, is a managing partner and chief investment strategist at Strategas Research Partners. Trennert publishes research analysis regularly and is a highly regarded market strategist by [SmartMoney](#). The fourth panelist, Louise Yamada, is a managing director at LYA, which she founded in 2005. The fifth panelist, Dr. Edward Yardeni, is the president of Yardeni Research, Inc. Yardeni has worked for Deutsche Bank, the Federal Reserve Bank and was a professor at Columbia Business School.

All panelists provided their perspectives on the current economic condition and answered questions from the audience members in a lively fashion, cracking jokes whenever possible.

Three of the panelists tackled Catalano's first question of whether the U.S.



Chief Information Officer Arthur Downing gave attendees a tour of the library. Photographer Joshua Ku/The Ticker



Panelists shared insights on the economy's recovery and its sustainability. Photographer Joshua Ku/The Ticker

economy has the ability to reach the point of sustainability after the government's stimulus funding and the rebuilding of business inventory.

"The problem for the economy is the government with all these policy changes that are being proposed. It is hard for anybody who is in business to get too enthusiastic about hiring people. That's why we've seen a lot of small businesses actually firing people," Yardeni said.

For Yardeni, betting against the consumer is the wrong step to take. "When we're happy we spend money, when we're depressed we spend even more," said Yardeni, in a joking tone.

Yardeni stated that although we want a stable recovery, we do not have a way to do it. "I think as disposable income increases we just won't be able to leverage up the way we used to," Yardeni said. "Recoveries are always sustainable; we are all aspirational, we all want to do better for ourselves and our families."

Barbera argued that there are constrained consumers who are indebted and have to deleverage and there are also those who are not squeezed. "I don't think the consumer [will] play the central role as they have for the world over the previous 50 years," Barbera said.

Therefore, according to Barbera, we would have neither a lost decade nor a double-dip recovery, but a self-sustained recovery that is not driven by the consumer.

When answering the question on sustainability, Trennert said that economic slumps are not over until people are bullish and confident. According to Trennert, people are currently bullish and scared.

"What normally drives a cyclical recovery in the U.S. is pentad demand for housing and autos and durable goods," Trennert said. "Whatever demand we're getting is being essentially subsidized by the government." He believes this will affect the economy in the long run.

"The government cannot continue to dissave by a trillion and a half to two trillion dollars and not have a meaningful impact on the rest of the economy," said Trennert.

Trennert is not concerned about the sustainability of the recovery. He is concerned with the cost the government's measurements will have.

"You have a situation where I think the U.S. government (Treasury) is essentially adopting the Bear Stearns method of funding itself. It's got enormous long-term liabilities and it continues to fund itself short. And if you look at China's purchases of U.S. Treasuries, 20 percent of them are now due within one year . . . Two giants holding each other up."

Another question Catalano asked was if the current liquidity in the stock market is a bubble issue or if it is being funded from the \$3.5 trillion sitting on the sidelines in money market funds. Yamada, who holds the CMT license, said that we have always had money sitting on the sidelines.

"We've had enormous amount of money on the sidelines throughout the entire bull market from 1982 – 2000," Yamada said, "...it is a question of psychology more than money sitting on the sidelines."

Catalano also asked where investor sentiment was at the moment, as measured by the put-call ratio. Mendelson said that one of the things he does is "try to watch what people do."

Mendelson observed that as the stock market has been improving, the mood has been getting more bearish. "The level of the ratio increased since March, and it also did so in November."

A low put-call ratio indicates that sentiment in the stock market is bullish, as investors buy more calls, expecting the value of the underlying asset to increase. After the big rallies following the March lows, he did not expect a high ratio, but it still took place.

"This is one of the most bearish periods and we're still there," Mendelson said.

The event culminated with the presentation of the first Mike Epstein Award to Andrew Lo, Ph.D., director of laboratory for Financial Engineering and professor of finance at MIT Sloan School of Management. The MTAEF granted the award to Lo to honor his long-term sponsorship of technical analysis in academia and in practice. The foundation will bestow the honor to other dedicated technical analysts in the future.



Vinny Catalano called the panel "the titans club of technical analysis." Photographer Joshua Ku/The Ticker

In spring 2010, the MTAEF will sponsor research papers for students interested in topics on technical analysis. The papers will be evaluated in the fall of 2010. The library, located on the fourth floor of the Newman Library, is now open to Baruch students, faculty, and the members of MTA and MTAEF.



A fund raising auction “Take a Technical Analyst to Lunch” took place on e-Bay from October 12-22, 2009.

Take a Technical Analyst to Lunch

David Keller, CMT, Managing Director of Research, Fidelity Investments

It was an honor to represent Fidelity’s rich history of technical analysis for the MTAEF “Take a Technical Analyst to Lunch” Auction. The Fidelity Chart Room has stood the test of time, from its early days under the watch of Bob Hill and Bill Doane, to the present day where we strive to develop new ways of visualizing market activity. Through that time, the Fidelity Chart Room has served as a place to appreciate, examine, and understand the history of the financial markets.

So I was very pleased to learn that Dean LeBaron had won my auction, as I knew I would have just as many questions for him as he would for me! Dean graciously invited Walter Deemer and Mark Ungewitter to join him on his visit, and I included two of my senior analysts, Mark Dibble and Susan Berger, to join as well. This led to an intriguing discussion of market history, comparing the most recent market action to similar patterns in other countries and other eras. Our dialogue ranged from sector rotation to breadth and sentiment measures to volume analysis to contrary opinion.

Our afternoon together served as yet another reminder of how much I as a technical analyst stand to learn from others. Early in my career, a mentor told me to “always be a student of the markets.” It was a pleasure to open our doors and welcome three others who share in our passion for market history. I want to congratulate the MTAEF on a successful event, and I am truly thankful for the opportunity to participate.

The “Buyers” of the Fidelity Luncheon

Walter Deemer, President, DTR Inc.

Well, this lunch date was unique right from the get-go: I get the e-mail flier from the MTAEF and see David Keller’s name on it. Curious, I check it out; institutions like the one I used to work for simply don’t usually make their top people available like that. I see in the fine print that a tour of Fidelity’s legendary Cathedral of Charts (which I have been calling their Chart Room since the first time I saw it) is included. I’m extremely tempted but disqualify myself on conflict of interest grounds. But when I see that David’s bids are running very low, I say to myself that this once in a lifetime opportunity just can’t be allowed to go so cheaply, so I mention it in one of my reports. Dean LeBaron, one of the great investment minds of all time and the lead author of our paper on the long-term ramifications of 2008 (http://walterdeemer.com/A_Way_Forward.pdf), responds and asks me if I’d go to the chart room with him if he bid and won. I leap at the opportunity, and we make sure we make the winning bid.

So David and two of his associates end up hosting my two co-authors and me on a visit to the Cathedral of Charts. We spend a long time looking at the unbelievable amount of financial history portrayed on the walls, adjourn to Dean’s condo for a Japanese lunch (some of us think there’s a parallel between

Japan in the 1990s and our situation) and reassemble in the Cathedral for some final ruination and a benediction.

The day thus ends up being a triple win: The MTAEF gets a nice donation, we get to view historic charts that are unavailable anywhere else, and I have introduced the people at Fidelity to an investment legend and opened up a communications path between them for the future.

If only everything worked out as well as this did...

Take a Technician to Dinner Experience

Lorenzo Di Mattia

Taking my favorite technicians (Phil Roth and Jeff deGraff) to dinner has given me a chance to see an alternative view of the markets. This view tends to be more independent from the fundamental or thematic approach, and to be freer from biases coming from having positions or managing money.

I had a chance to talk to technicians who could compensate for the weaknesses of a portfolio manager. Some technicians have been around for more than 45 years; this kind of longevity is rare among portfolio managers.

Most technicians seem to have more flexible thinking and to be more disciplined in avoiding fighting trends. I was able to improve the way I think. Learning from these technicians, I could become more skilled in one of the most important areas in this business: knowing how to manage mistakes and losses.

Also, since technicians usually cover a broad universe of asset classes and single stocks, I gained ideas about what to invest in and about what to avoid.

Ian S. Notley Memorial Award on Cycles

Jonathan Arter, president of Taniscott Capital, recently announced the formation of The Ian S. Notley Memorial Award. The award will present a \$2,500 prize awarded to a university student who writes the winning paper addressing market and business cycles and the oscillations present in capital markets on a secular and cyclic basis.

This announcement was made at the grand opening of the MTAEF/MTA Library at Baruch College on November 17. The competition will be partnered with the MTA Educational Foundation (MTAEF) and is expected to be awarded annually, with the first award scheduled for December 2010.

Guidelines and a review panel are currently being established and will be available within the next few months. Details on the competition will be available on the MTAEF's site, <http://www.mtaef.org>.

Jonathan and the MTAEF are hoping that those who knew Ian as a friend, will consider helping build an endowment for this paper. Taniscott is underwriting the first year's award and wishes to build a fund that will keep the prize endowed. They are hoping institutions will consider gifts in increments of one thousand dollars. The MTA Education Foundation qualifies as a charitable organization under IRS Section 501(c)(3), and contributions are tax deductible in accordance with IRS regulations. Taniscott business manager, Bonnie Nakashian, will assist with questions as to how to participate. She can be contacted at bonnie@taniscott.com.

Learn Technical Analysis with an Online Course

The University of Maine at Fort Kent offers the Foundation's course online.

- Students will gain valuable skills needed to be successful analysts, researchers and traders
- The 3-credit online course is offered 3 times a year in Jan., May and Sept.
- Course cost \$850
- Register now at <http://www.umfk.maine.edu/bus/mtaef/>
- Course may be used in preparation for Level 1 of the MTA professional certification program
- Students will receive a one year free MTA membership



Bob Prechter, CMT (right) was taken to lunch at Petrossian in New York City





Bob Prechter Joins the Foundation Advisory Panel

Robert R. Prechter, Jr., CMT, began his professional career in 1975 as a Technical Market Specialist with the Merrill Lynch Market Analysis Department in New York. He has been publishing *The Elliott Wave Theorist* since 1979. He is president of Elliott Wave International, a financial publishing firm. Bob has won numerous awards for market timing, including the United States Trading Championship, and in 1989 was awarded the “Guru of the Decade” title by Financial News Network (now CNBC). He served for nine years on the board of the Market Technicians Association and in 1990-1991 served as its president.

Prechter has written 14 books on the Wave Principle model of finance. Since 1979, when he first addressed the subject, Bob has been developing a theory of social causality now outlined in his book *Socionomics—the Science of History and Social Prediction* (1999-2003). He has served as a reviewer to academic journals and has made presentations on socionomic theory to the London School of Economics, Georgia Tech, MIT, SUNY and academic conferences. Bob and colleague Dr. Wayne Parker’s paper “The Financial/Economic Dichotomy” was published in *The Journal of Behavioral Finance* in 2007. Prechter founded the Socionomics Institute and funds the Socionomics Foundation, which supports academic research in the field.

Bob graduated from Yale University in 1971 with a degree in psychology. He is a member of The Shakespeare Oxford Society, the Shakespeare Fellowship and the Triple Nine Society.

Ralph Acampora Joins the Foundation Advisory Panel

Ralph Acampora, CMT is Managing Director of Averita, LLC in New York. He is a pioneer in the development of market analytics and has a global reputation as a market historian and a technical analyst, providing unique insights on market timing and related investment strategy issues.

Ralph was previously the Director of Technical Analysis Studies at the New York Institute of Finance. Ralph has taught at the institute for 40 years. Before joining NYIF, he was Director of Technical Research at Knight Equity Markets. Prior to this, he worked for 15 years at Prudential Equity Groups as its Director of Technical Analysis. Ralph has been consistently ranked by *Institutional Investor* for more than 10 years. Prior to his employment at Prudential, Ralph Acampora worked at several of the financial industry’s top firms, including Kidder Peabody and Smith Barney.

With 40 years of experience, Ralph has been instrumental in the development of modern-day technical analysis. He co-founded the Market Technicians Association (MTA) in 1970 and is a past president. Ralph established the MTA library in 1975 with the assistance of the New York Institute of Finance. He also co-founded and was the first chairman of the International Federation of Technical Analysts (IFTA). Ralph continues to participate in the education of technical analysts, serving as teacher and lecturer for the New York Institute of Finance (NYIF) for the past 37 years and the Security Industry Association’s annual Wharton seminars.

Ralph is a trustee on the Board of the Security Industry Institute (SII) and currently is involved in the establishment of the Securities Traders Association University (STAU). He attended Iona College, graduated from St. Joseph’s Seminary and is the author of *The Fourth Mega Market: Now Through 2011*.

The MTAEF Lecture Series on Video is Now Complete

Phil Roth, CMT

I am pleased to announce the MTA Educational Foundation project of filming the 11 technical analysis lectures, our whole college-level introductory course in technical analysis, is now complete. These video lectures are designed for use by the instructors of the EF technical analysis course only.

If you are teaching our course and are interested in using one of these lectures, we encourage you to contact Svetlana Sussman in the MTAEF office in Cambridge, MA for the procedure to access the material. The e-mail address is info@mtaef.org and the phone number is 617-253-8959.

The MTAEF Board is excited about fulfilling the goals of the MTA Educational Foundation.





MTA Educational Foundation

In 1993, the Market Technicians Association established the MTA Educational Foundation (the Foundation or MTAEF) with a primary mission to create and fund educational programs in the field of technical analysis – the study of how prices in freely traded markets can be used to anticipate the future direction of those markets. This mission has since expanded to include the creation and support of a complete technical analysis curriculum which is now being taught for credit in colleges and universities around the world.

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Bruce M. Kamich, CMT is a Vice President, Technical Analyst at a major Wall Street firm; Adjunct Professor of Finance, Baruch College, New York, NY

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Henry O. Pruden, Ph.D., professor in the School of Business at Golden Gate University, San Francisco, CA

Avner Wolf, Ph.D., Executive Director of International Programs, Academic Director EMSF at Baruch College, New York, NY

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