

## INTRODUCTION TO TECHNICAL ANALYSIS

### *A Half-Day College-Level Course*

A primary mission to create and fund educational programs in the field of technical analysis – taught for credit in colleges and universities around the world.



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

MTA Educational Foundation  
Wall Street Station  
Post Office Box 1512  
New York, NY 10268  
212/480-2431

info@mtaef.org • www.mtaef.org

The MTA Educational Foundation (MTAEF) has developed an 11-lecture, one-semester course in technical analysis for use at the college level for credit. Those lectures, plus review classes, midterm and final exams, and home work assignments form the basis for the program. The full outline is available on the MTAEF Web site – [www.mtaef.org](http://www.mtaef.org). The course is designed for instructors fully knowledgeable in the subject and familiar with the required text, Technical Analysis: The Complete Resource for Financial Market Technicians - Second Edition by Charles D. Kirkpatrick II, CMT and Julie R. Dahlquist, PhD, CMT.

Realizing that there is growing interest in the subject by college instructors who may not have the preparation to teach all or most of the course, but who would like to introduce their students to the subject, the MTAEF has produced a half-day course. The half-day course, which can be taught in one session or two sessions, introduces students and instructors to the major topics in the course, with a goal of spurring additional interest and, perhaps, leading to a full semester course. The four sections below can be described in this fashion: Trend and momentum indicators tell the analyst the direction and force of a move; sentiment and supply/demand indicators help the analyst determine where we are in the move, and intermarket relationships (the change in value of equity alternatives) can move the entire supply/demand curve for stocks up or down.

#### ■ Trend & Momentum

The majority of the half-day course is devoted to defining and understanding market trends and momentum. For most technicians this material forms the bulk of their work. This section covers the rationale behind trends, the definition and measurement of trends (e.g., patterns and momentum indicators), relative strength, and money management. Indeed, one must believe that trends exist and can be measured to use technical analysis as an important part of forecasting markets and managing money.

#### ■ Sentiment

Sentiment analysis, the technician's method of assessing levels of fear and greed by market participants, has been recognized by academia and fundamental analysts and renamed "Behavioral Finance." The indicators in this section include polls of market participants, mostly traders, as well as transactional indicators. Transactional indicators include such measures as put/call ratios, short selling, and valuations. Sentiment analysis is not "The little guy is always wrong"; he's not.

#### ■ Supply/Demand

Supply/Demand analysis is akin to the work done by quantitative analysts and is often called "Flow of Funds" analysis. The indicators deal with corporate buybacks, new offerings, cash on the sidelines, equity allocations, mutual fund flows, insider activity, and international flows. We believe "Investors make bottoms and traders make tops"; that is, people with long-term horizons are motivated by price and value and people with short-term horizons are motivated by trends. We note that Sentiment and Supply/Demand indicators overlap. For example, mutual fund cash is both a sentiment indicator and a supply/demand indicator: when mutual fund managers have a lot of cash, it means they are bearish on equities (i.e., a sentiment indicator) and they have great buying power (i.e., their potential demand is high).

#### ■ Intermarket

Intermarket indicators deal with the relationships among the equity market, the bond market, the commodity markets, and the currency markets. The technical analyst's use of those relationships overlaps with economic analysis. For example, an important precept in technical intermarket analysis is "Stocks are a leading economic indicator, commodities are a coincident economic indicator, and interest rates are a lagging economic indicator."

A video introducing this new course can be viewed on the MTAEF's Web site at [www.mtaef.org](http://www.mtaef.org) – under New Half-Day Course on TA