



MARKET TECHNICIANS ASSOCIATION

Technically Speaking

April 2009

Letter from the Editor

This month's newsletter contains a variety of information and we hope find some of it to be useful in your pursuit of profits in the markets.

As traders, we often get caught up in small stuff and forget about the big picture - knowing when news will move markets is critical to success. In Forex, economic data represents the fundamental inputs that traders should be aware of. We reprint an article from the Online Trading Academy web site describing some of the more important indicators which can drive stocks, bonds, and Forex prices.

In stocks, fundamentals are commonly thought of as ratios. Crestmont Research recently completed a report on the P/E ratio and their detailed study includes a chart which shows that P/E ratios have been range bound for decades. Enterprising technical analysts may consider applying indicators to this data to forecast long-term trends.

We also added a feature last month that allows you to prepare the newsletter for printing in its entirety with a single click. Please let us know if you have any suggestions for additional improvements.

Sincerely,

Mike Carr, CMT



[BACK TO TOP](#)

Letter from the Executive Director

As a result of accumulated customer survey information and discussions with our membership, we realize that the education a person can receive in the field of technical analysis is one of the key member benefits of joining the MTA. Today, one can retrieve technical analysis information from hundreds of different sources (individual web-sites, books, courseware, etc.) but rarely is technical analysis information available in a single, interactive, and organized space for easy access by the technical analysis user.

Over the last year, the MTA has been quietly developing a segment of our existing website and populating it with baseline technical analysis information. It is envisioned that this website will be "The" repository for current and interactive technical analysis



information. The website will be open to the general public for certain baseline information but further, enhanced information/applications will be accessible only to members/affiliates. We are calling this addition to our website the MTA Knowledge Base (KB).

The MTA Knowledge Base (KB) will importantly have:

- Baseline technical analysis information on everything from market theories, to chart types/chart analysis techniques, to trading systems.
- A capacity for anyone to add to the KB database of information (after editorial review) so it is hoped this database will stay the most current and the best information out in the marketplace today. As such, we do not plan on waiting until the KB is 100% completed. Once 80% "there," we suspect our members, and other contributors, will tell us where to go and how to get there.
- A "blog" capacity so that individuals can commence interactions on specific technical analysis information and latest interpretations of data.

The KB will be structured into "domains" that will look at first blush similar to the MTA Body of Knowledge (General Principles, Charts, Trend and Momentum, Trading Systems, etc.) but will then branch off into several subsections. We have designed various ways to access the data (outlines, advanced search capacities, etc.) to make obtaining data user friendly and efficient.

It is on its way.....We are making final changes to the 80% and expect to put out the KB, along with tutorials, within the next month. We will also be demonstrating the KB at our Symposium in May.

Sincerely,

Tom Silveri

[BACK TO TOP](#)

The P/E Report: Quarterly Review of the Price/Earnings Ratio

By Ed Easterling

AS OF: FEB 28, 2009		REPORTED	ADJUSTED ¹	CRESTMONT ²
"P"	Closing Price (S&P 500 Index) ³	735	735	735
"E"	Current Estimate (S&P 500 EPS) ⁴	\$ 26	\$ 58	\$ 62
P/E	Price/Earnings Ratio ⁵	28.1	12.7	11.8

Notes:

(1) *adjusted using the methodology popularized by Robert Shiller (Yale; Irrational Exuberance), as modified for quarterly data*

(2) *based upon historical relationship of EPS and GDP as described in chapter 7 of Unexpected Returns: Understanding Secular Stock Market Cycles; useful for predicting future business cycle-adjusted EPS*

(3) *S&P 500 Index is the value at the end of the quarter*

(4) *'Reported' is based upon actual net income for the past year (trailing four quarters); 'Adjusted' is an inflation-adjusted multi-year average; 'Crestmont' see note 2*

(5) P divided by E

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CURRENT STATUS (Mid First Quarter 2009)

The 18.6% year-to-date decline has returned P/E to fairly undervalued (from 'somewhat undervalued') and has positioned the market for nearer-term above-average returns (assuming that the economy is not expected to enter a multi-year period of significant deflation or relatively high inflation). The 'Reported' measure of EPS and P/E, reflecting the most recent four quarters, is becoming more distorted. This is the typical distortion that occurs during earnings cycle troughs. Reported P/E is expected to rise further as the distortion increases. Be aware of the distinction between Reported P/E and the normalized P/Es in media articles and analysts reports that suggest relatively high overvaluation.

NOTE: Crestmont Research does not analyze the stock market or interest rates with a perspective about near-term direction or trends; Crestmont Research focuses on a longer-term, bigger picture view of market history and its fundamental drivers. Occasionally, the analysis indicates that a position has extended beyond the typical range of variation. In those, times, the view can have relatively shorter-term implications. Also in those times, however, markets can take a path that is longer and farther than most investors expect to ultimately be restored to a midrange position of balance of condition.

Details and descriptions about the Crestmont and Adjusted methodologies for P/E and its components are provided later in this report. In summary, the Adjusted methodology, popularized by Robert Shiller (Yale; Irrational Exuberance), uses the trailing ten-year average earnings adjusted for inflation; the Crestmont methodology uses earnings based upon its long-term trend with the economy.

RECENT STATUS

(Year End 2008)

Despite a modest recovery in the stock market since the most recent report, P/E remains somewhat undervalued and positioned for nearer-term above-average returns (assuming that the economy is not expected to enter a multi-year period of significant deflation or relatively high inflation).

(Mid Fourth Quarter 2008-II)

The declines in the stock market that have continued during the fourth quarter have been significant enough to further change the status: P/E is now fairly undervalued and positioned for nearer-term above average returns (assuming that the economy is not expected to enter a multi-year period of significant deflation or relatively high inflation).

(Mid Fourth Quarter 2008)

The declines in the stock market during October have been significant enough to change the status: P/E is now relatively undervalued and positioned for nearer-term above average returns (assuming that the economy is not expected to enter a multi-year period of significant deflation or relatively high inflation).

(Late Third Quarter 2008)

The reported price/earnings ratio ("P/E") in recent years was distorted downward due to an interim peak in the earnings cycle. The reported P/E ratio has been restored to near normalized levels as the result of the reversion of earnings to near long-term trend levels.

The normalized P/E is relatively-high in relation to historical averages, a reflection of relatively-low expected inflation (and long-term interest rates). But, P/E is now highly-vulnerable to decline due to expectations by some toward higher inflation and by others toward potential deflation. Low, stable inflation is required to sustain P/Es at or above 20.

ADDITIONS TO THIS FEB 28, 2009 UPDATE

1. Chart updates and annotations added to the right of some charts
2. Page 8: "Many of the same pundits had been hopefully-predicting that E will be back to its recent lofty levels soon. Again they are right—the reported P/E is now at 28 and likely to go higher. Not necessarily due to a rally in the market, but due to further predicted declines in E over the next few quarters. Of course (now that the market is down 50%!), those pundits are turning cautious since the reported P/E is so high.

If history and economics are reasonable guides, this may again be another one of those periods of reverse signals that occurs every five years or so..."

1. The EPS values for 2008 changed slightly as a result of revised data: (Adjusted EPS decreased slightly due to the decline in fourth quarter reported EPS; Crestmont EPS decreased slightly due to the revised decline in GDP)

Future updates of The P/E Report may include new material, analysis, or charts, which will generally either be highlighted on this second page or included as an appendix.

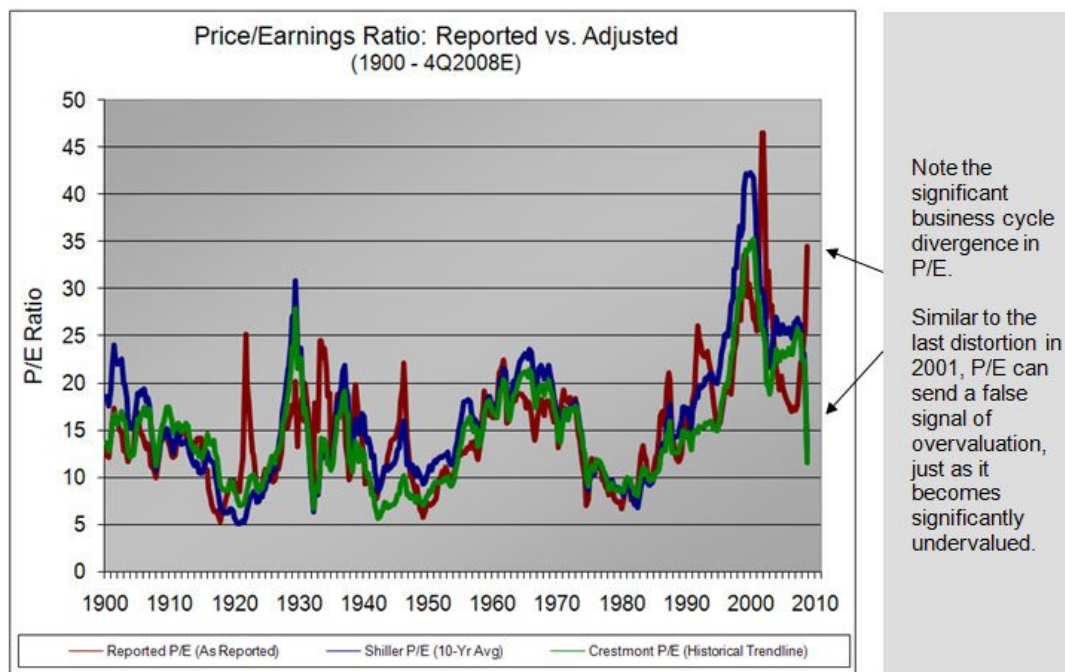
THE BIG PICTURE

The P/E ratio can be a good measure of the level of stock market valuation when properly calculated and used. In effect, P/E represents the number of years worth of earnings that investors are willing to pay for stocks. Although we will discuss later the business cycle and its periodic distortion of 'reported' P/Es, most references to P/Es in this report will relate to the normalized P/E that has been adjusted for those periodic distortions.

Stocks are financial assets which provide a return through dividends and price appreciation. Both dividends and price appreciation are generally driven by increases in earnings. Earnings tend to increase at a similar rate to economic growth over time.

Historically (and based upon well-accepted financial and economic principles), the valuation level of the stock market has cycled from levels below 10 times earnings to levels above 20 times earnings. Except for bubble periods, the P/E tends to peak near 25 (the fundamental limitations to P/E are discussed in chapter 8 of *Unexpected Returns*). Figure 1 presents the historical values for all three versions of the P/E discussed in this report.

Figure 1. P/E Ratio: 1900-4Q2008E (4Q08 based upon EPS estimates from S&P)



(Click Image To Enlarge)

What drives the P/E cycle? The answer is inflation—the loss of purchasing power of money and capital. During periods of higher inflation, investors want a higher rate of return. To get a higher rate of return from stocks, investors pay a lower price for the future earnings (i.e. lower P/Es). Therefore, higher inflation leads to lower P/Es and declining inflation leads to higher P/Es.

The peak for P/E generally occurs at very low and stable rates of inflation. When inflation falls into deflation, earnings (the denominator for P/E) begins to decline on a reported basis (deflation is the nominal decline in prices). At that point, with future earnings expected to decline from deflation, the value of stocks declines in response to reduced future earnings—thus, P/Es decline.

Therefore, for this discussion, assume that there are three basic scenarios for inflation: rising, low, and deflation. As

discussed above, rising inflation or deflation that cause the P/E ratio to decline over an extended period creates a secular bear market. From periods of higher inflation or deflation, the return of inflation to a lower level that causes the P/E ratio to increase over an extended period creates a secular bull market.

Secular bull markets can only occur when P/E ratios get low enough to then double or triple as inflation returns to a low level. As a result, secular market cycles are not driven by time, but rather they are dependent upon distance—as measured by the decline in P/E to a low enough level to then enable a significant increase.

Cyclical vs. Secular: Jury Is Still Out

The current P/E is near 12—well below the historical market average. BUT, secular markets are driven by longer-term annual trends rather than momentary market disruptions.

The secular market P/E for 2008 is near 20!... What!... Why!...

The secular analysis for each year relates to the average index across the year; so for 2008, the price (P) in P/E (price/earnings ratio) is the average index for all days of the year. The year 2008 started with the S&P 500 Index near 1500, reached a daily-close low of 752, and ended with the Index at 903; the average daily Index across the year is 1220. As a result, the normalized P/E for 2008 is near 20.

What's the implication? The current P/E is below the average for the longer-term trend—either (1) the result of a significant change in the economic or inflation outlook or (2) the result of an irrational period driven by runaway emotions and market illiquidity. Based upon other indications currently in the marketplace, #2 seems more likely, yet the risks of the first should be monitored closely.

If the stock market recovers significantly in 2009, the average Index for 2009 could present a P/E multiple in the upper teens or higher...making the period in late 2008 just a cyclical (short-term) bear market blip within a longer secular bear market. Of course, that would make 2009 a typical cyclical bull market inside a secular bear market (it has happened many times before).

If the stock market does not recover due to currently unexpected inflation or deflation and if 2009 has the S&P 500 Index near or lower than we are today, the P/E for 2009 will mark itself well below-average and the foundation for a secular bull market will begin to be laid. Yet, if the stock market does not recover due to irrational and illiquid financial market conditions, then we may need to wait a bit longer to determine where we are in the secular stock market cycle.

We're in a period with many daily (often hourly) pixels. Patience may be a virtue, yet extraordinary insights about the likely direction are the only way to predict the future course. Without extraordinary powers, the best plan is a diversified, non-correlated portfolio with a few engines to counterbalance the weaker components of the portfolio.

BACKGROUND & DETAILS

As described further in "[The Truth About P/Es](http://www.CrestmontResearch.com)" in the Stock Market section at www.CrestmontResearch.com, P/E ratios can be based upon (a) trailing earnings or forecast earnings, (b) net earnings or operating earnings, and (c) reported earnings or business cycle-adjusted earnings.

(a) The historical average for the P/E is 15 based upon reported trailing earnings. If forecast earnings is used, the average P/E is reduced by approximately one multiple point to 14.

(b) Substituting operating earnings for net earnings would further reduce the average by almost three points to 11.

(c) Although the effect of the business cycle is muted in longer-term averages, the currently-reported P/E varies significantly due to the business cycle (more later).

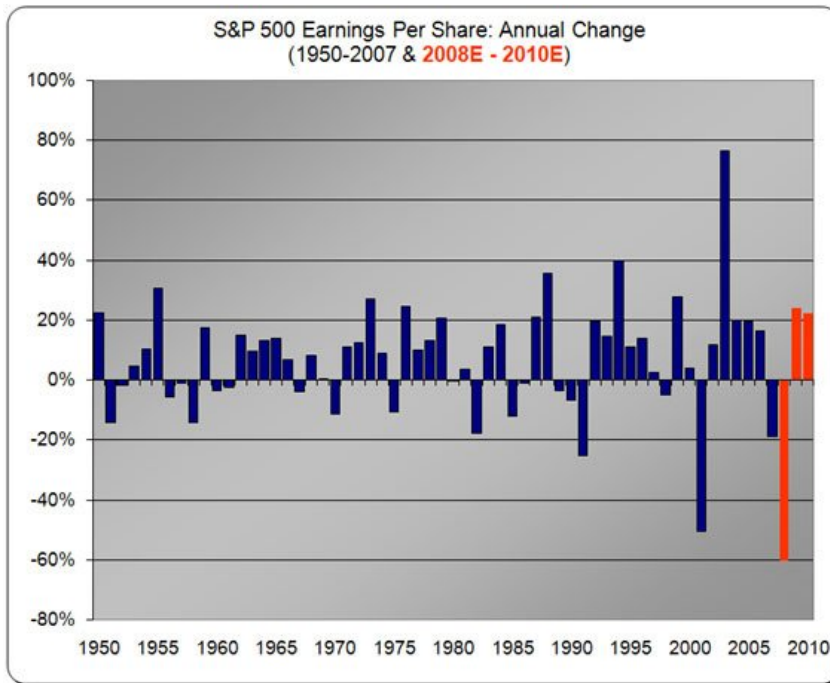
It is important to ensure relevant comparisons—that is, P/Es that are based upon trailing reported net earnings should only be compared to the historical average of 15. Too often, writers and analysts compare a P/E that is based upon forecast operating earnings to the average for trailing reported net earnings. Although long-term forward operating earnings data is not available, the appropriate P/E for that comparison would be closer to 11.

Yet the most significant distortion from quarter-to-quarter or year-to-year is due to the earnings cycle, or as some refer to it, the business cycle.

The Business Cycle

As described further in “Back To The Horizon” and “Beyond The Horizon” in the Stock Market section at www.CrestmontResearch.com, corporate earnings progresses through periods of expansion that generally last three to five years followed by contractions of one to two years. The result of these business cycles is that earnings revolves around a baseline relationship to the overall economy. Keep in mind that the business cycle is distinct from the economic cycle of expansions and recessions.

Figure 2. EPS: S&P 500 Companies (1950 to 2010E)



(Click Image To Enlarge)

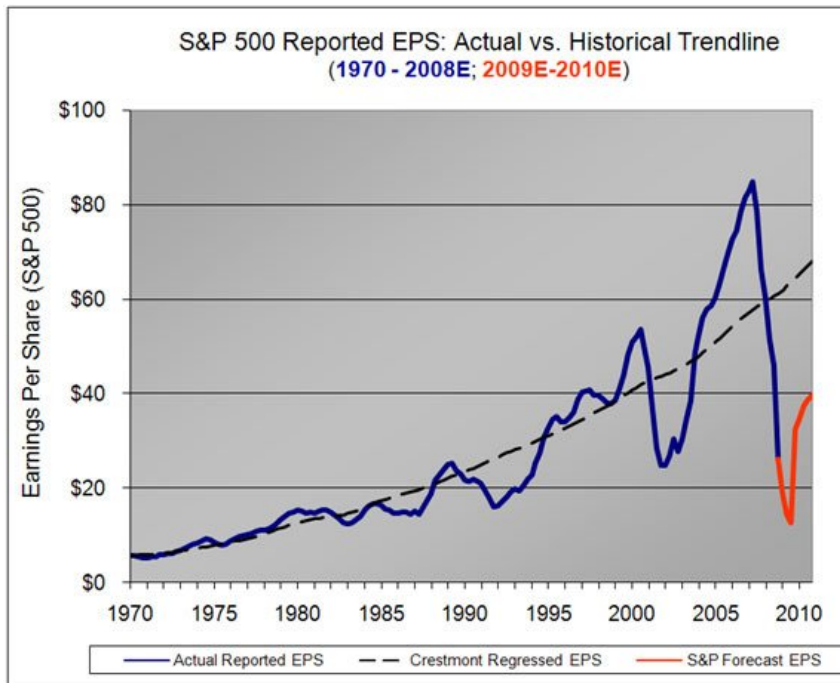
Note how the pattern of the earnings cycle —three to five years up followed by one or two of declines— appears to again be repeating...

The business cycle is not dead yet.

For example, looking back over the past six decades, Figure 2 presents the annual change in earnings historically reported by the S&P 500 companies and forecasted by Standard & Poors. This graph highlights the surge and decline cycle of earnings growth that is driven by the business cycle.

When the reported amount of earnings is viewed on a graph, the result is a generally upward sloping cycle of earnings growth. Since earnings (“E”) grows in a relatively close relationship to economic growth (GDP) over time, there is a longer-term earnings baseline (as discussed in chapter 7 of *Unexpected Returns*) that reflects the business cycle-adjusted relationship of earnings to economic growth (GDP). Figure 3 presents actually reported E for the S&P 500 over the past four decades compared to the longer-term baseline.

Figure 3. EPS: Reported vs. Trend Baseline (1970 to 2010E)



(Click Image To Enlarge)

The past few legs of the cycle have swung more dramatically than it has in the past.

Will that accentuation continue? Or, will we finally get back on track?

If history is a guide, we shouldn't be surprised if EPS for 2009 and/or 2010 exceeds current estimates...

Why does this matter? Because if you only look at the P/E ratio reported for any quarter or year, the ratio during peaks and troughs will be quite distorted when compared to the more stable long-term average. About every five years or so, the reported P/E will reflect the opposite signal in contrast to a more rational view of P/E valuations. For example, the reported value for P/E in early 2003 reflected a fairly high value of 32 just as the S&P 500 Index had plunged to 800 (E had cycled to a trough of \$25 per share). A P/E of 32 generally screams "sell" to most investment professionals; yet, in early 2003, that was a false signal! A more rational view using one of the business cycle-adjusted methods reflected a more modest 18. In a relatively low inflation and low interest rate environment, the scream should have been "Buy"...

Several years later, in 2006 (after an unusually-strong run in earnings growth), E peaked at \$82 per share as the S&P 500 Index was hesitating at 1500. Most market pundits were recommending a strong "buy" due to a calculated P/E of *only* 17. Yet, using the rational business cycle-adjusted methodologies, the true message was "STOP"—P/Es were saying sell, with P/E more than 25.

Well the pundits were actually (sort of) right—P/Es did expand... Yet it was due to (what should have been expected) the normal down-cycle in E rather than the pundit-promoted increase in the stock market. So now that investor's stock market accounts are down almost 50%, they were handed explanations that the earnings decline was unexpected and the fault of the financial sector...

Many of the same pundits had been hopefully-predicting that E will be back to its recent lofty levels soon. Again they are right—the reported P/E is now at 28 and likely to go higher. Not necessarily due to a rally in the market, but due to further predicted declines in E over the next few quarters. Of course (now that the market is down 50%!), those pundits are turning cautious since the reported P/E is so high.

If history and economics are reasonable guides, this may again be another one of those periods of reverse signals that occurs every five years or so...

METHODS

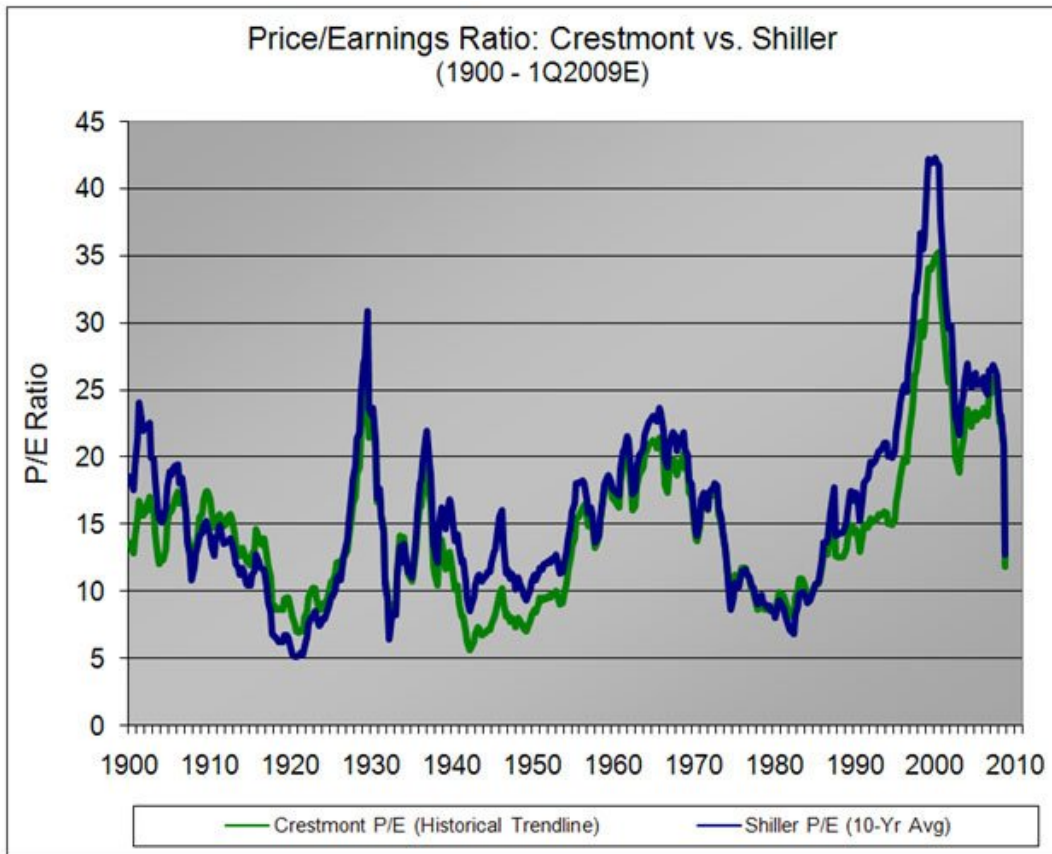
To adjust for the variability of earnings across business cycles, a rational methodology is needed to reduce distortions and provide a normalized reading about the long-term level and trend in earnings. The most recognized methodology is the one popularized by Robert Shiller (Yale) in *Irrational Exuberance* and on his website. To smooth the ups and downs in earnings, his methodology creates an average of the reported earnings for the past ten years. To eliminate the effect of inflation, all earnings values are adjusted-forward and increased by the impact of inflation. The result is a ten-year average for E. Using the current stock market index value, we have a more rational view of the current P/E valuation of the stock market.

For historical values, whether it relates to a month or a year in the past, Shiller also adjusts the stock index value by

averaging the closing price for each day during the period. The stock index adjustment reduces historical distortions caused by significant intra-period swings by the market.

Crestmont has developed a complementary methodology—one that is fundamentally-based—that produces similar results, yet also provides forward-looking insights. The approach is explained further in Chapter 7 of *Unexpected Returns*, yet in summary, it uses the close and fundamental (not coincidental) relationship between earnings per share (“E”) and gross domestic product (GDP) to adjust for the business cycles. The baseline E for each period essentially is based upon mid-point values for E across the business cycle—peak and trough periods of actual earnings reports are adjusted back to the underlying trend line to reduce the intra-cycle distortions.

Figure 4. P/E Ratio Methodologies: Crestmont vs. Shiller



(Click Image To Enlarge)

The historical relationship between Crestmont and Shiller is similar, as reflected in Figure 4, yet the Crestmont approach enables analysts to estimate an expected level of E based upon future economic growth (which is fairly consistent over time). Also, by comparing reported E to baseline E, analysts and investors have a better understanding of the current position in the business cycle and magnitude of divergence above or below the long-term trend.

DISTANCE, NOT TIME

Secular bull markets can only occur when P/E ratios get low enough (due to high inflation or significant deflation) to then double or triple as inflation returns to a low level. As a result, secular market cycles are not driven by time, but rather they are dependent upon distance—as measured by the decline in P/E to a low enough level to then enable it to have a significant increase.

The table that follows in Figure 5 provides a representation of the ‘distance’ that would be required to reposition for a secular bull market. The scenario presents the typical historical starting point for secular bulls (i.e. P/Es below 10).

Note that this analysis does not include the dynamic of ‘time’. As we continue forward in time, the normalized level of earnings (“E”) will increase and naturally close the gap without the declines presented below.

This is not a prediction—I hope that we avoid a move to lower P/E's and keep this secular bear in hibernation. The result would be approximately 6% total returns from the stock market including inflation; yet, it would avoid the devastatingly-low returns marked by full secular bear markets (see “Waiting For Average” at www.CrestmontResearch.com for a tally of the future expected return).

Nonetheless, since one of the most common questions is “when will this secular bear market end,” the table in Figure 5 seeks to answer that question and to highlight that secular market cycles are determined by ‘distance’ and not by ‘time’.

Figure 5. Distance To The Next Secular Bull?

AS OF: FEB 28, 2009		ADJUSTED1	CRESTMONT2
“P”	Closing Price (S&P 500 Index) ³	735	735
“E”	Current Estimate (S&P 500 EPS) ⁴	\$ 58	\$ 62
P/E	Price/Earnings Ratio ⁵	12.7	11.8
	<u>Historical Secular Bull Start</u>	10.0	
	Implied S&P 500 Index	580	620
	Distance Away	-21%	-16%

Notes 1-5: see footnotes in Figure 1
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POTENTIAL DISTANCE

As reflected in Figure 6, the current level of the stock market valuation, as reflected in the P/E, provides the potential for relatively-attractive gains if financial markets stabilize, economic growth continues on average at historical growth rates, and inflation remains relatively low. A P/E of 22.5 is used as a mid-range for P/E's in low inflation and low interest rate environments.

Figure 6. Stock Market Gain/Loss To Low Inflation P/E Levels

AS OF: FEB 28, 2009			CRESTMONT2
“P”	Closing Price (S&P 500 Index) ³		735
“E”	Current Estimate (S&P 500 EPS) ⁴		\$ 62
P/E	Price/Earnings Ratio ⁵		11.8
	<u>3-Year Restoration (1Q2012)</u>	P/E	
	Projected Normalized EPS ²	22.5	
	Implied S&P 500 Index		\$73
	Annual Compounded Gain		1643
			30.7%
	<u>5-Year Restoration (1Q2014)</u>	22.5	
	Projected Normalized EPS ²		\$81
	Implied S&P 500 Index		1823
	Annual Compounded Gain		19.9%

Notes 1-5: see footnotes in Figure 1
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CONCLUSION

Although today's P/E is well below 15, the stock market remains in secular bear market territory—yet relatively undervalued under the expectation of a relatively low inflation and interest rate environment. It is historically consistent for secular bear markets to present shorter-term periods of strong returns (cyclical bull markets) followed by periods of market declines (cyclical bear markets).

The only way to reposition into a secular bull market is to experience a decline in the stock market relative to the growth in earnings due to significant inflation or deflation. This can occur either by a significant decline over a short period of time (e.g. the early 1930s secular bear market) or by minimal decline over a longer period of time (e.g. the 1960s-1970s secular

bear market).

This report assesses the current valuation level in the context of the longer-term market environment. The goal is to help investors and market spectators to assess more quickly the current conditions. For the full year 2008, the annual P/E (based upon the average index across the year) is 20. That is significantly higher than the normalized P/E using only the year-end index. Annual values are used for longer-term secular market analysis; the current normalized P/E is more relevant for investors' shorter-term analysis. If the market stayed at current levels for another year, the annual P/E for 2009 would reflect the current value near 12. Thus, the 'current' look at the market is a reasonable assessment of the valuation level available to investors today, even if the annual values do not yet reflect the significant declines.

In this environment, as described in chapter 10 of *Unexpected Returns*, investors should take a more active "rowing" approach (i.e. diversified, actively managed investment portfolio) rather than the secular bull market "sailing" approach (i.e. passive, buy-and-hold investment portfolio over-weighted in stocks).

Ed Easterling is the author of Unexpected Returns: Understanding Secular Stock Market Cycles, 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 on the financial markets at www.CrestmontResearch.com.

APPENDIX A: EARNINGS HISTORY & FORECASTS

Why does the version of "earnings" matter?

Stockholders generally value the stocks of publicly-traded companies based upon their future cash flows, which is largely based upon future dividends (academics employ the principles of the so-called Dividend Discount Model). To grow, companies need to retain a certain amount of their earnings; the remainder of the earnings is available to pay dividends. Dividends are paid from net earnings—net earnings are also the basis of historical P/E ratios.

History confirms the basic economic principles: Earnings go through a cycle of above-average growth followed by short-term declines. Some of the short-term declines occur due to one-time charges, yet other factors also impact profit margins. Analysts have been pressured to develop a measure of earnings that is less volatile than reported earnings—a measure that is now known as 'operating earnings per share'. Although 'as reported' earnings are based upon detailed accounting principles (known as GAAP), 'operating earnings' is a measure of profits that is developed by adding-back subjectively determined charges that reduced earnings. There are agreed standards for 'as reported' earnings; there is not a standard for 'operating earnings'.

As reflected in Figure 7, there are several measures of earnings. Two of them vary significantly; one of them is fairly stable.

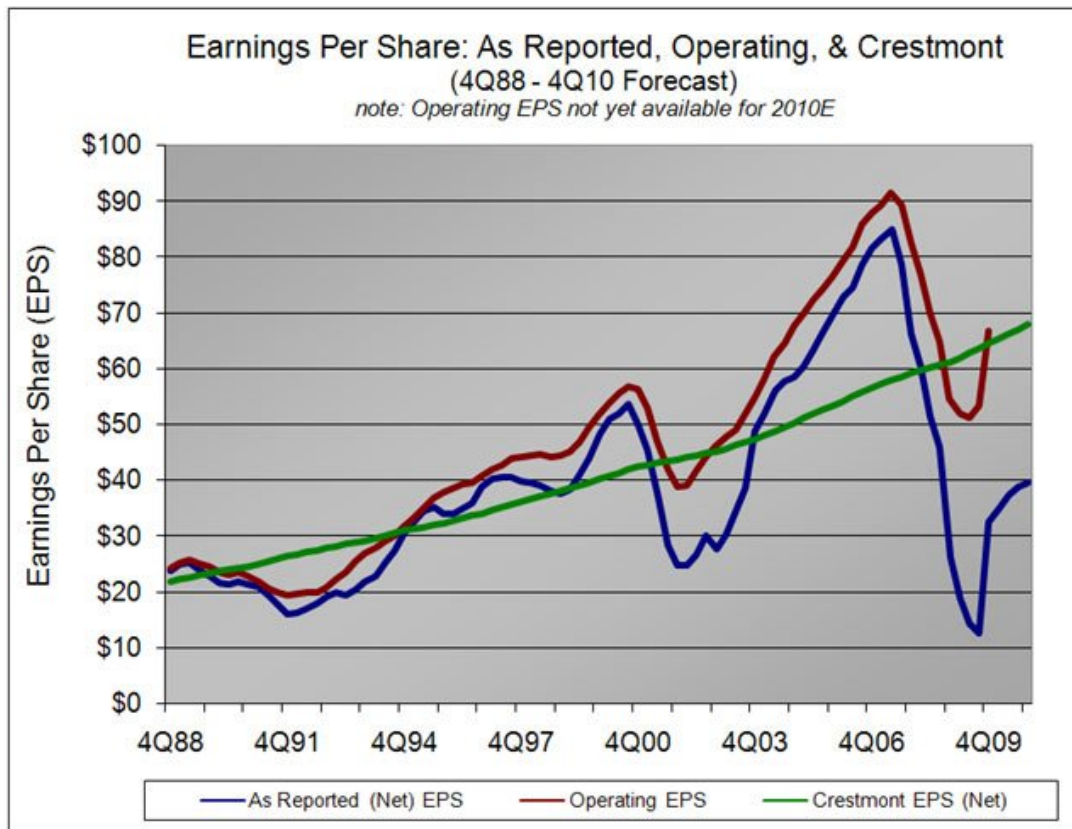
"As Reported" earnings reflects the past and projected (by S&P analysts) net income from the five hundred large companies in the S&P 500 Index. This measure is based upon Generally Accepted Accounting Principles (GAAP) and is the measure that historical averages are based upon.

"Operating" earnings reflects a subjective measure of earnings (by other S&P analysts) that adds back certain costs and charges. It attempts to reduce the impact of the business cycle and one-time charges, yet it is generally considered to be an optimistic view of earnings. *This measure of earnings per share (EPS) is NOT comparable to the long-term average P/E, since operating earnings excludes a variety of costs and charges that reduce the funds available for dividends.* On average, 'Operating EPS' is 16% more than 'As Reported EPS'. Since operating earnings is often viewed on a projected basis, the historical average price/earnings ratio (P/E) based upon "Operating EPS" is closer to 10. This contrasts to the historical average P/E based upon 'As Reported EPS' of 15.

"Crestmont" earnings is based upon the long-term relationship of earnings to economic growth. As described in *Unexpected Returns*, the relationship is fairly consistent over time and is a good measure of the baseline for earnings. 'As Reported EPS' has for decades varied around the Crestmont baseline. Crestmont has found that the market tends to anticipate the long-term trend and the market resists the temptation to fully-adjust to the short-term business cycle of earnings. In other words, the market tends to stall at the highs in the earnings cycle (e.g. 2007) and tends to resist declining when earnings are near cycle lows (e.g. 2002).

Figure 7 presents EPS from Standard And Poor's for "As Reported" and "Operating" (actual prior to 4Q08; forecast for the balance of 2008 and 2009-2010) and from Crestmont through 2010.

Figure 7. Earnings Per Share: As Reported, Operating EPS, & Crestmont EPS



NOTE: On an annual basis, the historically-consistent value for the P/E in 2008 is near 20 (i.e. average daily index of 1220 and annual earnings of \$61). Although the long-term charts will reflect a P/E slightly below the level that would be expected for the current economic (expected inflation) conditions, the current level of the stock market suggests a valuation that is fairly attractive for long-term investors in the stock market.

Crestmont Research develops provocative insights on the financial markets and on the hedge fund industry. The primary focus of the research has concentrated on the drivers and characteristics of secular stock market cycles, the impact of inflation and interest rates on the stock and bond markets, and various aspects of hedge funds and the hedge fund industry. For additional research, please see <http://www.crestmontresearch.com/>

[BACK TO TOP](#) | [PRINT ONLY THIS ARTICLE](#)



GLOBAL EMERGING GROWTH CAPITAL

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 in 2008-9. They are produced by various knowledge vendors throughout the world (some listed below). Specific details can be provided by contacting them, 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. The approach attempts to exploit profitable opportunities in market investing by both investors and traders. Whilst the course focuses on US equities, other asset classes, such as, fixed income, commodities, FX, real estate, and GCC stocks will also be analyzed. 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. Portfolio theory considerations and statistical issues are discussed with behavioral considerations.

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

An optional and practical one-day investment fund selection workshop will also include various fund 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 many specialized topics. Whilst the course focuses on US equities, other markets including GCC stocks, commodities, and real estate will also be explored. An optional 1-day session entirely dedicated to exploring trading opportunities for US and GCC equities, FX, commodities and bonds using technical analysis. Prior workshops correctly called the past rise of the US market, collapse of real estate, 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, such as, algorithmic models to meet various investment goals. The objective of this course is to give the student an introduction to the mathematical challenges of creating algos and, utilizing various trading strategies that can achieve best execution. This course should help achieve: **“Best Execution.”**

ADVANCED CAPITAL MARKETS ANALYSIS

Spot, forwards, futures, swaps, options, and statistical issues are discussed in dynamic capital market strategies. This course was first introduced to a top Ivy Business School. Solving the course problems and cases has brought angst to MBA and CFA candidates. Still, the topics are the food for advanced hedge fund techniques.

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. 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 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).

To find out more about these courses in GCC locations, please call **Esam Hassanyeh + 9714 391 0234** or visit his website: www.enhance.ae. * Past performance is no guarantee of future results.

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MTA at the New York Traders Expo

by Kimberly Sokoloff, CMT

I had the pleasure of working the MTA booth at the 2009 Trader's Expo, which was a great experience. I recommend it to all MTA members. While it was my first show, it was well attended considering the macro environment that we are in. I was able to speak with a wide range of people which was interesting to me. You would think this type of event would just draw people from the financial community but that wasn't the case. I think that was what impressed me the most. I spoke with individuals who trade their own accounts such as dentist, doctors, housewives, students and the list goes on. People are starting to care more about how their money is managed rather than simply relying on someone else to do it for them, and that is where Technical Analysis fits in!

Many years ago when I was awarded the CMT designation no one really heard of it. Instead people would say what does that stand for "Country Music Television"?

I am very proud to say that this is not the case anymore. Most individuals who came to the MTA exhibit booth have heard of the CMT and wanted to learn about the value of it, as well as the process involved. This helps to validate that the playing field between technicals and fundamentals has become much more of a partnership. I spoke with several attendees who were fundamentally biased but still had an interest and wanted to learn more about the MTA. What really put a smile on my face was to have fellow MTA members, who are in the process of studying for the CMT, stop by the booth. It showed to me how much they cared and were eager to learn.

I am hopeful that the presence of the MTA at the Trader's Expo; opens minds and awareness about technical analysis. Having had the opportunity to help the MTA with this event was eye opening for me as well. The interest alone from people about our association provided me with such happiness. I hope to see a lot more new members join our association which in turn can lead to new CMT's.

Sincerely,

Kimberly Sokoloff, CMT

[BACK TO TOP](#) | [PRINT ONLY THIS ARTICLE](#)

Essentials of Foreign Exchange Trading by James Chen, CTA, CMT

Reviewed by Mike Carr, CMT

Foreign exchange trading is largely driven by technical analysis, and in this short book Chen offers insights into the markets, trading strategies, and details on the mechanics of forex trading.



The book is very well suited to the novice trader. The primer on technical analysis offers a great review for CMT candidates. It also highlights the importance of Elliott Wave and Fibonacci numbers in forex trading.

More experienced traders in stocks, bonds, or commodities will benefit from the book's comprehensive explanation of the mechanics of the market. As traders know, each market has its unique personality and forex is no exception. It is very important to understand the subtleties and drivers of the markets. This is especially true in highly leveraged markets where losses can mount quickly.

In explaining the markets, Chen offers valuable insights into the fundamental factors that lead to moves in a currency. While technicians often ignore fundamental data in the stock market, it is impossible to do so in forex. Fundamentals include interest rates and economic data. In a leveraged market, news releases, whether expected or unexpected, can lead to dramatic price shocks.

Overall, Chen presents an authoritative source for those new to technical analysis or experienced technicians wanting to explore a new trading option. Forex is a growing market and offers too many opportunities for the technical trader to ignore.

James Chen, CTA, CMT, is Chief technical Strategist at FX Solutions. James writes daily currency analysis, leads forex trading seminars, and has authored numerous articles on currency trading strategy and technical analysis for major financial publications, including Forbes.com, *Futures* magazine, *Technical Analysis of Stocks and Commodities*, and *SFO*.

[BACK TO TOP](#) | [PRINT ONLY THIS ARTICLE](#)

Elliott Wave Analysis of Indian Equity Markets

By Ashish Kyal

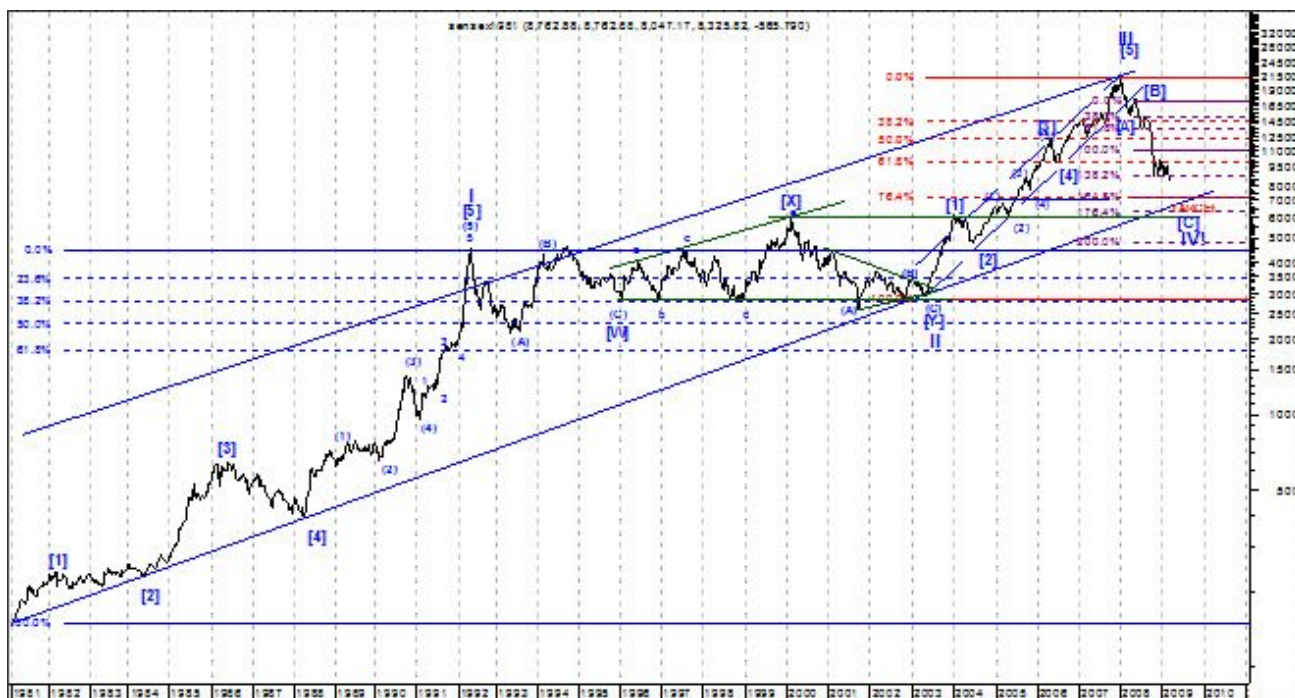
We are going through some of the most unpredictable economic times in history across the globe. It is truly an inspiration to see the entire world coming together to fight against what we have now come to call the Global Crisis. In the end, even the coordinated benchmark interest rate cuts by the world's major central banks, such as the Federal Reserve, the European Central Bank, the Bank of England and the central banks of Canada, Sweden, Switzerland and China on October 7, 2008, intended to halt the collapse of share prices and to prevent the deepening of recession, have proved to be futile.

The stock market always acts as a leading indicator of the economy. Therefore, being able to predict the market allows us to forecast where our economy is headed. In these turbulent times predicting the market is not an easy task. Inter-market analysis provides a very good view at the macro level for analyzing equity markets but things become very complex when these inter-market parameters start behaving in an unusual and unpredictable fashion. The fall of crude oil by more than 75% in less than a year, the fall of major industrial metal prices, the fall in yield of the major economies to an all time low, the highest US unemployment in the last 25 years -- all these inter-market mechanics are not sending good signals across the globe. The central banks of major economies have already lost their biggest weapon -- interest rates -- to combat deflation. From an era of inflation, we appear to have entered into an era of deflation.

Things are going to become more and more complex as technology makes the world smaller and smaller. The Elliott Wave principle provides an unparalleled tool for predicting where the different world markets are headed. The wave principle methodology incorporates the patterns of life and time, cultural and social behavior. It has stood the test of time and has proven its validity in the last century. Let us investigate the Indian markets using Elliott wave methodology, analyzing the market from Cycle degree to Minor degree.

The BSE Index, the SENSEX, is India's first stock market index that enjoys iconic stature, and it is tracked worldwide. It is an index of 30 stocks representing 13 major sectors. The SENSEX is constructed on a 'free-float' methodology and is sensitive to market sentiment and market reality. The Sensex data available to us is from 1981 onwards. Based on the wave personality and characteristics of individual waves it is safe to assume the beginning of cycle degree I from 1981. This long-term view is shown in Figure 1.

Figure 1: The Sensex monthly chart from 1981.



Cycle Degree I: Wave I is easily sub-dividable into 5 waves where subwave [5] is an extension. We can see from figure 1 how the 5th wave of intermediate degree - wave (5) again is an extension. Thus we have the cycle degree wave I extending into primary degree wave [5] which again is an extension into intermediate degree wave (5). Intermediate degree wave (5) again extends into 5 waves of minor degree. This is a classic example of extension of 5th of 5th of 5th of I. Wave I that started in early 1980's ended in early 1992 -- a decade long bull run.

Cycle Degree II: We can see a quite complex correction in the form of wave II. The correction lasted for almost a decade which started in early 1992 and ended in early 2003. The overall correction was a flat one and ended with the end of complex [W] – [X] – [Y] structure. Subwave (A) of [W] of II found support at around 50% of the entire wave I and prices after completion of [A] immediately rallied for half a year taking prices to new territory by marginally breaking the high made by wave I. This is an excellent example of a trap for bull players and Dow Theory followers, making them see the start of a new bull market after the correction. But all the hopes were lost when the market entered into the extended period of correction. Wave [X] was a rare expanded triangle, please note the supports that the market found at 38.2% retracement level of wave I. Prices touched this support almost 5 times, only marginally breached it once and immediately moved above it. Nature has certain laws and Fibonacci's ratio is one of the laws that humans follow wittingly or unwittingly. The reason for which crowd behavior follows this law so meticulously is that humans are one of the master creations of nature.

(Also a very peculiar thing to note for this correction is that it is a mirror reflection (inverted) of the correction that took place in the DJIA during the period 1966 to 1982 in Wave IV of cycle degree as seen from figure 3. The DJIA correction lasted a little longer but touched the resistance line (since opposite) again 5 times – a Fibonacci number).

Elliott's claim that crowd behaves in recognizable patterns is vindicated and is irrespective of which markets we look at across the globe.

Cycle Degree III: Wave III started from early 2003 lasted till early January 2008. I had the privilege to observe the development of this wave and the ongoing correction thereafter very closely. Subwaves of wave III was an excellent example of wave personality given the euphoria and speculation even in the fundamentally weak stocks during the last phase (wave) of the bull run. It is always easy to recognize a motive impulse wave in an uptrend and this requires little discussion. It is imperative to pay close attention to corrective waves which are complex to analyze and difficult to predict. Please observe that Wave III lasted for about 55 months (A Fibonacci number).

Ongoing Cycle degree IV: This is an ongoing corrective wave. This sets a perfect example of alternation, where wave II gave the appearance more of a flat structure while this wave is of the zigzag pattern. Please refer to figure 2 for closer Elliott analyses of corrective wave IV.

Figure 2: A more detailed view of the S&P 500.



In Figure 2, a Primary wave correction [A] – [B] – [C] is clearly visible. Wave [C] is subdivided into a 5 wave structure of which we are in 5th wave. The current wave location is ongoing wave (5) of Wave [C] of Wave IV. Wave (4) of [C] forms a triangle structure which was expected as the theory of alternation goes, since wave (2) was a zigzag correction. The internal components of the triangle are shown in the figure 2.

It is known that the correction following a triangle is generally swift and not sharp. The final wave (5) of the correction should be a swift wave and should marginally break the October lows of around 7700 and shall achieve the target mentioned below.

The maximum expected low of ongoing Wave IV is **7100**. I offer the following justification:

- First, Fibonacci retracement of Wave III gives 61.8% target as 9800 which was broken in October lows of 2008. So the next probable target is 76.4% length of wave III which is **7100**.
- Second, in relating the target to the internal components of decline, we have length of Wave [C] = 161.8% of Wave [A] giving us a target of **7100**.
- Third, the breakdown of the triangle structure of wave (4): according to Elliott the ensuing wave should move at least by the widest width of the triangle giving a minimum target of **7100** again.
- Fourth, the channel of cycle degree that starts from the 1980s provides a lower channel support at around **6900 to 7100**. This is a multi year channel support and forms a very important level.
- Fifth, the top of the wave (1) of primary wave [3] is at 6950 giving a support area around **6900 to 7000** levels.

At this juncture, the conjunction of targets given by the above methods is compelling. It will be at this level of **7100** or a little lower that the market should make it or break it.

Time target

The Sensex made new closing lows in March 09 after the October 08 lows i.e. the 5th month of previous low. As the bull market lasted for 55 months, the probable target for a bottom to be formed is approximately in $55 * 38.2\% = 21$ months. This means Cycle IV should be over sometime later this year. We are very near to our low target, which means a time correction

of a few months is still pending.

A new closing low in March 09 again is a reflection of Fibonacci series given by $55 * 23.6\% = 13$ months (we are off by only a few days as the above projection suggest new lows sometime in Feb but we are in new unknown territory in early March).

The world was never so closely linked as it is now and so it is imperative to find out what other markets are doing:

- The S&P CNX Nifty comprised of 50 Indian stocks is highly correlated to the Sensex. The current correlation is around 0.97 with the Sensex and the target for the Nifty 50, doing the similar analyses as above, is around **2190 – 2210**, i.e an approximately 16% fall from the current level of 2620 (as of EOD 6th March, 2009).

- The target for the DJIA carrying out Elliott analyses gives a target of 4500 as seen from figure 3 i.e. a fall of more than 30% from now. And if Robert Pretcher's work is right (which is highly probable) then we are at the correction of a Supercycle. The target of **4500** is modest as compared to the target that a Supercycle correction will give.

Also the correction of cycle degree is of A – B – C expanded flat structure with wave C being very sharp. First, the 61.8 % retracement of primary wave V gives a target of **4800**. Second, the multi year cycle degree channel lower support line gives a level of **4500**. Third, the internal components projection of Wave C = $238.2\% * \text{Wave A}$ gives a target of **4500**. Fourth, the 61.8% retracement of the entire Cycle degree wave (V) since 1929 depression gives a target of **4500**.

Figure 3: A long-term Elliott Wave interpretation of the Dow Jones Industriail Average.



These targets looked too far away when I first analyzed the world markets using Elliott a few months ago but now (7th March 09) the level isn't that big a reach. Markets are always communicating with us and we need to keep our emotions aside and listen to it with acute objectivity.

It is very important for Asian (Ex Japan) markets to decouple now with the European and American markets as these are the places where real crisis have originated. A **level of 7100** should form a probable bottom in Indian markets but only time will tell if we are reading the Elliott language correctly!



Ashish Kyal has a Bachelor of Engineering and MBA.

Economic Indicators

by Online Trading Academy

Economic Indicators are valuable and reliable reports that are assembled by the Government, Universities and the private sectors of business. They measure the economic health of our overall economy. Most are monthly reports and some are weekly. Generally, the Market, as a whole, listens very carefully to the results to determine whether they are "net buyers" or "net sellers" for the day.

Whenever a report is released, you need to be aware of the time and information given. It can dramatically change the price direction, depending on how the Market interprets it. There are many different indicators. Below we have given you a sampling. You must understand that not all indicators are important all of the time, so you must learn them, observe the reactions to them and, then, form an opinion on which ones help you in your specific style of trading. And to make it all more fun, their importance changes with time and the Market's perception.

Consumer Price Index (CPI)

The Consumer Price Index is a measurement of the cost of living determined by the U.S. Bureau of Labor Statistics. The CPI is a widely followed inflation indicator. It is designed to compare relative price changes over time for a fixed basket of goods and services used by consumers. The CPI has the potential of overstating inflation because it does not adjust for substitution of goods and rapidly changing prices of new technology.

Release Schedule: Monthly - around the 13th at 8:30am EST

Producer Price Index (PPI)

The Producer Price Index measures the average change over time of wholesale prices received by domestic producers for their output. This index has several components: commodity, industry sector, and stage of processing. The U.S. Bureau of Labor Statistics produces the PPI.

Release Schedule: Monthly - around the 11th of each month at 8:30 EST

Gross Domestic Product (GDP)

Provides the total value of goods and services produced within the borders of the U.S. Real GDP is the most comprehensive measure of U.S. economic activity. The change in output is measured in real terms (inflation has been removed). Released by the U.S. Department of Commerce, Bureau of Economic Analysis.

Release Schedule: Quarterly, during the 3rd or 4th week of the month following the previous quarter at 8:30am EST.

M2 - Money Supply

A measure of the United States' supply of money, including M1 (currency in circulation, demand deposits, nonblank traveler's checks, and other checking deposits) plus money market funds, savings accounts, overnight Eurodollars and time deposits under \$100,000. Provided by the Board of Governors of the Federal Reserve System.

Release Schedule: Weekly and Monthly

Employment Report

The Employment Report(s) are the most timely and broad indicator of economic activity. It provides results for two separate reports. A household survey generates an unemployment rate, and a business survey determines non-farm payrolls, average workweek and average hourly earnings figures. Provided by the U.S. Department of Labor, Bureau of Labor Statistics

Release Schedule: First Friday of the month at 8:30am EST.

Institute of Supply Management (ISM)

(formerly National Association of Purchasing Managers (NAPM) report)

Results of a national survey of purchasing managers that includes data on items such as new orders, production, employment, inventories, prices, import orders, and delivery times. A reading above 50% indicates expansion and below 50% contraction. This particular report is now split into 2 sections. The first is for goods and raw materials and the second reports the purchases of services.

Release Schedule: First business day of the month for the prior month at 10:00am EST.

These are a few of the 28 Major economic indicators. There are many more minor ones that maybe industry or sector specific. Understanding that a trader needs to learn to "Trade Down", that is to say, look at the Big Picture and then focus down to your specific stock pick. Economic Indicators have extremely strong influences on the direction of the Market. You should anticipate each announcement before entering a trade.

Most financial websites have Economic Calendars which show all the information you may require. You can certainly find these calendars at Yahoo/Finance.com, CNBC.com, Smartmoney.com, CBSMarketWatch.com and Bloomberg.com to name a few. Remember to calendar your Calendar!

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[BACK TO TOP](#) | [PRINT ONLY THIS ARTICLE](#)

Uptick Rule: A Clear Illustration That It Favors the Bulls

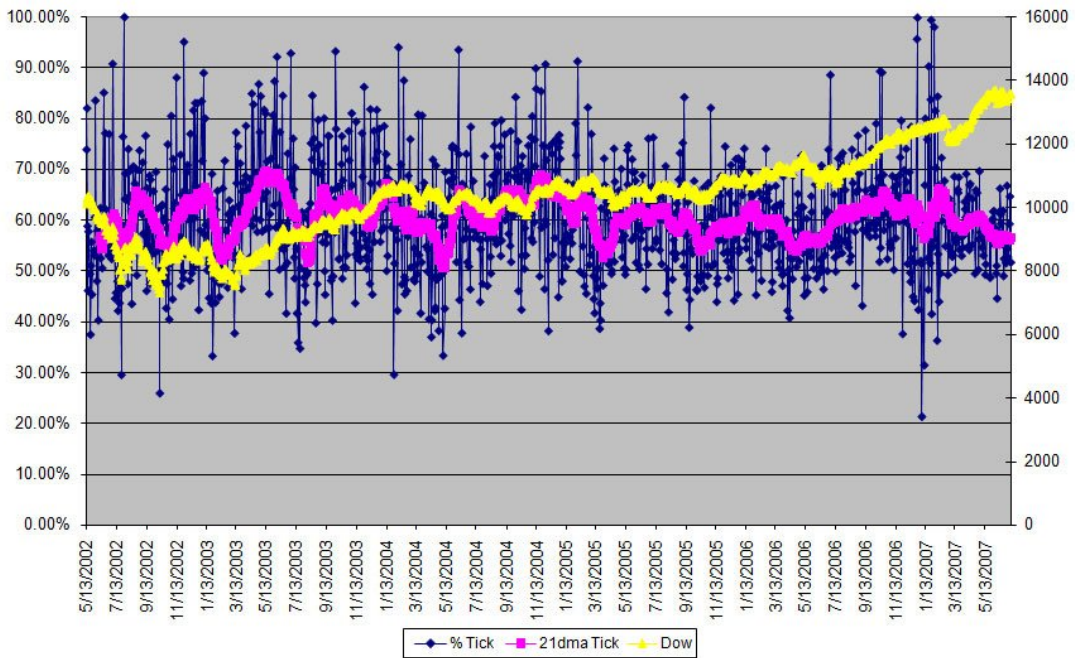
by Christopher Gurkovic, CMT

On February 25, 2009 FRB chairmen Ben Bernanke mentioned the possibility of reinstating the uptick rule. I thought this would be a good opportunity to revisit the previous articles I wrote in Technically Speaking, first in September '07 and then again in March '08. With a good year and half of data since the removal of the rule, a clear difference exists in trading. Before the rule was removed, an unfair advantage was given to the Bulls. The removal of the rule, has established an equal playing field to both Bulls and Bears. This is proven with data from the NYSE TICK index.

The TICK measures the NYSE stocks ticking up or down at a given time during the trading day, and should be looked at as a source of power and momentum in the market. It is the best index to look at for differences from the uptick rule, as it directly measures up and down ticks. The highest possible high for this index would be if all stocks are ticking up and lowest possible low reading if all stocks are ticking down. I further refined the index and data, by developing an indicator based on this index of high and low ticks. By dividing the number of high ticks by the sum of the number high ticks and low ticks, a percent indicator from 0 to 100% is derived. This shows who has the upper hand for the day. Readings below 50% means the bears had more power for the day. Readings above 50% means that the bulls had more power for the day. A reading of 50% would indicate neutrality among the Bulls and Bears.

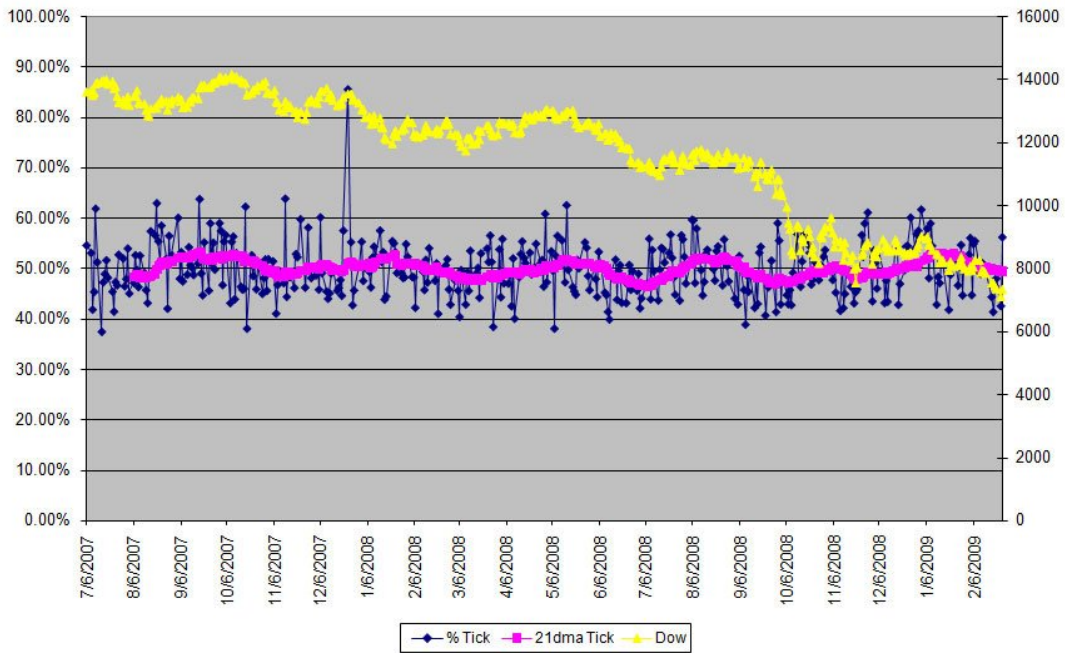
The following charts show the % tick both before and after the removal of the uptick rule. It is very interesting to note, that the average for the 413 days of trading before the removal averaged 59.64%, while the 413 days of trading after the removal averaged 49.90%.

With Rule in Place



(Click Image to Enlarge)

After Rule Eliminated



(Click Image to Enlarge)

Data source: Bloomberg

Looking at the charts, you can see that the 21 day MA fluctuated near the 60% level before the removal of the rule, while fluctuating around 50% after the removal of the rule. This is very significant! It becomes clear that the uptick rule favors the Bulls, while no rule makes it an even match. As I proposed in the previous articles, the uptick rule is the equivalent of tying

one paw behind the Bear's back. Eliminating the rule allows the Bear fair use of both paws. Since first fully instated in 1938, the rule has allowed 70 years for the Bull the gain a sense of false confidence in battling the Bear. While it may have taken some time to set in before it all went to the Bulls head, the Bull eventually became self encompassed. This unfair advantage to the Bull helped in creating the excesses that are now being wrung out of the market. Yes, the Bull did not know what hit him when the Bear finally gained use of his other paw. However, this does not mean the Bull is out for the count. This blow from the Bear was needed for the Bull to become a little more modest. The Bull will re-emerge one day after he realizes what hit him. When this happens he will come to the playing field in full armor and be ready for the fight. Tilting the playing field in favor of the Bull by reinstating the uptick rule is similar to some of the ridiculous stimulus plans we have heard about. They are not long term solutions to the problems; rather, short term fixes that will eventually make things worse. The numbers hold truth, and show a clear distinction. 50% is an even playing field, while 60% is a large and notable difference favoring the Bulls.

Christopher Gurkovic, CMT, writes as Chief Market Strategist for Deltatide Capital Corporation. He created the Gurk Oscillator, a proprietary indicator that combines several market internals into a short term trading oscillator. The oscillator is published daily with commentary at www.deltatide.com. Chris also works as an internal Market Strategist at ICAP/First Brokers Securities and earned an MBA from the Fox School of Business and Management at Temple University.



[BACK TO TOP](#) | [PRINT ONLY THIS ARTICLE](#)

Trading Forex

by Mike Carr, CMT

Technical analysis works in any freely traded market. Legend has it that technical analysis has been employed for centuries in the commodities markets for hundreds of years, since the days when Japanese rice traders relying on candlestick charts. In the first half of the twentieth century, great technicians such as Shabacker and Edwards and Magee, applied the principles of the field to the stock market.

In *Technical Analysis of the Financial Markets: A Comprehensive Guide to Trading Methods and Applications*, John Murphy wrote that technical analysis is well suited to futures markets. The diversity of these markets makes it difficult to master fundamental analysis in any one market.

Foreign exchange is the latest market where technical analysis is an invaluable tool to analyzing the markets. Forex is a deep market where traders employ a great deal of leverage to profit from small moves.

Recently, some brokers have been offering leverage greater than 100 to 1. IG Markets (www.igmarkets.com) has recently allowed traders to take on 700 to 1 leverage. Dan Cook, who provides training for that firm, explains that when properly used, such leverage can actually reduce risk.

Major currency pairs have a great deal of liquidity and see few gaps. The markets also never close during the week, trading continuously from Sunday evening New York time until late Friday afternoon. The relative scarcity of gaps makes leverage less problematic.

Trading timeframe is an important consideration when employing leverage. Forex is generally a short-term instrument, where trades last for minutes and long-term may be thought of in hours. In liquid markets, short-term moves should be relatively small.

In addition, the use of stops is critical when trading with leverage. Tighter stops should help to keep losses small, allowing for increased leverage, and potentially greater profits.

For more information on these ideas, please see www.igmarkets.com.

[BACK TO TOP](#) | [PRINT ONLY THIS ARTICLE](#)

Honor Our Own! Support the MTA/MTAEF Library Fund

by Bruce Kamich, CMT, MTAEF President and MTA Past President

Did you know that Baruch College is among the top 10 percent of US colleges according to the 2009 edition of the Princeton Review's popular annual guide to undergraduate colleges and is **the only school** with both an undergraduate and graduate level course in technical analysis?

On April 28th Baruch College will host the Twentieth Annual Bernard Baruch Dinner at which past MTA president, David Krell will be presented with the Distinguished Alumnus Award. David received his MBA from Baruch in 1971. Interestingly, David's thesis advisor was none other than Martin Zweig.

David was instrumental in bring together the various parties responsible for Baruch housing the MTA/MTAEF library.

Today Baruch's Newman Library is the home of the Market Technicians Association and Market Technicians Association's Educational Foundation Library. Once cataloging is complete, this library will be an unparalleled resource for technicians, students and professors.

Please consider showing your support of David by making a donation to the MTA/MTAEF Library Fund. David established the fund last year and is matching donations through the end of June, up to \$25,000. Help make this library the gem it is destined to be!

If your career has been advanced by achieving the CMT designation, you should be thankful for David's involvement with the committee that worked so hard for its recognition by FINRA. Please consider purchasing a seat at the dinner or making a donation to the MTA/MTAEF library. For details, contact the MTAEF at info@mtaeducationalfoundation.org.

If you or your firm would like to make a gift to the Fund, please download and complete the [Baruch College Fund contribution form](#), make a check payable to the Baruch College Fund, and mail them both to:

Baruch College Fund
Attn: MTAEF/MTA Library Fund
One Bernard Baruch Way
Box A-1603
New York, NY 10010-5585

The Baruch College Fund qualifies as a charitable organization under IRS Section 501(c)(3) and contributions are tax deductible in accordance with IRS regulations. Therefore, the full amount of your gift can be tax deductible.

[BACK TO TOP](#) | [PRINT ONLY THIS ARTICLE](#)

MTA Announcements

CMT Level 3 Exam - REGISTRATION CLOSES FRIDAY!

Registration for the CMT Level 3 Exam closes this Friday, April 3rd. Sign up today! For detailed instructions on how you can register online, please [click here](#). Contact [Marie Penza](#), 646-652-3300, for information on the CMT Level 3 Exam and/or to schedule your exam.

A Letter from the Symposium Committee Chair, Jeff Lay, CMT

Dear MTA Members, Affiliates, and Financial Professionals,

On behalf of the MTA Board of Directors, I want to extend a personal invitation to our association's premier annual event – the Market Technicians Association Annual Symposium. The theme for 2009 is **Secular Markets, Cyclical Risk: The Gilded Age of Technical Analysis**.

This year's list of marquee speakers is world class professionals and experts in the field of technical analysis. The range of topics at this year's symposium represents an incredible opportunity to hear from industry leaders who've successfully traded markets similar to those we've experienced in recent years...

To continue reading this letter, for more information on this event, and full registration details, please [click here](#).

MTA Board Elections

Members, Honorary Members and Emeritus Members, please note the following: Online proxy voting for the upcoming election of **MTA At-large Board positions (2)** is now underway! If you haven't voted, you can do so through the link below, or the link on the [MTA Member Homepage](#). Your vote is important to the MTA, so please take a moment to cast your vote. You will need your username and password to log on. If you have any questions regarding the proxy voting process, please contact [Marie Penza](#), MTA Membership Director, at 646-652-3300.

To vote click on URL: <https://vod.votenet.com/mtainc/login.cfm>

Sponsor Process Changes

As a result of our electronic process changes to the Sponsor accumulation process, we are currently moving much quicker on the Sponsor recruitment and mentorship process.

As a "best practice", as you start down the CMT Program process, please commence the Sponsorship process. Once the application process is completed and the sponsors identified, they can work as mentors to you through the overall process of CMT certification and, once the examination process is completed, we can move quickly to ensuring the designation is granted.

If you have any questions on the Sponsor accumulation process, please [click here](#) or call [Cassandra Townes](#) at 646-652-3300. She would be pleased to help you.

MTA Educational Web Series - **Sign Up Now**

The MTA is pleased to announce that registration is open for the following future presentations of the **FREE** MTA Educational Web Series.

- Wednesday, April 8th, 4:30 PM EST, Phil Roth, CMT will present "*Sentiment -- An Updated View*." [Click here](#) to register for this webcast.
- Thursday, April 16th, 12:00 PM EST, Jeanette Young, CMT will present "*Commodities and the Use of Options in Volatile Markets*." [Click here](#) to register for this webcast.



The banner features the Market Technicians Association logo on the left, which consists of a red square with a white bar chart icon. To the right of the logo, the text "Market Technicians Association" is stacked vertically. The main title "Educational Web Series" is in a large, bold, black font. Below the title is a red curved line. Underneath the line, the text "Register for a Webinar or Live Event" is written in red. Below that, in black, is "- REGISTRATION OPEN -". At the bottom, there are two lines of text: "04/08/09 Sentiment -- An Updated View - Phil Roth, CMT (4:30 PM EST) Register Now" and "04/16/09 Commodities and the Use of Options in Volatile Markets - Jeanette Young, CMT (12:00 PM EST) Register Now".

Market Technicians Association

Educational Web Series

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