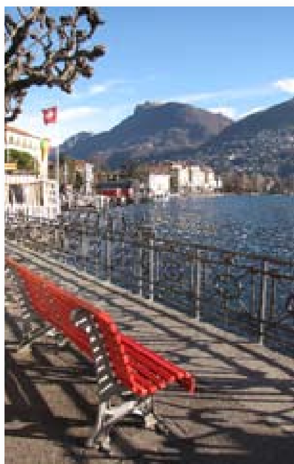
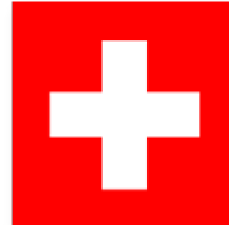
# THE SWISS TECHNICAL ANALYSIS JOURNAL





**The Swiss Association of Market Technicians**

GENÈVE • LUGANO • ZÜRICH

Willkommen
Benvenuto
Bienvenue
Welcome

## From the President's Desk

Dear SAMT Members & Industry Colleagues,

It is a great honour and pleasure to welcome the launch of our very first Swiss Technical Analysis Journal.

The Swiss Association of Market Technicians (SAMT), established in 1987, continues to experience positive growth and interest within the financial community.

Being a tri-lingual society, we serve the local interests of members and colleagues in Zürich, Geneva & Lugano.

In this respect, SAMT is a good example of how a passion for the universal language of Technical Analysis can create an important synergy between different cultures of professional thinkers and market industries.

I invite you all to read, enjoy and become part of our Swiss Technical Analysis Journal. It offers key information about our regional chapters and a wealth of insightful market knowledge, which includes new investment ideas, exclusive interviews with leading market experts, book reviews and so much more.

Yours sincerely,

Daniel

Daniel Stillhart,

*President of the Swiss Association of Market Technicians (SAMT)*

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**Journal Committee**

Mario V. Guffanti, CFTe
+ 39 33 691 91 70
mario@guffanti.net

Ron William, CMT, MSTA
+ 41 78 947 53 87
ronwilliamPR@gmail.com

Design & Production
Barbara Gomperts
+1 978-745-5944 (USA)
bgomperts@gmail.com

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# SAMT CHAPTERS AND PROGRAMMES

**Geneva - Swiss French Chapter**

The Swiss French chapter meetings are co-ordinated by

Ron William, Mobile: + 41 78 947 53 87 ronwilliamPR@gmail.com

Meeting location is often: Bloomberg | Rue du Marche 40 | 1204-Geneva Time: 17:45-20:00

**Lugano - Swiss Italian Chapter**

The Swiss Italian chapter meetings are co-ordinated by

Alberto Vivanti, Tel. + 41 91 966 11 67 vivanalysis@bluewin.ch

Mario Valentino Guffanti, Tel. + 39 33 691 91 70 mario@guffanti.net

Meeting location is near Lugano:

Centro di Studi Bancari | Villa Negroni | 6943-Vezia (accessible by bus line #5). Time: 17:00-18:30

**Zürich - Swiss German Chapter**

The Swiss German chapter meetings are co-ordinated by

Daniel Stillhart, Tel. +41 79 692 52 92 daniel.stillhart@frankfurterbankgesel-lschaft.ch

Patrick Pfister, Tel. +41 76 588 76 79 trading_patrick@yahoo.com

Meeting location is generally: Hotel City | Löwenstrasse 34 | 8001-Zürich Time: 18:00-19:00

## 2013 PROGRAMME CALENDAR

**Thursday, 21 March** **Milan - CFA Society Italy Event**

Alberto Vivanti, *Secular Outlook and Actual Trends of Financial Markets from a Technical Point of View*

Mario Valentino Guffanti, *History and Academic Studies on the Profitability of Technical Analysis*

**Location:** Centrobanca | Corso Europa 16 | Sala Colonne | Milano **Time:** 18:15-20:30 For info, click this Link

**Monday, 22 April** **Geneva Chapter Monthly Meeting**

Bruno Estier, CFTe, MFTA, *Global Market Outlook*

**Location:** Credit Suisse | Rue de Lausanne 11-19 | 1201-Geneva **Time:** 17:45-20:00

**Tuesday, 23 April** **Zürich Chapter Monthly Meeting**

Ron William, *Market Timing Using Candle Pattern Strategies in Volatile Markets*

**Location:** Hotel City | Löwenstrasse 34 | 8001-Zürich **Time:** 18:00-19:00

**Monday, 27 May** **Lugano Chapter & Centro Studi Bancari Event**

Ron William, *Candle Pattern Strategies in Volatile Markets*

Alessandro Angeli, *Japanese Candlesticks: Interpretation, History and Technique*

**Location:** Centro Studi Bancari | Via E. Morosini 1 | Villa Negroni | 6943-Vezia **Time:** 17:15-19:30 For info, click this link.

**Tuesday, 28 May** **Zürich Chapter Monthly Meeting**

Henrik Mikkelsen, *Risk and Money Management, "Are you Driving with Constant Speed": Ways to Measure Risk, Ways to Implement Risk*

**Location:** Hotel City | Löwenstrasse 34 | 8001-Zürich **Time:** 18:00-19:00

**Thursday, 30 May** **Geneva Chapter Monthly Meeting**

Michael Riesner, Senior Technical Strategist, UBS

**Location:** Bloomberg | Rue du Marche 40 | 1204-Geneva **Time:** 17:45-20:00

**Tuesday, 18 June** **Zürich Chapter Monthly Meeting**

Henrik Mikkelsen, TA Trading - *Algorithmic or Discretionary Setup, Trigger, Engage, Manage, Entry and Exit, Expectancy, Testing, Curve Fitting, Forces to account for in an Algorithm*

**Location:** Hotel City | Löwenstrasse 34 | 8001-Zürich **Time:** 18:00-19:00

**July (date to be anounced)** **Lugano Member Evening and Dinner**

**Location:** to be announced

# TRUE ORIGINS OF TECHNICAL ANALYSIS

**Mario Valentino Guffanti, CFTe**

When I began studying technical analysis in the ’80s, I remember that in several books about the roots of this topic, many authors have suggested that historically, the use of technical analysis began in the rice markets in Japan.

Kirkpatrick and Dahlquist, in their book about technical analysis published in 2010[1], hypothesized that technical analysis is considered historically native from Japan, because it is there that the first recorded technical rules have been found.

However, technical analysis is thought to be a more ancient method of analyzing markets and prices, but its history has been poorly recorded. The authors assume that we do not have recorded evidence of technical analysis being used in ancient times, but it is conceivable that technical analysis, in some form, was used in the distant past in freely traded markets. At this point we might ask ourselves what could be the oldest use ever made of technical analysis and if we have historical evidence about this somewhere.

Also in 2010, Andrew Lo, PhD, Professor of Finance and Director of the Laboratory for Financial Engineering at the MIT Sloan School of Management, published an interesting book with his co-author J. Hasanhodzic, PhD[2]. In this book, Lo considers technical analysis as the use of past prices to forecast future ones most generally, and by following this criterion he did research on historical sources to confirm his assumptions.

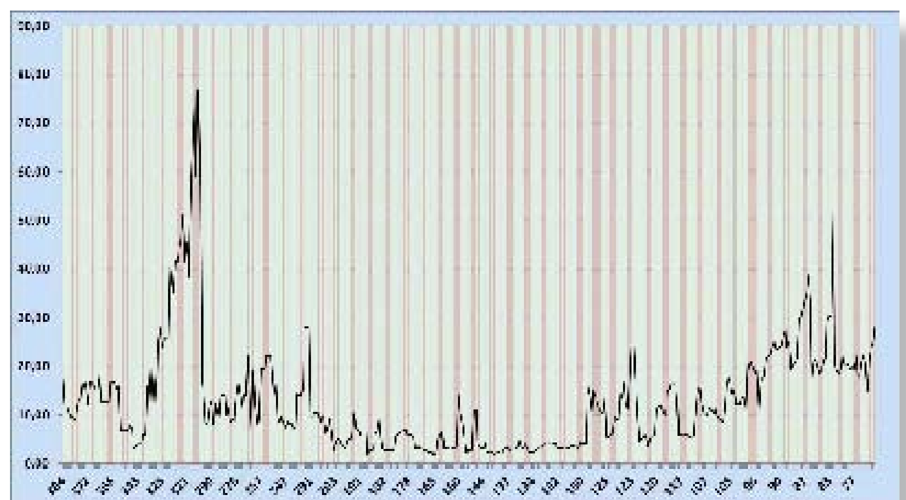
A first consideration in such direction, can be made by looking at the chart.

This is a chart of the price of a commodity that I built through a series of data[3], following Lo’s suggestions about historical sources. The attentive observer will notice that, while the prices on the vertical axis are given on a regular basis, on the x-axis numbers decrease instead of increase: a mistake? Absolutely not, these are years, but before Christ, and for this reason ranked in reverse order. Where have I taken this data? Certainly not from Bloomberg or Reuters. In fact they are still available today and are the prices of dates, one of the six commodities (barley, dates, mustard or cuscuta, cress or cardamon, sesame and wool), whose prices were faithfully recorded by the Babylonians in their astronomical diaries.

We owe this precious information, that can compete with datasets from modern history, to the conscientious work of Babylonian astronomers. Probably from the reign of the Babylonian king Nabonassar (747-734 BC), and at the instigation of this king, Babylonian astro–nomers started to make a daily record of the starry sky. These astronomers were professional scholars. From a tablet in Yale (YBC 11549) dating to the early Hellenistic period we know that at least 14 of them were fully employed by the temple. Each of them received 180 litres of barley per month[4].

The records, called Astronomical Diaries, were copied on clay tablets in the Babylonian cuneiform script and consisted of daily information on the position of the moon (rise and setting) and the planets in relation to the fixed stars, and from the early fifth century in relation to zodiacal signs. Furthermore, solstices, equinoxes, Sirius phenomena, meteors, comets and flashes and strokes of lightning were recorded. The diaries also give information on the weather (e.g. “clouds were in the sky; I could not watch”), and the levels of the Euphrates river. At the end of a monthly section some historical events were recorded (mainly on campaigns of the king, visits of the king or high officials to Babylon, cultic events, etc.) and the prices of six commodities were given, always in the same order: barley, dates, mustard or cuscuta, cress or cardamon, sesame and wool. Barley and dates constituted the main diet of the Babylonians.

The source used by professor Lo for the Babylonian data, was the book by A. L. Slotsky, *The Bourse of Babylon: Market Quotations in the Astronomical Diaries of Babylonia*[5].



Lo considers the parallels between Babylonian diaries and the contemporary technical analysis. The fact that the diaries documented the values of the same six commodities throughout centuries is similar to modern practices (choose a small number of items on which to focus the attention and follow the chosen items over a long time period).

Furthermore, to describe the ancient Babylonian custom of recording market quotations, Slotsky writes that they *"were charted regularly so that fluctuations during each month of the year could be noted"*. For that reason considering the astronomical diaries as a form of a chart could be valid. Moreover, the Babylonian scribes were aware of the concept of price volatility, indeed when volatility increased. *"instead of the regular quotation at the end of each month, there might be quotations for the beginning and the end of the month; the beginning, middle, and the end of the month; range of days; or even daily"*.

Just like technical charts, astronomical diaries report *"interruptions or suspensions of commodity sales… on explicit dates in designated places"*.

Ancient Babylonians not only charted their markets, but also sought to forecast future prices based on the observed ones, just as modern-day technicians do. The method of forecasting was based on astrology, but this is understandable given that astrology was one of the most important elements in the lifestyle of those times. For example, Slotsky notes that the flourishing of dates and mustard/cuscuta crops "*was assigned to the astrological region of Pisces when the benefic planets were dim and the malefic planets where bright*".

Lo found a first use of technical analysis in Babylonian price records, and also in Greek market sentiment assessment, and Roman seasonality patterns: "*our predecessors not only followed market prices but also made conscious attempts to measure supply/demand imbalances in price data and react to them for their profit, often combining their insights with "data" from fundamental nature or astrology*"[6].

For more information on the topic I suggest the book of Lo and Hasanhodzic, an interesting contribution brought into the world of technical analysis by authors who curiously are not technical analysts but who come from the academic world of quantitative analysis. ■

## Endnotes

[1] C. D. Kirkpatrick & J. R. Dahlquist – *Technical Analysis* – 2 ed. - Chapter 3. *History of Technical Analysis* – Pearson Education – 2011 (1 ed, 2010);

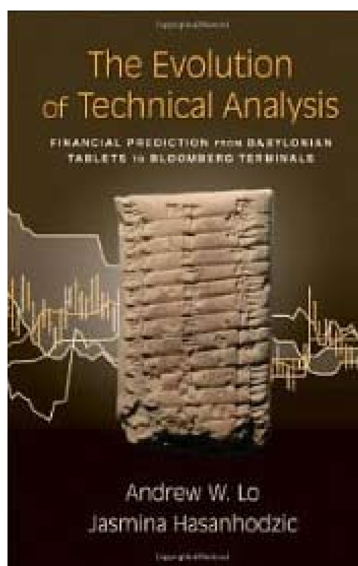
[2] A. W. Lo & J. Hasanhodzic – *The Evolution of Technical Analysis* – Bloomberg Press – 2010;

[3] A copy of the raw data can be found on the web page of International Institute of Social History of Amsterdam: http://www.iisg.nl/hpw/data.php#babylon

[4] R.J. van der Spek, *Commodity Prices in Babylon, 385-61 BC* Vrije Universiteit Amsterdam: http://www.iisg.nl/hpw/babylon.php

[5] L. Slotsky, *The Bourse of Babylon : Market Quotations in the Astronomical Diaries of Babylonia* – 1997;

[6] Lo & Hasanhodzic, T*he Evolution - chapter 1 – Ancient roots.*




**Mario Valentino Guffanti, CFTe**

Mario Valentino Guffanti is a Financial Advisor, Certified Financial Technician and Researcher. He is the Assistant Vice President of the Swiss Italian Chapter of the Swiss Association of Market Technicians (SAMT) and also a Lecturer in Technical Analysis at the Centro di Studi Bancari in Vezia (CH)

# JULY 2012 PERSPECTIVE ON LONG-TERM CYCLES AND MARKET OUTLOOK

Bruno Estier
in Lugano
February 2013

**Ron William, CMT, MSTA, interviews Bruno Estier**

Bruno Estier was a guest speaker at the SAMT Geneva Chapter July 2012 Meeting. *"Perspective on Long-Term Cycles and Market Outlook: Basing Phase After a Mid-Year Correction in U.S. Equities."* To view his presentation, log on to the SAMT website.

**Ron William: When did you learn the importance of using technical analysis early in your career?**

Bruno Estier: When I joined JP Morgan in 1981, in the Foreign Exchange trading room in Zürich, my first job was to enter the open, high, low and close of the four major currencies, USD/JPY, USD/DEM, USD/CHF and GBP/USD into an Apple 2E to create charts for the next day. The charts were helpful to advise our clients, as my first assignment was in foreign exchange sales. Then in 1988, a former boss who had moved to JP Morgan Paris, asked me if I wanted to become a technical analyst for foreign exchange and bonds in the treasury room in Paris. That's basically how I started in the profession of technical analysis.

**RW: How would you describe the evolution of technical analysis during that time...?**

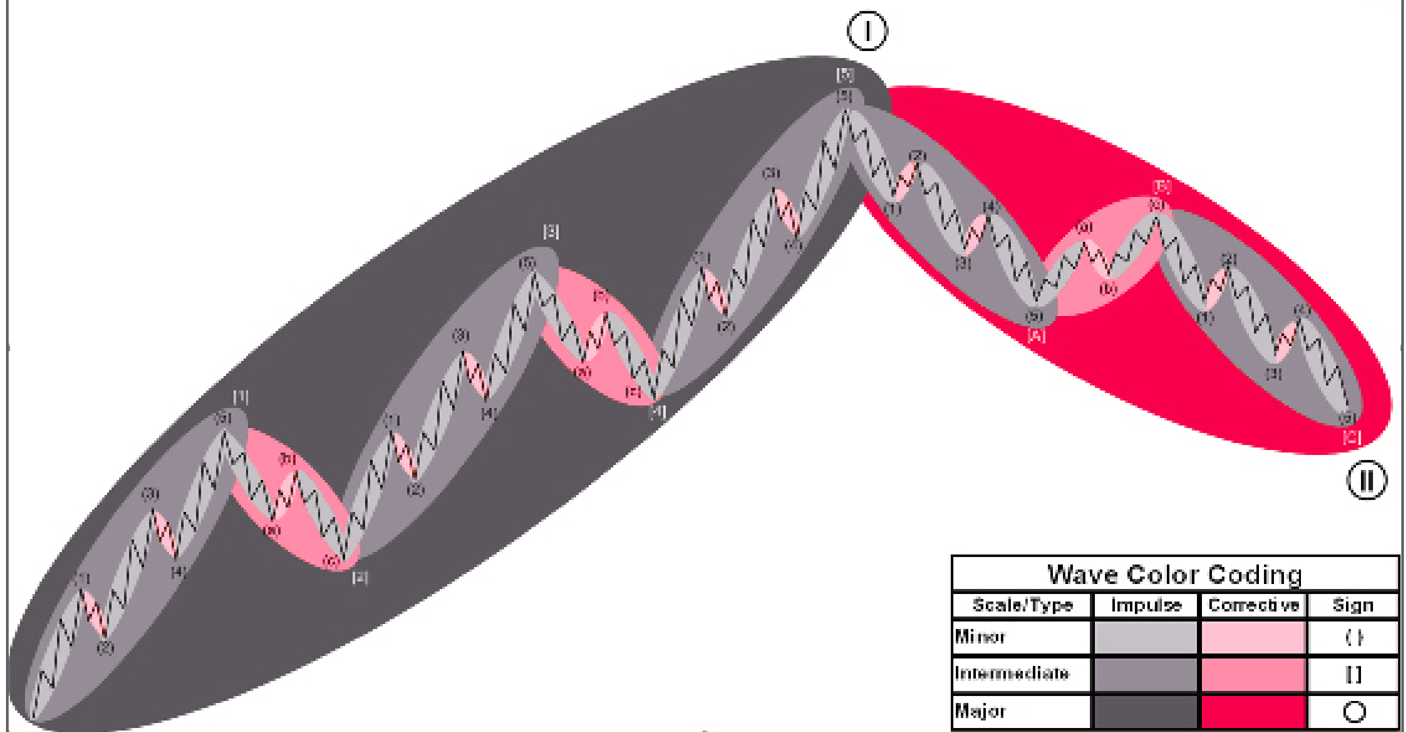
**BE:** In 1988, technical analysis was relatively new to France. There were only a few expensive charting systems available and technical analysis was considered a mysterious craft only used on the exchanges in the U.S. and the UK. Certainly the October 1987 equity crash was a catalyst, because people claimed that they were able to predict the crash using technical analysis. The management at JP Morgan's Paris trading floor decided to create a full-time position dedicated to technical analysis for foreign exchange and bonds to serve the traders and treasury department clients.

**RW: What educational resources were available then?**

**BE:** You have to realise that although I was sent to Paris to be a specialist in technical analysis, in fact I had to train myself almost from scratch. So one of the first ways to learn the skills was to attend seminars. So several times I went to London to attend seminars given by David Fuller, a leading technical analyst in the UK. I then got in touch with the English technical analysts society (STA), attended technical analysis conferences at Kings College Cambridge, and passed the MSTA exam. Also in Paris, I got in touch with other French technical analysts and became the founding president of the French Society of Technical Analysts (Association Francaise des Analystes Techniques - AFATe) in 1990.

**RW: You later on progressed to become President of International Federation of Technical Analysis (IFTA) and the Swiss Association of Market Technicians (SAMT). What role did you feel technical analysis societies played then, now and looking out into the future?**

**BE:** My first impression at the time was that these societies were great for networking. Then I quickly realised that there was a lot to learn by listening to senior technical analysts who were sharing




their tools at conferences. I was very lucky that my employers, JP Morgan and later Lombard Odier & Cie, sponsored my attendance at the annual IFTA conferences and at many MTA and STA seminars. So clearly the seminars of the large, well-structured technical analysis societies were and are still providing education to the junior technical analysts.

In newly-created societies, like the French AFATe, Paris in early 1990, their role was to provide a structure to discuss market views among technical analysis peers working at different organisations. In 1990 technical analysis was a new profession in France, not yet recognised as such by many, but it was suddenly fashionable, and that is why the French society grew so quickly to 30 members. AFATe had the honour of organising the 1994 annual IFTA conference in Paris, where Ralph Acampora, the late Ian Notley and the late John Brooks were keynote speakers.

This was a time when Paris was seen as an important financial centre. I remember that between 1988 and 1994 the French Treasury made several innovations in financial products, for example stripping long bonds, which was something that had not been done in France before. Unfortunately after 1994 their innovative spirit slowed down and many financial specialists left Paris to move to London. At that time I moved to Geneva and joined Lombard Odier & Cie where I not only worked on foreign exchange and bonds, but also on equities as an advisor to the Chief Investment Officer. Back in Geneva I joined SAMT, a tri-lingual society with a Swiss German chapter in Zürich, a French chapter in Geneva and an Italian chapter in Lugano. SAMT Lugano hosted the 2006 annual IFTA conference, attended by many famous international speakers and authors in the technical analysis community like John Bollinger, Robin Griffiths, Perry Kaufmann, John Murphy, Hiroshi Okamoto and Martin Pring. SAMT is a good example that beyond cultural differences passionate members meet together because technical analysis is a universal language. This is the role that technical societies should keep playing in the future. Indeed, the next IFTA conference in October 2012 will take place in Singapore.

**RW:** What are your preferred analytical techniques and strategies?

**BE:** My techniques are simple. They rely on three things. First of all the price action, is there any pattern on the price action? Second, I look at Bollinger Bands, because they give me an indication of price volatility. Third, as a subsidiary instrument, I look at the momentum of price. To measure momentum, I prefer to use a slow Stochastic and MACD indicators. The former is more geared to trading ranges, the latter more to trending markets. While I apply these on three time frame horizons, usually monthly, weekly and daily, I keep the same parameters for all time frames, as it is easier for my brain to understand the interactions between time frames. Concerning price analysis, I look at classic Edward & Magee patterns. Though I do not have one exclusive religion, I use diverse techniques like Point & Figure, Market Profile, Ichimoku charts and still use these from time to time for specific purposes. I would say that my eye tends to analyse price evolution with one of the first techniques that I used in foreign exchange, Elliott Wave.

**RW:** How did you discover Elliott Wave?

**BE:** My primary focus while in Paris was technical analysis of foreign exchanges. The FX traders were already using technical analysis tools, but very few people were knowledgeable about Elliott Wave. In 1989 a famous analyst, Robert Balan, wrote one of the first books on Elliott Wave for foreign exchange. I had met him and he recommended that I read his book. I learned mainly from that book and started practising the technique. Later I went to Atlanta, GA (USA) to attend seminars with Robert Prechter of Elliott Wave International.

**RW:** Within your Elliott Wave analysis, do you also overlay other road map-based type of analysis, such as Cycles or Gann?

**BE:** I know very little about Gann. Meanwhile, cycles represent an interest for more medium- to long-term time horizons. This is a tool that belongs to both technical analysis and macroeconomics. Thus it is not surprising that technical analysis does not exist in a vacuum. It is about financial market expectations of the economic business cycle.

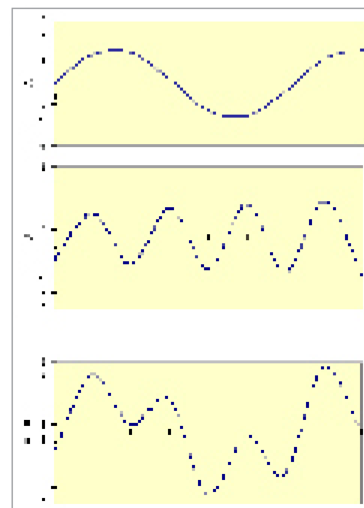
**RW:** There are notable studies that suggest a correlation between astronomic cycles and the financial markets. How much value can such observations provide with the analytical process?

**BE:** Statisticians point out that correlation does not mean causation. We know that the financial market is a discounting mechanism, reflecting expectations of market participants. May be one day we may have neurologists tell us something about the influence of astronomic cycles and the human brain. Then it will be time to elaborate more about such observed correlations. But to the best of my knowledge, it seems that we do not know about the causation process and that theories about such correlations are quite debatable.

What is important to realise about cycles in the financial markets is that cycles are usually represented as having a fixed periodicity, but such a description is a short cut for communication purposes and does not exactly represent what is going on. Indeed we should be aware that the periodicity and cycle's skew changes depending on the interaction between diverse cycles. For example, a rising larger cycle can influence the skew of a smaller cycle. This may create the right skew; i.e., the fact that this smaller cycle may spend more time on the way up than on the way down. Within technical analysis, cycle theorists have developed a few principles. For example, cycles that are related tend to bottom together and so on. There are few a properties of cycles that try to explain their behaviour. As long as market analysts can observe some kind of regularity in the rhythms of the financial markets, then at certain times that helps these analysts adopt a contrarian attitude to the main thinking. Market analysts do not need to know the whole causation process, though it may be interesting intellectually to know one day why.

**RW:** How do you suggest that a first-time practitioner can best apply cycle analysis?

**BE:** Cycles are often difficult to pinpoint because they seem to be irregular. Fixed cycles are, as we said, only a theoretical representation. For a first-time practitioner, it is probably better to focus on the classical tools of technical analysis, which are geared to measuring a trading range or a trend. A tool that would measure trading-range conditions, for example, could be slow Stochastics to gauge a top, bottom, or a trading range. Conversely, one could use moving averages or MACD to try to determine in which direction the trend is going.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The risk of focusing too strictly on a supposed cycle that you have discovered, is that at a certain time, you can lose your critical sense and not realise that your expectation about that cycle is wrong, hindering you to adapt to the current market evolution. Possibly you may lose sight that other cycles may influence the only cycle that you were focusing on. There are so many interactions between diverse cycles that you might not be sure that the cycle, which has been pinpointed, is the only one that will remain important in the future.

It could also be by chance that you have the opportunity to be the perfect contrarian at one time, but next time there might be another cycle that changes the reality. If you do not take care and do not have risk management in your own view, then you can end up as a fool by hanging on to the expected bottom of your cycle, while the market is moving further down, beyond the time window of the expected bottom. Therefore, when you use cycle analysis, you should be cautious and always leave the last word to the market by respecting risk management.

**RW:** One of the key themes within your presentation highlighted 2012 an important year for two cycles. The 10-year (Juglar) and 4-year presidential (Kitchin) cycle. What does that suggest to you about the market outlook for the remaining half of 2012?

**BE:** I currently believe that 2012 is probably a time window for the 10-year cycle to bottom, assuming that 2002 was a previous cycle low. However, as you may have already noticed, 2012 is not the official cycle low for the classic 4-year cycle which bottomed in 1990, 1994, 1998, 2002, and should have theoretically bottomed in 2006 and 2010, and should display an important low in 2014.

Based on the theoretical lows of the 4-year cycle, we notice that this time the 4- and 10-year cycles are not bottoming in the same time window. In theory, we have a situation where the 4-year cycle is starting to go down into 2014, while the 10-year cycle might have already been rising since March 2012. The interaction of these two cycles would suggest a subdued decline for the coming 4-year cycle low, i.e., a decline smaller than during previous 4-year cycle. However, at the present this is only a hypothetical thesis.

The other interesting point is that if we multiply the 10- and 4-year cycles, we get 40 years. If we recall that 1974 was an important low for U.S. equities during the previous secular bear phase and going forward 40 years, we arrive at 2014. So that means, in addition to the 4-year cycle, there could also be a

Source. Bloomberg Finance LP

bottoming phase for a 40-year cycle. There is a debate about this 40-year cycle and it may be more a rhythm than a classic cycle (some call it an "asymmetric cycle" as it has a strong right skew). Some analysts claim that one should look at a 37-year period instead of 40 years.

But, at least we may agree that the period between 2012 and the end of 2014 represents a time window where different major cycles may bottom. Therefore, during this time, we may witness some kind of excess pessimism, similar to what existed between September and December 1974. Of course, 2012-2014 may not display a similar macro-economic setting to 1974, but it would not be surprising to discover a similar psychological setting: a sentiment of relatively high pessimism.

On a short-term basis, the big question amongst technical analysts is to determine if there is going to be a major low in October 2012. Some argue that the low in June 2012 was already important and that historical statistics suggest that in years ending in 2, and being a U.S. presidential election year, the annual seasonal bottom is in the first half of the year and not during the autumn as it often happens in many years along the annual seasonality.

So far I believe the June phase is probably the lowest point for U.S. equities for 2012 and I would possibly expect a bottoming phase through July and August, with a low that is higher or equal to the low that we just had in June, and not much lower. So far the European equity market has acted as a higher beta proxy of the U.S. market. It is unclear how long it will continue to under perform the U.S. If we go back to 2002, we should remember that the U.S. market made its 4-year cycle low in October while the European market made its final low much later in March of 2003. Most of the time it used to be the U.S. equity markets which leads and the European market which follows.

**RW:** Given that we have already experienced two dramatic stock market crashes in the last decade, what are the probabilities of another one occurring?

**BE:** I am not sure anyone knows the probabilities of another crash. History can be a guide, and many market analysts consider that we should compare the current period from 2000 to a period where the U.S. equity market remained in a wide trading range, like 1966-1982, or even the previous period 1929-1945. So it would only be the third time within the last 100 years that we have experienced a long-term horizontal consolidation phase for the U.S. equity market indices. Three is not a large enough sample data to make a lot of statistical observations.

If we try to make analogies between the previous period between the 70s and now, we can hope that the low of March 2009 could be compared to the 1974 low. It was around 12 years after the low in 1966, when the Dow stayed beneath 1000, and then took another 8 years to go up (1974-1982) out of this trading range into a secular bull market. If 2009 is comparable to 1974, then we would expect another 8-12 years before getting out of this current long-term trading range phase. 1974 was the lowest low and the following lows, in 1978 and 1982 were higher. So we can hope that after the 2009 low, in 2013 or 2014 we might have a higher major low and possibly four years later another higher major low. Maybe things will go faster on the way up and before 2018 we might break out of the current trading range that we have been in since 2000.

**RW:** You mentioned important historical similarities between the secular bear market of 1966-1982 and the current period. What differences do you see? Technical or macro?

**BE:** If we do not take inflation into account and consider the Dow in nominal terms, then we can say that we somehow have similar horizontal trading ranges. Of course, from the macro economic backdrop there are quite a lot of differences. Big structural changes were not the same; for example, the oil crisis in 1974 versus the financial crisis into the low of 2009. Of course, the economists will point out many more differences. Along with many other market analysts, I tend to think that we can try to compare both periods in terms of the psychological viewpoint of the investors. The sentiment during these periods was probably a bit more cautious, more pessimistic than in other periods when sentiment was more positive or even exuberant, as was the case at the end of the secular bull rise between 1982-2000.

So as the 1966-1982 period was followed by a major bull market in equities, it is probably not so wrong to hope that the current "sideways period" could be followed, after lasting the same length of 16-18 years, by a period in which financial assets and also the real global economy could do as well as between 1982-2000.

**RW:** What role do you believe the frontier markets of Asia will offer in a potential long-term global recovery?

**BE:** The theme from 2002 was that the emerging markets were outperforming the developed markets. The reason for this was there was a commodity-driven equity bull market, partly because of the industrialisation of the new BRIC markets, which in turn increased demand for commodities. As a consequence, we started to see major bullish moves on commodities, as reflected by the broad CRB Index and precious metals.

We hope that this secular uptrend in commodities, which so far has lasted 12 years, continues for at least another 10 years. Usually a long-term secular trend can last 20-30 years. Meanwhile, the current weakness we see in the financial assets of emerging markets, compared to the U.S. S&P 500, is likely only to be a pause, after the relatively strong performance years between 2001-2008. The current pause has lasted about 18 months and could last more, but these secular bullish trends for emerging markets and commodities are likely to come back and help other financial markets in the coming years.

**RW:** What key lessons have you learnt from your experience within the financial markets?

**BE:** As a financial market analyst it is important to use a few simple principles:

- You can have big theories, but what really matters is the behaviour of the financial markets and that your theories are tested in light of what actually happens in the financial markets.
- When you analyze price behaviour, you need to decide whether price is within a trending mode or within a trading range situation in each particular time frame you scrutinize. Then you need to decipher the message of the specific tools that can be applied to these two different situations.
- If you are interested in cycle analysis, and not only in "trend following" market analysis, it is important that while you try to spot turning points, to be patient and not to be too early. That means that you need to wait for the evidence to accumulate in order to be able to go against the crowd and to allow yourself a contrarian attitude, when you feel you are in an extreme situation. This usually occurs when the price is overextended and sentiment is rock bottom pessimistic or extremely optimistic. We think that the sentiment of people is often a reflection of the positions they may have in the market. That means that usually a majority have sold when they express deep pessimism or have bought after a long period of euphoria. Therefore, when everybody has bought there are no more buyers, and the only thing that can happen is that some of the former buyers will begin to sell, driving prices down. The same process occurs in reverse at a major bottom.
- In addition to applying your simple principles and technical analysis toolbox, it is critical to use risk management that allows you to control your perceptions of the market, based on either discretionary or quantitative tools, versus the reality of the market, which is mostly given by the market price, as most people are market to market. If you are wrong then you need to deal with the consequences. If you are right, then you can maintain your theory until the market tells you that it is no longer valid. In short, in the financial markets, as in many aspects of life, the expectations need to be revised in line with reality. ■


**Bruno Estier, CFTe, MFTA**

Bruno is an Independent Market Strategist and founder of Bruno Estier Strategic Technicals (bruno.estier.net). Based in Geneva, he is a global market advisor and technical analyst coach for professional traders and portfolio managers.

He is a past president of the Swiss Association of Market Technicians (SAMT) and served on the board of directors as chairman and secretary of the International Federation of Technical Analysts (IFTA).

Bruno holds a MSTA from The Society of Technical Analysis (STA) in London and the CFTe and MFTA designation from IFTA.

He worked for 12 years as a technical analyst with JP Morgan in Zürich and Paris and 10 years with Lombard Odier & Cie in Geneva. He earned an MBA from The University of Chicago Graduate School of Business and a Masters in Economics from the University of Saint Gallen (HSG).

For additional information on Bruno Estier, visit his website: bruno.estier.net/

**Ron William, CMT, MSTA**

Ron is the founder and Principal Market Strategist at RW Market Advisory (RWA) (www.rwadvisory.com). The institutional market advisory is based on a macro, semi-discretionary technical approach which is primarily driven by cycles and proprietary timing models. RWA currently services the global FX trading desk of a tier-one financial institution.

He is an active member of International Federation of Technical Analysts (IFTA) and Vice President & Head of the Geneva chapter of the Swiss Association of Market Technicians (SAMT).

Ron is the author of the trading book "Candlestick Charting and Strategies: New & Classical Techniques for Profitable Trading" scheduled to be published in mid-2013.

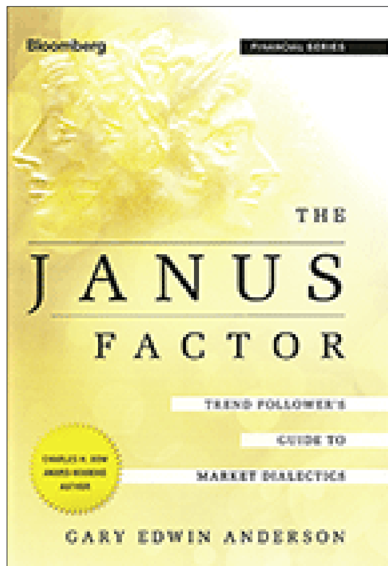
To contact Ron William, email him at ronwilliamPR@gmail.com
or visit his website: www.ronwilliam.com

# Book Review

| | |
|---|---|
| Title: | The Janus Factor |
| Subtitle: | Trend Follower's Guide to Market Dialectics |
| Author: | Gary Edwin Anderson |
| Publisher and date: | John Wiley & Sons – NJ – Bloomberg Press – Financial Series - Dec 2012 |

The author, Gary Edwin Anderson, is a well-known technical analyst who won the 2003 Charles H. Dow Award from the Market Technicians Association for his paper on feedback loops in the stock market. His work has been featured in *Barron's* and he has been published in the monthly magazine *Technical Analysis of Stock & Commodities*. In addition, he publishes a weekly commentary, Equity Portfolio Manager.

The title refers to Janus, who was the Roman god of gates and doors and is represented by two opposing faces, suggesting the double sided nature of things. Anderson uses the metaphor of Janus to explain the dual nature of the markets which sometimes are dominated by trend followers and other times by contrarian bargain hunters.




About his structure, the book is a deepening and an analytic path of Mr. Anderson's paper that won in 2003 the Charles H. Dow Award.

The work is both theoretic and pragmatic. It presents a systematic view of the market as a struggle for dominance by traders that alternate two modes. At times traders exhibit trend-following behavior. Relatively strong stocks are favored, while laggards are sold or ignored. At other times it happens in the reverse. Traders-in-the-aggregate turn contrarian. Profits are taken in stocks that have been strong, and proceeds are redirected into relative-strength laggards.

In the first chapters the author presents the market as a system of capital flows reducible to the effects of traders' Janus-like behavior. This behavior leads traders to respond to market events with positive or negative feedback loops. The course of capital is determined by these feedbacks and presented with many examples using new original indicators.

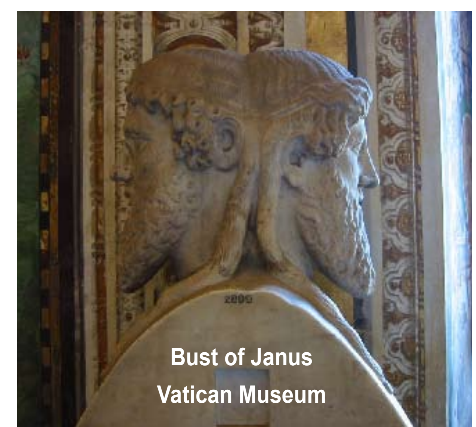
In the following chapters new measures of risk, relative strength analysis, and momentum techniques are offered to the reader; and a new method is built and applied to historical records (both equities and sectors), in order to detail new strategic indicators to use in day-to-day trading decisions.

The last chapters are dedicated to the use of these new indicators and their performance in terms of risk and profit on a model portfolio and algorithmic strategies.

Every chapter is introduced by anecdotes and metaphors taken from the real world and then applied to the markets. Particularly interesting is the chapter about the famous trader Jesse Livermore and his strategic choices compared with the model proposed by Anderson.

This book is interesting both for offering a new insight into market behavior and new methods for capturing stock market trends, thanks to market timing techniques with new momentum and relative strength indicators. ■

Mario V. Guffanti, CFTe


Bust of Janus
Vatican Museum

# DIVERSIFYING INTO COMMODITIES: A TECHNICAL POINT OF VIEW

**Alberto Vivanti, Independent Analyst**

Commodities are becoming an essential investment vehicle to most investors and asset managers. The interest towards this asset class is constantly growing for a number of reasons: the huge increase in prices, that had started early this century after two decades of down-trends, lures investors, that have often been disappointed by the sharp drawdowns that the recent financial crisis has produced on equities.

One of the driving forces behind the sharp increase in commodities is the emerging markets, which economies are growing fast and so is the demand for raw materials. But one of the most appealing investments of these years is gold, which price increased, more or less, 500% since 2002.

Diversifying in commodities has become the new trend. Traditionally, there are two main reasons to invest in commodities: diversify away from equities and protection from inflation. Both reasons are rational, but does such diversification really protect from capital depreciation? In other words, does the quality of returns on our investments really improve?

As long as the inflation aspect is concerned, we cannot expect commodity prices to react instantly: their swings depend on economic activities.

The other aspect is cyclical: commodities and equities perform at different times. Equity moves reflect the expectation of growth, while commodities lag. The cyclical aspect is one of the most interesting: the economy moves in cycles, by alternating expansions and recessions, and so commodities react. As a result, equity indices and commodities are not strictly correlated or, better say, they are generally not. In fact, in order to be effective, diversification requires investments that don't move simultaneously but, recently, commodities have become correlated with stocks in the down moves, limiting the benefits of diversification.

We have analyzed the historical data from 1984 to 2012 of three main asset classes: the S&P500, Gold Cash and WTI Crude Oil. Then we have compared their returns to an ideal portfolio containing an equal diversification, rebalanced on a monthly basis. (Table 1 and Chart 1)

Table 1

| | Total Return (29 Years) | Yearly Compounded Return | Yearly Standard Deviation | Maximum Drawdown | Risk-Reward Ratio |
|---|---|---|---|---|---|
| S&P 500 | 850% | 8.1% | 15.6% | -52% | 0.52 |
| Gold | 434% | 5.9% | 15.3% | -48% | 0.38 |
| Crude Oil | 306% | 5.0% | 34.7% | -73% | 0.14 |
| Equal Weighting | 790% | 7.8% | 14.8% | -42% | 0.53 |
| | | | | | |
| Dynamic - momentum based | 908% | 8.3% | 13.4% | -36% | 0.62 |

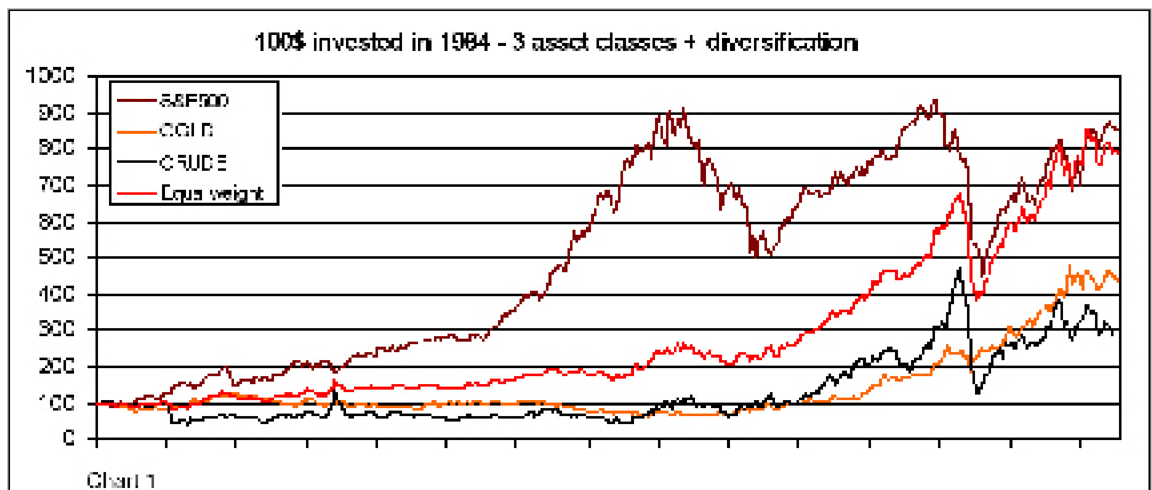



Chart 1

At first glance, we can say that the diversification enhanced the quality of results of each single asset class but, overall, the returns of the S&P500 are still the best and the volatility improved only marginally through diversification. If we look at correlations in Chart 2, we get the explanation:

Correlation between stocks and commodities tends to be cyclical but, overall, these asset classes have been barely correlated. Yet, recently, many investments became more correlated with stocks, especially in down moves, limiting the benefits of diversification. Here is why the sharp drawdown of 2008 could not be avoided through a mere diversification.

If we want to improve the quality of returns, we have no choice but a dynamic approach. An optimized asset allocation strategy can be implemented several ways by applying technical tools. Here is a simple momentum-based method considering a monthly rebalance among the instruments we have analyzed so far:

We employed the following allocation rules (long only) (Table 2, Chart 3):

- 50% - S&P500
- 33% - The best momentum at 3 months between Gold and Crude Oil
- 17% - The worst momentum at 3 months between Gold and Crude Oil
- Rebalance at the end of every month

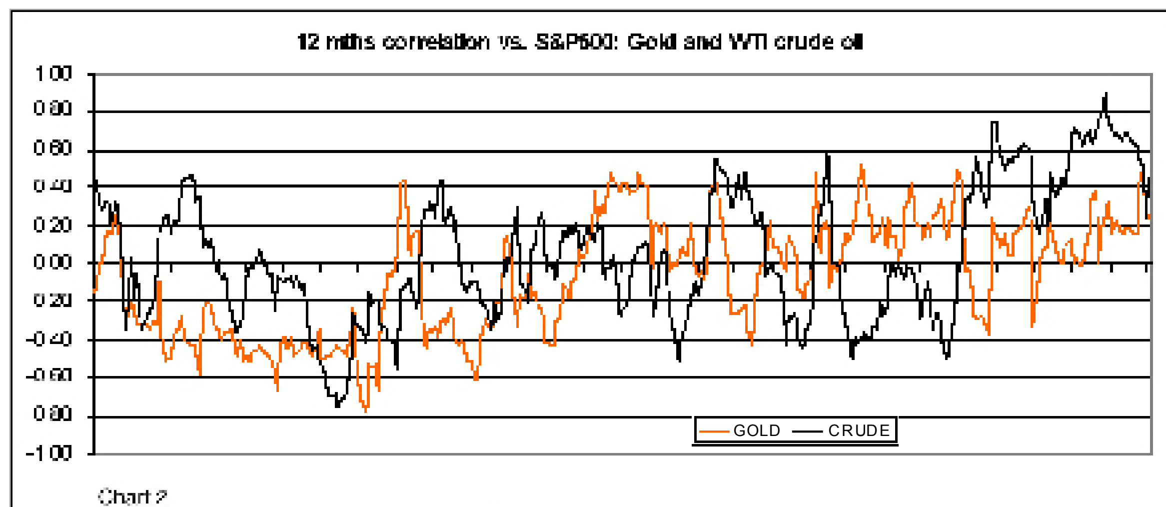



Chart 2

| Table 2 | Total Return | Yearly | Yearly | Maximum | Risk-Reward |
|---|---|---|---|---|---|
| S&P 500 | 850% | 8.1% | 15.6% | -52% | 0.52 |
| Equal Weighting | 790% | 7.8% | 14.8% | -42% | 0.53 |
| Dynamic - momentum based | 908% | 8.3% | 13.4% | -36% | 0.62 |

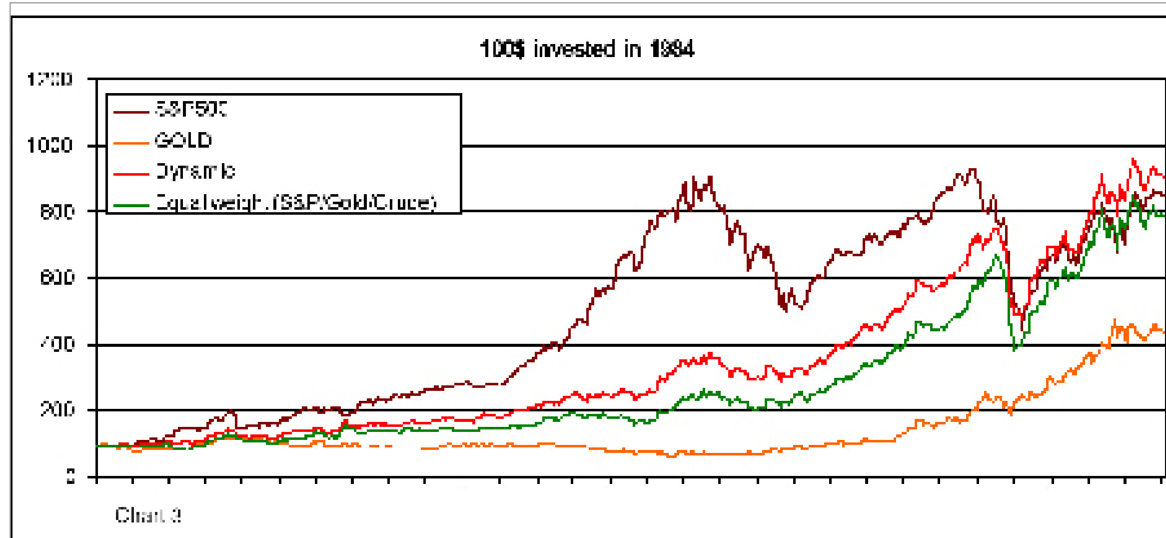



Chart 3

The volatility decreased, the return improved, and so the return/risk ratio. The following is a breakdown of single year returns for each tool described so far. (Table 3)

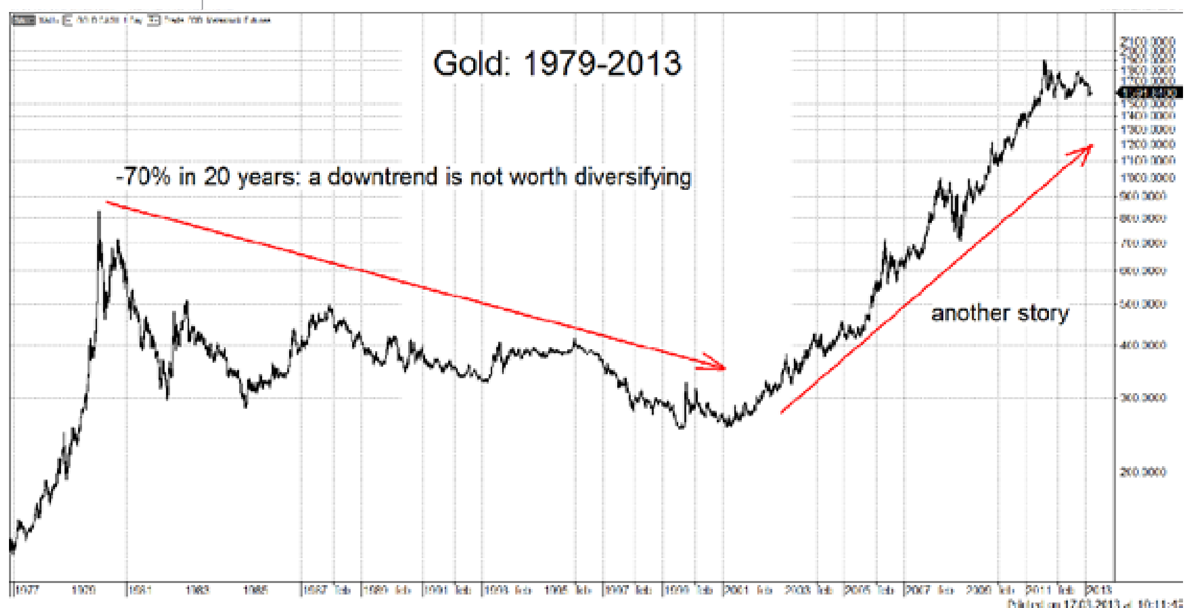
What we could not avoid was the 2008 drawdown since, as considered before, most asset classes were positively correlated in such down move. No optimization in balancing can help in these cases. Furthermore, when historical downtrends are in place is not worth diversifying. Just look at Chart 4.

In order to really enhance the quality of returns we need a model based on trend. Our next study will analyze a selection of trending instruments chosen among commodity indices that can be easily tracked by liquid ETCs. ■

## Endnotes

- Portfolio adjustments have been simulated at the first trading day of each month
- Drawdowns are calculated on end of month closes
- Risk-reward ratio is a simple ratio between yearly compounded return and yearly historical volatility

| Table 3 | S&P 500 | Gold | Crude Oil | Equity Weighting | Dynamic Momentum Based |
|---|---|---|---|---|---|
| 1984 | 1% | -18% | -10% | -10% | -4% |
| 1985 | 26% | 6% | 0% | 11% | 13% |
| 1986 | 18% | 18% | -35% | 4% | 6% |
| 1987 | 0% | 25% | -3% | 6% | 7% |
| 1988 | 12% | -16% | 3% | 1% | 1% |
| 1989 | 27% | -2% | 33% | 20% | 18% |
| 1990 | -7% | -2% | 20% | 6% | 7% |
| 1991 | 24% | -10% | -32% | -7% | 0% |
| 1992 | 7% | -6% | 4% | 2% | 4% |
| 1993 | 7% | 17% | -27% | -2% | 2% |
| 1994 | -2% | -2% | 25% | 6% | 6% |
| 1995 | 34% | 1% | 10% | 15% | 21% |
| 1996 | 23% | -5% | 28% | 16% | 15% |
| 1997 | 24% | -20% | -28% | -8% | -5% |
| 1998 | 31% | -2% | -38% | -5% | 5% |
| 1999 | 20% | 0% | 112% | 40% | 38% |
| 2000 | -10% | -5% | 5% | -1% | -6% |
| 2001 | -12% | 2% | -24% | -11% | -6% |
| 2002 | -25% | 26% | 60% | 18% | 7% |
| 2003 | 25% | 18% | 0% | 15% | 17% |
| 2004 | 11% | 6% | 32% | 17% | 16% |
| 2005 | 3% | 18% | 40% | 21% | 16% |
| 2006 | 14% | 23% | 0% | 13% | 12% |
| 2007 | 4% | 32% | 57% | 30% | 25% |
| 2008 | -41% | 3% | -61% | -35% | -33% |
| 2009 | 26% | 26% | 110% | 53% | 42% |
| 2010 | 13% | 28% | 15% | 20% | 15% |
| 2011 | 0% | 10% | 6% | 6% | 6% |
| 2012 | 12% | 6% | -8% | 3% | 5% |




Alberto Vivanti, Independent analyst, founder and director of Vivanti Analysis since 2003. Alberto is a technical and quantitative analyst since the early 1980's, with a sound experience as an asset manager with Swiss Institutions. Author of a technical newsletter, lecturer for institutions and instructor in Technical Analysis courses in Switzerland for the IFTA Certification, author of articles and books, has been co-author of a book with Perry Kaufman. Alberto chaired the IFTA conference held in Lugano in 2006. He has been official speaker at the IFTA Conferences 1998 in Rome and 2006 in Lugano.

Alberto Vivanti is Vice President of the Swiss Association of Market Technicians, representing the Swiss Italian Chapter.

The IFTA 26th Annual Conference will be hosted by the Technical Securities Analysts Association of San Francisco (TSAASF). The IFTA Annual Conference is the leading event for Technical Analysts, Traders, Fund Managers, Asset Allocators and Investors from all continents. It provides a unique opportunity to reach the decision and opinion makers in your market. With the presence of an estimated 120 key delegates, sponsorship of the IFTA Annual Conference is an extremely efficient vehicle for companies looking to gain targeted exposure to this extremely influential audience.

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One Nob Hill, San Francisco, CA USA

Reservations

+1 415.392.3434 (Group Code: QS9)

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a newsletter for the colleagues of the International Federation of Technical Analysts

2013 volume 20 issue 1

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### President's Report to Colleagues

Dear IFTA Colleagues,

I hope that all of you had a very good start in 2013, and I wish you all a very successful year. So far, 2013 has been a good year. The stock markets are showing good performances and the trends are still up despite a bit of bond market corrections, the slow down of the Asian economy, the political challenge ahead in Europe, and the US fiscal cliff. Although we all don't know how these events will influence the markets, we should place confidence in our discipline. As long as the trends are not broken, it is best not to listen to the news, but stick to your charts.

#### IFTA Annual Conference 2013

And, whatever the rest of the year will bring, "The Trend is Up in San Francisco", at least in October. Our 26th Annual IFTA Conference will be hosted in San Francisco, from 9-11 October 2013 by the Technical Securities Analysts Association of San Francisco (TSAASF). IFTA's Annual Conference is the leading event for Technical Analysts, Traders, Fund Managers, Asset Allocators and Investors from all continents. It provides a unique opportunity to reach the decision and opinion makers in your market. It is a good way to meet some old friends or make some new ones. The topic of the conference will be "Evolution to Mastery: Technical Analysis, Systems, and Execution". Our Conference Director, Roman Bogomazov, and his team will put together a demanding program with high quality speakers, cutting edge topics and some leisure events to relax and meet friends. San Francisco hosted an IFTA conference in 1995. Those who attended still rave about this event, and 18 years later, the trend is still up.

#### Happy Birthday MTA!

Although no longer a member of IFTA, I would like to take the opportunity to congratulate one of our founding societies, Market Technicians Association (MTA), by wishing them a Happy Birthday! MTA will celebrate their 40th anniversary on April, 4-5th 2013 at the MTA Symposium in New York. In the name of IFTA, I wish MTA, its President, David Keller, and our past IFTA President and Founder Ralph Acampora all the best.

#### New Certified Financial Technician (CFTe) Syllabus 2014

During the last three years, IFTA has developed a new syllabus for its exam series. As announced on the website, this syllabus will be used for the exams from May 1, 2014 onwards. The original grace period of 18 months will give everybody enough time to adopt and to become acquainted with it. The changes within the syllabus are not dramatic ones. We added some topics to an already successful program since they evolved in our discipline over time, but have not been included in our exams yet. The most prominent changes to the new Syllabus are the inclusion of quantitative techniques, trading systems and behavioral

[continued on page 15]

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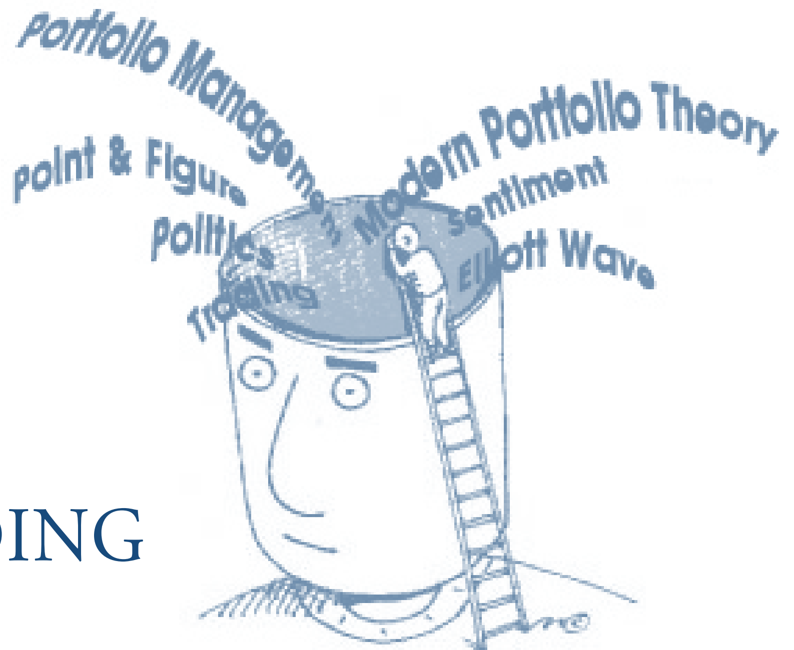



# FEEDBACK LOOP PRACTICE FOR CONSISTENT AND SUCCESSFUL TRADING

**Roman Bogomazov**

Have you ever developed and back-tested a successful trading plan only to experience different results when you trade live? If the market environment has not changed, most likely your diminished results have to do with your execution rather than your trading plan.

## The "FLIGHT" Response

Traders usually respond in two possible ways to a discrepancy in results. The first response is a "flight" reaction, or in effect, an avoidance of personal awareness and responsibility. It is easier to flee and to blame the market, the system, a broker, or external events than to take responsibility for your own execution. This "flight" response is a common occurrence in the trading community.

It leads to emotional frustration, anger and blame. It may lead to unnecessary system adjustments or the complete abandonment of a good system. Some may wander from system to system and overload themselves with huge amounts of information. Each new element in development of a system brings them excitement, but they get stuck in a "failure" loop and continue to underperform over long periods of time.

Instead of denial, using these discrepancies to develop awareness and take responsibility is the basis for developing more successful behaviors. Traders who use such experiences as teaching moments are often the ones who succeed.

## The "FIGHT" Response

Another reaction is a "fight" response, whose goal is to make the trading implementation work no matter what. Traders who have this type of response are often the ones who seek coaching. By itself, the choice of a "fight" response does not guarantee success, and such success will depend largely on the personality traits of the trader. One must take a mindful approach to develop one's self-image, current beliefs and emotional responses. This means becoming aware of yourself and your emotional responses in trading in the moment.

As a way to gain self-awareness, we would recommend enrolling in technical analysis classes at Golden Gate University to deepen your understanding of what successful trading is about. In our coaching practice, the work on trading execution usually encompasses the following: self-awareness, self-acceptance, changing of beliefs, development of a new "trading identity," and habituation and practice of new emotional responses based on your new beliefs and "trading identity." However you choose to work on your execution, self-awareness should be the starting point.

## Feedback Loop Process

We would like to give you a practical tool to increase awareness of your trading execution in the moment. The idea behind a feedback loop process is simple: to give traders feedback about their actions in real time and to give them a chance to correct their (re)actions and add discipline to their trading behaviors.

The feedback loop process for trading consists of the following elements:

1. Awareness of reaction: Trader "tracks" intended actions. The key question here is "What am I about to do?" (Column#1)
2. Validation of an intended action: Trader is aware in the moment whether intended action is supported by the rules. The key questions here are "Is this action supported by the rules of your system?" and "What is the evidence that the rules are satisfied?" (Column#2)
3. Trading identification based on the validity of an action and exploration of the costs: The key questions here are "Who are you if you don't follow your system?" and "What is the cost of my intended action?" (Column#3)
4. Implementation of corrected behavior: The key question here is "What are my choices and subsequent action now?" (Column#4)

You can develop a habit of using this process on each trade or each action. The important thing is to use the feedback loop before taking an action.

**The table below shows two examples of the feedback loop process:**

## Corrected Behavior

The key to success in the feedback loop process is to become aware of choices in the moment and making the "right" choice. This process is to be practiced daily until it becomes a normal part of your trading routine. Usually it takes about a week to get comfortable with the process and between 4-6 weeks of repetitive practice to make it a habit. Unless there is a stronger emotional need that undercuts feedback loop practice, the initial results will surprise you. Your mind will struggle with the new and uncomfortable process at first, but the resulting ability to follow your system consistently will bring in not only profits but also emotional satisfaction. It will produce an effective mental state for successful and consistent trading. Deviations from the practice may produce relapses which will have to be identified and corrected as they appear. ■

Roman Bogomazov is an Adjunct Professor at Golden Gate University in San Francisco. He is a board member and a program coordinator for the Technical Securities Analysts Association of San Francisco (TSAASF). Roman entered the trading profession in 1996 and has since developed his focus on education and professional training.

He teaches "Wyckoff Method" as a technical analysis class and "Trading Strategies and Implementation" which focuses on trading plan development, back testing and trading performance. He is a consultant and developer of the Cyber Campus technical market analysis program at Golden Gate University. Roman is a frequent speaker at local, national and international events.

He holds a B.S. in Economics and Management from University of Maryland and a M.S. in Finance from Golden Gate University. He is one of the first graduates to receive a Certificate of Technical Market Analysis from Golden Gate University.

For further information on feedback loop practices and other mindful approaches to trading, please contact Roman Bogomazov at Golden Gate University.

| *Actions: entry, stop-loss, increase of position size, movement of stop-loss, exit* | *Are you implementing this action according to the rules of your system? Do any other rules contradict this action? Are all rules satisfied? What is the evidence that this action is (or is not) by the rules?* | *If you do (or do not) follow system's rules, are you a disciplined/profitable/ successful/consistent trader? What are the consequences of this action? (action by the rules or not by the rules)* | *Based on the previous 3 columns, What is your choice/action right now?* |
|---|---|---|---|
| Example: Entry of GOOG at 600 (Example of NOT following the rules) | NO, YES, NO<br>Rule #X of my trading plan states the opposite | No, I am not.<br>Potential loss, emotional frustration | Abort the entry and wait for the system's signal |
| Example: Exit from AAPL position at 400 (Example of following the rules) | YES, NO, YES<br>Rule #X of my trading plan confirms the validity of exit action | Yes, I am.<br>Potential win and consistency of your system's implementation | Proceed with an exit action |

Ron William & Martin Pring
Geneva, October 2012

# INVESTING IN THE SECOND LOST DECADE

**Ron William, CMT, MSTA, interviews Martin J. Pring**

Ron William: How did your journey start within the industry many years ago?

Martin Pring: I started within the financial industry after being fired from my marketing job and was thinking at the time what else could I do? I was living in Toronto, Canada at the time and had gone through all of the advertising agencies, marketing departments and felt like I had exhausted a lot of the options. Thereafter, I realized that I could get involved with the brokerage business in Canada, which was a closed shop at the time in the UK. So it was purely by force of circumstance.

## THE BANK CREDIT ANALYST

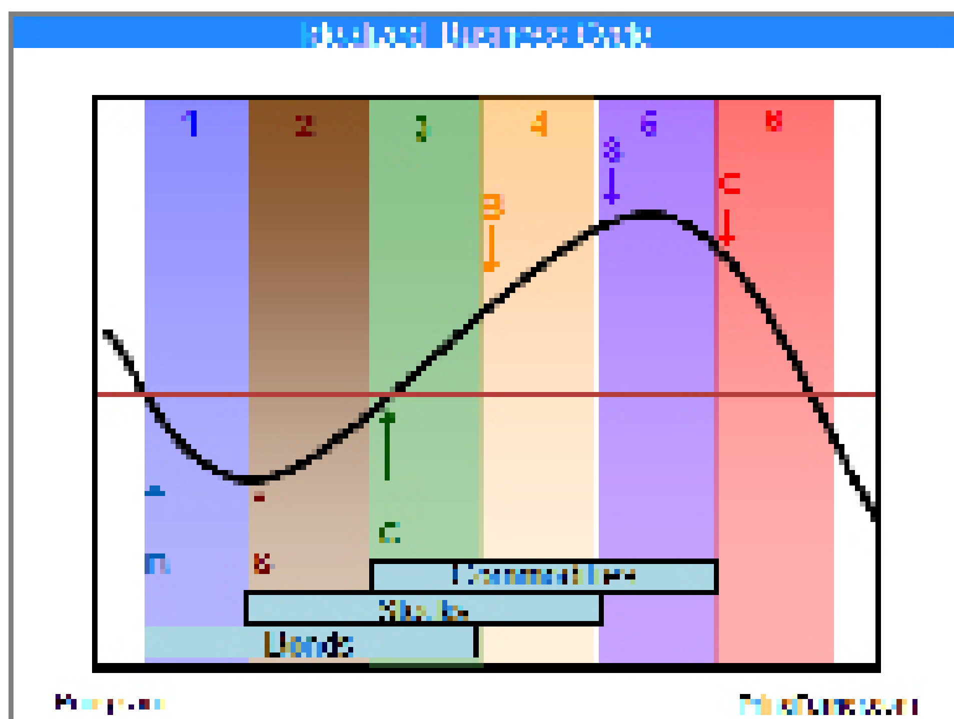
**RW:** How did you progress to working for the Bank Credit Analyst?

**MP:** After my training, I was transferred to an office, part of A. E. Ames brokerage, in a little town called Owen Sound, which is about 100 miles north of Toronto and was the office manager. I ran into one of my clients who used to subscribe to the Bank Credit Analyst and he let me look at some of their research reports. I was very impressed because they were explaining exactly why we had experienced high interest rates, and commodity inflation back in the mid-1970s, which is something that no one else could explain to me at the time. I thought this was very good, although the technical analysis perspectives were not as good and rather poor commentary.

So I went back to our office in Toronto and looked into our library and they had all the back copies of the Bank Credit Analyst. I then reviewed all of their technical analysis perspectives and did extensive research to see how they could have done a little bit better on some of their market calls. Then I wrote to their research departments with all of this information and later received a call to discuss more of my forecasting analysis. So I joined them on a part-time basis and as luck would have it I was transferred to their institutional sales department in Montréal and one thing led to another and I then became a full-time employee. That's how I began my writing career.

**RW:** During that time as an official analyst at the Bank Credit Analyst, how did you start your specialization on business cycles?

**MP:** Well, because that is what they did. The Bank Credit Analyst was not analyzing quality of credit, but rather trends of credit which is of course very much tied with monetary policy and the business cycle, with related economic analysis. So I was able to learn a lot of these important principles and supplement them with my technical analysis. They also had a library of very good historic economic books and one of them was called "Turning Points in Business Cycles" by Leonard Ayres, written in 1939. He was also



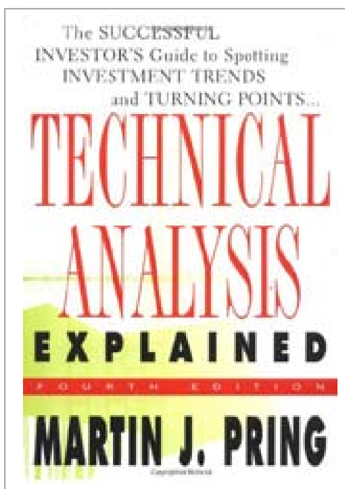
the same person that developed the advance/decline line. The book explained how the business cycle ran through a series of chronological sequences, six turning points of which securities coming onto the market and the stock market peaking with the over-supply, then interest rates turning about. This was a definite sequence of the business cycle, in terms of financial markets. So I took that a step further and created my six stages of the business cycle.

RW: What was the main premise behind writing "Technical Analysis Explained"?

**MP:** From time to time we would get representatives from the media calling in and I would pick up and answer a few questions. One of the guys by the name of Kiril Sokoloff, who later became a great friend, was working as an editor for a business week newsletter, a subsidiary of McGraw-Hill. We continued talking and then at one point he asked me if I would be interested in writing a book? I was interested and already had lots of material that I had been assembling over the past 3-4 years and would have liked to get a book written. At the time, there were some great books out there, but none covered the subject from A to Z. So they asked me to write the book and now I am working on its 5th edition.

**RW:** When was the first book published and how different was it from future editions?

**MP:** The first edition of "Technical Analysis Explained" was published in 1979. I am great believer in historical data and we had a lot of historical data at the Bank Credit Analyst and I wanted to share this data. At the time, no one had access to data on the Dow Jones Index going back to the beginning of the 19th century. So I decided to include a small section at the end of the book with some of this historical data. McGraw-Hill decided to photocopy all of this material and make it half of the book commentary. *Barron's* reviewed the book and this is one of the points they raised, that it was more of a data book than a technical analysis explained book. So after a couple of years I decided to redo the book and write the second edition, take out all the data and put in the meat. From that point, it began to gain some credibility in the business. Every few years I take another look at the book and decide to update it again. It is now the 5th time that I have gone through this process.

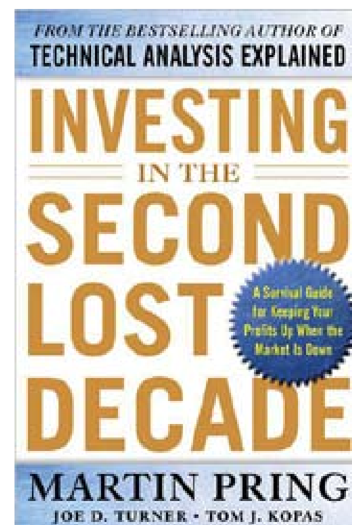



**RW:** "Technical Analysis Explained" has since earned its title as one of the best technical analysis books in the industry, which has also been translated into many languages around the world. How do you feel about how successful the book has become over the years?

**MP:** Every time I write a new edition, there is always new ground to cover. Markets change and if you are any good you change as well and pick up new creative ideas. You realize how things fit together in terms of the technical approach, inter-market work, inter-asset work and come up with new stuff all the time.

**RW:** Your new book, "Investing in the Second Lost Decade" co-authored by yourself and business associates, has just been published. Please explain the key themes within the book.

**MP:** The main premise behind writing the book was to share our technical approach at Pring Turner Capital. How we analyze markets and how we manage portfolios. We felt that the next decade is going to be a very difficult one. Stocks will continue to be in a secular bear market where inflation-adjusted prices will continue to go down, or at the very best, move in a sideways trading range. We also think that the secular trend for bond prices (uptrend for bond prices, downtrend for yields) is probably on its last legs. There isn't enough proof of this yet, but we do have certain characteristics in place. It takes a few years for some of this evidence to fall into place.




At the same time we think that commodity prices are going to continue their secular bull market that began in 2002. In summary, stocks in a secular bear market, commodities in a secular bull and bonds are just about to reverse their secular trend. We believe the long-term environment is going to be very difficult for investors, so we tried to provide them with a book that if they were not interested in buying our ETF or money management, then at least we were giving them an idea of what to expect in the future.

Even though we are in a secular bear market for stocks, there are still pockets of opportunities, for example between 2009 and today, has been a period where the stock market has risen substantially in value. This is where we apply our business cycle analysis and sequential analysis from an investment point of view to try and take advantage of these pockets of opportunity and reduce risk during the down phase of the secular bear market in equities. The key point is to be risk averse because the law of large losses tells us that if you have a large loss, it takes a much larger amount to get back to break even. So the point of our strategy is to create as little risk as possible, while maintaining profitable gains. As a result, our average accounts have doubled since 2000, whereas the S&P500 has only risen 20% in terms of total returns and we have done this with only half the beta risk.

**RW:** How have you been able to formulate this strategy within the new Dow Jones Pring US Business Cycle Index (DJPRING) and the ETF (DBIZ)?

**MP:** A couple of years ago Dow Jones Index approached me and said they were familiar with our business cycle work, would I be interested in creating an index based on the work that we have done. We have now created an aggregate index based on the idea

that markets operate on the business cycle and can be fitted into six stages. This is derived from three financial markets: stocks, bonds and commodities. Each one has two turning points, a top and a bottom. We created models to try and identify which if these stages we were in. So for example, Stage 3 is when everything is bullish and we have looked back as far as the 1950s to see how all these Stage 3s have performed, which were the best assets to be in, also the best sectors and allocation of stocks.

This index has now been developed and it has a symbol of DJPRING. We used the strategies for the index and integrated them with the ETF (The AdvisorShares Pring Turner Business Cycle ETF) (DBIZ). It is not exactly the same as the index because the index uses ETFs and ETFs involve a management fee. So we try and lower our management fees by buying individual stocks based on those preferred sectors. For example, if a particular stage called for an allocation to the banking sector, then we would look for the best yielding bank stocks, the best performing in terms of relative strength and so forth.

*"...the velocity of money circulation has declined and that is why we have not seen tremendous inflationary pressures develop. But the long-term momentum of the velocity of money has started to turn up."*

**RW:** In terms of your current market outlook, why have inflationary pressures not appeared yet despite massive central bank quantitative easing and government yields at historic low extremes?

**MP:** I believe the key reason is the fact that velocity of money has been declining for 10 years or so. Governments can increase the money supply, but they still need to get people to use that money and use it faster and faster. However, the velocity of money circulation has declined and that is why we have not seen tremendous inflationary pressures develop. But the long-term momentum of the velocity of money has started to turn up. Moreover, bonds are in the process of turning on a cyclical and secular basis. Long-term government yields have been declining since September of 1981, which is 31 years and the average secular trend for bonds is around 27 years. So we are overstaying our welcome on this bear market in long-term government yields. All these factors suggest to me that we are now embarking on a commodity bull market. A technical review of the Commodities Raw Industrials, which is a good economic sensitive indicator (without weather-related markets), has just crossed above its 12-month average. Moreover, a ratio of commodities versus bonds, which is the ultimate inflation/deflation measure is also starting to turn up. So we have the fundamental signals with velocity of money turning up and the technicals also heading north. It might bounce around for a few months, but at this stage, it looks to me that we are entering the inflationary part of the cycle.

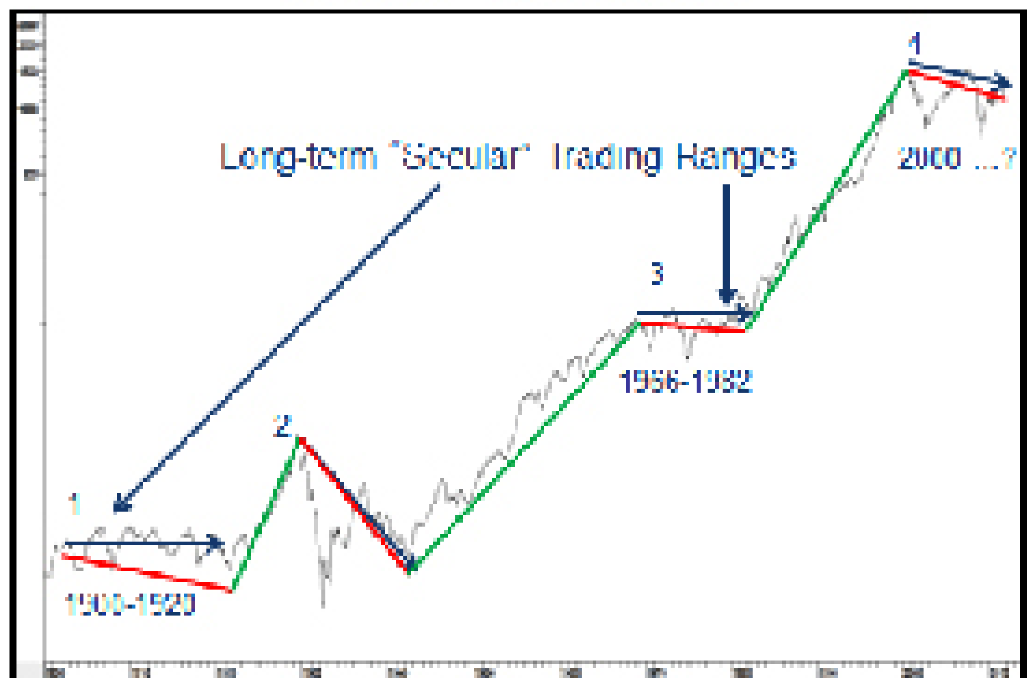
**RW:** Which stage of the business cycle are your models suggesting that we are currently in…?

**MP:** Our models are currently signaling Stage 2, which is when bonds and stocks are bullish, while only commodities are bearish. This has proven true for the last year and a quarter, when it would have been best to have avoided commodities. As of last month, the barometers have turned to Stage 4. However, the way that I calculate it is by using a two-month moving average to avoid whipsaws, and so this is not yet at Stage 4. Stage 4 is when bonds are about to turn bearish, while stocks and commodities are bullish. So if we only look at the individual month, December [2012] signaled Stage 4, but we need another two months of further price data to achieve that point. Even so, a lot of the sector rotations do look like they are moving to a Stage 4 type of environment. This is an environment where commodities such as gold averaged 14% and copper 24% monthly gains on an annual basis. It's not the most intense part of the cycle, but it still is very much a strongest stage in terms of inflationary pressures.

**RW:** Within the context of a potential Stage 4 of the business cycle, you would be expecting a further rise in the stock market. How much of a bullish signal would this be, given that US stock prices, such as the S&P500, are already very over-extended, having more than doubled in value since 2009 and now looking to make new all-time highs?

**MP:** Typically the business cycle will trigger a recovery phase and the growth path rolls over and then we move into a recession. However, occasionally what can happen is that we can experience a growth recession, where the growth path goes down,

1900-2012 US Stock Prices



but it doesn't go beneath zero and acquires renewed strength, allowing it to grow again, before turning down later. We have already seen one of these growth recessions take place about six months ago. The same chronological sequence of bonds, stocks and commodities is experienced, but it's just not as intense in terms of volatility and the rotation happens faster. So where I think we are now is that bond prices have peaked, stock prices are still going up, but within the terminal phases of the cyclical bull market and commodity prices are just beginning their cyclical phase. It all depends on how quickly commodity and bond yields go up, as to how long the stock market can continue to go up.

*"... bond prices have peaked, stock prices are still going up, but within the terminal phase of the cyclical bull market and commodity prices are just beginning their cyclical phase. It all depends on how quickly commodity and bond yields go up, as to how long the stock market can continue to go up."*

**RW:** Is there a particular trigger point? At what stage would you expect a price acceleration in commodity prices to adversely impact the stock market?

**MP:** It's important to look at the technical positions and gauge how they might be affecting the stock market. Previous cycles do not offer any particular trigger point, for example such as a 12-month rate-of-change rising above 50% or whatever it might be. Each cycle is different because the makeup is not just between stocks, bonds and commodities. There are all kinds of other things going on such as housing and so forth. Therefore, it's important to review the overall economic picture in order to understand at which point rising commodity prices may adversely impact the stock market. Once again, it's very important to look at the technical positioning in the market to get that.

The character of the market is different in each cycle. For example, the S&P500 can serve as a coincident indicator of the market; or something like utilities, telecoms, or financials are generally speaking, leading indicators; and resource-based stocks are traditional lagging indicators. The market is made up of all of this stuff. For example, in the year 2000, technology, which tends to be a lagging indicator, was one of the principal drivers of the stock market rally, but the advance/decline line peaked in 1998. So underlying stocks were declining between 1998 and 2000, but in real-terms, you could see the market rising because these stocks were gaining more and more of the index weighting. In summary, all I am saying is that the market can be rising, but with different variables driving it at different times and it's the character of the market which is important.

**RW:** How would you compare the character of the current secular bear market in stocks to prior bear cycles such as 1966-1982?

**MP:** All these secular bear markets have three things in common. One is psychology; they move to an extreme of optimism and then an extreme of pessimism. A measure of price-to-earnings, as used by Robert Shiller, we rose up to a 45 multiple in the year 2000 and the previous peak was 32. The traditional benchmark for a secular bull market is 22 times and usually a secular bear ends when price to earnings reaches 7 to 8 times. So a huge swing in psychology takes place and that's characteristic of all bear markets.

The second thing is that you usually have a structural problem. It's relatively easy to get out of a recession, because inventories adjust and so forth and its takes a few policy adjustments to recover. However, a really important structural problem is much more difficult to overcome. For example, the technology boom in 2000, housing bust in 2007, or even the canal boom in the 1830s and the railroads in the 1870s. These structural problems take a long time to work through the system. So what typically happens is that the government comes along and tries to help and this usually hinders the whole process. We have already seen this in recent years, during the technology and housing boom, where the government comes in and tries to print more money and run up the budget deficits.

The third thing is rising, or excessively high, commodity prices, which is the kiss of death to the stock market on a secular basis. Taking into consideration these three characteristics, we are on par with what happened during the bear market of 1966-1982.

**RW:** Looking towards the Asian countries, we have just recently witnessed two important political changes in countries such as China and Japan and corresponding early stage recoveries in their domestic markets. What is your technical perspective of their local stock market performance?

**MP:** I believe that China is beginning a cyclical bull market, within a long-term trading range that began in 2007. There isn't a lot of historical stock market data on China, but one of the proxies that I use is an 18-month rate-of-change of the Shanghai Composite which rose up to 360%. In my research, whenever a market's rate-of-change rises above 200%, as it did with the Nasdaq in 2000, gold in 1980, and many other markets, almost invariably that indicates a rush of sentiment to the optimistic side. That often means the market needs to work its way down over the next 5-10 or 15-20 years and correct the excessive levels of optimism as reflected in the 18-month rate-of-change. So we saw an extreme in China that I feel will still take several more years before we surpass the high of 2007.

As far as Japan is concerned, I do not have any evidence that the secular bear market which began in December of 1989 is over. Although, of course, I do believe that in terms of time duration, it really has run its course. So my expectation is for Japan to eventually lead its way out of its secular bear market and perhaps even the one that the world is now also in. In summary, I believe that Japan is currently experiencing a cyclical bull market recovery. However, whether it has broken its secular bear market is another question.

**RW:** What do you see as the big themes or trading opportunities into the new year of 2013?

**MP:** I believe the big opportunities are in the commodity-based resource areas. As I mentioned before, I think that we are currently moving into Stage 4 of the business cycle, which has historically offered an average of 24% annualized returns on copper. The chart of copper looks like it's about to break to the upside. It also looks like it has a terrible top, but I think that top is going to fail based on the fact the whole economy is going to improve here. I am not so sure about precious metals, although they usually correlate with commodities.

Meanwhile, I feel that countries such as India and China are pretty good opportunities. This is also because the US market has been underperforming for the last six months to the rest of the world. Although, that relationship is very oversold and I expect a bounce here over the short-run. The main trend is against the US, relative to the rest of the world. Also, the relative performance of Europe is improving and we have been recommending a number of European ETFs. We have also been recommending Hong Kong.

**RW:** In the many years that you have been dedicated to the industry, how would you describe the evolution of technical analysis? Past, present and future…?

**MP:** I believe that it is very much growing in importance. One key reason is that we have organizations like the International Federation of Technical Analysis (IFTA) and the Market Technicians Association (MTA) that are promoting it as a profession and giving it accreditation. A related point is that in the old days a lot of people would give wild market predictions and gave technical analysis a bad name. Now I believe it's become a more serious proposition, with the formation of these technical analysis societies and the educational aspects of their development.

The second reason is that over the years we have seen a shortening of time horizons. In the old days, people used to invest for a long period of time, one or two years or so. Now with the advent of tick charts and intraday services, we have more intraday trading. So the focus has become smaller and smaller. This has got to be one of the advantages of technical analysis, because it is very difficult to do this using fundamental analysis. Things don't change that much. Whether you were a tape reader or a chart reader, technical analysis has come into its own because of the narrowing of time horizons.

**RW:** What role has technical analysis educational support played within the industry? How would you compare to past years when you were starting out in your career?

**MP:** When I started out in the industry there was nowhere that you could achieve an accreditation in technical analysis. There were lots of books written, but as I said before none of them really covered the subject from A to Z. In order to learn about technical analysis, you basically had to read books. There were not that many people teaching it, not compared to how it is now being taught at universities and financial workshops. There are a lot more educators now and that means a higher level of sophistication and accuracy of analysis is going to improve from a technical point of view. Although, of course from a psychological perspective, you still have to learn how to master your own emotions and the emotions of the markets. ■

Mr. Pring was a guest speaker at the SAMT Geneva Chapter 02 October 2012 meeting – "Investing in the Second Lost Decade."

Ron William hosted an interview with Martin J. Pring in January 2013.

(see over)

To watch a Bloomberg interview with Martin Pring from Geneva in October 2012, please click on the image above.

To see Martin Pring's presentation in Geneva on 02 October 2012, click here.

**Martin J. Pring**

Martin Pring entered the financial markets in 1969 and has grown to become a leader in the global investment community. He founded Pring Research in 1981 and began providing research for financial institutions and individual investors around the world. Since 1984, he has published the "Intermarket Review," a monthly market letter offering a long-term synopsis of the world's major financial markets. An audio visual presentation on key financial markets, called The Infomovie Report, is also published on a weekly basis.

He is also chairman of Pring Turner Capital Group, a money management firm, and president of pring.com an educational, technically-oriented website. Demanded as a speaker worldwide, he is the author of several outstanding books including, the classic "Technical Analysis Explained," now in its fourth edition. The book is, as quoted in Forbes, "widely regarded as the standard work for this generation of chartists."

Martin talked about his latest book, co-authored with partners Joe Turner and Tom Kopas, "Investing in the Second Lost Decade." He will show how he uses technical analysis to navigate secular and cyclical trends in stocks, bonds and commodities.

On March 24, 2000 the S&P Composite began a secular bear market and by June 1, 2012 had lost 17% from that peak. When adjusted for inflation the drop exceeded 30%. Martin Pring explained why he thinks the secular bear market in equities has further to run and why the buy/hold approach will continue to be a failed strategy.

Finally, he introduced the Dow Jones Pring Business Cycle Index (DJPRING), a new rules-based index that capitalizes on these concepts®.

For additional information about Martin Pring, go to
www.pring.com

**Ron William, CMT, MSTA**

Ron is the founder and Principal Market Strategist at RW Market Advisory (RWA) (www.rwadvisory.com). The institutional market advisory is based on a macro, semi-discretionary technical approach which is primarily driven by cycles and proprietary timing models. RWA currently services the global FX trading desk of a tier-one financial institution.

He has 14 years financial market experience, working for leading institutions, producing research and trading strategies for a range of professional clients, including investment banks, money managers and hedge-funds.

Ron's work has acquired global industry recognition as part of the 2012 Finalist Award for "Best Technical Analyst of the Year," with research featured regularly in mainstream publications and across financial media programs.

Ron also dedicated four years working at Bloomberg L.P, London, as a senior Technical Analyst Specialist responsible for training/consultation across the Europe & Middle East Africa region, and contributed to the development of charting strategies and the technical analysis platform of the Bloomberg Professional Service™.

He is an active member of International Federation of Technical Analysts (IFTA) and Vice President & Head of the Geneva chapter of the Swiss Association of Market Technicians (SAMT).

Ron is the author of the trading book "Candlestick Charting and Strategies: New & Classical Techniques for Profitable Trading" scheduled to be published in mid-2013.

To contact Ron William, CMT, MSTA,
email him at ronwilliamPR@gmail.com
or visit his website: www.ronwilliam.com

# THE VOLATILITY-BASED ENVELOPES (VBE): A DYNAMIC ADAPTATION TO FIXED WIDTH MOVING AVERAGE ENVELOPES

**Mohamed El Saiid**

## INTRODUCTION

The VBE is an indicator that aims at containing price action within adaptive envelopes in such a way that, statistically, only a predetermined, limited and quantifiable portion of the price action would be able to pass (but not sustain) outside the containing envelopes. In that respect, the VBE attempts to identify when prices are relatively overbought or oversold. The VBE primarily, aims at resolving the limitations attained from using fixed-width centered envelopes, but can also be used in applications related to the works of J. M. Hurst and B. Millard on cycle analysis in order to identify the potential turning points of specific cycles.

The VB-Envelopes are calculated off the standard deviation of historical price returns instead of the historical price action. The standard deviation is added to and subtracted from a SMA of the price returns. Then, the outcome is added to/and subtracted from today's closing value on a percentage basis and not over a lagged SMA of the price action. The result is a raw version of the VBE. The raw boundaries of the VBE are then smoothed out by weighted moving averages (WMA). The WMAs are shifted or centered backwards in accordance to their inherent lag time. The missing data points on the averages (as a result of the centering technique) are then estimated (forecasted) using their correlation with other centered-WMAs of lesser span/lag and hence, lesser missing data points. As a result, a dynamic adaptation to the envelopes' boundaries can be achieved, while avoiding the inherent lag effect of the MA of prices.

## VBE CONSTRUCTION

The calculation steps for the VBE are represented as follows:

**Step 1: Calculate the mean (μ) and (standard deviation (σ) of the percent changes (or logarithm) of the daily historical price returns.***

**Step 2: Calculate the values of the Volatility-Based Envelopes (VBE):**

The lower VBE = Centered (WMA (Close*(1 - (μ - (σ*2 Standard Deviation))), WMA-Period), N)

The upper VBE = Centered (WMA (Close*(1+ (μ + (σ*2 Standard Deviation))), WMA-Period), N)

Where,

N is the backward shift in the WMA required for the centering procedure and calculated using the following formula: (WMA Period -1)/4, which *approximately* equates to the WMA lag from the actual values.**

**Step 3: Forecast the VBE's missing data points using correlation (ρ)**

To estimate the missing data points for a 13-period Centered-WMA of the raw lower/ upper -VBE (which lags by 3-periods***, we first calculate the correlation matrix between the returns (or logarithm) of the 13-period CWMA of vs. the logarithm of a 9-period CWMA (which lags by 2-periods), the logarithm of a 5-period CWMA (which lags by 1-period) and the logarithm of a 2-period CWMA (which lags by less than 0.25 *or almost* 0).

Then, the forecast of the 1st missing value of the 13-CWMA would be:

> Last *actual* value of the 13-CWMA * [1 + (last calc. log. of the 9-period CWMA * ρ of 13-period CWMA vs. 9-Period CWMA)]

Then, the forecast of the 2nd missing value of the 13-CWMA would be:

> Last *estimated* value of the 13-CWMA * [1 + (last calc. log. of the 5-period CWMA * ρ of 13-period CWMA vs. 5-Period CWMA)]

Then, the forecast of the 3rd (and last) missing value of the 13-CWMA would be:

> Last *estimated* value of the 13-CWMA * [1 + (last calc. log. of the 2-period CWMA * ρ of 13-period CWMA vs. 2-Period CWMA)]

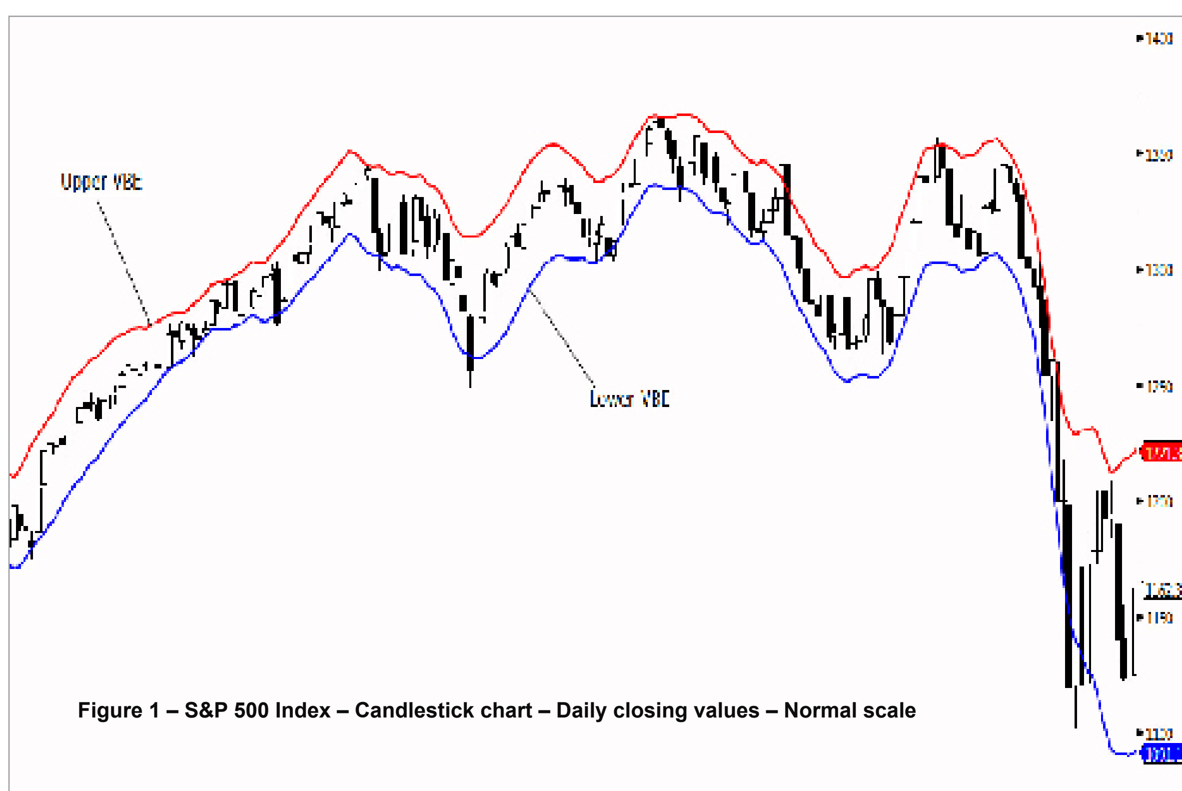



**Figure 1 – S&P 500 Index – Candlestick chart – Daily closing values – Normal scale**

Figure 1 shows the S&P 500 index and the VBE. In this example, the plotted VBE are 13-period CWMAs, set at two standard deviations away from the price action.

## USING THE VBE TO IDENTIFY OVER-EXTENDED PRICE ACTION ON THE PRICE CHARTS

Below are some essential guidelines that aid identifying overbought/oversold trend conditions using the VBE:

- Spot the most recent turning phase of the VBE (crest or trough) while it is occurring. The turning phase would preferably be accompanied prices moving outside of either one of the VB-Envelopes. Set at 2 standard deviations apart from the prices, any price excursions from the VBE imply – with a high statistical probability (approximately 95%) – un-sustainability and signals price reversion back inside the VBE regardless of the trend status.
- If a price excursion occurred at a low, wait for the price to return back inside the VBE range, and then initiate a long position (or buy-back an old short position).

- If a price excursion occurred at a high, wait for the price to return back inside the VBE range, and then short, sell or reduce your position.
- The greater the number of bar closes (excursions) outside either VBE boundaries (specifically, the estimated portion), the more the confirmation ensuring that the VBE estimates would successfully imply that a price excursion from the actual VBE values will be attained.
- When using the VBE, It is important to apply appropriate trading strategy depending on the direction of the overriding trend direction—*meaning that*, during up trends, price overlaps with the lower VBE are considered buying and/or accumulating opportunities. Meanwhile, price overlaps with the upper VBE would be for reducing portions of long positions and generally for trading, but not for short selling purposes. On the other hand, during down trends, price overlaps with the upper VBE are considered selling and/or short-selling opportunities. Meanwhile, price overlaps with the lower VBE would be considered for squaring short positions portions and generally for trading, but not for initiating new long purposes.

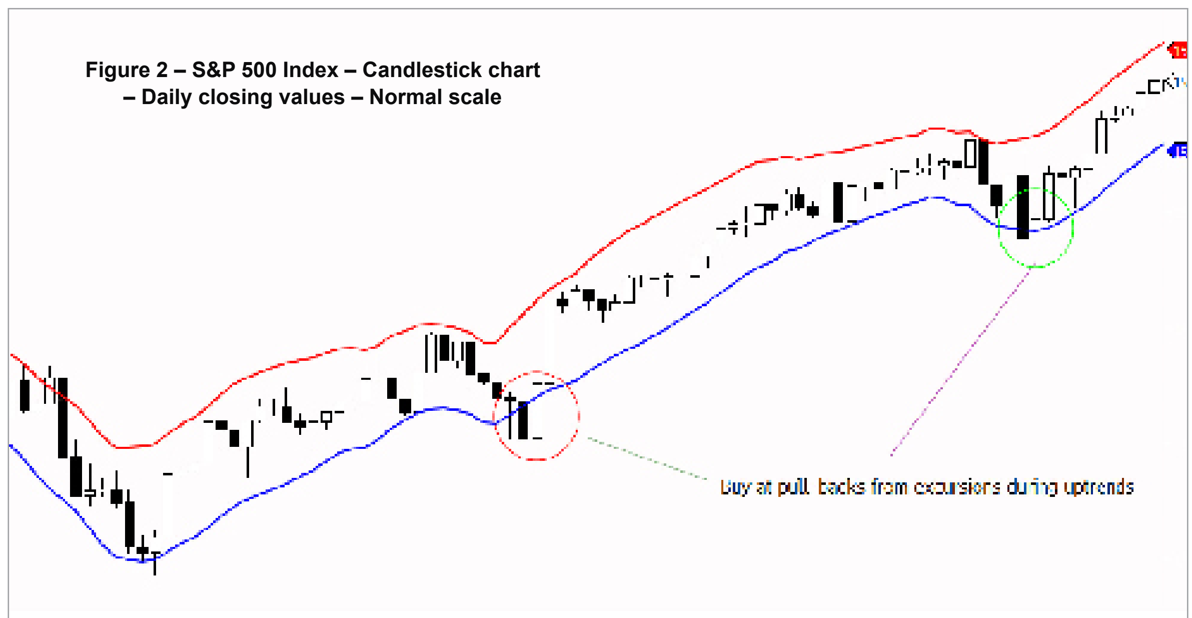



**Figure 2 – S&P 500 Index – Candlestick chart – Daily closing values – Normal scale**

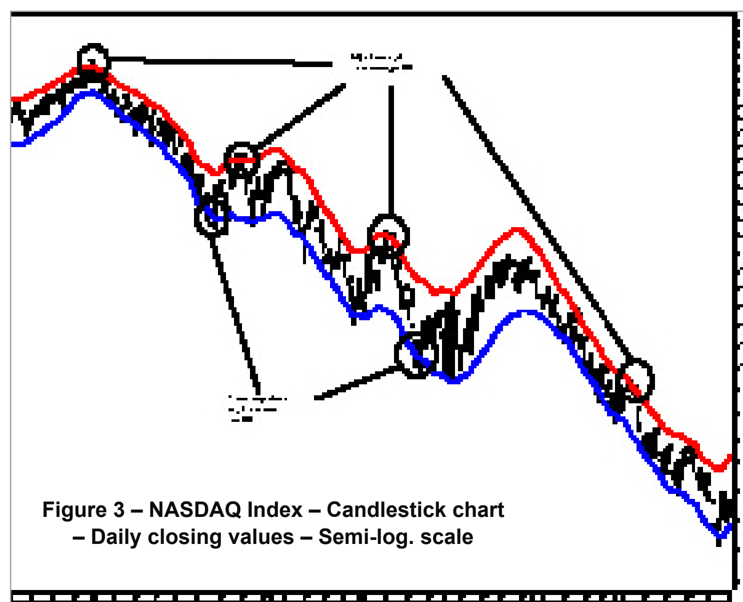


**Figure 3 – NASDAQ Index – Candlestick chart – Daily closing values – Semi-log. scale**

## CHOOSING THE APPROPRIATE VBE PERIODICITY

Since the most recent values/portion of the VBE are estimates, these values are perpetually being replaced by real VBE values as the bars or candle lines unfold going forward. This causes the estimated values/portion of the VBE to change frequently especially over shorter term interval charts as they are being substituted by real VBE values while the prices progress forward. For example, a price excursion from either boundary of the estimated portion of the VBE in real-time may turn out not to be one, as the estimated values are shortly replaced by actual VBE values. For that reason, we recommend using a 13-period CMA as it strikes a balance between the VBE smoothness and the reliability of the VBE estimates.

## Endnotes

* The (μ) and (σ) are calculated over duration of 21-period percent change values.

** The actual equation is equivalent to (WMA Period - 1)/3.34. However, in real life observations and mainly due to the non-linear nature of price action, the lag tends to be reduced down to equate (WMA Period - 1)/4.

*** i.e. has 3 missing data points.

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## Software and data

Data courtesy of Bloomberg and Reuters.

Charting software and charts courtesy of Bloomberg and Equis International MetaStock v.9.1.

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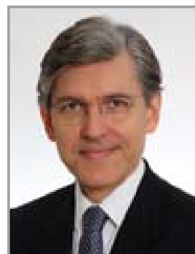
ronwilliamPR@gmail.com

Tim Straiton, FGA
*Head of Website Development*
info@stoploss.ch



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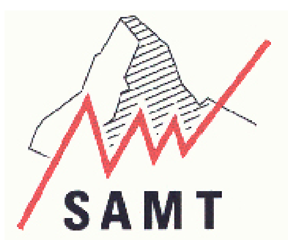


**The Swiss Association of Market Technicians**

**Founded 1987**

The Swiss Association of Market Technicians (SAMT) is a non-profit organisation (Civil Code Art 60ff) of market analysis professionals in Switzerland, founded in 1987. SAMT is a member of the International Federation of Technical Analysts (IFTA).

Technical analysis is the study of prices and markets. It examines price behavior on an emprirical and statistical basis. It extends to the study of all published information on price trends, volatility, momentum, cycles and the interrelationship of prices, volume, breadth, sentiment and liquidity. A comprehensive understanding of technical analysis requires a knowledge of statistics and pattern recognition, a familiarity with financial history and cycles.

SAMT encourages the development of technical analysis and the education of the financial community in the uses and applications of technical research and its value in the formulation of investment and trading decisions. SAMT has a wide range of activities including:

- Organising meetings on a broad range of technical subjects encouraging the exchange of information and knowledge of technical analysis for the purpose of adding to the knowledge of its members.
- Preparing its members to sit for the Certified Financial Technician (CFTe) exams and the Masters level degree Master of Financial Technical Analysis (MFTA) in Switzerland. These exams are controlled by IFTA.
- Developing CFTe preparatory courses.

# THE SWISS TECHNICAL ANALYSIS JOURNAL

The Swiss Technical Analysis Journal is a quarterly publication established by The Swiss Association of Market Technicians (SAMT). It is compiled by a committee of SAMT colleagues. The Swiss Technical Analysis Journal is essential reading for academics, students and practitioners of technical analysis in all arenas. It is an excellent reference source for anyone interested in technical analysis, containing a wealth of resource material.

### Credibility And Recognition

The Swiss Technical Analysis Journal has original contributions from its members covering developments in technical analysis in global markets. The Journal's aim is to reach leading practitioners and students of technical analysis throughout the world.

The Swiss Technical Analysis Journal is a professional resource. Its online publication on the SAMT website will make its work available as a future resource to the community of technical analysts.

### Topics

SAMT is seeking papers that cover developments impacting, either directly or indirectly, on the field of technical analysis; they may be drawn from such areas as:

- Basic market analysis techniques
- Indicators—sentiment, volume analysis, momentum, etc.
- Global and intra-global technical analysis
- Styles of technical analysis
- Data
- The changing role of technical analysis in the investment community.

We would especially like to see contributions that draw from areas not previously examined, and/or topics tangential to technical analysis.

The above list is just a guide and should in no way be considered restrictive. We wish to make the Journal open to new and innovative ideas from all areas of technical analysis and those that connect with it.

### Submitting Contributions

Submission of contributions to
ronwilliamPR@gmail.com

### Language

Contributions must be submitted in English with British grammar required.

### Writing Style

Papers should be written in a thesis style.

### References

All texts referred to in the paper must be appropriately referenced with a bibliography and endnotes (footnotes will not be accepted.)

Responsibility for the accuracy of references and quotations is the author's. We expect the authors to check thoroughly before submission.

All references are to be included as endnotes. No separate list of references or bibliography should be provided.

### Figures, Charts and Tables

Illustrations and charts must be referred to by Figure Number and source (when applicable). Tables must be referred to by Table Number and source.

### Length of Contribution

Papers should be approximately 1,200 to 3,000 words, with supporting graphs and charts.

### Format

We ask for submission in MS Word or other text format. PDF format will not be accepted. Charts and graphs may be in gif or jpeg, but we ask that authors also keep a tif format in case it is required.

Material deadline for the June 2013 issue

**15 May 2013**

## Advertising

The Swiss Technical Analysis Journal is a quarterly publication which is published in A4 size, in pdf format only. SAMT will accept advertisements in this publication if the advertising does not interfere with its objectives.

The appearance of advertising in SAMT publications is neither a guarantee nor an endorsement by SAMT.

### Advertising Policy

Advertising is subject to approval by SAMT. All advertisements must be non-discriminatory and comply with all applicable laws and regulations. SAMT reserves the right to decline, withdraw and/or copy edit at their discretion. Every care is taken to avoid mistakes, but responsibility cannot be accepted for clerical error.

### Advertising Rates

| | Rate | Size |
|---|---|---|
| Inside covers | 750 CHF | 21.0 x 29.7 cm |
| Full page | 500 CHF | 19.3 x 26.9 cm |
| 1/2 page | 350 CHF | 19.3 x 13.4 cm |

### Payment

Pre-payment by wire transfer is required for all ads. Bank details will be provided upon request.

# SAMT MEMBERSHIP

SAMT encourages the development of technical analysis and the education of the financial community in the uses and applications of the technical research and its value in the formulation of investment and trading decisions.

SAMT offers the following benefits:

- The organisation of meetings on a broad range of technical subjects encouraging the exchange of information and knowledge of technical analysis for the purpose of adding to the knowledge of the members.
- The organisation of presentations from guest speakers from around the world.
- The possibility to sit for the Certified Financial Technician(CFTe) exams at a discounted rate. These exams are controlled by IFTA.
- The "IFTA Update" - a quarterly newsletter from the International Federation of Technical Analysts.
- Access to the SAMT database covering trading strategies, chart pattern recognition, technical indicators and a glossary of terms.
- A generous discount on the annual IFTA Conference admission fee.

## The Cost of Membership

- Initial one time registration fee of CHF 50.
- Annual membership fee of CHF 150. (The total cost for the first year is CHF 200.)
- Only fully paid-up members have access to the member area.
- The subscription cost for each subsequent year is CHF 150.
- Subscription expiry results in blocked access to the member area. A standing annual payment order is therefore recommended.

## Subscription Payments

Please use the Register Here link below for executing your payment and don't forget to make sure your name is mentioned in the payment (especially for members whose subscription is paid by/through their employers).

Also please note that by registering as a member of SAMT you declare that you have read, fully understand and agree to the content of the SAMTDisclaimer statement which appears below.

Payments are made to:

Swiss Association of Market Technicians S.A.M.T.

Swiss Postal account Nr. 80-52569-5

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**Register Here**

**SAMT Disclaimer**

The Swiss Association of Market Technicians (SAMT) is a not-for-profit organization that does not hold a Swiss Financial Services License. It is the aim of the SAMT to promote the theory and practice of technical analysis, and to assist members in becoming more knowledgeable and competent technical analysts, through meetings and encouraging the interchange of materials, ideas and information. In furthering its aims the SAMT offers general material and information through its website and publications therein.

The information provided on the SAMT website has been compiled for your convenience and made available for general personal use only.

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SAMT

EDUCATION

**TSAASF**

## IFTA Certified Financial Technician (CFTe) Program

The IFTA Certificate (Certified Financial Technician) consists of CFTe I and CFTe II, which together constitute a complete professional program.

The two examinations culminate in the award of this internationally recognised professional qualification in Technical Analysis.

### Examinations

The exams test not only technical skills, but also international market knowledge.

### CFTe I:

This multiple-choice exam covers a wide range of technical knowledge and understanding of the principals of Technical Analysis, usually not involving actual experience.

The CFTe I exam is offered in English, French, Italian, German, Spanish, and Arabic, and is available, year-round, at testing centers throughout the world, from IFTA's computer-based testing provider, Pearson VUE.

### CFTe II:

This exam incorporates a number of questions requiring an essay based analysis and answers. For this, the candidate should demonstrate a depth of knowledge and experience in applying various methods of technical analysis. The exam provides a number of current charts covering one specific market (often an equity), to be analysed, as though for a Fund Manager.

The CFTe is offered in English, French, Italian, German, Spanish and Arabic bi-annually, typically in April and October.

### Curriculum & Registration

The program is designed for self-study. Local societies may offer preparatory courses to assist potential candidates.

Syllabus and Study Guides and registration information are on the IFA website at registration details.

### Costs

### IFTA Member Colleagues

| | |
|---|---|
| CFTe I | $ 500 US |
| CFTe II | $ 800* US |

### Non-Members

| | |
|---|---|
| CFTe I | $ 700 US |
| CFTe II | $1,000* US |

### *Additional Fees (CFTe II only):

$250 US translation fee applies to non-English exams and $100 US applies for non-IFTA proctored exam locations

## CFTe Level II Prep Course Geneva

| | |
|---|---|
| **When:** | Saturday, 08 June & Sunday, 09 June 2013 |
| **Where:** | Geneva |
| **Hours:** | 9:00 until 17:30 each day<br>15 hours of Immersion Training |
| **Class Size:** | 5 min; 10 max |
| **Cost:** | |
| SAMT Members: | CHF 1150 |
| Non-Members: | CHF 1350 |
| **Early Bird Cost:** | |
| SAMT Members: | CHF 1050 |
| Non-Members: | CHF 1250 |
| **Registration Deadline:** | Friday, 24 May 2013 |
| **Early Bird Deadline:** | Friday, 17 May 2013 |
| **Contact:** | ronwilliamPR@gmail.com |

**The course will be presented in English.**

## Lugano Info

**Note** Technical analysis education program collaboration with Centro di Studi Bancari in Vezia. For this program, click http://www.csbancari.ch/Finanza/at/home.asp

# SAMT PARTNER SOCIETIES

## International Federation of Technical Analysts (IFTA)

IFTA is a non-profit federation of 26 individual country societies who individually and jointly dedicate themselves to

- Research, education, camaraderie and dissemination of technical analysis of world markets. The IFTA societies support sharing technical analytical methodology that at its highest level is a valid, and often-indispensable element in the formulation of a reasonable basis for investment decisions.
- Promotion of the highest standards of professional conduct, international cooperation and scholarship between all its Member and Developing Societies within all arenas of technical analysis.
- Providing centralized international exchange for information and data of various financial centers while respecting individual country and Society business practices, legal structures and customs.
- Encouraging the standardization of education and testing of its constituent members in technical analysis, making sure that each individual country's security analyst licensing, legal and language /communication priorities continue to be individually accepted.
- Fostering the establishment of individual societies of technical analysts without bias in regard to race, creed or religion. It supports the need for maintaining a free and open worldwide markets under normal, and in particular crisis periods.

As a growing bridge of communication worldwide, IFTA remains open to methods of technical analysis, while encouraging the consideration and support of membership for both developing and established societies.

www.ifta.org

CENTRO
DI STUDI BANCARI
VILLA NEGRONI
ASSOCIAZIONE BANCARIA TICINESE

## Centro di Studi Bancari

Founded by the Ticino's Banking Association in 1990, Centro di Studi Bancari (CSB) is an institution that promotes and provides education, training and continuous update for banking, fiduciary, insurance and legal-financial professionals in the financial markets. CSB provides courses, training courses for various certifications and hosts conferences. The training programs are recognized at local, national and international levels, as well as by many private associations, such as SwissBanking. CSB can also organise tailor-made training, leveraging on its inter-disciplinary competences in the field of banking, finance, compliance, management and taxation.

www.csbancari.ch

## Groupement Suisse des Conseils en Gestion Independants (GSCGI)

CSCGI is a group of economic interests formed by specialized independent financial intermediaries who are confirmed professionals in the financial services industry. The group is open to contacts with any person interested in the business of wealth management seeking to promote dialogue with the banking partners and authorities at all levels. Their goals are to:

- Promote contacts between professionals motivated by the same desire for independence, wishing to maintain and develop relationships with counterparts.
- Find common ground for exchanging experiences and ideas, a field where diversity and novelty are prevailing.
- The enrichment of the links that can be forged on a friendly and professional level within a well defined and recognized framework to favour professional consultation and close dialogues.

www.gscgi.ch

## Swiss Futures and Options Association

The Swiss Futures and Options Association (SFOA), previously the Swiss Commodities, Futures and Options Association, was founded in 1979 as a non-profit professional association for the purpose of promoting derivative financial instruments, particularly standard futures and options contracts on financial instruments and commodities, to the widest possible audience, and to serve the interests of its members. SFOA serves users of commodity and financial derivatives, as well as professionals, their institutions and the exchanges.

www.sfoa.org

## Swiss CFA Society

The Swiss CFA Society boasts over 2,400 members in Switzerland, against barely 100 in 1996 at inception. It is the largest CFA Institute society in continental Europe. With more than 2,000 candidates taking the rigorous Chartered Financial Analyst® (CFA®) exam in Switzerland each year, the society's impact on the Swiss investment community is self-evident.

It was the first society of CFA charterholders in the EMEA region to be directly affiliated with the prestigious CFA Institute, which includes more than 110,000 members in 139 countries.

The vision of the Swiss CFA Society is to be a leader in fostering the highest level of knowledge, professionalism, and integrity in the investment business.

www.cfasociety.org/switzerland

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GENÈVE • LUGANO • ZÜRICH