



INTERNATIONAL FEDERATION OF
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IFTA UPDATE

A Newsletter for the Colleagues of the International Federation of Technical Analysts

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Argentina

Asociación Argentina de Analistas Tecnicos

Australia

Australian Technical Analysts Association
www.ataa.com.au

Brazil

Associação Nacional dos Analistas Tecnicos
www.anat.com.br

Canada

Canadian Society of Technical Analysts
www.csta.org

Cyprus

Cyprus Society of Technical Analysts

Egypt

Egyptian Society of Technical Analysts
www.estaegypt.org

France

Association Francaise des Analystes Techniques
www.lafate.com

Germany

Vereinigung der Technischer Analysten
Deutschlands e.V.
www.vtad.de

Hong Kong

Technical Analysts Society (Hong Kong) Limited
www.tashk.com.hk

Italy

Società Italiana di Analisi Tecnica
www.siat.org

Japan

Nippon Technical Analysts Association
www.ntaa.gr.jp

Jordan

Jordan Technical Analysts Society

Mexico

Asociación Mexicana de Analistas Tecnicos

Netherlands

Vereniging Technische Analisten

New Zealand

Society of Technical Analysts of
New Zealand Incorporated
www.stanz.co.nz

Portugal

Associação dos Investidores Analistas Tecnicos
do Mercado de Capitais
www.atm-associacao.pt

Russia

Russian Technical Society
www.mfd.msk.ru/ota

Singapore

Technical Analysts Society (Singapore)
www.tass.org.sg

Spain

Asociación Española de Analistas Técnicos
www.aeatonline.com/index.html

Sweden

Sveriges Tekniska Analytikers Förening
www.staf.nu

Switzerland

Swiss Association of Market Technicians
www.ifta.org/SAMT/

UK

Society of Technical Analysts Ltd.
www.sta-uk.org

USA

Market Technicians Association, Inc.
www.mta.org

USA

Technical Securities Analysts Association of
San Francisco
www.tsaasf.org

Body of Knowledge

Today, I will write about BOK (Body of Knowledge). Body is "system" and Knowledge is "knowledge."



Hiroshi Okamoto

Therefore, BOK means "systematic knowledge." However, simple listing up of knowledge cannot be a BOK, since BOK is not a sort of dictionary. Then, what is the difference between a dictionary and BOK? While a dictionary consists of knowledge listed in alphabetical order, BOK has an efficient order of knowledge after being classified based on certain philosophy (classification criteria). I will show an example of BOK of technical analysis.

The figure shows the cover of a text book that NTAA uses for their qualification examinations (equivalent to DITA I and II) conducted with an authorization by IFTA. It is a "Tree-shaped model of knowledge concerning technical analysis," a sort of BOK. In this figure, the larger tree covers "Securities Investment Theory" and the smaller tree covers "Portfolio Investment Management."

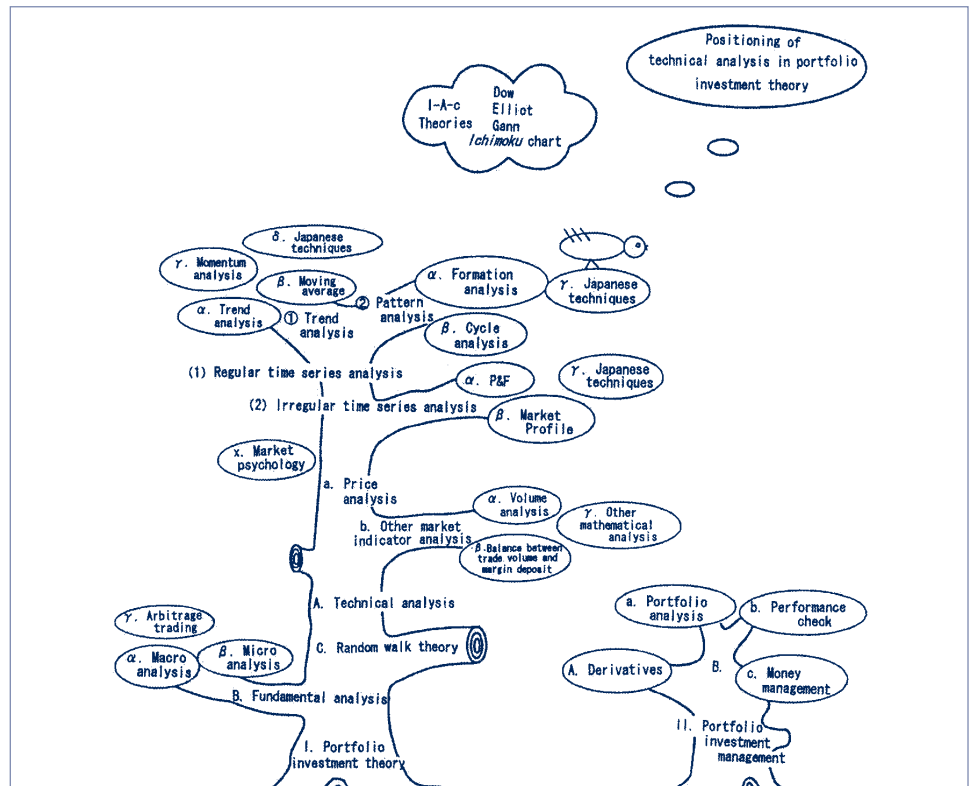
Before I argue further about "Knowledge," I will write more about "Body" first. The important point of focus is that the Body itself has a construction (image) that allows some room for growth.

That is why we compare the Body to the shape of trees.

Trees grow naturally. Some trees like giant sequoias in the Yosemite National Park and Yaku-cedar trees in Yakushima Island in Japan are more than three thousands years old. These old trees were already a thousand years old when Jesus Christ was born. They endure to grow on while they wilted part of their composition and revitalized the remaining part over the course of time. I wonder if the BOK of technical analysis will survive one thousand years. However, as long as it is BOK, it should have a structure that contains some knowledge that erodes as time moves on, but is still able to grow systematically. Therefore, I consider that a Body that bears a tree-shaped model is appropriate.

On the other hand, Knowledge cannot avoid accepting current conditions as they are, since it is difficult to predict what kind of new knowledge will appear in the future, and what kind of current knowledge will become obsolete. Therefore, NTAA produced BOK based on the following idea. That is, Securities Investment Theory is divided into "General Market Analysis," "Stock Analysis," and "Chart Analysis." General Market Analysis is further divided into "Macro Economic Environment Analysis," "Semi-macro Industry Analysis" and "Financial Environment Analysis." Stock Analysis specializes in the analysis of individual firms from the standpoint of price analysis as demonstrated by Benjamin Graham. Then, it is the turn for Chart Analysis.

Chart Analysis is divided into "Price Analysis" and



"Other Market Statistics Analysis such as trading volume." Needless to say, Price Analysis is positioned as the central theme of technical analysis. Price Analysis is broadly divided into "Regular Time Series Analysis" and "Irregular Time Series Analysis (P&F and others)." The Regular Time Series Analysis is further divided into "Trend Analysis" and "Pattern Analysis." Recently developed oscillator analysis tools such as Momentum Analysis belong to the category of Trend Analysis. They are positioned as supporting analysis tools of Trend Analysis. Trading period analyses (time axis) such as Gann Charts and Ichimoku Charts are regarded as part of Trend Analysis.

Portfolio Investment Management is divided into "Derivative," "Money Management," "Portfolio Analysis," "Performance Check," and others. In other words, it consists of "Establishment of investment plan according to the size and type of fund," "Management of invested fund," and other issues. I consider that financial engineering investment theories that include investing techniques of hedge funds and challenges to new fields such as behavioral finance should be included in Portfolio Investment Management. In NTAA, we bring technical analysis knowledge part by part into one of the knowledge group vessels (foliage and branches of a tree) that we prepared for each classification criteria described above, and thus complete the Body of Knowledge.

As time passes and stock markets change, part of the existing knowledge will become obsolete and new knowledge will keep emerging one after another. These movements continue constantly without ceasing. In such conditions, the BOK of IFTA should remain forever beyond these changes. For that purpose, the BOK itself has to have a flexible and adaptable structure. Each bit of Knowledge that will be added or deleted can never be unimportant. However, the structure of vessels that contain Knowledge is more important. I consider that tree shape model is suitable for that purpose, because trees have the vitality to live through three thousands years while disposing of old things and taking in new things.

If the Body is common, the difference between the BOK of IFTA and that of NTAA lies, I believe, in the choice of Knowledge. While traditional Japanese methods carry weight (approximately 30%!) in NTAA, western methods may carry weight in IFTA. Some of those western methods are possibly unfamiliar to NTAA analysts. Therefore, the choice of those items has to be done by western analysts. On the other hand, concerning Japanese methods, NTAA should be responsible for their choice and introduction. I will prepare a list soon and send it to John Brooks [IFTA Chairman of the Body of Knowledge Committee].

This is the last opportunity that I write as IFTA Chairman. Despite the promise I made at the Washington Conference, I have written another long text, which I should apologize for. Lastly, I am wishing a bright future for world stock markets in the coming year.

Hiroshi Okamoto

IFTA Annual Board Meeting

Since the formation of IFTA in 1985, there has been only one opportunity per year for the Board Members to meet and discuss future plans and mull over past decisions and their effects - this has traditionally been on the day before the Annual Conference. Once again this year a majority of the Board (18 of the total 27) were able to get together and spend the day in discussions and plans.

The meeting started with some moments of silence, in memory of Bronwen Wood FSTA, who died at the start of the year (see the March 2003 issue of UPDATE for details of some of Bronwen's achievements for IFTA and the STA) - Bronwen was Secretary of IFTA at the time of her death, and Bruno Estier was thanked for taking over her duties, which included Nominations (for Board membership). Thanks were also given to Shelley Lebeck and Barbara Gomperts, who had worked extremely hard on behalf of the MTA, the host society for this year's Conference.

The principal topic for discussion this year was Accreditation and the DITA exam process, but first the Accounts for the year 2002 were analyzed and agreed by the Board. These showed liquid assets at December 31st, 2002 of US\$165,254 - this represented a decrease of 10% or \$18,241 below the corresponding amount at the end of the previous year. However, the Committee had budgeted for an operating loss of \$38,450; thus, the results positively exceeded expectations.

The principal revenue sources continued to be membership dues (US\$77,490) and the DITA exams, which (after expenses) showed a profit of around \$23,000. Although accounted for in 2003, it was noted that the 2002 Conference in London had provided an additional \$14,375 - congratulations were due to the STA for their tremendous effort.

On the expense side, Administration had cost \$46,354, while the cost of UPDATE and the IFTA web site had amounted to \$37,516. Considerable effort was now being put into ways of providing news and information in a less costly manner - the switch from paper copies to electronic transmission should help greatly, once Member Societies had agreed to change.

In 2003 so far, income and expenditure were in line with budget expectations, and the switch of bank account (to Bank of New York) had gone through smoothly - this should aid transparency, and prove more efficient. Credit card facility for Colleagues and Societies should be available soon.

Accreditation, and discussion of the DITA White Paper (already circulated to all Member Societies and interested parties), proved a lengthy subject, with many aspects covered. Overall, the outcome will be a strengthening of the Accreditation Committee, and a closer relationship between the Accreditation and Education Committees. There is an expectation that administration of the exams will be passed to the local Societies, with more responsibility for DITA I and DITA II going to them - however, DITA III would remain the lynchpin of the DITA process, and would stay within the firm control of IFTA. In spite of possible problems in the future resulting from 'volume' pressure, it was accepted that the format of all the exams would probably remain the same, with DITA I being multiple choice covering the basics of TA, DITA II being a practical test of chart analysis, and DITA III being a Paper - although it was also accepted that the final test could be less academically slanted.

Discussion also covered the Body of Knowledge, and whether it was important that it be established urgently

so that DITA exams could be based upon it. It was felt that creating the BoK was likely to take some time, and that the exams would have to remain based on "set books" for the time being - nevertheless, it was also agreed that an accepted Bok was essential (see separate items in this issue for further elucidation of the DITA White Paper and the Body of Knowledge).

Other Committee Chairmen reporting to the meeting covered Long Range Planning (mainly concerning the replacement of Michael Smyrk as Business Manager), Communications (to be run by a much strengthened committee, with the firm intention of relating more closely to Colleagues and their needs) - this would include an updated and improved IFTA web site [which is already happening - take a look! www.ifta.org], Membership (2 new Developing Societies were voted in), PR and Marketing, the Newsletter, Journal, future Conferences (2004 in Madrid, Spain, and 2005 likely to be in the Far East), Data, and Nominations (see separate report).

Among many other matters, it was agreed that membership dues for 2005 would remain unchanged (as they were for 2004), at US\$12/head; for the amount of work done to promote Technical Analysis throughout the world, this seems a small price to pay. I would like to take this final opportunity to express my thanks and my admiration to the volunteer Members of the IFTA Board - they do a magnificent job! And my thanks also to all those Colleagues who have helped and supported me over the last 10 years ■

Michael Smyrk

[outgoing Business Manager, IFTA]

Annual General Meeting

Michael Smyrk, IFTA Business Manager

This meeting of Liaisons and Board Members traditionally takes place immediately after the IFTA Board Meeting has finished, so that Member Societies (in the person of the Liaisons) have the opportunity to hear directly from the Board Members, and have the chance to have any questions answered. It is also the Annual General Meeting of IFTA, where official votes are taken to approve the previous year's accounts and to confirm any Board changes. If any change to the Constitution is needed, this is the time when voting takes place (there was no such need this year).

To open proceedings, Bill Sharp introduced himself (subject to re-election) as the incoming Chairman of IFTA; Bill has been IFTA Treasurer for the past 6 years, and after other Board Members had reported briefly on their particular areas of responsibility, he put forward the 2002 Accounts for approval. These showed an overall loss of US\$18,000, compared to a budgeted deficit of \$38,000. The Nett Assets balance at the end of 2002 was US\$165,253. Principal income came from membership dues (higher than previously) and DITA exams (lower than previously); main expenditure was on administration and the Newsletter (both up on the previous year).

Accounts for the first 3 quarters of 2003 showed a healthier situation, and the year was expected to close showing a minimal change either way - much depended on the financial success (or otherwise) of the Annual Conference, but bookings this year had been good. One Journal (a big expense) had been produced, but another was not now expected before next year. Efforts were being made to persuade Colleagues to move from mailed paper copies of UPDATE to electronic publication only, with copies picked up either from the IFTA

web site or from the local Society's page. Annual dues (which are set by the IFTA Board) have been pegged at US\$12/head for 2004 and 2005.

It was announced that two new TA Societies, Brazil (ANAT) and Jordan (JTAS), had been elected to IFTA membership as Developing Societies - this means that for the next two years they pay no dues, but have all the benefits of membership apart from having no vote at IFTA Meetings. No representative from Jordan was able to be present in Washington, but the Chairman of ANAT, Fausto de Arruda Botelho, was warmly welcomed.

This year's slate of new Board Members, approved at the Meeting, is heavily tilted towards 'youth'; their duties will start at the beginning of the next calendar (and IFTA) year, and two of them have already been nominated as Chairmen of important committees: Simon Warren (STA) will become Chairman of the Finance Committee, and Tim Bradley (MTA) moves into the Chair of the new Ethics Committee. Other newcomers include Gregor Bauer (VTAD), Francesco Cavasino (STA) - who has since had to resign, for personal reasons - Alex Douglas (TASHK & ATAA), Marc Michiels (AEAT), Taichi Ohtaki (NTAA), Peter Pontikis (ATAA), and Antonella Sabatini (SIAT).

Existing Board Members who applied for re-election (because their 3-year tenure was up) included: John Brooks (STA), Bruno Estier (SAMT), Bruce Kamich (MTA), Julius de Kempnaer (VTA), Elaine Knuth (SAMT), Hiroshi Okamoto (NTAA) (who will be retiring after one further year only), Hank Pruden (TSAASF & MTA), and Bill Sharp (CSTA). All were re-elected.

The Board for 2003 will consist of 31 Members, from 15 different countries; most Committee Chairs will remain unchanged, but there will be some moves - see the back page of this edition of UPDATE for the latest situation.

Last year there had been little time for representatives of the Member Societies to give reports, but there was more opportunity this year, and (with Liaisons speaking in reverse alphabetical order), updates were provided by: the USA (both Societies), UK, Switzerland, Sweden, Netherlands, Japan, Italy, Germany, Egypt, Canada, and Australia. The representative from Brazil also spoke.

The emphasis was generally on improved membership numbers after a period of difficulty and consolidation, with frequent mention of increased teaching and education efforts. Carl Gyllenram, from Sweden, explained that the acronym STAF now stood for Scandinavia rather than just Sweden, with Colleagues from the previous IFTA Members Denmark and Norway incorporated into that Society. Simon Warren, from the UK, paid special tribute to previous IFTA Board Member Anne Whitby, who had worked tremendously hard to make the 2002 IFTA Conference in London such a success.

Major changes were taking place in Germany, as

well as in the MTA, with both Societies moving towards a more professional approach. Japan had moved to a new status as a registered not-for-profit organisation, and the Dutch Society had completed its long-awaited move into the FTA (the body for fundamental analysts). Australia had undergone a major change among its Board, which now reflected the participation of the various States rather than being dominated by the financial capital, Sydney; Egypt was providing TA education not only in Universities, but also in schools, and was expecting to host a big TA Conference in Dubai, in May 2004.

All IFTA Colleagues are entitled to attend the Annual General Meeting, normally held on the day before the Annual Conference, and it's a wonderful way to hear what's going on in TA Societies throughout the world. Why not come along next year, in Madrid.... ■

Back Page Changes

Since the face-to-face Board Meeting in Washington, DC, another Board Meeting has been held, this time electronically. The purpose was to vote on two additional Resolutions, as follows:

1. That the IFTA board of Directors will create a new Committee called "the Ethics Committee"

This Committee will be responsible for:

- matching the IFTA Code of Ethics with the specific Code of Ethics of each Member Society, with the intention of providing the greatest common practice while incorporating the specificity of each member country;
- informing Member Societies about those changes of law in the Financial World which relate to the giving of advice on, trading and/or analyzing markets;
- gathering complaints about malpractice in the field of Technical Analysis by Technicians and preparing a formal response that will be shared by all the Member Societies. [Plus any other points to be decided by practice and experience]

2. The IFTA Board of Directors recognizes the six following Committees as its Core Business:

Ethics Committee
Body of Knowledge Committee
Education Committee
Accreditation Committee
Academic Interface Committee
Journal Committee

These Committees being specifically related to Technical Analysis. Other Committees shall be named "Administrative Committees."

This differentiation highlights the link between IFTA Core Business Committees and those same Committees of IFTA Member Societies, whose establishment and strengthening should be encouraged.

It also means that Member Society Colleagues could be included within those Core Business Committees, chosen for their expertise in Technical Analysis, while normally only IFTA Board Members will be included in the Administrative/Function Committees (although again Colleagues could also be chosen for their particular expertise in those areas).

Both these resolutions were passed, and the first result can be seen on the back page of UPDATE - the IFTA Committees have been expanded by adding an "Ethics Committee", to be chaired by Pattie Berry of the Mexican Society (assisted by Tim Bradley of the MTA), and additionally the listings have been rearranged so that it is easier to differentiate between the Executive Committee (comprising the Officers of

IFTA), the Core Business Committees (centre page), and the Administrative Committees.

The DITA Exam Process (continued)

Following on from the introductory article in the last UPDATE (Sept 03), here is a report on progress made since then; it reflects to a large extent discussion at the IFTA Board Meeting in Washington DC:

Most Member Societies have already responded to the White Paper [Discussion Document on DITA], but one of the major Societies, the MTA, has not yet made a formal reply. IFTA has requested the MTA for a formal response to the White Paper by the end of January 2004.

The Accreditation Committee is reformulating the propositions about the organization of the DITA examinations. Three scenarios were outlined at the IFTA Board meeting:

i) open competition; ii) CMT only, or iii) progress in accordance with the White Paper.

The Accreditation Committee (AC) thinks that a credible standard of Technical Analysis for Technical Analysts can only be set at the highest level, involving all Technicians. This could only be done at the IFTA level. Additionally, this could only be rooted in an accepted Body of Knowledge and a defined Job Description, and would then belong to all the Member Societies represented by IFTA. All other configurations would be inappropriate.

The AC also maintains that no Member Society Examination should claim to have international status, unless it is accepted by all the Member Societies. IFTA cannot decide for Member Societies. But a Member Society cannot replace IFTA. That means that the AC has NEVER allowed any Member Society examination to be granted as an international examination. This decision is beyond the scope of IFTA. It must be made by all the Member Societies.

The CMT 3 examination is currently under review by the Vetting Committee, in order to be accredited as equal to the STA diploma [DITA Level II]. The exams of both the Japanese Society (NTAA) and the Australian Society (ATAA) have previously been approved as equivalent, after certain changes requested by IFTA had been made. The AC has noted that the STA diploma is difficult. Candidates require courses to prepare for that examination (the STA provides a 36-hour course, and a special course is being held in Lugano ahead of the 2004 examinations). Once the CMT 3 exam has been vetted and passed as equivalent, any person holding the CMT can take DITA III, which is the highest degree.

We will give a synopsis of other Societies' responses to the White Paper. Then, after a review of the propositions, we will present the three possible scenarios for the future, and the consequences of each.

AFATE (France) [110 members] - Supports the WP as the only way to have a credible Accreditation with an international status.

ATAA (Australia) [1861 members] - Supports the concepts proposed in the WP and acknowledges the research and commitment of the authors in producing the paper.

NTAA (Japan) [824 members] - Will make all possible efforts to support the White Paper.

SAMT (Switzerland) [150 members] - Fully supports the process of developing the DITA examination system to assure world-wide acceptance and reputa-

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tion.

SIAT (Italy) [300 members] - Agrees on the principal points raised in the Executive Summary and with the proposal of IFTA related to the Committee of Professional Qualification.

STA (United Kingdom) [717 members] - Welcomes the IFTA White Paper on international TA education and accreditation. Looks forward to continuing to work closely with IFTA going forward, regardless of the outcome of this current debate.

TASHK (Hong Kong) [60 members] - has given 'verbal' support

TSAAASF (United States) [150 members] - Wishes to work with and through IFTA to help formulate policies and to implement programs. Hence, as an Association is supportive of the principles and the spirit of the IFTA White Paper.

VTAD (Germany) [734 members] - Fully supports the process of developing the DITA examination system to gain world-wide acceptance and reputation.

CSTA (Canada) [214 members] - Agrees with the White Paper in principle, but has certain objections and observations.

TASS (Singapore) is a Developing Society, and has no vote - however, "applauds attempts to push DITA forward".

No response has been received at this time from: AAAT (Argentina), AEAT (Spain), AMAT (Mexico), ATM (Portugal), CySTA (Cyprus), ESTA (Egypt), MTA (USA), RSTA (Russia), STAF (Sweden/Scandinavia), STANZ (New Zealand), and VTA (Netherlands)

Principles for Agreement

Reminder : Dip.ITA is granted to a candidate who passes DITA Level III, based on a Research Paper, which is a Master's degree of TA. All Member Society Examinations, whatever their number of levels, are called Level I and II.

(A CMT 3 "Research Paper" is an exception to this statement: such cases will be reviewed case by case by the IFTA - Accreditation Committee - DITA III Jury).

All Member Societies have been asked to agree to the following points (Each point is independent from the others, but there is a progression in the constraint):

- 0) Desire to avoid unnecessary competition, therefore
- 1) One examination per country
- 2) A Member Society's Examinations at Level 1 and Level 2 will be the only recognized TA examinations in that member society's territory
- 3) IFTA recognizes the standard of CMT 1 as the only standard for IFTA examination Level I and the STA Diploma as the only standard for IFTA examination Level II
- 4) A Member Society's Level 1 and 2 must fulfill the conditions needed to reach the required standard of IFTA examination Level I and IFTA examination Level II
- 5) IFTA examinations Level I and Level II are the only examinations available for Member Societies with no examination of their own
- 6) Territories override Societies, i.e. territories without Member Societies are included within the perimeter of IFTA
7. For countries without TA Societies, candidates are required to become members of an IFTA Member Society, before they can take IFTA level I and II.

International Accreditation Scenarios

At the IFTA Board meeting, three scenarios emerged:

1. Do nothing scenario: implies competition between Member Societies' examinations and IFTA exami-

nation, with a process of eliminating the weakest examination (but not necessarily the worst). This process means the market will decide based on opinion or reputation, but not necessarily based on value or quality.

2. CMT (MTA examination) as the only examination around the world. This solution means that we agree to stop all other Member Societies' examinations around the world (NTAA, ATAA and STA will recognize CMT as the standard and the sole examination for their members. They stop providing their own examination). This is to accept a monopoly situation (the other side of cooperation).
3. White Paper scenario: requires a willingness to cooperate. This solution implies an acceptance to share the world, with the principle that Member Societies are limited to their territories, and IFTA oversees countries without societies. It also implies that Member Societies without "enough" members have to support IFTA examination level I and II.

Consequences of the Scenarios

Reminders: Technical Analysis is a universal language. Having several standards is suicidal.

Cooperation means strength by synergies: thus $1 + 1 = 2$.

Competition (on examinations or standards) means weakness: thus $1 + (-1) = 0$

(An examination is not a commercial product)

From the above facts (AC is prepared to discuss them) these truths necessarily follow (unless otherwise proven by challengers):

Scenario 1, suggesting competition, would destroy our credibility as technicians. This will be a trend reversal, through our own fault. If CMT and DITA are going into competition outside AND inside the USA, what would be our credibility towards the "public". IFTA has not (yet) done any advertising of DITA. In that scenario, IFTA would have to. It is difficult to forecast which examination will remain, in the end. But it is easy to see that the reputation of technical analysis will be destroyed. In business, competition means war. All means are used to destroy the reputation of the competitor, and to further one's own advantage. IFTA is not necessarily the weakest.

Scenario 2 accepts the CMT as the sole standard around the world. This would have to be accepted by all the Societies, and especially those that already have their own examination. The CMT standard would also be accepted as the best standard. This can certainly be done. But some might ask: why the CMT, and not the NTAA examination (Japan is the country which has the deepest history in technical analysis)? Why not the STA examination, or the ATAA's? The MTA must prove and convince other societies that their examination is of a better standard than the others. But not on market reputation or the number of candidates who want the take the CMT, because in that case, we come back to scenario 1. In this scenario, the MTA must prove that the CMT as a standard is the best choice. This proof should be sought not from candidates, but from peers. This scenario also implies that the MTA will have a monopoly on the technical analysis standard around the world, which actually means the standard on our technical analysis knowledge, but also on our technical analyst job. On this scenario, we have to accept that.

If we don't like Scenario 1 and we don't accept Scenario 2, then the only solution is Scenario 3.

Scenario 3: The examination is managed at the IFTA level, with the cooperation and help of all Member Societies, especially the MTA, STA, NTAA, and ATAA,

because of their experience. More than simple acceptance, this scenario has to be based on cooperation. Actually, the management (= money) will remain at the level of the Member Societies who provide the work and the intelligence, for both Level 1 and 2. The value added by IFTA will only be at Level 3, with the research paper, which is the real link between all the Societies, concerning Technical Analysis. This scenario has only one goal: to improve the credibility of Technical Analysis, by implementing all the synergies around the world. IFTA can then reflect the motto: **E Pluribus, Unum.** ■

Body of Knowledge

John C. Brooks, BOK Committee Chair

I want to show everyone what my overall plan is for the BOK. I invite any and all suggestions as I want this work to be truly global. Contact me via email jbcooks@lowrysreports.com or tel (1) 561-799-1889.

Also, I need volunteers who are willing to take on some responsibility for parts of the work. I would hope that each society could find one or two of their members that can help. This is a major job that's going to take manpower. I have broken the task down into three stages. Each stage will need a leader and each leader will need a committee. I believe that the more people that get involved in this the more "a part of IFTA" our colleagues will feel.

Here is a brief history. A few years ago, IFTA asked me to tackle the BOK project. I accepted and laid out the ground work for this project. The reason for this job is clear enough. Up until this point whenever technicians have been asked about our subject what we would do is to refer someone to a few books we felt were solid. There is not a single spot on the subject that is complete or has been vetted by an international authority like IFTA. Hopefully from this work we will be able to build an examination drawn directly from our BOK. For now, here is my plan.

There are three stages: Terminology, Pattern Identification and Techniques.

Stage One: Build a Glossary of Terminology. This stage is well on its way and can be found on the IFTA website. We have set up templates on the web that can make this task very easy. All we need to do is insert a new term and answer a series of questions. By no means is this stage finished but we have a good start. I believe that a subcommittee should be set up by IFTA to continue this phase of the BOK.

Stage Two: Here I planned on setting up on the IFTA website, a section for pattern identification. We must first build this out on the web and I assume we will be using Len Smith (IFTA Webmaster) in this undertaking. Here we need chart patterns and the explanation of why they mean what they do and the reasoning behind that thinking. Again, we will need help in amassing a complete list of patterns and the manpower to accomplish this job.



IFTA Conference 2003 Walkabout encourages discussion!

Stage Three: Techniques. There are many approaches to TA and we should explore all of them. Gann, Elliott Wave, Candlestick Charts etc. This section would, by its form, be better suited in a White Paper Format.

Key Points to This Job

- We need many people to help. Each will be asked to work on small parts of the project.
- I believe this is a work in progress. It should never have an end. We should strive to improve and update our BOK from now on.
- We will need a budget for the work. I would say \$10,000 of just in case money.
- I will need the support of all the members of the board to recruit smart people from their societies.
- As we complete the templates or the white papers, we will need for a blue ribbon panel of international technicians to be formed. They will present their approval of the answers to the board of Directors of IFTA. This last phase is vital, as it gives validity to the BOK. There is no single society that carries the clout and prestige in the field of TA greater than IFTA. We need to pool our resources and develop a powerful work that can stand as the bench mark in our field.

As I said before, I welcome your input and will listen to suggestions. Over the next few weeks I will be building a team for the first committee.

PLEASE feel free to volunteer yourself. ■

How Do Technical Analysts Define Technical Analysis?

Claude Mattern, Dip.ITA (AFATE)

Chairperson, IFTA Accreditation Committee

IFTA has opened an informal "think tank" to define "Technical Analysis." Several spontaneous definitions from all around the world were sent in after the Washington Conference.

Defining our know-how is a challenge that concerns all technicians, and the standard should be developed by all of us collectively. However, writing a definition is a hard task. From the definitions received so far five core components have emerged.

These five components can guide our discussion. Feel free to raise your voice.

Why a TA Definition?

The first reason for a clear definition has always been to avoid misunderstandings. It appears that 80% of human conflicts are based on a wrong interpretation of a concept or problem (such as "What is freedom?")

In defining what our knowledge is, we will need to think about not only what it is we do, but also how and why. We will argue, disagree and eventually shape our identity. If technicians are not able to define what they do, and accept a minimum common descriptor, how can we convince our public, how can we be credible?

Such a definition will also draw a clear boundary to other knowledge about markets. A boundary does not mean technicians are limited. A boundary-like a resistance-is there to be crossed.

Another point which is more internal to our community is that some constitutions include a definition of technical analysis. To have different definitions of technical analysis would be inappropriate, because technical analysis, like mathematics, is a universal language.

We Are All Concerned

This means that clearly defining what we do is important for all technicians. There is no geographic limit to that need; it concerns technicians all around the world.

It will also be best that a definition about technical analysis be proposed by technical analysts rather than academics or, worse, by law. We have to be able to tell non-technicians what we do in few words.

This is why devising a definition is a hard task and a big challenge: we must propose a short definition, with easy, ordinary words that can be understood and remembered by non-technicians.

A Difficult Task

The definition must be clear to everyone. On the Internet, for example, the following technical analysis definition can be found: "a method of evaluating securities by relying on the assumption that market data, such as charts of price, volume, and open interest, can help predict future (usually short-term) market trends." A "method of evaluating" is rather weak and confusing. Financial analysis is also a method of evaluating. "Relying on the assumption" is rather pejorative when included in a definition. This goes with "can help," which also implies that it may not help. I fear that "(usually short-term)" will not be agreed to by everyone. Further, this definition is also incomplete, and therefore not acceptable. But it is on the Internet, so some might use it.

There are seven rules to follow in constructing a "good" definition:

1. The definition must situate the defined in the appropriated category (no metaphors)
2. The definition must use clear and distinct terms (no undefined expressions)
3. The definition may not employ synonymous or derived terms (no "analysis" or "technical")
4. The definition must express necessary features of the defined (no contingent features)
5. The definition must express the essence of the defined (no accidentals)
6. The definition must apply to the entirety of the defined (up to the boundary)
7. The definition must apply exclusively to the defined (not beyond the boundary)

More could be said about these criteria to extrapolate their implications for the definition of technical analysis. This may be done in another place.

Five Items Needed for a TA Definition

More than 20 definitions from different sources have been received. Five components appear to be necessary for a definition of technical analysis.

1. What to do: the most-repeated words are "study," "analysis," "spotting," "interpretation."
2. With what information: we gather "market action," "market data," "price and volume" or "price, volume and open interest."
3. In what context: "Financial Market(s)" are named most of the time. Someone adds "All." More precisely, one person mentions "Financial and Commodities markets."
4. For what purpose: this is where we have a lot of shading, with "forecast," "predict," "divine," "signal," "project," "deduce," "anticipate," "view."
5. With what ultimate goal: Technical analysis is about "future price"; "future trend"; "future price progression"; "future price trend."

A discussion can now be opened about:

1. whether these five items are sufficient to define tech-

2. what term best expresses each of the items. Such a critique should be done according to the seven rules of a "good" definition.

We need more input to continue the work on defining technical analysis. You are all invited to submit your thoughts. But to move forward to an accepted definition, the terms you use should be documented for further discussion. As a moderator, I will not give you my definition. The purpose is not to select one person's definition, with a prize, but to reach the best definition of technical analysis, one that belongs to us all.

We need a definition of less than 20 words that employs easily comprehensible terms to explain all that technical analysis is, but technical analysis alone.

Big challenge! ■

New Member Societies

Two more new TA Societies were approved for membership as Developing Societies of IFTA at the recent Board Meeting in Washington DC.

Brazil - Associação Nacional Dos Analistas Tecnicos (ANAT), and Jordan - Jordan Technical Analysts Society (JTAS).

Contact and other details are available on the IFTA Website: www.ifta.org ■

The 2003 A. J. Frost Award



On the left is Ron Meisels, CSTA and on the right, Ralph Acampora, CMT of the MTA

At the recent Conference of the Canadian Society of Technical Analysts (CSTA), Ron Meisels received the A. J. Frost Award in recognition of his outstanding contribution to the development of Technical Analysis. He becomes the first Canadian recipient of this honour.

The award was created in 1999 to recognize the life-long accomplishments of A. J. (Jack) Frost and subsequent practitioners and innovators.

Ron Meisels is the founder and first President of the CSTA and was the first Secretary of IFTA.

For further information on A. J. Frost, please visit: <http://csta.org/about/ajfrostaward.html> ■

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