



Update

A NEWSLETTER FOR THE COLLEAGUES OF THE INTERNATIONAL FEDERATION OF TECHNICAL ANALYSTS

CHAIRMAN'S REPORT TO COLLEAGUES

BILL SHARP

Many Colleagues around the world will be saddened to learn of the death of Arthur Merrill, a pioneer of technical analysis in the United States early this year. He spent 33 years with the General Electric Company in engineering, statistics, planning, forecasting, and management. In 1962 he founded Merrill Analysis, Inc., where he edited a statistical letter—*Technical Trends*—and wrote many articles and books such as *Behavior of Prices on Wall Street* and *Filtered Waves - Basic Theory*. He was the recipient of the Fourth Annual Award of the Market Technicians Association. He was a well-known and widely admired mentor by all technical analysts who were acquainted with him. I met him on several occasions at MTA annual seminars during the eighties and really admired his zest for life, and appreciated his great wisdom. He will long be remembered and esteemed as one of the grandfathers of our profession, and he will be sadly missed by everyone who had the pleasure of his company.

On a brighter note, I'm pleased to report that John Brooks, a former Chairman of our Board and still a very active Director, is recovering from recent surgery in Palm Beach, Florida, and is slowly easing his way back to work. As Chair of our Body of Knowledge Committee, he and other volunteers continue improving and expanding our information base. We wish John well for a speedy and complete recovery.



What is the technical analysis world coming to? On February 17th the world's biggest financial services company – Citigroup – fired its entire stock market technical analysis team at its Smith Barney division, comprising about 10 technicians and support staff, including long-time analyst Louise Yamada, who led the group. The unit will not be replaced, and Citigroup will be investing more money in areas involving fundamental analysis. Yamada had

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been with the bank for nearly a quarter of a century, and during her tenure she was quoted frequently by the financial press, and often appeared on CNBC. In 1998 she published a book on market analysis called *Market Magic: Riding the Greatest Bull Market of the Century*. What a sad end to veteran Alan Shaw's legendary *War Room*.



Congratulations go out to 70 of our Colleagues who passed the first two levels of the Diploma in Technical Analysis (DITA) program last November. 58 candidates achieved their Level I, and 12 analysts accomplished Level II, among them Fausto de Arruda Botelho, our first Brazilian Director! The re-organized Accreditation Program is now registering candidates for examinations to be held in April, and successful participants will be awarded their diploma upon completion of two levels of examinations.




Many of you will be familiar with the January Barometer which warns that if the S&P 500 Index is down (1) in the first week and (2) month of the new year, the outlook for the stock market during the balance of the year is likely to favor a bearish trend.

Taking this indicator a step further, many years ago Yale Hirsch, author/ editor of the *Stock Traders Almanac*, compiled statistical observations going back to 1902, applying the Barometer to (3) Post-Presidential election years which are often synonymous with inferior markets. The results are astounding!

In only seven of the past 103 years have ALL of the above three events occurred simultaneously and, **without exception**, have witnessed subsequently lower market prices. Prior to this year, the last concurrent event was in 1981, and it produced a bear market lasting 20 months during which the Index declined 25%.

The average decline following those 7 occurrences (1913, 1917, 1941, 1957, 1973, 1977 and 1981) was 27%, and the average duration from year-end to the subsequent low point was 13.7 months.

Well, with all 3 events once again currently in place, the die is cast! On the other hand, I have been reminded by my good friend Ron Meisels, founder of the Canadian Society of Technical Analysts, about the bullish connotations of the Dicennial Pattern in years ending in 5, thus 2005. Here again, the record is quite remarkable, but not perfect.

How the stock market performs in the face of these two conflicting indicators will be very interesting to watch; but, for the moment, my investment strategy is heavily influenced by the observations of Mr. Hirsch. Only time will tell! 

ROVING OVER SOLID GROUND IN EUROPE

HANK PRUDEN, PHD

IFTA'S "Roving Ambassador" 2004-2005*

As IFTA's official "roving ambassador" for Education, 2004-05 (see IFTA UPDATE, December 2004) I have had the good fortune to travel to the United Kingdom, Sweden, Switzerland, Spain and Belgium during the last few months of 2004. I am pleased to report that they are all solid societies. At bottom, IFTA is resting upon solid ground.


At the home city of each society, I met with local leaders and members, and, in most instances, made a presentation to them about behavioral finance or the Wyckoff Method of technical analysis. My overall impressions of these societies and its members are captured in the following highlights:



- Quality individuals of high professional abilities and high standards are involved in each society.
- The societies are well led; the societies are flourishing.
- There exists a serious interest in raising the status of technical analysis.
- The MTA's professional designation exists alongside IFTA's designation, and both are valued and sought after.

In each city and for each society there was one person or a few persons who were vital in arranging for successful meetings. In London there were Anne Whitby, Adam Sorab and Mark Tennyson-d'Eyncourt; in Stockholm it was Man Von Liechtenstein; in Geneva and Zurich it was Bruno Estier; in Brussels it was Bernard Leclerc; in Madrid it was Marc Michiels. I wish to express thanks to each of them for myself and for the service they provided to all of their colleagues in IFTA.



* Hank Pruden is a Professor at the Ageno School of Business, Golden Gate University, San Francisco, USA. He is spending a sabbatical year in Europe to serve as IFTA's "roving ambassador" and Visiting Professor at the Euromed-Marseille École de Management. 

MY TRIP TO INDONESIA

HIROSHI OKAMOTO, MFTA

I left Tokyo for Indonesia on February 12, 2005. My visit was at the request of Mr. Gideon Lapien of the *Asosiasi Analis Teknikal Indonesia* (AATI). Our initial sponsor was a large bank, but I understand that the extensive damage caused by the Tsunami made it necessary for the Indonesian Bank to withdraw as sponsor, and the Surabaya Jakarta stock exchanges took over. The Tsunami caused one month's delay in my visit to Indonesia. Nevertheless, I pay tribute to the AATI's resolve, and at the same time offer my sympathies to the large numbers of people who suffered severe damages.

I spent the first three days on Bali Island with my wife. The skies were blue without a speck of cloud, and the view of the seashore was spectacular. Tokyo does not compare. We went to Kintamani Highland which overlooks Lake Batur. On the night of the 16th I gave a lecture on "The Effectiveness of Technical Analysis in the Financial Market" over Chinese dinner at a hotel in Jakarta. The attendees were from banks and stock exchanges, and I am sure the subject was fitting for the occasion. After my lecture there were some questions, and I am happy to say that I managed to answer them all.

On the 17th about 20 people came from AATI. I spoke about "IFTA's current status and outlook." I began by reading Chairman Bill Sharp's message, and then I introduced "IFTA's Historical Overview and Philosophy," also prepared by Bill. After that I explained the current status of IFTA's accreditation system, and then we had time for questions and answers. I used no manuscript for the discussion. As concerned as I was about my inadequacy in handling the English language, I am happy to say that I managed somehow. Might this demonstrate a slight improvement in my ability with English?!

On the 18th I gave a lecture on "Empirical research on the Triangle Chart." I faced a problem in delivering this lecture. The podium light was too dim, and I had a hard time reading the manuscript. After the lecture I thought it might have been better to speak to the audience directly in my "Japanese English" without sticking to the manuscript. I realize, however, once we start doing something in a certain way, it is difficult to change. I am afraid some of the things I said may not have gotten across. I am grateful, however, that the audience was listening very attentively throughout. Some of the audience members asked for a copy of my presentation. Accordingly, upon returning to Tokyo, I sent Mr. Lapien a clean copy. I presented to AATI 40 copies of the English version of "Analysis of Stock Prices in Japan."



IFTA started out in the belief that charts are the international language. In practice, however, we cannot ignore the matter of language playing a vital role in our communications. As for IFTA's outlook for the future, it seems like it still has a long way to go. In spite of this, I will move ahead undaunted. 🌸

IFTA MEMBERS AND SCHOOLS OF FINANCE: A WIN-WIN RELATIONSHIP

MARC MICHIELS (AEAT)

I would like to share some of my experiences of what an IFTA Member society can accomplish in association with local schools of finance.

Last November, thirty-six people took the IFTA Level 1 examination in Madrid. Thirty of these candidates were enrolled in the preparation course offered by the TechRules School of Finance.

All participants in the course sat for the exam. *Asociación Española de Analistas Técnicos (AEAT)*, in conjunction with its conference marketing, also advertised the program and enrolled an additional six candidates.

This year, with the conference held elsewhere, AEAT will be limited in its ability to market the program. Still, we hope that our association with local educational institutions will allow us to repeat the successful experience of last year. We expect to present at least fifteen candidates for Level 1 in April, and about 45 for Level 2 in November.

But rewards don't come only because of numbers. At least as important was the role the AEAT played in setting up the course: acting as consultant to the school, we helped shape the course. As a result, the candidates were extremely well prepared and—not an easy feat—delighted with the experience! All 2004 candidates are eager to continue with the program, which is good news for all!



This year, we have decided to replicate this business model with a second school, which has been added to the existing working group between AEAT and the TechRules School of Finance. Together we hope further to enhance our education to prospective program candidates. 🍷

APRIL IFTA Examinations

Please note that the Registration DEADLINE for the APRIL 22 IFTA Examination Session is APRIL 4. All registrations and fees must be received by that date. Late registrations will not be accepted. For registration forms, instructions and reading lists, please visit www.ifta.org/certifications/cft.html. Send queries to cft@ifta.org. [Members of VTAD please contact your local society].

LANGUAGES: Level 1 will be given in English, Italian, German and Spanish
Level 2 will be given in English, French, Italian and German

PROFILE: 2005 IFTA CONFERENCE HOST

Created in 1984, the *Canadian Society of Technical Analysts* (CSTA) is one of the most senior Technical Analysis societies in the world. It is also one of the founding members of IFTA.

What began with informal meetings of a small group of professionals in Toronto has grown steadily and expanded to other major centres. At present, the CSTA has chapters in Toronto, Montreal, Calgary and Vancouver, with a chapter in Ottawa in the formative stages.

Membership has increased at a pace commensurate with geographic expansion. On Dec. 31, 2004, membership stood at 336, with 59 Professional and 277 Associate Members.

Generally, each of the chapters holds at least once meeting per month, which includes a presentation (live or by audio feed) from a leading Canadian or American industry professional. In addition, there is an annual day-long conference in each of the regions.

IFTA Conferences have been a large part of the CSTA's history, injecting energy and a welcome dose of international exposure. In 1990, the IFTA Conference was held in the small resort town of Montebello, Quebec, and in 1999 it took place in Niagara-on-the-Lake, Ontario.

At each of these events the CSTA contributed new traditions: in Montebello, the "Talking Stick" and the ritual of handing it over to the next IFTA Conference host society were introduced; in Niagara-on-the-Lake the Jack Frost Award for outstanding contributions to the field of technical analysis was inaugurated.

Preparations for the third Canadian-hosted IFTA Conference, to be held Nov. 3-5 at the spectacular PanPacific Hotel in Vancouver, British Columbia, are well under way. A full program of presentations and discussions will be supplemented with memorable extra-curricular and partner-program activities. Events currently under consideration: a helicopter ride, whale-watching, a visit to Whistler, one of the world's top ski resorts, and a Western-style casino night as a finale. Details and registration information will be forthcoming later this spring. For updates, please see www.csta.org



Vancouver: Stanley Park Seawall



Vancouver Downtown Skyline



Vancouver's: English Bay

TA EVENTS AROUND THE WORLD

UNITED KINGDOM:

The Society of Technical Analysts is pleased to announce the following events:

June 8, 2005: Joint meeting with ACI, the financial markets association - two STA speakers, two ACI speakers.

June 29-30, 2005: STA is a partner in FOW's 15th Annual Derivatives and Securities World Exhibition for financial professionals, with an afternoon seminar featuring top class speakers on technical analysis of the futures markets.

September 22, 2005: Annual Dinner; all IFTA Colleagues are welcome, tickets from sta@pxltd.demon.co.uk

Regular monthly meetings take place on the second Wednesday of every month (except August). For details and up-to-date information, please see www.sta-uk.org.

CONGRATULATIONS

The following earned their Diploma in International Technical Analysis (Dip.ITA) in 2004. We congratulate them on their achievement.

Alessandro Angeli (SIAT)
Yann Cordier (SAMT)
Dania N. El Kaddah (ESTA)
Laurent Emonet (SAMT)
Hiroyuki Fukunaga (NTAA)

Samuel Kunz (SAMT)
Luc Luyet (SAMT)
Toshiki Morimoto (NTAA)
Katsuhiko Nakamura (NTAA)
Marcel Rank (SAMT)

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JUNE 2005.

Submission deadline:
May 31, 2005

iftaadmin@look.ca

MTA NEWS

The Market Technicians Association has been informed by the New York Stock Exchange and the the National Association of Securities Dealers that levels 1 & 2 of the Chartered Market Technicians (CMT) examination has been accepted as an alternative for technical analysts to the Series 86 examination for qualification as a research analyst. Details at www.mta.org

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