

IFTA UPDATE

2012 volume 19 issue 4

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Next issue March 2013

Submission Deadlines

Education articles: February 15—
send submissions to newsletter@ifta.org

All other content: March 1—
send submissions to admin@ifta.org

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

President's Report to Colleagues

Dear IFTA Colleagues,

The year 2012 is soon coming to an end. It was a challenging year accompanied by many changes for IFTA.

It was IFTA's first year under its new Bylaws, agreed on in 2011 by societies at our meeting in Sarajevo. For the first time, we had an Audit Committee and a Nominating Committee in place. With this new structure, paired with a strong external management company, external audits and a sound internal treasury, we are very comfortable concerning the proper governance of the Federation.

Due to the new Bylaws, the terms of eight Directors expired and could not be renewed. A Nominating Committee was formed to interview and evaluate the 11 candidates that applied for these eight open positions. The committee was made up of the IFTA President, two IFTA Board members and two colleagues from Egypt and New Zealand. In the end, our members voted in eight out

of the 11 nominees to join the 2013 IFTA Board of Directors.

We say goodbye to:

- **Mike Steele**, who served as Treasurer and made important adjustments to the way we control our finances. It was Mike who arranged for our first external audit.
- **Tim Bradley**, who served IFTA for a very long time in different functions, and in his last term served as our Vice President of the Americas.
- **Regina Meani, CFTe**, who revived our *IFTA Journal* and edited it for many years.
- **Gregor Bauer, Ph.D., CFTe**, Chairman of the VTAD, was in charge of our exam management and helped IFTA establish a properly managed exam.
- At the top of this list, we have to say goodbye to **Adam Sorab, FSTA, CFTe**, who managed IFTA for the last three years as our President. Adam took over

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as President in 2010, a time when our Federation was still in rough seas. Adam steered IFTA out of troubled water into the safe harbor of good corporate governance. Adam's name will forever be connected with the introduction of the new Bylaws, external audit, sound finance, and the creation of proper procedure manuals in different areas.

On the other hand, I would like to take the opportunity to introduce to you the directors that are new to the IFTA Board:

- **Deborah Owen, FSTA, CFTe**, will be our Vice President of Europe. Deborah is a very dynamic person, and as the current president of the STA, she is the perfect choice for the VP Europe position.
- **Aurélia Gerber, MBA, CFA**, will be the new editor of the *IFTA Journal* and will also be responsible for the educational content of the *IFTA Update*. Aurélia served

President's Report [continued from page 1]

- last year on the *Journal* team, although not as a IFTA Board member.
- **Ralf Böckel, CFA**, will be the new Treasurer. He has been a professional money manager for nearly two decades. As such, he is hard working, honest and credible—a person with all the attributes you hope to find in a Treasurer.
 - **Akihiro Niimi, MFTA, CFTe**, is a Japanese investment professional working in New York. He has a strong business track record with experience in education. He will be responsible for the website.
 - **Roman Bogomazov** will be our new

Conference Director. He is an educator at Golden Gate University and a member of the San Francisco, US society, Technical Security Analysts Association of San Francisco (TSAASF), which is hosting our next Conference.

Again, I welcome our new Directors, and wish them all the best; we appreciate the commitment they have made to serve on the IFTA Board.

In addition to these changes that were decided in Singapore, Mr. Taichi Otaki,

CMTA, our long-term Vice President of Asia, stepped down from the Board in November. I want to thank him for all the work that he has done for IFTA over the years.

At the Annual General Meeting in Singapore, a decision was made by vote to exclude several societies from IFTA. According to our Bylaws, these societies were either not properly managed or did not fulfill their duties to IFTA. This decision will pave the way for new societies to emerge in these countries. And we hope to see these countries one day back in the IFTA family.

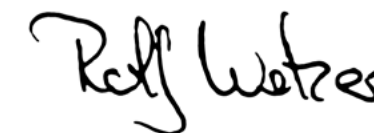
could use to promote yourself and to present your ideas to colleagues. IFTA will review and edit the material accordingly. Please review the Education Lounge Submission Guidelines on page 22.

We have posted our new syllabus for the CFTe program on the website. Over the past three years, the syllabus was modernised and adjusted to reflect latest developments and trends in technical analysis. It will be the basis for the examinations beginning May 1, 2014.

In the members-only section of the IFTA website, members can now share their research or register as speakers. (Please check with your local society for details.) The corresponding databases were designed and built in 2012.

Last but not least, the 26th Annual IFTA Conference, hosted by the Technical Security Analysts Association of San Francisco (TSAASF), will be held October 9–11, 2013. Roman Bogomazov, our new Conference Director, is putting together a wonderful event to meet, learn and socialise. I look forward to seeing you in San Francisco. †

Best regards,



Rolf Wetzer, Ph.D.
IFTA President

The 25th Annual IFTA Conference in Singapore was a big success. I would like to thank our former Conference Director Robert Grigg from the Australian Technical Analysis Association (ATAA) for having organised such a wonderful event and the Technical Analysis Society Singapore (TASS) for their help in hosting it. Robert managed to turn around the long-term trend of shrinking attendees and finished this wonderful event with a surplus. Congratulations.

Looking forward there are many positive things to come.

From this edition onwards, the *IFTA Update* will feature articles with a focus on education. Colleagues from all around the globe are encouraged to submit material to IFTA at newsletter@ifta.org (educational) or admin@ifta.org (for all other content). As an author, this is a platform that you

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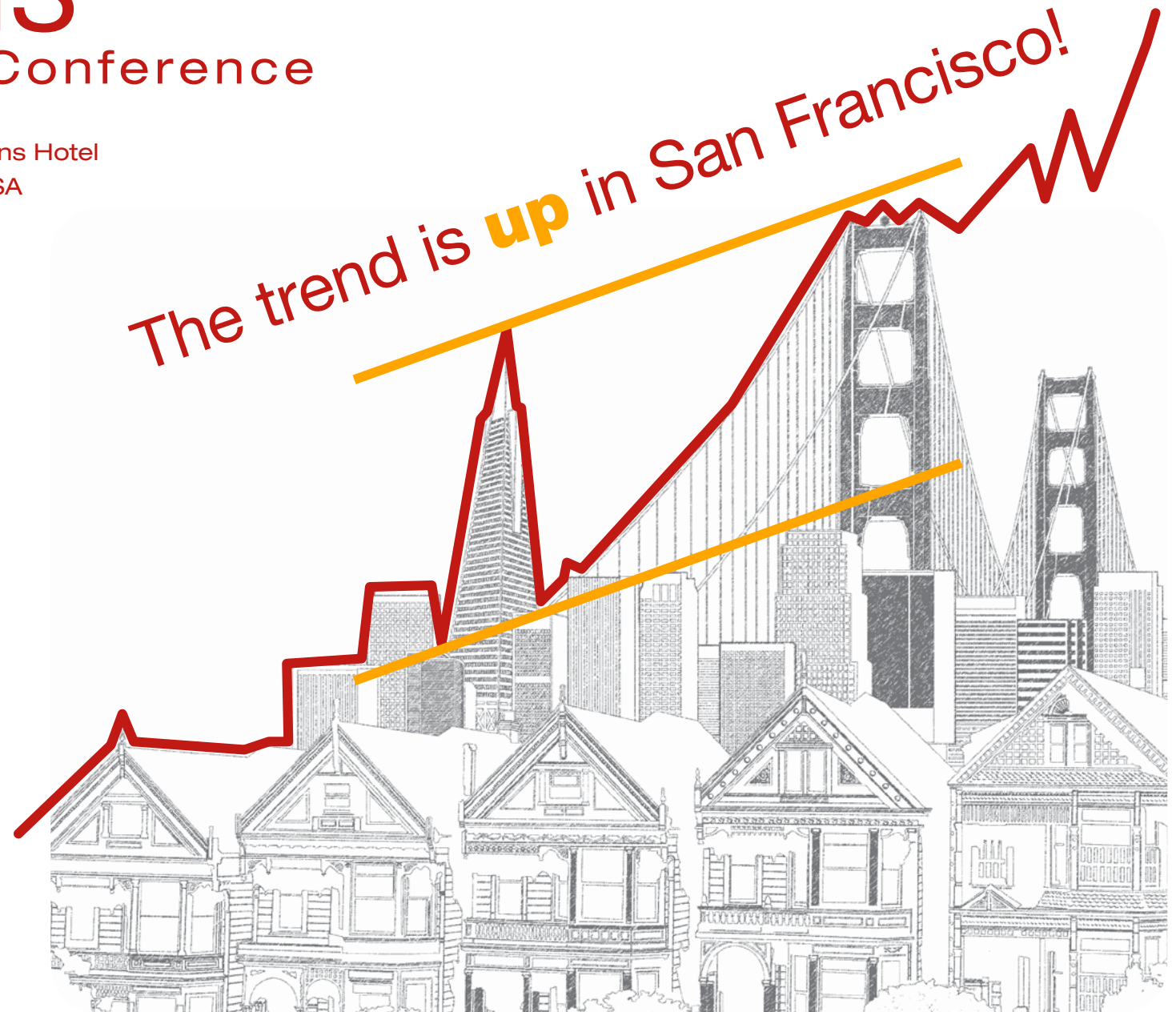
IFTA2013

26th Annual Conference

9-11 October 2013

InterContinental Mark Hopkins Hotel

San Francisco, California USA



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Calendar At-A-Glance

Date	Topic	Host	Speaker	Location	Time	Contact	
Monthly	Presentations from local and international speaker on a comprehensive range of topics (sharemarket, CFDs, options, futures, foreign exchange (forex trading), methodologies, money management, psychology, etc.	STANZ (New Zealand)	Varies	Epsom Community Centre 200-206 Gillies Ave. Auckland, NZ	Varies	http://www.stanz.co.nz/	
Monthly	Chapter leaders and their volunteer members serve as ambassadors for the CSTA and plan social and educational events for the area. Events include presentations by Industry Professionals, Technical Analysis experts and peer learning gatherings. Chapters also play a vital role in their community by connecting individuals and promoting Technical Analysis.	CSTA Chapters: Montreal; Ottawa; Durham; Toronto; Oakville; Kitchener, Waterloo, Guelph, Cambridge & Area; Calgary, Vancouver, Victoria, Winnipeg	Varies	Varies	Varies	www.csta.org	
January	1	Certified Financial Technician (CFTe) Level II – registration opens for April 24 th examination through IFTA website	IFTA	NA	Varies	Varies	http://www.ifta.org
	5	CFTe Level 1 Class Launch	STAN (Nigeria)	TBA	PROT Training Hall, 77B Mobolaji Bank Anthony Way, Ikeja Lagos	10:00	admin@stanigeria.org , stanigeria@gmail.com
	8	Panel Session - Outlook for 2013	STA (UK)	Sunil Goel, Continuous Change Charts; Peter Goodburn, Wavetrack Intl; Steve Lucas, 3C Analysis	British Bankers Association Pinners Hall 105 - 108 Old Broad Street London, United Kingdom	18:00	info@sta-uk.org
	9	"Stacking the odds in your favour"	CSTA (Oakville Chapter)	Ziad Jasani, Independent Investor Institute	Queen Elizabeth Park, Rm C094	19:00- 21:00	www.csta.org
	12	CFTe Level	STAN (Nigeria)	TBA	PROT Training Hall, 77B Mobolaji Bank Anthony Way, Ikeja Lagos	10.00	admin@stanigeria.org , stanigeria@gmail.com
	15	Open Discussion	CSTA (Durham Chapter, Canada)	Varies	304 Brock St. South Suite 100 Whitby Ontario, Canada	18:00- 20:00	www.csta.org
	16	A Technical View of World Markets	ATAA (Australia)	Charles Browne	Ground Floor, Enterprise House, 136 Greenhill Road, Unley, Australia	19:00	http://www.ataa.com.au/adelaide
	19	Monthly Digest	STAN (Nigeria)	TBA	PROT Training Hall, 77B Mobolaji Bank Anthony Way, Ikeja Lagos	10.00	stanigeria@gmail.com
	22	Technical Indicators - Defining a Toolbox	SAMT (Switzerland)	Henrik Mikkelsen	Hotel City, Löwenstrasse 34, 8001 Zürich	18:00	http://www.samt-org.ch/events.php ; Contact: s.straiton@sunrise.ch
	25	Nigerian Stock Brokers Technical Analysis Training	STAN (Nigeria)	TBA	PROT Training Hall, 77B Mobolaji Bank Anthony Way, Ikeja Lagos	10.00	stanigeria@gmail.com

Calendar At-A-Glance [continued from page 4]

Date	Topic	Host	Speaker	Location	Time	Contact
February	4	Outlook for the bond, forex and commodity markets.	SAMT (Switzerland)	Ian McAvity	Hotel City, Löwenstrasse 34, 8001 Zürich	18:00 http://www.samt-org.ch/events.php ; Contact: s.straiton@sunrise.ch
	9	CFTe Training	STAN (Nigeria)	TBA	PROT Training Hall, 77B Mobolaji Bank Anthony Way, Ikeja Lagos	10.00 stanigeria@gmail.com
	15	IFTA Update submission deadline for educational articles (mid-March release)	IFTA	NA	NA	Varies newsletter@ifta.org , Attn: Aurélia Gerber,
	16	Monthly Digest	STAN (Nigeria)	Adeshina Adetunji	PROT Training Hall, 77B Mobolaji Bank Anthony Way, Ikeja Lagos	10.00 admin@stanigeria.org
	19	Monthly Meeting – Topic TBA	STA (UK)	Ron William	British Bankers Association Pinners Hall 105 - 108 Old Broad Street London, United Kingdom	18:00 info@sta-uk.org
	23	STAN Conference/Journal Launching	STAN (Nigeria)	TBA	TBA	10.00 stanigeria@gmail.com
	28	Master of Financial Technical Analysis (MFTA) Alternative Path, Session 1 application deadline.	IFTA	NA	NA	NA www.ifta.org
March	1	IFTA Update submission deadline for news content (mid-March release)	IFTA	NA	NA	Varies admin@ifta.org ,
	8	Certified Financial Technician (CFTe) Level II—deadline to register for April 24 th examination	IFTA	NA	Varies	Varies admin@ifta.org
	9	CFTe Training	STAN (Nigeria)	TBA	PROT Training Hall, 77B Mobolaji Bank Anthony Way, Ikeja Lagos	10.00 Stanigeria@gmail.com
	15	Master of Financial Technical Analysis (MFTA) Session 2 (2012) paper submission deadline	IFTA	NA	NA	NA admin@ifta.org
	16	Board Meeting	STAN (Nigeria)	TBA	TBA	11.00 admin@stanigeria.org
	30	Monthly Digest	STAN (Nigeria)	TBA	PROT Training Hall, 77B Mobolaji Bank Anthony Way, Ikeja Lagos	10.00 stanigeria@gmail.com
April	13	Quarterly Review /Meeting	STAN (Nigeria)	TBA	PROT Training Hall, 77B Mobolaji Bank Anthony Way, Ikeja Lagos	10:00 admin@stanigeria.org
	20	CFTe Training	STAN (Nigeria)	TBA	PROT Training Hall, 77B Mobolaji Bank Anthony Way, Ikeja Lagos	10.00 stanigeria@gmail.com
	24	Certified Financial Technician (CFTe) Level II Examination	IFTA	NA	Varies	Varies admin@ifta.org ; www.ifta.org
	27	Monthly Digest	STAN (Nigeria)	TBA	PROT Training Hall, 77B Mobolaji Bank Anthony Way, Ikeja Lagos	

Calendar At-A-Glance [continued from page 5]

Date	Topic	Host	Speaker	Location	Time	Contact
May	2	Master of Financial Technical Analysis (MFTA) Session 1 application, outline and fees deadline	IFTA	NA	NA	admin@ifta.org
	15	IFTA Update submission deadline for educational articles (mid-June release)	IFTA	NA	Varies	newsletter@ifta.org Attn: Aurélia Gerber
	31	IFTA Journal Call for Paper submission deadline	IFTA	NA	NA	journal@ifta.org
June	1	IFTA Update submission deadline for news content (mid-June release)	IFTA	NA	Varies	admin@ifta.org
	31	Master of Financial Technical Analysis (MFTA) Alternative Path, Session 2 application deadline.	IFTA	NA	NA	www.ifta.org
August	15	IFTA Update submission deadline for educational articles (mid-September release)	IFTA	NA	Varies	newsletter@ifta.org Attn: Aurélia Gerber
	31	IFTA Journal applicants notification of acceptance/rejection	IFTA	NA	NA	journal@ifta.org
September	1	IFTA Update submission deadline for news content (mid-September release)	IFTA	NA	Varies	admin@ifta.org
October	2	Master of Financial Technical Analysis (MFTA) Session 2 application, outline and fees deadline	IFTA	NA	NA	admin@ifta.org
	8	IFTA Board of Director's Meeting	IFTA	Varies	InterContinental Mark Hopkins Hotel San Francisco, CA USA	TBA admin@ifta.org
	8	IFTA 26 th Annual General Meeting (Members Only)	IFTA	Varies	InterContinental Mark Hopkins Hotel San Francisco, CA USA	TBA
	9-11	IFTA 26 th Annual Conference	IFTA & TSAASF	TBA	InterContinental Mark Hopkins Hotel San Francisco, CA USA	Varies admin@ifta.org www.ifta.org
	15	Master of Financial Technical Analysis (MFTA) Session 1 (2013) paper submission deadline	IFTA	NA	NA	admin@ifta.org
November	15	IFTA Update submission deadline for educational articles (mid-December release)	IFTA	NA	Varies	newsletter@ifta.org , Attn: Aurélia Gerber,
December	1	IFTA Update submission deadline for news content (mid-December release)	IFTA	NA	Varies	admin@ifta.org
	31	IFTA Journal web publication	IFTA	NA	NA	http://www.ifta.org/publications/journal/

Congratulations New MFTA!

**Mohamed Ashraf Mahfouz, MFTA,
CFTe, CETA**

**MFTA Research Paper Title:
"Points And Line Chart"**



Mohamed is the Head of the Technical Analysis desk for Dynamic Securities Brokerage Company – CI-Capital member; the investment arm of the Commercial International Bank (CIB), Cairo, Egypt.

He serves on the IFTA Board as VP of the Middle East and Africa region. He also serves as a board member in the Egyptian Society of Technical Analysts (ESTA), head of the Internal Communication Committee and an Education Committee member in ESTA. He is one of the distinguished instructors in the Certified ESTA Technical Analyst (CETA) professional program. He also teaches in the Egyptian Investment Management Association (EIMA), Misr for Clearing, Settlement & Central Depository (MCSD) and the Arab Union of Stock Exchanges.

Mohamed graduated from the faculty of Economics & Political Science, Cairo University. He holds CETA & CFTe qualifications in Technical Analysis. †

Congratulations New CFTes!

Mohanned Said Arekat, SSTA

Sherif Ahmed Awad Nasser

Shaun Murison

Revelino Ryan Sequeira, ATA

Bhavik B. Patel, ATA

Stephane Denys

Etta Putra, AATI

Samuel Utomo, AATI

Razvan Marius Mihai

Michael Rohner, SAMT

Jean-Francois Owczarczak, SAMT

Stefan Polklas, VTAD

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Certified Financial Technician (CFTe)—Level II

CFTe Level II **Session 1** **Session 2**
Date 24 April 2013 TBA October 2013
Registration deadline 8 March 2013 TBA August 2013

Register at www.ifta.org/register/cfte2.php.
 Download Syllabus and Study Guide at: ifta.org/public/files/publication-downloads/2013-CFTeII_Syllabus.pdf
 For more information on the CFTe program, visit <http://www.ifta.org/certifications>



Master of Financial Technical Analysis (MFTA)

MFTA Alternative Path **Session 1** **Session 2**
Pre-Application deadline 28 February 2013 31 July 2013
Application/outline deadline (if approved) 2 May 2013 2 October 2013
Paper submission deadline 15 October 2013 15 March 2014

(Session 1) Register at www.ifta.org/register/mfta_alt_session1.php/
 (Session 2) Register at www.ifta.org/register/mfta_alt_session2.php/

MFTA Regular Path **Session 1** **Session 2**
Application/outline deadline 2 May 2013 2 October 2013
Paper submission deadline 15 October 2013 15 March 2014

(Session 1) Register at www.ifta.org/register/mfta_session1.php/
 (Session 2) Register at www.ifta.org/register/mfta_session2.php/

For more information about the MFTA program, visit www.ifta.org/certifications/master-of-financial-technical-analysis-mfta-program/

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Education Lounge

Build Your Trading Systems on Behavioral Finance

by Hank Pruden, Ph.D. (TSAASF—USA)

Behavioral finance and technical market analysis are two sides of the same coin. Behavioral finance provides a sound, logical grounding in scientific models for understanding markets. Technical market analysis furnishes indicators for analysis and decision rules for taking action. Hence, the deeper and better the underlying theory about how markets work, the more reliable technical analysis can become.

Behavioral finance is essentially the study of how people *really* behave in markets, not how they are *theoretically supposed* to act according to the random walk hypothesis. Psychology and the social science disciplines of sociology and anthropology provide models for studying how real people actually behave in markets. Scientific research using these disciplines reveals that there are predictable patterns to human behavior.

A behavioral finance framework for systems building provides the structure for integrating

and interpreting indicators organized along the key dimensions of price, time, volume, and sentiment. A solid footing on the bedrock of behavioral finance can give the trader much greater Fortitude in the pursuit of his market technical analysis and much greater confidence in the setup, trigger, and follow-through of his trades.

What concrete advantages can a trader hope to gain from behavioral finance?

- **Models to extract more and better information.** Models of market behavior based on behavioral finance economize the number of indicators employed and help to extract more information from each indicator and from the interrelationships of indicators.
- **A scientific basis for testing and diagnosis.** Behavioral finance models provide a sound, scientific logic for understanding how and why

markets work, and therefore a sound guide for the selection, integration, and interpretation of market indicators.

- **Creativity.** Behavioral finance models help usher forth new ways to view markets and can spotlight overlooked indicators and techniques of great value.
- **A confident edge in trading.** A scientific rationale underlying a trade gives the trader greater confidence in entering trades, exiting trades, and following trends.
- **Self-improvement.** Behavioral finance is the solid ground upon which to build an understanding of trader psychology and mental state control. †

Hank Pruden, *The Three Skills of Top Trading*, John Wiley & sons, 2007, page 247



Sentiment Zone Oscillator (SZO)

by Walid Khali, MFTA, CFTe, CETA, (ESTA—Egypt)

SZO is a leading contrary oscillator that measures the extremes of a single stock. It measures and defines extreme bullishness (over-Optimism) that most probably leads to a change in sentiment that eventually changes the trend of the time frame under study. Vice versa, extreme bearishness (over-Pessimism).

Founded on the basic belief that after several waves of rising prices, investors start to get bullish on the stock with increasing confidence as the price has been rising for some time, Sentiment Zone Oscillator (SZO) measures that bullishness and marks its overbought levels, and vice versa; on the bearish side, SZO measures the bearishness for the declining prices and marks its oversold levels.

SZO should not be used alone in making buying and selling decisions, it should be used in conjunction with other indicators such as VZO and PZO.

The Calculation

SZO formula depends on the number of rising days to the declining one; it only uses the closing price as a separation rule. If the close of today is higher than the close of yesterday, it adds +1 to a variable; otherwise it adds -1. A triple exponential moving average of

that variable is divided by the total number of days of the period being studied.

Sentiment zone oscillator
 $= 100 \times (SP \div \text{Range} \frac{VP}{TV})$.

Where, SP (*Sentiment Position*) = X-days TEMA (\pm volume number of up days- number of down days).

And, Range = the period being studied.

Below is an explanation of the formula coded in AmiBroker software, using a sample data table containing only closing price.

- First, a variable is used to store +1 for higher close, or -1 for other closes.

$R = \text{If}(C > \text{Ref}(C, -1), 1, -1);$

- For smoothing, SP equals triple exponential moving average of R for a given period.

$SP = \text{TEMA}(R, \text{Period});$

- Finally the SZO equals SP divided by Range, then multiplied by 100 to make the vertical scale oscillate between -100 to 100.

$SZO = 100 \times (SP / \text{Period});$

The next table shows a data sample for 8 days for more clarity.

Figure 1: Made Up Data for Demonstration

Date	Close	R
01/01/2008	20.00	-
02/01/2008	20.50	+1
03/01/2008	20.00	-1
04/01/2008	21.00	+1
05/01/2008	22.00	+1
06/01/2008	21.50	-1
09/01/2008	22.50	+1
10/01/2008	23.00	+1

Equis Metastock® Formula

Period: = Input("Y", 2, 200, 14);

R: = If (C>Ref (C,-1) ,1,-1);

SP: = Tema (R, Period);

SZO: = 100 * (SP/ Period);

SZO

From the above table, if the cumulative R for the selected period has a positive value, the oscillator will move up, otherwise it will move down.

SZO Trading Tactics

Overall Appearance

- Mathematically, the value of the SZO can record an extreme value of either 100 or

-100, if the indicator period chosen was equal to 1. However, that was deemed not practical; therefore, the default moving period for the SZO proposed in this paper is 14.

- According to that proposed default period (14), movements above 7 are considered overbought, while an oversold condition would be a move below -7.
- The zero does not have any importance as the oscillator only depends on extreme conditions.
- Crossing the -7 from below gives a buy signal, while crossing the +7 from above gives sell signal.

SZO has only one signal for buying and one for selling; its signals are not repeated much, as it only marks extreme conditions.

SZO Psychology

The psychology of the extreme value of the SZO is best described in J. Murphy's book *Technical Analysis of the Financial Markets*, the more bullish the forecast, the more aggressively that trader will approach the market. If most of market traders are bullish on a market, it is assumed that they have already taken their market positions. Who is left to buy and push the market higher? If the overwhelming sentiment of market traders is on one side of the market,

there simply isn't enough buying or selling pressure left to continue the present trend.

SZO Interpretation

When the oscillator reaches above 7, it indicates extreme optimism, and one should start to think contrary; vice versa, with the zone between -7.

The chart above shows almost 2 years of daily data for Dow Jones Industrial average. During that period SZO gave only 4 signals and they were all successful.

Figures 2-4 show, some examples from different markets applying the same technique.

Conclusion

SZO introduced a new way of changing regular daily data into a sentiment indicator,

which measures extreme cases of bullishness or bearishness towards a single stock.

SZO can be very useful in markets that lack sentiment data (such as, Consensus Numbers and Investor Sentiment Readings) to measure extreme sentiments.

SZO has one major disadvantage, which is the buy or sell signal has to be closed by another indicator such as VZO or PZO, as the extreme sentiment condition does not occur regularly. †

John J. Murphy, *Technical Analysis of the Financial Markets* (USA: NYIF, first publication 1985)

This article is part of larger article published in TASC. (c)2012 Technical Analysis of Stocks and Commodities

Figure 3: Orascom Telecom (ORTE.CA) —Daily Data - Egyptian Exchange



Figure 2: Dow Jones Industrial index (DJI)—Daily Chart



Figure 4: Oils (Zeot.CA)—Daily Data—Egyptian Exchange



Technical Analysis and the Divine Proportions

by Mario Kfoury (LSTA—Lebanon)

I read an article in a local newspaper the other day qualifying technical analysis as the black magic of financial markets, which made me smile. I smiled because of the ignorance and denial states in which most people live nowadays, totally disconnected from nature's laws and objective reality. While the author of the article meant no harm and on the contrary was praising and promoting our discipline in her writing, I am sure it will find some detractors or superstitious souls to use her mention of the words "black" or "magic" in a pejorative way.

When I first looked at a financial chart in 2007 I felt it was telling me something I did not understand. Nevertheless, with my recalcitrant, obstinate mind I entered the investment I wasn't supposed to enter and it was then that I began my quest and journey in technical analysis. I had to learn like everything else in my life, the hard way... Soon after, I was about to discover the most dynamic, the most passionate and vibrant of all disciplines, as need is the mother of invention.



Everything in nature responds and obeys to certain laws, call them natural, universal, cosmic, divine; financial markets are no exception. Some mystics find it captivating to brand them esoteric, while other existentialists compelling to call them "religious", some very wise men consider them alchemy or science! Ever since the dawn of time humans have observed regularities in life and nature. It was the Greek mathematician/philosopher Pythagoras (about 500BC) who first coined the golden number, which was developed centuries later by Leonardo De Pisa, also known as Fibonacci (1170-1250 AD), used in arts and painting by Leonardo Da Vinci (1452-1519 AD), to then be introduced into financial markets by Ralph Nelson Elliott when seeking to improve on the Dow theory in the early 1930s. While in physics physicists argue the case of cause and effect, the most famous one being Newton's third law of motion "to every action there is an equal and opposite reaction", reality might actually be a bit different or shall we say Newton's statement not so accurate or up-to-date in today's world of

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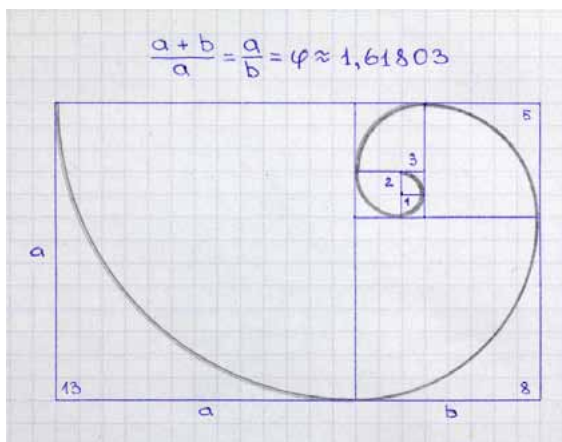
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knowledge. As if in practice, to every action there was a proportional opposite reaction, the world would be flat and everything in "technical terms" moving sideways, which is not exactly the case. As again our "divine number" Phi enters the picture. If we take demography and inflation for example and plot them on a chart, we notice they move hand in hand and follow a well defined proportion as well... Aging, growing, our invisible state of mind or stages of maturing follow that rhythm, yin and yang, feminine and masculine balances in each one of us, all governed and regulated by 1.618, the universe's safe secret code. There is a moving average, an Elliott wave in everything around us.

If you gazed at celestial objects on a darkly sky, or below, down the tiniest particle that constitutes our bodies, you will perceive similarities, analogy and proportion. Behind the apparent chaotic structure and movement of things there is order. While fundamental analysis presents the global financial picture, a telescopic view of financial markets, technical analysis offers the microscopic one. Whoever embarks in the studies of the discipline of technical analysis is set to understand the mysteries, harness the power and connect to the heartbeat of this world... †

Ralf Nelson Elliott, The Wave Principle, Financial World Magazine, 1938

Fibonacci (Golden) Ratio



$$\begin{aligned}
 s(x) &= \sum_{k=0}^{\infty} F_k x^k \\
 &= F_0 + F_1 x + \sum_{k=2}^{\infty} (F_{k-1} + F_{k-2}) x^k \\
 &= x + \sum_{k=2}^{\infty} F_{k-1} x^k + \sum_{k=2}^{\infty} F_{k-2} x^k \\
 &= x + x \sum_{k=0}^{\infty} F_k x^k + x^2 \sum_{k=0}^{\infty} F_k x^k \\
 &= x + x s(x) + x^2 s(x).
 \end{aligned}$$

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The Three Rules of Protection

by Egyptian Society of Technical Analysts (ESTA)

Trading the market is not easy. In fact it is very difficult. The market becomes harder and more difficult as your wealth gets better. Your great performance is one of the big traps that might affect you negatively if you are not prepared to deal with good performance as well as bad performance.

There are three rules that are very important when investing and trading. In this issue we will be talking about the first rule; the next two rules will be discussed in the next issue.

1—Discipline

This is the most important aspect in trading. Most of us lack discipline because we do not like it all the time. Discipline, however, means using your brain instead of your emotions. It is the most important tool that leads to very good profits on the long-term.

A soccer team that scores a goal keeps its defense alert. They do not attack with the 11 players without covering their back. In the stock market, when we begin to see real profits, we begin to attack with our initial money as well as with all of our profits. We even sell our car and add to our investments. Our defense gets weak, and with any contra move, we can lose all what we gained. Discipline will overcome this very big problem. It will protect our

profits, reduce our losses, and keep us safe in this risky market. Without discipline, we are playing a soccer game with no defense.

Know yourself

The first step towards discipline is self knowledge. You should know first why you are planning to trade or invest in the stock market. Is it because you are imitating your friends, or because of your love of adventure, or to increase your wealth? You must know your character. Are you a risk taker in your normal life or a conservative type of individual? This is very important to know because if you are conservative by nature you will not tolerate buying highly volatile stocks, or having a big exposure in one stock, etc... On the other hand, if by nature you are a risk taker, you can afford taking reasonably high risks in the market. Our problem is that we do not match our investment decisions with our real character. This is one of the main reasons why we panic during market corrections. You should also decide if you will be a short-term trader, or more of a long-term investor. This decision will help you know how to trade or invest, what tools to use, when to take profits, etc...

Make your plan

This includes the plan that will govern your buying and selling decisions. This plan

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includes the initial amount you will begin with, your time dimension, "for how long will you hold a stock", and the percentage of gains that you plan to make per year that will keep you on the right track. It also includes how much of your money you will withdraw when you make good profits, whether you will reinvest your profits or not, etc... For example, if you decide not to reinvest your money (which, by the way, is a very wise decision) and you find the market booming, deciding to reinvest will be a wrong decision because it contradicts your predefined rule. If you find yourself breaking one of your rules then you are being driven by your emotions. The real problem arises when you win more as you break your rules. You will forget, follow your emotions, and then lose all. If you break your rules, and trade emotionally and win, stop trading immediately. You are being bluffed by your emotions.

Control your risk

This is the most important aspect in trading. Controlling your risk is the major key that leads to profits. It is very important to know that solid profits do not come from how much profit you made. They mainly come from how much loss you made. For example, you can make a string of continuous profits in the stock market, and with one big loss, all of your profits will evaporate. Controlling your risk and keeping your losses small is the major key that will lead to profits. When you initiate a trade, do not think of your

profits. Think of your losses. If you think of your risk, you will control it. This is why stop losses are very important.

A rule of thumb that we must know: "Keeping your losses small is the major key that leads to long-term, solid profits". There are lots of examples of investors who took only one big loss and they are still trying to break even from this big loss after a few years of trading.

Discipline is very crucial in helping you trade and invest in the markets. Setting up rules and sticking to them is very important. These rules can change from time to time as the market changes. Make your rules, stick to them, change them if the market behavior changes, but always stick to your rules and you will be a winner. Trying to take advantage of every opportunity in the market will lead to emotional trading and will ultimately lead to big losses. The market is full of chances that never end. †



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AWARDS 2012

W I N N E R

Member News

AATI (Indonesia)

October–November 2012, a busy time for AATI (Asosiasi Analis Teknikal Indonesia)

Jakarta Seminar and IFTA 2012 Conference

As we all know, this October 10–13, IFTA held its 25th Annual Conference in Singapore. This is an important event and AATI wanted to promote it to as many people as possible in the Indonesian technical analysis community. We felt like this was a rare occasion, an event not to be missed, regarding both its speakers and theme. Two AATI members were also invited to speak at this event, and another member received the “2011 Bronwen Wood Award”. Moreover, the Conference was held in a neighbourhood place, just a two-hour flight from Indonesia’s capital city.

In order to promote this Conference, we had an intensive discussion with Conference Director Mr. Robert Grigg, and decided to invite some of IFTA’s Conference speakers to do a Seminar in Jakarta to attract attention to the IFTA 2012 Conference, and promote it through local media.

With short notice, Mr. Tom Dorsey and John Bollinger agreed to come to Jakarta to give a one-day Seminar, “New Approach in Managing Portfolio in a Volatile Global

Market”, presenting different topics from those covered at the Conference in Singapore. The Seminar was promoted and reported by two media, besides our socmed milis-AATI mailing list in yahoo. The Jakarta Seminar event was successful, with 35 persons attending, and seven persons went on to attend the IFTA 2012 Conference in Singapore. AATI’s previous best record was four persons attending the IFTA Conference in Egypt. Colleagues who attend the IFTA Conference bring home and share their impressions of the professional atmosphere of the International Federation of Technical Analysts community.

Indonesian 2nd Financial Expo and Forum 2012

This annual event, held by the financial media, was an event for financial industries: capital market, insurance, financial planner, and fund manager. In a Discussion Forum, Mr. M. Alfatih, CFTe, from AATI, was invited to present the Indonesian Capital Market Outlook for 2013.

Trade4Share Charity Seminar

This two-day seminar held November 10–11, 2012 invited 10 speakers, mostly AATI members, to present theory and the market outlook in Jakarta. This event was also a social event to collect funds for an AATI member that has cancer.

Certified Securities Analyst Inauguration

On November 21, 2012, the Securities Analyst Standard Board inaugurated its first Certified Securities Analyst graduate in the



Mr. Muhamad Alfatih, CFTe (right) from AATI as one of the speakers at the IFTA 2012 Conference



AATI delegation to the IFTA 2012 Conference



Mr. Gideon Lapien from AATI, speaker at the IFTA 2012 Conference.



Jakarta “Trade4Share” Charity Event, November 10–11, 2012



Mr. MM Dandytra, from AATI, winner of the 2011 Bronwen Wood Award



Certified Securities Analyst inauguration, November 21, 2012

Member News [continued from page 16]

Indonesian Stock Exchange auditorium. This program consisted of nine modules, including a Technical Analysis module. AATI is involved in this program by providing a module and lecturer, as well as AATI members participating in the program.

STAN (Nigeria)**A Gathering of New and Existing Members**

The Society for Technical Analysts held a gathering for new and existing members on 3rd November, 2012 at PROT Training Hall on the topic: *Charting the Nigerian Financial Markets*. Speakers Taiwo Balogun and Adeshina Adetunji demystified the future of technical analysis.

In attendance was the CEO, Forte Financial, Mr. Tunji Oba; and the President, Society for Technical Analysts, Nigeria, Mr. Olumide Soyele. Abiodun Babalola also shared his insight on CFTe examinations and encouraged members on the need for certification. He also announced that members can connect directly with the back office through social media such as facebook.com, twitter and youtube, and through a new website to soon be unveiled. New committee members were also instated in the areas of ethics, membership, journal and publications.

Call for Article Submission for STAN Journal

The Society for Technical Analysis, Nigeria is using this medium to welcome other societies' members who wish to submit an

article(s) for our upcoming maiden journal. Standard Technical Analysis articles will be published and STAN will have absolute rights to publish or not to publish any article submitted. Deadline for article submission is 31st January 2013. Articles can be sent to: admin@stanigeria.org

STAN Summit 2013

The First STAN SUMMIT in 2013 and the launch of the maiden edition of the STAN journal is slated for 23rd February, 2013 in Lagos at the Oriental Hotel, Victoria Island at 12.00pm. This publication will enable us to propagate technical analysis education.

Nigerian Stock Brokers Conference 2013

In 2013, the Society for Technical Analysis, as part of her objective to promote Technical Analysis in Nigeria, will be holding a Conference for Nigerian stockbrokers. This great event is scheduled for 25th January, 2013 at the Oriental Hotel, Victoria Island, in Lagos, Nigeria. The event will attract major players in the Nigerian Capital Market and Nigerian Stock Exchange.

This event will highlight the significance of the application of Technical Analysis to Nigerian Financial Markets, broaden the knowledge and understanding of participants on Technical Analysis, and promote IFTA certification. Though there are few people who use technical analysis, over 80% of the major players still rely solely on fundamentals.

We will also feature Thomson Reuters, Metastock representative, who will show participants how metastock is used for charting Nigerian stocks.

Nigeria Trading Expo NITEX 2013

The Society for Technical Analysis will also be a proud partner in the upcoming Nigerian

Trading Expo, NITEX, proposed to be held in Ogun State, Nigeria on March 29th and 30th, 2013 under the administration of Governor Ibikunle Amosun. The event will feature speakers from Nigeria as well as outside Nigeria. Technical Analysis education will be the focal point of the Society for Technical Analysis at this event.



A cross-section of new and existing members



*Member News [continued from page 17]***TSAASF (USA)**

The attractiveness and the value of the TSAASF is reflected in the fact that we now have over one-hundred paid members in 2012.

I wish to thank you each and every member of the TSAASF for her/his fidelity. I hope to personally express my appreciation to you at either our year-end Round Up to be held at Alfred's Steakhouse in December or at the January session to be held at Golden Gate University. The December Round Up will feature three outstanding technicians prognosticating about future market behavior. Then the January session will once again feature our own Board Member, Joe Turner, along with his partner, the world renowned technician and author, Martin Pring. I am confident that Joe and Martin will update us on their latest views regarding "the lost decade." Fresh faces and thanks for the memories.

We welcome several fresh faces to help lead the TSAASF during 2013. Mr. Bart Pestarino, President; Mr. Roman Bogomazov, Program Chair, plus our liaison person to IFTA and to GGU; and Mr. Brad Brenneise who is now the Editor, TSAASF REVIEW.

We wish to say "thank you for the memories" to our outgoing President Mr. Larry Amernick, for his two years of important service. Our special thanks to Mr. Brent Leonard, CMT, for his outstanding job editing and refining the TSAASF REVIEW. And we

wish also to remember with thanks Ms. Daphne Marinopolous for her fine work as Program Chair.

Two major developments are in the store for the TSAASF during 2013. The first is the New Year rollout of the online version of the GGU Graduate Certificate Program

in Technical Market Analysis. All of the TA classes are online now, and students can earn their certification remotely through online education. The second is the 26th Annual IFTA Conference hosted by the TSAASF to be held in San Francisco, California, U.S.A. during October 2013. The TSAASF Board Members are working hard to bring and

to highlight the best international talent. Using this opportunity, we would like to invite technical analysts and traders to IFTA's 2013 annual conference, which will be held in San Francisco next fall. †

Hank Pruden, Ph. D., Chairman TSAASF

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*Riding the Dragon
Approaches for the next Decade*

IFTA 2012 Highlights



IFTA 2012 Conference Highlights [continued from page 19]



IFTA Member Societies

AUSTRALIA—ATAA Australian Technical Analysts Association www.ataa.com.au
 AUSTRIA—VTAO* Vereinigung Technischer Analysten Österreichs www.vtao.at
 BOSNIA and HERZEGOVINA—SMS* Society for Market Studies trzisnestudije.org
 CANADA—CSTA Canadian Society of Technical Analysts www.csta.org
 CROATIA—CTAA* Croatian Technical Analysis Association
 EGYPT—ESTA Egyptian Society of Technical Analysts www.estaegypt.org
 FRANCE—AFATE Association Française des Analystes Techniques www.afate.com
 GERMANY—VTAD Vereinigung der Technischer Analysten Deutschlands e.V. www.vtad.de
 INDIA—ATA The Association of Technical Analysis www.taindia.org
 INDONESIA—AATI Asosiasi Analis Teknikal Indonesia
 ITALY—SIAT Società Italiana di Analisi Tecnica www.siat.org
 JAPAN—NTAA Nippon Technical Analysts Association www.ntaa.org.jp
 LEBANON—LSTA* Lebanese Society of Technical Analysts
 NIGERIA—STAN* Society for Technical Analysts, Nigeria
 NETHERLANDS—DCTA Dutch Commission of Technical Analysis
 NEW ZEALAND—STANZ Society of Technical Analysts of New Zealand www.stanz.co.nz
 PAKISTAN—STAP* Society of Technical Analysts Pakistan www.stap.com.pk/index.html
 ROMANIA—AATROM Asociatia Analistilor Tehnici din Romania www.aatrom.org
 SAUDI ARABIA—SSTA* Saudi Society of Technical Analysts www.saudi-sta.org
 SCANDINAVIA—STAF Skandinavien Tekniska Analytikernas Förening www.staf.nu
 SINGAPORE—TASS Technical Analysts Society (Singapore) www.tass.org.sg
 SOUTH AFRICA—TASSA Technical Analysts Society of Southern Africa www.tassa.org.za
 SWITZERLAND—SAMT Swiss Association of Market Technicians www.samt-org.ch
 UNITED KINGDOM—STA Society of Technical Analysts Ltd. www.sta-uk.org
 USA—TSAASF Technical Securities Analysts Association www.tsaasf.org
 USA—AAPTA American Association of Professional Technical Analysts www.aapta.org

* Developing

IFTA Update Schedule

IFTA Update is the quarterly electronic newsletter of the International Federation of Technical Analysts, reaching more than 6,900+ IFTA colleagues worldwide. The *Update* is an efficient and cost-effective way to communicate with IFTA's member societies and colleagues.

PUBLICATION SCHEDULE

March Issue..... Education articles: February 15—send submissions to newsletter@ifta.org
 All other content:..... March 1—send submissions to admin@ifta.org

June Issue..... Education articles: May 15..... All other content: June 1
 September Issue..... Education articles: August 15..... All other content: September 1
 December Issue..... Education articles: November 15..... All other content: December 1

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IFTAUPDATE EDUCATION LOUNGE SUBMISSION GUIDELINES

Dear prospective author,

We appreciate your interest to contribute with articles to over 6,900+ member IFTA audience. The mix of multicultural institutional and retail traders, investors, analysts, and financial experts is a great target to address. We are convinced that their feedback will be great and you'll add more articles in the future. Before submitting your article please take a moment and observe our guidelines for Education Lounge contributors. Many have already published articles, others are new in this business, but both categories want to share their technical analysis expertise with our members.

Step 1—You've got an Idea!

The editorial team is continuously looking for practical articles emanating from your experience as a hands-on practitioner in the industry or academic circles. Although the focus of Education Lounge remains on technical analysis, ideas about risk and capital management, statistics, quantitative trading, psychology, new trends in trading can be also translated into high-quality articles. Best is to send us first an email at newsletter@ifta.org with a very short article outline. (Note: Authors will not get any financial compensation for articles submitted.)

Step 2—Writing the Article

We will reply and hopefully your idea will not overlap with existent articles in the pipeline. Your article should cover at least two pages of text and stretch over a maximum of six pages including charts and tables. Use Microsoft Word to type the text and generate a .DOC file. The text will be doubled-spaced and use Times Roman 12 as font. Although an editor will check the grammar, the accuracy and readability remain your responsibility before submitting the final material. It's a good idea to use these two features during and at the end of writing your article:

1. Microsoft Word spelling & grammar check
2. Language in UK English style <http://www.ifta.org/public/files/member-resources/d-ifta-style-Style-Guide-to-Thesis-Writing.pdf>
3. Word clouds to confirm that the article conveys the proposed message <http://www.wordle.net/create>

It's highly recommended to follow this structure:

Title

Titles sell so it's worth taking time to play with various constructions until you'll find the best one. Use maximum 10 words to convey a strong message.

Subtitle

This information (max 20 words) adds value to the title.

Abstract

A brief summary (600 characters including spaces) of your article that will help the reader understand quickly the purpose of the article.

Section N Title

Use up to 5 words to highlight the main idea of the section.

Section N Body

Since the article has a modular structure, each section should describe in detail (text + charts + tables) an important idea of your article.

Charts and Tables

Naming standards for charts and tables are very important. Chart file names should reflect the corresponding figures inside the document. For example, Figure 2 in the article should be linked to a file named Figure-2.jpg or Figure-2.tif. Same naming convention applies to tables. Each chart and table in the document should contain a caption as indicated in the example on page 23-24. Please submit each chart as a separate file in addition

to the charts embedded in the Microsoft Word Document.

Conclusions

Use this section (up to 600 words) to summarize the findings and generate interest for follow-ups.

Bibliography/Suggested Reading

Indicate your sources used for the article together with any reference to additional reading for a better understanding of the subject. [http://www.ifta.org/public/files/member-resources/d-ifta-style-A-Guide-To-Referencing-\[Oxford\].pdf](http://www.ifta.org/public/files/member-resources/d-ifta-style-A-Guide-To-Referencing-[Oxford].pdf)

About the Author

This section is about you, your credentials, how readers can contact you and other professional information you want to convey.

Step 3—Who Owns the Copyright?

By submitting the article for publication in the Education Lounge you agree to transfer the copyright to IFTA. Very important: Please specify if the article has been already published and its copyright is owned by another publisher.

Step 4—The Checklist

Verify the compliance with Author's Guidelines checklist below.

IFTA Update Education Lounge Submission Guidelines [continued from page 22]

Step 5—It’s Time to Submit Your Article

The article is ready and complies with the guidelines (‘Y’ to all checklist entries). Send an email to newsletter@ifta.org and attach the following items:

- The Microsoft Word document (.DOC) containing only the text and references to charts and tables
- All charts and tables (.JPG .TIF .PDF .EPS)

Step 6—Confirmation from Education Lounge Editor

Once submitted, your article will be subject to a peer review process. There is no guarantee the article will be published in the Education Lounge. In any case, you will receive a message from the Editor indicating whether it will be published or not.

-----**EXAMPLE**-----

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by Joe Doe, CFTe

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Author’s Guidelines Checklist

1	You’ve got an idea and want to write an article about this subject for IFTA	Send an email to newsletter@ifta.org with a short article outline. Wait for a reply.
2	The reply from the Editor is positive	Go to 4
3	The reply is negative	There is another similar article waiting in the pipeline or the topic is outside the editorial program of IFTA newsletter. We invite to consider another contribution.
4	You start writing the article	Follow the <i>Author’s Guidelines</i>
5	Is the article title compelling?	Y/N (max 10 words)
6	Is the subtitle included? Does it add value?	Y/N (max 20 words)
7	Is the abstract comprehensive enough to attract the reader’s interest?	Y/N (max 600 characters including spaces)
8	Does each section have a title and detailed descriptive text + charts/tables?	Y/N
9	Is the format of each chart / table .JPG .TIF .PDF or .EPS (at least 150 dpi resolution)?	Y/N
	Is each chart/table properly named and sent as a separate file in addition to the embedded images in the Microsoft Word document? (e.g. Figure-N.jpg or Table-N.jpg)	Y/N
10	Do <i>Conclusions</i> summarize the findings?	Y/N
11	Is <i>Bibliography / Suggested reading</i> included?	Y/N
12	Did you insert <i>About the author</i> section?	Y/N
13	Did you use double-spaced Times Roman 12?	Y/N
14	Explain in a separate note where and when the article has been previously published. Who owns the copyright?	The Editor makes a decision.
15	Submit the article by email to newsletter@ifta.org	The Editor receives it and submits it to a peer review process.
16	Expect a reply from the Editor	Positive (it will be published). Negative (consider another contribution).

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Section 1 Title

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aliquet eu. Vivamus imperdiet mauris nec lacus sagittis ut mollis diam cursus. Pellentesque consetetur erat turpis, a ultrices leo. Fusce porttitor, mi et ultrices interdum, dui libero.

<Insert here Figure 1.jpg>

IFTA Update Education Lounge Submission Guidelines [continued from page 23]

Figure 1: Pellentesque consetetur erat turpis, a ultrices leo. Fusce porttitor, mi et ultrices interdum, dui libero pharetra nisi, semper cursus est massa non felis.

Vestibulum eleifend fringilla odio quis vehicula. Nullam vitae dolor id ante consetetur congue. Sed a nisi risus. Suspendisse potenti. Morbi euismod nisl quis leo semper gravida. Integer id dui enim. Donec ac justo felis, sit amet porta mi.

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Section 2 Title

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Figure 2: Pellentesque consetetur erat turpis, a ultrices leo. Fusce porttitor, mi et ultrices interdum, dui libero pharetra nisi, semper cursus est massa non felis.

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Conclusions

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Bibliography/Suggested Reading

Apple, Dennis [2001], How to Control Riks, Publishing House 2.
Stevenson, John [2010], Technical Analysis for Traders, Publishing House 1.

About the Author

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IFTA is seeking papers that cover developments impacting, either

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- Indicators—sentiment, volume analysis, momentum, etc.
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- Styles of TA
- Data
- The changing role of TA in the investment community.

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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 TA and those that connect with it.

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IFTA Journal 2014 Call for Submissions [continued from page 25]

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May 31	Deadline for all submissions
May 31	Papers distributed for review
July 31	Reviewer's comments returned to editor
August 16	Notification of acceptance/rejection
August 31	Submission to printer
October 2013	Worldwide distribution
December 2013	Web publication

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 9707 Key West Avenue, Suite 100
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Telephone +1 (240) 404-6508
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Backcover (cover 4)	\$1,800.00
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




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