



**AUSTRALIAN TECHNICAL
ANALYSTS ASSOCIATION INC.**

Newsletter

November 1995

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The Australian Technical Analysts Association Newsletter is published by the Australian Technical Analysts Association Inc (ATAA). It is a vehicle for the interchange of ideas and information about technical analysis of markets. This forum is available at the discretion of the editor for the views of members, guest speakers and guest writers.

Contributing to the ATAA Newsletter is encouraged and will repay your effort by expanding and sharpening your analytical ability. The emphasis of the Newsletter is on original articles, although consideration may be given to material of interest previously published in other publications. Newsletters are published each January, March, May, July, September and November. The deadline for copy is the last day of the previous month: ie December, February, April, June, August and October.

If you would like to discuss how you could contribute, telephone Roger Lawes on 02 375 6536. Contributions should be addressed to Roger and sent to him at GPO Box N255 Grosvenor Place Sydney NSW 2000. Our preference is that you submit articles in both hard copy and on IBM disk. Software packages preferred are Microsoft compatible, Word and WordPerfect 5.1. However, most packages will generate an ASCII file, which will be fine.

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Welcome to New Members

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CYCLE PRESENT IN SPI

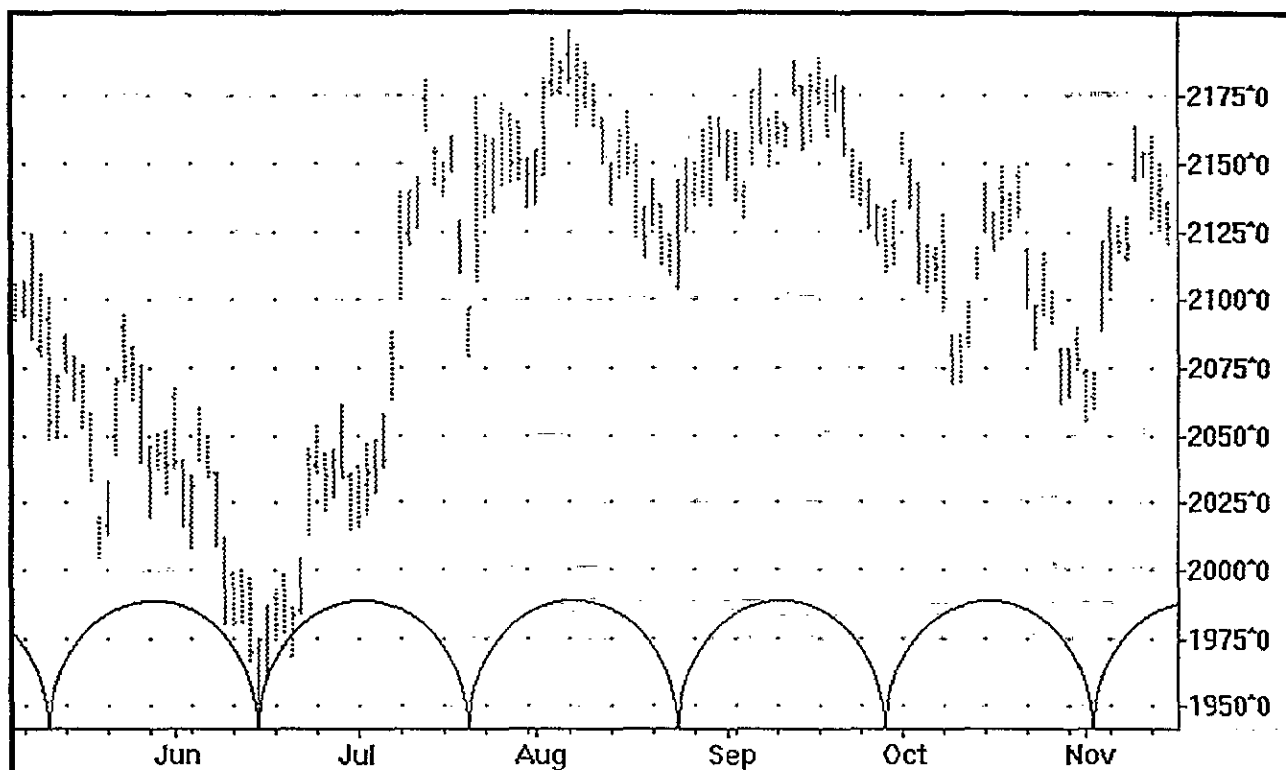
By Roger Lawes

Just when you spot a regular cycle, or at least when you point it out to others it disappears. Reason to keep it to myself perhaps.

The following cycle has been evident through the SPI for the last few months. It consistently has been represented by a low price as detailed as follows:

15 Jun 95	Low Price	1948
20 July 95		2079
24 Aug 95		2104
28 Sep 95		2110
02 Nov 95		2060 (missed the absolute low of 2055 on the 1st November)

The cycle has a duration of 35 calendar days and is due next on the 6/7 December and the 10 January 1996.



Both the future dates are themselves on or close to larger cycle dates of interest being:

8 Dec 1995 50% of the time between the 1905 low of 27 Jun 1994 and the 1948 low of 15 Jun 1995

11 Jan 1996 1.414 of the time between the 2368 high of 3 Feb 1994 and the 1793 low of 23 Nov 1994

(1.414 is the square root of 2. Square roots should be monitored regularly in cycles as should the fibonacci series.)

Make a note in your diary for the above cycle endings. Maybe you can make some money on price action out of these dates.

1996 ATAA National Conference

Following the success of our inaugural annual conference in March 1995, it is planned to hold our second national conference in August 1996.

The 1996 conference will be held at the Hilton Hotel in downtown Sydney on Saturday and Sunday August 10th and 11th. We would like as many members as possible from all round Australia to come, so please mark the dates in your 1996 diary and include it in your plans.

The conference will feature at least one overseas speaker. Dr Alexander Elder has already promised to come and we are talking to others. There will also be a strong line up of local speakers who will address the conference on new topics. None of the speakers will be selling their services and all will be aiming to increase your knowledge of technical analysis and trading techniques.

Part of the conference will be an expanded trade show with vendors of goods and services for technical analysts already asking us to offer them space.

The conference will also feature a dinner on the Saturday night to give members even more time to get together.

This is our biggest project for the year. It will again be very attractively priced and will be the best opportunity all year for members to improve their skills in technical analysis and trading.

The 1996 IFTA Conference Amsterdam

The 1996 IFTA Conference will take place in Amsterdam. The Conference commences on the 30th October and finishes on the 2nd November at the Grand Hotel Krasnopolsky situated in the heart of the city, opposite the Royal Palace and between the stock and option exchanges.

Superior rooms in the hotel cost 350 guilder, and business rooms 395 guilder, a double. The rate of exchange between the guilder and the Aust dollar is approximately 0.83 cents. The contact numbers for the hotel are Tel. 0011 31 20 554 9111 and Fax. 0011 31 20 622 8607.

Those of you who have attended an IFTA Conference will need no encouragement to attend this IFTA Conference in Amsterdam. If you can find the time to attend an IFTA Conference I can assure you of an enjoyable time as well as the opportunity to hear top international speakers. The Amsterdam Conference organisers have recommended that those wishing to attend book rooms as soon as possible as Amsterdam is a very busy conference town.

If you are going would you please let me know on the contact numbers below:

Tony Reeves **Tel : (02) 299 7858**

SIMPLE INDICATORS FOR ACCURATE PRICE FORECASTING

by John Brenton

THE MEASURED MOVE

Perhaps the simplest, most accurate forecaster of determining price targets, ie the measured move, is constantly overlooked by many traders in today's age of computerised charting programs and their wide range of technical indicators eg DMI, Fibonacci's, RSI, Moving Averages etc.

The measured move target had its origins in very early technical analysis practice, when hand-drawn charts using basic tools such as rulers, callipers, compasses and other instruments were used when constructing charts.

Some may feel that the computer age has made technical analysis more efficient and whilst from a time management and volume processing aspect this is certainly true, the use of hand-drawn and constructed charts still have their role in today's trader's tool-kit.

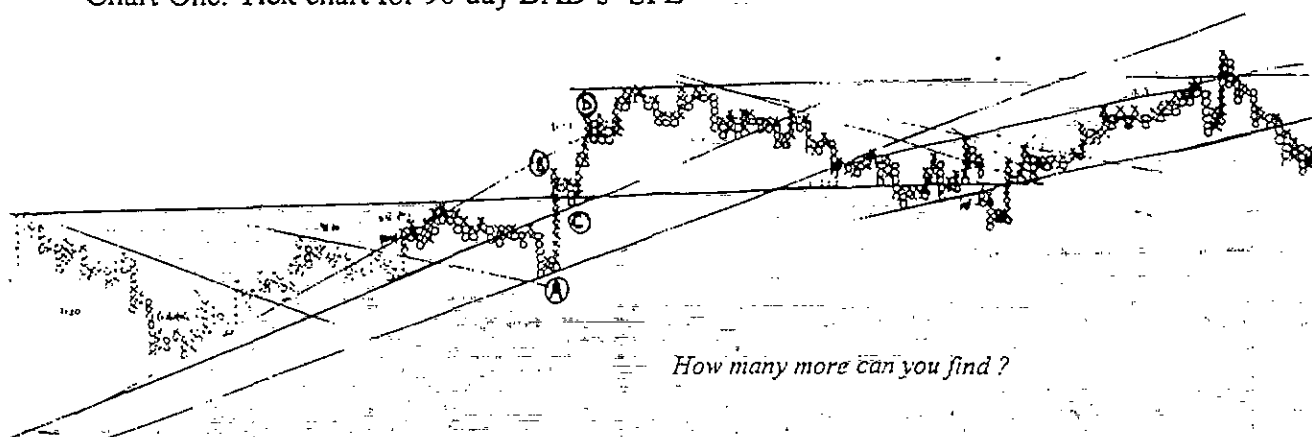
It is my opinion that hand-constructed charts can give the trader a better "feel" for the market being traded, simply because of the amount of time required in constructing and maintaining these type of charts enables the trader to become better acquainted with the "individuality" of each market being traded.

How to determine price targets using the Measured Move

Measured move targets are very versatile indicators. They can be used across a diverse range of chart types ie line, bar, point and figure; market types ie stocks, indices, currencies, futures and time measurements ie tick, intra-day, daily, weekly, monthly.

In this article I will use examples of tick charts (point and figure) and daily bar charts to demonstrate how the measured move is constructed and then show how price targets can be derived from this construction.

Chart One: Tick chart for 90 day BAB's -SFE

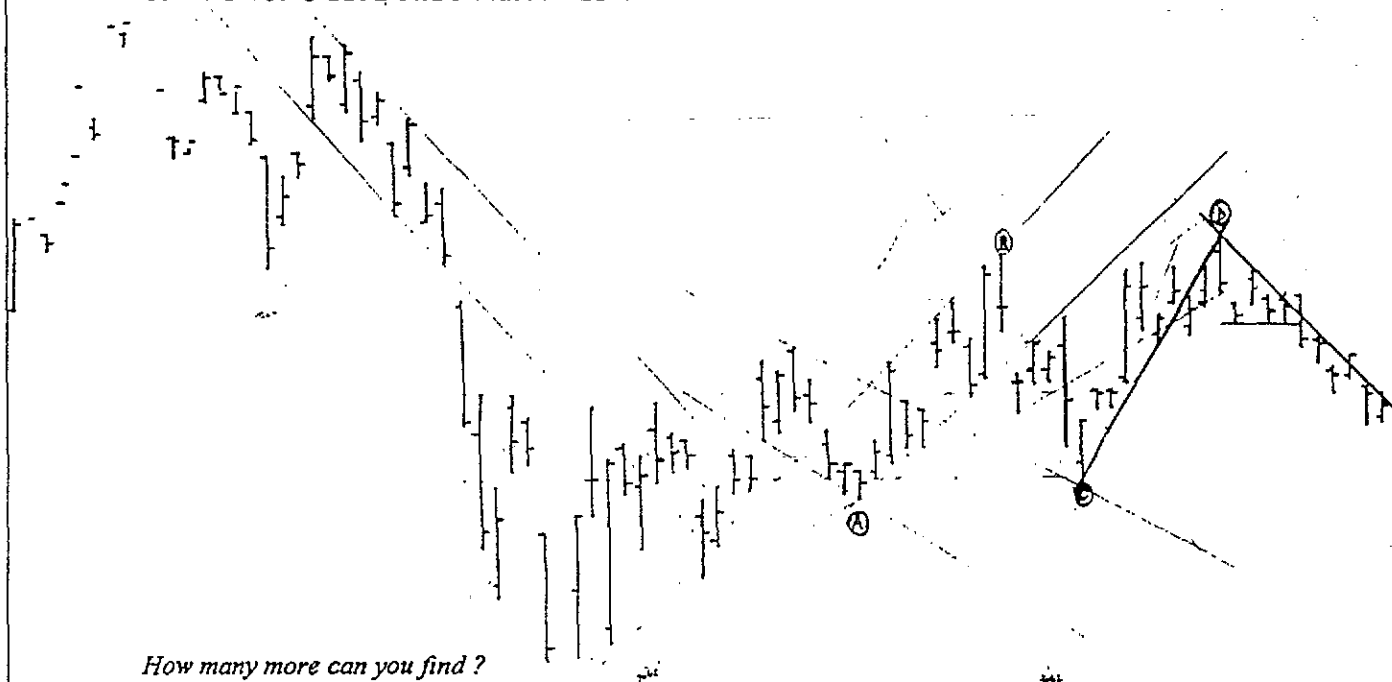


On the above chart, which is a point and figure tick chart, there are many examples of the measured move. The example I have highlighted, involves the following procedure:

- (i) Measure the distance from the low point of the break upwards (A) to the end of the break move (B).

(ii) Find the starting point of the next upward move (C) which is the low point of the retracement, and project this distance upwards to find target price for the continuing upward move (D).

Chart Two: 3YR Bond Futures - SFE



How many more can you find ?

Scale: 1Box = 2PTS

On the above chart, which is a daily bar chart, there also are a few examples of the measured move. The example I have highlighted, involves the following procedure:

- (i) Measure the distance from the low point of the break upwards (A) to the completion of the upward price pattern (B).
- (ii) Find the start point of the next upward price pattern (C) and project this distance upwards to find the target price for the completion of the upward move (D).

In this example, did you notice the measured move retracement pattern for the downward move between (B) and (C)?

Measured moves also work very well for determining price targets for break-outs of congestion areas on point and figure charts. Scan chart one to see if you can locate any such moves.

I trust this has given the reader some insight, and hopefully some practical experience, in the use and construction of measured move targets.

John Brenton is a Sydney based member of the ATAA. A professional trader and member of the Asia Pacific Managed Futures Association. John may be contacted on (02) 9971 6716

Candlestick Reversal Patterns

by Roger Lawes

There are some excellent books on candlestick charting now available for both the learner and the advanced student of this approach to technical analysis.

The two which I have read being :

Japanese Candlestick Charting Techniques

Beyond Candlesticks - New Japanese Charting Techniques Revealed

both by Steve Nison

The candlestick approach does seem to offer a better pictorial approach which I personally find very useful. Many of the patterns have close or identical signals in the more conventional bar chart basis of analysis but the candlesticks win hands down for the clearer graphical representation.

Whilst there is a need to perhaps write a full history and explanation of this charting method, and the various patterns from which the analysis is drawn such an article will have to wait until 1996. For the basis of a short article I have chosen recent charts on the local market as a demonstration of a couple of reversal patterns through the eyes of the candlestick analyst.

The Engulfing Pattern

This pattern is composed of two candlesticks (each representing a days trading). A bullish engulfing is composed of a long white body which engulfs or wraps itself around a previous session black real body. A bearish engulfing is likewise a black real body engulfing the earlier white real body.

The pattern is said to demonstrate that the opposing forces in the market have by demonstration of the engulfing overpowered the existing trend and therefore the possibility of a reversal established.

Whilst the strict rules for an engulfing would call for both a higher high and a lower low in the second session Steve Nison in "Beyond Candlesticks" accepts that stocks may make an equal high for a bearish and equal low for a bullish engulfing providing the other side of the pattern clearly exceeded the previous days range.

The conventional title for this reversal signal is "a key reversal". It should appear after a clearly defined trend has been established. The pattern gives a strong signal if it engulfs several prior sessions.

The Dark Cloud Cover

Again a two candlestick pattern with the first candlestick being a strong white real body session. In the second session the market opens stronger than the previous session high but fails to maintain momentum to close within the body of the earlier session. The upward power of the market has been satisfied and the selling pressure is overwhelming the buying pressure. An ideal dark cloud cover should close below the midpoint of the prior white real body. Nison allows in the case of stocks (which demonstrate less volatility) for the second session to open above the previous close but below the earlier session high.

The Harami

The Harami is comprised of a long real body and a secondary small real body within its range. After an extended downtrend the harami is said to express that the momentum of the move has been exhausted. The same rationale applies to a harami after an extended uptrend.

Observations

BHP - A dark cloud cover in mid July when the stock had a 5 day bearish reversal. The subsequent rally into early August gave us a bearish engulfing, taking out the three previous trading sessions. A harami in October saw a four day reversal, a subsequent fall and a further harami in early November.

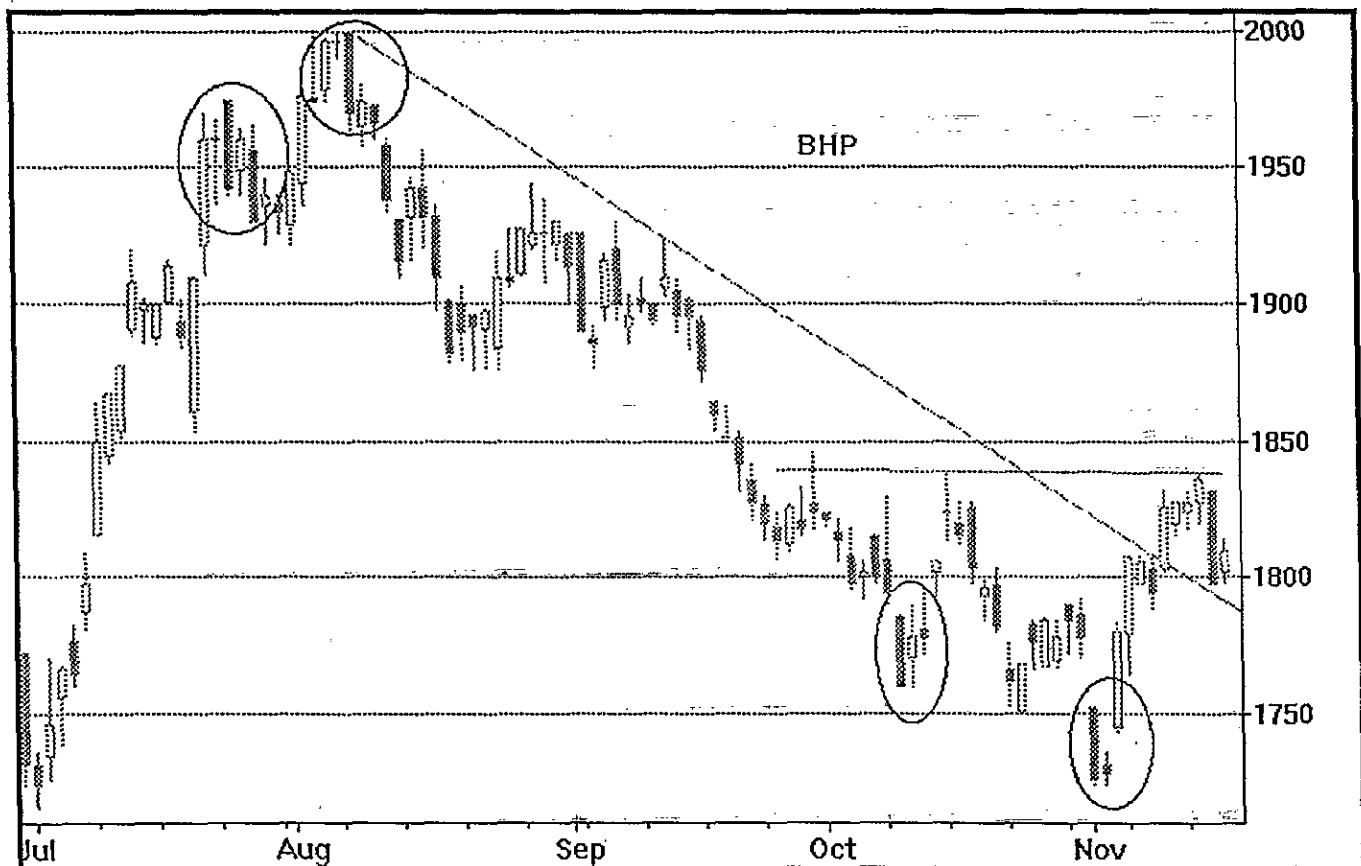
BHP in the recent rally has broken downtrend and retraced back to resistance at \$18.40 - a break above needed to confirm targets to \$19.50.

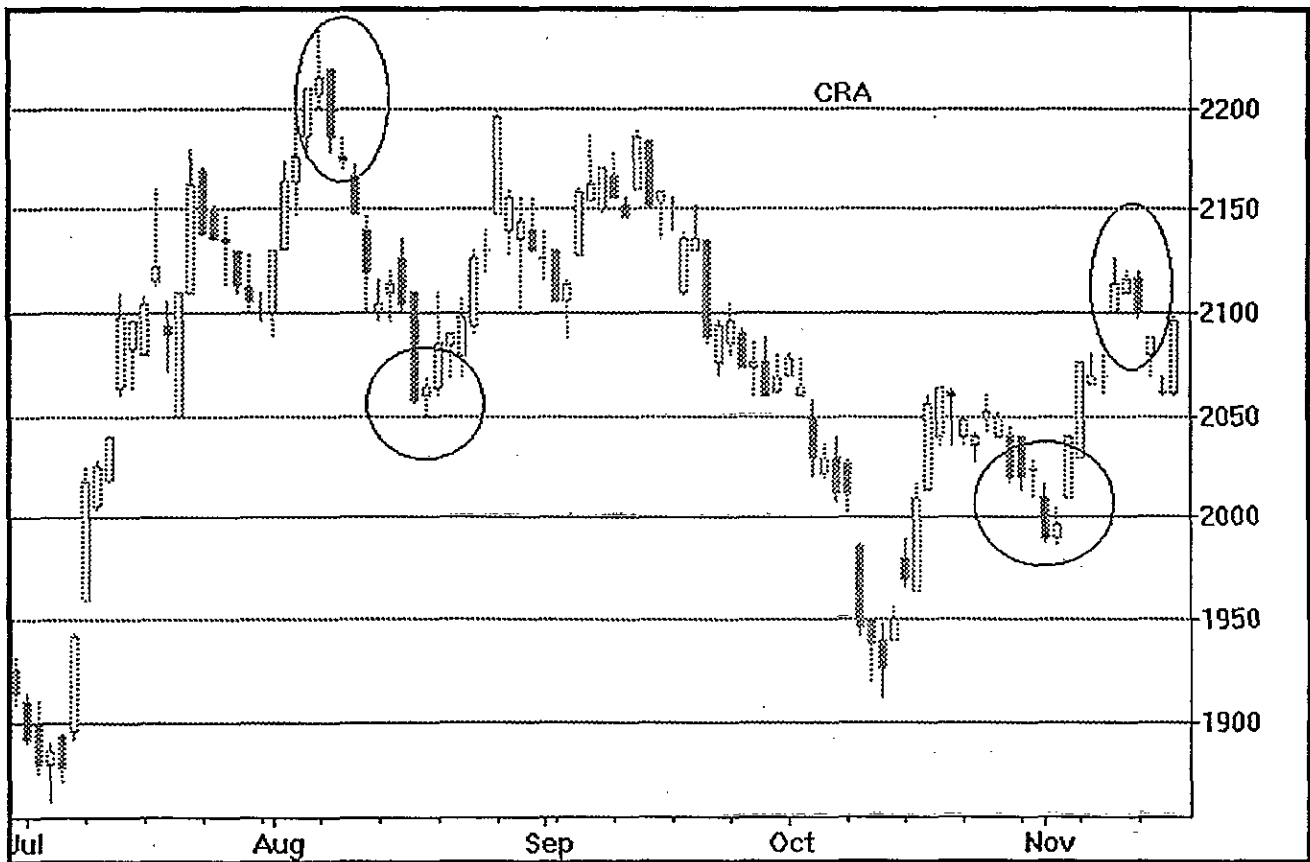
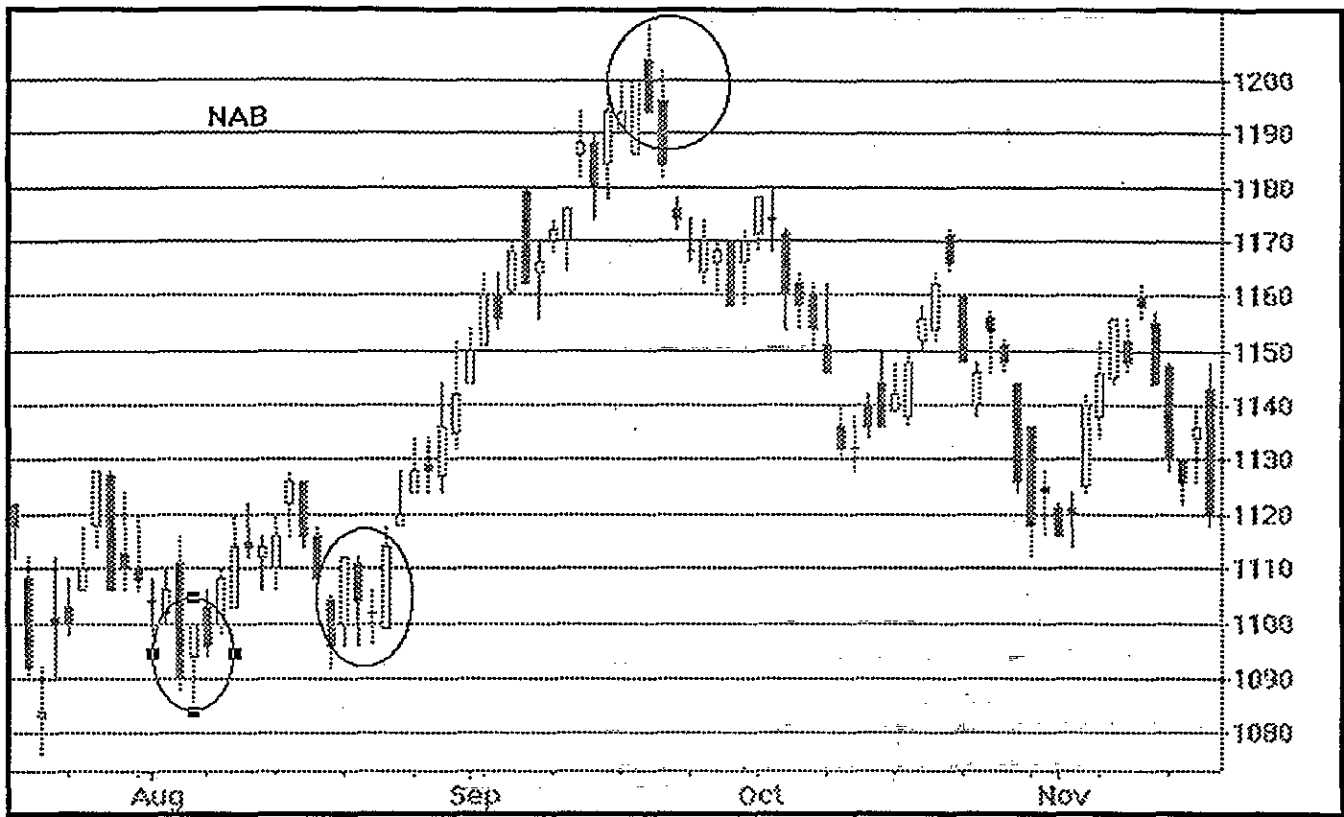
NAB - Harami in early August. The engulfing in late August probably didn't qualify strictly being slightly up from the bottom already, but was clearly bullish. A dark cloud cover signalled the end of the bull phase in September.

NAB clearly has strong current support at the \$11.16 level. Doesn't look terribly exciting to me though with a weakening pattern. Possible rally to \$11.80 ?

CRA - An engulfing signalled the end of the bull phase in August. A subsequent harami marked the reversal for a retest of the highs. Also marked harami in November and engulfing on most recent rally. CRA pattern bullish after break above \$20.60 since retested. Target back to \$22.00.

This short article prepared 17 November to fill a small space remaining in the newsletter. The article is not designed to spot every signal. No doubt there are many additional signals and there certainly are many alternate candlestick patterns present in these charts





OPTIMUM PREDICTIVE FILTERS

by

John Ehlers

INTRODUCTION

Technical Analysis is necessarily reactive to the action of the market. The indicators we develop are largely generated to sense the expected price direction. The predictive nature of these indicators is based on correlation to our past experience, so the expectation is that if something happened before it will happen again. However, none of the indicators are truly predictive in the scientific sense.

In this article we describe what a predictive filter is, how to generate this filter, and (most importantly) the conditions under which the filter can be most effectively used. Like all technical indicators, the optimum predictive filter cannot be used universally in all market conditions. However, carefully observing those conditions where it is appropriate can make it a valuable weapon in your arsenal of technical analysis weapons.

WHAT IT IS

An optimum predictive filter is just the difference between the original function and its exponential moving average¹. That's it! It really is that simple! While the implementation is simple, the derivation is considerably more complex. In general, the response of an optimum system is described by the solution of the Wiener-Hopf equation.

Having defined an optimum predictive filter we must quickly specify the conditions that are required for that filter to be valid. The two conditions are that the amplitude swings of the original function must be limited and the probability of the function passing through its zero value must satisfy a Poisson probability distribution. It turns out that these conditions are easy to satisfy.

Without getting into the math, a Poisson probability distribution means that if there are an average number of zero crossings, then the number of crossings we expect are not too far removed from that average. An approximation to the Poisson probability distribution can be achieved using market data if the prices have been "properly" detrended. It is absolutely crucial that "proper" detrending be accomplished because the buy/sell signals are obtained by the crossing of the detrended price and the predictive filter lines. If the price has not been properly detrended to meet the Poisson probability constraint, then the lines will not cross correctly. It is also easy to satisfy the amplitudeswing requirement using conventional technical indicators such as RSI or Stochastic. Welles Wilder defined the

RSI as

$$RSI = 100 - 100 / (1 + RS)$$

$$\text{where } RS = (\text{Closes Up}) / (\text{Closes Down})$$

$$= CU / CD$$

CU, or Closes Up, means the sum of the day-to-day differential closing prices over an observation period. If the closing price differential is down for a given day, then its contribution to CU is zero. Similarly, CD means the sum of the day-to-day differential closing prices over the observation period. Only declining prices are considered, and these are summed as positive numbers. Using a little algebra and neglecting the scale factor of 100, the RSI is just the ratio of the value of closes up over the observation period to the sum of all closing price differentials as:

$$RSI = CU / (CU + CD)$$

Using this formulation it is easy to see that the RSI has a maximum value of one when there are no closes down and it has a minimum value of zero when there are no closes up. Therefore, the RSI satisfies the condition of having a limited amplitude swings from minimum to maximum. The RSI can be centered on zero (when "properly detrended") by subtracting 0.5 from the computed RSI.

The Stochastic indicator is defined by the equation

$$K = (CL(d) - LO) / (HI - LO)$$

where CL(d) = the current closing price

LO = the lowest low over the observation period

HI = the highest high over the observation period

The Stochastic is also amplitude limited between zero and one. It has a unity value when the current closing price is equal to the highest high over the observation period and it has a zero value when the current closing price is equal to the lowest low over the observation period.

"Proper" detrending of the RSI or Stochastic is accomplished by altering their observation period. Proper detrending might be best understood by examining the extremes of improper detrending. If we used a one year observation period of daily data to create the RSI, the RSI would stay very near 0.5 because the sum of the closes up would statistically be near half the total of all differential closes. On the other hand, the RSI would erratically bounce from 0 to 1 if we had a one day observation period. As we increase the observation period, the indicator takes on more the characteristic of a rectangular wave between the 0 and 1 limits when we plot it. Increasing the observation period still further, the RSI ideally assumes the shape of a sinewave where the peak of the wave barely touches the minimum and maximum values. When this condition is reached, the RSI has been properly detrended. If you look at the market from a cycles perspective, the proper detrending occurs when the observation period is between a half

cycle and a full cycle length. The shorter length is more appropriate if the resulting RSI is near a maximum or minimum value. If you prefer, you get to the same proper detrending if you sequentially shorten the observation period, starting from a long period. In this case, the RSI swings increase until the extremes just touch the 0 and 1 limits.

A Stochastic is more likely to be properly detrended when the observation period is approximately one full cycle period. (A full cycle length is the period between successive maxima or minima of the resulting Stochastic.) It is often difficult to properly detrend the Stochastic because it persistently sticks near a maximum or minimum value. This is a clue that the price is in a trend mode, and the Poisson probability distribution constraint cannot be met. In such cases, the only thing to do is to switch to a trend-following technical approach.

WHAT IT IS NOT

An optimum predictive filter is not a component of a trend following system. Since we are working with detrending indicators, the intended use of the optimum predictive filter is to anticipate short term market turning points. If the conditions of use cannot be met you should not try to force this indicator. It will just end up costing you money.

PREDICTION LIMITATIONS

An exponential moving average (EMA) produces two functional results. First, the averaged output is delayed relative to the original function. Secondly, the output amplitude is reduced by the smoothing action of the average. The relationship between delay and the EMA constant is described in the sidebar for a pure trend mode condition. Delay for the sinewave-like detrended function is more complicated because of nonlinearities.

We can get some insight into how the optimum predictor works if we momentarily ignore the reduced amplitude of the EMA. If we describe the angle generating a Cosine wave as j and the phase angle lag of the EMA as the angle q , then the simplified equation for the optimum predictive filter is:

$$\cos(j) - \cos(j - q) = 2 \cos(j + 90 - q) \sin(q / 2)$$

This equation basically tells us that the phase lead of the predictor will be the complement of the EMA lag angle. We therefore have some control over the amount of prediction we can expect. Further, a very short EMA lag produces near the maximum amount of prediction lead. The short EMA lag is not useful because the amplitude of the predictor is small due to the $\sin(q / 2)$ term.

A number of nonlinearities enter the real-world picture. For example, the EMA lag can never exceed a quarter cycle. The only practical way to assess the performance of the optimum predictive filter is by tabulating the results, as we have done in Table 1. The entry point for Table 1 is the fraction of a full cycle period you expect to induce through the use of the EMA. Knowing the length of the full cycle, you can easily calculate the EMA constant from the final equation in the sidebar. Table 1 shows that the lag angle is very nearly the same as the induced lag when the angle is small, but the lag angle never gets to 90 degrees (a quarter cycle). The table shows that as the induced lag is increased the amplitude of the predictor rises and the amplitude of the EMA decreases. An oversimplification, but easy to remember rule is that the best induced lag is one-eighth of a cycle (45 degrees), resulting in both the EMA and predictor having equal amplitudes of 0.7 times the amplitude of the RSI (or Stochastic).

An even easier to remember rule is to use an EMA constant of 0.25. This corresponds to an induced lag of 3 days. Then, you can expect reasonable performance from the optimum predictive filter for cycle periods over the range from 12 to 24 days. These cycle periods correspond to EMA lag range from a quarter cycle to 1/8th of a cycle.

Table 1
EMA and Predictor Responses

<u>Delay</u> (fraction of a cycle)	<u>EMA</u>		<u>Predictor</u>	
	<u>lag angle</u> (degrees)	<u>amplitude</u>	<u>lead angle</u> (degrees)	<u>amplitude</u>
.05	17	.96	72	.28
.10	32	.87	57	.52
.15	43	.77	46	.67
.20	52	.70	37	.77
.25	57	.63	32	.83
.30	61	.57	26	.87
.35	64	.53	23	.89
.40	49	.50	19	.91

STEP BY STEP PROCEDURE

The following procedure assumes the use of an RSI as the starting point indicator. You can equally well use a Stochastic or other amplitude-limiting indicator.

1. Optimally detrend the indicator by gradually decreasing the observation period so that the peak values almost reach the minimum and maximum indicator limits. The resulting waveform should look sinewave-like, having relatively consistent crossings of the median value. If you cannot get a proper looking waveform, it's probably best to abandon the predictor at this point.
2. Subtract 0.5 from the indicator so that the median value is zero. (Subtract 50 if you use a range described in terms of percent). For simplicity, we will call this the RSI.
3. Take an EMA of the RSI. The most commonly used value of EMA constant is 0.25.
4. Subtract the EMA of step 3 from the RSI. This is the optimum predictive line. Plot the optimum predictor as an overlay to the RSI.
5. The buy and sell signals are generated when the optimum predictor crosses the RSI.

If the signals are too noisy, you may wish to smooth the RSI in step 2 with a moving average before you take the lagging EMA in step 3. Other smoothing techniques can also be used.

EXAMPLES

My approach is to always test my theories on theoretical waveforms before trying to use them in real trading situations. Using the theoretical waveforms allows the testing to be done under controlled conditions. This, in turn, lets me examine the limit of usefulness of the technique. Figure 1 is a theoretical 24 day sinewave. The RSI is plotted below the barchart. The optimum detrending occurs when the observation period of the RSI is a half-cycle, or 12 days. The optimum predictive filter is calculated using 1/8th of a cycle induced lag, or 3 days. That is, the EMA constant is 0.25. Figure 1 shows the reduced amplitude of the predictive filter line and how it leads the action of the RSI itself. Most importantly, the buy/sell indications are provided in time to take advantage of the full cycle swing as a trading position.

Knowing that the optimum predictive filter works in controlled conditions, we can turn our attention

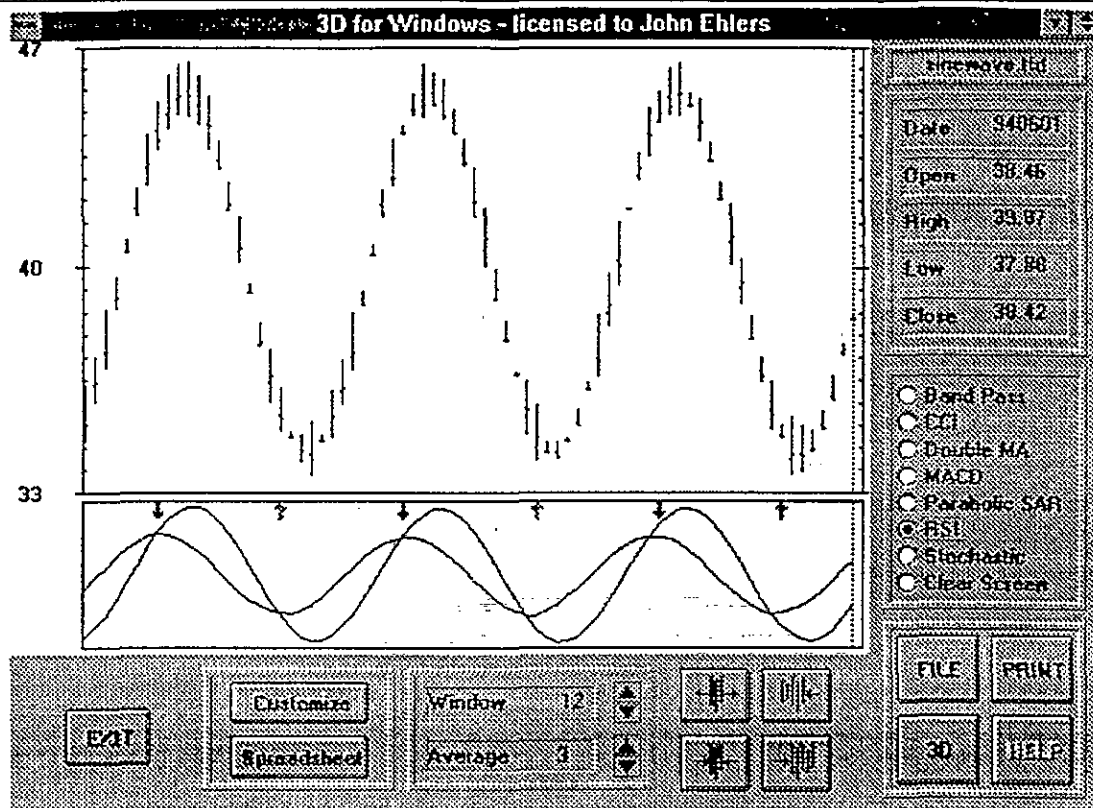


Figure 1
Optimized Predicting Filter for a 24 bar Sinewave

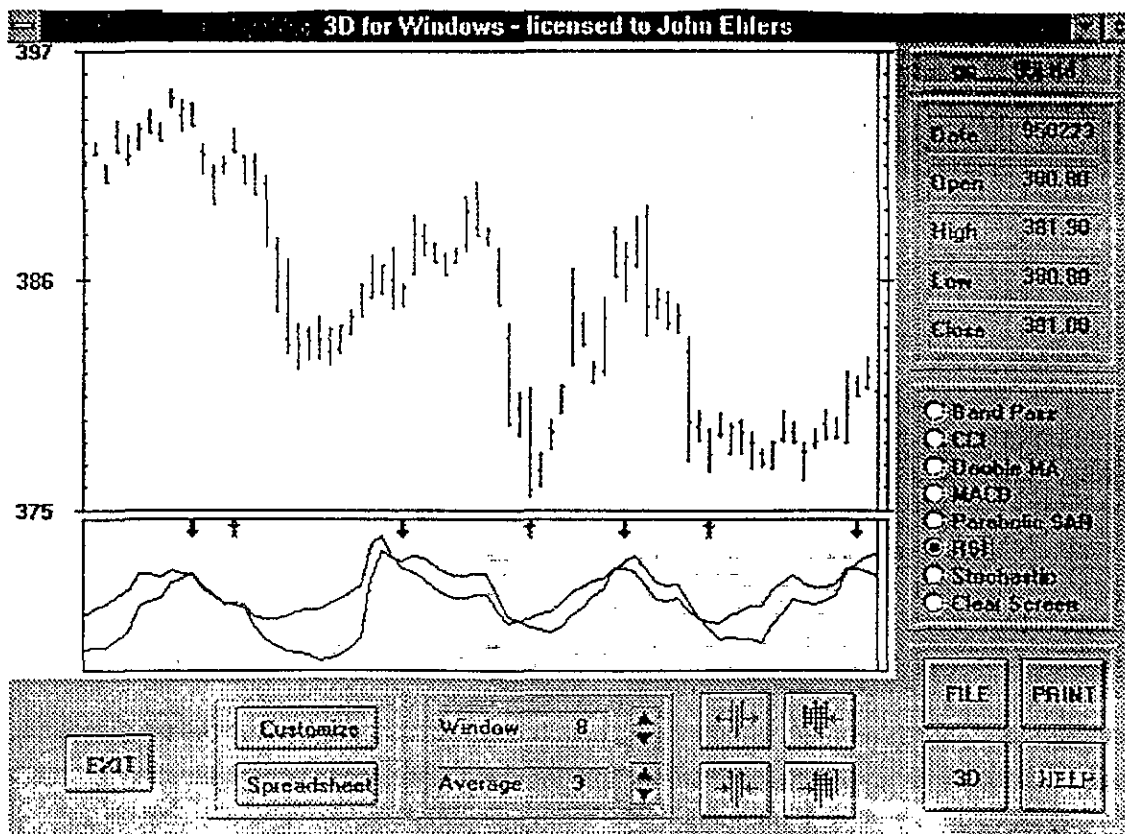


Figure 2
Optimized Predictive Filter for April 95 Gold

to real-world situations. In Figure 2 we have optimally detrended the April 1995 Gold Futures contract using a 8 day period of observation for the RSI because the contract had a 16 day cycle over most of the screen. You can see this 16 day cycle by counting bars between successive major lows or successive major tops. I measured the 16 day cycle using my MESA for Windows software program. We retain the 3 day induced lag for the EMA. The resulting buy/sell signals, indicated by the up and down arrows where the optimum predictor crosses the RSI, are outstanding where the contract was properly detrended! Detrending was not proper in the left third of the chart, and bad signals resulted. At the expense of being redundant, the indicator works because all the conditions have been met. The RSI has been "properly" detrended. As a result, the crossings of the median values have an approximate Poisson probability distribution, i.e. these crossings occur regularly. We are rewarded in our search with these outstanding trading signals.

SKINNING THE CAT

The response of an optimum system is described by a solution of the Wiener-Hopf equation. There is more than one solution to the equation. The various solutions are determined by the characteristics of the waveforms being filtered. In the case of the optimum predictive filter we have just described, the signals were required to have limited amplitudes and to have a Poisson probability distribution of their median crossings.

Other optimum predictive filters are possible. For example, an optimum predictive filter is part of the BandPass Indicator. The BandPass Indicator will be the subject of a future article. This kind of predictive filter is described as a "pure predictor" because it does not consider the impact of noise. Since the pure predictor is not constrained by noise considerations, the amplitude of the originating function need not be limited nor are there any probability restrictions on its use. The pure predictor is generated by carefully scaling the momentum of a smooth function. If the function is noisy the pure predictor is so erratic that it is almost useless. However, the pure predictor is appropriate for use with the BandPass indicator because the higher order filters used in the calculation provide a high degree of smoothing. The BandPass indicator can be found in my MESA for Windows and 3D for Windows programs.

CONCLUSIONS

An optimized predictive filter can be generated as a minor extension of conventional indicators such as the RSI or Stochastic. The predictive filter can be programmed into most toolbox programs, improving the functionality of the indicator. While the optimized predictive filter can be valuable, the conditions for its use must be carefully observed. These conditions are that the RSI or Stochastic must be properly detrended and the resulting crossings of the median value must be relatively consistent. The typical prediction is approximately 1/8th of a cycle. For a cycle as short as 8 days, this is a one day advance warning - just enough

to make an entry at the proper time. When the cycles are longer, you may want to wait a day or two before making an entry because the prediction is a little early. In any event, the optimum predictive filter is major tool to overcome the reactive nature, i.e. the lag, of technical indicators.

Appendum

The relationship between averaging lag and the EMA constant

The equation to compute an Exponential Moving Average (EMA) is:

$$\text{EMA} = a * F + (1 - a) * \text{EMA}[1]$$

where a = EMA constant

F = Function being averaged

$[1]$ = "yesterday's" value

Picture a function that increases by 1 for each new day. Then, on the generalized "ith" day the function will have a value of "i". Assume the EMA lag is K . Then the EMA will have a value of $(i - K)$ on the "ith" day and will have a value of $(i - K - 1)$ on the previous day. Inserting these values in the EMA equation, we have:

$$\begin{aligned} i - K &= a * i + (1 - a) * (i - K - 1) \\ &= a * i + i - K - 1 - a * i + a * K + a \\ 0 &= -1 + a * K + a \\ a &= 1 / (K + 1) \end{aligned}$$

Thus, the EMA constant is computed as the reciprocal of one plus the expected delay. This method of determining the EMA constant is far more functional than relating the EMA constant to a simple moving average period.

JOHN F. EHLERS

John is an acknowledged expert regarding short term cycles in the market, having written extensively in major publications and spoken internationally on the subject. He pioneered the scientific use of cycles in trading with his acclaimed MESA computer program. John is the author of the book "MESA, and Trading Market Cycles", published by John Wiley.

John is an advocate of adapting technical parameters to current market conditions. His current work includes bridging analyses in the time domain and frequency domain. Frequency domain analysis is of interest because tunable higher order digital filters can be designed to eliminate undesired signal components.

New Videotapes in the Library

Reviewed by Colin Nicholson

The Videotapes reviewed in this article are:

- * *Glen Ring: How to Capture Big Profits From Explosive Markets*
- * *Dr Alexander Elder: Trading For a Living - New Tactics*
- * *Bob Koppel and Howard Abell: High Performance Trading - The Mental Advantage*
- Ken Sheehusen: How to Profit From Chart Patterns and Technical Studies*
- Jon Najarian: The Super Trader's Essential Foundation and Key Strategies for Successful Options Trading*
- * *David Caplan: The Options Advantage*
- * *Joe Krutsinger: Trading System Development*
- * *Glen Ring: How to Profit From Trends in Futures*

GLEN RING: HOW TO CAPTURE BIG PROFITS FROM EXPLOSIVE MARKETS

This videotape runs for 35 minutes, but it never loses your attention. It is packed with really useful and practical information. Some of Glen's other videos seem to labour the point at times, but this one leaves you wishing that he had spent more time on some ideas.

Glen starts off by exploring the difference between a beginning trader and what we all hope to become, a professional trader. He explains how trading is, to many people, like a board game except there is no instructions to tell you how to play. Yet the ability to follow the rules is the key to successful trading. The key skills are discipline and patience. Discipline means following the rules.

Glen then goes on to explore the difference between being an analyst and being a trader. He shows how the analyst is a predictive creature, while the trader is a reactive creature.

Glen then asks the key question, which is "How do you define a good trade?" Before answering it, he poses the question of whether a good trade has to be a profitable trade.

Finally, Glen gets to ways to trade explosive moves. He tells you how often you can expect to find them in the markets and how long they typically last for. This is where patience comes in, for the rest of the time the trader should be out of that market.

Glen explains where the dramatic moves come from - the sort of chart pattern to look for - and how to know which moves have the most potential.

This is followed by the most important part of the tape - how to trade these explosive markets. Glen is nothing if not colourful when he explains why successful trades are like eating an orange rather than like a dog chasing a car. However, more seriously, he shows lots of examples of a basically simple concept. He not only shows entry points, but indicates where he places his stops.

The key questions asked and answered in the examples are:

- * Is this an opportunity?
- * What would it have to do to trigger an entry?
- * If you enter, where is your stop?
- * How are you going to get in?
- * How are you going to manage the trade?

Glen sums it up by saying that trading is simple, but not easy. It is simple because there are clear rules. The difficulty is in following them. After watching this tape, you will know what the questions are and how Glen would answer them. Whether it suits your personality, as always, is up to you to decide.

DR ALEXANDER ELDER: TRADING FOR A LIVING - NEW TACTICS

This is a two-tape four hour edit of Dr Elder's most recent one day seminar. It was taped earlier this year in the US and is substantially the same as the seminar in Sydney in August this year. The Association has acquired three copies of these tapes, to reduce the waiting time on what is bound to be a very popular item.

In the Seminar, Dr Elder covers much of the ground in his best selling book Trading For a Living. However, it is much more, because it includes new tactics Dr Elder has developed since writing the book. The outline of the seminar is as follows:

Trading Psychology

- Individual psychology of a trader
 - Winning and losing
 - Entertainment and gambling
 - Permissiveness and discipline
- Mass psychology of the markets
 - The group and the individual
 - Emotions and intellect
- Losers Anonymous
 - Applying the rules of Alcoholics Anonymous
- Introduction to money management

Technical Analysis

- Classical charting
 - Patterns and trend lines
- Computerised technical analysis
 - Trend following indicators
 - Oscillators
 - Volume based indicators

Trading Systems

- Combining different time frames
 - The Rule of Five
- Combining different indicators
 - Dual moving averages
- Setting profit targets
 - Envelopes and channels
- Combining different indicators and time frames
 - Triple Screen Trading System

Risk Control And Money Management

- Private and institutional traders
 - The 2% Rule
 - The 6-8% Rule
- Trading for a Living

All members are encouraged to see this tape as it covers all aspects of trading the markets. The concepts are easy to follow and will assist in the development of a complete plan for trading. One of the most important aspects is that it approaches the markets as a professional does. That is, it concentrates on managing trades, rather than trying to forecast the markets. It does not try to forecast the markets, the major psychological error that beginners fall into.

BOB KOPPEL AND HOWARD ABELL: HIGH PERFORMANCE TRADING - THE MENTAL ADVANTAGE

This is a series of four one hour tapes which derive from Koppel and Abell's best selling book *The Inner Game of Trading*. Those that have read it will know that there is excellent material in it, but it is written in a very succinct manner. On these tapes, the authors take you through the material in a more expansive manner, filling out many of the ideas. Both speakers are highly articulate, very professional speakers who write up their main points so that you can compile your own structured notes of what the points they make.

I would recommend this series to members at any level of trading experience. It might be of more relevance when you have had a little trading experience, but I would not want to put beginners off viewing it, because it may cut down your learning time by making you aware of what really determines your trading results. It might be valuable to revisit the tapes at a later time to check how you are going.

This tape series is aimed at traders who have tried many different approaches and are looking for the way to develop a winning system. It will show you that the answer is not in the analysis, but in the way that you use it. I believe that only the most successful of our members would not benefit from exposure to this material. If you think you can do better than you are doing now, then this series is for you.

Tape 1: The Inner Game of Trading.

This session is presented by Bob Koppel. His objective is to show you ways of becoming a more confident and disciplined trader. To do this you have to be prepared to follow him in suspending your beliefs about markets and start looking at markets in an unconventional way.

Most people have an idea of the problem of trading being to break the code of method and understanding that will unlock the results they want. Bob will show you how this is the wrong approach. That markets are always subjective and different for everyone. Therefore there is no single right approach. There is, then, no holy grail for trading the market, but it is within all of us the ability to develop psychological skills to handle the markets.

Bob believes that the best traders have confidence - which comes from a proven methodology. He goes beyond this and explores the characteristics of successful traders. He also deals with the key aspect here, which is the psychology of a losing position.

The proposition is presented that, if you ask top traders how they turned the corner to being a successful trader, they do not talk about analysis, but about personal characteristics.

Bob examines a number of common market axioms. He explains how they are all good rules to follow and, indeed, all you have to do is to follow them. Most of us know or can easily find these axioms in books. So why do people fail in the markets? Bob believes that the reason is the same as for why technical analysis does not provide the answer on its own to successful trading. This is a critical insight on this tape. You may be surprised. Then again, you may wonder why you did not realise it before.

The tape concludes with a discussion of the psychological skills for winning traders. There are nine key skills that are explained: Compelling motivation, goal setting, confidence, anxiety control, focus, state management, self talk, optimism and mental conditioning. This last skill is the key - the most important aspect of trading. Bob returns to it again in even more depth on the fourth tape.

Tape 2: The Top Traders - What They Do That You Need to Know.

This session is also presented by Bob Koppel and he launches into it by ruminating that it is wrongly titled. He suggests that a better title is: *The Top Traders - What They Do That You Need to DO*. In other words, knowing it is not the problem - most of us already know what they do. The difficulty is in doing it.

Bob takes us through the keys to goal setting, suggesting that goals have to be specific, need a time frame, be positive, be within our control, be realistic and be measurable. He explains what each of these points mean and why they are on the list.

Next, he explores the three step syntax of successful trading. In other words, he boils down what successful traders do to three simple things: Identify a signal, react automatically and feel good about the trade - win or lose. Ok, so this should not be news to any of us. So why do we not do better in the markets? A lot of it comes down to how we think about losses. In fact, Bob

puts forward the point of view that how we think about losses dominates all our actions in the market. This is a very powerful section of the tape and you will recognise yourself in the reactions he describes.

Finally, Bob spends a lot of time taking us through the fourteen essential psychological barriers to success in trading in detail: Not defining a loss, Not taking a loss or a profit, getting locked into a belief, getting Boston strangled, Kamikaze trading, euphoric trading, hesitating at your numbers or points, not catching a break out, not consistently following your system, being more interested in being right than in making money, not focusing on opportunities, being perfect, not having a good money management program and not being in the right state of mind. Recognise any of these problems? Not know what some of them are? You had better watch this tape then.

Bob concludes the tape with the provocative statement that some people say that the markets take no prisoners. In fact, he believes that they take many psychological prisoners through the barriers described above. He has been there. Haven't we all?

Tape 3: Technical Analysis and You.

This session is presented by Howard Abell, who gets straight into it by emphasising that the operative word in the title is YOU.

His basic proposition is that to be a good trader you need to master technical analysis. However, he will show that there are many good systems and that the simpler they are the better.

He then describes a really original system - that of Joe Trader. The humour in what he describes is gradually replaced by an understanding that Joe's system has all the key elements in a successful system: Total belief in the system, confidence, control of anxiety and control of state of mind. This is one of the most memorable analogies in the entire series.

Howard then puts forward the proposition that the professional trader's edge is having a system and following it. Moreover, he maintains that any technical system can work if your inner game works for you. He then goes on to look at the essential elements of edge in the markets. He looks at the positive side and contrasts it with the negative outlook that has no edge - the characteristics of unsuccessful traders. He will take you through seven key elements: Patience, discipline, strategy, expertise, motive, goals and risk control.

So it all comes back to it not being difficult to develop a technical system that works - there are plenty out there to pick up and use. However they are only as good as what you put into them. Losses are the only constant. The only thing that is really important in trading is how you handle them and what relationship they have to profits.

In order that you can recognise them, Howard takes you through the four key elements of a successful technical system: Trend identification (higher highs and higher lows - trend lines are derivative, moving averages and trading range break outs), entry and exit mechanisms, re-entry mechanisms (often the most powerful opportunities) and money management.

He presents an example of a well thought out money management plan and shows how you only need to be right three times in ten to make money.

Finally, Howard shows some simple technical trading systems and how they all work - if you have the confidence and discipline to follow them. Included are trend lines, break outs, Gann and Fibonacci.

Tape 4: Winning States of Mind

This session is presented by Bob Koppel and very much brings it all together with how you go about being a professional trader. He explains how no one really knows what is going to happen in the markets. If you think they do, or that you do, then you are still thinking like an amateur. However the irony is that you must approach each trade as though you do know. You must think in probabilities and operate in certainty.

Bob explains how we have all experienced frustration, disappointment, losses and feel bad about our trades. What separates us from the successful traders is that they have found a way to separate themselves from it. What separates people is not the events in their lives, but how they interpret them and how they act on it.

Next, we are taken through the four characteristics of successful traders: Commitment, conviction (what you believe about yourself will affect the way you trade), constructing new patterns of behaviour and conditioning.

This leads into a discussion of the key to the whole series: State of mind. Positive and negative states of mind are described and contrasted. The basic proposition is that being in a positive state of mind will assure a better result than when in a negative state. This is exemplified in the common problem of traders thinking that they have a good system, but cannot make it work. The problem is with the trader, not the system. Changing state of mind will help. Top traders know how to trade in a good state of mind. So, how do you achieve it?

Bob shows three ways to achieve a good state of mind for trading: Through changing your physiology, your beliefs and your thoughts. He demonstrates techniques for all three ways. Of particular interest to many will be the proposition that we cannot change beliefs through reason. If you have been trying to improve your trading by reasoning your way to a different methodology, you need this tape. Bob shows you the three ways to free yourself when the market has made you a psychological prisoner.

Finally, Bob examines the three winning states of mind: Expect the best about yourself, Establish a personal standard of excellence and knowing yourself. Getting to the next level of trading does not come from learning a new technical technique, it is from learning how to develop these personal characteristics.

Bob leaves us with a challenging proposition: That most traders do not trade to win, they trade not to lose. There is a huge difference. When you trade to win, you have to do everything you possibly can to produce the result you want. It begins with the recognition that you produce those results. This series of tapes is about how you change what YOU are producing.

KEN SHEEHUSEN: HOW TO PROFIT FROM CHART PATTERNS AND TECHNICAL STUDIES

This is a series of three one hour tapes. It is most suitable for traders with some experience as many things are assumed in the tapes, such as how the indicators are calculated. Thus absolute beginners should watch some of the Elder and Pring tapes on the indicators before coming to these. Experienced traders will get quite a lot out of this series and in particular the third tape, where Ken goes through some of his trades in detail using several indicators.

Tape 1: Chart Patterns You Can Use to Time Your Entry and Exit.

The tape begins with a section on setting goals, which is general advice on formulating a trading plan.

Ken then goes on to outline the familiar four keys to successful trading: Trade with the trend, keep your losses small, let your profits run and use good money management. However, he believes that these are too vague to be useful. So, this tape series is primarily about how to do these things in practice.

One important insight Ken outlines in this introductory section is the need to do the exact opposite to market sentiment when in a trading range. He could have added that the same is true at the beginning and especially the end of trends.

The tape then takes us through the various chart patterns, including: Gaps, Tops and Bottoms (reaction highs/lows, double tops/bottoms and head and shoulders), Flags, Wedges (rising and falling) and Triangles (Ascending, descending and symmetrical). The use of double moving averages in trends is also dealt with briefly.

What is good about Ken's approach, is that he shows the theory and then follows it up with actual examples in the markets. Of even more value, he explains where to place stops for each of the patterns.

Tape 2: Key Technical Indicators You Can Use in Both Trending and Range Bound Markets.

This tape is devoted entirely to actual examples, which Ken uses to explain the theory and practice of using the different indicators.

Ken takes one market and shows in turn how you use ADX, MACD, Momentum, 5/34 Moving Average Oscillator, RSI and Stochastics in a trading range. He then takes the same market for the trend that follows break out from the trading range and again goes through use of each of the indicators on that situation.

Stress is placed on the importance of using chart signals to confirm when to act on indicator signals. This is especially so with divergence, which is not a time to act on a new trade, but a signal to look for a new opportunity. One point that Ken could have brought out better, was the use of divergence to lock in profits - that is, as a signal to exit a trade rather than to initiate

a new one. Entry on a divergence must await a chart signal.

The last part of the tape is devoted to looking at a weekly chart to determine intermediate term direction and then moving to the daily chart to trade.

One of the pitfalls of discussing markets in hindsight is that we tend to be selective about the observations we make, glossing over or ignoring the ambiguous signals we need to interpret when trading in real time on the right hand edge of the chart. Rigorous analysts will encounter some of this problem in Ken's examples - especially at one point where he indicates a turn near but not at a trend line that was not established until later on in the chart. However, we are all guilty of this from time to time and it does not detract unduly from the overall value of the tape in watching Ken take you through the principles of analysing a market in practice.

Tape 3: How to Build a Winning Trading System by Combining Technical Indicators and Chart Patterns

This is where Ken tries, successfully, to bring together the use of chart patterns and indicators. He takes us through several of his recent winning trades and explains at each point how he analysed the chart and the indicators. He also shows where his stops were.

The approach is to start with monthly or weekly charts for the big picture. Then he takes us through the daily charts in detail. One very strong section deals with examples of how to use trend lines and channels with oscillators to exit positions. He also shows where to place stops in relation to reaction highs/lows, gaps and the four day rule.

Experienced traders will get a lot out of this tape, even if they do not bother with the first two tapes.

JON NAJARIAN: THE SUPER TRADER'S ESSENTIAL FOUNDATION AND KEY STRATEGIES FOR SUCCESSFUL OPTIONS TRADING

This is actually two separate video tapes. However, Essential Foundation is only short and leads into Key Strategies, so they will be loaned together.

Essential Foundation

This tape runs for 15 minutes and features Jon Najarian alone. He begins with a definition of essential option terminology. Then he goes through the alternatives available to buyers and sellers of options.

An important passage on the tape follows, when Jon explains options by analogy in terms of insurance. He deals in turn with Price (value of the underlying security), Deductible - or excess in our market (set by the strike price), Time (how long the asset is insured), Interest Rates and Volatility (level of risk). These, of course are the inputs to the Black Scholes and many other option pricing models.

Jon then discusses theoretical value versus market price and why they are different.

Finally, different types of volatility are explained and discussed: Historical, Actual, Implied or derived and Event volatility, which is the result of extreme supply or demand.

Key Strategies

This is a longer tape, running an hour and a quarter. Jon Najarian takes the first section and then hands over to three experts in different areas of option trading to explain their own area.

In the first section, Jon talks about how he trades as an introduction to implied volatility. Some of the things he discusses are: How he got started; What mistakes he made; Trading in volatile markets; What is most important for the public trader; Discipline and objectives; What is a volatility crush.

In the second section, Marty Kearney explains long premium trading or buying options for huge profit, "home run" trades. Some of the things he deals with are: Why he trades long premium; How option prices are determined; Which options to buy; How to know when to sell; What is the best strategy to employ.

In the third section, Dan Sheridan explains short premium trading or how to get excellent returns with safety - the professional trader's favourites. Dan explains the edge that he has, based on probability and time decay being in his favour. He tells you what you need to know and what you do not need. Dan explains why he uses spreads exclusively. Some of the strategies he explains include: Bear Call Spread, Bull Put Spread, Covered Straddle and The Four Way, a strategy he uses 90% of the time, but you will not find in the text books.

The keys to Dan's strategy are: Risk management, letting the strategy work for you and DISCIPLINE. If you trade options, you should know what Dan does, as professionals like him may be on the opposite side of your market.

In the final section, Audrey Johnson discusses order execution strategies on the basis that the three most important things to know here are: Your broker, what happens to your order on the trading floor and just how badly you want to put your trade on.

Audrey takes you through a particularly clear and simple explanation of order types including: Market Order; Limit Order; Public Book Order; Contingencies; Market On Close and Market On Close Limit; Stop and Stop Limit; Immediate Or Cancel; Fill Or Kill; All Or None and Combination Orders.

If nothing else, this tape is informative from a very practical viewpoint as all of the speakers are professionals working in the markets. Theory is made simple and easy to understand in a market that can be very complicated.

DAVID CAPLAN: THE OPTIONS ADVANTAGE

This title comprises two tapes running one and a half hours each. The tapes should be of interest to both beginning and more advanced options traders. Advanced traders might like to go directly to the second tape, but I would recommend viewing both.

Tape 1: How to Find Options Trading Opportunities

The objective of this tape is to show how options work and how to use options in hands-on trading. Strategies will be outlined that you can use straight away. Most importantly, the tape aims to describe the discipline to trade only when these strategies can obtain a trading edge.

David maintains that most people use options because of their limited risk factor, their cheapness and the leverage involved. However, he believes that these are also the three most common reasons why they lose in the options market. They are in fact only characteristics of options, not reasons to use them. The only valid reason to use options must be seen as to gain a valid edge over the market. This is what this tape is all about.

The meat of the tape begins with a brief overview of options. David then lists the only four strategies that he uses: Neutral Position; Ratio Option Spreads; Free Trade; Calendar Spread. This is because he believes that these are the only strategies that are cost effective and have a high probability of profit for the off-the-floor trader. David includes rules for using the strategies and for money management.

A very valuable section of this tape for beginning traders (and maybe also some advanced traders?) is a discussion of the most popular misconceptions about options and why they are false. Good examples of each misconception are shown and the reasons why they are false explained using clear theory diagrams.

Next, the tape explains volatility and why it is important. This is a very clear explanation with good examples. David goes on to show how to use volatility to predict major moves in the markets. You should understand and instantly recognise this set-up. He builds on this by showing how to use volatility in buying and selling options.

David maintains that to effectively buy options, your strategy must have three factors in your favour: Identify the right option; Identify the right market; Identify the right volatility level. He outlines very clear rules without complicated mathematical formulas.

Tape 2: How to Put "Trading Edge" Options Strategies to Work

This tape picks up from the first tape and takes you through the four strategies that David Caplan uses.

David starts off with explaining what a disparity in options prices is and how to recognise it. This leads into a demonstration of the Free Trade strategy. David discusses all of the "what if" situations and what to do in each case.

Next, David deals with the Neutral Options Position, which looks to profit from the market trading in a range. It is also known as a "Strangle". He shows when to use this occasionally dangerous strategy. It is important to understand the risks here. However, it is important as markets spend more time in trading ranges than trending, a major reason why option buyers lose consistently.

The Ratio Spread is then dealt with. David demonstrates it using calls, but it can also be done using puts. He then shows the In-the-Money Debit Spread, which is a variation on the Bull and Bear Spreads.

Finally, David shows how to mount the Calendar Spread strategy.

David then makes some valuable observations on the need for the strategy you use to reflect your view of the market. However, that is not the key to profits, which is to use a strategy to move the probabilities in your favour.

This is followed by analysis of volatility patterns in current (1992) markets. This is valuable in reinforcing the way he looks at the markets.

The last segment shows the correct way to use a computer in the options markets and finishes up with advice on how to organise your trading plan.

JOE KRUTSINGER: TRADING SYSTEM DEVELOPMENT

This series consists of three one hour tapes. Joe is a very good presenter and succeeds in dealing with quite complex subject matter in a manner that should be easily understood by beginners. The tapes are full of commonsense as well as being very well structured to take you through many aspects of this subject. These tapes are about how to develop a valid system, rather than taking you through detailed formulas.

One point that many members will be interested in is whether he gives away his secrets. Well, the actual systems he uses are not the secret to success, it is all the other discussion on these tapes. Joe does give the formulas for some systems, but this is only so as to illustrate the principles. He is quite candid in saying that he teaches the systems he used to use before refining them to the systems that he trades now. If you are going to make proper use of these tapes, you need to be prepared to THINK. Joe makes the good point that systems wear out and have to be revamped. Unless you are prepared to do the hard work, any system he gives you will lose its power sooner or later anyway.

Tape 1: Trading System Development 101 - The Building Blocks of a Successful Trading System.

Joe starts by warning that this is a complex topic, but indicates that he will look at the fundamentals and basics in a simple manner. He begins by explaining the advantages of systems trading over discretionary trading. He sees the problem with discretionary trading being that you can never admit you are wrong. He advocates the systems approach mainly because it takes some of the emotion out of trading. However, he is not just a salesman for his ideas. He also cautions you on the big problem with systems trading - its implementation. He also makes the important point that all trading systems do not have to be technical.

Joe says that a system needs three essentials: Where you get in; Where you get out of winners; Where you get out of losers. The discussion then moves on to looking at what makes a good system, leaving until later the question of how to develop one. He stresses: The need for a clear objective; That the system must suit you - your capital, your time availability and your biases; The need for liquidity in the market traded; That there must be simplicity in the rules of the system.

The subsequent discussion stresses the placement of stops extensively. Also that most people developing systems concentrate on entry techniques, when the key to profits is the exit system. He also talks through the need to have a re-entry technique. Finally, he outlines how to evaluate a trading system.

The tape concludes with Joe giving a formula for a powerful system based on channel break out which has been well known for many years.

Tape 2: Trading System Development 102 - Tailoring a System to Fit Your Personality and Temperament.

This starts by reviewing tape one, so it is possible to get on with tape two without seeing tape one. Joe also discusses further the successful system shown in tape one.

Then, Joe demonstrates the Trade Station software. He shows every step in the process and shows editing for variations, for example, with or without stops. He believes that Trade Station is the best software to implement a plan developed on System Writer, which is the next software he demonstrates. System Writer is seen as being strong on system testing and is therefore best for research. Next, he demonstrates Portana, which reads System Writer files and is best for "what if" studies on multiple systems. A very powerful analytical feature is its daily equity line. Finally, Joe demonstrates One Day at a Time, which is really a training system, so is best for learning. It has excellent charting features and can be used as a game.

Joe expounds how the most important thing is to look at the losses, rather than the profits in a system as most people do. You have to be able to handle the losing periods or you will not be able to implement a system.

Next, Joe takes us into the most important part of the tape - how to build and test your own system. He looks at optimisation, selection of bet size and determining which markets to trade. He explains a very interesting way of developing a system for changing markets. Included is a discussion on the best way to overcome the big problem of systems trading - implementing it consistently. On optimisation, he shows the simple rule of thumb for doing it properly. Throughout, he gives a lot of common sense ideas on testing systems. He also warns you how unscrupulous system vendors can use setback to hide large losing periods in a system.

The next section looks at types of systems. He looks at trend following and momentum indicators and tests some systems, starting with a Stop-And-Reverse (SAR) system. He shows how to take a poor SAR system on daily data and make it a better system on tick data. He then shows you how to come up with your own system ideas, by doing what the great traders and system designers do.

Finally, Joe explains how systems get old and there is a time to change them. He talks also about how to benefit from and improve upon other people's work.

Tape 3: Trading Systems Development 103 - Systems Trading

Again, Joe starts by summing up the material on the first two tapes, so that you can get into tape three directly.

Joe shows how to build sophisticated futures trading systems: Unveiling several trading systems that incorporate key technical tools; Defining the trading rules; Testing systems for profitability, percentage of winners and losers, average profit and loss and maximum draw down; Evaluating both day trading and longer term systems.

In an important section of the tape, Joe shows an example of a momentum indicator SAR system, using it to show the importance of knowing the logic of why the system works.

Next, Joe shows an example of a volume system, to demonstrate how to use time and volume in a system. He also talks about how he tests systems by trying to break them. He follows this with an outline of a complicated system to show what can be done with indicators. Joe presents this as the key to all indicator systems from which systems using various indicators can be developed.

Joe goes on from there to look at unusual systems based on risk management, unusual time frames, day of the week and time of day. Many are based on the interesting premise of doing the opposite to what most people do in a situation. He does an interesting comparison of Parabolic SAR versus buy and hold on IBM.

Finally, he looks at the future of trading systems, discussing Chaos Theory, Artificial Intelligence and Neural Networks and he tackles the question of whether recent advances in market analysis will lead to better trading systems.

Joe finishes with a very important caution - understand your system and, if it won't fit on a bumper sticker, don't trade it.

GLEN RING: HOW TO PROFIT FROM TRENDS IN FUTURES

This is a series of four one-and-a-half hour tapes. Glen is a very good presenter, who makes his points clearly and with many example charts. It deals with futures examples, but I felt that the material could be very well applied in stock markets as well. This series will be of particular interest to beginners, but will be good revision for more experienced traders. I found that what Glen teaches is a really firm foundation for trading. This series is fairly heavily Gann based in parts, but then Gann taught a lot of fairly mainstream ideas as well as his own more arcane methods. One warning: The first two tapes have a break after about 55 minutes while they changed tapes in the camera - be sure to stay watching for the second half.

Tape 1: Understanding Trend Spotting Tools

I was expecting a heavily indicator-based tape, but was pleasantly surprised to find much of it to be really solid charting. Glen begins by defining trends in terms of the three phases in the markets. He explains what is significant about sideways patterns.

He first looks at support and resistance represented by old highs and lows in terms of trend dimensions on long term charts. He goes on to look at support and resistance in general terms, showing how re-tests represent opportunities for trading trends.

Next, Glen looks at trend lines and carefully defines how to draw a trend line. He shows the power of simple trend lines and includes some less than perfect examples of failed break throughs. He also demonstrates the use of extended trend lines.

There is an interesting diversion into how people tend not to believe what the charts are telling them - trust what you see, not what you are told.

This is followed by a discussion of trend channels.

Glen then introduces Gann support and resistance levels, before moving on to Gann methods of time for finding trend terminations. He discusses the three major events at time turns.

The next section deals with a very detailed discussion of cycles in time in general. However, Glen gives a very important warning against trading on time alone: ie. It is valuable, but not a system in itself. He makes some interesting observations on the significance of cycle inversions or counter trend highs. This section is concluded with an explanation of Gann eighths, anniversaries and quarter year turn points.

The tape concludes with comments on using all these turning techniques together. However, he warns about trying to pick tops and bottoms of markets.

Tape 2: Trends in Action

Glen begins by confronting the problem of how to define a trend and takes you through it in detail. High quality trends are seen as running 5 to 13 weeks. They are found in most markets 1 to 3 times a year. This highlights the need to choose when to be in and when to be out of a market. Glen sees trends as the pre-eminent indicator in the markets.

Glen makes an interesting specification in his trend analysis that reaction highs and lows must be taken out on the close to break a trend. As in all his examples, Glen demonstrates where to place stops and when to move them. He concentrates on exits as well as entries.

Next, Glen identifies the end of a trend and stresses that new trends do not often begin immediately in an opposite direction.

The discussion then moves on to what precedes a trending move. This is a very important part of this tape. Glen shows an important example of not seeing the forest for the trees and missing a major trend. I will be incorporating this point in my courses as it is even more relevant to stock markets, especially using computer charts.

Glen then takes you through several examples in detail. He shows how to trade the trends, when to enter, where to place stops and when to exit. He demonstrates an excellent idea in his three step entry technique, which can be used in any market.

The tape then spends some time discussing gaps, their significance and how to trade them. This is followed by some good observations about head and shoulders patterns and targets from them, including an important exception.

This tape is concluded with the observation that the key to trading trends involves two things: Patience, to let the trend unfold and Discipline, to act on the signals.

Tape 3: How to be a Winner in the Markets

I was wondering what Glen was going to talk about for four tapes on trends. This is the third tape in a series about trends, but it hardly mentions them. Instead, it sets the scene for the last tape. It is all about trading psychology and - this is a big call, I know, but - I think it is one of the best tapes in the library. If you have watched some of the other Glen Ring tapes in the library - and I have seen the lot - you might not bother to watch them all. Well, do not miss this one. This is not about technical analysis, it is about the secrets to successful trading. Sure, very little of it is truly original, but Glen has assembled the best ideas from many sources. And there is more - it rings true as coming from the personal experience of a long time trader, who tells you how he learned to be a good trader.

The review of this tape is longer than normal, for which I do not apologise, because I think there is so many really good ideas to consider.

The tape begins with Glen posing the proposition that what we need to do to be a good trader is well known: Trade with the trend; Let the winners run; Cut the losers short. However, most of us find the real difficulty is finding HOW to DO these things. The challenge is to play the game the way it works, not how you think it works. To play the game, you must have some rules. The most important skill in trading is to follow these rules ie. DISCIPLINE.

Glen sees trading as a process, which can be broken down into simple steps. He then takes us through a fascinating discussion of whether intelligent or average people are at a disadvantage in trading.

This is followed by an interesting analogy to driving a car to split the problem into mechanics and doing. Some of us concentrate on the mechanics and overlook the doing. To learn to trade, you need to study the top performers. Glen tells how he woke up to this in his own trading after 15 years of fruitless trading, despite an excellent record of predicting tops and bottoms in markets and when they would take place. So, he set out to study what the best traders had in common and found that there were three common denominators: Their individual psychology, their money management skills and their methodology. He found that 80 to 90% of their results came from their individual psychology. This is the foundation of your trading structure. If it is unsound, no amount of excellent technical analysis will save you, though money management might help. However, money management is also affected by the way you think.

So, the main difference between winning traders and beginning traders is HOW THEY THINK. It comes down to an issue of belief. Glen explores what a belief is. Why it is important is that stubbornly holding to an inappropriate belief is not conducive to good trading. He gives the personal example that his belief that being able to predict tops, bottoms and turning times in the markets was the key to trading success - it was useful, but not essential. Hence his failure to make much money trading.

Beliefs do not have to be facts, but they have to be useful in the markets. He explores some common beliefs about trading. Then he leads into discussion of 12 beliefs about trading held by many top traders. Beginners and even advanced traders may find that many of these challenge their current beliefs.

Glen then looks at success, finds that it is a mind set and that it is different for each person. One thing is clear though - if you do not know what it is, how can you achieve it? Glen suggests an interesting and useful generic definition to work with.

The next idea is that success in trading is having useful rules AND FOLLOWING THEM. The key is not finding the rules - there are plenty out there - but in always following them. If you do not have clear rules, do not trade until you do have them. When you do have them, do not keep questing for better rules - try instead to do the difficult part - follow them without exception.

Glen then spends time investigating the individual in trading - particularly the various roles we play in life in general and how they affect our trading. He looks at those roles that are lived by the best traders.

This leads into mistakes and how we think about them. This area is one psychological hurdle that many would be traders never get over. Glen's discussion is excellent here, even if it does make us feel uncomfortable. Following logically from this is the question of: What is a good trade and what is a mistake in trading? It may not be what you think. I really enjoyed Glen's description of a winning trade that was a bad trade - involving the much used rule of "cancel if close". If this does not remind

you of your own trading, at least in the past, then you have not traded the markets! The night that I watched this tape, I recognised that I had made that same error over the previous few days and corrected it by closing out a losing trade the next morning.

The tape then moves on to money management. While this is part of the mechanics, it is influenced by how traders think. Glen takes us through how the best traders think about it.

An interesting discussion follows on how to deal with losses. Again, we hear how the best traders do it.

Then follows an absorbing discussion about the trader compared to the analyst. Here Glen outlines an insight that will help you to understand why good analysts rarely make good traders. You need to understand this before you try trading - know whether you are an analyst or a trader and what the difference is. If you are an analyst and want to be a trader, this tape will set out the road you have to cover to get there.

Glen brings the tape to a close with the five things he that believes you need to do/know in order to be a good trader. These are outlined here, but are dealt with in more detail in the last tape.

Tape 4: Rules For Creating Winning Trades

This tape only runs for about 80 minutes. However, it is packed with good material that brings together everything from the first three tapes.

Glen begins by reviewing the process of trading. Everything that follows will fit into this framework.

Next, Glen examines Global risk or maximum draw down. This is how much you are prepared to lose before it starts to affect your behaviour and is in the region where you are likely to give trading away. He shows how you can work backwards from here to the maximum per trade risk that you can accept. The conclusion is that most people vastly over trade their equity. Glen discusses how you can view this if you have a small account.

The key to Glen's approach is that you know how you are going to get into the trade, manage it and get out of it before you put it on. You need to have thought out all the possibilities and how you will handle them beforehand, because it is very difficult to do this in the emotion charged atmosphere of an actual trade.

This tape then goes on to show examples of how this can all be done. Glen's is not the only method, but it is a useful one to illustrate the principles. Glen takes you through some actual trades using his model and defines the decision points exactly. He also explains how his procedures tie back to the process of trading.

Sydney Members Timetable of Meetings for 1996

Please add these dates to your diary:

Sydney Meetings scheduled for:

Tuesday	January	30	<u>Sat/Sun</u>	<u>August</u>	<u>10/11</u>
Monday	February	19	<u>ATAA Conference</u>		
Monday	March	18			
Monday	April	15	Monday	September	16
Monday	May	20	Monday	October	21
Monday	June	24	Monday	November	18
Monday	July	15			

Trading for a Living

Dr Alexander Elder is coming to Australia again in 1996 to address our Annual ATAA National Conference in August. He has given us permission to publish this short piece, which he wrote recently for his Autumn 1995 "Reading List".

Dear Trader

Your charts help you study the past, so that you may profit in the future. It is just as important to analyse your performance and reactions to the markets - you need to learn from your victories and losses, or else you simply waste your experience.

Every evening, after the markets close, I sit down with my Windows on Wall Street (analysis software). At the same time, I have a word processor open on my computer and keep hitting the Alt-Tab keys to navigate between the two. I keep a separate file for every market I follow - one for Silver, another for Crude Oil etc. Each entry has three lines or paragraphs - Weekly, Daily and To Do.

WEEKLY describes the signals of weekly charts, updated each day. I also record here the important numbers, such as bullish consensus, commitments of traders and fundamental news.

DAILY lists the signals of daily indicators. When they clash, I write down why I trust one signal more than another, or pass up that market in my trading.

Most of the entries in the TO DO line simply say "monitor" ie do nothing. When both weekly and daily charts come together and offer an attractive trading opportunity, I write on the To Do line what contracts to buy or sell short, how many and where to place stops.

Indicators may flash conflicting signals, or weeklies may tell me to buy while dailies are screaming to sell and vice versa. Triple Screen trading system helps clear the confusion, but it is valuable to refer to past history and see how different signals and approaches have worked in the past. When the markets act exactly as expected - or when they do something that surprises me - I highlight the word "lesson" in bold and write down what the market has taught me that day.

You are already paying your tuition, either money or energy - you may as well keep good notes from the lessons. Human memory is limited. You may have a brilliant idea to do something next week if the market acts in a certain way - but when the next week rolls along you may have forgotten your idea. This is another reason to keep a trading diary - it is essential for successful trading.

Best wishes

Dr Alexander Elder
Financial Trading Seminars Inc

Thank You and Best Wishes for 1996

Your Committee would like to wish members in this last newsletter for 1995 their very best wishes for the Yule Tide Festivities and 1996.

I would also be amiss not to thank those members, and indeed those non-members, of the Association who have contributed articles for inclusion in the newsletter over the last year. We are always on the search for fresh articles to produce and hopefully we shall have a good flow of interesting and educational reports for you in the coming publications.

Best wishes, and good trading for 1996

Roger Lawes Editor

Videotape Library

The ATAA has established a collection of videotapes that members may borrow. The videotapes are in VHS format and are available for loan to ATAA members free of charge. Members are only asked to pay the postage to return them promptly when they have finished watching them.

In order that the maximum number of members may take advantage of the library, they are asked to view each tape and return it within one week. Members taking too long to return video tapes may be dropped from the waiting list for further borrowings.

We lend these videotapes on a type of first-come-first-served basis and maintain a waiting list. While we will place you on the waiting list for more than one video tape, you will only ever be sent one at a time.

Members who have not received a videotape before are placed at the top of the list and will receive the next video that is returned to the library and was ordered by them. That member's name then drops to the bottom of the list and he/she will not be sent another video until his/her name works its way to the top of the list again.

This system ensures that all members experience a similar waiting period between videos, depending upon the demand. However, it also means that the order in which members receive their selections will be random, depending upon which video next comes back when their name is at the top of the list. However, members ordering Elder: "Technical Analysis in 52 Minutes" or Pring: "Principles of Technical Analysis" will be sent those tapes first, if they so request. This may delay receipt of the first tape, however.

If you would like to borrow any of the videotapes, contact Roger Morris to be placed on the waiting list. The preferred method is to fax or mail your order to him by ticking the tapes you want on the order form following this article.

Fax: 02 486 3483

Mail: 1 Jumbunna Place Terrey Hills NSW 2084

Videotape Library Order Form

Page 1 of 2

To: ATAA Video Tape Librarian: Roger Morris fax 02 4863483 ph 02 4502376
 mail: 1 Jumbunna Place, Terrey Hills, NSW 2084

From Name:
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- | | |
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| <input type="checkbox"/> Appel: Day Trading with Gerald Appel | <i>Pring: Momentum</i> |
| <input type="checkbox"/> Arnold: Pattern Probability Strategy | <input type="checkbox"/> Tape 1 - Basic Principles of Momentum Interpretation |
| <input type="checkbox"/> Bolton-Smith: The Tried & True Indicators in the Market | <input type="checkbox"/> Tape 2 - Selected Indicators 1 |
| | <input type="checkbox"/> Tape 3 - Selected Indicators 2 |
| | <i>Pring: Various</i> |
| <input type="checkbox"/> Brise: The Inside Track to Winning (Deals with Open Interest) | <input type="checkbox"/> Basic Principles of Tech. Analysis |
| <input type="checkbox"/> Fuller: World Markets for 1995 (Sydney Meeting 7.4.95) | <input type="checkbox"/> Mechanical Trading Systems & Correct Investment Attitudes |
| <input type="checkbox"/> Michaelsen: Roadmap To Riches | <input type="checkbox"/> Momentum, Relative Strength and Volume |
| | <input type="checkbox"/> Price Patterns |
| <input type="checkbox"/> Najarian: The Super Trader's Essential Foundation & Key Strategies For Successful Options Trading | <input type="checkbox"/> Support, Resistance, trendlines & Moving Average |
| <input type="checkbox"/> Plummer: Forecasting Financial Markets | |
| <input type="checkbox"/> Pontikis: Asset Allocation & Intermarket Technical Analysis (Sydney Meeting 17.5.95) | <i>Bierovic: Various</i> |
| <input type="checkbox"/> Ring: How to Capture Big Profits From Explosive Markets | <input type="checkbox"/> How to Increase Your Trading Profits with Synergy |
| <input type="checkbox"/> Schwager: What It Takes To Be A Great Trader | <input type="checkbox"/> How to Synergise Oscillators with Trend Indicators |
| <input type="checkbox"/> Trester: How To Buy Stock & Commodity Options | <input type="checkbox"/> How to Manage Your Account, Your Trades & Yourself |
| <input type="checkbox"/> Tharp: Peak Performance Trading (Sydney Meeting 24.4.95) | <i>Elder: Various</i> |
| | <input type="checkbox"/> Technical Analysis in 52 Minutes |
| | <input type="checkbox"/> Directional System |
| | <input type="checkbox"/> Elder Ray |
| | <input type="checkbox"/> MACD and MACD-Histogram |
| | <input type="checkbox"/> Psychology of Trading |
| | <input type="checkbox"/> Relative Strength Index (RSI) |
| | <input type="checkbox"/> Stochastic |
| | <input type="checkbox"/> Trading for a Living - New Tactics |
| | <input type="checkbox"/> Triple Screen Trading |
| | <input type="checkbox"/> Williams %R |

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Ring: Low-Risk, High Reward Technical Trading Strategies

- Tape 1: Personal Trading Management
- Tape 2: Japanese Candlesticks & Volume & Open Interest
- Tape 3: Time Based Trading
- Tape 4: Stochastics & DMI as Entry/Exit Signals
- Tape 5: Directional Studies and Moving Averages

Ring: Profitable Trading With Gann & Directional Indicators

- Tape 1: Market Psychology and Discipline
- Tape 2: Basic Gann Techniques
- Tape 3: Using RSI & HLMA
- Tape 4: How to Use Stochastics
- Tape 5: How to Apply the DMI

"The Best Video Tape Ever Made On Technical Analysis"

- Tape 1: The Basics: Price & Volume
- Tape 2: Pattern Recognition, Moving Averages and Sentiments
- Tape 3: Cycles and Waves
- Tape 4: Momentum & Putting It All Together

Koppel & Adell: High Performance Trading - The Mental Advantage

- Tape 1: The Inner Game of Trading
- Tape 2: The Top Traders - What They Do That You Need To Know
- Tape 3: Technical Analysis and You
- Tape 4: Winning States of Mind

Krutsinger: Trading System Development

- Tape 1: The Building Blocks of a Successful Trading System
- Tape 2: Tailoring A System To Fit Your Personality and Temperament
- Tape 3: Systems Trading

Ring: How To Profit From Trends In Futures

- Tape 1: Understanding Trend Spotting Tools
- Tape 2: Trends In Action
- Tape 3: How to be a Winner in the Markets
- Tape 4: Rules For Creating Winning Trades

Sheehusen: How To Profit From Chart Patterns & Technical Studies

- Tape 1: Chart Patterns You Can Use To Time Your Entry & Exit
- Tape 2: Key Technical Indicators You Can Use In Both Trending and Range Bound Markets
- Tape 3: How To Build A Winning Trading System by Combining Technical Indicators and Chart Patterns

Caplan: The Options Advantage

- Tape 1: How To Find Options Trading Opportunities
- Tape 2: How To Put "Trading Edge" Option Strategies to Work

The Elliott Wave Educational Video Series

- Tape 1: Introducing the Elliott Wave Principle
- Tape 2: Counting the Waves Correctly
- Tape 3: Characteristics of Impulse Waves
- Tape 4: Characteristics of Corrective Waves
- Tape 5: Rules, Guidelines and Wave Personalities
- Tape 6: Understanding the Fibonacci Ratio in Financial Markets
- Tape 7: Calculating Fibonacci Relationships with the Precision Ratio Compass
- Tape 8: Real Time Trading Using the Elliott Wave Principle
- Tape 9: Trading Options Using the Elliott Wave Principle
- Tape 10: Questions and Answers with Prechter, Allman and Ascani

Australian Technical Analysts Association Inc Application for Membership

First Name:..... Family Name:.....

Company (If membership paid by a company) :

Address:.....

..... State:..... Postcode:.....

Telephone:
(Business hours):.....(Evening):.....

Facsimile:.....

Do you use Technical Analysis for your trading/investing decisions ? : Yes / No

If Yes, please describe your use of Technical Analysis:.....

For our records, how did you first hear of the ATAA ?

Membership is by payment of annual subscription of \$100.00.

For membership purposes, our year runs from July 1 to June 30.

We do not pro rata the annual subscription for memberships beginning part way through the year. Instead, we offer two concessions:

- (1) Members joining between July 1 and December 31 receive a copy of all Newsletters published in that period.
- (2) Members joining between January 1 and June 30 are credited with the remainder of the current year free, such that their initial subscription covers membership up to June 30 of the year following the year in which they join.

For information call the Honorary Secretary, Chris Harris (02) 634 7247; or in other States, any of the local Committee listed inside the front cover of this Newsletter. Please mail the Application Form with a cheque for \$100 payable to Australian Technical Analysts Association Inc. to:

The Honorary Secretary
Australian Technical Analysts Association Inc
GPO Box 2774
Sydney NSW 2001

Australian Technical Analysts Association Inc

The aims of the Australian Technical Analysts Association Inc (ATAA) are:

- * To establish personnel contacts between analysts both inside and outside of Australia with a view to promoting the theory and practice of technical analysis,
- * To help raise the level of community awareness and respect for technical analysis,
- * To provide meetings and encourage the interchange of materials, ideas and information in order to add to the knowledge of its members and
- * To encourage the highest standards of professional ethics and competence among technical analysts

The ATAA is affiliated with the International Federation of Technical Analysts helping us to keep abreast of international markets and techniques.

Founded by a small group of technical analysts that met on a regular basis, the association was officially launched on 26 April 1990.

Membership is varied in employment, geography, market interest and approaches to the markets. Current members include corporate treasurers, fund managers, bank analysts and traders, stockbrokers, financial planners, private and local traders and investors. The members will be professional Technical Analysts, or people using Technical Analysis for private investing or trading.

Benefits include monthly meetings and a bi monthly newsletter, both of which provide an opportunity to learn technical analysis techniques, as well as being a forum for discussion and new ideas. In addition, members have access to a video tape library and discounts on various technical, psychology and trading courses and books.

Meetings are held in the evening each month except December and January, in Adelaide, Brisbane, Melbourne and Sydney. Sydney meetings are usually held on the third Monday of the month, and Melbourne meetings are held on the third Wednesday, dependant on the availability of speakers, rooms and public holidays or special events. Meetings in other States are held around the same time. All meetings are advised in advance by mail. Membership of the ATAA is national and members may attend meetings in any State.

Entry to meetings is free to members. Visitors are charged \$20.00 per meeting, but if they join within a month, the entry amount is deductible from the initial annual subscription.

Membership is open to anyone using technical analysis for their trading decisions, or wanting to learn how to do so. To join, complete the application form over the page and mail it to the Honorary Secretary.

For information call the Honorary Secretary, Chris Harris (02) 634 7247 or in other States, any of the local Committee listed inside the front cover of this Newsletter.