

**THE AUSTRALIAN  
TECHNICAL ANALYSTS  
ASSOCIATION NEWSLETTER**

JULY 1992

ATAA GPO BOX 2774 SYDNEY 2001

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## *Contacts*

[\*andreybbrv@gmail.com\*](mailto:andreybbrv@gmail.com)  
*andreybbrv@hotmail.com*  
*andreybbrv@yandex.ru*  
*Skype: andreybbrv*



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## COMMITTEE

Your Executive Committee comprises,

Charles Balas	- President	- (02) 522 5220
Dawn Bolton-Smith	- Vice President	- (02) 969 7615
David Hunt	- Secretary	- (02) 545 2605
Christopher Carr	- Treasurer	- (02) 436 3202
Merril Armstrong	- Committee	- (02) 282 3555
Colin Nicholson	- Editor	- (02) 436 1610
Charles Alexiou	- Public Relations	- (02) 251 5133

The ATAA has a new Committee member - Colin Nicholson. Welcome Colin!!! Read about him in this newsletter. His brief is to encourage all members involvement in the newsletter. If you feel like contributing something, but don't know where to start, give Colin a call, he'll help you.

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**Monthly Meeting Calendar**

Please note these meetings in your diary.

Activity	Date	Topic	Speaker(s)
Meeting	20 August	Time Analysis Tools	Bryce Gilmore
Meeting	21 September		
Meeting	19 October		
Meeting	16 November		
BBQ	Sometime in December (Watch this Space)		

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**Meeting details**

Time: 5.30 for 6.00pm

Day: 3rd Monday of each Month

Location: Council Room  
 State Library of NSW (Old Section)  
 Macquarie Street, Sydney

More Information: DW Hunt 545 2605  
 Charles Balas 522 5220

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## EDITORIAL

This newsletter marks a shift in the ATAA's approach to newsletters. Some of the proceeds from the ATAA's Technical Analysis & Trading Course have been used to produce this newsletter. The funds have allowed the Editor (now Co-Editors) the luxury of producing the newsletter and then handing the original to a printer. The printer then does all the printing and collating. A big difference to spending 2 nights back at work till 12 clandestinely using the company's photocopying and stapling facilities (with a bit of ATAA paper) with the help of El Presidente, Charles Balas. Enough to destroy a job and a marriage, if done too often!!!!

This will inspire more regular and better quality Newsletters. I have a feeling that the Newsletter is about to take off. This is a bumper issue, we've saved up for a while. Colin Nicholson has really boosted the Newsletter with his presence and I must thank him for the effort he has put in, and welcome him in his new role as Co-Editor.

The ATAA Technical Analysis & Trading Course has ensured that the ATAA is stronger financially & can start to do more interesting things for its members such as flying Bryce Gilmore up from Melbourne to address us in August.

The object of this Newsletter & the ATAA is to provide a communication channel for people using TA. The articles and pieces that members write for it are accepted as is and not judged. All members are encouraged to contribute, whether it is in asking for help on some subjects or analysing a market or pulling apart a technique. The Queensland Investors Club have a number of regular and fascinating Columnists, some go under non de plumes such as "Dedicated".

Maybe we have a few shy, but entertaining and thoughtful, ghost writers out there who desire anonymity, if so just mail a 5.25" or 3.5" computer disk (in Ascii(.prn) format or word Perfect or Microsoft Word ) or well defined typewritten paper to The Editor GPO Box 2774 Sydney NSW. Articles can also be left on the ATAA Bulletin Board (cheaper than Mailing a disk).

DW Hunt, Co-Editor

**YOUR COMMITTEE PART 4  
PRESENTING:**

**DW HUNT, Secretary**

DW Hunt is your Honorary Secretary. This entails keeping up the members database and memberships, sending out meeting notice, organises the executive meetings keeps and anything else needed to keep the ATAA ticking along. In his spare time he has been editing & printing the newsletters.

David has recently moved to Qantas as Treasury Risk Manager, manage Qantas' large currency, interest rate and commodity risks. Previous to this he was Deputy Treasurer at AUSSAT P/L for 7 years managing on AUD/USD, USD/JPY, US Libor interest rate and Australian Interest rate risks. Qantas has 68 currencies and 12 interest rates - bit of a change.

He is a member of the Australian Society of Corporate Treasurers and is currently on the NSW Chapter committee for the ASCT. He is an Associate of the Australian Society of CPAs. His education is not what you'd expect of a TA being a Bachelor of commerce with Honours in Economics. A second degree M.Commerce helped to give him a real world view.

AUSSAT's large currency and interest rate exposures were the start of his interest in TA. The exposures were actively managed. Originally moving averages were the basis for this and as David's knowledge grew a valuable method using moving averages, directional movement, Bollinger bands, RSI and Gann timing and trading methods was developed. David still marvels at the ability of a market to change trend when time is up and how the Reserve Bank tends to act (effectively) in the currency markets on Gann time points. He finds the averages, and indicators are useful for positioning within a time cycle.

David has spent a lot of energy working on Gann's methods and has attended Les Clemens' Gann seminar, had private tuition by Nick Flamborous of Gann Research Educators, & was lucky enough to help arrange the Gann Forecasting and Trading course in Sydney early this year (a great learning experience) . In addition he has spent many hours pouring over Gann's books, courses, private letters, unpublished booklets and ephemeris's (with notes on commodities!!) trying to work out what he was on about.

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## YOUR COMMITTEE PART 5

PRESENTING: COLIN NICHOLSON

Colin began his interest in charting in the late 1960's, picking up a keen interest in the share market from his father. Point and figure charting was learned from books by Philip Rennie, M.D. Garretty and Alexander Wheelan. Lacking capital in the early days, Colin applied his analysis in conjunction with others in an investment club, which was the vogue in the Poseidon boom.

After graduating part time from Sydney University with a BEc, Colin worked as a production planning manager for some years before moving into sales and marketing for the next 16 years. During this time, he built up his capital by trading equities and, in 1987, left full time employment to devote more time to the share market.

Having survived October 1987 with only a few bumps and scratches, Colin spent 1988 and 1989 adding the Securities Institute of Australia Diploma to his qualifications. Since 1990, he has lectured for the Institute and is a subject task force member in Financial Statement Analysis. This year he has also been invited to give the technical analysis lecture in the Australian Futures Trading diploma course.

Colin has a wide interest in technical analysis, reading widely in the subject. He is a long time user of Computrac, but relies increasingly on the hand drawn point and figure charts that have served so well over the years. He conducted the Point and Figure workshop in the recent ATAA Technical Analysis and Trading course.

## PRESIDENT'S ADDRESS

President's Address.

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The success of the inaugural ATAA Technical Analysis and Trading course is a 'feather in the cap' of all those members who contributed their time in preparing and delivering a diversified course structure. The ATAA course which was fully booked, provided participants with an extensive range of technical tools in which to analyse and trade the markets. Feedback from participants was encouraging and they wrote that they learnt about "a number of systems I knew nothing about", "various indicators and how to use them", "how to apply T.A. tools in practical situations", "necessity of a trading system", and most importantly, "How to trade without losing your shirt" !

Overall, participants said that the ATAA course was "a good introduction", "very informative and beneficial", "greater understanding of reading markets in a different way", and "a good learning base". Another course series is due to follow.

Our membership continues to grow, and our next Fibonacci target is in sight, with over 80 members now. Based on a per capita ratio, our Technical Analysis group would be the largest in the world. I would like to personally welcome all those new members listed in this newsletter, and remind you that your Executive Committee is eager to assist you in any way possible. With our new ATAA Newsletter Editor, Colin Nicholson, comes a wealth of industry experience. Colin is a private trader and consultant, and is keen for contributions to the next newsletter by our membership.

The grapevine hears that some people have booked to travel to the next IFTA conference in Dublin, Ireland. The event will be a tremendous opportunity for those attending to mix with other analysts from around the globe and promote Sydney as the next venue ! I am sure we will all be briefed through this newsletter by our fellow analysts upon their return. Till we "mead" again.

Good Trading,  
Charles Balas.

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## CHARTING AROUND

### Bulletin Board (BBS)

The BBS is now free to all members. The only requirement is that for every 10 files you get from the system (download) you give back (upload) 1 file (The Ecology of the BBS) receive and give so that others may also receive). Already there are 10 year histories on commodities and currencies, as well as Neural Net programs Quotation and News Service and charting shareware. Charles Balas on 522 5220 can give you access and help with the mechanics.

### Meetings Meetings Meetings

#### February

The year started off with Phillip York of QBL Software (also QBL Funds Management) addressing the area that most analysts try to avoid, but desperately need to ensure consistent returns on their trades. That is, A TRADING SYSTEM combined with an ALLOCATION SYSTEM, that is, a rational method for telling you how much to invest(risk) across markets. Many analysts can call markets correctly but can not trade them profitably because of their emotional and psychological blockages. A Mechanical Trading System can (hopefully) remove the emotion and ensure consistent decision making.

Phillip has researched areas such as Portfolio theory, Game Theory, Betting Theory, Probability Analysis, Trading Methodologies etc to come up with his own Trading Systems and approach to markets. He highlighted the pitfalls of looking solely at a System's Maximum Drawdown as an accept/reject criteria. He said he also looks at how many trades it would take to arrive at that Maximum Drawdown. The rationale being that in a profitable system after 100 trades a Maximum Drawdown may be relatively small because the account value should have grown.

#### March

March's packed out meeting (45 members). It was a demonstration of the capabilities of Knight Ridder's Profit Centre by Tom Scanlon. There were lots of new faces so the round robin was a good guide to the surge in interest in TA. Tom Scanlon demonstrated Knight Ridder's top level Technical Analysis, Quotation and News Service offering 'PROFIT CENTRE'. The graphics were crisp and clear, offering a wide variety of tools on most markets ie FX, commodities, financial futures and cash. Tom noted that US shares are not available on the TA section yet (no mention of Australian stocks).

The data is on both a tick by tick and 15 minute basis. It was easy to toggle between hourly, daily and weekly charts. Eventually they will offer monthly data for as far back as possible. In addition to the TA they offer a comprehensive news service. The price is less than the cost of the other real time TA services offering such a wide range of markets.

#### May

Frank Shostach the Economist from Ord Westpac Futures put in a marathon effort to impart some words of wisdom. he is not like any economist you've meet or read. See some excerpts from his regular publication in this issue and you'll see what I mean.

#### June

We had a round robin and show your charts session with a few wise Gold Bulls showing us a quick US\$15/\$20 profit. Nice one Dawn & Merrill!!!. After that we finally saw the video of Jack Schwager talking to the Market Technicians Association in New York. This is available for Loan, contact DW Hunt or Charles Balas

#### July

Campbell Gorrie graced us with a very powerful talk on Technical Analysis and Trading. See this newsletter for copy of his talk.

### New Members

Welcome to the following New Members

Russell Lander (aka The Chartist) of Dicksons Ltd, Sydney.  
Roger Lawes of BOS Stockbroking, Sydney.  
Garnet Smith of Geelong.  
Richard Holden of Citibank, Sydney.  
William Watkins of Fairlight  
Richard Watkins of Glenbrook  
W Kull of Kylon  
Richard Hall of DPS Systems  
Malcolm St Clair of Sylvania  
Ivan Krastins of North Sydney  
Tarmo Rae of Ord Minnett  
Helen Spooner of Hutchison Telecoms  
Simon Stonier of AAP Reuters Economic Services  
Campbell Gorrie of Ord Minnett  
Yvonne Boag of Morrisset

It is planned to put out the newsletter every 2 months ie Jan, March, May, July, Sep, Nov. Any articles you want to put in should be sent to DW Hunt GPO Box 2774 Sydney by the end of the previous month. Formats can be type written or on floppy disk or by sending it onto the Bulletin Board (cheapest option). All Methodologies etc contributions are welcome. Charts (in PCX) should be put disk to allow upload into my WP Package.

### What's Happening

#### Education

The ATAA is has just completed its first The Australian Technical Analysis and Trading Course in conjunction with the Securities Institute & Australian Stock Exchange. The next ATAA Technical Analysis and Trading course is scheduled for October. The next few months will be spent improving & sharpening the format of the course from what we have learned.

David Hunt

Below is an excerpt from a monthly newsletter published by one of our most experienced members, Will Slatyer. The newsletter is "The Financial Strategist" subscription \$600 pa. (phone Will on 949 3744):

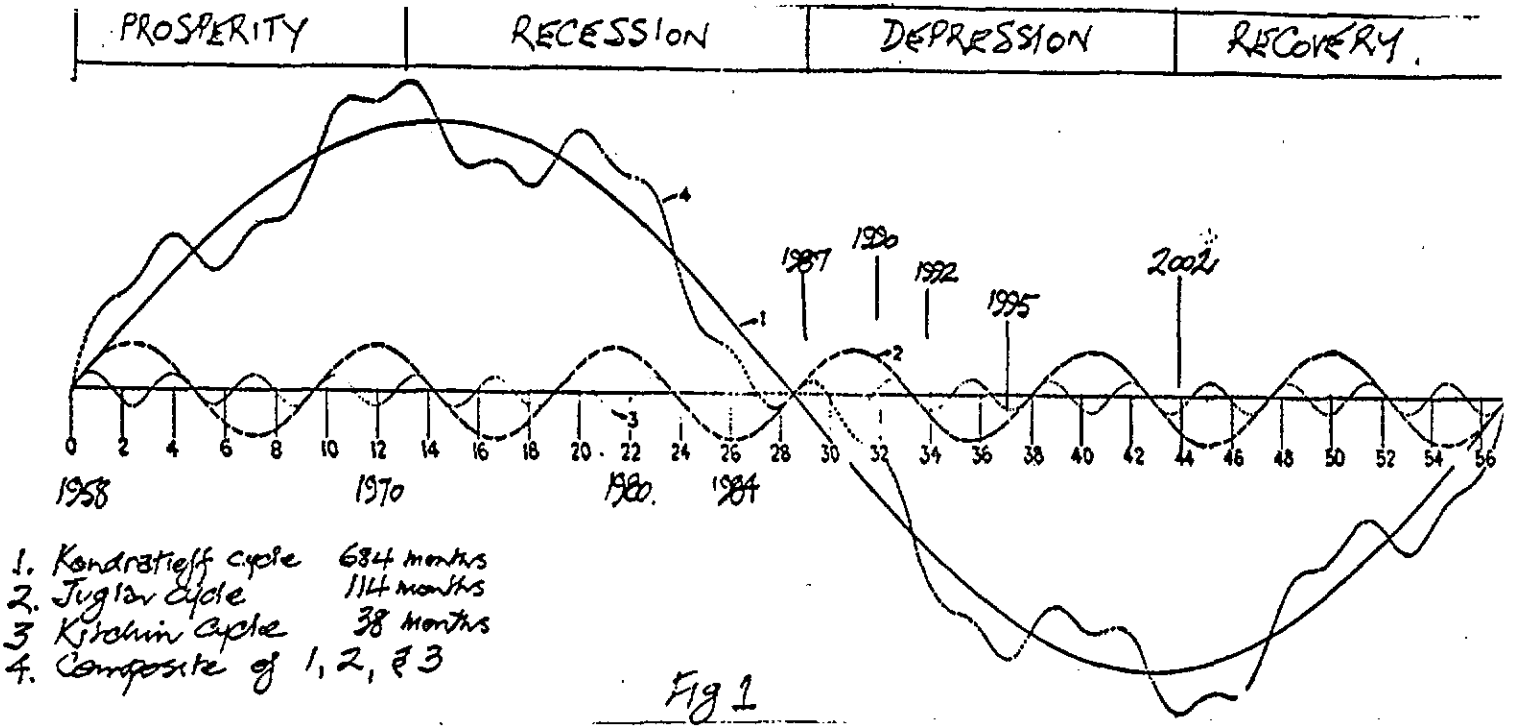
#### AUSTRALIA: DEPRESSION OR RECESSION?

Australian unemployment figures (11.1% for June) had a number of "Henny Penny's" crying that the sky was falling. Among other comments were the opinions of some economists that Australia was in a depression. As our cartoon from over fifty years ago indicates, governments never allow economies to have depressions while they are in power.



The term depression is emotive and, when used by an economist, might not mean the same as the scene remembered as human misery of the 1930's. One economic theory, as elucidated by Joseph Schumpeter ("Business Cycles" McGraw Hill 1939), is that the economy continues to strive for equilibrium, but continually overshoots so that it forms the four phases of a sine curve, as illustrated in figure 1 below.

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- 1. Kondratieff cycle 684 months
- 2. Juglar cycle 114 months
- 3. Kitchin cycle 38 months
- 4. Composite of 1, 2, & 3

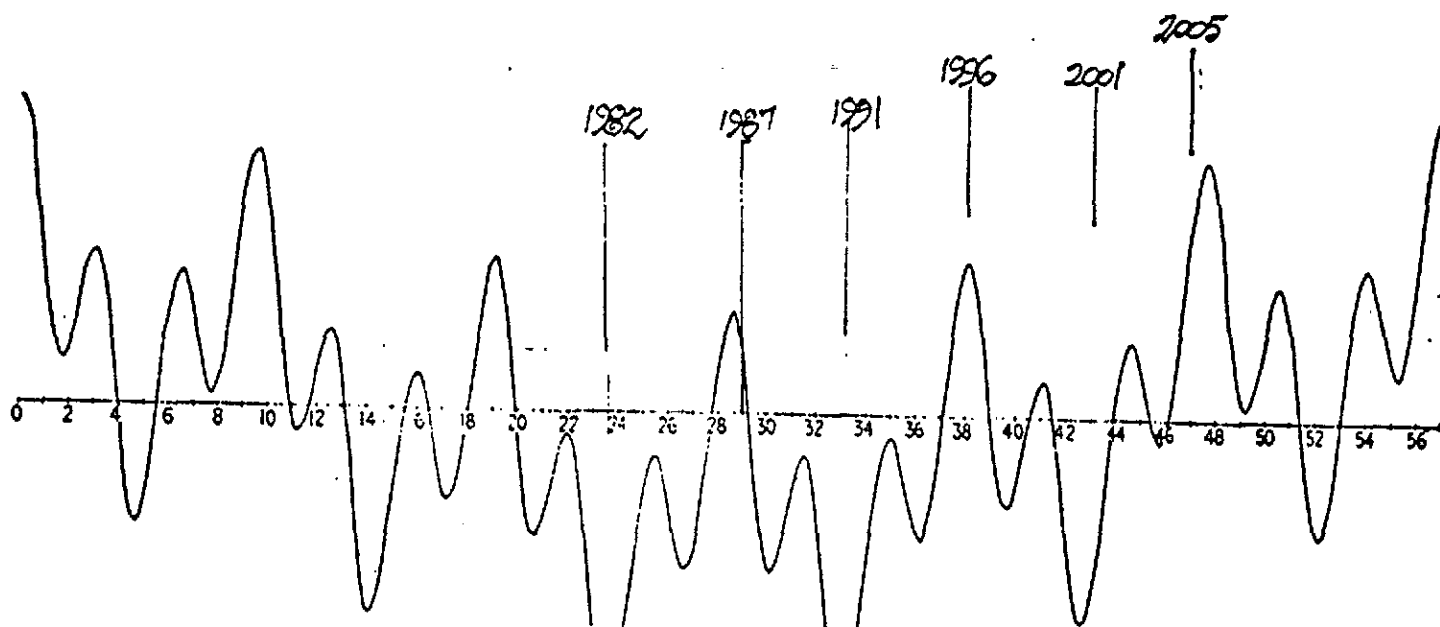
Fig 1

The main curve represents the 57 year Kondratieff cycle which we used in 1986 to forecast the present difficulties. The smaller cycles on figure 1 represent the Juglar cycle (9.5 years - somewhat similar to a real estate cycle) and the Kitchin cycle (38 months - often referred to as the business cycle). The simple schematic indicates that there are four phases of the cycle: prosperity, recession, depression and recovery.

Many economists, when referring to depression, simply refer to the phase in which abnormal liquidation occurs, causing the economy to move past the equilibrium point into a trough. The depression trough could be sharp and deep as in the 1930's, or long and shallow as occurred in the 1830's and 1840's.

In real life, cycles do not keep to tidy economist schematics, but we have tried to indicate possible turning points. Figure 2 is the approximation of the combined movement of the Kondratieff, Juglar and Kitchin cycles. If chaos theory is taken into account, there are no doubt many other cycles which could be included, but these are the main identified impulses. In figure 2 we see that 1991 would have been the turning point of the long cycle (roughly equivalent to 1933), but we already know that this is not correct. Cyclical theory does suggest that the trough will be reached within the next two years.

PROSPERITY	RECESSION	DEPRESSION	RECOVERY
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*Derivative of the  
Sum of Kondratieff, Juglar, Kitchin cycles*

Fig 2.

One economist who mentions depression in a diagnostic way is Phil Ruthven, head of the IBIS forecasting group, and a man with whom we have shared views since the 1970's. Ruthven's message is in accord with the above schema: "the thing about depressions is that they clear the joint out. I have absolutely no doubt that, within four or five years, we will be starting to go into a new golden age. We will be back to 5.5 - 6% growth by the year 2000".

Our forecast, in September 1991, of a boom period 1996 - 2004 remains valid.

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REPORT OF MEETING JULY 20 1992

Campbell Gorrie  
Technical Analyst, Ord Minnett

TECHNICAL ANALYSIS FOR TRADING OR ....?

Tonight's objective is to go through the difference between the opinions we have about things and what we actually do in terms of trading. The simplest way is to start by seeing what it is we do with a trading system.

1. The first thing we tend to fall down on is GETTING A DEFINED SYSTEM / SET OF RULES / EXPLICIT METHODOLOGY. Getting to this first point tends to knock a lot of us out, because we tend not to close the loops. We are not really sure what trading system it is that we have. It could be based on any number of tools such as Elliott wave, an indicator such as crossover of moving averages, or MACD. We spend an enormous amount of time fiddling around with the trading system itself, jumping from one set of parameters, or one interpretation of it, to another, without actually setting it down.

All of these trading systems or sets of rules that we use, whatever they are, will fail us from time to time. There is one very good reason for that. None of us would be here unless we were in some way passionate about the markets. At some time we came to the idea that this was interesting. We get lost in the passion of it, like a gold miner who once said that he was more interested in seeking gold than finding it. In the same way, many of us spend more time in seeking a trading system than in actually making money out of it. This seeking process takes a lot of time. Thus we have a trading system in our hands, but we keep changing it. The important thing to realise is that we do this to ourselves.

2. The second thing we tend to fall down on, is the need to BACK TEST OUR TRADING SYSTEM. This is much easier these days, because of the availability of software at reasonable prices. Back testing is very important. Ed Seykota said one time that once you know the worst that can happen to you, you lose your fear. Back testing means that you have taken your trading system and defined it, closing all the loops, including the stop losses, the entries, the exits etc. You then run it through the past data for the market you are going to use it on.



.....Gorrie

These first two points will have knocked most traders out of the game. The failure to back test is based on the idea that, because we cannot know the future, it does not really matter whether we know what happened in the past. This is not right, because although we cannot know the future, one thing we can get a fairly good handle on is how our method of analysis would have worked in the past.

3. The next important point is to MAKE SURE THAT YOUR TRADING SYSTEM SUITS YOUR PERSONALITY. For example, there are good day trading systems around and good intra day analysis systems. I just happen to be a lousy intra day trader. I am not that interested in it, I don't have the passion for it. What that tells us straight away is that I do not put the time into it, and if I do not put the time into it, I am going to fail.

I go out onto the trading floor and it seems as though the most enormous moves are going on. When I step back and blow the chart up, I realise that very little is happening. But for them a lot is happening in the time frame that suits these guys' personality. Their systems are tested for them in their time frame and it works, so that is where their passion is.

If the time frame does not really suit your time frame, the system is useless. You will continually fall over, because your mind and your emotions will not be working together. For example, the time frame that I work best in is the longer term. That is where I have to make my trading system work.

4. Once you have done that, YOU HAVE TO WORK OUT YOUR RISK LEVELS. That means to really work them out. How many times do we go into a market, the stop loss is hit, but we don't take it? We accept a bigger risk. All of this is excruciatingly simple, and all of it is scars across my personal stomach. What it leads me to is that, no matter how you master something you passionately believe in mentally, you have to get an emotional fit. In other words, the psychological acceptance that risk must one day be taken. The system must one day be actualised and we have to learn to do it.

Now, often we don't do it because of a point of Ed Seykota's. He was asked one time what is the one most important thing to him. Instead of saying any number of things, such as trade with the trend, he said: "cut your losses, cut your losses, cut your losses". If you read Seykota, the most important thing that comes through is that all the dough that is there to be made is there to be made by cutting out the mistakes. It took me a long time to learn this.



....Gorrie

I will get onto the idea of decent markets and bad markets later. Assume for a moment, that the distribution of results in a reasonably trending market, is described by a bell curve, with the few big losses on the left, the few big wins on the right and all the in between results in the centre. By and large, with no transaction costs, the result will tend to be a net out from taking all the system signals. This result is described by a line through the centre of the bell curve. With transaction costs, the result will tend to be to the left of the centre line, a net small loss. That is what is going to happen to most of the people most of the time.

What I worked out a long time ago is that right out on the left hand side of the bell curve are the big losses and over on the right are the big wins. Years ago Richard Dennis said to me that 90% of all the wins he made came from 3% of his trades. That is what the bell curve visualises: if we can cut out the few big losses, we reposition ourselves on the bell curve, we shift our net result to the right of the centre net out point. What happens is that the remaining bulk of the bell curve in the centre is all a net out and we are left with big wins. That is Richard Dennis's point, he traded all year long because he never knew where the big wins would come from. You trade square for 49 trades out of fifty so that, when the one in fifty comes along, you are there for it.

So every time we take a loss bigger than the one we set for ourselves, we jeopardise the whole thing. We do it because the passion that drives us into the markets, puts us into the opinion business. It is the worst achilles heel for trading ever known. The moment we give an opinion, say that the market is going up, it is carved in stone. We have a vested interest now in the market going up. What happens to the trading system? It floats away. We are better off if we trade an opinion juxtaposed to the one we have expressed. As soon as we express an opinion, it is the antithesis of good trading.

This returns to Richard Dennis's point about 90% of the gains from 3% of the trades. How many opinions are there before you get that 3%? He did not care about opinions at all and was flexible to the point of antithesis.... rigid in that, when he was trading, he traded his trading system and he would not be pushed away from that at all....flexible to the point that where instantly he believed the market had changed, his position changed that moment. The key is that sort of ability to turn your position around. That is hard when you are in the opinion business, even if it is just with other traders.

.....Gorrie

5. Averages such as the All Ordinaries, S&P 500 or the CRB indexes are wonderful things that enable us to talk with each other about a market as a whole. However, that does not necessarily mean it is a good thing to trade because, for all that we go on about it and analyse it, it is an average. Look at the CRB: 27 items in it. One night the beans go limit down and one of the metals goes limit up: CRB unchanged. So, you have to have 27 different opinions to trade the CRB, you have got to have well over 100 opinions to trade the All Ordinaries and we all think we are going to do it.

Professionally or by inclination or by emotion, we get sucked into trading markets we never should have. Unless we have a trading system that is defined and tested and we can sift the quality pyramid, we won't get to where we want to go. We need to DIVERSIFY AND DISCRIMINATE. QUALITY HERE IS THE TENDENCY TO TREND. There are 63 stocks on the ASX that I track on a daily basis. We have a workhorse trading system which, on a lot of those stocks, works terribly. This does not mean trading systems are a bad thing. Our system is the sort of system that tends to be fairly useful in a reasonably trending market. But in a regional stock market, lots of stocks don't tend to trend well. They are discontinuous, with thin volume and jump all over the place. If they are going to do that, don't trade them. At the top of the pyramid of 63 stocks, there are about 5 that trend quite well. We can outperform the SPI by concentrating on these five.

How often do we get an emotional affinity for a market...you want to trade it. I love gold. I have to stop myself trading it. It is a wonderful market and I have lots of opinions about inflation and gold and where I think they are going in the next few years. It seems such a terrible crime to waste that. However, it so happens that gold does not trade very well and I am using a trend following system. So it is not going to make money and, if I am smart, I am not going to trade gold.

What we end up trading with, once we get down the ladder and do all that hackwork, is some form of trend identification system. It does not have to be just moving averages and all the rest of it. Even with Elliott wave, it will end up being some form of trend following system. In a good trending market you see lots of good five wave advances. How fruitful is it for us to spend our time on the beginnings of wave one and the end of wave five? Zip! And how much time do we spend? A massive amount.

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.....Gorrie  
 Once you have identified it, it is basically a trend and, presumably the clearer it is, and the steeper the angle of the trend the better. And what is the best definition of a trend? basically, a good trending market will give you trends that go above a Gann 45 degree line. If the market won't go above the 45 degree line, it is not going to make you money, because, whatever it is, it is not trending well. It can be interesting, but like gold, it is just going to kill you. The same thing on the downside: if it won't go below a Gann 45 degree line, the probabilities of making money are zip. The sharper the angle, the more likelihood there is that we will make money.

And one of the reasons for that is also very simple. I know this because I spend time with guys who are good fundamentalists and who make lots of money by buying and holding. They buy an income stream, they sit with it and they buy a yield. As technical analysts, we do not buy and hold an income stream. We buy momentum. Momentum is the only friend we have got. When we lose it, we are gone. That momentum is in the trend and you want as much of it as possible, particularly if you are trading derivatives.

5. So the place we want to trade is in the third wave. Maybe it is the end of the first wave and the start of the fifth wave. This is part of what I mean by another trap in trading: WE HAVE TO WORK OUT WHAT WE REALLY WANT. For instance, with the All Ordinaries, we don't really want to trade the All Ordinaries unless and until all the components of it are trending either up or down above or below the 45 degree line of trend, so we have enough momentum that we don't die.

The only people to have made money in the All Ordinaries in the last year have been the sellers of premium. The only way to have stayed alive in the All Ordinaries in the last year was to have worked out the five or six stocks that actually trended well...News Corp, TNT, those sorts of stocks. Highly leveraged to all sorts of things and perceived as being dangerous. The worst stocks and the worst markets are the leisurely markets. We die in those because they do not trend above or below the 45 degree angle.

So we have to be as discriminating as we can, but not in a fundamental way. What is discrimination for a fundamental analyst, who might want to buy a large safe stock, is not discrimination for us. we have to find out where those trends are.

The idea here is to remind ourselves about what we already know, but about which we need continually to be reminded.

"Systems don't need to be changed. The trick is for a trader to develop a system with which he is compatible."

We latch onto something new just because it is new. If someone demonstrates to me that they can work wonders with their trading system or method of analysis, but it leaves me cold and I really can't work it, then I must avoid it like the plague. Not because it is wrong, but because I can't do it. It is not a matter of one road leads to Rome and I am always surprised how much debate is centred around that theme. It is not just one method and it is not all methods either. Lots of methods of analysis have large defects, most of which are left open to debate because none of the proponents of the particular system have done back testing and showed you the result.

Seykota has made more money and kept it than anybody else out of doing what we do for a living.

"My style is basically trend following, with some special pattern recognition and money management algorithms."

All very simple, lots of things can fit into that description: Elliott wave, Gann etc. It doesn't matter how you arrive at getting on board the uptrend. Let's say that you correctly identify it as the beginnings of a five wave Elliott advance. If, at the same time, you have just a minimal basic trend following system, which will guide you through this, and you don't actually put your dough down until this back tested system actually springs to life, then you can do both. We can separate out the opinion. The opinion can be a topic for discussion and something we get great enjoyment from, but we do not put the dough down because of the opinion. When the opinion and the back tested trading system come into play together, then we put the dough down.

"The key to long term survival and prosperity has a lot to do with money management techniques."

That brings me back to the other point. We have got to kill the big losses on the left hand side of the bell curve. If you can get rid of them, what is left will be arduous and lots of hack work and, in fact, the less interesting it becomes, somehow the more it seems to work out.

"Dramatic and emotional trading experiences tend to be negative. Pride is a great banana peel, as are hope, fear and greed."

...Gorrie

He's right, good trading is relatively serene, because you work out the three things that can happen beforehand and you roll along with it and, basically, you are prepared. It is in place, and you are not taking big losses. Everything else is happening to you, taking small losses and some days things jump against you and you take a moderate loss. It is all in the game plan. Dramatic and emotional trading experiences to my mind are all experiences outside the game plan we set down for ourselves. Dramatic and emotional trading experiences are those trades where we let ourselves down. Where we didn't do what we intended to do when we started out. Maybe we intended to wing it, but I don't believe that. The trade becomes dramatic and emotional because it got to that point where the real loss was bigger than we intended it to be and somehow we let an opinion get in the way.

"Trading rules: a) Cut losses, b) Ride winners, c) Keep bets small, d) Follow the rules without question, e) Know when to break the rules."

The first four are fine and most of us have an enormously tough time just getting through them. The reason that I am putting Seykota up is because the man's mind is so clean. It is the reason why he has made all of his dough. He is like a couple of successful people that I have known in the markets, particularly in the States. They have a background that is rigorous. They are either from the army, marines or something like that. In Seykota's case, MIT. He was an electrical engineer.

This leads on to another thing of Seykota's, which I think is really interesting. The good surfer doesn't have to know about the dynamics and the physics of wave structures in order to know when the crest of the thing is and to get on board and ride it. He's right, we complicate it. Remember Monty Python's sketch of the ministry for silly walks. That is how we trade sometimes, no, often. Instead of getting up and saying this is my trading system and walk straight across the road. We don't do that, we vacillate, like the ministry for silly walks.

"Good traders trade. Good letter writers write letters."

We all have to work out what it is that we do. There is a sarcastic element to that, but there is also a helpful element. Some people can teach. They are just not terribly good at doing it themselves. It doesn't mean that they don't know what they are talking about. Someone else can take what they have to say and make a lot of money out of it.



.....Gorrie

I remember a kid once, who worked for me, walked in off the street one day. He would have been 18 years old and he wanted a job in the dealing room. Normally, I would have said no, but I said: "OK what are you going to do?", thinking to myself that he does not know what he is going to do. He dropped his stuff onto my desk, opened it up and said: "I will trade this market, this market and this market and this is how I am going to do it". He knew. I said: "OK, I will give you one day. You go into the trading room and I'll watch. You show me." And, by heavens, he did it. He walked in, and every day thereafter, because we hired him. He was the best natural trader that I ever saw in my entire life. He never got into a discussion with the other traders, acted like an idiot and mucked around. He did it off point and figure charts. He kept neat point and figure charts with different time frames for the markets he was trading. There were about three good markets for point and figure charts. He knew what a buy was, what a sell was and they gave him his stop losses and he didn't do anything else. I know he was exceptional.

We have to know whether we are exceptional or not, and the truth is that we are exceptional people in lots of things. We can be exceptionally good analysts and maybe we are very good at Elliott wave. Maybe we are not very good traders, in which case we have got to have very good trading systems. It took me a long time to realise that. Trading is different from opinions and analysis. The worse trader you are, the better your trading system has got to be. The reason is that a really good natural trader has a good trading system already. They just come to it without too much work. They don't have to convince themselves.

"A lot of people would rather understand the market than make money." That is OK. Understanding is good. The problem arises when we confuse the two.

"Win or lose, everybody gets what they want out of the market. Some people like to lose, so they win by losing money."

Which leads me to another thing that I have observed over the years, which is that a good shrink is a lot cheaper than the market if you have got personality problems. I have to say that the young trader that I mentioned just now was amazingly not complicated at all. he did not think life was complicated. That was how he was able to make money and lots of it. What this means is that if we do like to lose, we are going to have to have very good systems.

"(Any single indicator) plays an important role in the market ecology, but it doesn't happen to be a tool that makes money when used by itself."

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....Gorrie

That is interesting. We have to do some other things because there will be different time frames and different markets. He doesn't say what, but my contribution to that is the quality pyramid of markets. Go and sort it out. We all have to do this for ourselves. It is a sense of discrimination. Discrimination pays off in all aspects of life. If you work at the lowest level possible, you are forced to go through the sludge all the time. If you just trade the All Ordinaries, you will have to pick up all the rubbish non trending things as well, by definition. If you trade the CRB, you must pick up all the commodities that are not trending, or that are trending the wrong way. You only get lucky once in a while, when all commodities are going in some huge uplift. And consider this: Even when they are all going, it is far better to be with the ones that are sprinting ahead.

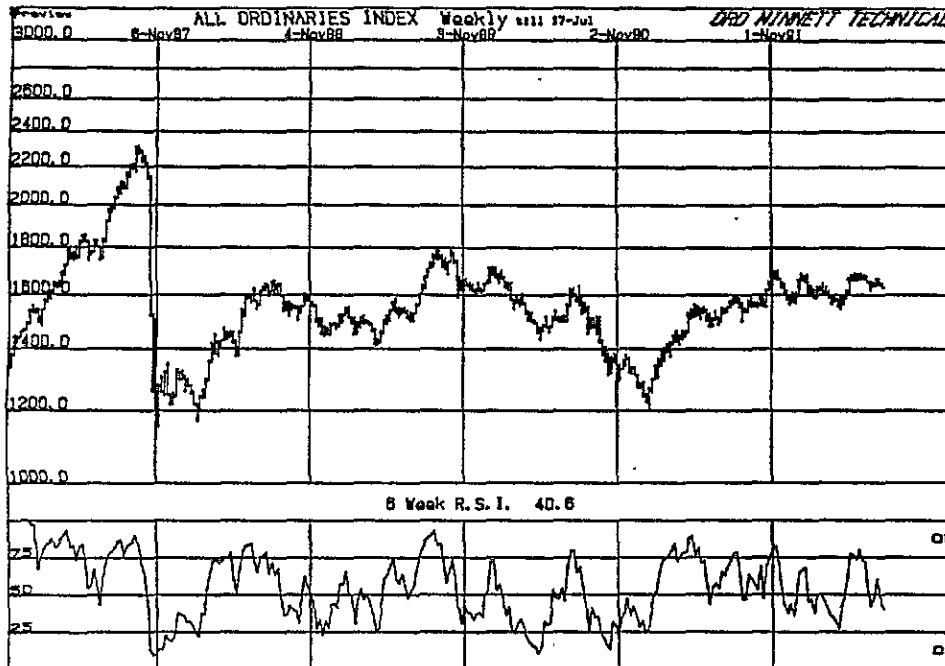
Market selection is, at the end of the day, going to make sense of the things that we do. I think that it is no accident that Elliott wave analysis of the gold market has become a lot harder in the last eight or nine years than it was the five or eight years if that. Why is it no accident? Well, in the first period, we had a good clean Elliott wave trend that just happened to be a good trend in its own right and analytically quite good. The second eight years has been a mess. It does not mean that Elliott wave doesn't work on gold anymore, it just means that gold isn't particularly suitable for any sort of analysis at the moment.

"The industry has plenty of good systems. The catch is that they require considerable emotional aptitude. Many traders avoid dealing with their emotions by trying to anticipate, optimise and otherwise abandon their systems."

Again the opinion thing. Sometimes we really don't want to know what the results are. For example, we may have a huge emotional interest in the idea that we are going to trade the SPI or the S&P 500. Now, if that is so, we don't want to know whether it is a particularly good thing to trade. We have put too much emotional effort into it. Too much knowledge has been spent and too many potential discussions will go down the drain. Too much dough has been potentially lost already for us to do the back testing, conclude that it doesn't trend and just walk away from it. If we don't want to know what the truth is, then we will find ways of avoiding it.

"You cannot escape the fact that systems are, by nature, low-pass price filters. They do not predict - they either just dict (say what is happening) or postdict (say what has happened). Working to anticipate the future can be a distraction from the important task of dealing with the present."

Those are some of the best practical words that I have ever seen. But what do we do with that? What if we like a more subjective form of analysis? For instance, traditional chart interpretations, or Gann or Elliott. It does not mean that we give them up. It means as well as that, and running alongside it, we have just a simple system that works. Now, this is not what I use, but it is very similar to it. Here is an RSI on the All Ordinaries:



Now, there is the way that we work the RSI ordinarily, but I am not going to go into that. But an RSI, when it passes the 50 line is the same thing as an exponentially smoothed moving average, which I am always amazed that other people don't realise. So, when it passes above and below the 50 level it is the same thing as having an n period exponentially smoothed moving average. So, in this case, a six week exponentially smoothed moving average would cut through the price at the same point as it chops the 50 line.

Now, here is something very simple: You just use a six week RSI and when it drops below the 50 level, it is a sell signal and if, in the following week, the price goes lower, you go with it and you are now short. We put the stop at the point that is just above the signal. If you keep doing that and you reverse it for buys, it broadly gets you in on most of the trends.

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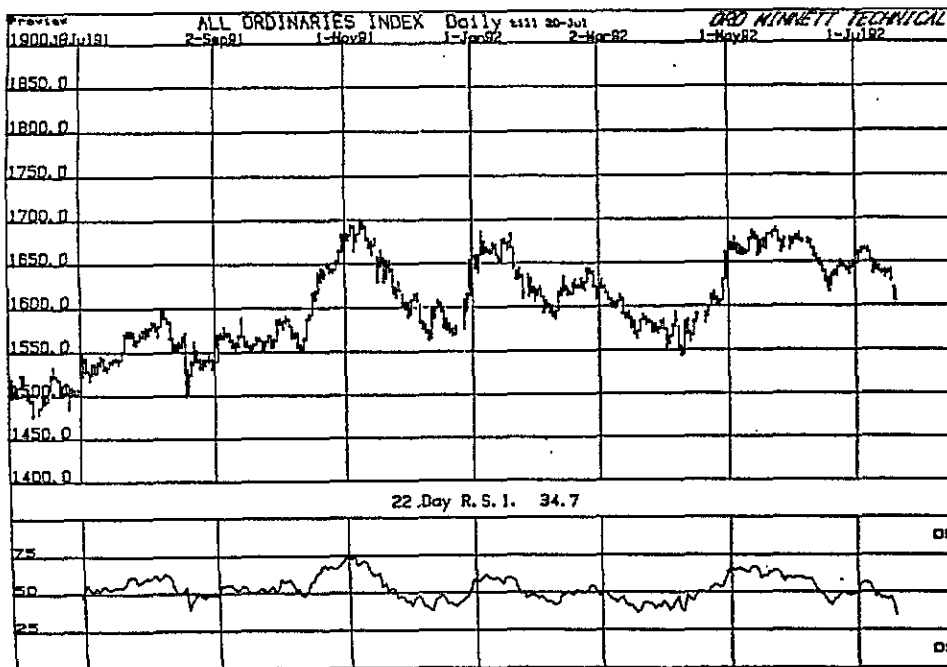


.....Gorrie

Now, instead of the traditional thing here, where everyone is going to be looking to the RSI for overbought/oversold, it generates you about 18 trades, including letting you out of the thing when you pretty much want to be let out of before the crash. It gets messy where you would expect it to get messy, with whipsaws and it needs to be cleaned up.

However, what I want to say is this. This is extremely basic and replicates most of the trend following systems and the entry points, roughly, that we are all going to get in on. Now, I have got something much more sophisticated back at the office, but it does not improve on this a vast amount. The reason is that a trend is a trend is a trend. If you are developing a trend following system, you are only going to improve marginally on getting in and manage to cut out some of the whipsawing losses.

If we spin it down onto a lower time frame and here is the All Ordinaries with a 22 day RSI.



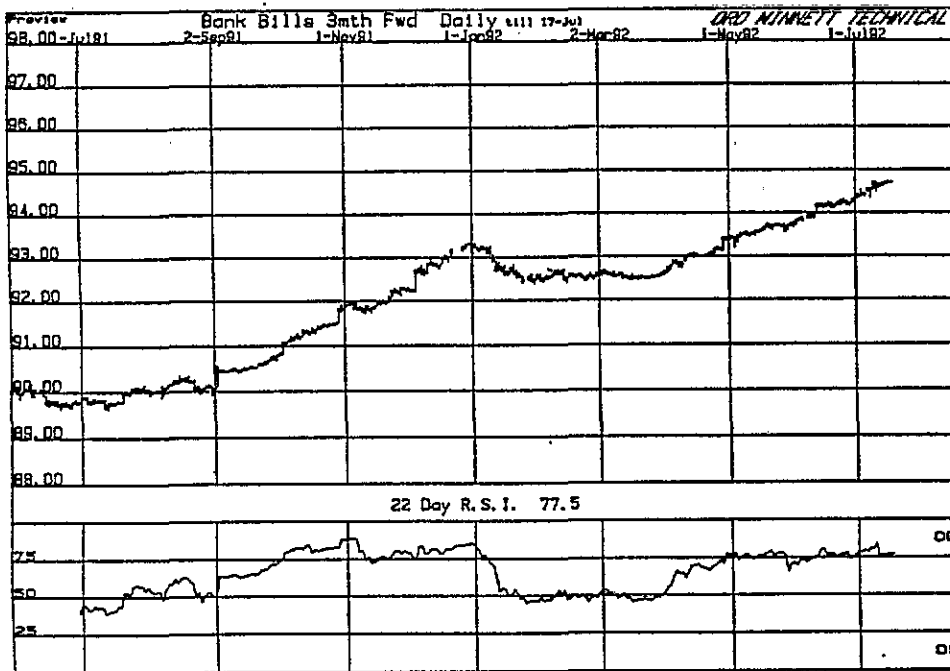
It gets us into a narrower time frame and again the crossover of the 50 line on a daily basis. For the stop loss, on the signal day, I take a point that is 1% of the last year's trading range above the true high for the signal day. In the sophisticated version, we have the ability to move up and down with the trending highs and so on, but by and large, it only gets a bit more gain, not a whole lot more.

....Gorrie

So that is it, a stop loss and a method of getting in and out. And how much dough do you think we are going to have made out of this? Look at it. It does not trend very well. Now, I have to put my workhorse on that market and do it because that is the business that I am in and everybody wants to know what I think is going to happen. Now that I have got this far into the meeting, I hope you can all agree that is ridiculous. Still, they want to know what I think is going to happen.

What I think is going to happen is less important in this market than the idea that how much money we can make with some reasonable trend following system. It is less important than whether this market tends to trend. Is it a good market to make money out of? At the moment it is not. Even when it is a good market to make money out of, some of it's components are going to be a lot better than that.

Now this has been a very good trending market, as we are all aware:



I am sure that there have been excellent Elliott wave counts on this market. I have not seen them or asked anyone, but it always seems to me that when trends come along nice and strong, it gives you good Elliott wave counts. That is the nature of the beast, of the trend mechanism. As well as that, you can fit a good trend following system around it. My work horse rules will get about the same results as the systems that most people are using.

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....Gorrie

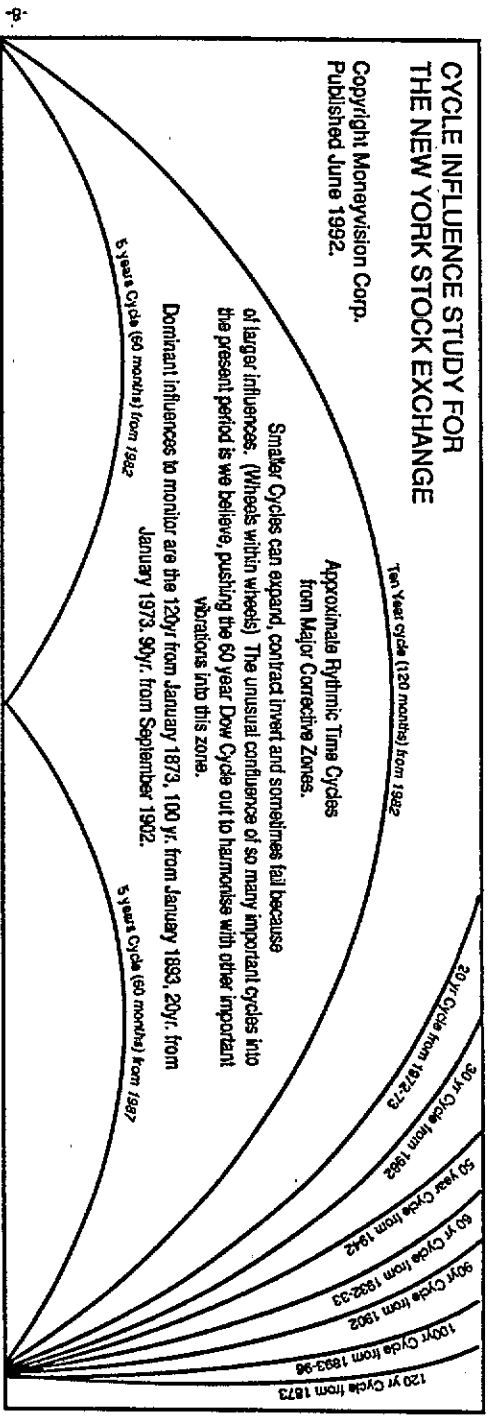
Most people who followed this market and made money out of it, went long at the start of the chart somewhere. Somewhere early in the new year, they either went neutral or short. Maybe they went long, if their trend following system parameters were wide enough. Even if there was no valid buy signal through March, there was one in April, and they will still be long at the end of the chart. Now, the thing is the angst of being long this market. Look at this RSI. In perspective, it is like the sine curve, buy, sell, buy, sell. But sitting up there from May onward with all this profit, emotionally, we know how much can be lost.

That is what Seykota says when he talks about the idea that we spend so much time trying to optimise, anticipate and otherwise abandon our systems. Many people who correctly leg in are no longer there at the end of the chart. It is emotionally too draining, particularly if too much has been given to the market ie the positions are too big.

The speaker also showed some specific back testing work on 3D charts used to identify profitability of systems across a range of parameters. This is used to identify which stocks are good trending markets. The specific example shown was Fosters Brewing which came out as a very slowly moving stock that is an invitation to disaster for trading. It could only be traded profitably on very broad parameters....basically a buy and hold strategy. This is because, not only is it trending in a shallow manner, but it is going to be swinging around a lot in there, so that it is going to whipsaw all of the smaller parameters.

Transcribed by Colin Nicholson

More on cycles with a reprint (by permission) of Jack Houghton's bimonthly MoneyVision Newsletter. Subscription is \$100 pa. Call Jack on (075) 339 616 or write to 333 Tallebudgera Creek rd, Tallebudgera Valley Qld 4228.



**W.D. GANN'S "MASTER TIME FACTOR" CYCLES ARE FLASHING GRAVE WARNINGS FOR THE NEW YORK STOCK EXCHANGE IN 1993.**

As well as the powerful cyclic influence for major sell-offs to occur in the third year of most decades, we are now entering a time zone of much GREATER SIGNIFICANCE. Virtually every cycle from important historical trouble spots converges into the period ahead. We have had this time zone earmarked for some years as dangerous and it is fulfilling expectations.

Communism has collapsed, Bankruptcies are rife, Unemployment has skyrocketed, Banks, Savings and Loans and other financial institutions have failed, Debt is a major problem, the Japanese boom has reversed, Germany has problems and America is chalking up record deficits. All while the American Dow makes new highs, seemingly oblivious to it all.

**MAJOR CATASTROPHES CATCH THE MAJORITY BY SURPRISE. FEW EXPECTED THE 1930'S DEBACLE AGAIN, THE CONSENSUS IS, "THE WORST IS OVER".**

**CYCLES SUGGEST HOWEVER, THAT LARGE SHARE MARKET FALLS ARE PROBABLE IN 1993, SIMILAR TO 1973, 1933, 1923, 1913, 1903, 1893, 1883, 1873, & 1853.**

Certainly a contrary-consensus sell signal is warranted with the public having rushed back into Bonds and Shares in near record numbers. WHAT COULD TRIGGER ONE OF HISTORY'S GREATEST TRAPS? ANSWER, AN UNEXPECTED LIQUIDITY CRISIS CAUSING BOND MARKET COLLAPSES brought about by what we have spelled out. REMEMBER, FROM THE PRESIDENT DOWN INCLUDING THE BANKS, MOST WERE SURPRISED AND SHOCKED AS EVENTS UNFOLDED IN THE 1930'S. We advise you to treat the 120, 100, 90 and 20 yr. cycle anniversary's with the respect Gann suggested they deserve. Play it safer than usual as we approach JANUARY 1993.

**CONCLUSION.** The power of these important natural law cycles will override that of Governments. The market should exhaust itself between September 1992 and January 1993. Time is then up and a terrible downside reversal is probable in 1993 for stocks and bonds.

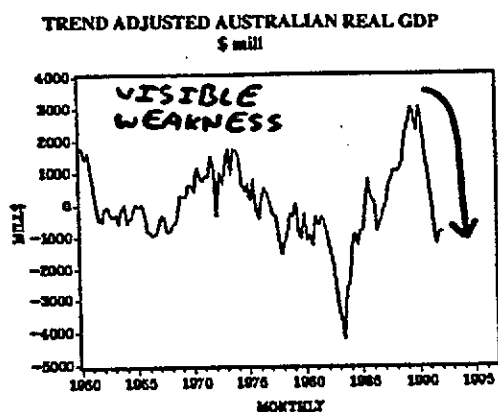
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**EXTRACTS FROM MAY 1992 MEETING  
FRANK SHOSTAK**

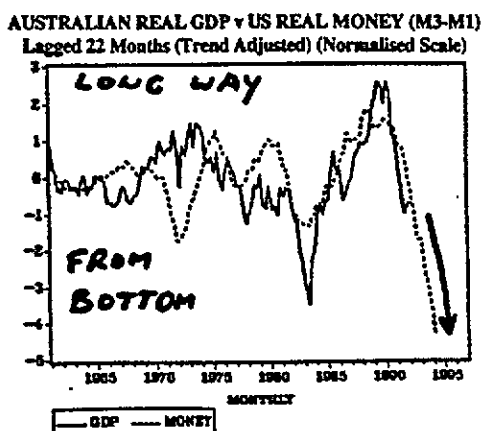
**AUSTRALIAN OVERVIEW**

**Recession retains its grip**

The rise by 0.6% in real GDP in the March quarter has caused economists to finally agree that the local economy might have been in a recovery phase for at least six to nine months. Our analysis strongly disagrees with this assertion. The cyclical component of real GDP has softened somewhat in the March quarter after a slight uptick in the December quarter

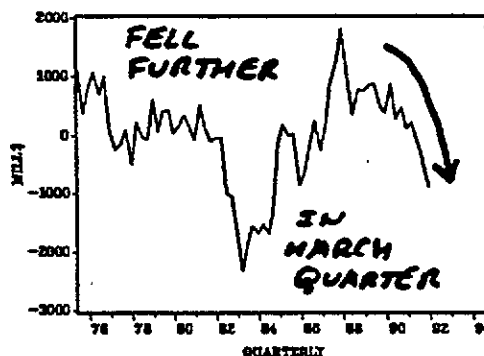


Using our US monetary indicator, to capture the impact of the US economy on our own, we can suggest that the Australian economy is still a long way from the bottom



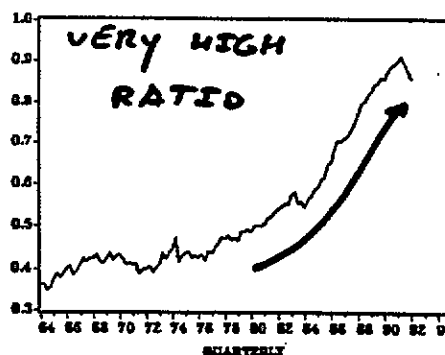
Further to this our analysis shows that private sector real GDP was unchanged in the March quarter from the December quarter. If allowance is made for inventories, then private sector GDP has in fact fallen by 0.3% in the March quarter, while the cyclical component continued to slide

PRIVATE SECTOR REAL GDP ADJUSTED FOR INVENTORIES \$ mill (Tread Adjusted)



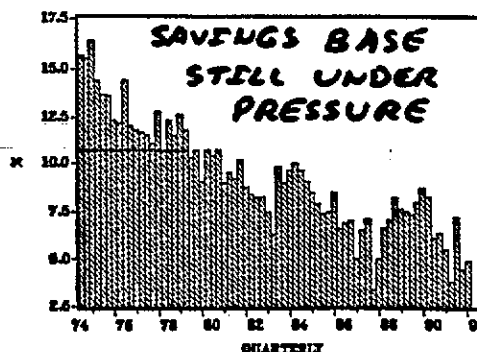
Against the still extremely high debt-to-GDP ratio

PRIVATE SECTOR CREDIT-TO-GDP RATIO



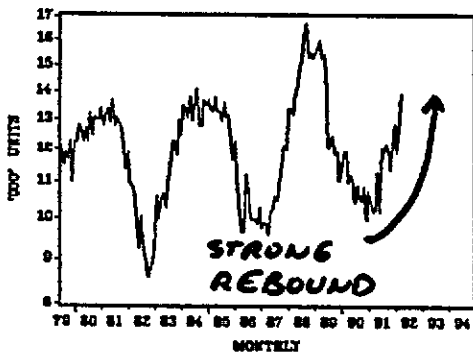
and depleted savings pool

CONSUMER SAVINGS RATE



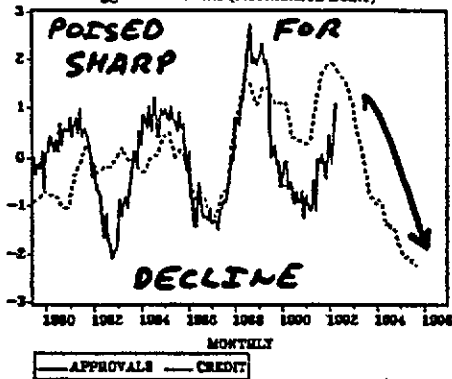
the private sector will need more time to build up the needed savings base before a durable economic recovery can emerge. The proponents of the view that the economy is already in the upward phase of the economic cycle are pointing to the strong rebound in the housing approval statistics (see chart). In April dwelling approvals rose a seas. adj. 9.7% from March. Approvals however are of little importance without an improvement in home sales.

BUILDING APPROVALS IN '000' UNITS



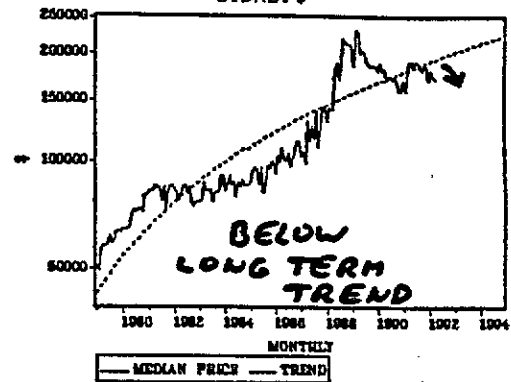
New home sales flattened out in March and fell by 6.5% in April, according to the Housing Industry Association survey. Using yearly changes in real credit we can show that building approvals might have already topped and are poised for a sharp decline

BUILDING APPROVALS v Y/Y % CHANGE REAL CREDIT Lagged 42 Months (Normalised Scale)



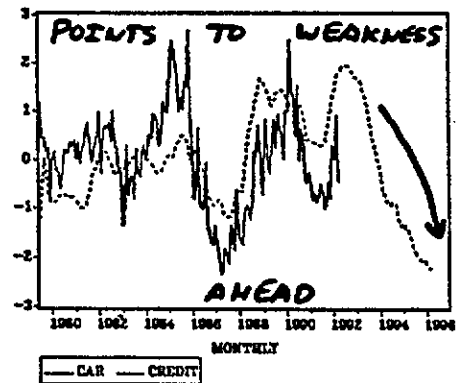
Weakness in the housing market is also reflected by a further fall in the median price of established houses sold in Sydney. The median price fell to \$171,000 in April from \$174,000 in March. The median price is well below its long term trend

MEDIAN PRICE OF ESTABLISHED HOUSES SOLD IN SYDNEY \$



Weakness in economic activity is also depicted by a big fall of 12.6% seas. adj. in April's car registrations from March. Our analysis points to a prolonged weakness in car registrations

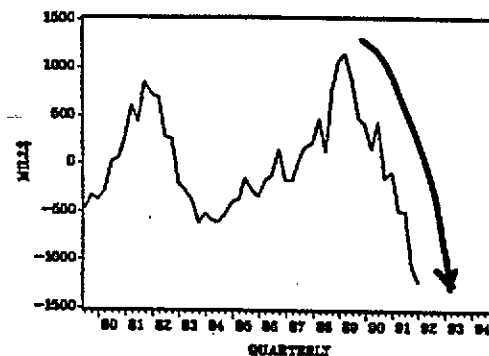
CAR REGISTRATIONS v Y/Y % CHANGE REAL CREDIT Lagged 48 Months (Normalised Scale)



The severity of the recession can also be seen in the slump in real capital formation. New capital expenditure in real terms fell year-on-year in the March quarter by 18% after a fall of 14.3% year-on-year in the December quarter.

The cyclical components of real private capital expenditure

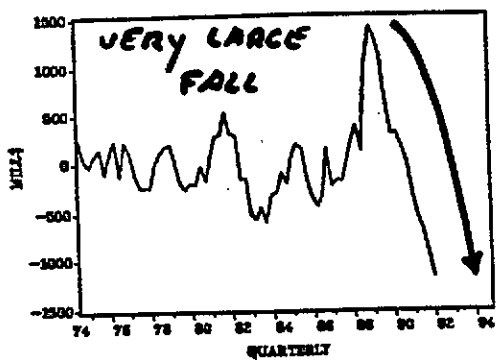
TREND ADJUSTED PRIVATE NEW CAPITAL EXPENDITURE \$ mill AT AVERAGE 1984/85 PRICES





### and expenditure in equipment

PRIVATE SECTOR INVESTMENT EQUIPMENT \$ MIL REAL  
(Trend Adjusted)

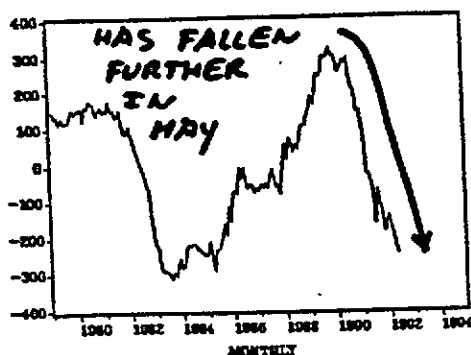


display big declines. According to Government statisticians Australia's net capital stock recorded its smallest ever rise in 1990-91. Valued at 1984-85 prices, net capital stock increased by 2.3% compared with the average annual rate of 4.3% since the series began in 1959-60. Further to this, manufacturing production weakened in April from March. Production fell in 18 of the industry groups, and rose in 7 groups. This contrasts with the March figures in which production rose in 15 groups and fell in 10.

### Dole queue lengthens in May

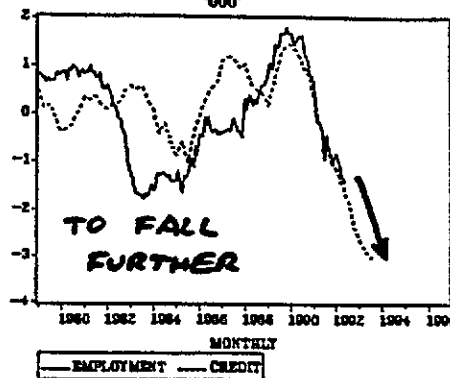
Australia's unemployment rate rose to a seas. adj. 10.6% in May from 10.4% in April. Total employment fell an adjusted 9,400 to 7.663 mln in May from 7.672 mln in April. The cyclical component of employment has fallen further

AUSTRALIAN TREND ADJUSTED EMPLOYMENT



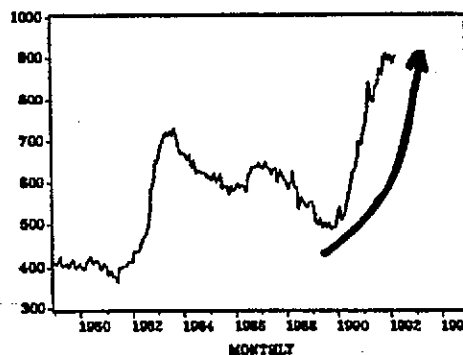
We expect this decline to continue

AUSTRALIAN NUMBER OF UNEMPLOYED SEAS. ADJ. IN '000'



The national youth unemployment rate has now risen to 34% in May. In Victoria it stands at 46% and in South Australia 45%. In the four months since January there has been a fall in 100,000 in full time jobs. The employment growth that is occurring is in part time jobs. The ranks of the unemployed grew by almost 600 a day across Australia in May. Nearly 906,000 people were looking for work in May - an increase of 19,000 compared to April's figures

ANZ JOB AD v Y/Y %CHANGE REAL CREDIT  
Lagged 5 Months (Normalised Scale)

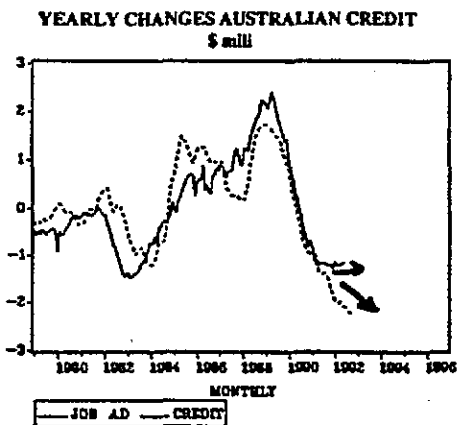


More than 22,000 males in full-time work lost their jobs in May and the figures showed a growing trend for men to accept part-time jobs. There was an increase of 15,600 in male part-time employment. The number of full-time jobs has fallen by 139,400 since May 1991, while part time work rose by 72,100. Department of Social Security figures confirmed that the number of long term unemployed - those out of work for at least a year - has broken the 300,000 barrier, a third of all unemployed people. The number of people joining the dole queue

rose by 19,000 in May from April. According to Government figures the average length of time people are spending out of a job has blown out to more than 48 weeks, compared with 45 in November and 38 a year ago. For unemployed men aged between 35 and 54, the average period of unemployment has leapt to nearly 62 weeks since November, when the figure was about 53 weeks. The number of skilled job vacancies fell by 1% in the month to May, according to the regular survey released by the Department of Employment Education and Training.

**Job advertisements rise in May**

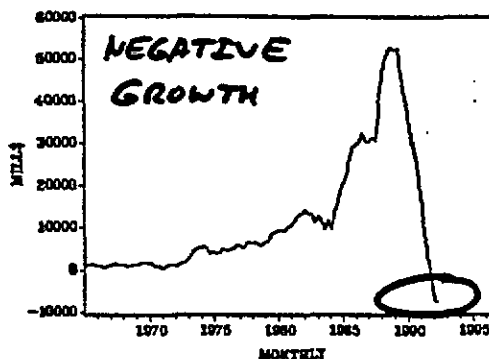
The ANZ Bank job advertisement series rose by 0.9% seas. adj. in May from April, following rises of 1.4% in April and 0.5% in March. However, the bulk of the new demand is for part-time labour. Demand for full time labour is continuing to fall. Yearly changes in real credit point to the growing likelihood of a weakening in the job advertisement series



**Credit falls in April**

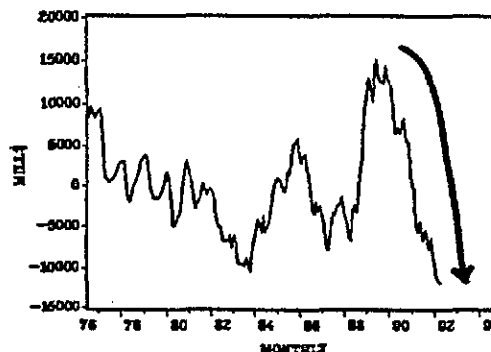
Year-on-year in April credit provided to the private sector fell by 2.2%, the seventh consecutive year-on-year monthly decline. In terms of yearly dollar changes credit to the private sector remains in a steep downtrend

ANZ JOB AD v Y/Y %CHANGE REAL CREDIT Lagged 5 Months (Normalised Scale)



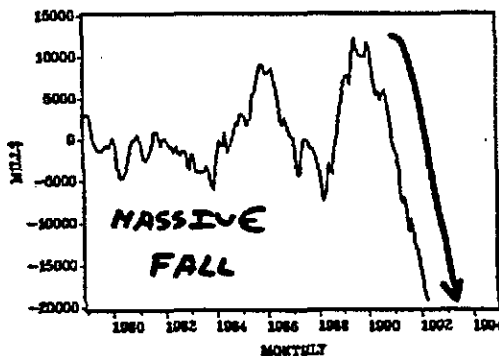
The cyclical component of real broad money has fallen further in April

TREND ADJUSTED REAL BROAD MONEY \$ mill



A massive fall in trend adjusted real broad money adjusted for money M1 casts doubt on the imminent economic recovery suggested by the consensus

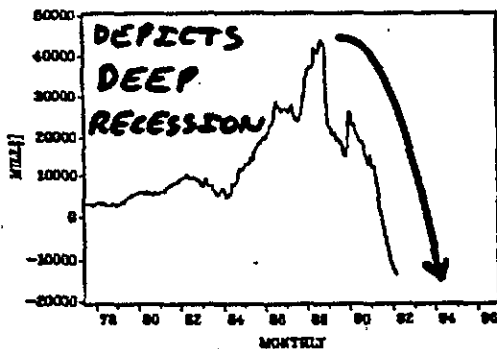
TREND ADJUSTED REAL MONEY (BROAD-M1) \$ mill





Massive declines in yearly changes in business loans point to a severe economic slump

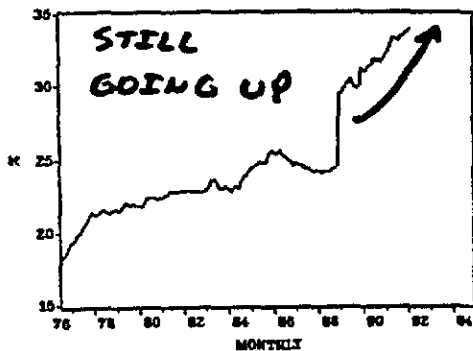
YEARLY CHANGES AUSTRALIAN BUSINESS CREDIT \$ mill



Ratio of consumer credit to GDP still climbing

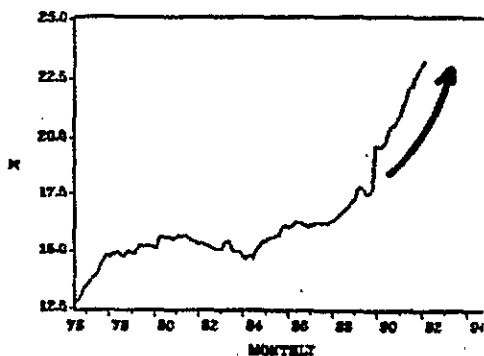
The consumer debt-to-GDP ratio is still trending up

CONSUMER DEBT-TO GDP %



mostly on account of a growing housing debt-to-GDP ratio

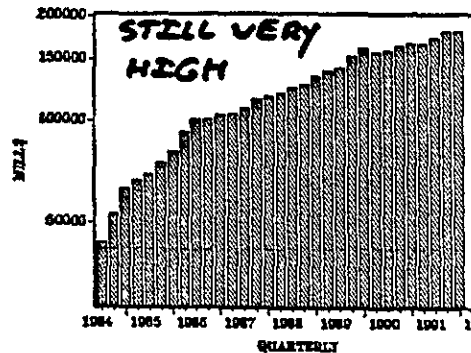
HOUSING CREDIT-TO-GDP %



Gross foreign debt still very high

Gross foreign debt fell to \$181.332 bln in the March quarter from \$181.668 bln in the December quarter

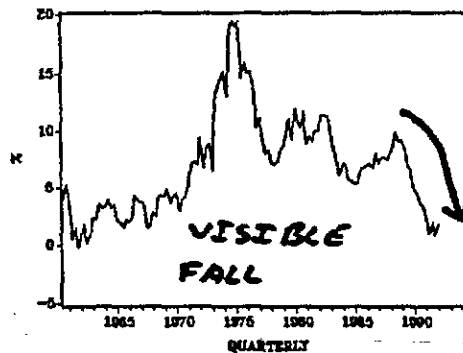
AUSTRALIAN GROSS FOREIGN DEBT \$ mill



Australian business expects higher inflation rate

The steep downtrend in local inflation, as measured by the GDP deflator

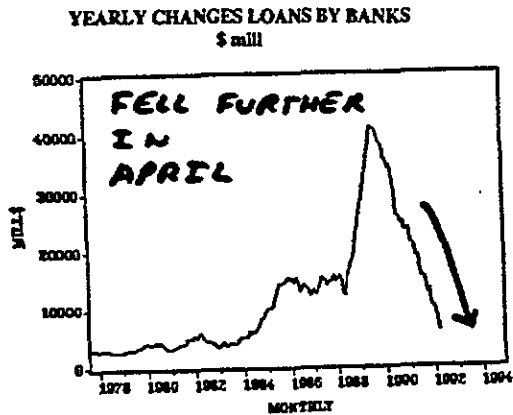
% CHANGE GDP PRICE DEFLATOR (Y/Y)



is expected to reverse in months to come, according to a survey by Business Economics Pty Ltd. The survey has shown that 35 of Australia's leading business and financial corporations expect inflation to rise to 3.8% within two years. They expect inflation to rise to 2.1% in six months' time and 3% in 12 months' time.

**Bank loans remain subdued**

Year-on-year in April the rate of growth of trading bank loans eased to 3.04% from 4% in March. In terms of yearly dollar changes the downtrend has steepened further

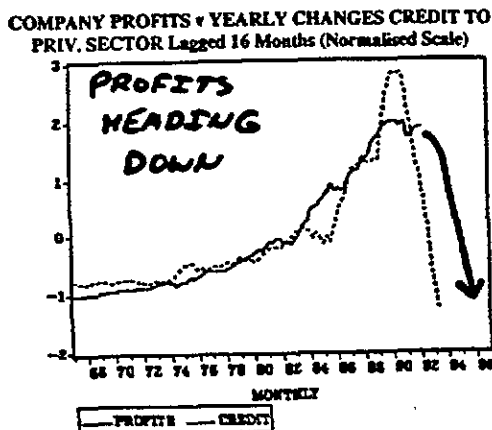


Given still very high non-accrual loans this downtrend is expected to continue. According to a Peat Marwick financial institutions survey the banking sector suffered a 10.2% drop in operating profits before tax in the year to June 1991. Reported non-accrual loans for the year doubled to \$22 bln with the major trading banks accounting for 69% of this figure. Capital adequacy ratios continued to come under pressure in the survey period with 11 out of 28 banking groups reporting declines, although 15 still had capital adequacy ratios in excess of 10%.

**OUTLOOK FOR STOCK MARKETS**

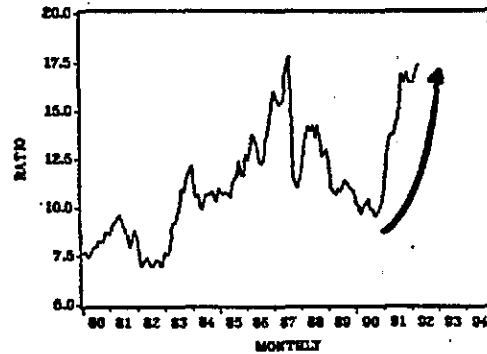
**Australia**

A massive collapse in yearly credit growth suggests that the rebound in corporate profits is not sustainable



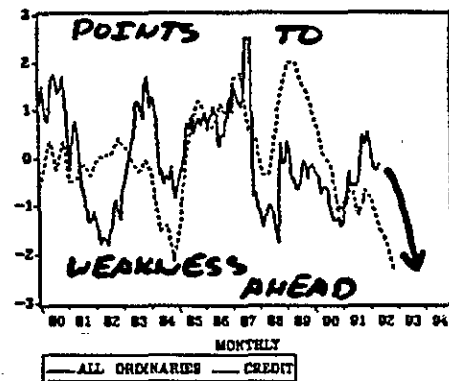
For the time being the uptrend in the P-E ratio for the industrial stocks remains unabated

ORD MINNETT AVERAGE INDUSTRIAL P-E RATIO



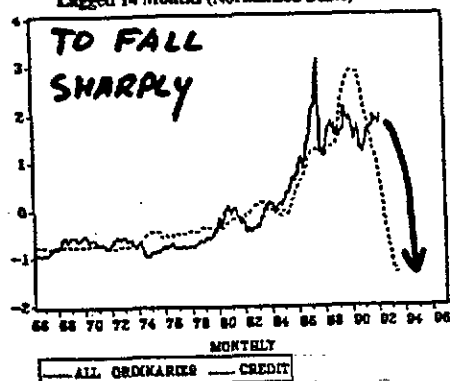
Both our short term analysis and long term analysis . . .

%CHANGE ALL ORDINARIES v REAL EXCESS CREDIT GROWTH (Lagged 8 Months (Y/Y; Normalised Scale)



point to an imminent downward correction in the All Ordinaries.

ALL ORDINARIES v Y/Y % CHANGE CREDIT Lagged 14 Months (Normalised Scale)





LISTEN TO THE MARKET  
Your personal guide to technical analysis  
by Ivan Krastins

Published by McGraw Hill - Price around \$39.00

Written by a trader for traders. A timely publication which is clear, concise with an easy to read understandable style.

During my own career spanning nearly three decades in the markets and being involved with the teaching and practical application of Technical Analysis, I am frequently asked what books to buy.

Now at last, we have one which Australians can readily relate to and which features superb graphics from the Metastock Software on mostly Australian Stocks and Indices. It is a comfortable size to handle as opposed to some of the bulky and rather cumbersome Overseas Textbooks.

The author has been running highly successful Technical Analysis training courses for over ten years and is well versed on the "language of the markets". Indeed there could be little criticism directed at this book which is extremely readable for beginners and more experienced technicians who could regard it as a worthwhile refresher course. It deserves a place on the bookshelf along with the "Bible" of Technical Analysis of Stock Trends by Edwards and Magee - the starting point for most technicians. It will no doubt be read and re-read.

Whilst Technical Analysis is still viewed with suspicion by some (usually those who haven't really studied it) LISTEN TO THE MARKET will help to dispel some of the criticism directed at Technical Analysis. The market place has reached such a level that even the die hard fundamentalists cannot afford to ignore the potential message from the market offered through the window of Technical Analysis.

We are now seeing the real impact of Computer Based Programme Trading in some of the increasing volatility in all markets. It is important to act for the right reasons when dealing with probabilities.

LISTEN TO THE MARKET offers a smorgasbord of forecasting and trading approaches for maximising profits whilst limiting losses.

The Three D Concept (this chapter is worth the cost of the book alone) has the uncanny ability to predict the major and minor turning points which appeared in the local stock market with the A.S.E. highs of January 1992 before the market experienced a 142 point fall (p 65). It has

subsequently made a 143 point recovery at the time of writing this review with the focus on where to now? The move overall highlighted the value of many of the technical tools featured in this book eg. Directional Movement, Parabolic Stop, R.S.I., M.A.C.D. and multiple moving averages and not forgetting the art of simply reading a bar chart.

Highlighting the statistical approach (p 126) is yet another way of applying T.A. for great potential. The final chapter (p 206) of Putting It All Together is like the icing on the cake and provides an invaluable checklist of what traders and investors should ask themselves before entering the markets.

Of special interest is the section (p 10) on Candlestick Charts (described as the long forgotten Asian Secret) the use of which is sure to gain popularity and now readily accessible in the latest METASTOCK SOFTWARE 3.0 Version.

The section which deals with the analysis of significant and recent turning points in the comprehensive studies of Crude Oil, Australian Stock Markets and the A.N.Z. Bank is a splendid piece of analysis in any language.

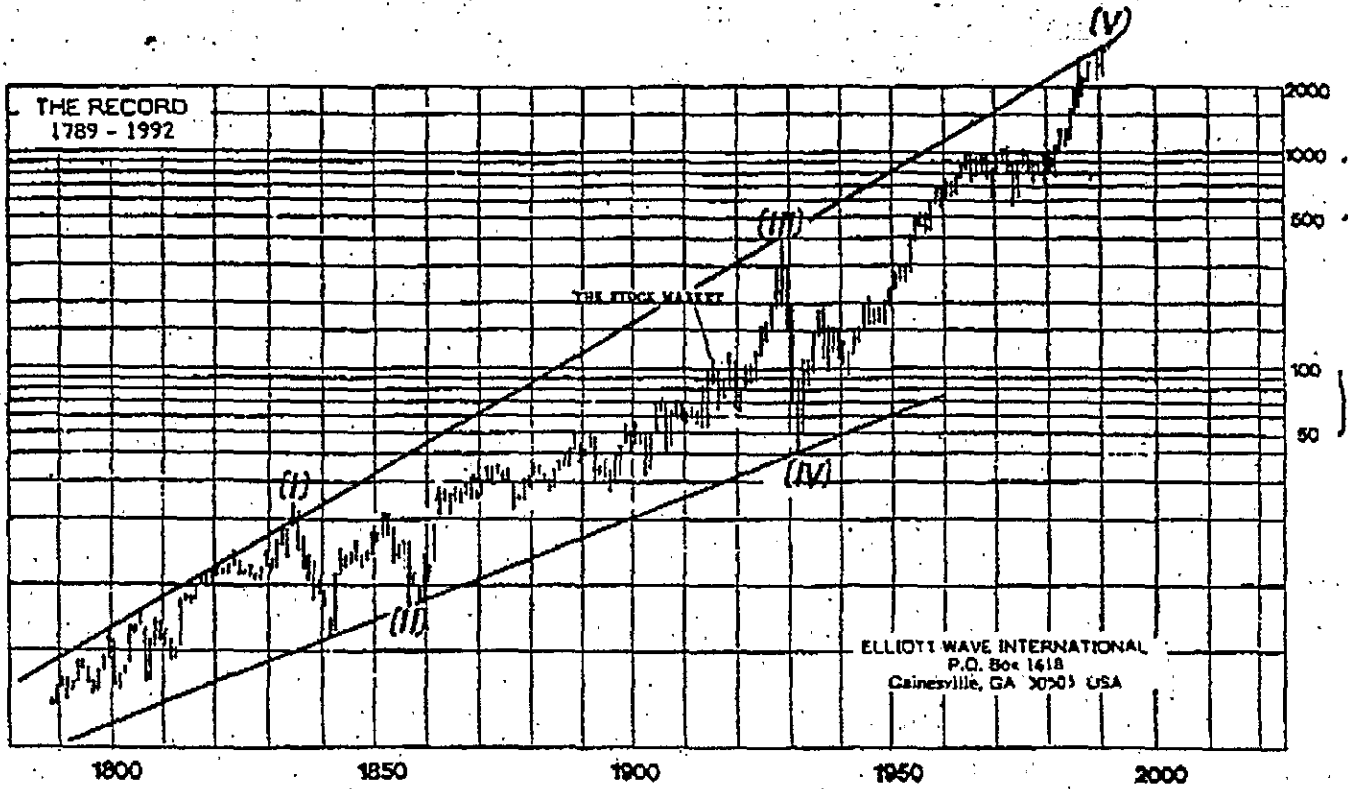
The book is a MUST for anyone associated with or interested in learning Technical Analysis. Indeed a book to be also read at Boardroom levels. The intelligent and informed use of T.A. in dealing rooms can mean a considerable saving in shareholders funds.

Technical Trading Systems were really just getting started in Australia about the time of the 1980 Gold Top and indeed getting started was like having a set of encyclopaedias thrown at you in the deep end of the pool. The learning curve will now be considerably shortened and made a lot easier with LISTEN TO THE MARKET.

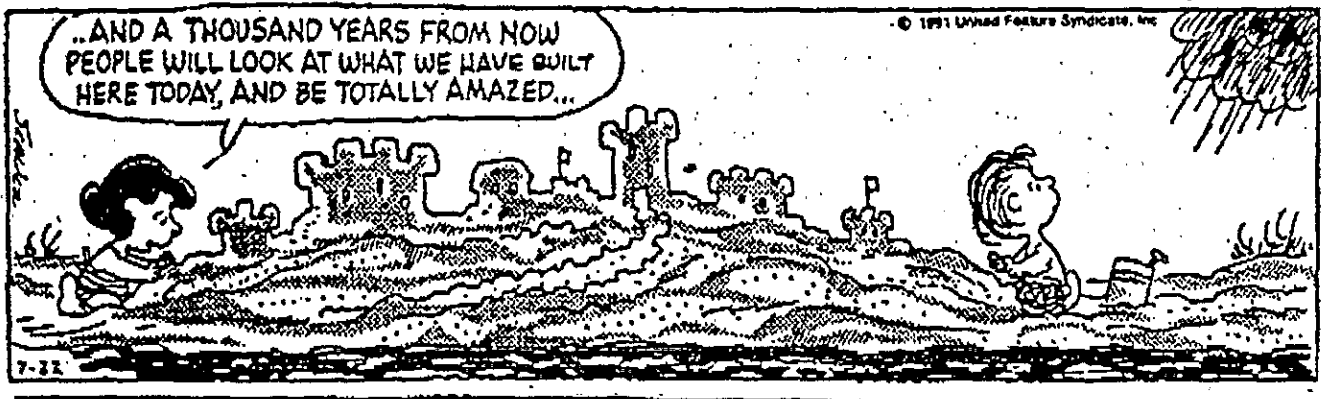
DAWN BOLTON-SMITH

(X)

THE ELLIOTT WAVE THEORIST SPECIAL REPORT -- MAY 1, 1992



PEANUTS/Charles Schultz



### **THE AUSTRALIAN TECHNICAL ANALYSTS ASSOCIATION**

The Australian Technical Analysts Association is a member body of the International Federation of Technical Analysts. The ATAA was established in 1990 with the goals of

- promoting the knowledge and use of Technical Analysis in Australia,
- providing a forum for new ideas and concepts,
- facilitating communication between users of Technical Analysis.

The ATAA has over 80 members in NSW, Queensland & Victoria. Members include professional Technical Analysts as well as dentists, doctors, Corporate Treasurers, company directors, newsletter writers, professional traders and investors. The common bond between members is the use of Technical Analysis to determine the likely direction of markets.

Membership of the ATAA entitles you to:

- Bi-monthly Newsletters,
- Attendance at monthly meetings in Sydney, with speakers like Bryce Gilmore creator of the Wave Trader,
- Membership of The International Federation of Technical Analysts (IFTA),
- Use of the ATAA Computer Bulletin Board (ATAA BBS) to communicate with other ATAA members, swap market data and useful analysis programs, send faxes and much more. The ATAA BBS will soon be linked with the US Market Technician's Association to allow easy communications with their members.
- Discounts on the cost of The ATAA's Technical Analysis and Trading Course and discounts on other products and services.

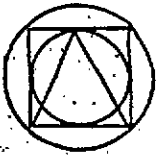
Meetings are held at the State Library of NSW at 6 pm on the 3rd Monday of every month excluding December and January. An Annual Function is held in December.

There are 2 classes of membership: Full & Associate. Full Membership is for those who use Technical Analysis for trading decisions or recommendations. Associate Membership is for those with an interest in Technical Analysis. Membership is from 1 July to 30 June and costs \$100.00.

For more information call Charles Balas, President on 522 5220 or David Hunt Secretary on 545 2605.

Charles Balas  
President





ATAA MEMBERSHIP APPLICATION FORM

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

Membership Applied for:                      Full  
(Please Circle One)                              Associate

Please describe your use or interest in Technical Analysis:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Please Mail Application Form with cheque to

The Secretary  
ATAA  
GPO Box 2774  
Sydney NSW 2001

Full Membership is for those using Technical Analysis to make Trading decisions or recommendations.

Associate Membership is for those interested in Technical Analysis.

Membership is \$100 pa to 30 June.