Technical Securities Analysts Association of San Francisco
TSAA Review
Spring 2001

There is a tide in the affairs of men, which, taken at the flood, leads on to fortune; Omitted, all the voyage of their life is bound in shallows and in miseries.
—Shakespeare, Julius Caeser

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Letter from the President

Jim Forte, CMT

"With a little help from your friends"

Those who dedicate themselves to effective market mastery do so, despite the magnitude of the challenge, because of the extraordinary personal and financial rewards it can bring.

Most any trader, money manager or analyst can share with you the trials and tribulations of navigating the securities and futures markets in search of above average rewards. The last two years in particular have given us bull and bear moves that would test and tempt most anyone's relationship to fear and greed. Those of us who make investment decisions or help others do so operate in a world where we often find ourselves, when at the point of decision, very alone in the midst of uncertainty and apparent chaos.

Experienced traders and money managers will tell you that achieving sustained above average rewards in the market is not just a matter of buying the latest software program, or following an indicator or market guru, or even taking an expensive weekend workshop. It requires mental and emotional discipline, development of an analytical methodology, and the practiced use of money management principles. Such an undertaking requires a longer-term commitment to one's personal, financial and professional success. Having a special advantage, however, just might improve your prospects for success.

The members of the TSAA have that special advantage. We are part of an organization whose talented and dedicated members provide support for those trying to achieve market mastery through the art of technical market analysis. We do this by teaching classes at Golden Gate University (GGU), presenting monthly programs and an Annual Seminar, publishing a newsletter and maintaining a web site, and through a free exchange of ideas among our many knowledgeable members and friends. In so doing, those who contribute, share or teach, move ever closer to their own mastery and success. At our most recent meeting, Bruce Fraser, Vipul Sagar and Hank Pruden treated our luncheon gathering at the Hunan restaurant to a presentation of *Shorting the Market the Wyckoff Way,* sharing their expertise and experience in profiting in down markets. A week prior, TSAA members were invited to attend an afternoon smorgasbord at Bloomberg's west coast headquarters to hear Tom Demark. He discussed his proprietary indicators now available on Bloomberg terminals. I used the meeting as an opportunity to foster a working relationship with Bloomberg. Hopefully, we'll have more to report on this initiative in the coming months.

Other recent meetings featured presentations from Harry Domash of the *San Francisco Chronicle* on "adding to your tool kit," Nina Cooper on "fine tuning Elliott Wave analysis," and a developer of the "Clearstation" investment site, on how to make best use of this resource. This year's Annual Seminar Committee is hard at work putting together a program of speakers and finding a venue we believe will be most satisfying. So mark your calendars for Wednesday, November 14. Former TSAA President Brent Leonard is heading up the ongoing effort to bring notable presenters to our monthly meetings, usually held at

Golden Gate University. Please email Brent at leonbrnt@aol.com if you have any suggestions or contacts for speakers that you would like to hear. Also of special note, Brent Leonard, CMT has developed in conjunction with GGU a Cyber Campus offering on the Fundamentals of Technical Analysis. Now you can turn on your procrastinating friends and relatives from anywhere in the country to the racey world of technical market analysis from the safety of their own homes and computers. For more info, logon to our web site, *www.tsaasf.org*, or call GGU at 415-442-7000.

Speaking of cyber communications, a recent survey of our members suggested that a clear majority would support a move to enhance our web site as an online resource. Our site currently serves as a bulletin board for upcoming TSAA-related activities, as well as an archive of TSAA newsletters and events. Some of the enhancement ideas include:

1. A clearinghouse for reviews of books, software, data providers, brokers and others issues of importance to the TA community.
2. A chat room to exchange trading ideas and views of the market.
3. A password-protected email exchange and membership directory, including trading styles, software preferences and contact options.
4. Providing additional resource links to selected web sites.

I believe the enhancement of our web site can increase its value as a TSAA showcase and a resource tool. It will make it easier for members to keep in touch with TSAA activities and related offerings. It will also go a long way to enhance TSAA's presence, power and influence, and in so doing, enhance the benefits to our membership.

You can play a part in this initiative when you read, study, and develop your analytical and trading knowledge. As fellow TSAA members, we can all benefit by sharing in each other's knowledge and experience. Whether you read a book, find a new web site, try out a new software or experiment with various indicators or investment ideas, compose a brief review of what you learned and submit it to us at *staff@tsaasf.org*. We will do our best to get it posted on our web site or published in our newsletter.

In a more traditional vein, GGU and their Institute for Technical Market Analysis founded by the TSAA's own Dr. Henry Pruden, continues to offer an expanding curriculum of technical market analysis unmatched anywhere in the country and leading to a certificate in Technical Market Analysis. The TSAA is also continuing to work with GGU to house our substantial TA library along with their own. The sticking point has been how to provide secure access of non-students to their library. We are hopeful a solution will be forthcoming.

In the months and years ahead, the road to rewards in the market may get bumpier. Our organization will seek to fortify its ranks with traders, analysts and money managers who are dedicated to their own market mastery and who appreciate the value of being part of a larger support community. If you are a member, please let us know of your friends and business associates that might benefit from membership in the TSAA.

Drop us an email at *staff@tsaasf.org* and we will mail a membership packet. If you are just getting acquainted with the TSAA and would like to learn more about how you can become a member, just request a membership packet from our office at 415-957-1202 (9:30–5:30) or visit our web site at *www.tsaasf.org*.

FEATURED ARTICLES

The Most Reliable Chart Patterns

By Marc Lichtenfeld

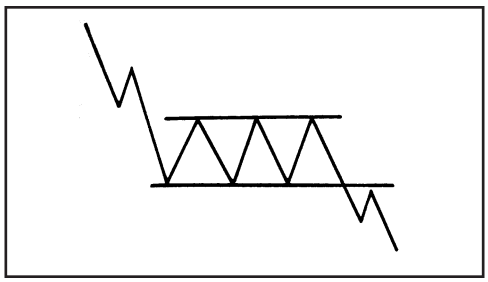
On the TSAA web site in the Fall of 2000, an article was published detailing a study originally published in the *Encyclopedia of Chart Patterns.*[1]

Interestingly, a Rectangle pattern was the most accurate bullish pattern both in predicting continuation as well as reversal patterns. In the study, a rectangle accurately predicted the correct move 98 and 100 percent of the time respectively. It also performed very well in predicting bearish moves.

Other patterns that had a high degree of accuracy were symmetrical triangles and the head and shoulders, which is often considered one of the most reliable patterns in existence.

Rectangle

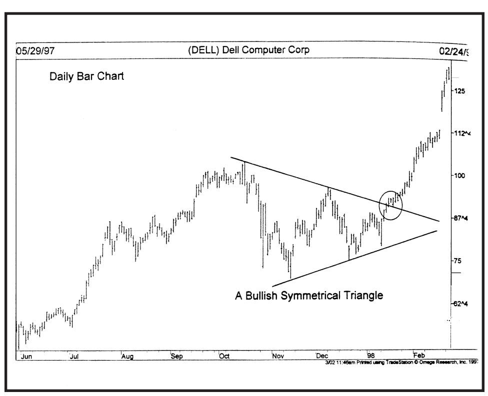
A rectangle is formed when a security hits a high at the same price on more than one occasion, and makes lows at the same price also on more than one occasion. An example of this is on page 1 of the appendix in which Compaq made several highs at about $35 and lows at approximately $28\frac{3}{4}$.



A. *Example of a bearish rectangle. While rectangles are usually considered continuation patterns, the trader must always be alert for signs that it may turn into a reversal pattern such as a triple bottom.*

It is generally believed that when a stock breaks out of a rectangle it will do so in the direction it entered. So in our Compaq example the stock was rising when it entered the consolidation pattern. Therefore we would expect it to break out to the upside. This is not a steadfast rule but rather something for consideration when analyzing a breakout.

The rectangle has measuring implications. A stock will generally move the same amount of points as the rectangle is wide. In our Compaq example the rectangle is about $6\frac{1}{4}$ points wide ($35-28\frac{3}{4}$). If we were playing the breakout and considering our risk to reward ratio (assuming there is no significant resistance blocking our way) we would assume the stock will move at least $6\frac{1}{4}$ points.



B. *Dell formed a bullish symmetrical triangle during the fourth quarter of 1997. Measured from left to right, the triangle width is 18 weeks. Prices broke out on the 13th week (see circle), just beyond the two-thirds point.*

Symmetrical triangle

A symmetrical triangle is when a stock makes lower highs and higher lows. Page 2 in the appendix shows an example of this pattern.

Many of the same rules apply to the symmetrical triangle as to the rectangle. The direction the stock will breakout is assumed to be the same one the stock entered the pattern. In the example, we'd be more likely to think Dell will break out to the upside as that is where it entered the formation.

We can also assess how many points we are likely to see on a breakout by measuring the width of the triangle at

[1]TSAA Review, Fall 2000

TSAA Review

The TSAA Review is a quarterly periodical published by and for members of the Technical Securities Analysts Association of San Francisco. Its purpose is to facilitate communication of informative and useful information to members. Articles of interest to members are welcome and are subject to acceptance after editorial review. All articles are the viewpoint and the sole responsibility of the author. Publication of an article does not necessarily reflect the opinions of the TSAA.

All copy for publication should be submitted to Editor, TSAA Review, via email at the addresses below.

Henry O. (Hank) Pruden, Editor
Golden Gate University
hpruden@ggu.edu

its widest point or where the pattern began. In the Dell example the pattern began in late October at the 75-dollar level. Measuring from top to bottom (at roughly 66 dollars) the triangle is about 9 points wide. Therefore a breakout should move at least 9 points.

When looking at a breakout from a triangle, it is preferable to see the breakout before the triangle comes to a point. The closer it is to the point of the triangle the less likelihood of a true breakout.

One other thing to consider when examining both the triangle and the rectangle is volume. If an upside breakout is expected then we want to see stronger volume as the stock is moving upwards within the pattern. Vice versa, we want to see declining volume as the stock makes its way down.

Head & Shoulders

As I mentioned in the introduction, the head & shoulders pattern is one of the favorites of technical analysts.

The head & shoulders is a reversal pattern. A rising stock will generally make higher highs and higher lows. A head & shoulders pattern will start with the left shoulder. The stock will then advance to a new high before declining to near the bottom of the left shoulder. This new high is called the head. The stock will rally once again but fail to make a new high and again dip to the low of the left shoulder. Volume on the top of the right shoulder should be less than the left or the head. The chartist can draw what is called a neckline from the left shoulder to the right shoulder. Once the neckline is established it should be extended, as this will be the critical support and resistance level.

C. *A head and shoulders top. The three peaks show the head higher than either shoulder. The return move (see arrow) back to the neckline occurred on schedule.*

When a stock breaks the neckline it often times reverses back to that level. At that point a trader can enter a position in the direction that the neckline was broken.

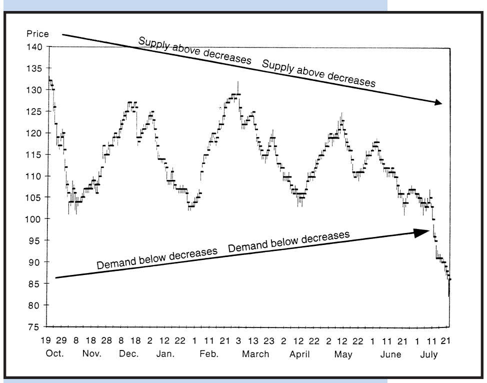
Head & shoulders patterns also have a measuring implication. The top of the head to the neckline is usually the minimum distance the stock will move once the neckline is broken. Page 3 of the appendix shows an example using Nike stock. The top of the head is about 76 dollars with the neckline sitting at roughly 51 dollars. We can set a target of 26 dollars (51-25) on Nike once the neckline is broken.

One thing to consider when measuring a head & shoulders pattern is if the target price is below zero, that may be an indication that either it is not a true head & shoulders pattern or that it may not work in the situation that is being examined.

The vacuum effect

Why do these breakouts work? One theory is something called the Vacuum Effect. In *Trading with Crowd Psychology* by Carl Gyllernram, the author cites the theory by David Fuller.

The Vacuum Effect is when buyers and sellers get sucked into a trading range out of frustration over their price not being met. Page 4 of the appendix illustrates the effect with a fictional stock. In this case every time the stock falls from its high more sellers who's offers are above the high lower the price they're willing to accept for their stock out of fear the stock will move lower. On the flip side, buyers raise their bids out of fear of missing the next move higher. When a stock breaks out, essentially all of the supply or demand is gone, as it has been sucked into the range earlier.

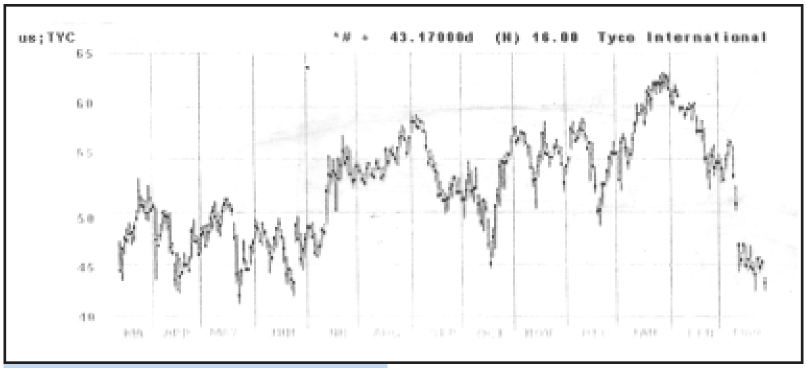


D. *The vacuum effect*

Fuller said in order for this phenomenon to work a stock must be in a trading range for at least 2 months. However I would speculate that it may work for day traders as well. Only in their case the day traders could see the supply and/or demand drying up on their Level 2 screens.

Personal example

I believe I have not only seen this phenomenon first hand but have been an active participant. Page 5 shows a graph of Tyco International, a stock I was long a little while ago.



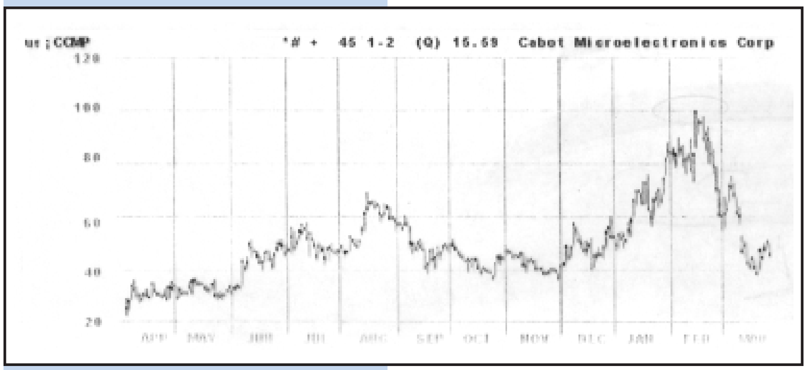
E.

I had a selling price target of $65. The chart shows Tyco getting near the $60-dollar level on several occasions and breaking through towards the end of the graph. However my $65 selling price was never achieved. I eventually caved in and lowered my price. Had the stock indeed broken out to the upside, there would have been that much less supply there for the buyers, thus driving the stock higher.

As it turned out, I was lucky because the stock broke out in the other direction. I would suggest that while I was lowering my selling price there were investors raising their bid price, so that when the stock did fall, there were fewer buyers than had the stock made the same move only a short time earlier.

Keep an eye on...

While preparing for this presentation I was discussing the head & shoulder pattern with Katie Townshend, Technical Research Associate formerly with Wit SoundView. She was gracious enough to point out a stock that had set itself up as a head & shoulders. The stock Cabot Micro Electronics broke through the neckline in the mid to high 50s. It will be interesting to watch the stock over the next few weeks and months to see if it does in fact break down and hit what should be its target in the mid teens.



F.

Conclusion

Technical Analysis is more of an art than a science. There are obviously no guarantees. Even the most perfect textbook formation is bound to disappoint occasionally. However in my studies, I have concluded that understanding the implications of the patterns on the charts offers the investor an advantage over those who are not aware of the forces of supply and demand at work on a stock.

Wyckoff's "Reverse Use of Trendlines"

By Hank Pruden, Ph.D., Golden Gate University

Jerry Schellenger's excellent presentation to the TSAA in February 2001 *(If You Can Draw a Straight Line, You Can Make Money in the Market)* can be extrapolated and magnified by viewing it through the prism of Wyckoff's *Reverse Use of Trendlines.*

During the February monthly presentation meeting of the Technical Securities Analysts Association of San Francisco (TSAA), Jerry Schellenger kept a standing room only crowd entranced with revelations of how anyone who can draw a straight line can make money in the market. Although simple, straightforward and effective, the trendline analysis technique used by Jerry was an eye-opener for many attendees. Schellenger's presentation triggered enough curiosity among the TSAA members that it inspired this attempt to try to build upon the momentum engendered by his excellent presentation through linking his insights to some basic Wyckoff principles.

At the heart" Schellenger's presentation, lies what is known to students of the Wyckoff Method as "The *reverse* use of trendlines." Charts 1 and 2 feature two charts that show two alternative ways to identity support or resistance with the aid of trendlines. The first chart captures what is known to students of the Wyckoff

Method as the *"reverse use of trendlines";* the second chart shows the much more commonly applied "normal use of trendlines."

As we all know, the trendline is one of the most basic of technical tools. Whether upward or downward sloping or sidewise, a trendline is helpful in identifying levels of support or resistance. A trendline extrapolates from prior levels of support or resistance, with a minimum of two successive reversal points but preferably three, to identify where future turning points are apt to occur. Clearly, trendline violation is an important measure of identifying a shift in the balance of power between bulls and bears, especially when the trendline violation is accompanied by a relative expansion in volume.

Volume is a critical variable for identifying when to employ the "reverse use of trendlines." During the normal use a trendline is drawn along the lows in an uptrend and the "return-parallel" of resistance in drawn parallel to the support line. It is along the "return parallel" that we would expect a market to become overbought and for prices to be attracted back to the support trendline.

When prices repeatedly fail to reach the return parallel or overshoot the return parallel, then the technical analyst would be alert to the potential use of a "reverse trendline." When these under or overshoots occur on relatively high volume one has the bases for saying that the "opposing force" is entering. The entering of the opposing force is the rationale for *starting the trendline along the resistance points* in an uptrend. The result is to relegate to subordinate status parallel the trendline drawn opposite to and parallel to this "resistance line." Under these reverse circumstances support would be expected to enter at a different level and indeed the entire upward trend channel would shift to a different angle of ascent or stride.

What is not obvious and indeed misleading with the regular use, namely that prices are not turning at the orthodox rising support line but elsewhere, suddenly becomes clear, obvious, reliable and predictable when price action is cited off the "*reverse* use of trendline."

Ideal graphs and guidelines of the "*reverse* use" and the normal use of trendlines appear in the appendix. As Jerry pointed out in his presentation, all you need to do to make money in the market is to be able to draw a straight line…, especially if you start in *reverse*!

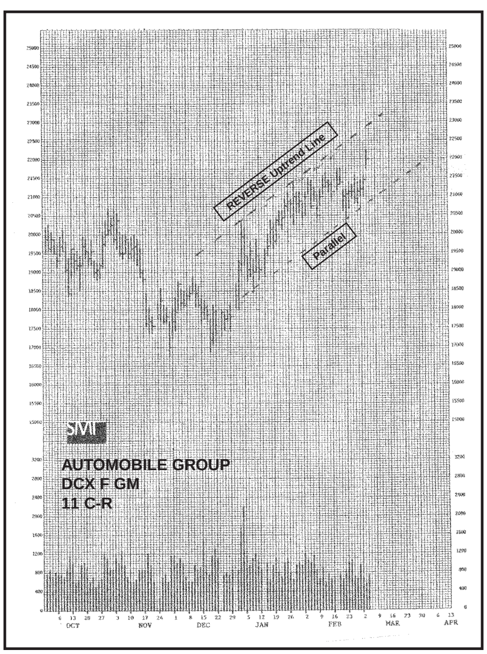


Chart 1

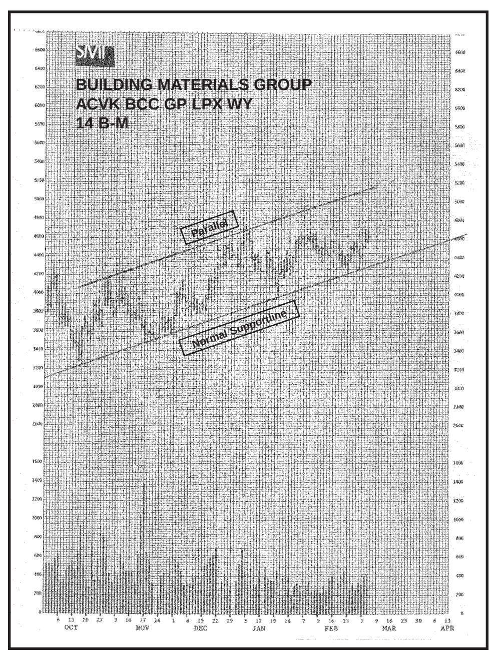


Chart 2

About TSAA

As a nonprofit, independent association, the Technical Securities Analysts Association of San Francisco is committed to the principles of fellowship, education, and development of is members. TSAA believes that individual growth and excellence can best be created in an environment of encouragement and support. As a dynamic organization, the Association embraces all concepts of technical market analysis, encourages its members to pursue their own unique approach to the market, and provides for the exchange of ideas and methodologies. TSAA provides leadership opportunities and educational pathways for the beginning and advanced member alike to achieve effective market mastery.

Appendix

Trendlines: Normal and Reverse Use

(*Source:* Jerry Blythe, MD)

1. a. A trend is a direction of movement along a line of least resistance. Stock prices or market averages move along a line of least resistance in a direction determined by the relationship between supply and demand.
   (1) There are uptrends, downtrends and neutral trends—the latter represented as a relatively horizontal trading range where the strength of the rallies and reaction seem to be in balance.
   (2) When more buy orders come to the marketplace than sell orders, the quality of demand is said to be superior to that of supply and prices rise, creating some form of an uptrend; and vice versa, prices fall.

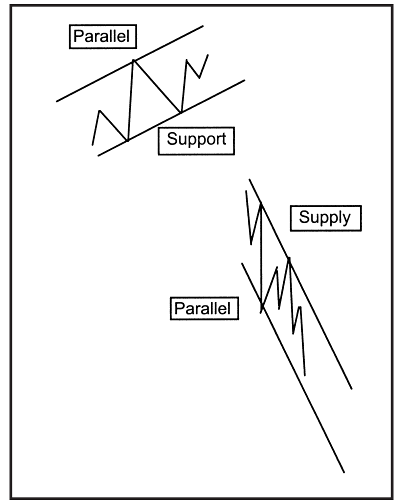


Chart 1.b

   b. Trends are framed by trendlines called support lines and supply lines; and, there are Normal Use and Reverse Use Support and Supply lines.
   (1) In Normal Use of trendlines the angle of advance is usually indicated by a support line drawn first through two uptrending reaction low points with a parallel supply line drawn second through the intervening rally peak; the angle of decline is framed by a supply line drawn through two downtrending rally peaks with a parallel support line drawn second through the intervening reaction low.
      (a) In normal use of trendlines only price is relied upon in establishing the trend Volume is ignored
      b) Additional parallel, companion trendlines may be added from time to time when new rallies or reactions develop which suggest a modification of the angle of advance or decline

2. ***Reverse*** Use trendlines are indicated by dashed lines; they are used only when moderately heavy vol. occurs around two successive rally peaks or reaction lows, suggesting the regular occurrence of such supply or demand respectively at that angle of advance or decline.
   a. Contrary to Normal use of trendlines, the first trendline drawn in an uptrend is the supply line through two rally peaks, with the supportline drawn parallel through the intervening reaction low; in a downtend the first trendline drawn is a support line through two reaction lows with a parallel supply line drawn through the intervening rally peak.

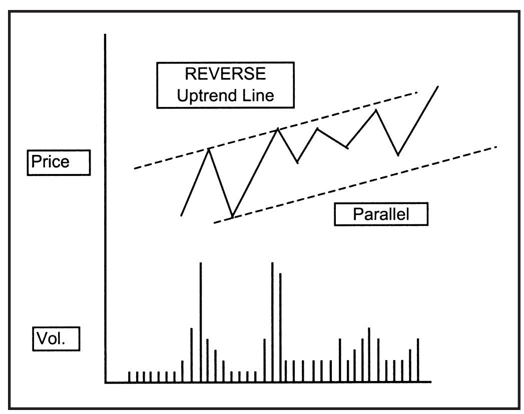


Chart 2.a

   b. Sometimes the reversal volume is clearly indicated only around one of the points while not so impressive to indifferent around the second. However, the Reverse Use of trendlines may still be justified.

3. A combined example using both types of trendlines. This is possible, and recommended wherever possible, as it affords another tool or principle for analysis and forecasting the possible trend.

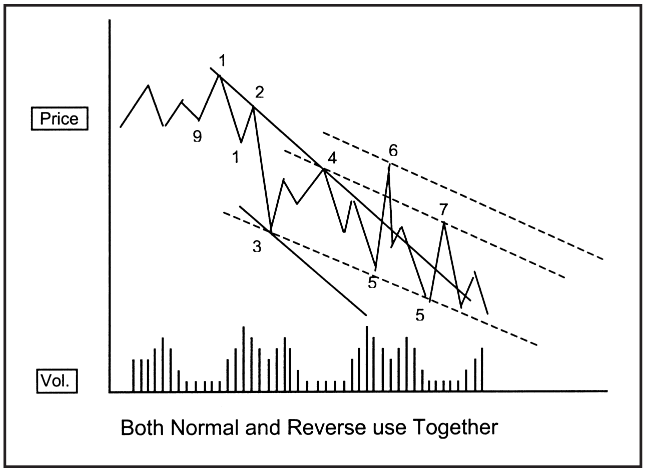


Chart 3

Systematic vs. Discretionary

By JC Coppola, III, CMT, Money Maximizer® and J. Philip Fund

Broadly speaking, all institutional and individual investing falls into one of two distinct approaches. They are: (1) Systematic investing, or (2) Discretionary investing.

Systematic investing is the manner in which larger, more conservative institutions such as Pension Plans, Banks, Insurance Companies, and Mutual Funds approach risk. These fiduciaries use techniques such as diversification, asset allocation, complex statistical and probabilistic models, and intricate architectures of multiple inter-linked investment instruments—short and long positions, options, futures, derivatives, and so forth. Because of the long-term and guaranteed nature of the majority of obligations of these firms such techniques have been developed for the purpose of strictly limiting risk while offering the probability of generating a return slightly better than long-term government rates. Additionally, this form of investing is much more systematic in that these pools of assets are governed by codified investment policies with bylaws and procedures. The month-to-month operations are generally monitored by a formal investment committee which determines what instruments a manger will buy and sell, acceptable levels of exposure a portfolio manger can maintain in each product, security, and industry sector. On an even more macro level, the fiduciary's upper management, which is usually responsible for several of these pools of assets, is constantly monitoring the firms overall exposure to any single product, manager, or style of investing. Therefore, the goals are to preserve the assets under management, grow them at an acceptable rate of return, and identify any risks that may lead to such a large exposure that they could undermine the viability of a firm as a whole. As an example, Fidelity Management Research, Inc. is a classic firm that employs systematic money management and firm-wide risk control techniques in managing its mutual funds and company's overall risk exposure.

Discretionary investing, on the other hand, is much more dependent on individual representations, actions, controls and decision-making. Discretionary investing often takes on a much more concentrated approach and uses techniques such as stop loss orders, bet sizing, and controlled-risk plunging techniques to generate returns in the financial markets. Because discretionary investing is much more dependent on the decisions of a single individual (rather than an automated system or an investment committee) it must control issues which are inherently personal and individualistic, such as: confidence level and other psychological factors, limit of available investment vehicles, lack of requisite equity to achieve adequate diversification or asset allocation, and so forth. Discretionary investment decisions are not all made the in the same manner and, like most human decisions, in fact, have different kinds of other stuff that combine and effect the individual when making such decisions. An example of classic discretionary investing would be the international speculator George Soros. Mr. Soros, the best-known "controlled risk plunger" of our time is well known for his idea that when you think you are right, you invest heavily enough to make a big difference (i.e. varying your allocation, sizing, and pyramiding your investment based on parameters which take in to account personal feelings and confidence levels). Warren Buffet on the other had, a famed value investor, uses a heavily concentrated approach to allocating his enormous sums of assets and spreads them among rather few highly concentrated investments if compared to your average mutual fund with similar assets under management. Buffet is well known for his concept of, "when see one that qualifies, buy a meaningful amount." Likewise, Mr. Soros and Mr. Buffet both utilize risk techniques that employ human judgment to provide for risk control on a discretionary basis.

As the overwhelming majority of human beings, and self-directed investors tend to make discretionary decisions as it relates to their investing, MoneyMaximizer® was specifically developed to address the needs of this market segment. Formerly, institutionalized information, risk management, and pools of assets dominated the financial landscape. The Internet has changed that, as it has democratized information and placed the tools of rapid order entry in the hands of self-directed amateur investors. Along with the convergence of the consumer and financial markets, there is another important fact to consider. Individual investors make their investment decision in a discretionary fashion on an around the clock basis. There are currently more than 200 broker-dealers providing online trading services to over 7.8 million retail investors, according to figures cited by the U. S. Securities and Exchange Commission. Those investors are making more than 800,000 trades a day. The brokerages (banks) that serve the self-directed investor have a tremendous advantage inherent by having 24/7 two-way interactions with one's retail customer base. However, there are also the great risks posed to brokerages (banks) by self-directed investors having full, immediate, and unmediated access to their accounts.

To date, there is not a single one of the online firms that provides its customers with formal risk management tools as a part of the transaction process. For the self-directed investor, this investment process, online, is overwhelmingly discretionary.

MoneyMaximizer® helps a discretionary investor in sizing the order, confirming risk while placing the trade, and tracking and adjusting for risk of the portfolio on an hour-to-hour, day-to-day, week-to-week, or month-to-month basis. Additionally, it is my belief that MoneyMaximizer is the procedurally correct and efficient way to contemplate and adjust for risk when engaging, tracking, and evaluating a position, and a portfolio's risk.

TSAA eGroup

You are invited to join this TSAA-beta group, an email group that is free and easy to use. By joining this group, you'll be able to send messages easily to fellow group members using just one email address. eGroup also makes it easy to store photos and files, coordinate events and more.

To join, go to *www.egroups.com/invite/TSAA-beta* and click the Join button. We'll see you there!

EDUCATION

Graduate Certificate in Technical Market Analysis

Required courses (15 units)
*F1 352—Technical Analysis of Securities
F1 354—Wyckoff Method I

F1 335—Wyckoff Method II
F1 358—Trader Psychology
Two other F1 300-400 level courses not previously taken, such as:
F1 498P—Behavioral Finance
F1 498R—On-line Investing
*F1 498S—Building Efficient Trading Systems

*Courses offered Summer 2001

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F1 352 TECHNICAL ANALYSIS OF SECURITIES 3
00075 CYBERCAMPUS C1 LEONARD
Examines empirical evidence concerning non-efficient markets in which technical analysis is thought to apply. Topics include trend analysis, turning-point analysis, charting techniques, volume and open interest indicators, contrary opinion theories, and technical theories such as Dow theory and Elliott waves. *Prerequisite: F1 203*

F1 498S BUILDING EFFICIENT TRADING SYSTEMS 3
00234 W(SF) SF1 4:00-6:50 BASSETTI
12-week class meets May 5-August 1 and 3 Saturday classes TBA.
Guides you through the construction of your own trading system. In the process, a number of technical methods will be examined in depth: charting, fractal and number driven. Guest speakers will include some prominent traders.

For more information, visit *www.ggu.org*, or contact Hank Pruden at *hpruden@ggu.edu*, 415-442-6583, or Tracy Weed at 415-442-6585.

Technical Analysis Guru to Teach in Summer

"A trader who doesn't know the fundamentals of technical analysis, how to build systems and manage portfolios, has better chances of failure than success, " says W.H.C. (Charles) Bassetti, editor/co-author of the "bible" of the field, Technical analysis of Stock Trends, 8th edition. A guru in technical analysis and a 40-year veteran in the field, Bassetti will teach F1 598S Building Efficient Trading Systems this summer. If you're a finance or economics student, you want to be in his classroom. This is only the second time the course has been taught at GGU.

The course will review the basic principles and fundamentals of technical analysis. "Technical analysis is the analysis of stock, bond, commodity and futures markets using statistics produced by the markets themselves, mainly the volume and price," says Bassetti. "Anyone in finance should be familiar with what it covers. There are lots of technical methods, some of which we will examine and analyze in-depth. Then we'll say, 'Build a trading system, and here's how you do it.' Each student will do the research, build a system, back-test it and judge if it will be successful in the markets. We'll do some paper trading with it. It's very much a hands-n course." In his last course Bassetti hosted various market wizards friends and colleagues for question and answer sessions and unstructured conversations. He will probably do the same this year, but points out that these visits are personal favors from his friends and are subject to the markets and schedules.

Bassetti, a graduate of Harvard University, brings immense experience and a long record of pioneering achievements together with a national reputation in the world of commodity and equity money management to his teaching role. He was formerly the head of Blair Hull's Option Research Inc.—a "market wizard"—and his companies at Options Research Group were market makers on the Pacific Stock Exchange Options Floor. He designed and built the prototype of revolutionary electronic risk control systems aimed at Chinese markets. Bassetti is currently president of Micro Options Research, Inc., which furnished the options and futures analytics software to Prudential Securities and Telekurs. He writes a weekly market analysis letter, which can be accessed on his website: *www.bigfoot.com/~johnmageeta.com*. You can also seek track records of some of his trading operations and learn more about the course there.

F1 498S Building Efficient Trading Systems will meet in San Francisco on Wednesdays, from 4-6:40 p.m. For further information contact Charles Bassetti by email at *bassetti@worldnet.att.net*.

RAVE REVIEWS

Technical Analysis of Stock Trends (Eighth Edition)

By Robert D. Edwards, John Magee, and W. H. Charles Bassetti
AMACOM and St. Lucie Press, 2001

"Edwards and Magee's definitive work has been restored to mint condition in this 8th edition…the new editor, Charles Bassetti has made invaluable new additions to bring the book current with today's markets and modern finance practice…He has also rectified the problems of the 6th and 7th editions and removed the anachronisms and obsolescence of the 5th edition. As it was before, it is once again the definitive work on chart analysis."

Mark L. Wainwright, President, Paradigm Trading Systems

"This is the one indispensable book on chart analysis. The original, the Bible, unmatched and unimproved until this excellent, updated Edition…a must read and a requirement for every trader's library…"

Professor Henry Pruden, Ph.D., Golden Gate University, San Francisco

"There is no better place to begin your education in market behavior than this pioneering book. It has stood the test of time and will continue to apply in the future, because the engine of market patterns and human social psychology never changes."

Robert R. Prechter, Jr., President, Elliott Wave International

"The fact that this text is still being reprinted 53 years after its initial publication should tell you all you need to know. It is as relevant to today's markets as ever. The companies may have changed, but the patterns haven't. This edition contains the basics of trading stock indexes, discussions on options, risk, the significance of technology on technical analysis and trading and numerous other additions… it remains an essential volume for students and practitioners of chart analysis."

Jack Schwager, Author, Technical Analysis, Schwager on Futures, Stock Market Wizards

"…the standard of excellence against which everything in technical analysis is measured."

Ralph Acampora, Prudential Securities

"#1 all-time classic, considered to be the best book on chart patterns ever written!"

Edward Dobson, Traders Press, Inc.

"There are so very few books that have withstood the test of time like this one. It continues to deliver keen insights and guidance to today's investors as it has over the decades."

Chris Myers, Trader's Library

What Works in Online Trading

Edited by Mark Etzkorn
John Wiley & Sons, Inc., 2001

This is must reading for anyone thinking about taking the plunge into online day trading. If you're looking for an honest and authoritative assessment of different trading strategies, risk control techniques, and trading technology, you've come to the right place

"Etzkorn has assembled a cutting-edge blueprint for those looking to move into online trading. Covering everything from trading basics like Level II screens to more advanced technical analysis, What Works in Online Trading provides all the tools to excel."

—Henry O. (Hank) Pruden, PhD., Professor and Executive Director Institute for Technical Market Analysis at Golden Gate University, San Francisco