THE AUSTRALIAN TECHNICAL ANALYSTS ASSOCIATION

NEWSLETTER
NOVEMBER 1992

GPO BOX 2774 SYDNEY NSW 2000

AUSTRALIAN
TECHNICAL
ANALYSTS
ASSOCIATION

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	- Committee	- (02) 436 1610
Charles Alexiou	- Public Relatns	- (02) 252 1285

Victorian Chapter

Paul Simmons	- Melbourne	- (03) 593 1434 bh
		- (03) 497 3551 ah
Ron Leith	- Albury	- (060) 413 239

The Inaugural meeting of the Victorian Chapter of the ATAA will be held at 6.30 for 7 pm Wednesday November 18 4th Floor BNZ Building 395 Collins Street, Melbourne. In the offices of Thonemann, Robertson Thompson P/L.

Contents of this Issue

EDITOR'S NOTE: BROKER's

At the last meeting our guest speaker Damien Hatfield said that he was "Just a broker". He said he'd tried technical analysis and tried trading but at the end of the day he was better at being a broker (salesman).

The broker trader relationship is a strange one.
Traders need brokers or bankers to access various markets economically. We can't all be like Nick Flamborous and his partner and own a seat on the Chicago Board of Trade.
Brokers need customers and the traders pay fees to brokers, so you would think the motto in the broking world would be "The Customer is always right". Looking at the experience of many traders I know this motto is often replaced, in the minds of **both** the trader and the broker, by "The Customer is usually wrong, but the broker is right". Often it is easier to listen to others than to listen to yourself, this is probably why that motto holds.

One of our members, a very disciplined trader with a very good mechanical trading system, recently told me about the time he set up a trade one morning and for the rest of the day the broker was constantly calling him advising him what the 5 minute RSI (Relative Strength Index) was doing (the broker did not know the term divergence!!). This broker was completely ignorant of the trading time frame of the trader, and was just being a nuisance. AS a consequence this trader changed brokers.

I deal with a lot of bankers (read brokers), and my trading (because of its size) is on a weekly to monthly time frame. I'll occasionally get banker calls like the one above that are irrelevant. That is, outside of my Time frame. The reason for this is that the broker is concentrating on the next trade he'll get. Too close a relationship with a broker can lead to

(1) Over Trading:
The most profitable trades are usually the ones where you do the least work (effort/analysis) in the trade. The homework done before taking the trade is the most effort. You are virtually just going for the ride.

(2) Ignore your own system/methodology:
In favour of the broker's tips and recommendations. People will often value and act on someone else's opinion rather than their own.

(3) Take Profits too early:
Because of broker tips or market gossip.

(4) Take losses too late:
Maybe because the broker has heard there is a big order that will save your position. Or because they think "the market is short". Some will even not trigger stops.

(5) Take unnecessary risks:
Broker "greasing" (ego stroking) can make you believe you are better than you are. Egos can hamper trading.

Often I wish every market could be traded by the push of a buy/sell button. Screen trading is certainly attractive, it cuts out some elements of the psychological game of trading. With a broker involved its not just you against the market, it is you and the broker versus the market, or even worse, you versus the broker versus the market.

In dealings with brokers/bankers I have found it is best to set out the guidelines you require as early as possible to stop the bad habits from developing on both sides of the telephone. Guidelines can include topics for discussion, times to call etc. To a broker this may seem harsh but if a customer is doing well they'll continue to enjoy business. The broker can service more clients if they have a client like me. Plus their overheads are lower.

My best broker says only "Where are you wrong" when I take trade or am about to. This is something you should know either before or at worst shortly after the trade is taken. A good broker does not try to argue the toss with you, pitting ego on ego.

Because trading is a psychological game between yourself and the market, a good broker should be transparent to the process. The broker needs to recognise and respect your trading time frame.

It can be all too easy to blame the broker for a bad trade, keeping a formal and business like relationship can help you maintain responsibility for trading outcomes.

DW Hunt, Editor

YOUR COMMITTEE - PART 6 CHARLES BALAS

Charles Balas has been involved in charting and analysing the financial and commodity markets since 1979 when he developed his early foundation through lectures given by the then Darlington Commodities. He realised early that a disciplined and scientific approach to market analysis is one of the prerequisites to a successful career in trading the markets.

Over the years he has studied many approaches to technical analysis in areas such as Time Cycle ratios, Energy Point Trend Techniques, Ratio Analysis of Time, Price and Space, Wave Theory, Mathematics of The Universe, Astrological Timing and Advanced Celestial Astro-Harmonics. He has researched most of the major works by past masters including W.D. Gann and has constantly kept abreast of all the new developments in T.A. such as the emergence of Neural Networks in computer analysis.

His background includes forming his own computer firm in the early 80's which he built up to turnover close to a million dollars in sales. With his extensive exposure to computers and trading systems over the years, he has developed many computer models to trade the markets and uses his own package Daymax(c), for back and walk forward testing and optimisation.

In 1989, Charles was invited to the USA by the Vice-President of Invest-ments at Prudential-Bache to review their trading systems, and has been a consultant to funds management firms. His memberships have included the Foundation for The Study of Cycles (USA), Australian Museum Society, past President for the Hurstville Chamber of Commerce and Chairman for the NSW Chamber of Commerce Southern Sydney Region.

He has assisted Ord Westpac Futures in setting up their own 0055 futures hotline, and was a regular guest speaker on 2NBC radio station "Monday Review" of weekly financial markets.

In 1991 Charles Balas was appointed President of The Australian Technical Analysts Association, and has lectured at the ATAA/Securities Institute of Australia Technical Analysis and Trading course. He continues his favourite passion, as full-time trader and consultant and undertakes private tuition.

Monthly Meeting Calendar

Please note these meetings in your diary.

Activity	Date	Topic	Speaker(s)
Meeting (Sydney)	16 Nov	Looking Back to '93. Neural Nets	Members Predict '93 Charles Rann
Melbourne Meeting	18 Nov	Creating a Vic ATAA	Charles Balas
Xmas BBQ	5 Dec	21 Young St Sylvania Hgts	RSVP Dawn (02) 969 7615

Sydney 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 (02) 545 2605
Charles Balas (02) 522 5220

Melbourne Meeting Details

Time: 6.30 for 7.00pm
Day: 3rd Wednesday of each Month
Location: BNZ Building, Level 4
395 Collins Street
Melbourne

More Information: Paul Simmons (03) 593 1434
Ron Leith (060) 413 239

AUSTRALIAN
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ASSOCIATION

PRESIDENTS ADDRESS.

Fellow Analysts.

As another yearly cycle approaches on our doorstep, and the collective mindset moves into holiday gear, we are reminded that for everything there is a season. Unlike the declining fortunes of the Australian Dollar which was forecast in our last newsletter, your Association has grown and almost doubled in membership over the last 12 months. Presently, we are represented by over 90 members, with our next Fibonacci target at 144. As we expand with meetings now being held in Melbourne, we are in line with developments with other IFTA societies worldwide such as our colleagues at the Canadian Society of Technical Analysts. They now have strong links between their Montreal and Toronto groups and are hoping to extend their linkage to a third chapter in Vancouver. This shows that mutual respect and the pursuit of common goals helps build unity.

Our continuing education policy over the year has seen not only the development of the ATAA Technical Analysis and Trading Course but also a specialised Point and Figure workshop. These courses will help to build the structure of a more formalised and intensive course of instruction leading to certification.

We have just received over 22 megabytes of information and program files courtesy of our affiliates at the MTA in the USA. These technical tools range from neural networks, candle charting software, electronic ephemeris, mathematical function plotter, optimisation routines, windows charting, and many PCX graphic charts and tutorials. These are all now available on our computer network for downloading. Discussions are taking place to link in with the MTA computer in 1993 to facilitate the flow of messages between our two societies, subject to demand from members.

On behalf of your Executive Committee, I would like to welcome all our fellow new members who have joined our Association recently. Congratulations are also extended to David and Lea Hunt, proud new parents of James.

As with all quests, realisation follows that the study of numbers is the purest expression of truth because it determines the exact relation between cause and effect. They allow one to know all the "hierarchical" functions which, from the cause, give birth to the effect. Doubtless the future is an inevitable consequence of the causes of both past and present, but one would still have to know all the causes, including the unseen, in order to know the effects that will constitute the future. With Technical Analysis, one can easily define the time, movement, and force which separate an immediate effect from its cause.

Wishing you and your families a warm and joyful Christmas and a prosperous New Year.

Charles Balas. President.

GPO BOX 2774 SYDNEY NSW 2000

WHAT OTHER TECHNICAL NEWSLETTERS ARE SAYING...
Edited by Dawn Bolton-Smith

WATCH THIS SPACE.....David Fuller will be coming to Sydney in 1993 immediately after a private seminar in Abu Dhabi. It will be his 25th Year of The Chart Seminar and he will be celebrating it by an extended tour according to FM100. No dates yet but these should be forthcoming shortly. Don't miss the opportunity to attend David's Seminar - he has a wealth of specialised knowledge and experience to impart. His speciality is on the Psychological aspects of the markets and the behaviour of the crowd making the patterns - he refers to them as people patterns rather than some of the conventional labels of "heads and shoulders" etc. David fills in areas which are often neglected and is very strong on self awareness. I for one have greatly benefited from his instruction and wisdom over the years. He usually allows the seminar group to choose the market and odds favour being able to recoup the cost of the seminar as a result of his hands on analytical techniques.

An invitation to give a short talk to your Association has been given if he has the time in his busy Sydney schedule. I am keeping my fingers crossed.

THE HIGHLIGHTS FROM FM 100 25/9/92 - WHERE TO INVEST

STOCKS - Many pundits regard the recent technical rallies in stock markets as confirmation that people should be buying. Old habits die hard. They overlook the fact that a worldwide balance sheet recession (as opposed to the typical post-WWII inventory recessions) is as bearish for stocks as it is bullish for bonds.

The UK market has had the best devaluation rally, presenting anyone who has not already sold with an excellent opportunity to get out. Speculators can short FTSE futures near or above their recent level of 2650 (December contract). The substantial contango reduces the risk considerably.

Speculators can also short Wall Street as this market is on the brink of a bear trend. A close above 426 for the December S & P contract would suggest a further delay before the fall occurs, unless it was reversed within 48 hours. A close at 410 would break the August low, confirming that the rout was underway.

I would not buy any stocks. This advice has irritated some captive equity players over the last three years, but I receive a steady stream of letters and comments from FMs telling me how relieved they are to have avoided stockmarket losses and how well their Bund or hard currency deposit investments have performed. I'll be happy to recommend stocks once again, when I have the technical and fundamental evidence to do so.

CURRENCIES - I'm still advocating a low profile in these markets because of the volatility. FMs following the recommendations in recent issues have had a profitable run, but I have been around these markets long enough to know that easy profits are a good reason to reduce rather than increase exposure. I see fewer low risk opportunities to-day. (For the record, the Daily Currency Fax service run by Chart's MD, Anne Whitby, and her team of analysts has bagged a number of "against the crowds" profits in recent weeks - highly recommended for corporate traders.)

ONE HUNDRED ISSUES OF FM

When I wrote the first issue of FM over eight years ago, a friend said: "David, you have really created a lot of work for yourself. Talk about prophetic - and I was only producing eight pages at the time! It would be no exaggeration to say that FM complicates my life and, unfortunately, others" - the late nights, a lost week-end each month and the constant concern about what I will say in the next issue. My wife, Graham, regrets that I cannot take a long holiday. Close colleagues have to copy with my spelling, agitation and writer's cramp crises.

Fortunately for me I chose to write an investment letter, and FM is the most important outlet for my analytical creativity. It's a self-imposed discipline - not a job. FM means a great deal to me. The relief, euphoria and sense of achievement on completing an issue are considerable. I'm proud of the forecasting record and irritated with myself for what I failed to reason through when I have been wrong.

A bonus in producing this letter has been the number of subscribers. I hoped that FM would attract a following, but could not count on it because I did not know how the publication would evolve when it was first launched. It is not tact or flattery that prompts me to say how much I enjoy meeting subscribers around the world when speaking engagements draw me out of the office. My personality is stamped on FM and because you choose to subscribe, we are bound to have a degree of compatibility and mutual interests.

Helped by your support, letters and faxes, which are so often inspirational and information, I welcome the many analytical challenges that the next one hundred issues will undoubtedly provide. I hope that you will continue to find FM a good read - informative, educational, feisty and constructively iconoclastic. I promise to press against the boundaries of my limitations in search of accuracy."

Congratulations too go to our own Merril Armstrong of TRENDEX. Merril took over from me in 1978 and that's also a lot of issues of TRENDEX to produce. Well done!

A most enjoyable luncheon and afternoon tea were provided by Telerate on Friday 2nd October 1992 featuring David Allmann, director of research for U.S. based Elliott Wave International who was on a round the world seminar trip with next stop I.F.T.A. Conference in Dublin where he was to be a guest speaker along with David Fuller.

Several A.T.A.A. members were present and took advantage of an extended afternoon to discuss the Global Market Perspective in Telerate's stylish and comfortable offices. As well as viewing "a late model" Teletrac with really super graphics, some excellent handouts were given and the accompanying background chart courtesy Monitor Money Review of A.S.E. ALL ORDINARY INDEX (Yearly Chart-Semilog Scale) and the long term trend.

This chart is one of my favourites for perspective and in fact it was this yearly chart published in E.W.T. in August 1987 which alerted me to the real danger then present in the stock market. I have always been an avid trendline follower and could readily see the parabolic return line as the market was approaching the danger level in 1987. I have drawn in for good measure the parabolic uptrend channel and where one needs to be aware of the trendline which is close to the 1100 level over the next year.

It is really is the best example and a real live one of Elliot's GRAND SUPERCYCLE. I like to keep an open mind about markets at the same time monitoring the trends with a view always on the BIG PICTURE. A case for listening to this market rather than the controversial opinions of which there are many.

I have always kept a chart of the long term trend of the ALL ORDINARY INDEX produced by the Stock Exchange and have been mindful of the statement:

IN ITS MAJOR SWINGS THE MARKET HAS NEVER FAILED,
FOLLOWING A FALL, TO RISE ABOVE THE PREVIOUS HIGH POINT. It is now five years since the all time historic high in 1987 with the index still well below and rather closer to the major support levels on 1149.2 on 1/11/87 and 1199.8 on 17/1/91.

The Elliott Wave Theorists have labelled the range below 500 as the level to which it could eventually fall once the current "triangle" is worked out. If the does eventuate and bearing in mind that markets can do anything, it would certainly imply further economic hardship. According to E.W.T. Australia is about a year behind New Zealand in the developing depression while the rest of the work is a year behind Australia.

A CASE FOR WHERE IS YOUR STOP LOSS!

THE ELLIOTT WAVE THEORIST October 1992 issue
(September 25,1992)
P.O. Box 1618 Gainesville, Georgia 30503 u.s.a.
Subscription US$250 (Airmail Overseas)

"THE A.J. CORNER"

Here's the latest from a phone interview with Elliott Wave Principle co-author, A.J. Frost.

"In my interpretation, the Dow Jones Industrials peaked at 3414 on June 1, 1992. The average came down in a short "five," followed by a large complex correction to August 3. It then dropped again and rallied to September 14. The second drop is a replica of the first. It's now entering a 'third of a third" down. My outlook is very bearish. There will be a large drop over the next three to four months that should carry the Dow down 1000 points. There is an outside possibility that the market can extend upward further, of course, but the odds are heavily against it. We probably won't see the June highs in any of our lifetimes. The economy as a whole gives me the shivers. The debt situation is ominous. I have very strong feelings that this is it.

"The Canadian market is following the Dow. The trade agreement should be difficult for Canada. We have little to sell except forests, fish and grain. Canada is tied so closely to the U.S. it will fall with it. The North American continent should have been divided vertically, not horizontally. Then we would have two strong countries trading with each other. The French want independence and will probably get it. The Maritime provinces will probably secede from the rest of Canada eventually.

"Gold is likely to climb. That's where investors should be. Although the market's message is disconcerting, be of good cheer."

Followers of E.W.T. should read Elliott Wave Principle Frost & Prechter. First published 1978. It is interesting to review some of the long term forecasts made on the wave principle.

M S L The Money Strategy Letter
P.O. Box 4130, Medford, Oregon 97501 U.S.A.
Monthly Newsletter $US 195

Merril Armstrong and I attended one of Dr. James McKeever's Sydney Seminars (Executive Editor) in the early 1980's and have viewed his Newsletters from time to time.

Dr. McKeever has a rather conservative type of investment approach but a very successful one also managing Mutual Funds. I remember well his title of 6/10/87 THE BEAR COMETH cautioning participants of the mature bull market and commenting on the fact that few then existing market participants had every seen a full blown bear market, or even a major correction in a lot of cases. That was soon to change. Dr. McKeever and I are approximately the same age so I readily relate to his market experiences.

IMPORTANT POINTS FROM HIS LETTER MSL 400 12/10/92

MSL STOCK MARKET REPORT: DJIA GIVES A MAJOR SELL SIGNAL

MSL ANALYSIS: As you can see from the Weekly DJIA graph, the DJIA has broken down through our MSL Average - Long Term (MMA-LT). All of the technical studies that we use have turned negative on the stock market. The Dow Theory has barely given a major sell signal, but it has given one. Therefore, we have no choice but it issue a major sell signal in the stock market. We would essential dispose of any and all stocks, even including those that are doing well. There is a possible market plunge ahead and even good stocks will get pulled down with the market, if it goes down as a whole.

If you remember, some months ago, we said we were looking for an August or September top in the stock market and it appears to have occurred in approximately that time frame. The earnings of companies are not, by in large, that exciting and there is not a lot of prospects in the future for increased earnings. The Dow is likely to come down to realistic PE levels.

MSL MUTUAL FUND REPORT - ABANDON SHIP!

MSL ANALYSIS: We are very high on mutual funds during bull markets in the stock market. We feel that they have major advantages over an individual investor purchasing individual stocks. This is the one thing where Bert Dohmen and myself are in complete agreement. We are also in agreement that in a bear market, one should be primarily in money market funds while buying puts to take advantage of the down market.

MSL COMMODITY REPORT - PERSONALLY FROM JAMES

As of the end of June, I placed $30,000 into a commodity account. This was speculative money that I was willing to lose. At the end of September, this had grown to $58000, or almost double. There is absolutely no guarantee that I would ever again repeat this performance, but I am considering taking four or five clients and managing their speculative funds in the high risk commodities market. I have not personally, solo, managed funds since the 1970's. Anyone considering this should realise that these should only be funds that a person can afford to lease easily without hurting him and it should be a maximum of 10% of his liquid assets and should be at least $100,000. I have not yet made this decision, but if you are interested, I am enclosing a request form for you to complete and send back to me.

MSL GOLD REPORT - DON'T GO FOR THE GOLD-YET

MSL ANALYSIS: We have just discussed the currency crisis. There is particularly one in Europe. Central banks of these countries have wanted to support their currency to keep it from crashing downward. There had to be some source of funds so that they could buy their currency, which would support it. What many of them did was to sell gold in order to get U.S. dollars so they could buy the currency of their country and thus, support it.

The Bank of International Settlements (BIS) sold 133 metric tons of gold between April and May. The London based-Financial Times said that other central banks have begun selling gold and that gold reserves of these central banks fallen to their lowest level since the 1960's. The 202 metric tons of gold that the Central Bank of Belgium sold is equal to 7.5% of the mine production of the western world. The world's gold supply has dropped this year for the first time since 1983 and the output of gold from the mines is the smallest it has been since 1980. In the meantime, demand continues to increase. Thus, if the central banks of Europe had not been selling gold at a tremendous rate, gold would be significantly higher than it is to-day.

The question is: when will these central banks top selling gold? The answer is, when the currency crisis is over. Who knows how long that will be, whether it be another day, another month or another decade. Gold is forming a nice base from which it could move upward dramatically, once the central banks stop selling.

You can see this base being formed on the graph of the WEEKLY LONDON PM GOLD FIX. The price of gold would need to go up above our MSL Moving Average-Long term (MMA-LT) and also break up through the long-term downtrend line. This means that the LONDON PM FIX would have to be in the vicinity of $360 per ounce for gold to prove that it was indeed starting a new bull market.

MSL RECOMMENDATIONS: We believe that there will be a time to buy GOLD in the not-too-distant future, but not yet. We will watch this closely and keep you advised as to when the time is appropriate to "go for the gold". So stay tuned.

This newsletter contained 16 pages of really interesting reading much on U.S. Economy, Debt and approaching election.

STOP PRESS:
The latest FULLERMONEY FM 101 to hand.
THE CHART SEMINAR will be held in Sydney on Thursday 4th and Friday 5th February 1993.
MARK THESE DATES IN YOUR DIARY - ATTENDING THIS SEMINAR WILL BE THE BEST INVESTMENT YOU MAKE ALL YEAR.

HIGHLIGHTS FROM FM 101 dated 23/10/92.
FULLERMONEY is published monthly by Chart Analysis Ltd., 7 Swallow Street, LONDON W1R 7HD, United Kingdom.
Annual Subscription $US 340.

HARD CURRENCY BONDS REMAIN THE BEST INVESTMENTS FOR SAFETY AND CAPITAL APPRECIATION.

The recessions are not ending: they are deepening.

Many stockmarkets rally in response to recent selloffs, but these gains will not hold.

Wall Street is joining the global bear market trend for stocks.

The Japanese yen remains the best currency for intermediate to longer term appreciation.

The lull in Europe's currency wars will be followed by further gains for the German mark.

Base metal prices plunge to their 1991/92 lows.

There are no quick fixes during the hard slog to recovery but governments should harmonise policies for growth.

Shuffling Deck chairs as the ship lurches - Egged on by the press, people understandably blame their governments for the economic malaise which is now worldwide. The politicians face early retirement at the next election, if they last that long, so they scramble for a quick economic fix. Since none of them lived through the 1930's, and very few are students of that debit deflation, they don't know what to do.

US Treasury Bonds complete a top - FM 100 observed that Treasury bonds had seen their clearest technical deterioration since last January - A decisive downward break occurred on October 20th, when the price maintained a push below 103-00 (December contract). The first level of potential support evident on the longer term point and figure chart is the January high near 102-00. This chart also shows that Treasury bonds have experienced two big multi-month corrections since late 1990 before resuming the overall upward trend. Could it happen again, or is the bull market over?

My concern over the deflationary pressures in the US economy, and suspicion that the stockmarket will crumble, make it hard for me to believe that we have seen the final interest rate cut by the Federal Reserve. However that is mere opinion. Also, bonds could have already discounted another rate cut or they might be reacting to supply problems or fears concerning Clinton's spending plans.

In conclusion, it would be prudent to assume that we have seen an important top in Treasury bonds which have, after all, had a good run. The answers that we require will be revealed by the chart. For instance, a more positive development would be a decisive rally back into the top. Conversely, if the December contract cannot push back above 102-00, and if 102-00 does not hold, recent weakness will be reconfirmed. As I've already indicated assume the worst until or unless something clearly bullish shows up on the chart.

GLOBAL STOCKMARKETS - Technical rallies break the downward momentum - A majority of the world's stockmarkets fell sharply in recent months. These declines have now given way to the inevitable technical rallies that punctuate every bear market. Some additional gains could easily occur, particularly among the most depressed European bourses.

Australia's All Ordinaries Index (1444) is unlikely to encounter more than temporary support near 1400, before overhead supply forces a challenge of the 1987/88 and '91 lows near 1200. Falling metal prices have not helped.

The Hemline Indicator - Journalists keep asking me about the Hemline Indicator, which charts the relationship between stockmarket peaks or troughs and the length of women's skirts. The indicator was introduced in 1968 by the late Ralph Rotnem, a distinguished research partner at a Wall Street firm. It was my privilege to work with Ralph, and in 1970 I reproduced his Hemline Indicator in London.

The Hemline indicator was produced for fun and publicity, but the correlation between a rising and falling stockmarket and hem lengths is more logical than many of the arcane indicators beloved by forecasters. Essentially, when the stockmarket is riding high reflecting confidence and greater prosperity, people feel more secure or even frivolous, so skirt lengths rise. Conversely, a falling stockmarket and evidence of recession encourages a more sober or even defensive frame of mine, and skirt lengths fall.

This can make a small economic contribution towards the next recovery, because the cost of fabrics may be lower during the recession and the supply greater. Although people may buy less, they get more material for their money. Colour schemes can also be affected by the combined stockmarket and economic environment - brighter during the good times and more sombre in the downturns. How many women in your office or home are wearing dark clothes to-day? Men's fashion is less revealing because we wear the same old boring clothes most of the time.

While it is behaviourally logical that economic factors should influence fashion, skirt lengths will appear to be a lead indicator more often than not. Clothes designers are highly sensitive to changes that will strike a favourable chord with the public. Therefore fashion trends can alter quickly - like the financial markets - confirming a changing economic climate before the obvious is recognised by those Treasury advisers who appear to navigate by looking through the rear view mirror.

A word of caution. Anyone browsing in shop windows in indulging in people watching, in search of evidence for the stockmarket's next significant trend will find conflicting evidence. To-day's liberated independent-thinking career women will no longer follow style changes slavishly. Nevertheless any recent released clothing catalogue confirms that most hemlines are well below knee level to-day.

Walking down Old Bond Street the other day, two blocks from Chart's office, I saw variations on this trend which I'll label recession chic or designer hobo. Gianni Versace's small new marbled emporium featured embroidered denim outfits inlaid with costume jewellery. A little further along another shop displayed men's sport jackets with sections of fabric which had been cut out and then stitched on in patchwork fashion. This may be an attempt to make a conspicuous consumption politically correct, but I doubt that it will catch on.

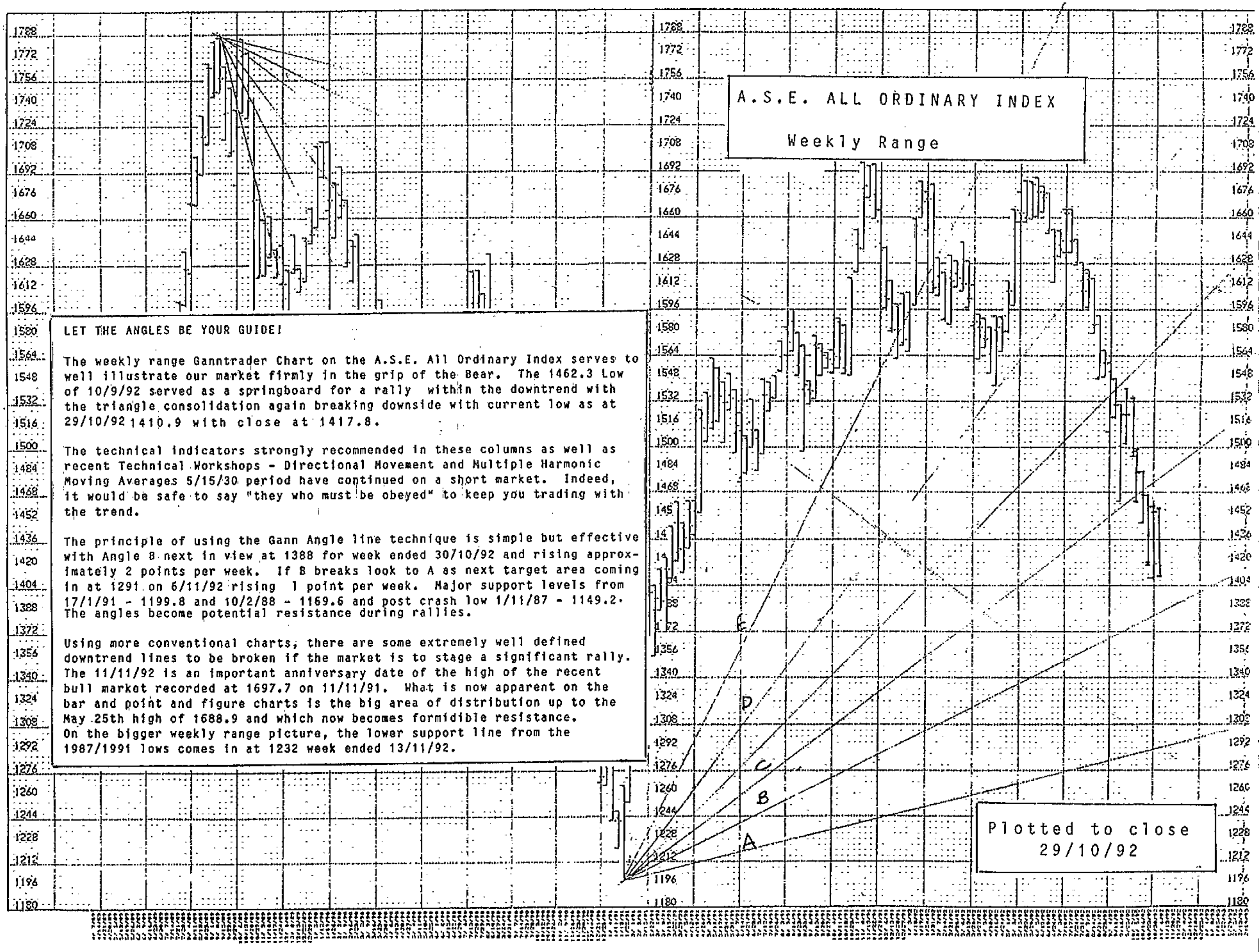
What are the analytical implications of all this, beyond confirming the obvious fact that most of the world is in recession? More importantly, can the Hemline Indicator help us to thread our way through the changing market patterns profitably? Well, most stockmarkets have been falling in recent months. Furthermore, I'll wager that the hemlines will prove to have given a very reliable sell signal for Wall Street in a year's time."

(Off the record, I did an article on hemlines about the time of the 1974 share crash and I seemed to recall it caused a stir amongst the ladies at the Melbourne Cup - I for one am pleased to see the hemlines coming down again - I was a lot younger at the time of the last MINI and more able to wear them. This last bout kept me on the sidelines and about "mid-knee". I freely admit I enjoy a good bear market and coupled with the now falling hemlines takes some of the pain out of the recession we had to have!

D.B.S.

The summation from the various newsletters above and each one deserves merit. They are experienced market people and their pearls of wisdom and analysis can only benefit. Best to take David Fuller's lead - he would not buy sell or recommend anything without first looking at a price chart. My sentiments exactly......

WEEKLY YYA 12/87W
Scale is 4 per each division.
(0 +(PRICE X 1)) X 1
Chart by GANNTRADER I, (809) 548-5990



LET THE ANGLES BE YOUR GUIDE!

The weekly range Ganntrader Chart on the A.S.E. All Ordinary Index serves to well illustrate our market firmly in the grip of the Bear. The 1462.3 Low of 10/9/92 served as a springboard for a rally within the downtrend with the triangle consolidation again breaking downside with current low as at 29/10/92 1410.9 with close at 1417.8.

The technical indicators strongly recommended in these columns as well as recent Technical Workshops - Directional Movement and Multiple Harmonic Moving Averages 5/15/30 period have continued on a short market. Indeed, it would be safe to say "they who must be obeyed" to keep you trading with the trend.

The principle of using the Gann Angle line technique is simple but effective with Angle B next in view at 1388 for week ended 30/10/92 and rising approximately 2 points per week. If B breaks look to A as next target area coming in at 1291 on 6/11/92 rising 1 point per week. Major support levels from 17/1/91 - 1199.8 and 10/2/88 - 1169.6 and post crash low 1/11/87 - 1149.2. The angles become potential resistance during rallies.

Using more conventional charts, there are some extremely well defined downtrend lines to be broken if the market is to stage a significant rally. The 11/11/92 is an important anniversary date of the high of the recent bull market recorded at 1697.7 on 11/11/91. What is now apparent on the bar and point and figure charts is the big area of distribution up to the May 25th high of 1688.9 and which now becomes formidible resistance. On the bigger weekly range picture, the lower support line from the 1987/1991 lows comes in at 1232 week ended 13/11/92.

ECONOMIC COMMENTS

International

The Long Cycle Revisited

In last month's "Strategist" we illustrated one theory of the cyclical behaviour in the world economy. We have used Joseph Schumpeter's interpretation of the combined effect of other economists' cycles, (Kondratieff, Kitchin and Juglar), as a long term forecasting tool since the early 1970s. The movement into the depression phase which we described last month did not come as any surprise, even though some of Slatyer's comments in 1982 were somewhat premature. The stockmarket crash of 1987 caused us to look at the possibility of a repeat of similar effects to the 1930s depression phase of the Kondratieff long cycle.

It is now apparent to us that the 1990s recession does not resemble the 1930s depression, despite many emotional claims to the contrary. If we are not suffering a 1930s style deep depression - is there any other model that the 1990s economy might resemble?

The elements of cyclical theory might provide some answers. Long economic cycles of 50-60 years duration were suggested from around 1810 by various economists - Hyde Clarke, Helph and, de Wolff, Van Geldren and Lord Beveridge. The Russian Nikolai D. Kondratieff in 1924 produced the best known systematic attempt to confirm the existence of long waves of economic growth and their inter-relationship with political and social developments, war and revolution.

Kondratieff's study suggested that the beginning of the cycle was a period of new technology and high investment. The expansion of investment causes prices to rise. The increased volume of goods requires a higher velocity of money, causing higher prices, inflation, increased consumption and employment. After about 25 years the expansion reaches a peak; inefficiencies develop; work attitudes change; money is diverted from capital to consumption; prices rise; profits fall; debt increases. The downswing is brought about by the above inefficiencies which be- come accentuated during the fall as wealth consumption expands beyond its limits and debts become harder to service. At lower levels the economy experiences recession/depression which brings about falls in interest rates, wages, material prices and employment around 55 years from the beginning of the cycle. The search for new inventions and manufacturing efficiency then provides the source for the next cyclical upswing.

Joseph Schumpeter incorporated Kondratieff's theories in his 1939 book "Business Cycles". He differentiated between invention and innovation. Schumpeter starts at an equilibrium point from which the innovative actions of a few entrepreneurs are copied by many agents to stimulate the business cycle upswing.His peak is exacerbated by an exhaustion of innovation.

Schumpeter's views were overshadowed by John Maynard Keynes whose major work "The General Theory of Employment, Interest and Money" appeared in 1936. Keynes did not address long cycles,possibly because, as he said, "in the long run we are all dead".

Modern economists Forrester (1976), Mensch (1979), Mandel (1980)and Freeman (1984) have since produced theories from Schumpeter's base and that of Karl Marx. Although the theories as to reasons for the upswing and downturn vary, the existence of a long economic cycle has been generally acknowledged.

Schumpeter argued that each cycle was unique because of the variety of technical innovations as well as the variety of exogenous events such as war, the discovery of gold or a harvest failure. We accept this concept of uniqueness because of differing technology, but suggest that there are many similarities in social behaviour during the phases of long cycles.

We are inclined to the opinion that the economic theories regarding the reasons for cyclic behaviour, do not address the mass mood swings of society which provide the psychological milieu for innovation or stagnation. The Greek philosopher Plato claimed that societies went through a recognisable political cycle - dictatorship/monarchy (the role of one); oligarchy(the role of a few); democracy (power in the hands of many) and anarchy (disintegration of society). This cycle has been demonstrated in modern history with rhythms as fast as 100 years, which we believe demonstrates the changes in the culture of societies. Deep political change occurs from the propagation of ideas throughout the masses. The ideas and sentiments of a few grow, often gradually, to become the ideas and sentiments of the many.

In certain economic phases, speculative activity is accepted as normal behaviour because the mood swing of society has reached the stage where acceptance of risk can not only be tolerated but embraced. At other times, any form of speculation becomes unacceptable to society because the mass mind lapses into a conservative mood. These swings between liberalism and conservatism can often be observed by the popularity of certain forms of music and fashion. We won't enter into the debate about the length of ladies' hemlines reflecting the state of the economic activity, but we do believe that features of human behaviour are repetitive at different phases of the economic cycle.

Twentieth century technology has improved manufacturing and communications since the nineteenth century. This technology did not stop the mass mood swing to boom and bust in 1987, in the same manner as occurred in 1825, 1890, 1929. Modern banks have made the same imprudent decisions as their earlier counterparts. While accepting that each long economic cycle is unique because of technology, we believe that social behaviour and in particular behaviour of corporate management is similar in the same phases of each cycle. We try to obtain a skeletal framework for the future, by identifying the present cyclical phase and comparing that phase with past business behaviour in the same phase.

We have identified the current stage of the cycle as a depression phase. Although psycho-history extends out 2000 years, we really only have three economic cycles since 1782 in which to compare depression phases. These periods which can be considered are the 1830s, 1890s, 1930s. Scientists will point out that this sample is statistically insignificant, but as market analysts do not have to be scientific. We can, and have to, use incomplete unconfirmed data and theories to produce our best estimates of what might happen in the future. We shall compare the current depression phase with that of the 1830s.

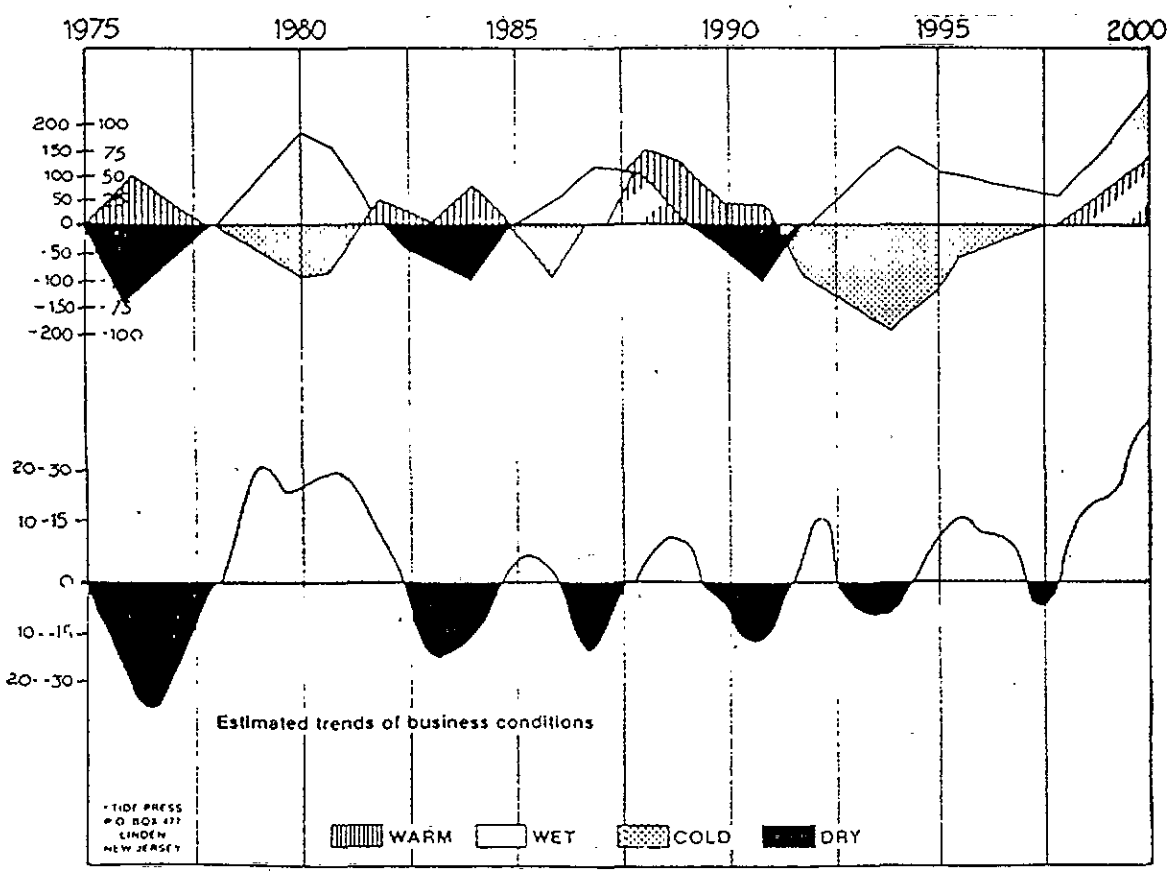
The boom of 1822-25 has been described as the first truly capitalist boom, because of the factors which we are now able to recognise as common to major economic booms. There was an initial glut in the capital market, with a low rate of interest which caused an increase in investment and production of capital goods. The expansion of credit and rise in prices encouraged over speculation on the stock exchange. The collapse in England of this boom occurred in 1825. The fall of prices was sharp(wool fell 60%) and was accompanied by a share plunge resulting in the failure of a number of banks. In 1825 the Bank of France came to the assistance of the Bank of England in the first recorded international bank co-operation in the face of national economic collapse.

The depression 1825-1830 was much sharper in England than has been experienced in most of the world since 1987, because of the strong 1988 increase in the money supply that was not possible in 1826. The 1830 recovery was made possible by the founding of new banks, allowing expansion and subsequent abuse of credit. Railway construction, land speculation and inflation of credit characterised the boom in the United States in 1833-1836. This phase could be said to have occurred, at least in the USA stock- market, around 1988-1992 in modern times. The shorter time period could be explained by the earlier expansion of credit in1988 compared to 1830. The crisis of 1836 was checked in England due to strong support by the Bank of England to the other English banks.

The long drawn-out depression which followed the crisis of 1836was distressing, not only to England but other industrial countries. Unemployment at that time reached an extraordinarily high figure, exacerbated by a number of bad harvests. There was political foment which expressed itself in the formation of radical parties including the English Chartist movement.

The factor of bad harvests led us to look at Raymond Wheeler's climatic cyclical views (Climate - The Key to Understanding Business Cycles; by Raymond H. Wheeler, Edited by Michael Zahorchak; Tide Press 1991). Dr Wheeler's studies of history and climatic fluctuations in the period 600 BC to 1950 AD revealed distinct cyclical climatic phases, warm-wet, warm-dry, cold-wet,cold-dry. By examining history in the different climatic phases Dr Wheeler theorised that the dry phases have consistently been times of economic stagnation and depression. The warm-dry phase has been characterised by dictators, statism, socialism, communism, and cultural, moral and economic decline. The 1930s was an acute example of the warm-dry phase in the USA. During the cold-dry phase, which is usually long and drawn-out, all the evidence points to a correspondingly long, or at least recurring depression. The early 1890s experienced an extended cold-dry period world wide.

Dr Wheeler used his USA temperature and rainfall data 1781-1950to forecast climate and business conditions through the year2000. He forecast a vigorous period of prosperity lasting approximately four years in the early 1980s interrupting a recession era similar to the cold-dry phase 1830s and 1840s. The following chart illustrates Dr Wheelers' forecast 1975-2000.



We could be accused of curve fitting, but we have estimated Dr Wheelers' forecast of the vigorous period of prosperity, was actually experienced in the period 1984-1987. This would suggest that the wet-cold period on the chart 1985/88 would need to be redrawn to coincide with that boom. The positive business activity phase on the chart around 1985 would need to be extended in time and amplitude to chart the actuality. Similarly, the negative business conditions phase prior to 1987 would need to be moved to commence in 1988 and shortened in amplitude. Dr Wheeler's forecast has a warm-dry period commencing around 1989extending around to 1991/92 coinciding with recessed business conditions. Our forecast of extended recessed business conditions to say 1994 would mean an extension of the warm-dry period, if Dr Wheeler's theories were to hold.

Some US long range weather forecasters have suggested that1992/93 will see a drought in the USA. One mentions an 18.6year lunar cycle which will coincide with an El Nino effect for maximum drought effect in 1993. The El Nino effect starts from a change in ocean surface temperatures which affect trade winds to the Eastern Pacific areas, setting off a chain of climatic reactions. A number of speakers at the recent Climatology Forum in Australia were convinced that El Nino still threatened drought to that country in which many areas have been dry since1989.

The deductions from these various cyclical theories leads us to believe that there is another down move still to come in the1990s world economy. The weak recoveries that some politicians can perceive, should turn into a double dip in 1993.

We believe that US stockmarkets which have been buoyed by cheap money, will experience a crisis similar to but not as severe as the crisis of 1836. Other stockmarkets are likely to fall in sympathy. The world economy could remain in the doldrums until1994/95 which is a much shorter period than the comparison phase1836-1841.

Once again we have forecast gloom, and again we defend our out- look on the grounds that it is not our position as financial risk managers, to be a source of sweetness and light. We try to present a pragmatically true picture. We should also mention that Dr Wheeler's theories suggest that the current depression phase could follow a 100 year pattern, and thus have similarities to the panic of 1893 and its aftermath. At this time we have preferred the negative but more optimistic 1830sand 1840s model.

What do such nebulous long term forecasts have to do with corporate strategy?

Our long term clients are aware that we are simply repeating our prognostications of the past so there is no need to change their strategy. Since 1987 we have taken the investment stance:- to liquidate fixed assets and maintain funds in liquid markets such as stocks, bonds, money markets and related funds. The investment policy continues to be to rotate funds to the strongest markets in the strongest currency. The FIRM Liquid Assets In- vestment Recommendations (FLAIR) Model has been able to achieve a return of 20% per annum (on a dollar basis) for the last five years by following strategies aligned with this policy. It is probably too late in this cycle to liquidate fixed assets, even though commercial property in many cities have further to fall.In general we would be looking to move back into fixed assets around 1994/95, but are aware that in the next two years, there could be some forced sales which individually could be good long term value.

It is difficult to generalise in recommending corporate policy from a gloomy forecast. In summary we could say to go back to any text book on strategic management published before 1970, and trash most written between 1984-1987. Basically, manufacturers need to become efficient and produce quality products for conservative consumers. Australian and New Zealand manufacturers will need to export to survive, so should be investigating Asian preferences for products similar to those already produced for the domestic markets. At the very minimum, packaging should be specialised for Asian markets, and good local distribution out- lets established. Innovation is going to be important in the late 1990s. Companies who take advantage of low costs in the depression phase cycle to invest in research and development of new products, aimed at markets beyond 1995, should be very successful. Marketing of new inventions in the next few years could be difficult, so that well financed companies should be able to buy rights to new products which might fail initially,but will be very successful if marketed properly in the late 1990s.

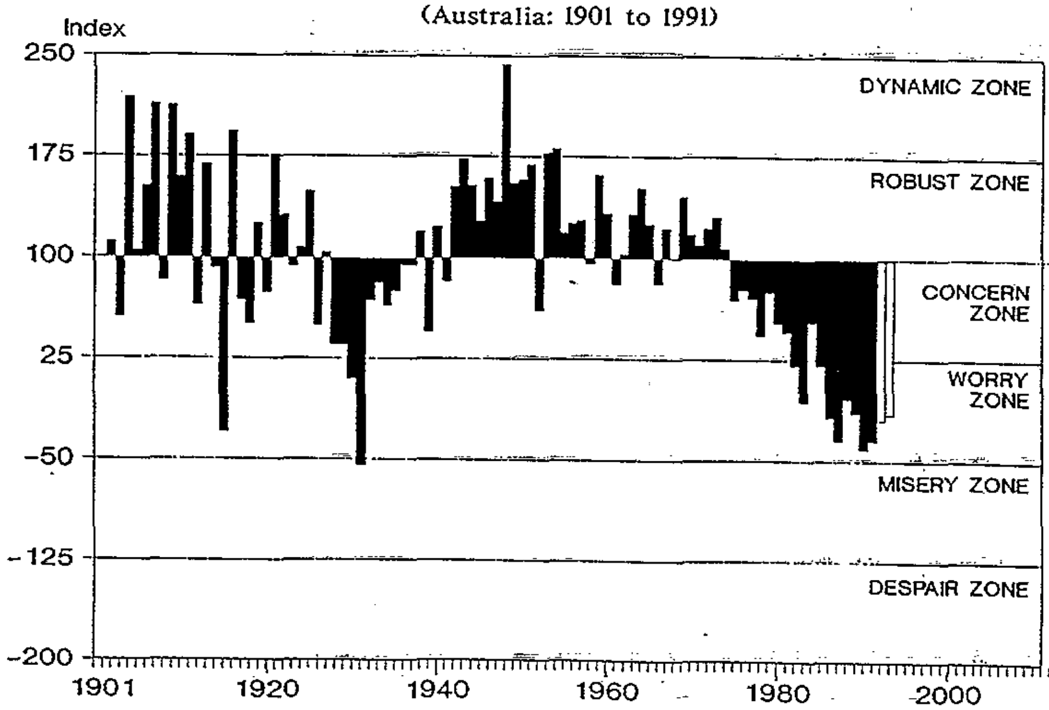
The swing to conservation in society also means that a number of companies have changed their financial policies to avoid all risk. Companies that have reduced active treasury management include CRA Ltd, Fosters Brewing Group Ltd, the Australian Wool Corporation, Howard Smith Ltd and Elders Finance Ltd. Given the past activity of some of these company treasuries, we are not surprised that entrepreneurial activities have been curbed.Never-the-less we believe that passive financial risk management, by passing corporate responsibility to professional fund managers, is a regressive step. We believe that competition in the next few years will necessitate extremely thin margins on manufactures and exports, but at the same time financial markets could be quite volatile. The most successful companies will follow conservative active financial risk management policies which cover risk to maintain margins at some times, but accept minimal risk in beneficial trends at other times to either increase margins or market share.

Our long term outlook for interest rates suggests that one full interest rate cycle will be experienced before a sustained world economic recovery is experienced. We suggest that US, Japanese and Australian short term rates will rise in 1993 despite poor economic activity, or the countries' currencies will depreciate(at times rapidly). European rates should fall slightly without much stimulation of the respective economies. The cost of providing support to the old communist bloc will prove burden some to the world economy. If currencies are to stabilise, international short term rates have to move closer to parity which we suggest will be around 7% p.a. for major countries from the 3.5%-10.3% current extremes. This suggests a possible Eurodollar cycle peak in 1994 at around 7-8% compared to the 1989 peak 11.25% p.a. If European short term interest rates maintain the high premium over US rates there is a possibility of the dollar falling to USD/DEM 1.25.

To conclude on a bright note, the above scenario does suggest that our previously/forecast boom 1996-2004 might occur a little earlier.

Attribution - we thank Jane Shaw, Edinburgh University, for her research on long economic cycles.

The IBIS Economic Health Index
(Australia: 1901 to 1991)

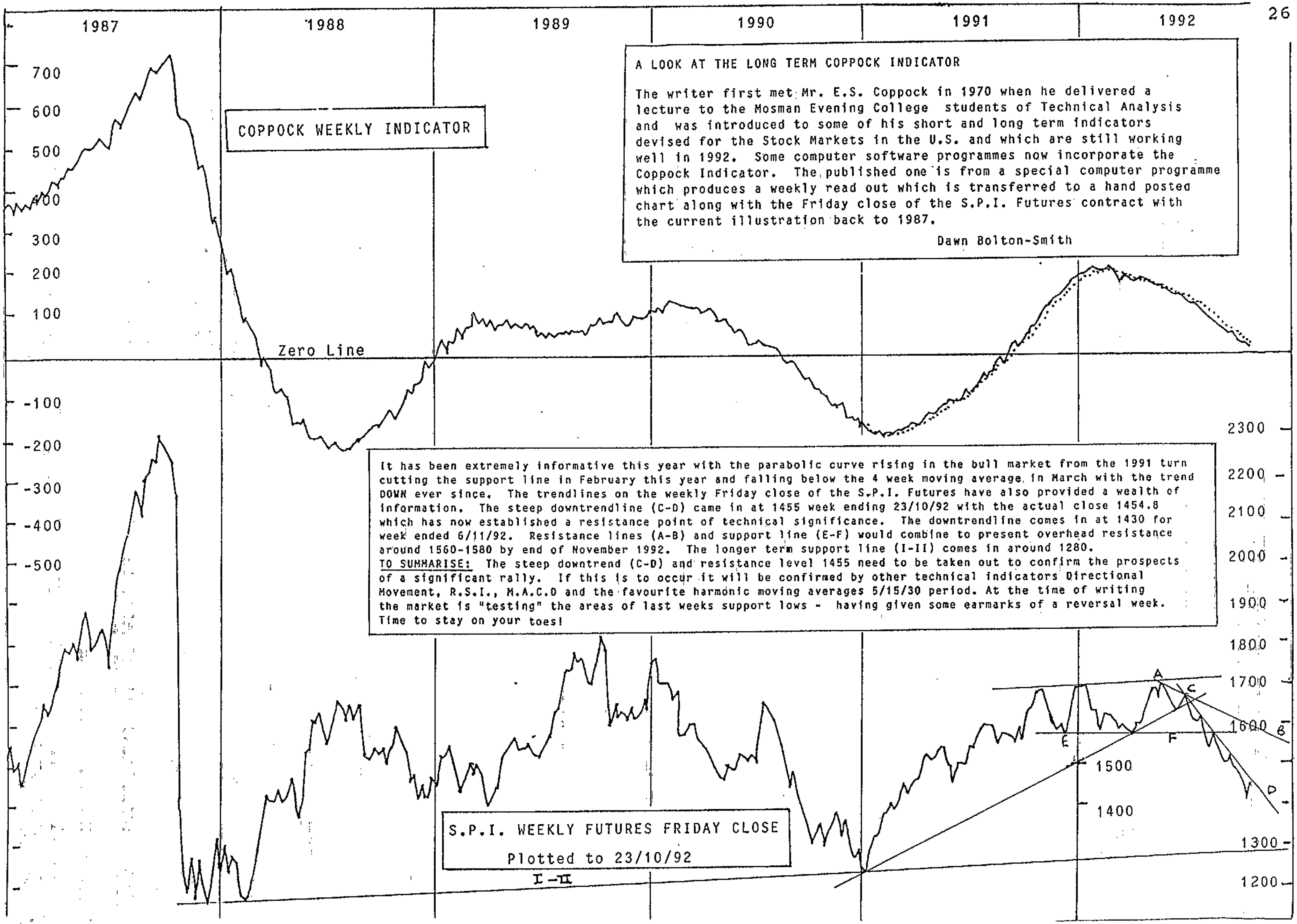


note: The index is a composite of: unemployment; inflation; interest rates; economic growth; productivity; balance of payments; and exchange rates.

A LOOK AT THE LONG TERM COPPOCK INDICATOR

The writer first met Mr. E.S. Coppock in 1970 when he delivered a lecture to the Mosman Evening College students of Technical Analysis and was introduced to some of his short and long term indicators devised for the Stock Markets in the U.S. and which are still working well in 1992. Some computer software programmes now incorporate the Coppock Indicator. The published one is from a special computer programme which produces a weekly read out which is transferred to a hand posted chart along with the Friday close of the S.P.I. Futures contract with the current illustration back to 1987.

Dawn Bolton-Smith



It has been extremely informative this year with the parabolic curve rising in the bull market from the 1991 turn cutting the support line in February this year and falling below the 4 week moving average in March with the trend DOWN ever since. The trendlines on the weekly Friday close of the S.P.I. Futures have also provided a wealth of information. The steep downtrendline (C-D) came in at 1455 week ending 23/10/92 with the actual close 1454.8 which has now established a resistance point of technical significance. The downtrendline comes in at 1430 for week ended 6/11/92. Resistance lines (A-B) and support line (E-F) would combine to present overhead resistance around 1560-1580 by end of November 1992. The longer term support line (I-II) comes in around 1280.

TO SUMMARISE: The steep downtrend (C-D) and resistance level 1455 need to be taken out to confirm the prospects of a significant rally. If this is to occur it will be confirmed by other technical indicators Directional Movement, R.S.I., M.A.C.D and the favourite harmonic moving averages 5/15/30 period. At the time of writing the market is "testing" the areas of last weeks support lows - having given some earmarks of a reversal week. Time to stay on your toes!

CHARTING AROUND

Meetings Meetings Meetings

October - Damien Hatfield

Damien spoke on the growing Commodity Trading Adviser business and the opportunities for TAs. Apparently there is s great demand for CTA's. Damien publishes a Newsletter and he has given us his permission to reprint it here.

Courses

A course to help your trading "Game" is to be held in Sydney. ATAA members will receive a $50 discount of the early payment plan.

New Members

Welcome to the following New Members:

Rob Gray of West Pennant Hills
Gordon Donald of Double Bay
Basil Notaras of Maroubra
Brinos Notaras of Maroubra (Brothers)
Serge Gerrard Ermington
F Norbisrath of Kingston Beach, Tasmania
Tony Norton of Mosman

WE NEED YOUR HELP

Your Association aims to produce a Newsletter every second month. To be truly effective, it needs to contain articles from a broad cross-section of our members. A small group of members has set the ball rolling. We would ask that you carry on the work, by contributing just one article each year. This can be comment on any aspect of technical analysis of any market.

Have you read something interesting in another Newsletter, magazine or a book? Why not summarise it and send it in?

Many members tell us that they do not feel qualified to write an article. If you are in this boat, how about outlining an aspect of technical analysis that you would like to know more about? Just try to state the problem you'd like to solve and we will put it up for comment by more experienced members. If you wish, such contributions will be published without disclosing your name.

So that we can plan ahead, we would like to know when you think you could submit your article. Newsletters will be published in March, July, September, and November The deadline for copy will be the end of the month prior to the month of issue. Please indicate below, which issue you will make a contribution to in 1993:

My Name: Phone: (work)
(home)

Issue for which I will contribute:

Title/Description of contribution if known:

Please hand this to Colin Nicholson at the next meeting or mail it to him GPO Box 2774 Sydney 2001

Thank you for your co-operation in helping to improve and expand the ATAA Newsletter.

THE TRADING GAME

an opportunity to improve your trading !

What is 'THE TRADING GAME' ?

THE TRADING GAME is not a trading system; it is a way of learning to use your own trading approach more effectively.

THE TRADING GAME is not like any seminar you've attended; it is 100% active participation - more exciting and more pressure than any trading floor - you learn by seeing immediate results of all your actions.

THE TRADING GAME reveals your act - creates a paradigm shift in the way you view yourself, others and the world.

Who should attend ?

Futures Traders and Advisors
Locals
Private Investors
Share Traders and Advisors
Foreign Exchange Dealers
Bond Dealers
Professional Investors and Speculators
Fund Managers

When ?

Friday, December 11th - evening
Saturday and Sunday, December 12th and 13th - all day
Tuesday, December 15th - evening

How to enrol ?

Enrolment is strictly limited to ensure personal attention.
For bookings and enquires phone Janet Hay on 368 1788 or Kathy Jonson on 362 4014 with your credit card details. Or send a $250 deposit to Freedom Dynamics P.O. Box 9, North Sydney 2059 with your name, address and contact numbers.

Course fee is $ 1250 (regularly).
ATAA members concession rate of $ 1100.
All bookings to be paid in full by Friday November 27th.

KRONDRATIEFF - A Personal View

The press. - If we consider how even now all great political occurrences creep on to the stage silent and shrouded, how they are concealed by insignificant events and seem small in proximity to them, how it is not until long after they have happened that their profound effects are felt and the ground trembles - what significance can we then accord the press as it is now, with its daily expenditure of lungpower on exclaiming, deafening, inciting, shocking - is it anything more than the permanent false alarm that leads ears and senses off in the wrong direction?

F.Nietzsche, Human-all-too Human, 1886

As a post "Baby boomer" I have for a large part of my life lived in the shadow of that demographic bulge that has come to dominate the social (and now financial) mindset of the Australian economy.

For since my age of reason dawned upon me (circa 1968) my understanding of our economic situation has been darkened by economic dislocations, inflations, shortlived booms and prolonged busts. Corresponding of course to the Baby boomers - narcissistic nostalgia for the "Happy Days".

Well as a person and chartist one can't help but have an all pervading bearish sense. Just to catalogue the things that disappointed me ..

1970	The Poseidon boom and worse - bust
1973/74	Oil shock
1974-77	Recession
1980	Shortlived "Resources boom" that led to the
1982/83	"V" bottom recession
1986/87	Share boom/collapse
1989	The real estate boom/bust

and the recession we are still having ....

One might say the last 25 economic years has been characterised by shortlived/frenzied booms followed by ever lengthening recessions.

It is easy to start indulging in Dostoyevskian introversion and despair. Certainly the current deflationary recession is testing the trading ability of most investors. But one thing that appears at least to this writer is the parallels of my so-far-lived life cycle with the Krondratieff waves.

Now as is usual in our profession many will agree or disagree with my assertion that the last KRONDRATIEFF PEAK was somewhere between 1968 and 1972 corresponding with the height of the Vietnam War and the real peak of the Dow Jones Industrial average.

It takes an effort to overcome the imposed media/institutionalised narrow time focus of newspapers and periodicals. But if one stands back and remembers - one can call the 1974-76 Recession as the primary recession of the Krondratieff's last peak. The quick-but-savage 1982/83 recession a continuation minor trough and the Krondratieff trough of the cycle as the deflationary circumstances we find ourselves in, presently.

In an average 54 year cycle that puts the approaching trough of the current cycle around 1995. It is interesting to note this year corresponds with a few other (and far better analysts') conclusions using far more sophisticated techniques that the writer can profess. So you see rather than be depressed one should be patiently waiting for those turns in a life time that happen only once - at best twice. Personally it puts the last 25 years in perspective as the descending part of the wave.

The trick is now (i) to be patient enough to hold out the next 2-3 years (does anyone remember how abysmal the trading opportunities were in 1975 - 1977?) and then (ii) to pick those specific markets (as opposed the general conditions marked by Krondratieff) which will perform not now (per our financial press) but into the year 2050!

Now do not get me wrong this sort of analysis is not beyond the realms of relevance. After all the most profitably sustained trends are usually the quietest - almost by definition the less fools on a trend the more likely it will last!

One should look at Australian economic history - some Krondratieff parallels are just too good to resist. Personally I like looking at the 1890's trough/depression - less confused and emotional now compared to the still fresh 1930's/WWII trough.

The depression (largely triggered by banking failures - sounds familiar) from peak economic activity in October 1888 the Australian economy did not trough till 1893/94 with unemployment not moving below 10% till 1905 and national income not recovering till 1904.

Frightening yes but the key word/time frame makes a 1995 bottom very likely.

For the eternal optimists note in this (shorter term) deflationary environment - keep watching the money supply. That beautiful "equation of exchange"

$$MV = PQ$$

has never been more relevant than now.

With money supply (MV) declining (as it is now) for a given quantity of goods, then the general price level of things will be destined to fall AND money supply is still declining ....

..... so when you hear people echoing of PAST real estate booms - that prices go eternally up. Ask them this (with money supply declining) - where is money going to come from to bid the price up?

PETER PONTIKIS

BAIN REFCO COMMODITIES MANAGED FUTURES REPORT

Managed Futures Monthly Report Second Issue.

September 1992

Welcome to the second issue of the Managed Futures Report!

I just wanted to explain the overall concept of this report. There are various groups of people who are receiving this report. As Managed *Futures is a fairly new concept to* Australia, this report attempts to educate people on aspects of the Managed Futures Industry. Each month *we will run articles on evaluation* techniques, industry conventions, reviews of traders and industry news items.

To the Managed Futures professional, some of these articles will be of little *interest as they contain facts which are* commonly understood by the industry. For this group of clients we hope that news from the Asian Pacific region will be of interest. There is a growing community of traders in Australia, and as the amount of funds under management increase, a portion will undoubtedly find its way into the control of Asian based traders. At the rear of the report, we produce trader performance statistics. The performance results are compiled by Refco Capital Investment Advisors Inc. In future issues we will devote a separate section to Australian, New Zealand and Asian traders.
We report on moves to establish the Asian Pacific Managed Futures Association where the aim is to bring the industry together within the region so as to promote the concept as a viable investment alternative.

Also in this issue is a report on the Managed Account Reports Conference which was held in Chicago recently. The conference attracted over 800 delegates.

In this issue we have the first Trader *Review. This month's trader is* Brian Carley of Premier Capital. The reason for selecting Brian is that he is one of the first traders to be registered with *the Sydney Futures Exchange as able* to manage discretionary accounts on behalf of clients. He is steadily building his assets under management. Above all, his performance to date has been much better than the industry average.

This month I have included an article from Douglas Mitchell, Ph.D. Doug is an Australian born US based trader with US$60 million under management. The article is about trader selection, specifically the job that is performed by a Manager of Managers or MOMs. Throughout this publication we refer to traders as CTAs. Managers of Managers are another industry group. A MOM selects and monitors traders on behalf of an investor, a commodity pool, or a fund. A prominent US *investor is the State of Virginia* Retirement System which has approximately US$13billion under management of which A$100 million is allocated to Managed Futures.

The US$ 100 million is managed by three groups of MOMs. In any fund that Bain & Co. develops, the utilisation of a MOM would be the first step. The MOM would select, negotiate, monitor and dismiss traders, reallocate assets and report to us on daily basis. We are currently developing a fund which will employ the services of a Manager of Managers.

A real bonus for this issue is an article written by Tom Basso, the President of Trendstat Capital Management. I first met Tom at the July 1991 Managed Account Reports conference in Chicago. One cannot help but be impressed by Tom. Tom's trading methodology is totally automated to the extent that the orders are delivered to the broker by computer. This article is a must for Australian Fund Managers. If you would like to contact Tom directly, I would only be too happy to supply you with the relevant contact details.

Managers of Managers (MoMs) have a difficult job. Can they do better?

by Douglas G. Mitchell, Ph.D.
President, CCA Capital Management, Inc.

There has been some discussion by Mitchell, Baratz and Kordell about the value added by MoMs. No matter what conclusions you draw from this debate, *someone* has to select and manage commodity trading advisers (CTA's). It is an extremely difficult job, and the purpose of this article is to show how difficult it is. I also make some suggestions for improving the selection process.

I have 18 years experience as a MoM. Since 1974, I have developed and evaluated hundreds of technical trading systems. Each of these systems *could* have been developed by an individual CTA, so we can think of them as CTA's: CTA1, CTA2, etc. In my role as CCA's "internal" MoM, I have chosen "CTA's" for trading investor funds managed by CCA Capital Management, Inc. Compared with a "real" MoM, my job has been both harder and easier. Harder because I only have access to a limited range of "CTA's" , CCA's in-house trading knowledge and publicly available information. A real MoM can choose from hundreds of individual CTA's.

On the other hand, my job is easier because I have access to everything I want to know about each "CTA". I know their trading algorithms, and can test each "CTA" in many ways. *This additional information may not be available to a "real" MoM, and it can be decisive.* For example, consider two CCA trend following systems. We will call them Sheer Genius and Boring. Think of them as individual CTA's:

- Sheer Genius made 62% in 1990, 38% in 1991 and a spectacular plus 16% for the first five months of 1992.*

- Boring made 53% in 1990, 46% in 1991 and lost at least 20% in the first five months of 1992.

- Boring has larger drawdowns than Sheer Genius. Asset allocation software, optimised on the return:drawdown ratio, would certainly select Sheer Genius before Boring.

- Sheer Genius trades much more frequently than Boring, so its simulation studies are more statistically significant.

- Sheer Genius was developed using an exciting new technique: a neural network.

* 1992 performance data for Sheer Genius is for the actual trading of one

contract each for 21 financials and metals futures in a model account. *Other data for Sheer Genius and all* data for Boring are based on simulated trading of the same portfolio. To roughly correct for hindsight, *hypothetical* profits from simulated trading were halved. Boring's hypothetical loss in 1992 was not adjusted for hindsight. Simulated trading data was not available for April and May, so the 20% minimum loss is an estimate.

Most people would be very impressed with Sheer Genius. *(At last, a trend following system which can make money in 1992's impossible markets!)* However, we subjected both systems to some severe robustness tests. We *changed the pace data* and observed the effects on simulated trading. If the system collapses when the price data is perturbed, expect it to do poorly in future markets; if it maintains profitability, expect it to do well. We tested the systems three ways:

Test A: We perturbed 1980 - 1992 price data by adding *"noise" or "choppiness"* to the data.

Test B: We perturbed the same data by shifting the *shapes* of price trends.

Test C: We used optimised system parameters for, say, the Deutsche mark, and then did simulated trading on related contracts - the Swiss franc, British pound and Japanese yen.

Boring passed these tests with flying colours. For example, with the Deutsche mark, it made an average of only 10% less profit with the perturbed price data. This is outstanding performance for this type of test. Sheer Genius made 40% less profit - adequate but uninspiring performance.

Conclusions: Without knowledge of the robustness test, Sheer Genius is easily best. With all the above knowledge, I don't know which system is best. Both are excellent trading systems, but *Sheer genius certainly does not* deserve it's title. Incidentally, the neural network used to develop Sheer Genius is an old fashioned human brain.

THE SHEER GENIUS STORY - IMPLICATIONS FOR MoMs

The above story illustrates the fact that good performance is not sufficient to identify good CTA's. MoMs need to do much more work. The following suggestions may help:

1. Reject track records based on hypothetical trading. It is far too easy for a CTA to fool both himself and you.

2. Realise that statistics on past performance contain only a small portion of information required to make a valid analysis of likely future performance. The information contained in this past performance is particularly suspect if there is not a sufficiently long track record. Also, *the statistics presented to* you may not include data which the CTA is aware of but which might be detrimental to his sales effort.

3. Only use performance data to weed out inadequate traders, and not to rank them. A simple approach is to plot the CTA's VAMI on semi-log paper, and add a 25% p.a. return line. If the plot is too short (< five years) or the VAMI is generally below the 25% line, reject the CTA. CTA's who pass this test should then be ranked using qualitative rather than quantitative information.

4. If you must hire a CTA who doesn't meet criteria 1 or 2, recognise the fact that you are taking extra risk. Give them less equity, monitor them more closely, and pay them less.

5. Make a serious effort to find out *everything* you can about a CTA. I suggest a two hour grilling by some smart people, including another CTA. Exactly how do they make their trading decisions, how do they validate their approach? What research have they done?

6. Only deal with CTA's who you believe have integrity. A CTA must be honest and open.

7. When you are confident that you are ready to invest in a CTA, get a second unbiased opinion. There are consultants who know as much about the CTA's you are considering as you do, and who have less invested in reaching your conclusions.

8. Recognise the fact that firing CTA's after poor performance is horrendously expensive. Apart from trading losses incurred, you will have to pay the replacement CTA management fees plus incentive fees to make up those losses. Your aim must be to find genuinely superior traders and keep them.

9. Analyse your performance. Which CTA's made and lost money? What happened to the CTA's you fired? Were you right in firing them? How are you doing compared to performance indices such as the MAR CTA index?

Good luck! It is not an easy job.

References:

1. Douglas G. Mitchell, CCA Capital Management's monthly reports, January and February 1992.
2. Morton Baratz, Editor, Managed Account Reports, March 1992.
3. Peter Kordell, Contributing Editor, Managed Futures Today, May 1992.

PACIFIC RIM FUTURES CONFERENCE, A 'MUST' FOR MANAGED FUTURES PROFESSIONALS

by Richard Wilcox.

The second Pacific Rim Futures Conference is on for three days commencing Wednesday September 9th, 1992. The Pacific Rim venue for this meeting is again San Francisco with formalities and presentations centring around the Fairmont Hotel.

For attendees from the world of Managed Futures the conference should hold heightened interest. For one, it will provide an opportunity to gauge the extent to which the domiciles of the Pacific Rim area have further embraced the concept of professionally managed futures accounts. Secondly, it will provide traders and managers (and investors) with some feedback as to how the Region's regulators and

Exchanges are managing the realities of Managed Futures trading. With growing acceptance being shown in Europe towards the concept of Managed Futures, it will no doubt be of interest to professionals to see whether investors of the Pacific Rim area are exhibiting the same tendencies. Have economic pressures and diminishing rates of return on traditional investments encouraged investors in the Pacific Rim area to examine more closely the "fourth asset class" ?

Some of the more significant representatives of the Managed Futures Industry will be present and a number will be attending in an official capacity as Conference presenters or session mediators. Representation comes from both sides of the fence with CTA's and regulators featuring in many of the discussion sessions. The presence and input of regulators (including members of the CFTC, the SEC, the MFA, the CBOT, the SFE.....) is a very healthy sign for both industry participants and industry observers. Credibility and due diligence are cornerstones of the Managed Futures Industry and the fact that a number of presentations are dedicated to the examination of industry regulation is a sign that ongoing education and industry profile are of concern to Managed Futures professionals.

Also of concern to Managed Futures attendees will be the perennial question of "Who's doing what, where and why ?" The endeavour to find answers to these questions is one of the main reasons for many delegates attendance. The opportunity provided by this conference for professionals to *meet informally should not be* underestimated as this is really the business end of the conference. This year the all-important informalities are hosted by **Bain Refco Commodities Limited** who are hosting a dinner cruise for 400 or so delegates on San Francisco Bay. Sailing time is 7 pm, Thursday the tenth of September.

For further conference details contact:
Futures International Conferences
219 Parkade, Box 6,
Cedar Falls.
Iowa. 50613.
U.S.A.
Telephone: (319) 277-6341
Faxsimilie: (319) 277-7982

Trader Review: Brian Carley of Premier Capital

Premier Capital Management Limited set up operations in 1988 with the launch of The Premier Capital Fund. A$3.3 million was raised with the trading assets being managed using option arbitrage strategies.

Towards the end of last year the Sydney Futures Exchange obtained an exemption from the provisions of the Corporations Law so as to permit its members to offer managed discretionary accounts to clients. Brian Carley was one of the first Associate Members of the Exchange to offer discretionary accounts under the exemption.

Trading Strategy:

Brian developed the ARGONAUT trading model on trading rules which he had evolved over his ten years experience in the futures industry.

There are essentially two aspects to the ARGONAUT trading system:

a) The underlying long term trend in a particular market is first identified. (Brian specifically stresses the "long term" aspect of this part of the strategy.)

b) Special trading opportunities in the direction of those long term trends which the model computes to have a high probability of a profitable result are then traded.

To find these special situations, the system requires some nine different conditions to be satisfied before an entry point is determined. If only one of these is missing, the system stays out of the market. The trading is completely automated with the exception of Brian waiting for an intraday timing indicator to be satisfied before the trade is entered. An important point here is that the system does not change its rules or parameters at all during its operation. One of the principal aims of its developer was to determine a trading strategy that applied to all markets at all times.

Of the commodities ARGONAUT trades, it generally has a position in each about 30% of the time. Ongoing position analysis is required and this is made possible by computer speed which allows Brian to constantly study 20 different markets around the world - including US, European and Pacific Rim markets. It is Brian's assertion that this diversification provides Premier's clients with a well balanced portfolio, both geographically and from the aspect of different types of contracts which include currencies, financials, metals, energies and softs. Carley indicates in his Disclosure Document that one of the results of this diversification is to significantly lower the investment risk of the total portfolio.

<u>Money Management:</u>
The ARGONAUT trading system allows, at any one time, for a maximum one contract in each commodity per $50,000 account. For larger accounts, a money management programme allows Premier to determine the optimum number of contracts to buy for the client after considering his overall holdings and the maximum risk per trade which has been predetermined as acceptable between the client and Premier Capital. Generally speaking, 2% of the client's capital is the maximum which is risked on any one trade. The Managed Futures Industry is known to accept up to 3-4% of Assets under Management.

In terms of results, the Argonaut System shows hypothetical returns of 33.1% for 1989; 86.9% for 1990; and 78.7% for 1991. As always, one should exercise caution with hypothetical results as they are no indication of future results. The programme started trading real money in March 1992 and to the end of July it is up 24.7%, whilst the industry is up only 0.97% (as evidenced by MAR's Dollar Weighted Index). (To end August Brian is up 38.3%). The ARGONAUT Programme has A$400,000 in trading assets. Premier Capital manages, as of July 31st, a total of A$2.4 million. (At end August that amount has grown to A$2.6 million). The minimum account size is A$50,000.

Industry News Items

- **Mint Fund off to a great start.**

The Mint MGA Pacific Fund got off to a great start with investors receiving a 17.9% gain in the first three months of trading. The current unit value is A$1.1785. I mentioned in our first report that Mint were down quite substantially for the year. I suggested that industry professionals would treat this as a buying opportunity. Mint Investment Company was up 9% in June alone. One thing investors should be mindful of is that Mint has US$628 million under management and achieving consistently good results could prove a momentous task. A concern that I have had is the volatility that has crept into the track record of late. Their swings have been a departure from the steady rate of return seen in the first decade of the track record. Irrespective, well done on the recent trading.

- **The Sydney Futures Exchange supports the formation of the Asian Pacific Managed Futures Association.**

A meeting was held at the Sydney Futures Exchange which was attended by exchange members to implement a course of action in the development of an Asian region Managed Futures Association. The meeting was attended by representatives of Hong Kong Bank, Swiss Banking Corp, McIntosh, L-Quay and Bain Refco.. Trading Managers included Denant Pty Ltd, Peter Maloney, Brian Carley, and Dan Droger. The meeting was chaired by David Chin, SFE Marketing Manager and the meeting was addressed by Les Hosking. Les reaffirmed the SFE's commitment to the Association with the provision of secretarial services to the Association.

The mission statement of the Association reads:
"To promote the Managed Futures Industry to institutional and private client investors".

- **Managed Account Reports Conference attracts over 800 delegates.**

The Managed Account Reports conference recently attracted 866 delegates to Chicago for the mid year event. One of the highlights of the conference was an address by Jack Schwager the author of Market Wizards. This was a prelude to the release of the New Market Wizards. Tom Basso, who has penned an article for this edition, is one of the featured legendary traders.

The conference keynote speaker illustrated the infancy of the industry by announcing that "managed futures commanded less than 1/2 of 1% of all the money under management. He also added that a $1 investment in a 40-40-20 stock-bond-futures portfolio from 1975 to 1991 would have earned $8, a dollar more than a straight 50-50 stock bond portfolio.

- **Japan ease rules on Managed Futures investments.**

Knight Ridder reported recently that The Japanese Ministry of Finance will allow insurance companies to invest up to 3% of their total assets in commodity funds. The combined assets of Japanese life and non-life companies total some 180 trillion yen. Giant trading houses have already developing commodity funds to tap into the massive funds held by the domestic insurance industry.

Splendid Automation: Investment management which is totally automated.

By Thomas P. Basso
President
Trendstat Capital
Management, Inc.

EDITOR'S NOTE: Under the direction of Thomas Basso, Trendstat Capital Management has achieved excellence in a number of different financial arenas. From its 1984 origin as a stock portfolio manager, the St. Louis, Missouri firm has diversified Into mutual fund timing, treasury bond timing, managed futures and, in 1991, foreign currencies. Trendstat manages over $65 million for some 300 clients world wide, of which approximately $43 million is invested in managed futures. Much of the firm's success is attributable to extensive automation of the investment process, for which the firm has garnered an industry-wide reputation. We asked Mr. Basso to elaborate on the innovative aspect of his business...........

I maintain that the business of trading is essentially information processing, which is what computers -to a much greater extent than human beings- do best. At Trendstat Capital Management our credo is: "If it can be automated, it will be automated." What is fully automated are all trading systems, and every possible administrative function.

Visitors to our St. Louis offices frequently comment on the tranquil environment, expecting perhaps the clamour of an exchange floor. What they're experiencing is the silent sound of efficient automation. The reticence of a data processing system managing investment capital at a level of consistency that few traders can maintain; a system programmed to make buy and sell decisions and execute trades without emotion; a system which seeks only to turn a small profit again and again.

In 1991 we became (and not without great difficulty) one of only three investment firms in the world to successfully interface with Knight Ridder's Money Centre Quote System. This critical link continuously feeds up-to-the-minute data, via satellite, directly into our trading systems from Far East, European and United States markets. Among many breakthroughs, this networking made possible the foreign currency trading programme which we launched just over one year ago.

Thirteen computers (a two-to-one ratio of PC's to employees), 95,000 lines of computer code, four gigabytes of disk storage, two full-time programmers and yours truly see that every aspect of our operation runs in splendid automation. For example:

-A run of futures markets is made against all contract prices to generate buy and sell recommendations, which are then converted into orders. These orders are automatically converted to fax images and dialled out to various trading desks throughout the world. Trade confirmations are then loaded into the system, and fax images summarising daily trading activities are dialled out to pool operators. Over 800 such trades are entered each day in 18 futures markets, and 12 cash currency markets, in three countries.

- By pressing a button we can immediately receive a one-page report detailing and reconciling every equity position held. (This task alone, if performed manually, would require at least three mind-numbing, eye-straining hours.)

- A separate programme continuously monitors and quantifies risk and volatility exposure for all positions on a "tick-by-tick" basis.

To replicate our systems would probably take three computer programmers five to seven years, in addition to a $200,000 equipment purchase. (Incidentally, we have a system in the basement of my home to serve as a back-up.)

This obsession with automation was necessitated by the original focus of our firm, which was (and still is) to provide investment services for small investors. Many managers ignore the retail public because, although the time and expertise requirements are equivalent to managing large accounts, the fees are much smaller. Automation provided efficiencies which offset the higher "cost per dollar managed" of small portfolios. Incremental dollars under management didn't add to expenses, thus automation actually drove variable costs down.
(As an aside, the capacity of a system is virtually infinite. Once in place, system expansion is easily and inexpensively achieved by adding hardware. The essence, and real value of automation, is the software).

The benefits of automation have far exceeded my initial objectives. I don't regard myself as a trader, but rather as a businessman who trades. I want to be an accomplished trader, of course, but as a businessman I also want to be an adept marketer, administrator, problem-solver, innovator and so on. Automation of the investment process has allowed me to leverage myself into these disciplines.

Meanwhile, turning complex, repetitive tasks over to computers has allowed our firm to focus on that which we still do better than machines - - think creatively. We are free to address strategic and tactical issues that further improve operations, and to design new automated trading systems. At present we are at work on a two-year backlog of research projects.

Perhaps the real payoff of automation for Trendstat employees is an improved quality of life. We can lead a relatively normal existence, work normal hours, take vacations -do things that this profession doesn't readily permit .

We also experience more "good days" as a result, defined simply as days which methodically proceed as designed. Applying a golfing metaphor, automation allows us to "get into the flow" a lot more often which, as in golf, is a by-product of consistency.

C.T.A. Monthly Results

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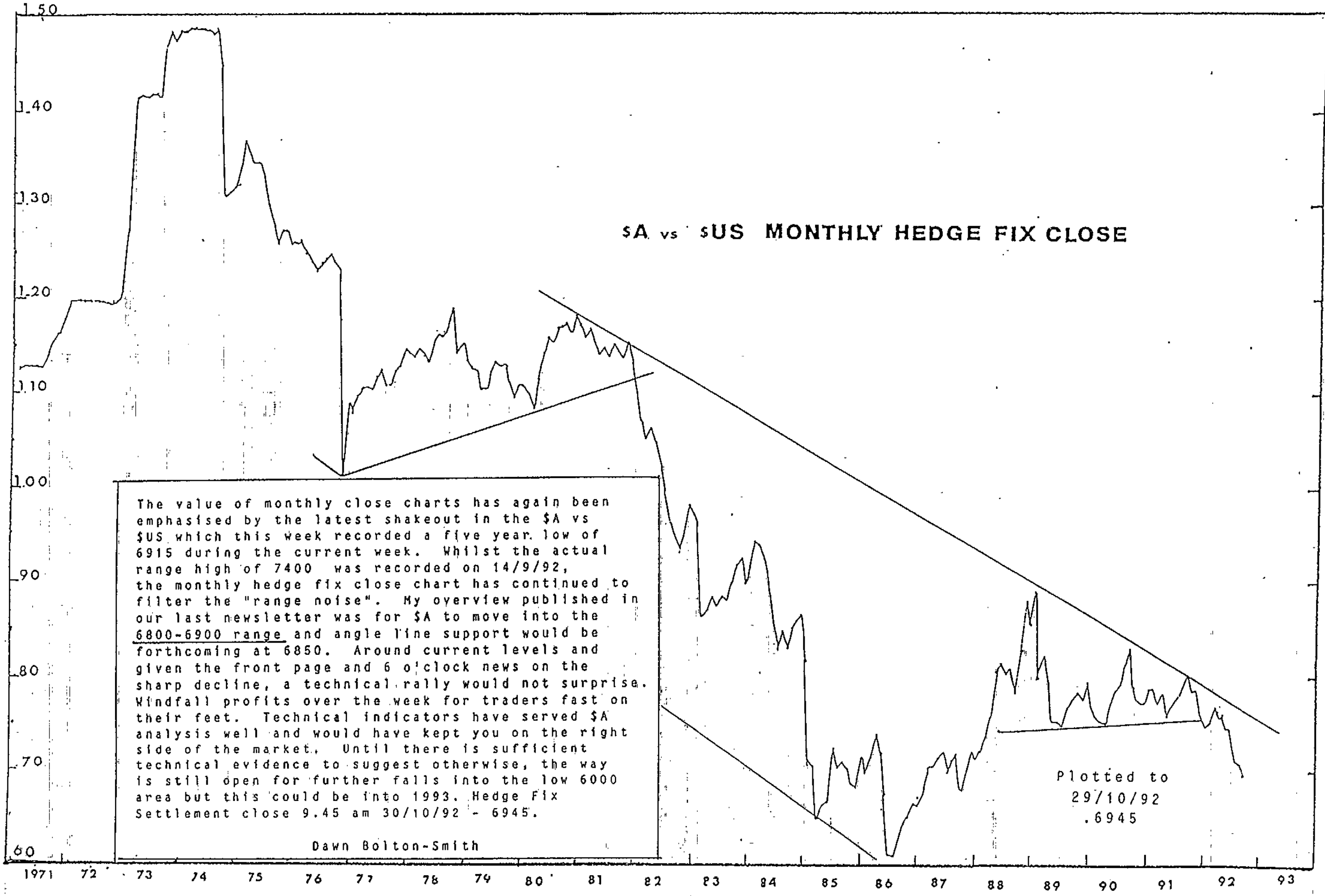
	EQUITY ($M)	IRR %	JUNE '92	WORST DRAWDOWN
AO(Fin/Met)	$78.20	18.50	3.00	(25.13)
AZF	$72.09	29.74	(3.09)	(11.52)
Bishop Enderby	$17.00	170.71	(0.50)	(49.95)
Blenheim	$406.10	28.29	(8.62)	(21.29)
Brandywine(All/Fin)	$5.40	29.59	5.50	(24.05)
Campbell(Fin)	$210.00	26.26	10.80	(16.87)
CCA(Curr)	$34.50	58.56	13.00	(54.76)
Chang Crowell(Gl Fin)	$141.00	25.75	4.00	(24.35)
Chesapeake	$160.00	32.01	7.00	(31.46)
Commodity Monitors	$12.80	(1.71)	16.40	(27.26)
Court Master(Basic)	$7.95	14.44	2.50	(13.69)
Duich	$37.96	18.19	(1.01)	(26.61)
Eclipse	$18.11	17.81	11.32	(18.78)
EMC	$81.10	63.98	5.40	(42.20)
Fenchurch	$110.80	12.45	(2.19)	(8.71)
GK(Curr)	$82.38	38.48	9.50	(11.49)
Hasenbichler	$50.25	41.02	23.11	(17.32)
JW Henry(Fin/Met)	$422.60	45.64	21.70	(39.63)
Hyman Beck(Comp)	$33.21	24.65	14.31	(25.14)
JPD	$14.39	11.87	4.20	(32.14)
Light Blue	$8.41	388.53	13.06	(13.86)
Luck	$32.14	32.60	0.22	(8.59)
Milburn(Curr)	$563.96	13.32	12.00	(29.06)
Mint	$625.00	8.83	9.00	(21.13)
Niederhoffer	$8.87	20.76	6.42	(22.61)
Panholzer	$3.98	29.37	0.62	(20.05)
Rabar	$56.21	44.77	5.40	(27.75)
Range Wise	$26.75	49.93	1.93	(34.68)
Reynwood	$46.26	16.13	11.30	(26.80)
RXR(Fin)	$13.35	24.52	13.80	(19.89)
Sabre(Div)	$66.35	5.09	4.50	(16.98)
SJO(For.Fin)	$61.00	53.03	11.40	(14.50)
Sogemin(Blue)	$0.44	23.33	4.95	(15.69)
Sogemin(Red)	$0.29	(8.07)	4.85	(23.66)
Tactical	$3.34	21.23	17.82	(40.81)
Tamiso(Lexford)	$6.59	24.92	10.30	(23.40)
Trendstat(Multi)	$35.00	21.80	9.80	(27.49)
Willowbridge(Vul)	$39.00	13.95	10.85	(37.62)
Witter&Lester	$32.75	27.49	1.80	(33.04)
Zieger	$29.00	24.56	(1.20)	(20.78)

Notes:

Equity: Assets under management including notional funds.
IRR: Internal Rate of Return
May 92: Performance for the month of May
Worst Drawdown: Worst peak to trough decline of assets.

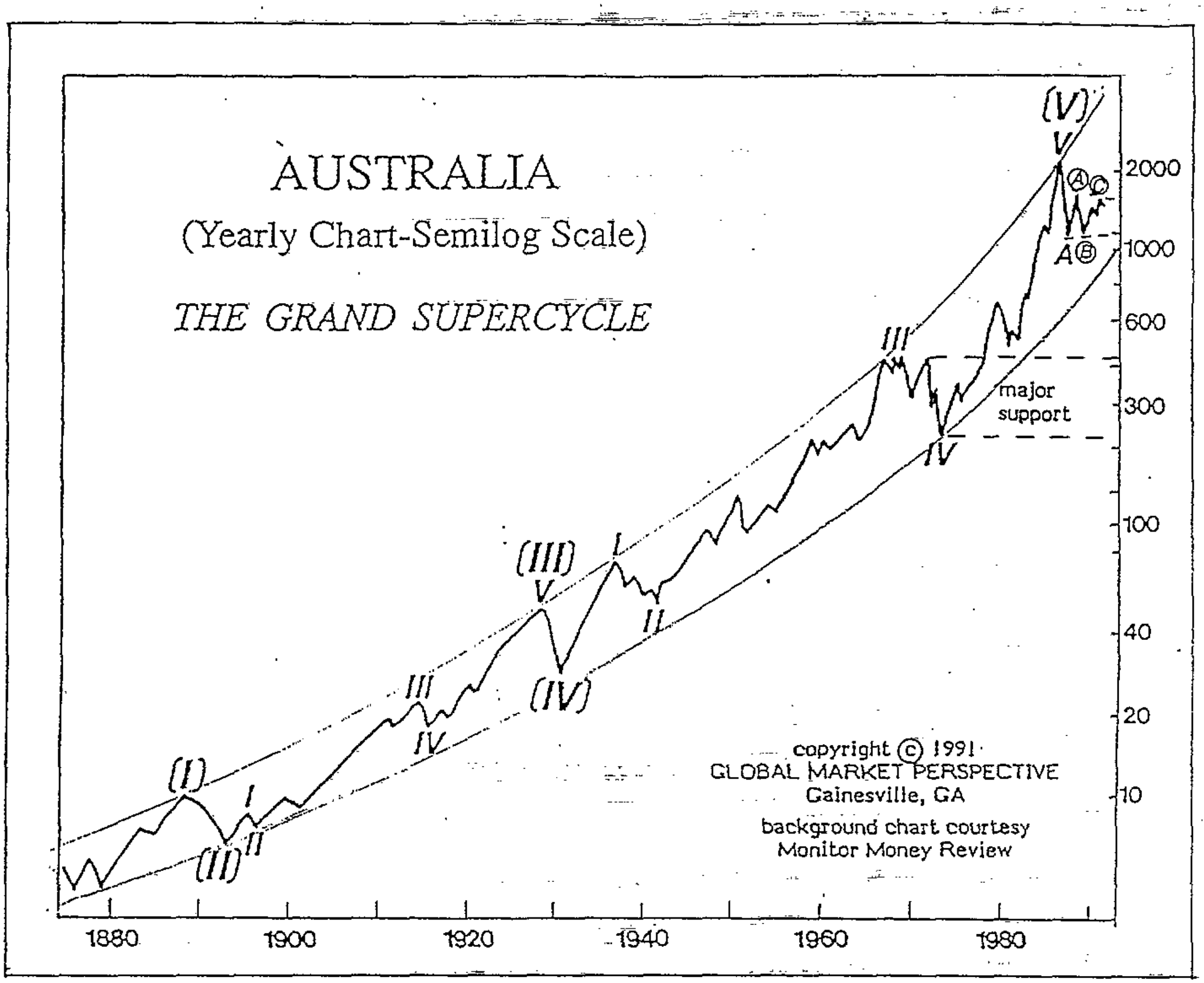
Source:

Refco Capital Investment Advisors, INC.



The value of monthly close charts has again been emphasised by the latest shakeout in the $A vs $US which this week recorded a five year low of 6915 during the current week. Whilst the actual range high of 7400 was recorded on 14/9/92, the monthly hedge fix close chart has continued to filter the "range noise". My overview published in our last newsletter was for $A to move into the 6800-6900 range and angle line support would be forthcoming at 6850. Around current levels and given the front page and 6 o'clock news on the sharp decline, a technical rally would not surprise. Windfall profits over the week for traders fast on their feet. Technical indicators have served $A analysis well and would have kept you on the right side of the market. Until there is sufficient technical evidence to suggest otherwise, the way is still open for further falls into the low 6000 area but this could be into 1993. Hedge Fix Settlement close 9.45 am 30/10/92 - 6945.

Dawn Bolton-Smith



AUSTRALIA
(Yearly Chart-Semilog Scale)
THE GRAND SUPERCYCLE
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major support
copyright © 1991
GLOBAL MARKET PERSPECTIVE
Gainesville, GA
background chart courtesy
Monitor Money Review
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1000
600
300
100
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20
10
1880
1900
1920
1940
1960
1980

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ASSOCIATION

JUNE 1992

ASTRO - TREND

Edited by:

NORMAN WINSKI

Astro-Cyclical

Consultant

SPECIAL REPORT

1967 N. Halsted St.
Chicago, IL 60614

312-787-4076

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Indicated Market Trends

(BELOW FORECAST AND EXCERPTS ORIGINALLY PUBLISHED NOVEMBER 27, 1990
THEORETICAL RESULTS BASED ON TRADING ONE CONTRACT FOR EACH MARKET
ON THE BASIS OF A CONTINUATION CHART AND THE LEAD CONTRACT MONTH)

Market Sector	Current (12/90) Indication	Approx.11/27/90 Price	Probable Trend To 7/92	Closing 6/19/92 Price*
Cattle	High	.8200	Strong Down	.7145
Cocoa	High	.1240	Down	.0883
Coffee	Minor High	.8800	Strong Down	.6080
Computers	Major CIT	N/A	?	N/A
Copper	Major CIT	1.1100	?	1.0495
Corn	High	2.25	Down	2.5125
Cotton	High	.7500	Down	.6422
CRB	Minor High	220.00	Down	209.35
Gold	High	377.50	Down	342.40
Hogs	High	.5100	Down	.4410
Oil	High	27.00	Slightly Lower	22.33
OJ	High	1.1000	Slightly Lower	1.2735
Pork Bellies	Major CIT	.6400	Slightly Lower	.3060
Silver	Low	3.95	Doubtful Follow Thru	4.023
Soybeans	Minor High	5.95	Down	6.0325
Soybeans Oil	Minor High	.2150	Down	.2084
Stocks (S&P)	Low	325.00	Up	404.15
Sugar	Low	.1000	Up	.1076
T-Bonds	Low	96.50	Slightly Higher	100-01
Wheat	Low	2.50	Up	3.5725
Market Sector	Current (12/90) Indication		Probable Trend To 7/92	

N/A = data not available   * See page 3 table for lead contract month used

(As of 6/19/92 close, TOTAL PROFIT for above forecasted trades = + $ 97,338.45. All trades are hypothetical, hence actual results may differ significantly. These trades do not allow for commissions or slippage. Past results are no guarantee of future performance.)

"Judging from the above table and current prices, the best buys now (11/27/90) for an eighteen month up trend are Stocks, Sugar, & Wheat. The best sells are Cattle and Coffee."

"Additionally, one could conclude that a spread in the grains, whereby one were long Wheat and short either Soybeans or Corn, should prove to be profitable over the next 18 months. I would recommend doing this in an even dollar fashion so that you will be approximately long and short the same underlying dollar amount of grain. For example, currently one Soybean contract represents an underlying value that is approximately 2.2 times the underlying value of one Wheat contract. Therefore, to be evenly spread, one would need to be long approximately 11 Wheat contracts and short 5 Soybean contracts, per spread unit."

(As of 6/10/92 Long 11 Wheat contracts = +$58,987.50 + short 5 Soybean contracts = - $2,062.50 = $ 56,925.00 PROFIT)

TOTAL PROJECTED HYPOTHETICAL PROFIT ON ALL FORECASTS
FROM 11/27/90 - 6/19/92 = + $ 154,263.45

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Indicated Market Trends

Market Sector	Current (7/92) Indication			Probable Trend To 1/94	Recommended Trade
	6/19/92 Lead	Month	Cl. Price		
Cattle	Low	Aug.	.7145	Slightly Higher	
Cocoa	Minor Low	Sept.	.0883	Slightly Higher	
** Coffee	Major Low	Sept.	.6080	Slowly & Steadily Up	Buy 2
Copper	Minor Low	Sept.	1.0495	Sideways to lower	
Corn	Minor High	July	2.5125	Slightly Lower	
Cotton	Low	Oct.	.6422	Slightly higher	
* CRB	Low	July	209.35	Higher	Buy 1
* Gold	Minor High	Aug.	342.40	Lower	Sell 1
Hogs	Minor Low	Aug.	.4410	Sideways to Higher	
* Oats	Minor High	July	1.3275	Down	Sell 1
* Oil	Minor Low	Sept.	22.33	Higher	Buy 1
* OJ	Minor High	July	1.2735	Down	Sell 1
Silver	Minor Low	July	4.023	Slightly Higher	
** Soybeans	Low	July	6.0325	Strongly Higher	Buy 2
** Soybeans Oil	Low	July	.2084	Strongly Higher	Buy 2
Stocks (S&P)		Sept.	404.15	Slightly Higher	
* Sugar	High	July	.1076	Slightly Lower	Sell 1
T-Bonds	Minor High	Sept.	100-01	Slightly Lower	
Wheat	High	July	3.5725	Slightly Lower	
Market Sector	Current (7/92) Indication			Probable Trend To 1/94	

* = recommended market to trade
** = highly recommended market to trade

Judging from the above table and current prices, the best buys now for an eighteen month up trend are Coffee, CRB, Crude Oil, Soybeans, & Soybean Oil. The best sells are Gold, Oats, OJ, & Sugar.

Please keep in mind that this Special Report is meant to be used only as a multi-month forecast to prepare you for possible opportunities that are likely to develop over the next several months and leading to trends that are due to culminate in January 1994.

In closing, it is interesting to note that in the 11/27/90 Special Report on the Nodal cycle, we forecasted that most commodity markets would be trending lower and that the financial markets would trend higher, for the next 18 months. This scenario was clearly deflationary in nature and correctly forecasted. In contrast, our current list of forecasted markets, for the next 18 months, shows a more mixed picture, indicating the deflationary trend should slow and that we may actually see some vestiges of inflation re-emerging in a few sectors of the economy. Of course, you can keep up to date on these markets on a monthly and daily basis with our Astro-Trend futures market advisory service.

Your comments, suggestions, and questions are encouraged and welcome.

Good Trading!

N. Linski

AUSTRALIAN
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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 90 members in NSW, Queensland, Victoria, Tasmania.
Members include professional Technical Analysts as well as dentists, doctors, Corporate Treasurers, company directors, newsletter writers, professional traders and investors. The common bond between are 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** (IFTA6Xsoobe 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

GPO BOX 2774 SYDNEY NSW 2000

AUSTRALIAN
TECHNICAL
ANALYSTS
ASSOCIATION

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.