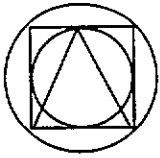


NEWSLETTER # FOUR

September, 1991



AUSTRALIAN
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ASSOCIATION

NEW COMMITTEE

Your new Executive Committee now comprises,

Charles Balas	- President	- (02) 522 5220
Dawn Bolton-Smith	- Vice President	- (02) 969 7615
David Hunt	- Secretary	- (02) 238 7856(W)
Christopher Carr	- Treasurer	- (02) 436 3202
Merril Armstrong	- Public Relations	- (02) 282 3555

Newsletter Edited and Published by DW Hunt & C Balas .

YOUR COMMITTEE PART 1

PRESENTING: Merrill Armstrong

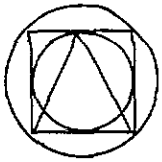
Merril has been studying and applying technical analysis of stock and commodity markets for the last 20 years.

In 1976 she wrote her first book entitled "How to Chart your Way to Success on the Share Market", a beginners' guide to technical analysis, which was in such demand that it was reprinted several times over the next few years and a second edition brought out in 1984. Last year she wrote her second book "Charting Made Easy".

Merril has been editor of the prestigious technical analysis journal TRENDEX for the past thirteen years and writes a regular column on technical analysis in PERSONAL INVESTMENT magazine. Like most of us she has graduated from laborious hand-drawn charts and indicators to computerised charts, although a large library of hand-drawn charts is still maintained at Trendex.

She uses Future Source, Computrac, Wavetrader, Insight Trader Trader and Ganntrader on her three computers. She travels overseas extensively researching new techniques and attended the International Conference of Technical Analysts in Montreal last year, one of whose founder members is Ian Notley who first initiated Merrill into the mysteries of technical analysis from 1970/1972 at Mosman Evening College.

Merril is a graduate of the Securities Institute of Australia and a licensed Investment Adviser.



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PRESIDENT'S ADDRESS

Fellow Analysts,

Your new Executive Committee has now taken the reins. I would like to take this opportunity to thank the past members of the Executive for their efforts and contributions to the ATAA. It is encouraging that Technical Analysis has come of age in Australia and we now have in place a forum for the exchange of ideas and information. On behalf of the new Executive I would like to extend thanks to the efforts of Charles Alexiou, Greg Surman, Ivan Krastins and Steve Mutch.

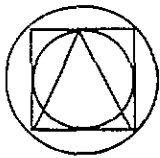
As you can see we have adopted a new logo depicting a more focused Association. In due course, all financial members will receive a confirmation of membership letter incorporating the new logo. We are also examining the introduction of an ATAA Certificate Course of Technical Analysis. Satisfactory completion of the course would be a pre-requisite for the new title of Fellow of the Association.

We are currently in the process of establishing the ATAA Computer Bulletin Board. This service will be available to all members for the purpose of interchanging shareware and public software as well as downloading demonstration programmes like Telerate Access Service, Clarity and Composer, Wavetrader, Computrac, Globex etc to name a few. There will also be a host of computer utilities and data available. You will also be able to upload software to the service as well as leave public/private messages to other users of the service.

On the national front we are establishing ties with Technical Analysis and user groups in Victoria and Queensland. This will further add to our membership base and recognition of the ATAA as the leading Technical Analysis group in Australia.

It is encouraging to see excellent feedback from our regular Monday night meetings and in keeping with the tradition we have scheduled some informative and interesting guest speakers for your delight. Please feel free to invite along any of your associates who may benefit from your Association.

Charles Balas



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MONTHLY MEETING CALENDAR

Please note these meetings in your diary.

Activity	Date	Topic	Speaker(s)
Meeting/ Indicator Night	Sept 16 1991	Moving Averages	Dawn Bolton-Smith Will Slayter
Meeting/ Product Night	Oct 21 1991	Insight Trader	Dr B Chapman
Meeting/ Indicator Night	Nov 18 1991	MACD	Merril Armstrong Christopher Carr.
Inaugural ATAA Xmas Barbie	December 1991	Watch this space	

Meeting details:

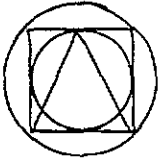
Time: 5.30 for 6.00pm
Day: 3rd Monday of each Month (except Dec & Jan)
Location: Council Room
Level 1 Old Building
State Library of NSW
Macquarie Street, Sydney

Information:

David Hunt (02) 238 7856
Charles Balas (02) 522 5220

VIDEO TAPE LOANS

The ATAA has a video tape of Jack Schwager speaking to the Market Technicians Association in the New York NYSSA. The topic is "What Makes a Great Trader". Please ask if you wish to borrow it.



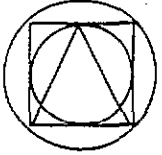
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ANNOUNCING THE AUSTRALIAN TA's COMPUTER BULLETIN BOARD

The ATAA Bulletin Board System (BBS) is now available 24 hours per day. The ATAA BBS is designed to

1. Swap public domain and other software,
2. Carry commercial demonstration software,
3. Communicate with other members and users,
4. Announce meetings, educational seminars and other items of interest,
5. Upload newsletter contributions,
5. And basically anything that users want.

Members annual fee is \$150, Non-members/Public \$200.
Price includes 60 minutes per day usage. To get trial access call Charles Balas on (02) 522 5220.



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MONTHLY MEETING REVIEW

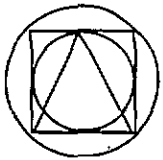
JULY: INDICATOR NIGHT RSI

July's meeting started with a game of hide and seek across the Old and New sections of the State Library. The members who passed the test participated in the Inaugural ATAA Indicator/Method Night. These are new features of your meeting calendar and will be held every second month.

The basis of the Indicator Nights are one or two members presenting on a trading method or indicator that they find useful. The floor is then open for discussions/debates/questions/examples. An outline of the talks are written up for the next newsletter for those who couldn't make it to the meeting.

The first Indicator Night was presented on the RSI by myself. An outline of the talk is included in this magazine. Questions flew and even a little debate raged. Even I felt it was a worthwhile night.

We have a lot of talent and diverse experience in our membership and these Indicator Nights are designed to draw on that. If you are keen on any Indicator/Method that is on the calendar and would like to present, or would like to suggest one that is not, call me on 238 7856 (545 2605 home).



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AUGUST: PROVIEW & STEVE HANSON OF WESSEX FUNDS MANAGEMENT

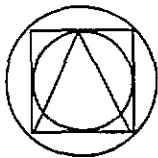
Andrew Moffitt of Proview presented Proview 5 to the meeting. Proview is a financial database and graphical software package. A copy of the Proview brochure/outline is attached. The system appears very flexible and is well suited to the longer term trader/analyst who likes to avoid the mesmerising effects of tick by tick data and updates. The pricing appears reasonable for the breadth of data covered (Was it 4000 to 6000 stocks, commodities and currencies on a daily, weekly, monthly?). You can choose the amount of data suited to your markets and pocket. Andrew then introduced us to a Proview user, Wessex Funds Management.

Steve Hanson of Wessex Funds Management then hit the stage fresh from a trip to the US where he had been heavily feted by the Yanks. Wessex (an Australian fund) has just been nominated top funds manager in its category. So Steve was hot property there. He even had lunch with Paul Tudor Jones (in PTJ's boardroom)!

Steve told us he was a breakout trader, preferring to enter the market on near a good close and/or on a stop loss basis. An important money management point of his was that the size of his capital determined the risk that he could take. The risk and the stop loss he used then determined how many contracts he traded.

Steve said that he had worked with more advanced market analysis systems such as Elliot Wave and Gann but that he found that a simple method of buying or selling the break, letting profits run and limiting risk with stop losses worked best for him.

DW Hunt



RELATIVE STRENGTH INDEX (RSI)

INTRODUCTION

Ever bought some shares, made a fixed term deposit to a bank, or bought a house on the basis that the trend was established and unlikely to change? Only to find the market stops and turns the other way.

A look at a Relative Strength Index may have helped you make an informed decision. It may have told you that while the trend was up, it was losing strength.

This paper will show you how to calculate the RSI, how it is traditionally used and how I use it on the Australian dollar.

WHAT IS AN RSI?

Developer : J. Welles Wilder Jr

Simply, it is an index of the average of up closing prices for a period divided by the average of down closing prices for a period.

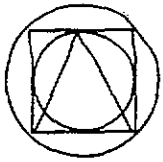
Relative Strength Index Formula:

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

where,

$$RS = \frac{\text{Average of \# days Up Closes in points gained}}{\text{Average of \# days Down Closes in points lost}}$$

The value of an RSI is forced to between 0 and 100. If price has moved up for all of the period (# days) the formula will spit out an infinity result. Infinity results are downgraded to 100.



WHAT CAN AN RSI TELL US?

1. INDICATE LIKELIHOOD OF TOP OR BOTTOM IE REVERSALS

RSIs indicates tops or bottoms in two related ways

a. Divergence

When price moves higher but the RSI does not, the two "diverge" from each other. Here the RSI indicates a top is likely. This divergence is best used when the following conditions are met.

b. Overbought or Oversold Areas

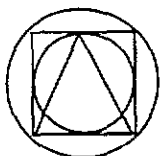
According to Wilder when the RSI is above 70 or below 30 the market is seen as over bought or oversold. An RSI of above 70 indicates overbought and below 30 indicates oversold.

Many users of the RSI now adjust these parameters to allow for a bull or bear market. That is, in a good bull market it is felt that the oversold area shifts higher to above 80 and the overbought area to below 40. Conversely, in a good bear run the shift is to overbought at below 20 and overbought at above 60.

As important turning points tend to come in these overbought or oversold regions the trader should be wary of fresh positions with the trend and be on alert to take or protect profits on existing trades.

HOWEVER, strongly trending markets will often run over the seller or buyer using the concept of Overbought or oversold in isolation. It is possible for markets to run for a few weeks with an RSI of over 70. This often happens in markets which are strongly influenced by government policy. Examples of this are frequent in the US IMM Eurodollars and the Australian SFE Bank Accepted Bill Futures.

Thus an overbought or oversold RSI should not be the only reason to enter a trade. It is useful in conjunction with other signals of a reversal such as divergence and failure swings.



c. Failure Swings

An extreme low (below 20 or 30 the lower the better) in the RSI is followed by a higher bottom in the RSI is a failure swing. The Buy signal is confirmed when the RSI goes through peak reached in first move of low.

An extreme low (high) in the RSI followed by two progressively higher (lower) bottoms in the RSI and a fresh low (high) in price on the last bottom (top) in the RSI is the best of RSI signals. This occurred on the Australian dollar in May/June 1991 as per the graph.

2. THE DIRECTION OF THE TREND

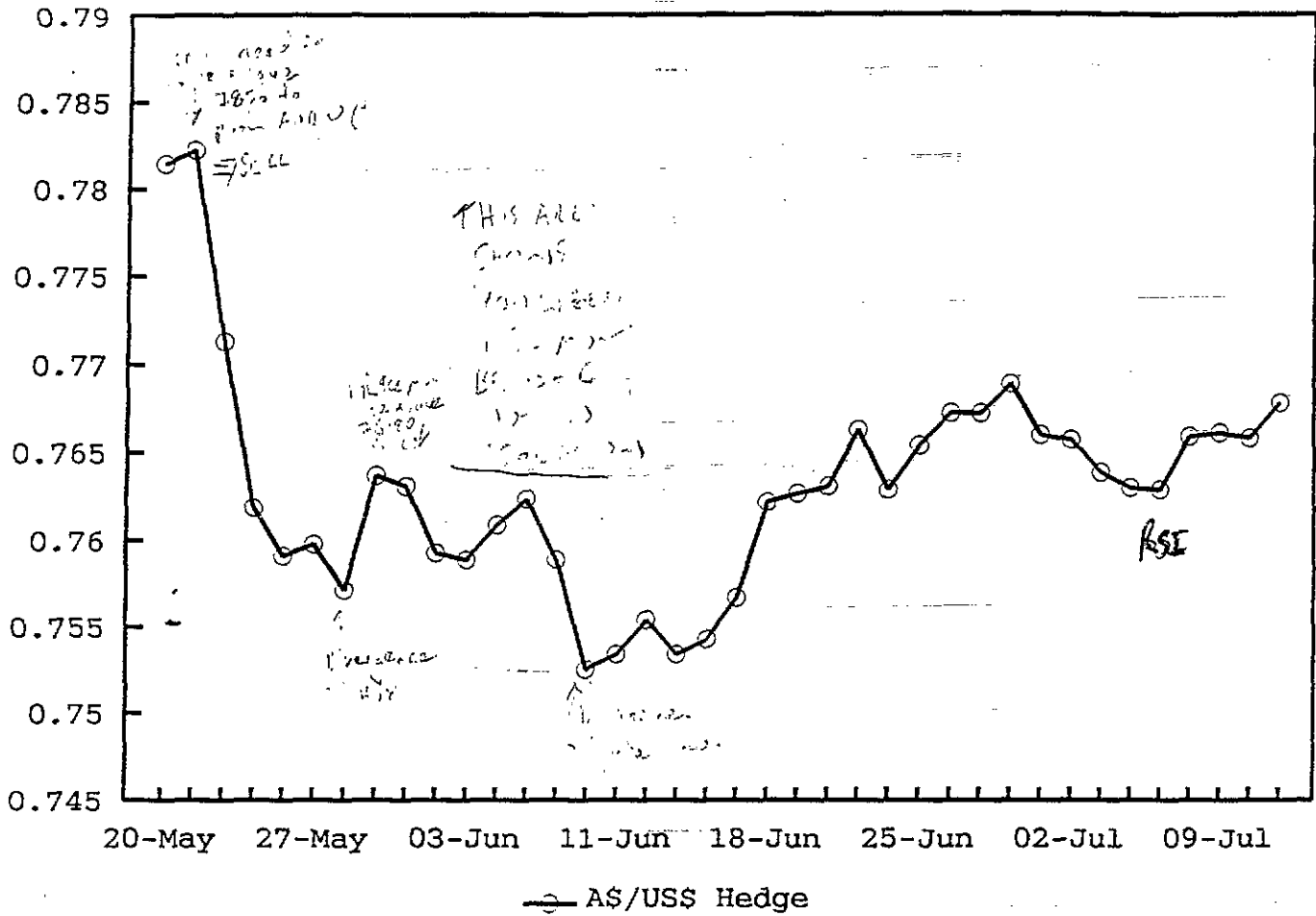
The RSI is an average of the differentials as such an upward pointing RSI for 2 days shows an uptrend in price. A downward pointing RSI is a downtrend.

Some users see the RSI above 60 as being a bullish market and the buying is better (40 on the Bear side), I tend to feel that this is a bit late in the trend to buy a market.

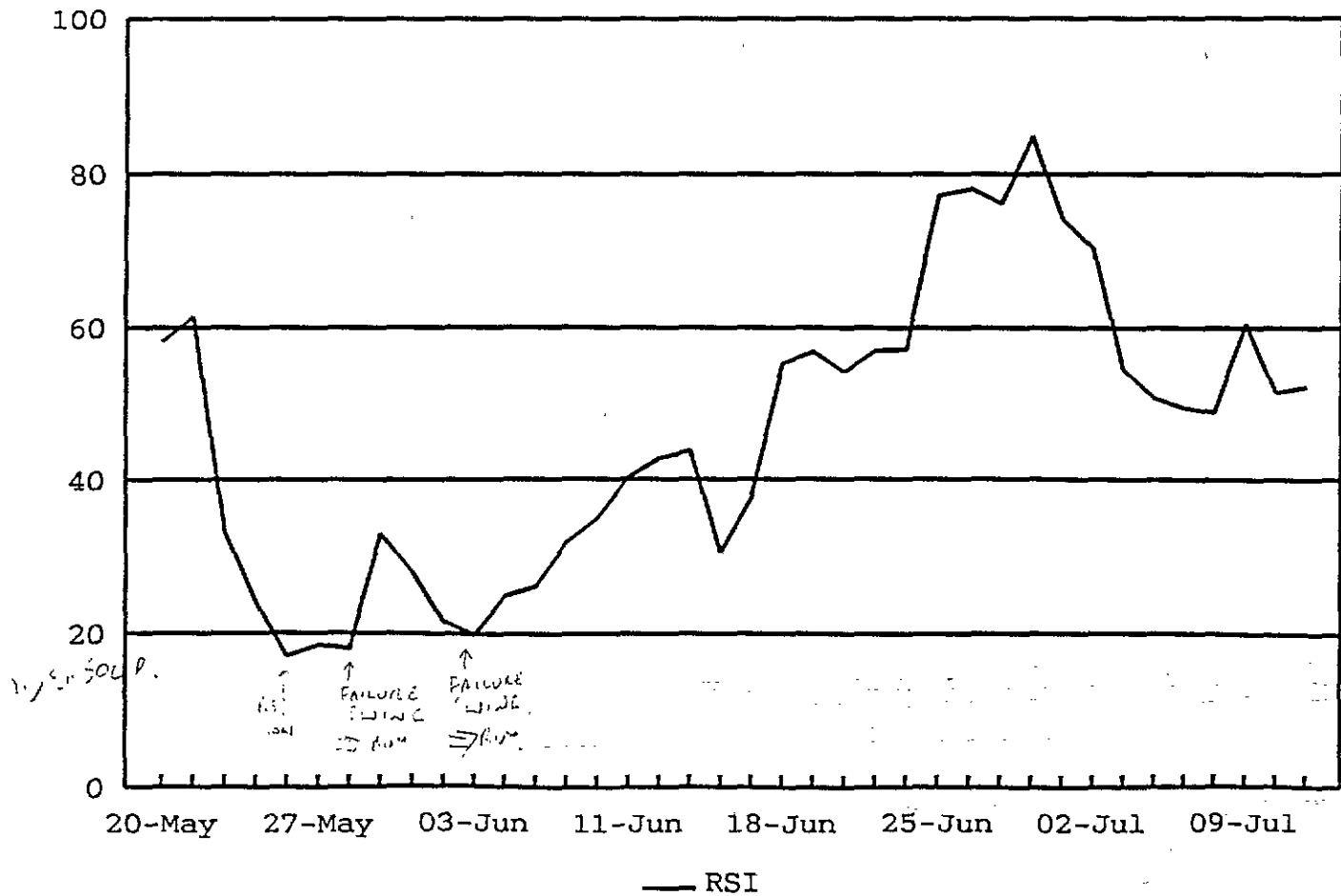
3. CHART PATTERNS THAT MAY NOT BE CLEAR IN PRICE
PATTERNS EG TRIANGLES.

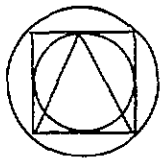
Also support and resistance can appear on the RSI that may not appear in price patterns or can lead confirmation to price support and resistance.

AS/USS HEDGE SETTLEMENT RATE
ACTUAL



AS/USS RELATIVE STRENGTH INDICATOR
Expect Turn if above 70 or below 30





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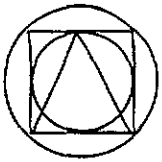
WHEN DO I USE AN RSI?

This depends on the market's activity and what my other indicators are saying. AN RSI CAN NOT BE USED IN ISOLATION, GENERALLY I REQUIRE TWO OTHER SIGNALS TO TELL ME TO REVERSE THE MARKET.

Generally, I find the best uses of an RSI for the Australian dollar are:

- In down trend or uptrend I calculate what close is required to keep the RSI moving with the trend. If that price is very out of reach eg above previous highs or lows and on a likely cycle day for a trend change and the RSI is overbought or sold, I look to take profits on existing positions or tighten my stop losses. That is, it is highly likely that the market will show divergence the next day. New opposite positions are not taken until the market confirms a top or bottom.
- In a ranging market with low ADX (another Welles Wilder contribution) I look to take trades at top or bottom of Volatility bands if the expected RSI confirms reversal.
- Looking for Divergence and failure swings as in the AUD move down to 74.95 (or was it 74.88?) on cycle end days.
- If expected RSI is still pointing up or down and there is no likely trend change days stay with the trend based trade.

DW Hunt



WHEN THE AUSSIE \$ WAS A DOLLAR !

The need to replot the long term Monthly Hedge Fix Close Chart of the A\$ brought back a flood of memories, two in particular worth recalling.

In 1989 I was asked to fax A\$ data going back to 1980 to an interstate bank. A hasty reply came back accusing me of sending the wrong data. This was easily explained over the telephone because the person who requested the data could not remember when A\$ was a Dollar, and was even more shocked to find that it had been up to the \$1.49 levels in 1974. The person was also unfamiliar with Fibonacci numbers and was even more surprised to learn the overall decline to the 1986 had been one of 61.8% of the 1974 high.

The second was a noteworthy comment on the A.B.C. Country Hour Friday 15th June 1984. The subject was hedging on wool futures with a comment on the A\$.

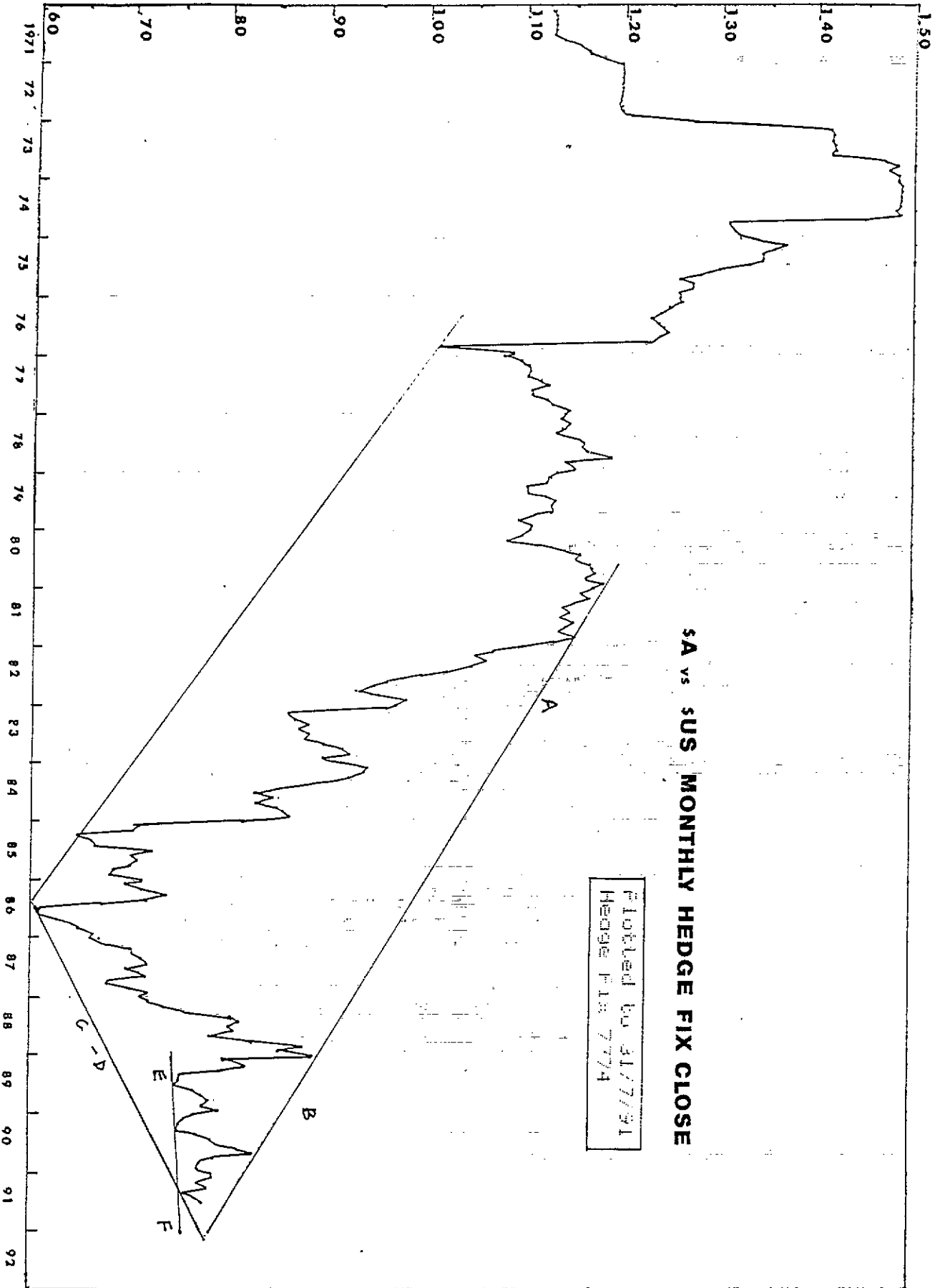
" Anyone who has been able to predict the course of the dollar should now be on the French Riviera with their feet in a bucket of Champagne. "

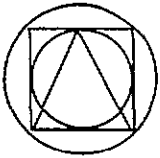
One Technical Analyst was tempted but decided on the Great Barrier Reef - much closer and very nice weather at that time of year.

On a more sober note, the chart is well worth keeping as good background to weekly, daily, and hourly charts. The A\$ satisfied the Gann Time Square of 144 in both price and time. A twelve year bear was over when A\$ made the all time low at 5720 area on the 28th July 1986.

Market sentiment has remained orientated towards the bear side. Since the 1989 lows, trading the short side has proved the least profitable. The comparatively narrow trading range has precluded a number of previously profitable technical trading systems from winning. Moving average cross-overs which proved to be so rewarding during the big trending phases up to the 1989 highs are coming in too late with the signals.

It has been a case for buying support and selling resistance. Gann techniques overall go well with A\$ and not forgetting basic technical analysis which at times the market seems to forget.





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A\$ is now the fifth most traded currency in the world and indeed a 24 hour market. The benefits of using the on line data machines and in particular the Reuters Technical Analysis Machine has been "road tested" using hourly charts and indicators have been producing superb results. For one already experienced in chart reading, the R.T.A. adds yet another dimension to Technical Analysis and the results would certainly be reflected in the dealers profit and loss accounts.

In some respects, over the long term, A\$ could be likened to gold up to 1980 when everyone was looking for it to go higher and over a decade later still waiting. Although, some quiet rumblings occurred around the lower base levels at 355-360 on spot gold during the "Russian Revolution". Aussie dollar players have been conditioned by the cascading waterfall declines shown on the following chart from the early 1980's. Despite the obvious technical reversal from the 5720 low in 1986 when the bull emerged for nearly two and a half years, the compulsion was to "keep selling" it. During the range contraction since the 1989 lows the need has been for more skilfull but basic techniques.

When the break finally does come, it is sure to be a good one !

A summation of the current technical considerations:-

(1) A\$ is still in long term downtrend (A-B). The semi-log chart resistance line on the weekly chart for week ended 23rd August 1991 comes in at 8150.

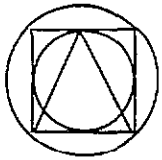
(2) Support line (C-D) also the Gann angle from the 1986 low comes in at 7650 for the month ending 31/8/91.

(3) Internal support line (E-F) - 7550. The action from the 1989 lows still has higher lows making the 7593 May 1991 close significant support. Converging lines (A-B) (C-D) = 7825 - March '92.

The resistance line (A-B) 8000 at 31/8/91.

(4) Midpoint of monthly close high 8868 31/1/89 low 6081 19/8/86 = 7475. The most recent support level which preceded the rise to 7845 on 12/8/91.

Dawn Bolton-Smith



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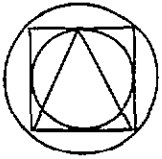
ROBERT PRECHTER "FOCUS ON AUSTRALIA"

Courtesy Technical Securities Analysts Association of San Francisco.

A precis is as follows :

The Elliott Wave Theorist says that the subsequent recovery from the October 1987 crash has been one of the world's weakest, as the rally appears to be tracing a large (a)-(b)-(c) pattern, the Jan 1991 low marking the low for wave (b), as shown in the chart below. On this basis wave (c) should peak just above 1800, slightly exceeding the wave (a) peak at a 50% retracement of the 1987 fall. Once the current rally phase is over, the next seminar

Basically Prechter sees the Australian sharemarket as having completed the (V)th Wave up of a Grand Super Cycle in September, 1987. Wave (V) was seen to have started in 1932. The target for the bear market is around, ... wait for it 50 to 75 on the All Ords!!! This being the IInd wave extension of the major (V)th wave.

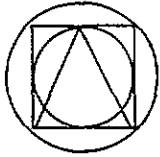


PROVIEW AND ITS ADVANTAGES FOR TECHNICAL ANALYSTS

One of the great challenges in designing a computer system is to combine sophistication and speed with simplicity. We believe we have achieved this at Proview. Let me tell you a little about Proview and how it got started. Like a lot of businesses, Proview was conceived and developed because at the time what we wanted in a graphics package was not available. Our objective, seven years ago was to find a software package which would:-

1. Display and maintain a large data base of stocks, cash and futures markets.
2. Be easy and quick to use.
3. Provide efficient data base management.
4. Have first class graphics display and produce high quality charts in hard copy.

It took eighteen months before we completed what we set out to achieve. And soon we will be releasing our fifth version of Proview which contains a whole range of new functions. But three things will not change, our speed, our ease of use and our presentation. But enough of the history. What's in Proview for the technical analyst? I will take for granted that you are looking for a technical software package that enables you to view an historical data base. One of the fundamentals (am I allowed to use that word?) of technical analysis is to identify patterns in markets. Proview is structured in such a way that it does not matter how big or how small your data base is you can still view the markets of interest as quickly and as easily as looking through a chart book.



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In my opinion finding a software package which contains the functionality you require is only part of the battle. Obtaining the historical data is the next step. But then that data base needs to be maintained, and maintained reliably and efficiently. It is our belief that the professional trader/analyst should not be spending their time applying a dilution factor to a stock that has had a split or creating new futures months, because old have expired. Their job (your job) is to call markets, not to maintain data bases. Proview provides the tailor-made historical data base, the maintenance programmes, the updated data files, the means to view and analyse the markets. In short we provide a total service. So Proview gives me the data base I want, maintains it for me and allows me to look at it. What else? Well, a range of technical tools can be used including Moving Averages, Relative Strength Index, Coppock Indicator, On Balance Volume, Parabolic Stops to name a few. You can overlay charts for comparison, multiply or divide or subtract one chart from another, rescale either the X or Y axis, display volumes, draw trend lines, measure percentage change, annotate your charts and set up charts with your own data. These are just a few of the functions that are available and all can be done by using only one, maximum two key strokes. But above all, the system is reliable, fast and user friendly.

Veteran chartist Russell Lander says; "I would be lost without Proview!"

What do you need to run Proview - Any IBM or compatible personal computer with 640K of memory, a hard disc drive and an EGA/VGA card and screen, a Telecom approved modem and a phone line. Anyone wishing to know more about Proview please call Andrew Moffitt on (02)299-2111 or write to Proview Pty Ltd, 3rd Floor, 33 York Street, Sydney, NSW, 2000.

1991 IFTA CONFERENCE

TO BE HELD IN MEXICO CITY AND ACAPULCO

NOVEMBER 3 TO 10, 1991

EMERGING MARKETS

PRELIMINARY PROGRAM:

TUTORIALS

- * THE BASICS OF TECHNICAL ANALYSIS
- * UNIVERSAL TECHNICAL INDICATORS
- * UNDERSTANDING THE USE OF DERIVATIVE PRODUCTS

VISITS

- * MEXICAN BOLSA TOUR
- * MUSEUM OF ANTHROPOLOGY
- * METROPOLITAN CATHEDRAL AND BELLAS ARTES
- * TEOTIHUACAN PYRAMIDS
- * ACAPULCO DIVERS

PRESENTATIONS

- * GLOBAL ASSET ALLOCATION
- * THE WORKINGS OF LATIN AMERICAN EMERGING MARKETS
- * THE WORKINGS OF ASIAN EMERGING MARKETS
- * MEXICO; THE ECONOMY, THE MARKET, THE COMPANIES
- * JAPANESE TECHNICAL ANALYSIS
- * TECHNICAL ANALYSIS IN EMERGING MARKETS
- * TECHNICAL ANALYSIS IN FOREX
- * KEYNOTE SPEAKER
- * DINNER SPEAKERS
- * IFTA FREE-FOR-ALL OPEN FORUM

LEISURE

- * FREE EVENING TO VISIT MEXICO CITY BY NIGHT
- * GOLF AND TENNIS TOURNAMENTS IN ACAPULCO
- * BEACH SPORTS

EXHIBITION IN MEXICO CITY

- * TECHNICAL EXHIBITORS
- * FINANCIAL SERVICES INSTITUTIONS

CONFERENCE RATES:

HOTEL & MEALS PACKAGES

* \$500 IFTA COLLEAGUE	MEXICO CITY - CAMINO REAL HOTEL AND ACAPULCO - PRINCESS HOTEL	ONLY MEXICO CITY - CAMINO REAL HOTEL NOV. 3 TO 7, 1991
* \$600 NON-MEMBER	* \$1,350 SINGLE (ONE PERSON IN ROOM)	* \$ 755 SINGLE (ONE PERSON IN ROOM)
	* \$2,050 DOUBLE (WITH ESCORT)	* \$1,210 DOUBLE (WITH ESCORT)
	ONLY MEXICO CITY RESIDENTS	
	* \$900 SINGLE (ONE PERSON IN ROOM)	* \$305 SINGLE
	* \$1,145 DOUBLE (WITH ESCORT)	

* All rates are quoted in U.S. dols.
* The rates include: hotel room, all meals except dinner on Tuesday, tips, 15% VAT, visits, transportation to Airport if going to Acapulco, and attendance at the conference.

* The rooms blocked for this conference can only be reserved through the AMAT (Association Mexicana de Analistas Tecnicos); neither hotel will accept direct reservations.

* Registration closes September 15, 1991.

IMPORTANT: PLAN ON AN ENLIGHTENING CONFERENCE AND A LOVELY TIME IN MEXICO!!!!!!