

Technical Library Paves Its Way

By Luis Sued, Business Editor, *The Ticker*

On Tuesday, November 17, the Market Technicians Association Educational Foundation and the Market Technicians Association hosted a reception and panel discussion at Baruch College in celebration of the opening of the Market Technicians Association / MTA Educational Foundation (MTA/MTAEF) library.

The Market Technicians Association, a top organization for analysts worldwide, was founded in 1973 and currently has 3,300 members worldwide, according to its website. The association administers the examination for the Chartered Market Technician (CMT) license, a prestigious designation on Wall Street.

There are 900 CMTs worldwide. In 1993, the MTA founded the MTAEF, which has since held a collection of technical analysis works, authored by prominent professionals.

MTAEF's mission, according to Professor Bruce Kamich, president of MTAEF and a technical analyst at Morgan Stanley Smith Barney, is to "bring technical analysis to the college campus."

Members of the MTA and MTAEF, attendees and officials at the event toured the MTA/MTAEF library at Baruch before the panel discussion started. During the tour, Arthur Downing, chief information officer of the William and Anita Newman Library of Baruch College, said that the MTA/MTAEF Library currently holds "the most comprehensive collection of technical analysis in the country."

Professor Kamich began the panel discussion by detailing how the Newman Library and MTAEF agreed to keep the collection here and provided a brief history of the relationship of technicians and Baruch College.

"We started with Bernard Baruch himself, who was well-known for his stock market savvy," Kamich stated.

After the events of 9/11, Baruch College professor Avner Wolf, David Krell (Baruch '71) and others worked on an agreement to keep the MTA collection in the school.

"Since [the] early 70s, technicians and traders have been involved here at Baruch and have been associated with the school," said Kamich. "It made logical sense to locate the library here."

The moderator of the panel was Vinny Catalano, president and founder of Blue Marble Research. Five financial services professionals discussed topics ranging from the current economic condition in the United States and the capital constraints of U.S. consumers

to the relevancy of traditional economic indicators. Catalano called the panel "the titans club of technical analysis" given the magnitude of the panelists' ranks and expertise in their respective fields.

Robert Barbera, Ph.D., an executive vice president and chief economist at Investment Technology Group, was the first panelist. Barbera has published numerous works and has been quoted by *The Wall Street Journal* and *The New York Times*. The second panelist was John Mendelson, senior vice president and a market analyst at Potomach Research Group. Mendelson has visited many top business schools around the country addressing topics in his field of expertise.

Jason Trennert, the third panelist, is a managing partner and chief investment strategist at Strategas Research Partners. Trennert publishes research analysis regularly and is a highly regarded market strategist by *SmartMoney*. The fourth panelist, Louise Yamada, is a managing director at LYA, which she founded in 2005. The fifth panelist, Dr. Edward Yardeni, is the president of Yardeni Research, Inc. Yardeni has worked for Deutsche Bank, the Federal Reserve Bank and was a professor at Columbia Business School.

All panelists provided their perspectives on the current economic condition and answered questions from the audience members in a lively fashion, cracking jokes whenever possible.

Three of the panelists tackled Catalano's first question of whether the U.S. economy has the ability to reach the point of sustainability after the government's stimulus funding and the rebuilding of business inventory.

"The problem for the economy is the government with all these policy changes that are being proposed. It is hard for anybody who is in business to get too enthusiastic about hiring people. That's why we've seen a lot of small businesses actually firing people," Yardeni said.

For Yardeni, betting against the consumer is the wrong step to take. "When we're happy we spend money, when we're depressed we spend even more," said Yardeni, in a joking tone.

Yardeni stated that although we want a stable recovery, we do not have a way to do it. "I think as disposable income increases we just won't be able to leverage up the way we used to," Yardeni said. "Recoveries are always sustainable; we are all aspirational, we all want to do better for ourselves and our families."

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Barbera argued that there are constrained consumers who are indebted and have to deleverage and there are also those who are not squeezed. “I don’t think the consumer [will] play the central role as they have for the world over the previous 50 years,” Barbera said.

Therefore, according to Barbera, we would have neither a lost decade nor a double-dip recovery, but a self-sustained recovery that is not driven by the consumer.

When answering the question on sustainability, Trennert said that economic slumps are not over until people are bullish and confident. According to Trennert, people are currently bullish and scared.

“What normally drives a cyclical recovery in the U.S. is pentad demand for housing and autos and durable goods,” Trennert said. “Whatever demand we’re getting is being essentially subsidized by the government.” He believes this will affect the economy in the long run.

“The government cannot continue to dissave by a trillion and a half to two trillion dollars and not have a meaningful impact on the rest of the economy,” said Trennert.

Trennert is not concerned about the sustainability of the recovery. He is concerned with the cost the government’s measurements will have.

“You have a situation where I think the U.S. government (Treasury) is essentially adopting the Bear Stearns method of funding itself. It’s got enormous long-term liabilities and it continues to fund itself short. And if you look at China’s purchases of U.S. Treasuries, 20 percent of them are now due within one year . . . Two giants holding each other up.”

Another question Catalano asked was if the current liquidity in the stock market is a bubble issue or if it is being funded from the \$3.5 trillion sitting on the sidelines in money market funds. Yamada, who holds

the CMT license, said that we have always had money sitting on the sidelines.

“We’ve had enormous amount of money on the sidelines throughout the entire bull market from 1982 – 2000,” Yamada said, “...it is a question of psychology more than money sitting on the sidelines.”

Catalano also asked where investor sentiment was at the moment, as measured by the put-call ratio. Mendelson said that one of the things he does is “try to watch what people do.”

Mendelson observed that as the stock market has been improving, the mood has been getting more bearish. “The level of the ratio increased since March, and it also did so in November.”

A low put-call ratio indicates that sentiment in the stock market is bullish, as investors buy more calls, expecting the value of the underlying asset to increase. After the big rallies following the March lows, he did not expect a high ratio, but it still took place.

“This is one of the most bearish periods and we’re still there,” Mendelson said.

The event culminated with the presentation of the first Mike Epstein Award to Andrew Lo, Ph.D., director of laboratory for Financial Engineering and professor of finance at MIT Sloan School of Management. The MTAEF granted the award to Lo to honor his long-term sponsorship of technical analysis in academia and in practice. The foundation will bestow the honor to other dedicated technical analysts in the future.

In spring 2010, the MTAEF will sponsor research papers for students interested in topics on technical analysis. The papers will be evaluated in the fall of 2010. The library, located on the fourth floor of the Newman Library, is now open to Baruch students, faculty, and the members of MTA and MTAEF.