



*Celebration Of Technical Analysts  
From Dow To Zweig*

# The Titans Of Technical Analysis

*A not-so-random walk through the history of charting the markets.*

*by David Penn*

**M**any years ago, a poet friend who was editing a collection of contemporary verse noted to me that “about half the working poets in America are going to be really upset about this anthology. Of course, the other half of them are in the book. ...”

Such sentiments came to mind when I embarked upon the task of highlighting the few among the many whose contributions to the field of technical analysis have made them what STOCKS & COMMODITIES has designated the “Titans Of Technical Analysis.”

How subjective is such a list? In some ways, all too subjective — particularly with those whose contributions are more recent or are less widely enjoyed. Virtually all of those who did not make the top 20 — the prolific Tom Dorsey, the insightful Linda Bradford Raschke, indicator-builder Tushar Chande — have no one to blame but us. Others, including a few of Jack Schwager’s “market wizards,” were considered more master traders than master technicians, and thus not a part of our list. Still other worthies, such as Richard Schabaker, are remembered more for their relations. (Schabaker was the brother-in-law of Robert Edwards of Edwards and Magee fame. It was Edwards who took over Schabaker’s market research organization after the latter’s sudden death in 1935.)

Our tribute to the greatest minds in technical analysis is part of *Technical Analysis of STOCKS & COMMODITIES*’ celebration of its 20 years of articles, interviews,

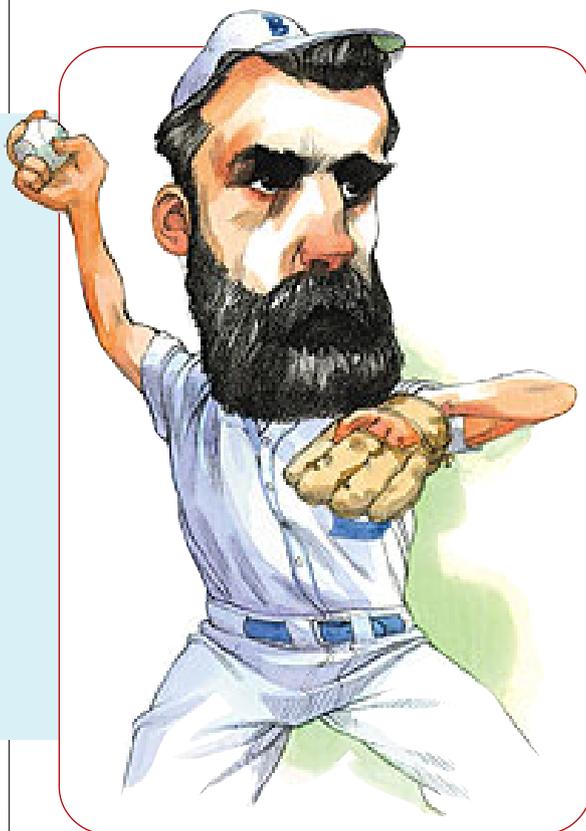
observations, and commentary on the subjects of trading and technical analysis. From our earliest issues featuring reviews titled “An Easy Course In Using The HP-12C And Other Financial Calculators” to the present issue, which includes pages of Traders’ Tips in sophisticated computer language, no other publication has had its finger on the pulse of both applied and theoretical technical analysis for as long as STOCKS & COMMODITIES. And this has been no mere minding the store.

S&C publisher Jack Hutson introduced the TRIX, or triple exponential smoothing oscillator, in 1983. The Richard Wyckoff method was reintroduced to the world via these pages in 1986. John Bollinger, Jack Schwager, and Vic Sperandeo were all among S&C’s interviews in 1993. In the nine-odd years since then, as a bull market in equities resumed, S&C was on hand to provide technical tools for minimizing risk and maximizing gain — whether through new indicators (such as John Ehlers’ MESA adaptive moving averages), new methodologies (like seasonal timing), or new asset classes (such as single-stock futures).

So where does that leave us in 2002? Grateful. Grateful for all the subscribers, contributors, and casual readers whose commitment, work, and interest have made S&C’s 20th anniversary issue possible. Grateful for all those workers who have contributed to putting the magazine together for the past two decades. But grateful, most of all, for those unconventional newspapermen, accountants, engineers, and all others who first bucked the conventional wisdom that insisted that markets were random, unknowable chaos from which no rational analytic approaches could emerge.

Here, then, is our roster of skepticism, scholarship, and genius, our humble tribute to the true titans of technical analysis.

# THE TITANS



## Charles Henry Dow

(1850–1902)

**Style:** Classical chartist

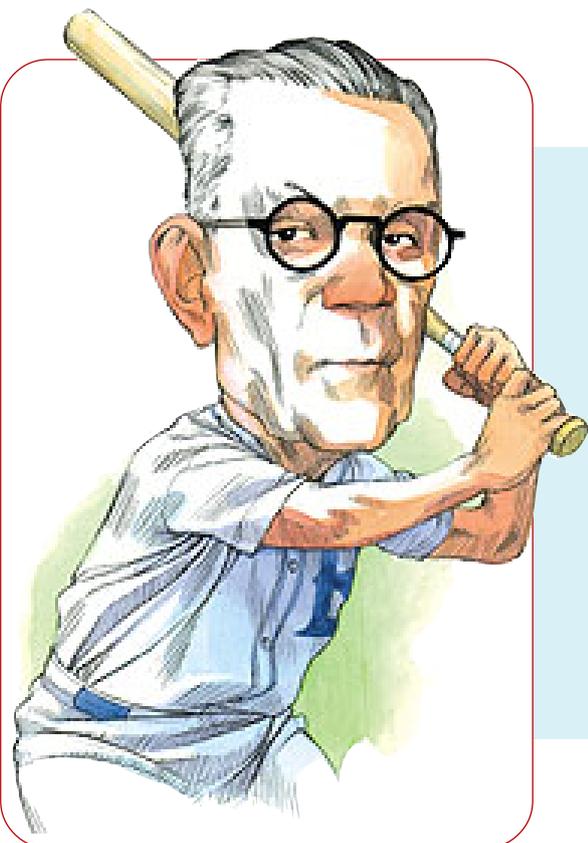
**Career:** Former newspaperman turned cofounder of *The Wall Street Journal*; editorialist and market commentator.

**Must-Reads:** Dow published the tenets of his theory in editorials for *The Wall Street Journal*, a number of which were later collected by Samuel A. Nelson under the rubric “Dow’s theory” in a book called *The ABC Of Stock Speculation*.

**Why They Loved Him:** Inventor of the Dow Jones averages; articulated “Dow theory” as a way of determining future stock prices based on historical patterns. Said former partner Edwards Jones of Dow: “He was always a ceaseless searcher for facts and the best way to tell and distribute them... His honesty was rugged, his industry was prodigious, his integrity unsullied and his home life ideal.”

**What He Said:** “Politicians, properly observed, will often disappoint. Ideas, properly understood, seldom will.”

ART BY ANDREW VANDERKARR



## R.N. (Ralph Nelson) Elliott

(1871–1948)

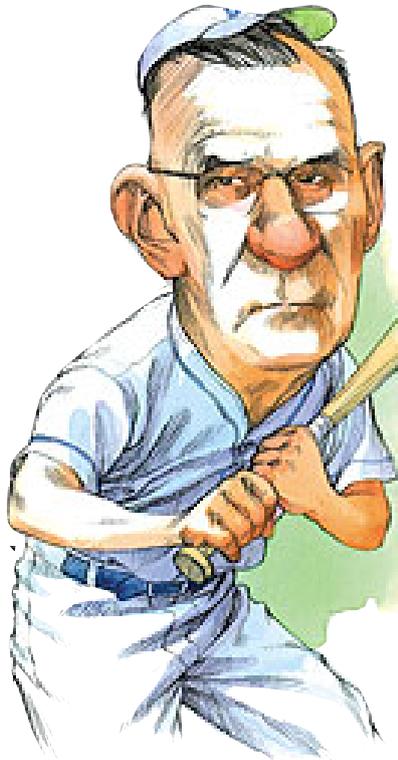
**Style:** Elliott wave theory and analysis

**Career:** Chief accountant for Nicaragua while the country was controlled by the US. He developed an interest in the stock market in his 60s after suffering a debilitating case of anemia.

**Must-Reads:** *Nature’s Law* (1946)

**Why They Loved Him:** Developed one of the most comprehensive systematic approaches to understanding market behavior. Adherents have been able to extrapolate Elliott’s theories into the fields of psychology, sociology, and even pop culture (Robert Prechter Jr.’s “socioeconomics,” for example).

**What He Said:** “No truth meets more general acceptance than that the universe is ruled by law. Without law it is self-evident there would be chaos, and where chaos is, nothing is.”



### **W.D. (William Delbert) Gann**

(1878–1955)

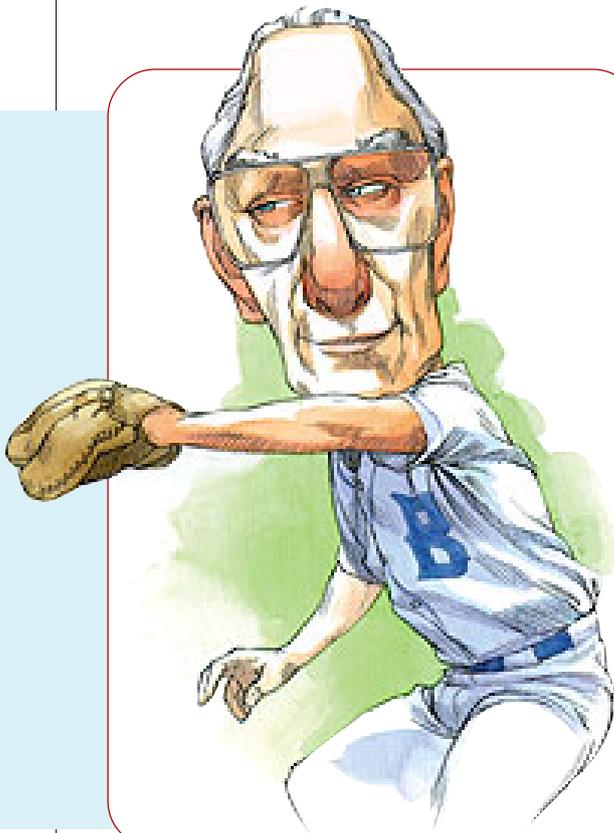
**Style:** Mathematical trading based on time as opposed to price

**Career:** Stockbroker and author.

**Must-Reads:** *Truth Of The Stock Tape; How To Make Profits In Commodities; 45 Years In Wall Street;* and *New Stock Trend Detector.*

**Why They Loved Him:** In addition to a mathematic technique that helped him make startling market forecasts, Gann was also noted for his tape reading and for his insistence that effective speculation comes from selecting only a few stocks and focusing on them.

**What He Said:** “Times and conditions change and you must learn to change with them. Human nature does not change, and that is the reason history repeats and stocks act very much the same under certain conditions year after year and in the various cycles of time.”



### **Arthur A. Merrill**

(1906– )

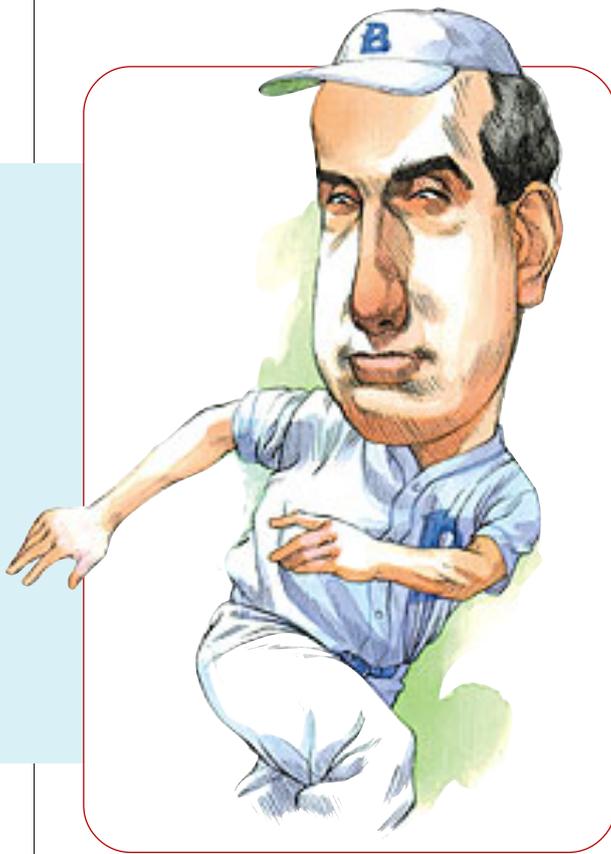
**Style:** Chartist with eclectic influences from cycle, wave, and Dow theory methodologies

**Career:** Former engineer and manager for General Electric turned chartered market technician (CMT).

**Must-Reads:** *Behavior Of Prices On Wall Street; Filtered Waves, Basic Theory.*

**Why They Love Him:** Referred to as the “First Citizen of Technical Analysis,” Merrill was a prolific STOCKS & COMMODITIES author during the publication’s formative years, contributing articles on subjects ranging from market sentiment to options to volume analysis. What won him adherents earlier on, however, was his newsletter, *Technical Trends*, which introduced thousands of readers to market cycles, ratios, swings, and trends.

**What He Said:** “There are inclinations or leanings in the behavior of the market. At certain predictable times it has a bias in the bullish direction; at other predictable times it has a downward bias... A stock market bias results in a probability, not a certainty. For this reason, bias is not obvious.”



## Richard Wyckoff

(1873–1934)

**Style:** Eclectic charting methodology involving bar, point and figure, and wave charts

**Career:** Started as a 15-year old stock runner in 1888 and opened his own brokerage firm at the age of 25.

**Must-Reads:** *How I Trade And Invest In Stocks And Bonds*; *Wall Street Ventures And Adventures Through 40 Years*; *Stock Market Technique* (also *Charting The Stock Market: The Wyckoff Method*, edited by Jack Hutson).

**Why They Loved Him:** Many of Wyckoff's basic tenets have become de facto standards of technical analysis: The concept of accumulation/distribution and the supremacy of price and volume in determining stock price movement are examples.

**What He Said:** "Anyone who buys or sells a stock, a bond, or a commodity for profit is speculating if he employs intelligent foresight. If he does not, he is gambling."

## THE HEROES

### ■ Richard Arms Jr.

Inventor of the widely used Arms index (also known as TRIN) and a number of other indicators such as Equivolume, ease of movement, and volume-adjusted moving averages, Arms has been among those technicians who have stressed the importance of volume when analyzing price action.

### ■ John Bollinger

Inventor of the popular Bollinger Bands and a number of other volatility and volume-based indicators, Bollinger has been involved in computer-oriented market analysis since the late 1970s. A Chartered Financial Analyst and Chartered Market Technician, Bollinger's work is accessible through his book, *Bollinger On Bollinger Bands*, as well as through his videotaped seminars and lectures.

### ■ Richard Dennis and William Eckhardt

The closest thing to a real-life *Trading Places*, Dennis and Eckhardt teamed up to prove that speculative trading ability could indeed be taught. Accomplished traders in their own right, Dennis (a trend-following futures trader) and Eckhardt (a master mathematician) nevertheless will always be remembered as the two who spawned "The Turtles," reinvigorating trend-based trading for a new generation of traders.

### ■ Robert D. Edwards and John Magee

Edwards and Magee are the authors of one of the most famous technical analysis books of all time: *Technical Analysis Of Stock Trends*. In addition to the book's key explanations of the most common chart patterns, *Technical Analysis Of Stock Trends* is also treasured for its lucid treatment of Dow theory against the backdrop of the cyclical bull and bear markets of the 1940s.

### ■ Lawrence McMillan

One of the most outstanding figures in the world of options trading and analysis, McMillan belongs to that category of technical analysts who make educating traders an important part of their work. Focusing primarily on options and options trading, McMillan's *McMillan On Options* and *Options As A Strategic Investment* are two of the primary texts for would-be options traders.

### ■ John Murphy

Murphy's *Technical Analysis Of The Futures Markets* has become a classic in the field. A remarkably prolific technician, Murphy produced texts appropriate for both beginners and market veterans. His work on intermarket technical analysis remains unparalleled.

## ■ William O'Neil

Founder of *Investor's Business Daily*, author of *How To Make Money In Stocks*, and tireless advocate for entrepreneurial capitalism, O'Neil has helped countless investors and traders learn how to effectively evaluate a company's fundamental information, while at the same time helping to popularize the use of price charts and pattern-recognition techniques. No other single individual has done as much as O'Neil in promoting the dual study of technical and fundamental analysis of stocks.

## ■ Robert Prechter Jr.

Legendary trader Paul Tudor Jones called Bob Prechter "the champion... the ultimate market opportunist." Prechter has done more to maintain, extend, and popularize the Elliott wave approach to market behavior than anyone alive. His most recent book, *Conquer The Crash*, is perhaps the most accessible text on Elliott wave theory yet. [See review on page 86 —Ed.]

## ■ Martin Pring

Another technician who has dedicated a great deal of his work toward education, Pring is the author of one of the major introductory texts on technical analysis, *Technical Analysis Explained*. Pring's warm, melodious voice is also heard frequently on educational technical analysis CD-ROMs and videos.

## ■ Jack Schwager

In addition to his valuable *Complete Guide To The Futures Markets*, Schwager is best known for his work as editor and journalist in the compelling Market Wizards series of interviews with famous traders. The Studs Terkel of the trading world, Schwager has put a human face on many of the contemporary world's most accomplished traders, from Tom Baldwin to Monroe Trout.

## ■ Van K. Tharp and Alexander Elder

Sooner or later, all technical trading comes down to psychology, and no two individuals have done more to explore the psychology of the winning (and losing) trader than Tharp and Elder. Tharp's *Trade Your Way To Financial Freedom* and Elder's *Trading For A Living* are both key volumes for anyone interested in knowing what it takes to become successful in one of the most psychologically challenging fields in finance.

## ■ J. Welles Wilder

Engineer turned real estate developer turned technical analyst, Wilder is credited with developing some of the most widely used and modified technical indicators in the field, from average true range to the parabolic time/price system to the relative strength index. His first book, *New Concepts In Technical Trading*, remains an important reference for both stock and futures traders.

## ■ Martin Zweig

One of the great traders and market analysts, Zweig was part of that cohort of market watchers schooled on the inflationary markets of the 1970s. He is credited with bringing an array of market indicators to the attention of the investing public, from the puts/calls ratio to his four-percent model.

*David Penn is a Staff Writer for STOCKS & COMMODITIES.*

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