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Presents The Inaugural Issue

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ABOUT THE CSTA JOURNAL

The *Canadian Journal of Technical Analysis* is published by the Canadian Society of Technical Analysts 157 Adelaide St. W. Toronto, Ont. Canada M5H 4E7. The purpose is to foster research into the concepts of *price, volume, open interest and any other component of the markets as they are applied to Stocks, commodities and/or options* as traded on the financial markets of the world. The *CJTA*^{SM} is distributed to all members of the CSTA. **ISBN 978-0-9783502-0-8**

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STYLE INFORMATION FOR THE *CANADIAN JOURNAL OF TECHNICAL ANALYSIS*

The CJTA is an annual publication and invites submissions of quantifiable articles from CSTA members. To ensure that your article will be accepted with a little re-editing, the staff of the CJTA would like to help you. Our common goal can be achieved most efficiently if you abide by the following points:

1. Send your article via electronic email in a word or word perfect file. Please double space your text formatted for an 8 ½ x 11" page. All footnotes and references are to appear at the end of the article.

2. Please send your article to the following email addresses: jeyassociates@rogers.com and bm@csta.org this is to ensure that we have at least one copy from which to work.

3. All charts should be provided in camera-ready form and be correctly labelled for the text reference. Please refrain from using the words 'above' or 'below', but rather use Chart A…H, or Chart 1…10 and Table I…IV etc when referring to your graphics.

4. Please refrain from using Greek characters in your text and all formula.

5. Include a short (one paragraph) biography. This will be place at the end of your article upon publication.

6. We will consider any article on Technical Analysis that you send, but to ensure faster acceptance following the above guidelines will eliminate the need to ask you to retype and format accordingly.

7. For more detailed style sheet please check our website (www.csta.org) contact the CSTA office at The Journal c/o bm@ctsa.org, or The Journal Suit 436, 157Adelaide St. W. Toronto, Ont. M5H 4E7.

The Canadian Society of Technical Analysts

Mission

The Canadian Society of Technical Analysts was founded in 1984 as a non-profit professional organization with the following objectives:

- Encourage the development of technical analysis.
- Provide an outlet for the exchange of information for the benefit of all members.
- Educate the financial community in Canada about the uses of technical analysis in the investment decision-making process.
- Foster among its members the practice of technical analysis in a professional and ethical manner.

As part of its educational mandate, the CSTA holds regular meetings in several major centers across Canada (currently Toronto, Montreal, Calgary, Winnipeg, Vancouver and Ottawa).

In addition, there are regional conferences (usually held annually) extending over one or two days, and an Annual Charity Forecast Dinner to raise money for a good cause.

The CSTA also encourages its members to create informal study and peer learning groups and provides advice and assistance to members wishing to set up a group.

The CSTA recognizes outstanding contributions to the development of technical analysis with the A.J. Frost Memorial Award given out to a deserving individual at the Annual General Meeting.

Membership Information

There are two classifications of membership: Professional and Member.

Professional: Persons applying for membership in this category must meet the following criteria:

- The emphasis of the applicant's professional efforts shall be spent on practicing technical analysis for the purpose of money management and/or an investment research product;
- The applicant must have been gainfully employed in a professional analytical capacity for a minimum of three years and must be regularly engaged in this capacity at the time of application;

or

- Become a Professional Member under the rules set forth in paragraph 9.07 of the bylaws;

- The applicant must have made an outstanding contribution to the art of technical analysis; and
- (b) Three current Professional Members propose the applicant for Professional membership by providing to the board written recommendations which cite his professional achievements.

Member:

Anyone with a demonstrated genuine interest in the field of technical analysis may join the society as a Member. Members in good standing enjoy all the privileges of Professional membership with the exception of being able to chair a committee, sit on the Board and vote at the Annual General Meeting**.**

Members who wish to change their status to that of a Professional Member may apply in writing to the Membership Committee. Please read the details on our web site www.csta.org.

2006 - 2007 Board of Directors for The Canadian Society of Technical Analysis

The Canadian Society of Technical Analysts is led by a volunteer board of directors elected by the society's members. The board establishes guidelines for and oversees the operation of the society.

(PP= Past President)

Seasonal, Technical and Fundamental Influences on the Dow Jones Industrial Average

By Don Vialoux

Optimal annual entry and exit points for the Dow Jones Industrial Average (DJIA) can be identified by combining seasonal, technical and fundamental analysis. The preferred investment vehicle for trading the DJIA is through DIAMONDS, the Exchange Traded Fund that tracks the Average. DIAMONDS trade at approximately 1/100th of the DJIA.

Seasonal Influences

The Dow Jones Industrial Average has a period of seasonal strength from the end of September to the end of April. The trade has been profitable in 10 of the past 10 periods. Average gain per period was 10.6%. In contrast, performance of the DJIA has been random to slightly negative during the period from the end of April to the end of September. Gains were recorded in four of the past 10 periods. Average loss per period was 3.8%.

Following is the data:

Dow Jones Industrial Average

Year	End of Sept.	Year	End of April	Percent Sept/April	Percent April/Sept
		1997	7,009		13.4
1997	7,945	1998	9,063	14.1	(13.5)
1998	7,843	1999	10,789	37.6	(4.2)
1999	10,337	2000	10,734	3.8	(0.8)
2000	10,651	2001	10,735	0.8	(17.6)
2001	8,848	2002	9,946	12.4	(23.7)
2002	7,592	2003	8,480	11.7	9.4
2003	9,275	2004	10,226	10.3	(1.4)
2004	10,080	2005	10,193	1.1	3.7
2005	10,569	2006	11,367	7.6	2.7
2006	11,679	2007	13,384	14.6	

Number of September/April gains out of 10:10 Average gain per period: 10.6%
Number of April/September gains out of 10:4 Average loss per period: 3.8%

Technical Influences

Technical indicators can be used to fine tune seasonal entry and exit points. The Dow Jones Industrial Average rarely reaches its annual low on the last trading day in September and rarely reaches its annual high on the last trading day in April. Significant seasonal lows and highs usually occur within a month of these dates. The use of short term technical indicators such as Moving Average Convergence Divergence (MACD) and Bullish Percent Index can be used in most cases to optimize timing of annual seasonal entry and exit points. The following chart shows optimal

seasonal entry and exit points during the past six years. Notice that optimal seasonal entry and exit points usually (but not always) occur within a month of the end of September or the end of April.

Chart courtesy of StockCharts.com www.stockcharts.com

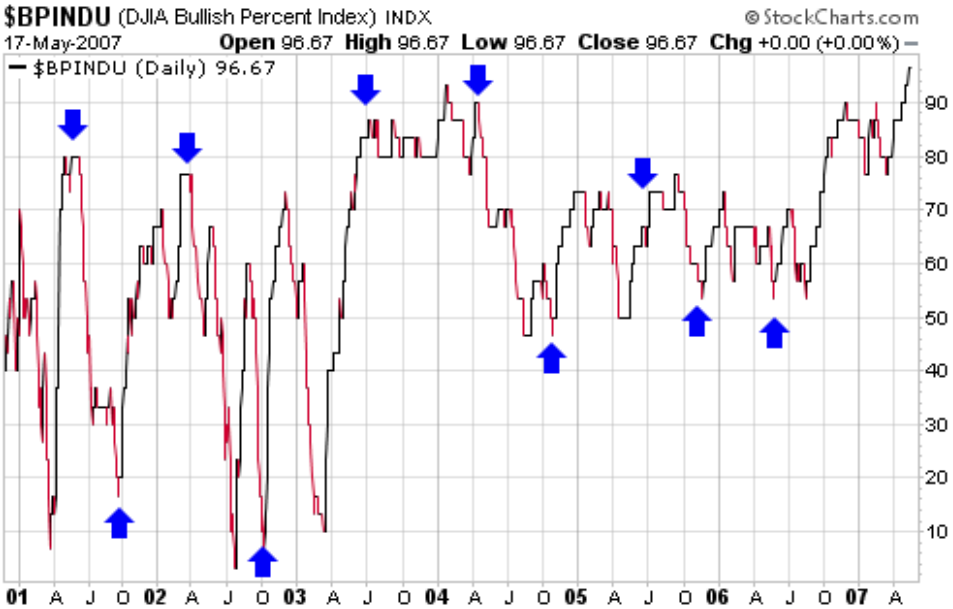


Chart courtesy of StockCharts.com www.stockcharts.com

Fundamental influences

Should investors own the Dow Jones Industrial Average from the end of April to the end of September or should they "Sell in May and go away"? The answer is "maybe". The period from the end of April to the end of September lacks the series of annual recurring events that favourably influence equity markets from the end of September to the end of April (e.g. downward analyst estimates in the third quarter, tax loss selling pressures late in the year, investment of year end bonuses early in the new year, contributions to 401 K plans into April). Accordingly, performance by the Dow Jones Industrial Average from April to September tends to be almost random: The Average has advanced in four of the past 10 periods. Performance in each period is influenced primarily by the economic and earnings outlook for that period. If economic and earnings prospects are accelerating from April to September, chances are good that the Dow Jones Industrial Average will advance. Conversely, if they are not accelerating, a cautious investment stance is suggested.

About Don Vialoux

- Past President of the Canadian Society of Technical Analysts (CSTA).
- Chartered Market Technician (CMT) designation. Title of the thesis needed to earn the designation was "Seasonality in Canadian Equity Prices".
- Author of a report released in 1990 in the International Federation of Technical Analyst Journal entitled "Profiting from a Combination of Technical and Fundamental Analysis". The report introduced "The Eight Phases of the Stock Market Cycle", an investment concept that continues to identify profitable entry and exit points for North American equity markets.
- Thirty seven years of experience in the investment industry.
- Former technical analyst at RBC Investments.
- Author of a daily letter on equity markets available free on the internet. The letter can be accessed at www.timingthemarket.ca.
- Author of a report each Monday in the Financial Post that combines technical, fundamental and seasonality analysis.
- Frequent presenter on Business News Network television.

Beat the Markets With COTs

By Alex Roslin

Who says the Commitments of Traders Reports don't give trading signals? This COTs-based trading system beat the NASDAQ by 848 percent since 1999… with only one trade needed per year. It beat the USERX Gold Fund by 3,390 percent. Sounds far-fetched? Here's how it works.

Ever wonder what the smart money is doing in the markets? Where are the folks with the best information and deepest pockets parking their riches? A small handful of analysts have found one way to tell—the Commitments of Traders Reports. Devotees of the 'COTs,' as they're sometimes known, say they're the closest thing in the public domain to a Holy Grail of market forecasting.

The COTs reveal how many of the world's largest investment firms, commodity producers, hedge funds and speculators are positioning trillions of dollars of futures and options holdings in nearly 100 markets—everything from crude oil to the U.S. dollar, gold and frozen pork bellies. The reports are issued free every week by the U.S. Commodity Futures Trading Commission. They can be downloaded from the CFTC's website each Friday at 3:30 p.m. (Eastern Time). Unfortunately, the data in its raw form is hard to make sense of, even for experienced analysts. The futures and options holdings are listed for three groups of traders—commercial traders, non-commercial traders (also known as 'large speculators' or 'large specs') and the non-reportable category (or small traders).

Commitments analysts like Larry Williams (author of "Trade Stocks and Commodities with the Insiders") and Floyd Upperman (author of "Commitments of Traders") tend to focus on what the commercial traders are doing. These guys are usually known as the 'smart money'. They are generally commodity producers who analysts believe have the best market information. The large speculators are mostly large investment funds that act as trend-followers and are often known as the 'dumb money' since they tend to be positioned the wrong way at market turns. Most analysts ignore the small traders, saying they don't know what they're doing at all and provide no useful market information.

Timely Signals

To make any sense of the data, analysts say, we have to compare each group's position to what it held last week. The problem is that the price of oil, for example, rarely goes up as the commercials get longer oil or as the large specs sell it. Sometimes, the commercials and large specs are both buying oil at the same time. What do we do then? The data looks interesting, but it's far from clear how to use it. Despite many studies by economists and statisticians, no COTs correlations have been found that we can bank money on—at least, none that have been made public.

In their books, Williams and Upperman suggest the COTs are most useful when the commercial traders have accumulated historically extreme positions. But when is a position truly extreme? That's the hard part. Commercials often accumulate record positions for weeks and even months, while the underlying markets go in the opposite direction. As with many technical indicators, a market can be overbought or oversold for a long time without a change in trend. As a result, Williams and Upperman say the data can't be relied on solely to time trades. They suggest the COTs are best seen simply as guideposts for possible future market turns. But they caution that the data must be combined with technical analysis for a trading signal.

After contemplating the COTs for a couple of years, I had a thought. Why not use technical analysis to study the COTs? There must be a way, I thought, to prove once and for all if the COTs positions signal a tradable opportunity. I looked again at the S&P 500 COTs data going back to 1995 (when the combined futures and options COTs data first came out free in electronic form). I wanted to see what happened to the S&P 500 after traders acquired a specific extreme net position. I defined "extreme" as two standard deviations or more from the net position's 27-week moving average.

The results were exciting. An extreme net position usually led to returns that beat the market. For example, if we had bought the S&P 500 index when the commercials were at an extreme net long and went short when they were at an extreme net short, our returns over the next weeks and months would usually have been better on average than if we had just bought the market at any random moment. For example, the return for the subsequent week was 0.6 percent—compared to the S&P 500's average one-week return of 0.2 since 1995. Over the subsequent three weeks, the average return was 2.5 percent—compared to 0.5 percent for the S&P 500. Over the subsequent 10 weeks, the average return was 6.6 percent—compared to 1.7 percent for the S&P 500 since 1995.

The superior returns continued for 40 weeks after the extreme net position occurred—as far out as I measured. There were also superior returns in most time frames from fading—or trading opposite to—the large specs and even the usually-ignored small traders. The data could be the basis for a trading system after all.

Beat the Market

There were still a bunch of questions to resolve. Which group of traders should I follow? What if they give contradictory signals? And I still needed to figure out the best way to measure an extreme position in the first place, since I had arbitrarily picked two standard deviations and the 27-week moving average. Were better results possible with another definition of 'extreme'?

Using Excel, I tested returns with various combinations of moving averages and standard deviations. The results showed a trading system was indeed possible. A simple switching system of going long the S&P 500 when the commercials were at an extreme net long and going short when they were at an extreme net short could give market-beating profits. The returns were far superior to those of buying and holding the index. The profits were also interesting from fading the large specs and even better from fading the small traders—the guys everyone was ignoring.

I developed Excel formulas to rapidly automate the back-testing with help from a clever journalist colleague, Mike Gordon, who is an expert in computer-assisted reporting. In every market, I found setups that beat the underlying index. I discovered it was possible to increase profitability in many cases by delaying the trade one to four weeks after a signal was given. (See the results in Table 1. See also the signals for some selected setups in Tables 2 to 6, and a chart version of the NASDAQ signals in Chart 1.)

My findings showed the commercials were not, in fact, the best group of traders to watch in many markets. Often, it was more profitable to fade the large specs. In the S&P 500, it was best to combine the small traders and commercials. In a couple of exceptional cases—the Dow Jones Industrial Average and natural gas—it was actually best to trade on the same side as the large specs

or small traders. Also, I found the most profitable results tended to come not from using the net number of contracts of each group of traders—as many analysts do—but rather their net-percentage-of-open-interest position.

Also of interest is that the COTs data can gave market-beating setups for markets that aren't themselves in the reports but are correlated to a commodity that is. For example, the S&P 500 COTs data gives a great setup for the S&P/TSX composite index. The gold COTs data offers great setups for the HUI Gold Bugs Index and USERX U.S. Gold Fund.

What's more, for those who have limited time for trading or investing decisions, trading the COTs requires only one or two trades a year in most markets. It takes me about 10 minutes every week to download the latest COTs data into my system and get any new signals.

For more details on my system, how I trade it and tips for creating your own COTs database, see my story in the May 2007 issue of *Technical Analysis of Stocks and Commodities* or visit my blog http://www.cotstimer.blogspot.com/, where I post updates of my weekly signals.

Table 1. Profit/Loss Results for COTs Timer System

	COTs system profit [1]	Index profit [2]	System /Index profit [3]	System profit/ week [4]	Wins/ Losses [5]	Largest draw-down [6]	Trade delay (wks) [7]	Traders to watch [8]	Last update [9]
Nasdaq [10]	808.1	97.4	847.7%	1.73%	7/1	9%	1	Lg. Specs	3-Ap-07
Semis (SOX) [11]	990.1	123.2	803.4%	2.18%	7/1	24%	1	Lg. Specs	27-Fe-07
S&P 500 [12]	324.1	138.2	234.5%	0.67%	5/2	10%	1	Sm.Traders+Com.	1-My-07
Russell 2000	365.9	202.2	180.9%	0.63%	5/0	10%	0	Commercials	3-Ap-07
Dow Jones Ind. Average	271.3	121.5	223.3%	0.44%	7/1	9%	0	Small Traders [13]	24-Ap-06
S&P 400 Mid	521.6	374.1	139.4%	0.71%	9/5	20%	3	Lg. Specs	12-De-06
S&P/TSX [14]	400.4	178.5	233.9%	0.65%	5/1	30%	2	Commercials	17-Ap-07
Nikkei	315.1	83.0	379.7%	0.61%	4/0	21%	0	Commercials	5-De-06
30Y Treasury [15]	247.4	106.5	232.2%	0.28%	26/15	15%	0	Lg. Specs +Com.	8-My-07
10Y Treasury	187.9	87.3	215.3%	0.15%	9/1	17%	1	Commercials	23-Jan-07
Crude Oil (light sweet) [16]	500.8	327.5	152.9%	1.50%	12/5	26%	0	Lg. Specs	9-Jan-07
Oil Servc Hldrs (OIH) [17]	371.6	197.0	215.5%	1.18%	5/0	6%	0	Lg. Specs	11-Fe-07
TSE Energy (XEG.TO) [18]	460.2	279.4	148.5%	1.11%	9/2	8%	3	Commercials	11-Fe-07

Natural Gas [19]	962.9	389.3	247.3%	3.41%	5/1	34%	3	Lg. Specs [20]	17-Ap-07
US Gold (USERX) [21]	2591.7	76.4	3390.2%	4.30%	8/2	35%	0	Commercials	16-Ja-07
TSE Gold (XGD.TO) [22]	465.2	241.7	192.5%	1.34%	5/1	13%	0	Commercials	27-Fe-07
Gold Bugs Index (HUI) [23]	3014.1	195.8	851.1%	5.51%	8/1	42%	0	Commercials	10-Ap-07
Soybean Oil	227.4	102.4	222.0%	0.28%	8/3	36%	2	Lg. Specs	10-Ap-07
Canadian Dollar [24]	154.8	110.1	140.5%	0.07%	14/4	8%	4	Lg. Specs	17-Ap-07
U.S. Dollar Index [25]	185.8	87.2	213.1%	0.13%	13/4	11%	0	Commercials	17-Ap-07

Notes to Table 1.

1. Past return using the signals of my COTs Timer system, starting from a baseline 100. This is the theoretical return from buying the security on a buy signal and shorting it on a sell signal. The return doesn't include commissions, slippage or other costs.

2. Past return from buying-and-holding the underlying cash market, starting from a baseline of 100.

3. Ratio of the COTs Timer return versus the underlying cash market return.

4. Average weekly return of the COTs Timer system.

5. Number of profitable and money-losing trades.

6. Largest drawdown that the trade experienced during a trading signal since the beginning of the data. This was not necessarily the loss at the end of the trade. I use the drawdown to establish my maximum portfolio allocation for the setup, based on my risk threshold of 2 percent of total assets in a single setup. Max. Allocation = Total Assets / (Largest Drawdown / 2).

7. This column shows how many weeks the trade was delayed to maximize past profitability. For example, "0" indicates that the trade was executed for the open on the Monday after the COTs report was issued. In case of holidays, calculations are based on the weekly open price. In my own trading, in case of holidays, I execute trades for the open on Tuesday.

8. The group of traders that had the best returns in each market. My signals are given when this group reaches specific extreme levels of bullishness or bearishness. Unless otherwise noted, my system trades in the same direction as the commercials and fades - or trades opposite to - the large speculators and small traders. The DJIA and natural gas are important exceptions.

9. Date of the last COTs report used to determine these figures. I hope to update each market's results at least once a year.

10. The NASDAQ trade is based on fading - or trading opposite to - the large speculators when their net percentage-of-open-interest position is one or more standard deviations from its 157-week moving average. The calculations for this and all other markets are based on the combined futures and options data since March 1995, unless otherwise indicated.

11. Signals for the Semiconductor Index (symbol SOX) were based on the best results correlated to COTs data for the NASDAQ. The SOX trade follows the same rules for signals as the NASDAQ trade (see note 10).

12. Signals for the S&P 500 setup are based on a combination of my best setups for the small traders and commercials. Trading when the two signals concur produced a better average weekly profit and lower drawdown than for either signal alone and required being in the market only 74 percent of the time. The small trader setup fades the small traders when their net percentage-of-open-interest position is two standard deviations or more from its 23-week moving average. My commercials setup trades on the same side as the commercials when their net percentage-of-open-interest position is one or more standard deviations from its 156-week moving average.

13. The Dow Jones Industrial Average trade is based on trading on the same side as the small traders - NOT the usual practice of fading this group. The COTs data for the DJIA goes back only to Oct. 1997.

14. The S&P/Toronto Stock Exchange Composite Index is not in the COTs Reports. These signals are based on a setup correlated to the S&P 500 COTs data: trading with the commercials when their net percentage-of-open-interest position was one or more standard deviations from its 156-week moving average.

15. Signals for the 30-Year Treasury setup are based on a combination of my best setups for the large specs and commercials. The combined signal produced a slightly better average weekly profit than for either signal alone and required being in the market only 87 percent of the time.

16. Results for the crude oil trade are based only on following the buy signals or being in cash during a sell signal (rather than being short). No combination of signal rules resulted in a profitable short side of this trade.
17. Signals for the Oil Service Holders ETF (symbol OIH) are based on a setup correlated to the light sweet crude oil COTs data. OIH price data available only since March 2001.
18. Signals for the S&P/TSE Canadian Energy iUnits ETF (symbol XEG.TO) are based on a setup correlated to the light sweet crude oil COTs data. XEG.TO price data available only since March 2001.
19. Results for the natural gas trade are based only on following the buy signals or being in cash during a sell signal (rather than being short). No combination of signal rules resulted in a profitable short side of this trade.
20. The natural gas trade is based on trading on the same side as the large specs - as opposed to the usual practice of fading this group.
21. Signals for the US Global Investors Funds US Gold Fund (symbol USERX) are based on a setup correlated to the gold COTs data.
22. Signals for the S&P/TSE Canadian Gold iUnits ETF (symbol XGD.TO) are based on a setup correlated to the gold COTs data. XGD.TO price data available only since March 2001.
23. Signals for the Gold Bugs Index (symbol HUI) are based on a setup correlated to the gold COTs data. HUI price data available only since June 1996.
24. Signals for the Canadian Dollar are based on the futures-only COTs data (as opposed to the combined futures and options data) since Sept. 1992.
25. Signals for the U.S. Dollar Index are based on the futures-only COTs data (as opposed to the combined futures and options data) since Sept. 1992.

Table 2. COTs Signals for the S&P/TSX

COTs Report*	Signal	TSX**	TSX Profit	COTs Profit	Std Dev.***
3/24/1998	SELL	7412.8	100.0	100.0	-1.19
8/11/1998	BUY	6641.1	87.1	114.0	1.26
12/7/1999	SELL	7785.43	102.2	175.5	-1.91
9/24/2002	BUY	6172.99	81.0	226.1	1.03
1/3/2006	SELL	11278.21	148.0	455.4	-1.56
3/20/2007	BUY	12894.74	169.2	414.2	1.61
4/17/2007		13599.75	178.5	400.4	1.30

Table 3. COTs Signals for the NASDAQ

COTs Report	Signal	NASDAQ	NASDAQ Profit	COTs Profit	Std Dev.
5/4/1999	BUY	2546.33	100.0	100.0	-1.34
3/28/2000	SELL	4994.42	198.4	198.4	1.33
12/17/2002	BUY	1367.74	54.3	370.1	-1.15
11/2/2004	SELL	1975.48	78.5	549.0	1.21
1/18/2005	BUY	2081.86	82.7	577.3	-1.13
11/15/2005	SELL	2203.79	87.5	627.8	1.05
7/11/2006	BUY	2135.96	84.9	676.9	-1.00
10/31/2006	SELL	2347.21	93.2	821.2	1.17
3/27/2007	BUY	2451.6	97.4	808.1	-1.26
4/3/2007		2425.36	96.3	816.8	-1.46

Table 4. COTs Signals for the S&P 500 Combined Signals Setup

COTs Report	Signal	S&P 500	S&P Profit	COTs Profit
8/11/1998	BUY	1089.45	100.0	100.0
11/30/1999	CASH	1416.62	131.0	131.0
12/7/1999	SELL	1433.3	132.6	132.6
5/9/2000	CASH	1432.63	132.5	125.9
5/30/2000	SELL	1378.02	127.4	128.2
4/3/2001	CASH	1160.33	107.3	157.3
3/5/2002	SELL	1131.78	104.7	153.8
9/24/2002	CASH	845.39	78.2	206.5
3/18/2003	BUY	833.27	77.1	217.8
8/30/2005	CASH	1205.1	111.5	303.9
1/3/2006	SELL	1248.29	115.4	313.1
8/29/2006	CASH	1295.09	119.8	309.1
3/20/2007	BUY	1386.95	128.3	308.2
5/1/2007		1494.07	138.2	324.1

Table 5. COTs Signals for the Dow Jones Industrial Average

COTs Report	Signal	DJIA	DJIA Profit	COTs Profit
10/19/1999	SELL	10018.45	100.0	100.0
1/25/2000	BUY	11251.94	105.5	94.5
5/1/2001	SELL	10814.41	101.4	105.1
9/17/2002	BUY	8311.79	77.9	139.6
2/3/2004	SELL	10487.78	98.3	214.0
3/23/2004	BUY	10185.93	95.5	225.6
11/8/2005	SELL	10531.24	98.7	221.7
12/20/2005	BUY	10875.51	101.9	231.3
4/24/2007		12961.49	121.5	271.3

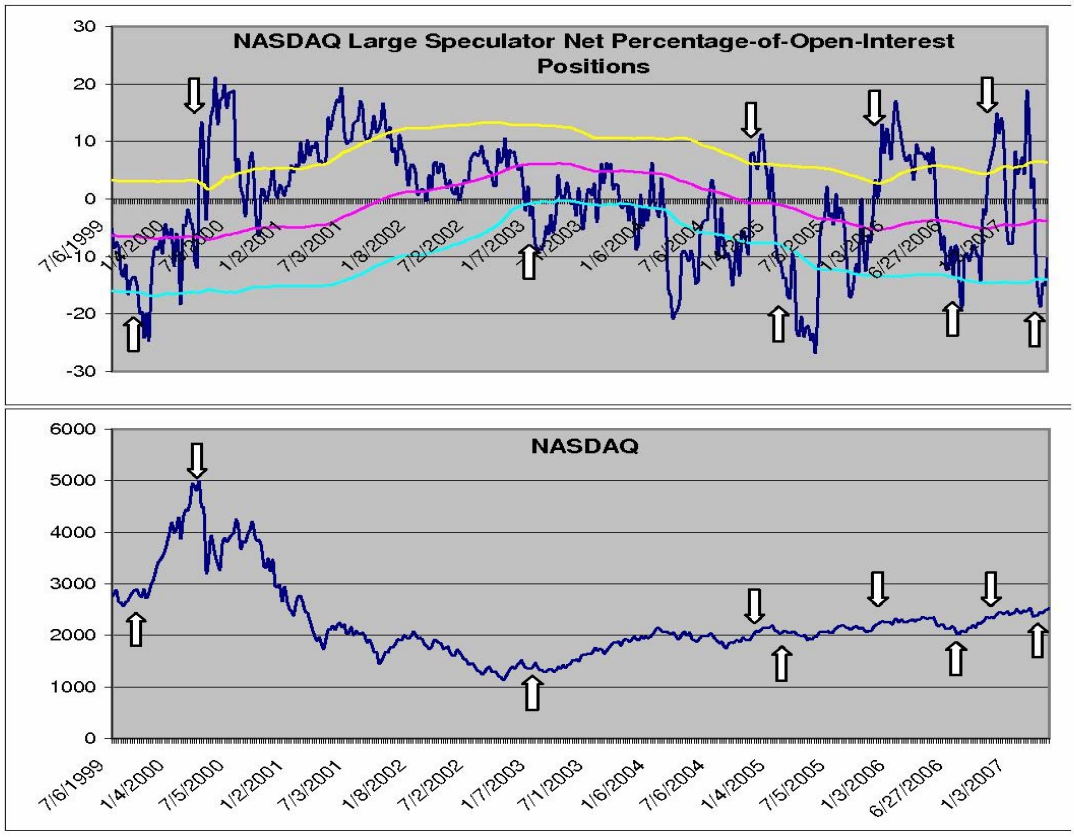
Table 6. COTs Signals for the USERX U.S. Gold Fund

COTs Report	Signal	USERX ****	USERX Profit	COTs Profit
12/12/1995	SELL	20.6	100.0	100.0
6/11/1996	BUY	20.5	104.1	91.1
2/25/1997	SELL	14.1	71.6	68.4
3/28/2000	BUY	3.1	15.7	183.4
5/15/2001	SELL	2.85	14.5	175.3
11/20/2001	BUY	2.66	13.5	236.7
3/30/2004	SELL	8.55	43.4	778.1
5/4/2004	BUY	6.62	33.6	990.1
10/5/2004	SELL	7.77	39.4	1205.1
1/18/2005	BUY	7.65	38.8	1365.6
1/16/2007		15.06	76.4	2591.7

* The COTs Reports are based on data as of the Tuesday prior to the Friday on which the reports were issued.
** The prices in all of the tables are the weekly open prices for the weeks when the signals were given, not the entry and exit prices for the trade.

*** This column gives the standard deviation value that triggered each trade.
**** USERX executed a 1:10 stock split on July 1, 1998. The USERX values in this table were multiplied by 10 prior to this date for ease of comparison.

Chart 1: Charting COTs for the NASDAQ



The top chart shows the signals for my best setup on the NASDAQ (as of April 24, 2007). The dark blue line is the net percentage-of-open-interest position (combined futures and options). The pink line is this position's 157-week moving average. The light blue line is the buy signal line—one standard deviation below the moving average. (Buy signals are indicated with an upward arrow.) The yellow line is the sell signal line—one standard deviation above the moving average. (Sells are indicated with a downward arrow.) The bottom chart shows the NASDAQ with the same buy and sell signals.

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About Alex Roslin

Alex Roslin is a leading Canadian investigative journalist and active trader based in Montreal. He has won a Canadian Association of Journalists award for investigative reporting and is a five-time nominee for investigative and writing prizes from the CAJ and the National Magazine Awards. He has worked on major investigations for Canada's premier investigative television program, the fifth estate, and the CBC's Disclosure program. His writing has appeared in *Technical Analysis of Stocks and Commodities*, *The Financial Post*, *The Toronto Star* and *The Montreal Gazette*. He regularly writes about investing for *The Gazette*.