

THE ONE MONTH TAPE EVALUATION – MULTI MARKETS

1. Recall I have a model which forecast the anticipated price movement for any market based upon the price action of the trailing month (21 trading days). In that model, which I call 'Next Month Based on Last Month', we take 42 different measures of price action over the last 21 trading days, go back through the last 30 years, identify the 30 best matches to the current trailing month and quantify the forward results in those 30 matches, which is my version of price pattern recognition. A rating from 40-60 (50=neutral) is then calculated, based on those 30 measures, taking into consideration the closeness of each of the 30 best matches to the current price trend. This should pick up overbought, oversold and thrust conditions. An example is given on the next page.
2. The recent modification comes from my observation that if you are interested in the forward monthly forecast, you should also be interested in what the forecast have been over the last couple of weeks, not just the last observation.
3. I now calculate a moving average rating which is a weighted average of the last 10 observations, with the most recent days, getting the highest weighting, according to a linear smoothing of those ten daily ratings. That is, the last ten ratings are weighted as 0.20, 0.18, 0.16, 0.14, 0.12, 0.10, 0.08, 0.06, 0.04 , 0.02, so that the last week (last five trading days) get 80% of the weighting and the previous week gets a 20% weighting. This is opposed to a traditional ten day average where the last ten days each get a 0.10 weighting. The idea supporting the linear weighting approach is each days rating is slightly more important than the previous days rating, at least in a one month forecast. A rating above 50 is bullish, and vice versa.

The Multi Market One Month Tape Ratings

01 S&Ps	55.25	08 NIKKEI	50.31
02 GOLD	54.06	09 CORN	49.83
03 NASDAQ	53.55	10 SILVER	49.66
04 SOYBEANS	52.83	11 FTSE	48.48
05 YEN	52.72	12 WHEAT	48.47
06 BPOUND	52.36	13 BONDYIELD	48.43
07 CRUDEOIL	50.55	14 DOLLAR	47.18

Observations: The strong S&P tape rating (55.46) is also supported by a solid (53.55) rating for its sister index, the Nasdaq. Wayne take note that Wheat and Corn are both seasonally weak this time of year, which is supported by weak tape ratings here. The Dollar (47.18) comes in at the bottom of the list, which is supported by a positive rating by the Yen (52.72), which has a negative correlation (-0.87) to the Dollar.