

Index

- Arrow DWA Balanced Fund (DWAFX),
188–189
- Asset class, 4
- Barclays Global Investors, 136
- Baruch, Bernard, 189
- Bearish resistance line, 17–23, 34
example of, 22
short-term, 24
- Bezos, Jeff (Amazon.com), 96
- Breakouts, big base, 75–77
- Bullish support line, 17, 19–21, 34
example of, 20
short-term, 25
violation of, 19, 21
- Cash
contemplating, 174–177
thinking tactically about, 172–174
- Cash Index Participation (CIP) units,
132
- Chicago Board of Trade (CBOT), 39
- Chicago Mercantile Exchange (CME),
38
- Claymore Advisors, 150
- Commodities, relative strength with,
59–69
- Commodity and futures reference
sheet, 191–192
- Commodity/futures-related mutual
fund vehicles, 178
- Commodity market indexes, 32–41
Dow Jones–AIG Commodity Index
(DJAIG), 32, 39–41, 105
components and weights, 40
- Goldman Sachs Spot Return Index
(GN/X), 32, 38–39
components and weights, 38
trend chart, 39
- Reuters/Jeffries CRB Index (CR/Y),
32–37
- Commodity markets. *See* Mutual
Funds and the evolution of the
commodity markets
- Commodity Research Bureau Index,
104
- Commodity trading advisers (CTAs), 7
- Compound interest, 11–12
- Contango, 149–150
- Continuous chart, 31
- Copper, 53, 55–57, 80, 81
trading example, 124–126
- Credit Suisse Commodity Fund
(CRSAX), 40
- Crude oil (CRUDE), 50–53, 54,
149–151, 155–161, 165, 166
- CurrencySharesSM, 143
British Pound Sterling Trust (FXB),
145
Euro Trust (FXE), 143, 145
Japanese Yen Trust (FXY), 145
Swedish Krona Trust (FXS), 145
- Daily Equity & Market Analysis
Report*, 35–37, 44–45, 155
- Deutsche Bank G10 Currency Future
Harvest IndexTM, 151
- Deutsche Bank Liquid Commodity
Index, 150
- Diversification, 98, 100, 103–105, 161

- Dorsey, Wright & Associates web site
(www.dorseywright.com), xiii,
29, 33, 62, 86, 136, 186, 189–190
- Dow, Charles, x
- Dow Jones–AIG Commodity Index
(DJAIG), 32, 39–41, 105, 164
components and weights, 40
- Downtrend line. *See* Bearish resistance
line
- Easterbrook Decision, 132
- Einstein, Albert, 11
- Elements of Successful Trading, The*
(Rotella), 102, 104
- Entry point, 3–4, 106, 182
- Euro Currency Trust (FXE), 143, 145
- Euro FX (EC/Y), 46–47, 48, 110–112
- Exchange-traded funds (ETFs) and
commodity markets, 129–152
commodity and currency ETFs, 135
components, weighting of, 147–151
ETF providers, 135
future of, 151–152
history of, 131–133
Point & Figure chart of commodity
ETFs, evaluating, 136–139
relative strength comparisons, 139,
140–146
today's commodity/currency ETF
market, 133–135
- Exit point (stop loss), 106
- Fidelity Magellan Fund, 158
- Franklin Templeton's Hard Currency
Fund (ICPHX), 167, 168–172,
173–177
- Gold, 50, 117–119
- Gold & Silver Bullion–related ETFs,
148
- Goldman Sachs Commodity Index
(GSCI), 104–105, 159
- Goldman Sachs Spot Return Index
(GN/X), 32, 38–39, 51
components and weights, 38
trend chart, 39
- Hot Commodities* (Rogers), 100
- Illiquid market, trading in, 102
- Inflation, 161, 165
- “Invisible Hand,” 154
- iPath Exchange Traded Note (ETN),
147
- iPath Goldman Sachs Crude Oil Total
Return Index (OIL), 149
- iShares, 133
COMEX Gold Trust (IAU), 136
- London Bullion Market Association, 50
- MACRO Securities (MACROs),
150–151
- Momentum, 85–90, 137, 139
indicators, 85
negative, 85, 137
positive, 85
- Momentum trading, 6
- Mutual Funds and the evolution of the
commodity markets, 153–178
cash
contemplating, 174–177
thinking tactically about, 172–174
cash-managed portfolio, 177–178
commodity/futures-related vehicles,
178
Franklin Templeton's Hard Currency
Fund (ICPHX), 167, 168–172
- Nearby delivery month, 31
- New York Mercantile Exchange
(NYMEX), 49, 50, 51–52, 57,
147–148, 155
- Oppenheimer Real Asset Fund
(QRAAX), 158–161, 164
- Overleverage, 180–181
- Patterns, trends, and price objectives,
13–29
trend lines, 15–25
- Philadelphia Stock Exchange (PHLX)
Gold and Silver Index, 131–132
- PIMCO Allianz Commodity Real
Return Fund (PCRIX), 40,
164–165
- Point & Figure charting, 2, 4, 6, 13–29,
106

Index

195

- basic signals, 14
- bearish patterns, 16
- bullish patterns, 15
- of commodity ETFs, evaluating, 136–139
- Point & Figure Charting*, 3rd ed. (Dorsey), 14, 29, 129, 152
- Positive mathematical expectancy strategy, 6, 8, 9, 11
- PowerShares DB
 - Agriculture Fund (DBA), 134
 - Commodity Index (DBC), 141
 - G10 Currency Harvest Fund (DBV), 151
 - Oil Fund (DBO), 150
- Price objectives, 25–29. *See also*
 - Patterns, trends, and price objectives
 - horizontal, 26–29
 - downside, bearish target using, 29
 - upside, bullish target using, 29
 - vertical, 26
 - downside, bearish target using, 26
 - upside, bullish target using, 26
- Pullbacks, 82–85, 106
- Pyramiding, 108
- Rate of return, 4, 10
- Raw material fund, 158
- Relative strength
 - as cornerstone of technical research, 182–184
 - matrix, 62, 65–67, 143, 145, 183
 - Total Market Access Class, 184
 - with commodities, 59–69
 - and exchange-traded funds, comparisons, 139, 141–146
 - calculation example, 60
 - reading formula, 60
 - and mutual funds, 163–167, 174
- Risk
 - avoidable, 102, 103
 - controllable, 103
 - unavoidable, 103
- Risk management, 102–110
 - diversification, 103–105
 - risk-reward, 106, 108–110
 - stop loss points, 105
- Risk-reward, 82–85, 106, 108–110
 - using pullbacks and rallies to improve, 82–85
- Rizello, Joseph, 131–132
- “Roll yields,” 151
- Rydex Commodities Fund (RYMBX), 159
- Rydex Strengthening Dollar Fund, 167
- S & P 500 Index (SPX), 32, 68–69, 92–94, 98, 100, 132, 133, 141, 158, 161, 163, 177
 - Cap Weighted Index, 141, 176
 - Equal Weighted Index, 32, 141
- S & P Smallcap 600, 141
- Securities and Exchange Commission, 185
- Smith, Adam, 154
- Spot charts, using, 31–57
 - commodity market indexes, 32–41
 - Dow Jones–AIG Commodity Index (DJAIG), 32, 39–41
 - components and weights, 40
 - Goldman Sachs Spot Return Index (GN/X), 32, 38–39
 - components and weights, 38
 - trend chart, 39
 - Reuters/Jeffries CRB Index (CR/Y), 32–37
 - spot currency charts, 41–48
 - Euro FX (EC/Y), 46–47
 - other useful spot and continuous charts, 48–57
 - U.S. Dollar Index (DX/Y), 43–46
- Spot month, 31
- State Street Global Advisors (SSGA), 133
- Stop loss points, 105, 106
 - examples of, 107
- StreetTRACKS Gold Shares (GLD), 133, 134, 136, 137–139
- Supply and demand, 13, 179–180
- Support and resistance, 71–75
- Tech bubble (1990s), 7, 96, 97

- Toronto Stock Exchange, 132
- Trading bands, 90–94
- Trading examples, specific, 110–127
 - copper, 124–126
 - Euro FX, 110–112
 - gold, 117–119, 120, 121
 - Swiss franc, 119–123
 - U.S. dollar, 113–116
- Trading system, developing a, 1–12
 - approaches, 6
 - back tests, 9
 - entry point, 3–4
 - exit strategies, 5
- Treasury inflation-protected securities (TIPS), 165
- Trend chart, changing box size on, 77–82
- Trend lines, 15–25
 - raising and lowering, 23–25
- Trends. *See* Patterns, trends, and price objectives
- Trends, following, 181–182
- Uptrend line. *See* Bullish support line
- U.S. Dollar Index (DXY), 43–46, 145, 167, 171
 - components, 44
- U.S. dollar, trading example, 113–116
- U.S. Oil Fund (USO), 147–149
- Value investing, 6
- Vanguard 500, 158
- What Works on Wall Street* (O’Shaughnessy), 187–188
- Yahoo, 7, 10