

TCM TUTORIAL

1. Go to the following link:

<http://finance.yahoo.com/echarts?s=%5EGSPC#symbol=%5EGSPC;range=1y>

2. Pull down the 'Technical Indicators' menu. You will see 'Exponential Moving Average (EMA)', as shown in Figure 1-1. Click on 'Exponential Moving Average (EMA)'.



Figure 1-1

3. A window will pop-up. Populate the first Line with '100'. Populate the second line with '200', as shown in Figure 1-2. Once complete, click the 'Draw' button.

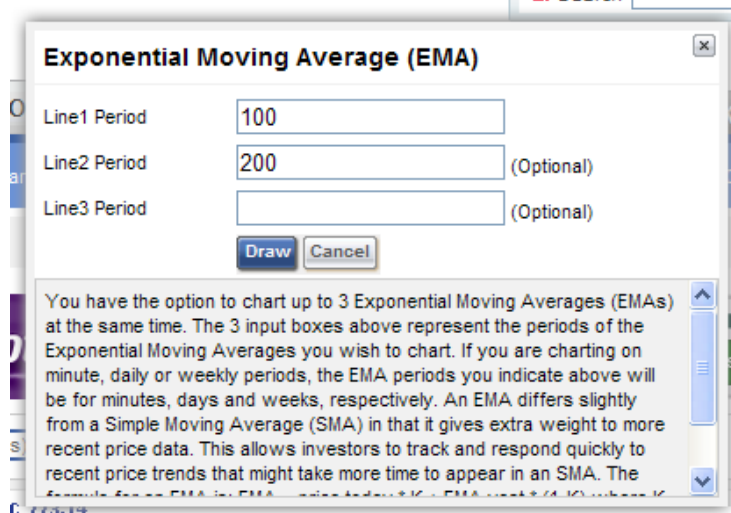


Figure 1-2

4. The chart will be populated with the red (100) EMA line and the green (200) EMA line. In Figure 1-3, the 100 EMA crosses below the 200 EMA in late 2000. That signaled the user to buy a BEAR/Contra fund. The user would hold that position until June of 2003 and switch to a BULL fund because the 100 EMA crossed above the 200 EMA.



Figure 1-3

5. The user would have held the BULL position until early 2008 and switch back to the BEAR/Contra Fund because the 100 EMA crossed below the 200 EMA, as shown in Figure 1-4.



Figure 1-4

Note: This system works great in the long-run. You have to stick with it. There are going to be times in which the system will generate many months of losses because it tracks the long-term trend of the market. For example, 2008 was a great year for the system; however, 2009's early year rally took back some of those gains. In Figure 1-4, the 100 EMA has not crossed above the 200 EMA and many investors would have tried to buy a BULL fund due to the rally. That would be a mistake as the long-term trend of the market is still BEARISH.