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## Opening Bell Interview

# Prominent Analyst Reveals How He Uses Insider Trading Information to Profit in the Market

**George Muzea** has 40 years of experience as an investment professional. He is founder and president of *Muzea Insider Consulting Services LLC*, which advises many well known money management firms, including some of the largest hedge funds in America. *Muzea* is frequently quoted in both print and broadcast media. Visit his website at [www.vitalfew.info](http://www.vitalfew.info).



**GEORGE MUZEA**

### David Vomund interviews insider trading analyst George Muzea

**Vomund:** *You have a lot of experience under your belt. Would you please give me the background of your investment career?*

**Muzea:** I started in the investment business in 1966 as a stockbroker with EF Hutton and began my work on insider trading in the early 1970s. Back in the early days there weren't computers so our work was done by hand. Instead of getting insider information from the SEC, we received the filings from the NYSE because that was timelier.

I started a business that provided insider trading analysis to institutional investors in 1994, after having spent six years as Director of Insider Research at Thomson Financial. Without any

advertising, it grew through word of mouth and now brings in over \$5 million in revenue. We have about 20 years of reliable historical insider trading data.

The rules haven't changed as far as governing insider trading. That is, once insiders buy they can't sell for six months, and when they sell they can't buy back for six months. They also can't trade on material information that is not available to the public. It is very hard for the SEC to prove insider

trading violations, however. The SEC only gets the tip of the iceberg; for example, those that buy options in front of a takeover. The average insider really has a free ride unless he or she does something very unusual. That's why I exist—I'm the Sherlock Holmes analyzing their behavior.

*"There are actually several books with the title, "The Vital Few vs. the Trivial Many" but I'm the first to apply it to the stock market. Obviously, the vital few are the insiders. The trivial many are the masses, which are represented well on CNBC."*

Some aspects have changed. Prior to Sarbanes-Oxley, officers and directors could make their trades at the beginning of one month and would have to file by the tenth of the following month. So information was 30 to 45 days late behind the trade. Now, with electronic filing and the two-day filing deadline, everybody on the planet gets this information for free and in real time.

## AIQ Opening Bell Newsletter

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AIQ Opening Bell does not intend to make trading recommendations, nor do we publish, keep or claim any track records. It is designed as a serious tool to aid investors in their trading decisions through the use of AIQ software and an increased familiarity with technical indicators and trading strategies. AIQ reserves the right to use or edit submissions.

While the information in this newsletter is believed to be reliable, accuracy cannot be guaranteed. Past performance does not guarantee future results.

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Insider trading information is extremely useful not only for investors who are buying stocks because they feel they are bottoming but it is also valuable for momentum players.

**Vomund:** *Would you explain the title of your book, "The Vital Few vs The Trivial Many – Invest With the Insiders, Not the Masses"?*

**Muzea:** Back in the 1970s I read an article in *Fortune* about the life of Vilfredo Pareto. Pareto was a nineteenth-century economist in Italy who discovered that 80% of the wealth in Rome was controlled by 20% of the people.

After further study he developed the 80 – 20 principal, which is widely used in business. It is usually applied as 80% of the productivity of a company comes from 20% of its employees.

There are actually several books with the title, "The Vital Few vs. the Trivial Many" but I'm the first to apply it to the stock market. Obviously, the *Vital Few* are insiders. The *Trivial Many* are the masses, which are represented well on CNBC.

**Vomund:** *You classify company insiders into two groups: Value Insiders and Catalytic Insiders. Would you explain the difference between the two and tell me which type of insider you like to follow?*

**Muzea:** Insiders by nature are "Value Insiders". Of the approximately 60,000 insiders, the majority are what we call "Value Insiders". These insiders buy when the market is falling. They buy because their

stock is close to or below its intrinsic or book value. That's why there is always heavy insider buying at market bottoms—stocks are close to or below their book value. These insiders don't understand Wall Street, but they know their company and they buy when their company's stock is undervalued.

The rest of the insiders follow Wall Street more closely and they are what we term "Catalytic Insiders". They only buy when positive news is coming. They are more event driven.

**Vomund:** *Which type of insider is the more important to follow?*

**Muzea:** They are both important at different times. At secular lows, the "Value Insiders" will help you identify the bottom. If you have a long time frame, say one to five years, then value buyers are more important for you. If, however, you are a trader then stick with stocks that are already in up trends, have sponsorship, and look for insider buying. You want to see insiders continue to buy as the stock moves higher. Some of that buying may be from Catalytic Insiders, which is usually a sign that more good news is coming.

*"Of the approximately 60,000 insiders, the majority are what we call "Value Insiders". These insiders buy when the market is falling... The rest of the insiders follow Wall Street more closely and they are what I term "Catalytic Insiders". They only buy when positive news is coming."*

**Vomund:** *Where do you recommend people get the information on insider activity?*

**Muzea:** It is available on free internet sites. Yahoo Finance gives reliable and timely information. Go to [www.yahoo.com](http://www.yahoo.com), click the *Finance*

link, enter the stock symbol, and select *Insider Transactions*.

**Vomund:** *Are there certain groups of insiders that you place more importance on than others?*

**Muzea:** The least important would be the outside director. Outside directors are not supposed to be affiliated with their companies and should not have communications with their companies, so they

*“It is important to understand that the key to insider behavior is divergences. Just as insiders typically buy into price weakness, they also sell into price strength.”*

are not well informed. The CEO, CFO, and operating officers are all important.

**Vomund:** *You wrote that investors should only track open market trading.*

**Muzea:** Yes, because there are all types of option exercising that confuse matters. For instance, company A may tell its insiders to exercise options but don't sell. If the stock falls, then they are given more options. These trades should be ignored because you don't know their intentions.

**Vomund:** *Do you look at insider activity from other stocks in the same sector or do you remain focused solely on the stock you are interested in?*

**Muzea:** That's a good question. AIQ is very strong in its sector work, and with AIQ it is easy to see the names of the other stocks in the same industry. You can check the dominant players to make sure there isn't large-scale selling and hopefully, insider buying.

**Vomund:** *What should be done when you do see insider selling from a stock that you own?*

**Muzea:** Enron provided a great example of the importance of insider selling. At \$90 per share there was heavy insider selling. When the stock fell to \$60 there was

still insider selling, and for that reason we put out a terrific sell signal on that stock at that point.

It is important to understand that the key to insider behavior is divergences. Just as insiders typically buy into price weakness, they also sell into price strength. If there is insider selling in stocks that you own, that doesn't mean they should immediately be sold. Instead, look

at the technical condition and sell once the indicators weaken and the stock starts to roll over. Often a stock will form a base, before it turns south. If insiders continue

to sell during the base then exit the stock. This will get you out long before the momentum players sell.

In my opinion, the best shorts are stocks that are already in downtrends, with the same insiders who sold on the way up selling on the way down. This usually means that bad news is coming.

**Vomund:** *You also use inside activity as a guide to overall market timing. Would you please explain how you do this?*

**Muzea:** Obviously when the AIQ software shows a bottom is forming and there is broad insider buying, then your analysis is more reliable and valid and you most likely will not be whipsawed. You'll see that insider buying can take place one to six months before the low.

Technical analysis helps avoid having to keep averaging down as stocks move lower. By applying good technical analysis, you'll have a better entry point so that you

don't buy too early and are forced to sit with losing positions until the turn finally comes.

The same thing holds true for selling. Insider selling, especially into a stock or an overall market that is rolling over, should alert you to a possible change in direction.

Once the indicators start to deteriorate, you can exit the position very early.

**Vomund:** *What is the best overall advice you can give to investors?*

**Muzea:** Since 60% of one's success in the stock market is a result of the overall trend, I believe it is essential that investors start with a top-down or macro approach.

In my book, I discuss what I call the “Magic T” which I have successfully used myself for over 20 years. The “Magic T” helps investors evaluate the degree of risk in the overall market versus reward. The “Magic T” focuses on the *Vital Few*—the insiders. The *Trivial Many* are represented by four components. The first component is advisory sentiment. Are newsletters

*“By applying good technical analysis, you'll have a better entry point so that you don't buy too early and are forced to sit with losing positions until the turn finally comes. The same thing holds true for selling...Once the indicators start to deteriorate you can exit the position very early.”*

too bullish? That is a sell signal. The second component is the state of the market. For example, if the market were more than 20% higher than its 200-day moving average then that would indicate an overbought market.

The third component is the mood of the public. You get this by simply listening to people. You can

also use the American Association of Individual Investors poll of subscribers each week. If, for example, they are 60% bullish then that is a contrarian indicator giving a bearish reading.

The final component is the mood of the media. This includes magazine covers and CNBC. When the media is bullish then this indicator is bearish. All of the *Trivial Many* indicators are contrarian in nature.

If you keep investing when insiders (*Vital Few*) are selling and the *Trivial Many* indicators are optimistic, then you will go broke. In fact, one of the problems momentum players have is eventually there is a final false breakout near the top. Seeing what insiders are doing before that last breakout is extremely valuable. If overall selling is at high levels, that final breakout could be the hook that bags the *Trivial Many*. The opposite is true for the buy side. You have to understand the contrarian concept so that you don't get caught up with the emotions that others are experiencing.

I remember in 1987 when my "Magic T" turned bearish in June, it was four months of emotional pain before the market crashed. If the "Magic T" gives a sell but the AIQ

***"In my book I discuss what I call the "Magic T" which I have successfully used myself for over 20 years. The "Magic T" helps investors evaluate the degree of risk in the overall market versus reward. The "Magic T" focuses on the Vital Few—the insiders."***

analysis is still positive then you stick with it. Once the technicals turn, however, then sell all your long positions and start looking for shorts. Conservative investors can simply sell and wait in cash equivalents for the "Magic T" to get positive again.

**Vomund:** *So the insiders give advance warning but the technicals help with the timing?*

**Muzea:** You hit the nail on the head and that's why we are doing this interview. Normally I don't do interviews, but I agreed to talk to you because AIQ has the tools required to be a very successful insider investor. The insiders are predictive but they aren't timely. If you can remove some of the emotional pain associated with being too early by including technical analysis, then you've got a great combination.

Marrying AIQ or any excellent technical system with insider trading will add percentages to your performance. That's how Muzea Insider Consulting exists and that is what we are doing for institutional clients. It will probably take six months to a year to get knowledgeable with the insider/technical analysis combination but it is time well spent and will add value to the bottom line.

As a service to your readers, I'll give you my private email address, which is [gmuzea@charter.net](mailto:gmuzea@charter.net). I was a stockbroker for 20 years and my roots are with the individual investor; therefore, I am more than happy to assist people and help them get through their learning curve. I'm a believer in the 80-20 rule so I expect only 20% of your readers will pay attention to this article. For those who are willing to learn and have read my book, I'm more than willing to help. Anyone who has read the book will come to me with intelligent questions.

**Vomund:** *Is there a web site that gives composite insider activity rather than activity specific to a company?*

**Muzea:** Try J3 Information Services Group's site at [www.j3sg.com](http://www.j3sg.com). This site also shows insider activity by sector.

**Vomund:** *Any last thoughts for our readers?*

**Muzea:** Everyone should

***"Marrying AIQ with insider trading will add percentages to your performance. That's how Muzea Insider Consulting exists and that is what we are doing with our institutional clients."***

understand that it takes work in order to succeed. All successful investors have a game plan. Forming a plan takes time and effort, but without a plan you won't have any discipline, and without discipline the market will absolutely eat you up. That's what I love about the stock market — it opens at the same time, closes at the same time, rewards you if you are patient, humble and disciplined, but punishes you if you are not. It doesn't care if you are the richest man in the world or a widow with three children.

Anyone can prosper in the stock market, but you have to have discipline. You have to have a plan and the guts to stick with it. It has to make sense to you and must coincide with your emotional makeup. You have to know what kind of style of investing appeals to you. Unless you do this, you will be one of the *Trivial Many*.

**Vomund:** *A whole book can be written on that subject. Thank you for your time.*

For information on *The Vital Few* vs. *The Trivial Many*, visit [www.vitalfew.info](http://www.vitalfew.info).

## STOCK DATA MAINTENANCE

The following table shows stock splits and other changes:

Stock	Ticker	Split/Div	Approx. Date
Cass Info Systems	CASS	3:2	09/04/06
CCF Holding	CCFH	3:2	09/07/06
Bank of Granite	GRAN	5:4	09/12/06
Frontier Fin'l	FTBK	3:2	09/13/06
First Mutual Bancshares	FMSB	5:4	09/14/06
Geo Group Inc.	GEO	3:2	09/18/06

**Trading Suspended:**

Alien Technology Corp. (RFID)  
 American Retirement (ACR)  
 Diagnostic Products (DP)  
 Falconbridge Ltd. (FAL)  
 IPIX Corp. (IPIX)  
 Kerr-McGee (KMG)  
 Western Gas Res. (WGR)

**Name Changes:**

Bank of Carolinas (NC) to Bank of the Carolinas Corp. (BCAR)  
 Diamond Cluster Int'l Inc. (DTPI) to Diamond Management & Technology Consultants Inc. (DTPI)  
 IMPCO Technologies (IMCO) to Fuel Systems Solutions Inc. (FSYS)  
 SCS Transportation (SCST) to Saia Inc. (SAIA)

**S&P 500 Changes****Changes to the S&P 500 Index and Industry Groups:**

Chicago Mercantile Exchange (CME) replaces Kerr-McGee Corp (KMG). CME is added to the Specialized Finance (FINANSPC) group.  
 Realty Corp. (H) replaces Gateway Inc. (GTW). H is added to the Real Estate Management & Devel (REALMGT) group.  
 Wyndham Worldwide Corp. (WYN) replaces Cendant Corp (CD). WYN is added to the Hotels (LODGINGH) group.  
 Big Lots' ticker symbol changed to "BIG"  
 Harley Davidson's ticker symbol changed to "HOG"

### Check Out Back Issues of the Opening Bell Newsletter

For a 12-year archive of back issues of the *Opening Bell* newsletter, visit:

<http://www.aiqsystems.com/OBMyears.htm>

You can also search for particular topics on this site

Market Review

## Market Bounces Back in August



After a tough early summer, the market bounced back in August. Mid-month, the S&P 500 rose

above the 1280 resistance level. This level had acted as resistance on a closing basis at the beginning of July and the beginning of August.

For the month of August, the S&P 500 rose 2% and the Nasdaq Composite rose 4.4%. The strength of the Nasdaq was a reversal of its previous three months of underperforming. After four months of moving lower, the Nasdaq's weekly relative strength indicator (weekly RSMD SPX) rose for the first time on August 18.

Not surprisingly, the strongest groups in August were in the technology sector. Networking rose 14%, Computers and Developing Communications rose 12%, and Electronics rose 10%.

The good news for car drivers is that gas prices fell. As a result, Energy was the weakest sector in August. Energy Services fell 7% and Natural Gas fell 4%.

**Free Web Seminars**

AIQ is offering free online seminars ("Webinars") covering market conditions for both beginning and experienced AIQ users. Seminars are presented by David Vomund and Steve Palmquist.

For free seminars, please visit [www.aiqsystems.com](http://www.aiqsystems.com).

*Industry Group Analysis Part I*

# What Is the Best Group Structure To Use? Here Are Advantages & Disadvantages

By David Vomund

**D**epending on whom you listen to, 40% to 70% of a stock's price movement is based on its industry group. That's easy to see each day in the market. Bottom-up investors who bought individual technology stocks since May likely saw their stocks fall, even if their holding had a good fundamental story or an attractive pattern. That's because the technology sector was out of favor. Along the same lines, energy stocks tend to rise and fall together each trading day.

*"TradingExpert Pro comes with the Standard & Poor's structure and the AIQALL structure. Plus, AIQ offers the Pyramid structure as an add-on option. In this article, we'll examine the strengths and weaknesses of each of these structures."*

No matter what your stock selection approach is, it is important to understand the influence of a stock's industry group. AIQ has strong group analysis tools. The next two issues will cover techniques to identify group rotation using AIQ's pre-built reports and AIQ's Expert Design Studio. First, we'll cover the industry group structures that can be used with TradingExpert Pro.

When tracking industry rotation, there is a wide variety of structures that can be used. You can track tradable securities like the industry group exchange-traded funds from the iShares or PowerShares family, or you can

track Fidelity or Rydex sector funds. The advantage of these choices is that once you like an industry group, you can buy the entire group rather than having to pick a few stocks within the group.

You can also use one of the two industry group structures that come with AIQ, or create your own. TradingExpert Pro comes with the Standard & Poor's structure and the AIQALL structure. Plus, AIQ offers the Pyramid structure as an add-on option. In this article, we'll examine the strengths and weaknesses of each of these structures.

The advantage of using these structures is that volume is calculated based on the stock holdings. You can see if the underlying stocks are heavily traded, and volume indicators can be used. You can also quickly see how the other stocks in the group are performing.

The S&P 500 group and the AIQALL group slowly change over time. Updated versions can be downloaded at [www.aiqsystems.com](http://www.aiqsystems.com). On the left, click Data and AIQ List Files.

Before examining the industry group structure choices, it is important to understand how the AIQ software handles industry groups.

TradingExpert calculates group indexes based on the stocks that are in each group. The groups are calculated on an unweighted basis. That is, each stock in a group plays an equally important role.

The industry group calculation uses the stock data in your system. Therefore it is important that users have databases that are large enough to meet the needs of the group structure. For example, the Standard & Poor's industry group structure uses the S&P 500 stocks so all 500 stocks must be in your database.

The AIQ's Data Manager allows you to see which stocks are missing from an industry group structure. In **Figure 1**, the S&P 500 is the active structure. On the left side, two stocks are missing from a financial



DAVID VOMUND

*"The advantage of using the S&P 500 structure is that it requires fewer stocks in your database than the other two group structures. It also is effective if you want to spot sector rotation and you are only willing to buy well-known stocks."*

industry group (see red Xs). To add the MS and SCHW stocks to the database, click List and then Find and Create. If you are a myTrack

customer, click myTrack Online followed by Make DTA Files. These stocks can also be added manually.

What is the best structure to use? There is no simple answer. The best structure for one person might not be the best for another. Here are the advantages and disadvantages of each structure.

### The Standard & Poor's Industry Group Structure

The Standard & Poor's industry group structure is free with TradingExpert Pro. This structure classifies the 500 stocks on the S&P 500 index into about 100 industry groups. The advantage of using the S&P 500 structure is that it requires fewer stocks in your database than the other two group structures. It also is effective if you want to spot sector rotation and you are only willing to buy well-known stocks.

The downside of the S&P structure is that many of the groups contain only two or three stocks. In these groups, a large move in one stock has too great an influence on the group. There are even groups that have only one stock.

Overall, the Standard & Poor's industry groups will work for you if you are only interested in large company stocks and if you want to identify general sector rotation instead of performing specific group analysis. If industry group analysis plays a major role in your stock selection process, then you will want another structure.

AIQ has just completed an update of the Standard & Poor's structure to include new S&P industry groups. To receive this structure, send an email to support@aiqsystems.com.

### AIQALL Industry Group Structure

The AIQALL structure is also free with TradingExpert Pro. This is a large industry group structure that has about 8,000 stocks classified

Symbol	Description	Type	Market	First
SCLN	SCICLONE PHARMACEUTICALS INC	Stock	OC	10/29/91
SGMS	Scientific Games Corp	Stock	OC	01/03/81
SCT	Scottish Annuity	Stock	NY	05/10/91
SMG	Scotts Co	Stock	NY	01/31/91
SKP	Scpie Holdings Inc	Stock	NY	01/30/91
SEAC	Seachange Intl Inc	Stock	OC	11/05/91
CKH	Seacor Smit Inc	Stock	NY	12/17/91
STX	SEAGATE TECHNOLOGY	Stock	NY	12/11/00
SEE	Sealed Air, Corp	Stock	NY	01/04/91
SHLD	Sears Holding Corp	Stock	OC	04/29/00
S	Sears Roebuck & Co	Stock	NY	01/02/91
SCUR	Secure Computing Cp	Stock	OC	11/17/91
SONE	Security First Technologies	Stock	OC	05/23/91
SEIC	Sei Corp	Stock	OC	03/08/91
SCSS	SELECT COMFORT CORP	Stock	OC	12/04/91
SIGI	Selective Ins Group Inc	Stock	OC	01/03/81
SMH	SEMICONDUCTOR HOLDRS TR	Stock	AM	05/05/01
SRE	Sempra Energy	Stock	NY	06/29/91
SMTA	Semtech Corp	Stock	OC	12/01/91
ARK	Senior High Incm Pfil Inc	Stock	NY	05/17/91
SEPR	Sepracor Inc	Stock	OC	02/20/91
SQA-A	Sequa Corp CIA	Stock	NY	02/15/91
SRNA	SERENA Software Inc	Stock	OC	02/12/91
SERO	Serologicals Corp	Stock	OC	06/30/91
SRA	SEROND S A	Stock	NY	07/27/01
SVM	Servicemaster L P	Stock	NY	07/15/91
SFCC	SFBC INTL INC	Stock	OC	10/11/01
SHRP	Sharper Image Corp	Stock	OC	01/03/81
SJR	SHAW COMMUNICATIONS INC	Stock	NY	07/01/91
SGR	Shaw Group Inc	Stock	NY	06/30/91
SHW	Sherwin Williams Co	Stock	NY	01/02/91
SHPGY	SHIRE PHARMACEUTICALS GROUP	Stock	OC	03/25/91
SHFL	Shuffle Master Inc	Stock	OC	02/28/91

Figure 1. AIQ Data Manager screen with S&P 500 group structure opened in list window. Financial Industry group (FINANCID) stocks are displayed. Stocks with red X's are missing from master list.

into approximately 200 groups. Many people think they need all these stocks in their databases. This is not true. Generally, a database of at least 2,000 stocks will work just fine.

Investors who like the smaller Nasdaq issues prefer the AIQALL structure since these stocks appear in the industry groups of this structure. This structure also works well for investors who use a bottom-up approach toward stock selection. That is, they initially select stocks based on AIQ Reports, Expert Design Studio, or some other method and then look at the stock's industry group. Nearly every stock is classified into a group so the analysis of industry groups is available. In a sense, the industry group analysis works as a confirmation of the stock that you are interested in.

The disadvantage of the AIQALL group structure is that it is

so large it is hard to see the group rotation. For that reason, it works better to analyze sectors to get a feel for trends and then use industries for more specific analysis.

***"AIQ's Pyramid industry group structure is classified on a technical as well as a fundamental basis...the best choice for those who perform a top-down analysis"***

Overall, the AIQALL structure works best if you want every stock in your database, including small-cap stocks, to be classified into groups.

### AIQ Pyramid Industry Group Structure

AIQ offers an add-on structure called the AIQ Pyramid, a group structure designed for top-down analysis. Most industry group structures are classified only on a fundamental basis. That is, stocks

with competing products are placed into an industry group. AIQ's Pyramid industry group structure, however, is classified on a technical as well as a fundamental basis.

The Pyramid utilizes AIQ's MatchMaker, a program which tests the correlations of securities, to see which stocks within each industry move together and which stocks don't. For example, if a Technology group contains four technology stocks that move together and one technology stock that moves independently of others, then that one stock is deleted from that industry group. That way, the industry group index is a better representation of the underlying stocks.

The Pyramid contains approximately 22 sectors, 160 industry groups, and 1700 stocks.

To demonstrate the process of creating a group, we assembled a list of clean energy stocks. The list comes from the largest holdings in the PowerShares Clean Energy ETF. A group was created and MatchMaker was used to test the correlations of each stock versus the Clean Energy group using one year of weekly data. A correlation

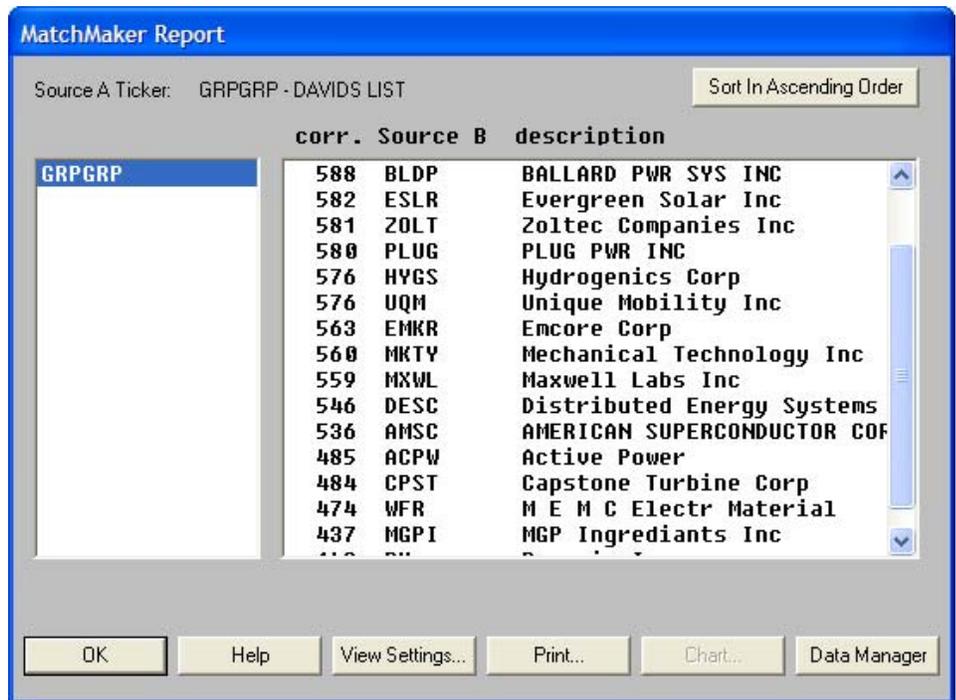


Figure 2. AIQ MatchMaker Report screen showing results of initial correlation test of all stocks in the Clean Energy group. Corr. figures are derived from historical price behavior of stock vs. group index.

greater than 500 implies a high correlation. The result is found in **Figure 2**.

Stocks with low correlations are removed, the group is re-computed, and MatchMaker is used to re-test the correlations. Once all the stocks

have correlations greater than 500 and are not in other industry groups, then the process is complete. **Figure 3** shows the completed Clean Energy group.

The AIQ Pyramid structure is the best choice for those who perform a top-down analysis (i.e., first pick the sector, then the group, and then the stock). That's because the sectors and groups represent their stocks well. It is also a good structure for those who like a large variety of stocks, including both large-cap and small-cap stocks.

Since the Pyramid structure has 1700 stocks, most but not all of the stocks that people are interested in will be classified. If you are interested in a stock that is not in this structure then you will have to switch to the AIQALL structure.

The AIQ Pyramid is \$188 plus shipping. Updates to the structure are sold for \$44. For more information, call AIQ at 800-332-2999.

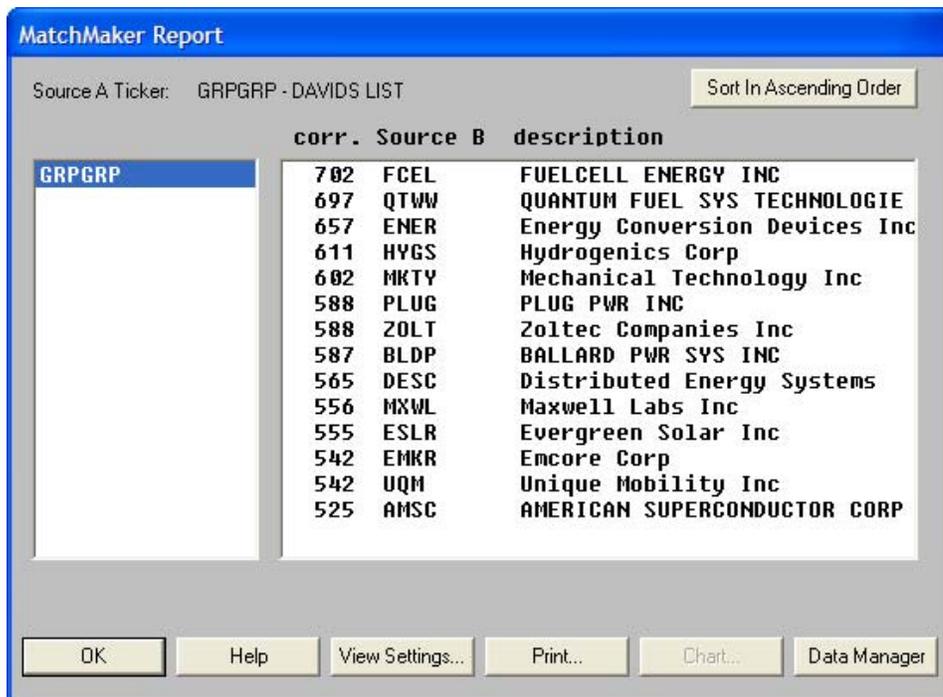


Figure 3. AIQ MatchMaker Report screen showing results of correlation test of all stocks in the Clean Energy group after stocks with low correlation values were removed.

David Vomund publishes VIS Alert, a weekly investment newsletter. For free trial issues, call 775-831-1544 or go to [www.visalert.com](http://www.visalert.com).

# AIQ's 17th Annual Lake Tahoe Seminar

October 9 - 11, 2006 Harveys Resort & Casino, South Lake Tahoe



## Jay Kaepfel

This year's keynote speaker

### Author and Trading System Developer

*The Best of Times, Worst of Times Trading Strategy*

Best known to AIQ users as the developer of the Pure Momentum, The Best of Times, Worst of Times and The Efficient Momentum Systems, Jay has also authored several books on trading, including *"The Four Biggest Mistakes in Option Trading"*, *"The Four Biggest Mistakes in Futures Trading"* and *"The Option Trader's Guide to Probability, Volatility and Timing"*. Investors can read his weekly column,

"Kaepfel's Corner" at [www.optionetics.com](http://www.optionetics.com).

We are also pleased to welcome **Dale Wheatley**, a full-time professional trader, who has achieved financial independence and **Tom Hardin**, who oversees all portfolio management and investment activity for Canterbury Investment Management. We also welcome back **Steve Palmquist**, founder of [Daisydogger.com](http://Daisydogger.com).

Tuesday's sessions will conclude with a moderated **Traders Forum Q & A session**. Written and oral questions from attendees will be submitted to our guest speakers.

This year's 17th Annual AIQ Lake Tahoe Seminar at Harveys Resort and Casino promises two-and-a-half days of intensive sessions with eight guest speakers.

Every morning begins with an AIQ-hosted breakfast. Sessions begin at 8:30 each day and run through to 5:00 pm (12:30 on last day). Regular breaks during the day include an AIQ-hosted lunch on the first two days. Tuesday evening all attendees are invited to an AIQ catered buffet dinner.

Prices remain unchanged for the third straight year. Including meals, cost is **only \$795 per person**. Sign-up early as seats sellout fast.



2005 Steve Palmquist Presentation

*"All of the good information taken back home and all of the help I was given by the AIQ staff during the sessions. I have written some strategies already and am doing a lot of backtesting. The seminar was a big help."*

Guest speakers Dale Wheatley, Steve Palmquist, Tom Hardin and Rich Denning are all AIQ users. There will also be sessions by our regular AIQ presenters David Vomund, AIQ's Chief Analyst and Steve Hill, AIQ's CEO.



AIQ Systems  
PO Drawer 7530  
Incline Village  
NV 89452  
[www.aiqsystems.com](http://www.aiqsystems.com)

**Seats are limited CALL 1-800-332-2999 x115**

Visit the AIQ Store <http://aiqsystems.com/store/page2.html>

## Speaker Profiles



*David Vomund  
Chief Analyst  
AIQ Systems*

**David Vomund** is editor of AIQ's *Opening Bell* newsletter, and publisher of *VISAlert.com*. His market timing performance in *VIS Alert* ranks one of the ten best in the country by Timer Digest for the 10-year time period ending December 31, 2005. David is President of *Vomund Investment Services* and *ETFportfolios.net*. He is a frequent speaker at events throughout the U.S.

**Stephen Hill** is CEO of AIQ Systems. For the past 14 years he has been involved in all aspects of AIQ Systems, from support and sales to programming and education. Steve is a frequent speaker at events in the U.S. and Europe, talking on subjects as diverse as *Portfolio Simulation Techniques, Advanced Chart Pattern Analysis* and *Trading System Design*.



*Stephen Hill  
CEO  
AIQ Systems*



*Steve Palmquist  
Founder  
Daisydogger.com*

**Steve Palmquist** is a full time trader with 20 years of market experience who puts his own money to work in the market every day. Steve has shared trading techniques and systems at seminars across the country; presented at the *Traders Expo*, and published articles in *Stocks & Commodities, Traders-Journal, The Opening Bell*, and *Working Money*. Seven years ago he left the rat race of corporate life to use his market experience and trade full time. Steve is the founder of [www.daisydogger.com](http://www.daisydogger.com) which provides trading tips and techniques.

**Tom Hardin** is Chief Investment Officer and oversees all portfolio management and investment activity for *Canterbury Investment Management*. Tom has more than 29 years of investment and portfolio management experience.

After earning a bachelor's degree in business from Skidmore College in Saratoga Springs, New York, Tom received his certification in portfolio management from the renowned University of Chicago Graduate School of Business. Before founding Canterbury, Tom served as Senior Vice President and Senior Portfolio Management Director of Smith Barney's Portfolio Management Group. Tom earned his Chartered Market Technician (CMT) designation in 1997 and has been an AIQ user since 1991.



*Tom Hardin  
Chief Investment  
Officer, Canterbury  
Investment Mgmt.*

**Dale Wheatley** is a full-time professional trader and AIQ user, who has achieved financial independence. He exclusively trades an MACDI based strategy for a living. He has taught this strategy to hundreds of people, all over the world, but does training sessions by invitation only.

Tom has written *Never Too Old to Rock and Roll: Life After 50—The Best Years Yet* and the soon-to-be-released book *Investor Revolution*.



*Dale Wheatley  
Professional Trader*

## Monday October 9th, 2006

For the first session attendees may choose from  
**FOREX Trading Strategies**

or

### **Getting Started Right with AIQ**

All attendees are together for the rest of the seminar.

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### **FOREX Trading Strategies**

*by Steve Hill, CEO, AIQ Systems*

In this session discover the power of trading the FOREX and the effectiveness of technical and fundamental factors in determining entry points. Both end of day and real-time trading will be discussed.

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### **Getting Started Right with AIQ**

*by David Vomund, Chief Analyst, AIQ Systems*

New users will learn methods of using the software which will help save time and reduce the learning curve. Charting, Reports, and Data Manager will be covered.

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### **Effective Swing Trading Techniques**

*by Steve Palmquist, Founder, daisydogger.com*

In this session Steve will show one of the swing trading tools in his traders tool box, and the research and analysis behind it. Steve has developed a number of swing trading systems using AIQ's Expert Design Studio. Steve uses EDS to analyze how each of his tools performs in different market conditions, which allows him to select the best ones to use in the current market.

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### **Managing Risk Through Portfolio Management**

*by Tom Hardin, Canterbury Investment Mgmt.*

Tom will discuss the fundamentals of portfolio management and modern portfolio theory. This includes using technical analysis and AIQ to create efficient portfolios and new technology used in measuring risk.

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### **Trading Model Creation**

*by David Vomund, Chief Analyst, AIQ Systems*

In this interactive session David will create and test an entry system using the Expert Design Studio. The system will be tested and various sell strategies will be applied. Capitalization rules will then be applied using the Portfolio Simulator.

## Tuesday October 10th, 2006

### **Trading Tips and Techniques**

*by Steve Palmquist, Founder, daisydogger.com*

In this session Steve shares trading tips and techniques based on 20 years of market experience. Some of the techniques that Steve uses everyday in his trading include; The importance of volume analysis in trading and how to use it. Patterns and micro pattern techniques, what to look for and how to profit from them. Trade management techniques, now that you have entered a trade, what next? Market environments, know when to hold 'em, know when to fold 'em, and know when to walk away.

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### **Unique AIQ Features**

*by David Vomund, Chief Analyst, AIQ Systems*

David Vomund will demonstrate the features that give us the trading edge over the competition. The new Breadth Analyzer will be included in the demonstration.

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### **Charts Don't Lie**

*by Dale Wheatley*

Dale has developed a powerful price pattern strategy to look for high probability trades. This pattern works in every market and every timeframe, including stocks, futures and FOREX. He will explain how to recognize this pattern and how to time your entries into positions.

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### **Traders Panel**

*Panel members; David Vomund, Steve Palmquist, Dale Wheatley, Rich Denning and Tom Hardin*

All attendees will have an opportunity to ask questions of our traders panel. Written questions can be submitted to the moderator during the seminar. These questions will be interspersed with oral questions taken from the audience. Moderated by Steve Hill.

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### **Evening Buffet Dinner**

*hosted by AIQ Systems*

At the conclusion of the Traders Panel, AIQ will be offering cocktails and hor d'oeuvres followed by a buffet dinner for all attendees. Additional guests and significant others may attend at a cost of \$58 per person.

## Testimonials

*"The seminar was great. I was impressed with the quality of the workshop. It has inspired me to delve into my AIQ software and to make even better use of it. I also learned a great deal, discovered new ideas, and new applications. I liked the fact that the speakers were helpful and available."*

*"Palmquist was great! A nice combination of good systems and good methodology clearly presented in an engaging manner"*

*"David Vomund. Very knowledgeable, very good speaker, extremely practical advice—a great asset to AIQ!!"*



*"I have attended many, many seminars - in past years, mostly software seminars since that has been my business."  
 "None of my past seminars came close to matching the experience at AIQ. Everyone was so gracious. The speakers were a powerhouse!!!"  
 "If my trading cannot improve from the wealth of wisdom and technique in that seminar then I would be in trouble. However, I really feel that this seminar brought me to the next level in learning trading."  
 "The attendees are a very diverse and high level trading group. The attendees add so much to the seminar."*



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**What's New with AIQ**  
 by Steve Hill, CEO, AIQ Systems

Attendees have a chance to relax as Steve will use this session to show what's new in the AIQ flagship platform TradingExpert Pro, plus a chance for a sneak preview of what AIQ is working on for future releases.

**A Systematic Approach to Trading**  
 by Jay Kaeppel

In this extended session, Jay Kaeppel of Optionetics, will explain the benefits of a systematic approach to trading and will detail a variety of his favorite trading systems he has developed over the years. These systems will run the gamut from seasonal trading, to trend-following, to sentiment, to technical, and will span from long-term to short-term in nature and will be useful to anyone trading stocks, mutual funds, futures or options.

**Seminar ends at noon**



- AIQ-hosted breakfast all three days
- AIQ-hosted lunch Monday and Tuesday
- AIQ-hosted buffet dinner Tuesday evening
- Full seminar notebook for all sessions
- Wireless internet access in seminar area
- Real-time computer lab
- AIQ staff on hand to answer questions



**Harveys Resort, South Lake Tahoe**

AIQ and Harveys have made special arrangements for attendees with guest rooms in the prestige Lakeview Tower for **\$99 a night Sunday - Thursday, \$179 a night Friday and Saturday**. To take advantage of these special rooms, call Harveys at **1-800-455-4770**. Group code when booking rooms is **S10AIQ**.

**To reserve your seat please call**

**1-800-332-2999 x115**

**Space is limited, call now**

Cancellation policy

Cancellation fee \$100 after 08/15/2005  
**There are no refunds.**