# Market Summary & Forecast

Larry Katz has been involved with the financial markets for over 18 years. He began as a stockbroker with a major Wall Street Firm in the fall of 1983 literally knowing nothing at all about the markets and how they worked. As a novice broker he, like all, began to recommend the stocks on the firms recommended list only to come to the realization that most were headed lower. He said it was hard enough to get clients and to keep them, so he determined early in his career that the key was to make them money not lose it.

Fortunately for him a senior broker in his office was using technical analysis and introduced Larry to this valuable tool. He said it was a perfect match for him. He was fascinated by the mathematical relationships and the geometry of the price patterns. He began reading books from the Library and the first one he discovered was *Technical Analysis of Stocks and Commodities* by Edwards and Magee. Later he discovered soon thereafter that the book is considered the bible of technical analysis.

In mid 1984 he was introduced to the works of both Robert Prechter and Peter Eliades. He said their market calls were nothing short of phenomenal and Mr. Prechter's work with the Elliot Wave principle and Fibonacci relationships were of keen interest. He was particularly fascinated with the Fibonacci relationships and the logic behind the Wave Principle. This was the beginning of his foundation in the Elliott Wave.

Larry moved to a new firm in 1985 but continued his technical work further relying totally on charts and ignoring both economic news and especially fundamental research. In 1986 while still a broker he began to work directly with Elliott Wave keeping his own hourly charts.

Larry said in his career as a stock broker he was fortunate to be able to follow the works of such notable technicians as Bob Farrell, Phil Roth, Newton Zinder, Walter Murphy and Jeff Weiss to name a few. Their work helped him to continue to learn as he progressed and without them, as well as Bob Prechter and Peter Eliades, he is not sure if he would have or could have stayed the course.

In late 1991 he was afforded the opportunity to work with a small brokerage firm in the Los Angeles area doing technical research, which allowed the firm to go after some small institutional clients. Naturally he jumped at it as market analysis was clearly his first love in regards to the financial markets. In 1994 he moved to another small firm. This allowed him more time to work with technical analysis on a primary basis and to continue to experiment and grow. In March of 1995 he launched his newsletter, **Market Summary and Forecast**, which is completing its seventh year of publication.

Larry was admitted to the Market Technicians Association in late 1992. In the summer of 1994 he, along with a couple of other members founded the Southern California Chapter of the Market Technicians Association, and they are proud that it is a thriving chapter of such a fine organization. He has served as president of the chapter since its inception and over the past three years has also served on the management committee as chairman of the membership committee.

Elliott Wave analysis is an integral part of his daily analysis of the markets, but over the years he has found that like all other disciplines Elliott Wave is only one tool in a technicians arsenal. He not only uses Elliott Wave but does a lot of work with both momentum and sentiment. In fact momentum and sentiment play a more important roll in determining his short, medium and long-term market views than Elliott. In his work he has found Elliott to be more helpful on a medium and long-term basis rather than over the short-term. His work, and market views are based totally on the technical indicators that he follows. "We do not use any fundamental analysis in our market views. It is our opinion that the market moves on investor perceptions of future fundamental developments. Current events are stale and have already been factored into stock prices. Everything we need to know about the market can be seen in the charts and the indicators. Knowing why something may happen is not important. What is important, is knowing what is happening. That is really all that matters." Larry does not use automated timing systems or any complicated market models. He does have a technical barometer that has been very good on a medium and long-term basis and also a 12-component sentiment composite. However, these are but two more tools in his kit of indicators.

To quote his friend Steve Shobin, "The market is our friend and what we need to do is find out what our friend is saying at any given time. As with all forms of market analysis there are plenty of times when we are wrong. Its how we handle those times that separates a good analyst from an average one. Remember, it is OK to be wrong but not OK to stay wrong."

With the exception of a three-week period in November, Larry has remained bearish on the long-term outlook for stocks since early March of 2000. He believes that 2002 will be a transition year from a bear to a bull market on a cyclical basis. Within that process he expects to see a break below the lows set in September of 2001, prior to the completion of that process in most or all of the averages. One study that he has done goes back to 1930-1932 that shows that the averages have never made a price low commensurate with a momentum low when the averages have declined by 15% or more. He said that this would also coincide nicely with the expected low of the four-year cycle, which ideally should bottom in the third or early in the fourth quarter. His expectation following that move would be for a strong rally in the DJIA and the S&P back to the early 2000 highs in a pattern similar to what we saw in the later 1960's early 1970's.

**Timer Digest** has monitored **The Market Summary & Forecast** since March of 1998, and it currently ranks number 1 for the Long-term Consensus, please see page 4. For subscription information contact:

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