Taking Stock

Golden Gate Professor Pioneers Technical Market Analysis

Call him "Dr. Hank," this academic turned trader, who has set the Stock Market on its ear with his technical market analysis. But these are more than theories confined to academia's proverbial ivory tower.

Dr. Henry Pruden has been putting his theories to work since 1976, when the Stock Market caught his fancy — and for just as long, he's been teaching Golden Gate's finance students to do the same. Today, the university is recognized as a nationwide leader in developing courses in technical trading analysis, thanks to Dr. Hank.

Dr. Hank's course in Stock Market chart reading and prediction "The Technical Analysis of Securities" has been consistently popular. Since launching the course in 1976, his evening graduate class was dominated by professionals from local brokerage houses, the Pacific Stock Exchange, and from the ranks of individual and institutional money managers around the Bay Area. Many of these professionals already possessed advanced degrees in finance or in related business areas.

Attracting such high-quality students was reassuring to this California native, who had left a full-time tenured post at the University of Texas to pioneer the teaching of technical market analysis courses, while concurrently engaging in his own business of market analysis and trading.

The students responded with consistently high evaluations for their professor and, after his fourth year at Golden Gate, he noticed an odd cycle: his former students were re-registering for the class. These were the brightest, most motivated, non-degree-candidate professional students and when he asked why they were back, the answers were invariably: there was more to learn.

This mix of returning students with the neophytes created a kind of Gresham's Law: the advanced students overwhelmed the neophytes. Believing in the efficacy of "divide and conquer," Dr. Hank handled this problem by creating a new, separate class for the advanced students. Still, the advanced students felt there was a gap between classroom learning and practice. As an analyst and trader, as well as a long-time educator, Dr. Hank developed what he now calls the "Action Sequence," which so totally immerses students into the experience, that skill and judgment become habit.

As the Distinguished Visiting Professor in the School of Finance and Economics, perhaps Henry Pruden, Ph.D., MBA, doesn't look like a pioneer — but looks can be deceiving. His work in technical market analysis is putting Golden Gate University on the financial industry's map in a big way.

But his analytical support system does not end with paper charts; rather, it extends to the electronic media that dominate the center of his vision. Graphics of price action and sophisticated oscillators of price, volume and sentiment data appear and disappear almost instantaneously on the screen before him. The computer provides Saleh with real-time data to follow trends, and to appraise subtle shifts between supply and demand. With these charts and his interpretation of the behavior reflected by them, Saleh is better able to provide his clients with information they need in the competitive global marketplace. He also assists them with maintaining their mental discipline.

People like Saleh are market technicians (also

BY DR. HENRY PRUDEN

known as technical traders, chartists, market timers, or students of mass psychology). They practice an art which, in many ways, was perfected during a classic period of markets analysis and training: the early 1900s in the U.S. stock and commodity exchanges. Saleh and his counterparts trace the heritage of their practice back to such colorful individuals as Dow, Hamilton, Elliott, Harrison, Keen, Livermore and Wyckoff. But unlike most of today’s practitioners of technical analysis, who are self-taught or who have acquired their understanding of the field through an apprenticeship, Saleh chose a different route.

He learned the rudiments of his craft in graduate technical market analysis classes offered by the School of Finance and Economics. With a Ph.D. in international economics from Cornell University, he was not interested in just another class on the theory of markets. He wanted something practical, useful and hands-on, something that could help him deal with the reality of the markets and the demands of his job.

In the early ‘80s when he took classes in technical market analysis at Golden Gate, technical market analysis was by then an age-old practice on the floor of the New York Stock Exchange and in the commodity pits of Chicago. Technical analysis was and continues to be practical and useful — the hallmark of courses offered at Golden Gate — but it lacked acceptability in most of academe. Theory and acceptance by academe, albeit limited and grudging, seem finally to be catching up with the practice of technical analysis.

At Golden Gate University, we are building on our pioneering effort in technical market analysis. Golden Gate has become a national, as well as a regional focal point, for the study of this discipline. The university houses the intellectual flagship of the field, The Market Technicians Association Journal. It also seeks to make available courses that correspond to the exam requirements for the Chartered Market Technicians (CMT) professional designation. The Technical Securities Analysts Association of San Francisco, often holds its monthly seminars on the San Francisco Campus.

Golden Gate is aggressive in developing a curriculum in technical market analysis that continues to emphasize sound practice, yet reflects theoretical developments. One such course, “Chaos Theory and the Elliott Wave Principle,” was offered in the fall and spring ‘93-’94. “Charting the Market: The Wyckoff Method,” is scheduled for the fall and spring terms in ‘94-95.

At the heart of both courses lies an active-learning method that is unique to Golden Gate. Designed for the adult learner, the “Action Sequence,” builds on the university’s commitment to the case-study method.

The program also has attracted an able cadre of practitioner faculty: money managers, Bruce Fraser and Joe Turner of Pring-Turner Capital; Mark Edelstone, a semi-conductor industry analyst, Prudential Securities; Tom Larsen, an institutional options broker with Schwab and Co.; and Brian Lockwood, an independent trader, with an office at the Pacific Stock Exchange. Two other market professionals, Mark Farrell III of Prudential Securities and Brent Leonard from Schwab and Co., also are developing their teaching skills through mentorship and are teaching interns in two Golden Gate courses in technical market analysis. Among these instructors, Fraser, Edelstone, Larsen and Farrell are all GGU alums with MBAs. Leonard is currently an M.S. candidate in the School of Finance and Economics.

These efforts have resulted in making GGU a leader, a position it is assured of holding in the growing field of technical market analysis.

Dr. Henry Pruden has a Ph.D. (with honors) from the University of Oregon, an MBA from the University of California-Berkeley, and a B.S. from California State University, Chico. After full-time teaching and research at several universities, particularly the University of Texas at Austin, where he held a tenured position in marketing in the Graduate School of Business, he returned to San Francisco. He established a full-time practice of trading and investing, using technical market analysis, and joined the CMT adjunct faculty. He became a full-time faculty member last year. Pruden is the editor of The Market Technicians Association Journal and continues in private practice, in addition to his teaching duties. He also is a past member of the Board of Trustees.