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Analyst starts investment system

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By Rob Varnon STAFF WRITER

In the wake of Bernard Madoff's Ponzi scheme and other scandals, investors should be digging a little deeper for information and taking charge of their investment futures.

And that's what Charlie Gawlak, a former analyst with SoundView Technology Group, is hoping to tap into. SoundView was a local investment bank bought out by Charles Schwab.

"I would love for this to become the starting point of an investor's breakfast," he said about the launch of [www.stockmarketdistribution.com](http://www.stockmarketdistribution.com), an analytical service and newsletter.

Gawlak spent years developing his own system, called Distribution as a Stock Market Tool, to track trends in commodities and the equities market. A few weeks ago, he began signing subscribers for his daily market update. He would not disclose how many people have subscribed to the investment letter.

Gawlak said getting his newsletter amounts to receiving a 45-page e-mail detailing the trends in 41 market subsectors that Gawlak tracks. He describes markets as overbought or oversold, based on how many points the stocks are trading over or under their 25-week moving average.

For example, Gawlak said if a sector is three points above its average, it's overbought. If it's three points below its average, it's oversold.

That doesn't mean a person should automatically sell the overbought and buy the oversold, Gawlak said, though there are some who might choose to play the market that way. Gawlak said if there's one thing he's learned in the 12 years he's spent in research and another 12 in management, it's that you can't discount the human element in the market. There are occasions when overbought might be the beginning of a larger rally, he said, and oversold might be indicative of a longer-term malaise.

Susan Mangiero, president of Trumbull-based Pension Governance Inc., said people really need to do their homework in this market.

Mangiero has more than 20 years of experience on the buy and sell sides in capital markets, trading, global treasury, asset-liability management, portfolio management, economic and investment analysis, derivatives, financial risk control and valuation. Her firm advises pension funds on risk management. She is not endorsing Gawlak's product or any other at this time, but she agreed to discuss the issue of investment letter advice in general.

What she's hearing from a lot of clients is that they are encountering "information overload"; there is so much information being thrown at them that it's difficult to know what it is. And in the realm of investment letters, Mangiero said it can be difficult to get noticed. She said background and track records are important when it comes to attracting subscribers. There has to be value in the letter.

"Numbers alone may give an investor comfort but fail to tell the whole story about a particular security or market sector," she said. "It is critical to understand what drives prices in the short run and what factors are expected to influence long-term value. Risk-adjusting returns is essential, as is the ability to project what is likely to occur in the future. Economic conditions can change rapidly. Looking backwards is seldom a gauge of what could happen next."

Gawlak delivers his own take on market directions in his letter. He said precious metals are oversold, but if you look specifically at gold, "it has not outperformed." He said that has implications for not only gold as a commodity, but also for other sectors, because the lack of a big up or down movement in gold indicates that "we're not out of the woods yet."

There are thousands of letters to choose from. Many focus on niche markets, while others offer larger trend advice and have an established reputation.

To kick-start investors' confidence in his letter, Gawlak is offering a two-month trial subscription for \$35. It includes a copy of Gawlak's booklet on his Distribution as a Stock Market Tool system.

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