In Memoriam

Richard W. Arms Jr.
January 12, 1935                 March 10, 2018

Dear friends, colleagues, and clients:

I wish to speak for a moment about a great friend and my first mentor in capital markets analysis - Dick Arms.

Many of you will recognize Dick by the name of the famous stock market indicator that bears his name - The Arms Index. It goes across the tape as ARMS and was originally known as TRIN, an acronym for Trading Index. It is a volume adjusted advance/decline indicator that Dick created and originally wrote up for an article in Barrons in 1968.

From there, his work in Technical Analysis continued to focus on volume aspects of the study. Dick was always looking to improve technique and his Equivolume charting method cleverly combined the volume data directly into the posting of the high, low, and close price statistics. Chart making and the reading of the historical data is a visual craft and Dick saw ways of incorporating more information into a single entry. I really enjoyed it. I first picked up one of his books when I was twelve years old. I have always believed that markets are cyclical - most of the time and always, eventually. Dick’s volume cycle work intrigued me and led me to meet my second career mentor - Ian Notley - whose work on global capital markets and cycles you well know.

There is an old expression on the Street that “volume is validation”, the notion being that increased volume together with a price move (in either direction) is a confirmation of the importance of the price move. The price gives information about direction; and volume speaks to power, potential persistency and duration.

Beyond Dick’s career lifetime fascination with markets was his love of literature and poetry. Dick attended Brown University and studied geology but his real passion was reading and writing. He had an immensely invigorating mind. He was a Mensa member. Whenever we got together we challenged ourselves to recite poetry from memory and enjoyed many good laughs. I will always remember that part of him as much as I will the analyst part.

Dick called me the weekend before his surgery to replace a heart valve and asked me to come out to Albuquerque to visit once he had recovered. He wanted to see a friend. He was always the optimist. Even Dick’s “geese were swans”, as the expression goes - ever positive was he.

Sincerely,

Jonathan Arter

www.taniscott.com
The Dow Jones Industrials, Daily Posting.

Comment: This is actually a second-generation Equivolume chart. Dick always liked the “efficiency” of including as much information into the chart directly, bringing volume, for example, “up and into” the chart, making that data an integral part of the chart flow and not relegating it to a secondary place of importance - - to the bottom of the chart as standard bar charts do. His second generation chart method, shown here, combines traditional Japanese technical analysis using a Candlestick chart. I won’t attempt to deliver a tutorial on this at this time except to say that this revered charting technique has a “body” - the candlestick - with wicks, tails, hollow bodies and filled-in bodies. Its all about bringing in more data to assist interpretation and, by extension, forecasting value. Dick saw an opportunity to add yet more data to the chart entry by introducing the volume statistic. The volume makes the chart body wider or thinner depending on how much trading took place during that observation. Here, in this example, each entry is one day of trading for the DOW. Note the wide-body action in early February as volatility surged and the desire to sell swelled. So there are two dimensions to the body of the candlestick. The verticle dimension is the price dimension with long verticle bodies representing intensity of emotion - the desire to sell or buy. Dick’s volume dimension is the horizontal one or the width of the body. Wider bodies indicate more trading and more “intensity” to either own (up days) or not own (down days - “filled” candlestick). I would like to use these charts in our publications from time to time as I find them visually appealing and I would like to remember and honor Dick’s work by doing so. There is also a color “dimension” that sort of follows the standard traffic convention, Red for STOP, for example.