

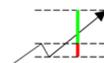
Flash Report Dax

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August 10th, 2015

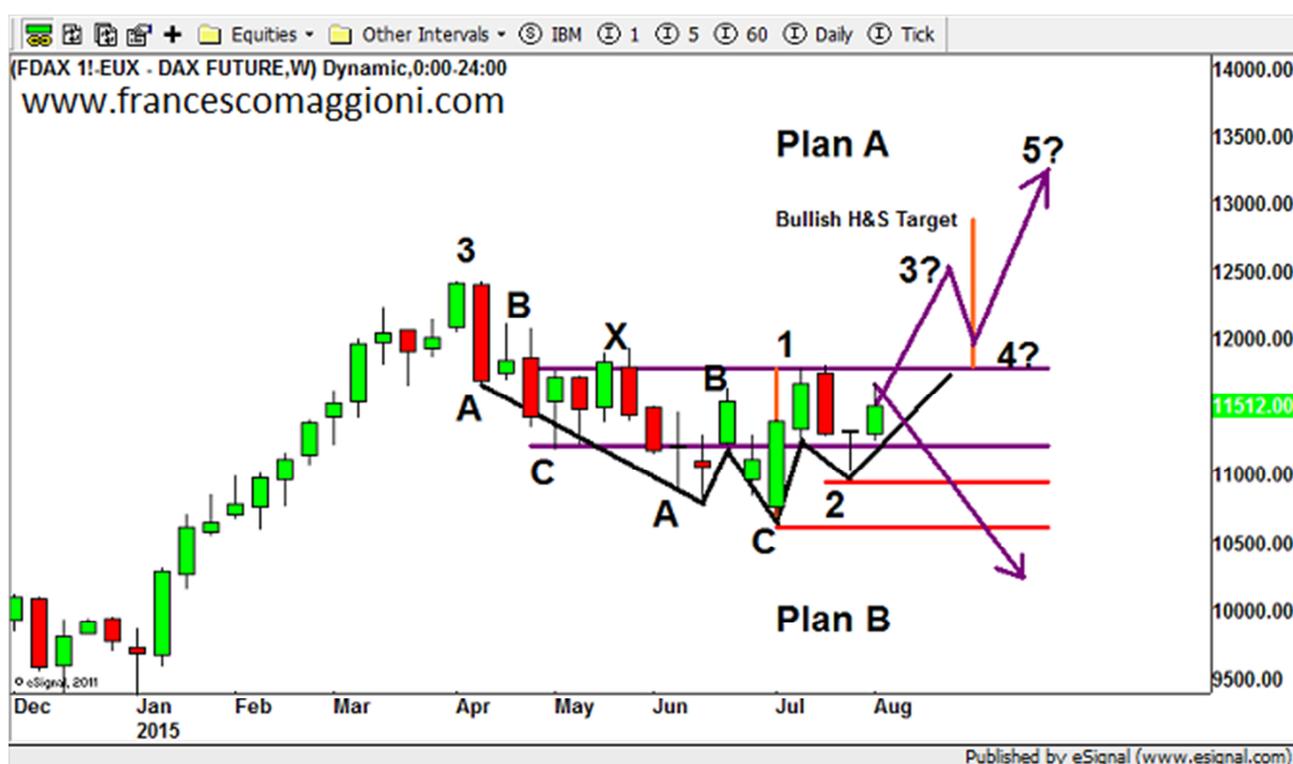
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“Quantitative approach for asymmetric results”



Multi-timeframe study on the German Dax

Weekly Chart



The weekly chart is at this time the clearest chart among all timeframes: it testifies a clear will of starting a new bullish trend. In addition a fairly wide bullish head and shoulders can be spotted, with neckline set at 11,800 futures points which if pierced firmly (be aware of false signals) could bring the German index as high as 13,000 points. I am aware it is an ambitious target and at this time we do not know where exactly the index could arrive.

My personal Elliott wave counting is the one you find on the chart.

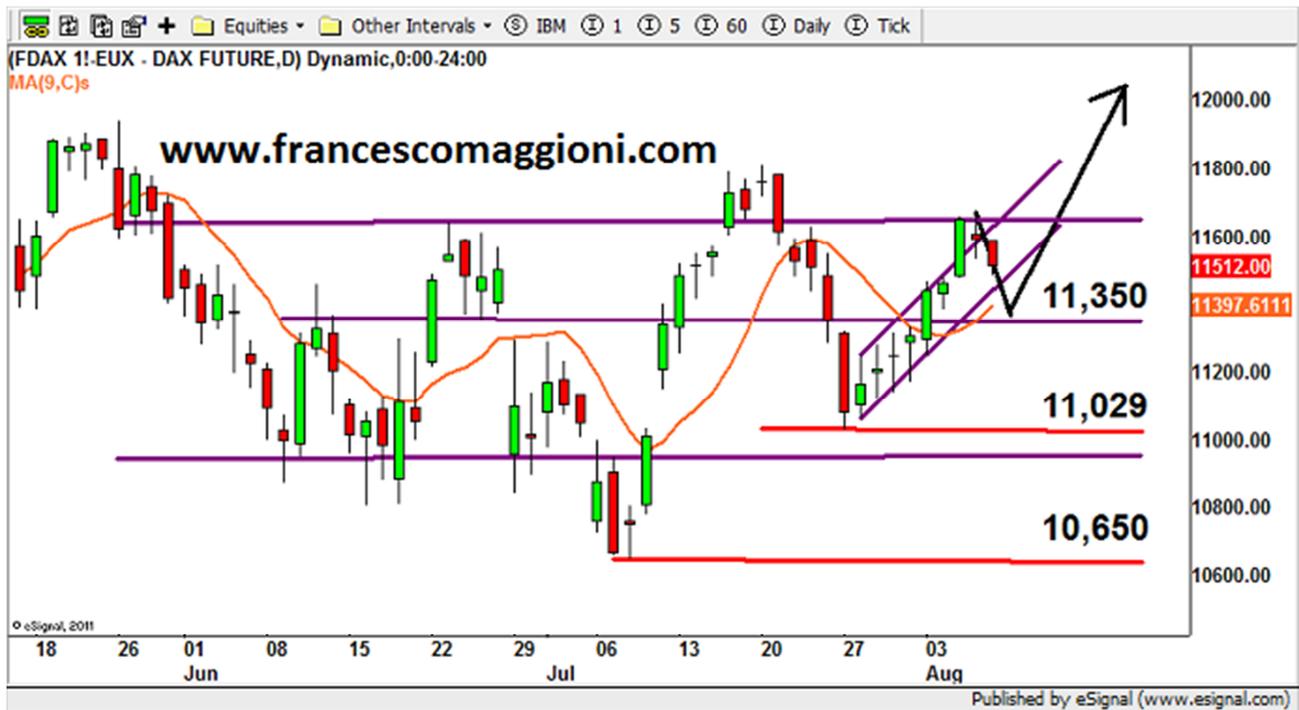
Looking at the pure price action the German Index has been sideways since March and only a confirmed exit from this horizontal channel (not something similar to what happened in July as it has been a false signal) we will clearly understand which will be its clear intentions.

Quite important is also two weeks ago hammer candle that gives indication of a trend inversion, from bearish to bullish, and also last week's candle is a continuation (bullish) one.

Be prepared to see the Dax breaking the 11,800 future points threshold but then see it resuming its bearish trend, resulting then in a false signal, but we do not know that far yet.

What if I am wrong? The whole bullish structure (Plan A) will be invalidated only at the breaking of the July 8th low, at 10,650 points. It is quite far at the moment, but keep it in mind for any event. Breaking of July 29th higher low will be a first important hint (Plan B) that the bullish structure is losing momentum.

Daily chart



The daily chart is a bit more complicated with fragmented and herratic movements at least in the shorter term, similar to a flooded engine difficult to run, but once cleared, can run smoothly. Personally I was looking for some bullish expansion candles during the week but the herratic movements of early week didn't help.

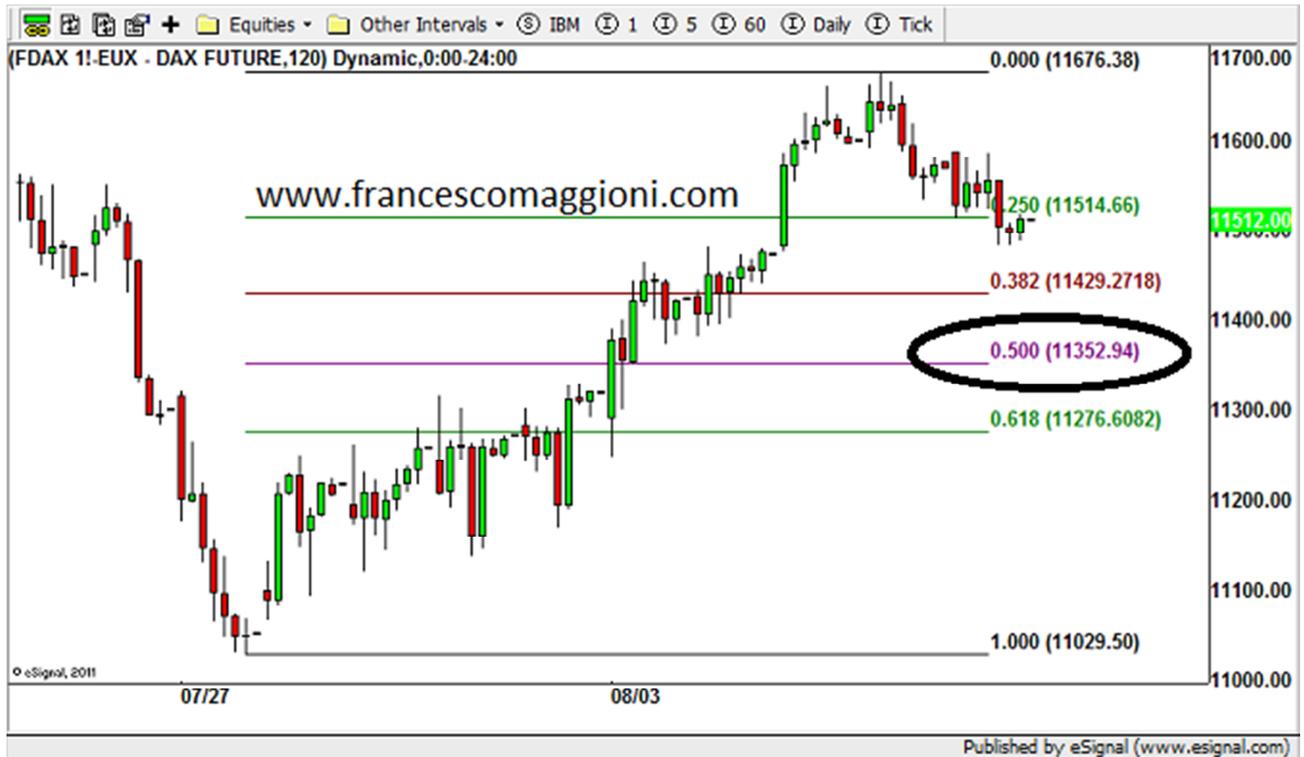
Looking at the Elliott waves counting, if the low of July 8th is the low of a wave 4, then the subsequent bullish movement should be the final wave 5 and right now we are in the wave 3 of 5. If that is correct, we should expect a strong bullish and wide movement in the coming days, and that could very well happen above 11,800 future points. At the time this report is written the German Index is still in the correction and the last two daily candles exactly testifies such situation, and also the will of further weakness. In the chart it is quite clear as the 9 periods moving average (orange) has worked as a support or resistance in the past, therefore I would expect the index to land its descent around that level which today is 11,350 future points before resuming any bullish trend.

Looking at the chart it can be seen that 11,350 future points worked in the past and very likely works today as:

1. The central point of the horizontal channel I drew and in which the Dax is currently inserted;
2. A clear level where the Dax seems to be attracted to, similar to a magnet.

What if I am wrong? Similar to the weekly chart, the breaking of July 8th will clearly jeopardize the whole bullish view, but a first worrisome signal could be, on the daily chart, also the breaking of the July 27th low set at 11,029 future points.

120min chart



On this chart it is clear that the current retracement is still too small to be considered concluded. Also, if the current structure should be an impulsive one we should expect to witness the Elliott's Alternation Rule, therefore the current wave should be quite deep compared to the previous shallow retracement. In addition to that on 11,350 future points that we found already on the daily chart, currently passes the 200 periods moving average and the 50% retracement level of the previous bullish trend; while the 61.8% retracement is set at 11,275 points.

The only (little) doubt I have on the continuation of this short term retracement is the stochastic being already in oversold territory and the Oscillator already around zero, giving both evidence that a potential wave 4 is in the cards.

However the Stochastic can remain in oversold and the Oscillator can go a little below zero without compromising the wave 4 setting, on the contrary, it could reinforce it.

To recap: I expect the Dax to arrive around the 11,300 future points before resuming its bullish trend, and the duable target of the next bullish trend can be the 12,000 future points or, the most ambitious one, 13,000 points.

What if I am wrong? Key levels on this chart are between 11,130 and 11,260 that if broken can give indications that the bullish structure may be jeopardized.



Mr. Maggioni has been working in the financial markets for the last 15 years covering different roles and working in tier 1 consulting companies and banks worldwide.

In recent years his studies have been focused on the psycho-emotional aspects of trading and how those aspects have an impact on traders' behavior.

Before starting this venture, he was head of a hedge fund desk at HSBC Private Bank in Monaco and before that he was employed at Credit Suisse Asset Management (CSAM) in Zurich covering the in-house single manager hedge funds.

Most of his experience in hedge funds was gained while working in a Swiss family office where he was in charge of the research and analysis as well as due diligence for US and European hedge funds. He also performed quantitative analysis and portfolio construction for several funds advised by the family office.

Prior to that he worked as an external consultant for KPMG Financial Services in the Milan office. In 2002 he has been hired by Ernst & Young LLP, San Francisco as auditor for hedge funds, auditing large single funds and fund of funds. In 2000 he joined Ernst & Young in Milan as an auditor for mid-sized companies.

Mr. Maggioni holds an MBA from IUM and a Portfolio Management degree from the University of Chicago GSB.

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