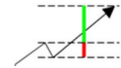


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“Quantitative approach for asymmetric results”



Volkswagen weekly chart

Volkswagen is a difficult one because of the spike it had back in 2008, and looking plainly at the chart (I was looking at the monthly-weekly chart) according to Elliott, we are now in a big wave 4 (correction up of a bearish movement) which should have its conclusion at around 60 euros.

So that is the machine type of analysis according to Elliot... but bear in mind that wave counting can change (my latest gold analysis is a clear example, but still I shorted it this morning at 1750, so I don't expect a bearish main movement, but now it will only be a mere retracement).

Looking at the weekly chart of VOW it looks like an impulsive bullish trend is there, even though from beginning 2011 it is also easy to see that VOW is in a sideways movement (although a big one) included in two important level, 109 euro (support) and 135 euros (resistance) which looking backwards have been historically important levels.

Right now pretty much all indicators are in the overbought condition and a set back wouldn't surprise me, also because the stock is now in its fifth positive week (which coincide with a wave 5 termination on the daily chart).

So it will take sometime before VOW would arrive doing a double top @ 140 euros circa and most likely we will stay in this big sideways channel for sometime.

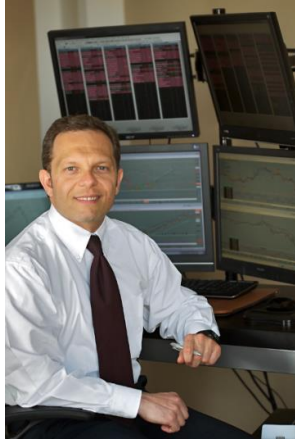
Considering a wave 5 target, it is unlikely, but possible, that VOW will arrive at its natural wave 5 projection (168 euros) because wave 4 has been too deep, breaking the 61.8% maximum retracement (although it didn't close it below on the weekly chart), so my best guess is a double top.

The most scary aspect of all to me, is the decrease of volume that the stock has been experiencing since 2009, which together with an upward trend is a symptom that this trend may not be the primary one.

CONCLUSION: retracement to 117 euros circa very likely, sideways formation, possible double top, very unlikely at this stage to consider top at 168 euros.

ALTERNATIVE SCENARIO: if the retracement I am expecting becomes too deep, then there is a possibility that the stock will behave in the light blue lines and may go and re-visit the trend line that started from the low in 2010.

CANDLESTICK ANALYSIS: as of today this week candle is becoming a doji formation which could mean upward trend ending, considering also that this week candle correctly hit the resistance of an upward trend line. Previous candles were bigger but recently candles are becoming smaller, an indication that at least important levels are hit and there is even power between buyers and sellers...



Mr. Maggioni has been working in the financial markets for the last 11 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.

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