

Flash report: Nokia

June 18th 2012

Francesco Maggioni
francesco.maggioni@gmail.com
IT +39 393 70 40 234
UK +44 757 681 62 43

“Quantitative approach for asymmetric results”



Capitulation happening . limited risk with a substantial upside



Nokia is completing a five waves downward movement probably as we speak. Very important signals on the capitulation are:

- Gap down with increased volume
- Divergence on the price oscillator
- Target achieved of 261.8% fibonacci extension
- Target achieved of the bearish head and shoulder

Below a brief explanation on the items presented above.

Nokia daily chart ó capitulation -



Capitulation happens when a strong movement down of an instrument must be accompanied by a spike in volume. This is indeed what happened in the last few days.

It is true that as can be seen by the chart, this type of spike in volume happened recently, and as in those instances, trading is possible just putting a stop loss below the recent low.

This time however, the bullish engulfing pattern brings more probability.

Nokia daily chart ó Oscillator divergent



In my wave counting methodology wave 3 has the biggest increase in the price oscillator.

As you can see such spike happened in 2011 while right now even though price continued to fall the Oscillator didn't increase that much, meaning less strength in the descent.

This oscillator divergence is the best way to spot wave 5, and in fact I am labeling the current low as wave 5.

Nokia daily chart ó Fibonacci extension

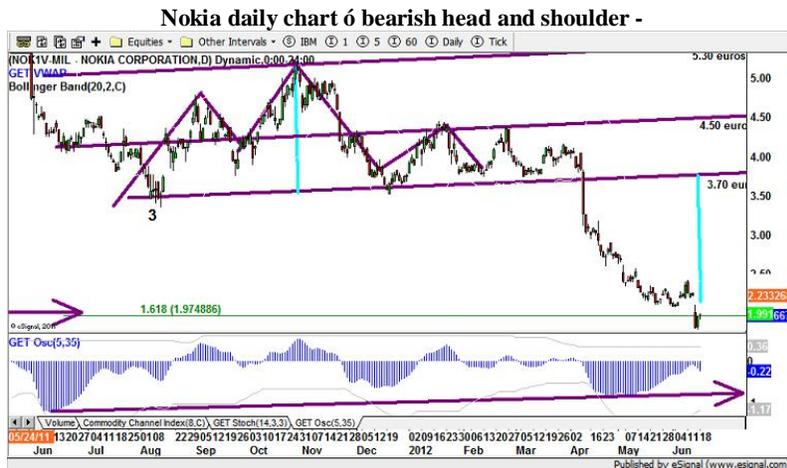


In the Elliott waves rules, an important one is that typically wave 3 and wave 5 are extensions of wave 1 and 2.

As you can notice current price is the exactly 261.8% extension of wave 1 and 2.

You will see that I drew two extensions, a purple and a blue arrow. This is because it is debatable if it is correct to use the shadow of a candle or not in calculating the extensions / retracements. The shadow I am referring to is the candle of March 15th 2011, which I labeled wave 1.

That is also why my protective stop is below such deeper extension, 1.45 euros.



Lastly here is a very famous pattern to you all as I have been looking at this bearish head and shoulder in many items presented to you. Current price is also the target of the bearish head and shoulder.

Here is my trading plan:

buy Nokia (25%) at current price, stop below recent low of 1.796 euros.

If stopped, will reconsider and probably re enter.

List of multiple targets / static resistances (as drawn in the chart)

3 euros

3.70 euros

4.50 euros

5.30 euros (final target as top of wave 4)



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.

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

Useful Links:

European Central Bank:	www.ecb.int
Bank for International Settlements:	www.bis.org
International Monetary Fund:	www.imf.org
Federal Reserve:	www.federalreserve.gov
US CFTC	www.cftc.gov

Disclaimer

Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. It is published solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the report. The writer does not undertake that investors will obtain profits, nor will it share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by recipients as a substitute for the exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. Any opinions expressed in this report are subject to change without notice. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, investors should contact their local sales representative. Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments.