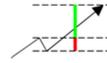


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“Quantitative approach for asymmetric results”



How to spell Google in Russian? Yandex (or Яндекс)!



Figure 1: Yandex weekly chart - Nasdaq

The chart is a weekly one from the most famous Russian search engine called Yandex, which is listed both in Russia and in the United States at the Nasdaq. The chart is taken from the Nasdaq one and it is in US Dollars.

The overall movement that started back at the beginning of 2013 and that saw its (temporary?) completion in January 2014 can be seen so far as a 3 wave movement: still at this time there is no major indication whether it is a corrective ABC or impulsive 1-5 waves structure, as you can see my labels reflect this doubt. However what can be defined with a safe degree of comfort is that the bullish trend is now (temporary?) over and the stock is now going into lower levels. As it is difficult to exactly label the whole movement, also it is difficult to label the current movement as well. Is it a retracement or an outright new bearish trend? I will try to bring evidence or give you valuable information as to finally arrive at a conclusion.

On an Elliott Wave analysis and for the “rule of alternation” if wave 2 is gentle and not deep, then the subsequent wave 4 will be violent and deep, and viceversa.

Well, looking at the chart we can see that wave 2 or B has been quite gentle, long and shallow and the current movement seems to be definitely much stronger, violent and probably deeper, so lower level for the stock should be expected, even in a short period of time.

Last week candle is a hint of what can be expected, since it has been the widest red candle in the last 18 months.

If it is to consider this Elliott rule, then a final target of this bearish movement will be around 30 usd which is the 61.8% fibonacci retracement of the wave 3 or C. If this level will hold then it could be safe to assume that we are in presence of an impulsive 5 waves structure and from this low level it can be expected to see the stock to break previous historical highs. **Target of an ending wave 5 can be anywhere between 45 and 60 usd. So take a safe 50% and a duable target is around 52 usd.**

If the 30 usd threshold should be violated, than the previous bullish movement has to be labelled as an ABC corrective movement and each bounce from such low level should be considered as a corrective pull back in a bearish trend.

It is interesting to note that the 61.8% fibo retracement corresponds to a valuable support (second horizontal blue line). A support becomes more important as more items are found in it. Another key level is the current one since the low of this unfinished week is **both the lowside of the new channel and the 38.2% fibo retracement of wave 3 or C**. It is then expected a reaction from this level, probably a short term one.

The new channel is simply the transposition of the height of the previous one (vertical orange line) to the level where the stock broke such channel. Finally copy and paste one of the channel trend line (purple line) to the bottom of the newly discovered height.

The overall bullish structure is then kept active if the stock does not break the current low at 36 usd. That would mean that it simply entered a new bullish channel, next to the old one.

If this level will be violated, then the key long term support is the 30 usd level which defines the true nature of the previous bullish movement, either an impulsive one (with then possible new all time highs in the future) or a corrective one (only pull backs within a bearish trend).



Mr. Maggioni has been working in the financial markets for the last 13 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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