

Market Timing – Cycles Analysis



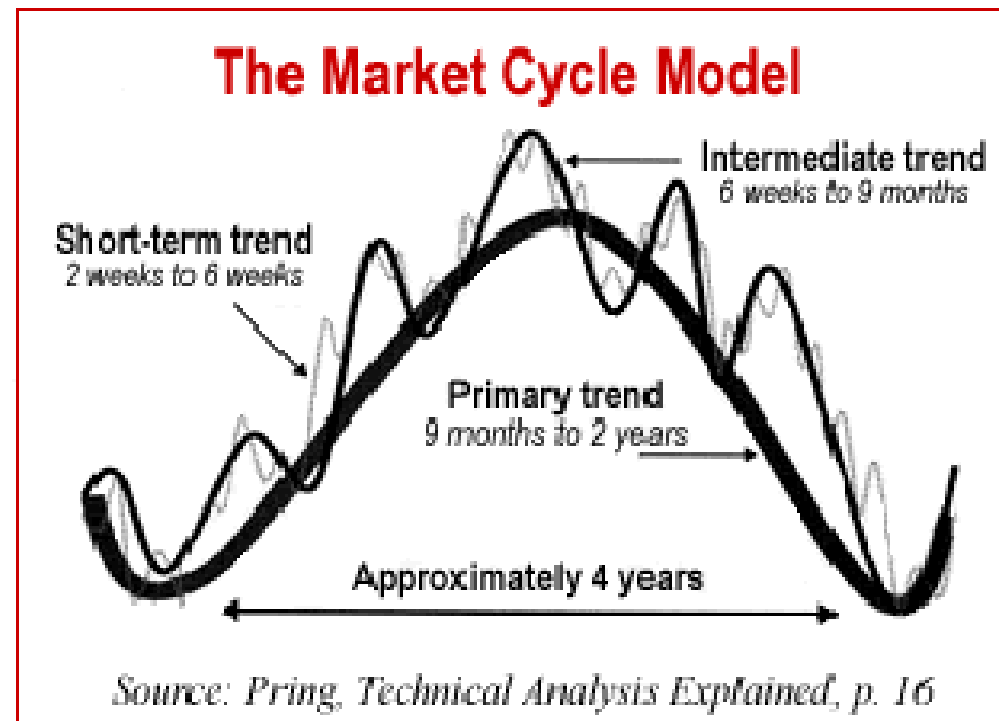
"The difference between a good investment and a bad investment is reduced only to the timing of entry and exit "

William Delbert Gann (1878 – 1955) once said:

*"... looking at the price and time of an investment,
It is much riskier to err the second than the first. "*



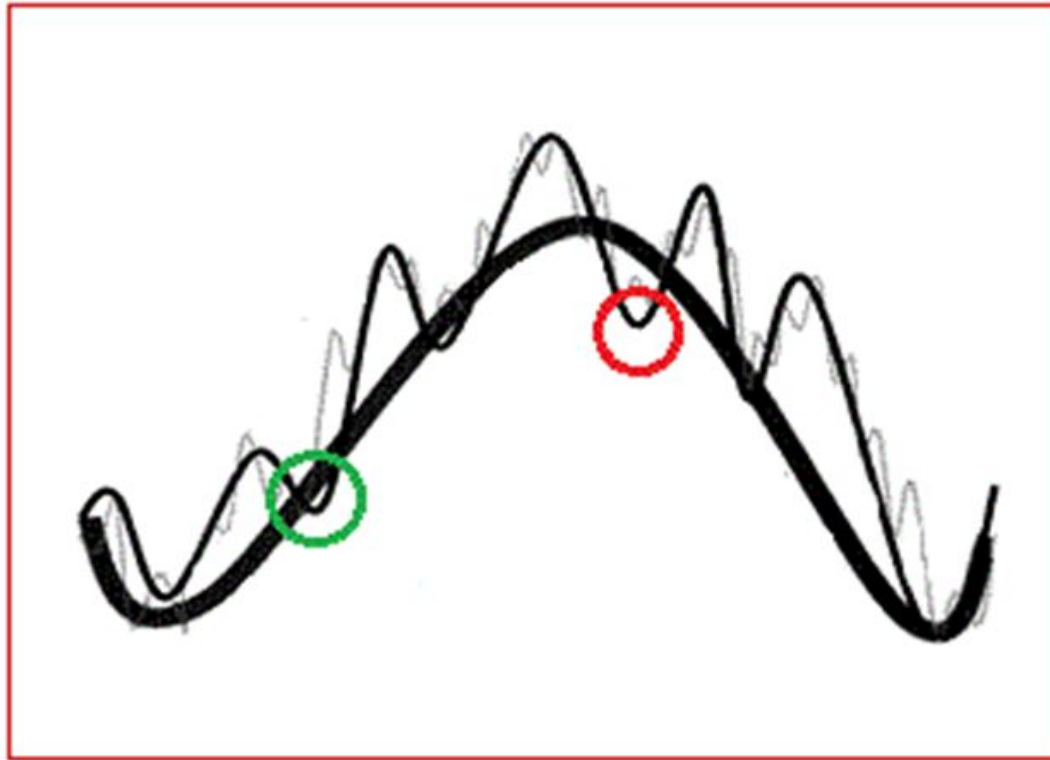
Cycles are fractals: observing a cycle, a multitude of similar but smaller cycles within the observed cycle can be found



Primary goals for an investor must be:

1. Understand where the selected instrument is in the long term: either in a bullish or a bearish cycle;
2. Understand at what stage of the long term cycle the instrument is;
3. Understand where the selected instrument is in the short term: either in a bullish or bearish cycle.

Buying an instrument: which moment you'd prefer?



The two highlighted points even though are two lows, will bear different outcomes in the long term

The goal:



To find instruments that are in the best cyclic situation, both long term and short term, in order to take positions that expand proportionally both in terms of time and price.

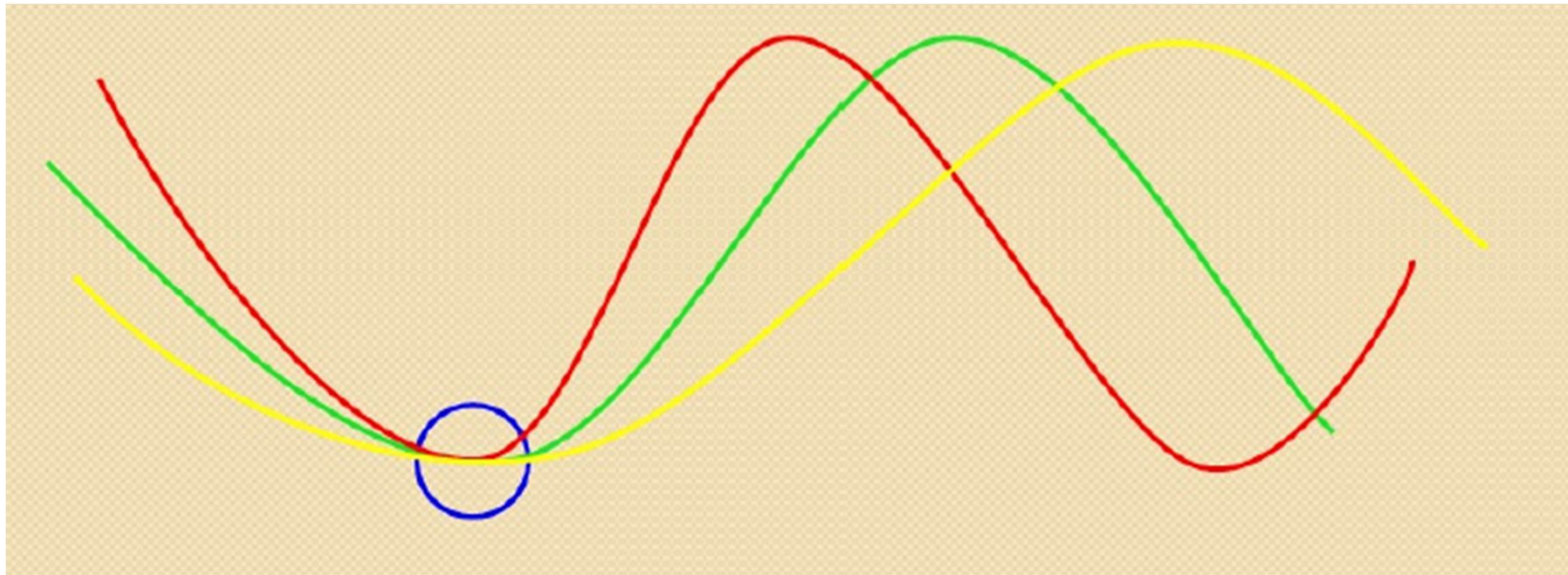
If wrong, the loss (stop loss) incurred is a small fraction compared to the gain that could have been achieved.

Best case scenario

Daily Cycle

Monthly Cycle

Trimester cycle



Cyclic analysis allows to identify the time in which two or more cycles are in the same minimum (maximum).

The cyclical synchronization is the purpose of this analysis.

To find the time when the investment reaches the best Reward / Risk ratio.

Which cycles to monitor?



Timeframes of the monitored cycles are:

- Monthly charts for long term cycles;
- Daily charts for short term cycles;

This makes it easier to understand if the current situation of the instrument is either:

- continuation of the main trend, or;
- a mere corrective movement within a primary one, contrary to the corrective one in which is now inserted.

Cyclical matrix and possible actions

Monthly Cycle	Daily cycle	Most profitable action
BULLISH	BULLISH	BUY, go long.
BULLISH	BEARISH	Wait for the daily cycle to invert and then buy.
BEARISH	BULLISH	Each new max in price is a perfect entry for a short.
BEARISH	BEARISH	SELL, go short.

Once the cyclical situation is framed?



1. Is it worth taking a position?

2. If positive, an entry must be found

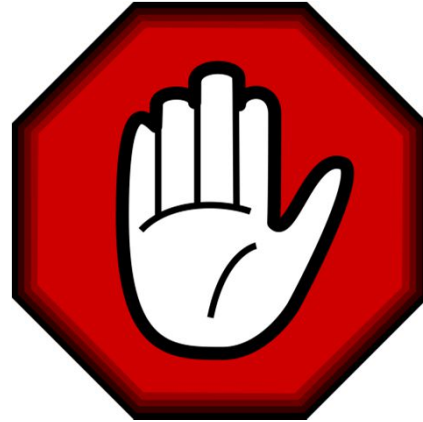
looking at the chart with **additional technical analysis tools** in order to:

a. Find a duable moment and price;

b. Minimize the stop loss that has to be ALWAYS inserted



Important

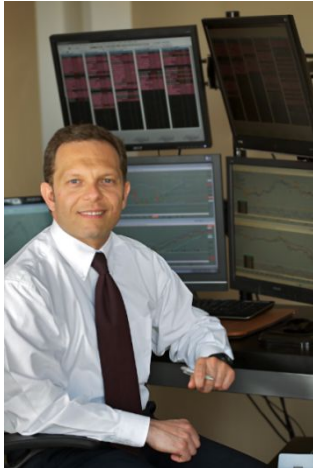


Important

Please note that a cycle inversion do not rule out a new price "maximum" if from bullish to bearish or a price "minimum" if from bearish to bullish.

Cyclical analysis provides important pieces of information about the cycle or cycles an instrument is inserted in and therefore how likely it will behave in the future

***It cannot be used as a stand alone tool
for any (dis)investments decisions***



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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