Flash report SP500

August 30th, 2013

francescomaggioni.com *"Quantitative approach for asymmetric results"*

The above is a monthly chart of the Sp500 continuous future, inserted in multiple Gann boxes.

This report even though may not be of immediate use, I decided to prepare it and send it to show you another mean of analysis that I use, together with classic technical analysis and Elliott Waves.

I have never sent out a report in which there was a Gann box plotted on any instrument, but please note that I do use this analysis.

The reason why I would like to share with you this chart is to give you a possible outlook on what could happen from this highs. It is more of a thought of remote event than a strategy upon which base a trading structure, but nevertheless it is important to lay out all the possible outcomes, the most improbable ones too in order not to be taken by surprise.

From the chart above is interesting to note how well the future repsected the gann lines, the 2x1 first (green line) and the 1x1 afterwords (blue line). When the price broke the support of the blue line, it's natural new path would have been the 1x2 brown line, but the information I receive is that the upward movement was so strong that made the future bounce back and get closer to the once support (blue line 1x1) and now resistance. It in fact touched the blue line quite a number of months, and still it worked as a powerful resistance.

Among many proprierties that markets have, there is also the geometric specularity, which implies that markets tend to behave with similar patterns on the way up and on the subsequent way down (or vice versa): it is of couse not a fixed law, but you will be surprised on how many times they actually do it.

For such law, what I could remotely expect looking at this chart is the beginning of a downward movement soon which at the beginning will be quite violent, making the prices be below the green line (as they were above it, from 2009 and onwards): then to such movement it will follow a bounce which will make prices break the green line and go and test the blue line, makng the blue line the new resistance and the green line the new support, on the way to lower prices.

A first price and time target would be 1,200 points of the SP500 for September 2014, as shown by the blue arrow. **Interestingly enough, such price and time is almost the same as the specular move that did happen from March 2009.**

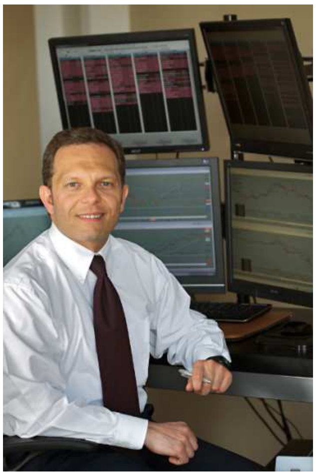
From March 2009 the SP500 went from 666 points to 1,205 points (539 points) in the space of 13 months. Looking at my chart and my study, the target of 1,200 points for September 2014 is 508 points in 13 months. I realized this right now while I was writing this report!

Please also note that the SP500 spent most of its time in the last 13 years around the 1,280 price than any other level, and therefore it is very likely that soon we will see the index back at this level, even without looking at the Gann box.

If we would expect perfect specularity, then the bearish movement should slow from then on, which will make prices to break the resistance up, and the subsequent path down will be then derived by such blue line, having prices that will test such support without breaking it. If that situation will unfold, each bounce will be a good entry for new or increased short positions.

Price and time target of the completion of such specular move is then as shown in the chart, the same price level as of March 2009, 666 points for February 2018, exactly 53 months from August 2013 (as those are the number of months from March 2009 to August 2013).

This of course cannot be used for trading, but I would suggest to print it and leave it somewhere close to your desk, it might come useful.



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.

@fmaggioni

Francesco Maggioni

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