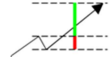


Francesco Maggioni
francesco.maggioni@gmail.com
IT +39 393 70 40 234
UK +44 757 681 62 43

“Quantitative approach for asymmetric results”



Long the “Berlusconi” effect? Someone knows the verdict: Mr. Market



Figure 1: Mediaset (bloomberg ticker: MS IM) weekly chart

In these days there is an immense amount of news on Mr. Berlusconi and his political future: quite astonishingly his future as well as his past has a clear track record, his major source of wealth, the Mediaset stock.

Interestingly the stock has been in a bearish trend since the year 2000 when the stock was trading at 25 euros which may also tell something about his major shareholder, or at least that's how some analysts see the stock, as a proxy for the popularity of a major political player in Italy.

If that is the case, the year 2011 and 2012 have been clearly a bottom for both names and since then have recovered quite astonishingly. Personally I don't look at companies' balance sheet, but on the other hand it is indisputable that Mr. Berlusconi's political acumen and popularity have been risen since then.

Going back to the stock, it had a very strong bullish trend from its double bottom, on July and November 2012 from where it made a considerable performance, 290%.

At the writing of this report it is unclear if that double bottom is potential a true inversion point or not. It has however quite a lot of probability since those bottoms have been accompanied by huge spikes in volume which unfortunately cannot be labeled as capitulation moments. In fact capitulation happens during a red candle with a spike in volume, meaning that it's about holders of the stock that they just want to get rid of it no matter what.

This instance is more of a holding hand, it's about investors that decide that at those prices it was convenient to buy the stock and therefore they pushed the price up and up.

What is the main difference then? Well with capitulation the inversion is almost certain. In this case there is less confrot on considering the low experienced last year a ture historical low. The same investors who bought the stock could potentially get rid of it at anytime.

It still can be violated. That is not a difference to be taken lightly.

Looking at chart it seems that a recent ABC pattern has been completed and that now there is a new bearish movement in place. From the little activity it seems to be a potential impulsive pattern with as of now only wave 1 materialized and this going up is wave 2. At this stage it can also be labelled as another ABC corrective pattern, with this leg up being wave B.

The reason of this uncertainty is due to the fact that wave 2 and wave B are very similar, if not identical.

It seems to be very difficult for Mediaset to continue its previous bullish trend but such confirmation will come only by violating previous high at 3.60 euros.

Possible targets for the newly born retracement / bearish movement are the static support (horizontal purple lines) with particular focus on the the channel between two static supports: the channel between 1,94 euros and 2.55 euros since the stock spent most of the year 2011 in that range before moving to the lower channel.

Coincidentally enough (?) that channel is also the arrival target of the 50% and 61.8% of the whole bullish movement that started last year.

Do you really want to go long Mr. Berlusconi?

(no consideration is made on judging Mr. Berlusconi work as a citizen, an entrepreneur or political leader, conclusion are drawned only by looking at the chart)



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.

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