

Flash report Kohl's corp.

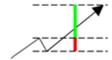


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“Quantitative approach for asymmetric results”



“Shop until you drop” will help Kohl's hit double top?



Figure 1: Kohl's (bloomberg ticker: KSS) monthly chart

The above is the monthly chart of one of the most popular US retailer, Kohl's Corporation.

From the 2009 crisis it doesn't seem to have gained much traction on a chart analysis; basically it recovered quickly from the major low but since then the stock has been sideways moving within the 42 usd and 58 usd. Just on a technical analysis stand point the current price of the stock would be a perfect short entry with the stop above the October 2009 high. Only with the violation of such high we will have in fact the confirmation that the stock has exited the 4 year long sideways movement.

However the stock is giving interesting signs that put them together, are comforting me in taking a long position instead even if the high has not yet violated.

Firstly the September candle is an expansion one, meaning that the movement in the direction of that candle (long) is not complete. Often, but not always it is possible to see a set of three of those candles therefore it could be that we may witness in the near future a set of three expansion candles which would bring the stock to at least a double top. Without going that far, that candle is at least telling us that a continuation of the upside movement can be expected.

The static resistance at 58 usd (purple horizontal line) has been violated but it too soon to call a confirmation of such violation. If that will be confirmed (violation), the next resistance in line is the 66 usd which is the last resistance before a double top. Looking at the past events it seems that the 66 usd resistance should be violated with a strong movement which will push the stock directly to 78 usd, the all time high.

In contrast a much more complicated resistance is indeed the 58 usd as you can see from the chart: it has been a powerful resistance between the years 2000 and 2004, so no wonder this time also is a hard prey.

Looking at the chart in its entirety, it seems that the sideways movement started in October 2009 seems to be a huge continuation flag that in technical analysis is a long sideways counter trend movement after a sudden and strong upward (or downward) trend. It is basically an accumulation process. That is also giving a bullish set up.

On a momentum point of view the CCI 50 periods (long term) is far from an overbought situation, therefore there is indeed room for a continuation of the bullish trend.

What target can be expected if the bullish trend will continue? Fibonacci extensions come handy for this task.

The Fibo extension from 2009 bottom to 2009 high (A-B) and moved to the January low brings the following targets:

- 61.8% extension of AB: 64 usd (green horizontal line)
- 100% extension of AB: 78 usd (blue horizontal line) which will be the double top
- 161.8% extension of AB: 100 usd (not in the chart above).

Even if the last one is today quite a target, nevertheless it is important to have it listed.

WHAT IF:

What if the stock start inverting its course and move south? The overall bullish trend is intact if it does not violate the blue channel in which the stock is inserted, on the contrary it will be a much better entry point for long positions with a higher reward to risk ratio.

If the channel will be violated, the bullish structure can be still in place as long as it does not, and must not violate the ultimate support at 40 usd, both an important low and a static resistance.

My only concern on the overall bullish structure is the lack of volume in the last few months which is telling me that there is little participation on this run up.



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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