

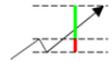
Flash Report Deutsche Telekom

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“Quantitative approach for asymmetric results”



Deutsche Telekom: a long and unfinished accumulation

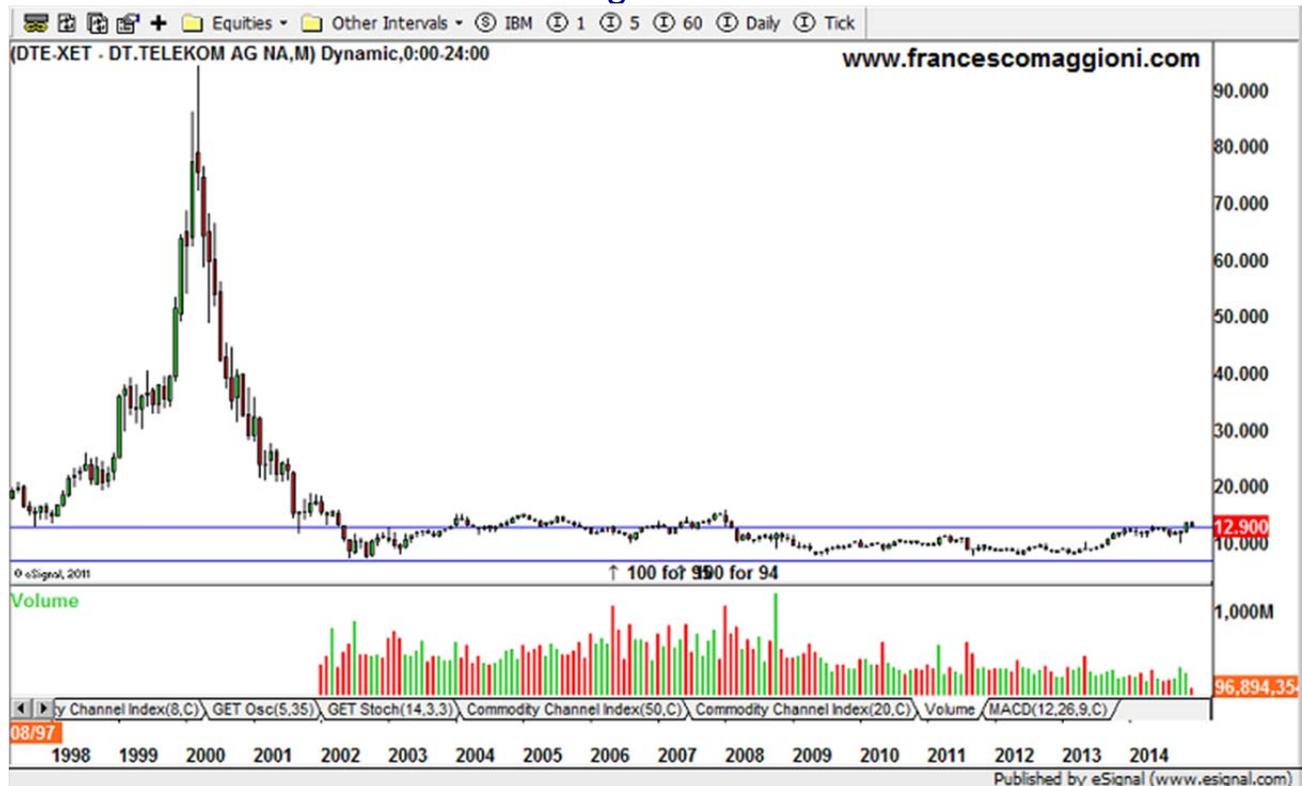


Figure 1: Deutsche Telekom monthly chart

The above chart is the monthly of the German Telecom stock, Deutsche Telekom since 1998 to these days. For many this chart could be not really a sexy one and to some extent they are right. This report's goal is not at this time, suggesting an immediate entry on this stock, but it would like to highlight some future opportunities ahead of time.

The very first word that come up to my mind when looking at this chart is: “accumulation”. Accumulation in technical analysis defines a chart, like the one in Figure 1, where the stock has a sideways movement on the lows, be them intradays or, like Deutsche Telekom, historical ones.

Accumulation is the result of a period of time in which the quantity put on sale from the sellers matches the quantity that buyers are willing to buy: time passes by and the stock ends up in moving up and down within a range, in case of Deutsche Telekom between 7 euros and the current 15 euros. So it is now in the upper side of the range.

But more precisely an accumulation occurs because no matter how many stocks are on sale, the buyers will only match that quantity and in doing so, the action from the buyers is limited to keep the stock at that price.

The longer the accumulation will last, the stronger will be the (possible) break out. A break out can only happen when buyers are in a larger number than sellers. A true break out is always paired with volume explosion which practically means that buyers that were once used to have “infinite” supply of Deutsche Telekom stock, in this case, will see their supply suddenly vanished and at the same time, there will be more buyers than before: actually very likely the sellers will become outright buyers, growing dramatically the total demand for this stock.

So the explosion is the result of two main factors: the sudden disappearing of sellers and the increased numbers of buyers. At the current stage for Deutsche Telekom, despite the price being in the upper side of the range with a chart that seems to mimic a break out, there is no chance to label the movement as a break out from an accumulation because it misses an important factor I just described, volume.

However it would do no harm in keeping this stock in your radar screen because once the accumulation will end, the next target for DT are 21 euros, 26 euros, 31 euros and 38 euros. If someone is interested in doing something immediately, then act strategically with an “accumulation” indeed, meaning to buy the stock little by little, every month.

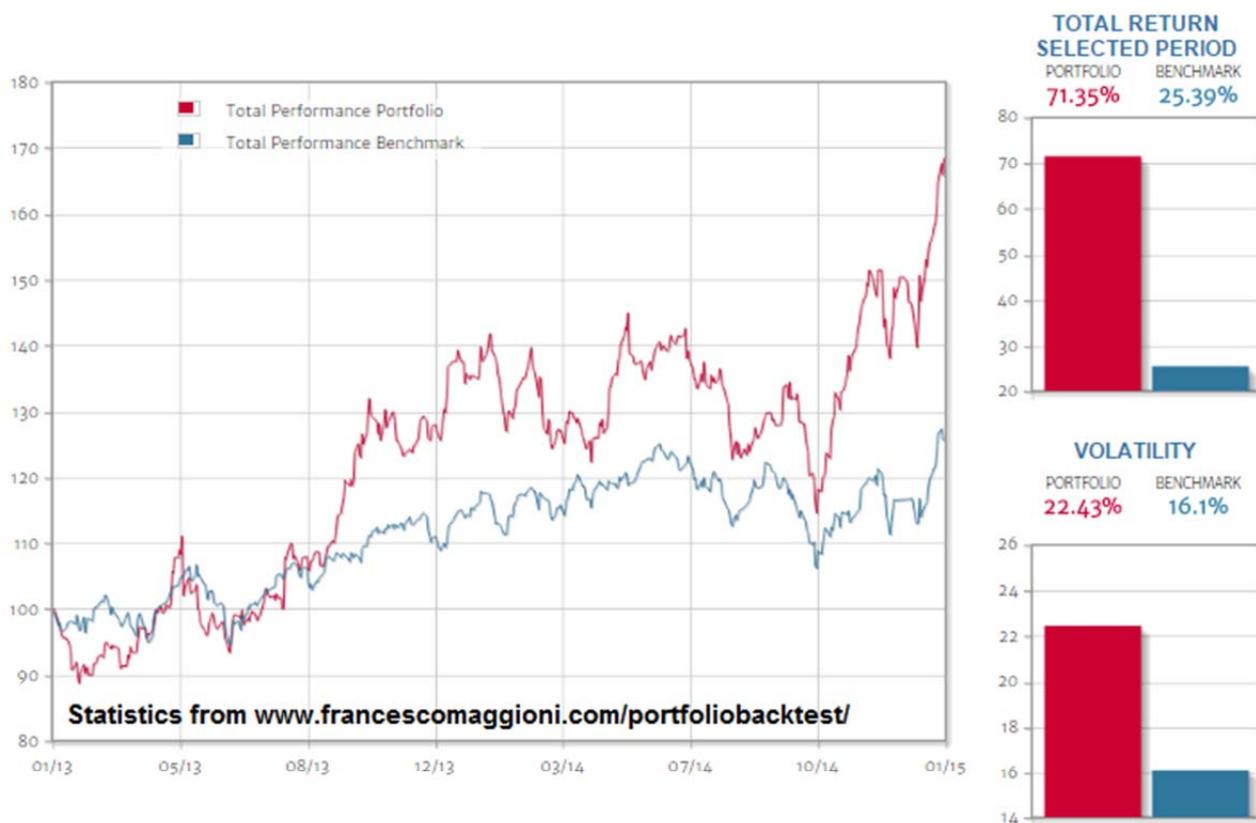
Last consideration is that Deutsche Telekom at these prices yields 3.31% gross of taxes therefore a viable alternative to many (German) bonds today.

And as a last point on accumulation, in the chart below a stock that has been in accumulation for 27 years, can you guess which one is this?



Figure 2: Apple chart showing accumulation since 1976 and break out with volume spike

While below in Figure 3 you can find some statistics on Deutsche Telekom.



OVERALL STATS

	CAGR	Sharpe ratio	Correlation to benchmark	Max drawdown from start	Volatility
Portfolio	30.95%	1.27%	0.60%	-11.39%	22.43%
Benchmark(exsi.mi)	12.00%	0.86%		-5.58%	16.10%

ANNUAL PERFORMANCE

	2013	2014	2015	Total return selected period
Portfolio	44.53%	6.60%	16.91%	71.35%
Benchmark(exsi.mi)	16.61%	2.47%	7.41%	25.39%

PORTFOLIO COMPONENTS STATISTICS

Weight	Annual performance			Volatility	Total return selected period for single instrument	Return contribution
	2013	2014	2015			
100% DTE.DE	44.53%	6.60%	16.91%	22.46%	71.35%	71.35%

Figure 3: Deutsche Telekom statistics



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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