Flash Report Silver

March 21th, 2014

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

"Quantitative approach for asymmetric results"

Silver: not yet a Silver rush, but maybe soon

Figure 1: EURUSD monthly chart

The above is the monthly chart of Silver. Similar to Gold, it has been not a darling for most of investors who kept it until recently, wasting a chance to make a remarkable profit in 2011.

However there are some technical aspects of this long term chart that may pose some valuable arguments for those who are strong believers for a comeback. As always these are projections and my intention is to **provide with a masterplan, but also to offer a plan B** so that I try to keep as little as possible unwanted surprises.

From the price action of this precious metal you can see that after a considerable upward movement, Silver retraced quite substantially, more than the 61.8% level which is the maximum retracement of typical wave 4.

Therefore the overall movement started in 2008 can only be labelled, as of today, a corrective ABC movement where the first leg up was wave A, the bearish (current) movement is wave B and probably (but not surely!) the next wave will be a bullish one. What are the likely targets for the next wave C?

Trendlines give important indication not only for what concern **price targets, but also for time targets**. In fact some of the possible targets are the one layed out by the dark blue trendline, which gives in fact both time and price targets. A double top around 44 usd could materialize by August 2015. Note that at current prices, a double top would exactly be the 61.8% of Fibonacci Extension of previous wave A. As you can see that time and price target is also the juncture of both the dark blue and the purple trendline. The purple trendline is a copy and paste of the previous wave A movement, as you can check in figure 1.

The purple line goes even higher, and from the current Silver price level of 20.34 usd a 100% Fibonacci extension of previous wave A is at 60 usd by July 2016. The safer assumption is that if a new bullish movement could materialize possible targets are the dark blue line right now which makes a strong resistance since it has been violated as a support, and once (and if) that resistance will be violated, then the next targets would be the ones around the purple line.

Maybe the next movement will be a short term upward one, and not a new outright bullish movement which is possible. In fact the long term indicator below the chart, the **CCI 50 period is in a strong oversold position**, and has been there only twice in 13 years, last time was in fact in the year 2001.

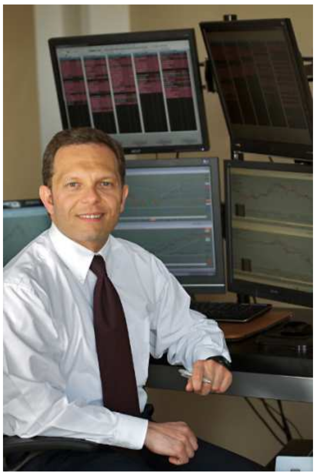
So there is some consistency of targets from different indicators. However **bear in mind that these are only possible outcomes, not all outcomes.**

Operating signals of possible long entries are set at the breaking of the current resistance which is the orange trendline. As you can see it did perfectly its job in containing any upward impulse for 6 months in a row in 2013, so breaking it will actually mean something important. Violation should mean at the same time the breaking of February candle’s high at 22,18 usd.

Very likely with the breaking of such resistance will be also the breaking of another resistance, the one present on the long term indicator, shown below the chart. In fact the CCI 50 periods is in a strong oversold but there is no current sign of inversion. Such sign will materialize with the breaking of the current resistance.

Another important fact is that the current December 2013 low is a higher low compared to the June 2013 one, stating that on a shorter time frame, Silver may have started since then a bullish wave 3 or C. Lots of clues directing the attention for soon-to-come bullish movement.

Let’s take a look at a possible plan B scenario: since the April 2011 high Silver is inserted in a strong bearish structure and therefore it is important to consider each bounce as a mere relief rally and not an inversion. If the current low at 18.18 usd will be broken more weakness must be expected with possible targets at 15 usd first and below 9 usd afterwards.



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.

Useful Links:

European Central Bank:	www.ecb.int
Bank for International Settlements:	www.bis.org
International Monetary Fund:	www.imf.org
Federal Reserve:	www.federalreserve.gov
US CFTC	www.cftc.gov