Flash report Samsung Ins.

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"Quantitative approach for asymmetric results"

A better stock than Samsung? Samsung of course!

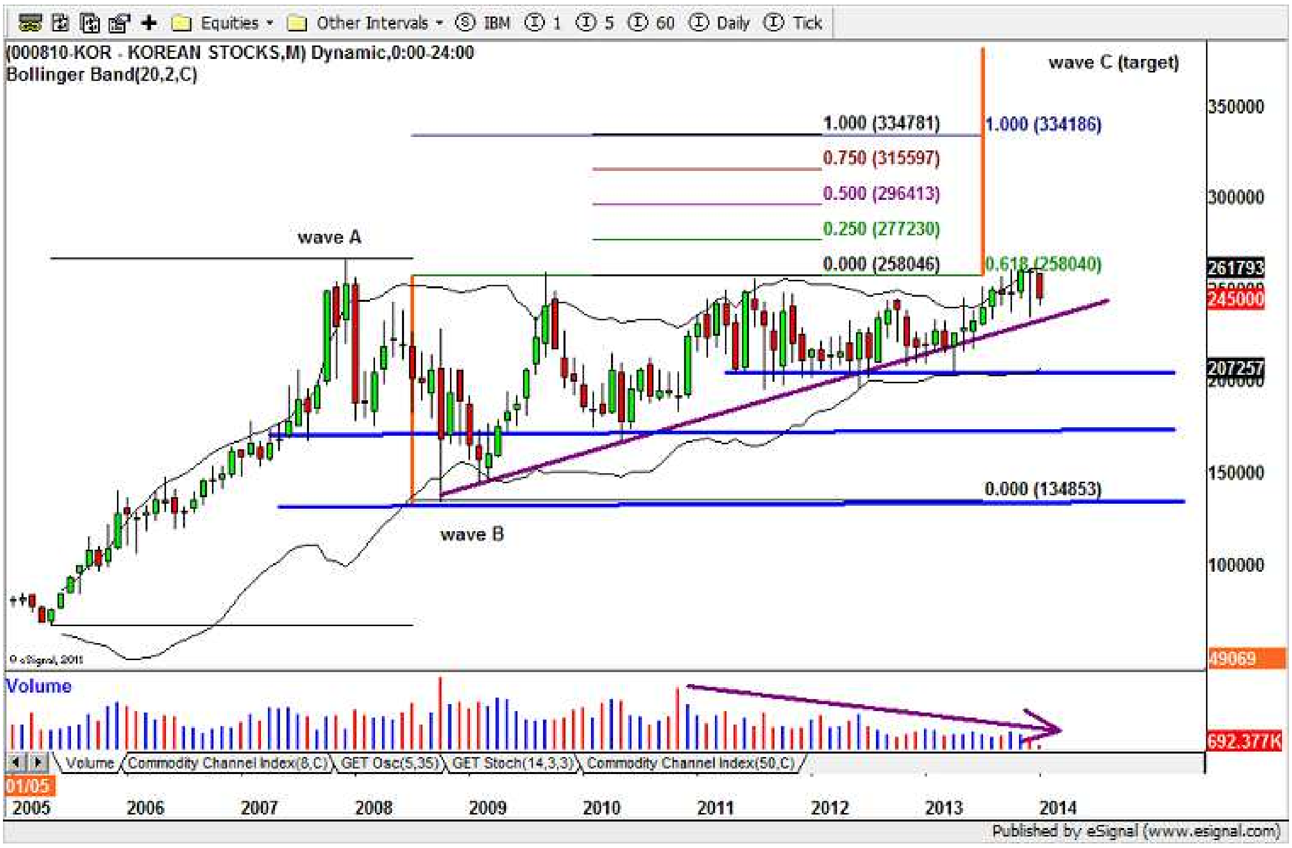


Figure 1: grafico mensile di Samsung – borsa di Seoul

The chart above is the monthly one of the "**Samsung Fire and Marine Insurance**" stock, listed at the Seoul stock exchange with prices in Korean Won that should not be confused with the more famous Samsung Electronics Ltd. which is also listed at the Seoul stock exchange.

The overall picture is a bullish one but there are few hints that are leading me to consider the stock is in a "make or break" situation: in other words it is at a sensible juncture either it goes to new all time highs or it reverses course to a new bearish trend, I would not consider a mere retracement.

Since 2005 the stock is moving in a fashion that to me it is a huge ABC three waves movement where wave A starts from 2005 lows to the 2008 highs which is followed by a corrective wave B culminating to the 2009 lows at which point started the latest and current wave C which brought the price of the stock to the current level.

Another possible technical analysis pattern that can be seen in the above chart from the 2008 low is a rectangular triangle which has as base the line that connects the 2008 high to the 2009 low (orange vertical line) and as the height the horizontal resistance made by the four all time highs there all came aroun the same level. The stock is indeed again hitting at such resistance and it is therefore very possible that this time it will be finally breaking it (beware of false breakouts which at the top are called bull traps) paving the way for fresh new all time highs.

Natural target for a rectangular triangle is the same length of the base pasted above the resistance, and that is why you find the orange vertical line just next to the current price level, which translates to a target of 370,000 won.

Another technical analysis that the stock has been drawing since the 2009 low is what is called a wedge which ideally is confirming that the overall movement started in 2005 is indeed an ABC pattern, since the wedges are typically ending formations for wave C.

There is also another way to forecast possible targets in case of this much waited break of the resistance should materialize and it is using the Fibonacci extension from the wave A and B movement. A 100% extension of the A-B wave move brings a lower target which can be seen as a more conservative one, at 335,000 won.

In both cases however there should be a way to forecast intermediate targets. One easy way is to divide the distance between current level and the Fibonacci 100% extension target into quartiles and consider such quartiles as intermdiate targets where the stock might feel some sort of attraction. At the reaching of those levels there is no need to close the long position, rather it is better to higher the stop loss. Let me mention that the most difficult action for a trader or an investor is not entering into a position rather exiting it. So it is important to have clear exits on both situations, either in profit or at a loss.

On a candlestick analysis the December one has been a very bullish one while the current January one is still an inside giving no indication on where the stock wants truly go, confirming that the 5 year resistance is somehow very strong. At present time there are therefore no indication on this long term chart that justifies a long entry position. The trigger for those who wants to enter into a long position is the breaking of the December candle which is also the long time resistance.

Here is however my biggest concern on the overall bullish picture for those who are not right now into the stock but are looking to, and it is about volumes. Indeed since 2010 volumes on the stock have been constantly decreasing which does not bring any confirmation that the current trend is the main one, as major trends are the one with increasing volume as it means that more and more investors are participating into the bull (or bear) market.

If there will be a break of the resistance it is important to be happening with a spike in volume. Still be aware of false signals or a bull trap in this case. There should be a huge quantity of buy and sell orders just about the resistance level and that is the perfect environment for those who are waiting to short the stock: higher entry with unlimited supply of buyers (those who believes in a true break of the resistance) translates into the most efficient situation to open short positions in large quantity.

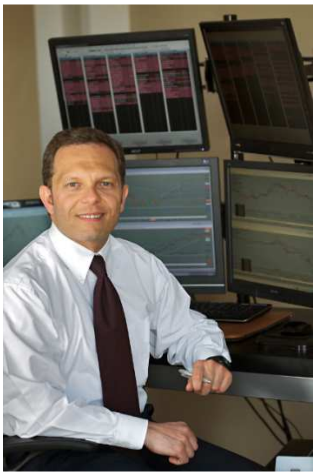
It is true that the stock has been in a sideways movement since 2011 and I feel more confortable to label it an accumulation process rather than a distribution, at current state.

A bearish trend, be it a retracement at the beginning, must necessarily break the dynamic support at first (purple trendline) that started from the 2008 lows and that has been sustaining the whole bullish movement so far.

Actually the most efficient long entry should be around such level even if as you can see the trendline has been violated already a couple of times but on this time frame the stock never closed below it.

If an inversion should materialize, before or after a new all time high will be achieved, possible targets are set at the blue horizontal support lines: 210,000 – 175,000 and 135,000 won.

Interesting to note here that it seems the stock is moving geometrically in channels of 40,000 won circa which gives additional confirmation to a specific bullish target level from the current one: 315,000 won namely the 75% quartile shown above in the chart.



Mr. Maggioni has been working in the financial markets for the last 13 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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