Lessons From The Financial Markets For 2013

by Zak Mir

SAMPLE:

The Winner's Podium 2012

Apple: The First Year After Steve Jobs

The Set Up

Perhaps like most people I would like to pride myself on being an original. This means that all things being equal I occasionally think of the original perspective that nobody else has on a topical debate, spot a flaw in an argument which has been taken for granted as a winning one, or find an angle on an issue which is unique – and hopefully better than anything else on the table at that point. Unfortunately, this is increasingly a more and more difficult thing to do in the age of the Internet. Now there are billions of bloggers with attendant opinions and ideas, and you would have thought that on every issue including Apple, one of the most talked about phenomena of the past ten years, not one stone would remain unturned in terms of the views on the world's largest company.

Therefore I also apologise if what I am going to say is not an original point and is something which every blogger in town has already pointed out. Nevertheless, I believe the following unusual form of analysis still stands. It was interesting that on 5 October 2012, which was a year after the death of Steve Jobs, we actually saw a technical signal combining with the anniversary of his death. What is even more curious is the way that this break of 12 September support at $656 in the first week of October tied in almost exactly with the end of the average length of grief which is said to be one year. If you look up the Banned Blogger's article on ADVFN.com "Apple: Rotten To The Core" you will see the call I made at the time on the shares being a sell.

Indeed, if you believe in the comments on www.caring.com, that it takes about a year for someone to feel better (return to normal) after the death of a loved one, then you may agree that this concept could be one that would affect not only sentiment towards Apple, but also the share price. Of course, turning the argument around in terms of how Apple would do in terms of the price action, this would mean that for the first year after

Steve Jobs' passing the stock was in something of period of grace where nobody would really feel like knocking it down in a serious way. This is even after a fiasco such as the mapping app and the general situation where the company is involved in ugly vanity legal battles with Samsung. That said, the most pertinent factor of all may be that new CEO could never live up to the legend that his predecessor had built up. On this basis I would suggest that Apple mania had an extra year more than it deserved courtesy of the late Mr Jobs passing. It is now five years since the iPhone was launched in June 2007, and for any mania – including that of the Beatles 1963-1966 (until the Beatles said they were greater than Jesus), Tulips in Holland (1634-7) and the Dotcom Bubble of 1995-2001, this has to be regarded as a long time. To paraphrase Winston Churchill's speech of 10 November 1942, we may have reached the end of the beginning of Apple's great bull run. Are Apple products so good looking you want to eat them? Yes. Are they the perfect affordable luxury for straightened times? Yes. Should Apple be the world's most valuable company? Maybe, but probably not.

2012 Price Action

The daily chart of Apple overlaps into the end of 2011 on the basis that the end of November witnessed a rebound for the stock of the then rising black 200 day moving average at $363. This is important as it is usually the case that some of the strongest rallies in stocks and markets are derived from a successful pullback to the 200 day line, and to a lesser extent the shorter timeframe 10, 20 and 50 day lines. In fact the big action for 2012 started almost at the open in the form of a gap in the first training session of the year through towards $410, with a larger feature the gap through $440 towards the end of the month, both of which remained unfilled. It is normally the case of when you see two unfilled gaps in relatively quick succession the correct assumption is that we are heading for a significant move to the upside.

Indeed, if we needed any further proof of the resilience of the Apple price action it was the February gap through $480. From this moment on one would be merely choosing which moving average to use as a trailing stop loss, in this case the grey 20 day moving average and only reversing or taking profits on long positions if there was a sustained push below the 20 day line. The best trigger in such instances is normally to use an end of day close below the moving average which is being used as the dynamic stop loss. As can be seen there was no end of day close below the 20 day line until 13 April and a $603 close. On the basis of the break of a December RSI trendline the end of the first phase of Apple's 2012 rally came on 30 March, $599, a little early as far as the 10 April peak of $644. After that traders were left in the lurch for just a few weeks in terms of waiting on a big signal from Apple shares. 23 April $556 intraday low resentfully as after a break at the level down to $528 we were waiting on any end of day close back above the former April low to suggest a bear trap and a new potential led to the upside. This was delivered on 21 May in the form of end of day close at $561. Those who kept their nerve could have stayed in the stock from there until the $700 plus all-time high, although the final buy signal of note in terms of people argument came on 31 July. Here we would have bought in on the basis of a threeday island bottom being formed, with its $603 open price of that day the notional entry-level.

Then for August/September/October we have a clear head and shoulders reversal pattern, one that is backed by a beautiful island top sell formation just above the $700 mark. The presence of this island top, as well as the head and shoulders reversal, reminds us that so-called double or combination signals have to be taken as a compelling event in terms of trading action. Indeed, on this occasion we had a break of a May RSI support line around the 46 level coinciding with the aforementioned one-year death anniversary for Steve Jobs, and the reversal signals in the price window. From that point on a fill of the $585 late July gap up floor became the objective for the iPhone maker's stock. In fact, this objective was easily beaten by the beginning of November, arguably causing the biggest private investor upset of the year as their beloved Apple tanked despite iPhone 5 and the Mini iPad launches.

Payoff

Of course, there could easily be a whole book describing Apple's year every year, and particularly the one after the death of Steve Jobs. Standouts have been the record high as far as the stock is concerned, the most expensive company in the world tag, the maps app fiasco, and on-going legal warfare with Samsung. The suspicion here at the beginning of October when I first started writing about Apple's year was that we may have seen at least a pause in the progress for the iPhone maker was partly psychological – the one year after Jobs, partly to do with the daily chart, where there was a clear double reversal/triple reversal. This proved to be correct and was more than just yet another attempt to be a contrarian who managed to pin the correct price target tail on the world's largest donkey (company). Before the fall one could only imagine how much money has been lost by speculators in previous months attempting to short this stock and of course from October it was the longs who took a massive hit. Clearly it would always be best to miss out on such money-losing opportunities in both directions, and from my perspective following technical signals is one of a few robust methods of doing this if you decouple your personal psychology from what your eyes are telling you on the screen. Incidentally, by the end of November for Apple the unfilled gap to the upside on 19 November completed that month's island bottom reversal, with the entry point the open of 20 November at just under $572. That said, we really need to witness an end of day close back above the November gap at $580 to suggest that it is not merely a dead cat bounce the stock is offering.

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Published by ADVFN Books

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