

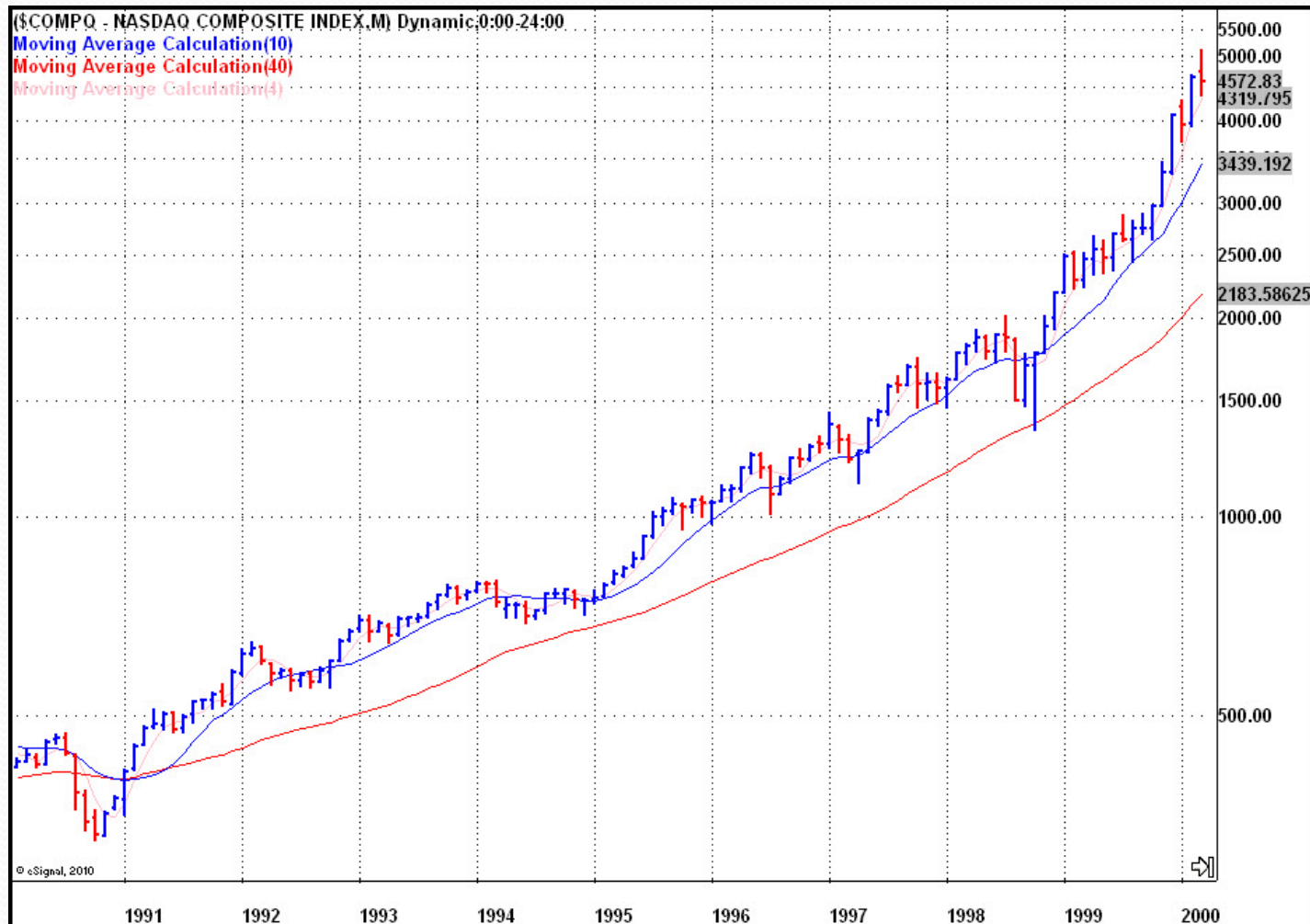
Trader's Expo 2011  
Marriott Marquis Hotel  
February 21, 2011

# New Ideas in Technical Analysis

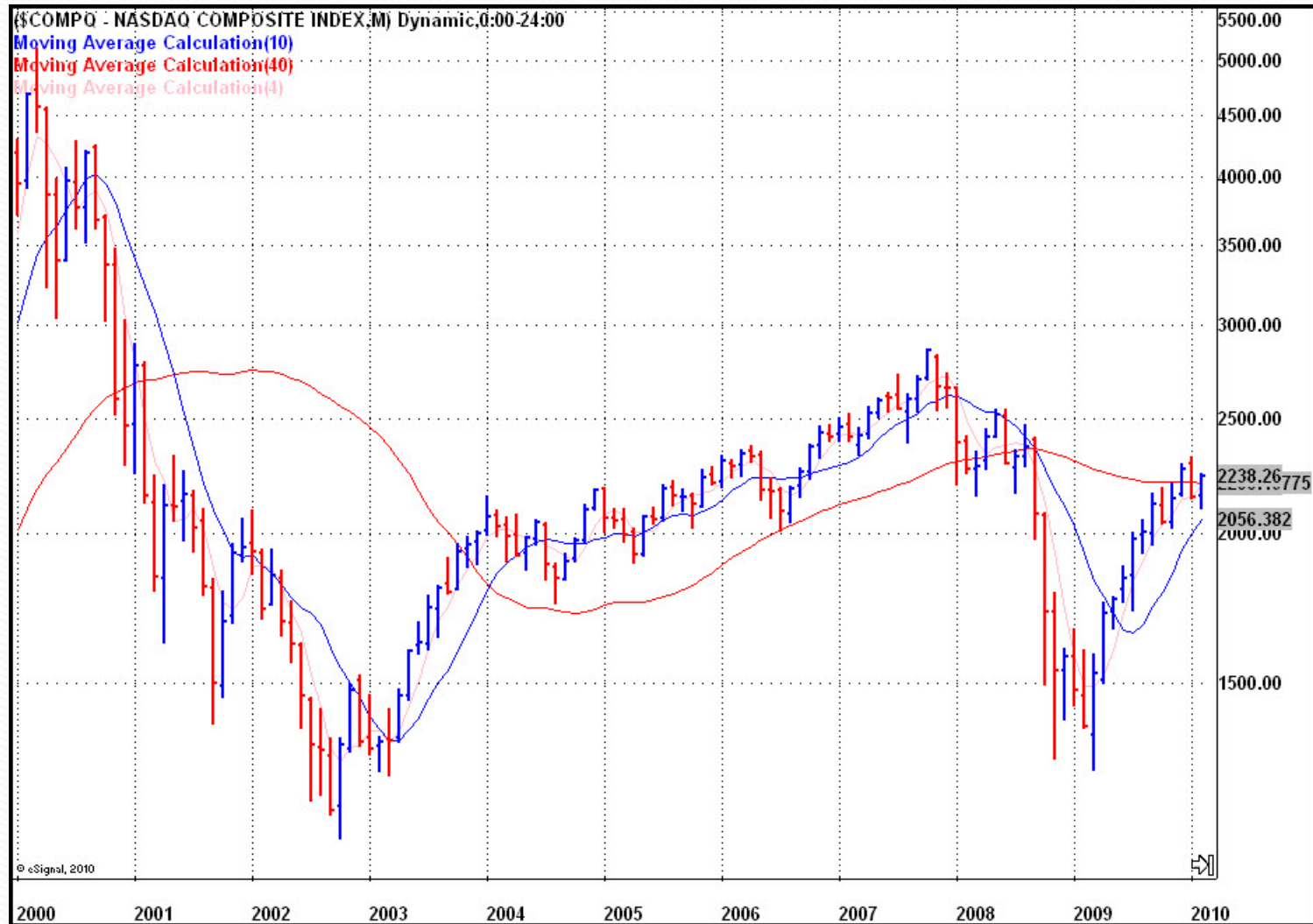
## The Pocket Pivot Buy Point

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# The Parabolic 'Nineties



# The Chop 'n' Slop 2000's



# Basic Premise of the Pocket Pivot

- Institutional Buying creates new-high base breakouts, but we also know that **institutional buying occurs within consolidations and during uptrends.**
- This buying within consolidations and uptrends should, theoretically, have its particular, identifying **price and volume “signature.”**
- The pocket pivot describes that “signature,” and **provides a clear, buyable “pivot point,”** or “pocket pivot buy point.”
- Pocket pivots also provide a **tool for buying leading stocks as they progress higher within uptrends,** extended from a prior base or price consolidation.

**Pocket pivots are just a way to identify institutional investors' footprints within a base or an uptrend.**



# Ten Rules for Pocket Pivots

1. As with base breakouts, proper pocket pivots should emerge within or out of constructive basing patterns.
2. The stock's fundamentals should be strong, i.e., excellent earnings, sales, pretax margins, ROE, strong leader in its space, etc.
3. The day's volume should be larger than the highest down volume day over the prior 10 days.
4. Pocket pivots sometimes coincide with base breakouts or with gap ups. This can be thought of as added upside power should this occur.
5. If the pocket pivot occurs in an uptrend after the stock has broken out, it should act constructively around its 10-dma. It can undercut its 10-dma as long as it shows resilience by showing volume that is greater than the highest down volume day over the prior 10 days.
6. Some pocket pivots may occur after the stock is extended from the base. If the pivot occurs right near its 10-dma, it can be bought, otherwise it is extended and should be avoided. Give the 10-dma the chance to catch up to the stock, where the stock would consolidate for a few days, before buying such a pocket pivot.
7. Do not buy pocket pivots if the overall chart formation is in a multi-month downtrend (5 months or longer). It is best to wait for the rounding part of the base to form before buying.
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9. Do not buy pocket pivots if the stock formed a 'V' where it sells off hard down through the 10-dma or 50-dma then shoots straight back up in a 'V' formation. Such formations are failure prone.
10. Avoid buying pocket pivots that occur after wedging patterns.

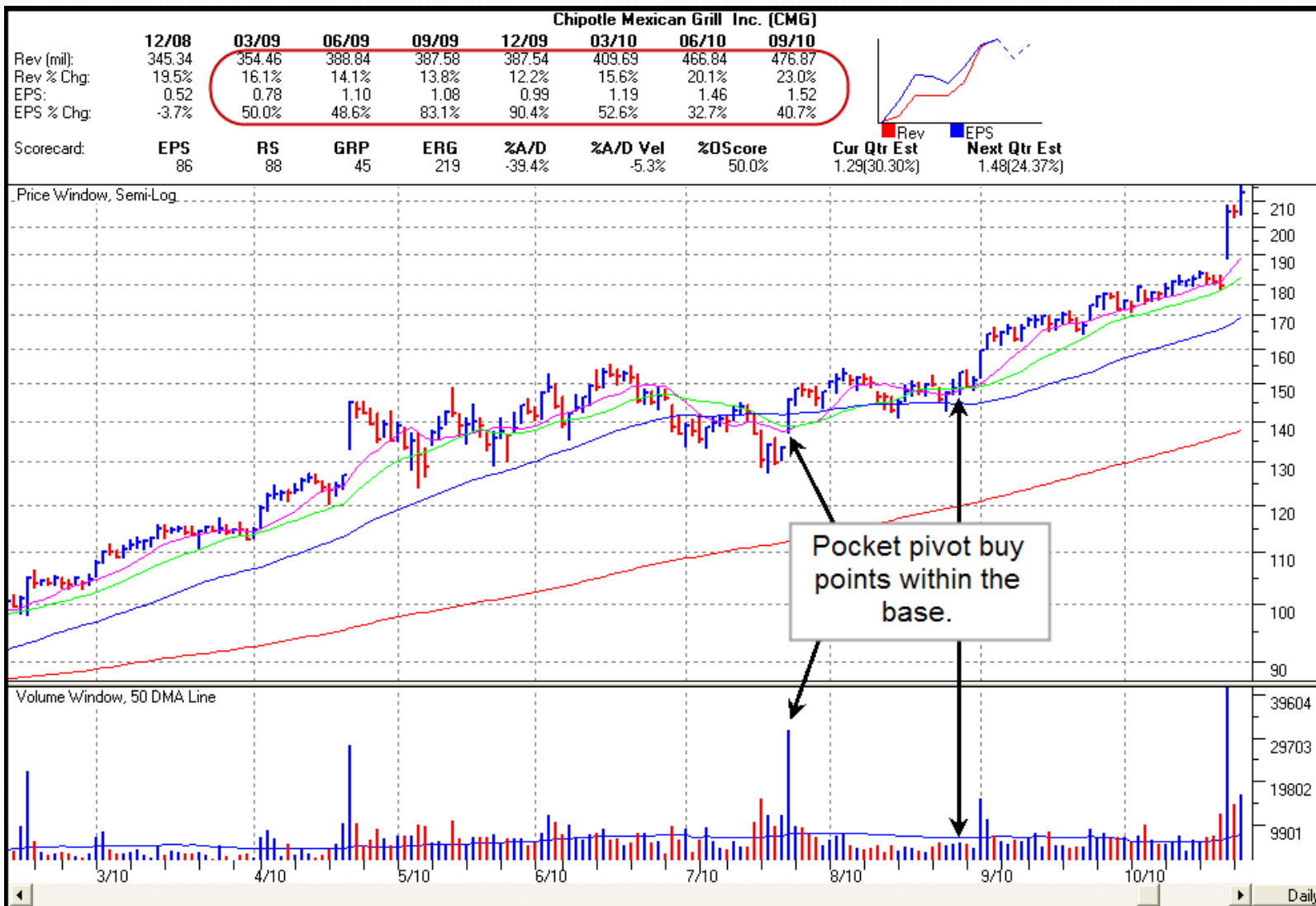


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# Pocket Pivot Example #1

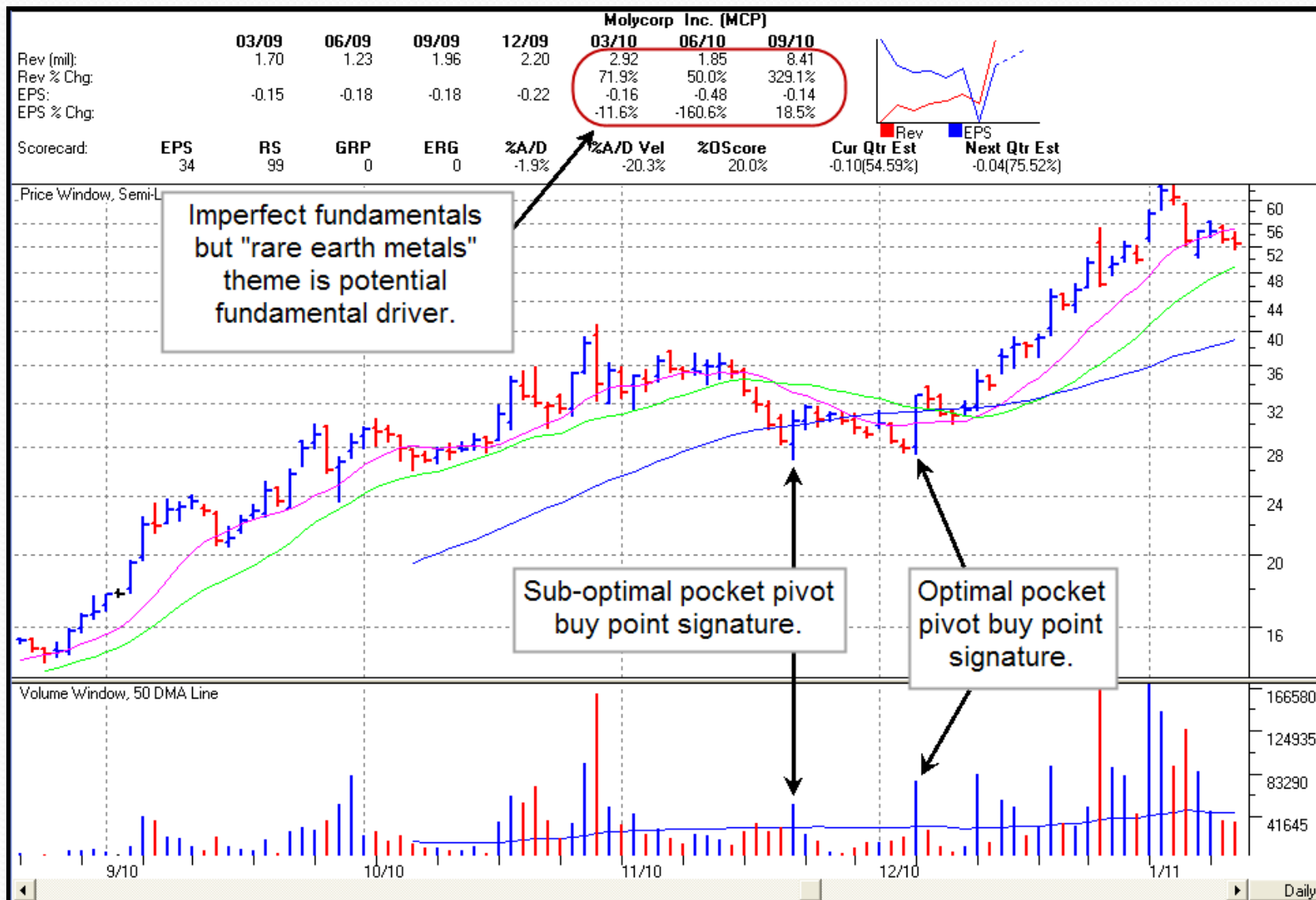
## Chipotle Mexican Grill (CMG) – Aug/Sept 2010





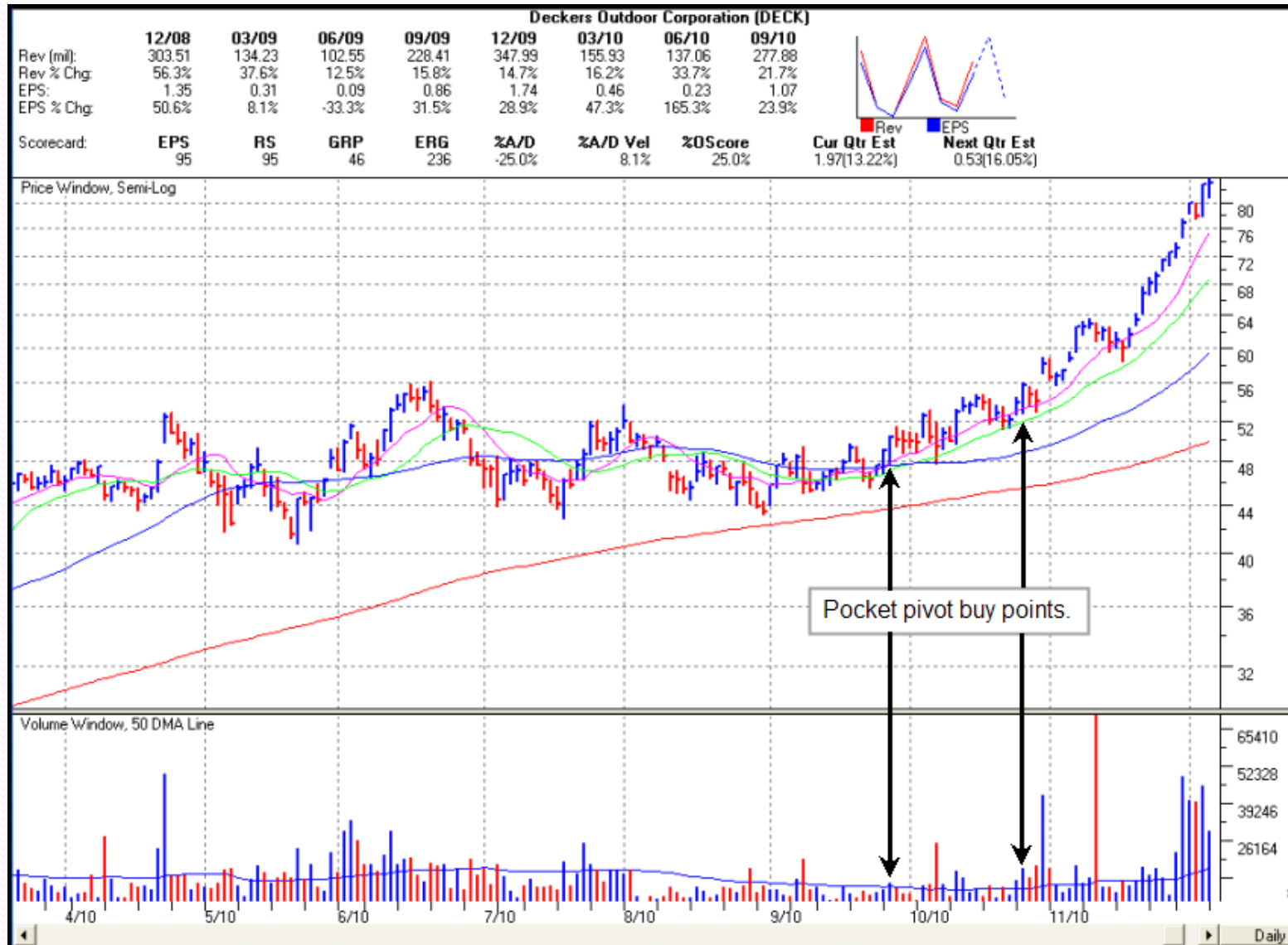
# Pocket Pivot Example #2

## Molycorp, Inc. (MCP) – Aug/Sept 2010



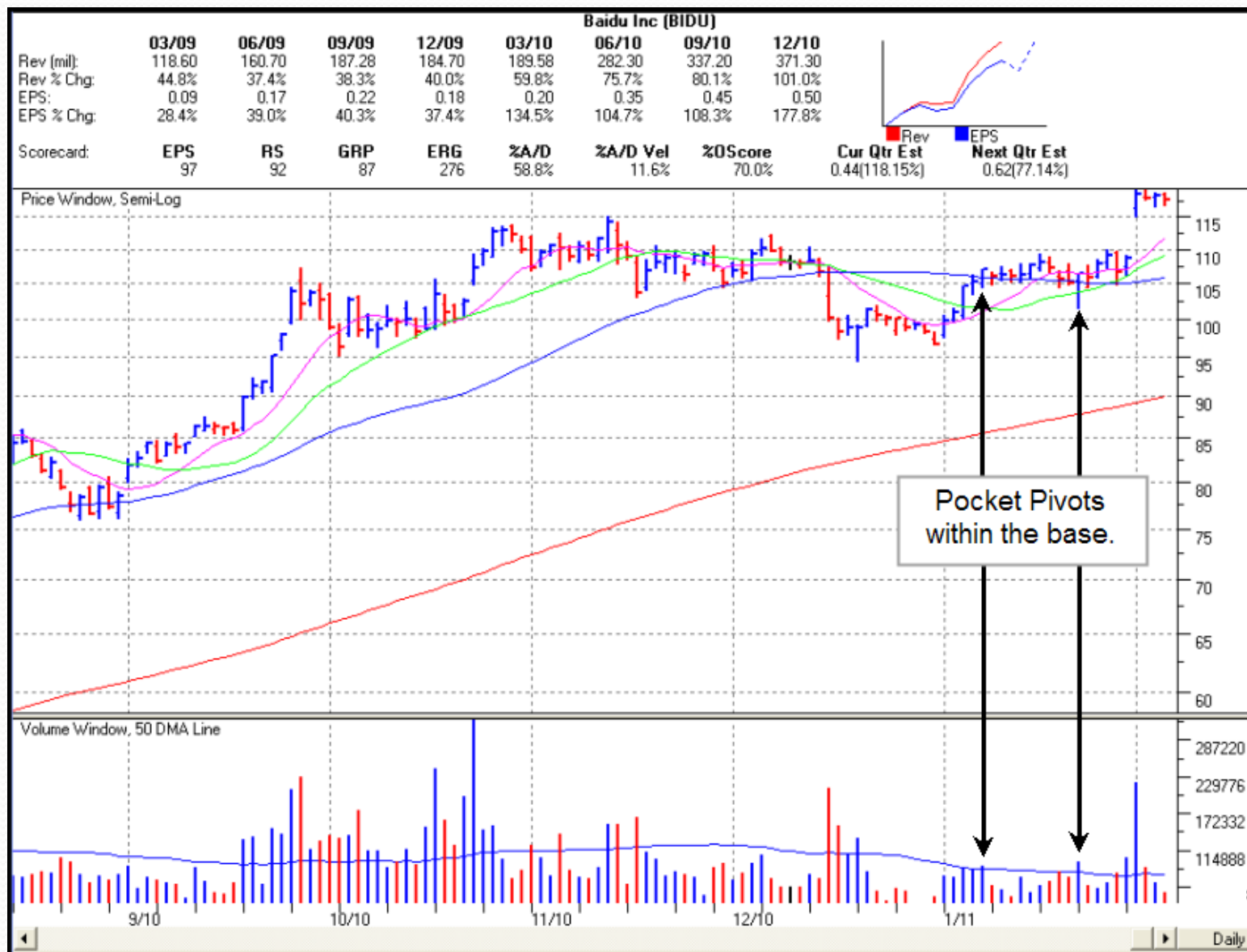
# Pocket Pivot Example #3

## Deckers Outdoor Corp. (DECK) - September/October 2010



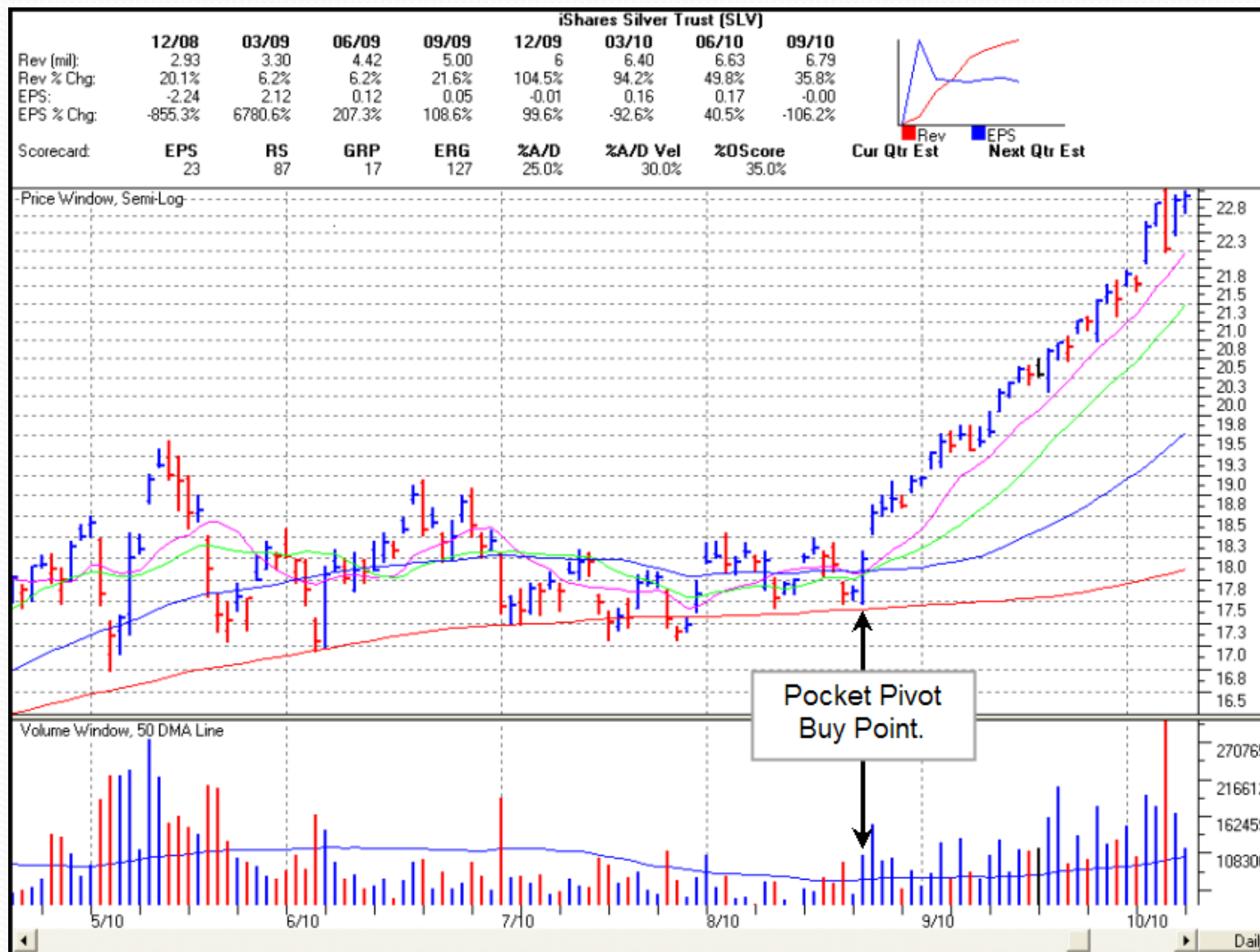
# Pocket Pivot Example #4

## Baidu, Inc. (BIDU) – January 2011



# Pocket Pivot Example #5

## iShares Silver Trust (SLV) – August 2010



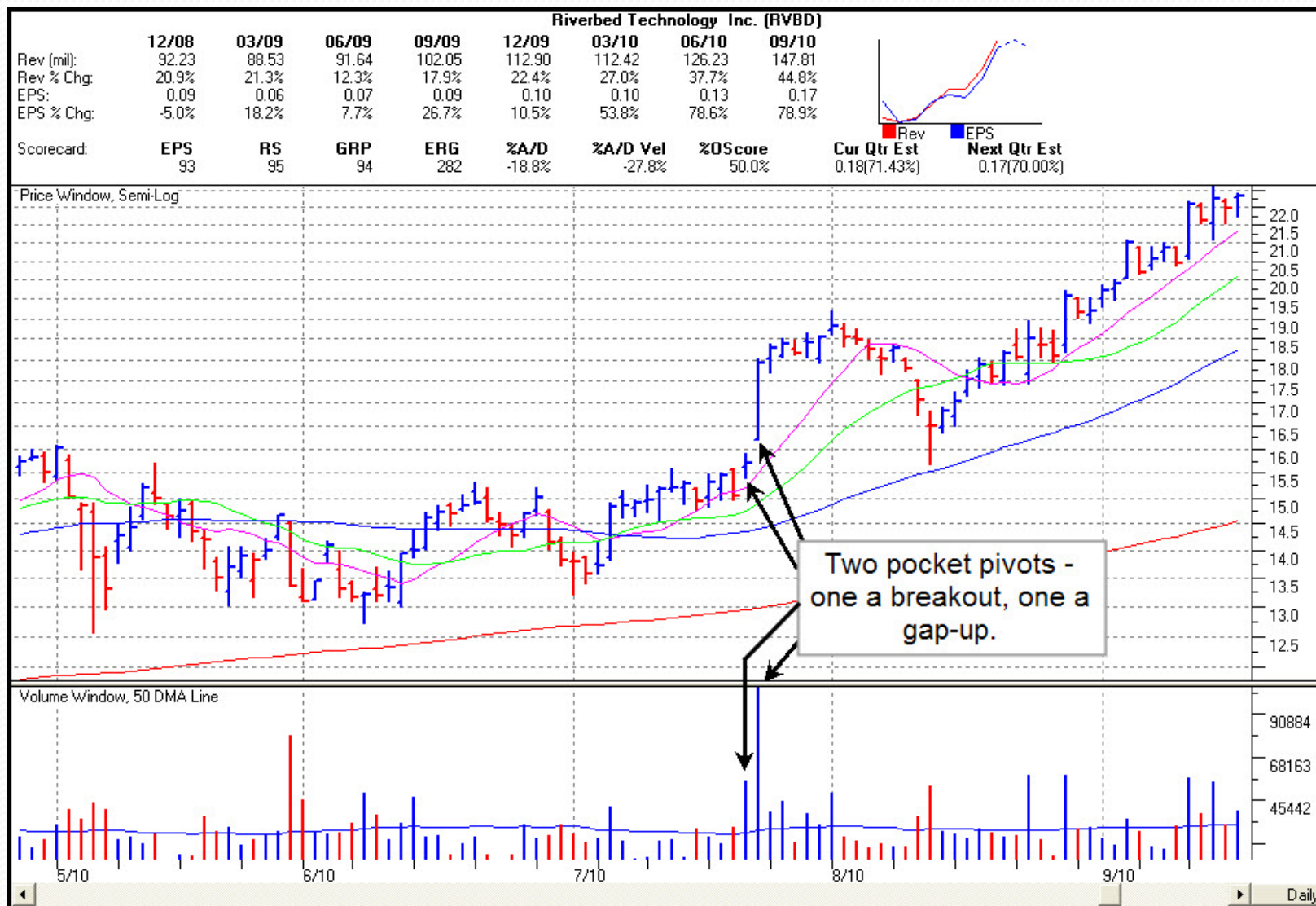
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# Pocket Pivot Example #6

## Riverbed Technologies (RVBD) July 2010



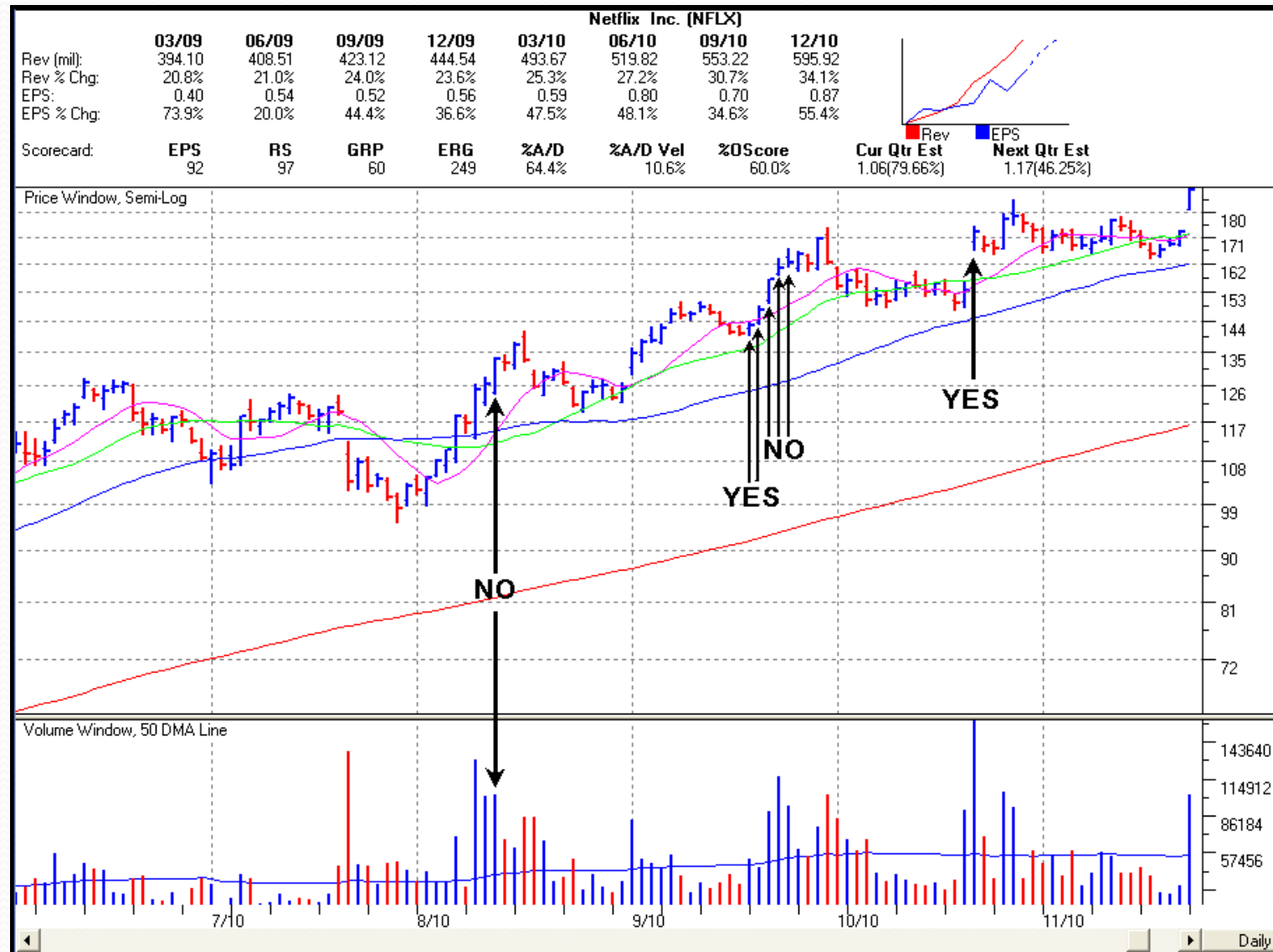


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# Pocket Pivot Example #7

## Netflix, Inc. (NFLX) – September 2010



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# Pocket Pivot Example #8

## Research in Motion (RIMM) November 2008

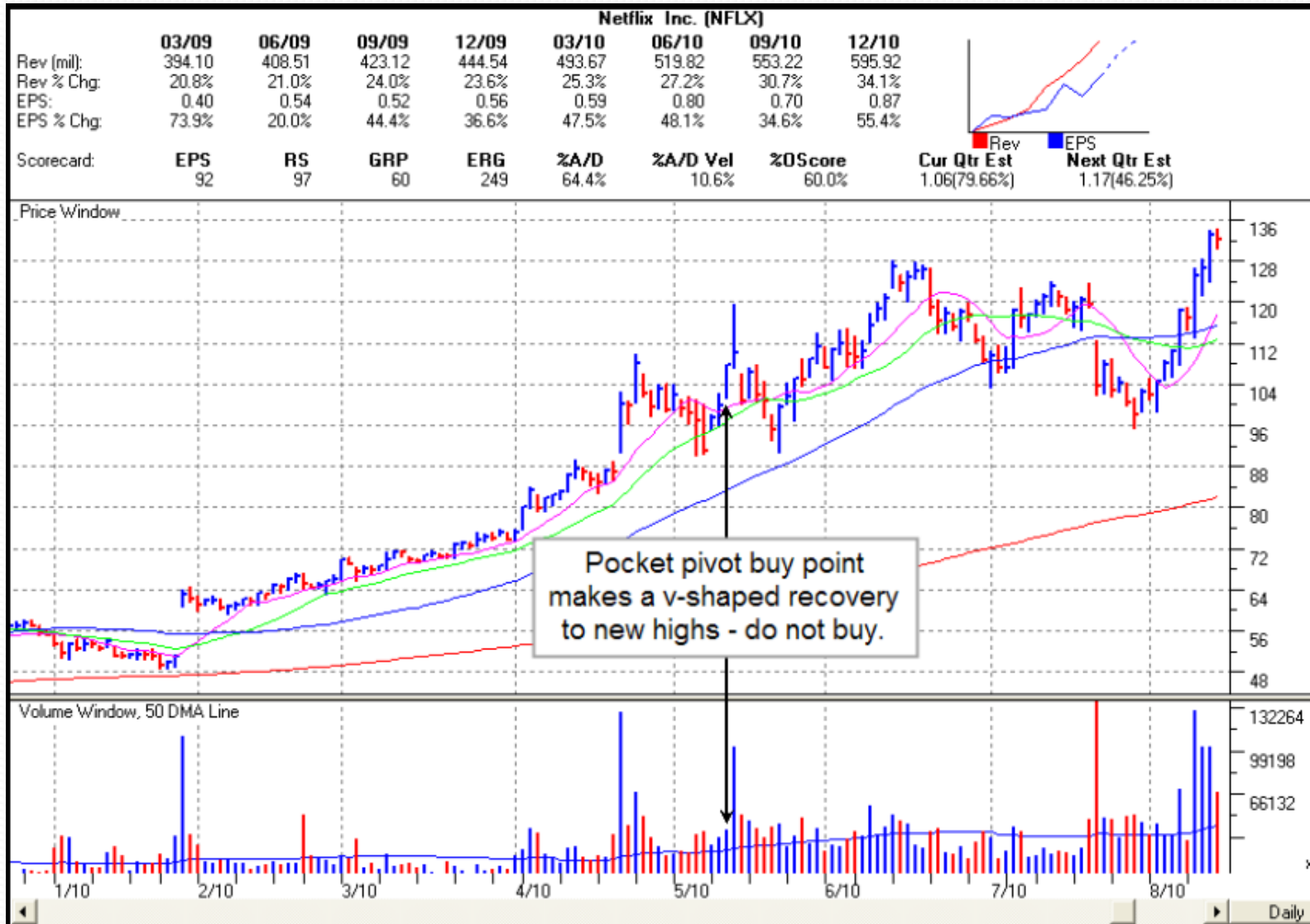


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# Pocket Pivot Example #9

## Netflix, Inc. (NFLX) on May 12<sup>th</sup>, 2010



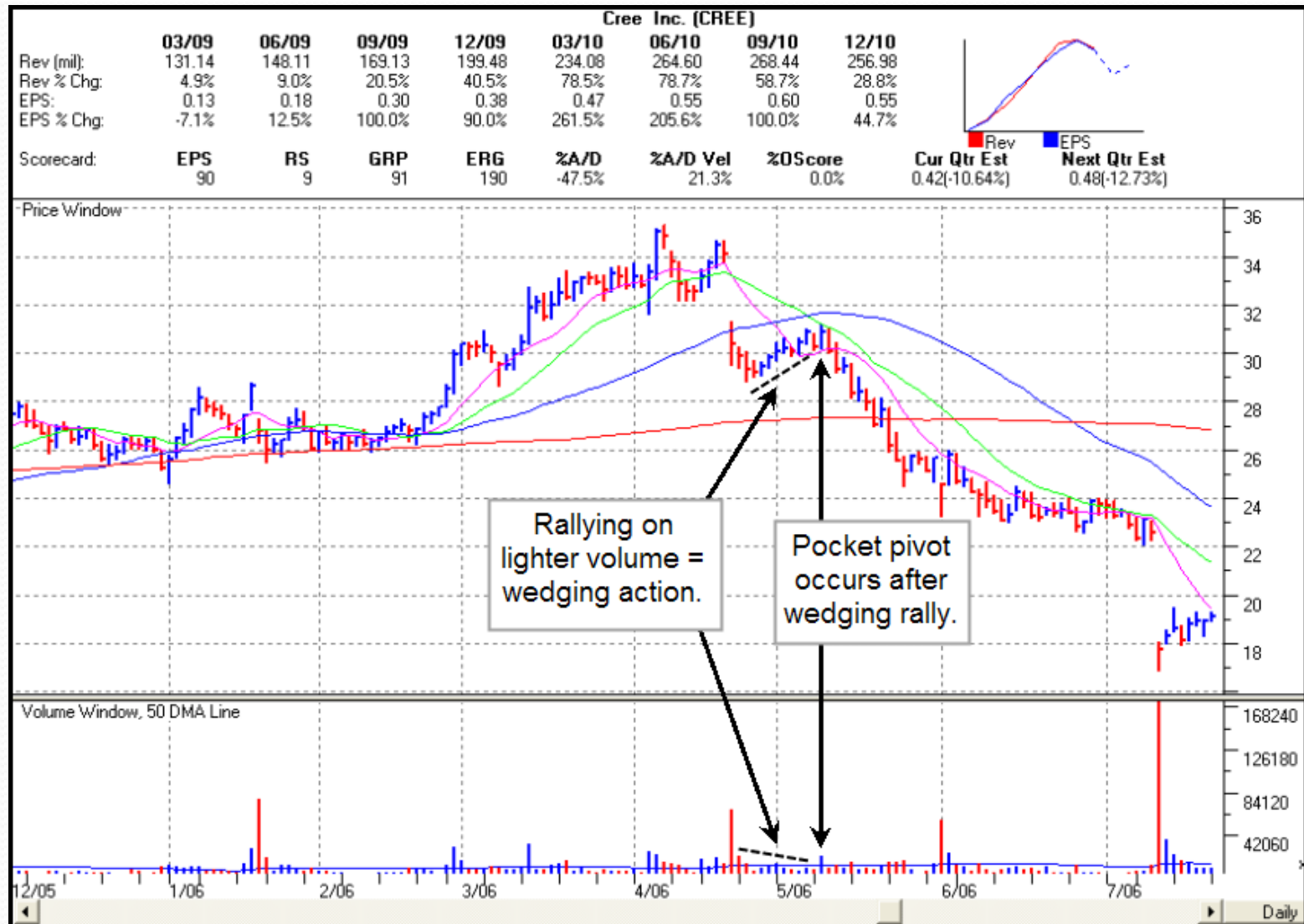


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# Pocket Pivot Example #10

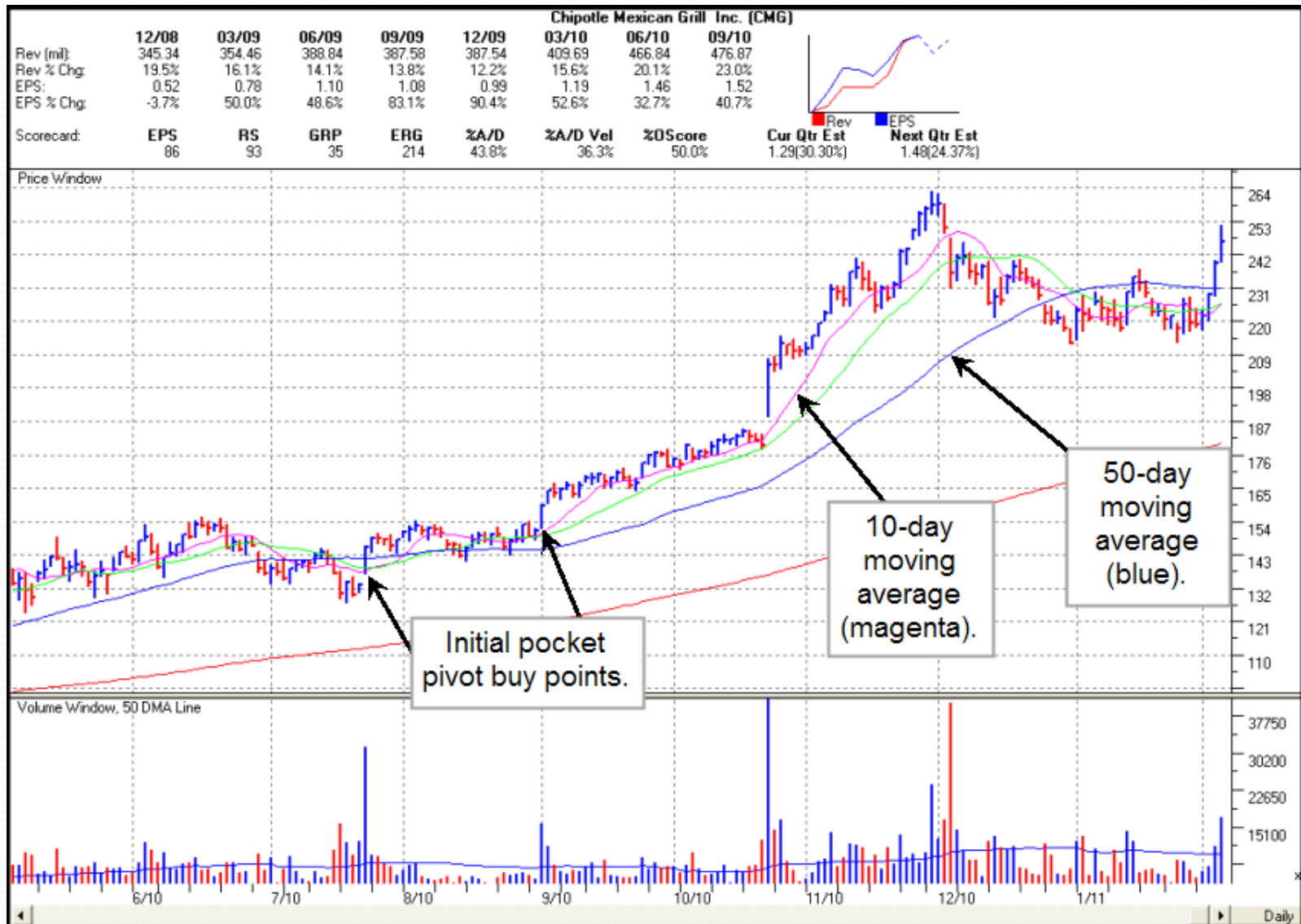
## Cree, Inc. (CREE) on May 9<sup>th</sup>, 2006



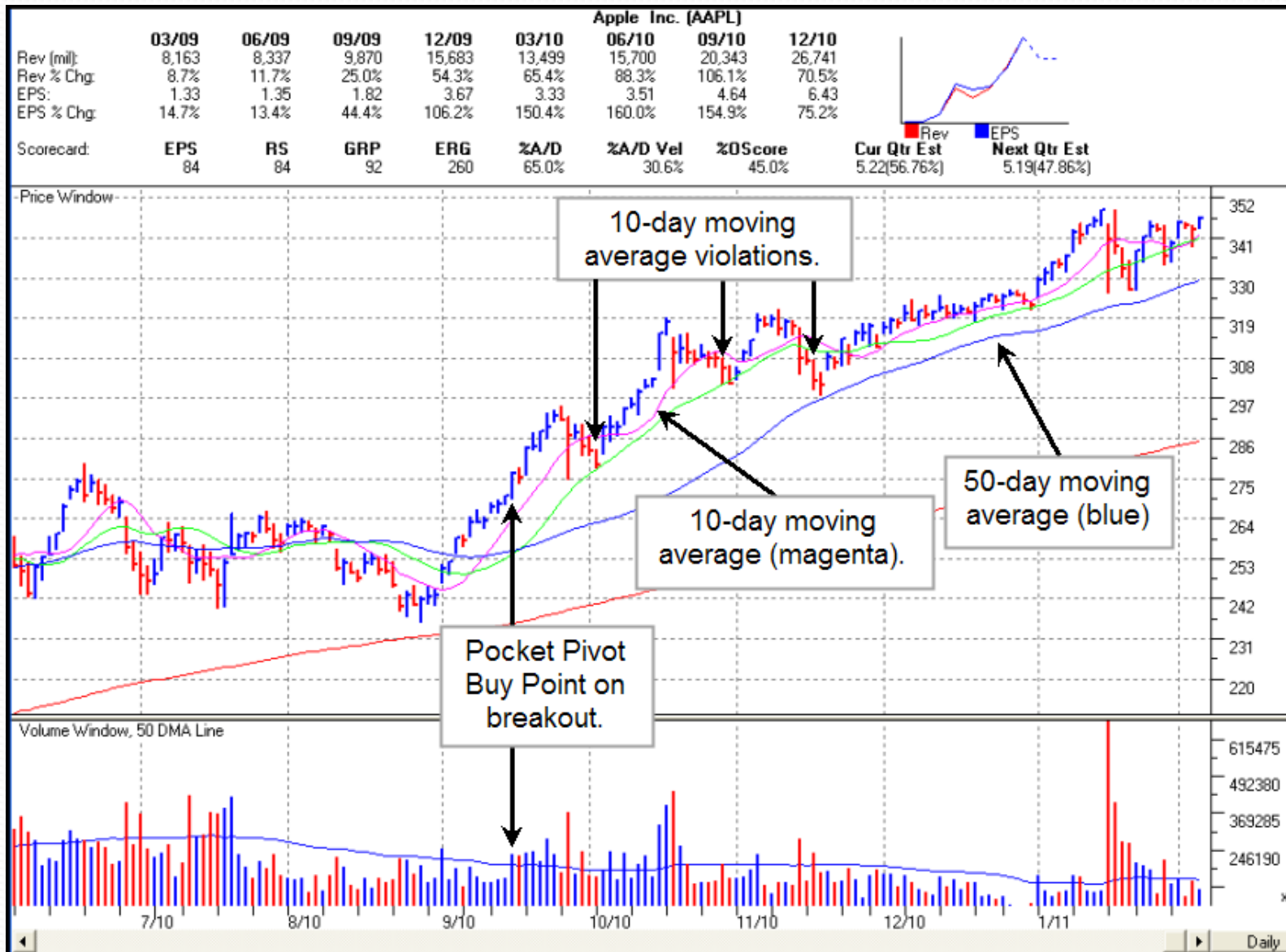
## Use of the 10-day and 50-day moving averages in conjunction with the Pocket Pivot tool is governed by the “Seven-Week Rule.”

- **10-day** = Stocks that have shown a tendency to “obey” or “respect” the 10-day moving average for at least **7 weeks** in an uptrend should often be sold once the stock violates the 10-day line.
- **50-day** = If they don’t show such a tendency to obey the 10-day moving average then it is better to use the 50-day moving average as your guide for selling.
- This rule can help prevent you from selling a stock prematurely if it is simply not its nature to hold the 10-day moving average and it tends to drop below the 10-day line often. Our studies of pocket pivots indicate that a pocket pivot buy point which results in an uptrend that is shown to obey the 10-day moving average for at least 7 weeks following the initial pocket pivot should be sold upon its first violation of the 10-day line. A “violation” is defined as a close below the 10-day moving average followed by a move on the next day below the intraday low of the first day.

# Example #11 - Chipotle Mexican Grill (CMG) and the 10-day Moving Average



# Example #12 - Apple, Inc. (AAPL) and the 50-day Moving Average



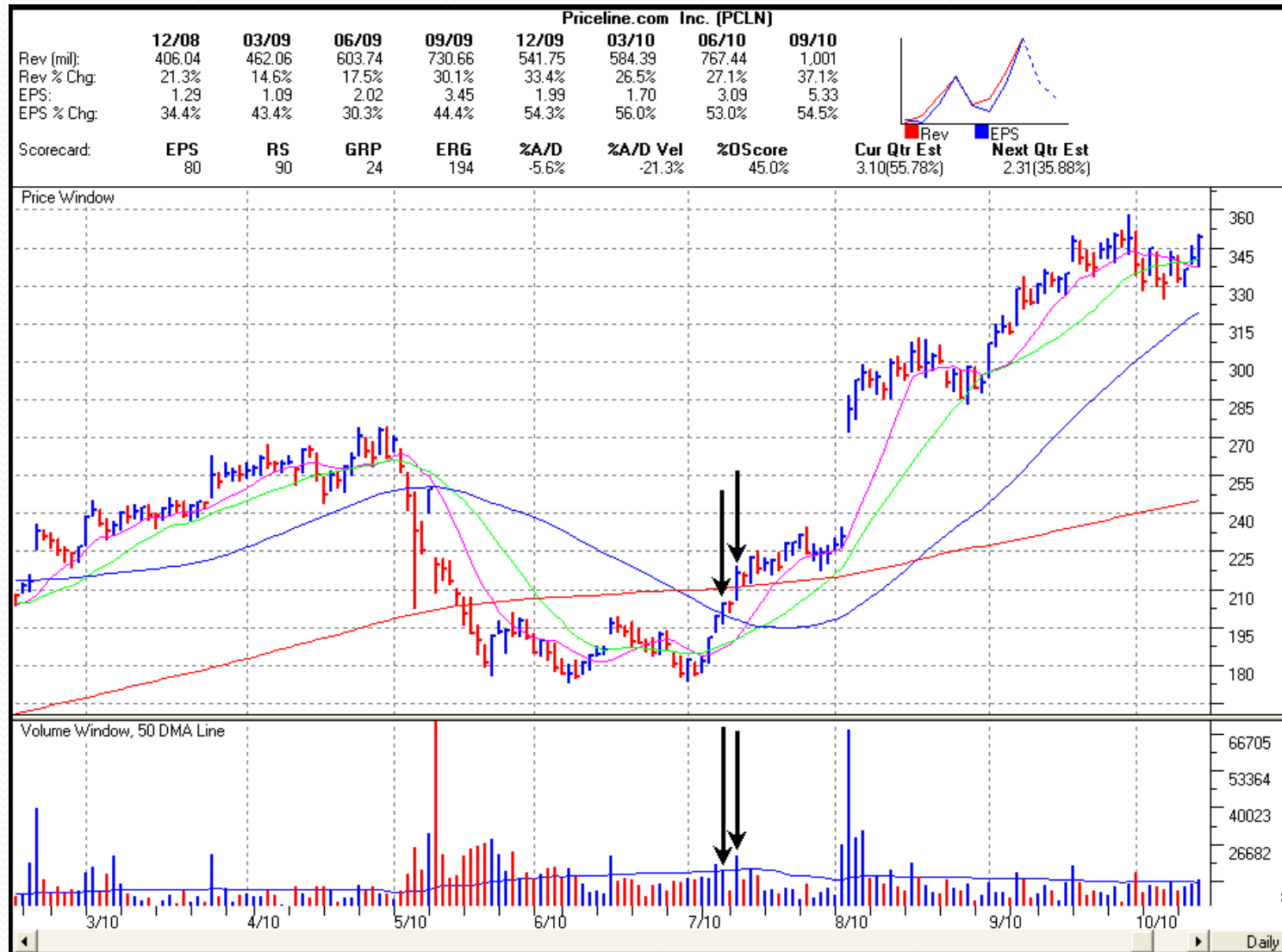


## **Appendix A:**

# **“Bottom-fishing” Pocket Pivot Buy Point Examples**



# Priceline.com (PCLN) – July 2010



# Google, Inc. (GOOG) – September 2010



# Intuitive Surgical, Inc. (ISRG) – April 2009

