PICTET 1805

Conference Call

28 August 2020

Pictet Trading & Sales, Trading Strategy

28.08.2020
Geneva

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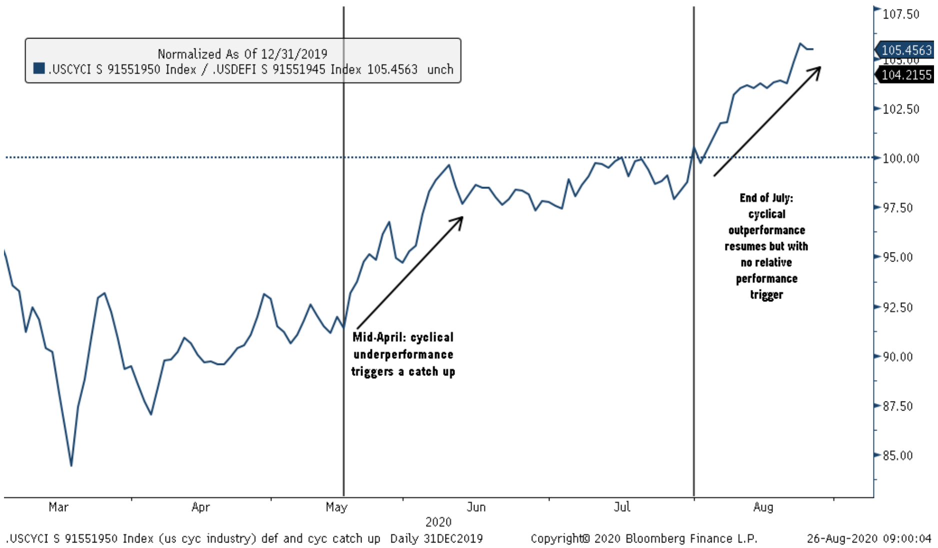
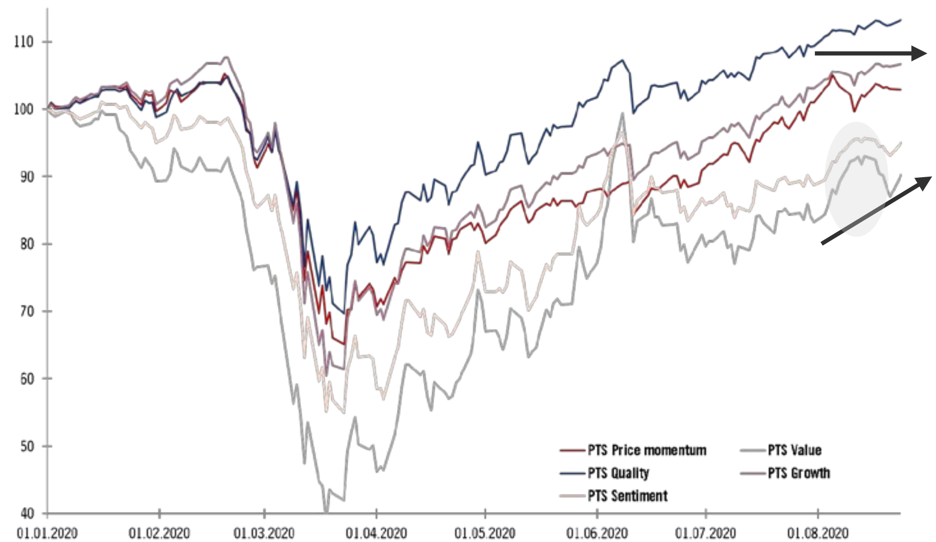
What has driven the summer rally?

US Cyclical/defensive ratio - normalized performance YTD:



Source: Bloomberg Finance L.P; Pictet Trading Strategy; as of 24.08.2020.

PTS factors - normalized performance YTD*:

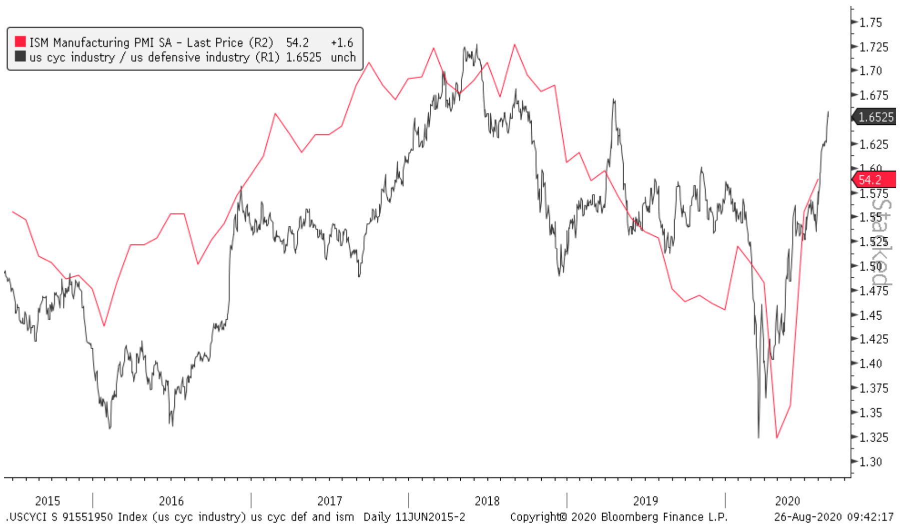


Source: FactSet; Markit, Bloomberg Finance L.P.; Copyright © 2020 S&P Global Market Intelligence; Pictet Trading Strategy; as of 24.08.2020.
**Criteria are explained in the endnotes.*

- Since 30 June, the S&P500 index has risen a further 11.4%, with cyclicals and value stocks leading. The last market rotation we saw was in May/June - mostly on the back of the valuation gap.
- You can see our letter summarizing our view on this more recent rotation in our letter of 20 August (again here). Sentiment has been the major driver thanks to:
  - Treatment/vaccine optimism;
  - The expectation of extended central bank and government intervention (US fiscal stimulus in particular);
  - Improving macro data (even though the hard data remains muted – see after)
- By way of illustration, the Euro Stoxx 50 index made its two best daily performances on 3 August (when the ISM manufacturing gauge released at its highest) and 11 August (when Russia announced its approval of a vaccine);

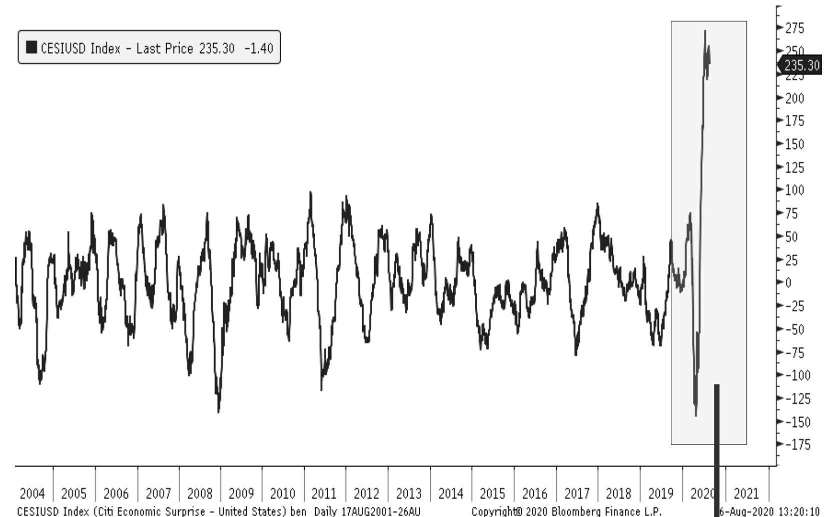
Sentiment has been driven by "the worst is behind us"

US Cyclical/defensive ratio and ISM manufacturing:



Source: Bloomberg Finance L.P., Pictet Trading Strategy – as of 26.08.2020

Citi economic surprise index (CESI) – at an all time high:



Source: Bloomberg Finance L.P., Pictet Trading Strategy – as of 26.08.2020

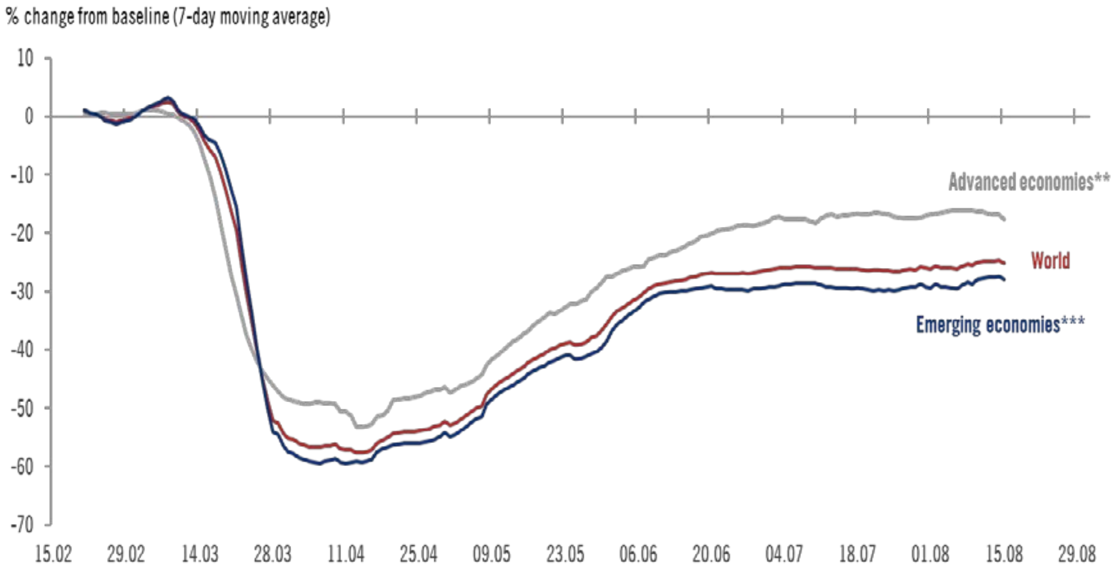
- Most governments have been clear about no return to severe global / nation-wide lockdowns – suggesting the worst is likely behind us and fueling the summer rally;
- Most soft data have returned **above** pre-crisis levels (the ISM Manufacturing gauge in Feb 2020 was 50.1 in July 2020: 54.2!);
- The cyclical outperformance is well-correlated with the soft surveys (eg: with sentiment on the economic cycle) **but….**

… positive surprise is starting to fade (especially in Europe with new contaminations)

Source: Bloomberg Finance L.P.;, Pictet Trading Strategy – as of 26.08.2020

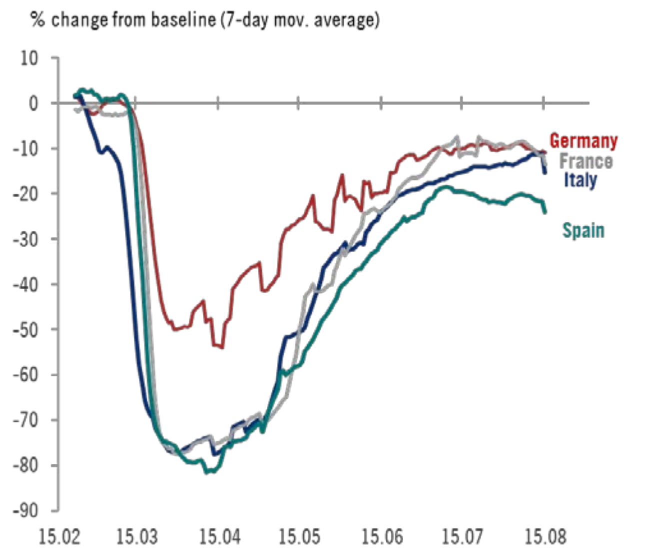
“The worst is behind us” does not mean “back to normal” - far from it:

Footfall in retail locations, transit stations and workplaces – globally*:



** Weighted by population size* *Source: Pictet, Google mobility report, Pictet Trading Strategy – as of 26.08.2020*

Eurozone:



Source: Pictet, Google mobility report, Pictet Trading Strategy – as of 26.08.2020

- Mobility data saw a sharp bounce back off the March/April low, but then started to plateau in June (around -20%/25% off the pre-virus level (i.e: far from back to normal!);
- It has even started to regress (for the first time since the end of the lockdowns), particularly in the Eurozone (see on the right) where new cases of contamination have been rising (and countries have started to impose quarantine on returning holidaymakers);
- Some macro hard data are however showing some encouraging signs;
- Most central banks agree on the fact the recovery will be: **gradual** (no return to pre-virus levels before the end of 2021 or 2022), **deflationary** and that **rates will remain low** over the medium-term;

Our view: no major retracement on the cards, but focus on growth and quality:

Among the prevailing concerns:

- The hard data is recovering - but slowly;
- Yields are capped by central bank policy;
- The equity rally is highly concentrated (see our letter of 27 August);
- The cyclical rally is already well-advanced;
- US election risk (including US/Chinese tension);
- International uncertainty appears to be here to stay (protectionism a lasting thematic);

But:

- The Fed put remains well-anchored;
- Further fiscal stimulus from the US authorities is expected even before the election;
- A credible medical solution to the Covid-19 pandemic could be found before year-end;

i.e: we do not anticipate a major market collapse in 2020…

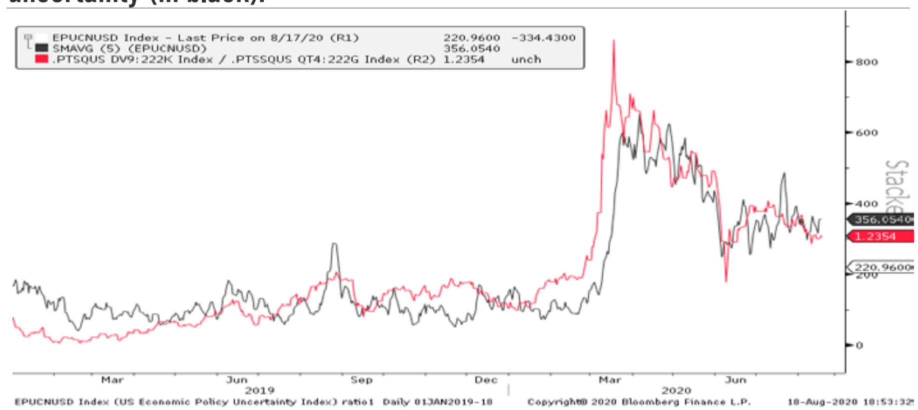
Episodes of cyclical outperformance could still take place but the overall move remains capped by the value component:

- **Focus on growth and quality;**
- **Stick to solid balance sheets;**
- **Prefer those investment themes that benefit from true catalysts (i.e. digitalization, fiscal stimulus, healthcare…) over sentiment;**
- **See our recent market view update of 20 August again here.**

Extreme breadth: S&P 500 ex/ Apple YTD:

Source: Factset, Pictet Trading Strategy – as of 26.08.2020

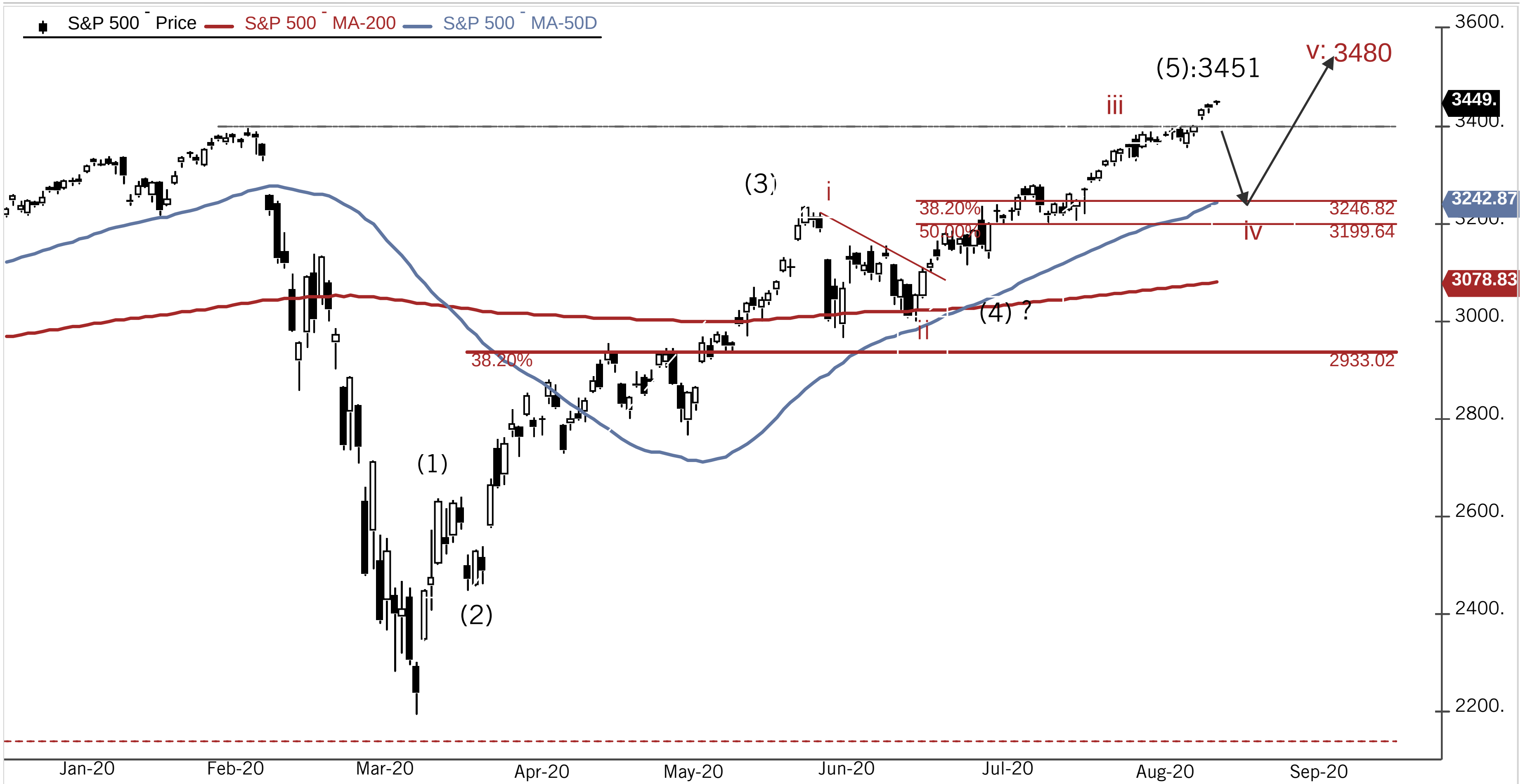
PTS US Quality long/short theoretical return (red)* and US political uncertainty (in black):



*Source: FactSet; Markit, Bloomberg Finance L.P.; Copyright © 2020 S&P Global Market Intelligence; Pictet Trading Strategy; as of 26.08.2020. *Criteria are explained in the endnotes.*

US equity scenario: a slight short-term retracement and then a bounce back?

S&P 500 – technical chart*:



*Source: FactSet – Pictet Trading Strategy - as of 26.08.2020 *criteria explained in the endnotes*
The target price presented in the chart is based upon chart analysis. This is not the product of any Pictet financial research unit.

1) buy gold on weakness

Gold – technical chart*

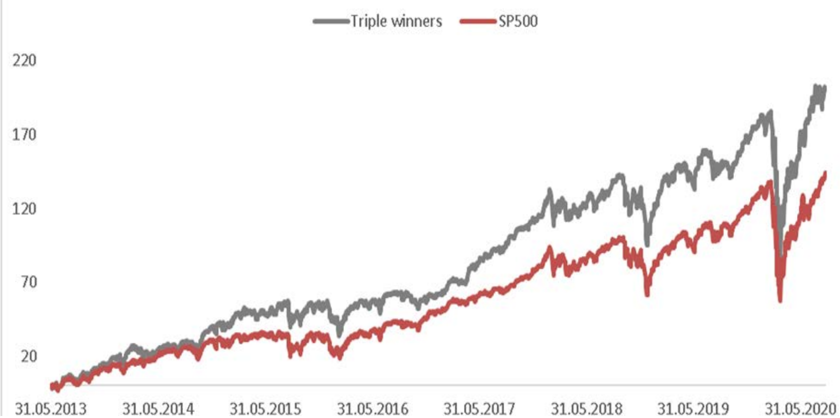
*Source: Bloomberg Finance L.P. – Pictet Trading Strategy - as of 27.08.2020 *criteria explained in the endnotes*
The target price presented in the chart is based upon chart analysis. This is not the product of any Pictet financial research unit.

- The short-term risk-on sentiment has triggered slight retracement;
- The long-term catalysts for the precious metal remain in place including:
  - Low yield environment;
  - Geopolitical tension;
  - Pandemic risk;
  - Macro uncertainty (especially on hard data) and slow recovery risk;
- Short-term risk/reward remains interesting: 1837 is a significant support, the medium term technical target is at 2250 (almost 1 for 3). See our dedicated daily letter on gold here;

What to do in the current environment?

2) favor resilient growth stocks: "Triple Winners"

PTS "Triple Winners" and S&P 500 theoretical performance*:



Source: Factset, Pictet Trading Strategy – as of 26.08.2020

- The Q2 earning season has been particularly exceptional. 65% of the S&P500 beat sales consensus expectations while 82.3% beat on EPS (see our recent letter on earnings here);
- Our post-earnings 'Triple Winners' strategy screens for stocks that have (1) positive surprise on earnings, (2) positive surprise on sales, (3) upward guidance revisions;
- The theoretical strategy is rebalanced every quarter and has comfortably outperformed the S&P 500;
- In the US, 29 names match the criteria (a good results when considering only 105 companies in the US has kept their guidance in place…). Guidance revised higher this quarter are exceptionally worth looking;
- A European screening (with slightly different parameters) is available upon request. See our earnings update here;

Q2 2020 US earnings season "Triple Winners"– quantitative grades*:

		Short-term			Long-term			Technical Parameters			
	Weight in Global Grade:	25%	10%	10%	15%	10%	10%	10%	10%		100%
Ticker	Name	Growth	EPS	Sales	Value	Quality	Credit	MF	Smart Sent.	RS	Global
ATVI US	ACTIVISION BLIZZARD INC	72	82	69	22	68	76	84	25	94	62
SPGI US	S&P GLOBAL INC	65	74	75	19	79	57	76	46	84	60
ALXN US	ALEXION PHARMACEUTICAL	70	68	87	56	45	65	34	37	41	60
ABC US	AMERISOURCEBERGEN COR	56	74	70	65	59	62	6	76	70	58
PWR US	QUANTA SERVICES INC	70	70	51	53	63	58	47	41	89	58
ANSS US	ANSYS INC	64	57	79	5	60	66	94	58	89	58
MCO US	MOODY'S CORP	71	72	75	22	72	47	31	54	80	56
BMY US	BRISTOL-MYERS SQUIBB CO	51	66	78	64	51	56	55	32	82	56
WST US	WEST PHARMACEUTICAL SE	77	80	75	23	59	68	13	39	96	56
GL US	GLOBE LIFE INC	61	65	71	50	55	62	26	54	46	56
SRE US	SEMPRA ENERGY	55	65	49	46	43	42	63	75	43	54
SRE US	SEMPRA ENERGY	55	65	49	46	43	42	63	75	43	54
CNC US	CENTENE CORP	67	61	77	48	49	46	15	47	83	53
SNPS US	SYNOPSYS INC	65	63	71	10	62	61	68	32	90	53
NOC US	NORTHROP GRUMMAN COR	60	60	70	47	62	42	41	38	42	53
CDNS US	CADENCE DESIGN SYS INC	67	62	75	10	70	72	30	41	91	53
BIIB US	BIOGEN INC	57	58	59	57	70	64	16	36	73	53
ACN US	ACCENTURE PLC-CL A	55	57	67	26	65	82	41	42	74	53
CTXS US	CITRIX SYSTEMS INC	60	63	58	31	74	54	44	40	90	53
MRK US	MERCK & CO. INC.	67	74	59	42	58	63	16	26	52	53
CVS US	CVS HEALTH CORP	51	64	70	72	60	42	22	25	61	52
ROP US	ROPER TECHNOLOGIES INC	67	59	69	22	57	54	25	50	74	51
EBAY US	EBAY INC	55	76	63	38	71	45	29	30	86	51
ZTS US	ZOETIS INC	70	65	69	15	58	43	44	30	78	51
J US	JACOBS ENGINEERING GRO	53	62	51	41	55	55	23	64	62	50
EMR US	EMERSON ELECTRIC CO	55	61	38	43	60	63	21	54	71	50
AMGN US	AMGEN INC	53	59	62	33	66	48	46	35	71	50
PG US	PROCTER & GAMBLE CO/TH	60	67	52	31	63	68	20	31	67	50
PFE US	PFIZER INC	64	61	46	45	56	61	22	23	64	50
NLSN US	NIELSEN HOLDINGS PLC	54	59	36	68	42	17	10	64	25	47

*Source: FactSet; Markit, Bloomberg Finance L.P.; Copyright © 2020 S&P Global Market Intelligence; Pictet Trading Strategy; as of 26.08.2020. *Criteria are explained in the endnotes.*

What to do in the current environment?
3) favor sustainable dividend-payers

- Given the current sovereign low interest rates, dividend plays remain a valid bet in the quest for yield;
- Moreover, solid balance sheets and strong business models remain a "must" in this uncertain environment: we would thus consider favouring sustainable dividend payers over high-yielders;
- Our quantitative quality grade helps us to identify the most solid companies (see an introduction to our '[Our PTS quantitative process]' here and the [endnotes] for more on the criteria of each of our quantitative scores)
- This is an extract from our full screening (available upon request) for dividend-paying large-cap names with the best quality scores in the US, EU and Switzerland;

PTS EUR USD and CHF sustainable dividend-payers selection (extract) ranked by quality score – quantitative grades*:

			Short-term			Long-term			Technical Parameters				
	Weight in Global Grade:		25%	10%	10%	15%	10%	10%	10%	10%		100%	Ind dvd Yld in %
Ticker	Name	Sector	Growth	EPS	Sales	Value	Quality	Credit	MF	Sent.	RS	Global	
TXN UW	TEXAS INSTRUMENTS INC	Semiconductors	60	54	44	23	70	69	36	40	66	50	2.53
KNEBV FH	KONE OYJ-B	Industrial Machinery	49	58	58	23	69	63	77	53	84	54	2.34
JNJ US	JOHNSON & JOHNSON	Pharmaceuticals	42	49	51	40	65	73	29	31	68	46	2.66
KMB UN	KIMBERLY-CLARK CORP	Household Products	56	68	48	37	64	49	71	22	65	52	2.73
GIS UN	GENERAL MILLS INC	Packaged Foods & Meats	53	52	44	44	63	35	92	58	71	54	3.06
KNIN SE	KUEHNE + NAGEL INTL AG-REG	Marine	53	48	40	46	63	56	71	62	74	54	2.30
SAN FP	SANOFI	Pharmaceuticals	40	50	44	50	61	73	28	62	68	49	3.60
ELE SQ	ENDESA SA	Electric Utilities	49	65	32	53	60	58	83	53	54	55	6.31
MMM UN	3M CO	Industrial Conglomerates	46	55	47	50	60	55	15	48	54	47	3.59
CVS US	CVS HEALTH CORP	Health Care Services	51	64	70	72	60	42	22	25	61	52	3.20
EMR UN	EMERSON ELECTRIC CO	Electrical Components & Equ	55	61	38	43	60	63	21	54	71	50	2.87
AD NA	KONINKLIJKE AHOLD DELHAIZE N	Food Retail	72	76	64	64	59	52	17	64	78	61	3.65
KO UN	COCA-COLA CO/THE	Soft Drinks	42	44	39	35	59	50	49	36	37	43	3.42
BCVN SE	BANQUE CANTONALE VAUDOIS-REG	Regional Banks	48	49	41	45	58	75	65	63	85	54	3.73
MRK UN	MERCK & CO. INC.	Pharmaceuticals	67	74	59	42	58	63	16	26	52	53	2.86
CMBN SE	CEMBRA MONEY BANK AG	Consumer Finance	51	49	47	42	57	50	0	64	63	46	3.45
TSN US	TYSON FOODS INC-CL A	Packaged Foods & Meats	58	60	41	60	57	49	48	34	20	52	2.65
RI FP	PERNOD RICARD SA	Distillers & Vintners	49	44	43	30	57	54	85	53	45	50	2.11
UN01 GY	UNIPER SE	Independent Power Producers	51	60	32	58	56	51	58	57	56	53	4.18
PFE UN	PFIZER INC	Pharmaceuticals	64	61	46	45	56	61	22	23	64	50	4.01
NOVN SW	NOVARTIS AG-REG	Pharmaceuticals	47	55	51	43	56	64	16	38	40	46	3.74
DPW GY	DEUTSCHE POST AG-REG	Air Freight & Logistics	53	60	54	53	56	50	46	36	82	51	2.88
PGHN SE	PARTNERS GROUP HOLDING AG	Asset Management & Custod	53	38	50	29	56	51	14	46	70	43	2.76
NESN SW	NESTLE SA-REG	Packaged Foods & Meats	45	44	32	31	56	64	47	48	55	45	2.44
REE SQ	RED ELECTRICA CORPORACION SA	Electric Utilities	40	47	52	53	55	42	83	53	43	51	6.53
ADEN SE	ADECCO GROUP AG-REG	Human Resource & Employm	40	38	40	66	55	60	74	44	44	51	5.15
VONN SE	VONTOBEL HOLDING AG-REG	Asset Management & Custod	45	46	58	49	55	62	75	62	81	54	3.34
ROG SE	ROCHE HOLDING AG-GENUSSCHEIN	Pharmaceuticals	53	52	53	42	55	73	10	48	72	49	2.80
HEN3 GY	HENKEL AG & CO KGAA VORZUG	Household Products	36	32	41	54	55	72	49	66	54	49	2.10

Source: FactSet; Markit, Bloomberg Finance L.P.; Copyright © 2020 S&P Global Market Intelligence; Pictet Trading Strategy; as of 26.08.2020.
**Criteria are explained in the endnotes.*

What else? Many things…

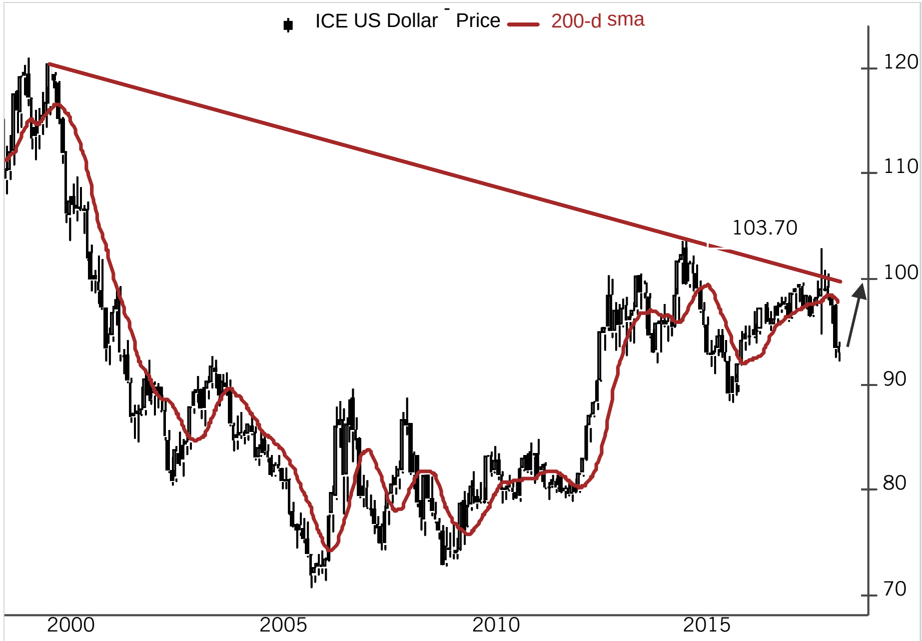
1. Find entry points in growth stocks (and technology and digitalization is not just limited to the FANGs… think global payment, gaming, 5G… etc);
2. Do not be too quick to forget the "Stay-at-home" themes, likely a secular trend;
3. Benefit from the relative underperformance of defensive stocks to find cheaper re-entry points (ex: healthcare related stocks);
4. China: despite the ongoing trade tensions with the US, the country has been the first to emerge from the pandemic and benefits from ongoing government support (as needed…). See our "Playing China" selection list (available upon request);
5. Watch our core conviction strategies: growth and quality coupled with tactical approach;

But:

- Caution over-crowded stocks at extended levels after a sentiment run (see our recent letter on Apple and overbought stocks again here); and
- Be selective when considering cyclical stocks: favour the true-catalyst-driven ones (infrastructure, growth…) over value (oil, travel and leisure…).

Ending with the greenback:

Dollar index – technical chart*:



EUR USD – technical chart*:

*Source: FactSet – Pictet Trading Strategy - as of 27.08.2020 *criteria explained in the endnotes*
The target price presented in the chart is based upon chart analysis. This is not the product of any Pictet financial research unit.

- Most of our downside targets on the Dollar index and on the EURUSD were reached within just a few weeks over the summer;
- We do however still think the long-term drivers favour a lower dollar (and especially the much lower yield offered by US Treasuries compared to last year);
- Still, and while we do not expect a lasting rebound, we could still see some bounce back in the DXY (currently on a significant support) and a corresponding retracement in the EURUSD pair (currently on a significant resistance);

Key points

- The highly-concentrated market has been heading to higher highs, and while the medium-term technical outlook remains positively-oriented, **the extended nature of this rally calls for a slight pullback in the near term**;
- This recent rotation has been largely driven by a sentiment trade supported by vaccine hopes and life retuning to the soft-data. However the hard data continues to lag, and soundbites from the Fed on the economic outlook characterise the recovery as only gradual (as reflected by stalling mobility data) and dependent upon continuing / further government support (US);
- This uncertain backdrop encourages us to **favour growth and quality,** and we still love our '**core conviction**' strategy - albeit there is also some quality opportunity to be had among cyclical names supported by fundamental drivers (infrastructure for instance);
- Be **tactical**, the current environment is moving fast;
- Don't be too quick to shun the "**Stay-at-home**" trades – we consider this a secular trend that is here to stay;
- Consider **playing the pull-backs in gold;**
- The us dollar has moved lower faster than we anticipated, and while medium-term catalysts remain in place for a soft greenback, we could see a tactical bounce back on the short-term.

Appendix

Market positioning

Executive summary: Q3 2020

	US	Europe	Japan	EM
Equities	*S&P500 next target at 3'450/3'480. 3'300 as the closest support **Drivers: "Fed put" / government support sentiment on recovery hopes, but headwinds as fundamentals are disconnected**	*Euro Stoxx 50 on its 200DMA at around 3'300. Trading range 3'000 -3'450 **Drivers: Dovish ECB and supportive government, lockdown easing but slow macro recovery**	*Nikkei Q3 range: 21,870 - 24,000 **Drivers: weak macro data and slow recovery but BoJ still accommodative**	*HSCEI Q3 range 9,800 – 11,000 **Drivers for China: pandemic contained and economy restarting. But trade war come back could be a severe hurdle**
Equity themes	A return towards growth/quality and defensive themes. Large-cap domestic stocks and our "Core Conviction" strategy	The green theme, digitalization and Switzerland. Uncertainty and a return to growth investing should favor our EUR "Core Conviction" strategy.	Stocks with solid earnings momentum.	Themes linked to supportive measures and the new economy (domestic consumption, e-commerce and internet stocks)
FX	First downward target at 94 reached (now acting as a resistance level). Next support at 92, potential short-term rebound.	*EURUSD: fast upward move after EU recovery agreement. 1.18/1.20 resistance zone. 1.1610 has became a support.	USDJPY: first target at 106.80 reached. 105 is the next support	Cautious re currencies with high external vulnerabilities (TRY & ZAR)
FI	*Lower yields for longer: US 10-year yields likely to remain capped below 0.9% to 1.0%	*Lower yields for longer: GER 10-year yields should be capped at around -0.2%		
WTI & Gold	*Crude oil ➔ our medium-term target has been raised to USD 40 on recovery hopes *Gold ➔ Buy on weakness, next resistance at 2,040 then 2'250. Gold miners as an alternative to direct exposure			

Risks to our scenario; a return to severe and global lockdowns to manage subsequent waves of Covid-19, a lasting macroeconomic slump / trade war escalation / geopolitical risks / hard Brexit / central bank mistake / weaker-than-expected corporate earnings / US elections

Source: Pictet Trading Strategy. The target price presented is based upon chart analysis. This is not the product of any Pictet financial research unit .

Endnotes: References for Trading Strategy publications (1/2)

Model performance data is not a reliable indicator of future returns

Model performance calculation has a number of limitations and the results do not represent the results of actual trading using client assets. The data provided is gross of fees and other commissions. Fees and charges will apply and will reduce the final return. No representation is being made that the model portfolios illustrated will or are likely to achieve results similar to those shown and there are often sharp differences between model performance results and actual results achieved.

The Equity quantitative grades

Growth Grade: The Growth Grade is a proprietary formula made up of earnings revisions momentum, past earnings growth, earnings stability, and current and long-term earnings growth. A grade above 55 is considered bullish on a 3-month basis, bearish below 45 and neutral between 55 and 45.

EPS Grade: The EPS Grade is a proprietary formula consisting of current and forward EPS growth, change and surprise data. An EPS grade above 60 or below 40 is considered predictive for future out/under performance.

Sales Grade: The Sales Grade is a proprietary formula made up of current and next year's sales momentum, past sales growth, sales stability, and current and long-term sales growth. A grade above 55 is considered bullish on a 3-month basis, bearish below 45, and neutral between 55 and 45.

Value Grade: The Value Grade is a proprietary formula made up of estimated P/E, P/B, P/S and P/CF ratios. 40% of the grade is based on historical values and 60% on current market data. A grade above 55 suggests a stock is cheap, below 45 expensive, and neutral between 55 and 45.

Quality Grade: The Quality Grade is a proprietary formula that focuses on the balance sheet (i.e. change in accruals, change in free cash flows and profitability). A grade above 55 suggests a stock with a good balance sheet.

Credit Grade: The Credit Grade focusses on the passive side of the balance sheet. It is divided into three sub-components to assess both short and long-term solvency. A grade above 55 suggests a strong capital structure, while a grade below 45 suggests a weak one.

Money Flow Grade: The Money Flow Grade is a proprietary formula that gives the accumulation/distribution based on the volume flows of a stock. A grade above 55 indicates good money flow and a grade below 45 suggests weak money flow.

Smart Sentiment Grade: The Smart Sentiment grade is a contrarian indicator based on investor positioning measures such as the days to cover ratio, the put call ratio, and the short interest ratio. A weak grade suggests 'too much' optimism.

Relative Strength (RS) Grade: The RS grade measures the price momentum of a stock over its 1-year price performance.

Global Grade: The Global Grade is a weighted average of the Growth, EPS Sales, Value, Quality, Credit, Money Flow and Smart Sentiment Grades.

The Regional MATRIX grades

The Regional Matrix grades range from -100% to +100%: We consider a grade above 50% to be very bullish, a grade above 25% to be bullish, and a grade between 0% and 25% to be neutral. A grade between 0% and -45% we consider bearish and a grade below -45% very bearish.

Regional Grade: The Regional Grade (-100 to +100) is an indicator of a structural bull market or not. It is calculated by combining and applying weight to each of the other grades that make up the Regional Matrix (Trend, Overbought/Oversold, Valuation, Liquidity, Economics, and Sentiment). If we believe equities to be in a structural bull market, we use 15 years of data to assess Valuation.

Trend Grade: The Trend Grade (-100% to +100%) is based on a moving averages model adjusted according to the overbought/oversold conditions of the region's main indices.

Valuation Grade:

The Valuation Grade (-100% to 100%) is based on the percentile rank of the regional Index stocks' P/E ratios since 1995 (current year estimated).

Economics Grade: The Economics Grade (-100% to 100%) is based on a combination of manufacturing and non-manufacturing PMIs and the Citigroup Surprise Indices. The Citigroup Economic Surprise Indices are an objective and quantitative measure of economic news and are defined as weighted historical standard deviations of data surprises (actual releases vs. Bloomberg survey median). A positive reading of the Economic Surprise Index suggests that economic releases have on balance beaten the consensus.

Sentiment Grade: The Sentiment Grade (-100% to 100%) is based on various contrarian and non-contrarian indicators.

Reversal date in the Trend: If the trend has reversed, we give the reversal date and indicate the direction of the reversal.

Endnotes: References for Trading Strategy publications (2/2)

Factor trends: We look at the performance of 5 theoretical long-short selections, each built around one of our quantitative grades (i.e. growth (EPS momentum), price momentum (RS), quality, sentiment and value), and each long the top decile and short the bottom decile of stocks within the respective region in our equity universe in terms of exposure to each specific score.

Model Long Only & Absolute return regional Allocation: The Regional Allocation shows the advised net exposure in total and per region. It is calculated by multiplying the MSCI regional weight by the Regional Grade (we use the structural bull market regional grade).

Trading Strategy Exposure: The Trading Strategy Exposure shows the actual net exposure in total and per region, based on our trades.

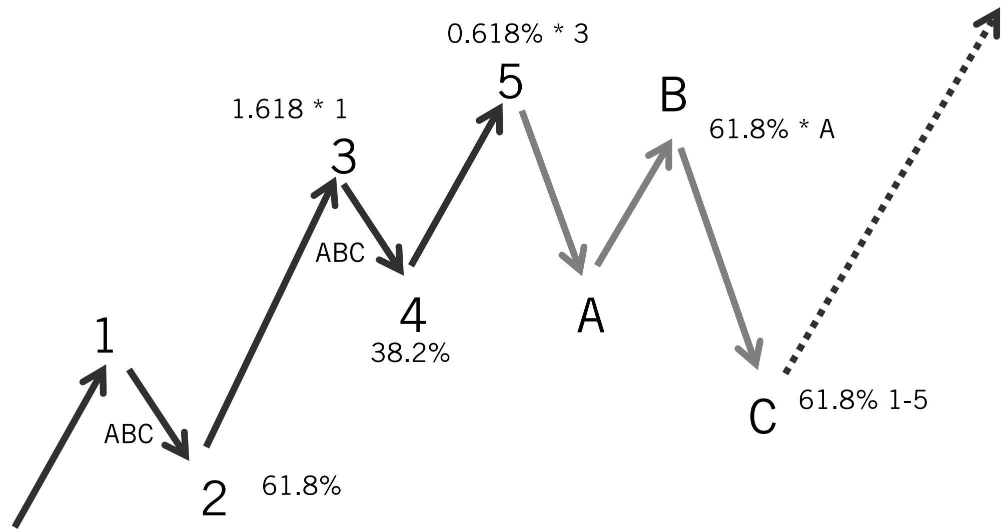
Time Horizon
Short-Term: 1 to 4 weeks
Medium Term: 1 to 3 months
Long Term: more than 3 months

PTS: Pictet Trading Strategy

Technical Analysis
The technical analysis used in this presentation combines traditional technical tools: graphical analysis (trend lines, support lines, continuation and reversal patterns) which determines the tendency, mathematical indicators (moving averages, RSI, MACD) used as numeric filters and Elliot wave theory which allows us to build a scenario with target levels and invalidation points.

Elliott Wave Theory
According to Elliott Wave Theory, markets move in impulse waves – with five sub-waves (numbered 1-5 or I-V) following the direction of the main trend, followed by three corrective sub-waves (A-B-C) (example below). These waves follow a set of specific rules and are linked to each other by target and retracement ratios based on the Fibonacci sequence, and the characteristics of each wave form an integral part of the reflection of the mass psychology it embodies.

Elliott Wave Theory



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