



The Harmonic Trader Report Monthly

February 2015 Report

“Never Trade the Markets the Same Way Again!”

March 1st, 2014

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Go Time

The market has now accelerated after a momentary pause at the start of the year. Many key markets have been holding firm support levels over the past three months. Considering the fact that most key equity indices continue to make new highs during the recent breakout, the overwhelming uptrend is proving that it wants to reach for higher levels. The next few months will provide the evidence to dictate how high this bull market can truly go. The most interesting aspect of the recent action in many key financial markets is the ARCOSS THE BOARD breakouts in the US and even in Europe. The question remains how high can this next breakout go? More than any other point in the past three years, the current state of the price action in most of these markets is defining the required confirmation of how far these rallies can go beyond the relative immediate objectives. Clearly, the market is accelerating during this seasonally positive time period - November to April. For now, the past month has marked an important continuation across the equity landscape with major indices that are breaking out to new highs with impressive vigor and other lagging markets are starting to ignite.

The NASDAQ Composite in particular is grabbing headlines as it begins to challenge its all-time peak established 15 years ago. The S&P 500 and Dow Industrials are now poised to reach for their weekly 1.618 targets. Many of the broader indices continue to signal sustained strength and an acceleration of the long-term trend. Not to mention, the first quarter is only half way through and the results that are booked by the end of March will have a greater implication on the results for the entire year. Despite the poor performance reflected by the performance during the dates that define the January Barometer, the overall

returns of the entire quarter are more important for the determination of the entire year than a single week or month.

NASDAQ Composite (^IXIC): Weekly Bearish Bat

From a Harmonic Trading perspective, the recent action has now officially exceeded the Potential Reversal Zone (PRZ) of the 15-year bearish pattern and traded above the initial high established the completion point.



Furthermore, the long-term levels that we have been assessing quite some time now still require further time to confirm their failure. That is, the price action is in the very early stages of this potential breakout. If the market trades above 5000 and then fails to move higher, this would be the only situation where a significant bearish reversal could occur. The more likely scenario will be continued periods of short-term selling that quickly retrace 3 to 5% only to move higher with in several weeks later.

NASDAQ Composite (^IXIC): Weekly Bearish Bat Potential Reversal Zone (PRZ)

The 15-year Bearish Bat pattern defines important harmonic resistance at the retest of the all-time high. The Terminal Price Bar has been established just above the weekly 88.6% retracement. The ratios of this structure point to a thorough test of the psychological 5000 level



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The weekly Relative Strength has formed a distinct RSI BAMB Divergence that completed last August but the price action has continued higher. This is an important consideration, as the long-term trend continues to signal inherent strength in the face of some substantial bearish readings.

NASDAQ Composite (^NDX): Weekly Alternate Bearish Bat

The NASDAQ 100 index possesses a perfect Alternate Bearish Bat structure with exact ratios at each point. This includes a minimum 88.6% retracement but the alignment of the pattern's ratios classifies this structure in a different category.



This requires that a higher harmonic resistance zone be considered. In this case, a substantial retest of the peak from 15 years ago is likely. For now, the recent upside violation is triggering a full retest of the prior high at the 4800 level. We can assess larger possibilities only after this situation materializes.

NASDAQ Composite Index vs. NASDAQ 100 Index (^IXIC~^NDX): Daily Bullish AB=CD

The following chart shows the spread between the NASDAQ composite index and the NASDAQ 100 index. The price history of this chart is quite harmonic, possessing many precise patterns on the daily and weekly chart for the past several years. In addition, the trend direction of this spread has been quite accurate in confirming the overall market direction. Recently, the price action formed a Bullish AB=CD and has rallied steadily. I am closely monitoring the progress of this spread.



I have found that various spreads can offer a great deal of unique technical information, especially when distinct harmonic pattern structures form. This is one of many types of spreads that can be considered. Clearly, the price of the NASDAQ Composite must increase at a greater rate than the NASDAQ 100 index for a bullish bias reading to be established. There is a correlation where an increase in the spread price has led to bullish trends in the overall market. The spread confirmed a substantial reversal in October that has continued to show progress over the past several months. The pattern was quite distinct on the daily chart and represented a structural signal of greater than a year in length. This represents an important swing support point on the weekly chart while the overall trend remains intact until this situation changes.

Russell 2000 Index ETF (IWM): Weekly Failed Potential Reversal Zone (PRZ)

The Russell 2000 ETF, the IWM rallied to new highs recently and is now trading well above the resistance as defined by the weekly 1.618 extension. The expansion of the current rally in broad indices such as the Russell adds further evidence to the bullish case.



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German DAX (^GDAXI): Weekly Failed Bearish AB=CD Pattern into Bearish Crab

Europe has shown remarkable acceleration in recent weeks. The market rallied above the 10,000 level straight above 11k to test a Bearish Crab pattern. The 11,500 is the top end of the harmonic resistance as defined by the pattern and represents the clear make-or-break zone for larger possibilities.



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German DAX (^GDAXI): Weekly Bearish Crab Potential Reversal Zone (PRZ)

Incredibly, the DAX has rallied over 10% in short order. The Bearish Crab pattern is defining immediate resistance at 11,500. The price action will likely pause at the pattern's completion point but an eventual move above this structure would trigger a much larger scenario at hand.



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Alibaba (BABA): Daily Bullish Bat

The following chart was that in Alibaba exemplifies the importance of waiting for opportunities in the market. After an initial rush following the IPO, the stock has formed a perfect Bullish Bat pattern in the 85 area that defines a great opportunity for this new issue.



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GoPro (GPRO): Daily Bullish Bat

GoPro (GPRO) is another new offering that has experienced quite a run. The stock topped out just shy of the \$100 level and has steadily declined since October. The daily price action has formed a distinct pattern and possesses some critical harmonic support levels in the \$40 area as an entry to take advantage of this recent IPO.



The patterns that have formed in well-known IPOs like Alibaba and GoPro exemplify the importance of waiting for opportunities, regardless of the hype. Although both of these stocks rallied sharply after their initial release, they have corrected substantially to provide a unique opportunity, as defined by each harmonic pattern.

February Conclusion

Obstacles remaining from the last bear market continue to linger and challenge the long-term potential of the current uptrend. Due to the severity of the decline, the bear market of 2008 has impacted market perspective since the recovery started. Even as many markets have completely recovered in terms of price since then, there is a pervasive mistrust that it could happen again. Despite this fear, the markets continue to march forward and challenge the last possible bearish targets that can even be considered.

The question remains how high can this next breakout go? More than at any other point in the past three years, the current state of the price action in most of these markets will provide the most substantial confirmation of what is possible. The short-term focus remains on the acceleration of these markets to test the respective upside objectives thoroughly before the end of the quarter. The price action in many of these situations is accelerating rapidly. When we reach these numbers, we will take a hard look at the character of the market at this time. At a minimum, I believe that these targets will represent another temporary resistance level that will result in a pause of the accelerated uptrend. Unless the current environment changes however, it is certain that these levels will eventually be exceeded. For now, I will respect the initial test of these numbers and analyze the price action as these scenarios complete.

Please feel free to contact me at HarmonicTrader@HarmonicTrader.com, as I welcome your comments, questions and suggestions. If you are a trial member or wish to receive future reports, please sign up here:

<http://harmonictrader.secure-mail.com/item/The-Harmonic-Trader-Monthly-Report-30>

Best Regards,

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The Harmonic Trader Report Monthly

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Library of Congress
Cataloging-in-Publication Data

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