

## **Working on Sectors Reversals**

This document was written in December, 2009 by Pascal Willain as part of a training program on the use of the Effective Volume tools.

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Daily and weekly market updates are available on [www.effectivevolume.eu](http://www.effectivevolume.eu)

The author is French speaking.  
This report has not been proof-read for the proper use of English language.

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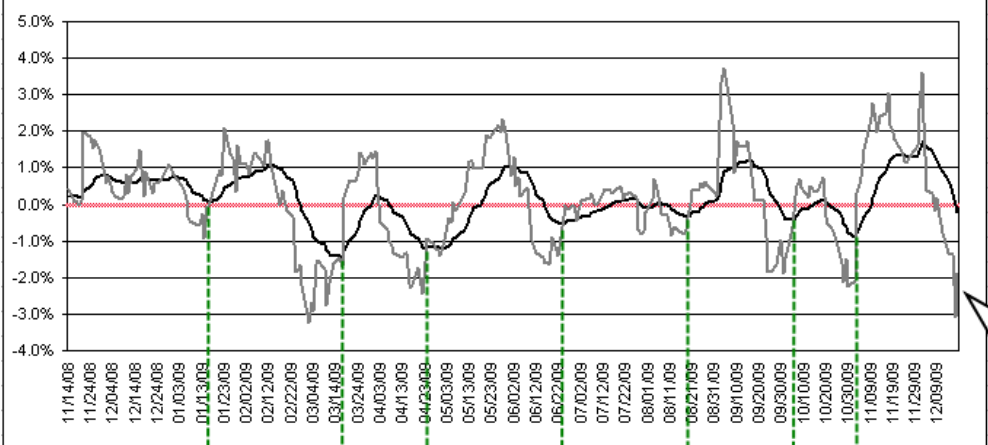
Position or swing trading requires patience more frequently than action. It is important to act at the right time, which is usually not when everyone else is reacting.

The best buying opportunities come when everyone has finished selling and the first few funds start investing.

Below are a few examples.

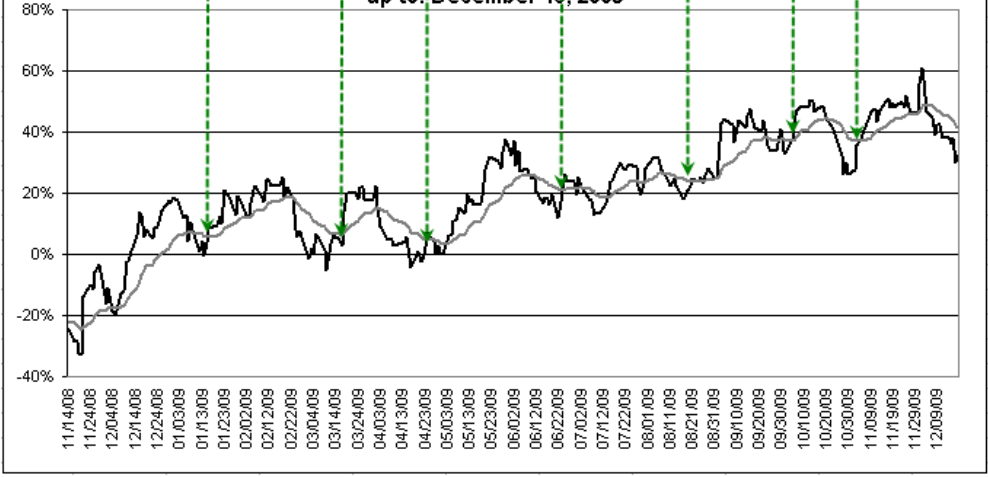
The first one is the US gold mining sector. In general, a buy signal is generated when the gray signal on the upper panel crossed over the average black line. The green arrows connect these buy signal to the price panel.

**Gold US: 20-day, Large Player's Strength**  
 (in percentage of total volume), up to: December 18, 2009



Watch this line move up and down around this zone and then move back above the black average line, which will be lower (around -1%). You will need to buy the strongest stocks at that time.

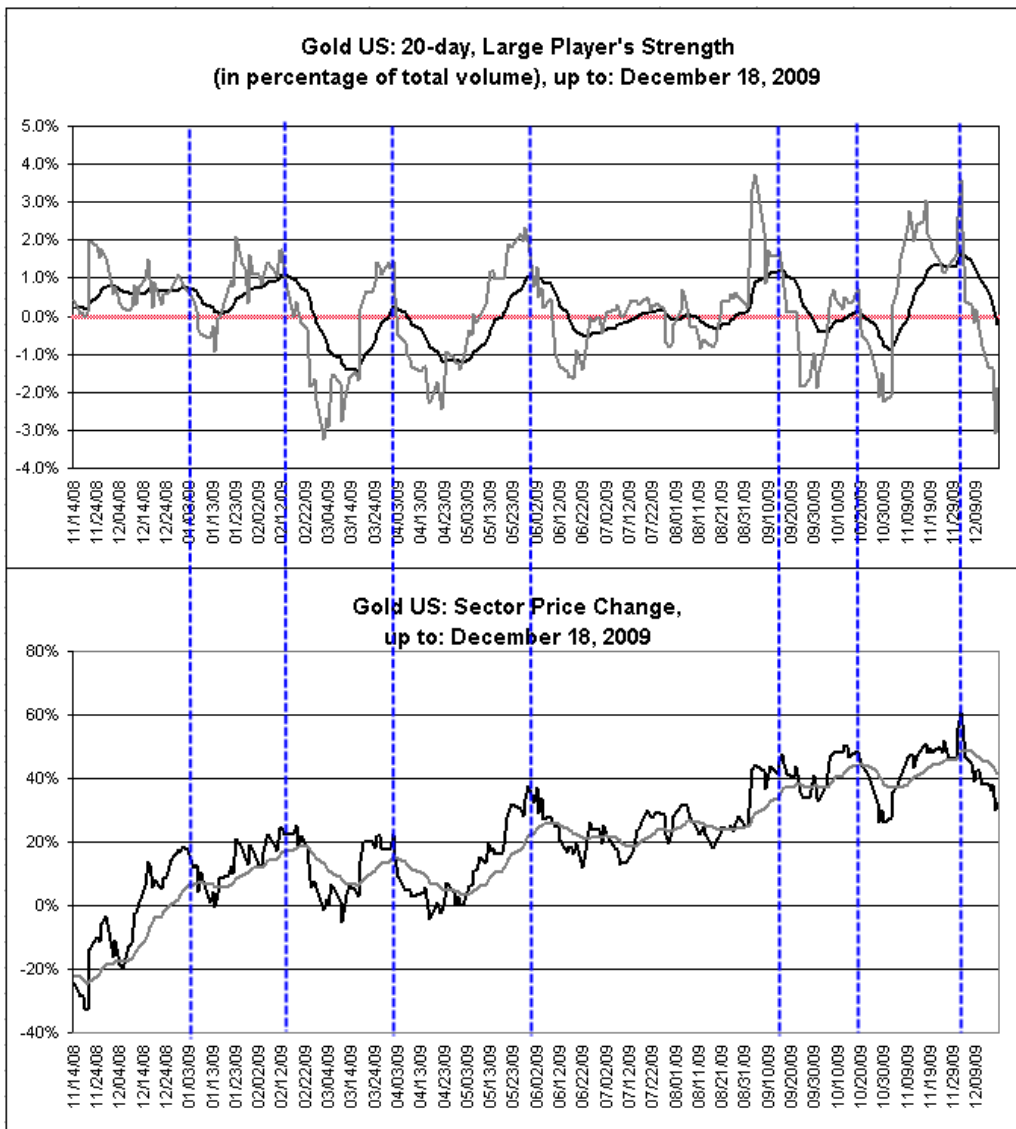
**Gold US: Sector Price Change,**  
 up to: December 18, 2009



The theory being this is simply that money will start moving before the price.

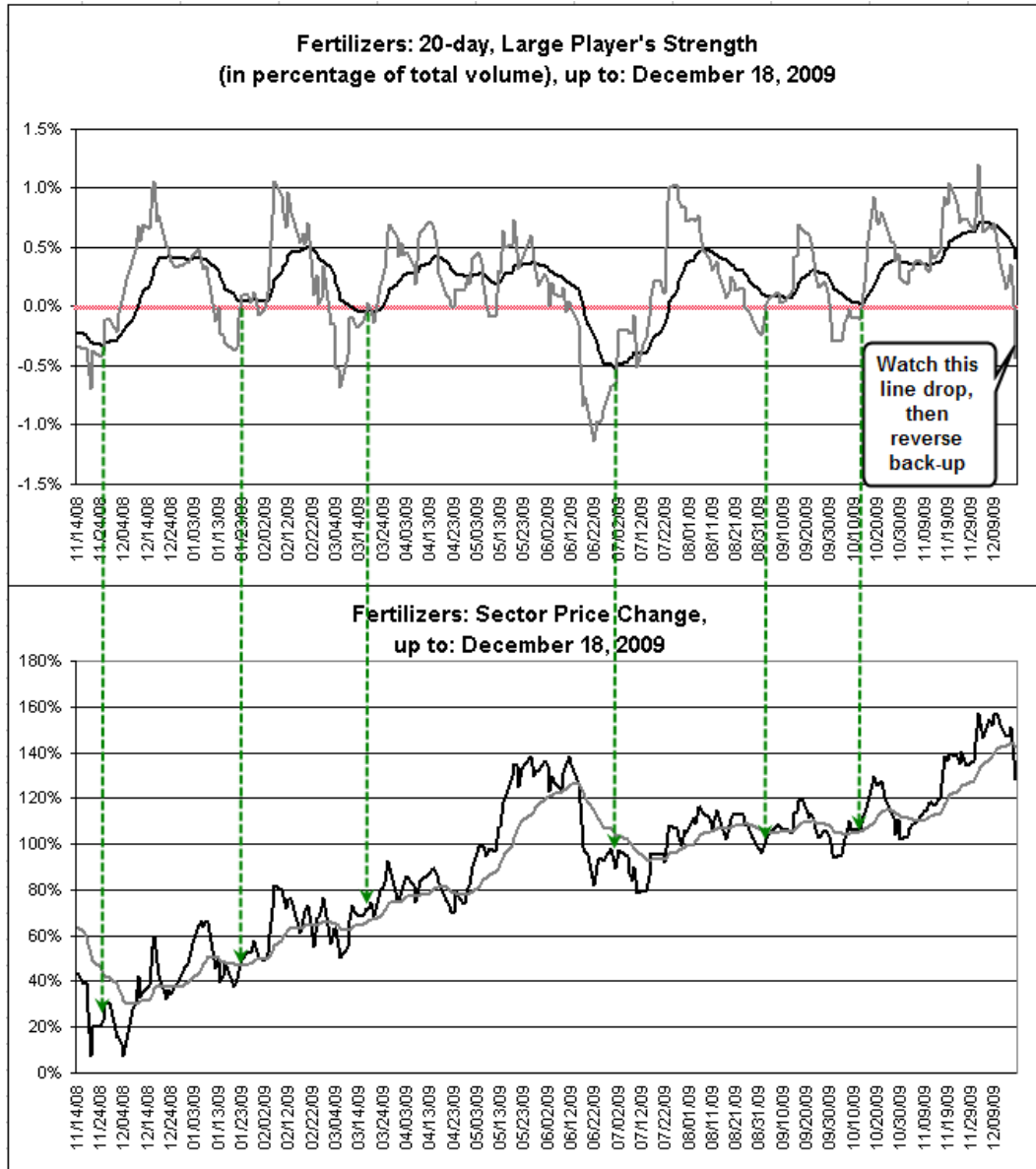
This is better shown in the figure below: the vertical dotted blue lines connect the tops of the upper panel's black average line to the price panel.

We can see that these lines coincide with the top of the price or precede that top by one or two days.

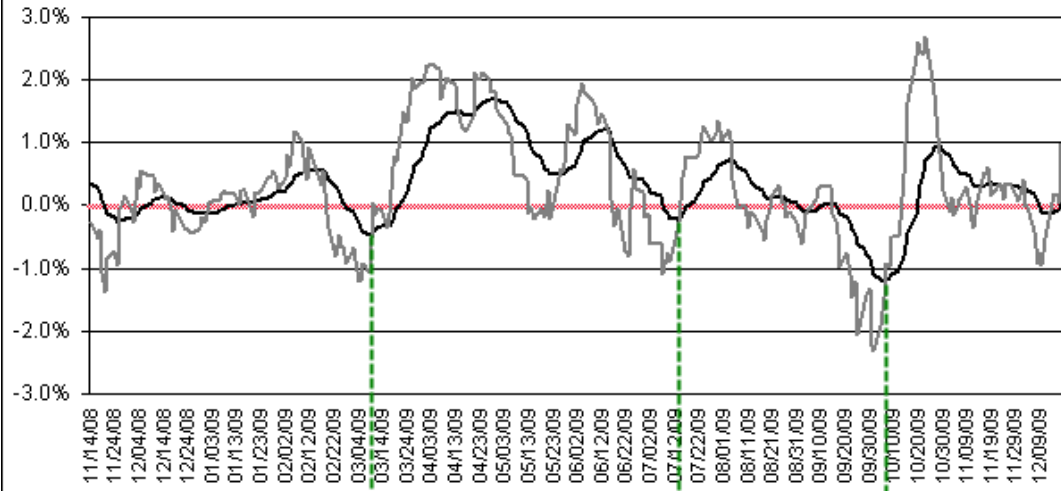


The figure for the fertilizers is shown below, followed by the enterprise software sector, which just issued a buy signal three days ago.

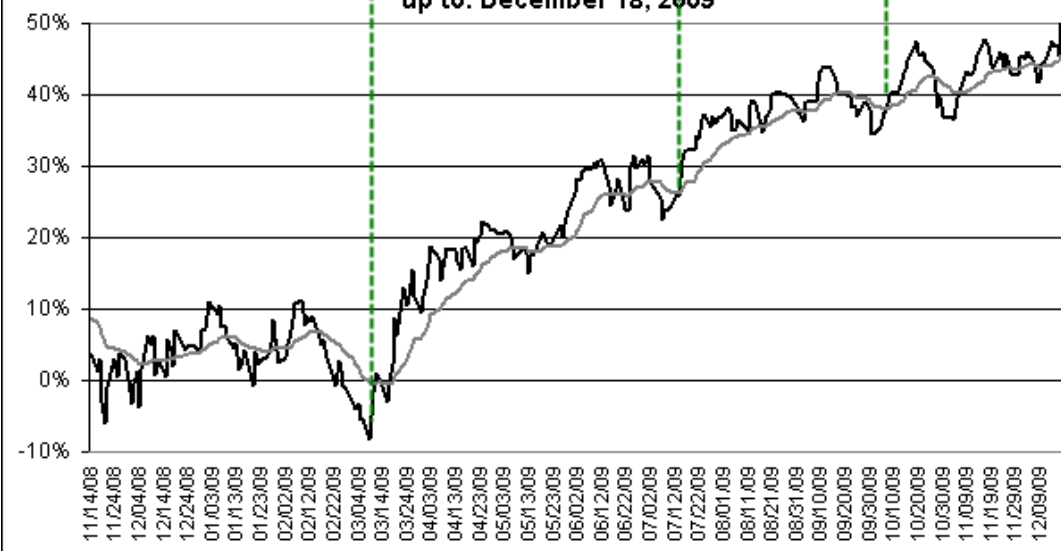
I always prefer the buy signals that are issued after a strong sell-off, as far as the general market is not in a down-trend.



**Sftw Enterpr: 20-day, Large Player's Strength**  
 (in percentage of total volume), up to: December 18, 2009



**Sftw Enterpr: Sector Price Change,**  
 up to: December 18, 2009



This tool unfortunately does not work all the time as can be seen for the banking sector below.

The right side of the figure (in pink) shows that the signal has stayed in negative territory since last September.

This is not good for the sector and I would not buy long positions there.



You will probably have noted that the 20DMF is built under the same principle, except that it incorporates 800 stocks.

The 20DMF below is shown with its true signal in pink. It is when the pink line crosses over/below its average that the cover/short signals are issued.

