

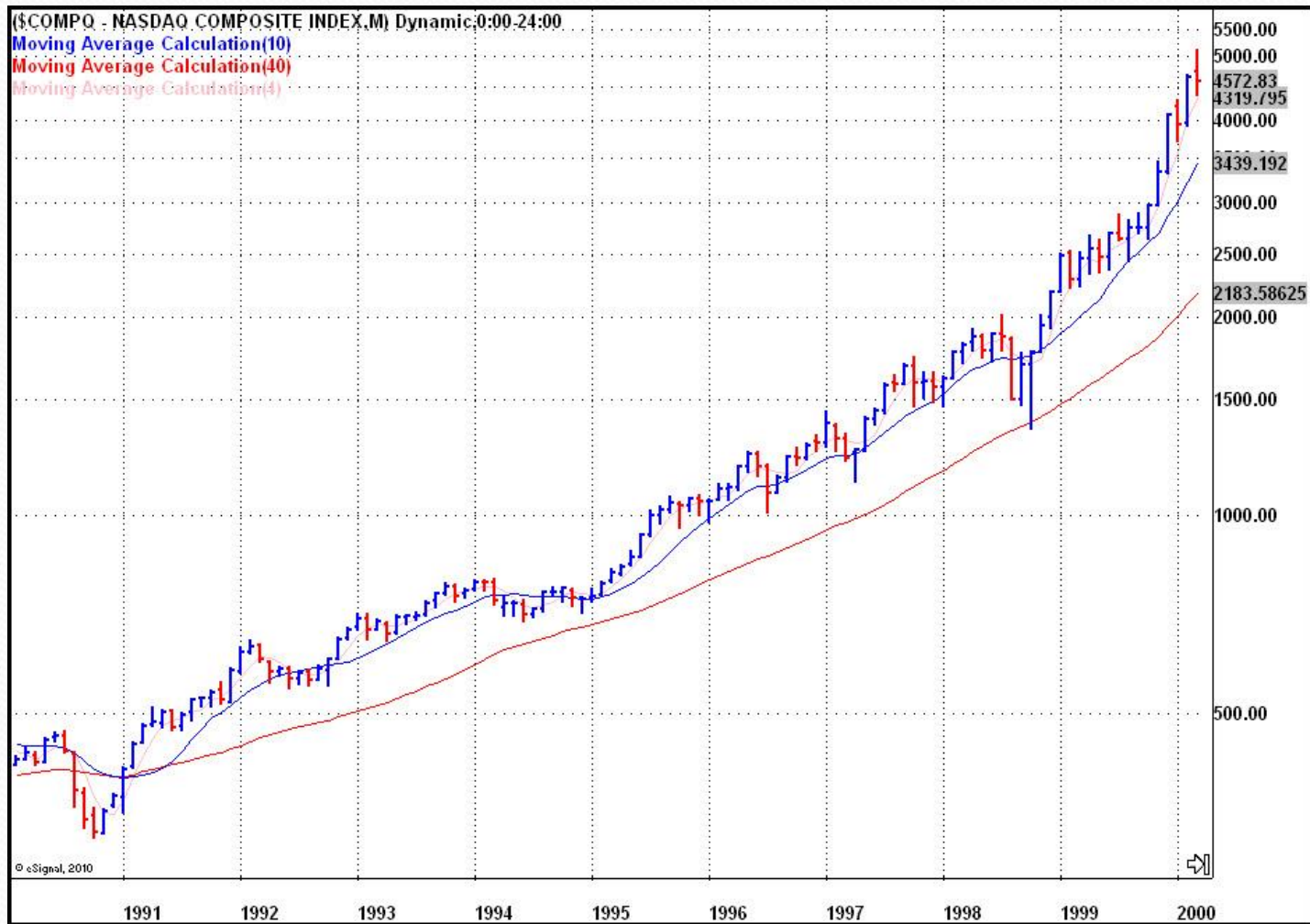
American Association of Individual Investors
Los Angeles Chapter
September 11, 2010 – Skirball Center

New Ideas in Technical Analysis

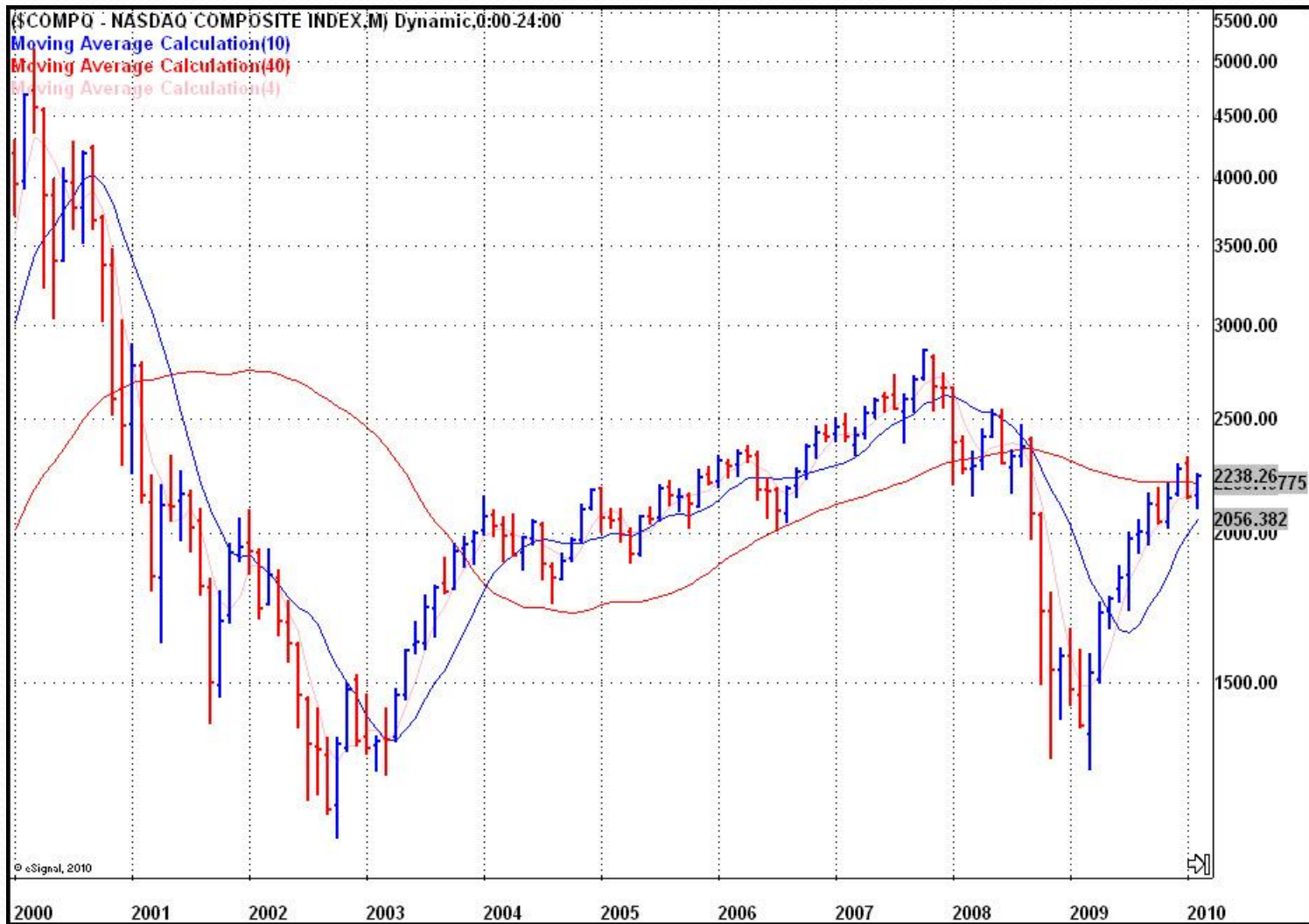
The Pocket Pivot Buy Point

Gil Morales & Dr. Chris Kacher
Managing Directors
MoKa Investors, LLC
www.mokainvestors.com

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

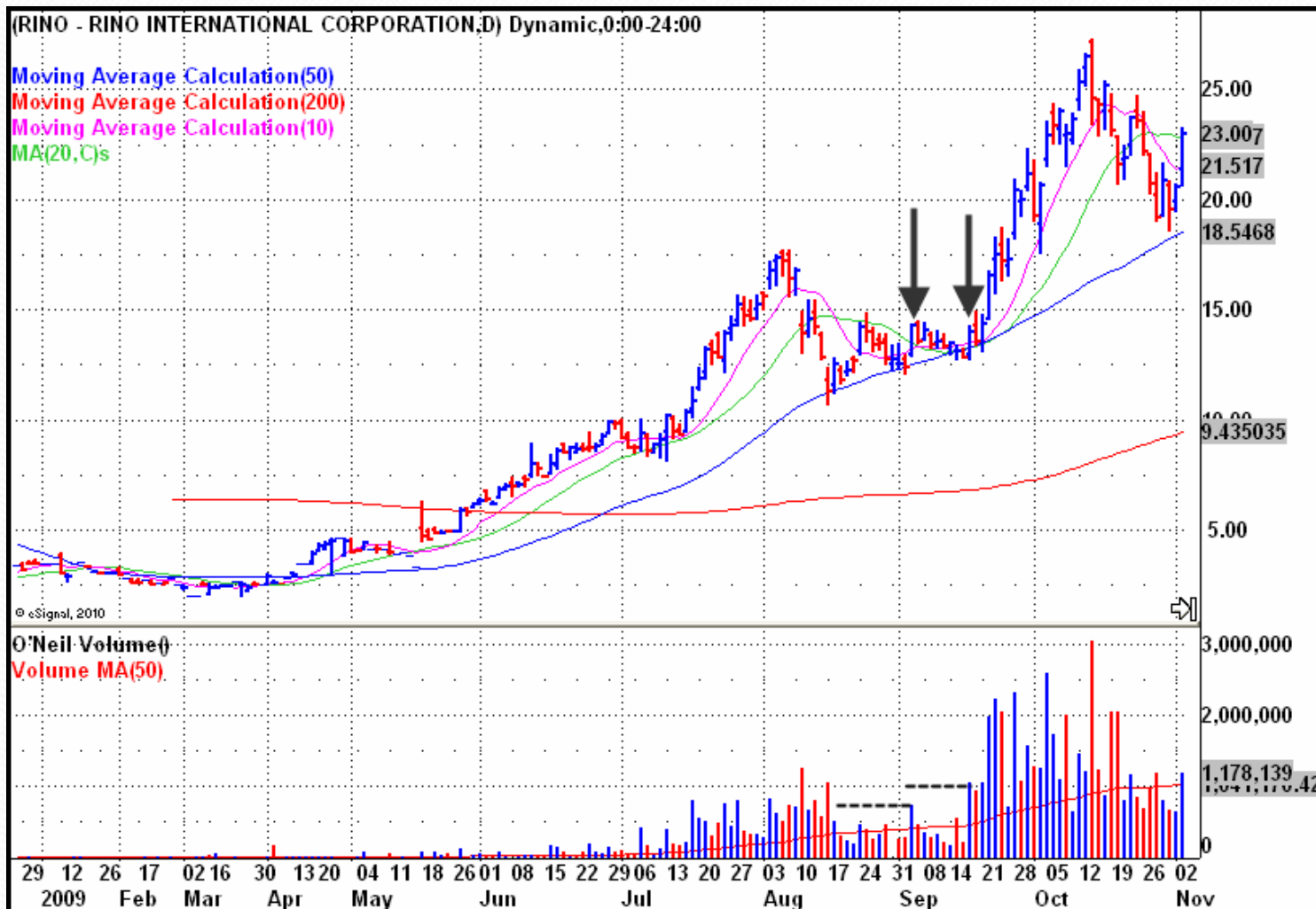
1. As with base breakouts, proper pocket pivots should emerge within or out of constructive basing patterns.
2. The stock's fundamentals should be strong, i.e., excellent earnings, sales, pretax margins, ROE, strong leader in its space, etc.
3. The day's volume should be larger than the highest down volume day over the prior 10 days.
4. 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.
5. Pocket pivots sometimes coincide with base breakouts or with gap ups. This can be thought of as added upside power should this occur.
6. 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.
7. Do not buy pocket pivots if the stock is under a critical moving average such as the 50-dma or 200-dma. If well under its 50-dma, and getting support near the 200-dma, it can be bought provided the base is constructive.
8. 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.
9. Avoid buying pocket pivots that occur after wedging patterns.
10. 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.

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Pocket Pivot Example #1

RINO International (RINO) – September 2009

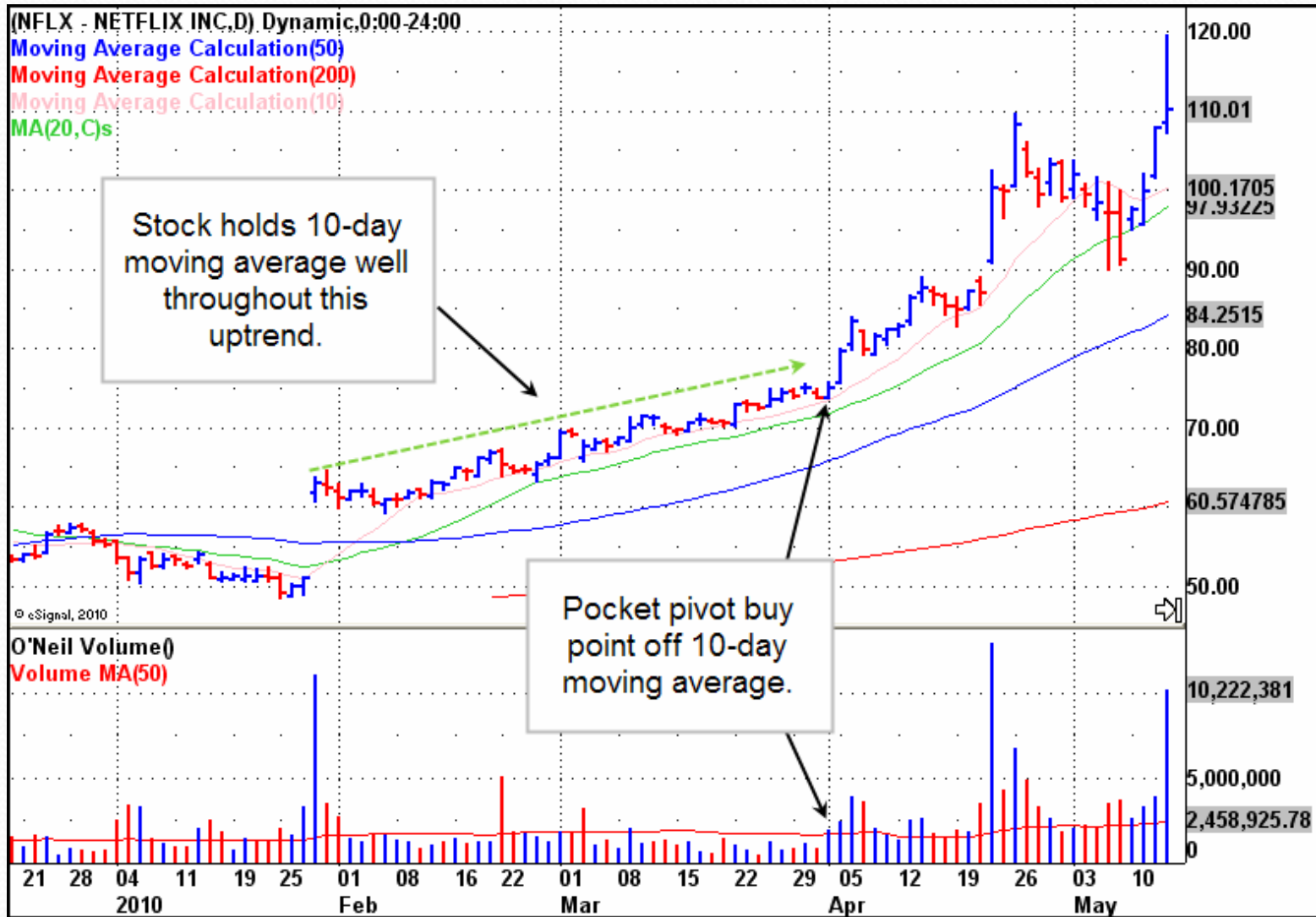


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Pocket Pivot Example #2

Netflix (NFLX), March/April 2009

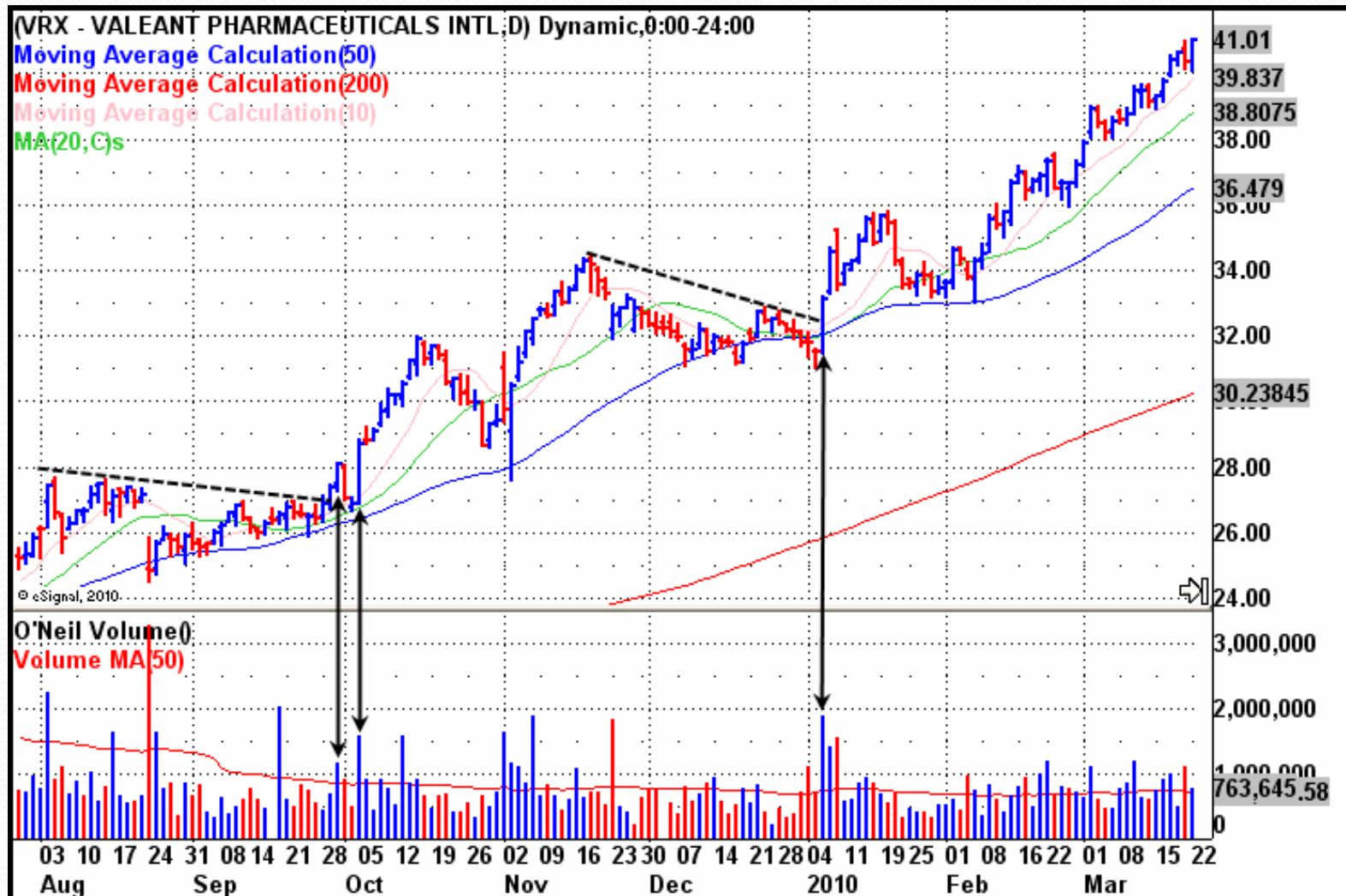


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Pocket Pivot Example #3

Valeant Pharmaceuticals (VRX) in 2009

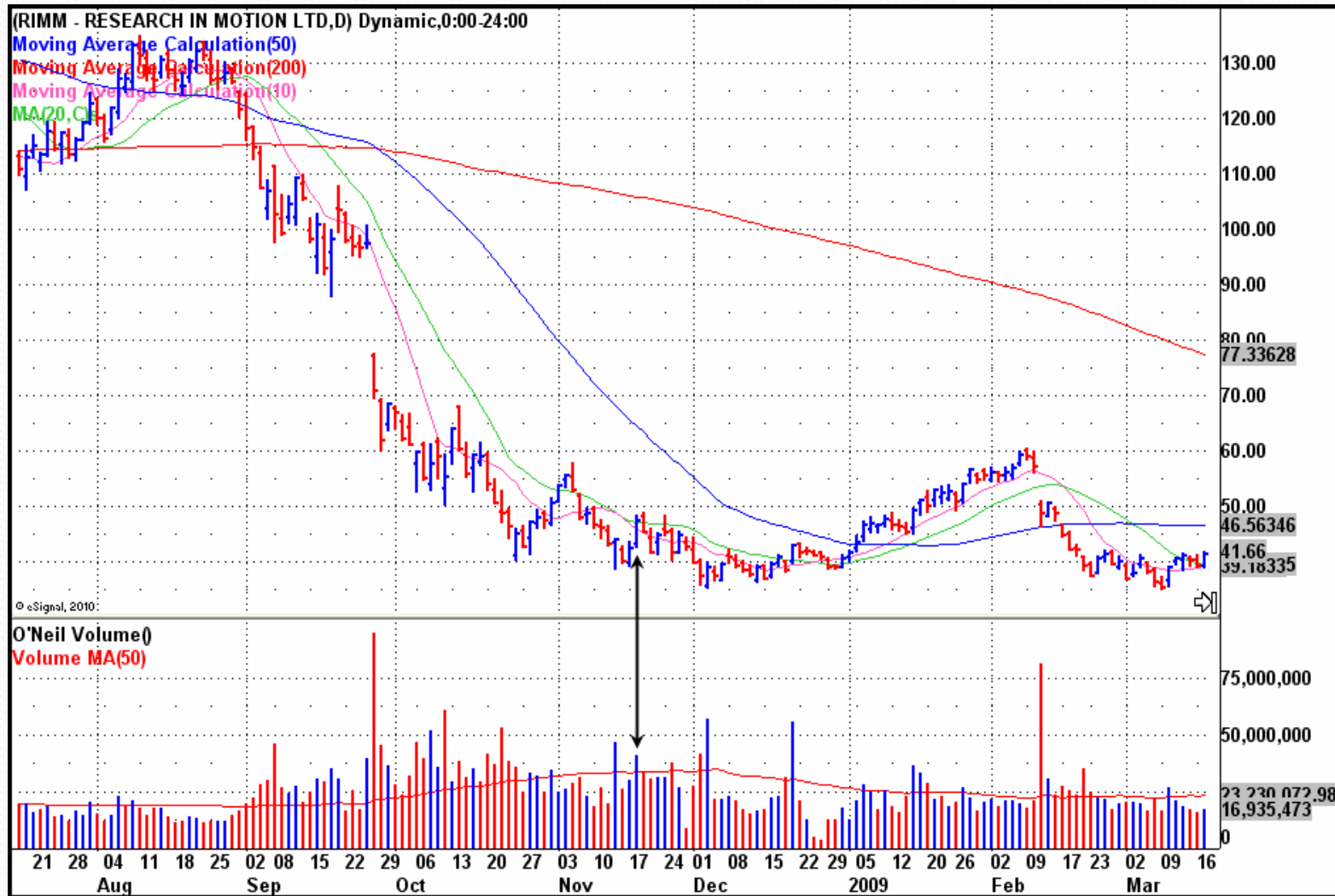


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Pocket Pivot Example #4

Research in Motion (RIMM) in November 2008

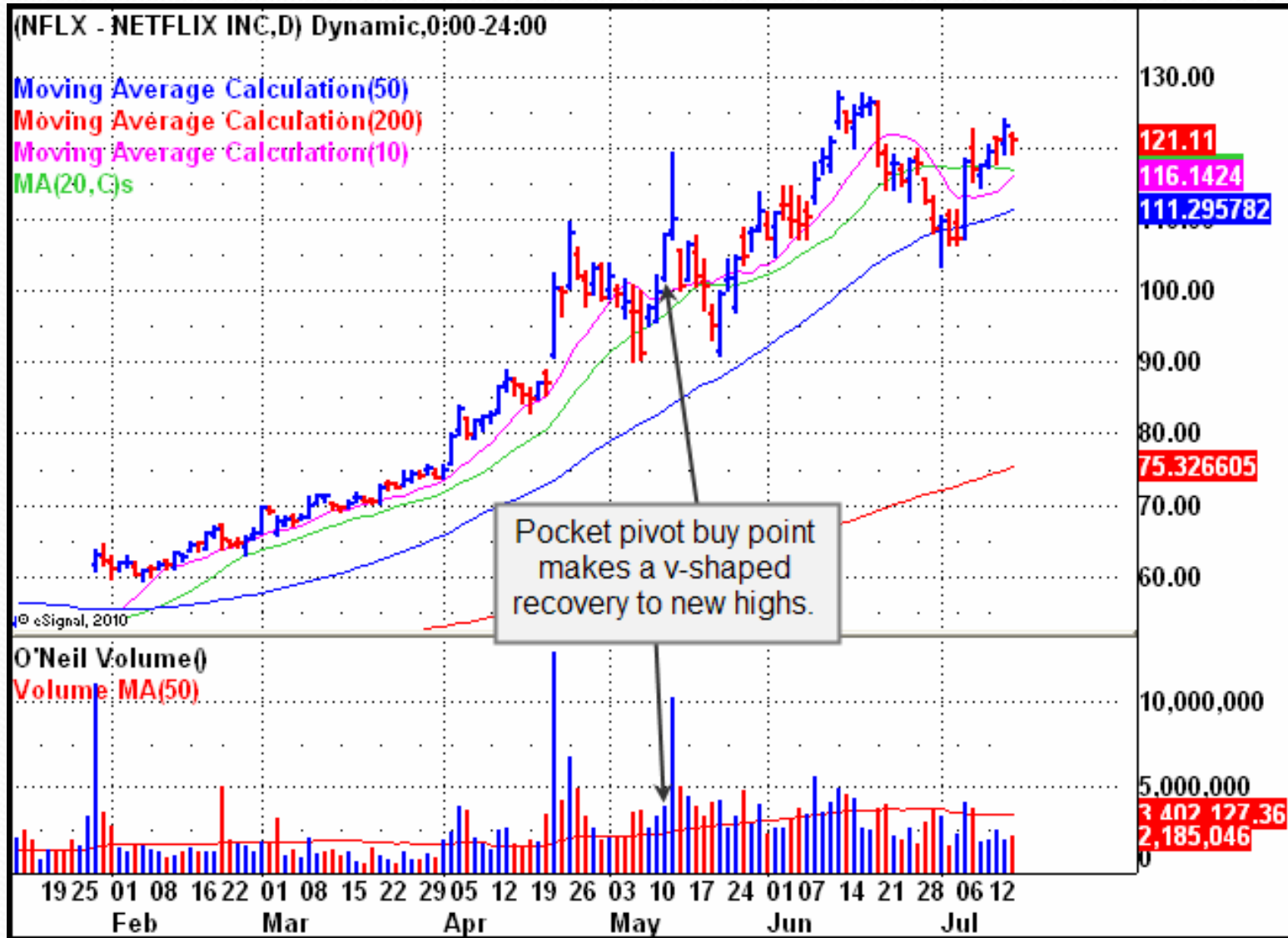


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Pocket Pivot Example #5

Netflix, Inc. (NFLX) on May 12th, 2010

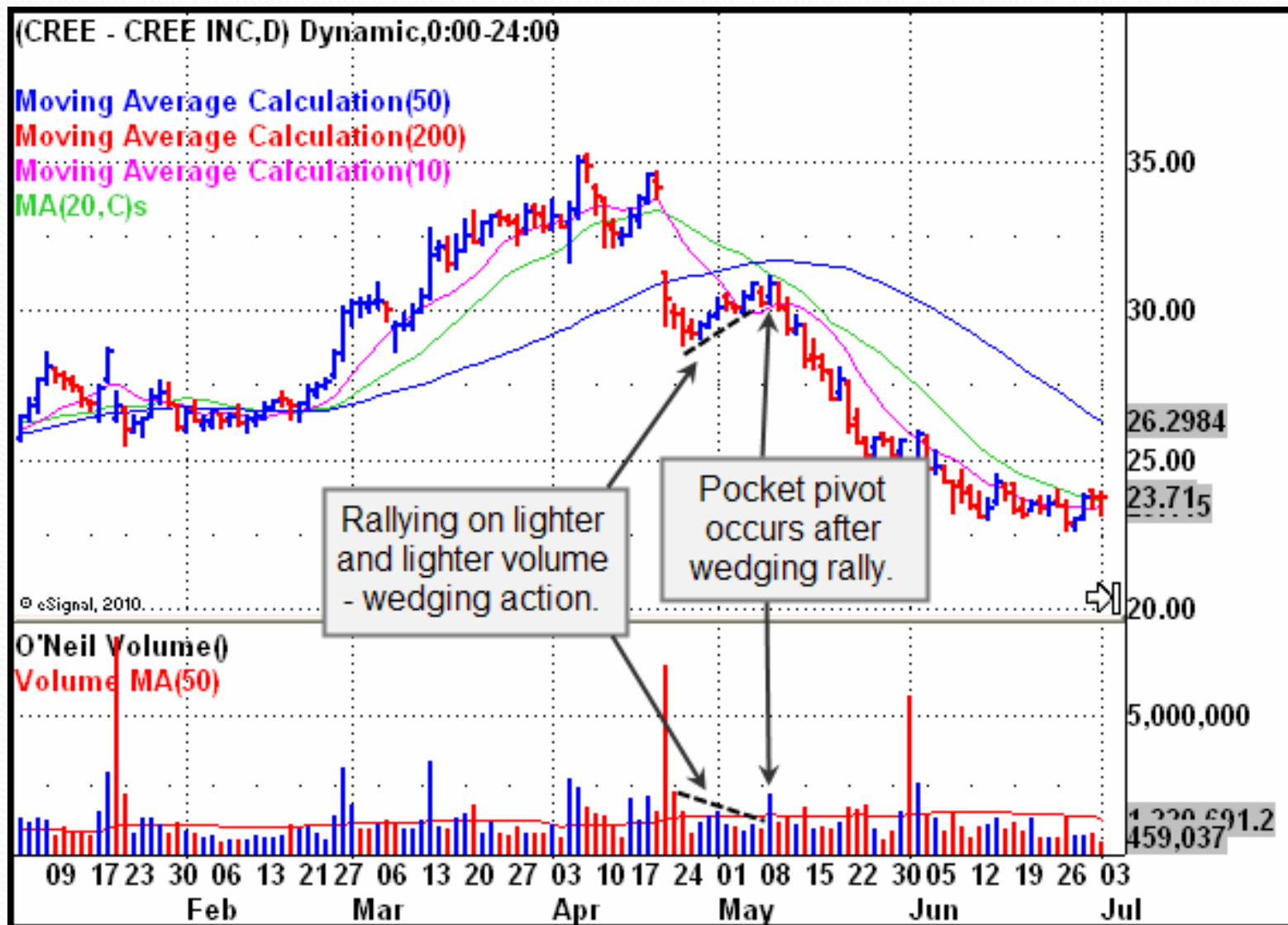


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Pocket Pivot Example #6

Cree, Inc. (CREE) on May 9th, 2006

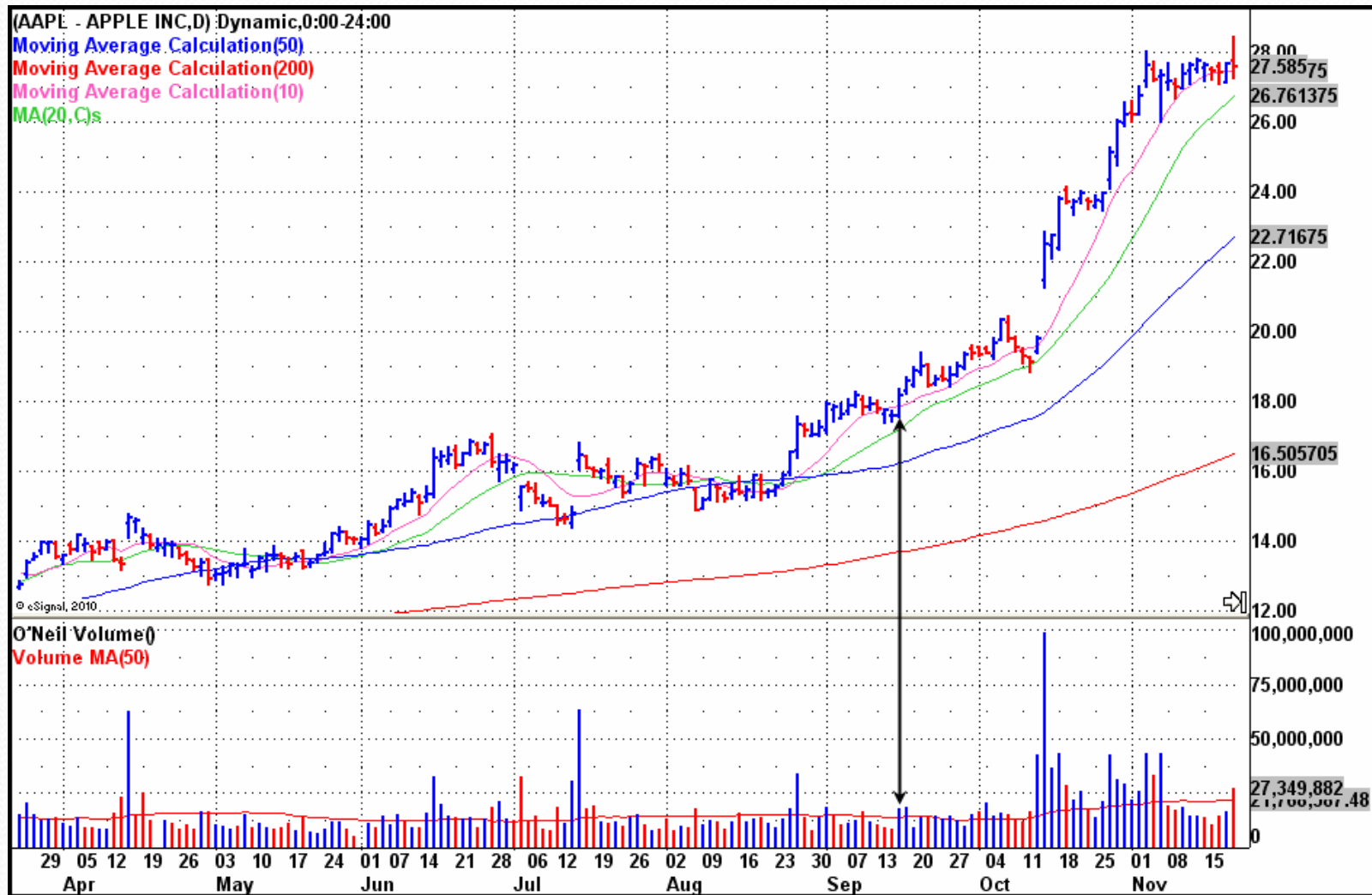


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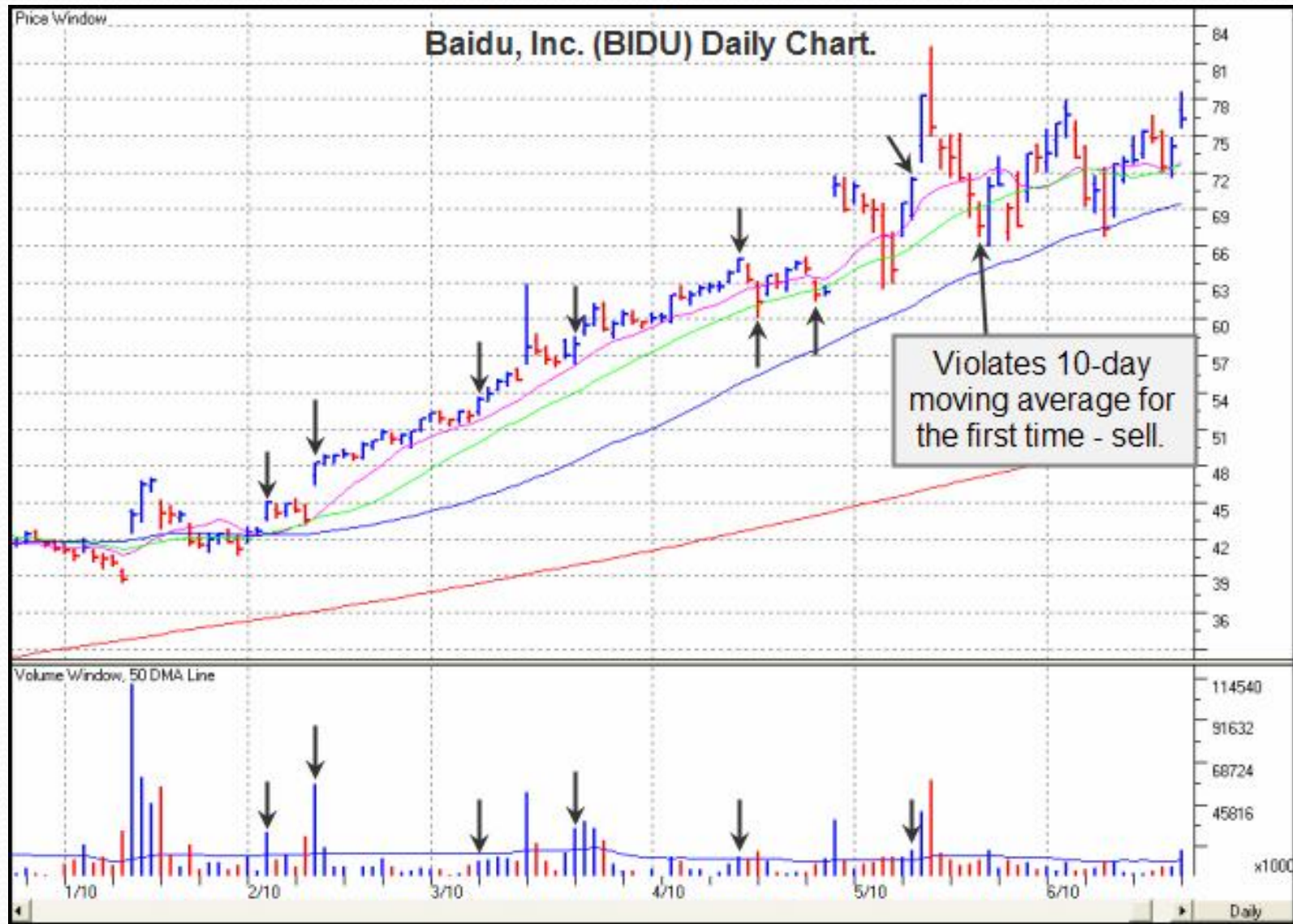
Apple, Inc. (AAPL) September 2004



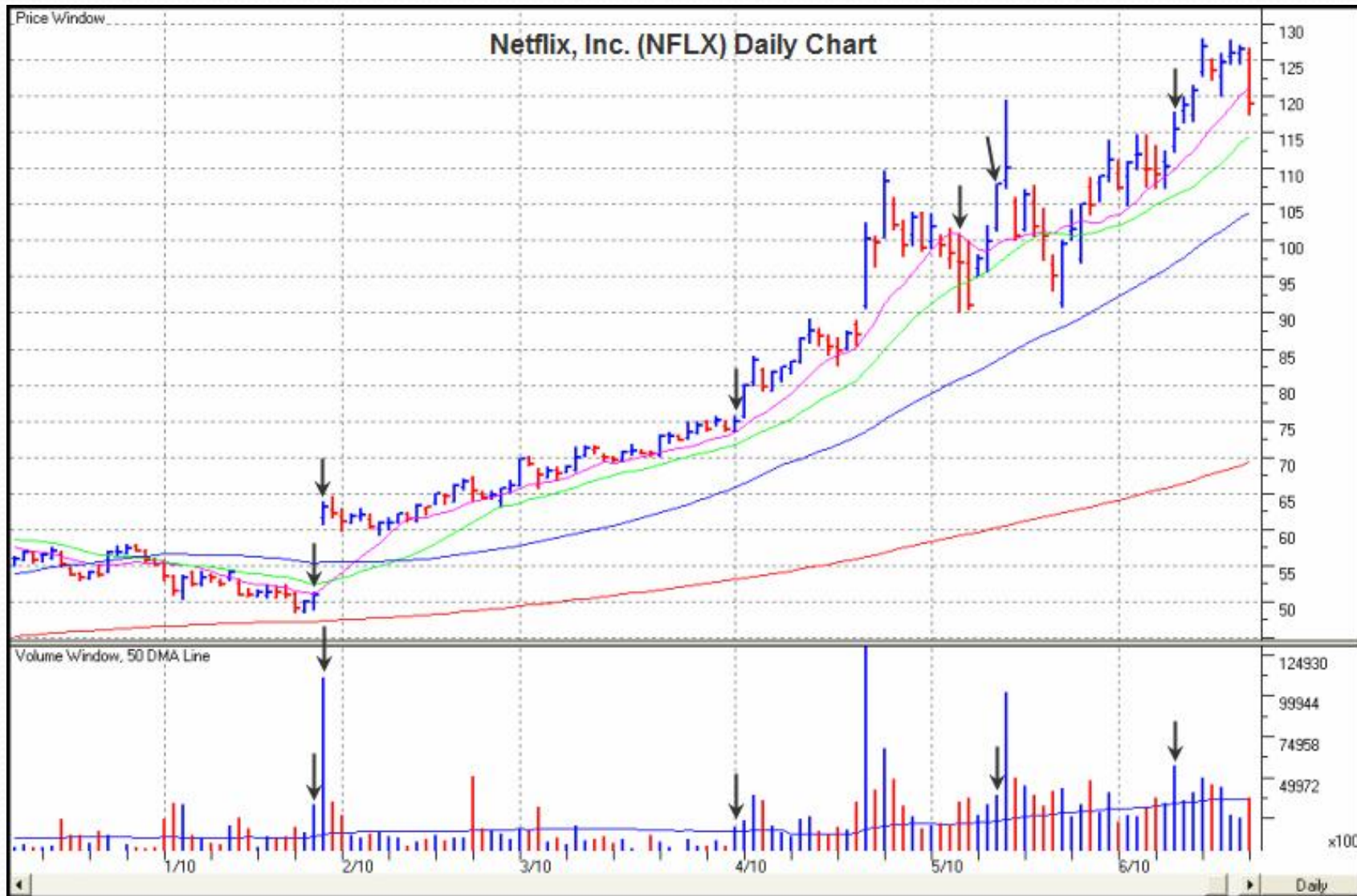
Use of the 10-day and 50-day moving averages in conjunction with the Pocket Pivot tool is governed by the “Seven-Week Rule.”

- **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, 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.

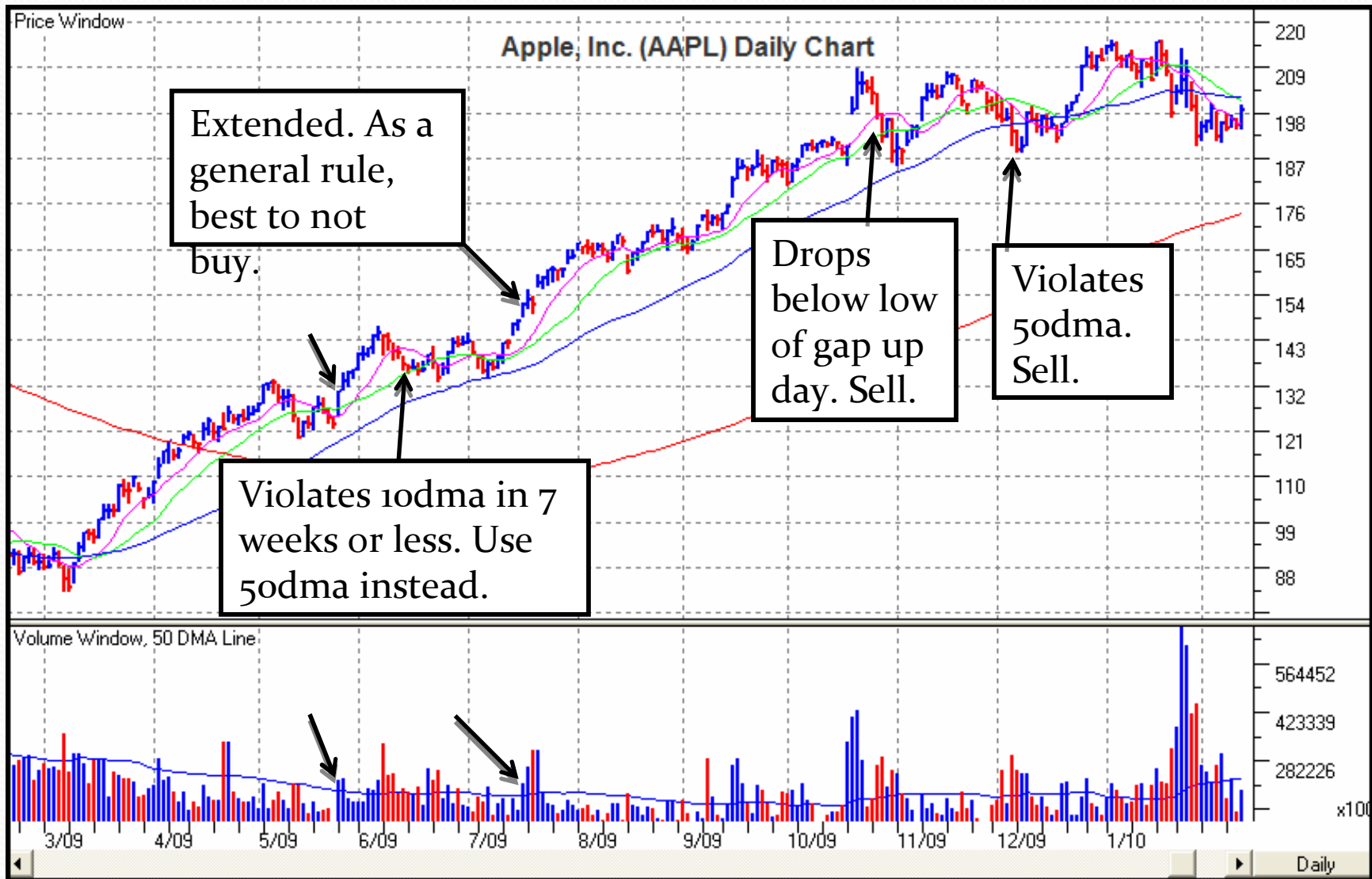
Putting it all Together – Baidu, Inc. (BIDU) from 2/10 to 5/10



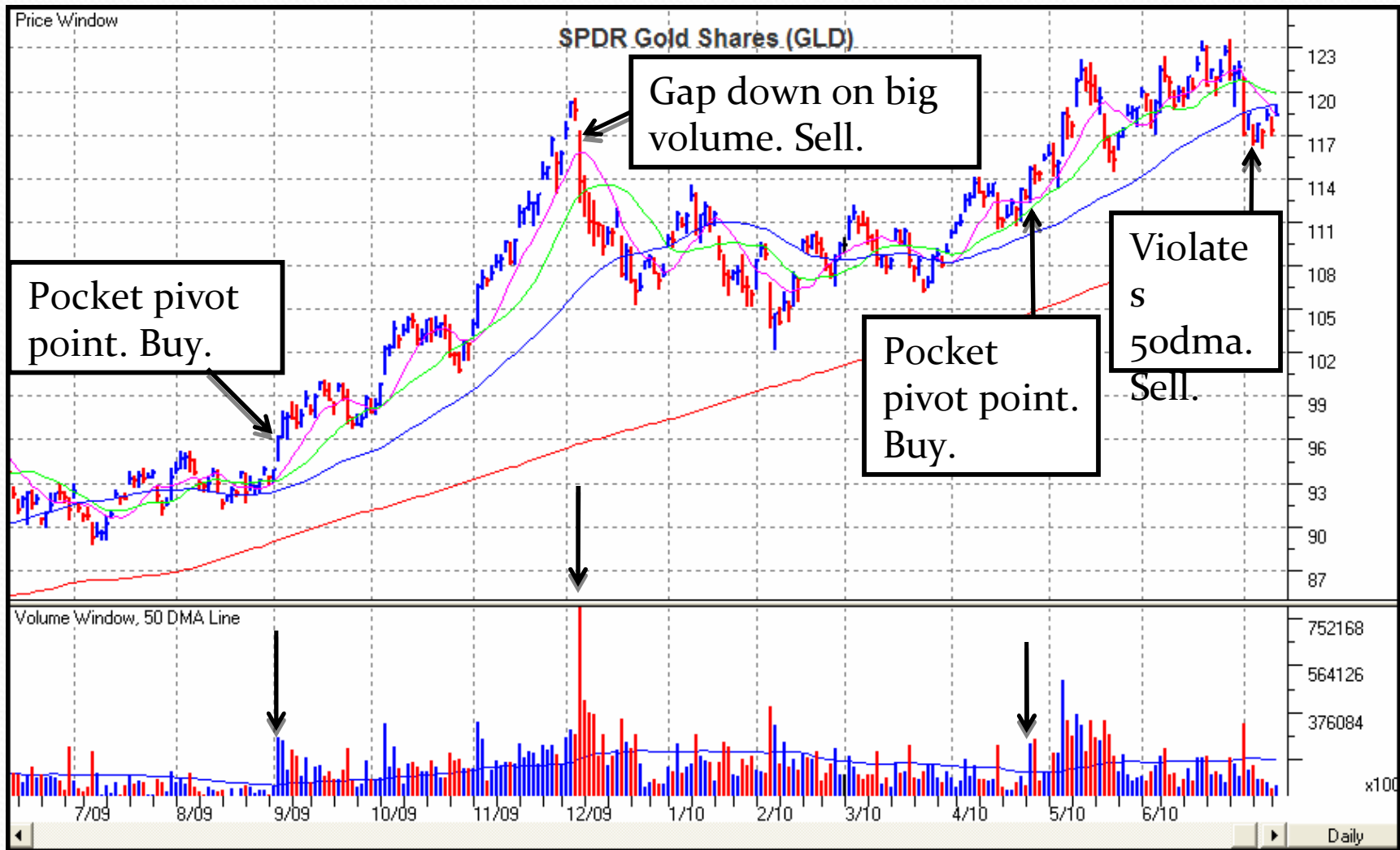
Netflix (NFLX) January thru May 2010



Apple, Inc. (AAPL) 2009-2010



SPDR Gold Shares (GLD) September 2009 thru July 2010





APPENDIX A

MoKa Market Direction Model

MoKa Market Direction Model Buy/Neutral/Sell Signals using TYH ETF 2009-2010

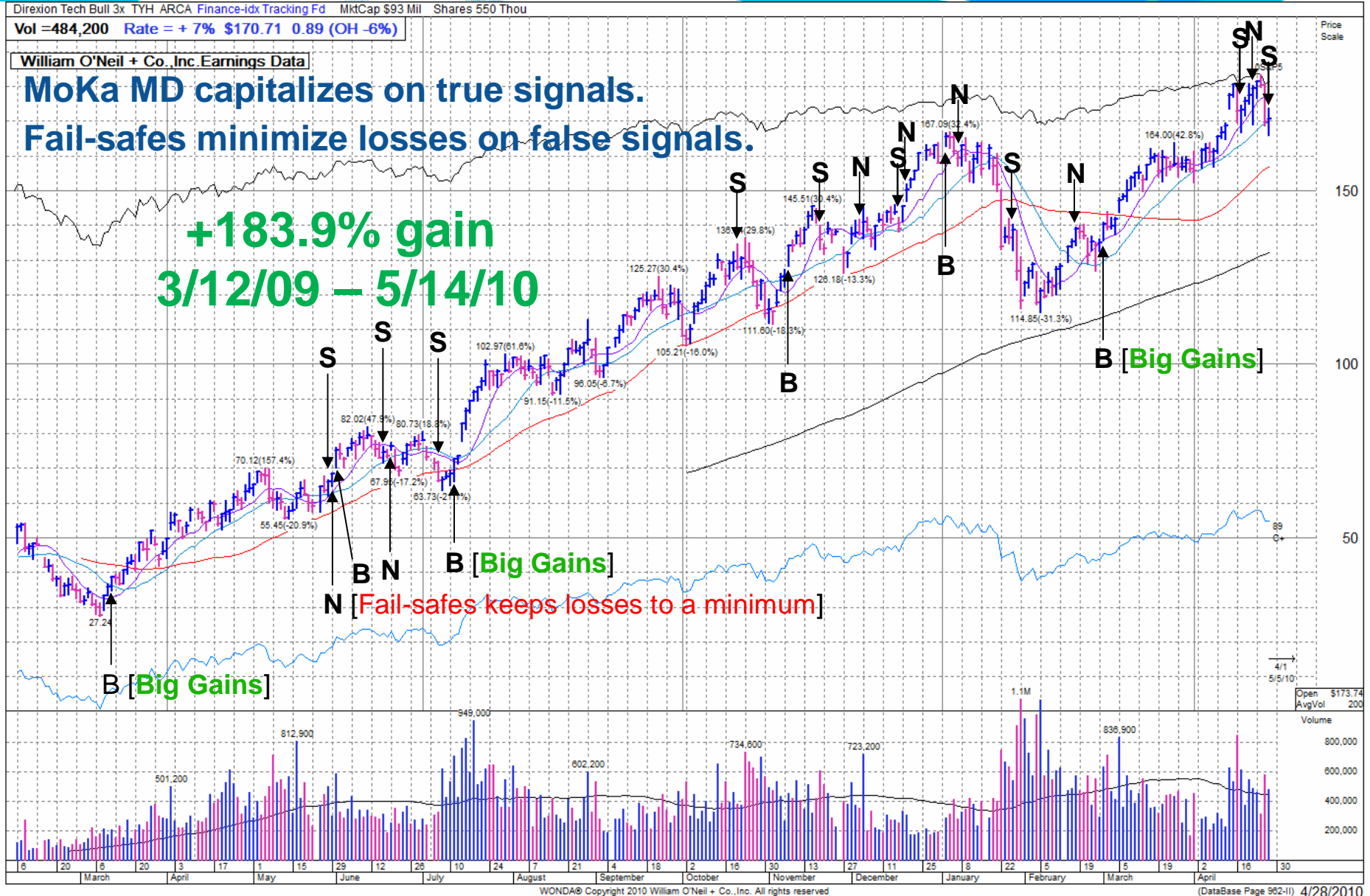
Dirxion Tech Bull 3x TYH ARCA Finance-idx Tracking Fd MktCap \$93 Mil Shares 550 Thou

Vol =484,200 Rate = + 7% \$170.71 0.89 (OH -6%)

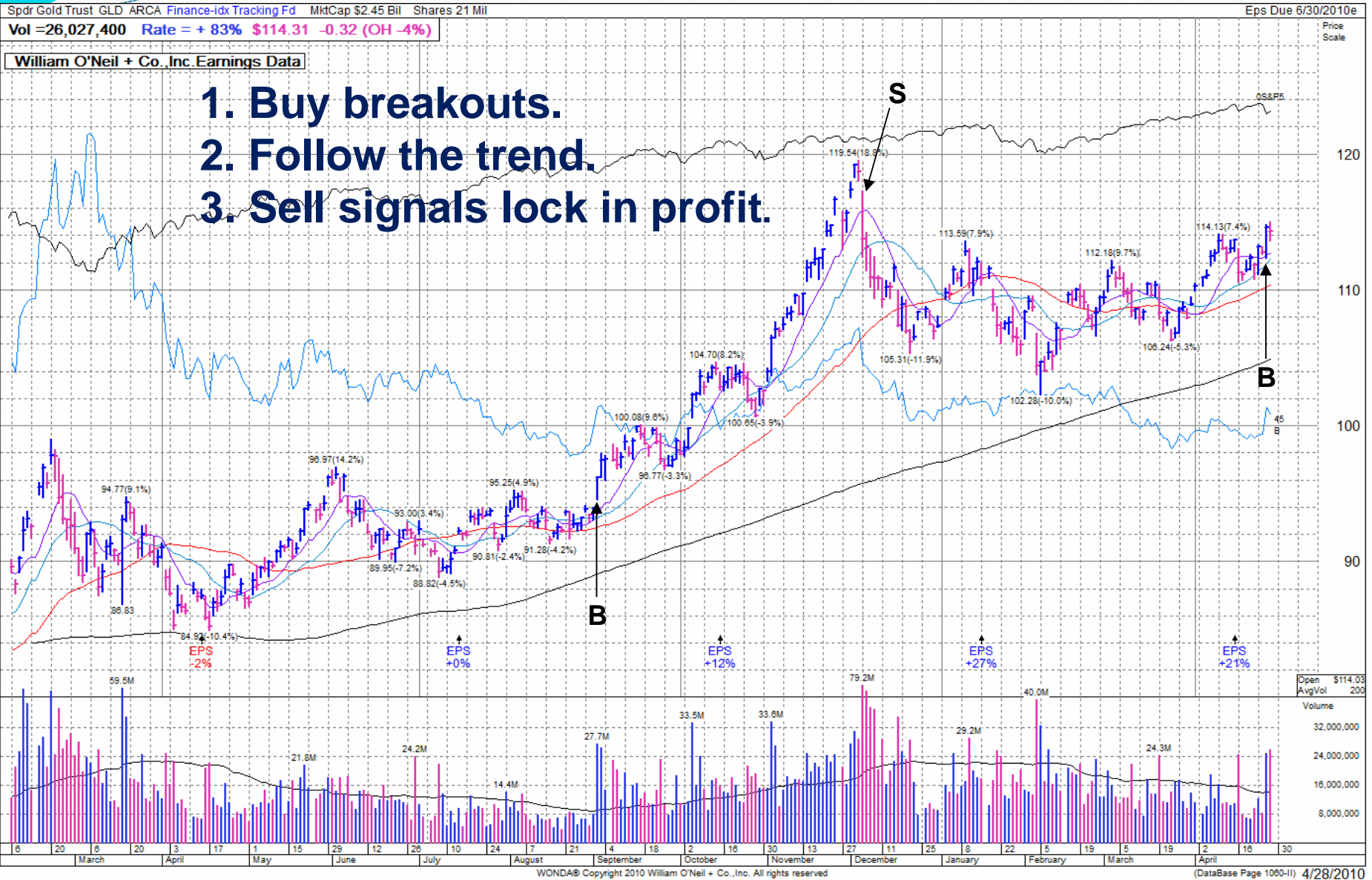
William O'Neil + Co. Inc. Earnings Data

**MoKa MD capitalizes on true signals.
Fail-safes minimize losses on false signals.**

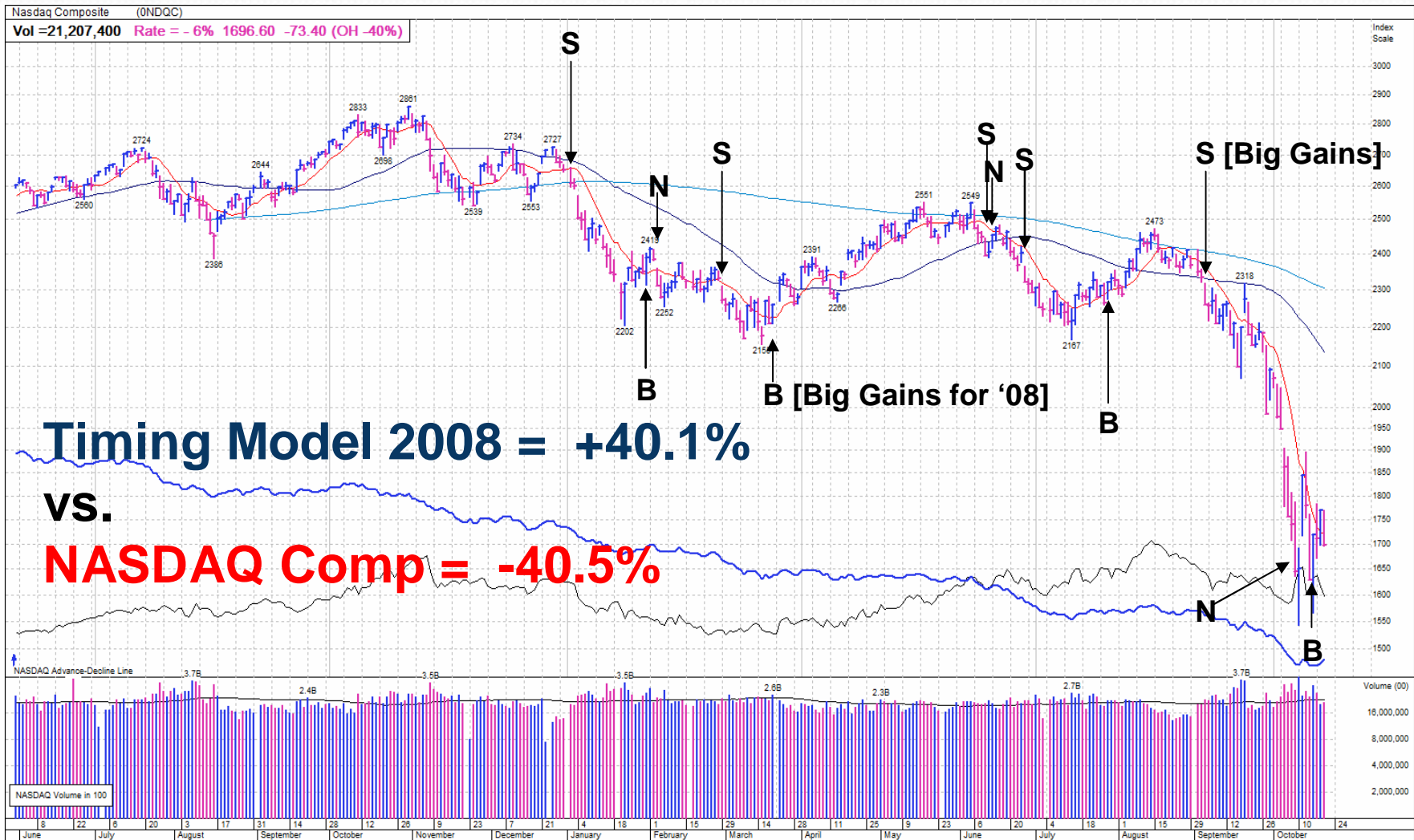
**+183.9% gain
3/12/09 – 5/14/10**



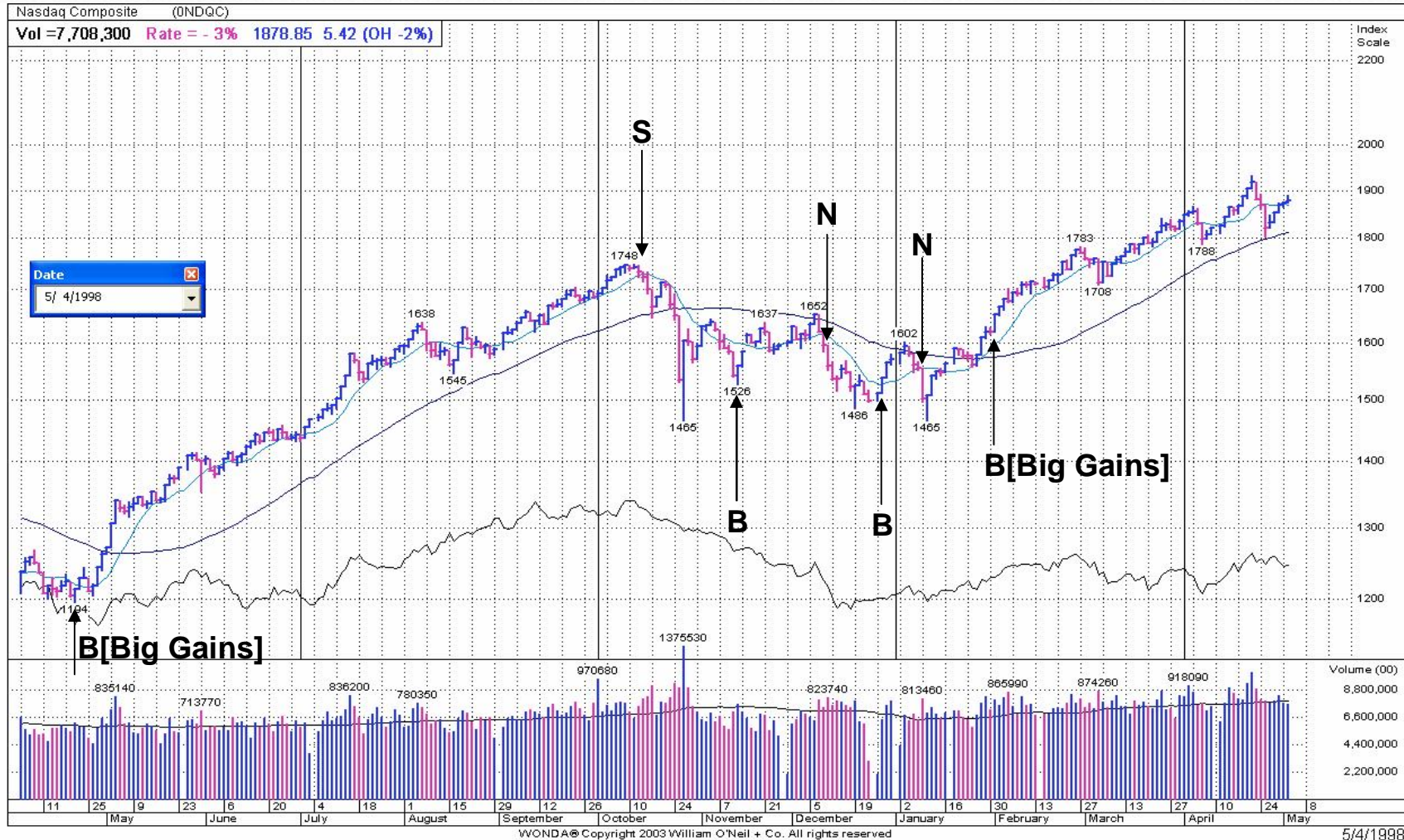
The Model & the SPDR Gold Trust (GLD) ETF in 2009-2010



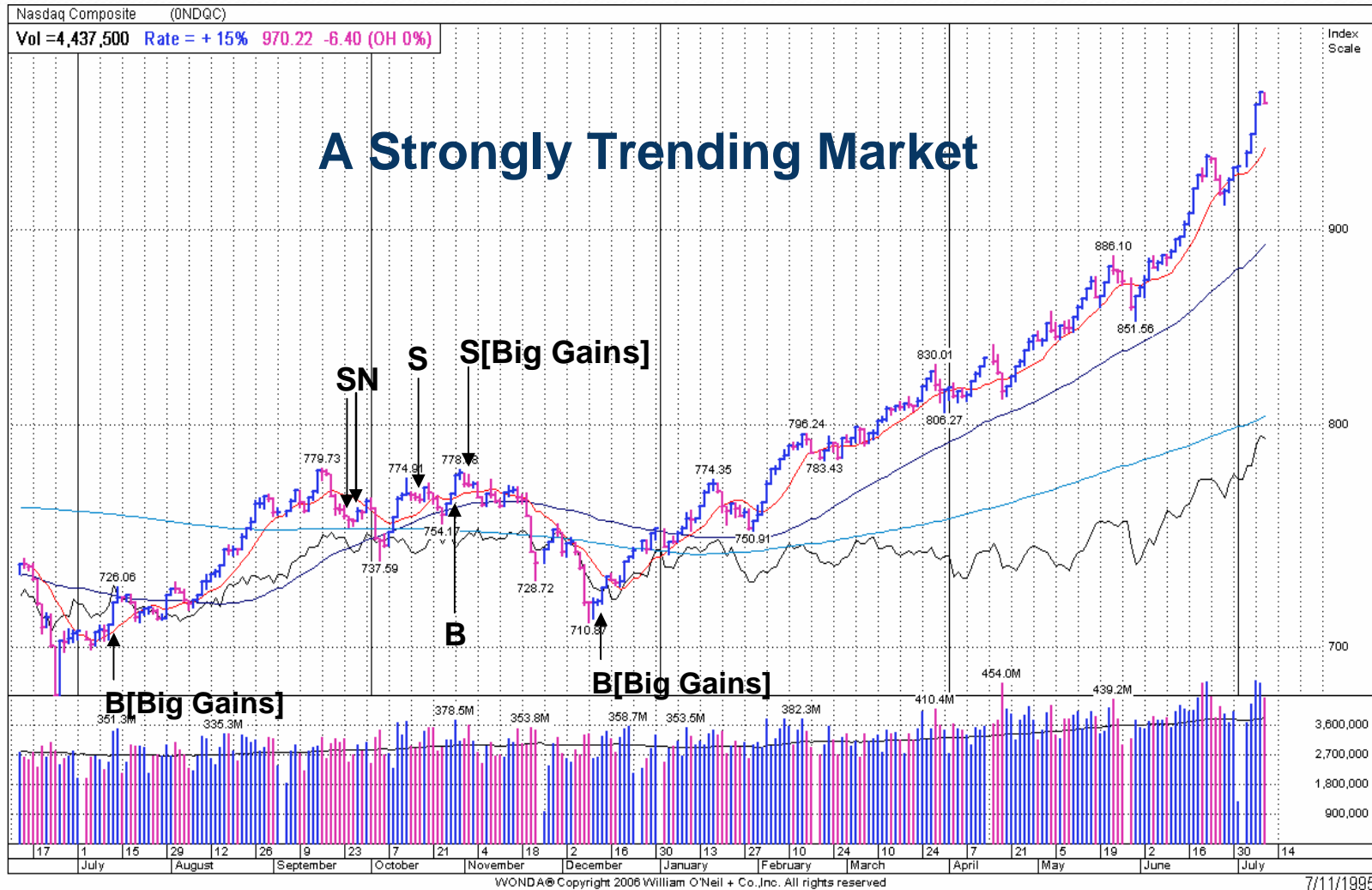
The Model during the "Crash" of 2008



The Model and the NASDAQ Composite Index during the October 1997 Asian Currency Crisis



The Model and the NASDAQ in 1994-1995



The Model during the Crash of October 1987

