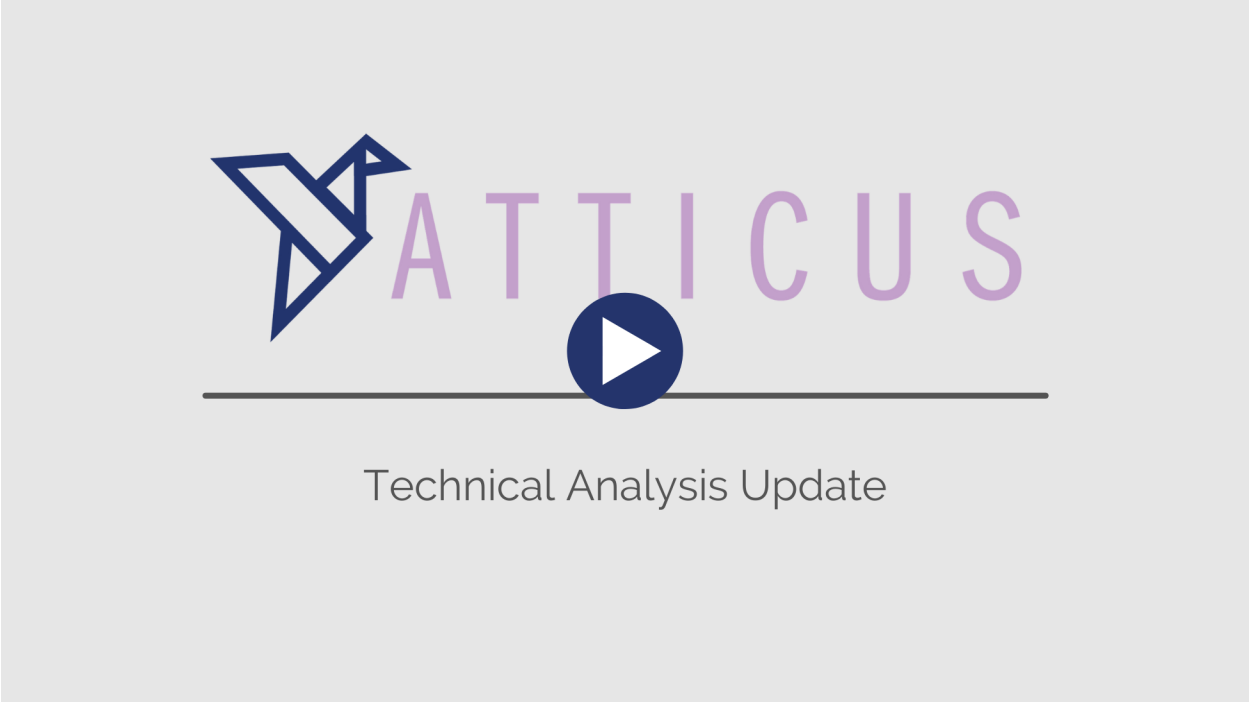
Technical Update

October 27, 2021 | PayPal (PYPL)



Watch Technical Analysis

Companies Included in this report:

PayPal

PayPal (PYPL)

PayPal Holdings, Inc. is a technology platform and digital payments company that enables digital and mobile payments on behalf of consumers and merchants. PayPal operates a two-sided network that links its customers around the globe to facilitate the processing of payment transactions. The Company allows its customers to use their account for both purchasing and paying for goods, as well as to transfer and withdraw funds. It enables consumers to exchange funds with merchants using funding sources, which include bank account, PayPal account balance, PayPal Credit account, credit and debit card, or other stored value products. The Company also offers consumers person-to-person (P2P) payment solutions through its PayPal Website and mobile application, Venmo and Xoom.

Daily Chart

Big Patterns Are Emerging.

- The first notable signal on the daily chart for PayPal is the recent downturn, with recent lows resting at 223 we see demand overlay into 233.5 which results in our demand zone resting between those two levels. (buyers last holding period).
- The chart also presents a wide 4-month long pennant pattern**(i)**, recently broken at 256 to the downside.

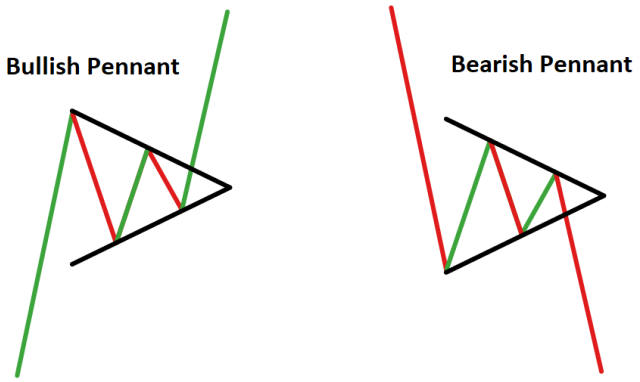


Image by [Simple Stock Trading]

- Note the significant rise in daily volume which correlates well with the recent move lower from 256-233.1.
- With earnings coming in on 11/8/2021 PYPL will have an opportunity to utilize the current demand zone and allow buyers to initiate a weak environment rally post-earnings.

PayPal (90 Days / 2 Hours)

- Here we have a closer look at the effect of the demand zone (233.5-223)
- Note ATR(i) holding well above the one year mean 7.75, ATR(i) acts as an inversely correlated technical signal, ATR(i) trends up, stock trends down, & vice versa.
- MACD(i) which represents momentum has slowed in negative territory signaling seller exhaustion.
- RSI(i) which represents price high-low extended ranges has been resting weak at the >50 level (50 represents the average mid-range)

PayPal (30 Days / 30 Minutes)

- The 30-minute chart which represents a short-term trading platform is presented with a 2 trend option. (note: using the 30-minute chart will allow traders to view the short-term nuances of the stocks price relative to supply/demand levels).
- First is the down-trending channel which began after the pennant break at 256
- Second is the price to trend correlation as the initial part of the channel trend correlates to the lower division (250/239.5) we see that as price traded along the lower channel trend line we see a gap up into the channel highs (255.5)
- This technical gap and resumption of trade have remained throughout the rest of the pattern with the price heavily concentrated at the top of the channel trend.
- Recently as the price moves into our daily demand range (233.5/223) we see no heavy correlational signals in either volume, MACD(i), ATR(i), or RSI(i).
- When observing charts on any time frame it is important to assess the SMA or (simple moving averages)
- On the above chart we have:
- 8d(i)SMA (the light blue line which tracks right along with price, above = short term strength, below = short term weakness. Price for PYPL continues to trade below the 8d(i)SMA which confirms ongoing bearish trading in the short term.

- Next is the 21d(i)SMA (yellow line closely near the 8d(i)SMA). When price breaks through that level it is often correlated to a trend reversal.
- The next three SMAs (50/Purple. 100/Green. 200/blue) represent larger trend confirmation/rejection moving averages.
- Often when a trend is broken by the 21d(i) it will confirm or reject the next closest technical moving average.

Summary

Overall PayPal is technically well set up to rally post-earnings, with price now trading in the larger demand range, traders should expect a higher probability the price begins to resume the positive trend.

References

8/21/50/100/200dSMA: The Simple Moving Average is calculated by summing the closing prices of the security for a period of time and then dividing this total by the number of time periods. Sometimes called an arithmetic moving average, the SMA is basically the average stock price over time. As a trend develops, the moving average will slope in the direction of the trend, showing the trend direction and some indication of its strength based on the slope steepness.

Pennant Pattern: The Pennant is a relatively rapid formation that appears as a small wedge after a steep trend, which develops in the opposite direction: after an uptrend, it has a downward slope and after a downtrend, an upward slope. The preceding trend is crucial for the pattern formation and is often called a Pennant pole. The question of the slope of the preceding trend is somewhat controversial: some prefer it very steep, almost straight, while others find those with a slope of 45 degrees the most desirable. The wedge that develops in the Pennant is relatively small, thus price action in it is almost immediate compared to other patterns: it usually takes several days to couple weeks for the Pennant to be completed.

ART: The Average True Range (ATR) study calculates the average true price range over a time period. True range is the greatest of the following:

- The difference between the current high and current low
- The difference between current high and previous low
- The difference between the previous close and the current low

MACD: MACD (Moving Average Convergence/Divergence) is an oscillator study that is widely used for the assessment of trending characteristics of a security. Calculated as the difference between two price averages, this indicator also provides a signal line, an average of that difference. Crossovers of the MACD plot and the signal line often produce valuable signals for trend analysis.

RSI: The Relative Strength Index (RSI) is an oscillator that rates the strength of a security on a scale from 0 to 100, comparing magnitudes of its recent gains and losses. By default, Wilder's moving average is used in the calculation of RSI, however, you are free to select a different type of average in the input parameters.

Questions? Contact us at Atticus

Website: oneatticus.com
Email: hello@oneatticus.com
Phone: (612) 208-9660

DISCLAIMER

Our content is intended to be used and must be used for informational purposes only. It is important to do your own research and analysis prior to making any investment based on your own personal circumstances. You should take independent financial advice from a professional in connection with, or independently research and verify, any information that you find on our post(s) and wish to rely upon, whether for the purpose of making an investment decision or otherwise. Nothing on this website should be considered an offer, solicitation of an offer, or advice to buy or sell securities. Past performance is no guarantee of future results. Any historical returns or expected returns are hypothetical in nature and may not reflect actual future performance. Account holdings are for illustrative purposes only and are not investment recommendations.