

SPI TRADING PLAN 20 Jan 3005

Open Interest and volume analysis (day data only)

Day	Vol	OI	Pattern	Comments
19	15217	151144		<p>The chart shows a candlestick price movement for the SPI. Key price levels are marked: 4100 (top), 4050, 4000, 3950, and 3882 (bottom). A green dashed line indicates a trend or target. A horizontal purple line is drawn at approximately 4067. The chart shows a significant volatility with a large range day.</p>
W	16421	152147		
E				
D				
			<p>The SPI on long term patterns has an excellent top. I am not sure the reasons for the strong sell off from fundamentals that have changed the last two days. The only item is the labor party succession problems. However, I would not have thought that this amounted to much. But nonetheless we have very high volatility.</p> <p>The trading plan picked the high as the position to sell. The expected high was 4079. The high was 5080 – one point out not bad.</p> <p>Completely missed the low. The Trading plan low was 4061. Actual low was 4029. That is 32 points out. By then a 51 point range day is a very unusual event.</p> <p>I had a bounce on the DOW and the S&P so I am a little surprised by this outcome. Obviously, there is something in the pipeline that is not public information. Looking at the charts, it is the banks that opened high and sold off.</p> <p>The volume has increased and is relatively high. Open interest is increasing. I note from the markets list that OI in the S&P has increased strongly the last three days. It seems to agree with the SPI's performance. Perhaps there is an increase in OI to cover the uncertainty of the run up to the IRAQI election. That election was going to have a barometer effect – market up when it seems to be improving and markets down as problems increase.</p>	

U.S. Stock Markets		
Market	Level	Change
dji	10,539.97	▼ -88.82/-0.84%
nasdaq	2,073.59	▼ -32.45/-1.54%
s&p 500	1,184.63	▼ -11.35/-0.95%
russell 2000	617.91	▼ -6.96/-1.11%
nyse composite	7,059.27	▼ -55.26/-0.78%
dow transport	3,552.48	▼ -36.74/-1.02%
dow utilities	334.58	▼ -0.68/-0.20%
amex composite	1,415.41	▼ -5.79/-0.41%
fortune 500 index	841.90	▼ -7.77/-0.91%

US Markets

U.S. Treasury debt prices were mostly flat on Wednesday despite a benign reading on inflation as investors waited for more definitive clues on the outlook for monetary policy. With expectations settled on a steady dose of Fed interest rate hikes for the foreseeable future, investors have had little to trade on in recent sessions, making for rather lethargic market action. As they await market moving data or substantive pronouncements for the Fed, investors have been left to fiddle with profitable bets on the yield curve. In particular, traders have put their money on the likelihood that longer dated debt would

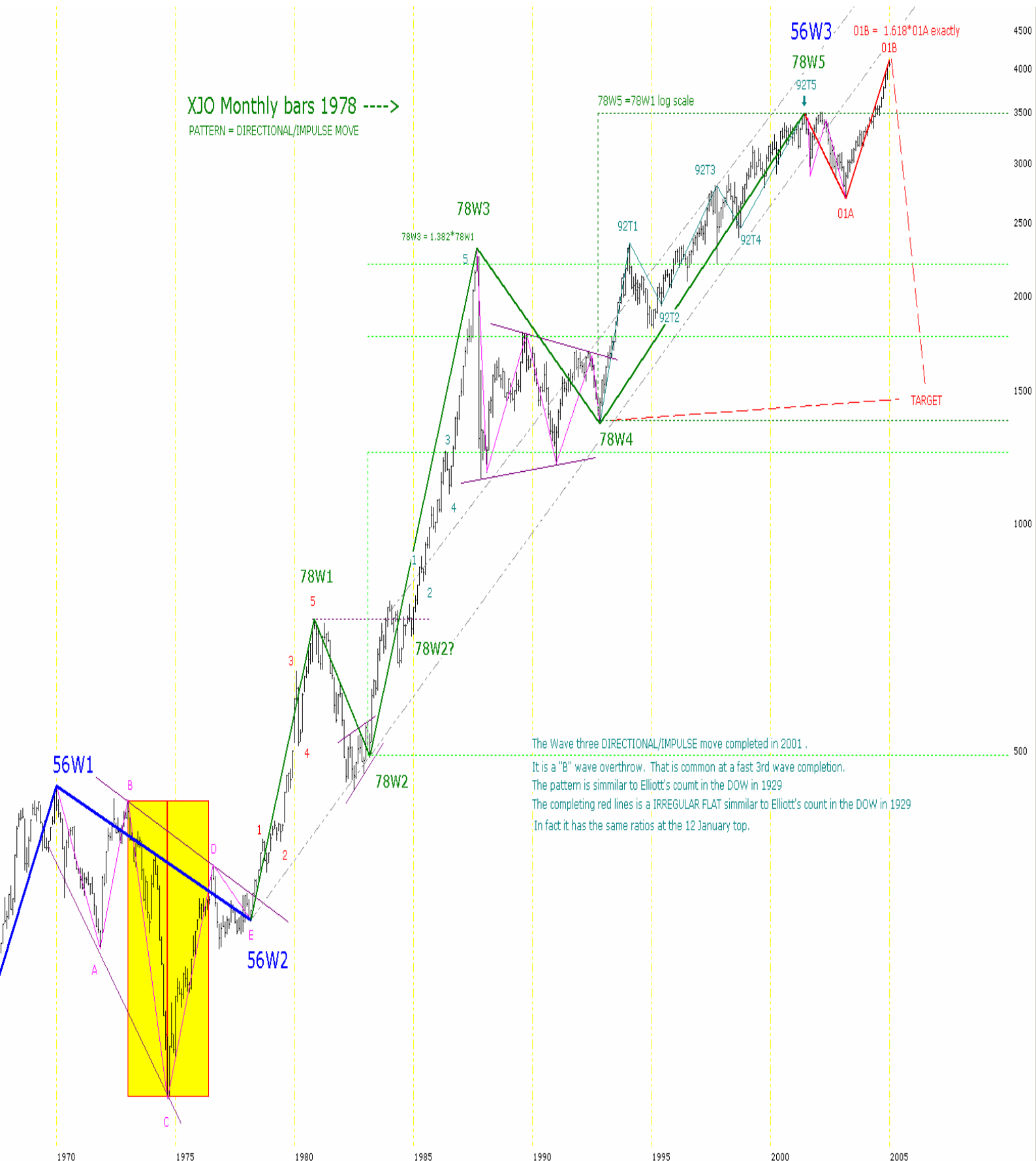
perform better than shorter dated notes in an environment of rising official rates.

Stocks fell after some quarterly earnings reports failed to impress investors, including a disappointing outlook from Motorola Inc, which stoked concerns about lacklustre technology spending. Motorola, an S&P component that recently regained market share to become the world's No. 2 cell-phone maker, tumbled 7%, a day after it said first quarter earnings would be lower than average Wall Street analysts' estimates. Meanwhile, shares of Dow component J P Morgan Chase & Co., the No. 2 U.S. bank, slipped 0.49% after its fourth quarter earnings missed Wall Street expectations. The lacklustre session follows two days of gains, which on Tuesday pushed the major indexes to their highest levels in about two weeks.



The move for T5 is sufficient to be complete. It has ached target area. However being the 5th wave there are three upthrusts expected. So far there are only two. The 4th wave has moved down far enough to create overlap. The expectation here is a bounce about the same size in price as the bounce up from the second low of last Friday. If it moves up, and fails to take today's high it will be an excellent sell. The PATTERN will be a rare WAVE THREE EXTENSION TERMINAL. These have a habit of initiating vicious down moves.

In these positions the markets are vulnerable – a negative news item could sink it through support and then the market will dump prematurely. Elliotticians will then label it as something else – for most Elliotticians there is no such thing as failure. It just becomes another pattern to label.

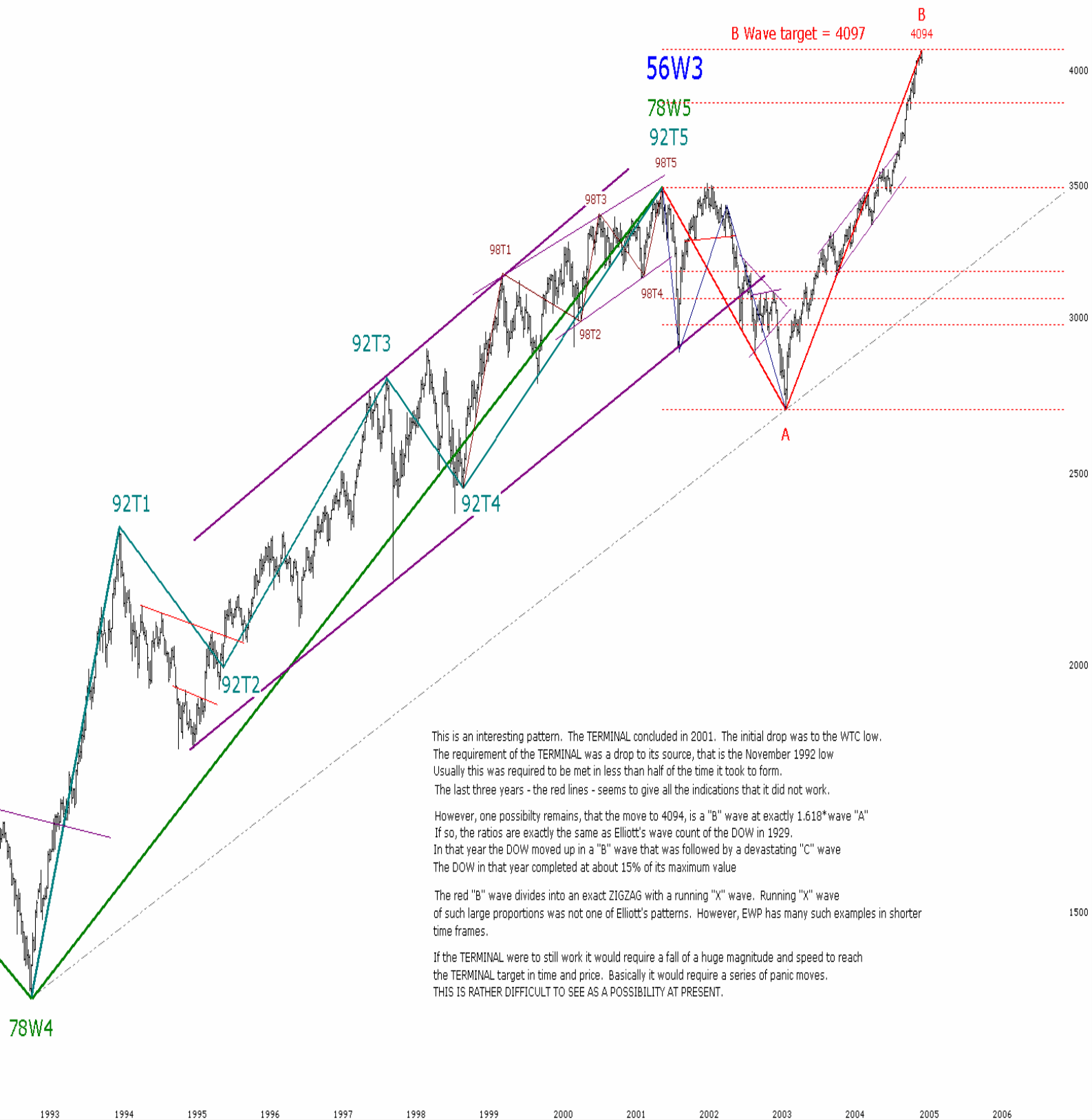


XJO Monthly bars 1978 ---->
 PATTERN = DIRECTIONAL/IMPULSE MOVE

The Wave three DIRECTIONAL/IMPULSE move completed in 2001 .
 It is a "B" wave overthrow. That is common at a fast 3rd wave completion.
 The pattern is similar to Elliott's count in the DOW in 1929
 The completing red lines is a IRREGULAR FLAT similar to Elliott's count in the DOW in 1929
 In fact it has the same ratios at the 12 January top.

This is a long term chart of the XJO. The problem is the strong rise since March 2003 that has taken the high out. The task is identifying the RED LINES above. EWP has identified that as an IRREGULAR FLAT. It is a "B" wave overthrow which is not unusual in a third wave completion 56W3. In fact it is labelled the same way as the DOW was in 1929. In that labelling by Elliott himself, the "B" wave was $1.618 \times$ Wave A.

In the above chart red 01B = $1.618 \times$ 01A exactly. That was reached (3 points short on 12 January a few days ago. Maybe the increased volatility we are seeing is the prelude to a major drop. .



This is an interesting pattern. The TERMINAL concluded in 2001. The initial drop was to the WTC low. The requirement of the TERMINAL was a drop to its source, that is the November 1992 low. Usually this was required to be met in less than half of the time it took to form. The last three years - the red lines - seems to give all the indications that it did not work.

However, one possibility remains, that the move to 4094, is a "B" wave at exactly 1.618* wave "A". If so, the ratios are exactly the same as Elliott's wave count of the DOW in 1929.

In that year the DOW moved up in a "B" wave that was followed by a devastating "C" wave. The DOW in that year completed at about 15% of its maximum value.

The red "B" wave divides into an exact ZIGZAG with a running "X" wave. Running "X" wave of such large proportions was not one of Elliott's patterns. However, EWP has many such examples in shorter time frames.

If the TERMINAL were to still work it would require a fall of a huge magnitude and speed to reach the TERMINAL target in time and price. Basically it would require a series of panic moves. THIS IS RATHER DIFFICULT TO SEE AS A POSSIBILITY AT PRESENT.

As you can see, the measure is exact. An IRREGULAR FLAT in this position would require a devastating "C" wave as the DOW in 1929.

The pattern 1992 5th wave TERMINAL completed in 2001. It took 8 years and 4 months. You expect a TERMINAL to retrace in about half of the time it took to form. That would suggest a fall to target in about a year or two. The target is so huge and the time short. Again if we use the DOW it fell to 15% in 3 and half years. So we do have precedent. However, it still is an unbelievable call but then in recent times the Nikkei experienced such a drop. Though I don't like it ramifications, for it spells huge trouble, and it does sound unlikely, let's not dismiss it completely. The pattern is such that this BEAR must get moving otherwise by definition it is wrong. In fact the recent top is the best indicator that it may be wrong. Both the SPI and the DOW need to take the recent highs out to counteract the forecast.

XJO Daily March 2003 --->

Pattern = ZIGZAG with RUNNING "X" wave
 ZIGZAG completed on 12 January 2005
 scale 2600/4300

These two RED RECTANGLES ARE EQUAL ON LINEAR SCALE



For this prognosis on the larger charts to be correct the move up from March 2003 needs to have a "B" wave structure. That in fact it has. Note the two rectangles above reached equality on 12 January a few days ago. The measure is linear. There is still a possibility that the measure would be in LOG. That would put the measure a lot higher up. However, 12th of January is in agreement with the US market at present. If the US market does not hold the end of year high, and exceeds it, this whole labelling could fall apart.

As it stands it is an excellent top. All we need to wait for is confirmation in the DOW and S&P indexes. The SPI and the XJO will go down while US markets go up. Many markets in the world are now intertwined. We will all go together one way or the other.

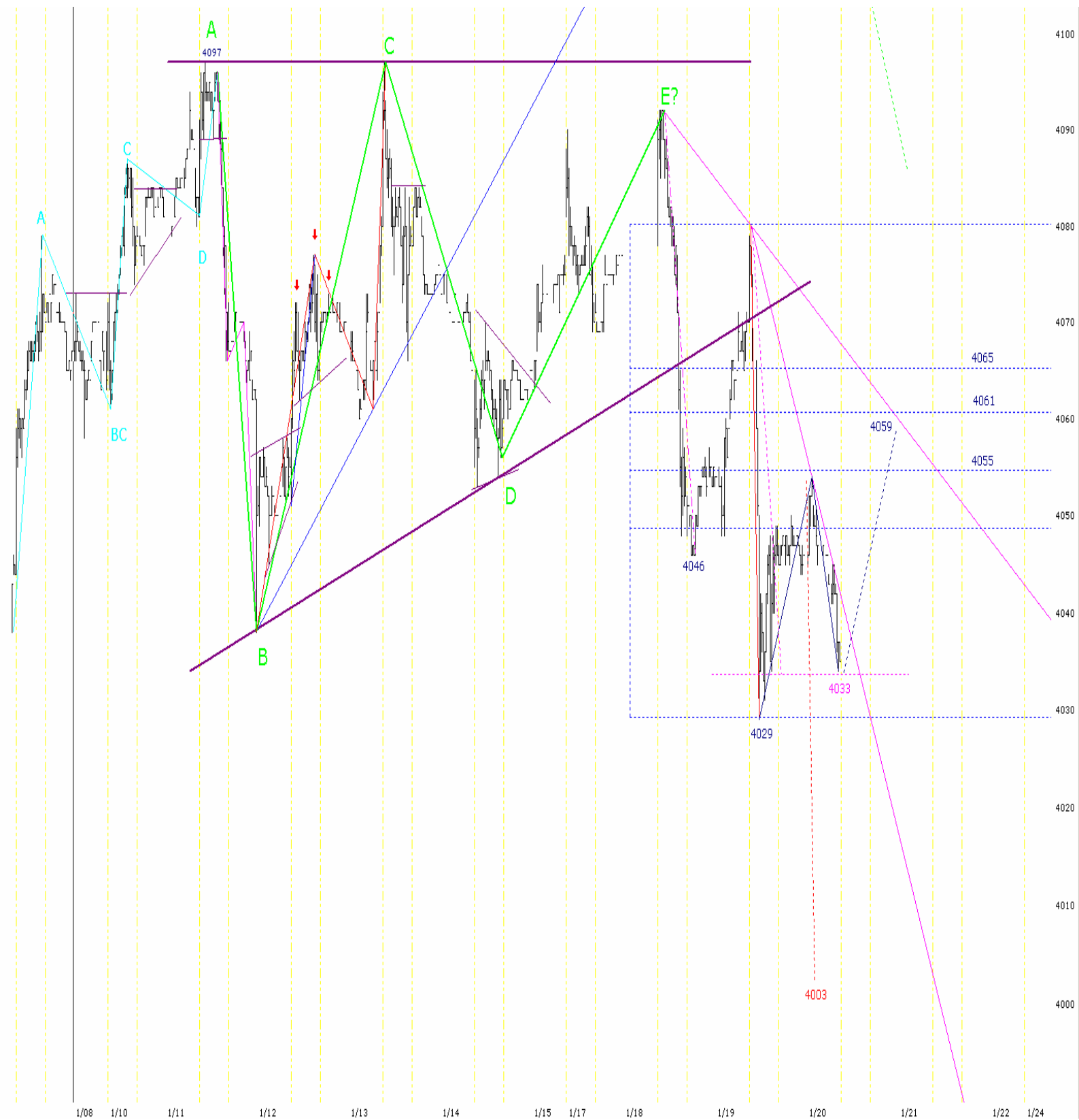
SPI
 PATTERN = ZIGZAG COMBINATION
 81 min/bar



The Trading Plan high was 4079 – the actual was 4080. The difference may be the thickness of the line. There was little else to support 4079. However the opening low was 4070 and the expected opening stretch of 10.6 thus the selling position was 10 to 11 points up at 4980/81. So there was some backing evidence for the 4079 sell.

The expected low was 4061 – it is the low of 4029 that caught EWP by surprise – 51 point moves in the SPI are rare and there seemed insufficient reason for such a drastic sell off. The SPI in fact dropped from the UPPER BOLLINGER BAND and 5 points through the lower. Such huge drop to support would certainly produce a bounce and it did from 4029 to 4050.

Notice that the recovery to 4054 yesterday stopped on the underside of the trend line – it was also almost exactly 50%



Since there is an IMPORTANT TOP in the market position is precarious. It is setting itself up for a large fall. Of course if it heads back up and takes the highs – there is a different story. At present the BEST BET IS THAT THE TOP IS IN.

Markets never go anywhere in a straight line. The article published earlier on hedging trading shows that commercials make huge profits from churning. So the markets are in a constant wash and rinse cycle enticing invertors in and then washing them out.

Technically the next target is down to 4003 – the round numbers support. However there is the possibility for a bounce to 4054 the night high. There is something in the pipeline that is causing nervousness both here and in US. It is not as yet common knowledge.

Morphic Resonance table

Date	D&N	D	0.236	0.382	0.500	0.618	1.000	1.382	1.618	2.000	
Mon 17/Jan	31	21	7	12	16	19	31	43	50	62	
Tue 18/Jan	44	44	10	17	22	27	44	61	71	88	
Wed 19/Jan	51	51	12	19	26	32	51	70	83	102	
	4054	4003	4003	4042	4035	4029	4022	4003	3984	3971	3952
	4034	4085	4085	4046	4053	4060	4066	4085	4104	4117	4136
	4076	4080	4029	4046	4046	4054	4034	4035			
10 Day Avg range	Opening Gambit Stretch = 38.2%		Bearish /bullish tip =50%		Trend confirmation +61.8%						
	30.6		11.69		15		19				

Support Resistance Table. In tests, allow up to 1 to 2 points

Value	Comment CRITICAL LEVEL
4097	Record high – 12 Jan 2005– (AP5M)
4088	Daily upper band – BOLLINGER [13 day period on (H+L+C)/3]
4080	Price acceptance above YESTERDAY'S HIGH = BULLISH = suggest up trend.
4080	Yesterday's high CRITICAL LEVEL
4076	Yesterday's Day OPEN
4075	BEAR HOOK Resistance/Attraction, Target = 4029 (L-1) test. To Initiate the HOOK, The SPI MUST TEST Yesterday's 'HIGH' at 4080 after 4:30 pm
4064	Daily median band – BOLLINGER [13 day period on (H+L+C)/3]
4061	61.8% of 4029/4080
4059	Dark blue ZIZGA 20 min chart – adjust to opening low,
4055	Possible high
4055	50.0% of 4029/4080
4054	Last night's HIGH
4046	Yesterday's Day CLOSE
4046	Night session OPEN
4041	EXPECTED HIGH
4041	OPENING GAMBIT (NEUTRAL) RANGE LOW/POSSIBLE LOW
4035	Night Session CLOSE
4035	Daily Lower band – BOLLINGER [13 day period on (H+L+C)/3]
4034	Night session LOW
4034	BULL HOOK Resistance/Attraction, Target = 4080 (L-1) Test. To Initiate the HOOK, The SPI MUST TEST Yesterday's 'LOW' at 4029 after 4:30 pm
4029	Yesterday's Day LOW
4029	OPENING GAMBIT (NEUTRAL) RANGE HIGH/Alternate high
4029	Price acceptance below YESTERDAY'S LOW = BEARISH suggests down trend
4029	Possible high
4022	EXPECTED LOW MR @ 4022
4003	Magenta ZIGZAG 20 min chart
4003	Possible low MR at 4003 Magenta ZIZAG
What to Trade?	<p>The SPI should have a struggle above 4041. There is an additional problem that S&P Globex has dropped to about minus 3.5 to 4.0 on GLOBEX, That suggests an open lower than night close. So, the SPI should be sell, near 4041 if it gets there. There is a possibility it will open lower and just sell off. The better low is the ZIGZAG to 4003. It is also the round numbers attractor and repeller. In the trading plan it was a toss up between 4022 and a low at round numbers.</p> <p>This is a problem when a major top is in. The expected bounces are not as high as expected and sell off always go more than one would expect. The case in poi9nt was yesterday with that 51 point sell off from the 4080 high.</p> <p>That sort of behaviour is probable once the BIFURCATION point is in. Indeed that sort of sell off is the requirement that it is in. It all adds that a MAJOR TOP IS MOST LIKELY IN.</p>

ADRs in New York

STOCK	NYSE VALUE	AUD TERMS	ASX CLOSE	CHANGE
News Corp	17.41	22.93	22.92	0.01
Telstra	18.48	4.87	4.84	0.03
BHP	23.75	15.64	15.81	-0.17
NAB	109.56	28.86	28.80	0.06
ANZ	77.30	20.36	20.29	0.07

This looks relatively flat – little movement when compared to US markets. It suggests a rather flat move today.

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