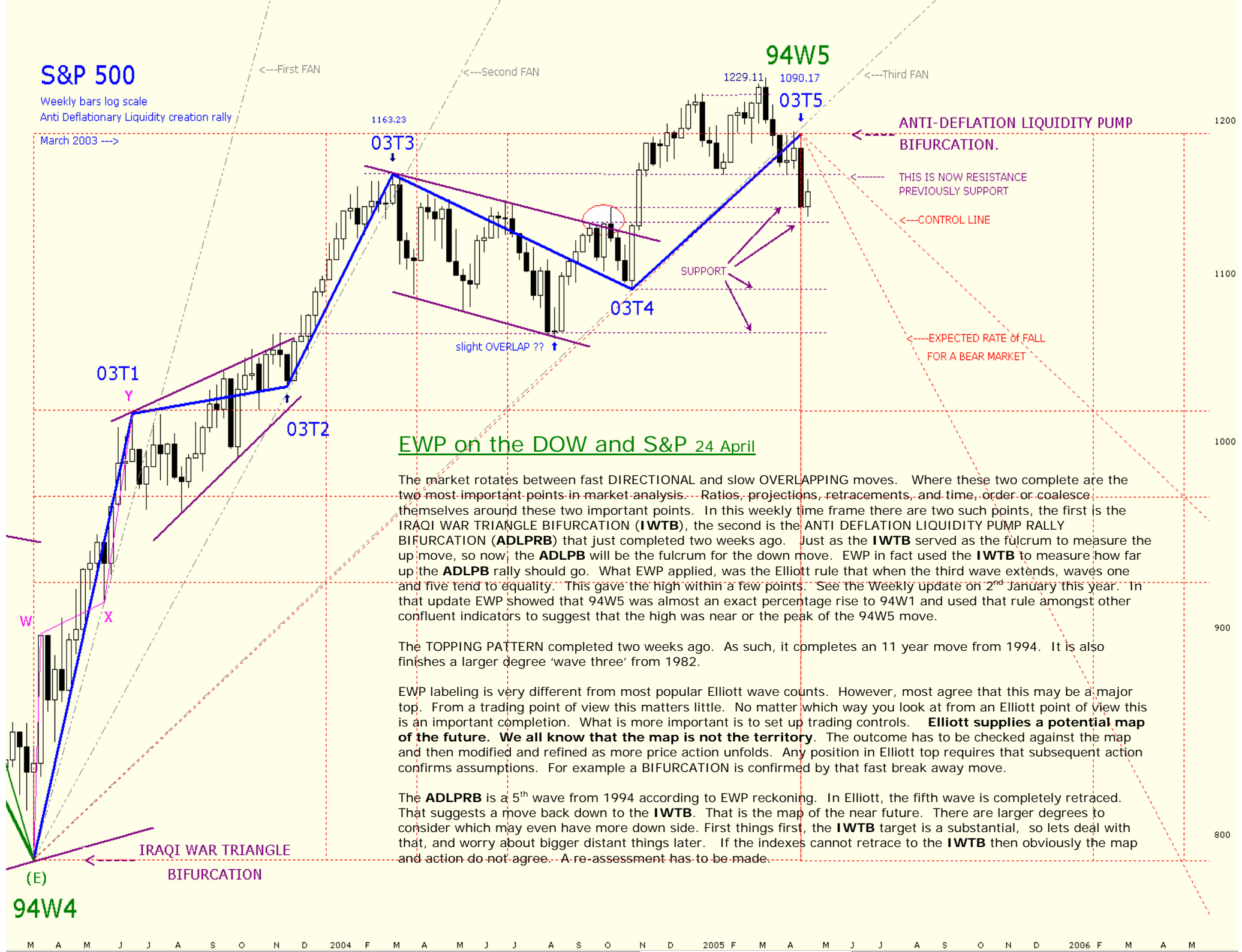


S&P 500

Weekly bars log scale
Anti Deflationary Liquidity creation rally
March 2003 --->



EWP on the DOW and S&P 24 April

The market rotates between fast DIRECTIONAL and slow OVERLAPPING moves. Where these two complete are the two most important points in market analysis. Ratios, projections, retracements, and time, order or coalesce themselves around these two important points. In this weekly time frame there are two such points, the first is the IRAQI WAR TRIANGLE BIFURCATION (IWTB), the second is the ANTI DEFLATION LIQUIDITY PUMP RALLY BIFURCATION (ADLPRB) that just completed two weeks ago. Just as the IWTB served as the fulcrum to measure the up move, so now, the ADLPRB will be the fulcrum for the down move. EWP in fact used the IWTB to measure how far up the ADLPRB rally should go. What EWP applied, was the Elliott rule that when the third wave extends, waves one and five tend to equality. This gave the high within a few points. See the Weekly update on 2nd January this year. In that update EWP showed that 94W5 was almost an exact percentage rise to 94W1 and used that rule amongst other confluent indicators to suggest that the high was near or the peak of the 94W5 move.

The TOPPING PATTERN completed two weeks ago. As such, it completes an 11 year move from 1994. It is also finishes a larger degree 'wave three' from 1982.

EWP labeling is very different from most popular Elliott wave counts. However, most agree that this may be a major top. From a trading point of view this matters little. No matter which way you look at from an Elliott point of view this is an important completion. What is more important is to set up trading controls. **Elliott supplies a potential map of the future. We all know that the map is not the territory.** The outcome has to be checked against the map and then modified and refined as more price action unfolds. Any position in Elliott top requires that subsequent action confirms assumptions. For example a BIFURCATION is confirmed by that fast break away move.

The ADLPRB is a 5th wave from 1994 according to EWP reckoning. In Elliott, the fifth wave is completely retraced. That suggests a move back down to the IWTB. That is the map of the near future. There are larger degrees to consider which may even have more down side. First things first, the IWTB target is a substantial, so lets deal with that, and worry about bigger distant things later. If the indexes cannot retrace to the IWTB then obviously the map and action do not agree. A re-assessment has to be made.

94W4

DOW Weekly bars

Anti Deflationary liquidity creation rally

March 2003 --->



11000
10500
10000
9500
9000
8500
8000
7500

The TOPPING PATTERN has BIFURCATED and dropped below resistance two weeks ago. To stay BEARISH, the price must stay below break out support now resistance. If it breaks back into the topping pattern, it is unlikely that the topping pattern is complete. Alternatively the EWP assessment may be off. The initial resistance back into the topping pattern is near its midpoint. The next resistance is a retest of the high at 1229.11. Simeraly, the S&P has dropped into the overlapping pattern below. First it will find support at mid point near 03T4 at 1090.2, and then, at 03T4 pattern low at 1061.11.

The next indications are the red dotted control lines. In Elliott the 5th wave will retrace itself to at least to inner wave four, in less time than it took to form. Usually it is twice as fast. This also follows a general rule that the faster move is the market direction and the slower move is the reaction against the directional move.

EWP has set up two control lines on the weekly charts. The faster line is the speed the BEAR market should ideally go, and the slower line of equal slope, is the control and a warning that the down move may be ending.

At present the price and time action of both indexes are below both of the control lines. So from, this aspect, the BEAR move is going well on target.

Next step is to look at smaller time frames. The weekly charts have changed little. Conceptually, the labeling has not changed since November 2003.

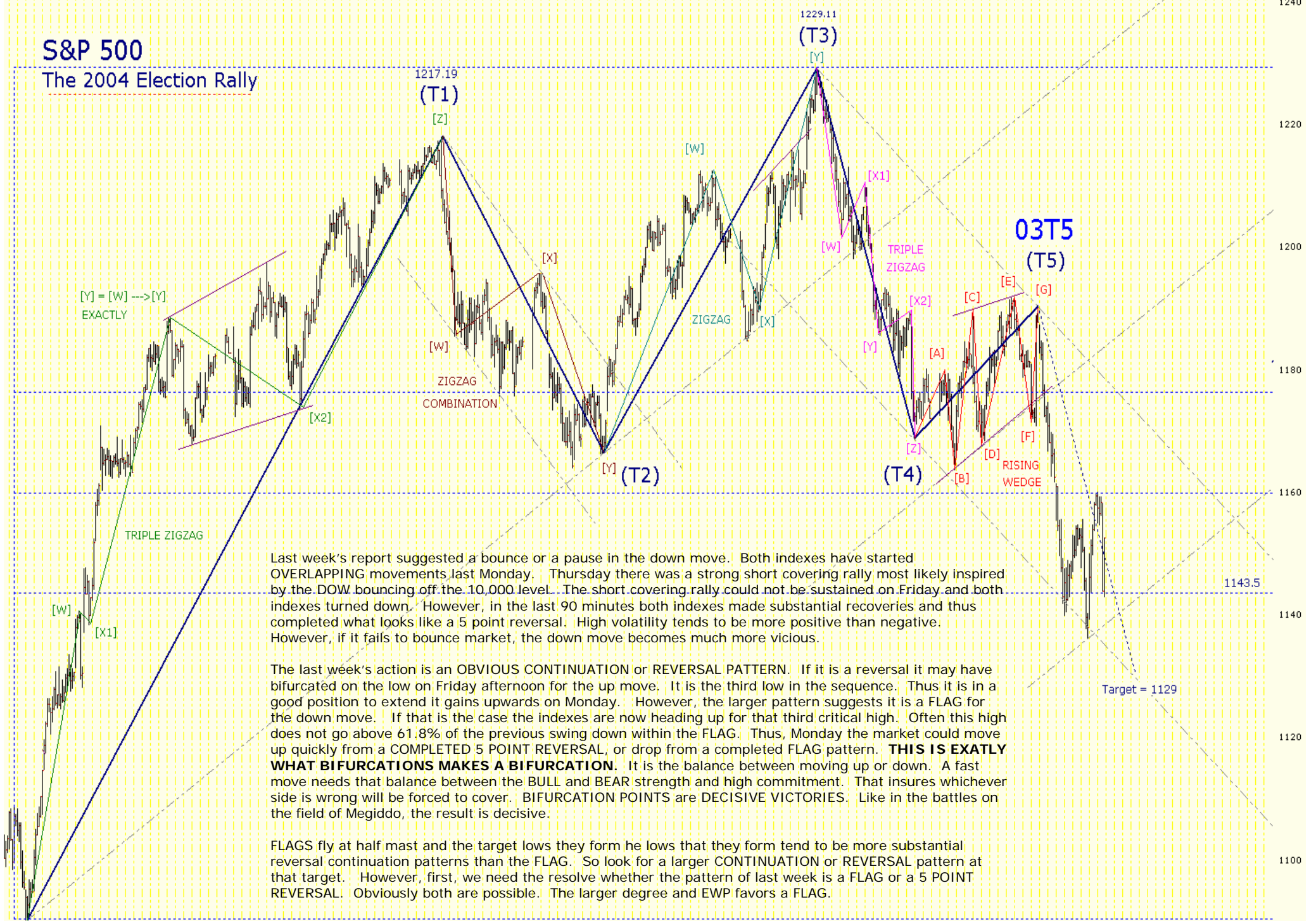
The DOW initial target was 9967. The bounce at 10,000 was expected. See comment in last weeks update. '10,000' level plays a large part in trader's memories for it was very much dwelled on by the news media as the DOW went up through it. Gann trading technique uses such important events and dates as targets and turning points.

94W4

THE IRAQI WAR TRIANGLE

S&P 500

The 2004 Election Rally



Last week's report suggested a bounce or a pause in the down move. Both indexes have started OVERLAPPING movements last Monday. Thursday there was a strong short covering rally most likely inspired by the DOW bouncing off the 10,000 level. The short covering rally could not be sustained on Friday and both indexes turned down. However, in the last 90 minutes both indexes made substantial recoveries and thus completed what looks like a 5 point reversal. High volatility tends to be more positive than negative. However, if it fails to bounce market, the down move becomes much more vicious.

The last week's action is an OBVIOUS CONTINUATION or REVERSAL PATTERN. If it is a reversal it may have bifurcated on the low on Friday afternoon for the up move. It is the third low in the sequence. Thus it is in a good position to extend it gains upwards on Monday. However, the larger pattern suggests it is a FLAG for the down move. If that is the case the indexes are now heading up for that third critical high. Often this high does not go above 61.8% of the previous swing down within the FLAG. Thus, Monday the market could move up quickly from a COMPLETED 5 POINT REVERSAL, or drop from a completed FLAG pattern. **THIS IS EXATLY WHAT BIFURCATIONS MAKES A BIFURCATION.** It is the balance between moving up or down. A fast move needs that balance between the BULL and BEAR strength and high commitment. That insures whichever side is wrong will be forced to cover. BIFURCATION POINTS are DECISIVE VICTORIES. Like in the battles on the field of Megiddo, the result is decisive.

FLAGS fly at half mast and the target lows they form he lows that they form tend to be more substantial reversal continuation patterns than the FLAG. So look for a larger CONTINUATION or REVERSAL pattern at that target. However, first, we need the resolve whether the pattern of last week is a FLAG or a 5 POINT REVERSAL. Obviously both are possible. The larger degree and EWP favors a FLAG.

Start of Election rally

03T4



CONCLUSIONS

The BEARISH break is still moving strongly down. Prices are within weekly control lines for continuation of the BEAR move.

A FLAG or 5 POINT REVERSAL has formed around last week's price action. A pause or a reversal was expected at this point last week. A bounce was also expected on the 10,000 on the DOW – this has occurred.

EWP favors that the pattern last week is a FLAG rather than a reversal.



Monday or Tuesday will see the resolution between the FLAG and the 5 POINT REVERSAL alternative.

Either way the move should be fast. EWP suspect commitment is large thus volatility should increase on the break.

If prices resolve into a FLAG, which is the expected outcome – the FLAG itself will give the next measurement down. (FLAGS fly at half mast.)

FLAG targets tend to produce stronger bounces or reversals than the FLAG that drives them there. The FLAG lasted a week; the next level could last much longer. A great deal will depend on how the next move down performs. That is if the indexes break below the FLAG.

If the DOW drops below 10,000 without a greater pause or recovery, i.e. early next week, the down move will accelerate. The next stop could very well be the BUSH ELECTION RALLY LOW.

The 10,000 support level

This update does not suggest nor recommend that any trading position to be taken. **This is NOT financial trading advice.** If you trade, and need assistance or advice, it is suggested that you seek qualified financial advice in accordance to the rules and regulations in your country.