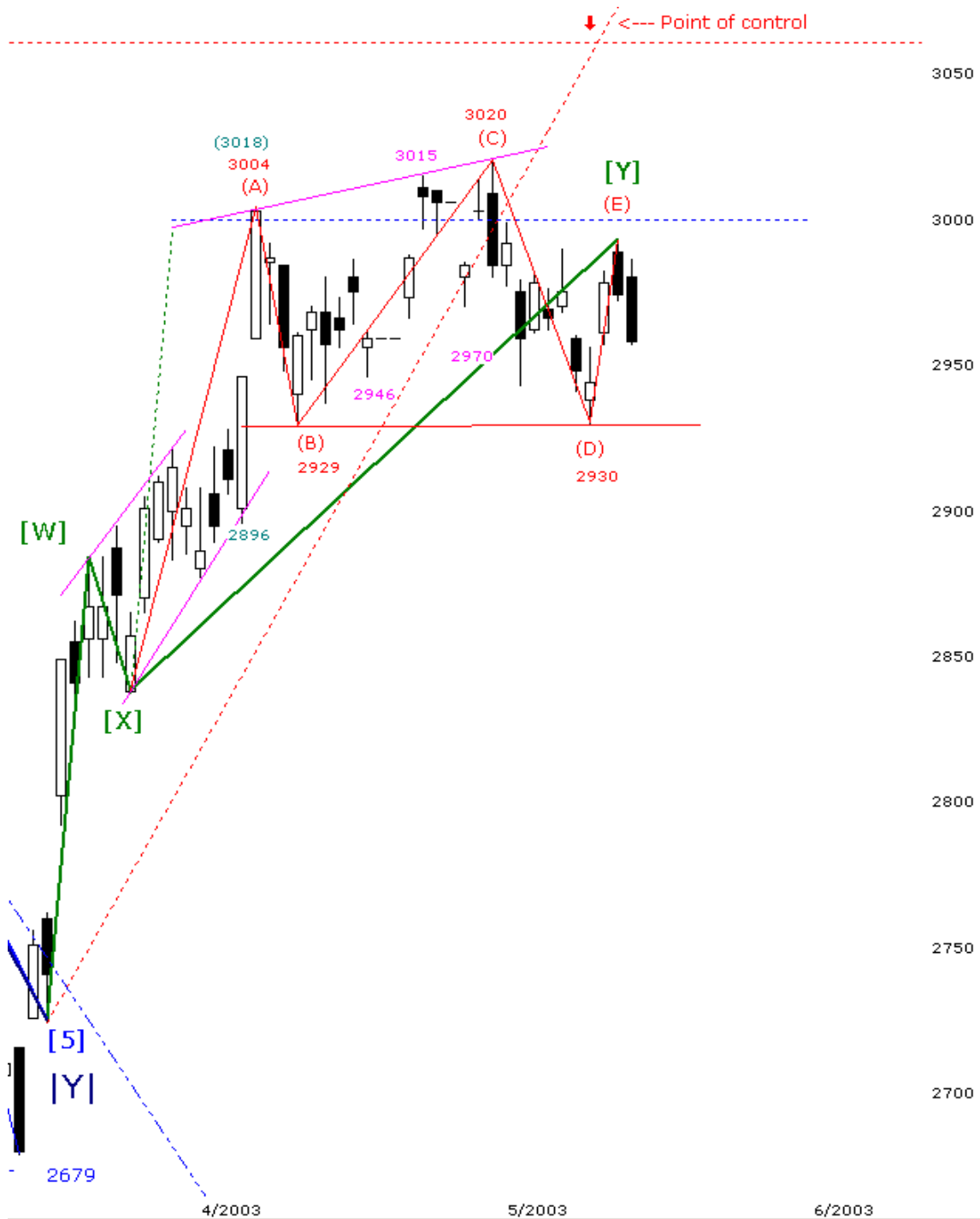


## EWP SPI TRADING PLAN – Thursday, 15<sup>th</sup> May 2003



The DARK CLOUD COVER that was not quite a DARK CLOUD COVER for it need to drop below the mid point of the previous candle, however it worked. Yesterday candle is bearish for the body high is below the midpoint of the previous candlestick.

A HEAD AND SHOULDERS now straddles the top of the ZIGZAG COMBINATION. The right shoulder is just marginally off the 'one for one' exact measurement on day data. On 24-hour data, the SPI has a rectangle top.

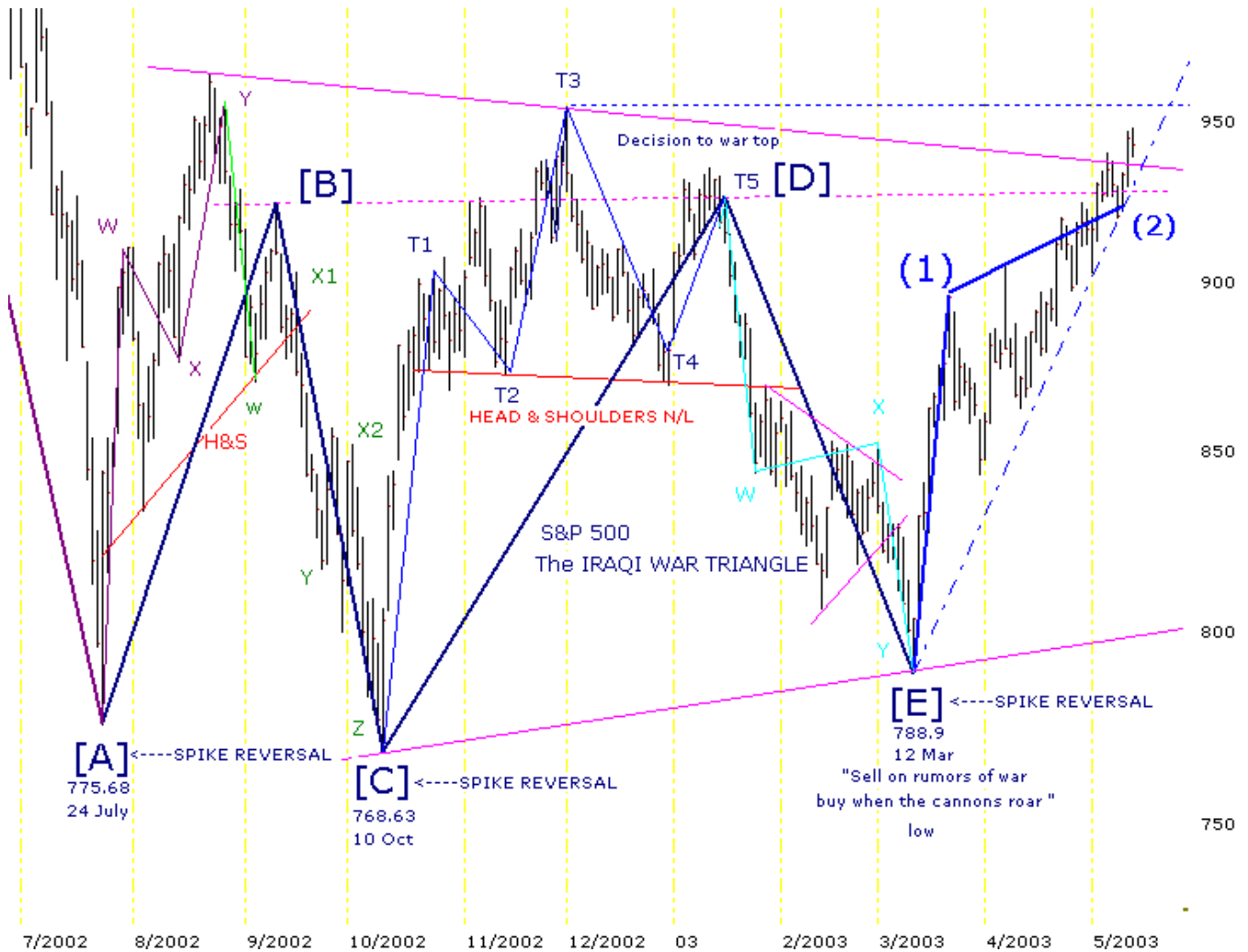
Everything on the Australian market points to a major down move. It is on the U.S. market that the SPI is waiting for direction. The S&P is on the tipping point with a false TRIANGLE UPSIDE BREAK. At this stage, it is a typical falls break to the upside from a CONTINUATION BEARISH TRIANGLE. See chart later in Trading Plan



This is a 60 minute chart of the XJO. As stated yesterday, it meets all the requirements of a finishing wave and the resumption of the BEAR. Note that the ZIGZAG combination is completing with a neat HEAD & SHOULDERS. What is still need is the confirming down move and break of the neckline.

The problem is not assessing the XJO and the SPI. The greater problem is dealing with the massive optimism in U.S. markets. The IRAQI WAR TRIANGLE is experiencing a standard false break from the upper containing line. This has always been the alternative and is text book knowledge. TRIANGLES resume their down moves either from the middle of their development (38.2 to 61.8%) or from a false break on the upper containing line. The upper break so far is nothing to get excited about; it is all behaving as it should. The problem emotionally, is how to ignore all the hype from CNBC -the U.S. exchange's marketing machine.

If perchance the IRAQI TRIANGLE does confirm a bullish break nothing much is lost. The level between a BULLISHNESS and BEARISHNESS is small. Nothing much has been lost since we have moved up with most of the up move.



This is the positive labelling of the IRAQI WAR TRIANGLE. The area of doubt is the break above the top magenta containing line to the blue dotted line above. The expectation is that the false break will be confirmed in the next few days. PLEASE NOTE THAT THE ABOVE IS THE BULLISH, LESS LIKELY ALTERNATIVE.

**From LQF Website ASX shares in the New York**

STOCK	NYSE VALUE	AUD TERMS	ASX CLOSE	CHANGE
News Corp	29.98	11.59	11.63	-0.04
Telstra	13.93	4.31	4.28	0.03
BHP	11.02	8.52	8.61	-0.09
NAB	101.60	31.42	31.60	-0.18
ANZ	59.57	18.42	18.46	-0.04

### **International indices (Bloomberg)**

<b>Index</b>	<b>Last Price</b>	<b>Change</b>	<b>%</b>
DJ	8647.82	-31.43	-0.36
S&P500	939.28	-3.02	-0.32
NASDAQ	1534.90	-4.78	-0.31
FTSE 100	3975.00	-24.90	-0.62
CAC	2961.83	-1.80	-0.06
DAX	2926.03	+16.08	+0.55
Nikkei	8244.91	+54.65	+0.67
Singapore	1311.00	-12.16	-0.92
Hang Seng	9103.70	-12.40	-0.14
XJO	2970.08	-10.63	-0.36

### **Volume and Open interest analysis**

Date	Vol	OI	Pattern	Vol effect	OI Effect	Comment
08 Thursday	10583	147555	Short black on support	Marginal drop	Slight increase	Action is inconclusive thus most like endorses previous down trend
13 Tuesday	10432	147462	Almost dark cloud cover	Almost unch	A drop of 3273	Falling interest on falling candle is bullish. It suggests long covering, or profit-taking. The candle is BEARISH but not sufficient to be confident of a reversal. The up trend is marginally challenged by this action.
14 Wednesday	8910	150137	Bearish continuation candle	Falling thus not bearish	Increasing on fall thus bearish	Increasing open interest on the falling market is more significant than a BULLISH drop volume. Additionally the drop in volume is not large thus should not have a large impact. <b>All the signs are for continuation of the down move.</b>

### **The SPI today's action**

1. **Statistical releases today,**  
AUS – RBA bulletin, May  
SING – VESAK market holiday.  
U.S. – capital utilisation, April  
U.S. – industrial production, April  
U.S. – Philadelphia Fed survey, May
2. The US market is on the borderline or tipping point between being excessively bullish and excessively bearish on the Elliott Wave analysis. The SPI and the ASX 200 is BEARISHLY poised. Since the SPI to a greater extent is controlled by the commercials – the Australian large public share holding is through compulsory SUPER and commercials thus is an excellent indicator of future trend, even in U.S. It is more influence by commercial reality than in artificial hype that occurs in U.S. **It is giving the thumbs down to the U.S. move.**
3. The Australian market is difficult to hedge for the commercials literally have no one to take the other side. Thus expect that every opportunity will be taken to drive the SPI up to hedge. This should result in churning days with increasing open interest
4. There is no strong direction from U.S. thus additional churning is likely to occur to achieve distribution. Distribution usually creates low volume. If there is a strong increase in volume it will suggest there is commitment and the commercials are not willing to wait to sell off.
5. Open Interest increasing on a falling market while volume stays near level is BEARISH. **Yesterday was a BEARISH day.** That suggests a fall today in the SPI
6. Volume will be the indicator today. If volume opening is low expect a narrow churning day with a possible additional squeeze on the shorts. If volume is high and the SPI takes the lows it is a sell.
7. The trend of the day should be determined as soon as the neutral ground is transverse. The normal action on a BEAR day is to squeeze the day shorts in the morning and when there is no more left to drop the action later in the day usually about midday.



**What to trade?**

- 1 The SPI has two HEAD and SHOULDERS. The topping one at 2967 neckline and **a target at 2945**, and a reversal one upwards which need to go above 3000 to confirm it. This is unlikely and is not backed by cash pattern.
- 2 The SPI is moving on top of the down moving trend line from the **3020 – 2995** highs. At open it is at 2952. This has been set as the low of the day. It is also the night trading low. It is expected that the BULLS will attempt to hold this line the opening lower neutral range has been set one point above at **2953 which is also an MR.**
- 3 The upper neutral range has been set **at 6 points above at 2959. This is also an MR.**
- 4 Trading above or below neutral range is generally taken as a bullish or bearish break.
- 5 If the SPI moves up, **its critical position break will be 2962.** Price acceptance above is bullish. A break of 2962 gives a target of 2986.
- 6 As soon as it can be established that the SPI will not be squeezed up by the commercials, **it is a sell somewhere near 2962/68.** A move above this level negates the sell particularly if it has high volume.
- 7 The downside target is the HEAD & SHOULDERS **measurement at 2945.**
- 8 The U.S. market last night did not do what the SPI expected. **The SPI closed yesterday at a very BEARISH premium of negative 14 points, expecting the U.S. market to bucket.** Since this did not occur expect a narrow day as the SPI waits for confirmation from U.S. This also gives the commercials to squeeze the shorts again to see if they can steal more short positions.
- 9 Trading today is basically to determine if the commercials will squeeze the shorts, or alternatively sell-off, not taking any further chances with the U.S. hype

**Morphic Resonance table**

Date	D&N	D	0.236	0.382	0.500	0.618	1.000	1.382	1.618	2.000	
Mon 12/May	45	25	11	17	23	28	45	62	73	90	
Tue 13/May	28	23	7	11	14	17	28	39	45	56	
Wed 14/May	29	29	7	11	15	18	29	40	47	58	
	2966	2937	2937	2959	2955	2952	2948	2937	2926	2919	2908
	2952	2981	2981	2959	2963	2967	2970	2981	2992	2999	3010
	2980	2986	2957	2958	2959	2966	2952	2955			

<b>10 Day Avg range</b>	<b>Opening Gambit Stretch = 29.3%</b>	<b>Bearish /bullish tip =50%</b>	<b>Trend confirmation +61.8%.</b>
21.5	6	11	13

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

Value	Comment
<b>3503</b>	<b>Swing high – 7 Mar 02 AP2H = record high (AP2M = 3515)</b>
<b>3200</b>	<b>Swing high – 23 August 10:40 a.m. APU2</b>
<b>3173</b>	<b>Swing high – 17 Sep ~7:00 p.m. APU2</b>
<b>3100</b>	<b>Swing high –7 January AP03H at open</b>
<b>2986</b>	<b>Possible high - BULL HOOK TARGET</b>
<b>2986</b>	<b>Yesterday's day high</b> above = bullish, suggests H>H-1, L>L-1 = up trend
2981	<b>BEAR HOOK</b> = resistance + attraction, target = 2957 yesterday's day LOW. To initiate the HOOK, the <b>SPI MUST TEST 2986</b> yesterday's HIGH first, anytime after 4:30 PM of the previous days close. The high last night was 2966
<b>2980</b>	<b>Yesterday's day open</b>
<b>2968</b>	<b>EXPECTED HIGH</b> , 50% of range 2952/2986
2968	50.0% of 2986/2952
<b>2962</b>	<b>Possible high</b> HOOK ATTRACTOR and REPELLER
<b>2966</b>	<b>Last night's high</b>
<b>2962</b>	<b>Price acceptance above the BULL HOOK is bullish</b>
2962	<b>BULL HOOK</b> = resistance + attraction, target = 2986 test of yesterday's high. To initiate the HOOK, the <b>SPI MUST TEST 2957</b> yesterday's LOW first, anytime after 4:30 PM of the previous days close. The low last night was 2952
<b>2959</b>	<b>OPENING NEUTRAL RANGE HIGH/possible HIGH</b> , MR at 2959
<b>2959</b>	<b>Last night's open</b>
<b>2958</b>	<b>Yesterday's day close</b>
<b>2957</b>	<b>Yesterday's day low-</b> below=BEARISH, suggests L<L-1, H<H-1 = down trend
<b>2957</b>	<b>Price acceptance below yesterday's low is BEARISH</b>
<b>2955</b>	<b>Last night's close</b> , 3/2973, 6/2976
<b>2963</b>	<b>OPENING NEUTRAL RANGE LOW and possible LOW</b> 7 points – down from 2978
<b>2952</b>	<b>Last night's low</b>
<b>2952</b>	<b>Possible low</b> –.
<b>2945</b>	<b>EXPECTED LOW – HEAD &amp; SHOULDERS TARGET</b>
2948	ZIGZAG target, 2995/ 2967, 2976/2948
2939	HEAD & SHOULDERS target
<b>2679</b>	<b>Swing low 13 March ~ 4:30 p.m.</b>
<b>2360</b>	<b>This is the next Major low September 1998</b>
<b>2210</b>	<b>Major October 1997</b>