



## EWP on the SPI 4 September 2003

On the left is the chart of the SPI from 12 March BEAR low this year. It is a PERFECT TEXT BOOK terminal completing today at 3236. Note that T3 equals exactly  $0.618 * T1$ . In addition, that T5 is about 1-point short of equality with T3. The structure could not be closer to the ideal than what it is. Below is a definition of a TERMINAL.

A TERMINAL/DIAGONAL is a pattern that adheres to all the essential requirements of an impulse wave with the following two exceptions; all of the five waves are non-impulsive, and waves two and wave four MUST overlap. For G. Neely, they occur only in specific positions in which they terminate a pattern of one higher degree. Thus, they can only occur as the fifth waves in an Impulse move, the "Y" in a zigzag, or as the "C" wave in a flat. A TERMINAL is a weakened impulse wave that by its weak structure points to pattern completion.

I have found that they often occur as a completed corrective move – this is using Elliott's original concept of a DIAGONAL or a WEDGE formation. It also seems academic whether the upswings are impulsive or not. For once they are complete and it works Elliotticians will stick hidden X waves in to make the swings corrective so that the rule fits.

Wave-1 extension terminals are the most common. The three thrusting waves and non-thrusting waves relate to each other in an impulsive manner. Thus, wave-2 should not correct wave-1 by more than 61.8%. Since wave-1 is the extension, wave-3 cannot be more than 61.8% of wave-1. Wave-5 cannot be longer than Wave-3 for wave-3 cannot be the shortest wave in an impulsive sequence. Wave-5 must be at least 38.2% of Wave-3 to qualify as a fifth wave. Usually wave-5 will relate to wave-3 by a PHI/phi relationship of 61.8 or 38.2%.

All waves will also relate to repetition i.e. 50%, 100% etc. Wave-2 and wave-4 will relate in time and price by PHI/phi and repetition and be different in many ways as possible. On channeling, wave-3 will often hug the 0-1-trend line with minor infringements. The '2-4' channel should provide a clear break. Since the patterns are very tradable they are labeled as T1, T2, T3, T4, and T5 to clearly separate them from normal impulse waves.

## G. Neely's definition

A first wave extension in a TERMINAL pattern is by far the most common set up. Measured from its termination point, wave two should not retrace more than 61.8% of wave one. Wave 3 should not be much more than 61.8% of wave one, but at least 38.2% of wave one. Wave-5 cannot be more than 99% of wave three, but will more likely be only 61.8% to 38.2%. Wave-4 will usually be the 61.8% of wave two in price and equal or relate by 61.8% in time. The 2 - 4 trend line should be clean and easy to identify. The only way the 2 - 4 trend line can experience a false break (under these circumstances) is if the fifth wave is either elongated flat, a collection experiencing a "C" failure or a HORIZONTAL TRIANGLE or a "C" Wave TERMINAL within the 5<sup>th</sup> wave (TERMINAL). [Page 11-6 "Mastering Elliott Wave" by Glen Neely.] Some of the other wording on this post may be also directly from G. Neely slightly modified.

## Terminal Implications

The market action after TERMINAL IMPULSE completion must retrace the entire TERMINAL pattern in 50% or less of the time that the TERMINAL took to form. Usually, all that is required is 25%, give take a few percentage points. A TERMINAL pattern always completes a larger formation and the high or low in the TERMINAL creates should hold for approximately twice the period or more that was covered by the TERMINAL. If the terminal is the fifth wave of impulse move pattern, usually the larger IMPULSE will also be completely retraced.

## CONCLUSIONS

Is this the TOP of the correction? We cannot be sure but it is a near perfect structure. It should not exceed the high now that it is complete. If it does, it is wrong. Thus, the error component is small. Early entries in a TERMINAL are a problem for we do not know at what position the TERMINAL will fail. However, in ELLIOTT action is often driven to the extreme where the error component is small. This is it. In a day or two, you will know if it is or is not the top.

As can be seen, these positions are excellent for an option trade.

There is no chance of this TERMINAL working if the U.S. market does not comply. I had a turning pressure point on the S&P on last Friday night. The next one is next Friday/Monday. Because they are calculated on day relationships, they can be one day out. If the S&P reacts down tonight down, I suspect the TOP is in. Either way there is not a long wait to see what is correct. On the March 12 low, the SPI signaled the turn first and gave clearer relationships than the S&P. The 12 March low on the SPI was on very strong relationships.

NOTE all the measures are in log scale. **THE RELATIONSHIPS DO NOT WORK IN LINEAR SCALE.** The relationships are exact. They are NOT approximations. On linear charts, they are approximations.

Below is the swing table for the S&P suggesting a top over the last weekend? The next turn pressure point is next weekend. They are based on day range relationships and can be one day out.

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### S&P SWING TURNING PRESSURE POINTS

Date	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	Total
Wed,270803	1550	1450	1840	1620	1340	390	0	0	0	0	8190
Thu, 280803	1620	1450	1490	1440	1340	360	360	840	1120	0	10020
Fri, 290803	1750	1650	1710	1820	1670	460	460	840	1140	0	11500
Sat, 300803	1820	1650	1440	1650	1570	0	0	0	0	0	8130
Sun, 310803	1850	1720	780	780	810	0	0	0	500	0	6440
Mon, 010903	1900	1720	980	1010	810	0	0	0	520	0	6940
Tue, 020903	1920	1770	990	690	0	0	0	0	0	0	5370
Wed,030903	2000	1870	0	0	1590	0	0	0	0	0	5460
Thu, 040903	1950	1970	1360	0	1620	0	0	0	0	0	6900
Fri, 050903	1820	1890	1380	1510	1690	0	0	0	0	0	8290
Sat, 060903	1440	1740	1030	900	1260	0	0	0	0	0	6370
Sun, 070903	1820	1440	1490	1480	1360	0	280	0	0	0	7870
Mon, 080903	2000	1900	1700	1570	1340	0	560	0	0	0	9070
Tue, 090903	1770	1850	1020	960	810	540	590	0	0	0	7540
Wed,100903	1720	1950	1160	1360	1120	560	590	0	510	0	8970
Thu, 110903	1360	1760	1260	1410	1570	0	0	0	490	0	7850
Fri, 120903	1590	1730	1250	1310	1500	0	0	0	0	0	7380

### DISCLAIMER

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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 a qualified financial advisor in accordance to the rules and regulations in your country.

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