

DOW Weekly bars

Anti Deflationary liquidity creation rally
March 2003 --->



EWP on the DOW and S&P 24 Sep 2005

Third high or third lows are important chart positions. There is a tendency for patterns to complete on the thirds high or third low. This position is a double third high. It is the 3rd high in the 04E swing, and also the third high in the year and half long RISING WEDGE. This thus could be a major bifurcation.

The move that started two weeks ago will either break the lower trend line or bounce. False breaks are typical in these positions. As you can see there has already been a false break on two of the support lines.

The RISING WEDGE has most likely bifurcated on the last high two weeks ago. What is needed is the confirmation by breaking the lower support lines and accelerating down side. RISING WEDGES are predominately bearish. In the pattern above the last swing 03E is also a RISING WEDGE mirroring the larger RISING WEDGE it sits in. Little has change following this pattern the last few months.

↑ <---BIFURCATION ON THIRD LOW

94W4 THE IRAQI WAR TRIANGLE

F M A M J J A S O N D 2004 F M A M J J A S O N D 2005 F M A M J J A S O N D 2006 F M A

S&P 500

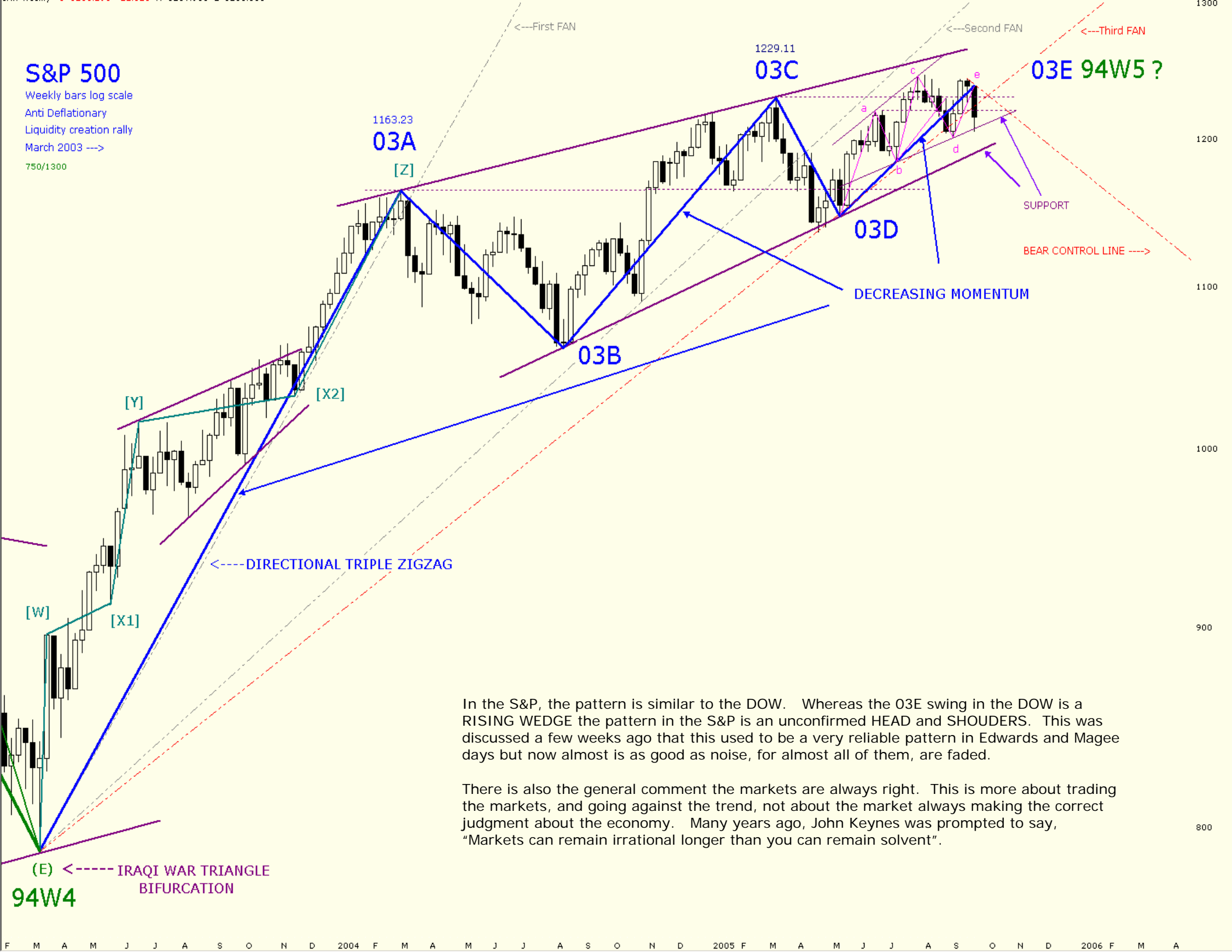
Weekly bars log scale

Anti Deflationary

Liquidity creation rally

March 2003 --->

750/1300



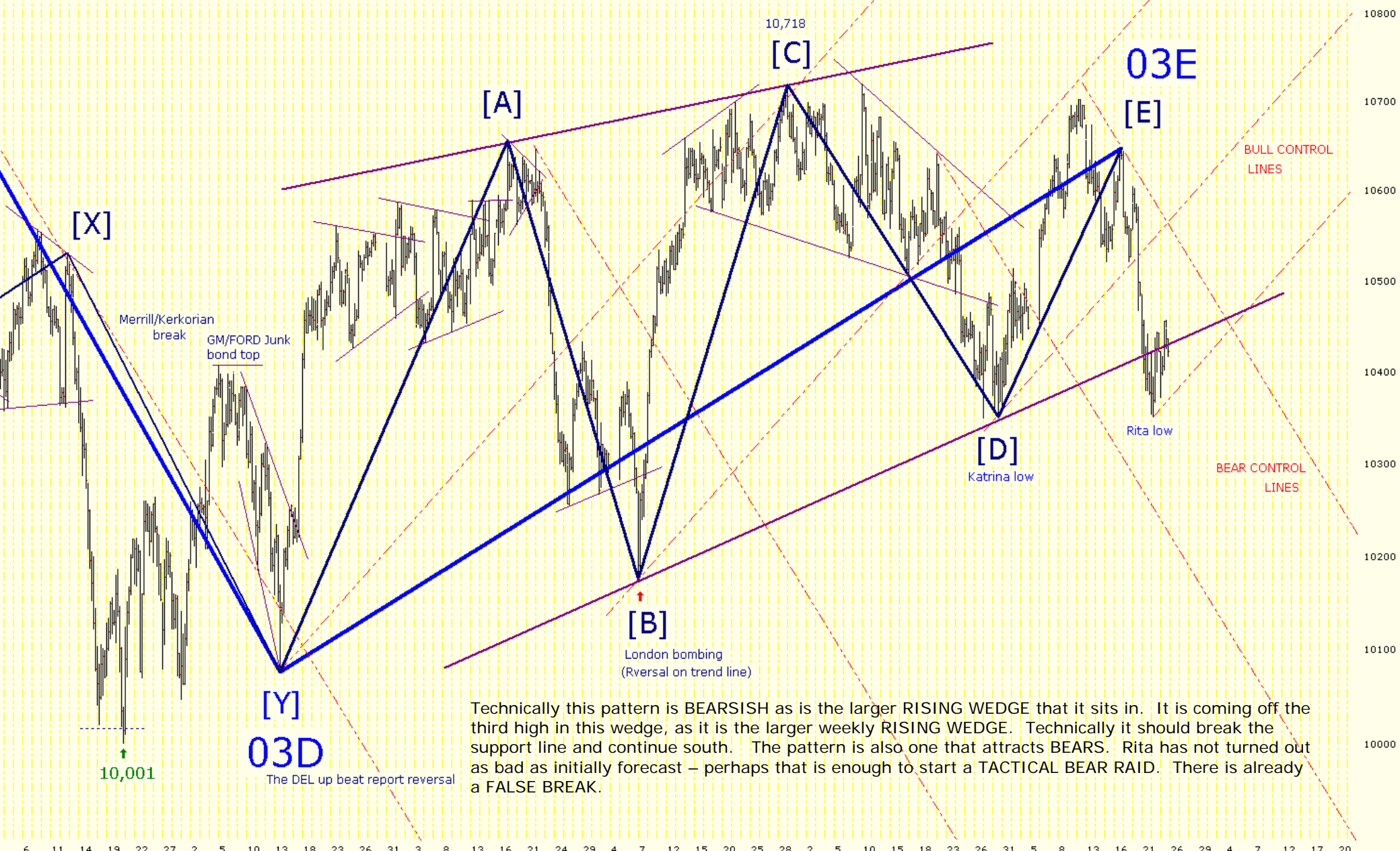
In the S&P, the pattern is similar to the DOW. Whereas the 03E swing in the DOW is a RISING WEDGE the pattern in the S&P is an unconfirmed HEAD and SHOULDERS. This was discussed a few weeks ago that this used to be a very reliable pattern in Edwards and Magee days but now almost is as good as noise, for almost all of them, are faded.

There is also the general comment the markets are always right. This is more about trading the markets, and going against the trend, not about the market always making the correct judgment about the economy. Many years ago, John Keynes was prompted to say, "Markets can remain irrational longer than you can remain solvent".

(E) IRAQI WAR TRIANGLE BIFURCATION
94W4

DOW 90 min/bar

The 03E segment is an overlapping pattern and also a RISING WEDGE as is the larger pattern that it sits in. With Rita the pattern so far has managed a FALSE BREAK. It's interesting how the four lows were made over the last four months. The 03D low was made on an upbeat DEL report late in the afternoon while the market was falling sharply. It reversed the drop starting a rally that may now be completing. About two months later DEL fell 7% in one day on a poor profit report. The next two lows were made on the London bombing and the Katrina. The market now is trying to bounce on the Rita low. Perhaps the market needs a few more DEL reports and disasters to boom.



[Y]
03D
 The DEL up beat report reversal

Technically this pattern is BEARSISH as is the larger RISING WEDGE that it sits in. It is coming off the third high in this wedge, as it is the larger weekly RISING WEDGE. Technically it should break the support line and continue south. The pattern is also one that attracts BEARS. Rita has not turned out as bad as initially forecast – perhaps that is enough to start a TACTICAL BEAR RAID. There is already a FALSE BREAK.

S&P 90 min/bar (linear)



one for one target?

[A]

[C]

[E]

[D]

[B]

E

DELL upbeat report reversal
ON 3rd LOW about 1 hr before close

(49.3% retracement)
London underground
spike

Katrina low

Rita Low
FALSE BREAK??

03D

Last week's comment on this chart still is valid this week.

"The pattern is resolved once the [B]-[D] line is broken. However, false breaks are now common. To differentiate from the real and the false initially is difficult. Additionally RISING WEDGES are naturally difficult patterns at the conclusion. It is basically, a trendless market trying to resolve into a direction. Statistically most resolve to the bear side."

Additionally, for EWP this may be a major Elliott top.

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.