

# DOW Weekly bars

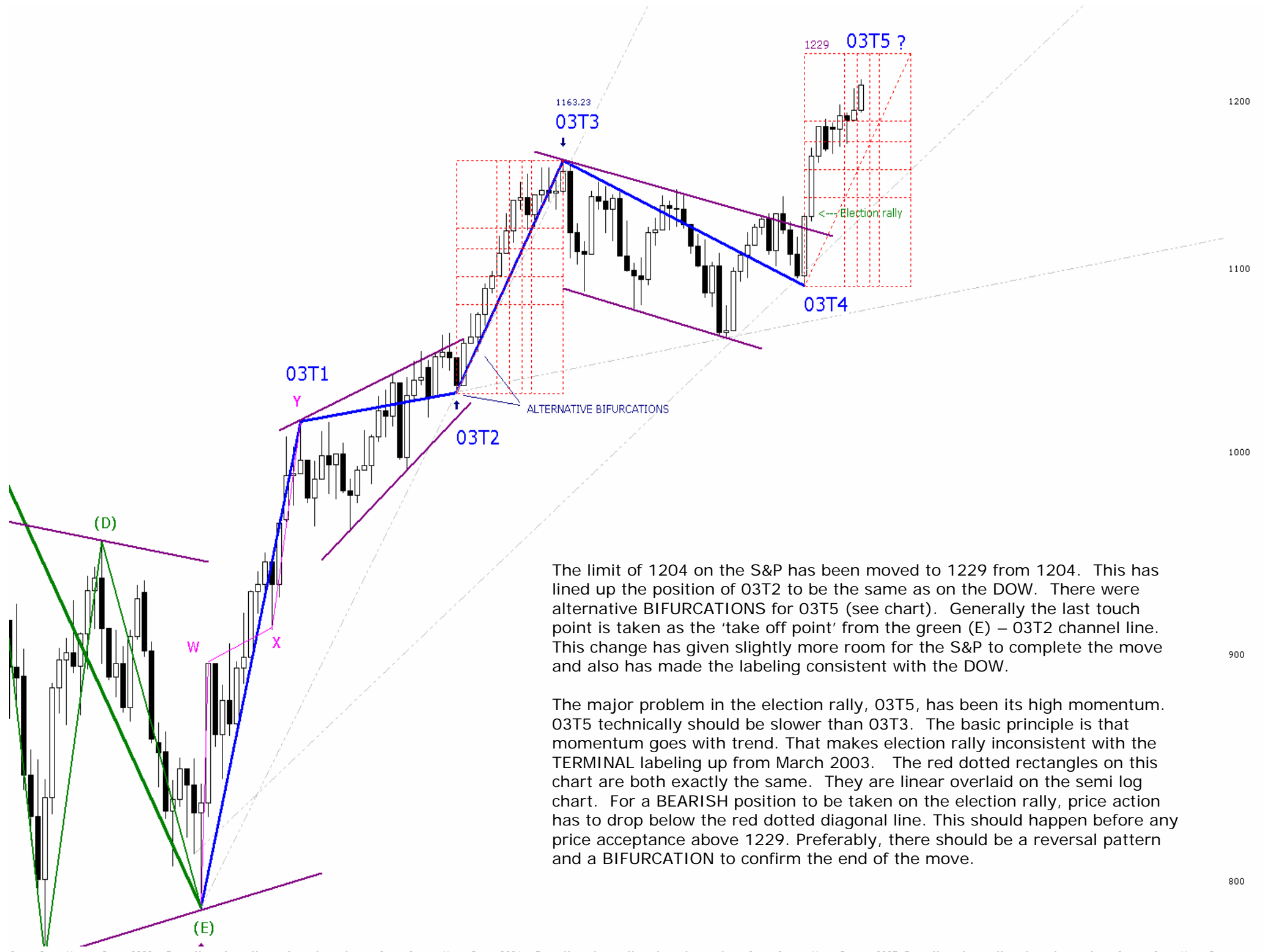
Anti Deflationary  
liquidity creation  
rally March 2003 --->



## EWP on the DOW and S&P 26 Dec 2004

The DOW is approaching the limit of the TERMINAL pattern. If the first DIRECTIONAL move in a five swing DIRECTIONAL pattern (impulse wave) extends, the remaining two up swings (03T3 and 03T5) will tend to equality first, and then to a PHI/phi or repetition ratio next. In this case, because 03T2 and 03T4 overlapped, a TERMINAL pattern resulted. Generally, the fifth swings in TERMINALS tend to fail by not moving above the third swing 03T3. Last week, like the S&P previously, the DOW also moved above 03T3, eliminating the fifth swing failure.

Since the first wave has extended. The fifth swing cannot be greater than the third swing. This is based on an Elliott rule, which says, the third swing cannot be the shortest of the three up swings or thrusts. That makes ~10,902 about the limit of this bearish labeling. There may be minor variations to this level for the move has to complete (or BIFURCATE) below this limit. If a topping pattern forms, parts of the topping pattern may be slightly above that.

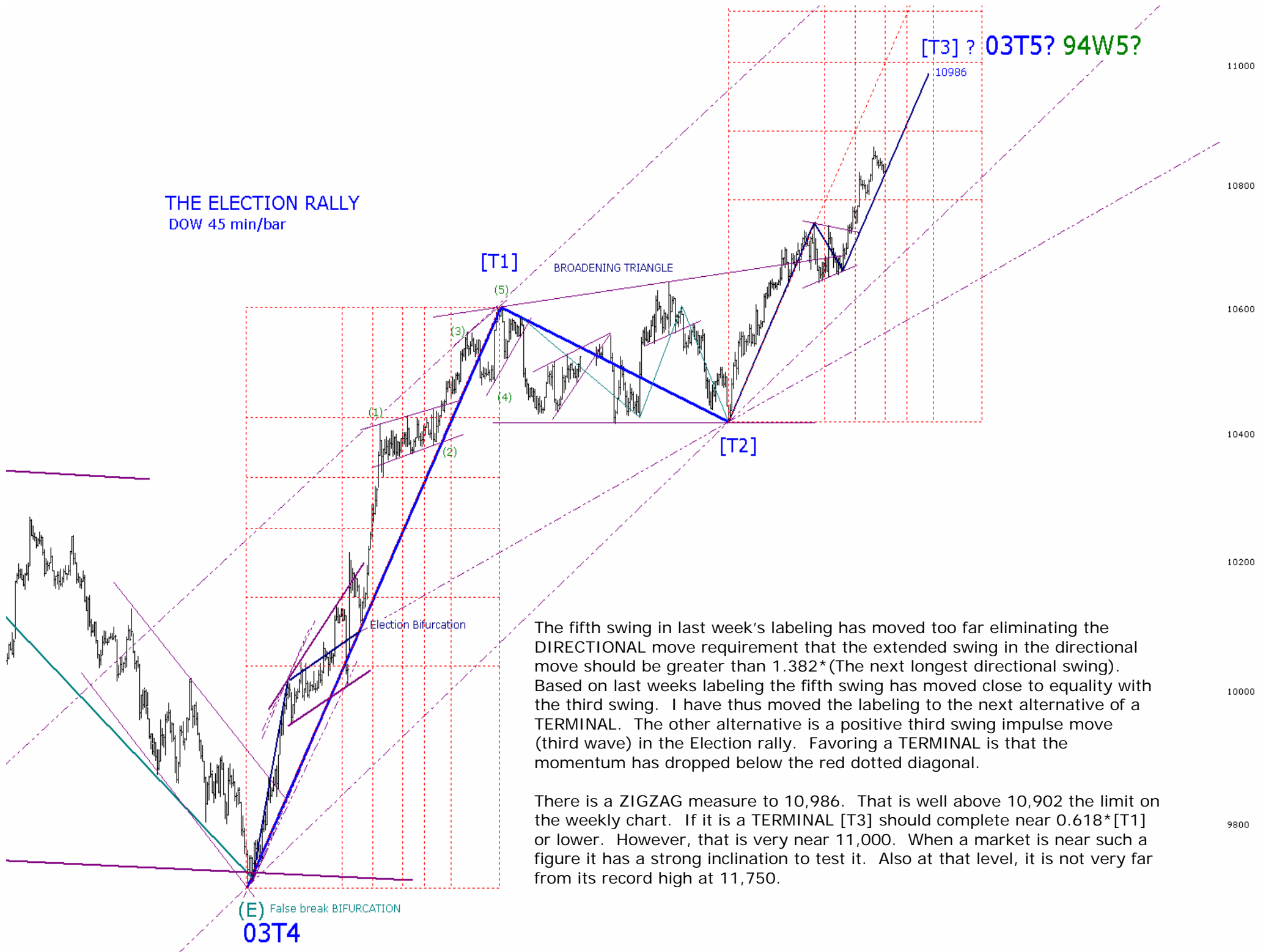


The limit of 1204 on the S&P has been moved to 1229 from 1204. This has lined up the position of 03T2 to be the same as on the DOW. There were alternative BIFURCATIONS for 03T5 (see chart). Generally the last touch point is taken as the 'take off point' from the green (E) – 03T2 channel line. This change has given slightly more room for the S&P to complete the move and also has made the labeling consistent with the DOW.

The major problem in the election rally, 03T5, has been its high momentum. 03T5 technically should be slower than 03T3. The basic principle is that momentum goes with trend. That makes election rally inconsistent with the TERMINAL labeling up from March 2003. The red dotted rectangles on this chart are both exactly the same. They are linear overlaid on the semi log chart. For a BEARISH position to be taken on the election rally, price action has to drop below the red dotted diagonal line. This should happen before any price acceptance above 1229. Preferably, there should be a reversal pattern and a BIFURCATION to confirm the end of the move.

1200  
1100  
1000  
900  
800

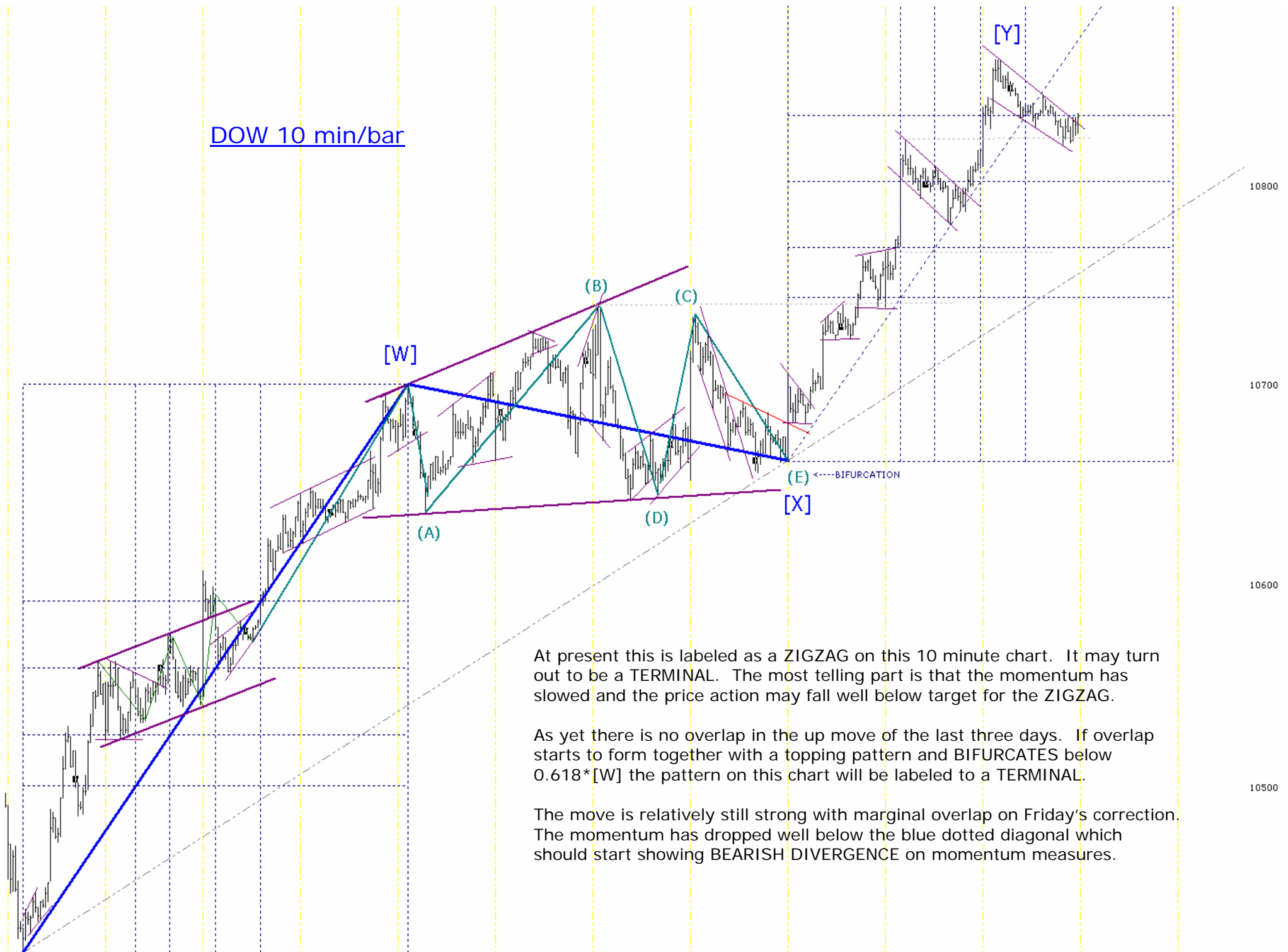
THE ELECTION RALLY  
DOW 45 min/bar



The fifth swing in last week's labeling has moved too far eliminating the DIRECTIONAL move requirement that the extended swing in the directional move should be greater than  $1.382 \times$  (The next longest directional swing). Based on last weeks labeling the fifth swing has moved close to equality with the third swing. I have thus moved the labeling to the next alternative of a TERMINAL. The other alternative is a positive third swing impulse move (third wave) in the Election rally. Favoring a TERMINAL is that the momentum has dropped below the red dotted diagonal.

There is a ZIGZAG measure to 10,986. That is well above 10,902 the limit on the weekly chart. If it is a TERMINAL [T3] should complete near  $0.618 \times [T1]$  or lower. However, that is very near 11,000. When a market is near such a figure it has a strong inclination to test it. Also at that level, it is not very far from its record high at 11,750.

DOW 10 min/bar

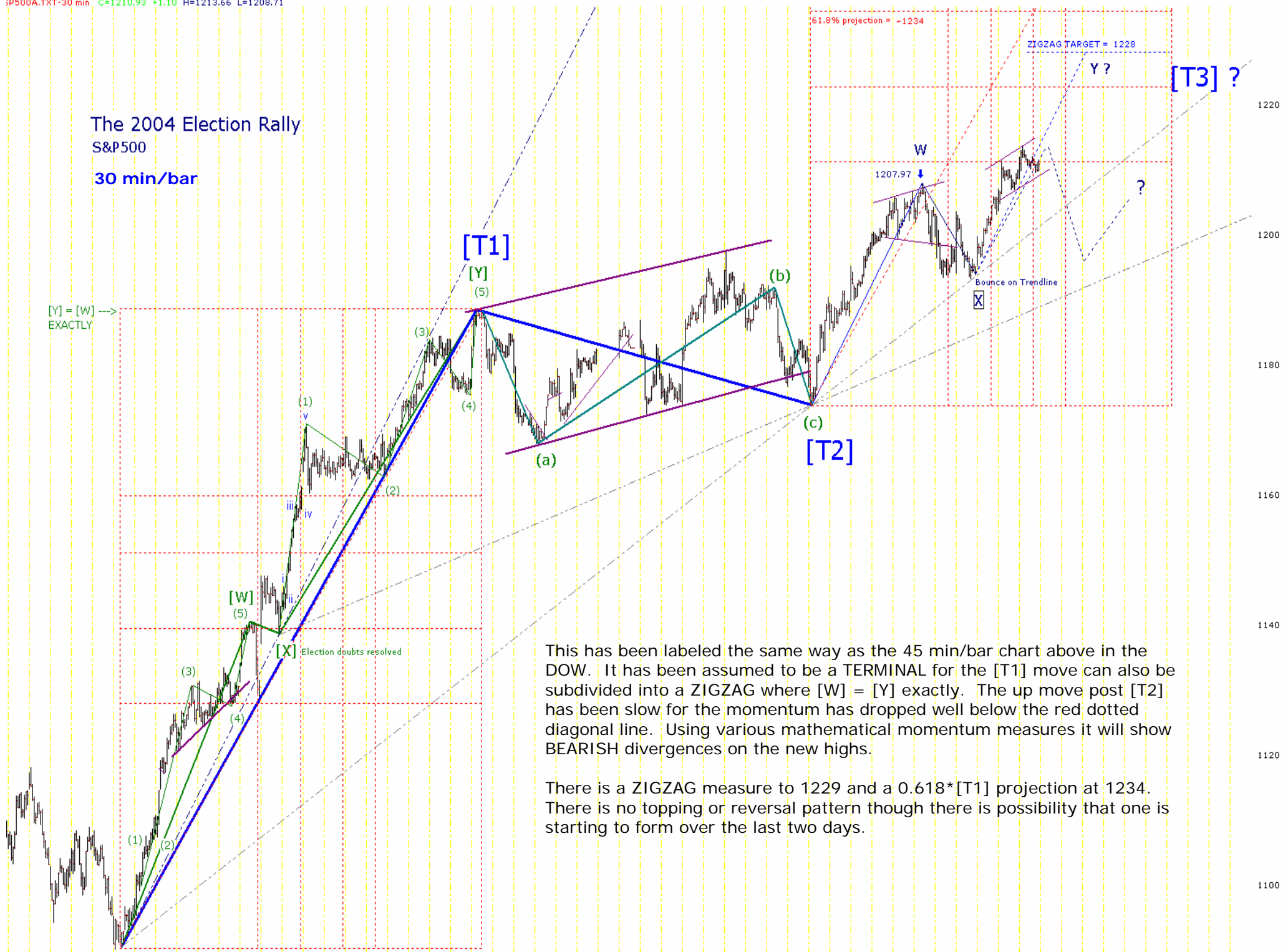


At present this is labeled as a ZIGZAG on this 10 minute chart. It may turn out to be a TERMINAL. The most telling part is that the momentum has slowed and the price action may fall well below target for the ZIGZAG.

As yet there is no overlap in the up move of the last three days. If overlap starts to form together with a topping pattern and BIFURCATES below  $0.618 * [W]$  the pattern on this chart will be labeled to a TERMINAL.

The move is relatively still strong with marginal overlap on Friday's correction. The momentum has dropped well below the blue dotted diagonal which should start showing BEARISH DIVERGENCE on momentum measures.

# The 2004 Election Rally S&P500 30 min/bar



[Y] = [W] --->  
EXACTLY

[X] Election doubts resolved

61.8% projection = ~1234

ZIGZAG TARGET = 1228

1207.97

Start of Election rally

This has been labeled the same way as the 45 min/bar chart above in the DOW. It has been assumed to be a TERMINAL for the [T1] move can also be subdivided into a ZIGZAG where [W] = [Y] exactly. The up move post [T2] has been slow for the momentum has dropped well below the red dotted diagonal line. Using various mathematical momentum measures it will show BEARISH divergences on the new highs.

There is a ZIGZAG measure to 1229 and a  $0.618 \times [T1]$  projection at 1234. There is no topping or reversal pattern though there is possibility that one is starting to form over the last two days.

1220  
1200  
1180  
1160  
1140  
1120  
1100



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.

Zoran