

### EWP on the S&P 500 index 2 March 2003

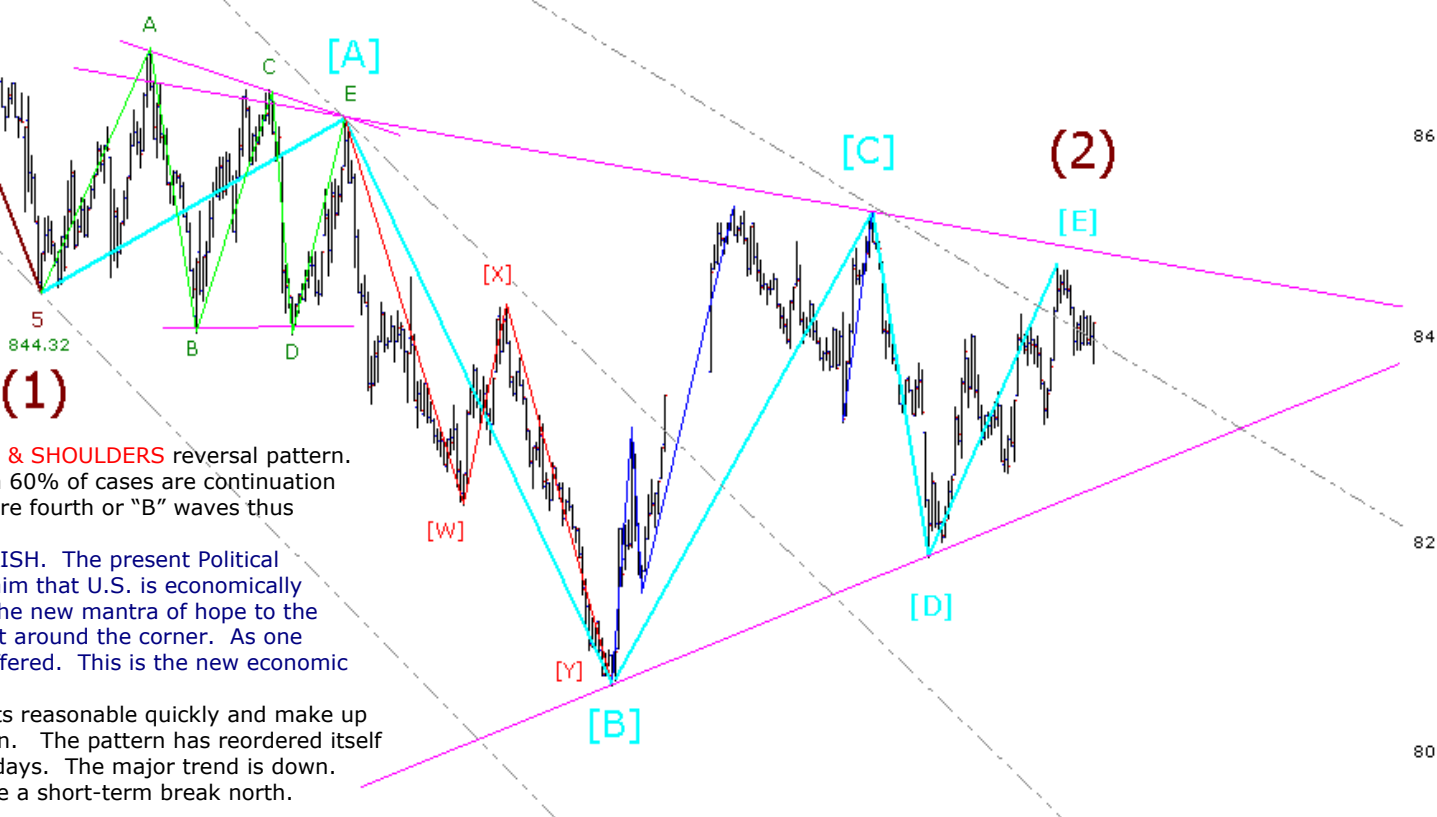
A lot has changed from last week on the short-term view. What was expected last week to be the start of a major down move at [C] has turned out to be a bifurcation of one lesser degree. This became evident when the down move ZIGZAGGED instead of IMPULSED. The momentum was correct but it failed to take [B] out. That was sealed when the recovery went above 61.8%. A good down move, statistically, does not recover above that. Additionally a TERMINAL completion should fly to its target and obviously, it has not.

One of the most important of Elliott's techniques is to review, what "should have happened", to "what is happening". If "what is" is not in line, to what should be, then either the circumstances have change and the market is looking for a new order or your original view was wrong.

These are volatile political times. The market has been primed to react positively like Pavlov's dog to the start of the war. Monday is the night of the new moon and the darkest night of the month. Bush senior chose such a night to attack in 1991. Maybe history will repeat itself and the market may be trying to discount that. The 1991 IRAQI war started a major market recovery. Hope burns almost eternal in a BEAR market. Are traders and investor's holding back expecting a similar 1991 market result?

One additional upswing after [D] immediately leads to a TRIANGLE pattern. TRIANGLES for Neely can be wave-2's particularly if they work into the last fifth of the TRIANGLE into its apex.

### POSSIBLE HEAD AND SHOULDERS REVERSAL



There is now also a possible **HEAD & SHOULDERS** reversal pattern. According to Edwards Magee TRIANGLES in 60% of cases are continuation patterns. Elliott thought all TRIANGLES were fourth or "B" waves thus continuations into a fifth or "C" wave.

The larger pattern remains BEARISH. The present Political situation is of uncertainty, as is also the claim that U.S. is economically recovering. The "war is over recovery" is the new mantra of hope to the constant expectation of a new up move just around the corner. As one expectation fails, another is immediately offered. This is the new economic management of controlling the sentiment.

Expect the market to discount facts reasonable quickly and make up its own mind on what all these events mean. The pattern has reordered itself and the break either way is likely in a few days. The major trend is down. Thus a break south has to be favored above a short-term break north.

Zoran

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