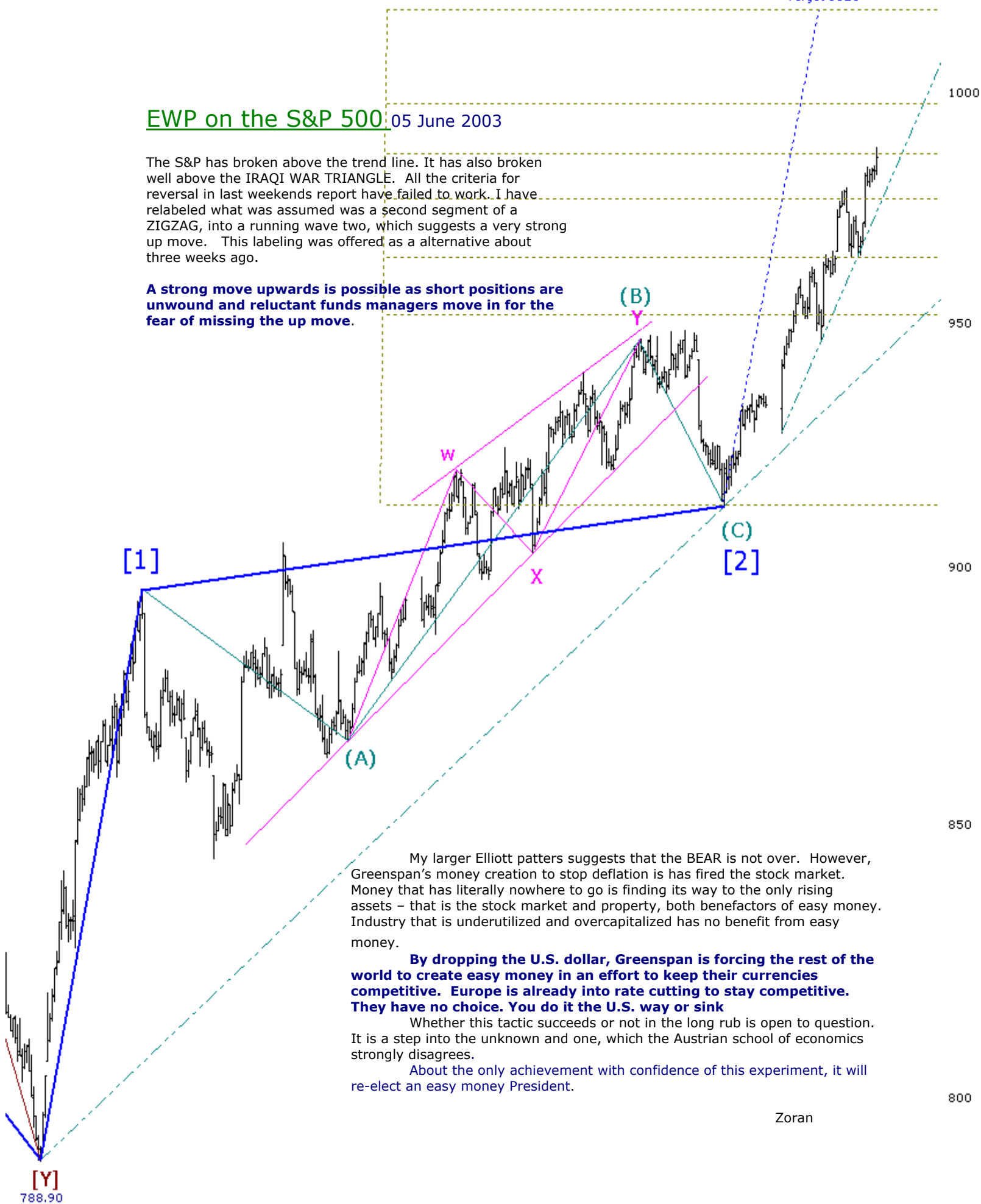


EWP on the S&P 500 05 June 2003

The S&P has broken above the trend line. It has also broken well above the IRAQI WAR TRIANGLE. All the criteria for reversal in last weekends report have failed to work. I have relabeled what was assumed was a second segment of a ZIGZAG, into a running wave two, which suggests a very strong up move. This labeling was offered as a alternative about three weeks ago.

A strong move upwards is possible as short positions are unwound and reluctant funds managers move in for the fear of missing the up move.



My larger Elliott patters suggests that the BEAR is not over. However, Greenspan's money creation to stop deflation is has fired the stock market. Money that has literally nowhere to go is finding its way to the only rising assets - that is the stock market and property, both benefactors of easy money. Industry that is underutilized and overcapitalized has no benefit from easy money.

By dropping the U.S. dollar, Greenspan is forcing the rest of the world to create easy money in an effort to keep their currencies competitive. Europe is already into rate cutting to stay competitive. They have no choice. You do it the U.S. way or sink

Whether this tactic succeeds or not in the long run is open to question. It is a step into the unknown and one, which the Austrian school of economics strongly disagrees.

About the only achievement with confidence of this experiment, it will re-elect an easy money President.

