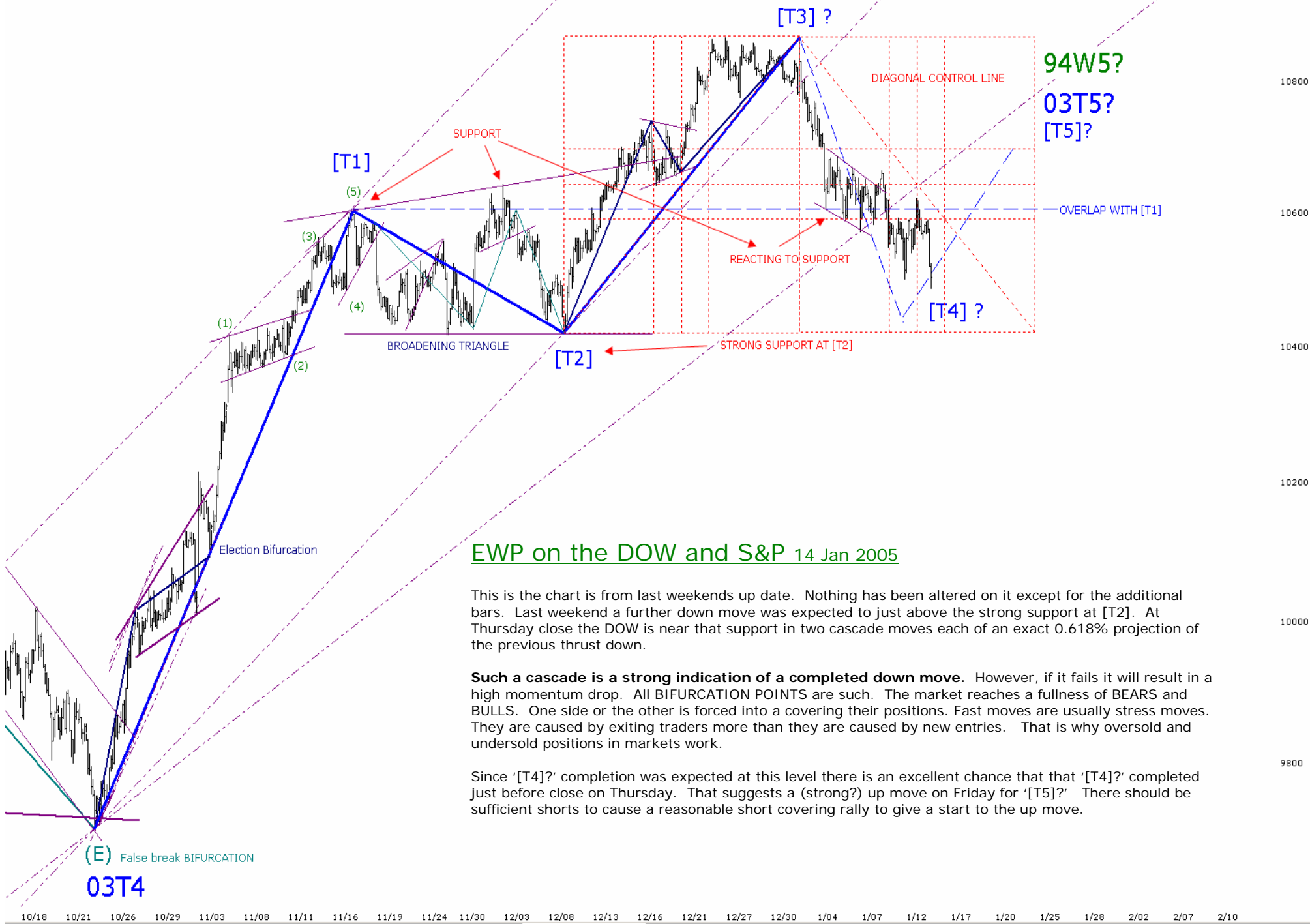


# THE ELECTION RALLY

DOW 45 min/bar



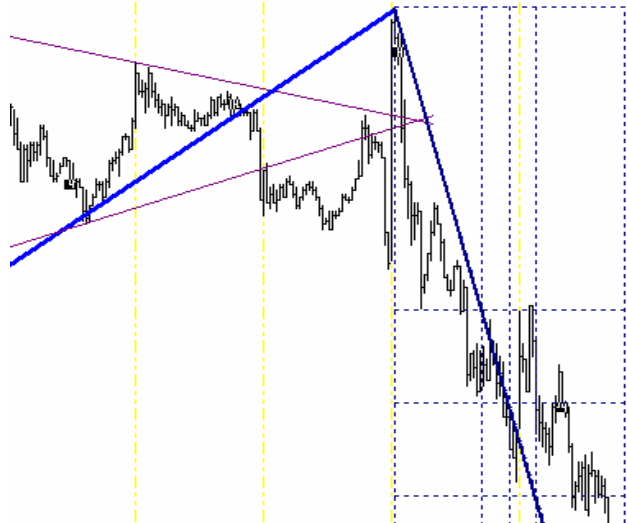
## EWP on the DOW and S&P 14 Jan 2005

This is the chart is from last weekends up date. Nothing has been altered on it except for the additional bars. Last weekend a further down move was expected to just above the strong support at [T2]. At Thursday close the DOW is near that support in two cascade moves each of an exact 0.618% projection of the previous thrust down.

**Such a cascade is a strong indication of a completed down move.** However, if it fails it will result in a high momentum drop. All BIFURCATION POINTS are such. The market reaches a fullness of BEARS and BULLS. One side or the other is forced into a covering their positions. Fast moves are usually stress moves. They are caused by exiting traders more than they are caused by new entries. That is why oversold and undersold positions in markets work.

Since '[T4]?' completion was expected at this level there is an excellent chance that that '[T4]?' completed just before close on Thursday. That suggests a (strong?) up move on Friday for '[T5]?' There should be sufficient shorts to cause a reasonable short covering rally to give a start to the up move.

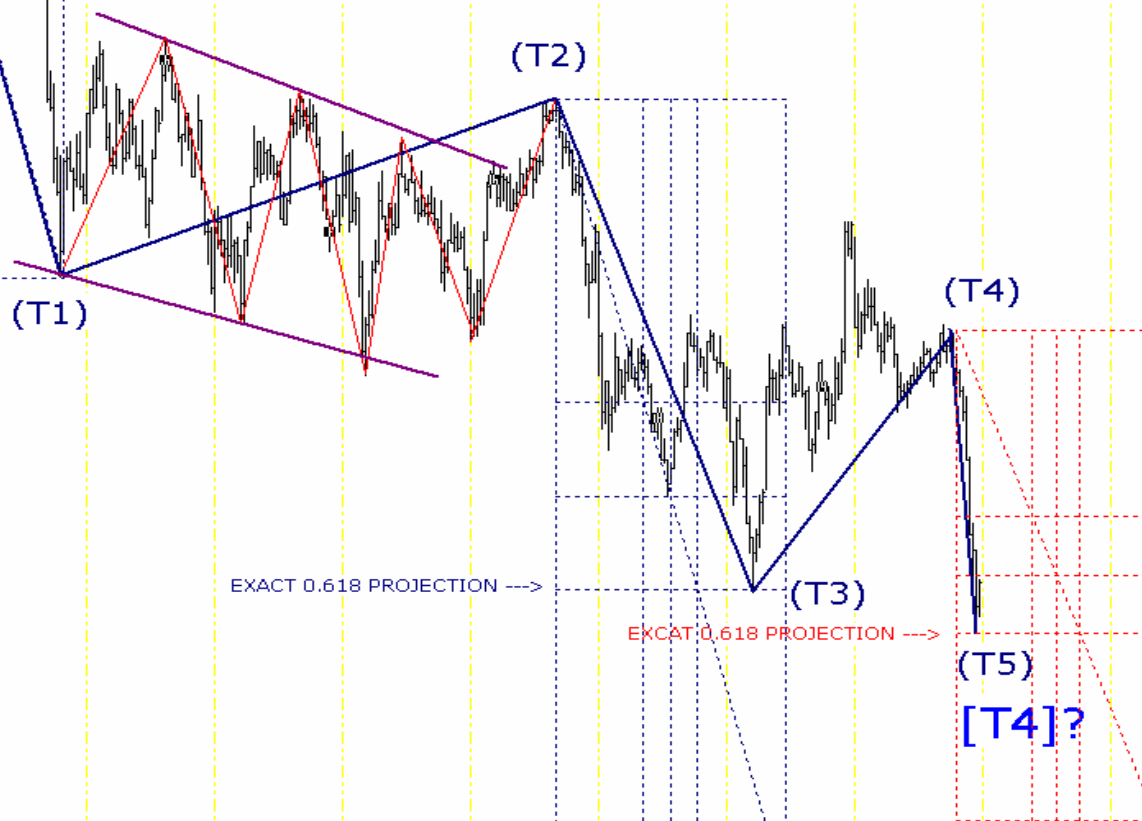
[T3] ?



If the DOW continues down, and falls below [T2] support, then the TERMINAL becomes a TRUNCATED ZIGZAG – that suggests an 80.9% or more retracement of the ELECTION RALLY. That is unlikely – there are usually more swings and work in a major topping pattern. It needs a solid top to drive the market down. If there are insufficient BEARS, the price action will reverse and stop the BEARS out, thus a good developed top is needed.

The more likely is one more move up, which should start today (Friday) at open. Again, as with most completing moves, the fifth [T5] is expected to be a failure. Also T5 should have less momentum than T3. That should act as control to stop premature entry. T5 should be slow, and should complete with a pattern. T5 minimum is  $0.382 * T3$ . Ideal is  $0.618 * T3$ . Since it is a WAVE ONE EXTENSION TERMINAL the final ratio is for  $[T5] = [T3]$ . If [T5] exceeds [T3] the pattern has failed. However, that should be signaled a long time before it happens by the momentum being higher in [T5] than in [T3].

The down move is an ideal cascading TERMINAL/ DIAGONAL. TERMINAL is usually taken to complete a move of one larger degree. Generally it does not fall into a wave four category. So the up move that results here has to be watched carefully just in case the last two week's down move is some sort of larger degree "C" wave. If it is, a high momentum will signal something is amiss here.



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