

EWP on the S&P 04 April March 2004

THE S&P



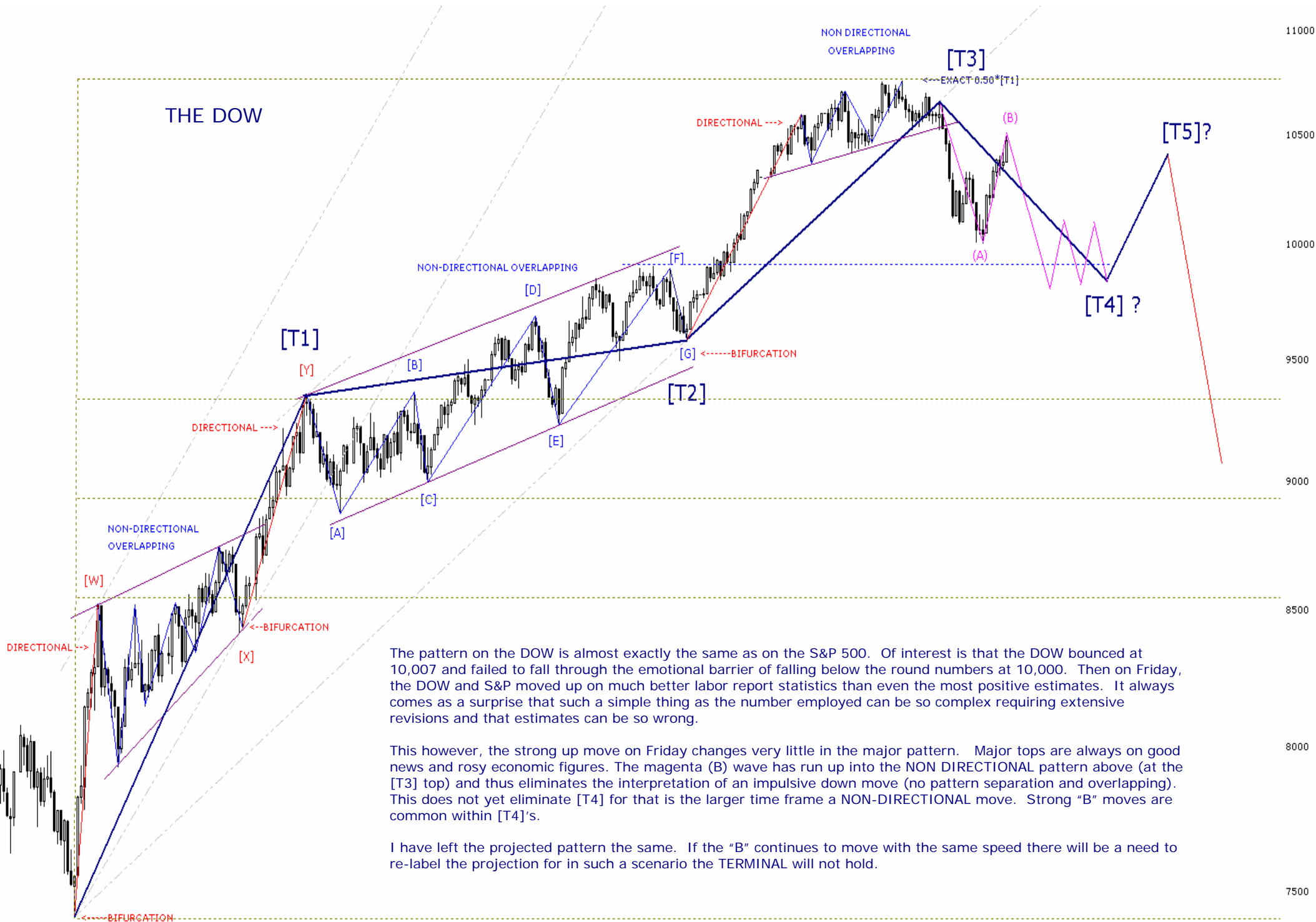
In last weeks update there was a suggestion of a possible top and a strong down move. There was a confluence of targets and with a suggestion that "C" wave may be complete in an IRREGULAR FLAT. On the following Monday, European markets rose strongly. This was followed up by S&P on GLOBEX trading. Before open, it was obvious that the suggested "C" completion would not work.

All potential reversal points (bifurcations) suffer from the same problem. If they fail, then the move in the opposite direction is often stronger. Paradoxically, strong up moves are often caused by the BEARS covering not by the BULLS buying. The media responds to any move by justifying the results. They look for economic reasons why the market went up and they will always find one. Never will they discuss the internal dynamics of the market.

The up move from 24 March has retraced bow more than 61.8% of the down move. That makes the first segment Magenta (A) of [T4] complete. Segment magenta (A) is a ZIGZAG with $Y = 0.618 * W$. This is on the borderline of a TRUNCATED ZIGZAG (for a truncated ZIGZAG, $Y < 0.618 * W$).

Once the up move, wave magenta (B), exceeds 0.618 of the previous down move magenta (A), magenta (B) has the potential to retrace the entire magenta (A) down move. The sentiment improves very quickly in "B" waves (and also in wave twos). All the BULLS, that were silent during the down move, will be out predicting the continuation of the BULL and new highs. If the market is down next week, it will be the BEARS turn to growl in this ever rotating circus.

788.90 <-BIFURCATION

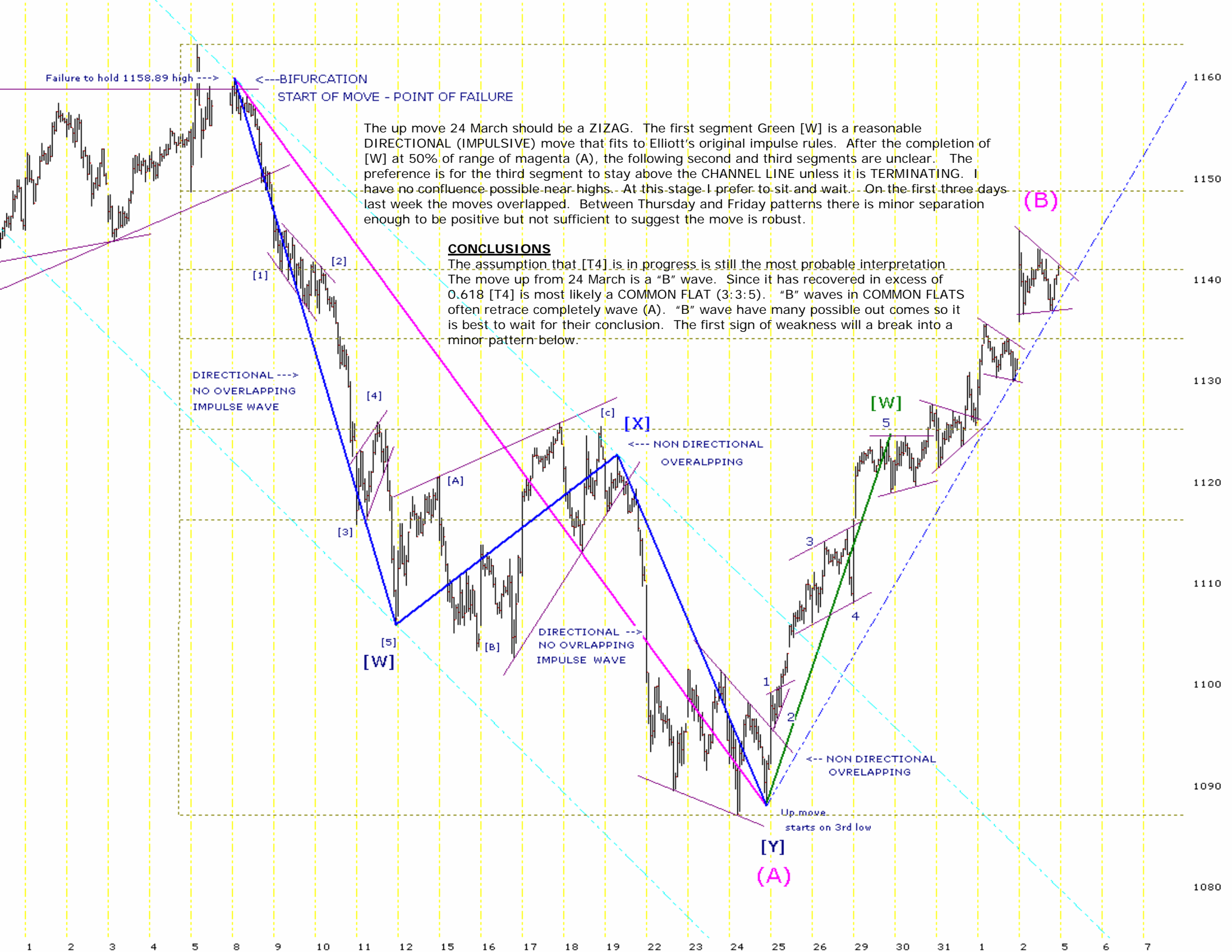


THE DOW

The pattern on the DOW is almost exactly the same as on the S&P 500. Of interest is that the DOW bounced at 10,007 and failed to fall through the emotional barrier of falling below the round numbers at 10,000. Then on Friday, the DOW and S&P moved up on much better labor report statistics than even the most positive estimates. It always comes as a surprise that such a simple thing as the number employed can be so complex requiring extensive revisions and that estimates can be so wrong.

This however, the strong up move on Friday changes very little in the major pattern. Major tops are always on good news and rosy economic figures. The magenta (B) wave has run up into the NON DIRECTIONAL pattern above (at the [T3] top) and thus eliminates the interpretation of an impulsive down move (no pattern separation and overlapping). This does not yet eliminate [T4] for that is the larger time frame a NON-DIRECTIONAL move. Strong "B" moves are common within [T4]'s.

I have left the projected pattern the same. If the "B" continues to move with the same speed there will be a need to re-label the projection for in such a scenario the TERMINAL will not hold.



Failure to hold 1158.89 high ---->

<---BIFURCATION
START OF MOVE - POINT OF FAILURE

The up move 24 March should be a ZIZAG. The first segment Green [W] is a reasonable DIRECTIONAL (IMPULSIVE) move that fits to Elliott's original impulse rules. After the completion of [W] at 50% of range of magenta (A), the following second and third segments are unclear. The preference is for the third segment to stay above the CHANNEL LINE unless it is TERMINATING. I have no confluence possible near highs. At this stage I prefer to sit and wait. On the first three days last week the moves overlapped. Between Thursday and Friday patterns there is minor separation enough to be positive but not sufficient to suggest the move is robust.

CONCLUSIONS

The assumption that [T4] is in progress is still the most probable interpretation. The move up from 24 March is a "B" wave. Since it has recovered in excess of 0.618 [T4] is most likely a COMMON FLAT (3:3:5). "B" waves in COMMON FLATS often retrace completely wave (A). "B" wave have many possible out comes so it is best to wait for their conclusion. The first sign of weakness will a break into a minor pattern below.

DIRECTIONAL ---->
NO OVERLAPPING
IMPULSE WAVE

<--- NON DIRECTIONAL
OVERLAPPING

DIRECTIONAL ---->
NO OVERLAPPING
IMPULSE WAVE

<--- NON DIRECTIONAL
OVERLAPPING

Up move
starts on 3rd low

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 a qualified financial advisor in accordance to the rules and regulations in your country.

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