

### EWP on the DOW and S&P 13 June 2004

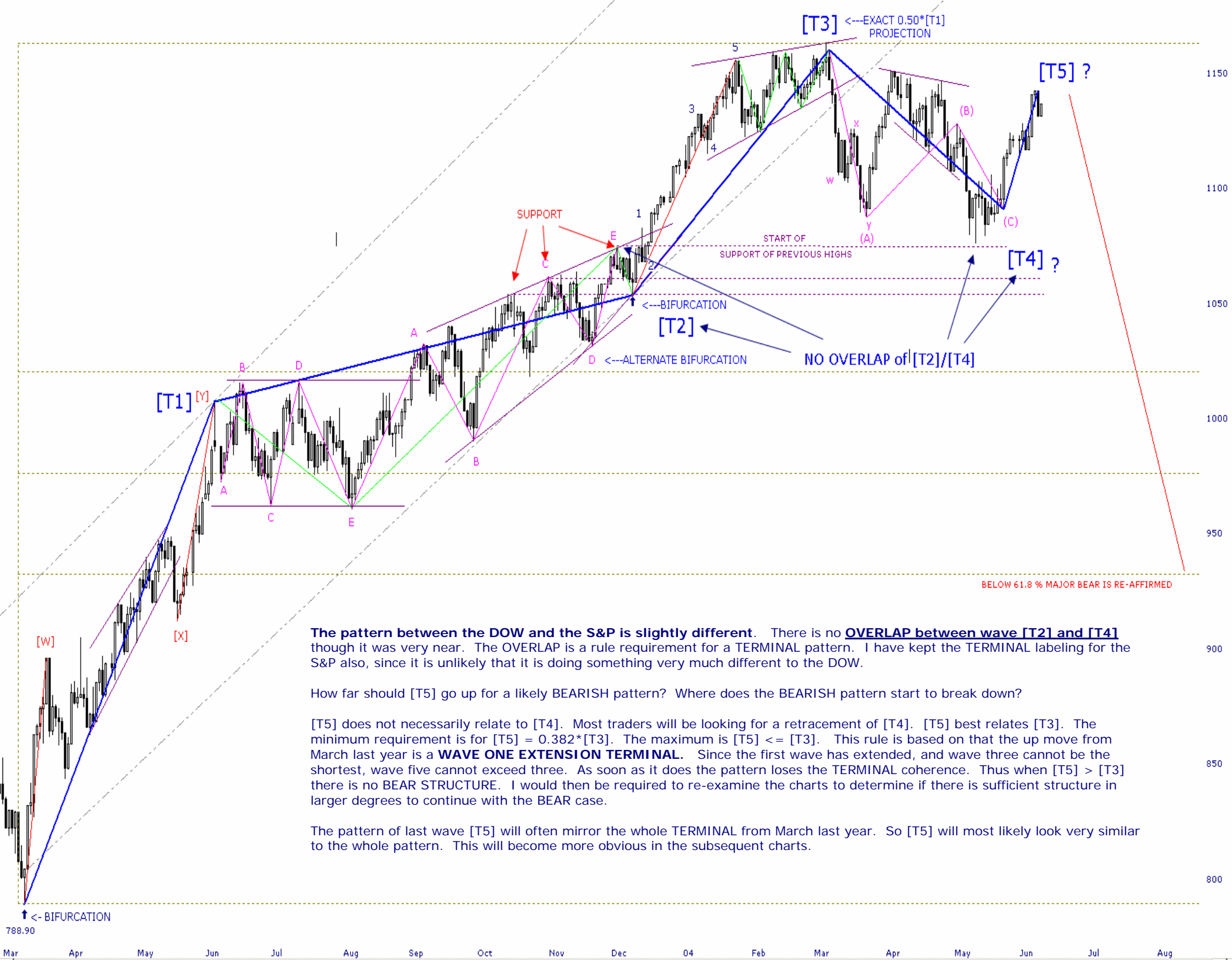
The position and projections basically remain unchanged since the high was reached in February. It was then that the structure suggested that a TERMINAL would play out. All that was required from then was to fill in the bars and see how the detail would play out from the broad assumptions. So far everything has fallen in line with those assumptions.

Last week there was a high probability that the "a TOP" may have been reached at a MINIMUM PROJECTION of [T5] completion. The high a Friday week ago had high order in its structure and a confluence of targets. However, as then noted, the structure was too simple. An Elliott rule states that complexity of adjacent moves should not vary by more than one degree. Clearly the up move did not meet that rule, though every other criterion was met.

The outcome of the TARGET was in fact the first FRACTAL in the fifth wave of [T5] and NOT [T5]. **A FRACTAL is made up of one DIRECTIONAL PLUS ONE NON-DIRECTIONAL MOVE CULMINATING IN A BIFURCATION POINT.** In an Elliott, the five wave impulsive up-structure there are commonly five swings, that is three fractals in which the third fractal, the 5<sup>th</sup> swing, fails.

It is now a relatively simple process to project the rest of the up move. So far the first FRACTAL has extended (For the third on structure has completed at about  $0.618 * [T1]$ ). What appears to be playing out is that [T5] is itself a TERMINAL. This fifth wave [T5] is MIRRORING the whole move from March 2003. MIRRORING is a common market phenomenon. It is very useful in getting some idea on how [T5] will complete.

↑ <-----BIFURCATION  
**94W4**  
 12 March 20(7416.64  
**[T0]**



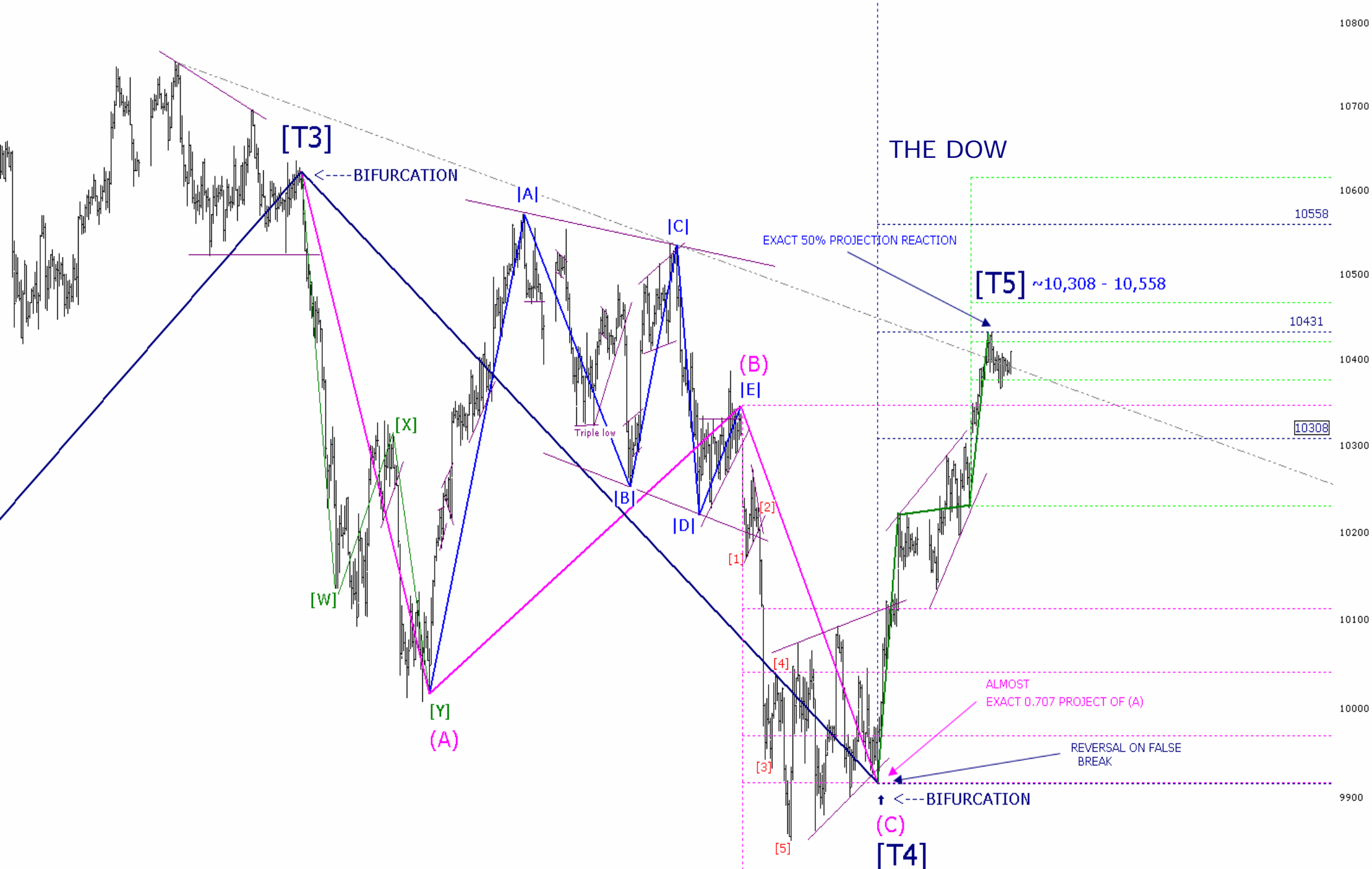
The pattern between the DOW and the S&P is slightly different. There is no **OVERLAP** between wave [T2] and [T4] though it was very near. The OVERLAP is a rule requirement for a TERMINAL pattern. I have kept the TERMINAL labeling for the S&P also, since it is unlikely that it is doing something very much different to the DOW.

How far should [T5] go up for a likely BEARISH pattern? Where does the BEARISH pattern start to break down?

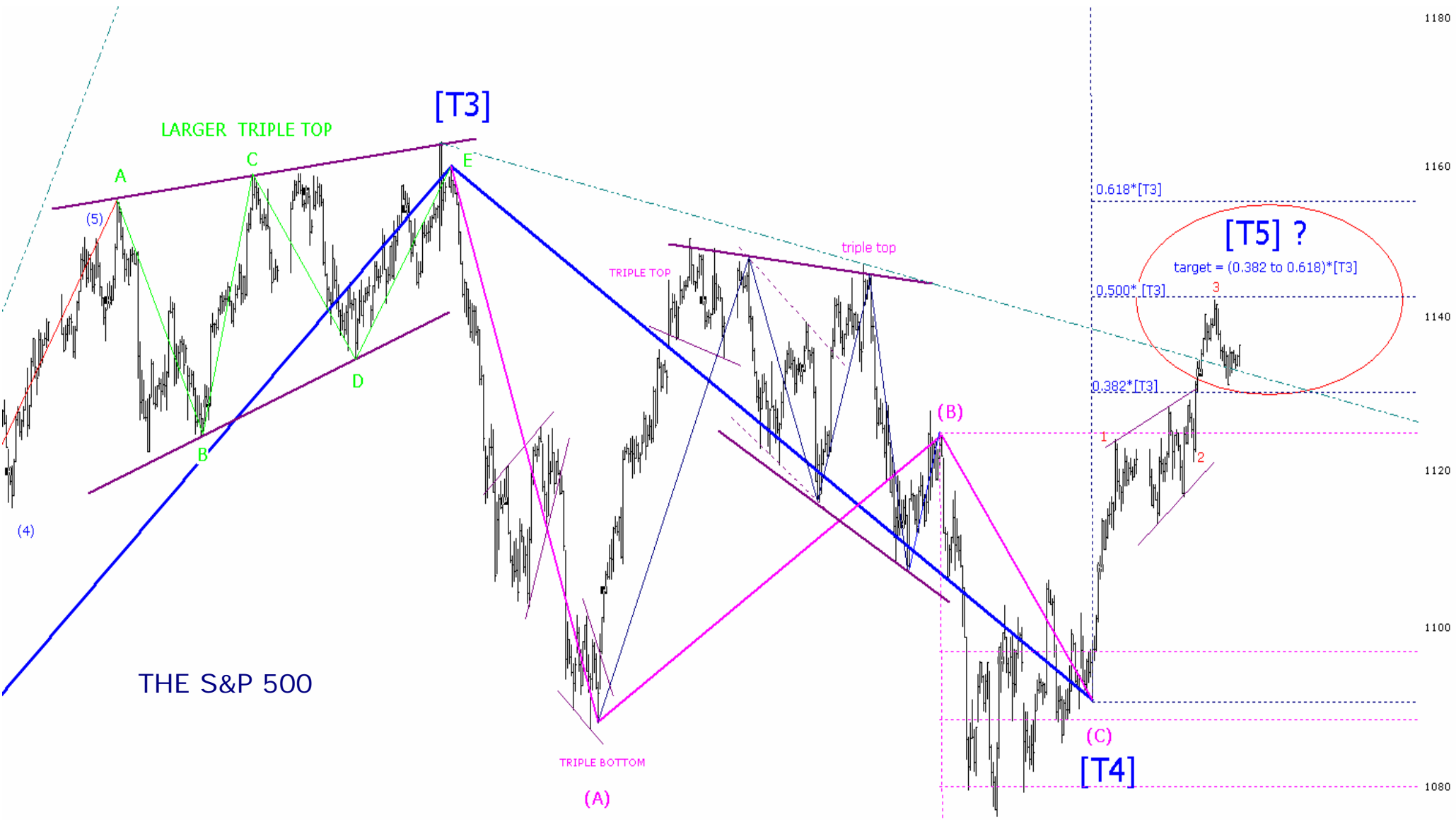
[T5] does not necessarily relate to [T4]. Most traders will be looking for a retracement of [T4]. [T5] best relates [T3]. The minimum requirement is for  $[T5] = 0.382 * [T3]$ . The maximum is  $[T5] \leq [T3]$ . This rule is based on that the up move from March last year is a **WAVE ONE EXTENSION TERMINAL**. Since the first wave has extended, and wave three cannot be the shortest, wave five cannot exceed three. As soon as it does the pattern loses the TERMINAL coherence. Thus when  $[T5] > [T3]$  there is no BEAR STRUCTURE. I would then be required to re-examine the charts to determine if there is sufficient structure in larger degrees to continue with the BEAR case.

The pattern of last wave [T5] will often mirror the whole TERMINAL from March last year. So [T5] will most likely look very similar to the whole pattern. This will become more obvious in the subsequent charts.

788.90  
 ↑ ← BIFURCATION



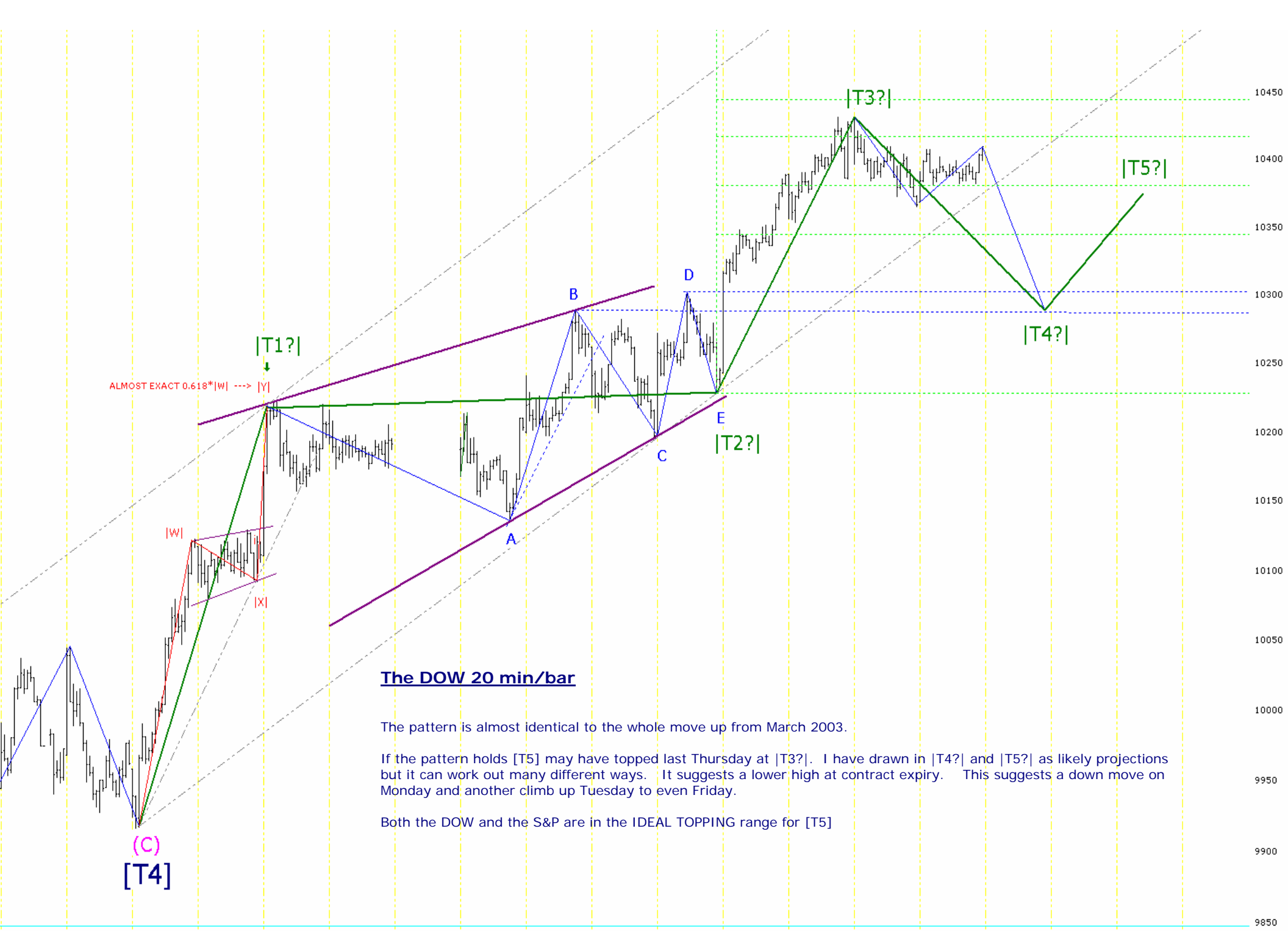
Last week the excellent confluence target, but the down move was short lived. It was obvious already before trading opened on last Monday that the assumed possible top would not work with a strong GLOBEX and international; markets before U.S. open. The expectation is now that [T5] will mirror the whole move up from March last year. **That suggests a WAVE ONE EXTENSION TERMINAL within [T5].** It is still early, but again a TOP is possible in both the DOW and S&P. Both are reacting to the  $0.50 * [T3]$  projections. Whereas, the previous Friday, **the pattern was too simple the pattern, the complexity is now sufficient to be another possible top.** The previous Friday, The DOW and S&P met all the minimum requirements. **The up move has now reached about the centre of the expected range and has sufficient complexity.** If the S&P and the DOW (in the [T5]) move above  $0.618 * [3T]$  projection, though still BEARISH, the down move is starting to lose force. Above a ONE FOR ONE ratio, the short term BEAR structure falls apart. It will be back to the drawing board and some head scratching.



THE S&P 500

Like the DOW the S&P has reacted at an exact 50% projection. The expected range for the [T5] TOP is between or at  $(0.382 \text{ to } 0.618) * [T3]$ . Often the markets will reverse on exact ratios. It all depends on the correct selection of BIFURCATION points. Projections and retracements are linear measurements across the top of log charts. **THIS SORT OF ACCURACY WILL NOT WORK ON LINEAR CHARTS UNLESS THEY ARE VERY SHORT TERM.** It is difficult to get computers charting programs that will handle correctly linear projections on log charts.

The up move should now complete with five swings. I have labeled in red the first three swings in [T5]. If mirroring works than wave three is most likely the high of the move.



**The DOW 20 min/bar**

The pattern is almost identical to the whole move up from March 2003.

If the pattern holds [T5] may have topped last Thursday at [T3?]. I have drawn in [T4?] and [T5?] as likely projections but it can work out many different ways. It suggests a lower high at contract expiry. This suggests a down move on Monday and another climb up Tuesday to even Friday.

Both the DOW and the S&P are in the IDEAL TOPPING range for [T5]

(C)  
[T4]

ALMOST EXACT 0.618\*[W] ----> [Y]

[T1?]

A

B

C

D

E  
[T2?]

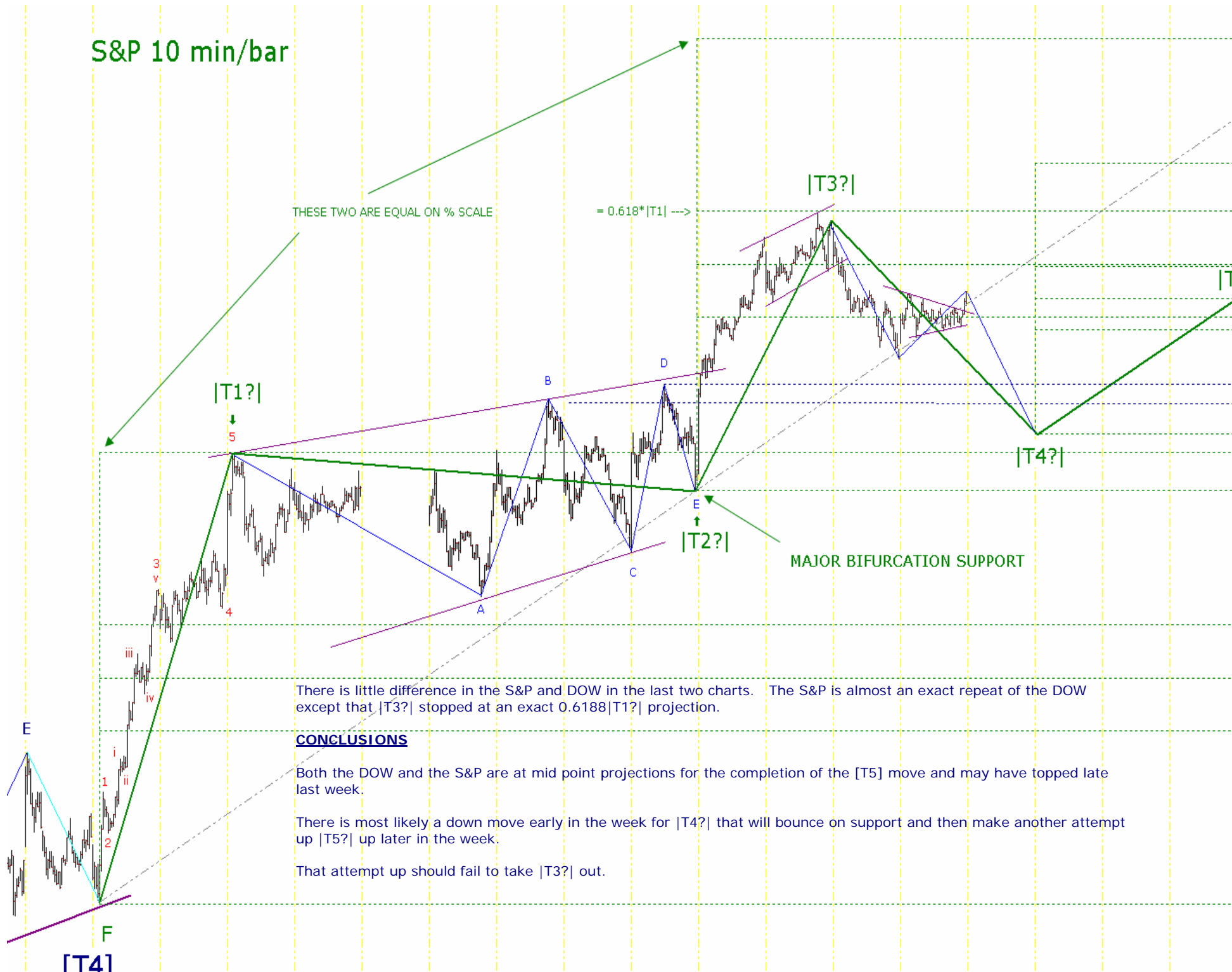
[T3?]

[T4?]

[T5?]

10450  
10400  
10350  
10300  
10250  
10200  
10150  
10100  
10050  
10000  
9950  
9900  
9850

# S&P 10 min/bar



There is little difference in the S&P and DOW in the last two charts. The S&P is almost an exact repeat of the DOW except that |T3?| stopped at an exact 0.6188|T1?| projection.

### CONCLUSIONS

- Both the DOW and the S&P are at mid point projections for the completion of the [T5] move and may have topped late last week.
- There is most likely a down move early in the week for |T4?| that will bounce on support and then make another attempt up |T5?| up later in the week.
- That attempt up should fail to take |T3?| out.

This update does not suggest nor recommend that any trading position 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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