

DOW Weekly bars

Anti Deflationary liquidity creation rally
March 2003 --->



EWP on the DOW and S&P 18 Sep 2005

Last week was a down except for the last day. On Friday the DOW was back at the median line of the RISING WEDGE. So last week' comments still apply. Little has changed. Looking at previous tops nearly all of them take more than a week to reverse, so on this aspect this top is no different.

The RISING WEDGE is near it resolution. It is on the third high in the year and a half RISING WEDGE. It is at the median lime a common position for a WEDGE pattern to bifurcate.

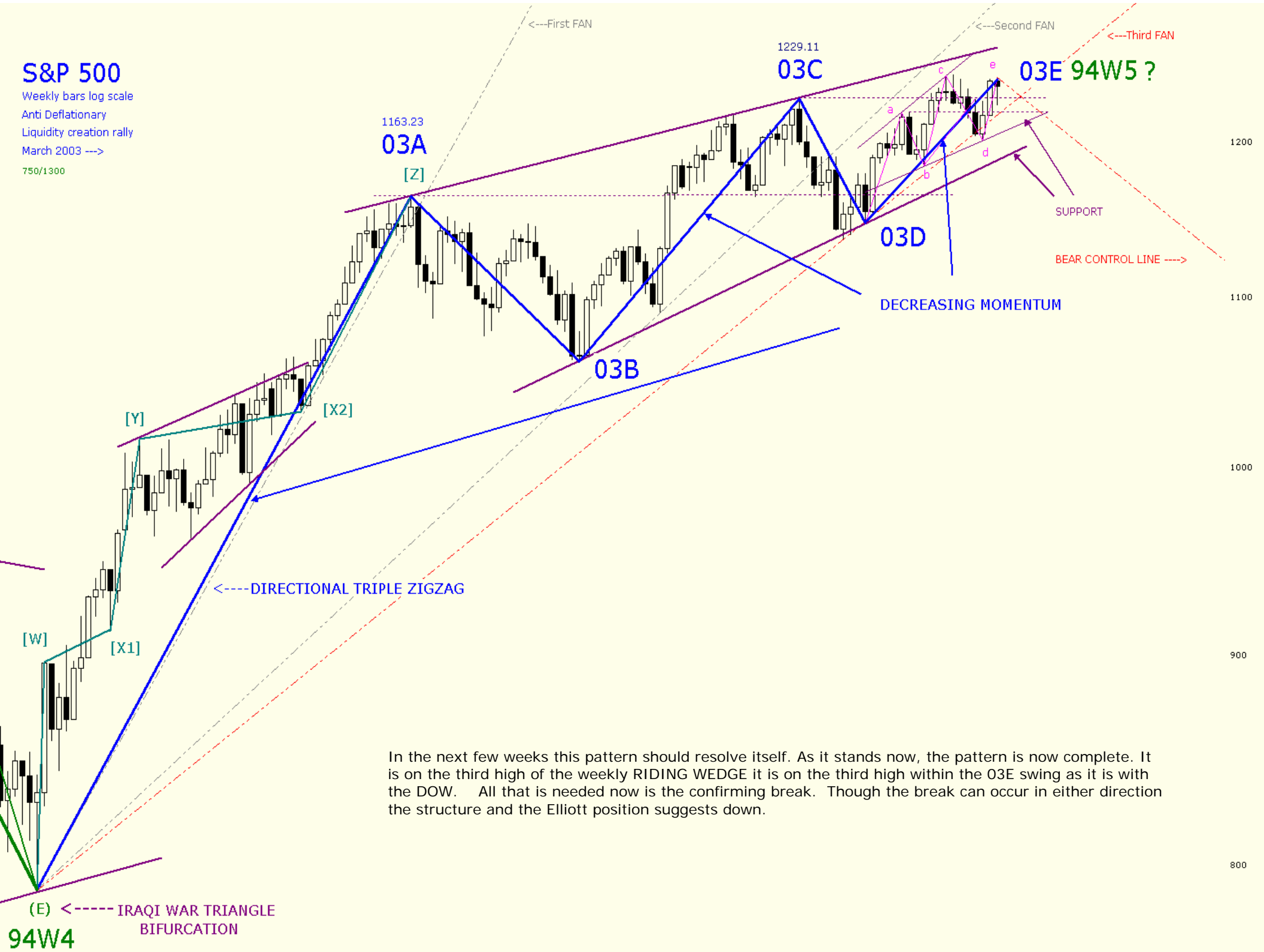
In the DOW the 03E swing has mirrored the larger RISING WEDGE pattern. Mirroring the last swing on the larger pattern is an interesting phenomenon that often occurs. It is also at that third critical high. However it is also coming up from a third low. This is a very interesting position.

94W4 THE IRAQI WAR TRIANGLE

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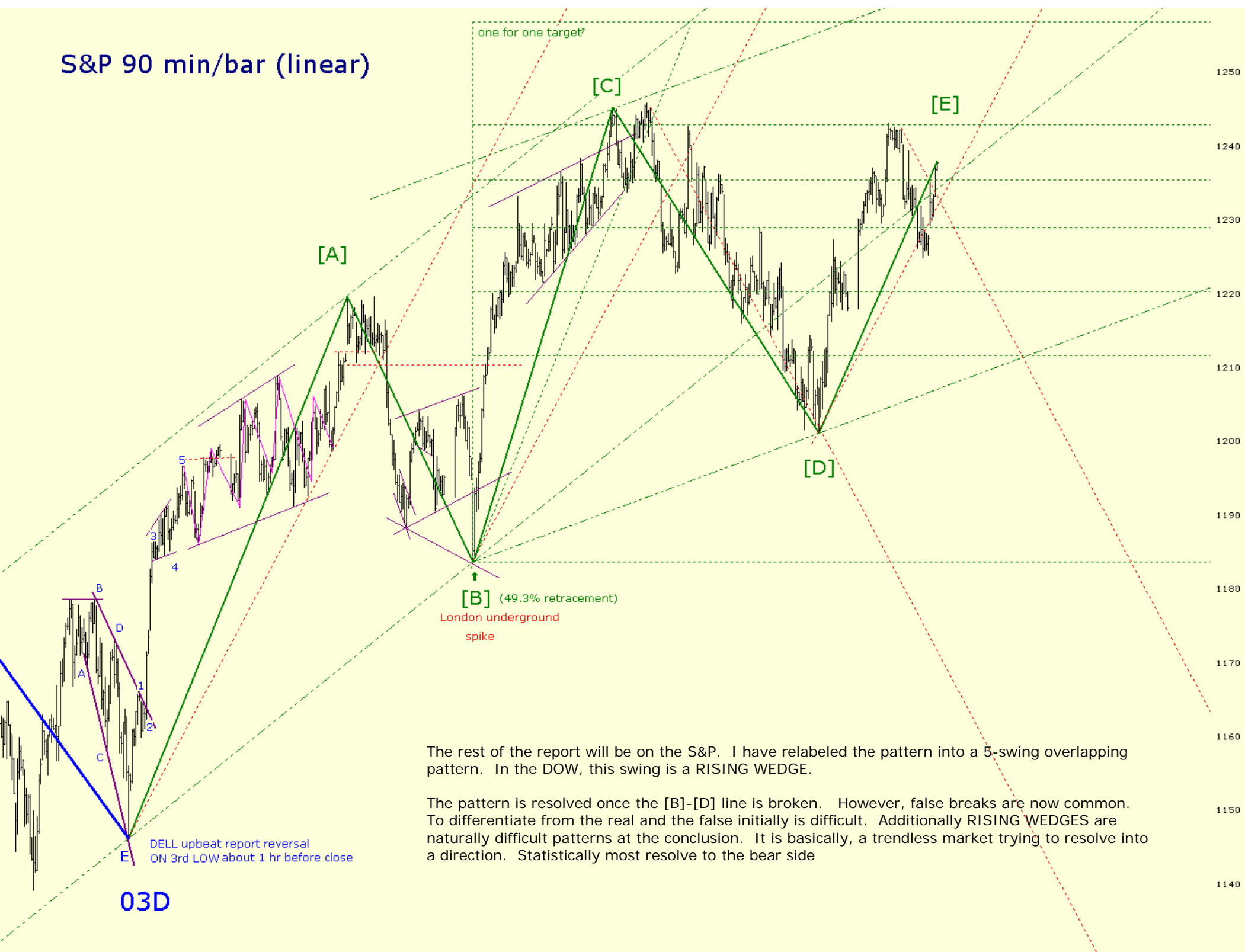
S&P 500

Weekly bars log scale
Anti Deflationary
Liquidity creation rally
March 2003 ---->
750/1300



In the next few weeks this pattern should resolve itself. As it stands now, the pattern is now complete. It is on the third high of the weekly RIDING WEDGE it is on the third high within the 03E swing as it is with the DOW. All that is needed now is the confirming break. Though the break can occur in either direction the structure and the Elliott position suggests down.

S&P 90 min/bar (linear)

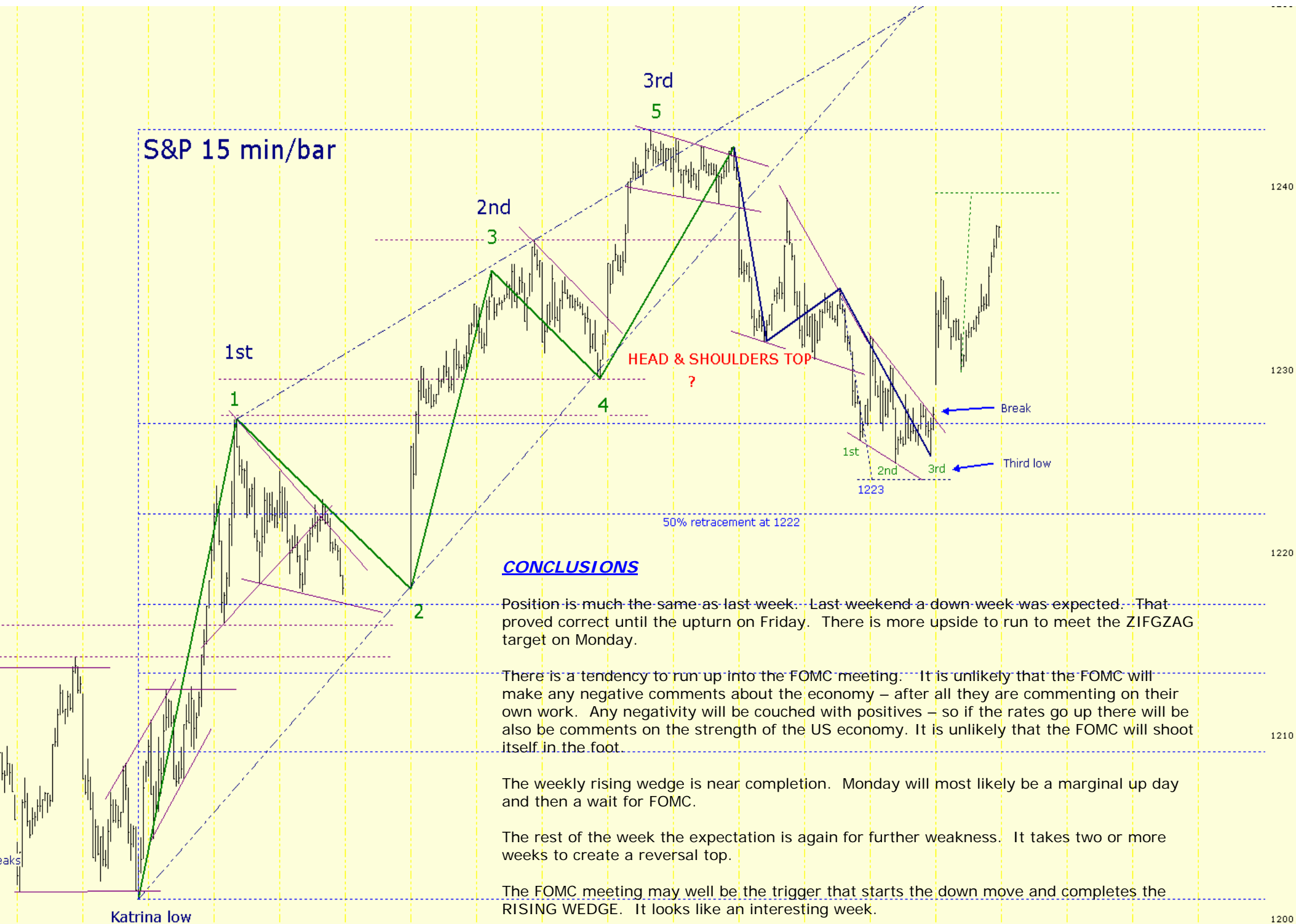


The rest of the report will be on the S&P. I have relabeled the pattern into a 5-swing overlapping pattern. In the DOW, this swing is a RISING WEDGE.

The pattern is resolved once the [B]-[D] line is broken. However, false breaks are now common. To differentiate from the real and the false initially is difficult. Additionally RISING WEDGES are naturally difficult patterns at the conclusion. It is basically, a trendless market trying to resolve into a direction. Statistically most resolve to the bear side

03D

S&P 15 min/bar



CONCLUSIONS

Position is much the same as last week. Last weekend a down week was expected. That proved correct until the upturn on Friday. There is more upside to run to meet the ZIFGZAG target on Monday.

There is a tendency to run up into the FOMC meeting. It is unlikely that the FOMC will make any negative comments about the economy – after all they are commenting on their own work. Any negativity will be couched with positives – so if the rates go up there will be also be comments on the strength of the US economy. It is unlikely that the FOMC will shoot itself in the foot.

The weekly rising wedge is near completion. Monday will most likely be a marginal up day and then a wait for FOMC.

The rest of the week the expectation is again for further weakness. It takes two or more weeks to create a reversal top.

The FOMC meeting may well be the trigger that starts the down move and completes the RISING WEDGE. It looks like an interesting week.

Katrina low

1240

1230

1220

1210

1200

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.