

DOW Weekly bars

WTC defiance
liquidity creation rally ends

RESISTANCE

←---BIFURCATION ON THIRD HIGH

WTC LOW

↑ ---ALTERNATIVE BIFURCATION

94W4

THE IRAQI WAR TRIANGLE

94W5?

EWP on the DOW and S&P 04 October 2004

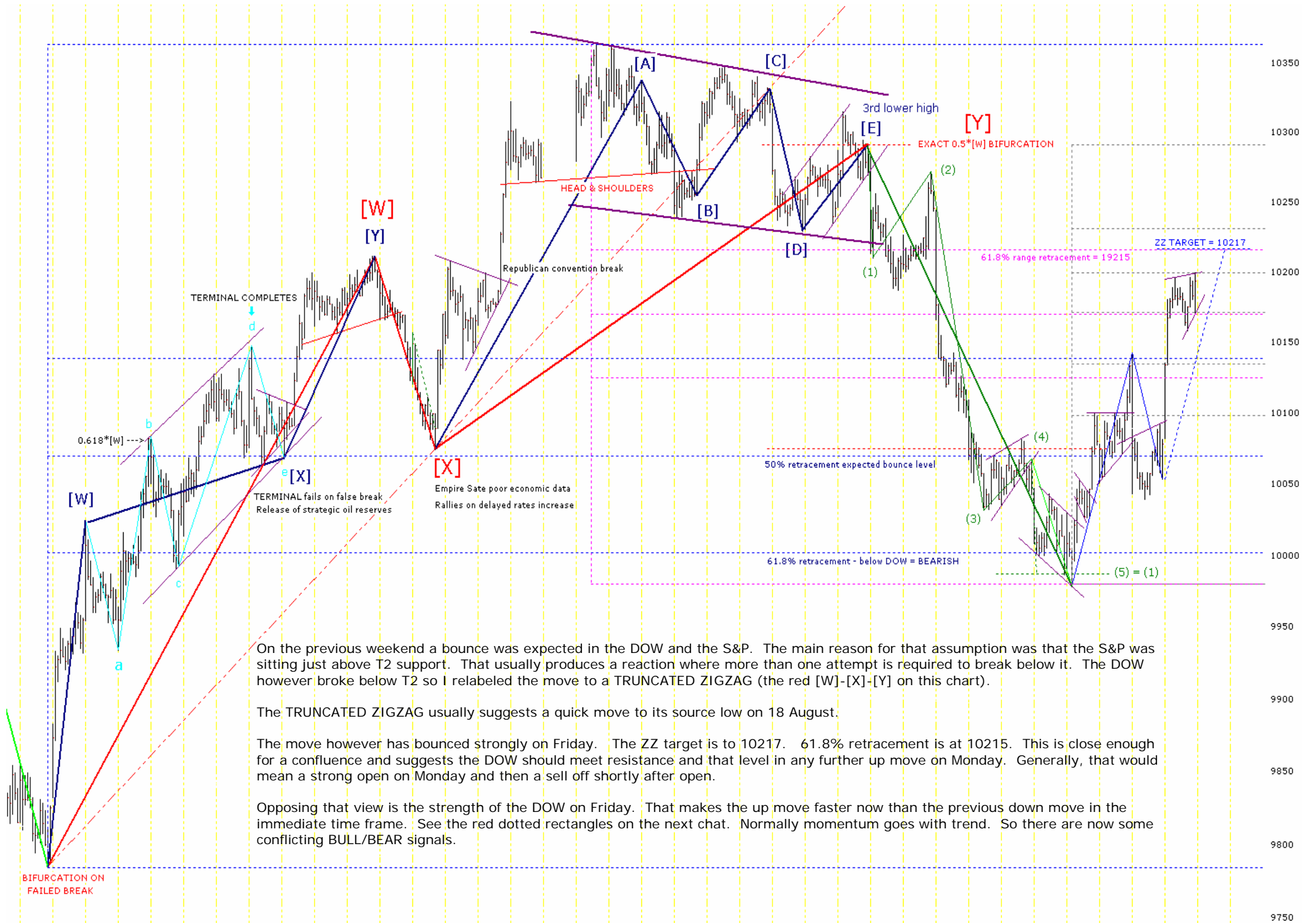
The DOW has moved down a little over 61.8 %. It has bounced on the trend line through '03T4?' moving up from mid point bifurcation point of the IRAQI WAR TRIANGLE. Since "order" is the most important aspect of Elliott Analysis, it adds more importance to the mid-point alternative bifurcation within the IRAQI WAR TRIANGLE.

At present, the down move is NOT sufficient to confirm the completion of '03T5?' For that we needed price acceptance below 61.8% of range (see next chart).

The up move now '03T5?' is slower than '03T3' and still qualifies for the 5th wave. Because the move up from the mid point is a wave one extension TERMINAL, the other two waves will tend to equality or a Fibonacci ration. In a TERMINAL the 5th wave is expected to fail. The 5th wave of the TERMINAL cannot be longer than the third wave for it would fail to meet the rule that the third wave cannot be the shortest if the DIRECTIONAL moves. There is a lot of room for the DOW to move up and still remain bearish.

11000
10500
10000
9500
9000
8500
8000
7500

O 2002 A J O 2003 A J O 2004 A J O 2005 A J O 2006 A



On the previous weekend a bounce was expected in the DOW and the S&P. The main reason for that assumption was that the S&P was sitting just above T2 support. That usually produces a reaction where more than one attempt is required to break below it. The DOW however broke below T2 so I relabeled the move to a TRUNCATED ZIGZAG (the red [W]-[X]-[Y] on this chart).

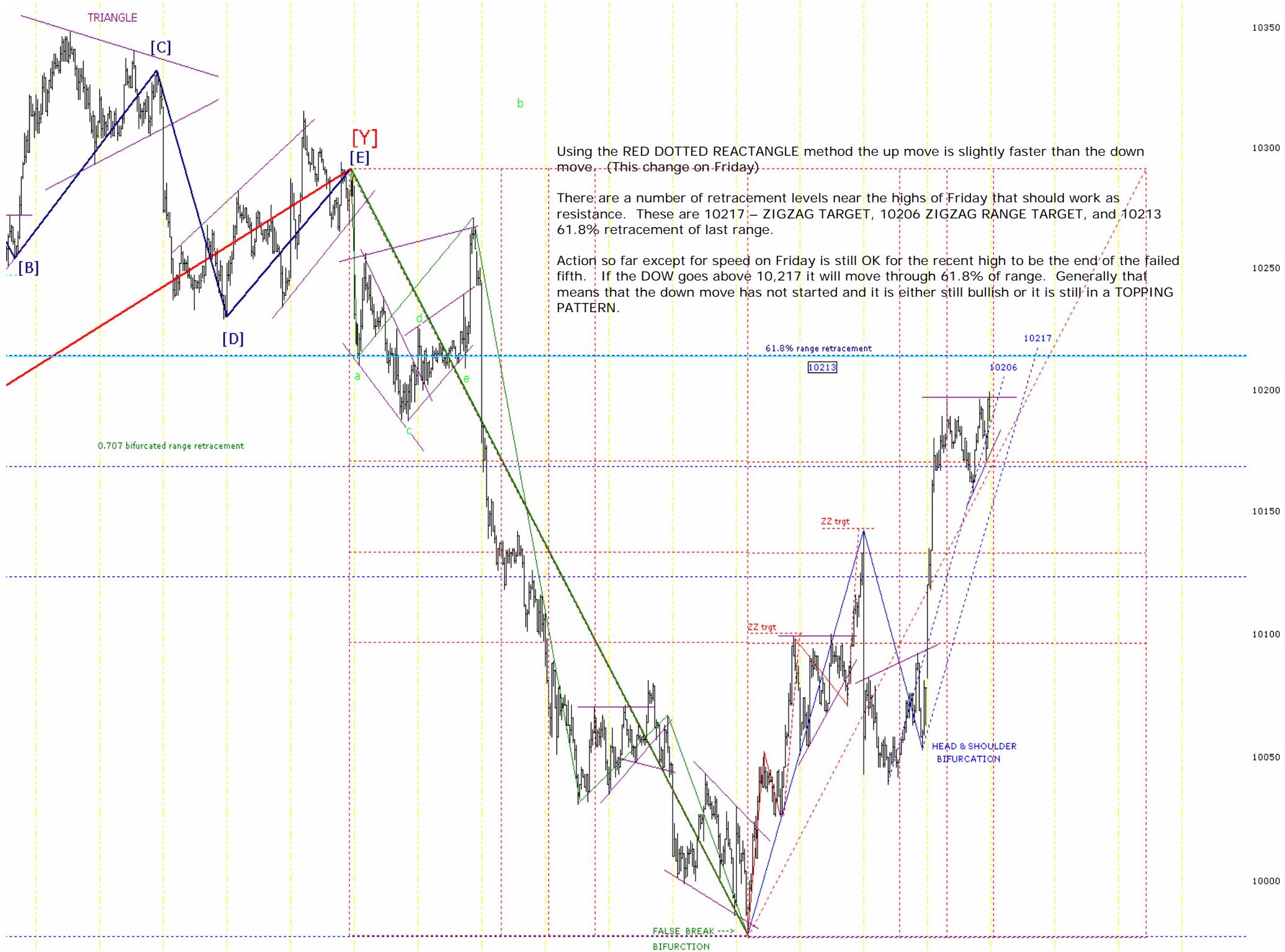
The TRUNCATED ZIGZAG usually suggests a quick move to its source low on 18 August.

The move however has bounced strongly on Friday. The ZZ target is to 10217. 61.8% retracement is at 10215. This is close enough for a confluence and suggests the DOW should meet resistance and that level in any further up move on Monday. Generally, that would mean a strong open on Monday and then a sell off shortly after open.

Opposing that view is the strength of the DOW on Friday. That makes the up move faster now than the previous down move in the immediate time frame. See the red dotted rectangles on the next chat. Normally momentum goes with trend. So there are now some conflicting BULL/BEAR signals.

BIFURCATION ON FAILED BREAK

10350
10300
10250
10200
10150
10100
10050
10000
9950
9900
9850
9800
9750



Using the RED DOTTED REACTANGLE method the up move is slightly faster than the down move. (This change on Friday)

There are a number of retracement levels near the highs of Friday that should work as resistance. These are 10217 – ZIGZAG TARGET, 10206 ZIGZAG RANGE TARGET, and 10213 61.8% retracement of last range.

Action so far except for speed on Friday is still OK for the recent high to be the end of the failed fifth. If the DOW goes above 10,217 it will move through 61.8% of range. Generally that means that the down move has not started and it is either still bullish or it is still in a TOPPING PATTERN.

10350
10300
10250
10200
10150
10100
10050
10000

TRIANGLE

[C]

b

[Y]

[E]

[B]

[D]

a

c

d

e

0.707 bifurcated range retracement

61.8% range retracement

10213

10217

10206

ZZ trgt

ZZ trgt

HEAD & SHOULDER BIFURCATION

FALSE BREAK BIFUNCTION

S&P Weekly bars

(0.382 to 0.618)

WTC DEFIANCE
LIQUIDITY CREATION RALLY ENDS
THIRD LOWER HIGH

VTC TERROR LOW

03T1

03T3

could be 3rd lower high?
03T5 ?

// support line -->

03T4 ?

03T2

iii

iv

i

ii

iii

iv

i

ii

iii

iv

i

ii

iii

iv

i

ii

iii

iv

i

ii

iii

iv

i

ii

iii

iv

<--- ALTERNATIVE BIFURCATION
OF IRAQI WAR TRIANGLE
(0.382 to 0.618 of TRIANGLE)

<--- MOST LIKELY BIFURCATION
OF IRAQI WAR TRIANGLE
(THIRD LOW)

768.63

IRAQI WAR TRIANGLE

1200

1150

1100

1050

1000

993

950

945

900

850

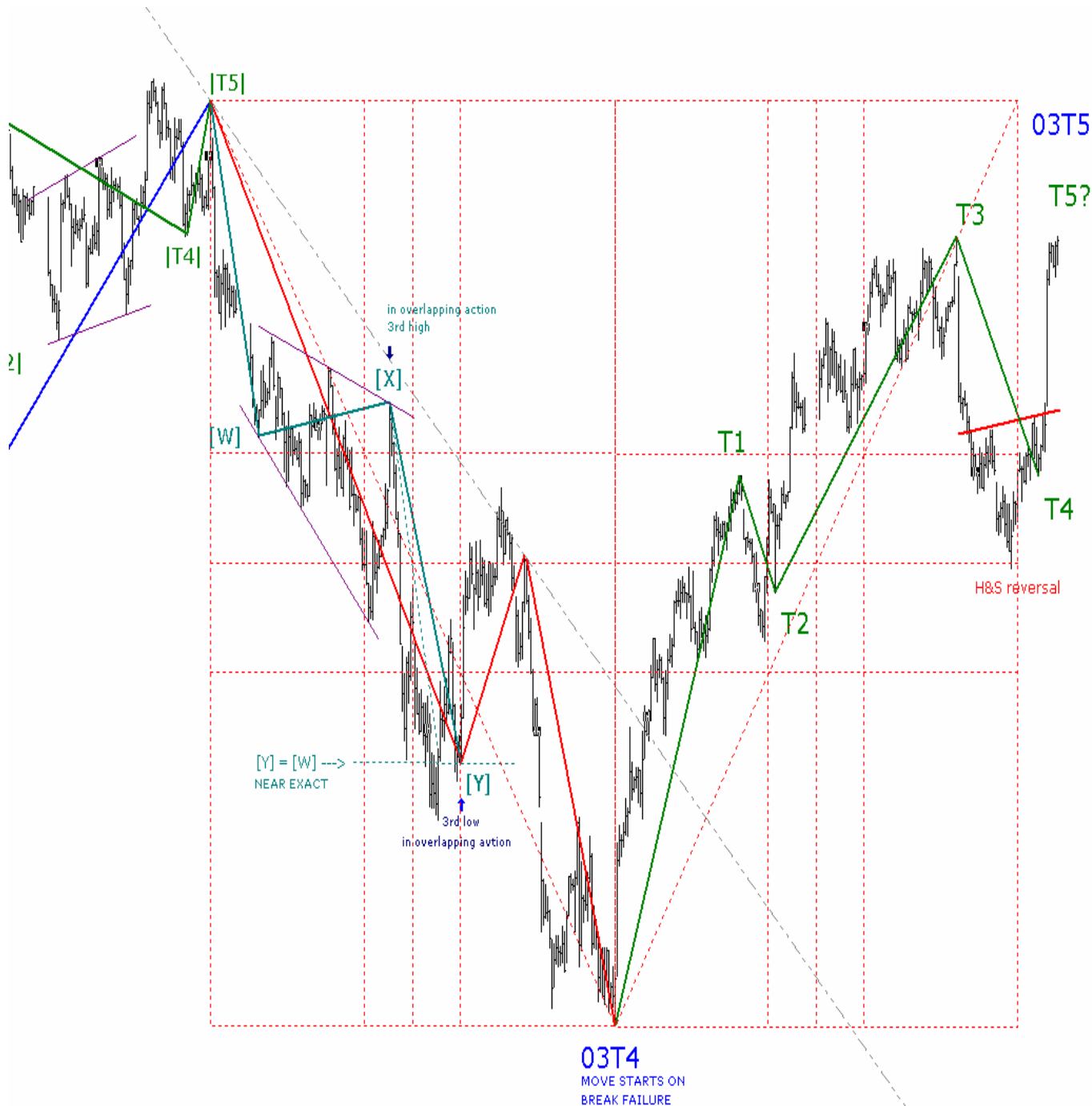
800

The S&P had an outside week which is generally taken as being positive. In candlesticks it is BULLISH engulfing.

While positive in that aspect the up move is now slower than the 03T3 and thus still qualifies as the 5th wave (03T5?).

It is also back at resistance of 61.8% which is an excellent position for the move to complete (see the red dotted rectangle above).

An up move was expected last week – it is the speed of the up move on Friday that is the problem. The larger pattern is still of a TERMINAL but the SPEED of the up move on Friday throws some doubt into that interpretation. On this count it should pull back on Monday. T5 should be a struggling move – which it was not on Friday!



The TERMINAL on the S&P on this chart is still running OK and to expectations. The only problem is the up speed on Friday. The action is a typical short squeeze. However, all major changes in direction are caused either by the BULLS or BEARS running for the door. It is the short or long squeeze that gives the confirmation that a move is complete. A BIFURCATION is confirmed by the high momentum of the departing move.

In the S&P the up move is slower than the previous down move on this chart. So to change the down trend now, the S&P needs to climb above the previous high. It is also slower than 03T3 so the lack of speed overall is on target for a 5th wave in the larger terminal from March last year.

CONCLUSIONS

The TERMINAL in the S&P is still on target even with Friday's strong up move.

There is excellent overlap between in the S&P between T4 and T2, thus, endorsing the TERMINAL.

The DOW has a TRUNCATED ZIGZAG. Its correction is just under 61.8%. 10217 should hold it if the assumptions are correct.

Though, the open looks strong on Monday from open, from strong international markets the DOW should meet resistance near 10217.

The critical level for the S&P is to keep Friday's high. If it cannot hold the high there is a potential sell off in the offing.

Monday will prove interesting for a further strong up move will require re-assessment.

1150
1140
1130
1120
1110
1100
1090
1080
1070
1060
1050

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