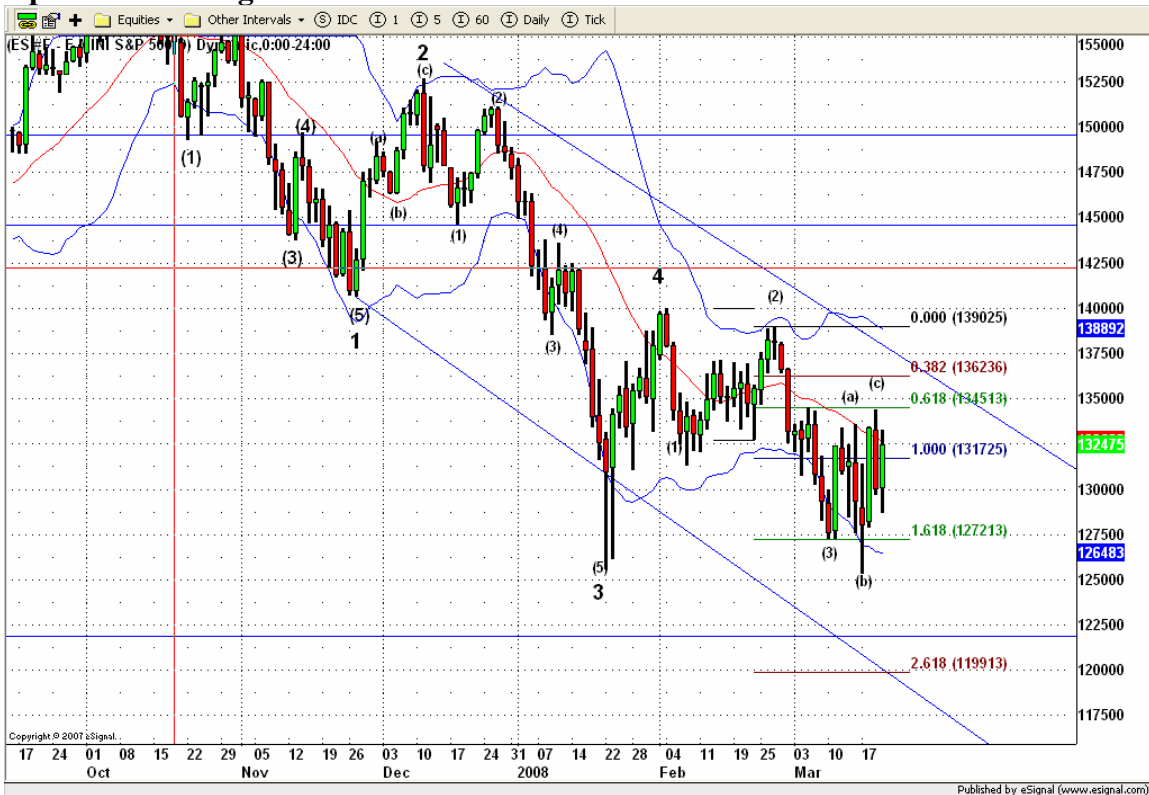




3/26/2008 6:14:50 PM Pacific Time

Option 2 from the 3/22/08 newsletter is no longer a consideration. Option 2 postulated that we had completed (3) waves of sub-wave five and needed to complete (4) and (5) before 5 primary waves were complete. The counter-trend distance traveled since then is a rule breaker for option 2. (*Wave 4 never moves beyond the end of wave 1.*) Wave 1 ended at 1337.50 on 02/05. The 03/24 counter-trend high was 1361.50. See 3/22/08 weekend update for more discussion of option2.

Option2 is no longer a consideration.



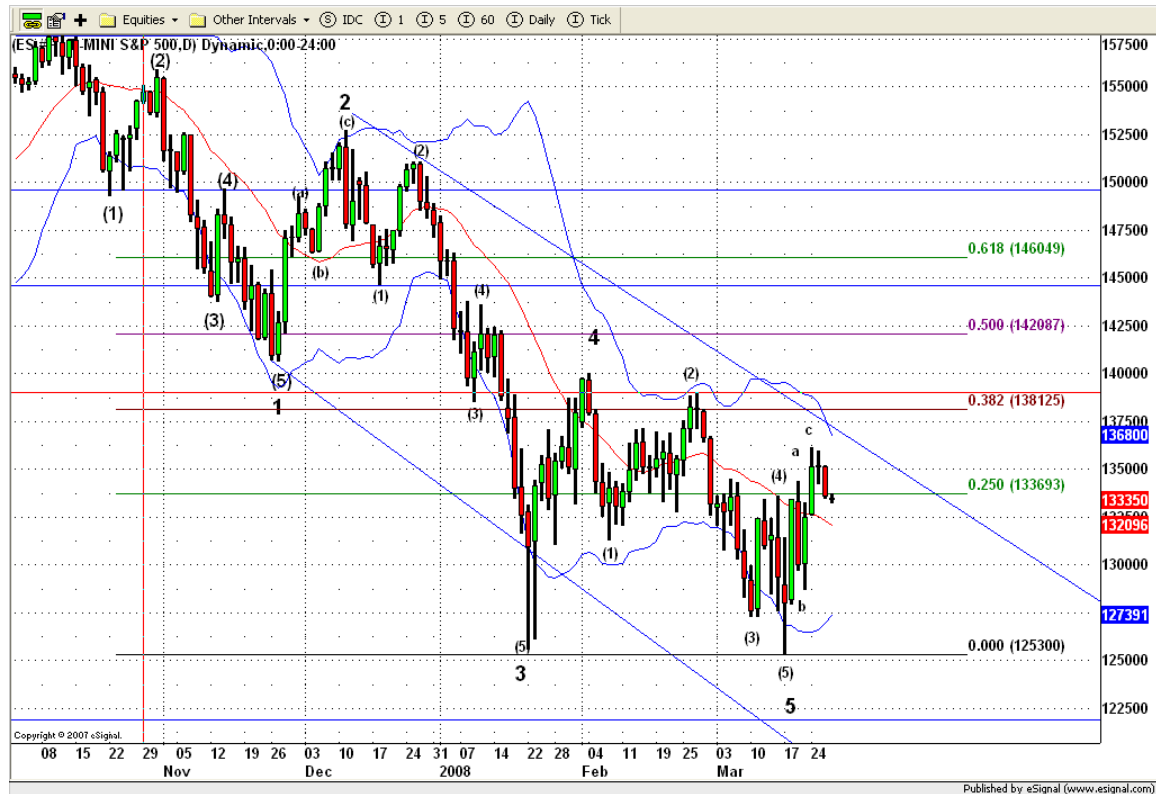
Let's discuss option 3 from the weekend newsletter. Option 3 stated that five primary waves down are complete, and we are in a counter-trend correction. My primary wave count from the 03/17/08 low so far, is 5-3-5. **Chart1** shows this as an a-b-c pattern. **Chart 2** shows the detailed intraday counts of the 5-3-5 pattern.

A little technical background before we move on: Elliott wave patterns in the direction of trend are impulse waves. Patterns that are counter-trend are corrective waves. Sometimes

it is difficult to tell the difference until they are complete. For example, an impulse is 5-3-5-3-5, and a corrective zigzag is 5-3-5. Two impulse waves connected by a corrective wave in between, is a zigzag of one higher degree. Add another corrective wave and another impulse wave, and you have an impulse wave of one higher degree.

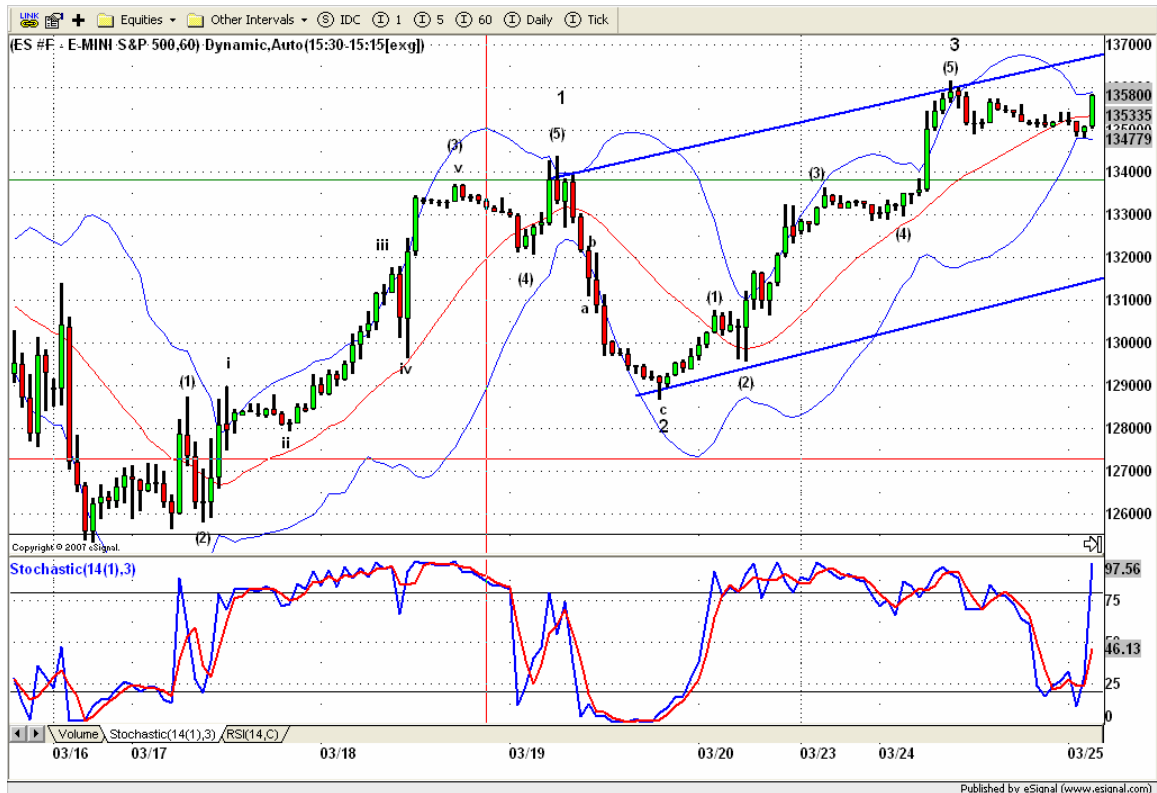
Let's explore the possibility of **Chart1** for a moment. Chart one implies that this bear market is so relentless, so intense, that the best bounce we can get off of five primary waves down, that unfolded over 5 months, is a simple 5-3-5 zigzag correction, that is less than a .382 Fibonacci retracement, and only took a week to complete.

Chart1



OK. A moment is up and so is exploring that possibility. To further consider option3 (that we have completed five primary waves down), then we must consider that the most probable outcome is that we are only partially finished with half of a zigzag correction that retraces from the 03/17/08 low. We will complete a 4th and 5th wave for **chart2**, experience some type of corrective wave down, then, experience five more waves up at this degree, which will complete a zigzag of one higher degree. This will most likely take us past 1406, the rule breaker for option1.

Chart2



Let's review option 1 from the weekend edition on **Chart3** (chart is not updated since weekend.) Everything south of **a** at 14000 is part of a corrective flat that originated with the double zigzag up from **3(5)**. The tendency for waves two and four of a five wave pattern to alternate (wave **2** was a zigzag) supports this option. The fact that wave 4 from option 3 did not touch the upper channel, supports this option. If this option is correct, then this pattern will take us back to 14000 to complete wave **4** and **breach the upper channel**. 140600 is the ceiling for this pattern (bottom of wave **1**) indicated by the solid red horizontal line. A breach of this level would break an Elliott rule --*wave 4 never moves beyond the end of wave 1* and invalidate the pattern.

Chart 3



Option 1 is still my preferred option. **Chart 4 is an updated intra-day wave count of option 1 and option 3. -- Option 1 and 3 both need the 4th and 5th wave to complete.**

Therefore, I conclude that there is not a viable Ewp option (that I am aware of) which forecasts more than a moderate downside risk in the next day or 2.

I am forecasting we are near a probable turn, and a 5 wave rally of some significance. 14000 based on a .618 ratio of wave 1 and 3 combined.

There is a good chance (speculated on **chart 4**) that wave 4 is already complete. It could go lower, but a confluence of indicators say wave 4 is near completion: 1) intersection of .382 retracement level with bottom channel that is parallel to upper channel of completed waves 1 and 3. 2) Downward trend line from wave 3 (not shown) intersects bottom channel and .382 fib level. 3) Probable pattern completion or very near completion. 4) Good support level from 3/18, 3/23, 03/24 and earlier. **5) wave 2 (Chart4) was a steep .618 zigzag, alternation would suggest a shallow (.382) wave 4.**

Chart4



In summary, we are very near a turn, a fifth wave up on a 60min chart. This fifth wave supports both options being considered. It should take us near 14000. The correction that follows the completion of this fifth wave will determine which of these two options is truth.

Disclaimer: The market detective provides personal market opinion based on sound technical analysis and research. However, no warranty is given or implied as to its true reliability. The market detective **will make errors and mistakes**. The market detective is not an investment adviser and is not making recommendations to buy, sell, or place orders relating to the futures contracts, ETFs, or stocks that he writes about. The responsibility for decisions made from information contained in this service are solely that of the individual subscriber. The individual must fully research and make his/her own decisions before acting on any information provided by the market detective. The market detective assumes no responsibility for subscriber investment or trading results.