



Exceptional Bear Market Letter

February 1, 2009

Still about 2/3 of the drop to go!

In the **Dow** below we have much more downside than I previously surmised. We have only an *a-b-c* where *wave c* should stretch out to 1.618 times the vertical drop of *wave a*. Measured from 8400 the drop should be 1820 Dow points or **-6580 ± 100** or likely 1400 more points on the conservative side. Below you see **i** to begin 5 waves down of *c*. *Wave a* took 7 days to complete, *Wave c* should endure at least that long.



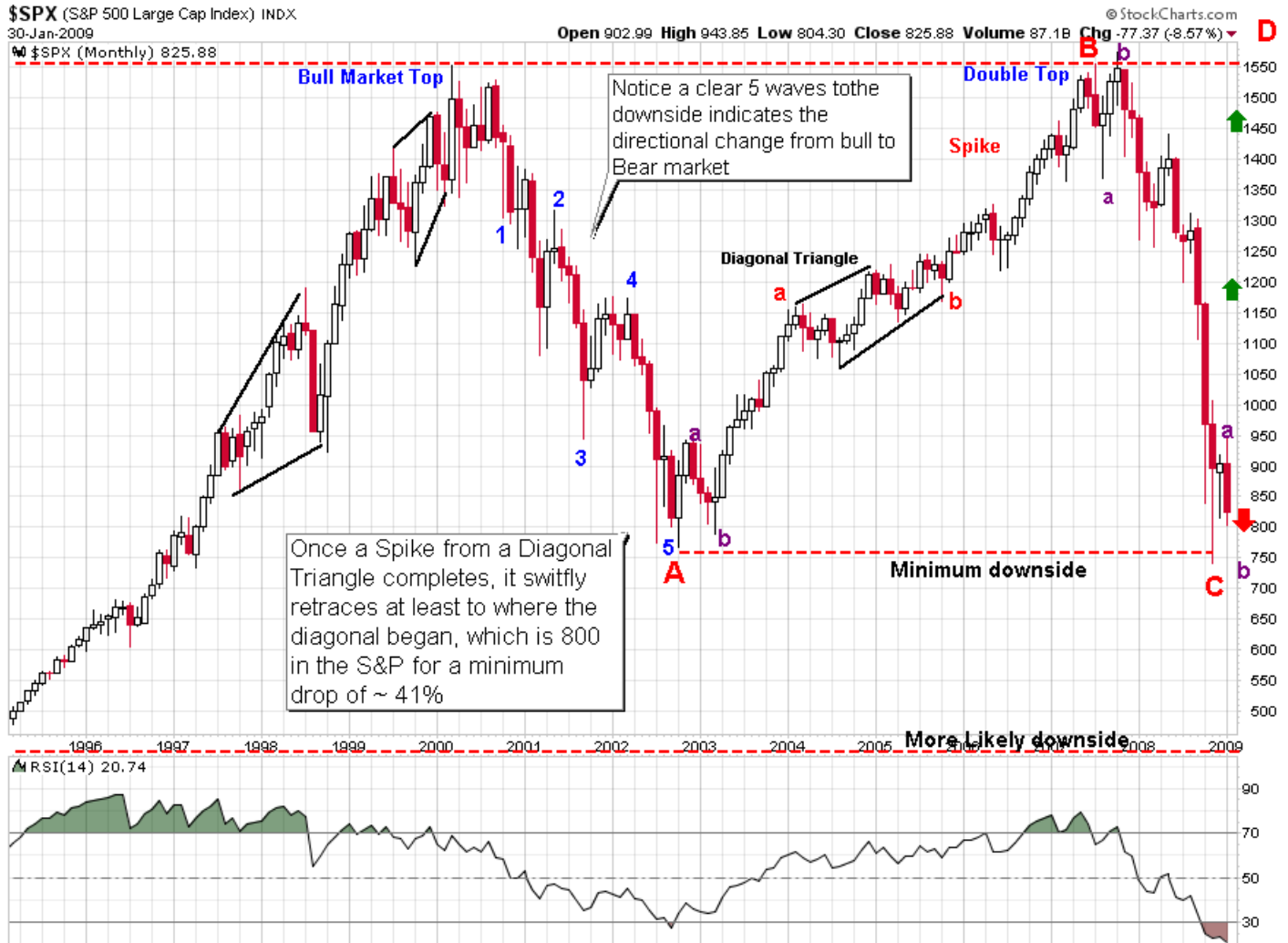
In **Financials** it would appear that **wave IV** will become more complex so that we reverse, we won't know until Monday. Financials have tended to drop to the 20% RSI, and there is still quite a bit of downside till we get to that point.



As we see in the **10-min Financials** there are two additional **Diag IIs**, so that the count starts over. After a small bounce we can expect the biggest drop so far.



Below is the long term **S&P 500** chart so you can see that the upside is only to the resistance line where it has been cut off twice before. As you can see, only the **b wave of C** exceeded this uppermost trendline, which will likely hold through the next rally, while the Dow and the Russell 2000 have much better prospects for profit.



We remain 100% short/inverse using 9-10 index funds or representative stocks, and longs will be big losers in the next week to 10 days.

Eduardo Mirahyes

Exceptional Bear



“Opportunistically timed investments that maximize wealth”