



Exceptional Bear Market Letter

April 12, 2009

Why this is the most likely scenario for the unfolding Bear Market

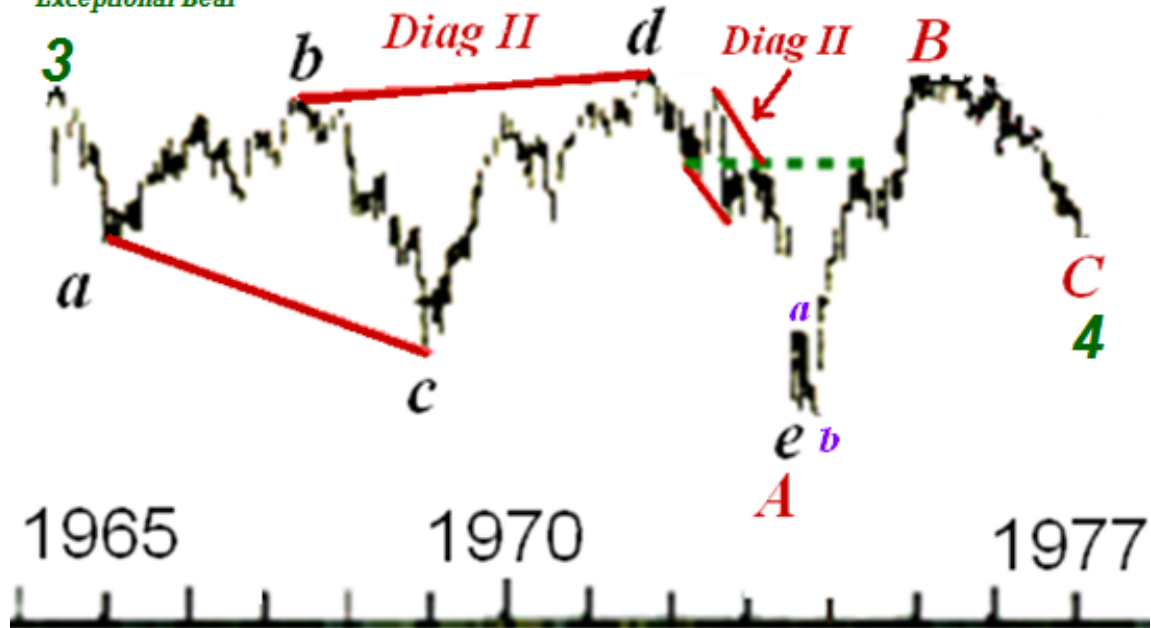
*The closest we can project from this junction is a structure similar to **Cycle wave IV** shown below. Again it's clearly a **Diag II**, where the downside waves are 5's and the upside 3's. Like the current wave count you see the retracement back to the smaller **Diag II** in **e**, upon completion of the **a-b** transition. That's analogously right where we are today. Notice it shot back up almost vertically in **B** to meet its minimum upside, at the green broken line before the first correction. That is precisely what we can expect this year to at least Dow 12,750 (see green dashed line on the Dow Monthly chart at the top) for a minimum 80% gain from the current level, in addition to the plunge still ahead below Dow 6500.*

1964-1977

Cycle Bear Market

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Obviously if you believe you are on a lower degree of trend, you're bound to underestimate the trough, whereas if your count is on a higher degree, as is Prechter's, you expect a far worse catastrophe – it sells books obviously! What's more in the chart below you have several examples of retracements back to the beginning of *Diag II*, its no coincidence, and should be a rule, rather than just a guideline. This should indicate a trough at Dow 555, however that will still be only *A* of an *A-B-C*, as in the diagram above. Another note of interest, which has not come into the mainstream, yet, is that Supercycle degree requires a Supercycle *(A)-(B)* transition. It may seem logical, yet this is the reason behind Prechter's faulty foundation and erroneous count. Although Elliott clearly documented these 3-wave transitions, Prechter clearly states that he has never seen one - so he labels what should be *(A)-(B)*, as *(I) & (II)* instead. No wonder his entire count is wrong.

What's more, Elliott's **guideline of alternation** concurs that history repeats itself, but never exactly like the last time. In practice if *wave 2* is simple then *wave 4* should be complex. Similarly, if *2* moves sideways, then *4* of the same degree will move sharply down. As you see below, *Supercycle wave (II)* was a simple *A-B-C* Bear Market ending in a sharp drop. While *Supercycle Wave (IV)* in progress is plainly complex and predominantly sideways. These are all Elliott's tools and pieces of the puzzle, which allow for the best possible long-term projections.



The Dark Ages were one of those major “two step retracements” ... after the fall of the Roman Empire the formula for concrete used to build ports, which dried underwater, was lost for over a Millennium. Long before there were “markets”, civilization progressed in step with the wave principle – in the Elliott terms its Nature’s Law. I once heard Bob Prechter give a fascinating lecture relating history from the dawn of civilization to the wave principle, it was sheer genius.

Eduardo Mirahyes



“Opportunistically timed investments that maximize wealth”