



# Exceptional Bear Market Letter™

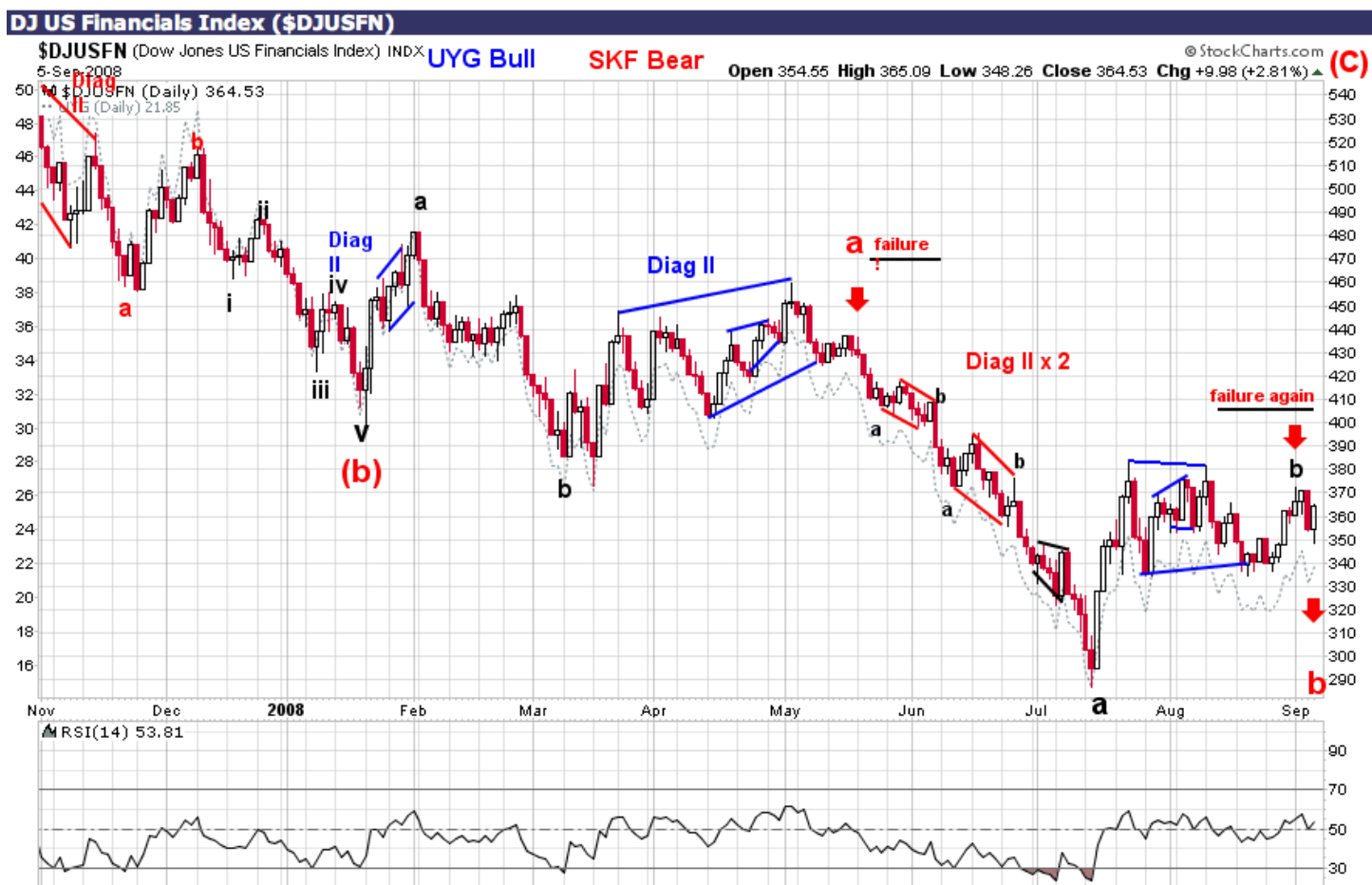
September 6, 2008

## False Rally in stocks means much more downside ahead

In most of our indices the rally has ended in a failure, meaning wave 5 failed to exceed wave 3 and indicating the next downside is likely larger than usual. A failure, like a diagonal triangle (*Diag >*) compounds the downside reversal aggregately with them. Although we have a transition “*b* bounce” ahead in the Dow, the primary trend is down, possibly for a much longer (*c*) than (*a*).



**Financials** demonstrate a very similar pattern. Again there is a failure, also known as a truncated 5<sup>th</sup>, here marked by the *b* under the arrow. As you can see, there was a big drop after the first failure in May until mid-July. We can expect the same this time.



The **Homebuilders** are in a rally which could still end normally with a slightly higher *b*, indicating a smaller decline and swifter recovery.



The **NAZ** has likely bottomed, or this may just be *wave i* of *v*. Notice the lone red open candle, indicating a downside reversal, these usually occur at the very bottom of a move, and are even more accurate than the black candles predicting a top. It is best to wait for the *a-b* transition before going long. It may still have a ways to drop.



In addition to these asset classes, our subscribers received charts on Oil, Gold, Russell 2000, Airlines and the China Index. *Commodities are at a very important juncture*, anyone investing in oil and gold, would be wise to give us a free trial. *If you are investing with the herd, and you get your information from the news - you are up against major losses!*

Best regards,

Eduardo Mirahyes

**Exceptional Bear**



*“Opportunistically timed investments that maximize wealth”*