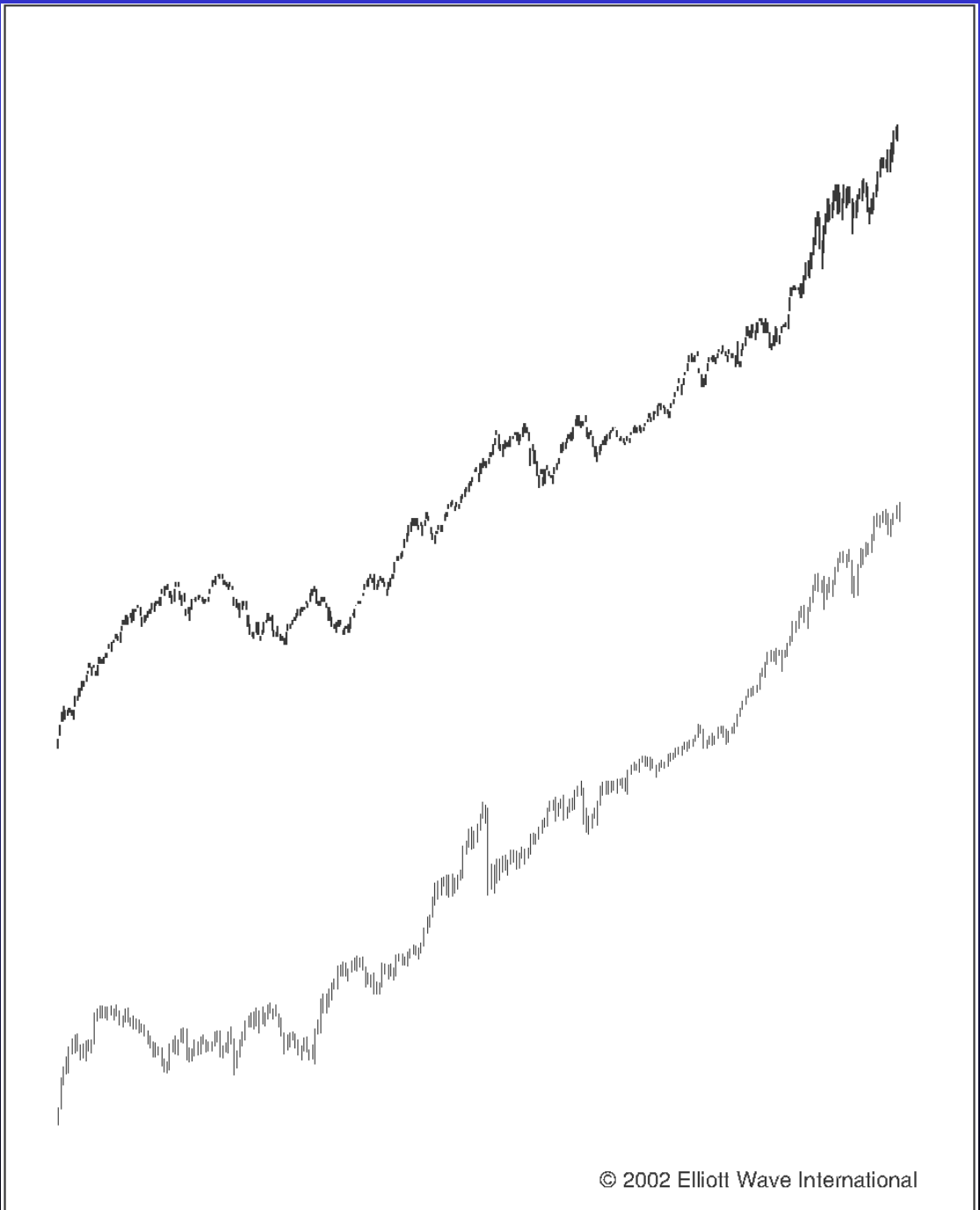


**How to Call the Market
Using the
Elliott Wave Principle**

A. Introduction to Using Wave Form



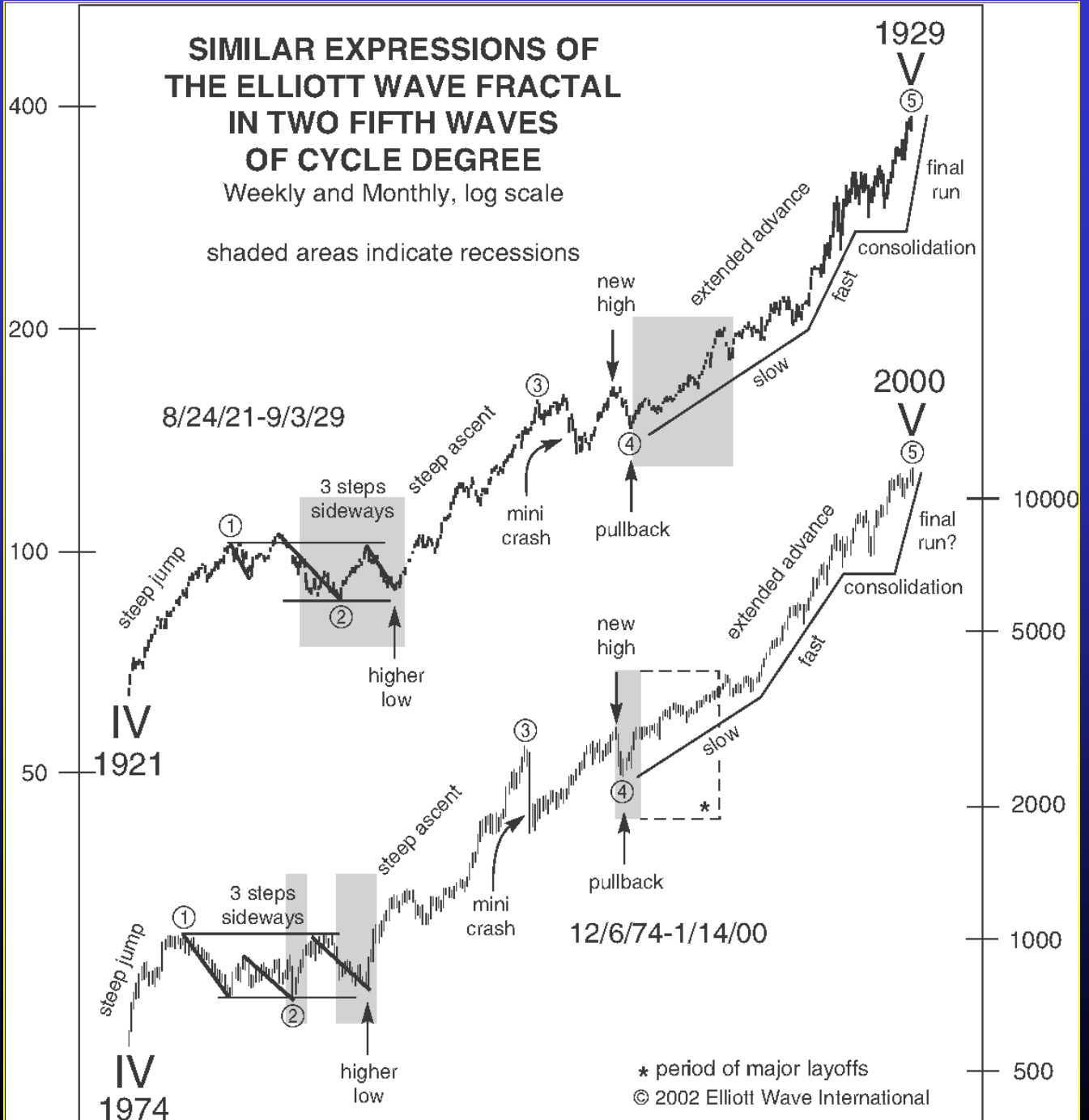
© 2002 Elliott Wave International

Figure A- 1

SIMILAR EXPRESSIONS OF THE ELLIOTT WAVE FRACTAL IN TWO FIFTH WAVES OF CYCLE DEGREE

Weekly and Monthly, log scale

shaded areas indicate recessions



* period of major layoffs
© 2002 Elliott Wave International

Figure A-2

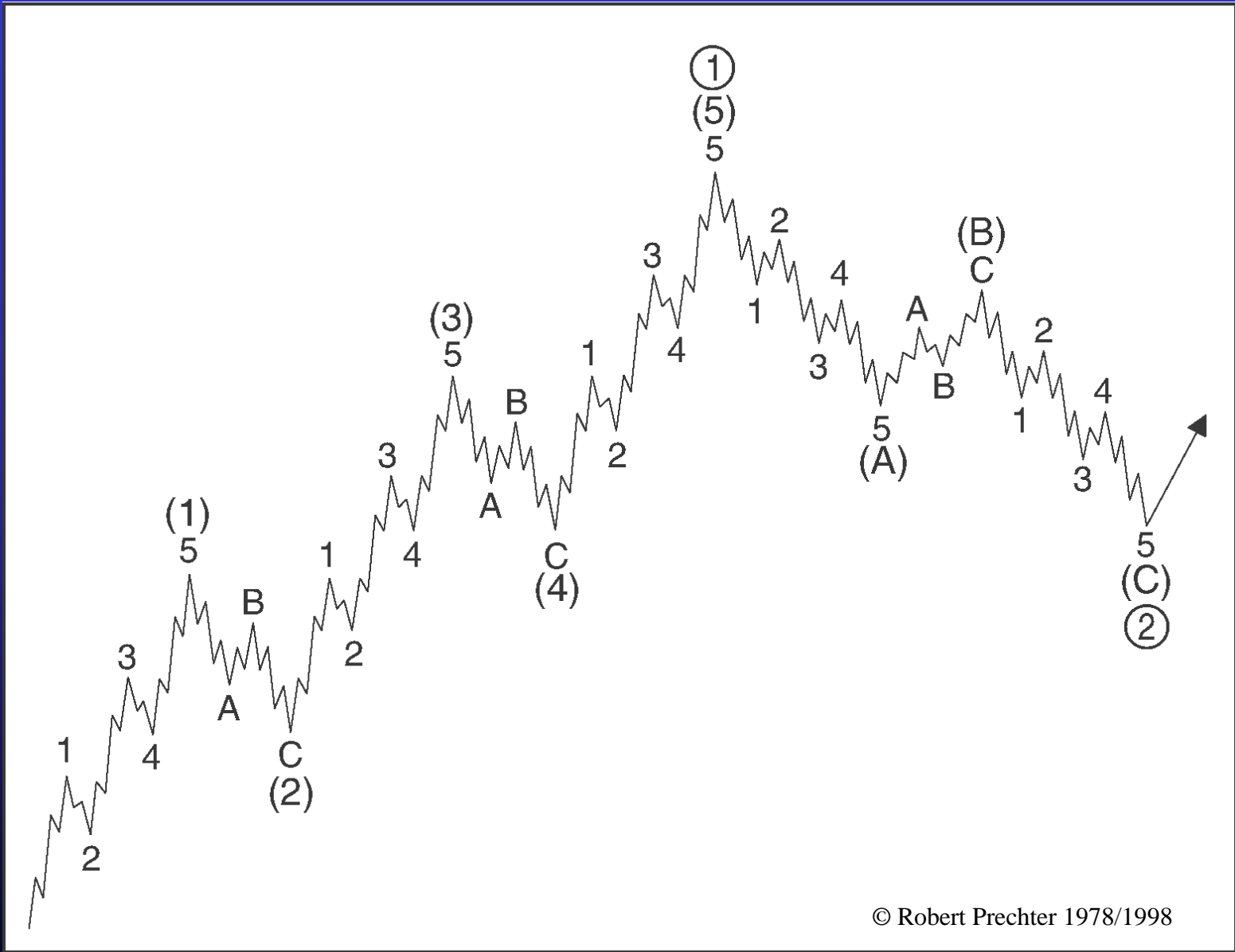


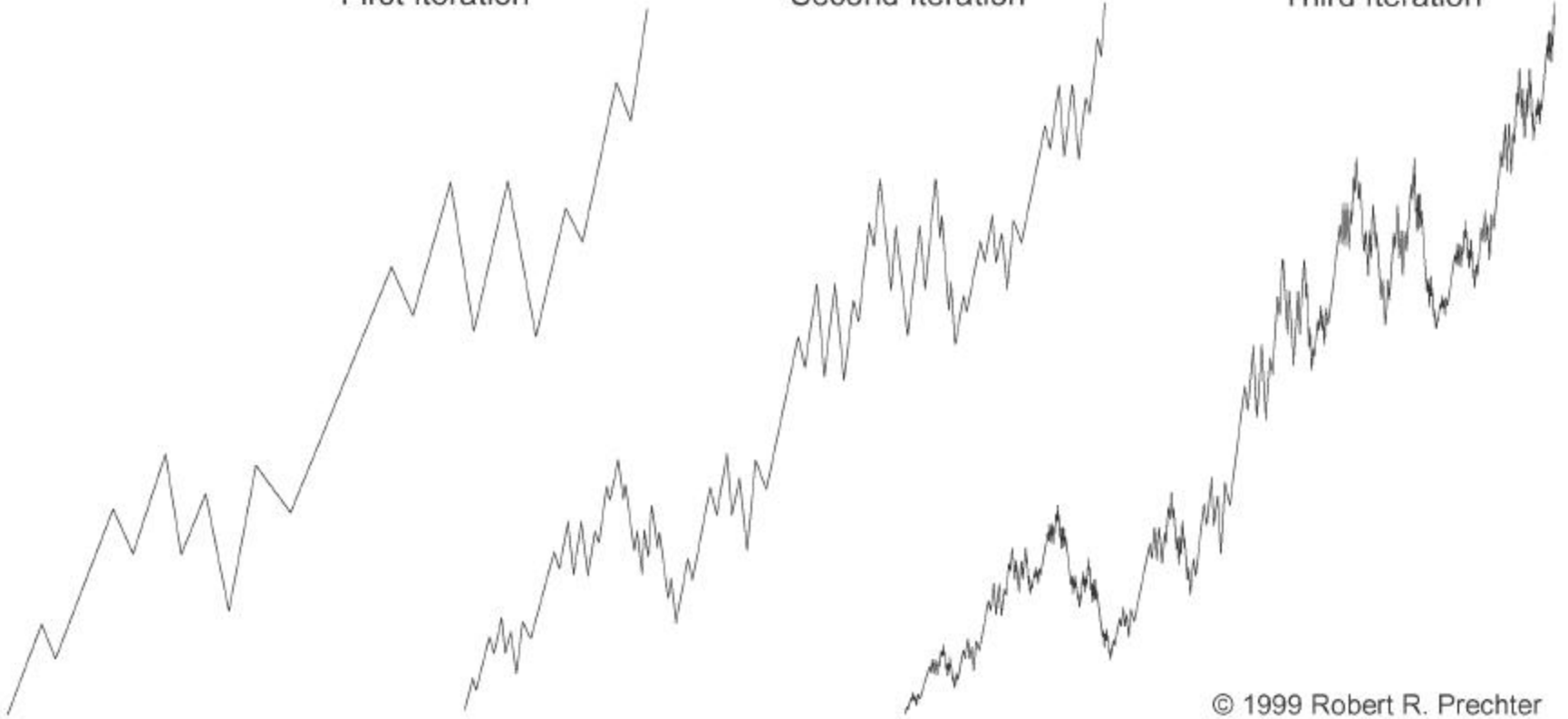
Figure A- 3

A REALISTIC ELLIOTT WAVE

First Iteration

Second Iteration

Third Iteration



© 1999 Robert R. Prechter

SELF-SIMILARITY AMONG THREE WAVES

DJIA Weekly or Monthly Bar
log scale

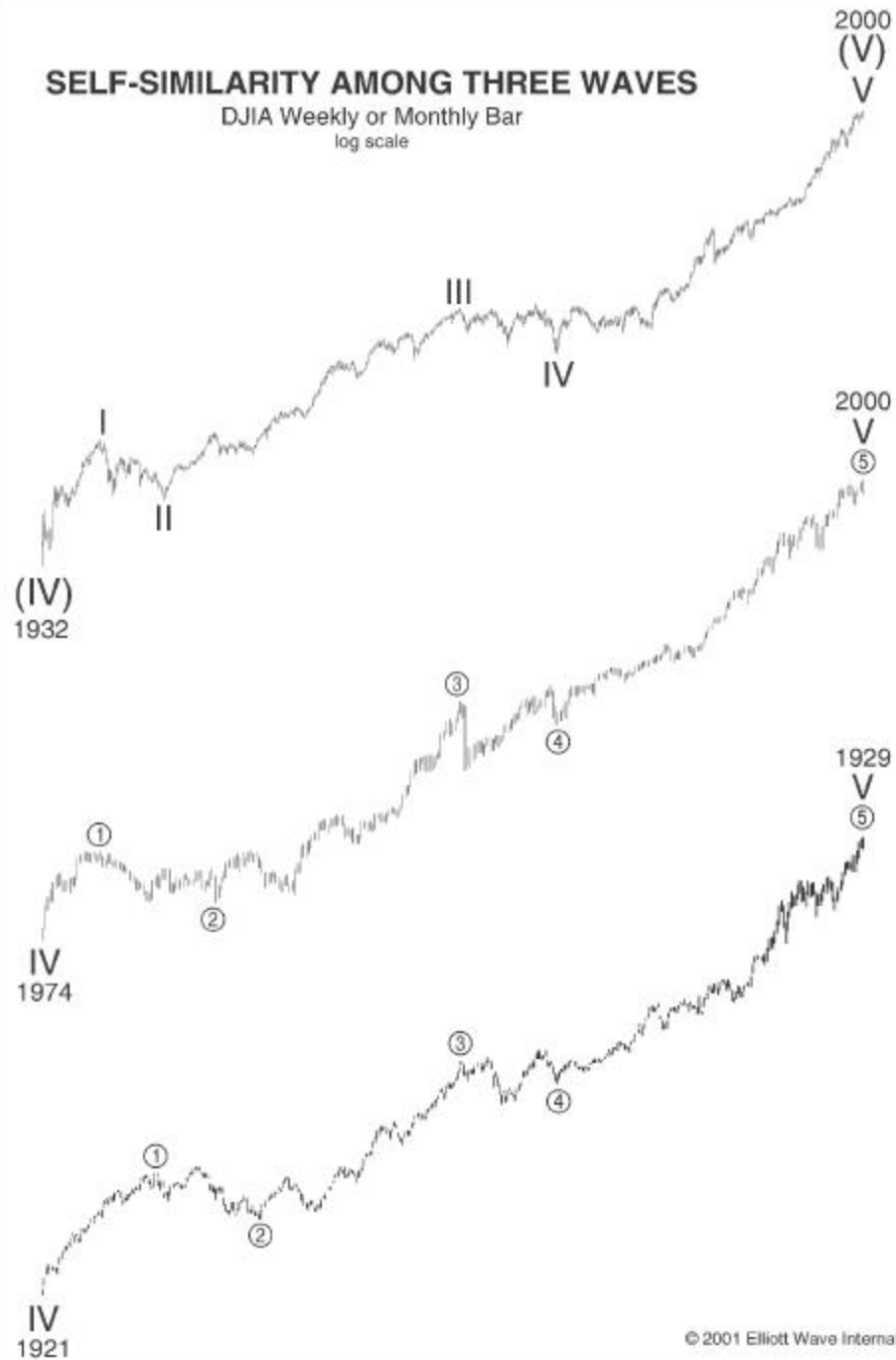
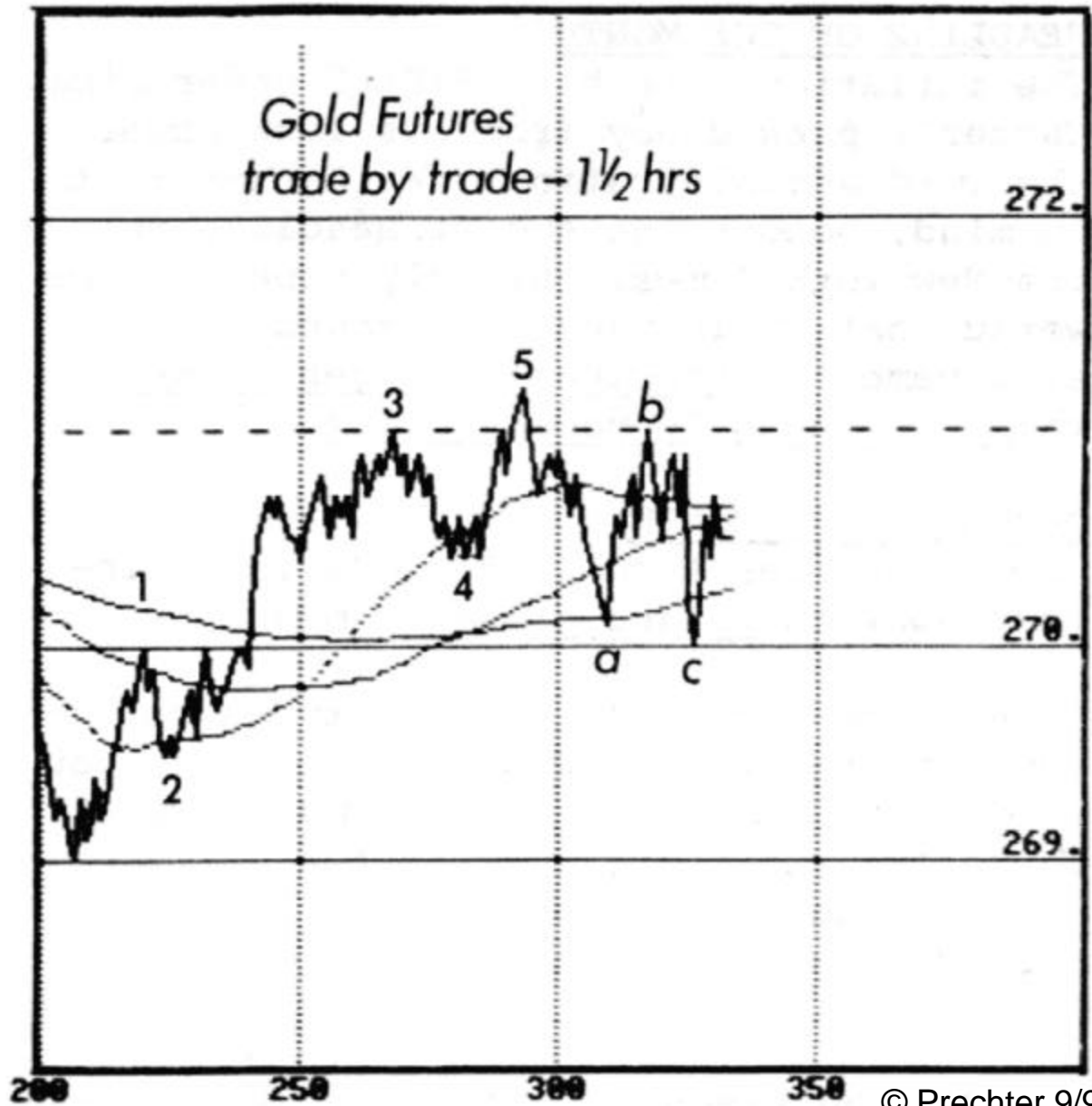


Figure A- 5



© Prechter 9/9/79

Figure A- 6

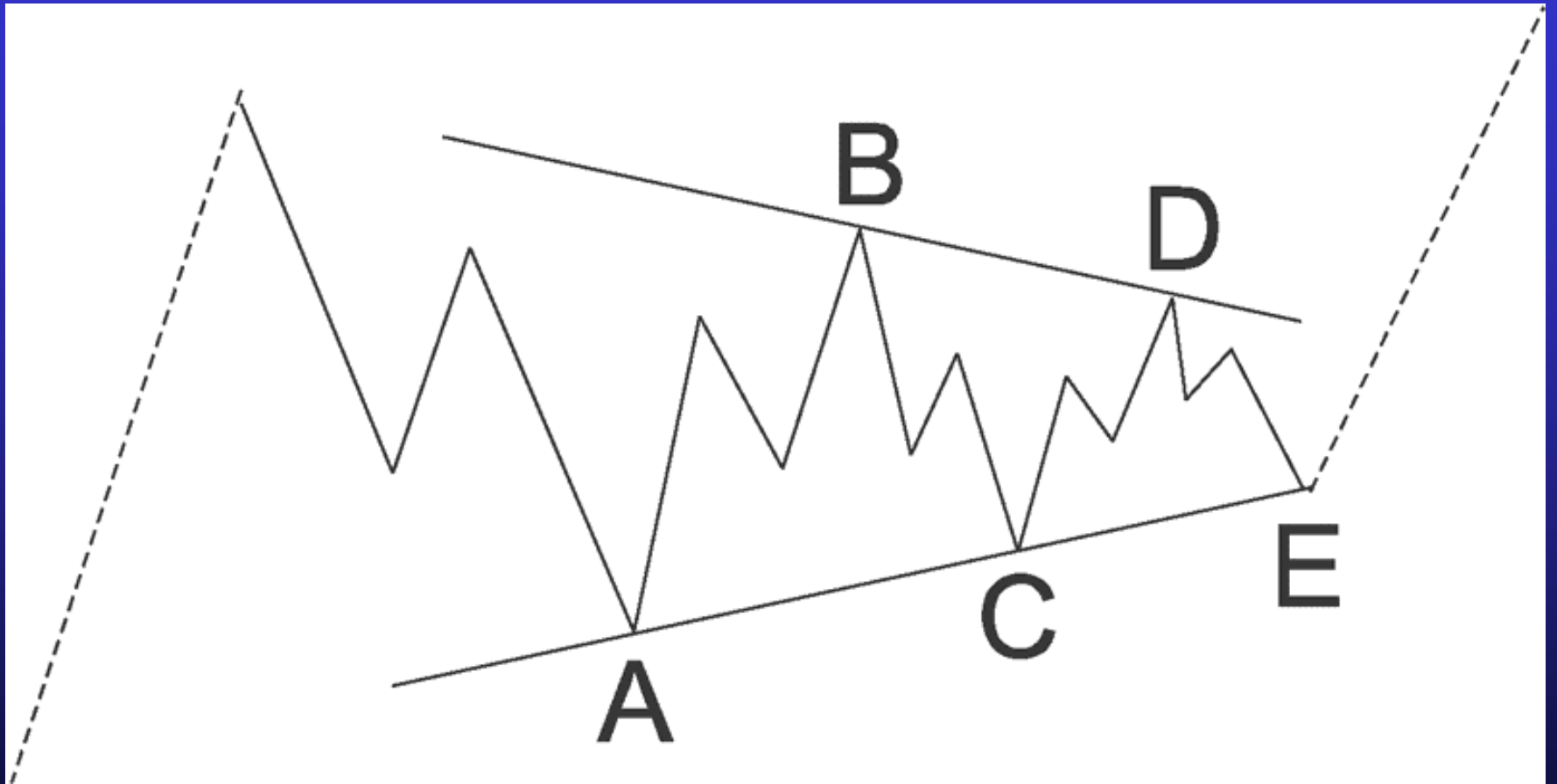


Figure A- 7

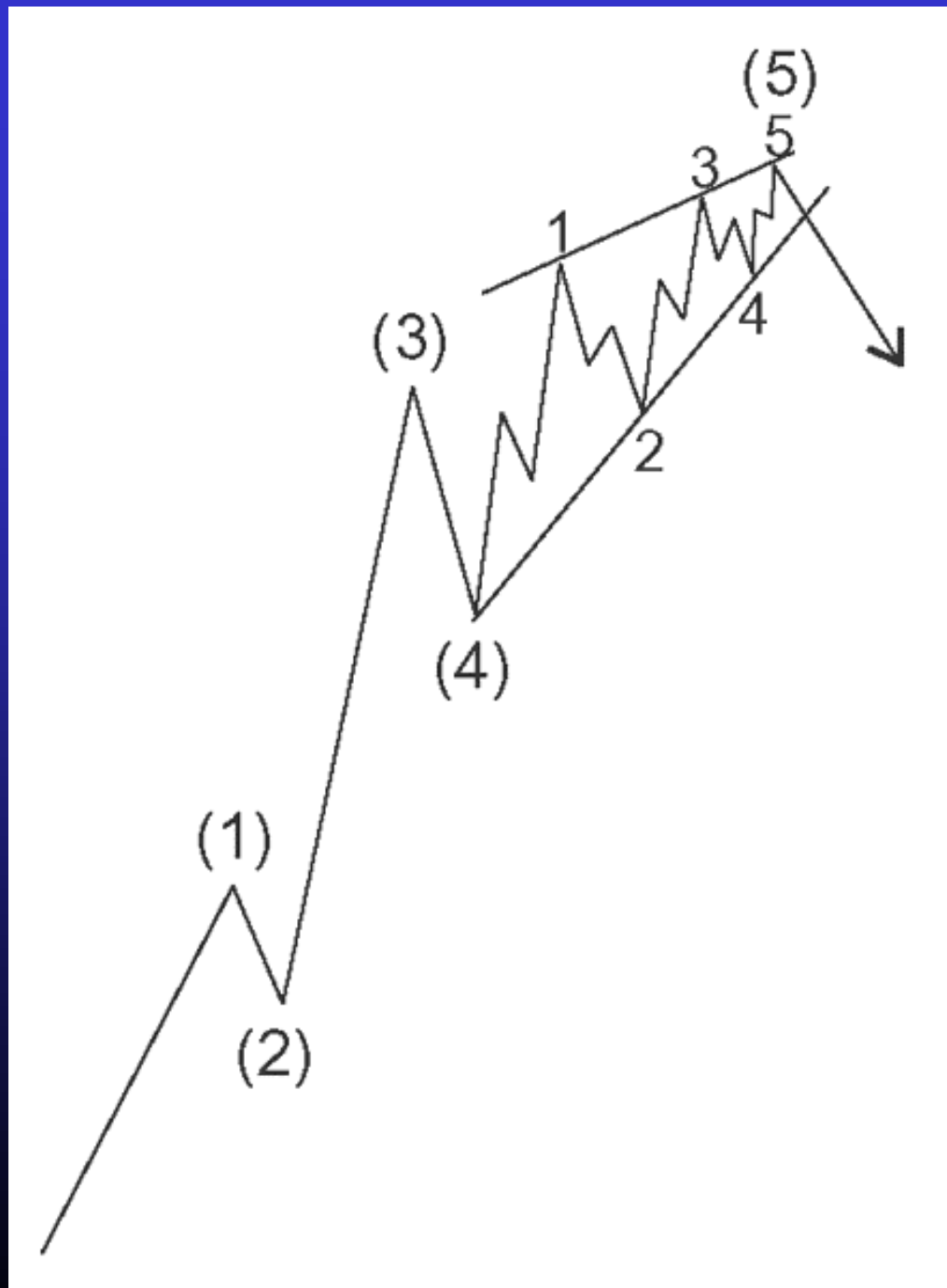


Figure A- 8

Rules:

- 1) 2 never goes beyond the start of 1
- 2) 4 never overlaps 1
- 3) 3 is never the shortest
- 4) triangles are always wave 4
- 5) diagonal triangles are always wave 5

SAMPLE ELLIOTT WAVES

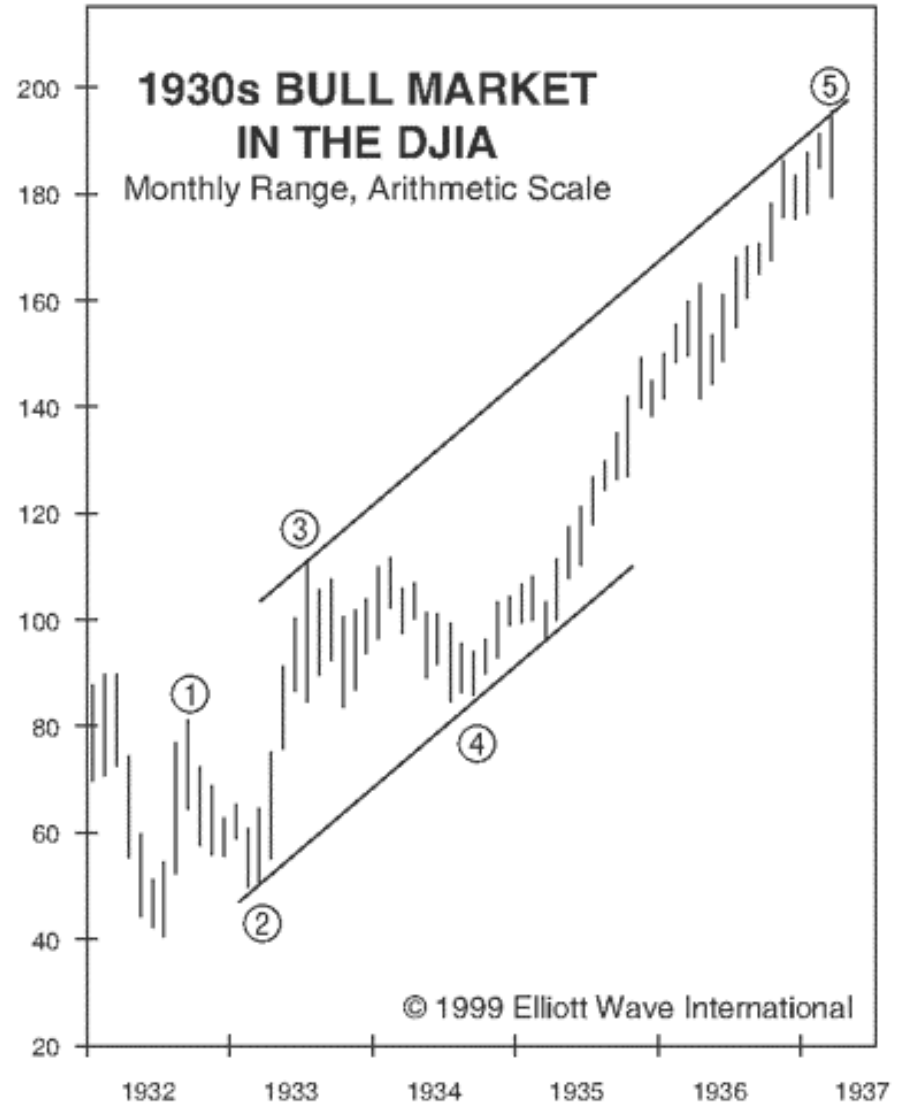


Figure A- 10

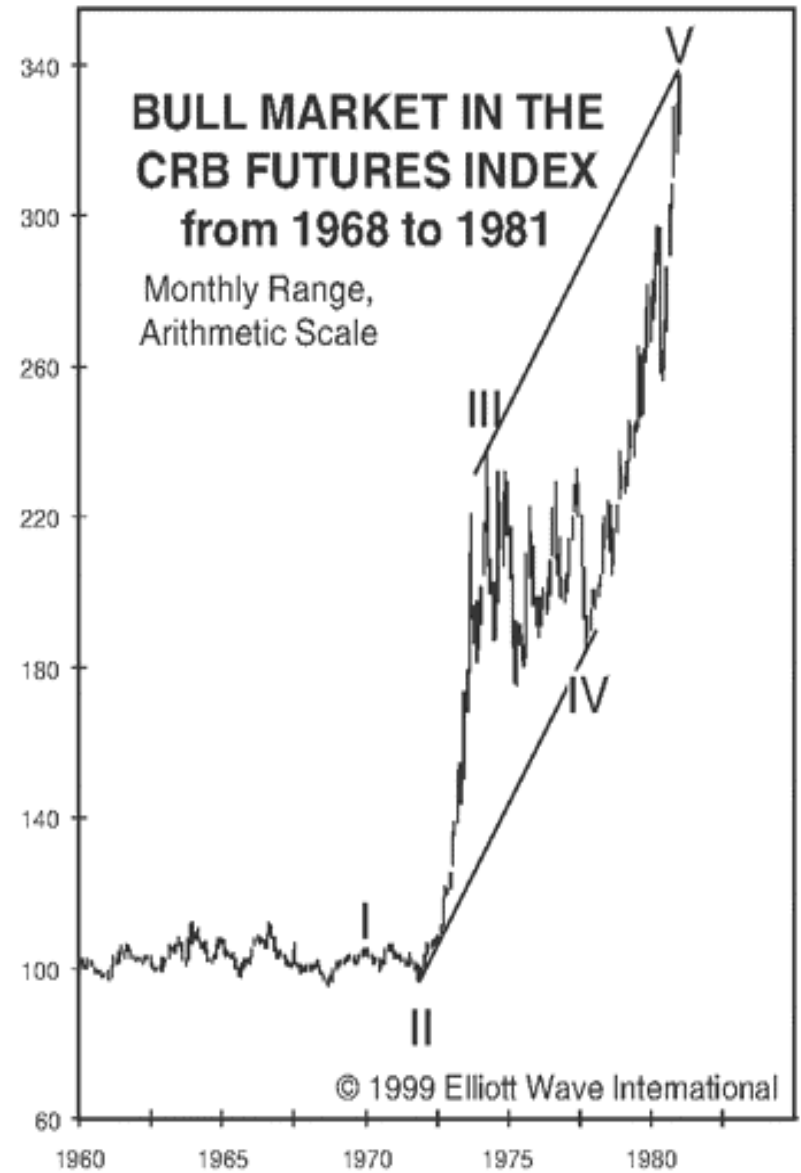
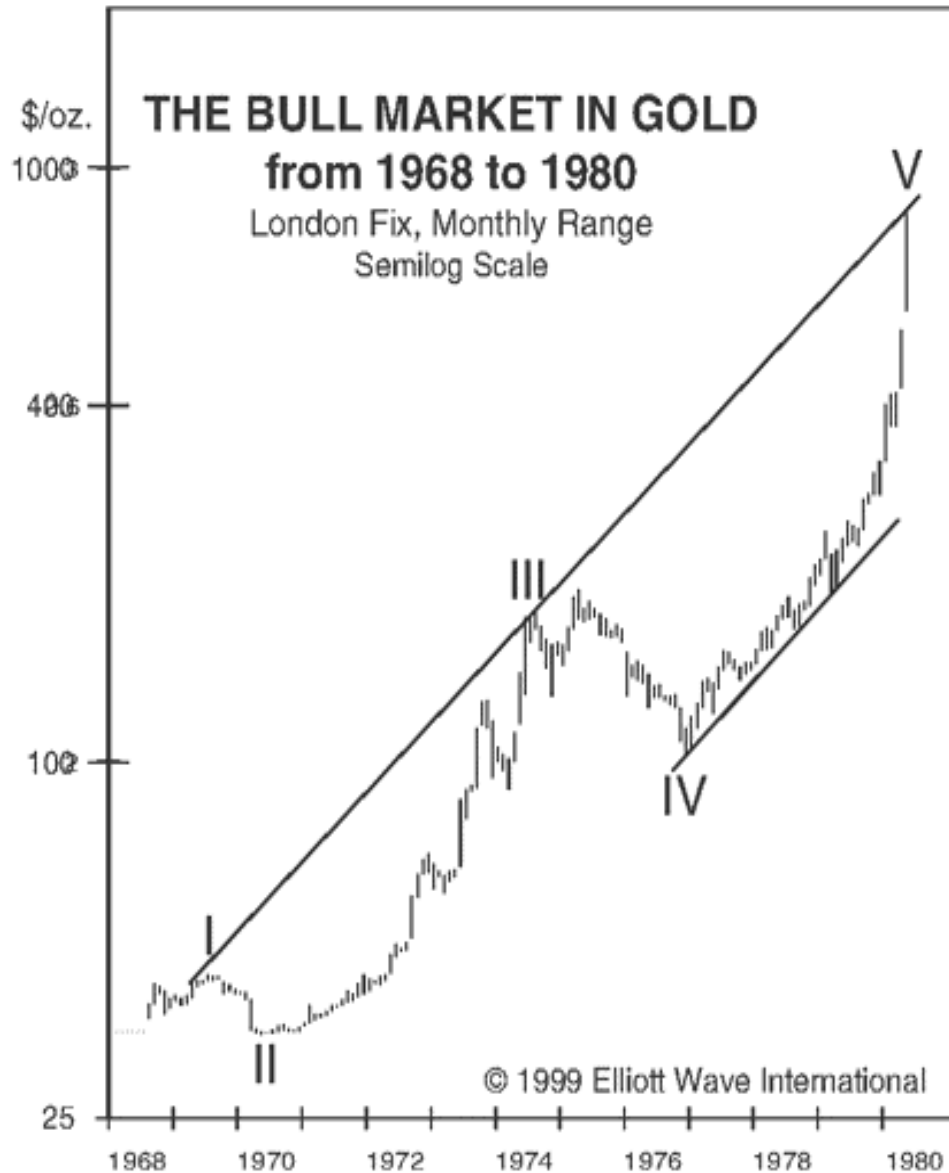


Figure A- 11

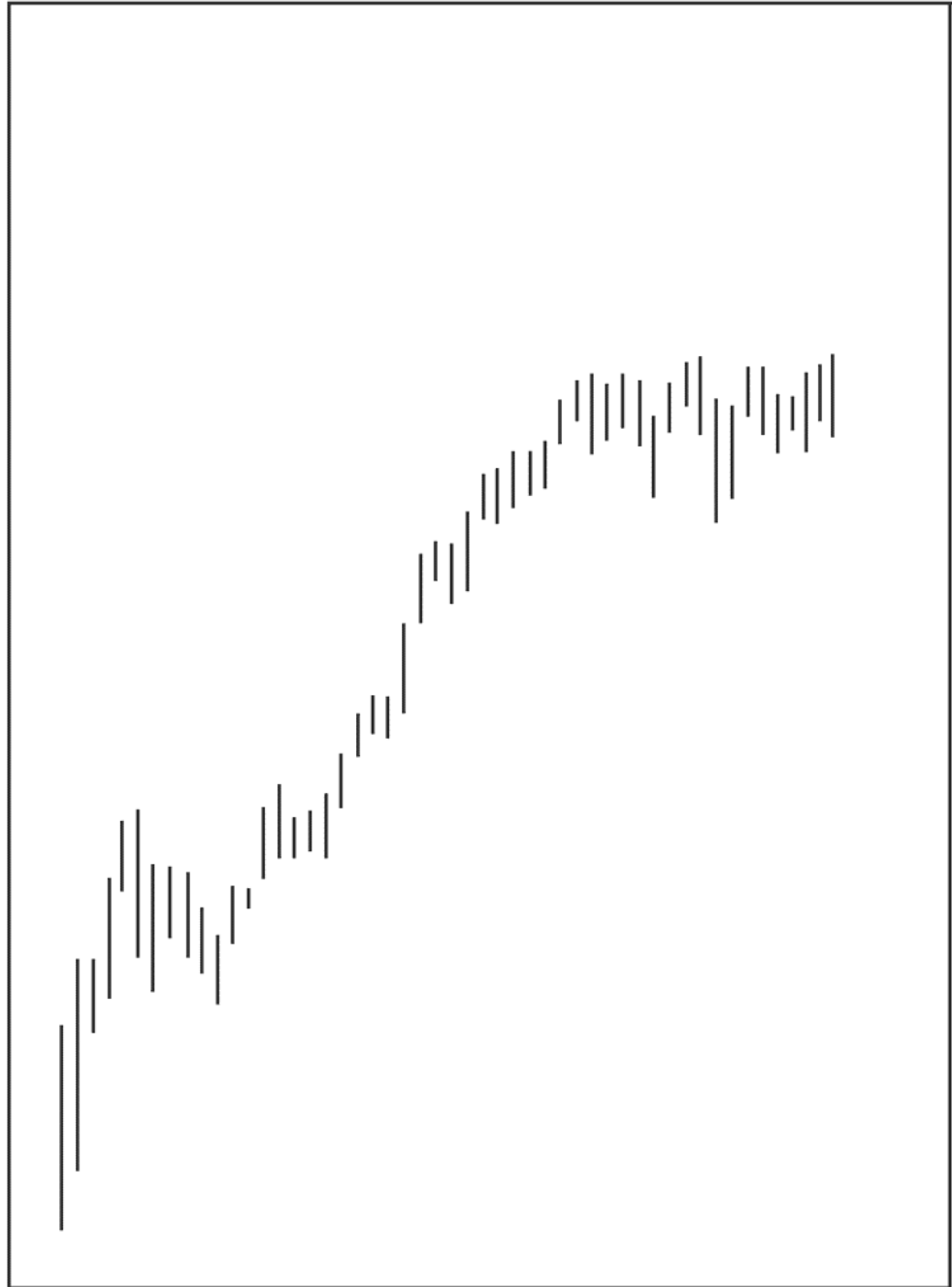


Figure A- 12

“Surveying all the market’s action over the past 200 years, it is comforting to know exactly where you are in the wave count.”

— *The Elliott Wave Theorist*, November 8, 1982

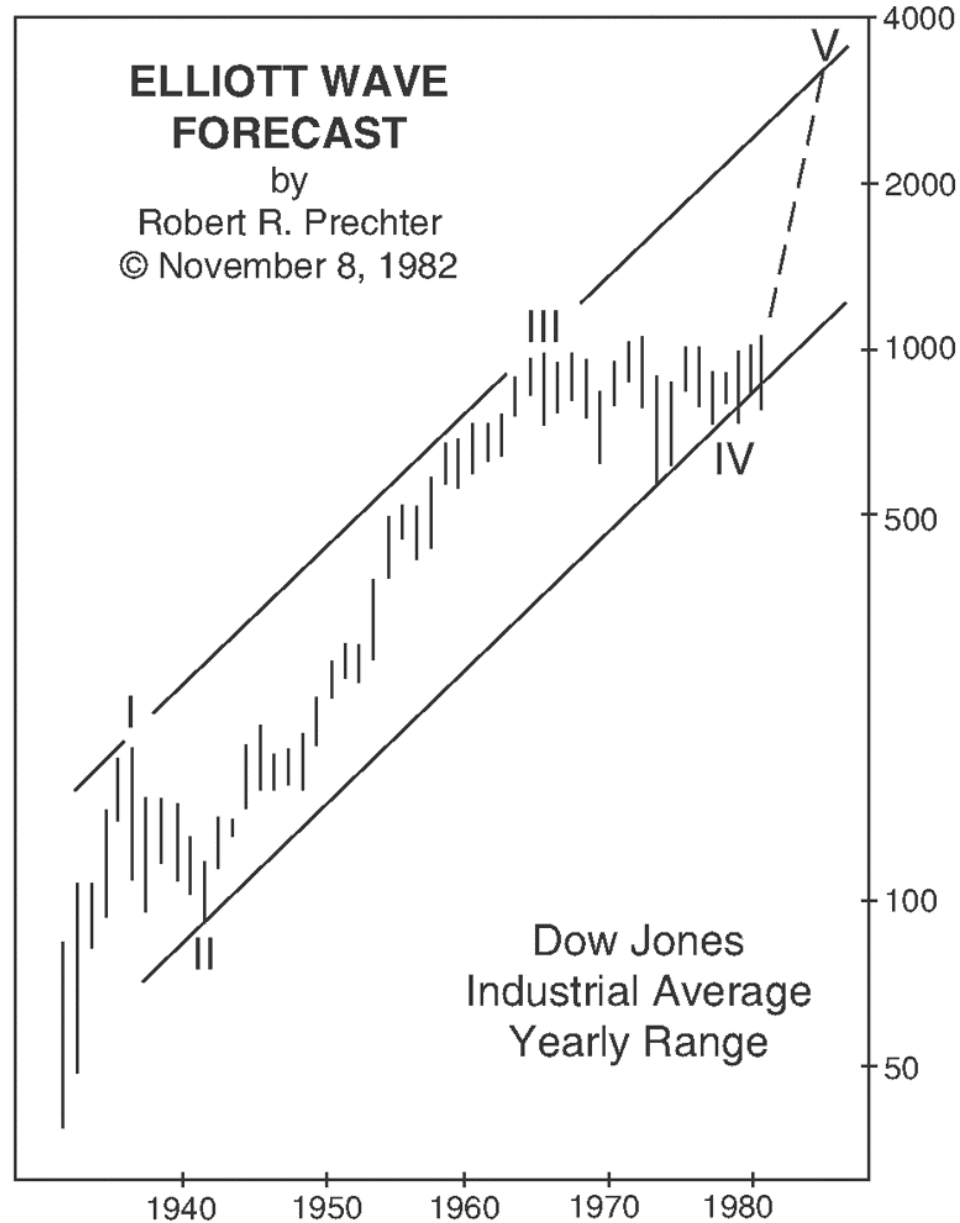


Figure A- 13

DOW JONES INDUSTRIALS



Chart courtesy of The Bank Credit Analyst

Figure A- 14

Forecast from *Elliott Wave Principle* (1978)



Figure A- 16

R.N. Elliott, 1941

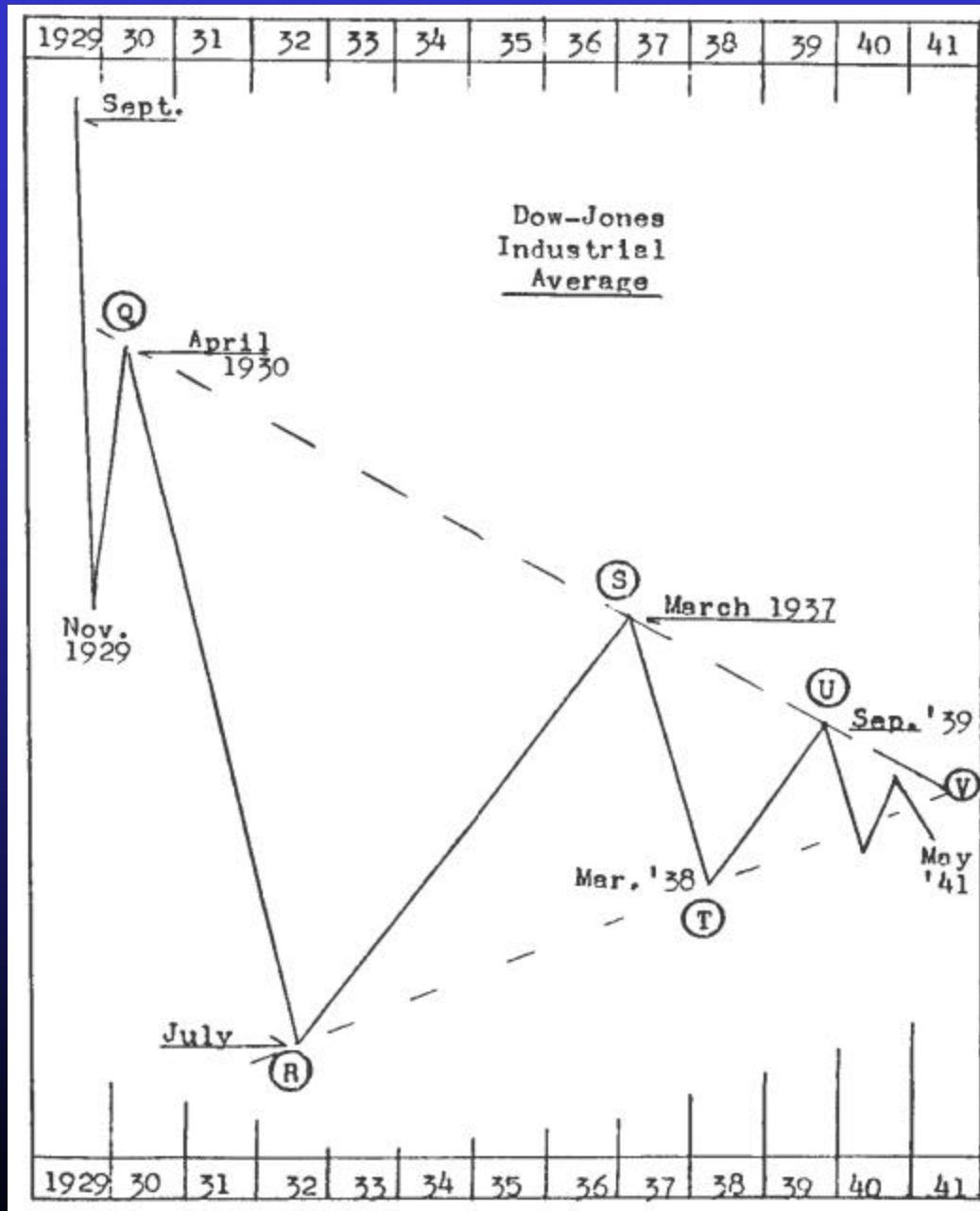


Figure A- 17

R.N. Elliott, 1941

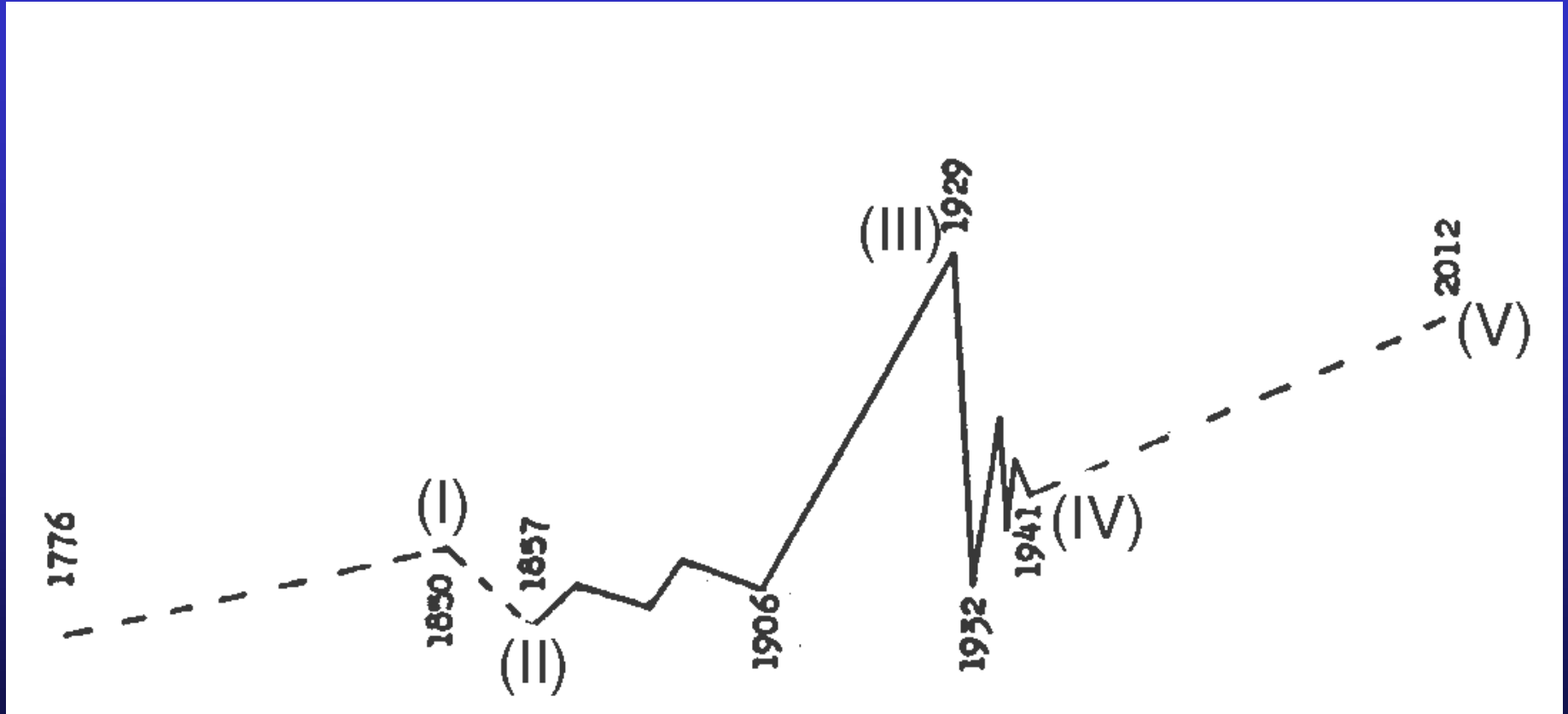


Figure A- 18

A.H. Bolton, 1953

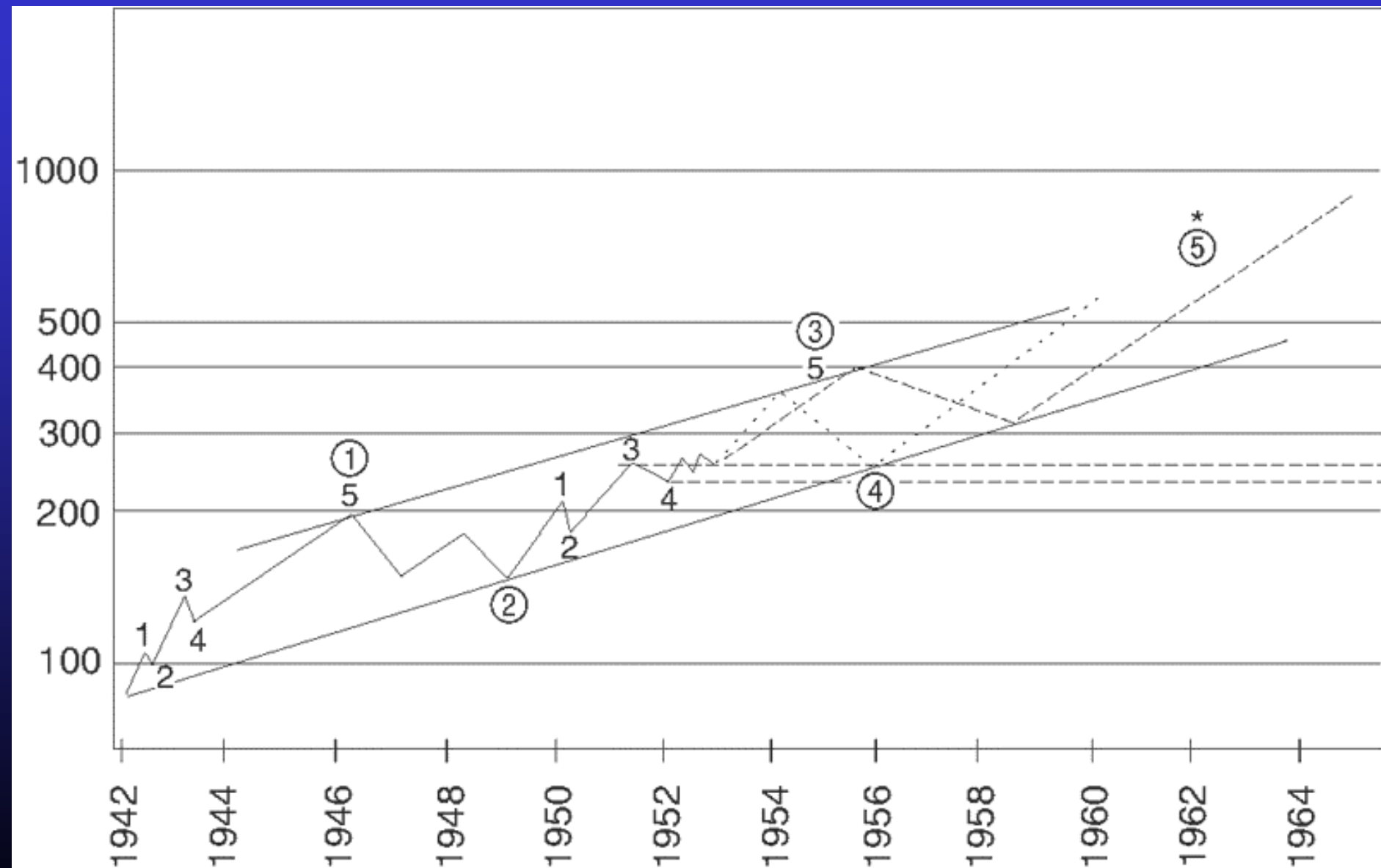


Figure A- 19

A.H. Bolton, 1960

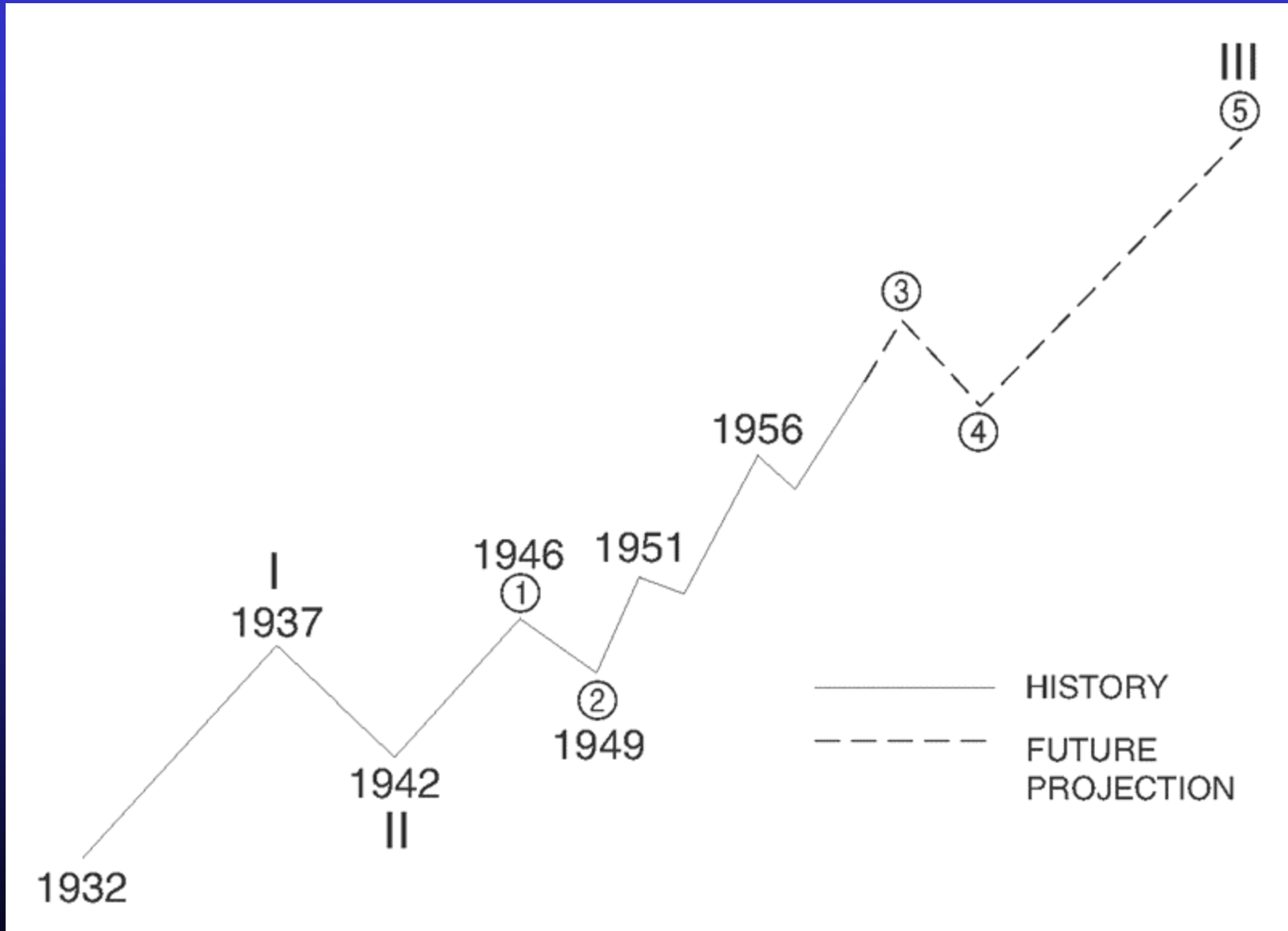


Figure A- 20

C.J. Collins, April 1966

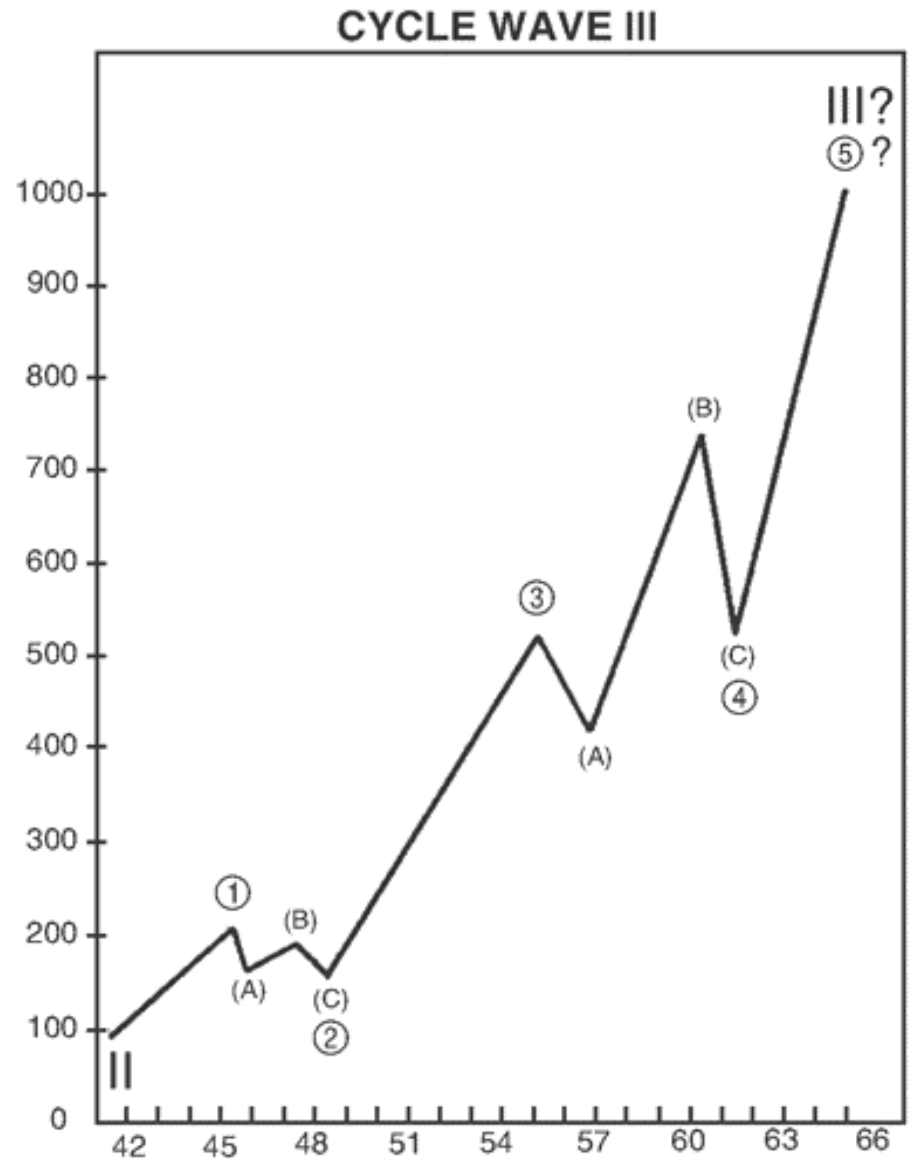
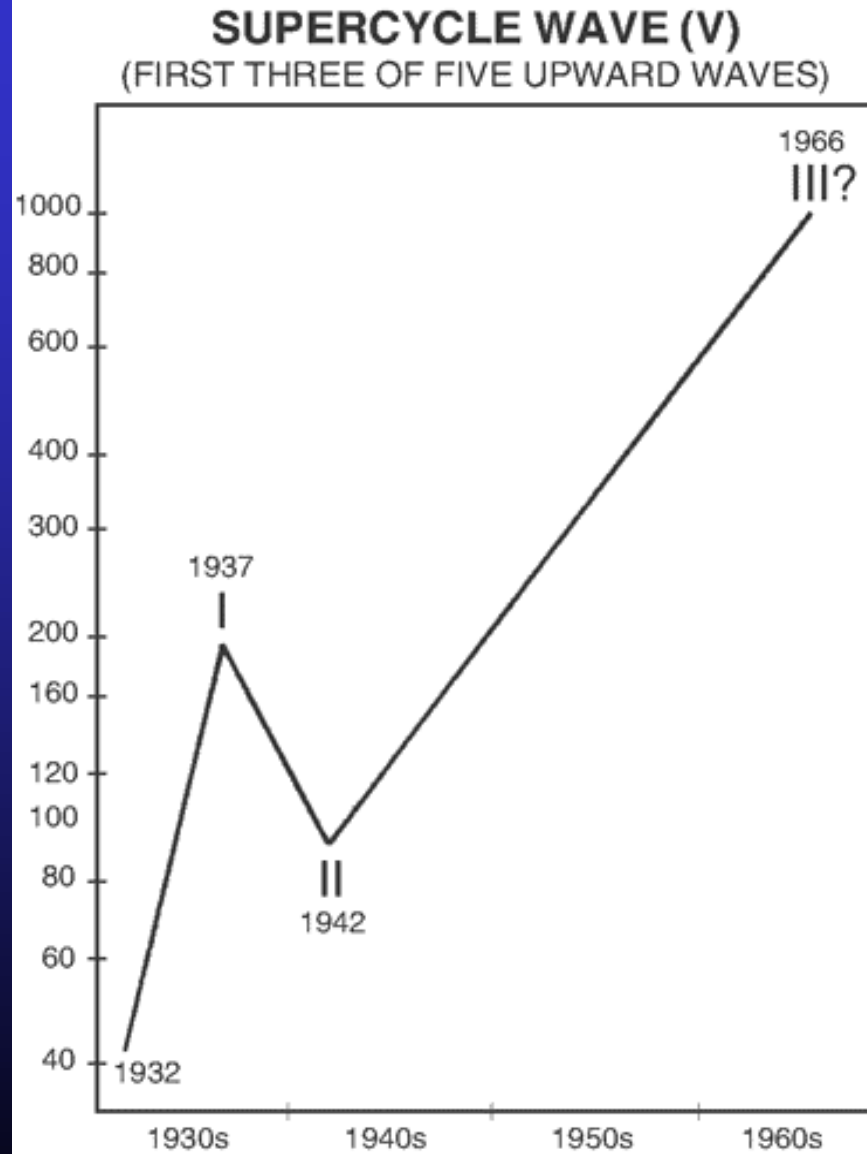


Figure A- 21

A.J. Frost, May 1970

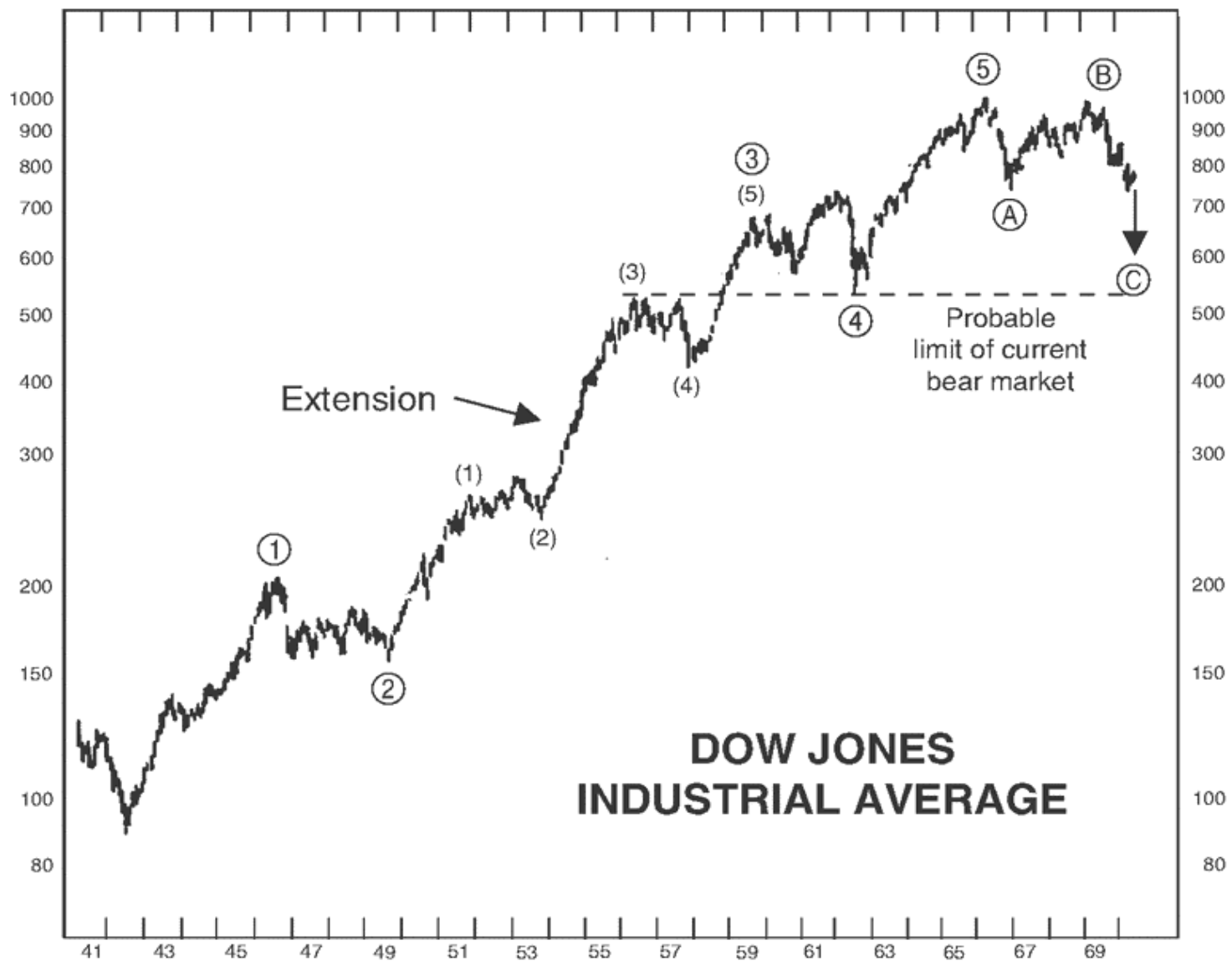


Figure A- 22

Prechter, 1982

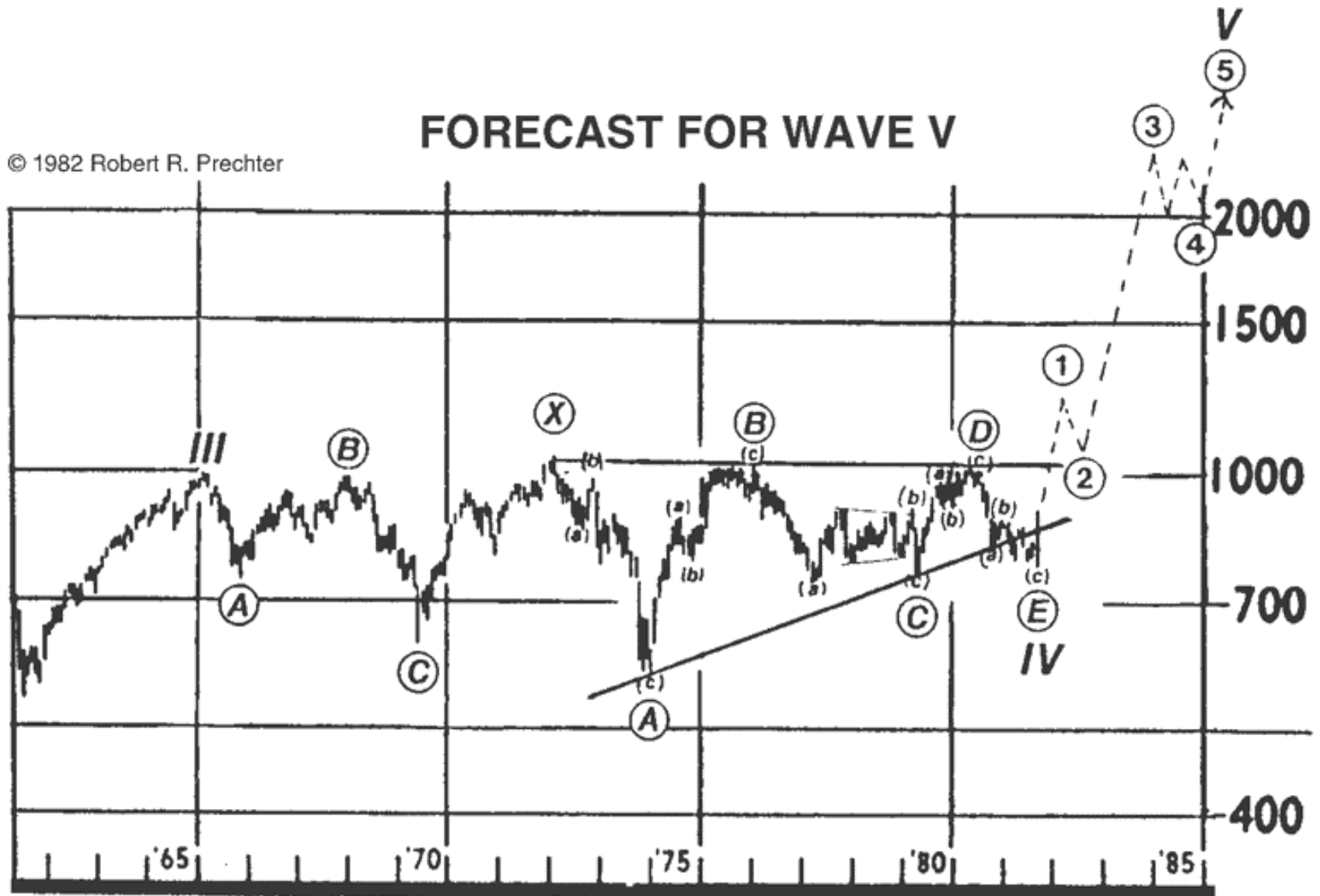


Figure A- 23

What Others Saw in September 1985

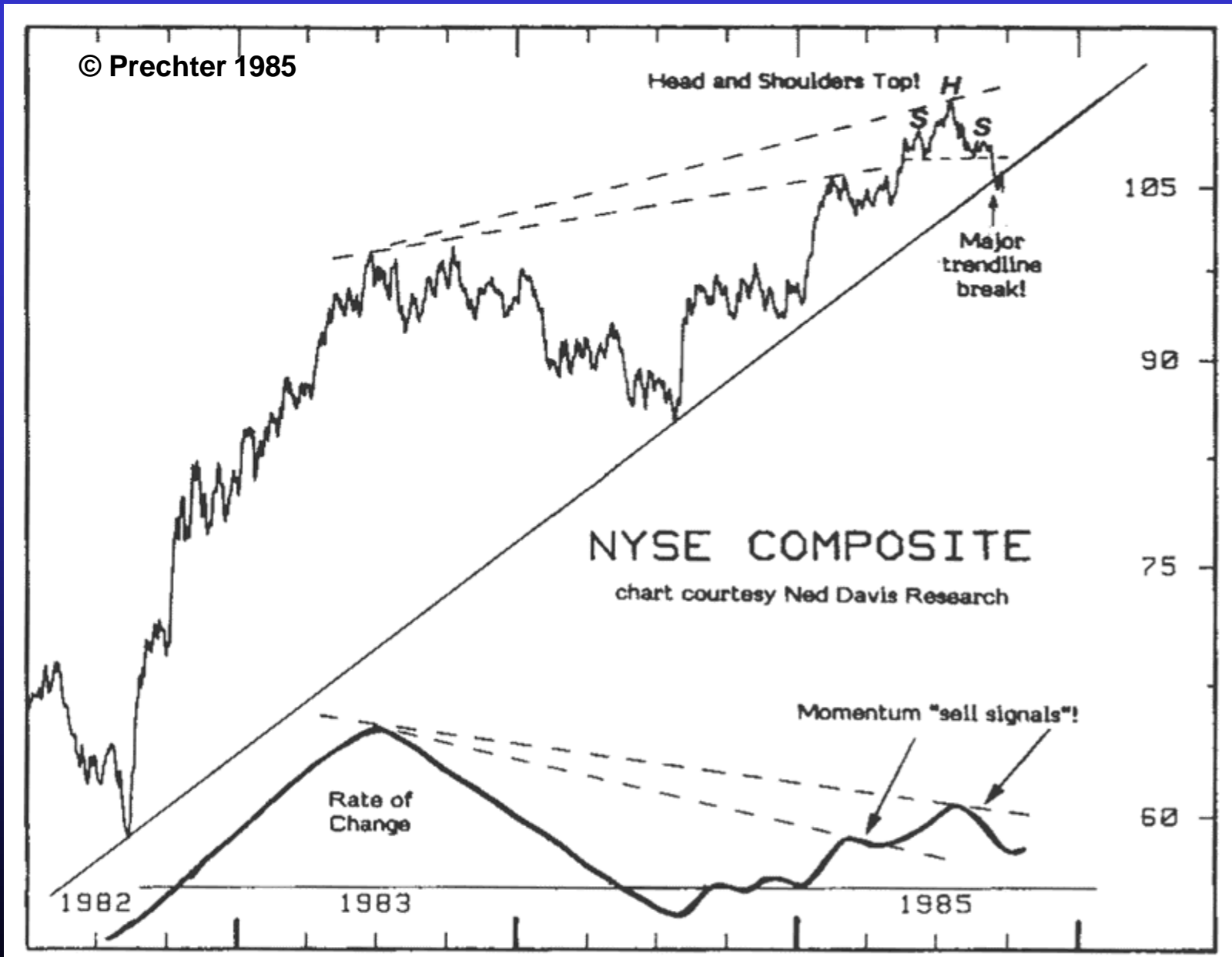


Figure A- 24

September 30, 1985

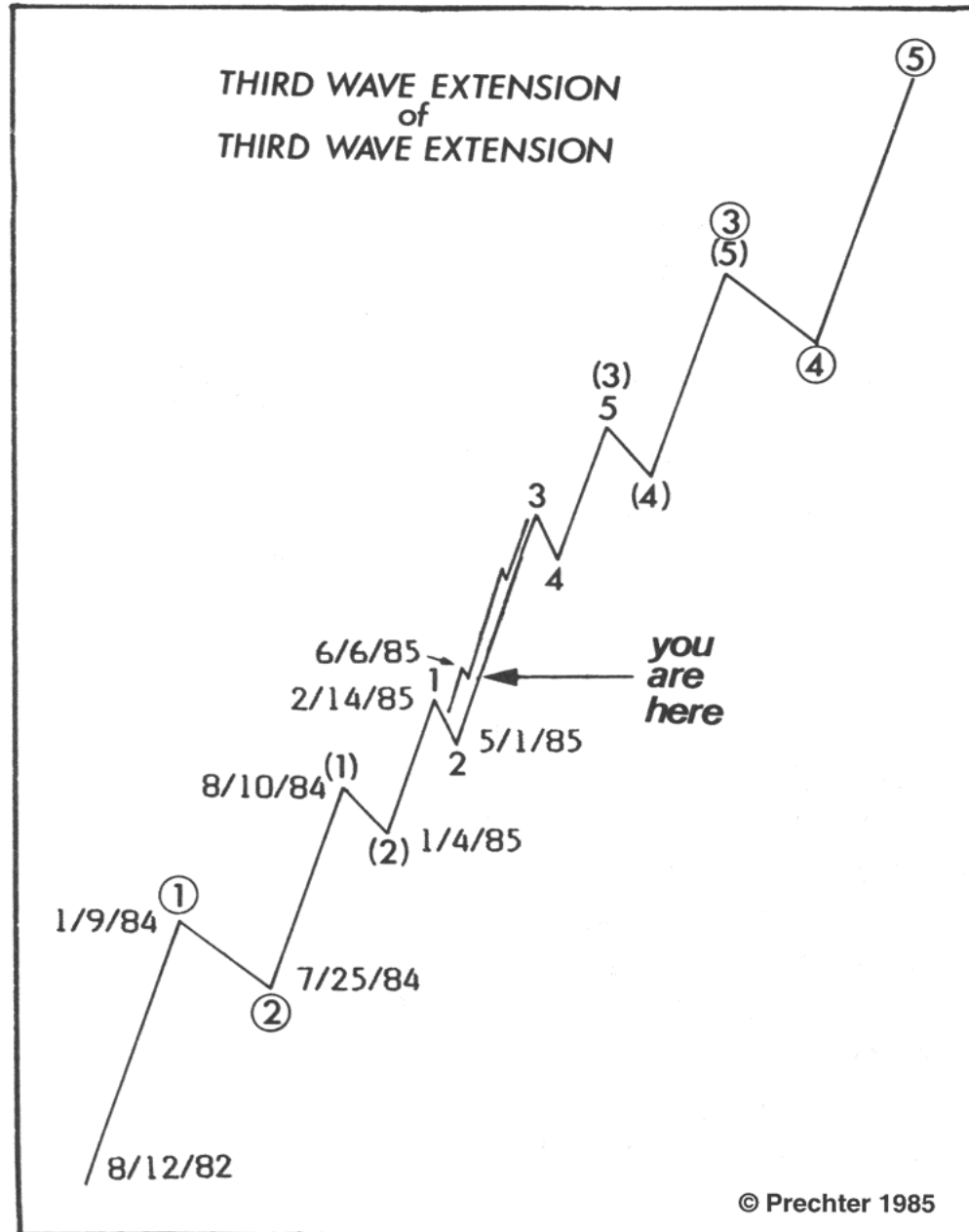


Figure A- 26

August 31, 1987

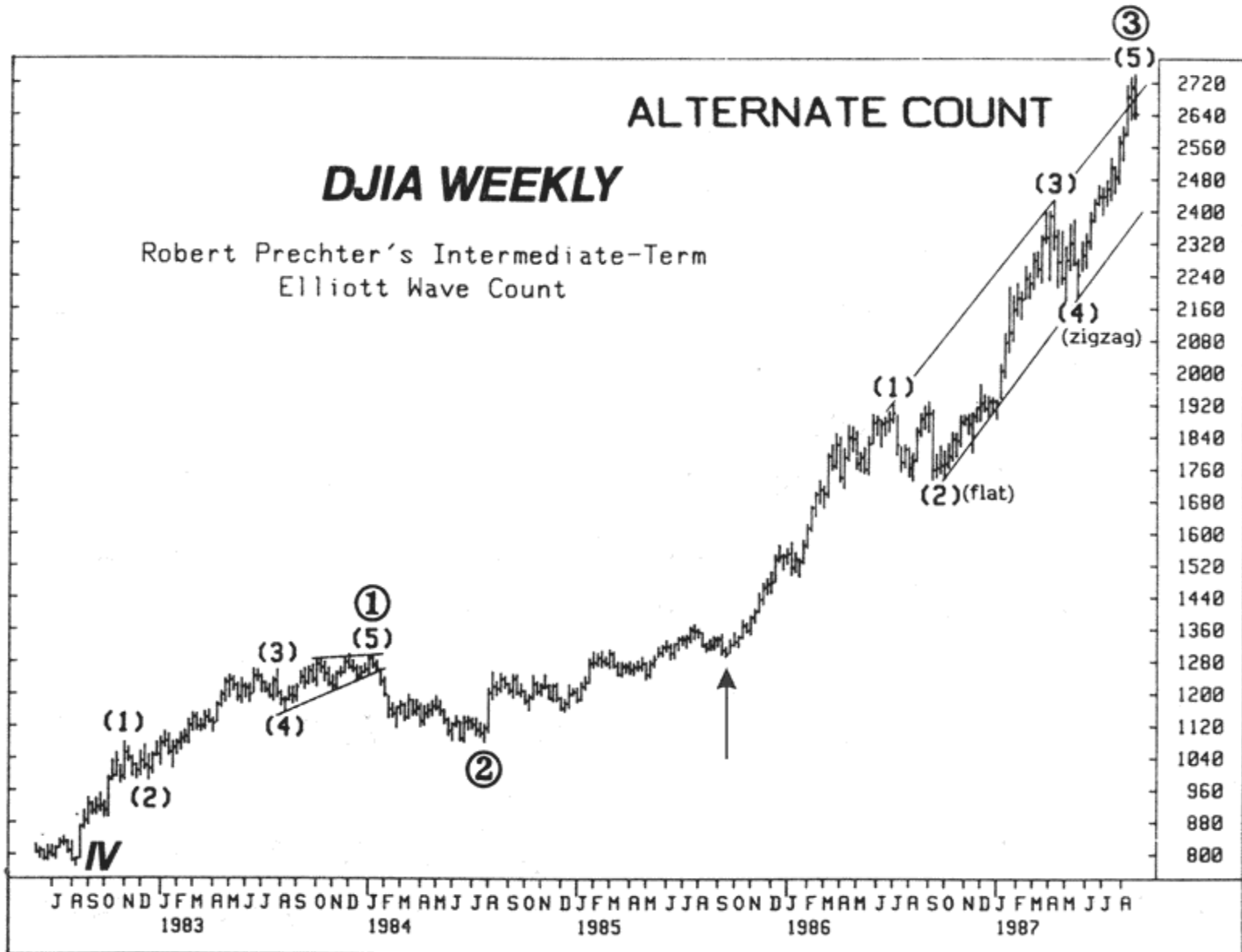


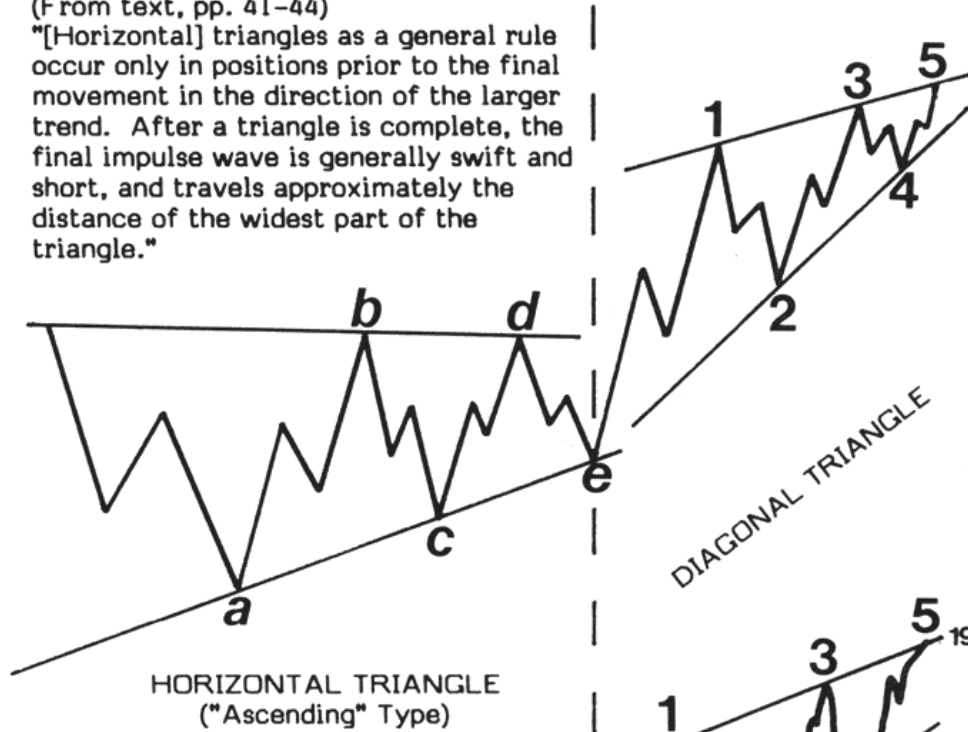
Figure A- 28

WHAT THE WAVE PRINCIPLE SAW ON JULY 2, 1986:

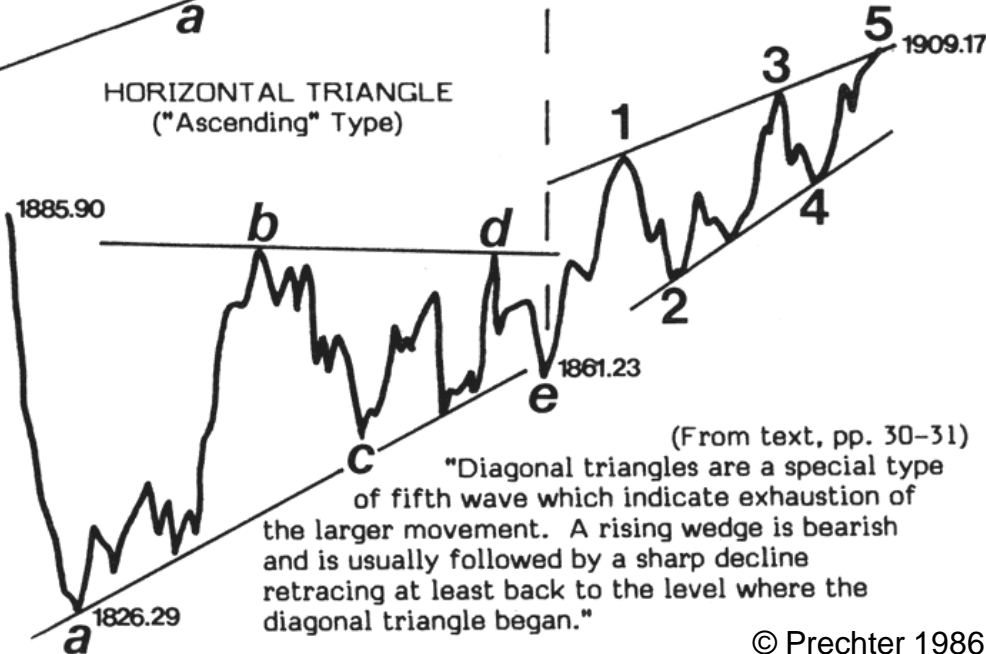
(From text, pp. 41-44)

"[Horizontal] triangles as a general rule occur only in positions prior to the final movement in the direction of the larger trend. After a triangle is complete, the final impulse wave is generally swift and short, and travels approximately the distance of the widest part of the triangle."

TEXTBOOK ILLUSTRATION



ACTUAL MARKET
(hourly DJIA chart)



© Prechter 1986

Figure A- 29

Introduction to Using Fibonacci

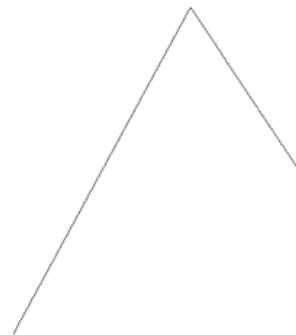
Bear



Bull



Both



1, 1, 2

Bear



Bull



Both



3, 5, 8

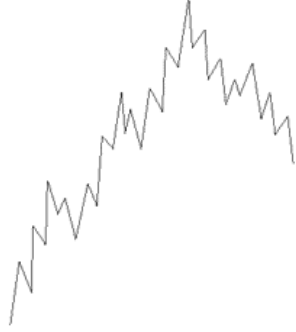
Bear



Bull



Both



13, 21, 34

etc.

Figure B- 1



Figure B- 2

BOLTON'S FIBONACCI CALCULATIONS, 1960

(hourly extremes in brackets where different)

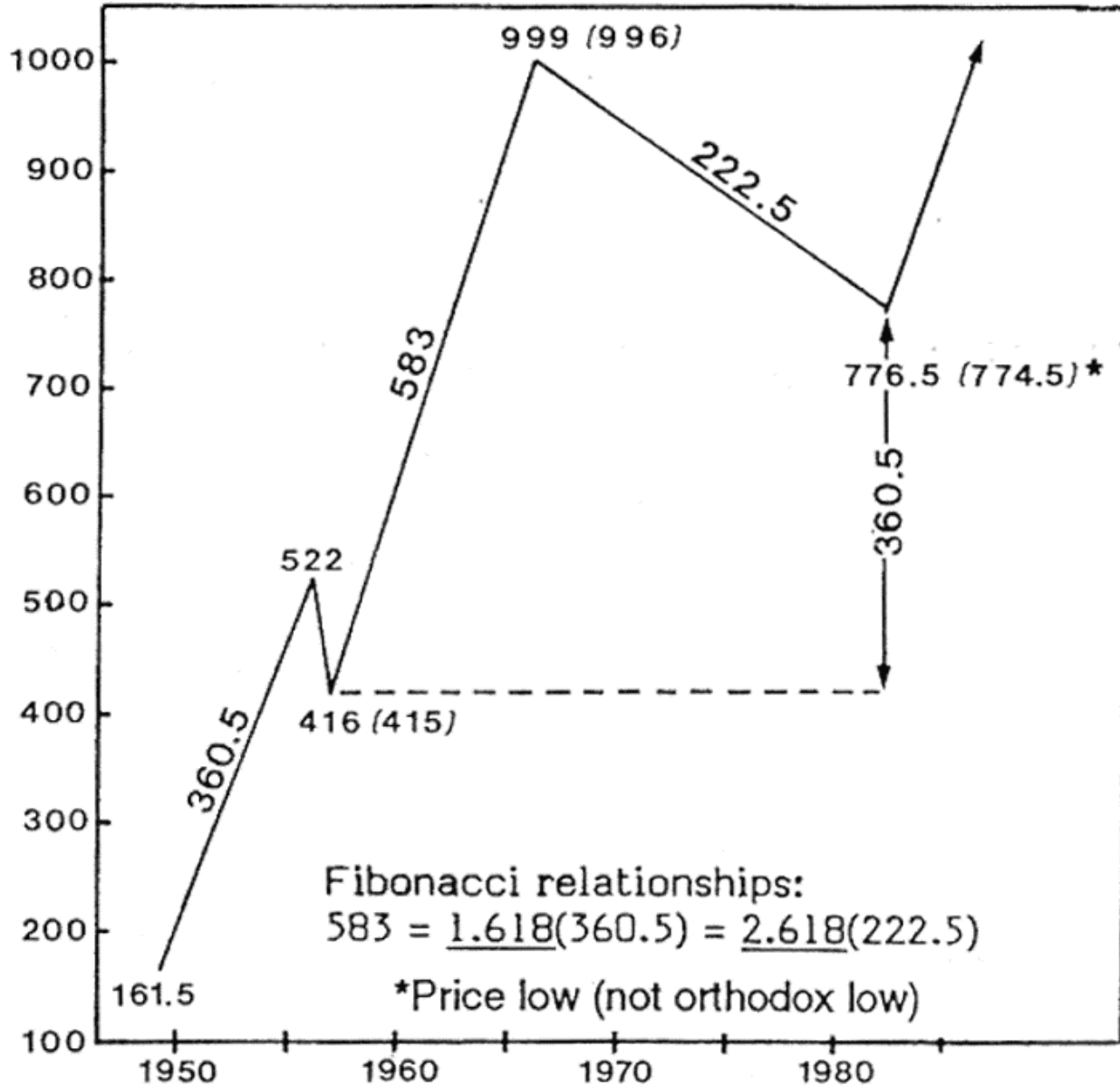
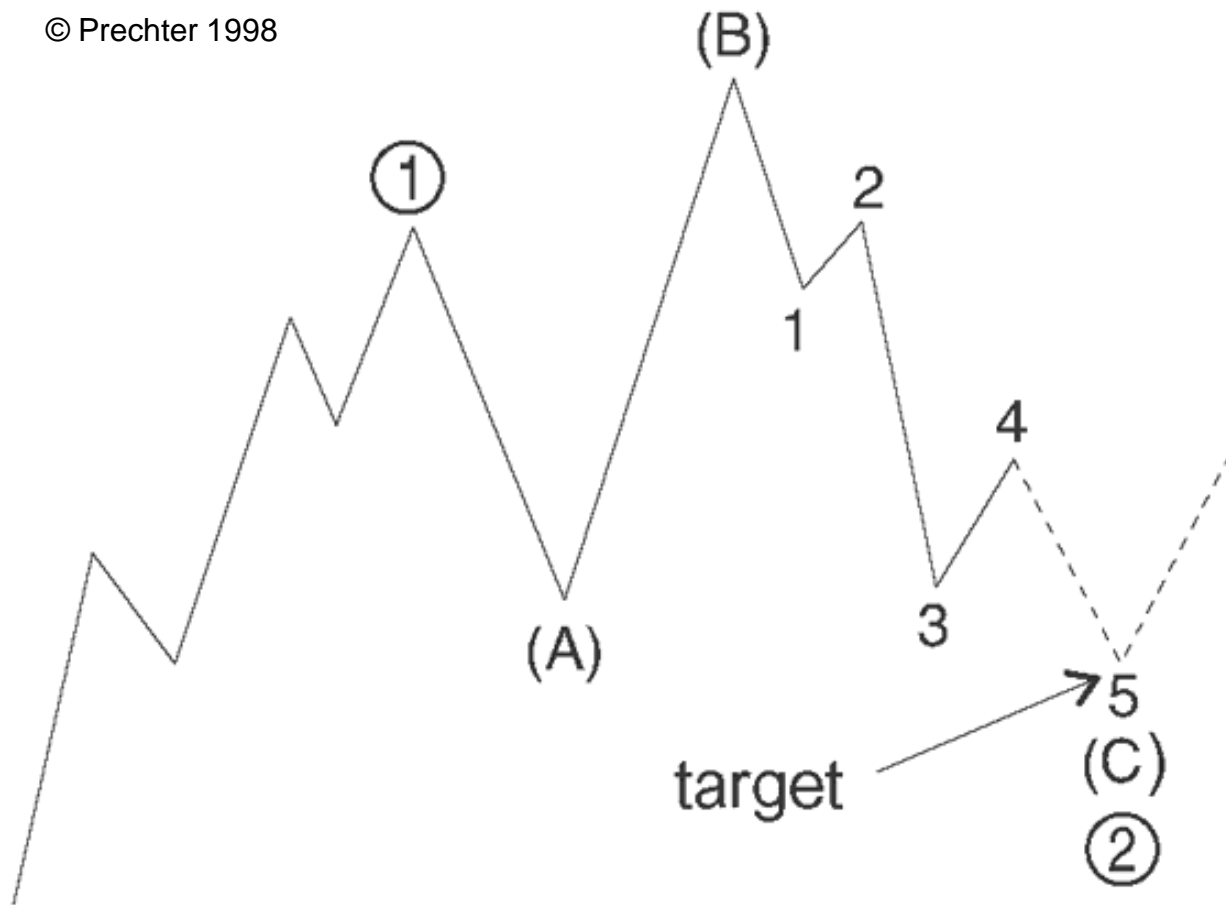


Figure B-3

© Prechter 1998



At the target
marked by
the arrow,
 $\textcircled{2} = .618 \textcircled{1}$,
 $(C) = 1.618 (A)$,
and $5 = 1$.

Figure B- 4

© March 1976
 Robert R. Prechter, Jr.

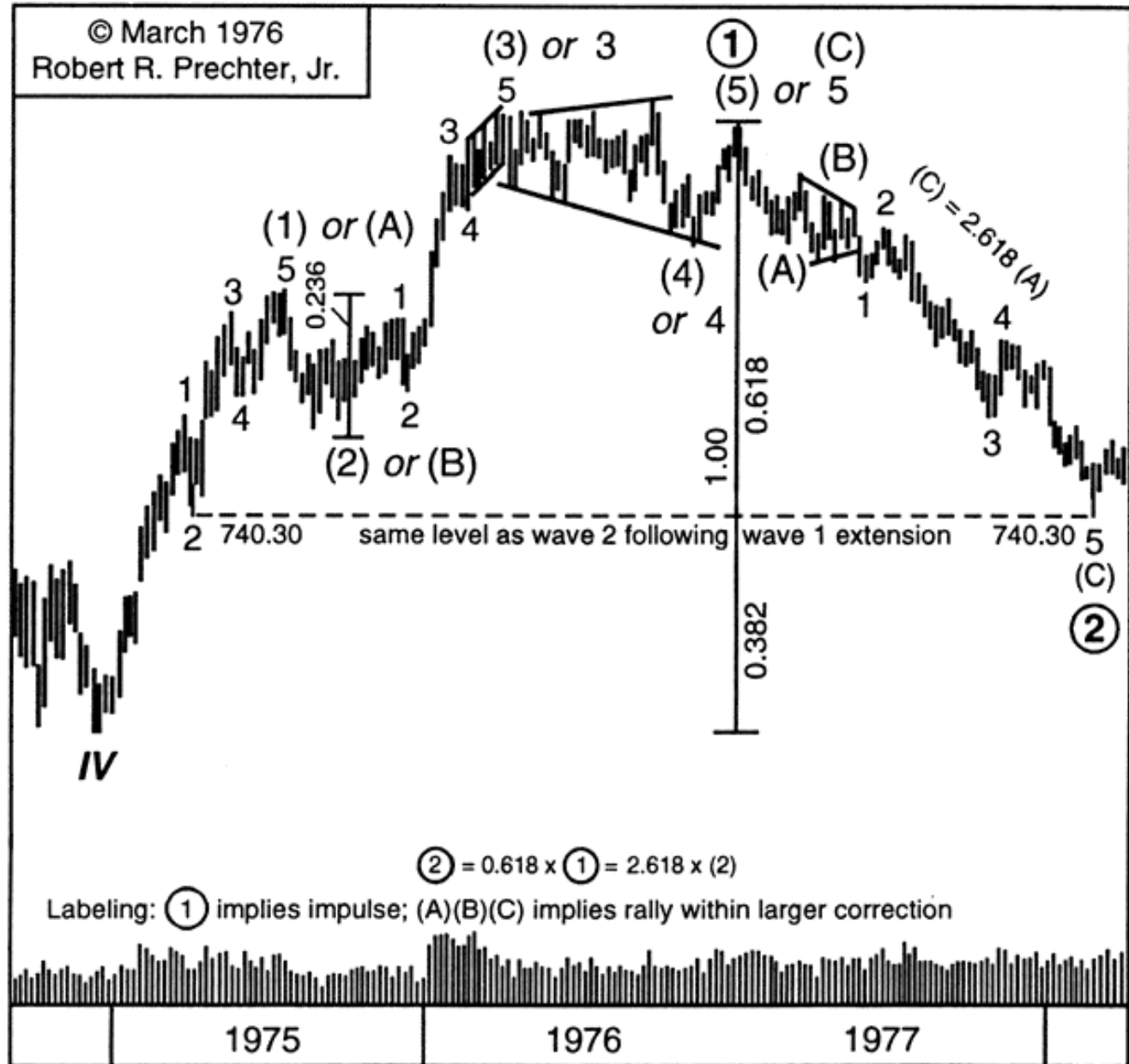
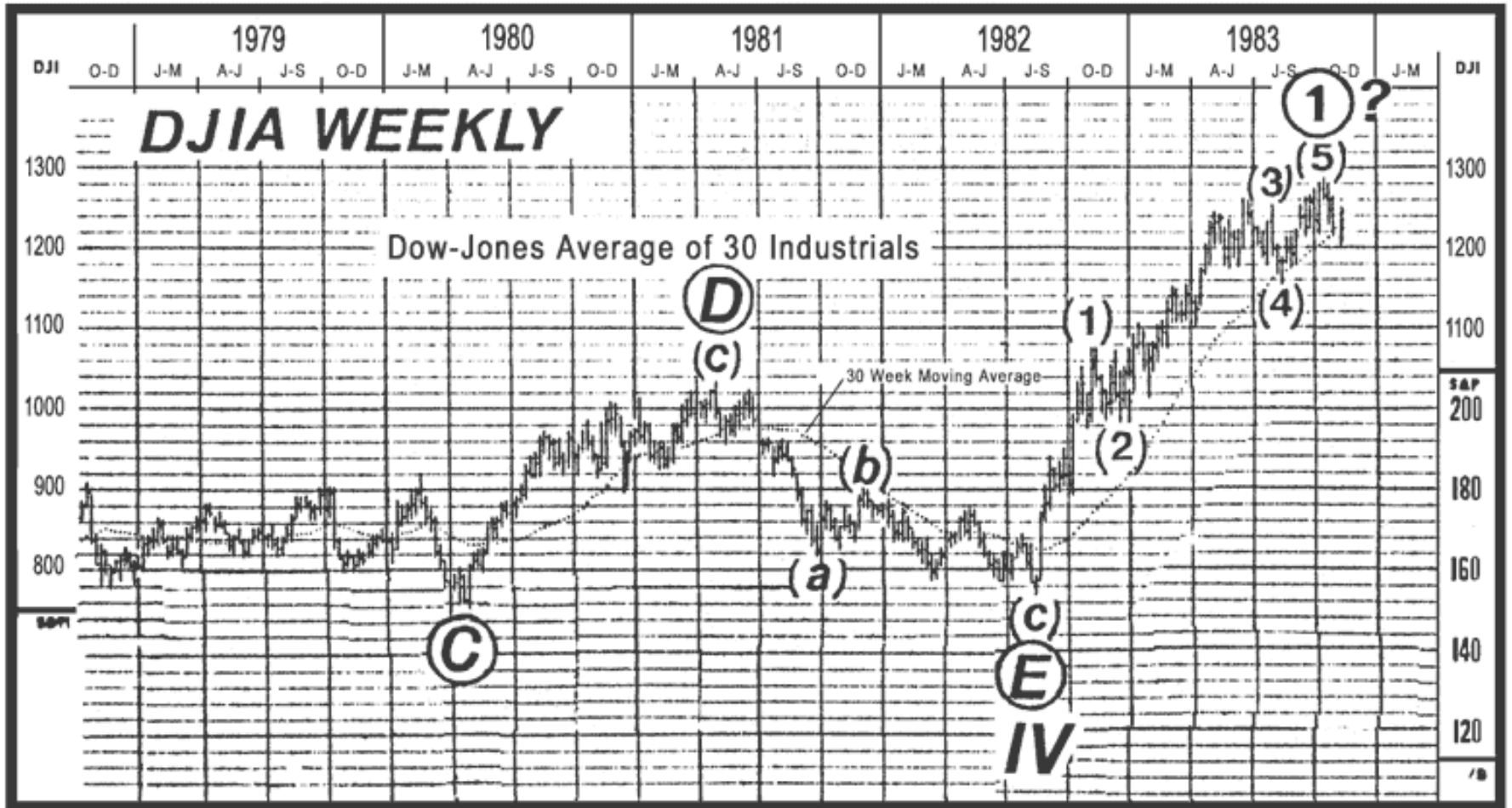


Figure B-5

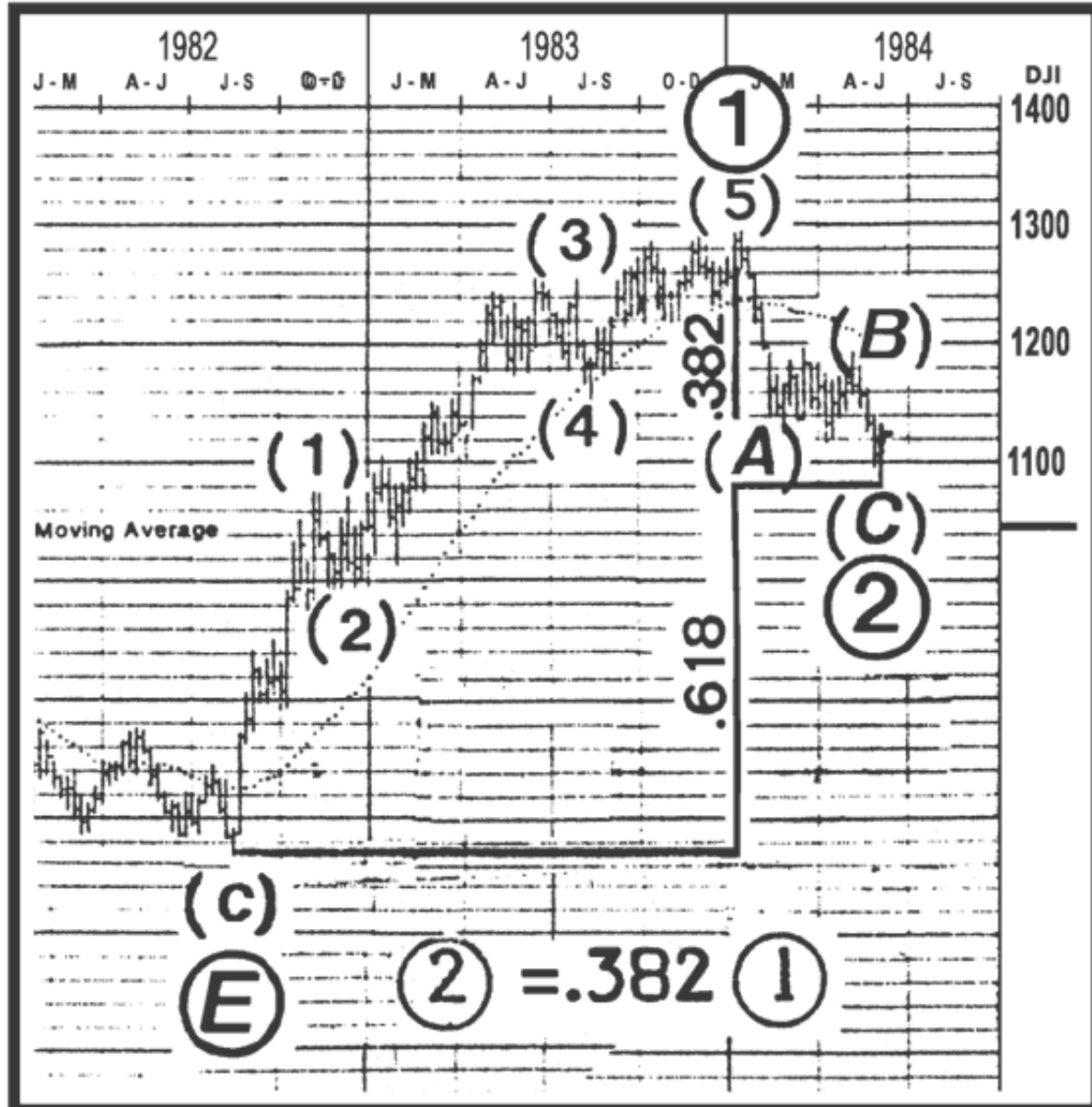
November 7, 1983



© Prechter 1983

Figure B-6

June 4, 1984

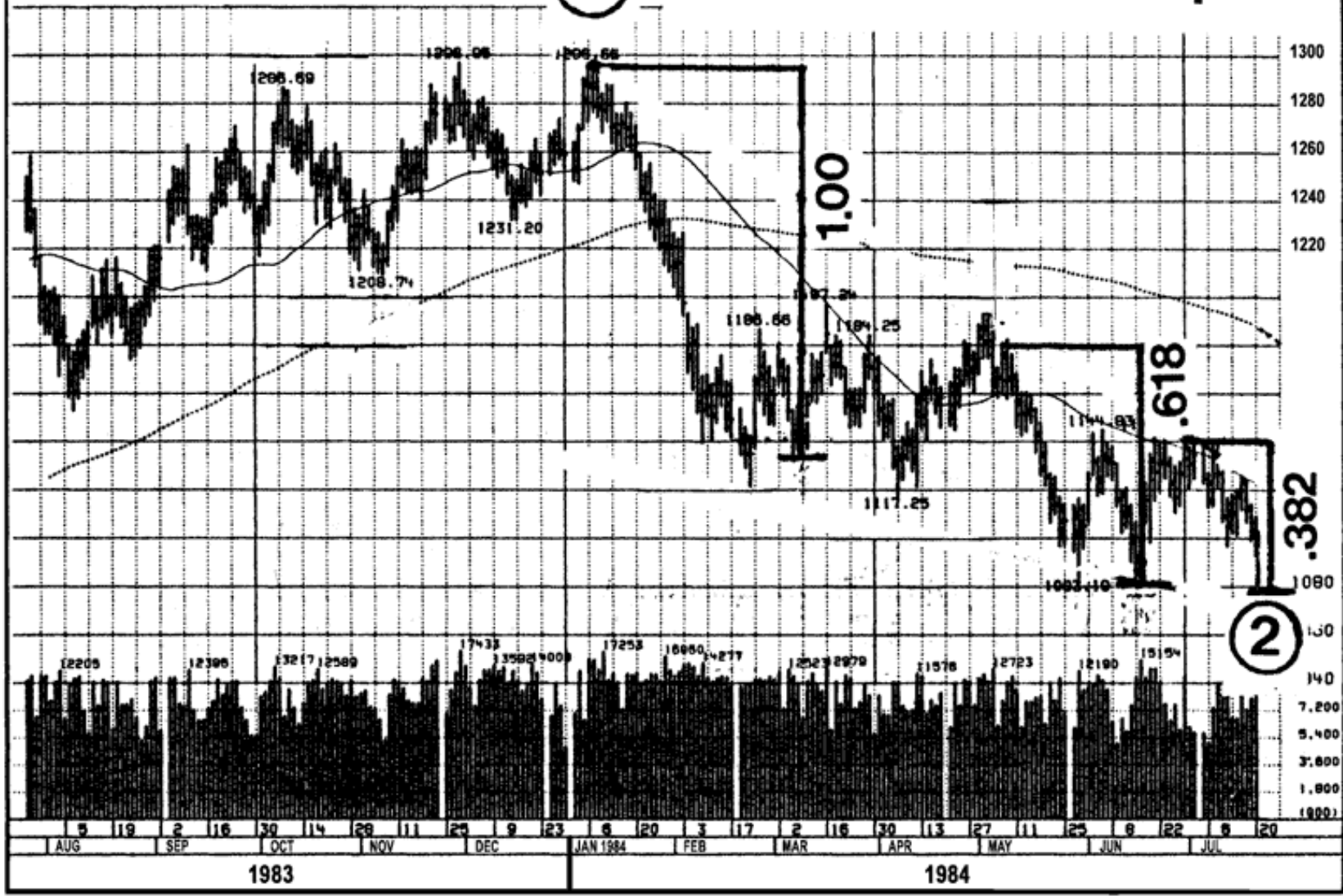


© Prechter 1984

Figure B-7

1

Fibonacci Relationships

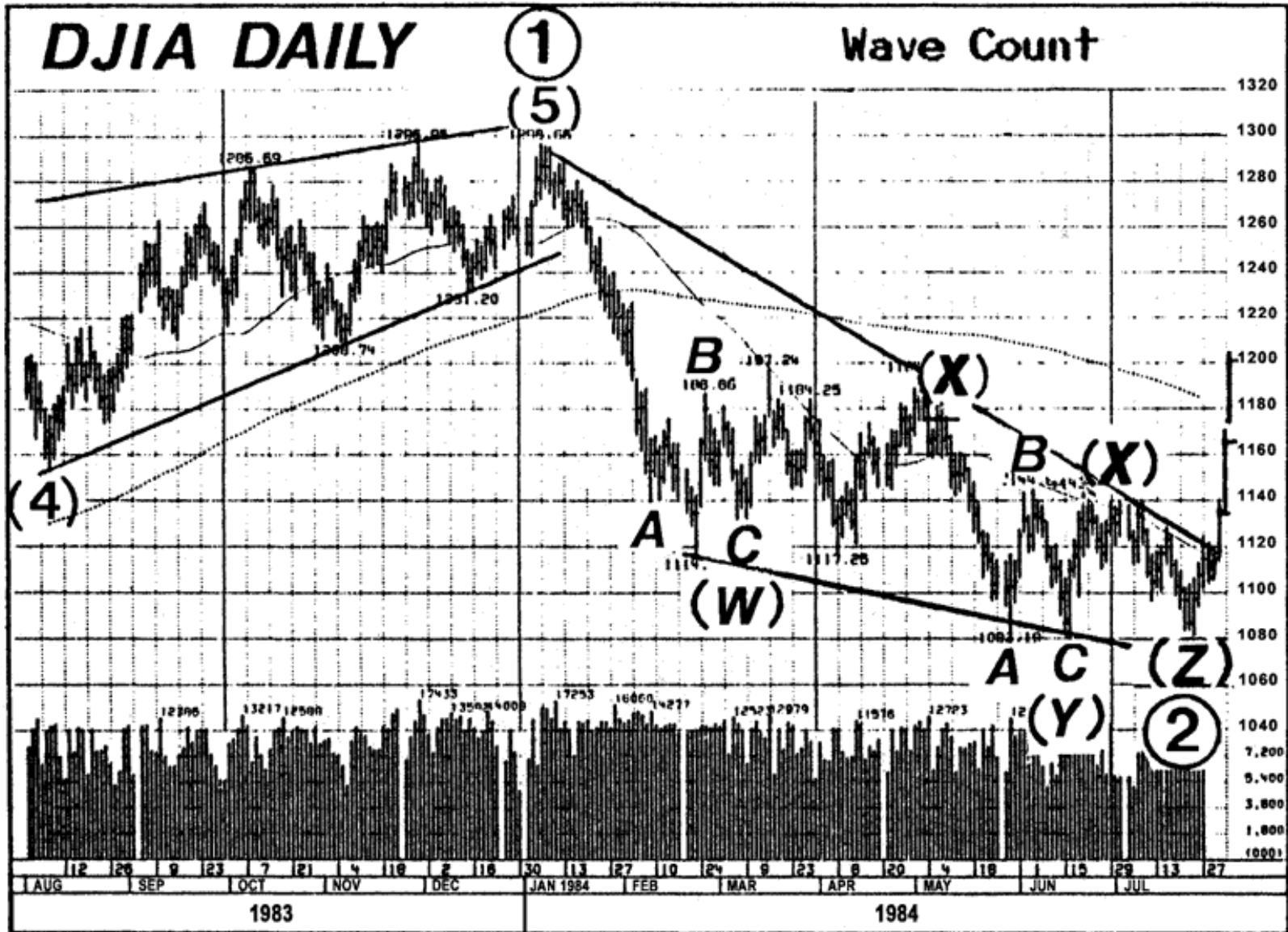


2

© Prechter 1984

Figure B- 8

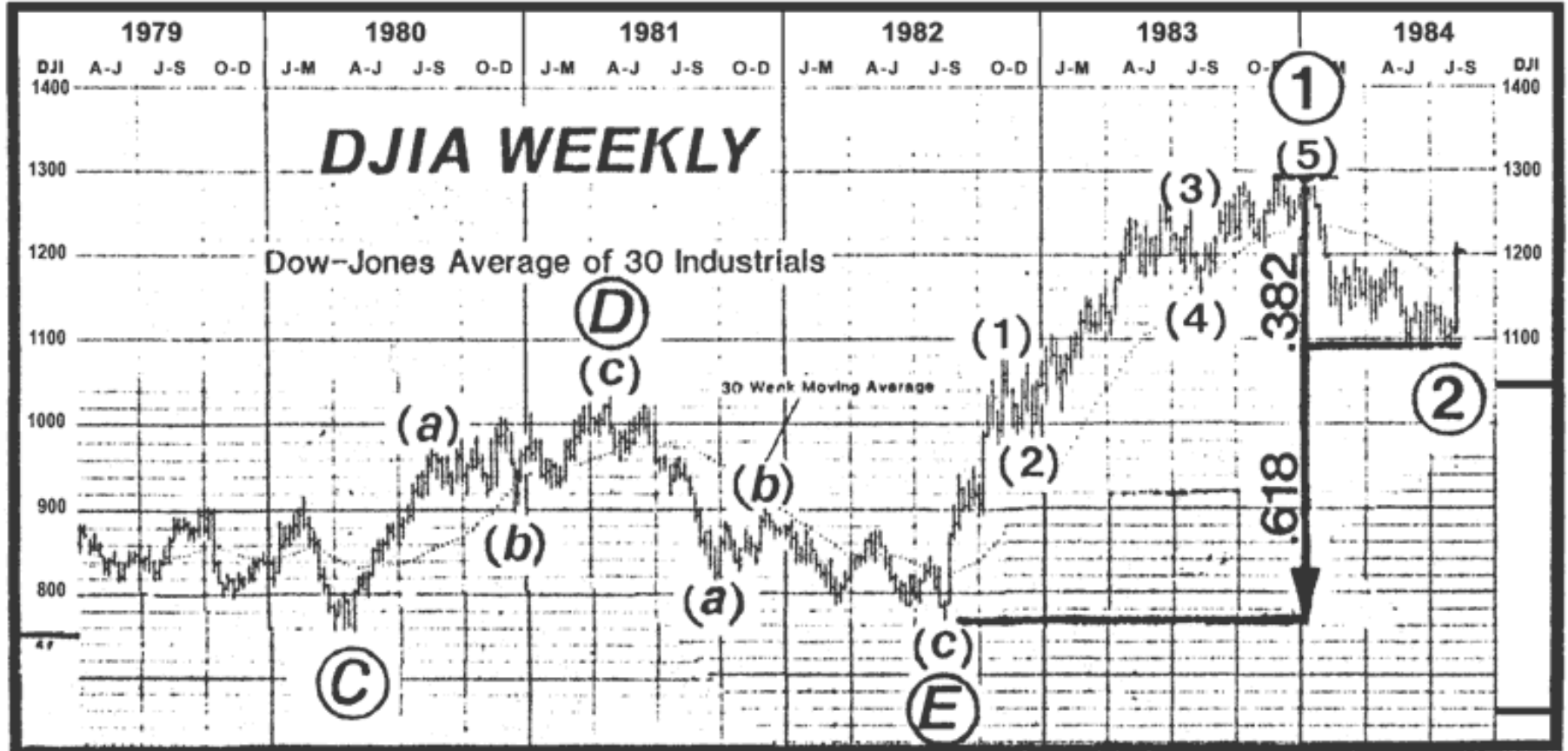
August 4, 1984



© Prechter 1984

Figure B-9

August 4, 1984



© Prechter 1984

Figure B- 10

November 1983



Figure B- 11

April 3, 1984

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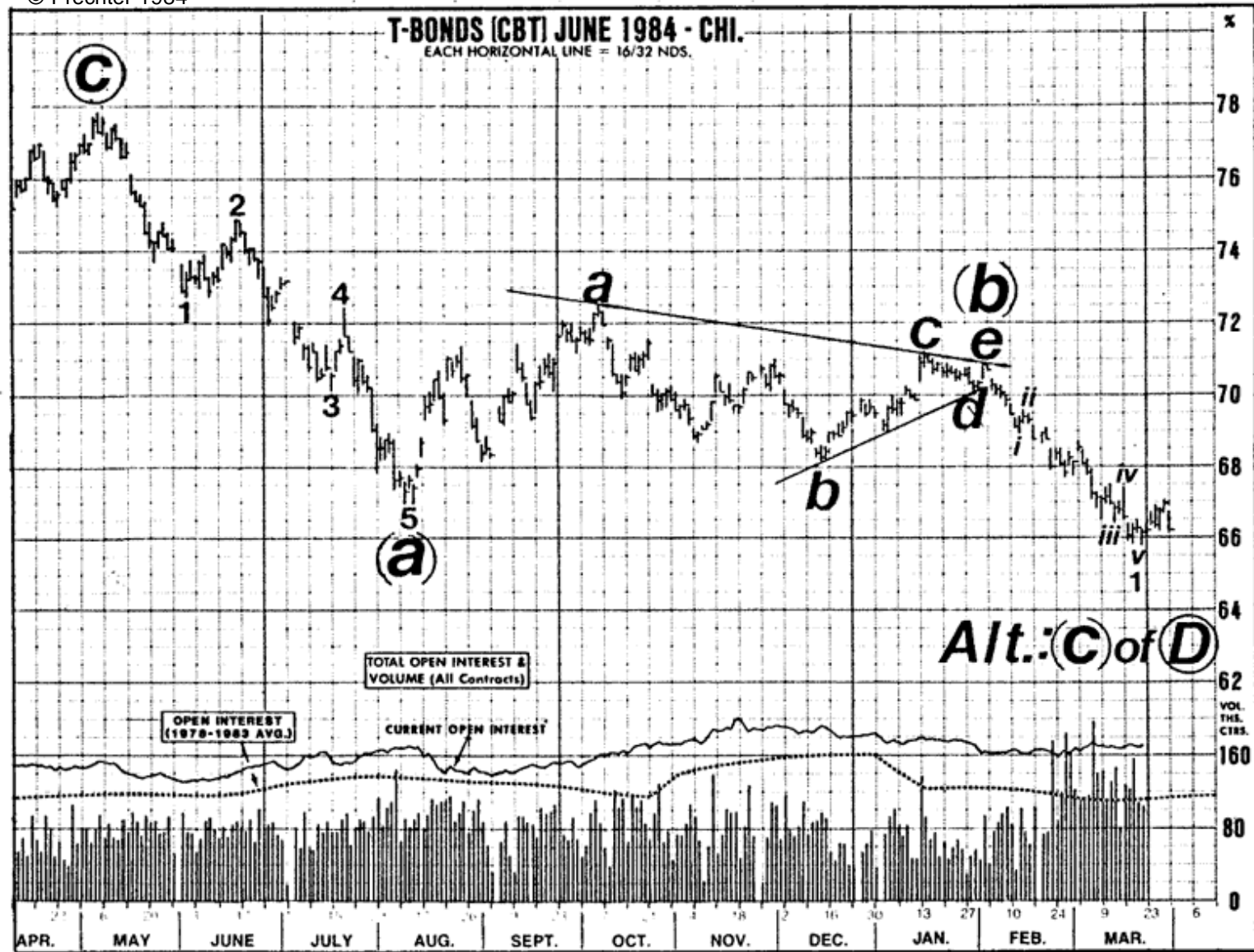


Figure B- 12

June 4, 1984

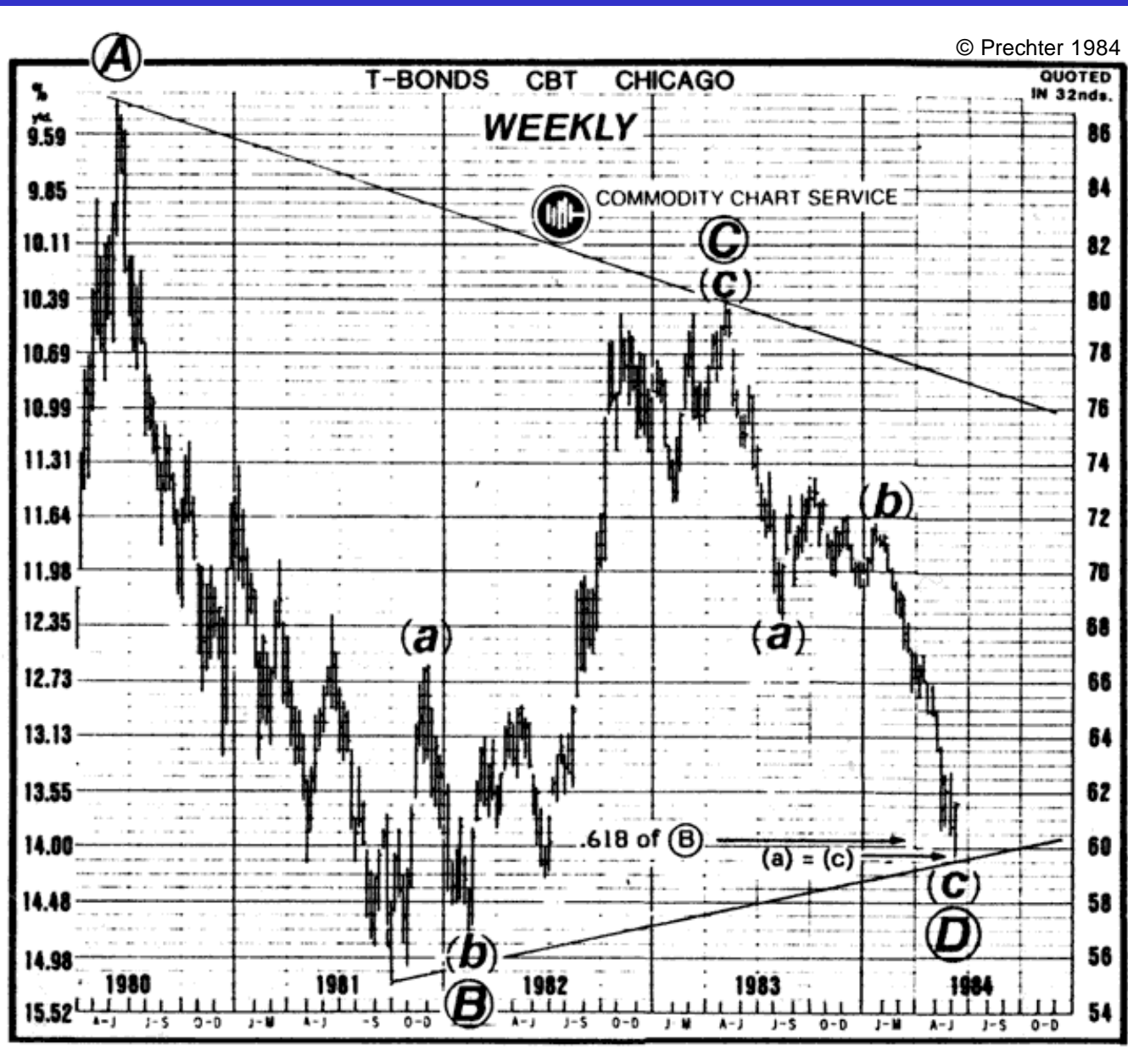


Figure B- 13

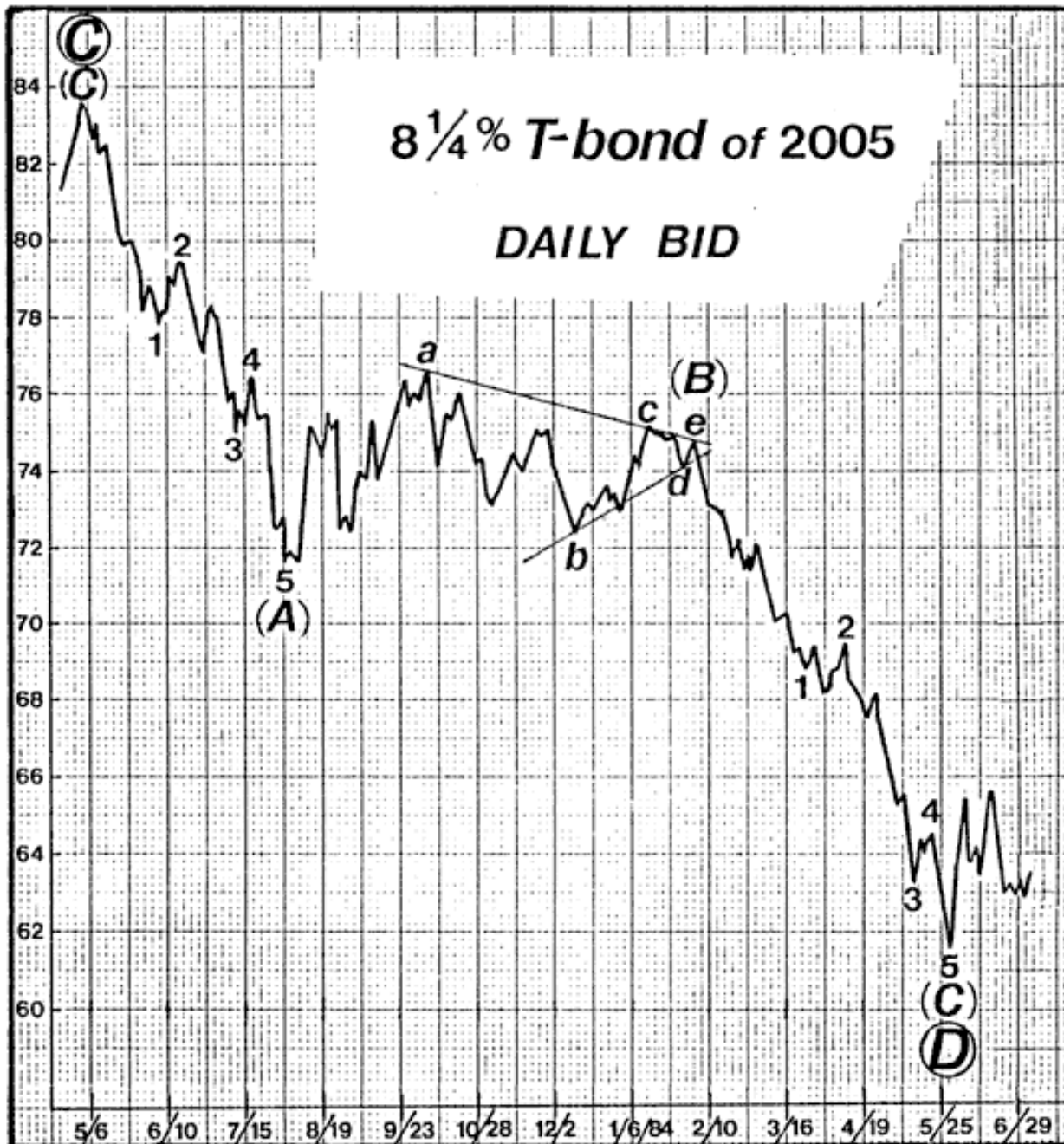


Figure B- 14



Figure B- 15

February 6, 1998



Figure B- 16

February 27, 1998

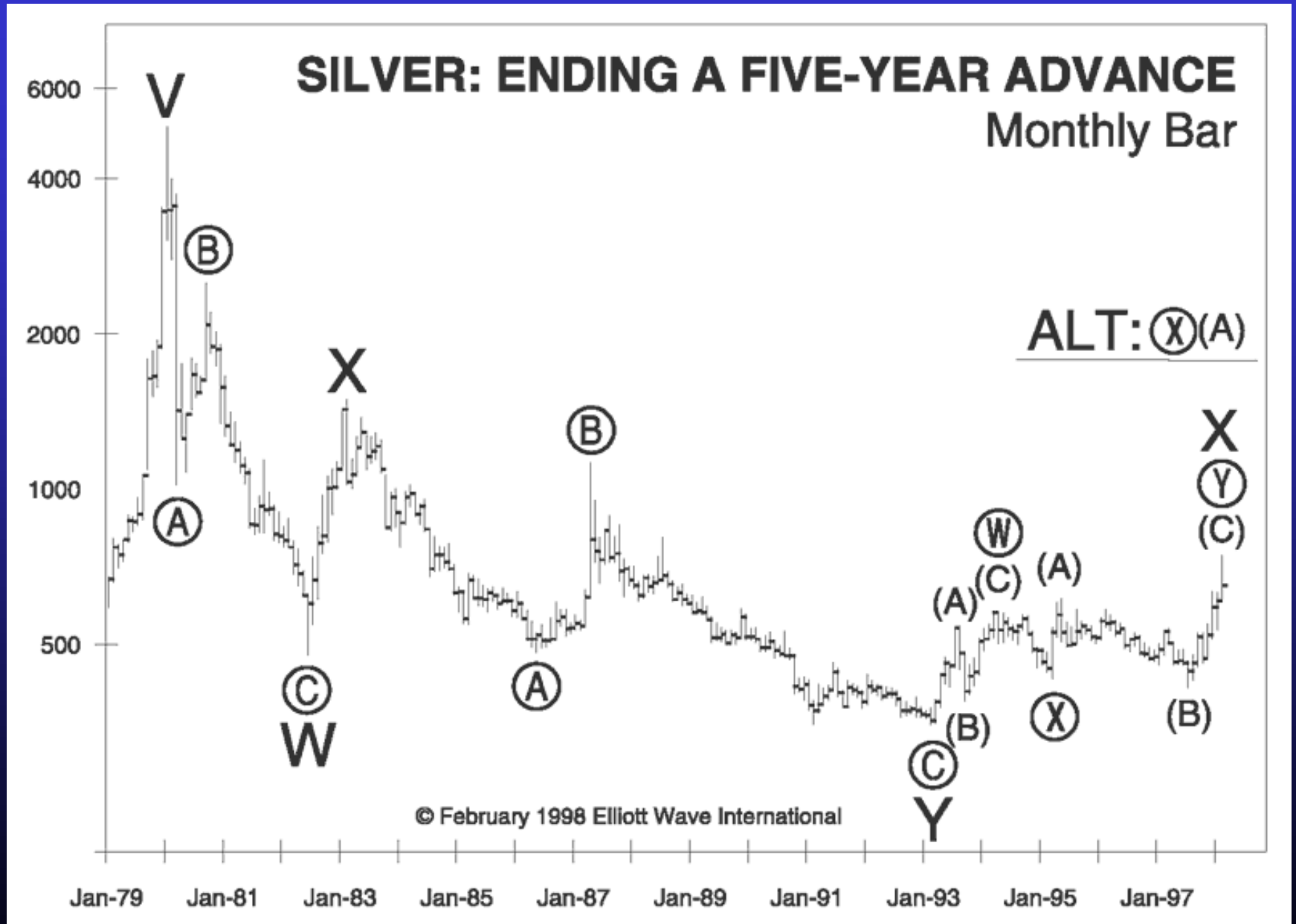


Figure B- 17

ROBERT PRECHTER

THE ELLIOTT WAVE THEORIST

STOCK MARKET
New Classics Library

INTEREST RATES
P.O. Box 1618

PRECIOUS METALS
Gainesville, GA 30503

October 5, 1987

©

DJIA WAVE STATUS: SUMMARY and OUTLOOK

\$233 per year
12 Monthly issues
plus Special Reports
and Interim Reports

WAVE DEGREE	DATE BEGAN	WAVE NUMBER	CURRENT DIRECTION	SIGNIFICANCE TO	OPTIMUM STRATEGY	TARGET	ALTERNATE COUNT
GRAND SUPERCYCLE	1789	---	UP, PEAKING	U.S. SURVIVAL	NO ACTION WARRANTED	3686	---
SUPERCYCLE	JULY 8, 1932	(v)	UP	ECONOMIC CONDITIONS	EXPANSION UNDERWAY	3686	---
CYCLE	AUG. 12, 1982	v	UP	INSTITUTIONAL INVESTOR	HOLD LONG	3686	---
PRIMARY	AUG. 25, 3:00	④	DOWN	INSTITUTIONAL TRADER	SELL WITH CLOSE STOP FOR REPURCHASE;	2300's	⑤ or ③ (new high)
INTERMEDIATE	SEPT. 22, 10:00	(x)	UP, PEAKING	INDIVIDUAL INVESTOR	SEE INSIDE FOR DETAILS.	2640-2660	(3) or (5) (new high)
MINOR	SEPT. 30, 11:00	c	UP, PEAKING	INDIVIDUAL TRADER	SEE INSIDE FOR DETAILS.	2640-2660	3 or 5 (new high)
MINUTE	----	---	----	OPTION/FUTURE TRADER	SELL WITH CLOSE STOP FOR REPURCHASE;	----	---
MINUETTE	----	---	----	SCALPER	SEE INSIDE FOR DETAILS.	----	---
SUBMINUETTE	----	---	----	SKIMMER	SEE INSIDE FOR DETAILS.	----	---

Figure B- 20



Figure B- 21

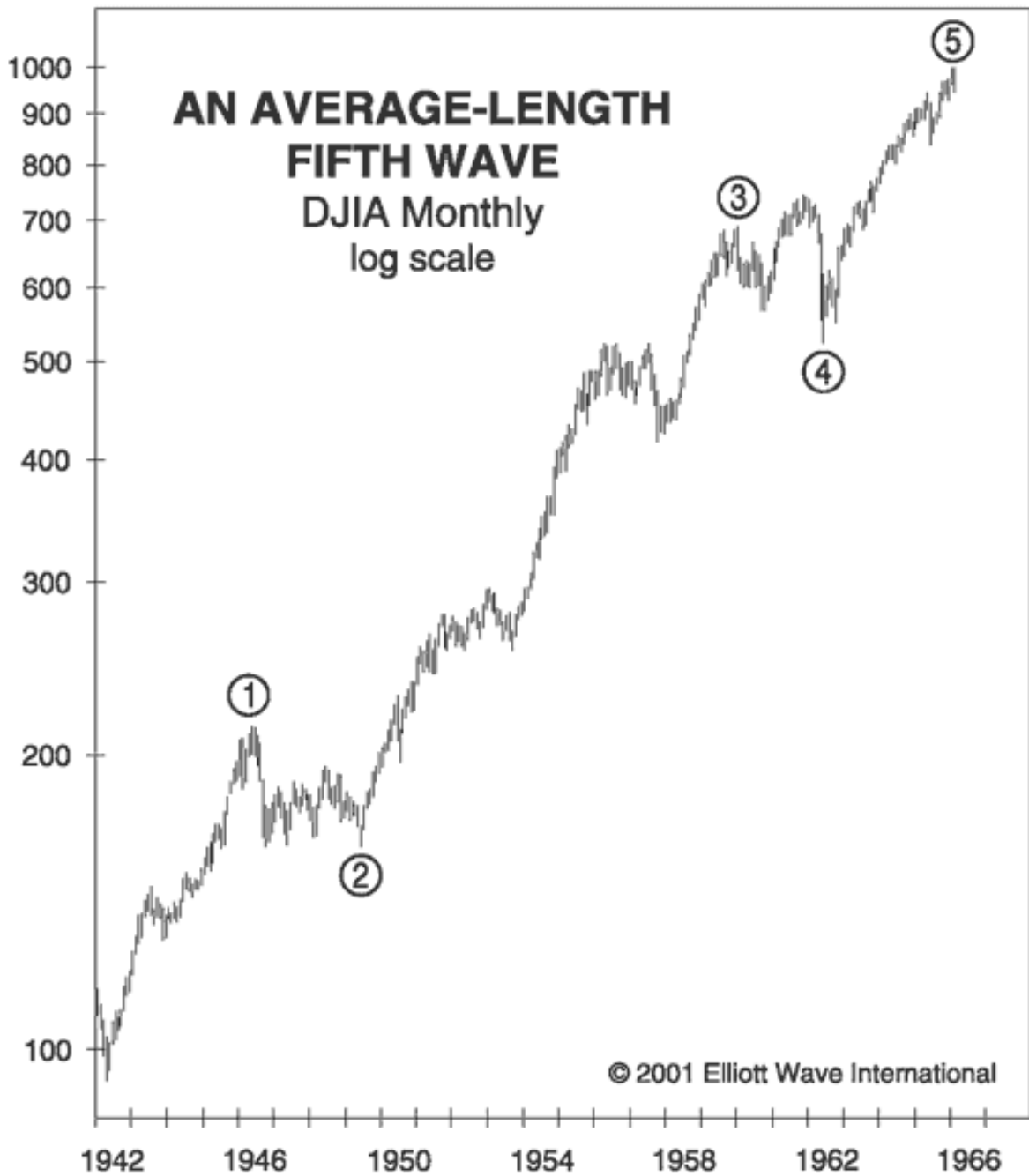


Figure B- 22



Figure B- 23

VERY LONG FIFTH WAVES AS PART OF RARE DOUBLE EXTENSIONS

Monthly, log scale

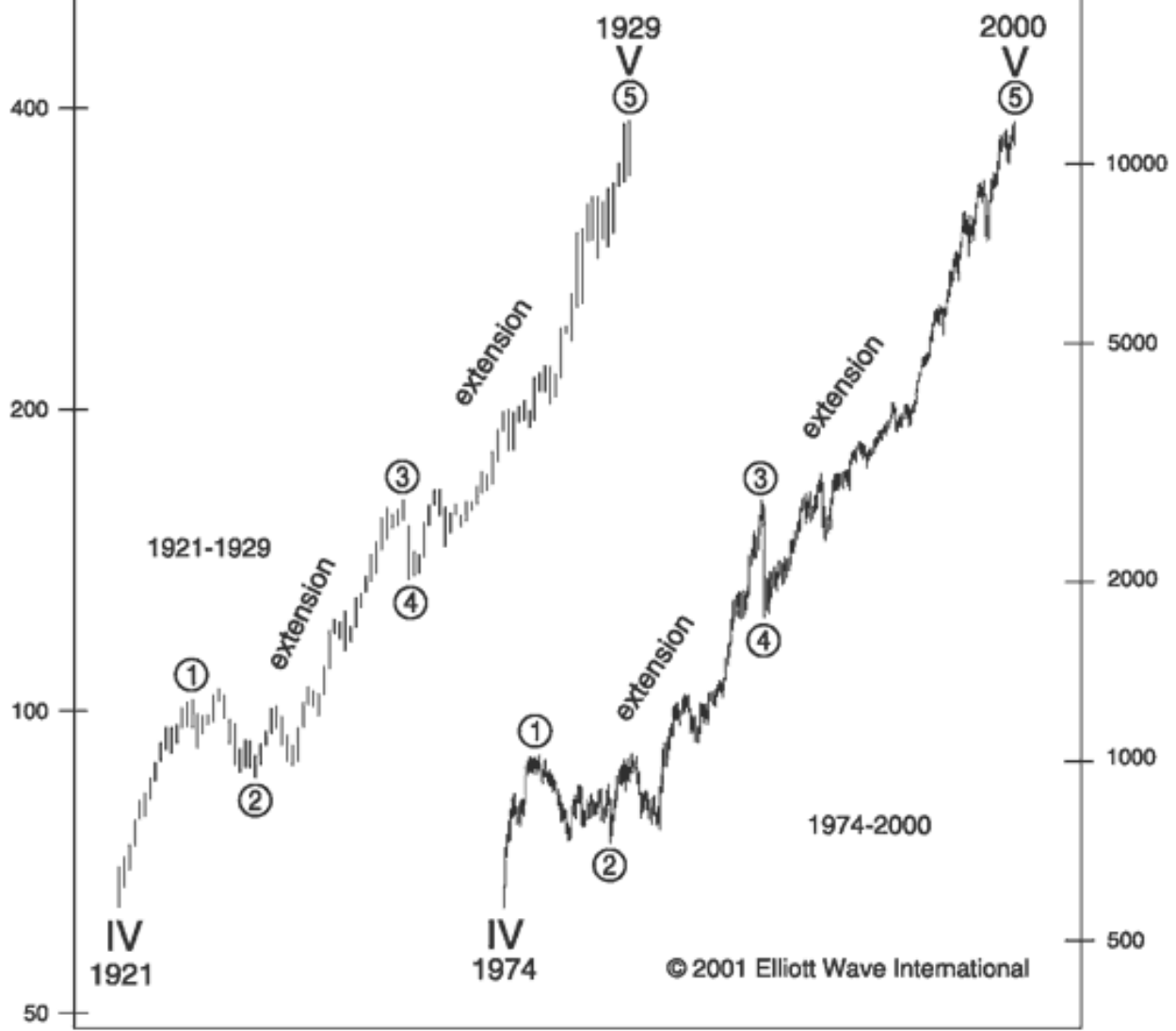


Figure B- 24

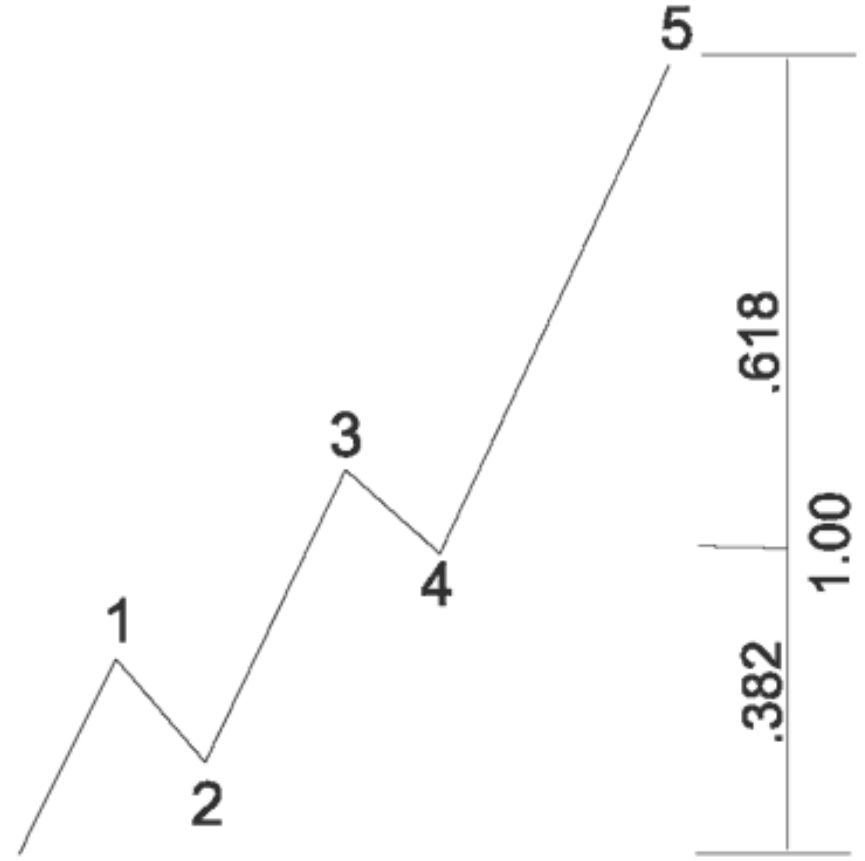
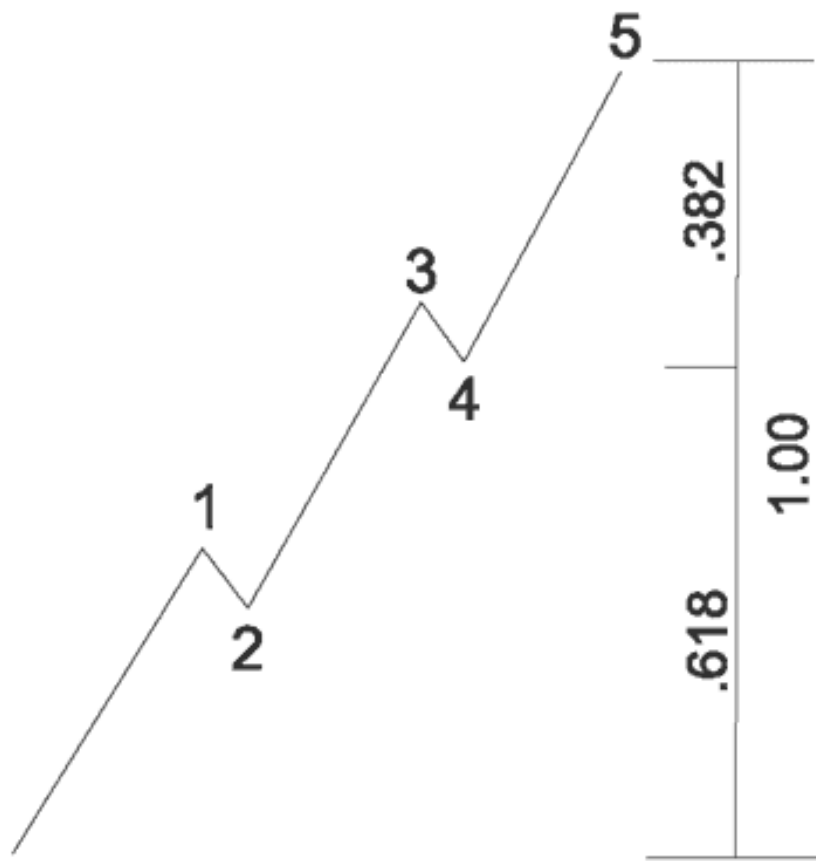


Figure B- 25

**“An Ideal Wave,”
From
Elliott Wave Principle**

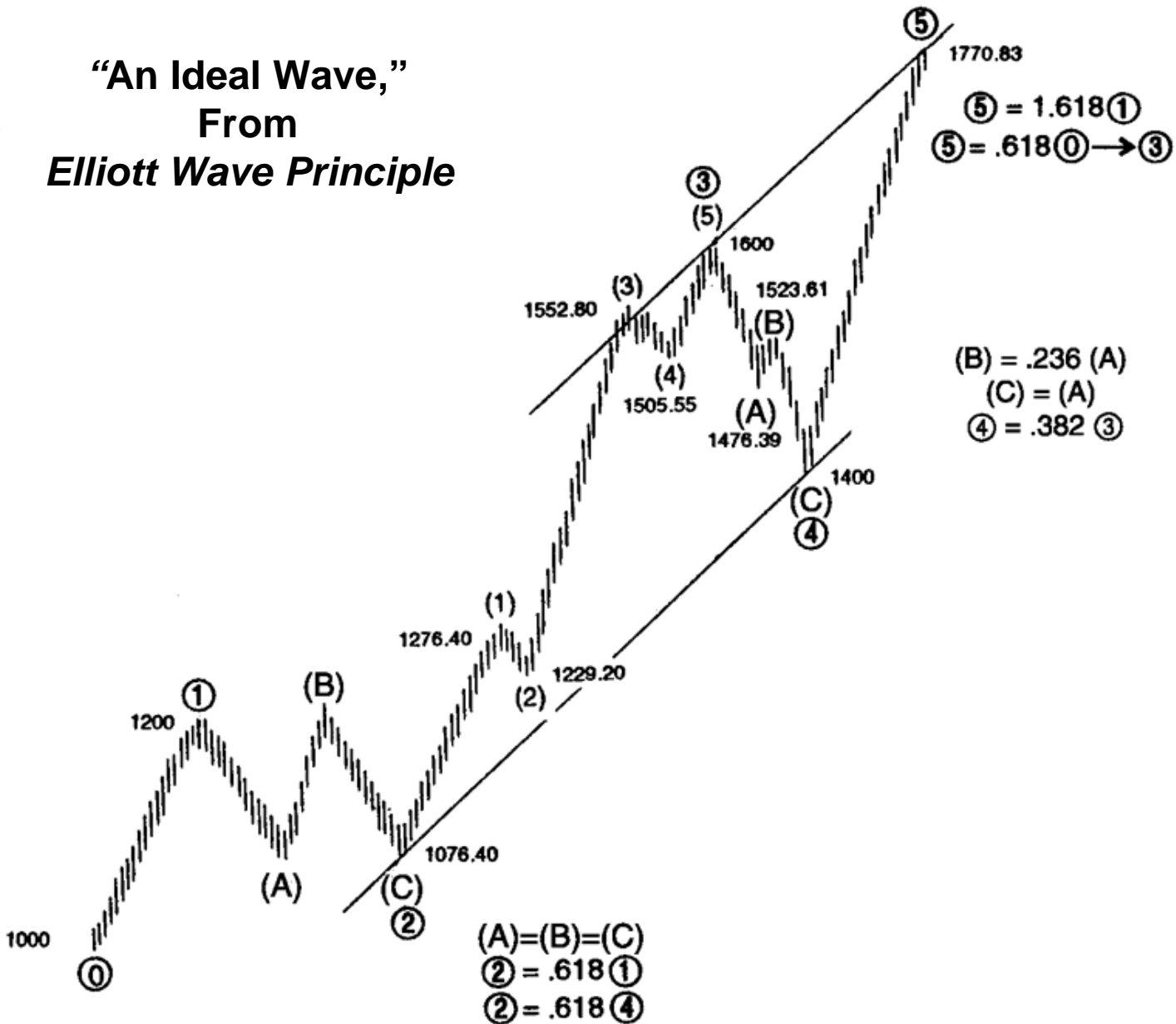


Figure B- 26

1994

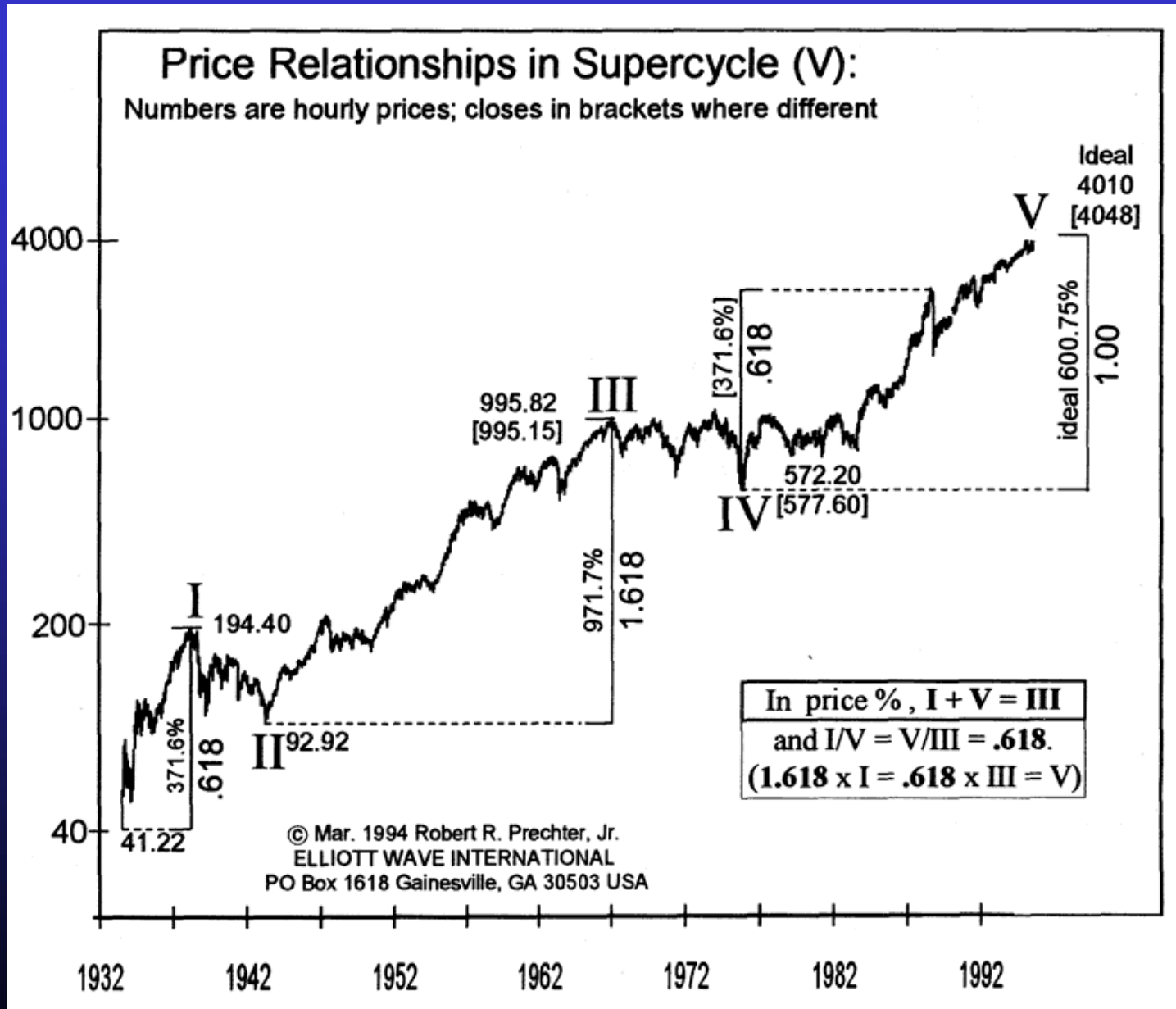


Figure B- 27

1995

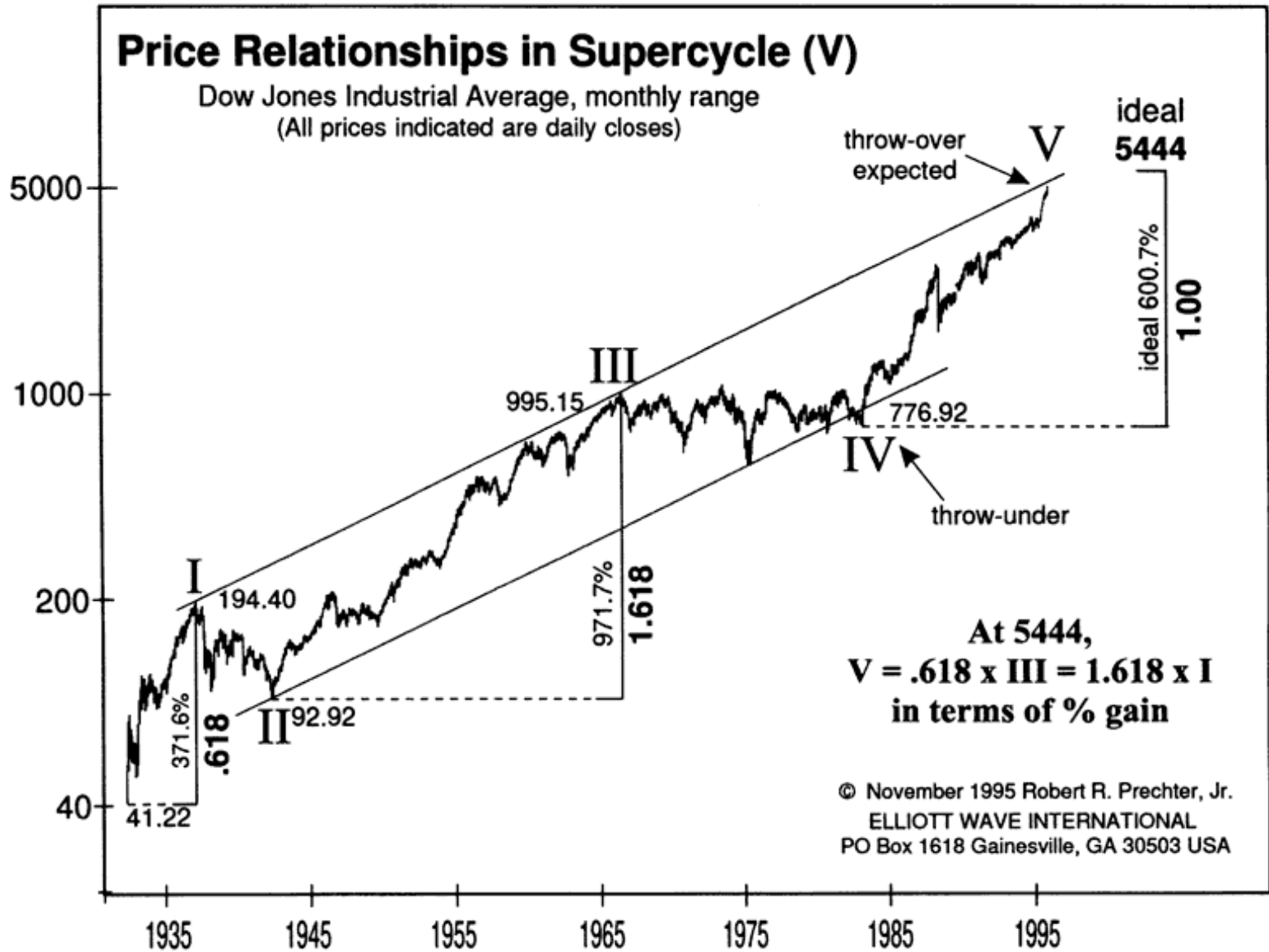


Figure B- 28

FIBONACCI RELATIONSHIPS AT DOW 5683.60 ON MARCH 18, 1996

© March 22, 1996 Elliott Wave International

Projection:
5683.81 V

In % gain,
wave V = .382 x (I → III) and
wave ⑤ = .618 x (① → ③)
on March 18, 1996
at Dow 5683.60

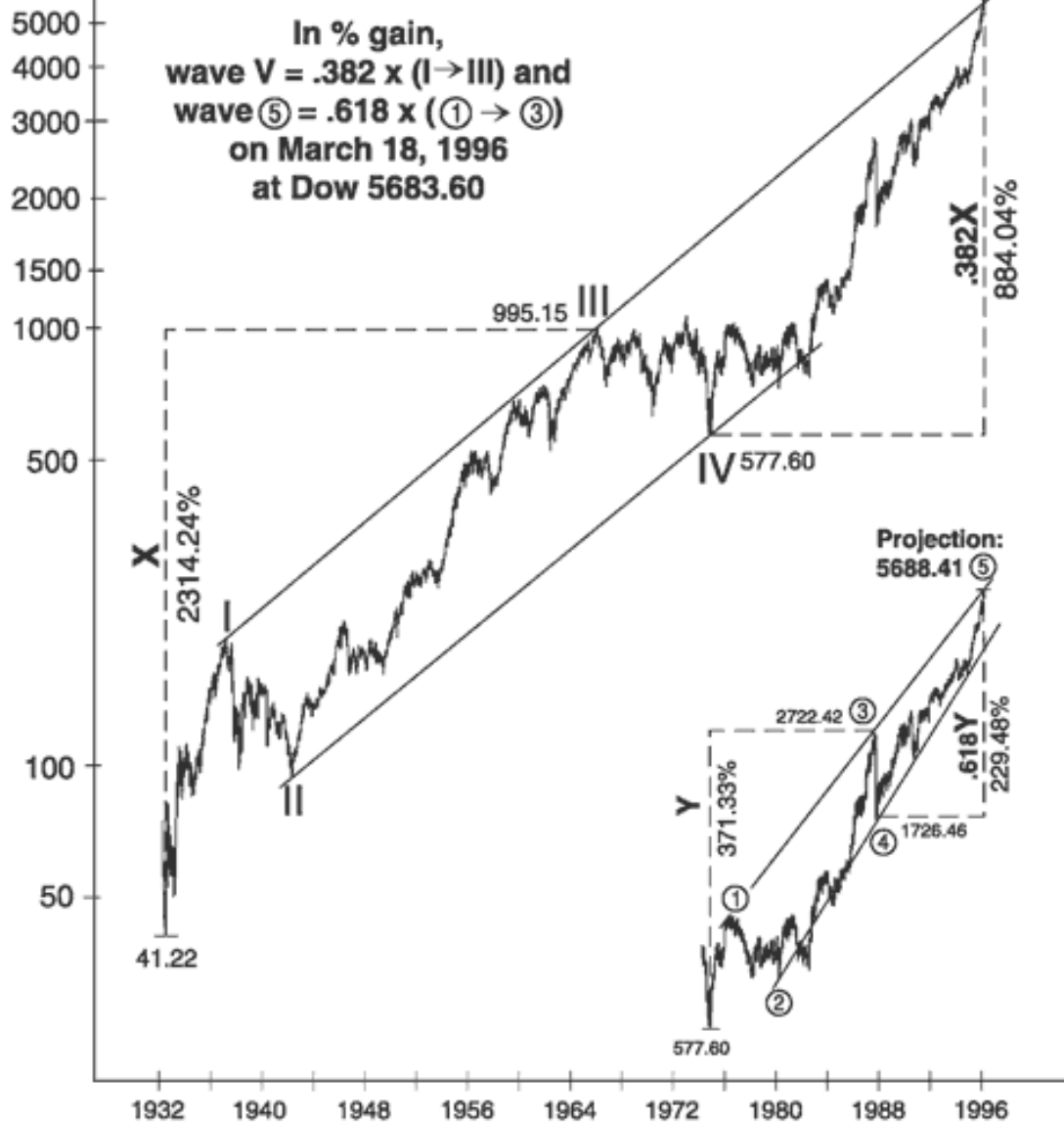


Figure B- 29

1998

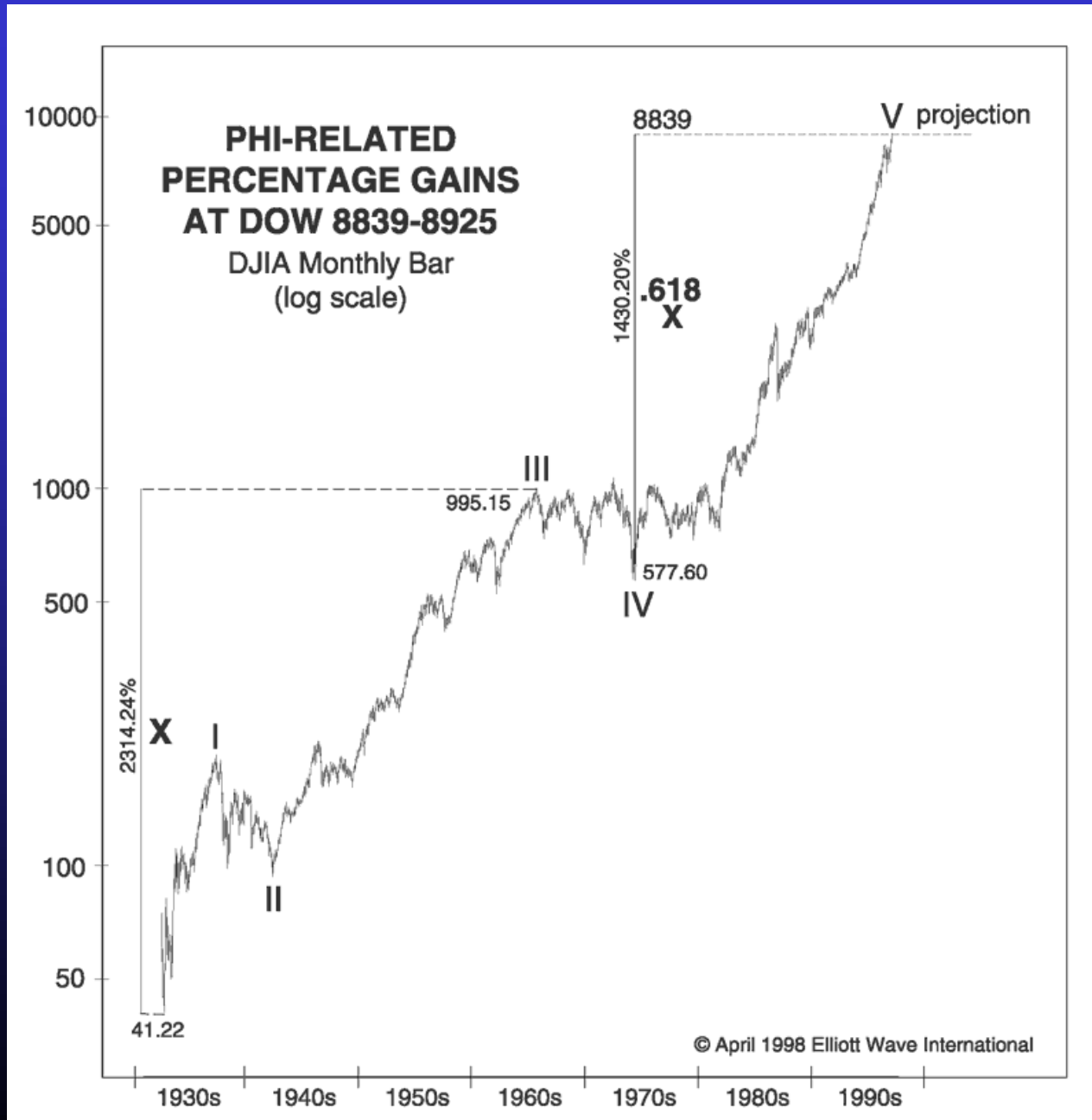


Figure B- 30

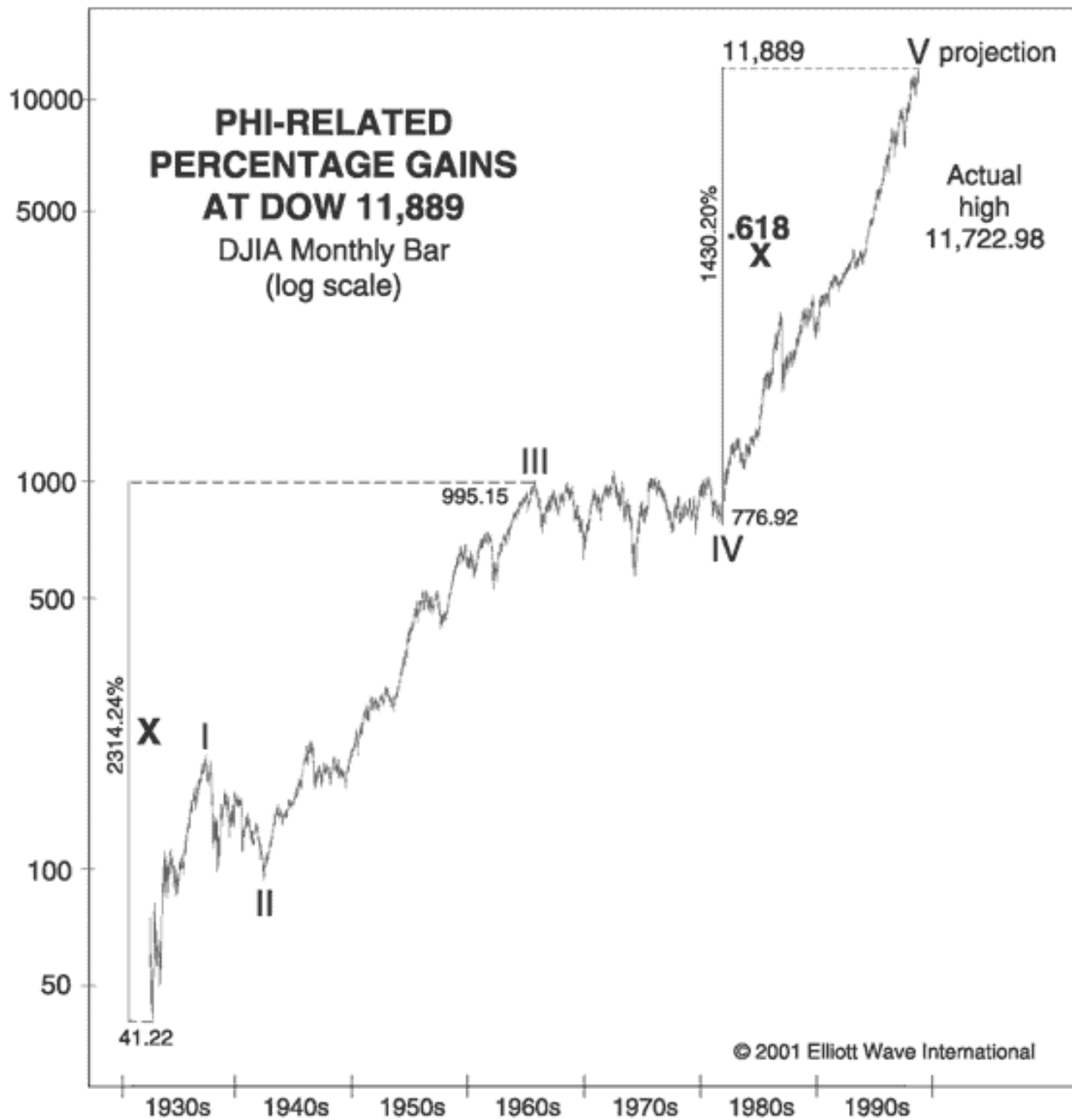


Figure B- 31

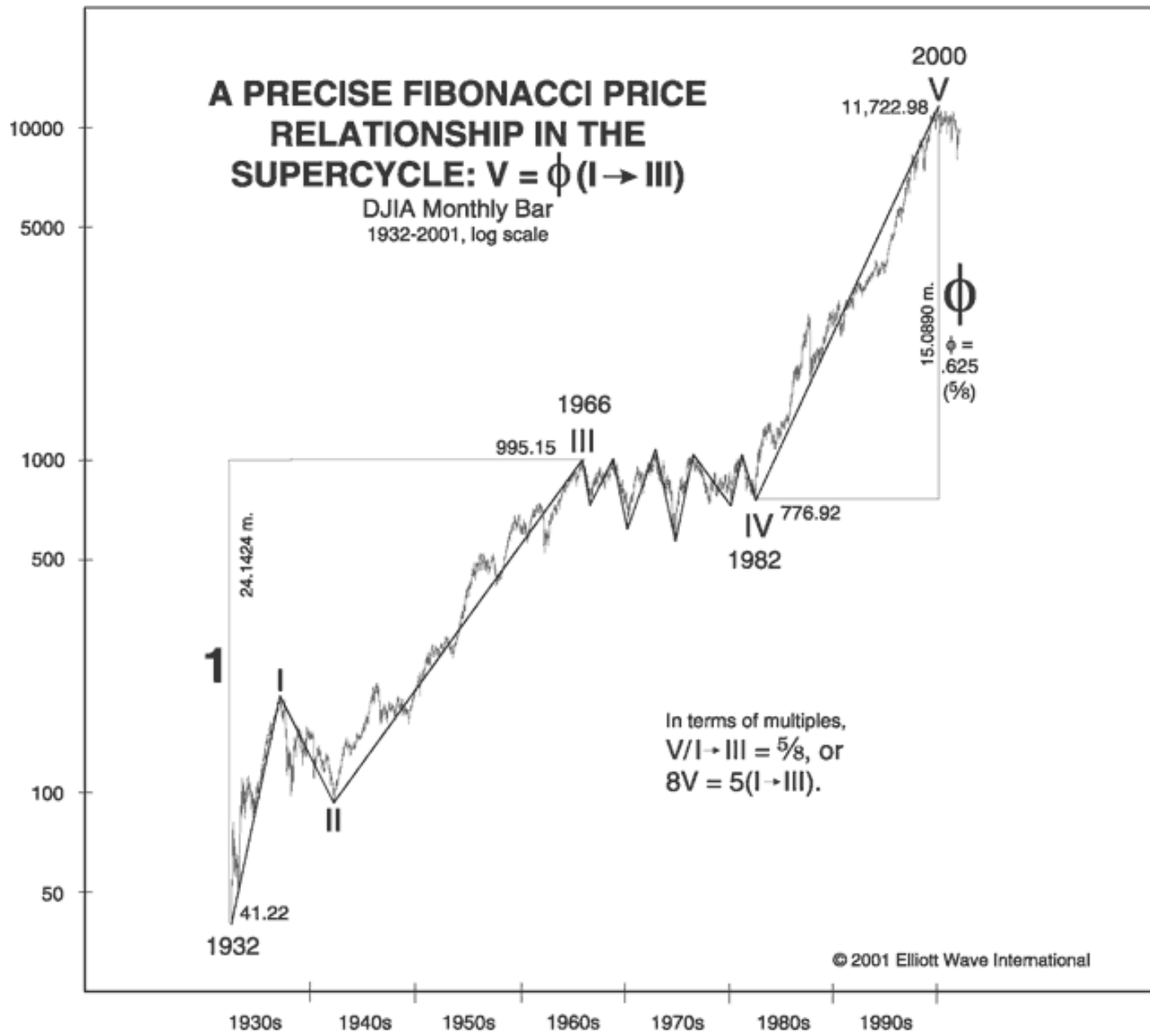


Figure B- 32

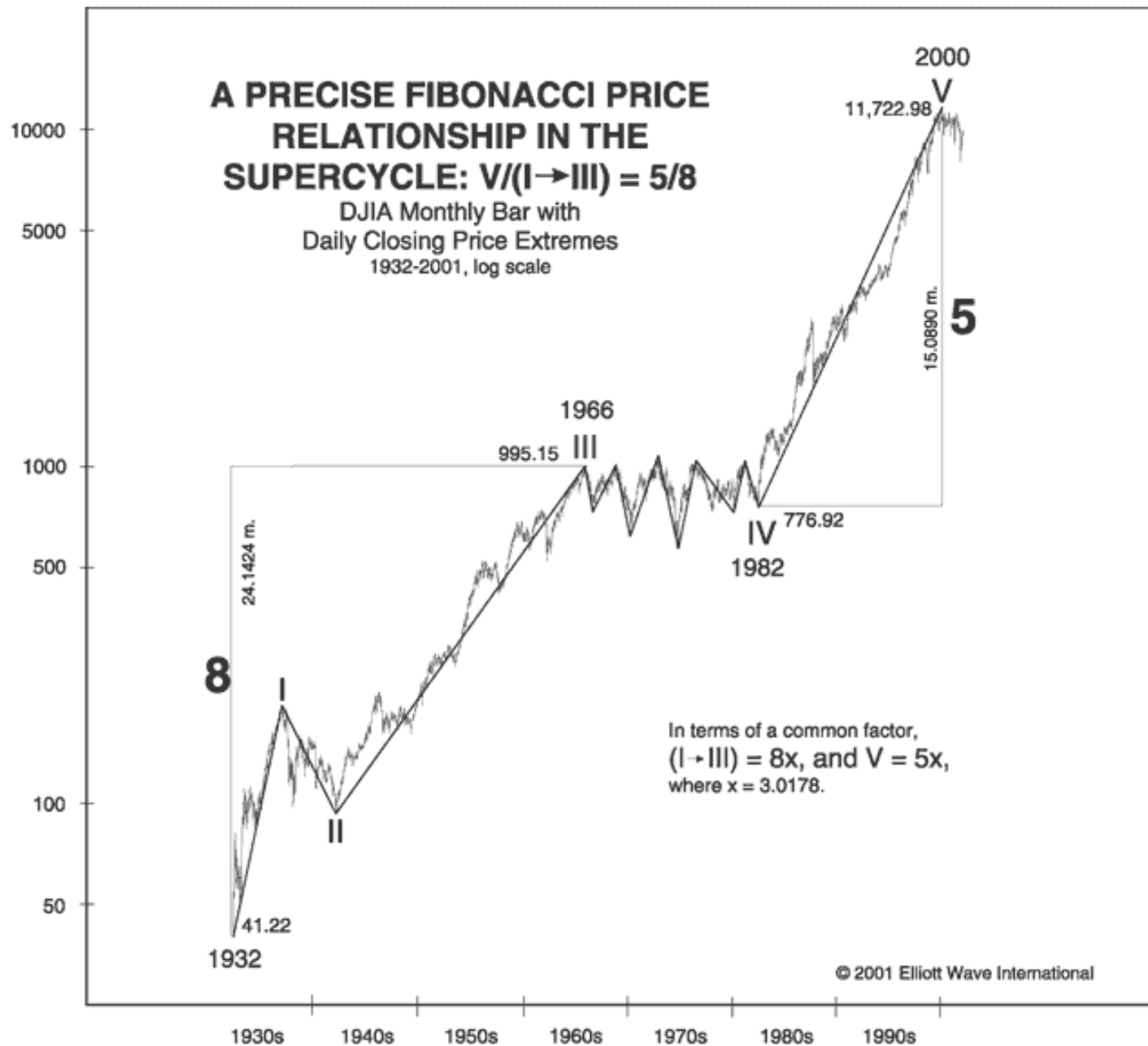


Figure B- 33



Figure B- 34

Published February 2000

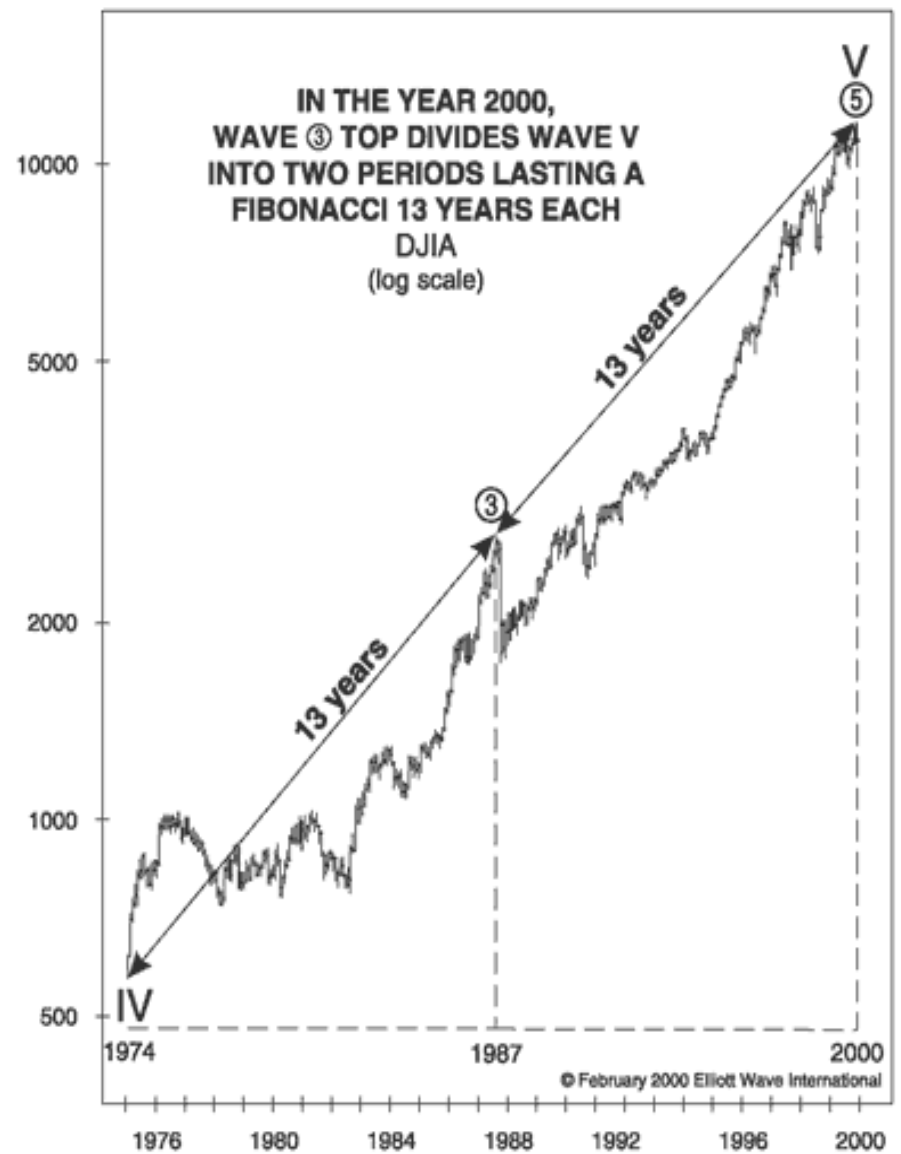
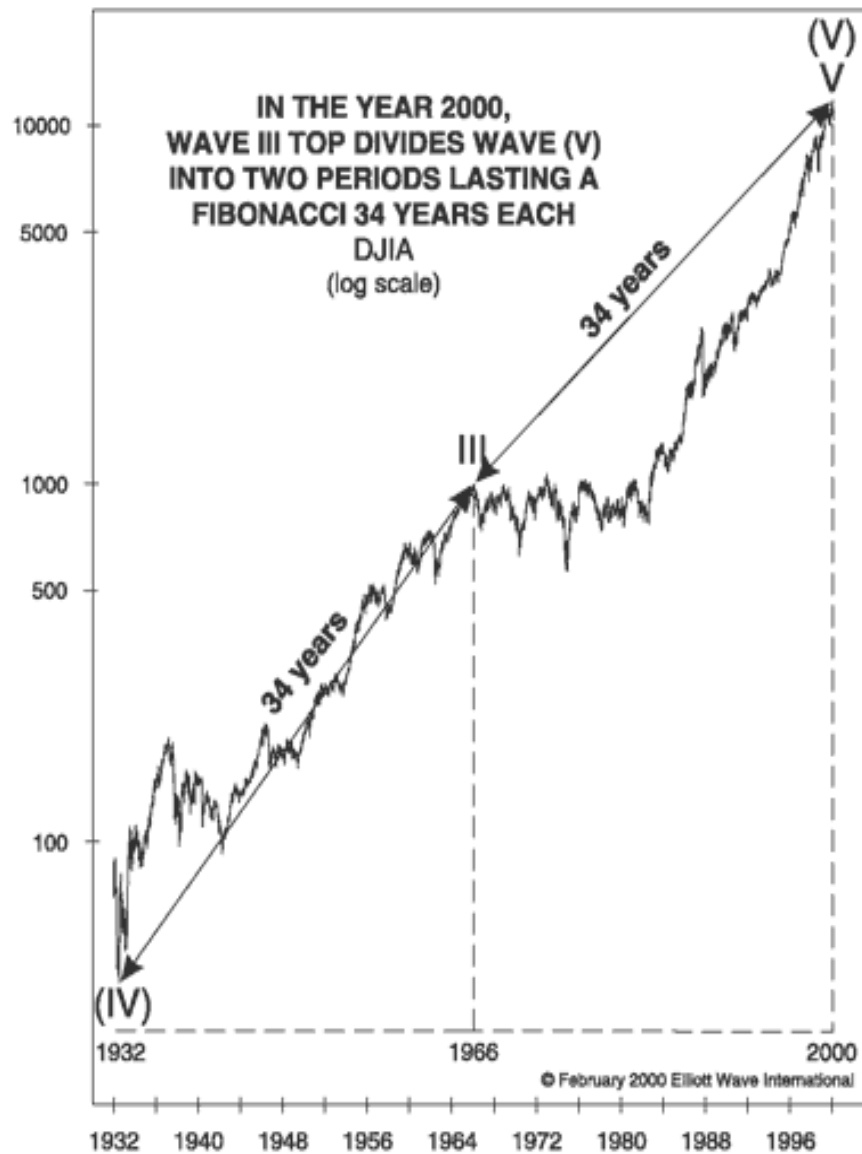


Figure B- 35

Predicting Nuances

Elliott Wave Characteristics

© 1980/2003 Elliott Wave International

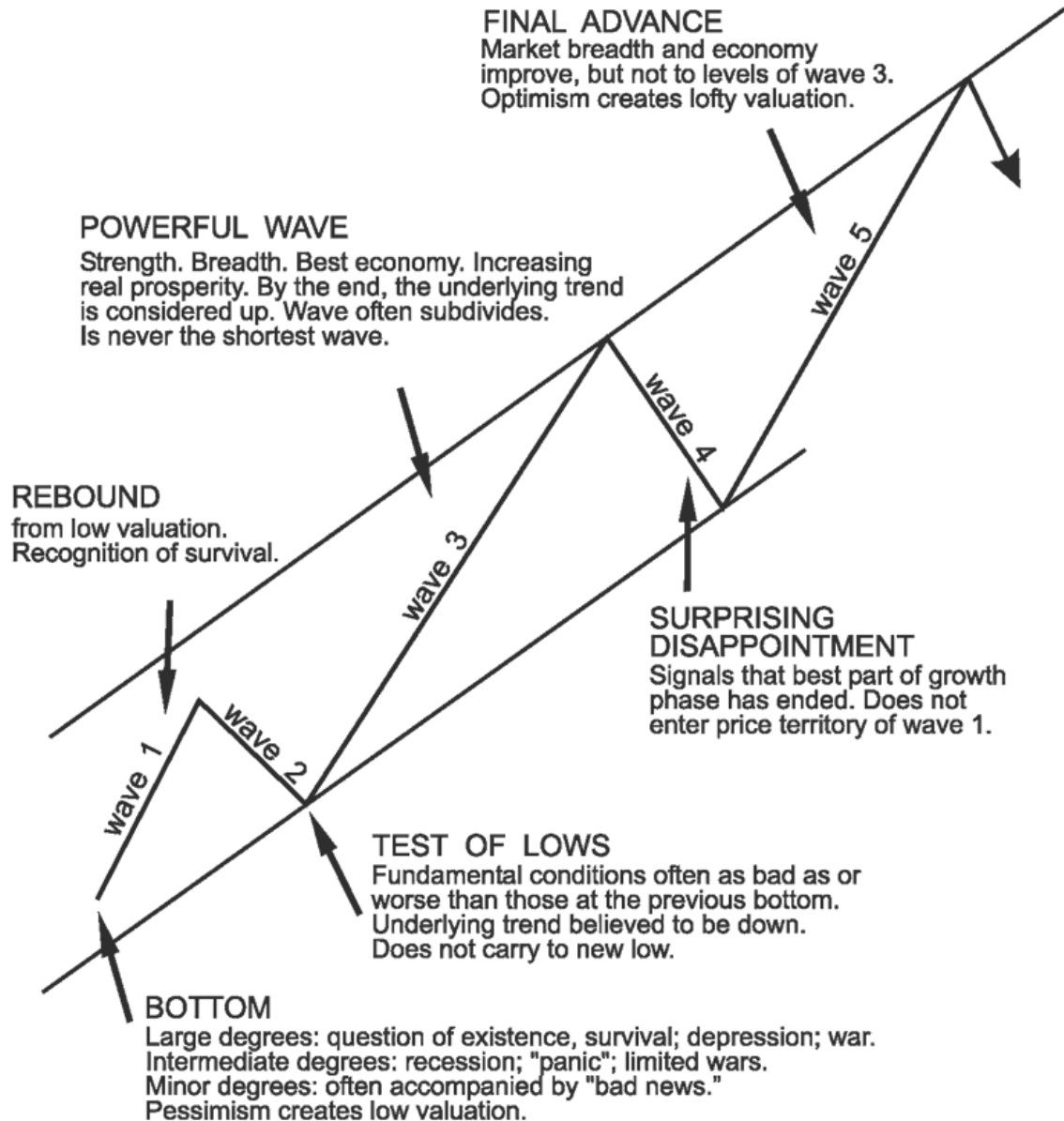


Figure C- 1

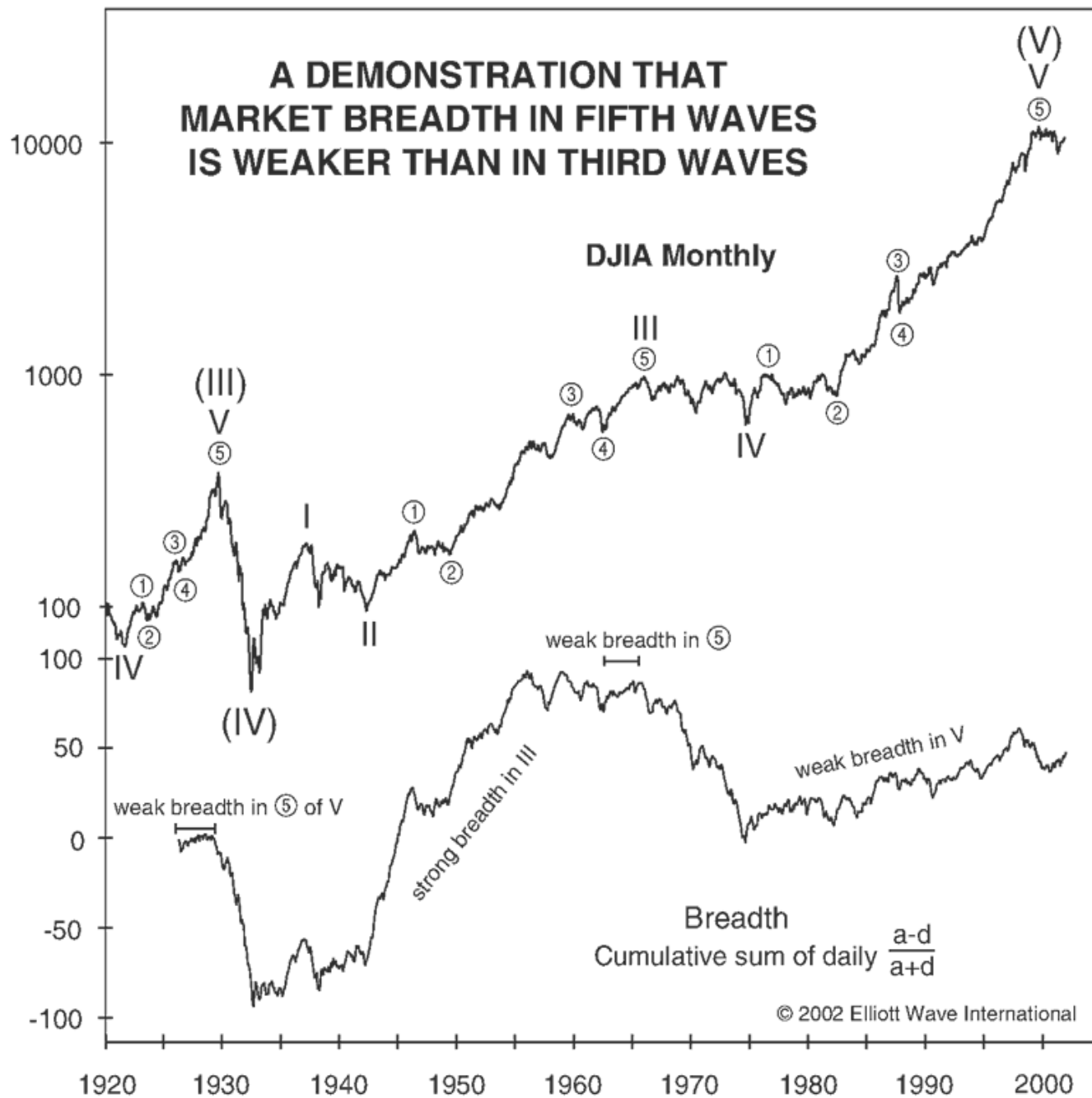


Figure C-3

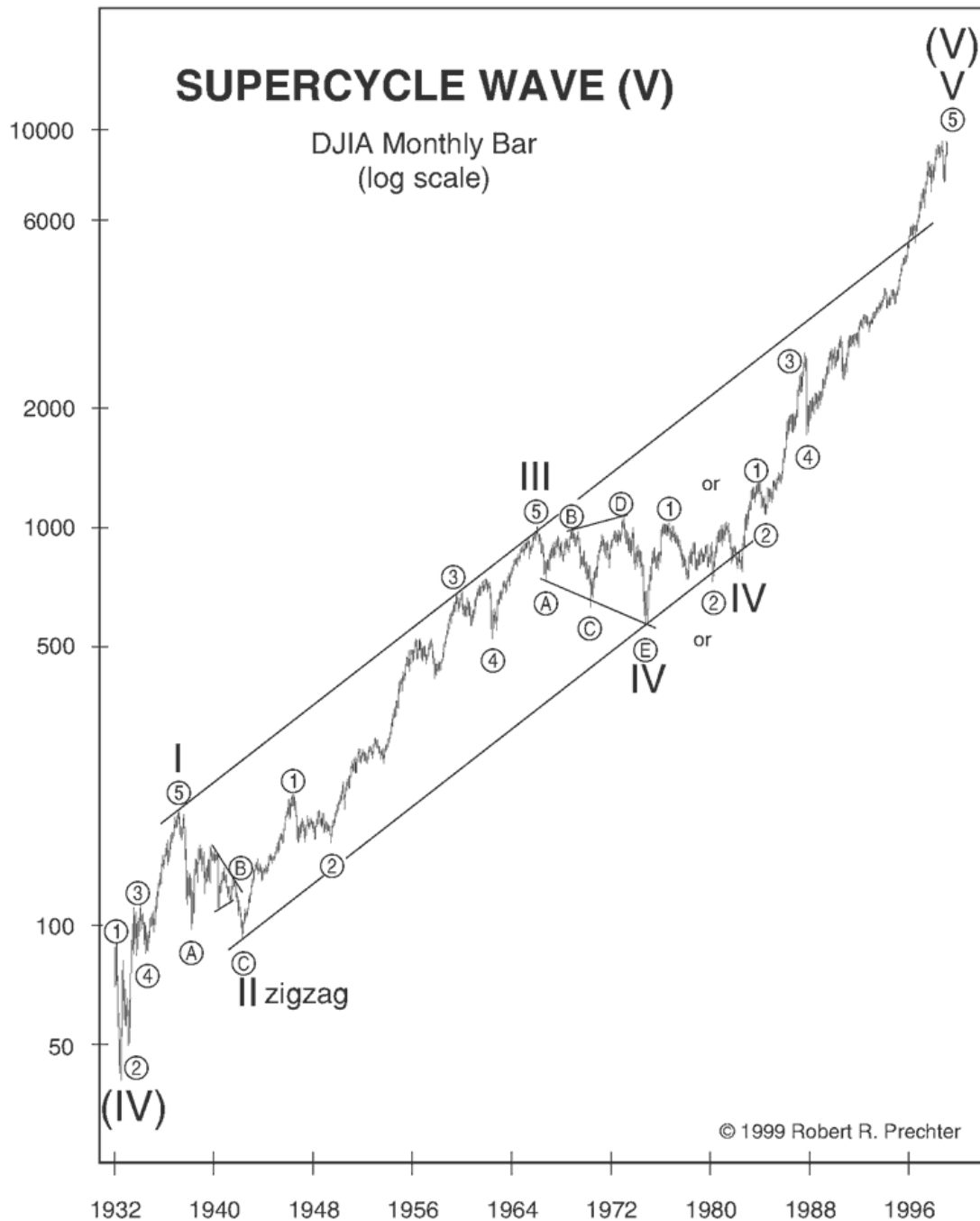


Figure C- 4

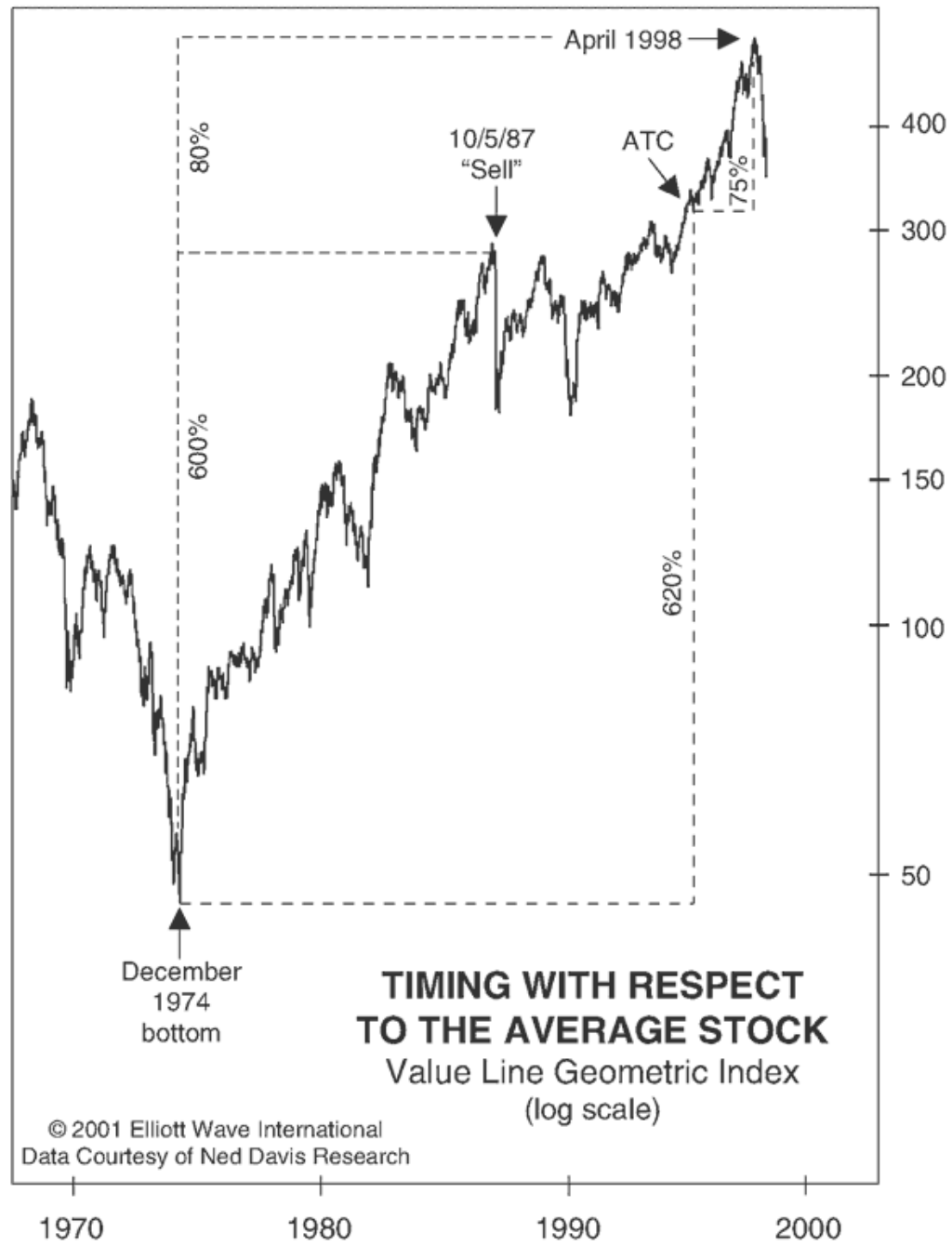
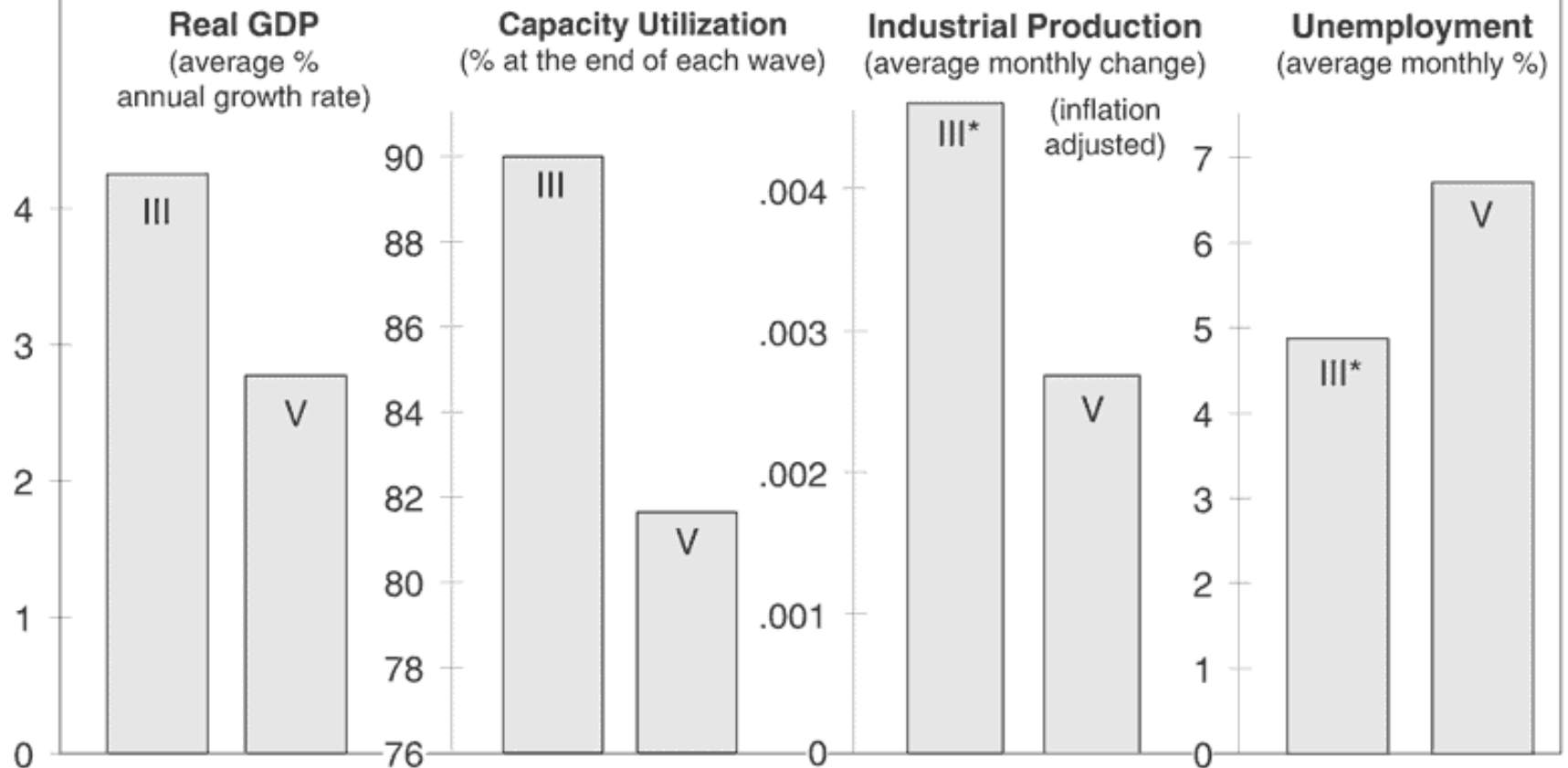


Figure C-5

KEY ECONOMIC MEASURES IN WAVE III vs. WAVE V

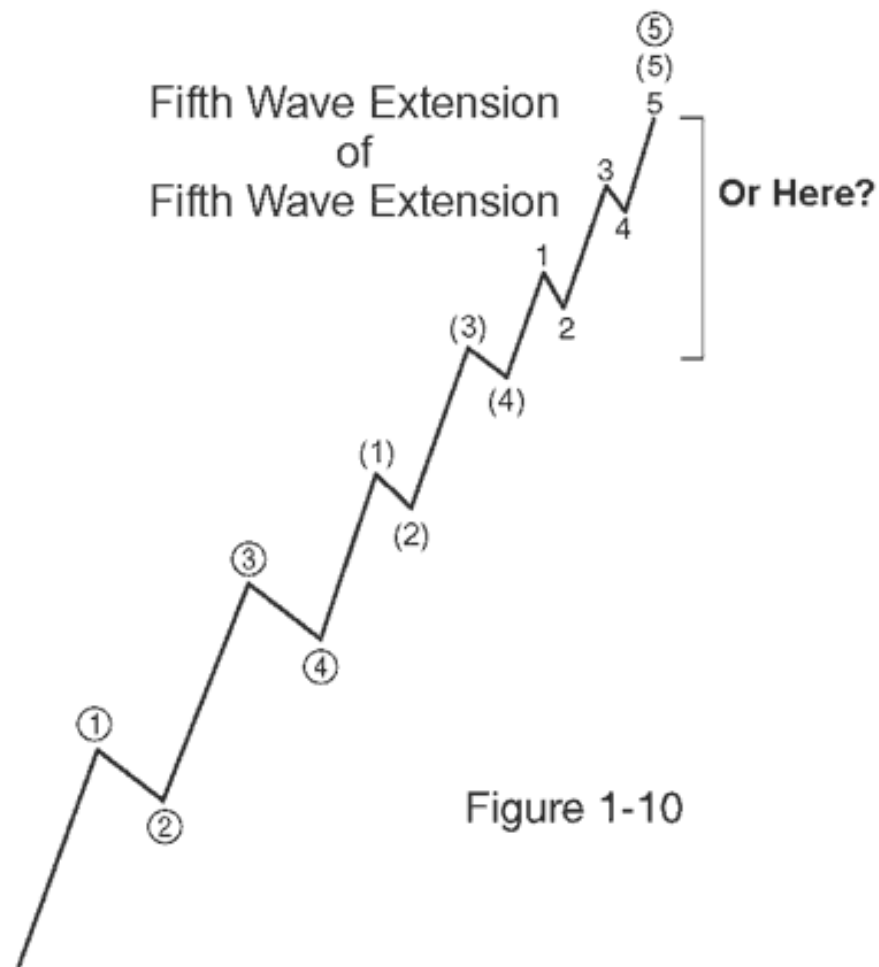
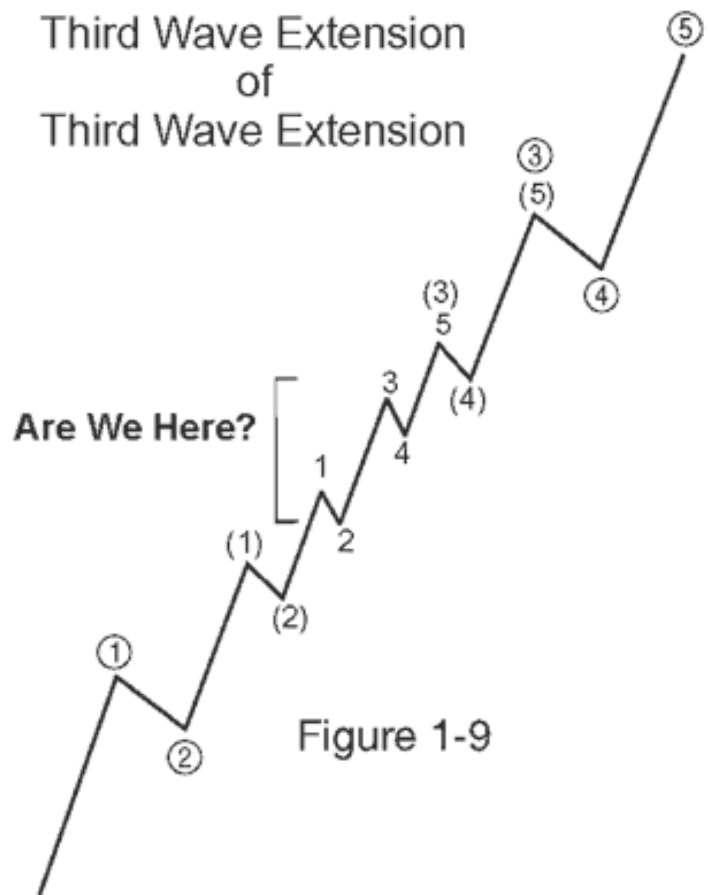


*As of Jan. 1946, first available date

© 1999 Robert R. Prechter

Figure C- 6

The Elliott Wave Theorist — 1997



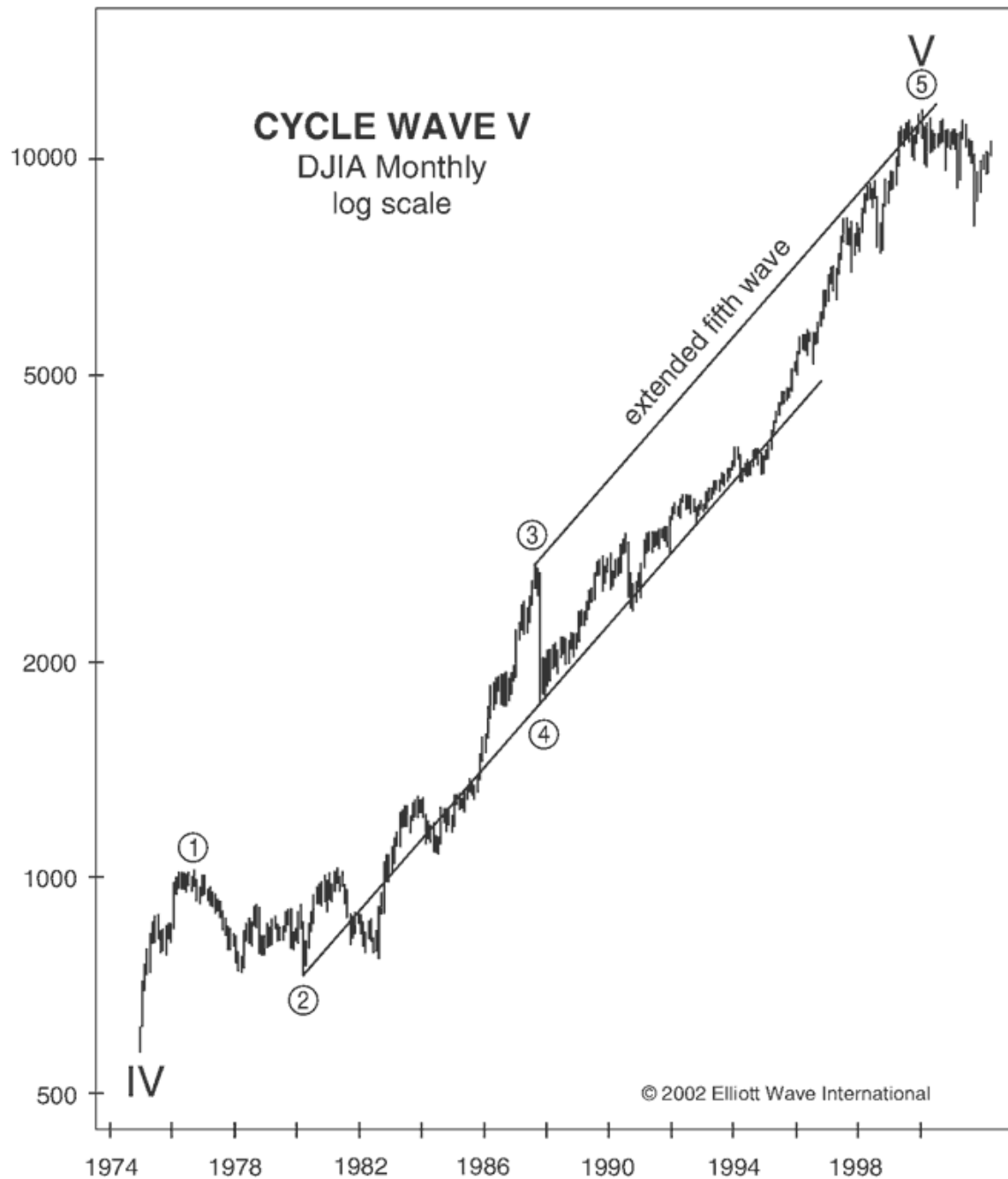


Figure C- 8

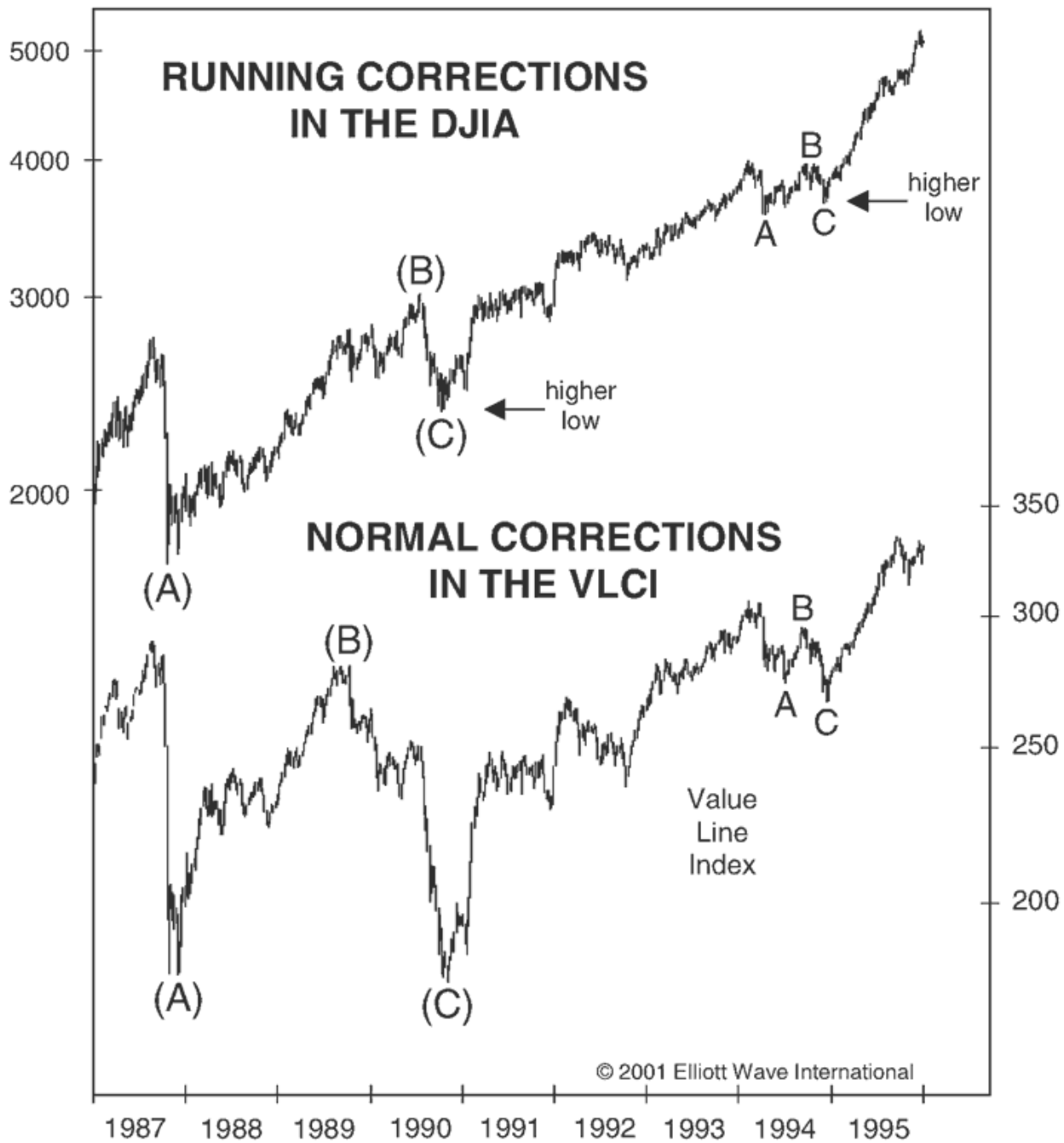


Figure C-9

The Elliott Wave Financial Forecast — September 1, 2000

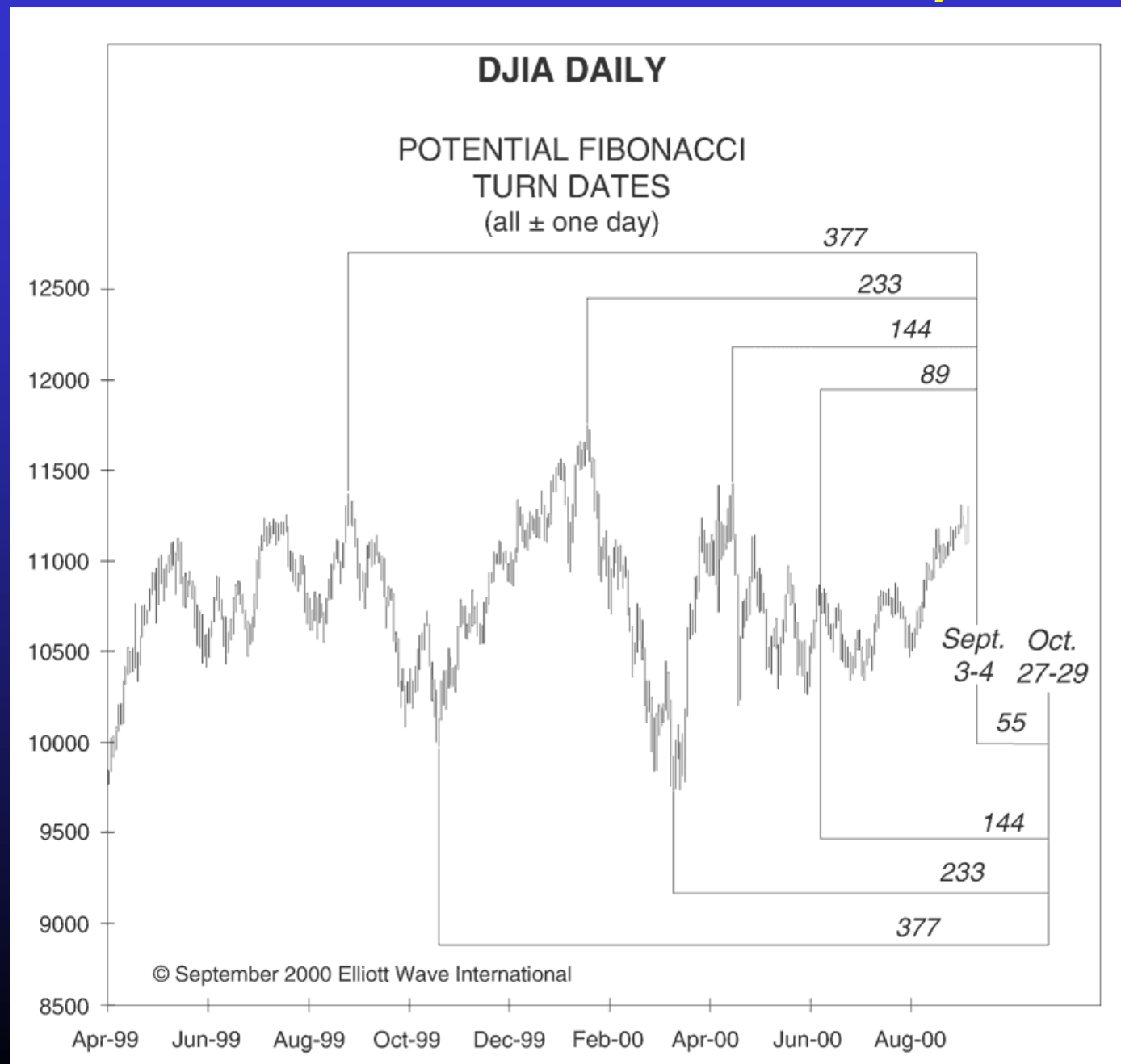


Figure C- 10

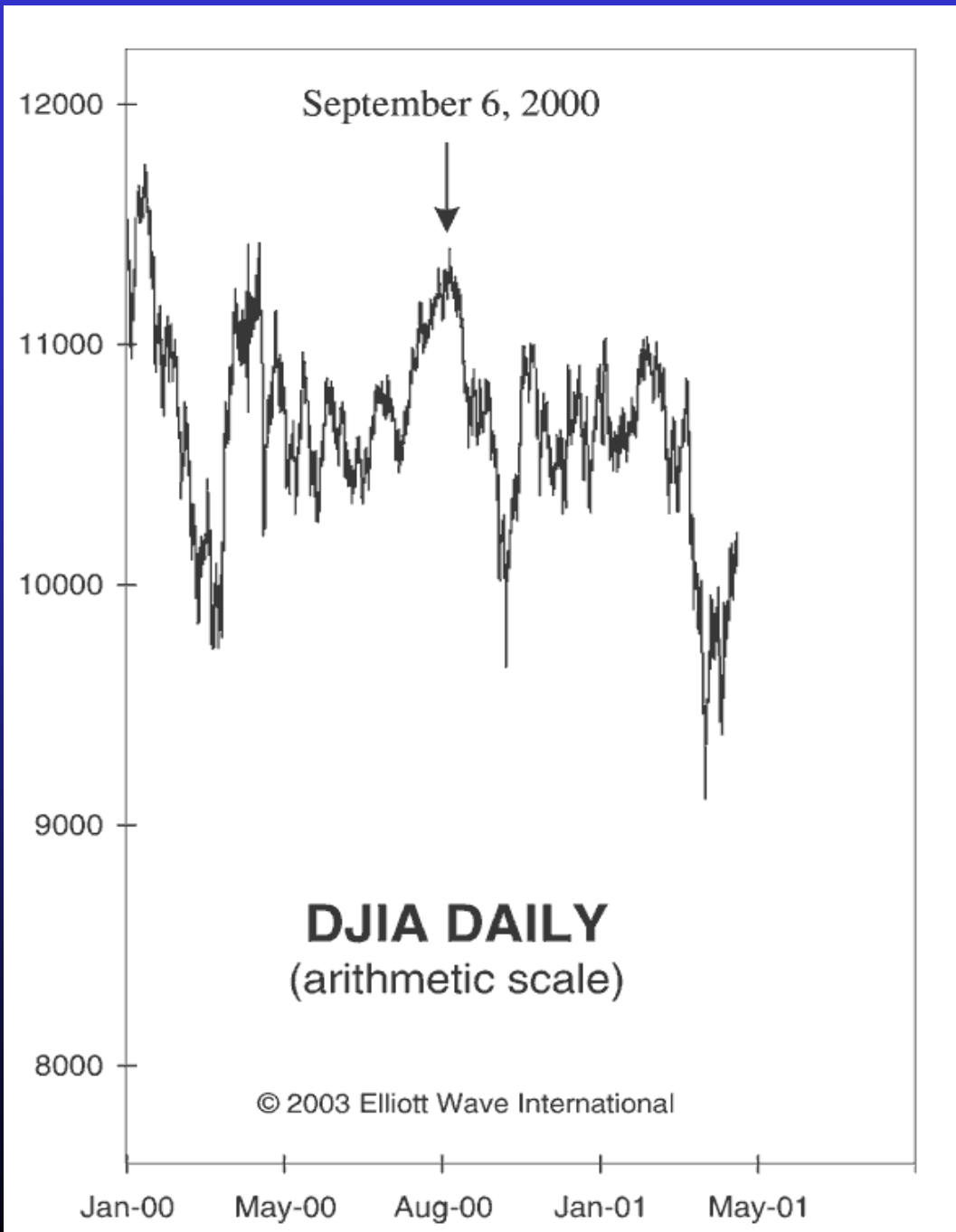


Figure C- 11

January 3, 2003

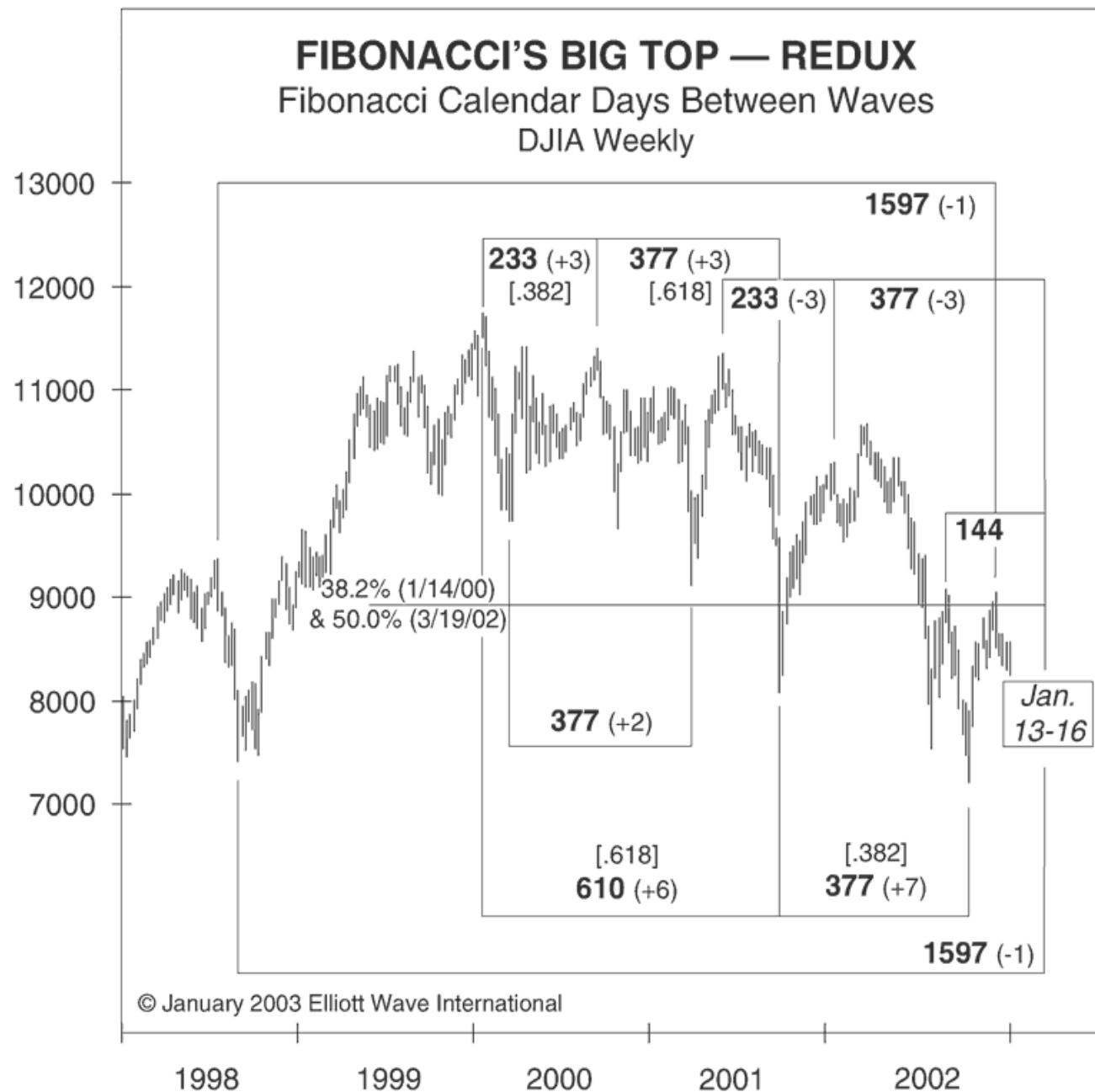


Figure C- 12

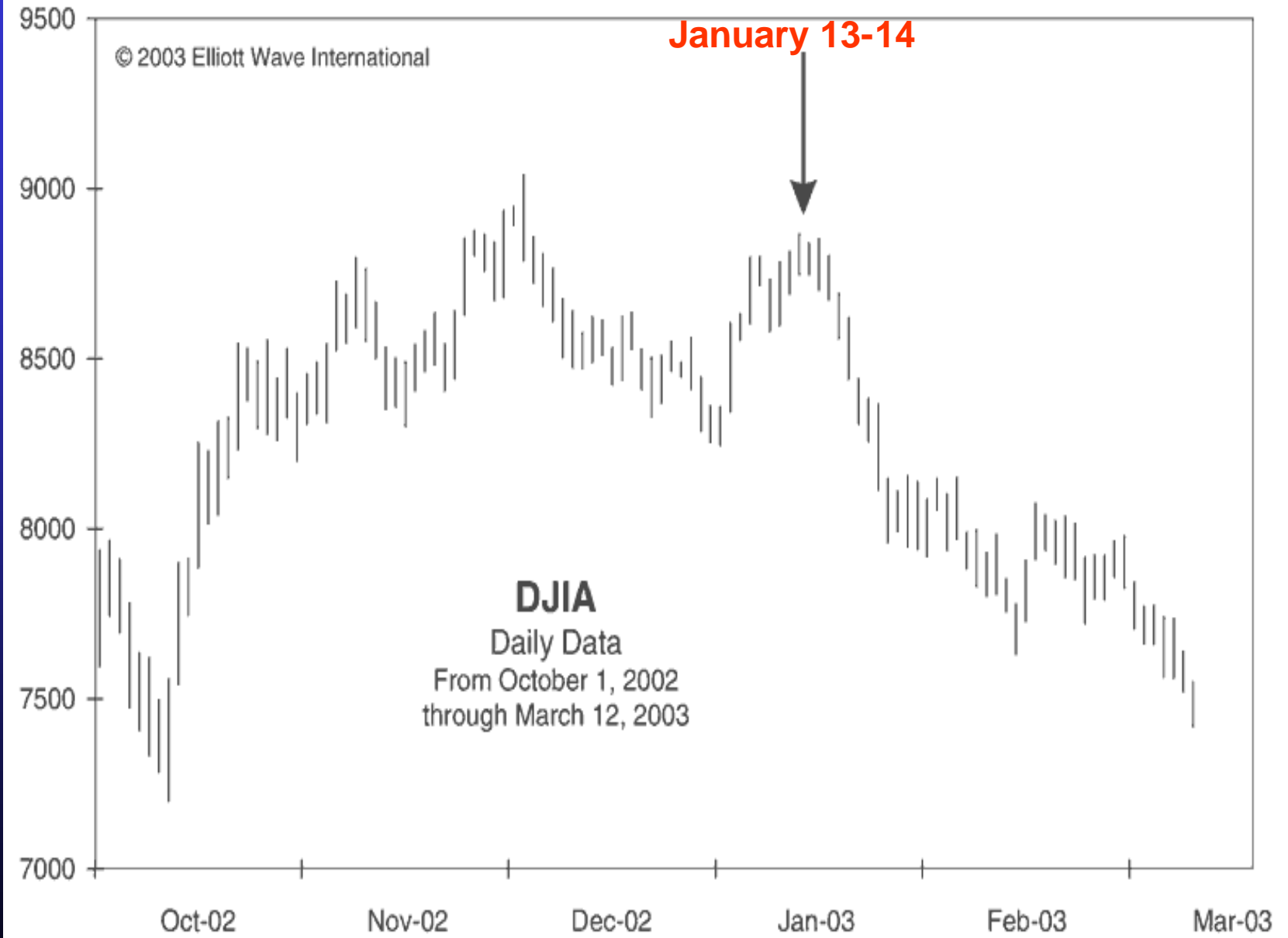


Figure C- 13

Using Psychology as an Indicator

10 day CBOE P/C Ratio vs. DJIA

© Prechter September 1985

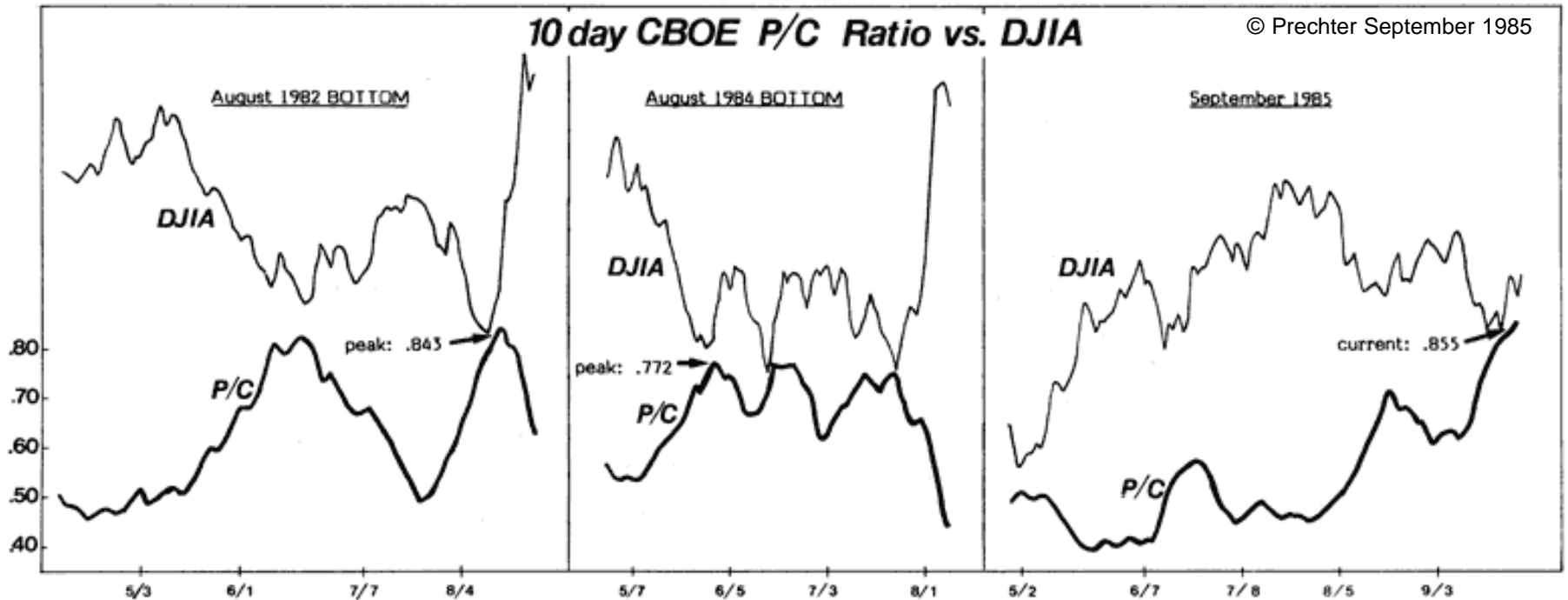


Figure D- 1

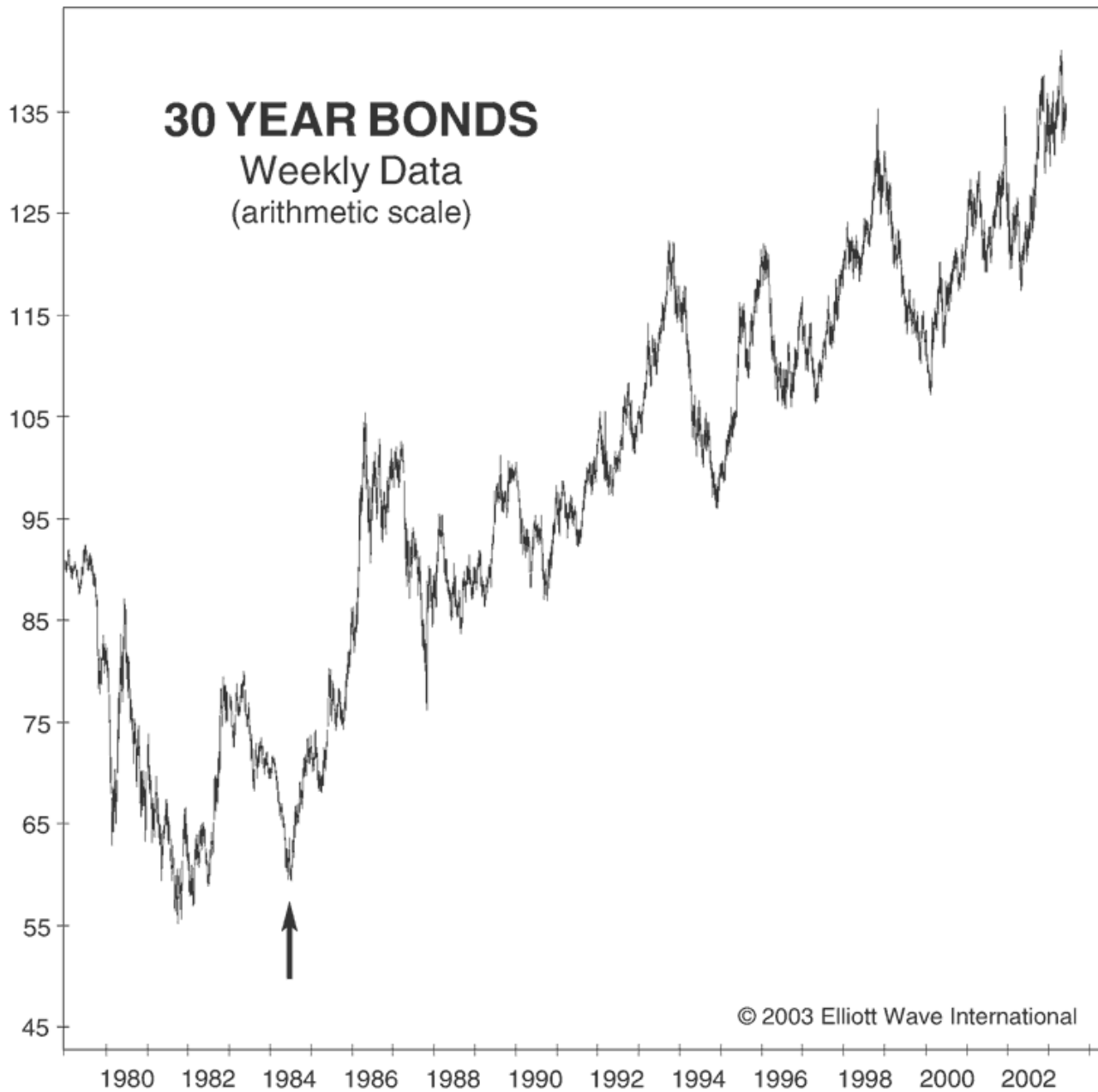


Figure D- 2

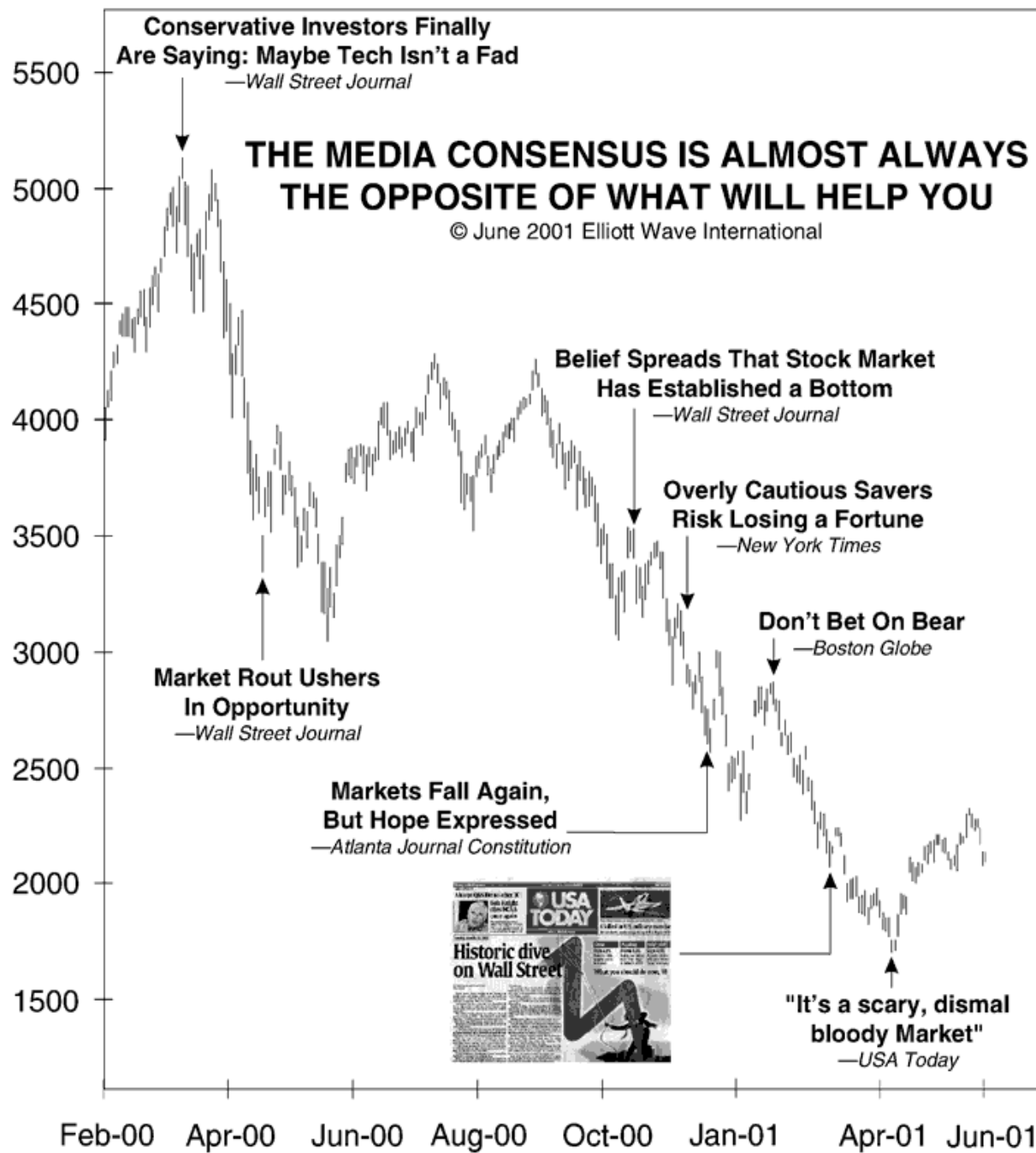


Figure D-3

December 1999

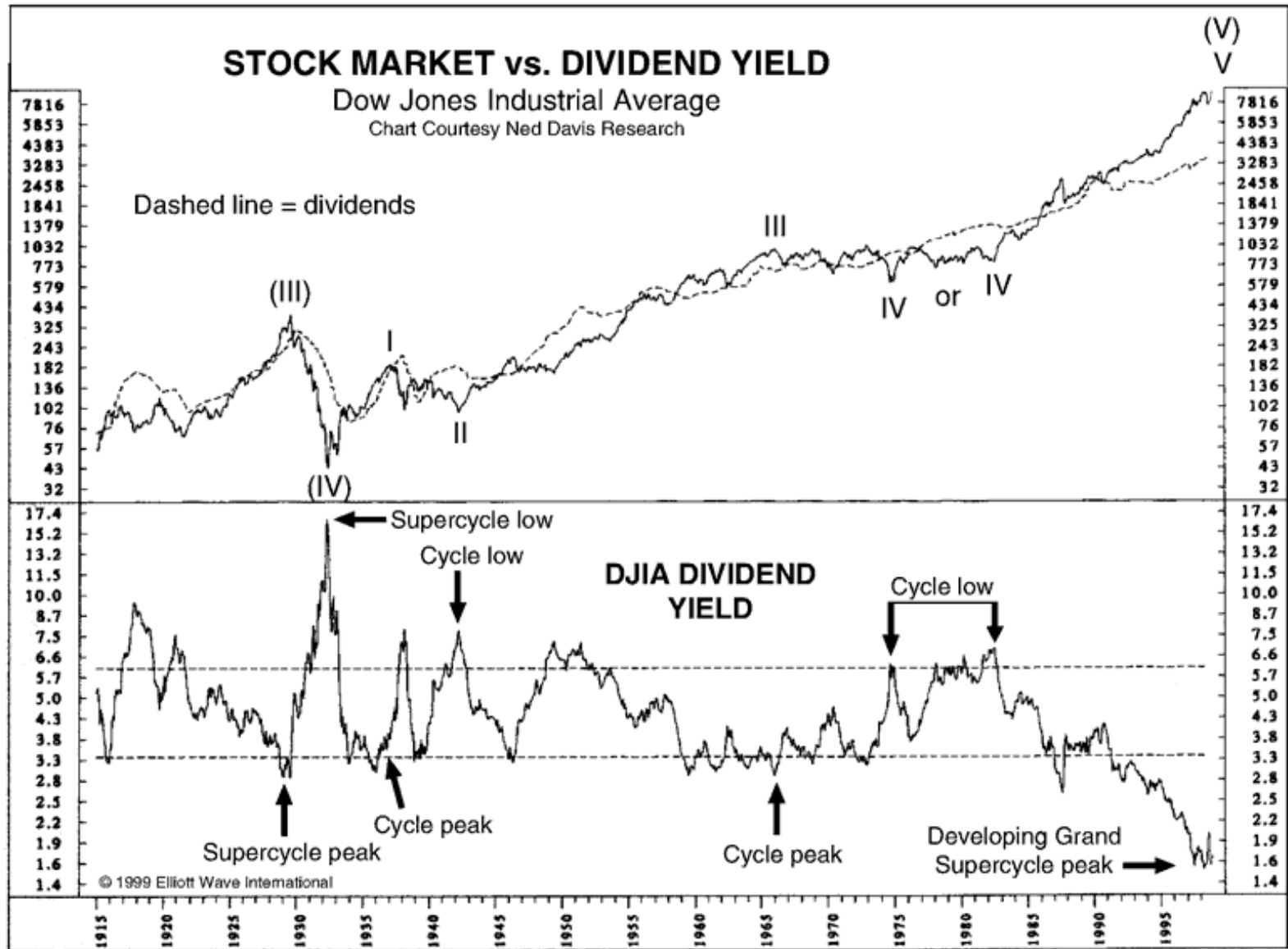


Figure D- 4

YEAR-END STOCK MARKET VALUATION

1927-1990

(round bullets show intra-year extremes)

© 2002 Elliott Wave International

AAA Corp. Bond Yield/S&P 500 Dividend Yield

S&P 400 Price/Book Value

Data Courtesy Paul Montgomery

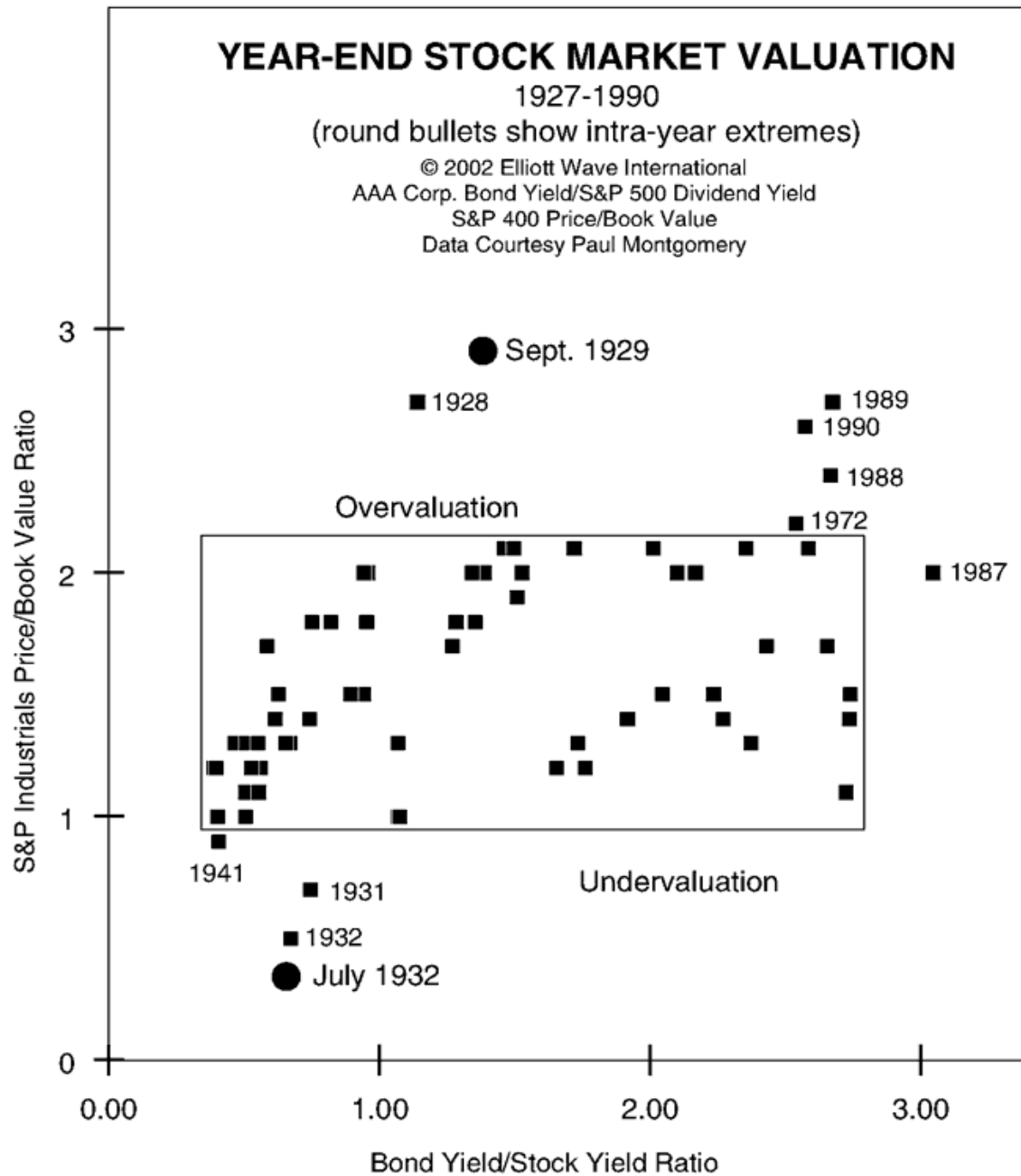


Figure D-5

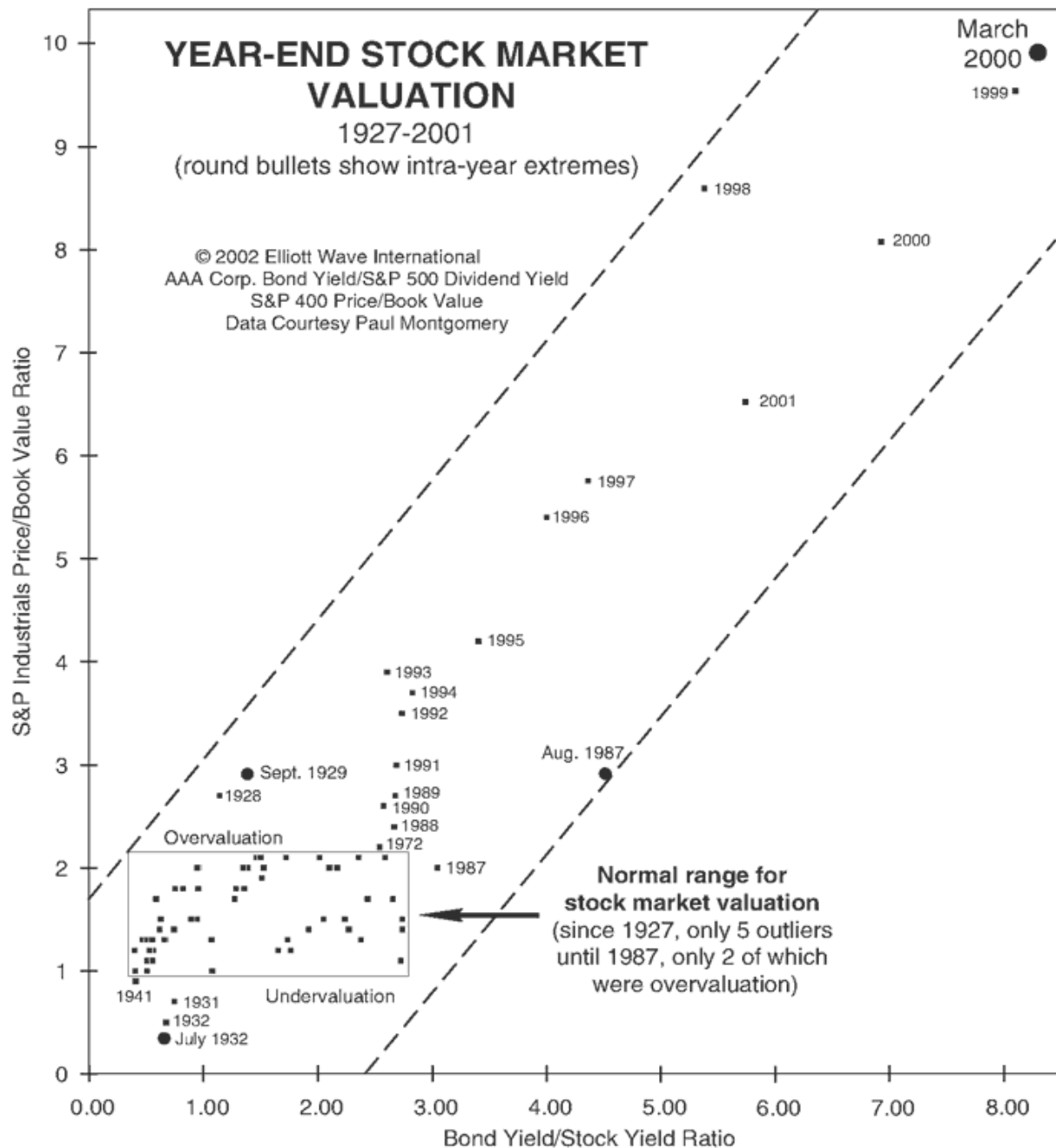


Figure D- 6

March 2002

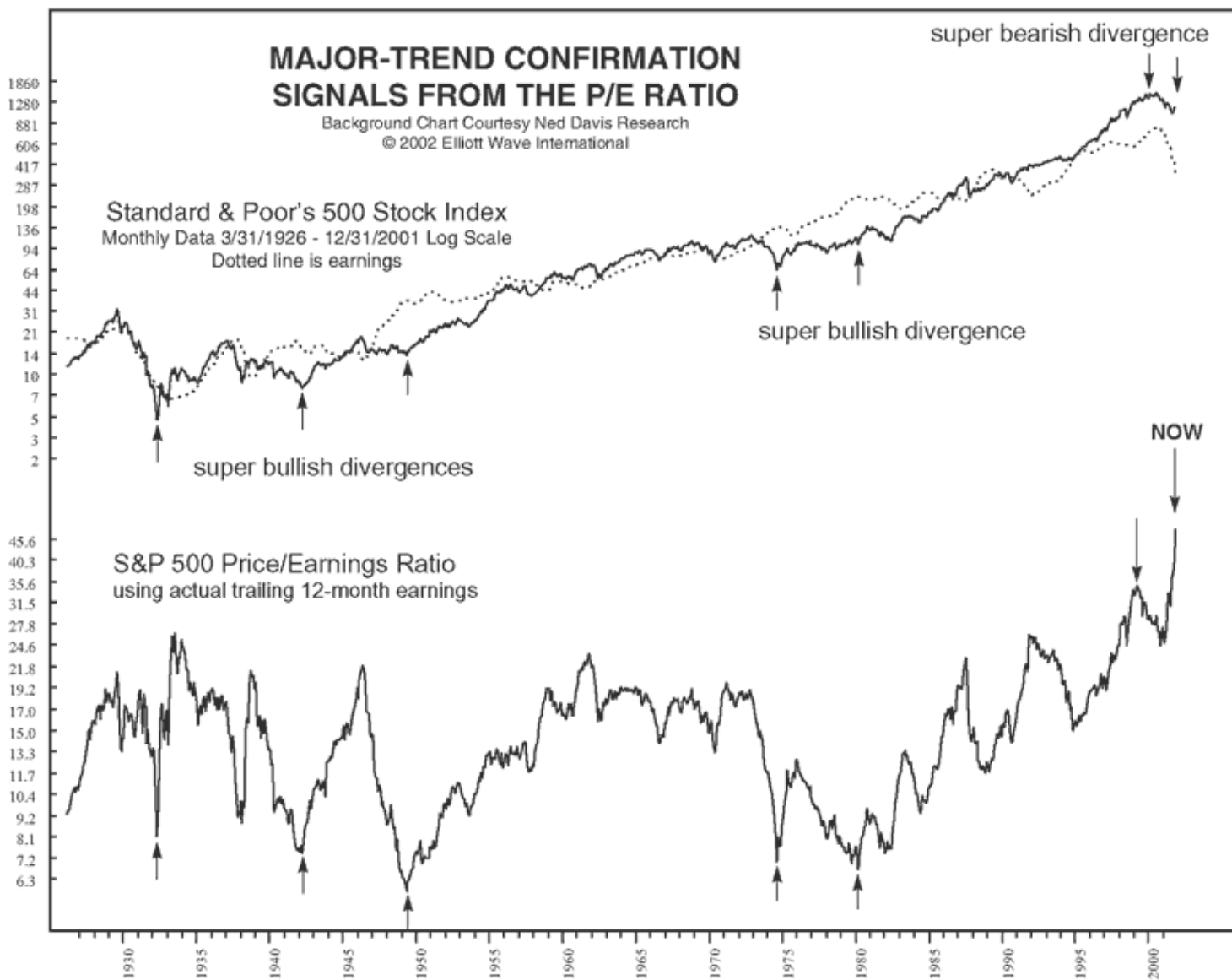


Figure D-7

March 2002

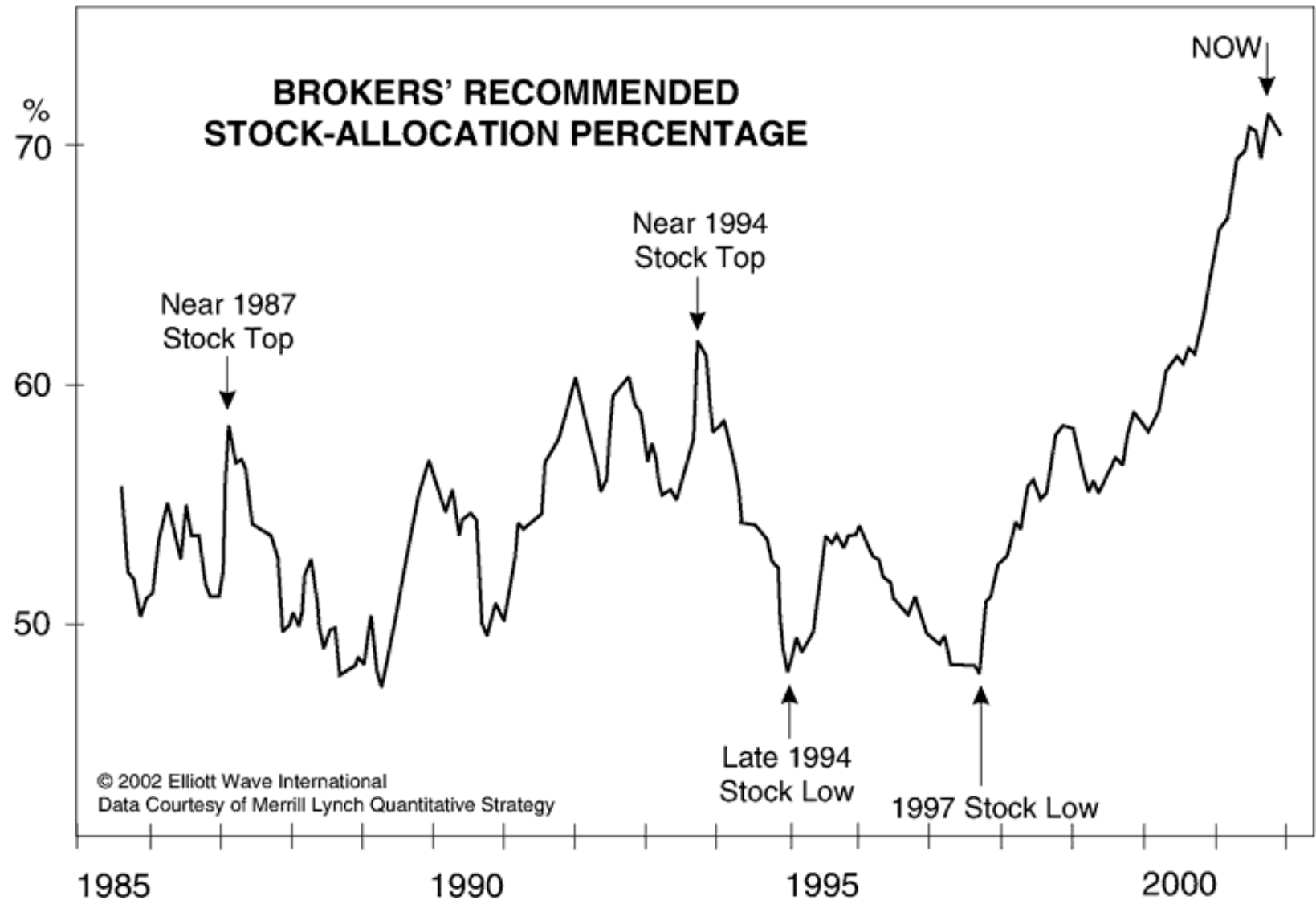


Figure D- 8

"It's clear that we've started the next leg-up."

Economists Declare Recovery

—USA Today
The upbeat trend had economists upwardly revising their quarterly growth forecasts and fund managers enthusiastically reinvesting in the equity markets.

"Everything that could be going right for the recovery is going right." Indeed, from manufacturing and consumer spending to construction, almost every report for January and February has beaten expectations. Not only, in the words of one Federal Reserve insider, could the first half "be gangbusters," the momentum may well be sustainable.
—BusinessWeek, March 18, 2002

What Recession?

—Christian Science Monitor, Mar 12, 2002

Officials Question if Recession Was Real

—Reuters, March 4, 2002

Rallying Cry from the US

The US Economy Is Greeting the Arrival of Spring With a Host Of Golden Indicators
—Financial Times, Mar 9, 2002

Recent data shows that the economy is not only on the mend, but that expectations are also rising for a more robust recovery than previously thought.

Mood on Wall St. Is 'Euphoria'

Business Outlook
GET READY FOR REBOUNDING PROFITS
—Business Week, March 25, 2002

Traders say new buyers are stepping into the market because/no one wants to miss the next leg-up in the rally.
—The Record, Mar 5, 2002

FOR MANY, RECESSION PROVED BARELY VISIBLE

—Boston Globe, Mar 11, 2002
With evidence now overwhelming that the recession has ended, some economists argue the decline in output was so mild it didn't qualify as a recession at all.

—The Wall Street Journal, March 11, 2002



Growing signs of a recovery
How to cash in

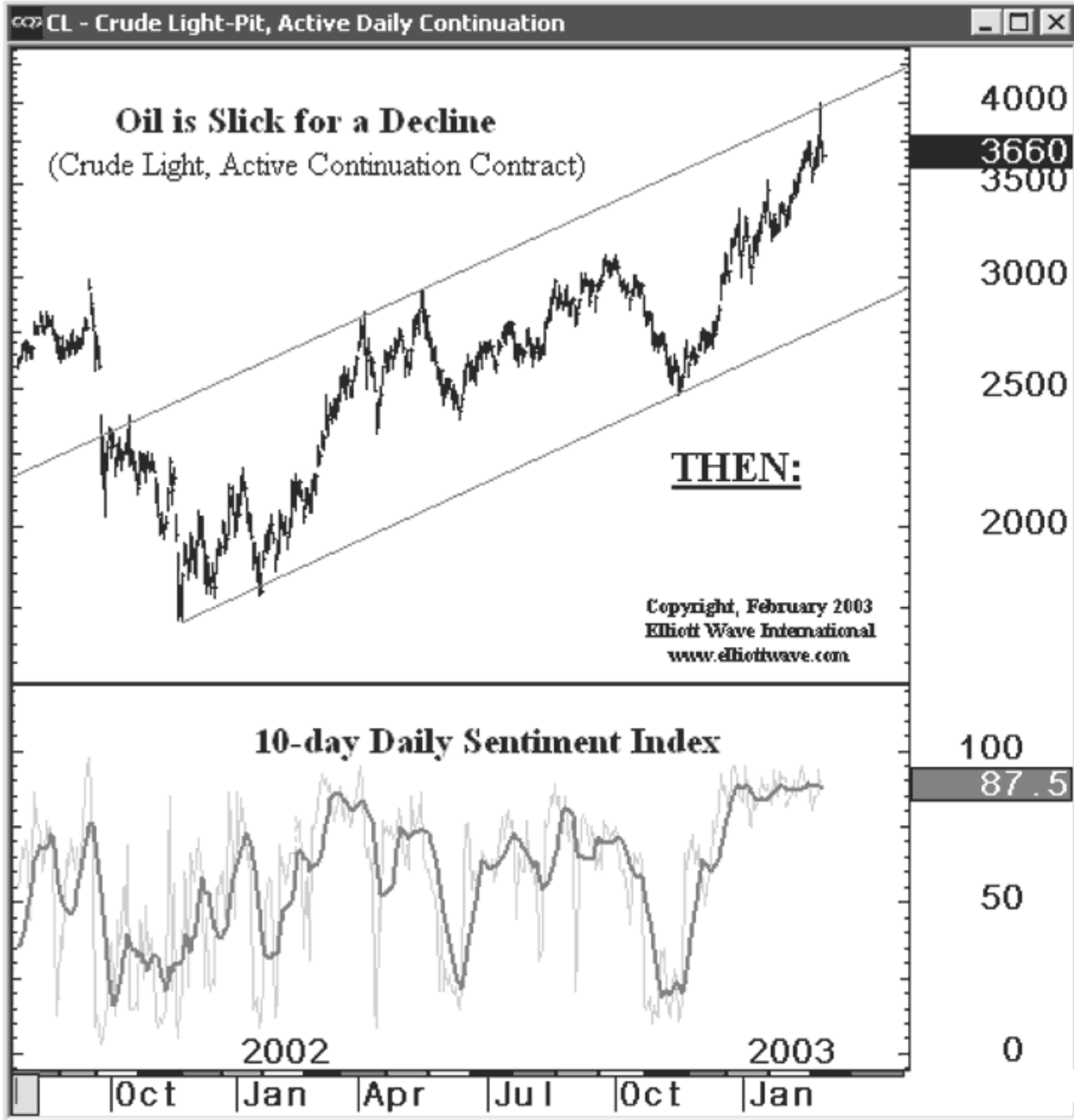


Figure D- 10

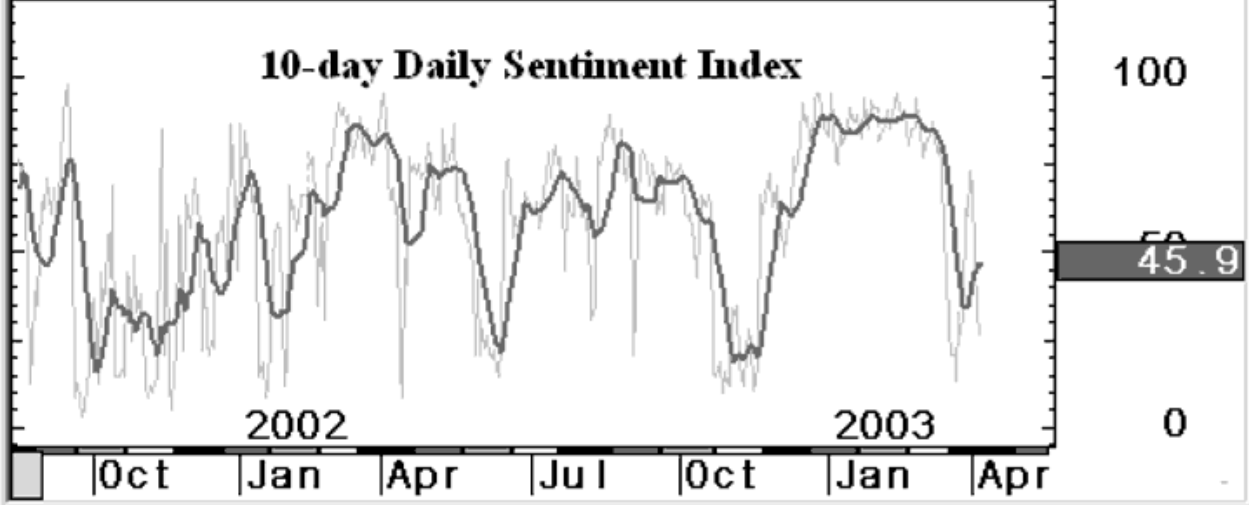


Figure D- 11

GOD AND POLITICS • WILL THE GOOD TIMES LAST?

Newsweek

February 7, 2000

\$3.50

INSIDE WRESTLING INC.

Why It's
#1 in Cable,
Videos, Toys
& Books

Should
Your Kids
Watch?

www.newsweek.com

WWF wrestling stars Chyna and The Rock

February 7, 2000

Figure D- 12

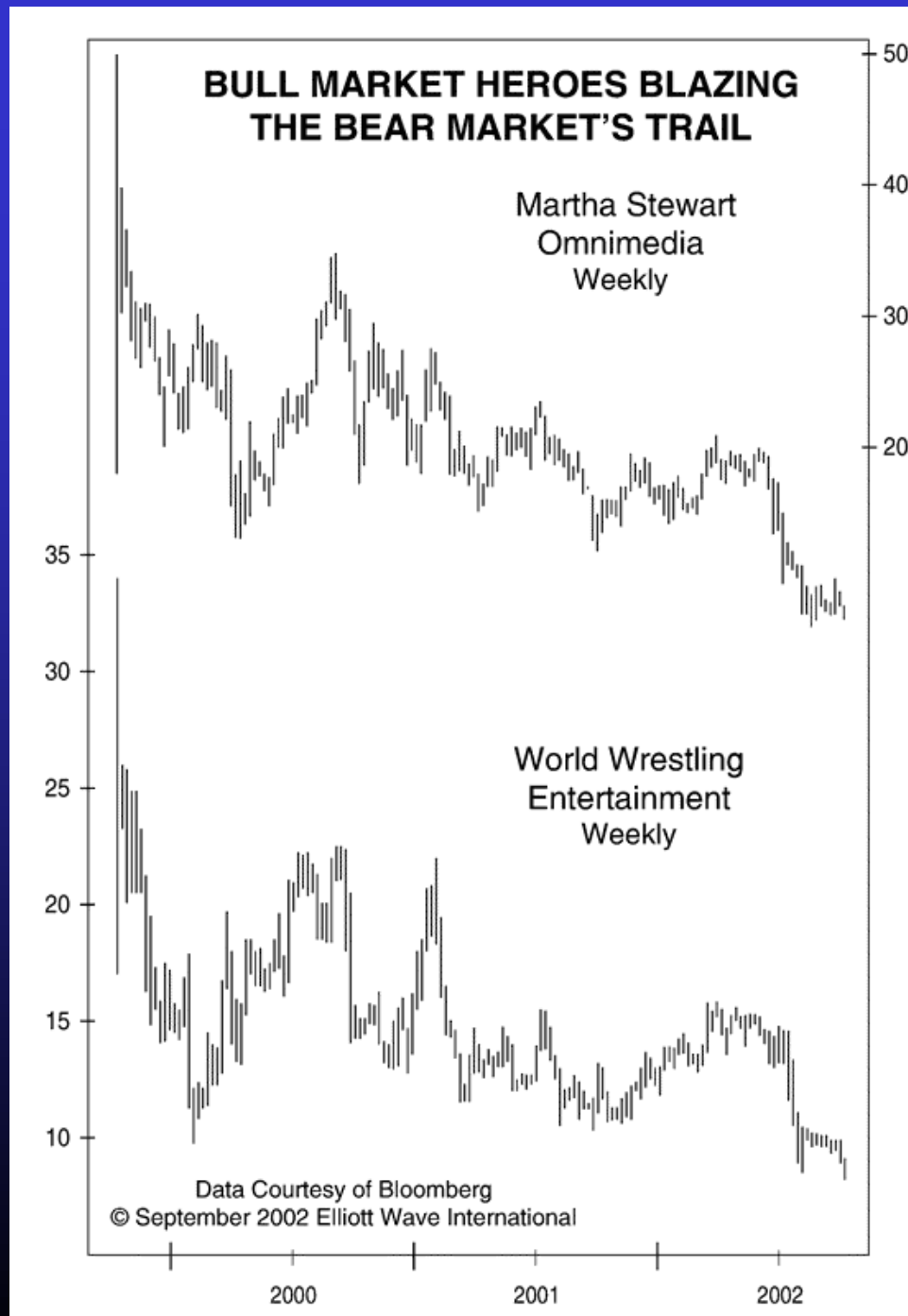


Figure D- 13

Two Case Histories

SUPERCYCLES in the DOW UTILITIES with Fibonacci Relationships

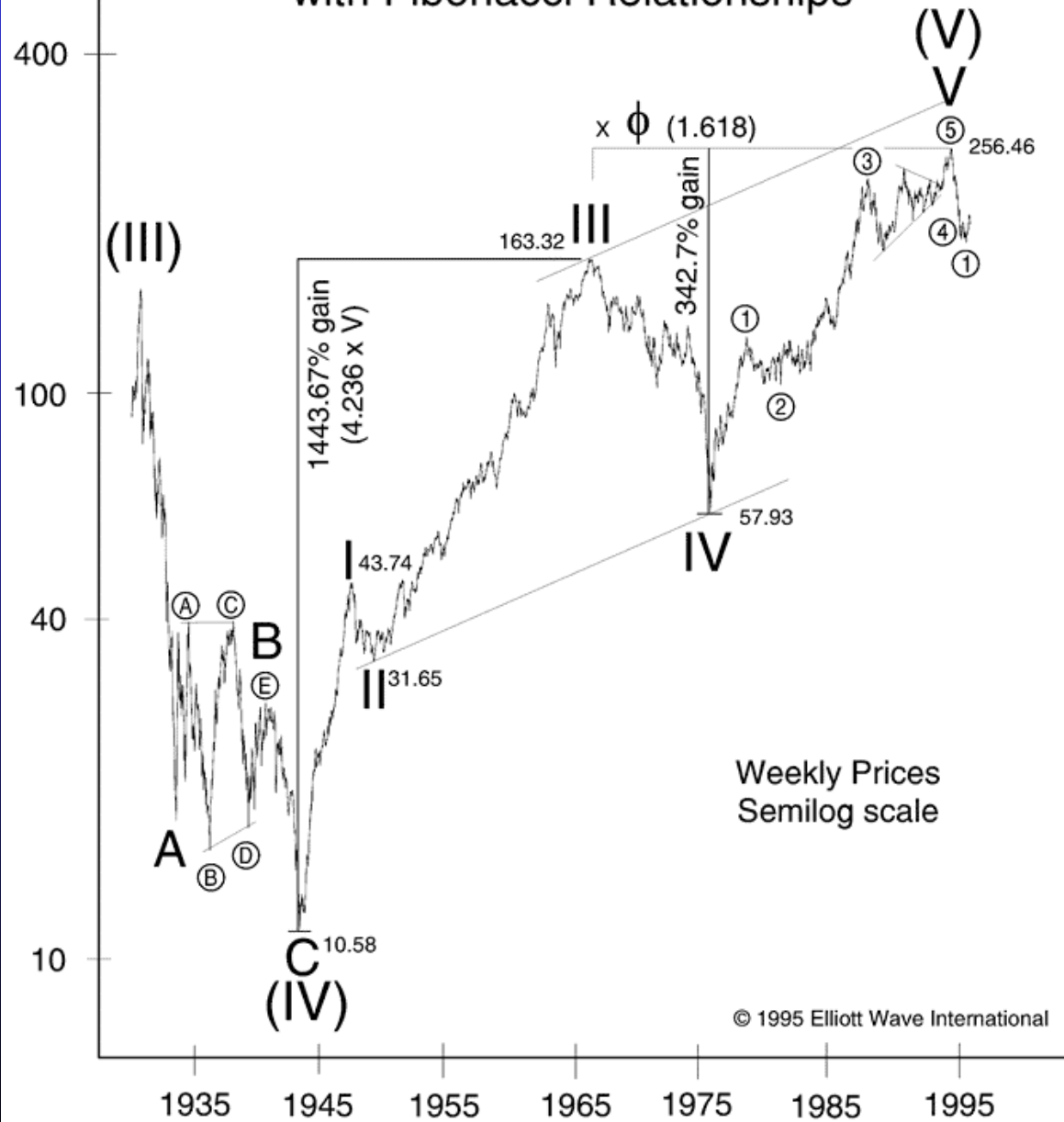


Figure E- 1

April 1999

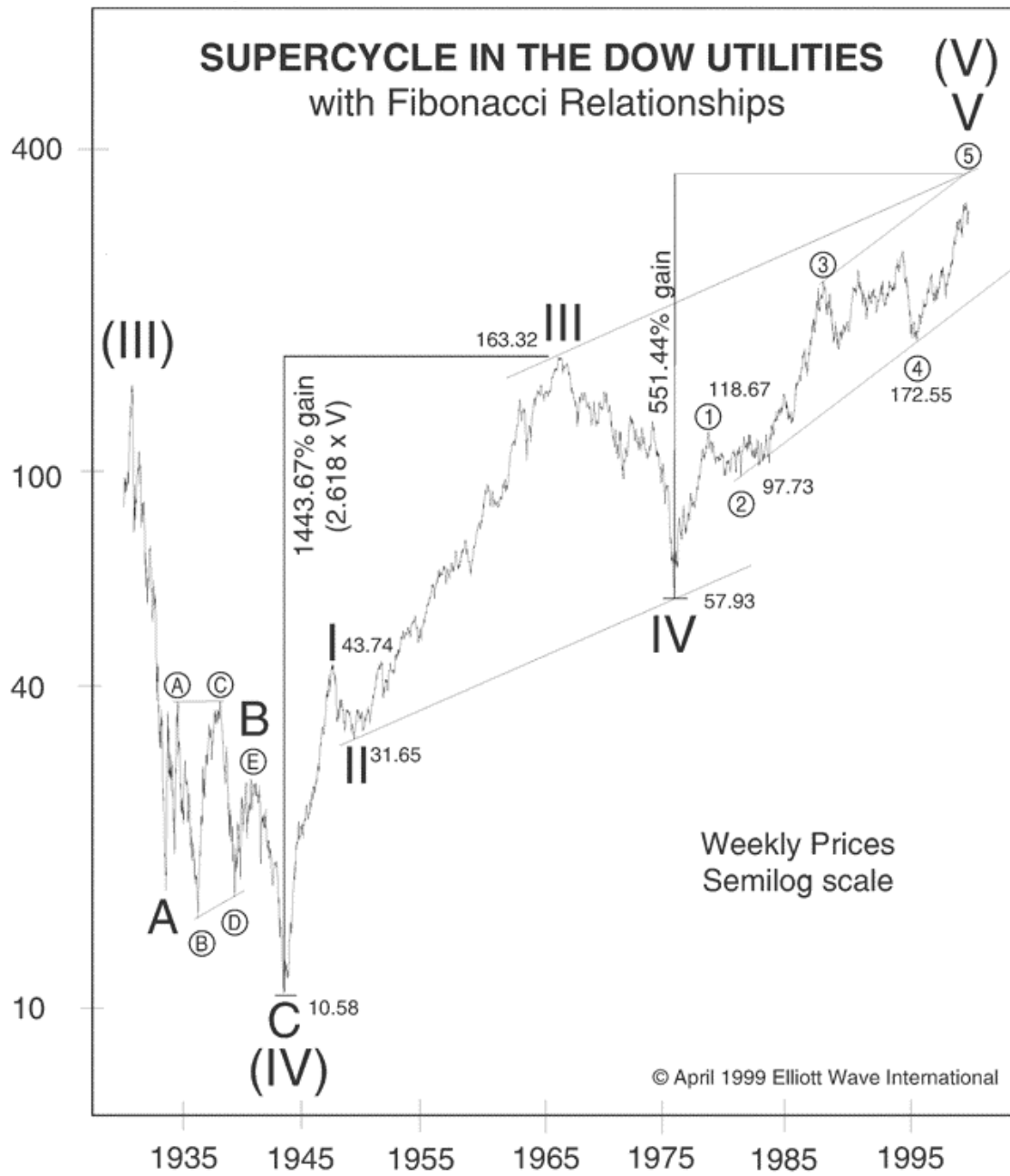


Figure E- 2

February 2000

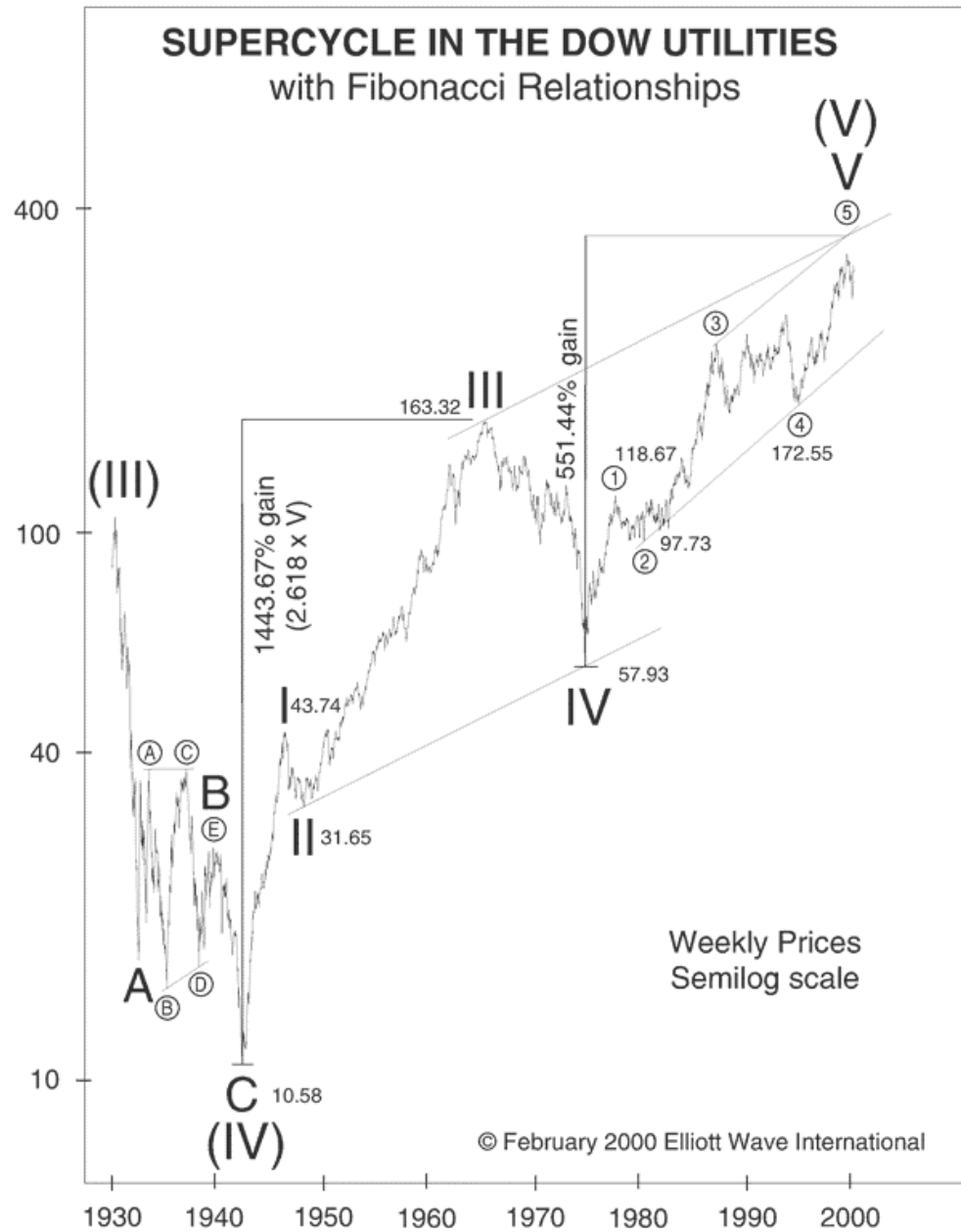


Figure E-3

February 2000

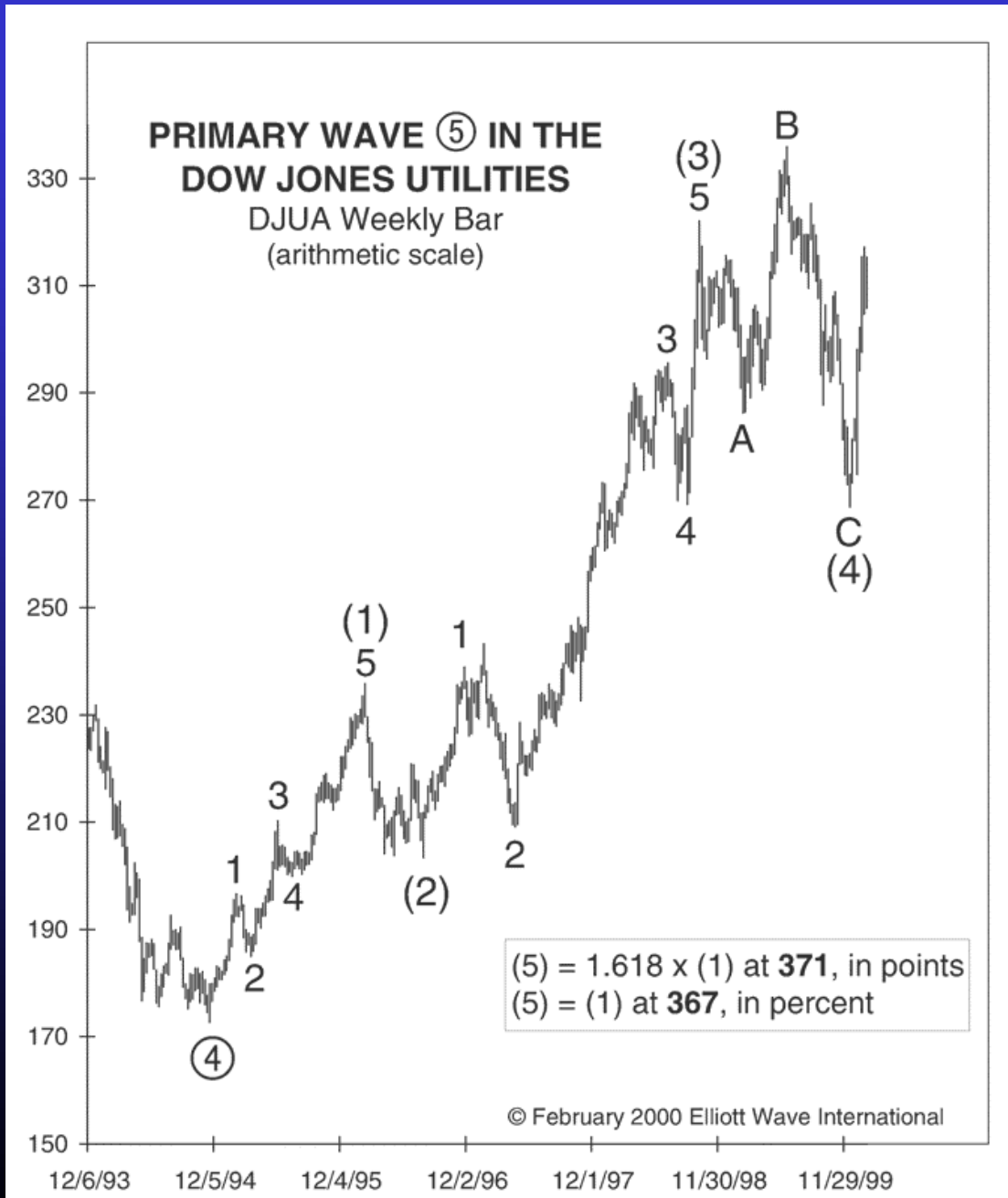


Figure E- 4

September 2000

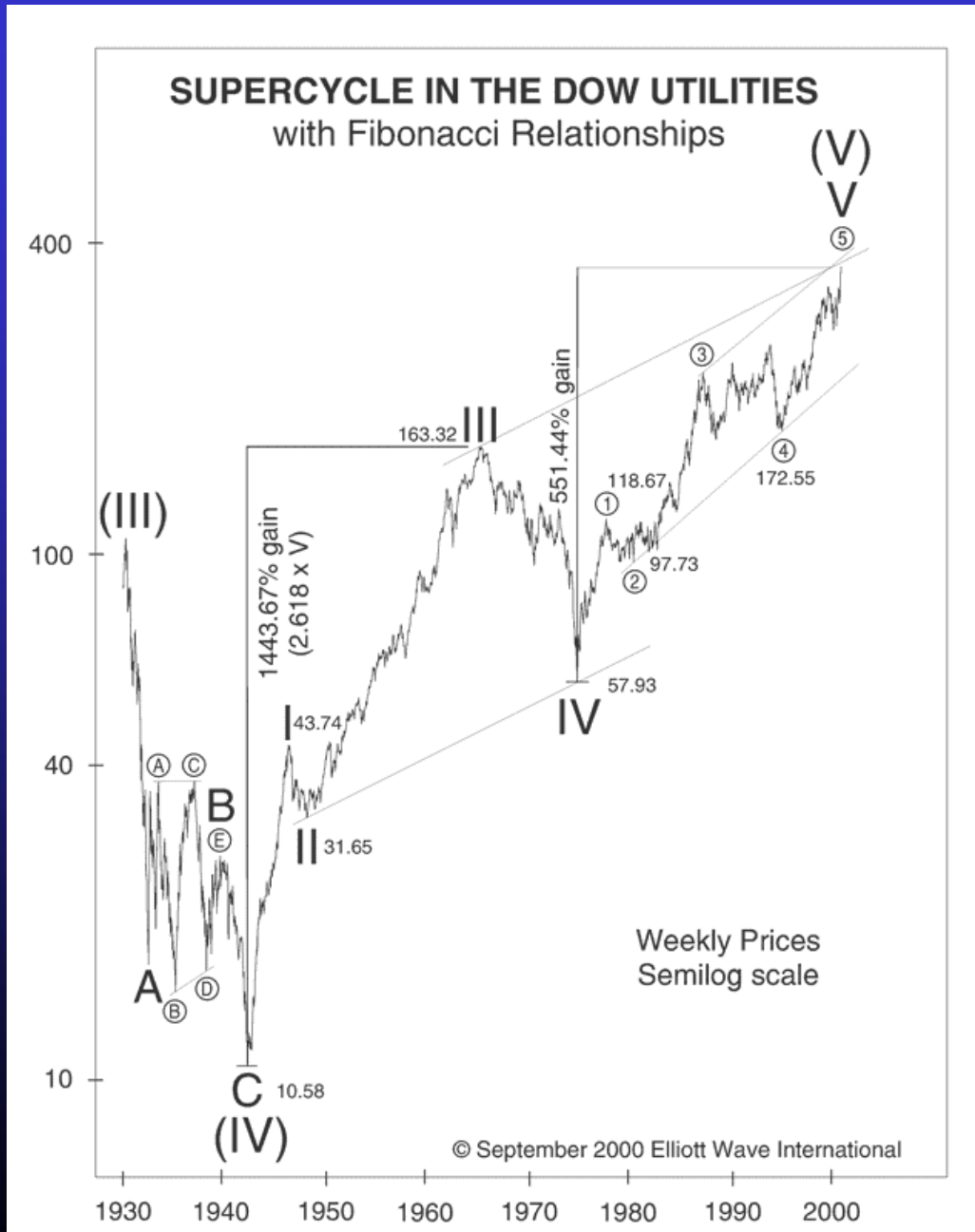


Figure E-5

January 2001

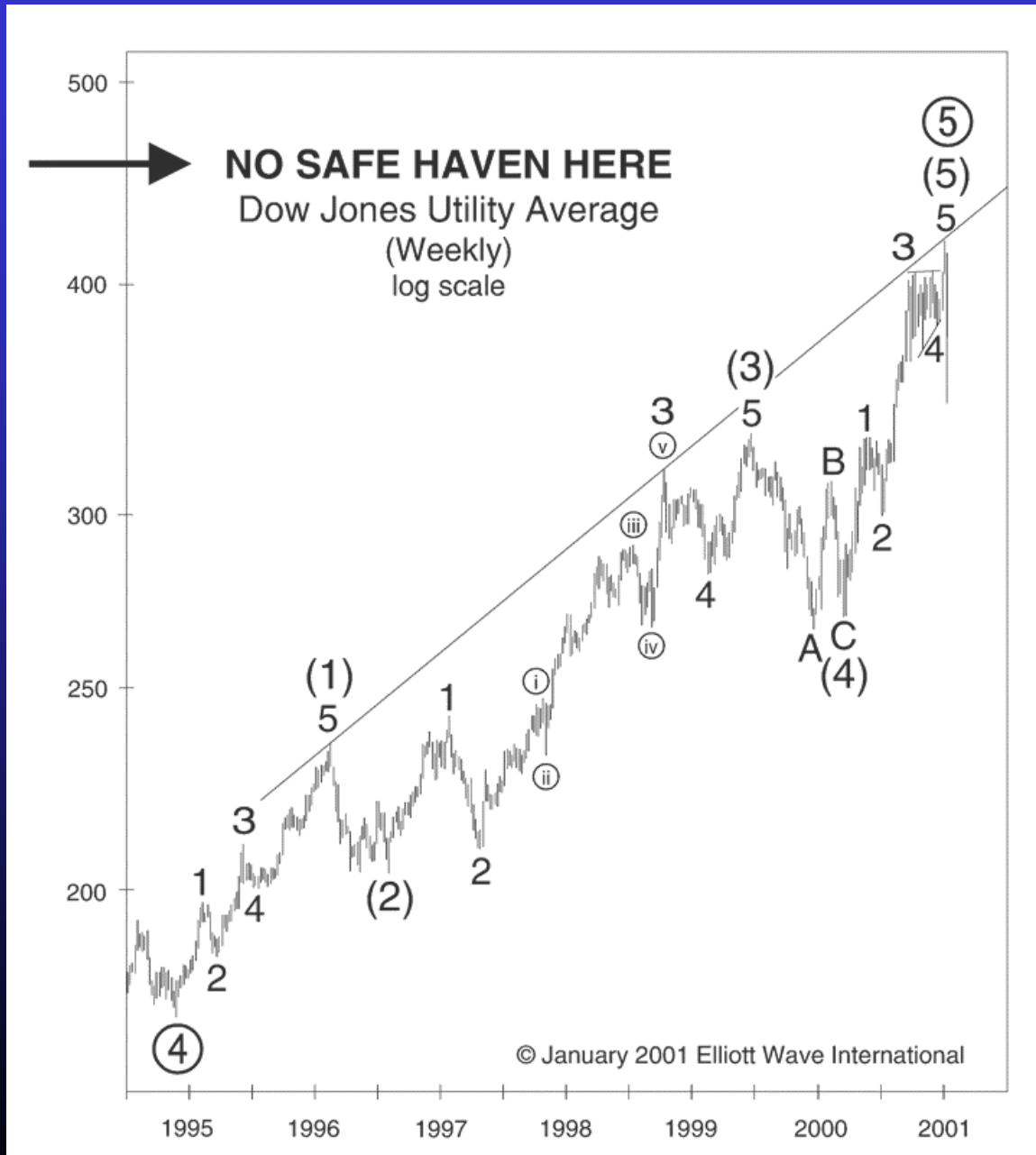


Figure E- 6

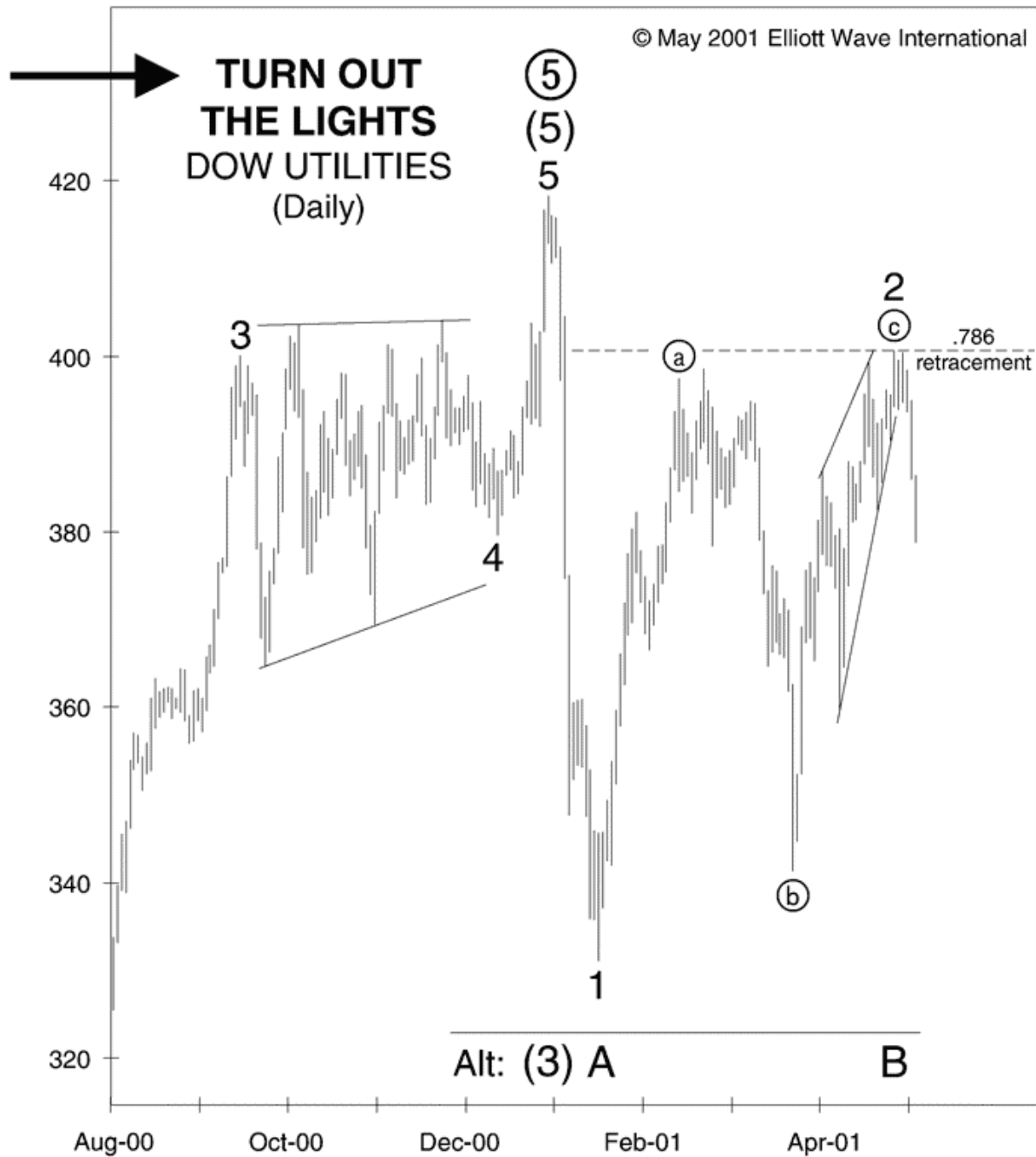


Figure E-7

January 2002

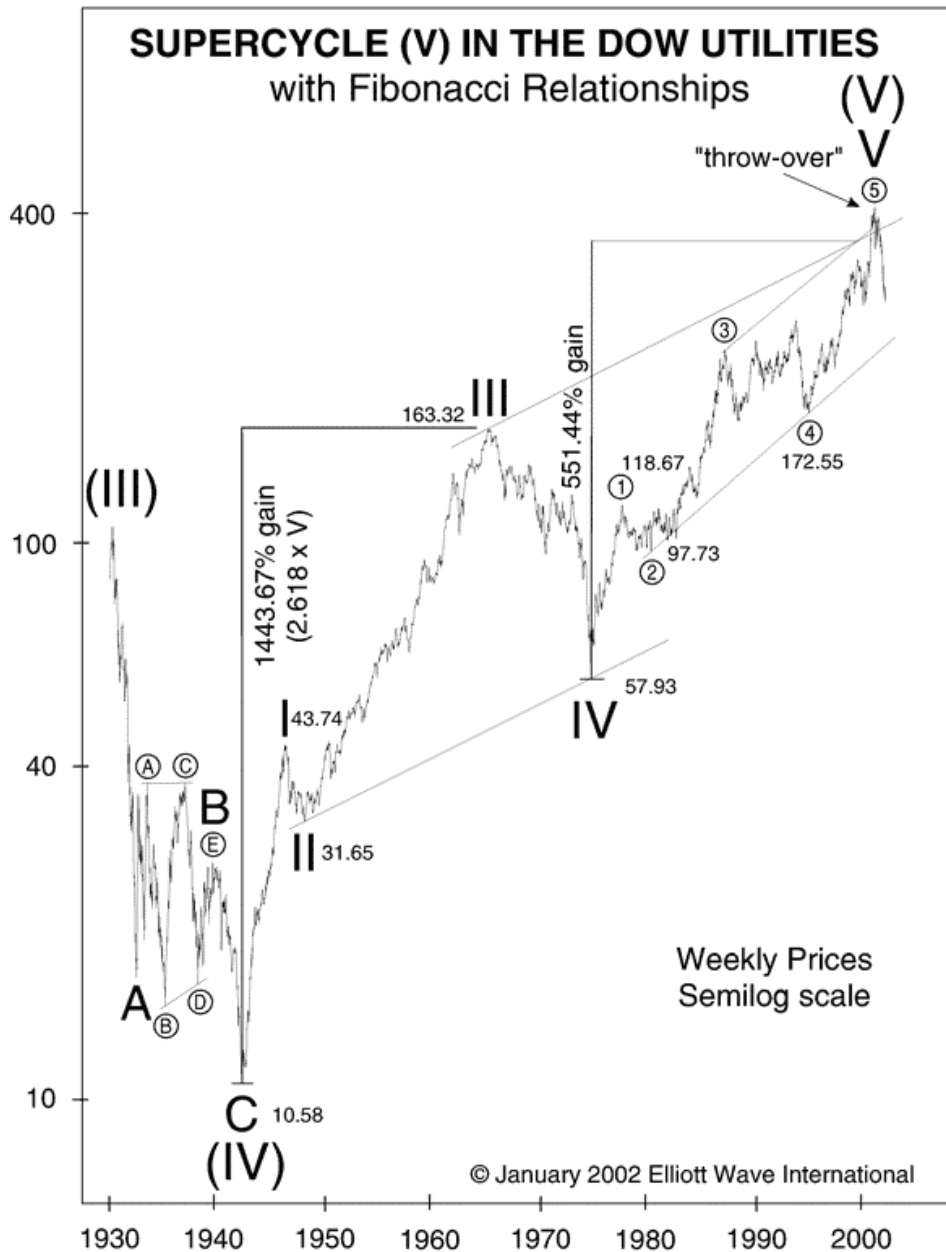


Figure E- 8

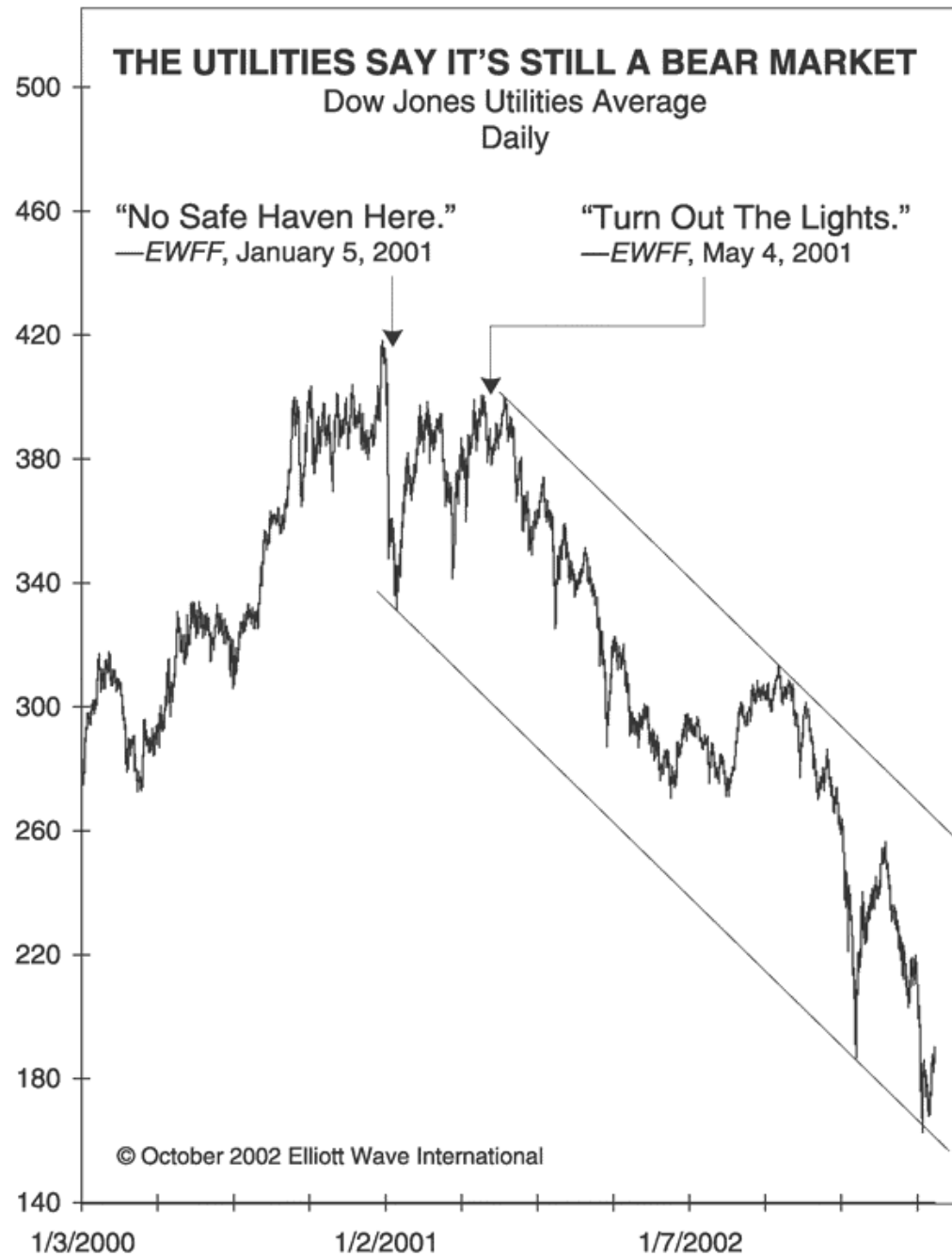


Figure E- 9

December 1979

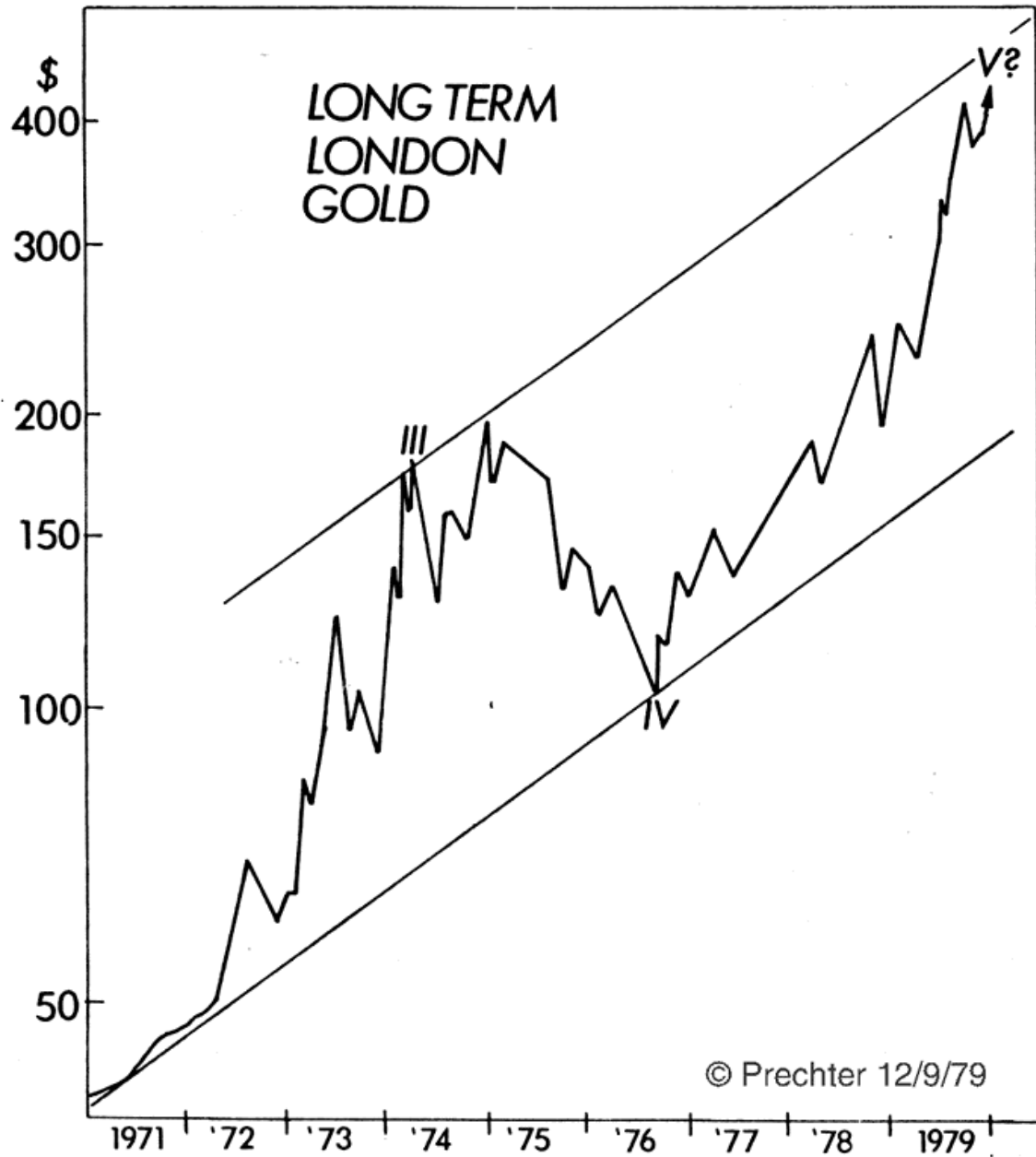


Figure E- 10

February 9, 1980

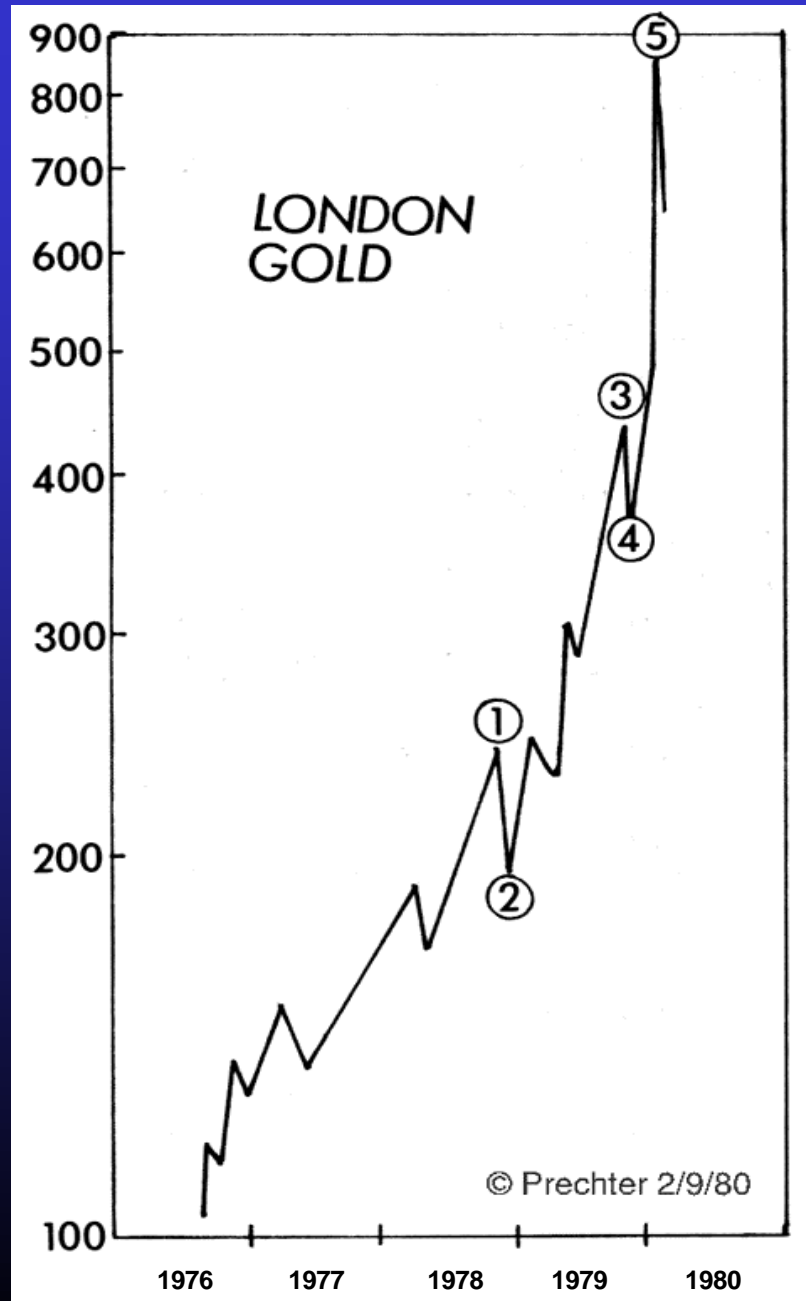


Figure E- 11

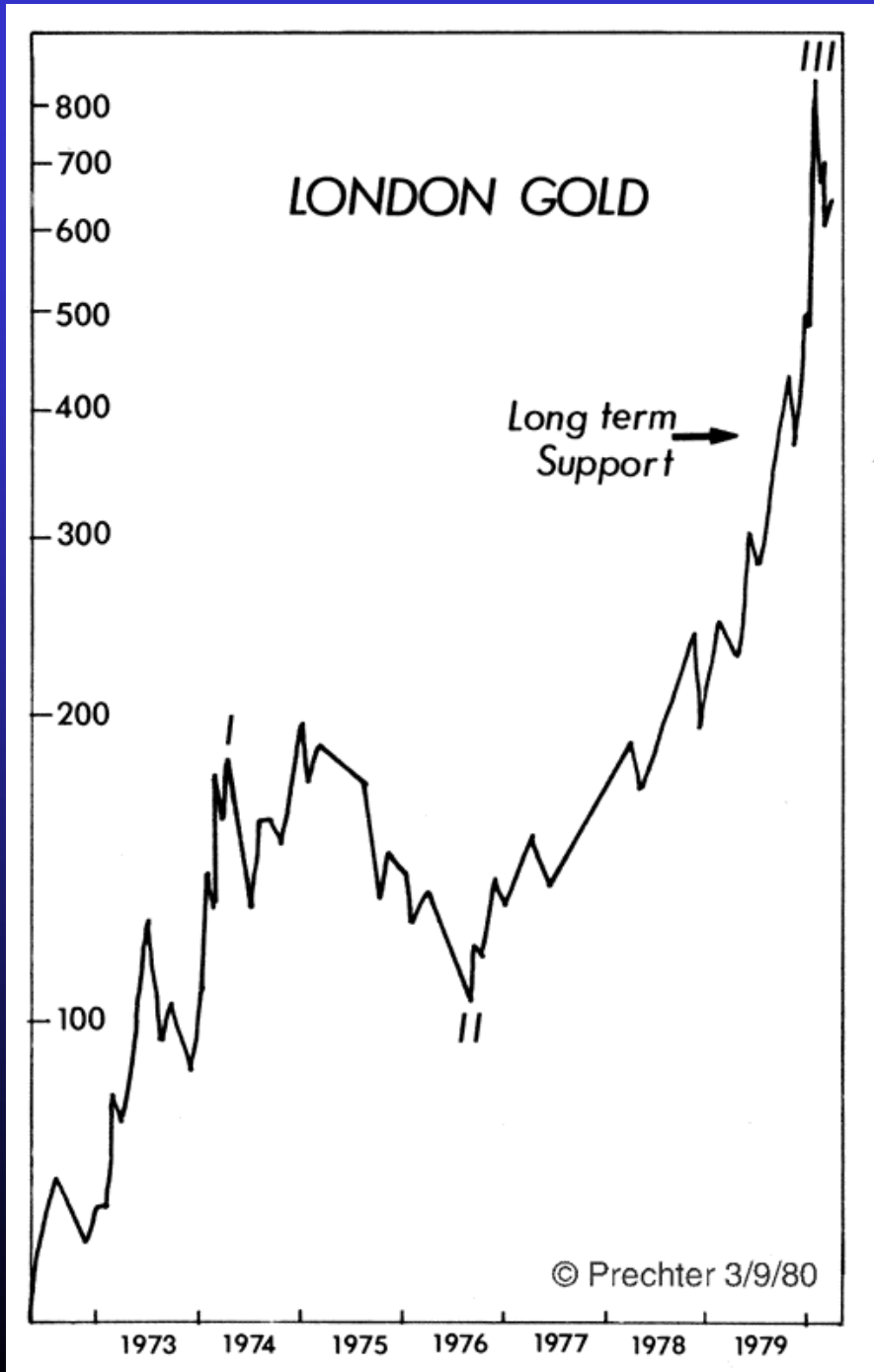
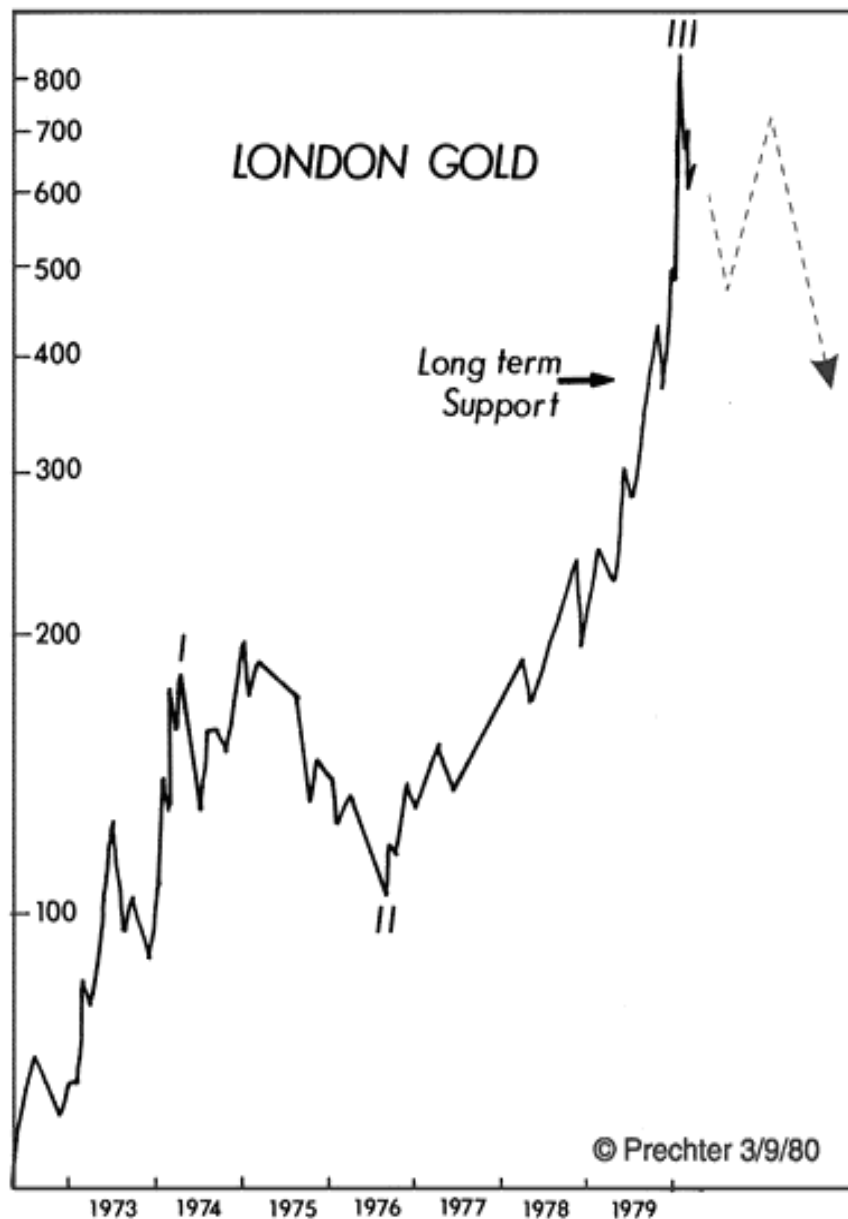


Figure E- 12



“The \$388 level is the most reasonable target for the eventual end to the large wave IV correction. An ideal Elliott scenario for gold over the next year or two would be an A wave down to \$477, forming the first retracement of the extended fifth wave within wave III. Then a strong rally would ensue forming wave B, followed by a declining wave C down to the final target of \$388.”

—EWT, 3/9/80

May 1980

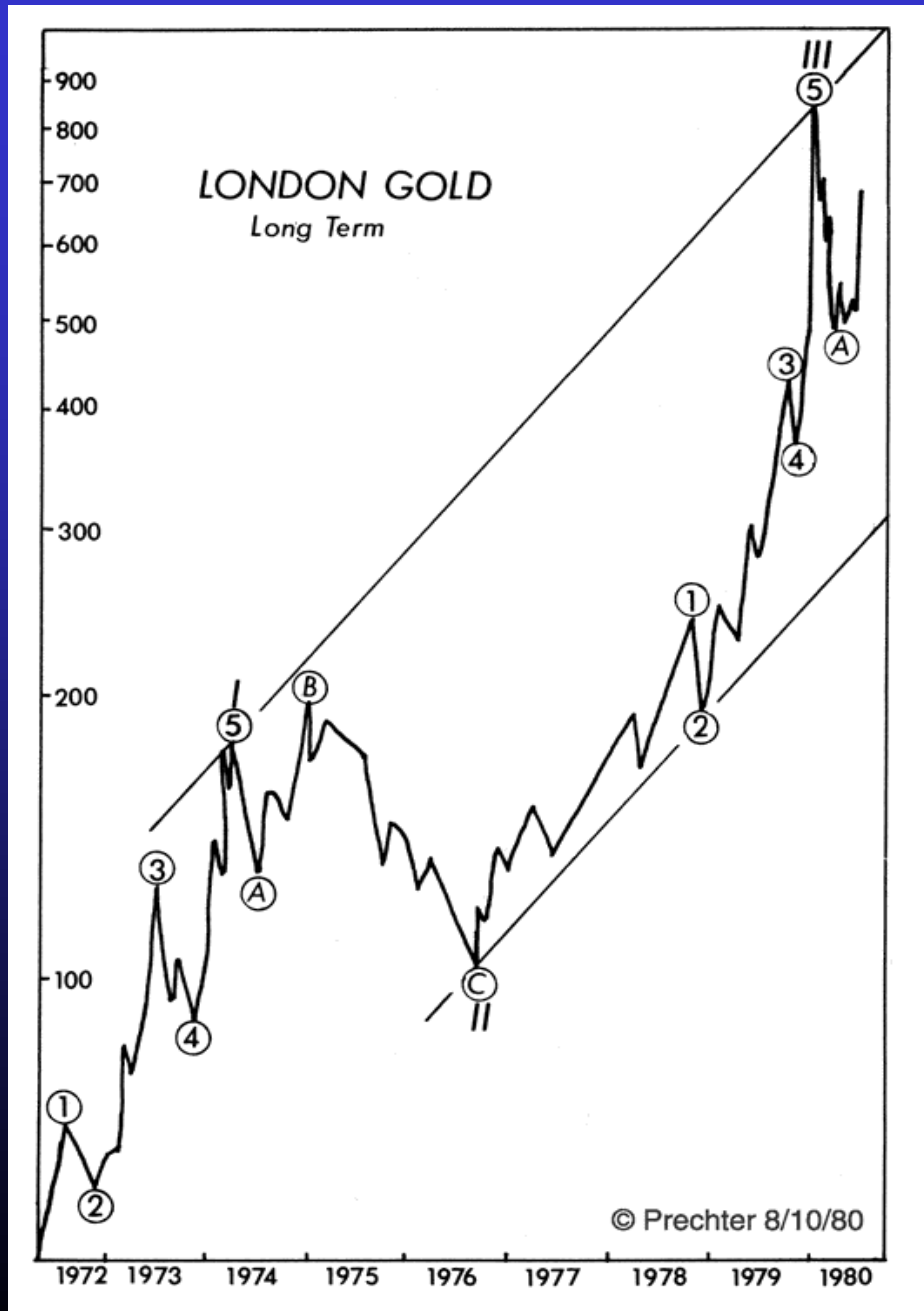


Figure E- 14

September 9, 1980

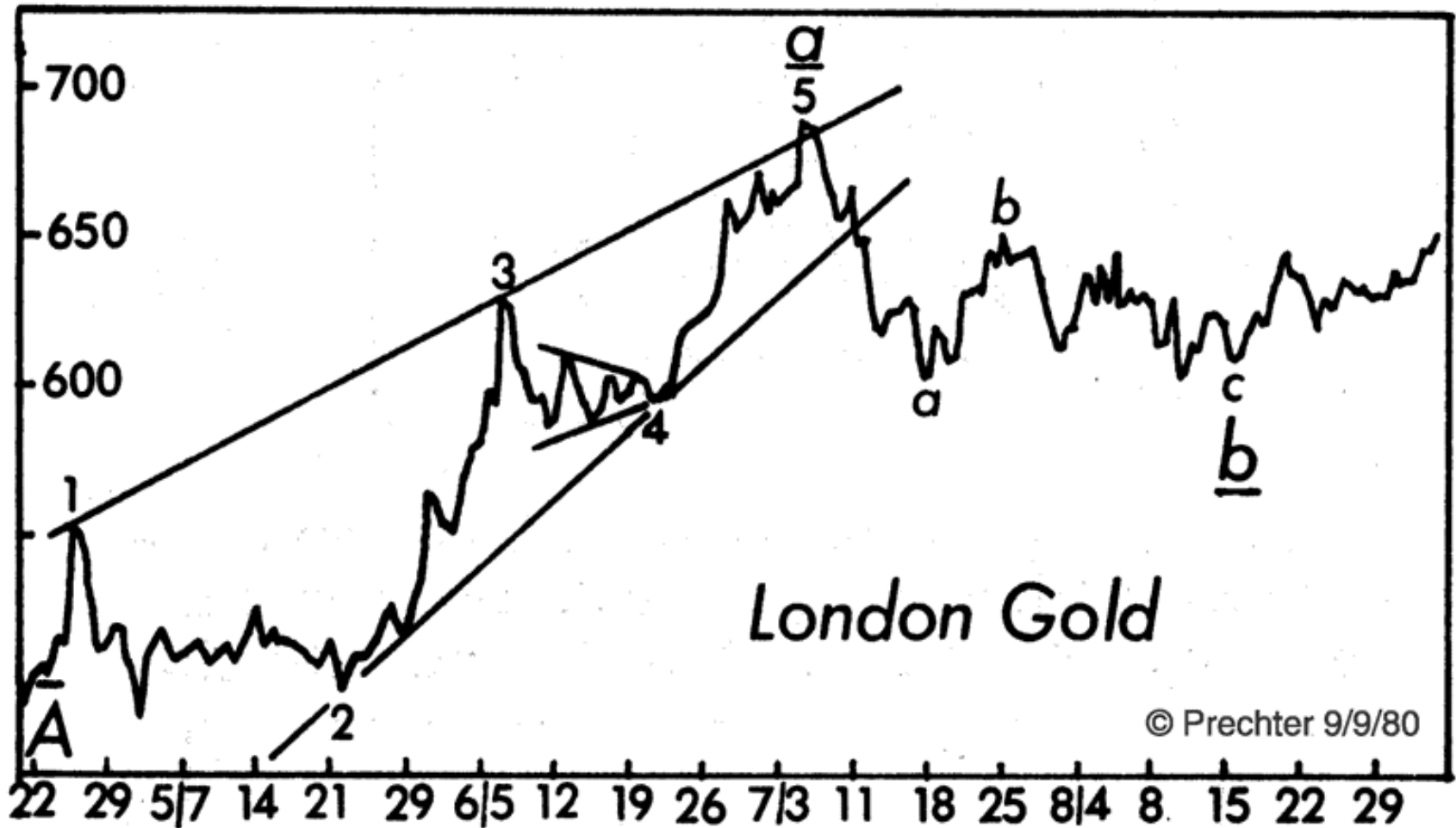


Figure E- 15

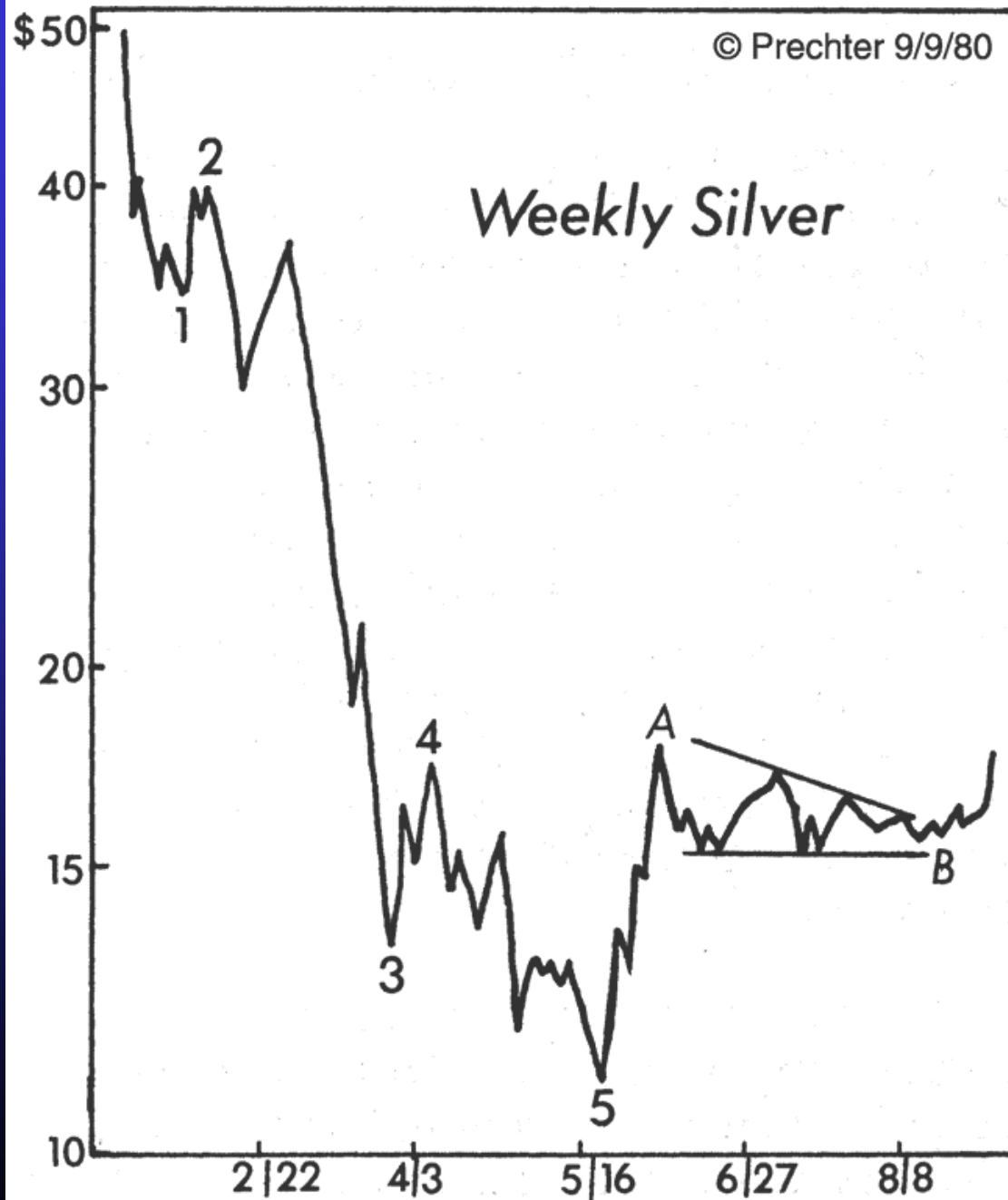


Figure E- 16

Gold has now hit its minimum target of \$710 per ounce London fixing. Yesterday's action in gold stocks smacked of a near-term blowoff and the wave count on gold shows a completed "five" for wave C.

—September 23, 1980, EWT Interim Report

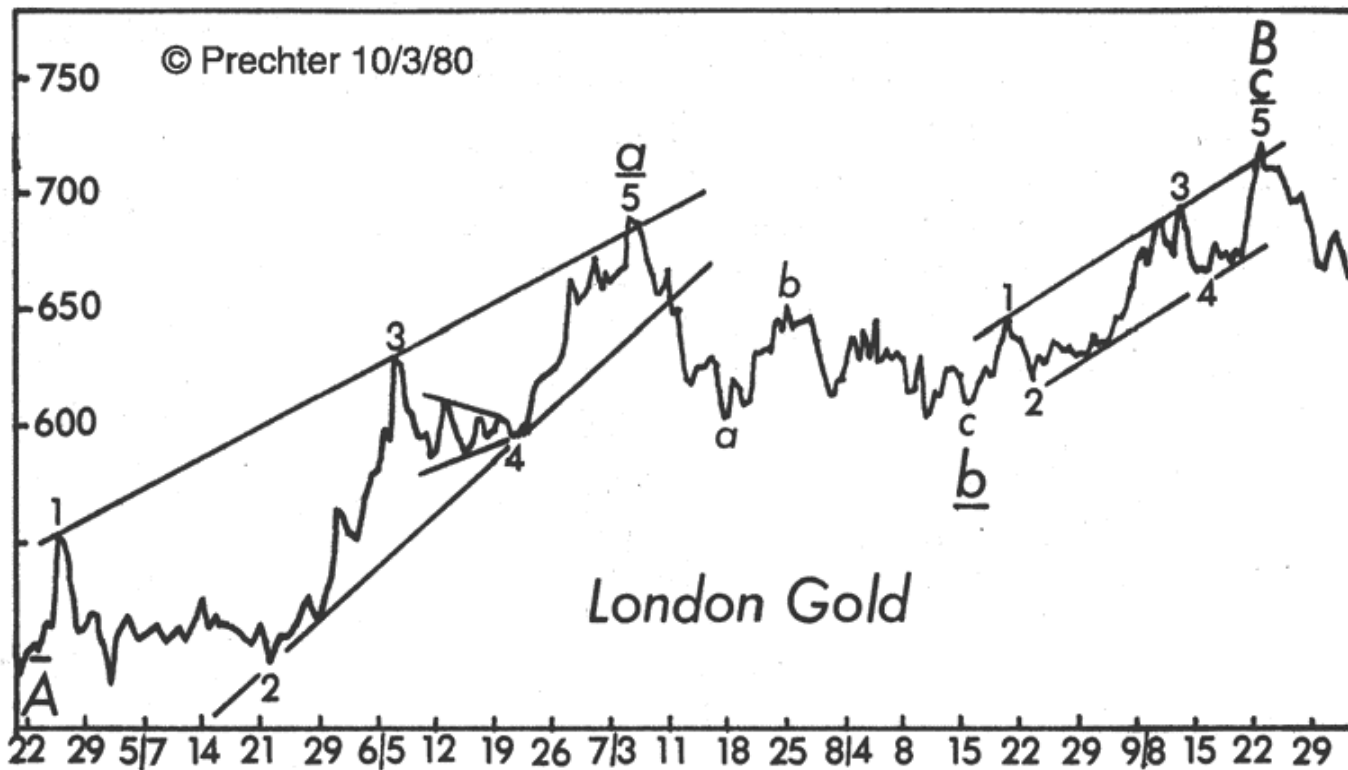


Figure E- 17

October 3, 1980

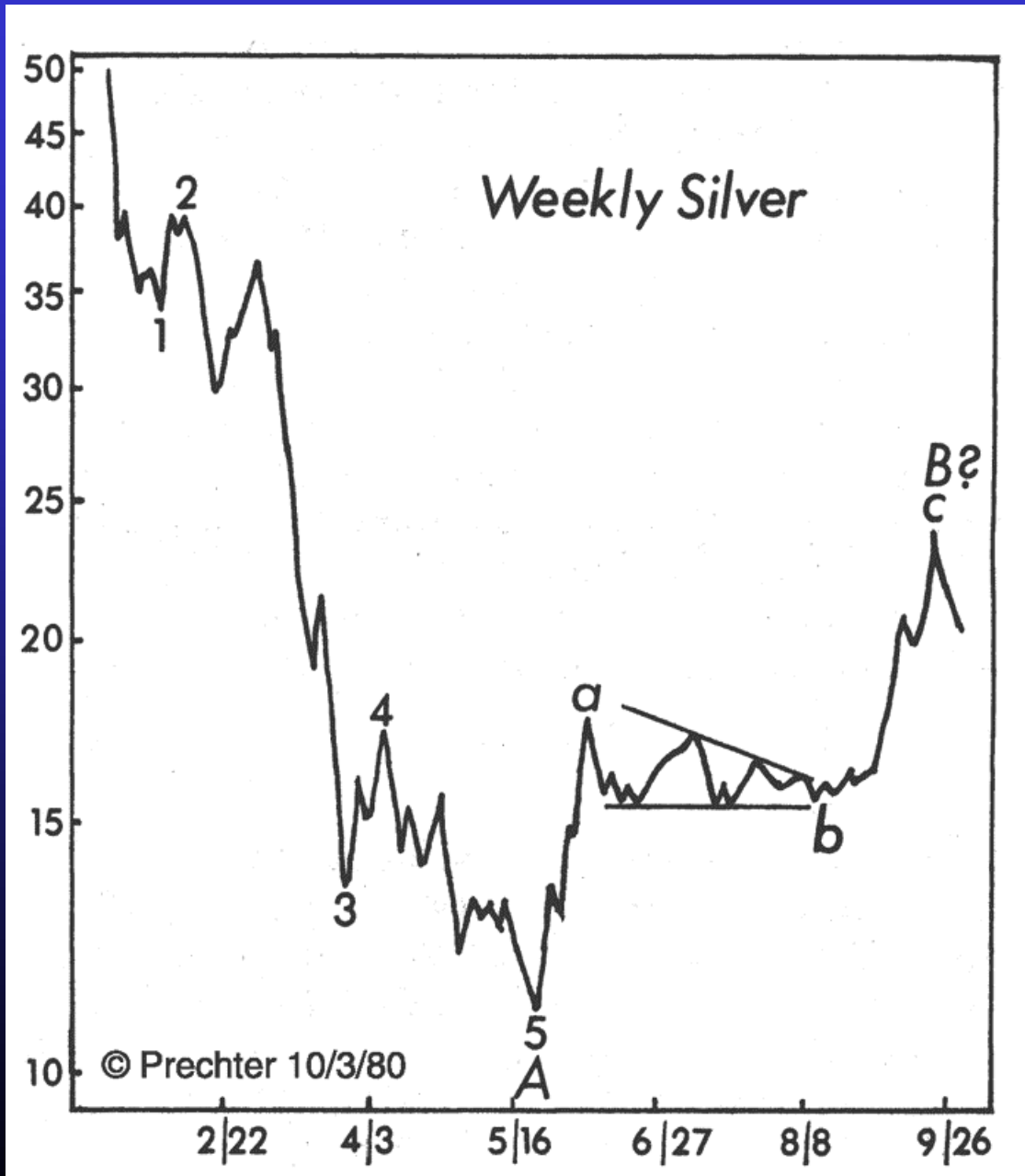


Figure E- 18

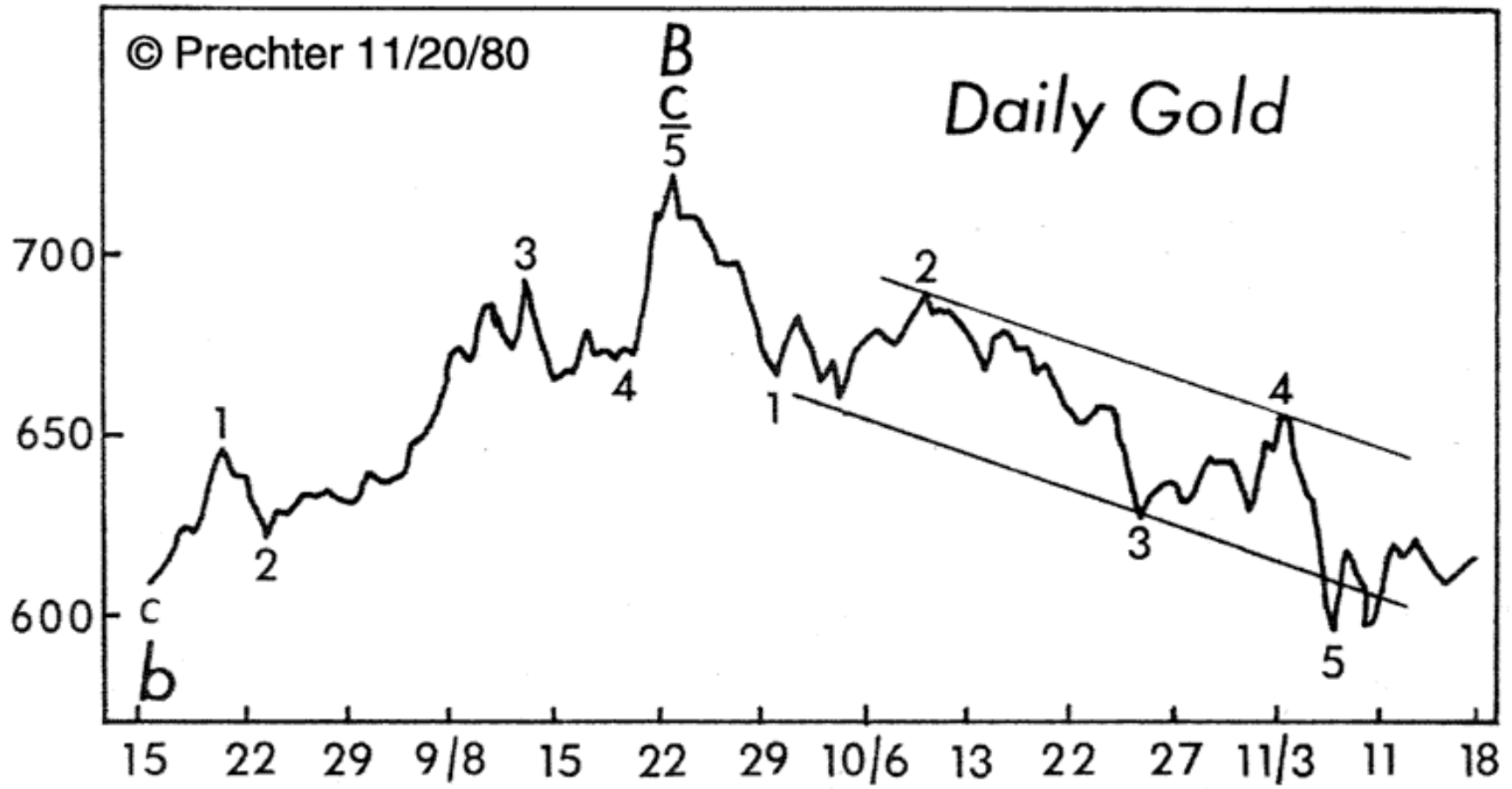


Figure E- 19

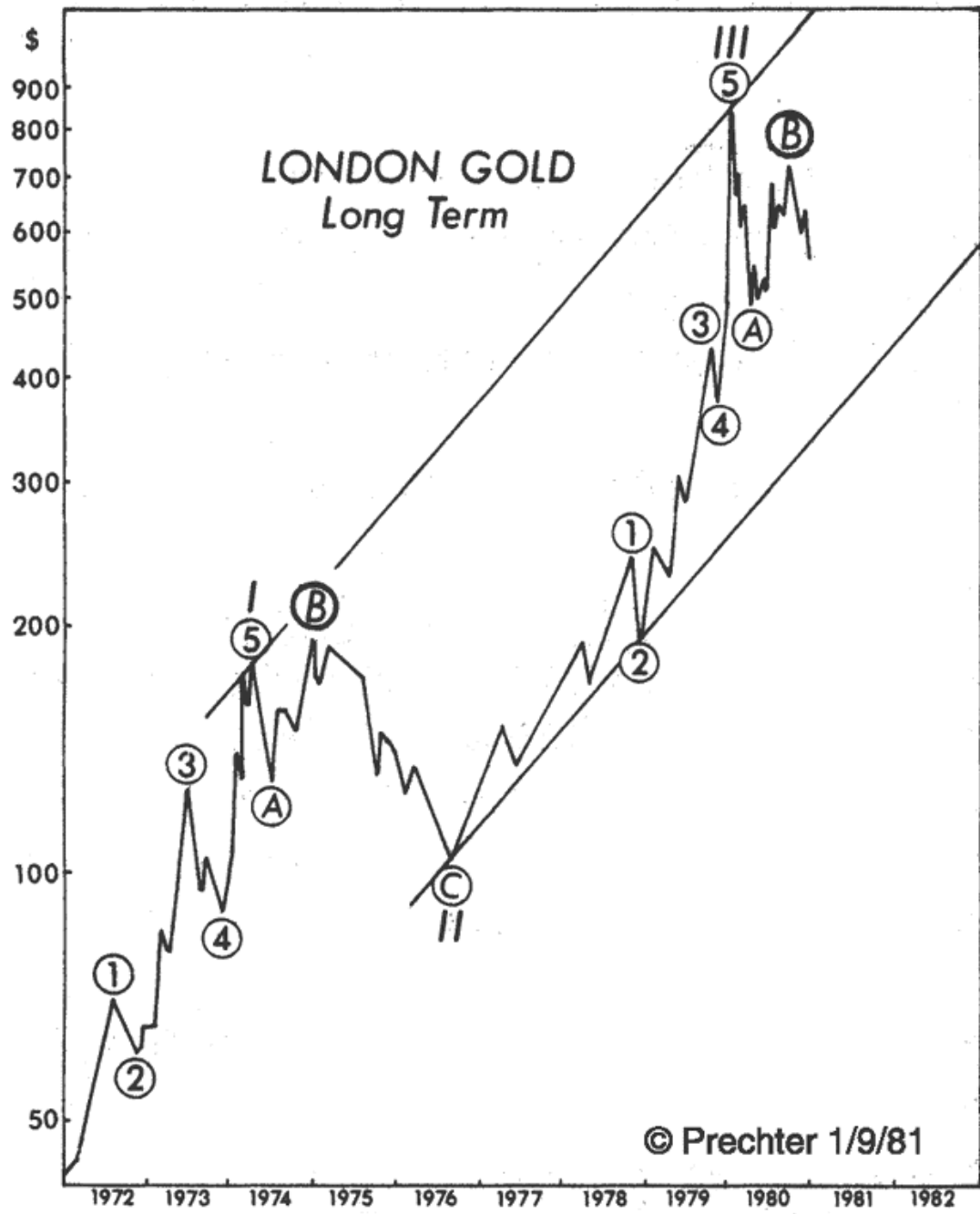


Figure E- 20

August 5, 1981

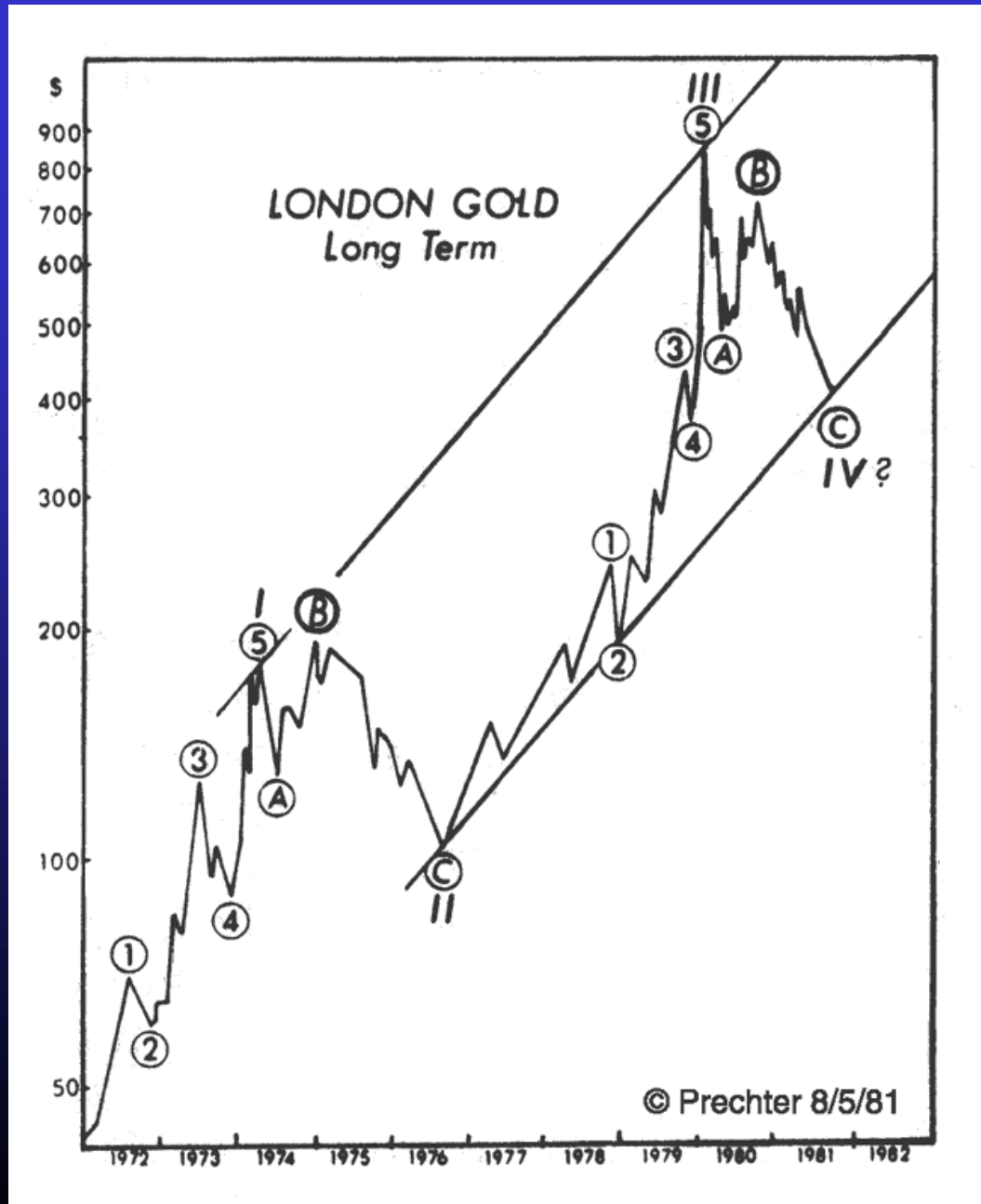
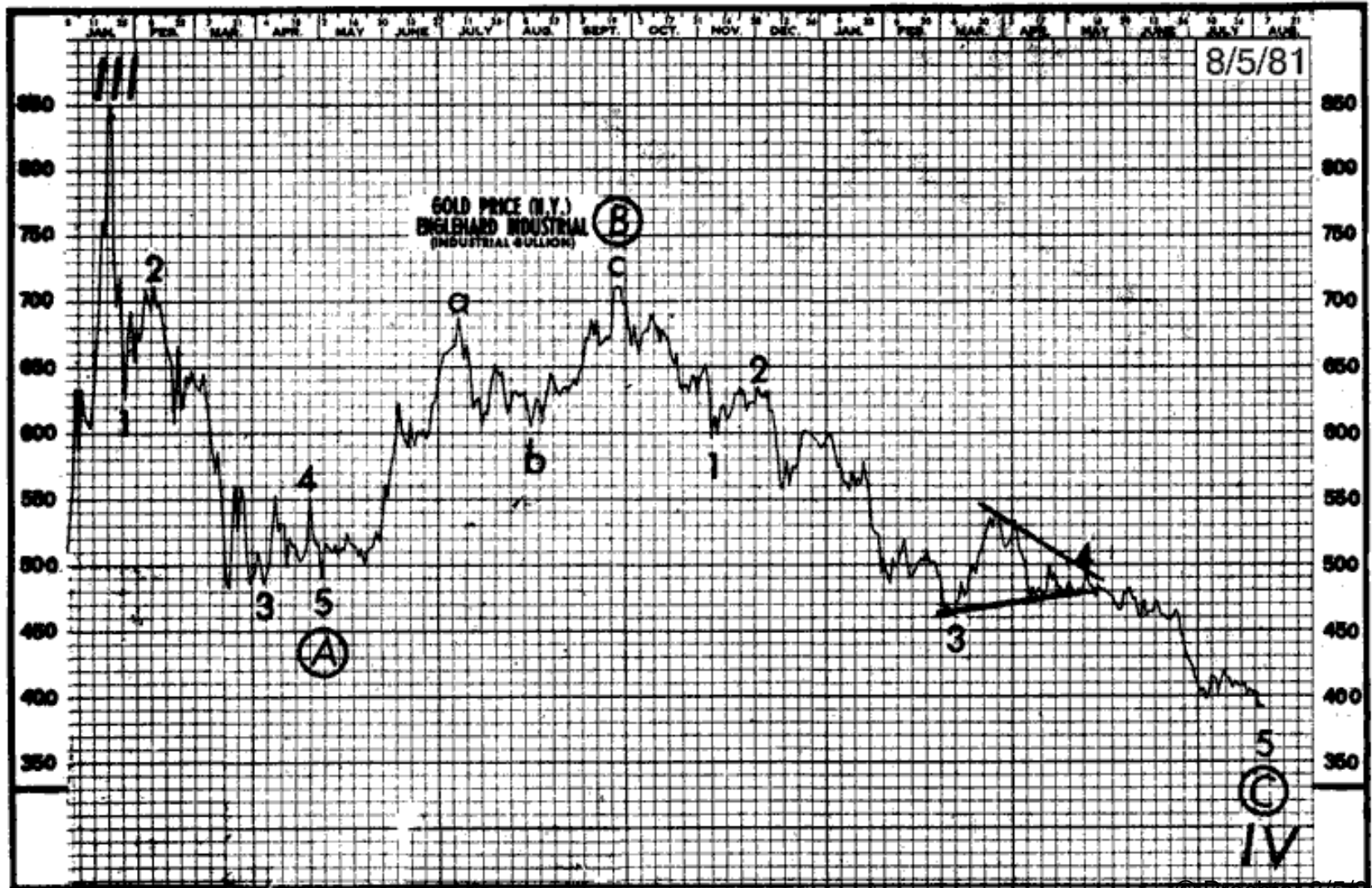


Figure E- 21

August 1981



© Prechter 8/5/81

Figure E- 22

January 1982

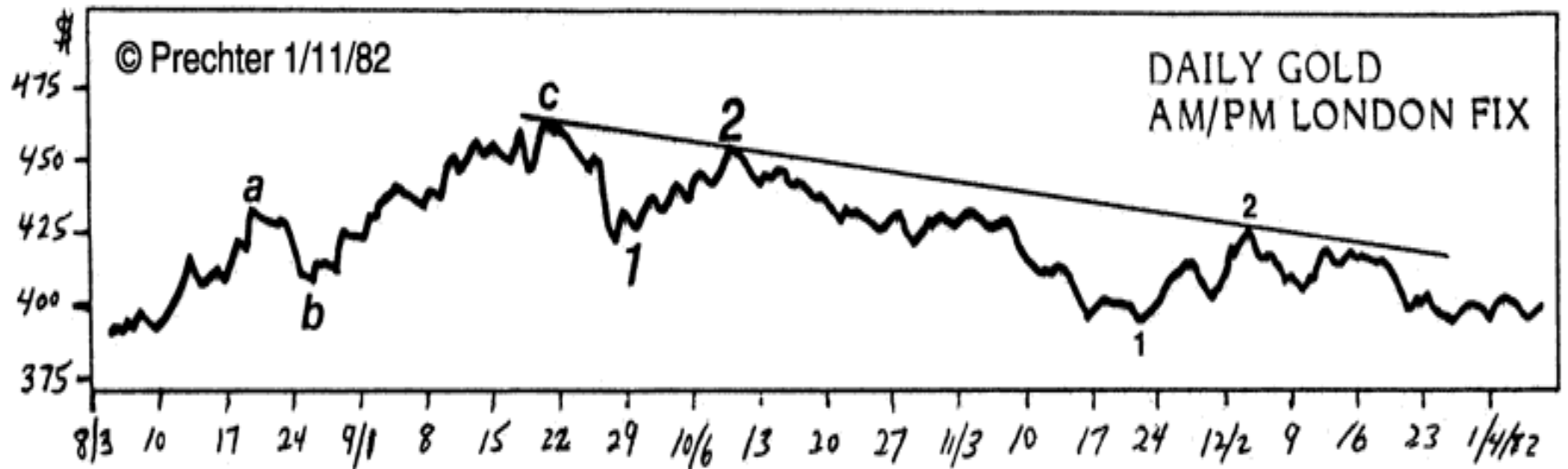
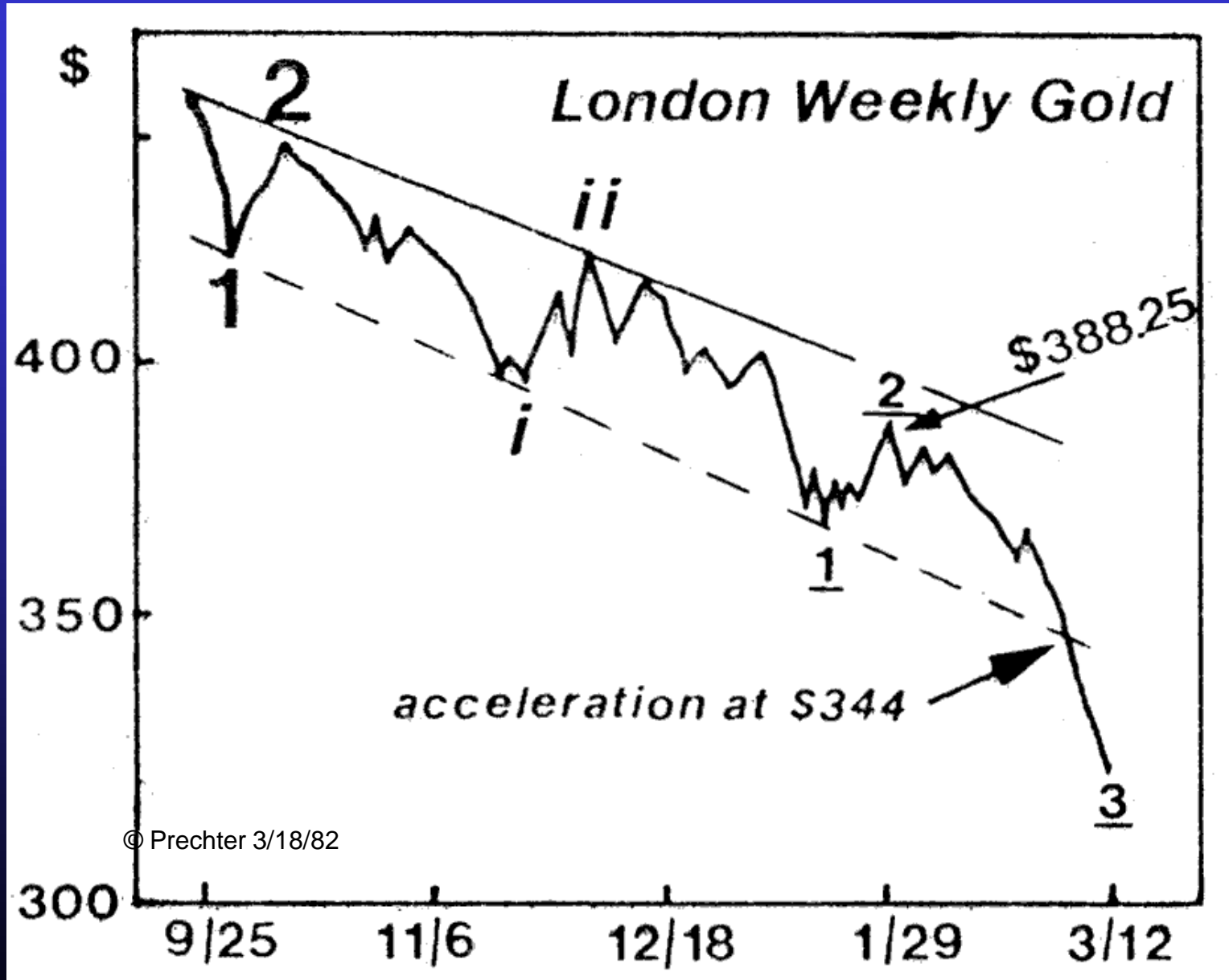


Figure E- 23

March 1982



© Prechter 3/18/82

Figure E- 24

March 1987



Figure E- 25

April 1993



Figure E- 26

1995 — At The Crest of the Tidal Wave

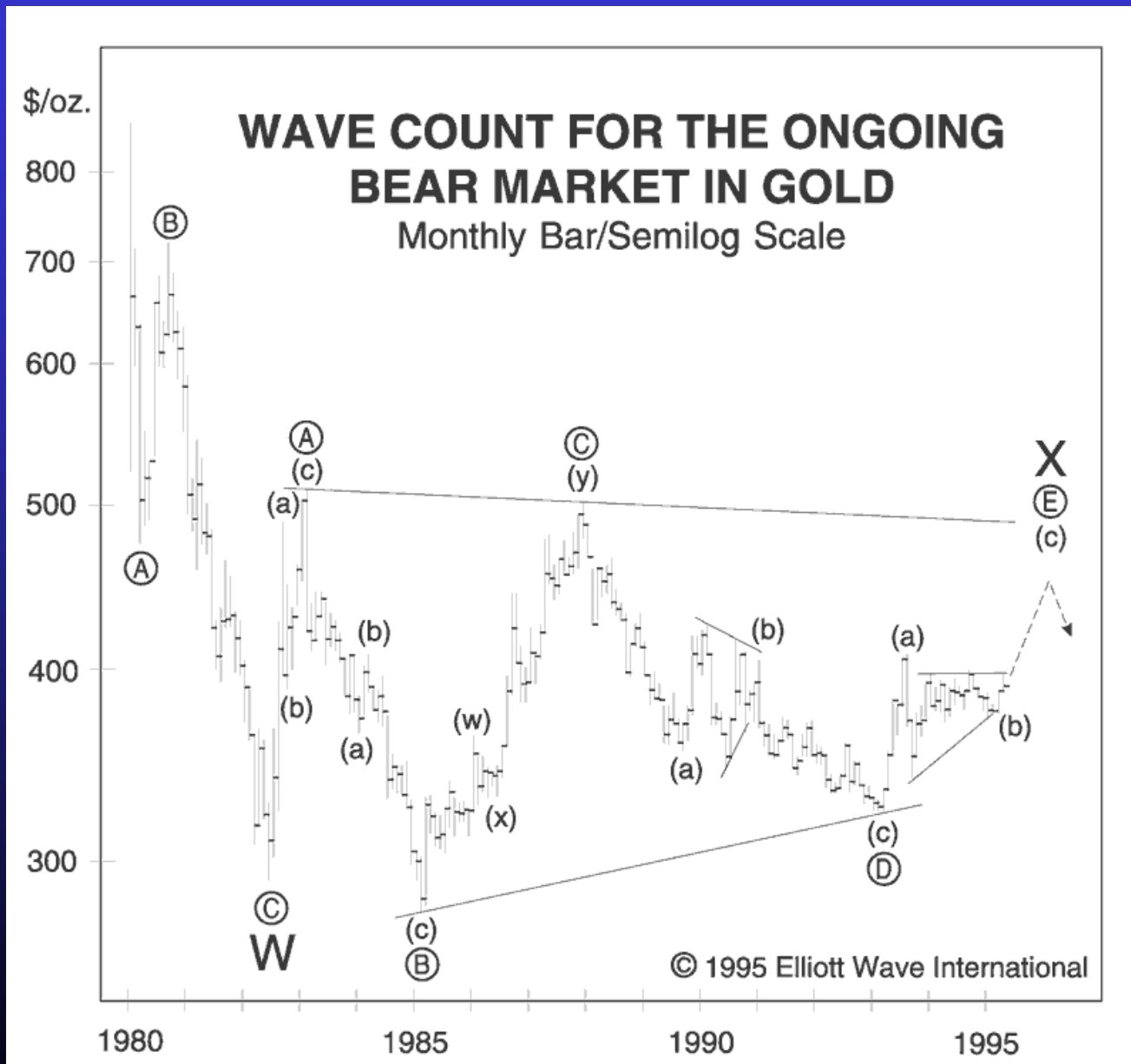


Figure E- 27

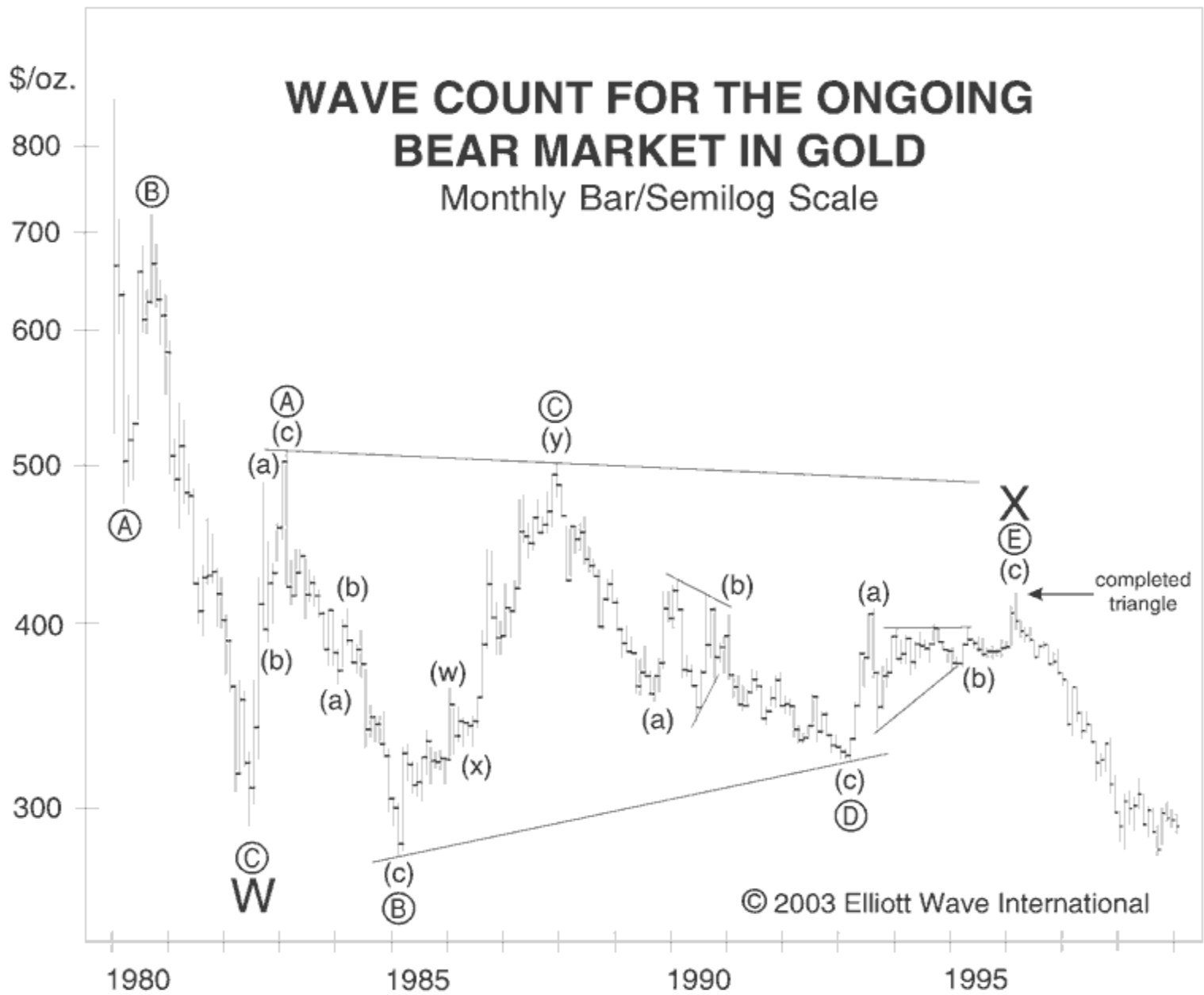
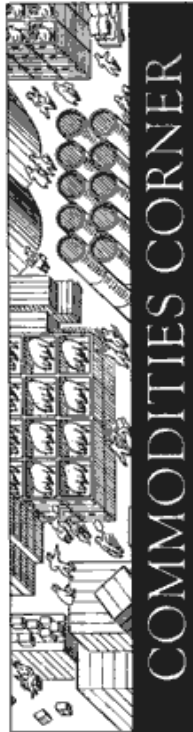


Figure E- 28



COMMODITIES CORNER

Cheryl
Strauss
Einhorn

Tarnished!

Nobody expects gold prices to turn up soon

IT'S DIFFICULT TO FIND ANY POSITIVE news in the depressed gold market. At around \$260 an ounce, the metal continues to trade near its cost of production, and almost no one believes it will rally soon.

Just last week, for instance, when **Harmony Gold**, the world's sixth-largest producer, announced its intention to buy two mines from the world's largest miner, **Anglogold**, Harmony's banks asked the company to put a hedging program in place — something Harmony had never done before. "Financing is tough to come by these days" in the unpopular gold-mining sector, says Ferdi Dippenaar, Harmony's director of marketing. "We've always been unhedged," he says. "But our banks wouldn't lend us the money any other way."

The market took the news badly, falling almost \$2 an ounce Tuesday, in part because forward sales are considered bearish — they add supply and suggest that producers expect prices to fall before the loan is repaid.

Dippenaar says he understands why the banks required the company to hedge their price risk: "There doesn't seem to be anything on the horizon that will make gold prices go up."

As a result, Harmony agreed to purchase a put option, giving it the right, but not the obligation, to sell one million ounces of gold — about 40% of the company's annual production — at about \$260 apiece.

And as if that weren't enough bad news for one week, on the same day, Tuesday, Anglogold announced that it would continue to hedge half of all of its production for the next five years. The company expects to mine just over seven million ounces of gold this year.

"We are an industry incapable of realizing good returns for our shareholders," says Dippenaar.

He blames hedging in part, for allowing companies to "stay in business longer than perhaps they should be" and for

making supplies seem larger than they are. "There is a perception of a continuous flow of gold from a very fragmented industry," he says.

Brokerage houses seem to agree. In another sign of the times, ABN Amro gold analyst Todd Hinrichs threw in the towel and stopped covering the industry a few weeks ago. "I've capitulated and moved on," he says. He is now covering manufacturing. "The gold industry is essentially a very difficult place to make a dollar," he observes. "There is nothing positive. It's as bad as it gets."

Another problem: As the stock-market value of gold companies has shrunk, along with their profits, mutual-fund managers no longer want to own them. In fact, the industry's market value now is about \$20 billion, which is just larger than **Caterpillar's** alone. Put another way, **Barrick Gold**, considered to be one of the best-positioned producers because of its hedges, has a market value of about \$5 billion; **General Electric's** market value is 100 times as large.

Of course, while prices have slid, good money has been made on the short side, by those betting they will continue to retreat. Right now, Commodity Futures Trading Commission statistics show that bearish bets are at their highest level in years.

Because prices for future delivery of gold trade at a premium to those for metal to be delivered today — a phenomenon known as contango — traders can make money off the spread by selling futures. "The shorts have a good thing going," says Hinrichs.

Even the ever-bullish World Gold Council, an industry group sponsored by the gold companies themselves, is finding it tough to come up with a new catalyst to boost prices. "U.S. inflation can't keep falling," says George Milling Stanley, the Gold Council's New York analyst. "The U.S. dollar can't keep strengthening and the depressing impact of central-bank sales shouldn't continue, given the Washington Accord," he says, referring to the pact that 15 European central banks put together to limit official sales of gold. Still, he admits, "all these things continue to weigh on prices."

Why? Demand. It just isn't there. "Unfortunately there is nothing positive on the horizon," says Dippenaar.

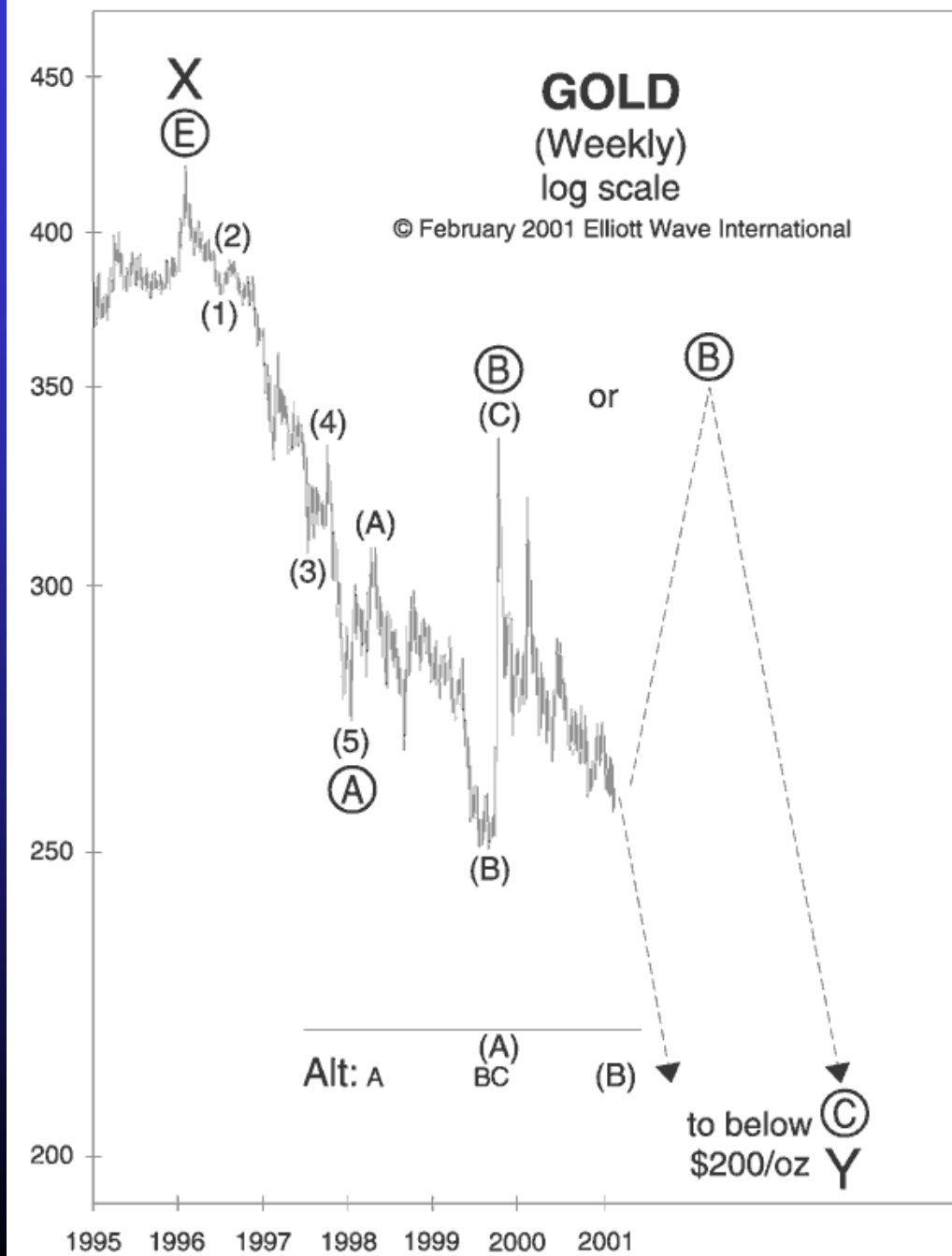


Figure E- 30

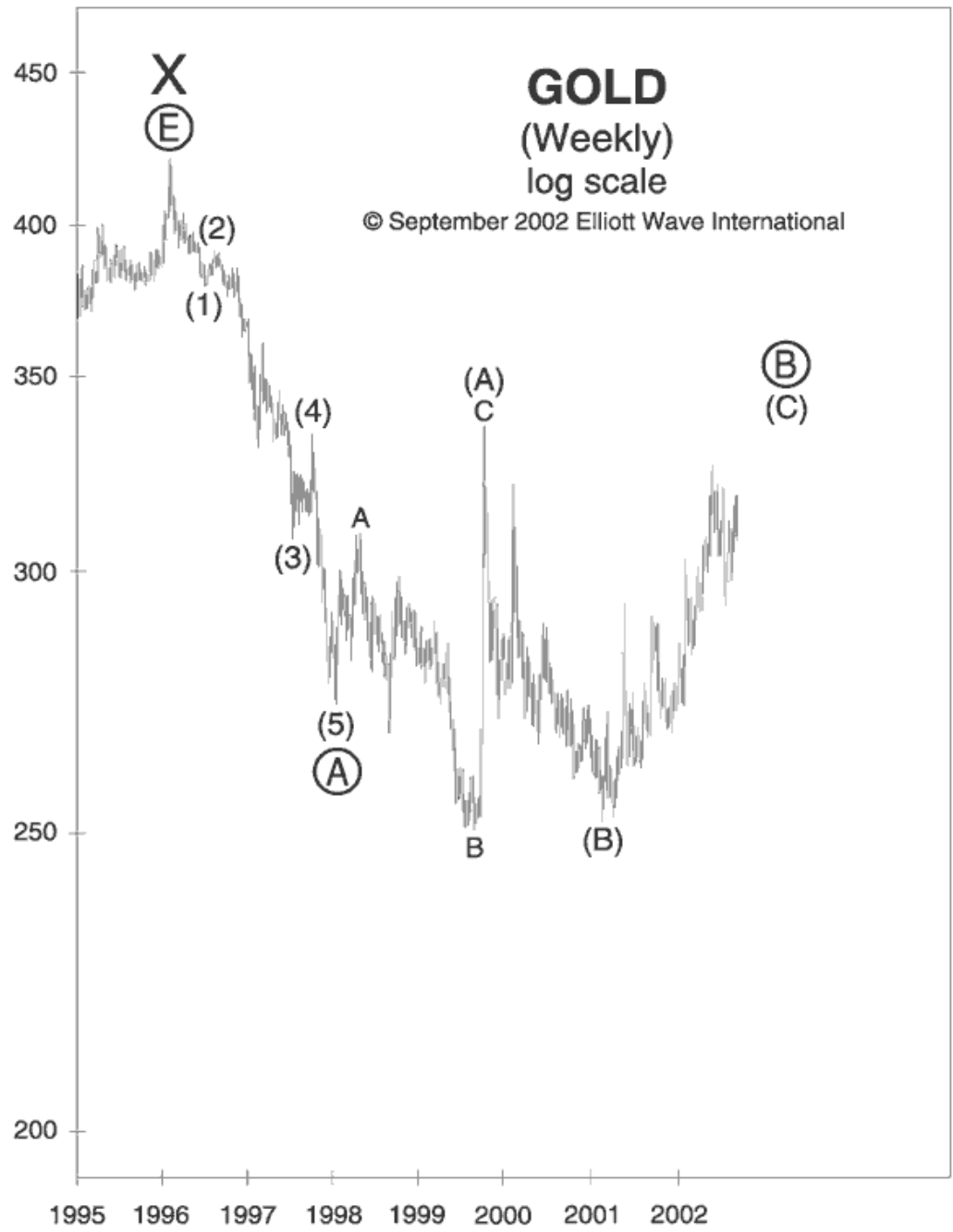


Figure E- 31

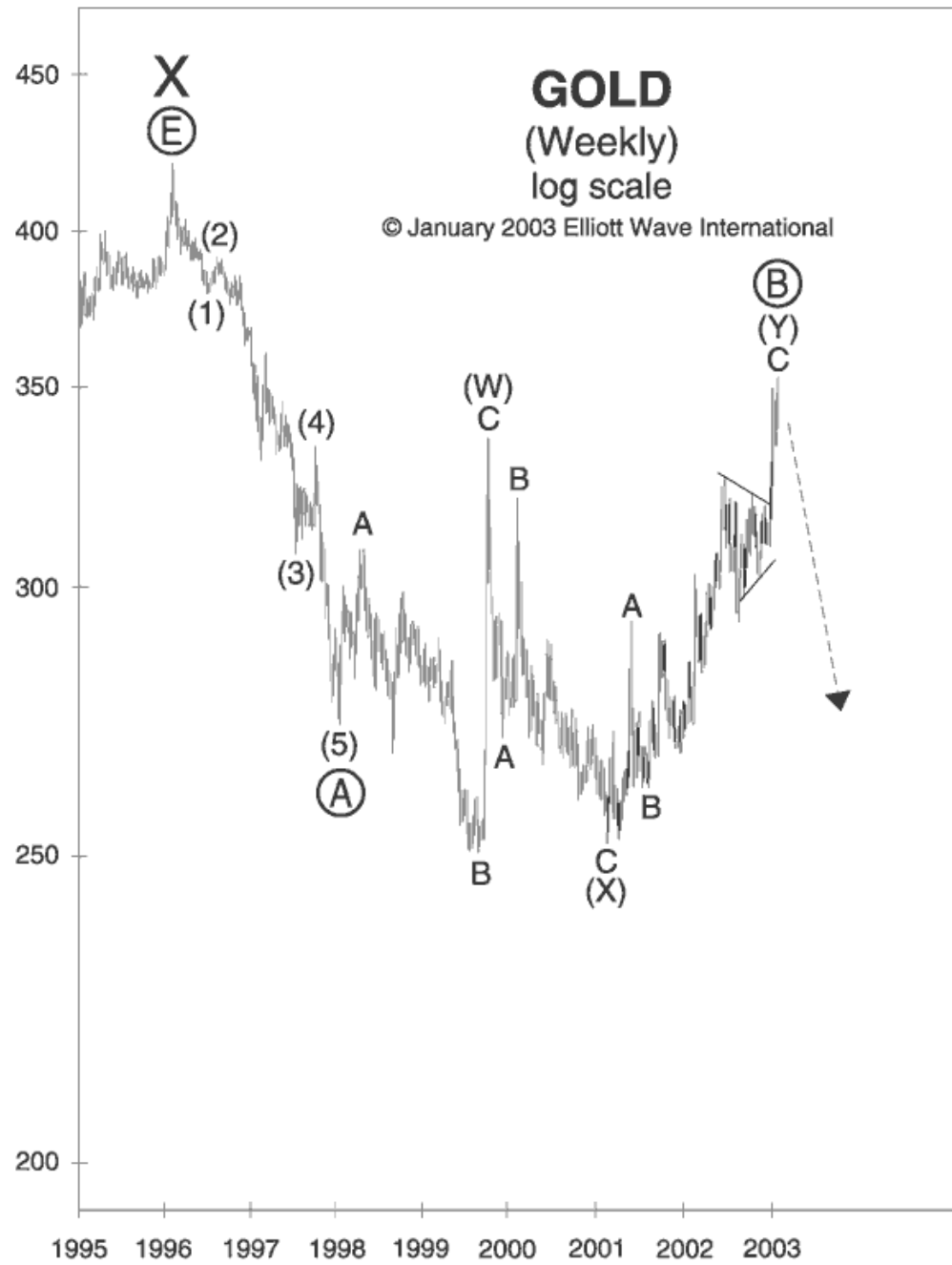


Figure E- 32

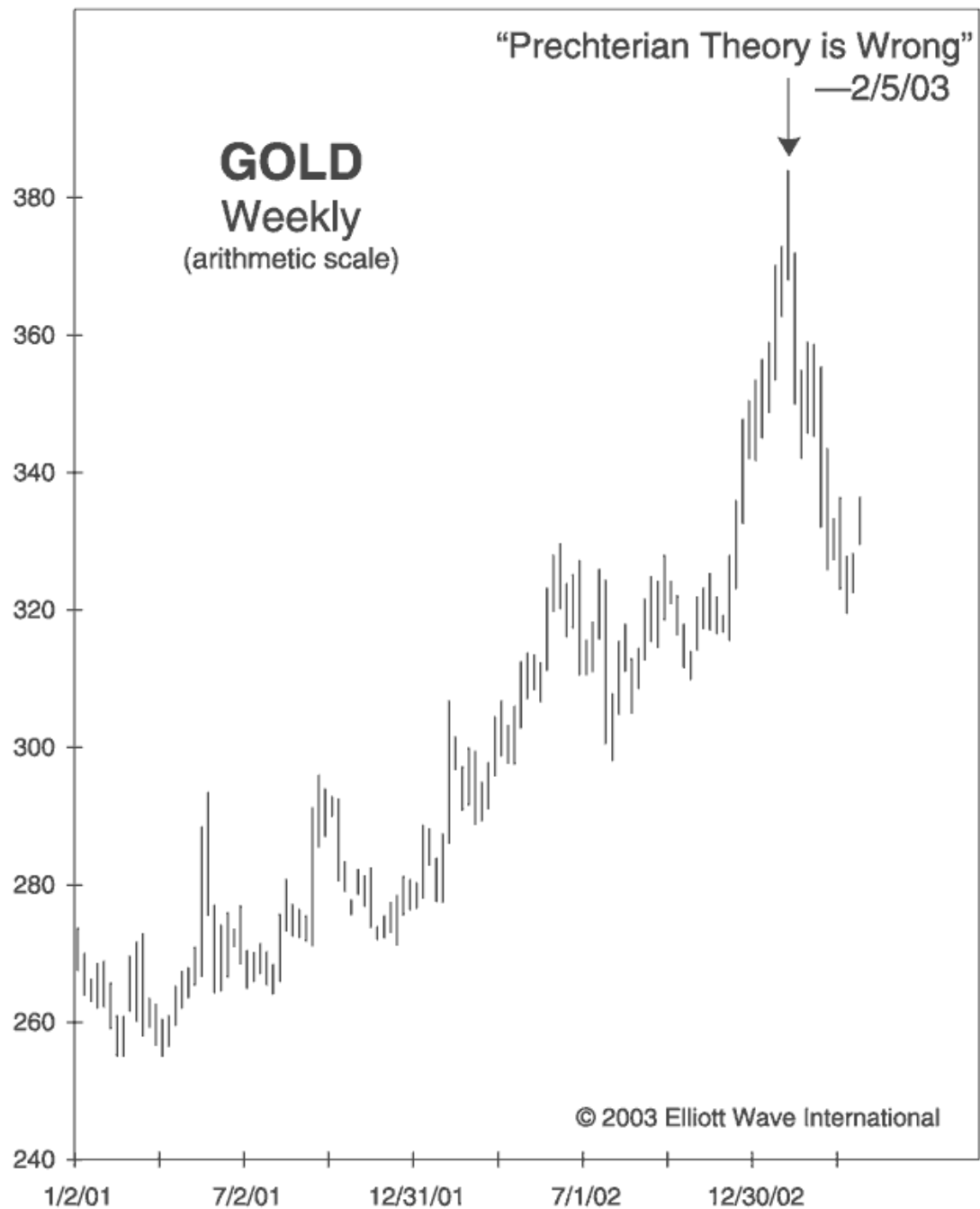


Figure E- 33

WAVE COUNT FOR A COMPLETED BEAR MARKET IN GOLD

Monthly Bar/Semilog Scale



Figure E- 34

Predicting All Kinds of Things

November 1979

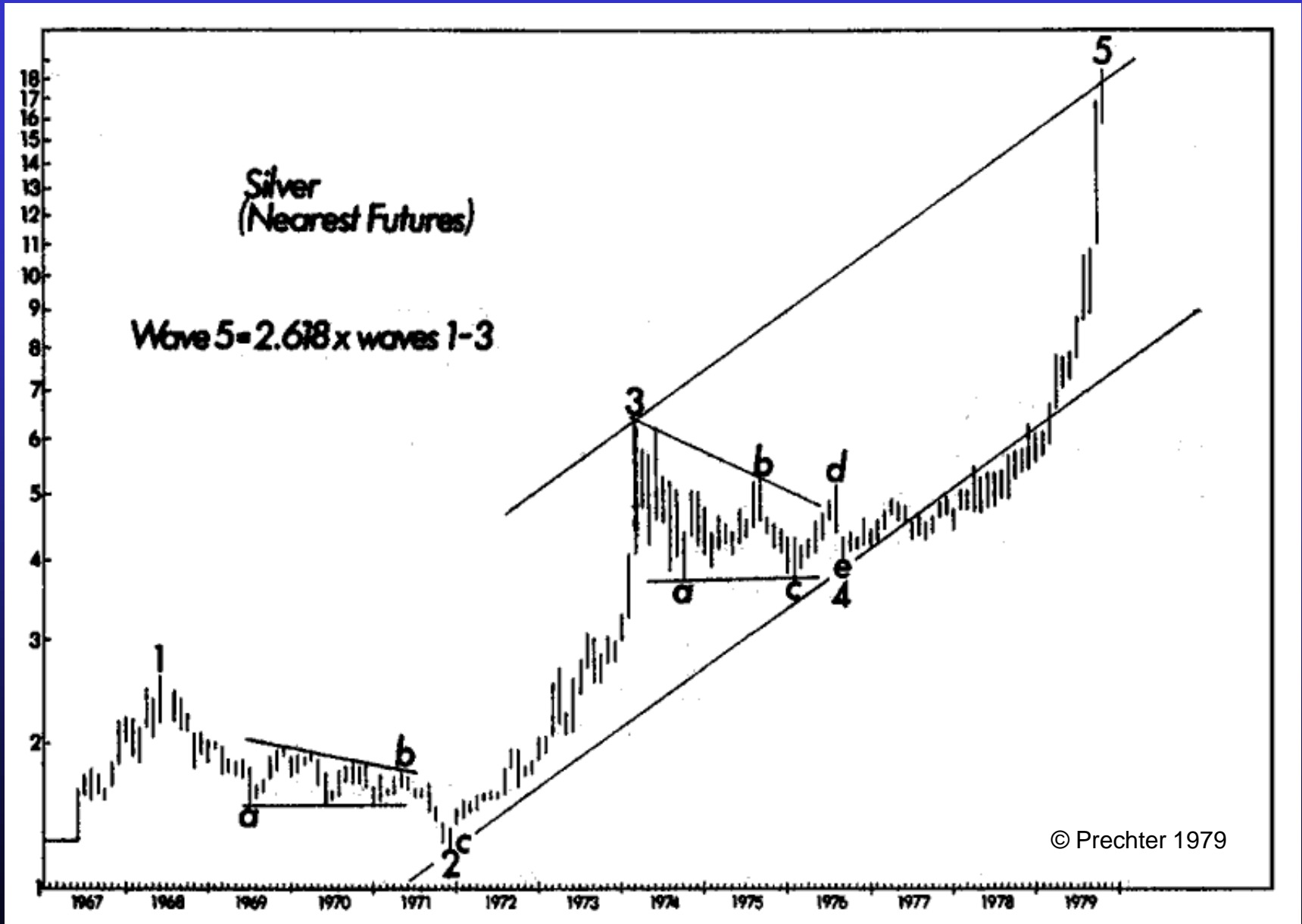


Figure F-1

November 1979

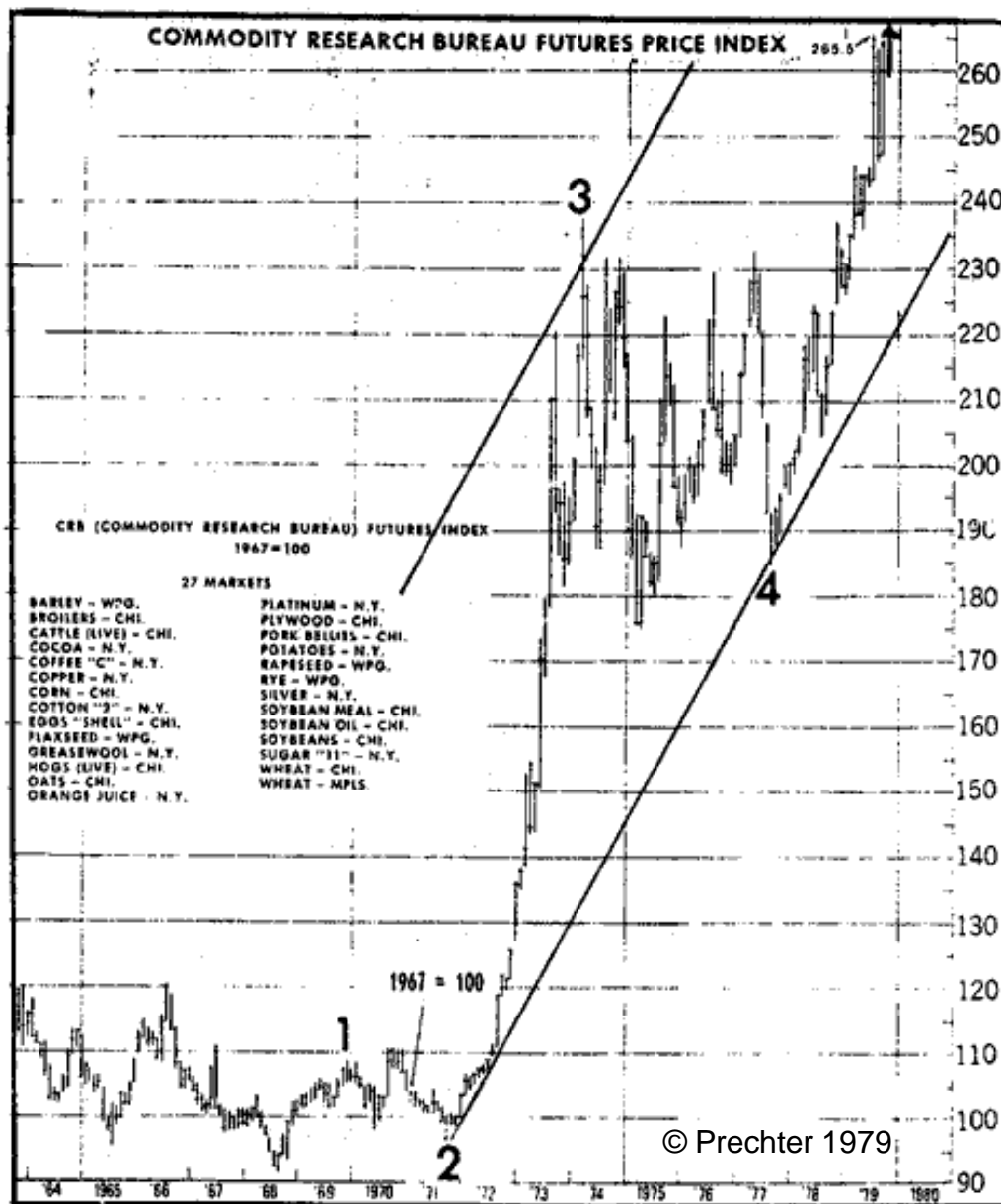


Figure F-2

November 1979

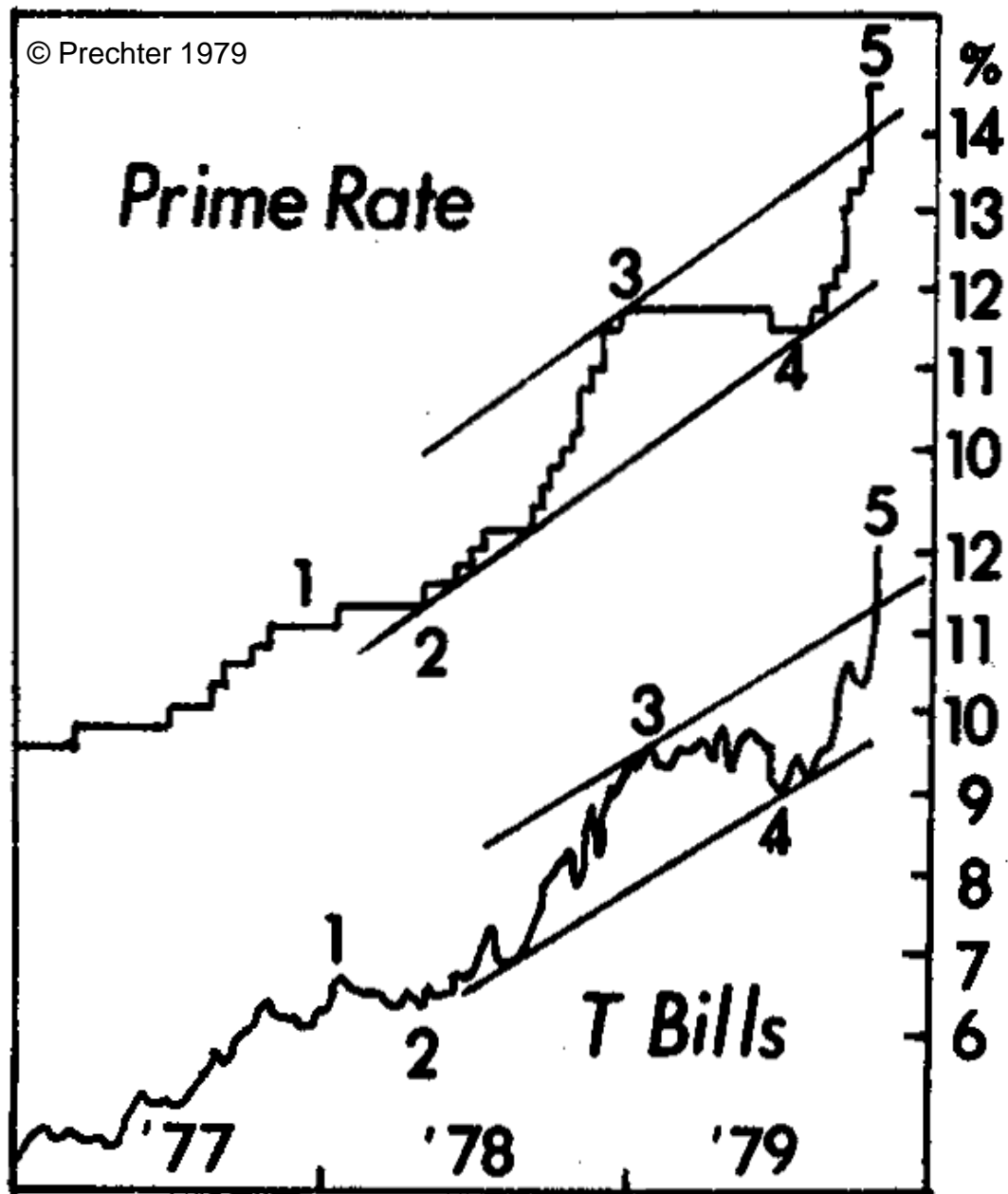


Figure F- 3

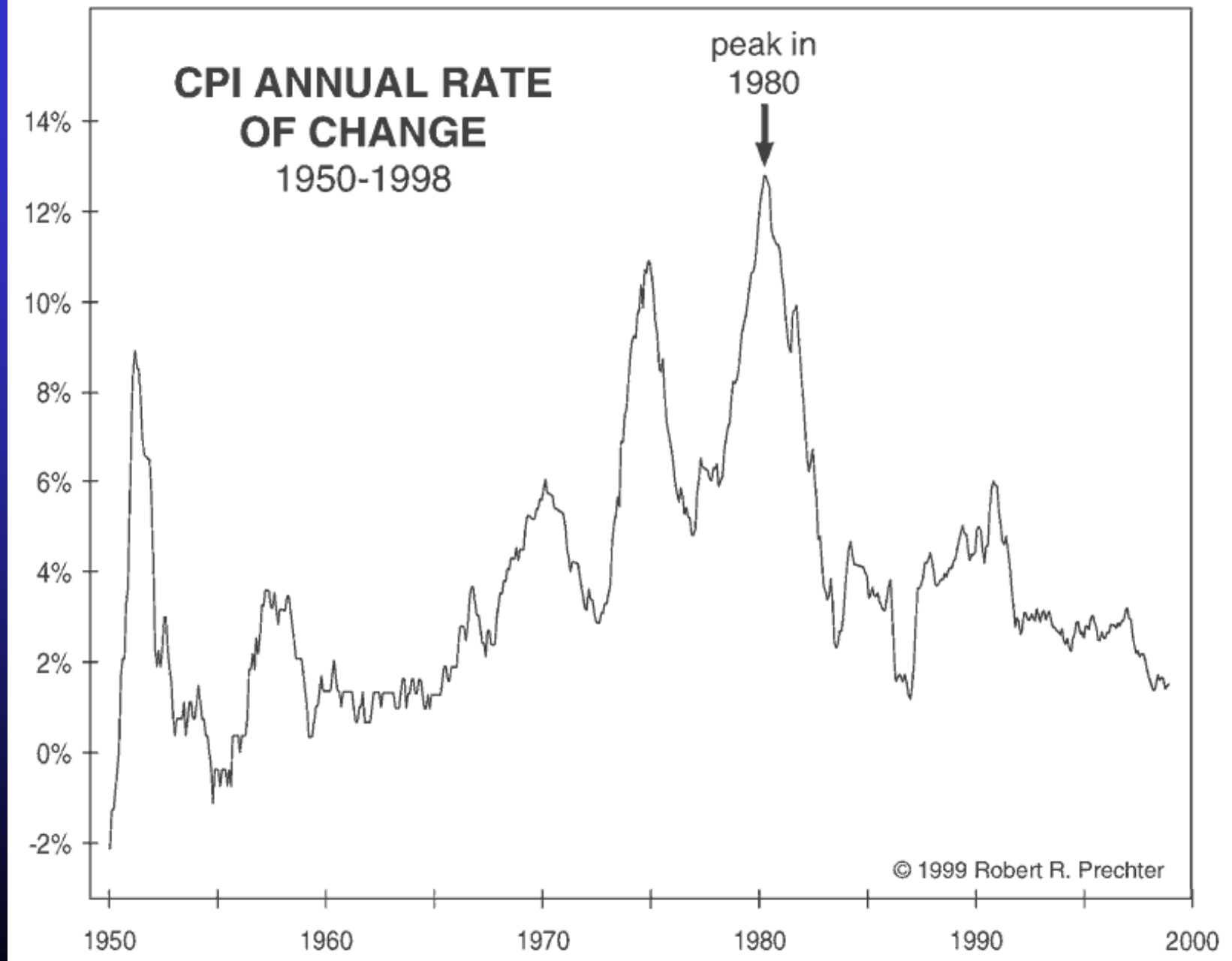


Figure F- 4

February 1981

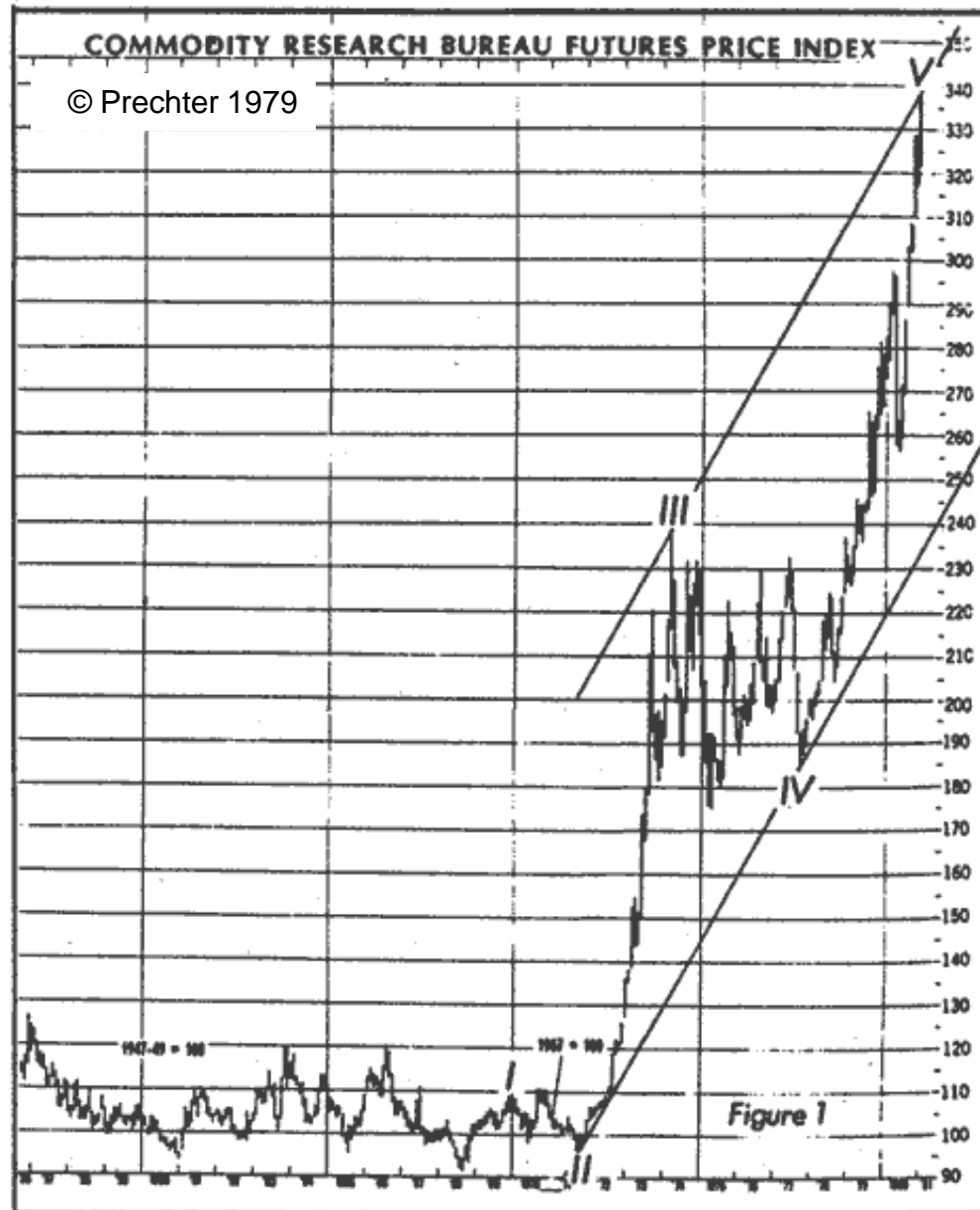
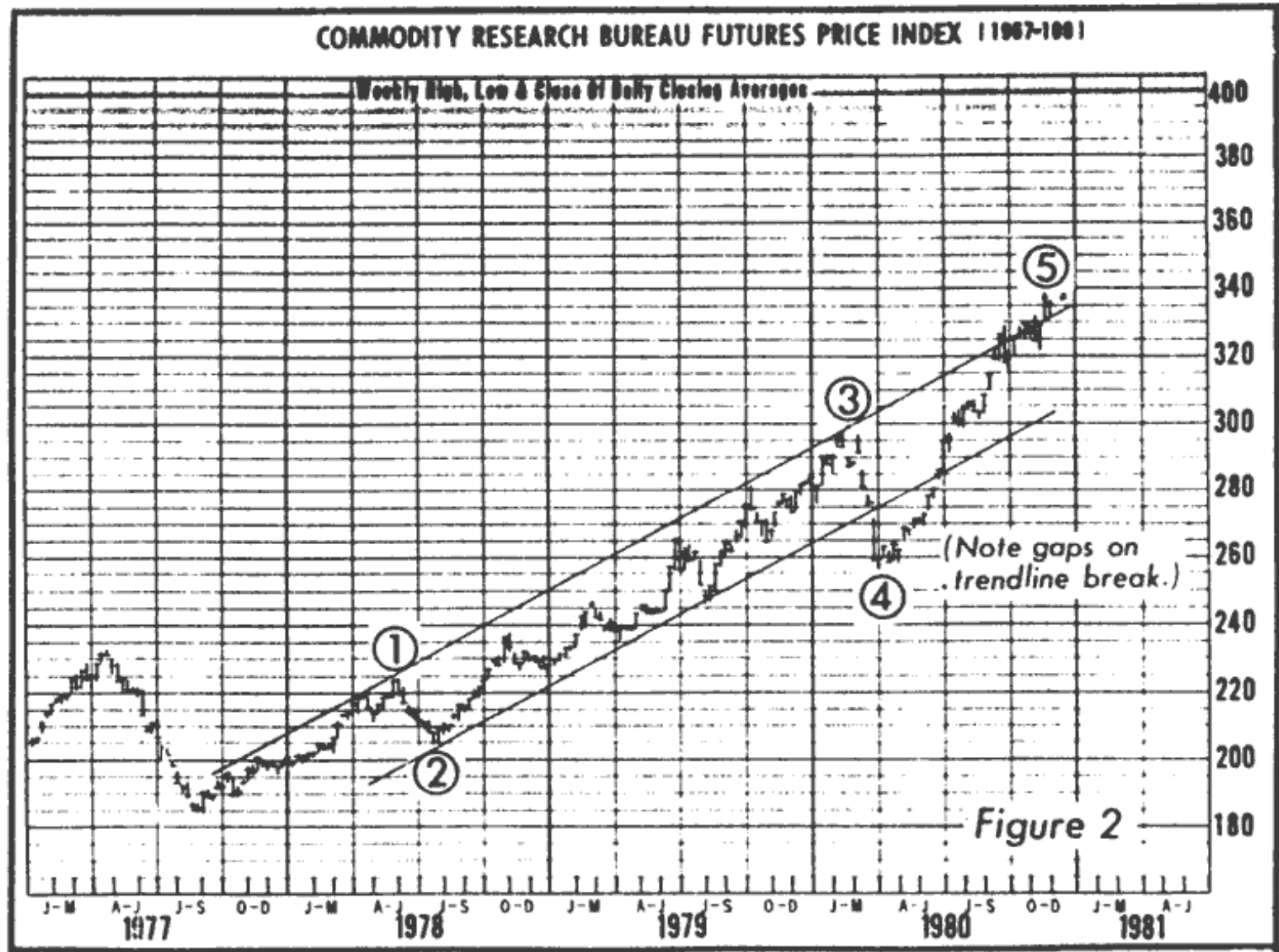


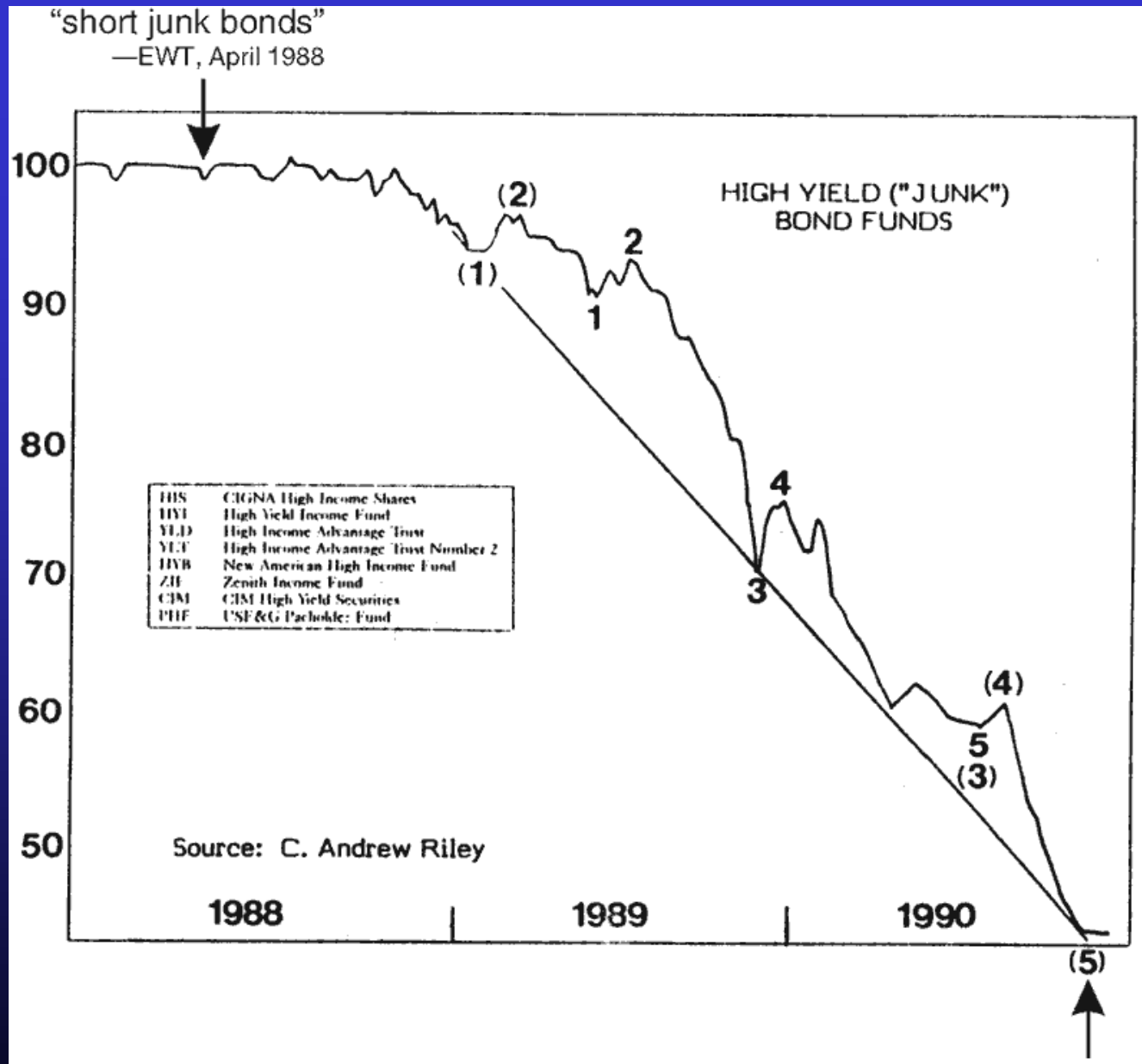
Figure F- 5

February 1981



© Prechter 1979

Figure F-6



"the fall may be at a temporary end
[i.e.,] wave ④ or ① of a larger fall."
—EWT, November 30, 1990

Figure F-7

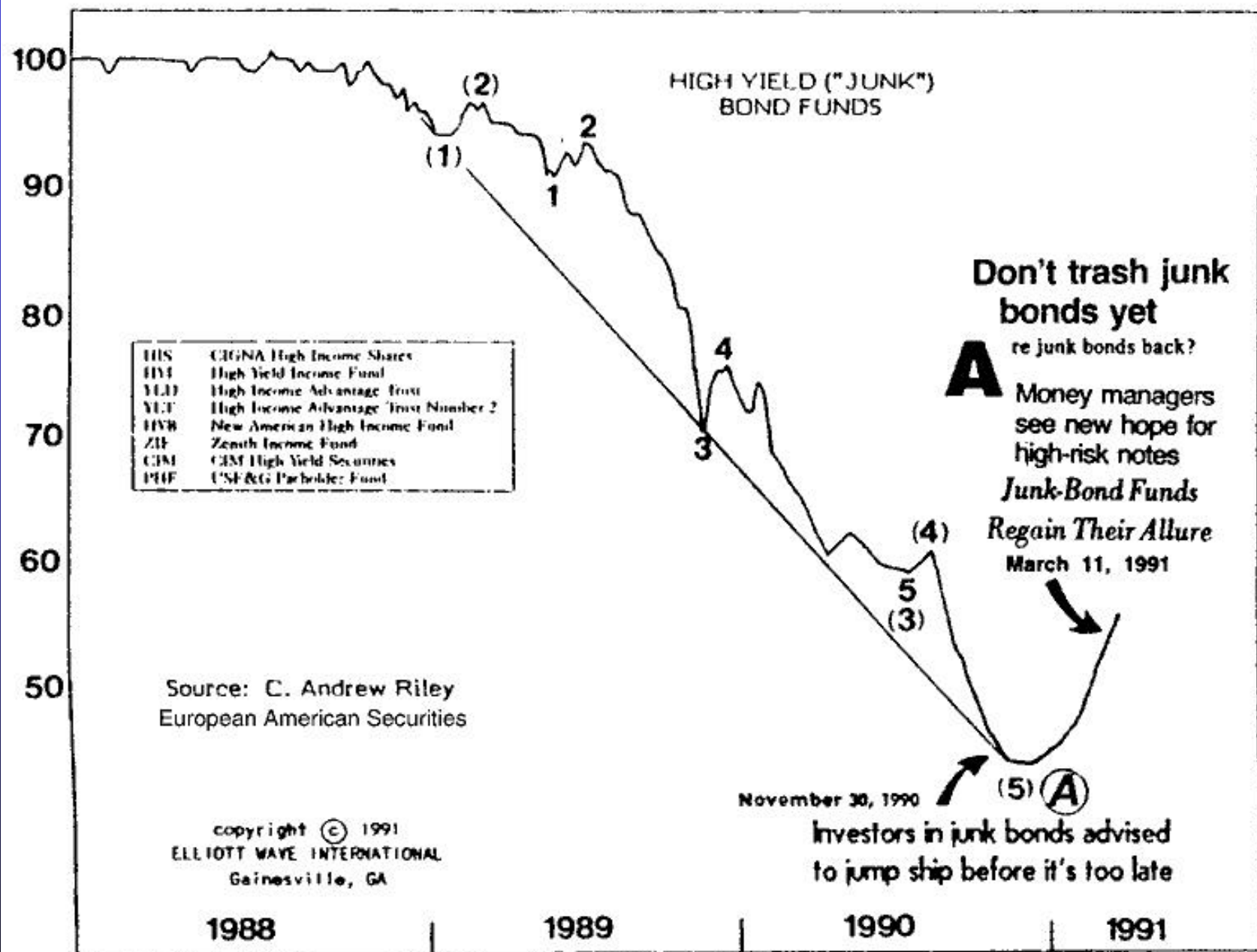


Figure F-8

October 1992

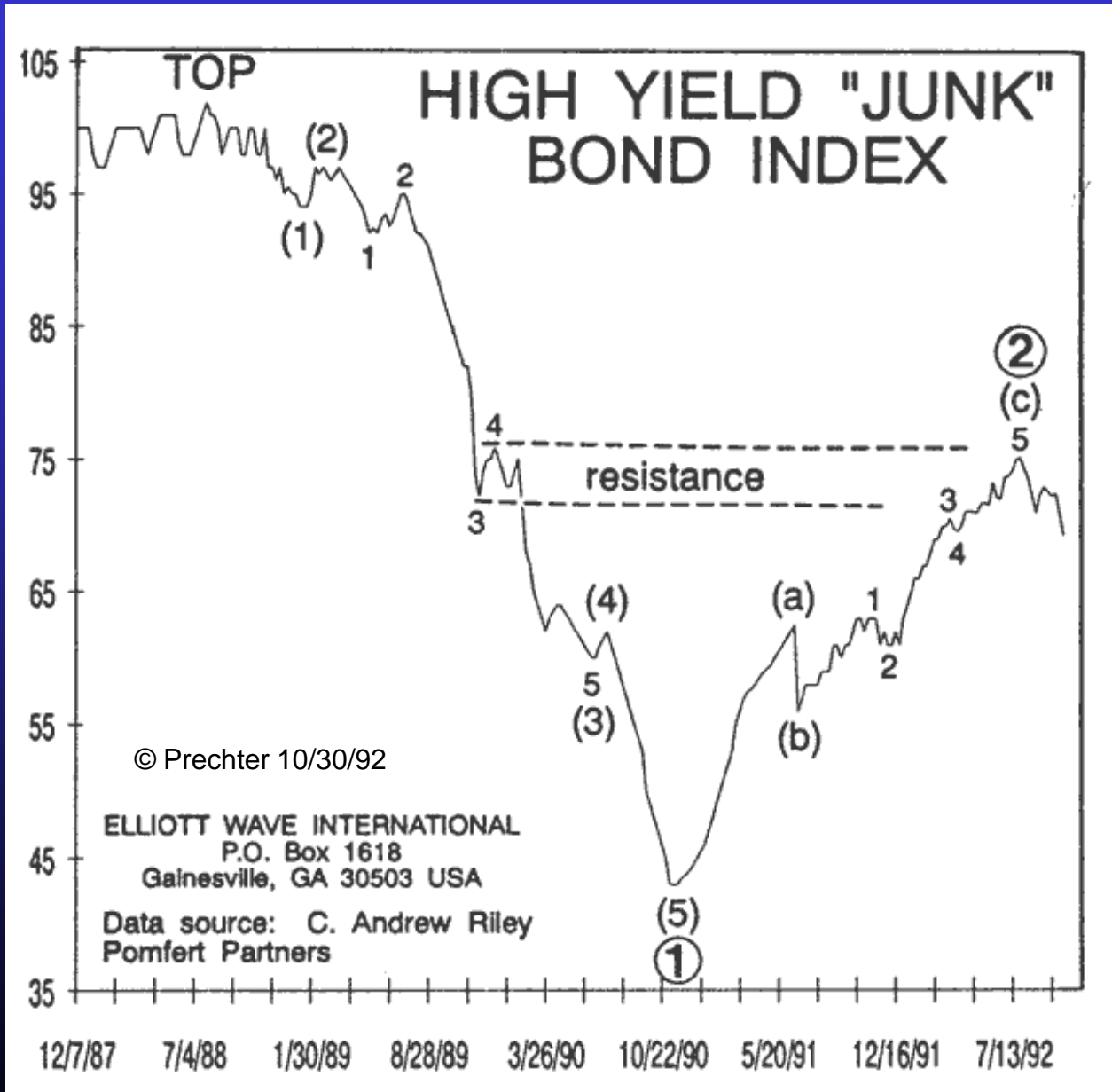


Figure F-9

January 1994

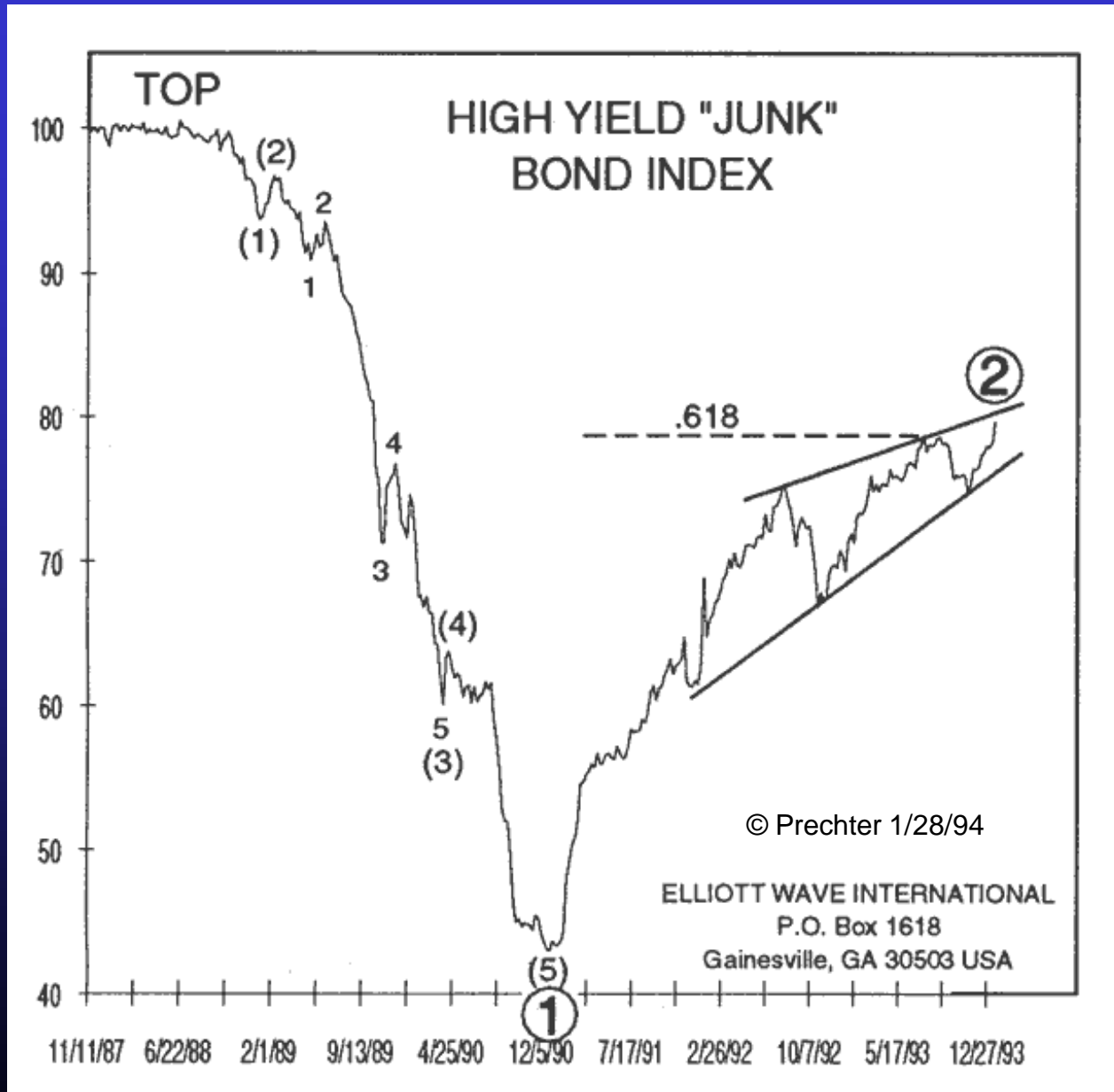


Figure F- 10

August 1, 1997

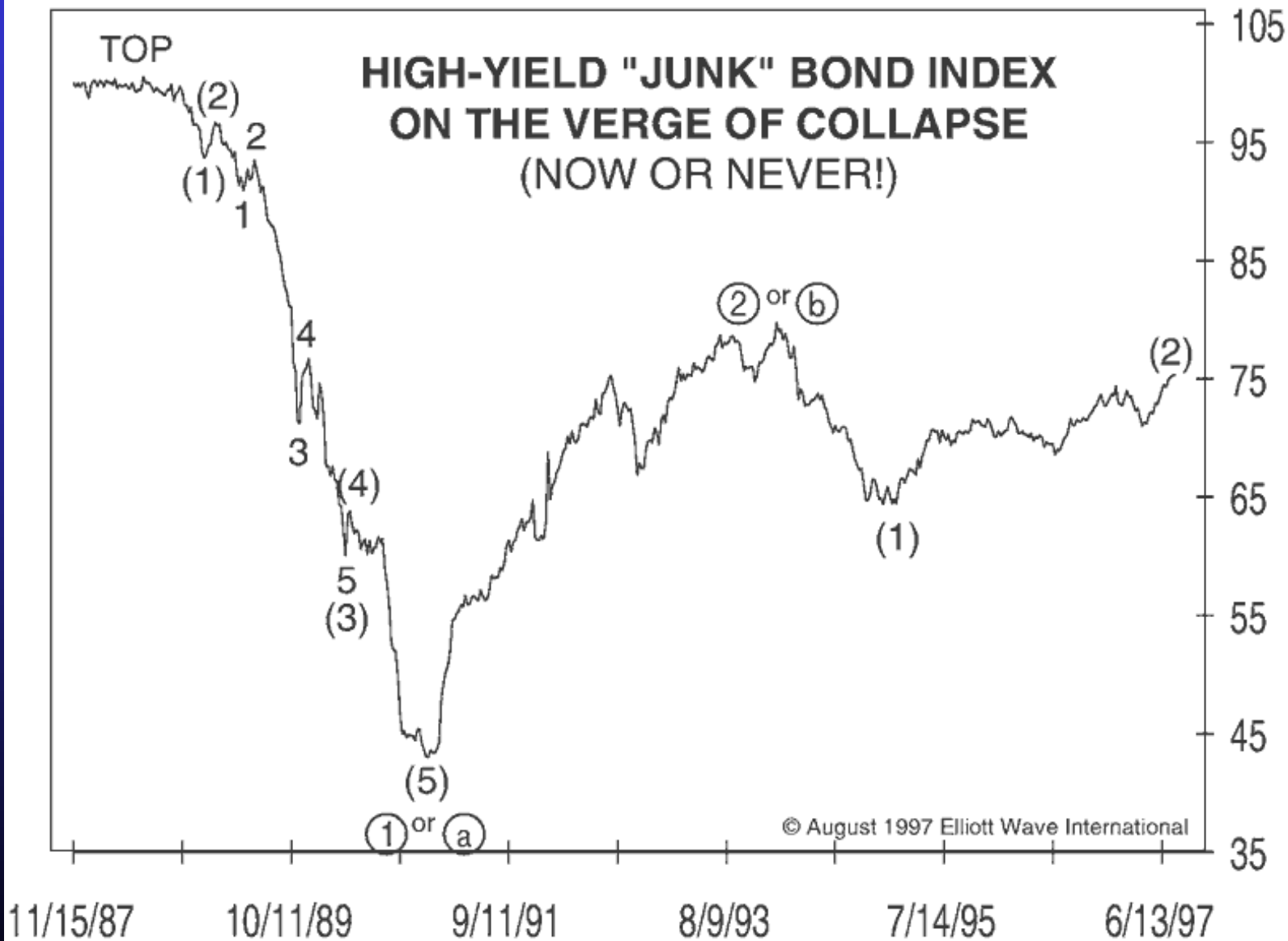


Figure F- 11

June 28, 2002

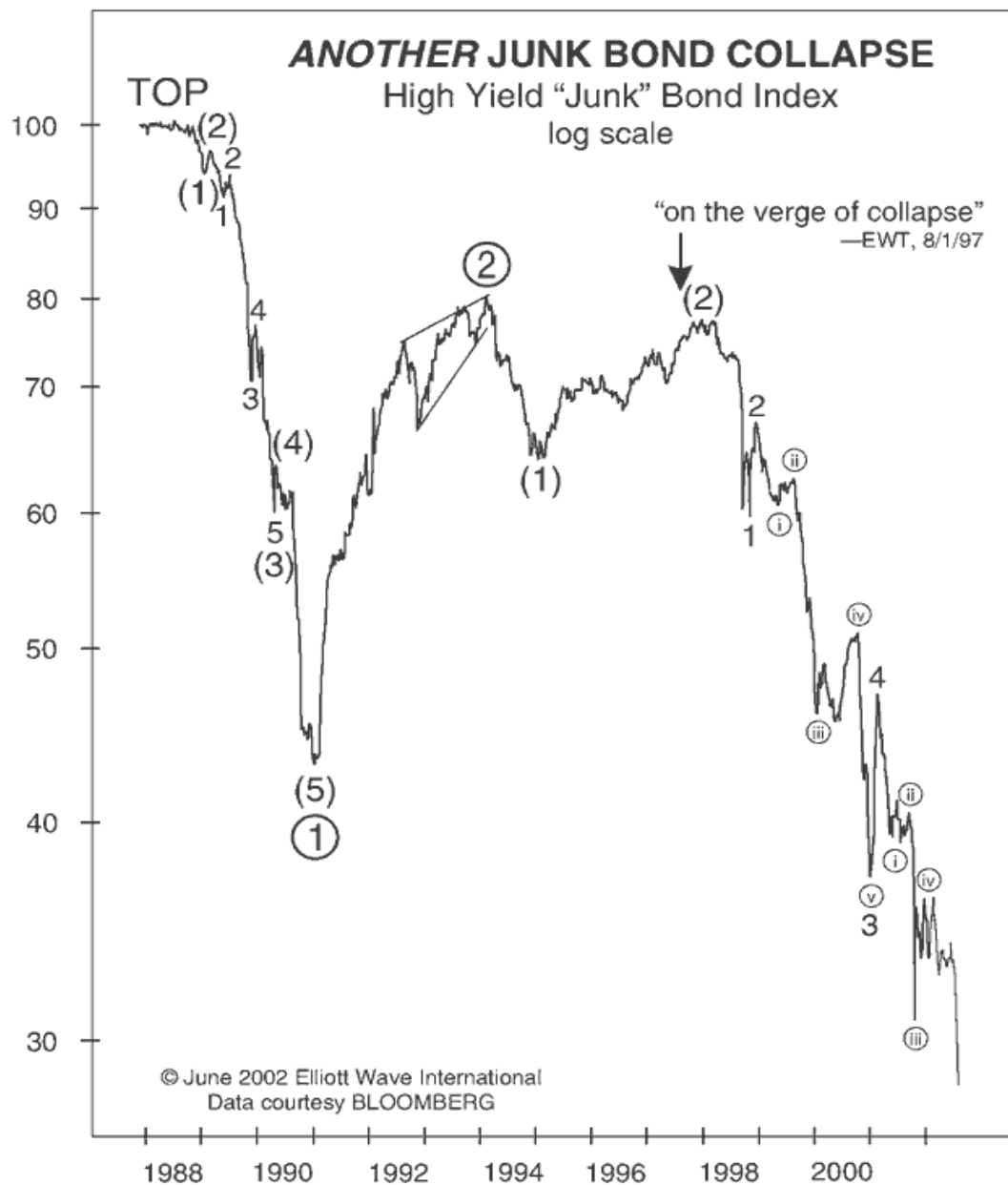


Figure F- 12

1995 — At the Crest of the Tidal Wave

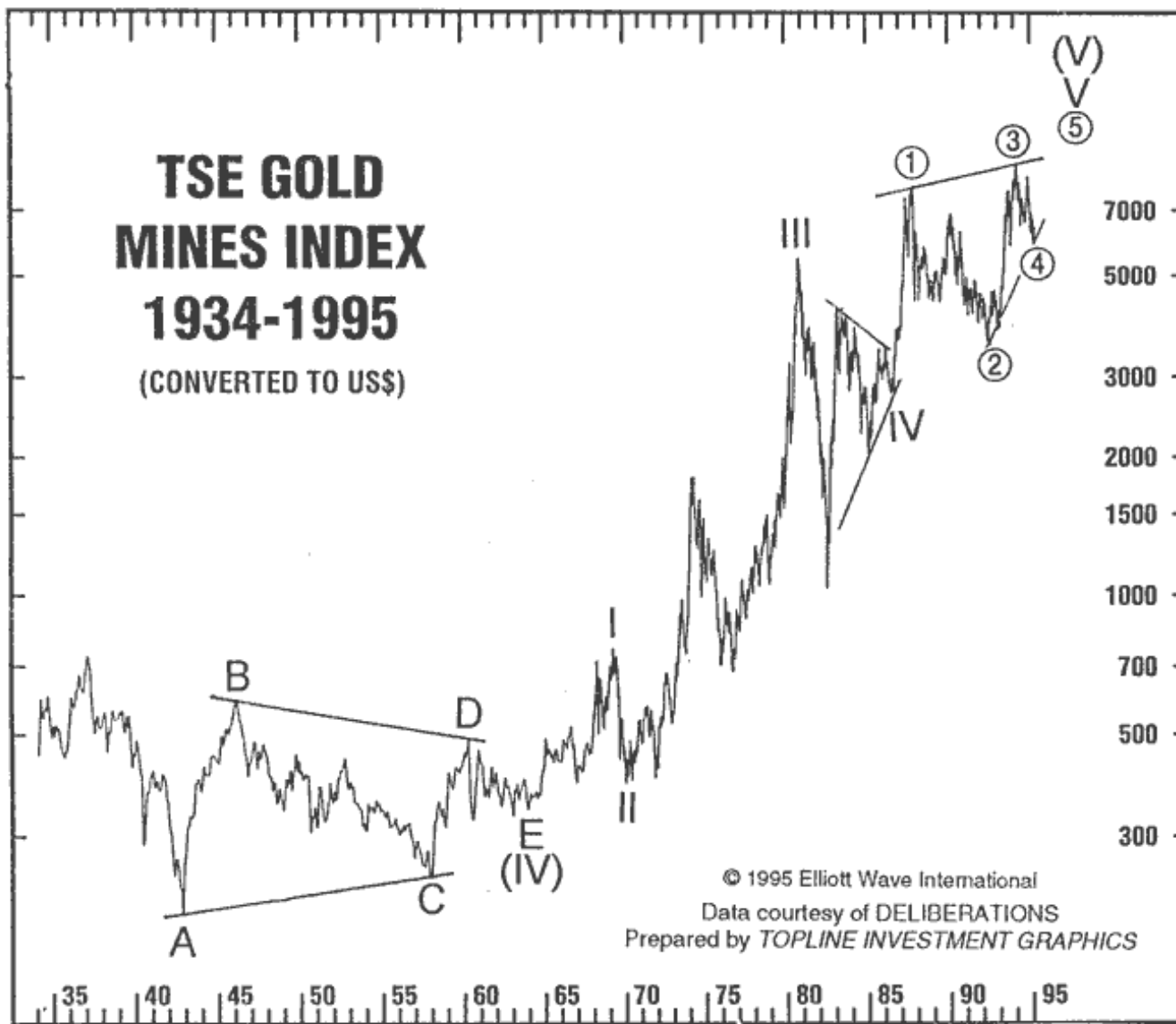


Figure F- 13

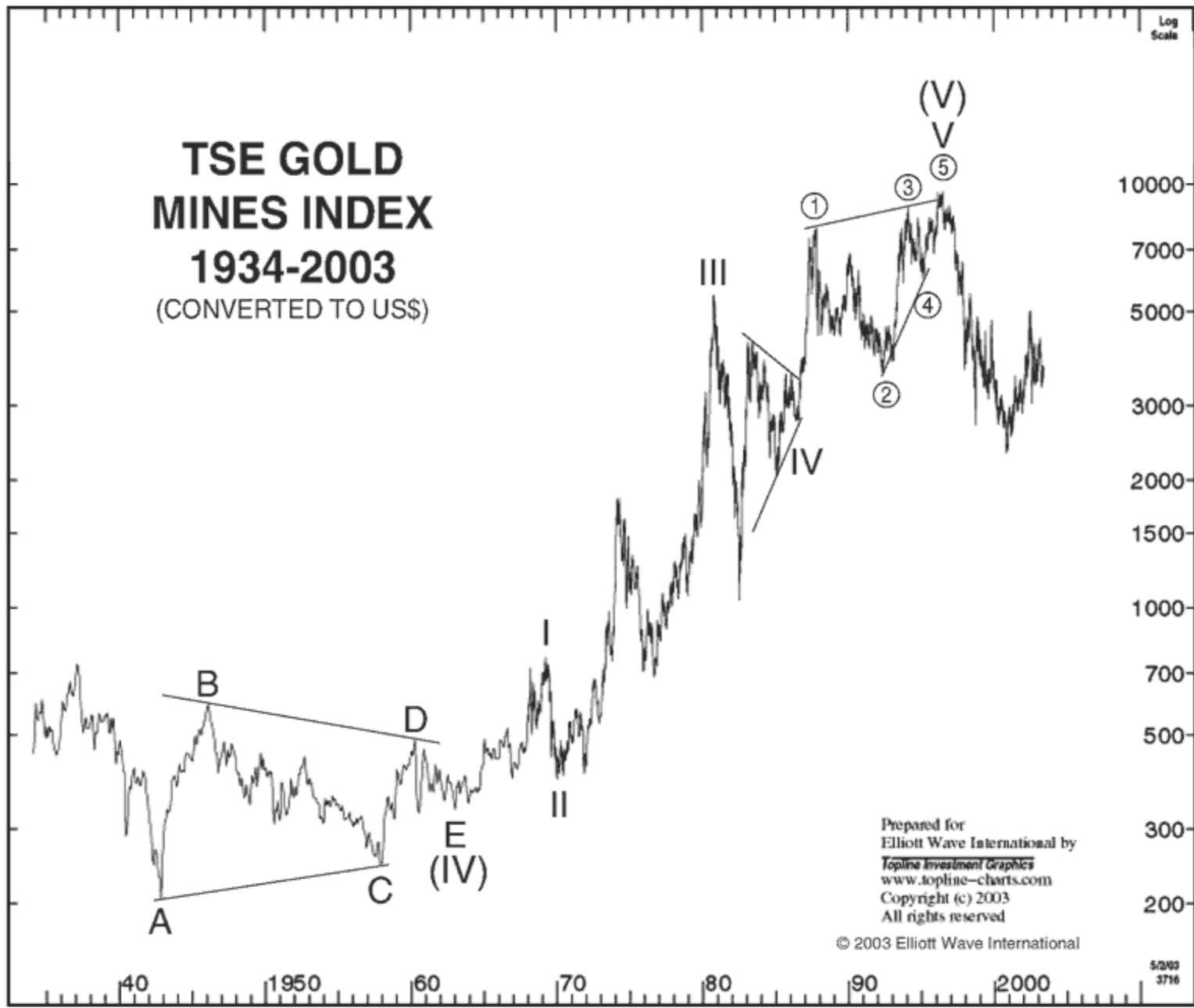


Figure F- 14

January 31, 2003

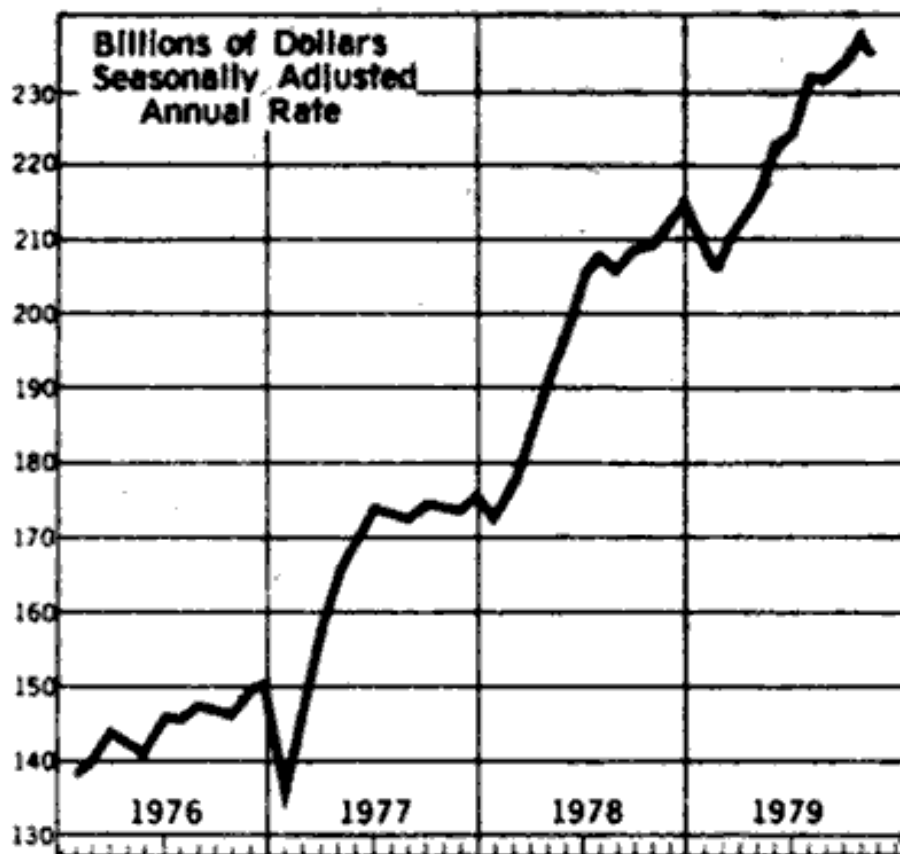


Figure F- 15



Figure F- 16

Construction Spending



SPENDING for construction fell in November to a seasonally adjusted annual rate of \$235.3 billion from a revised \$238.5 billion in October, the Commerce Department reports.

September 2000

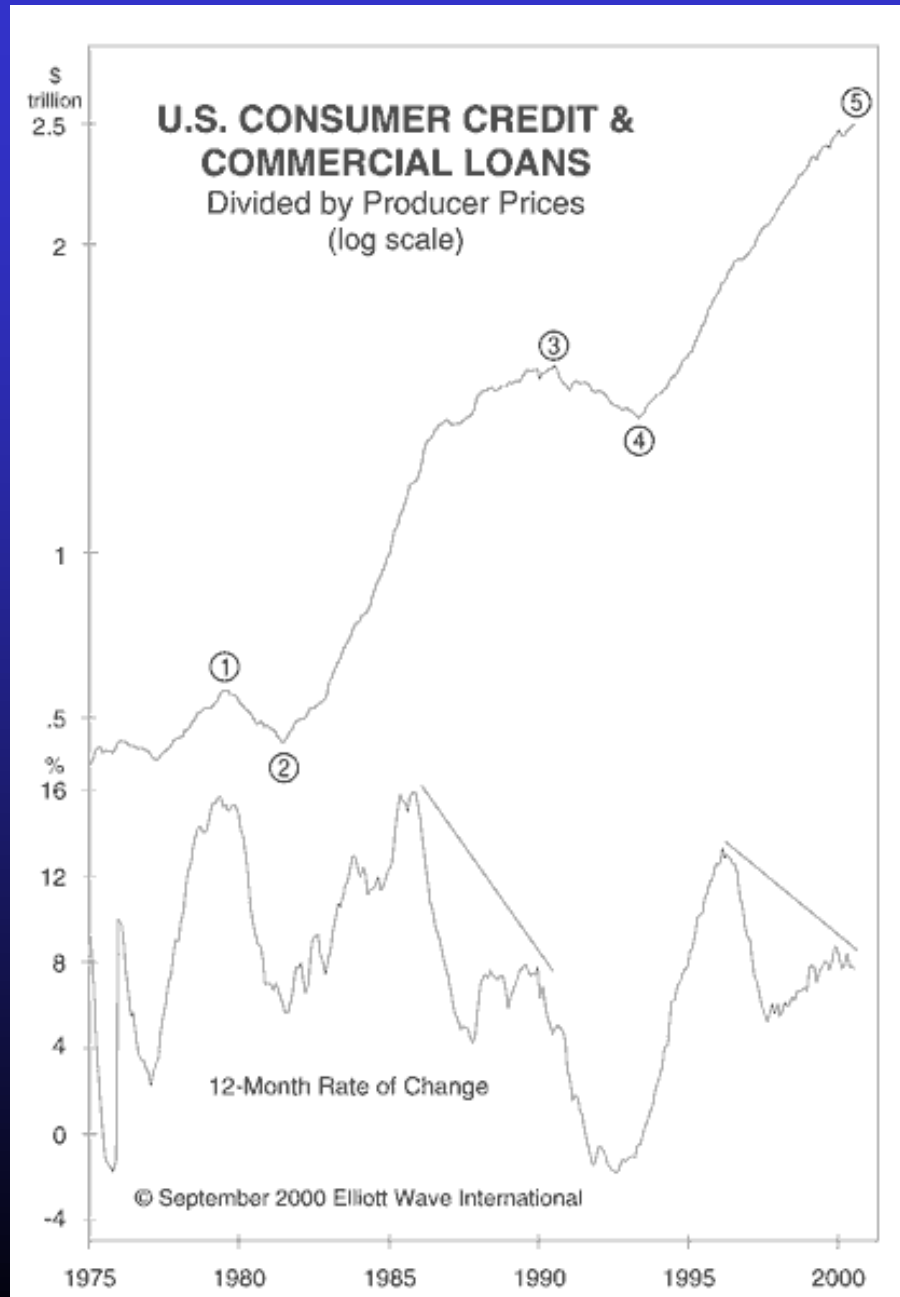


Figure F- 18

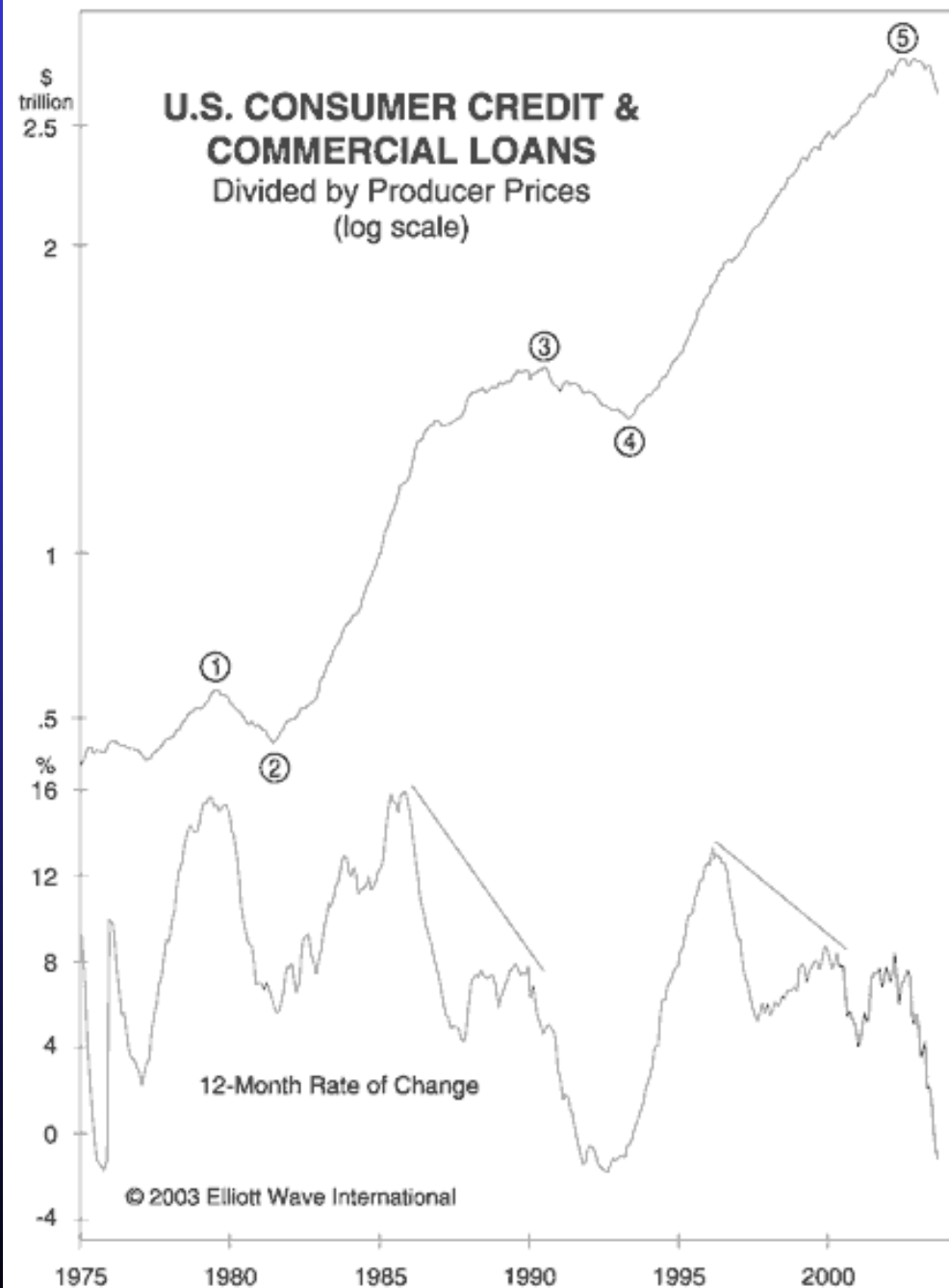


Figure F- 19

February 4, 2000

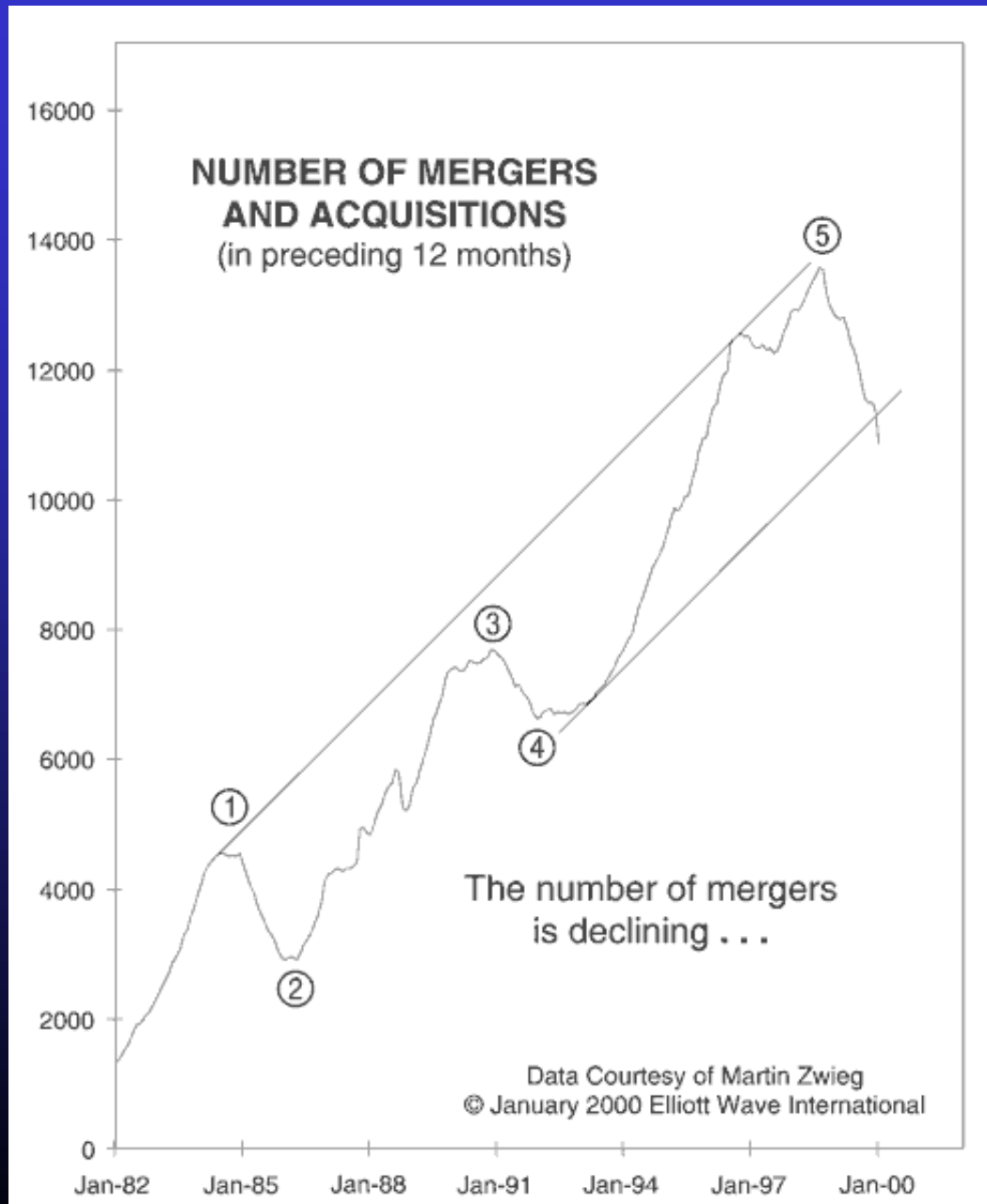


Figure F- 20

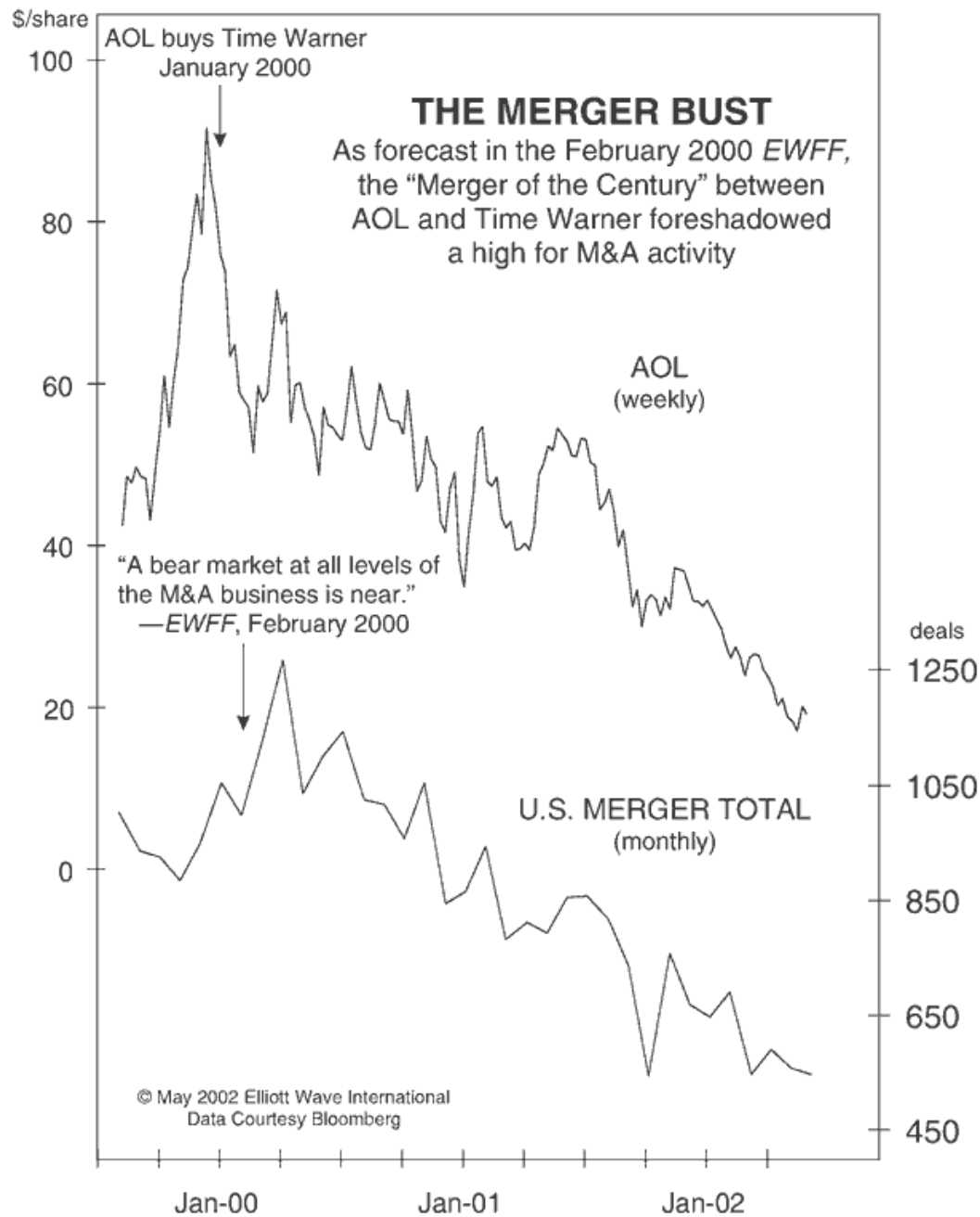


Figure F- 21

April 2000

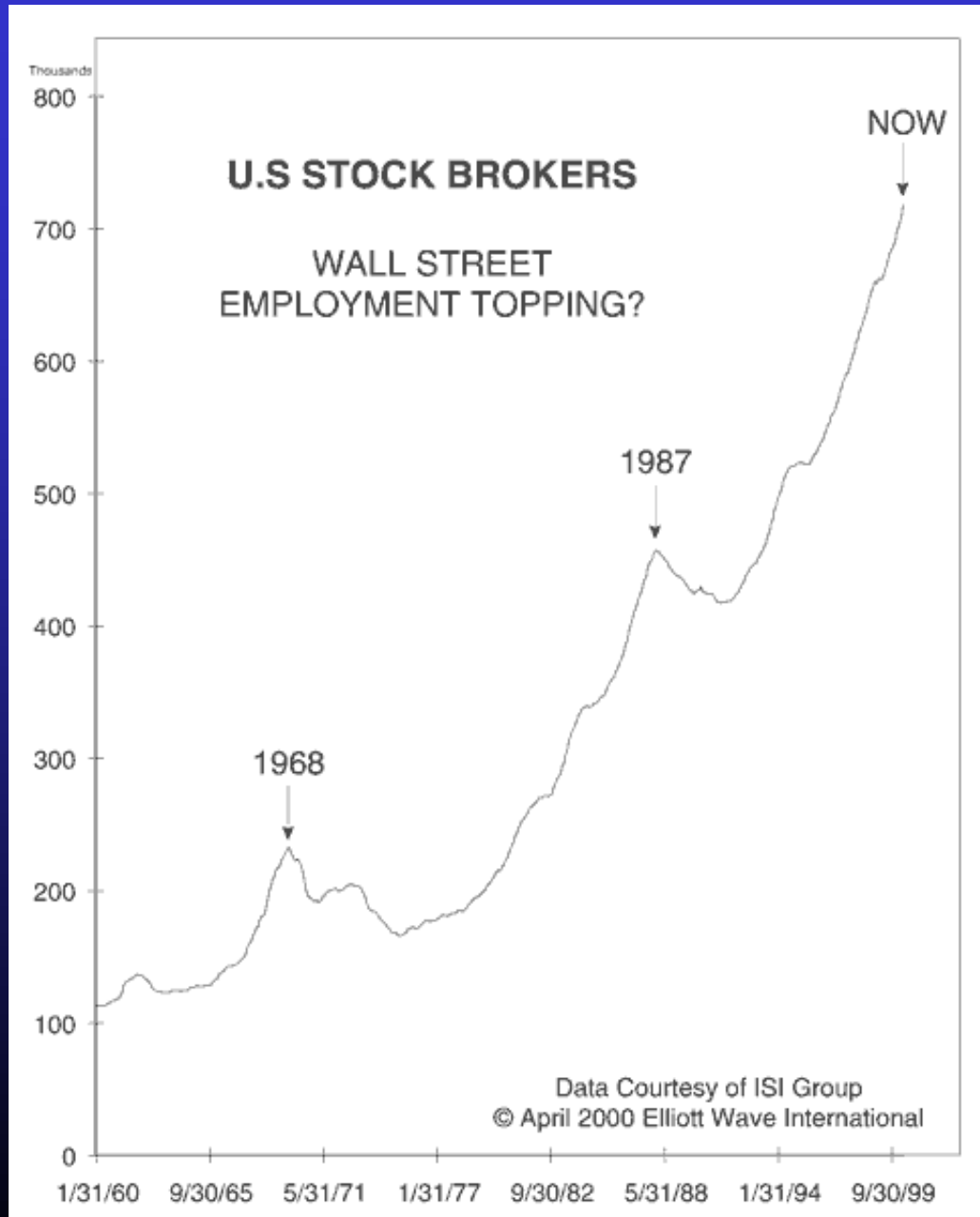


Figure F- 22

July 2001

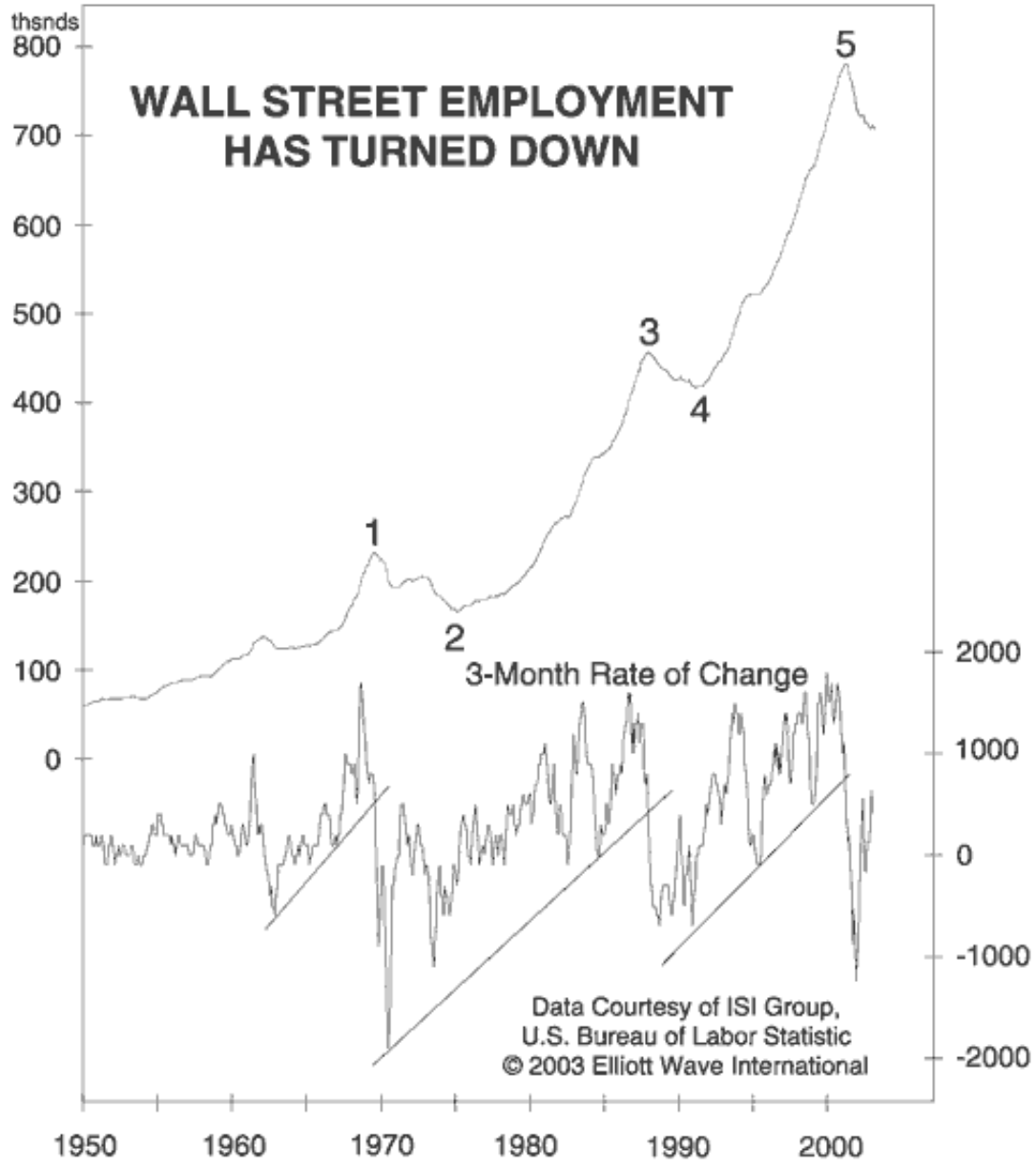


Figure F- 23

April 2003

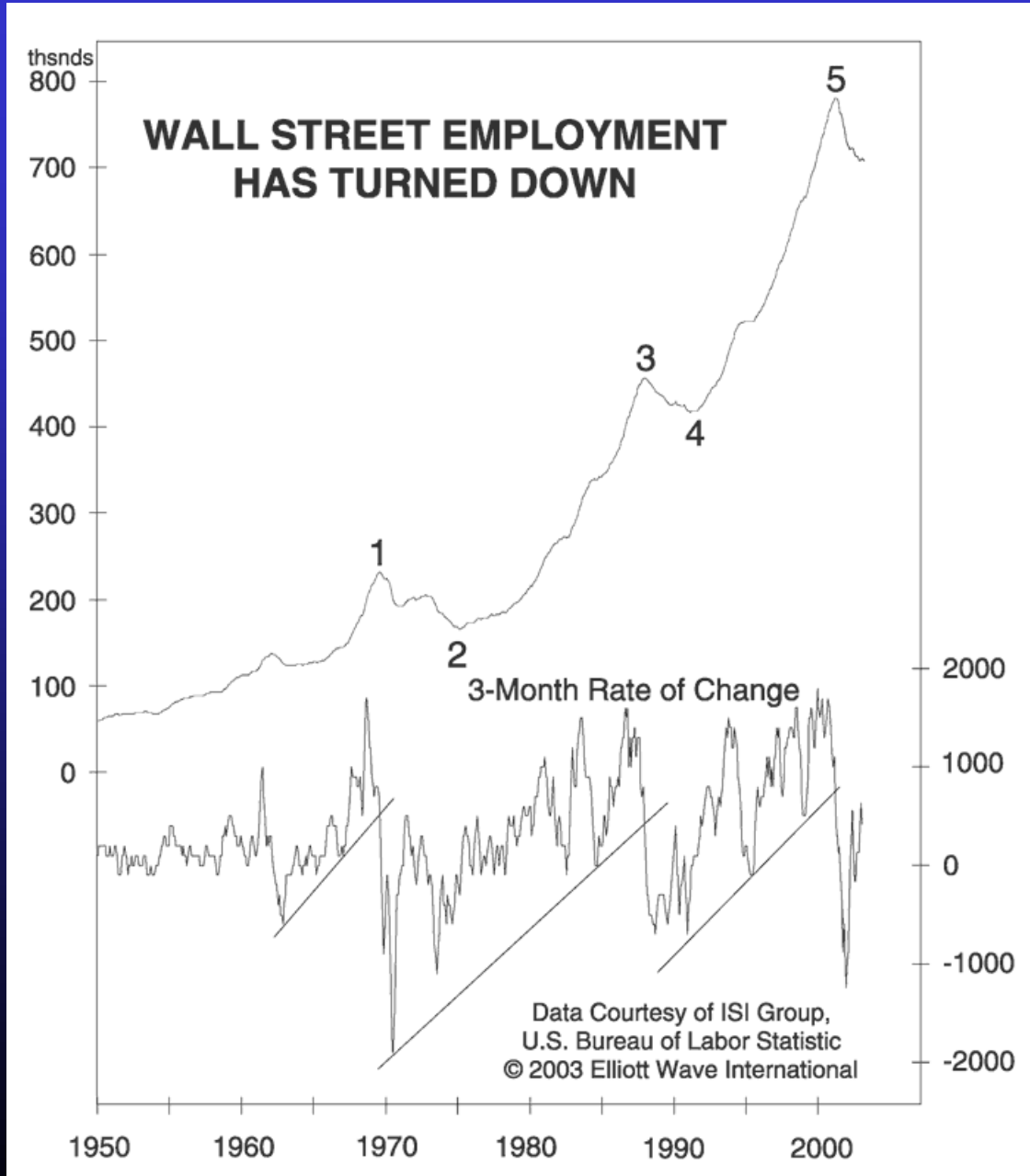


Figure F- 23
updated

April 1991

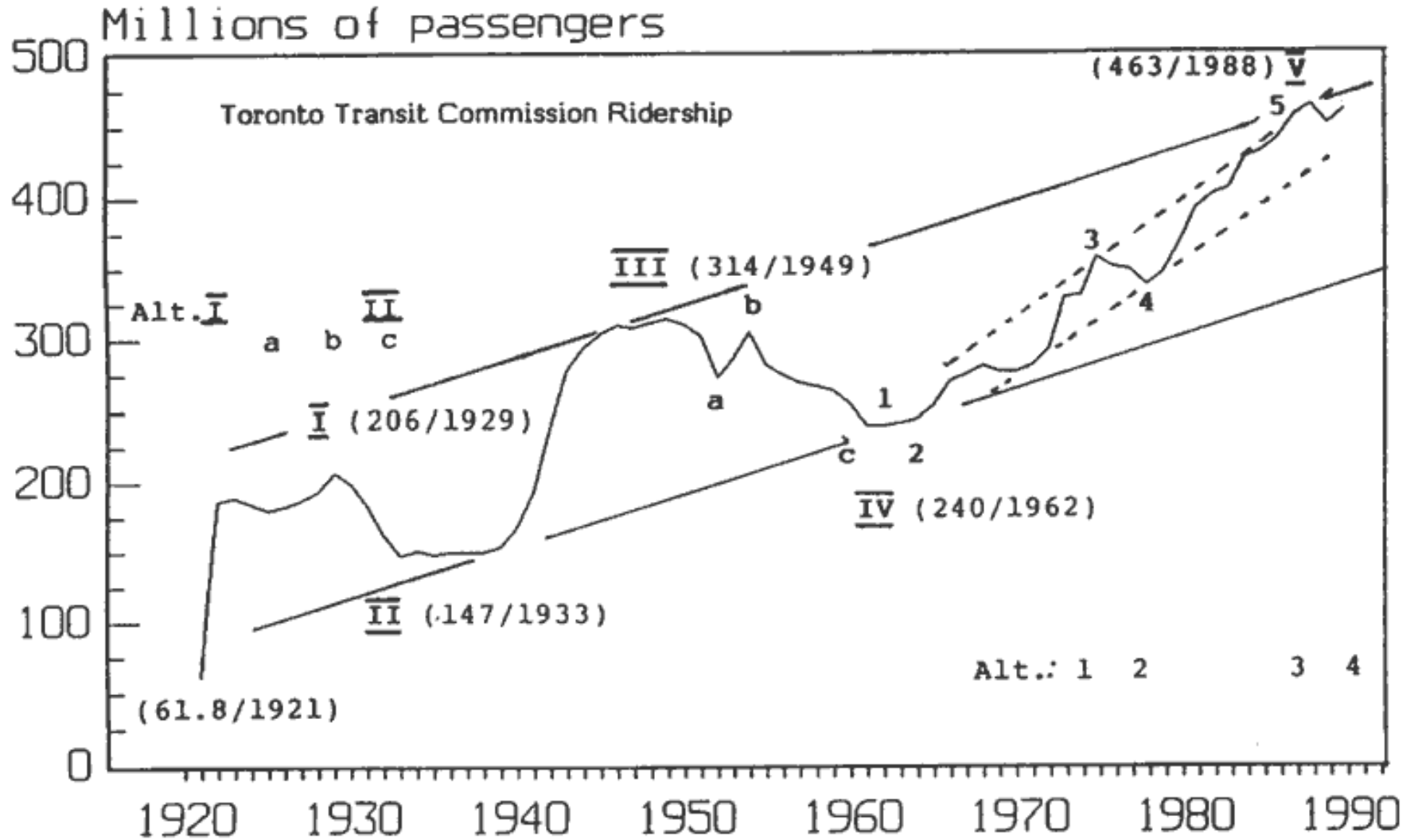


Figure F- 24

Going off the rails

Higher fares,
reduced service
cut TTC riders

Peak usage of
transit system was
in the late 1980s

STEVEN THEOBALD
BUSINESS REPORTER

Surely, taking the TTC is a good thing.

Less pollution and fewer cars on the road benefit all Torontonians, including the ever-expanding, gas-guzzling SUV set.

But a decade-long series of hefty fare increases has left riders feeling more like sinners than saints.

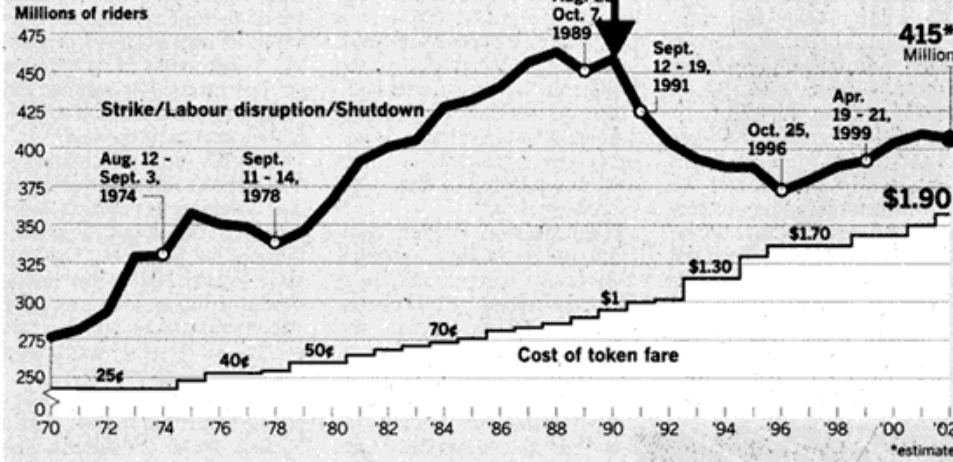
Governments treat smokers better.

Last week's 10 cent a token hike by the Toronto Transit Commission means fares now are 48.4 per cent higher than in 1990. That's in real terms, taking inflation into account.

In comparison, the real price of

TTC system ridership

TTC ridership peaked in 1988 at 463.5 million.



SOURCE: TTC

cigarettes in Ontario today is 30.5 per cent above 1990 levels, according to Statistics Canada data.

And that follows a virtual holiday on cigarette sin taxes for most of the '90s.

After 20 years of simply tracking inflation, the real price of TTC fares started rising in 1990.

Not coincidentally, ridership plunged from 459 million trips in 1990, bottoming out at 372 million by 1996.

Despite a booming economy and growing population, ridership is still struggling to recover.

For 2002, which includes an extra 4 million riders from last summer's World Youth Day, the TTC estimates 415.5 million

trips were taken, down from 420 million in 2001.

The TTC was put under added pressure to raise fares when the government of then-premier Mike Harris started slashing provincial subsidies, which were \$104 million in 1995.

By 1998, the province had eliminated subsidies completely.

Farebox revenues now cover 81 per cent of total operating costs, up from 66 per cent and by far the highest proportion among major North American and European cities.

Tolls on Highway 407 were justified, Harris once explained, because drivers were willing to pay for reduced congestion.

But in another breath, he insisted Ontario taxpayers shouldn't subsidize transit users.

"Walking away from investing in transit was a huge mistake," said Eric Miller, a civil engineering professor at the University of Toronto.

October 2000

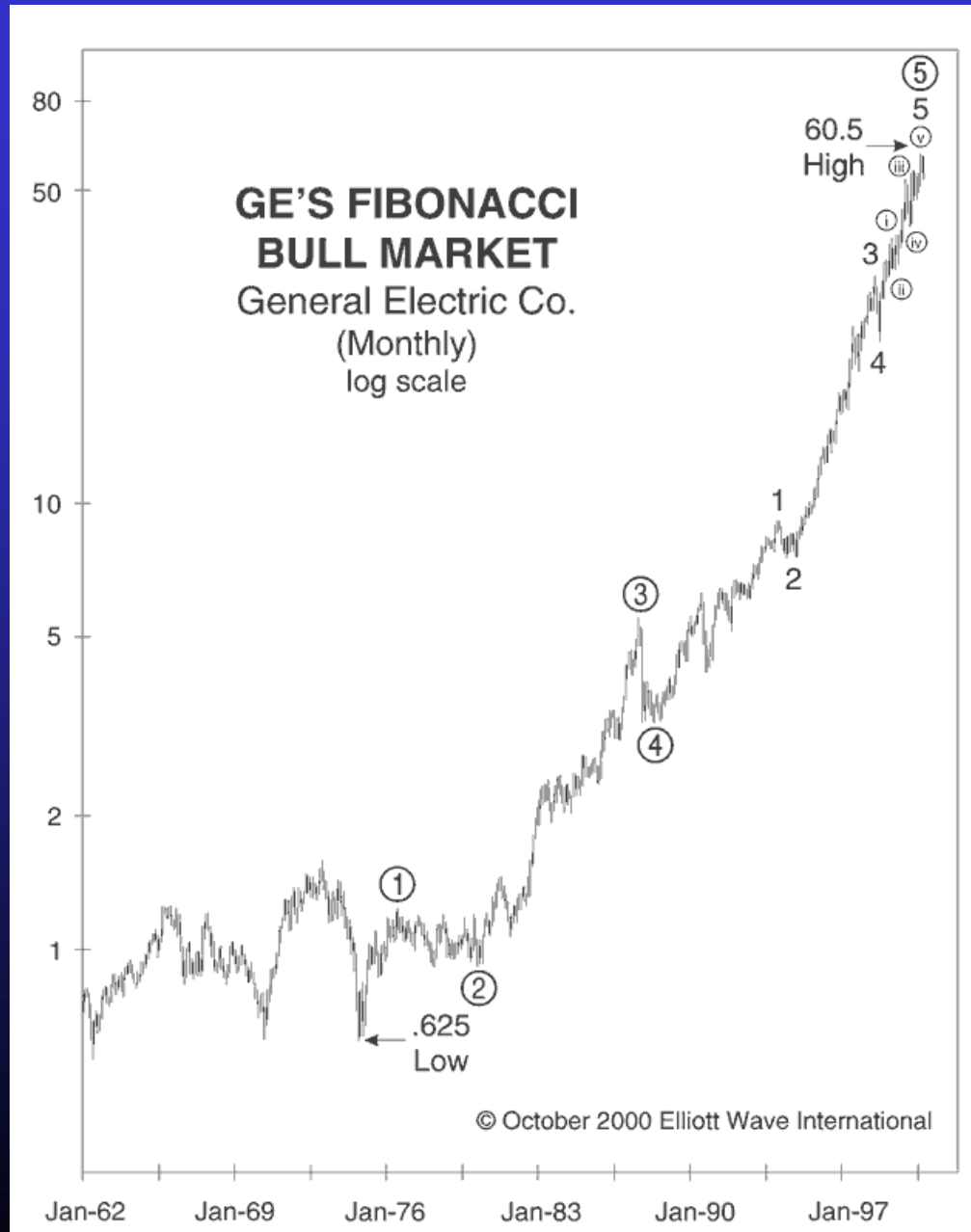
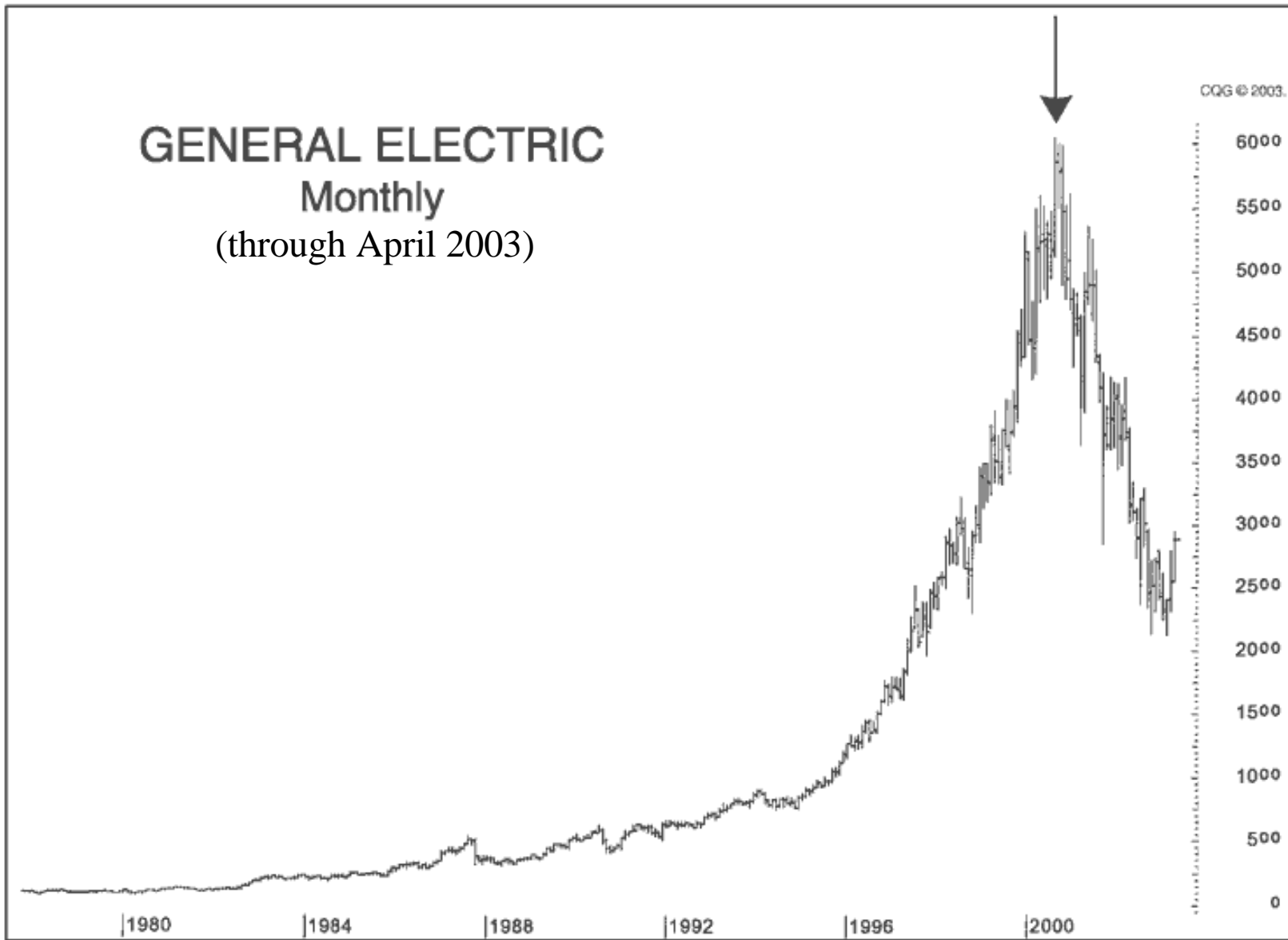


Figure F- 26

GENERAL ELECTRIC Monthly (through April 2003)



Thursday, April 24, 2003 11:28AM (Ver: 6.6048.0)

Figure F- 27

From Conquer the Crash

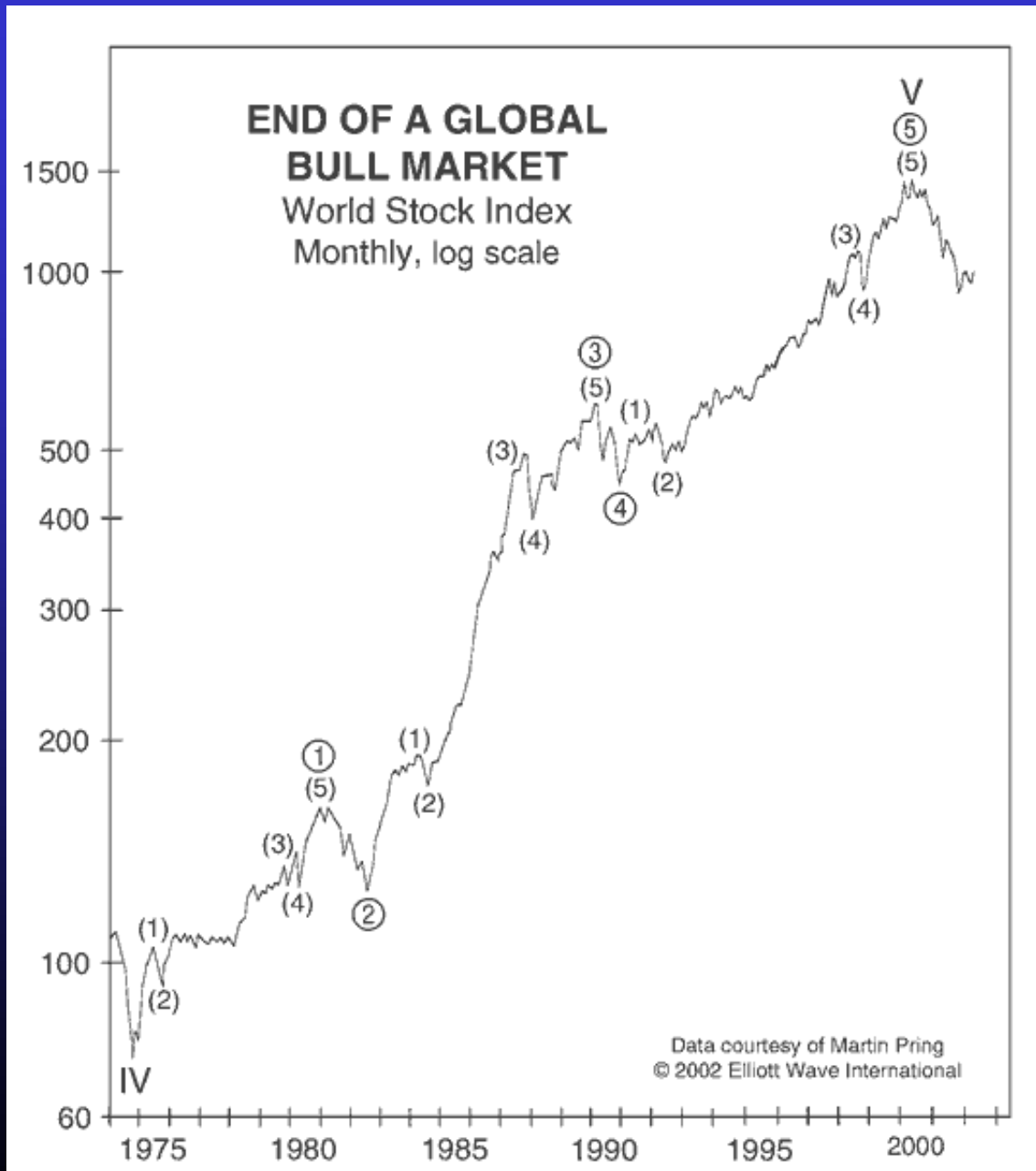


Figure F- 28

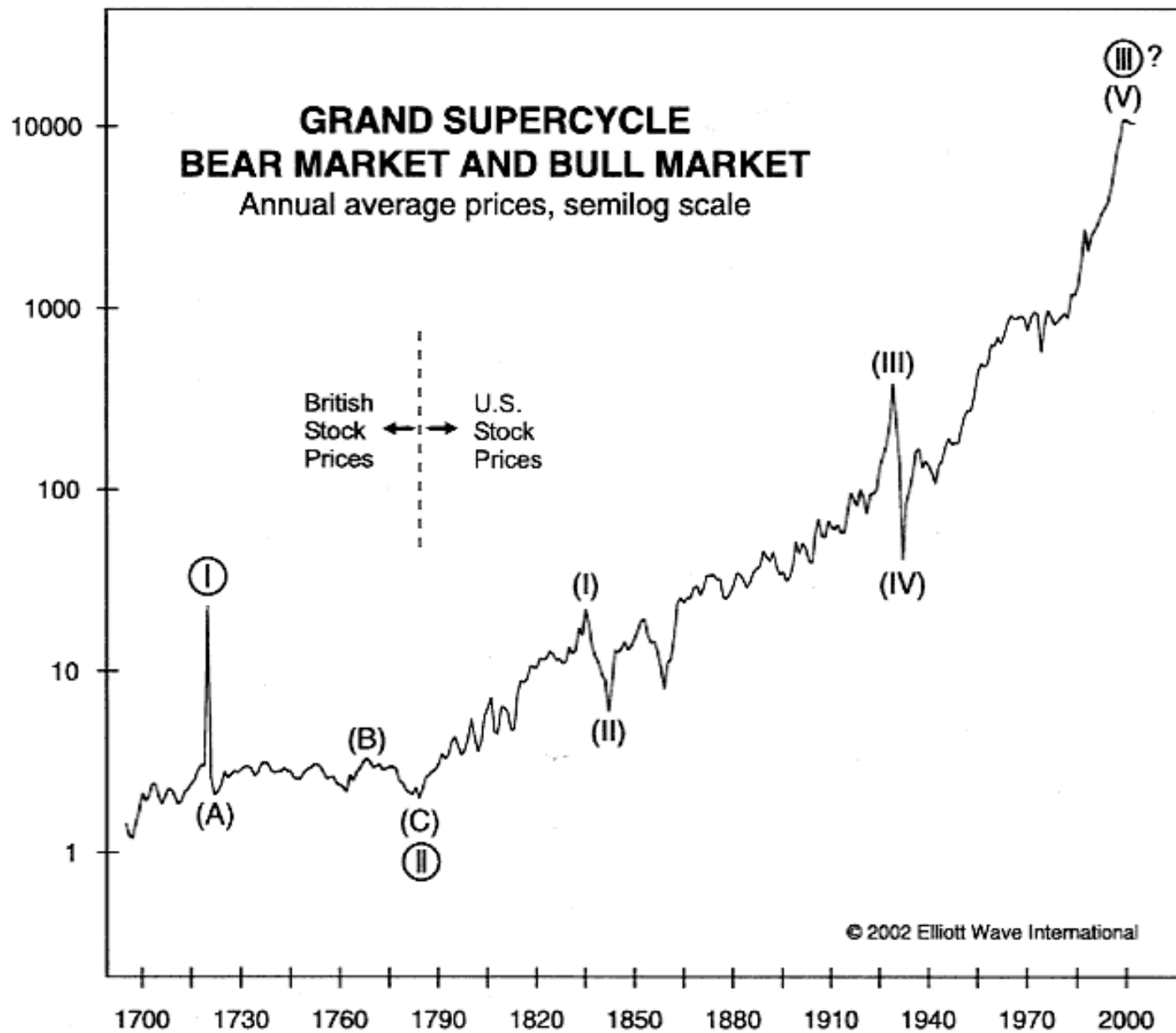


Figure F- 29

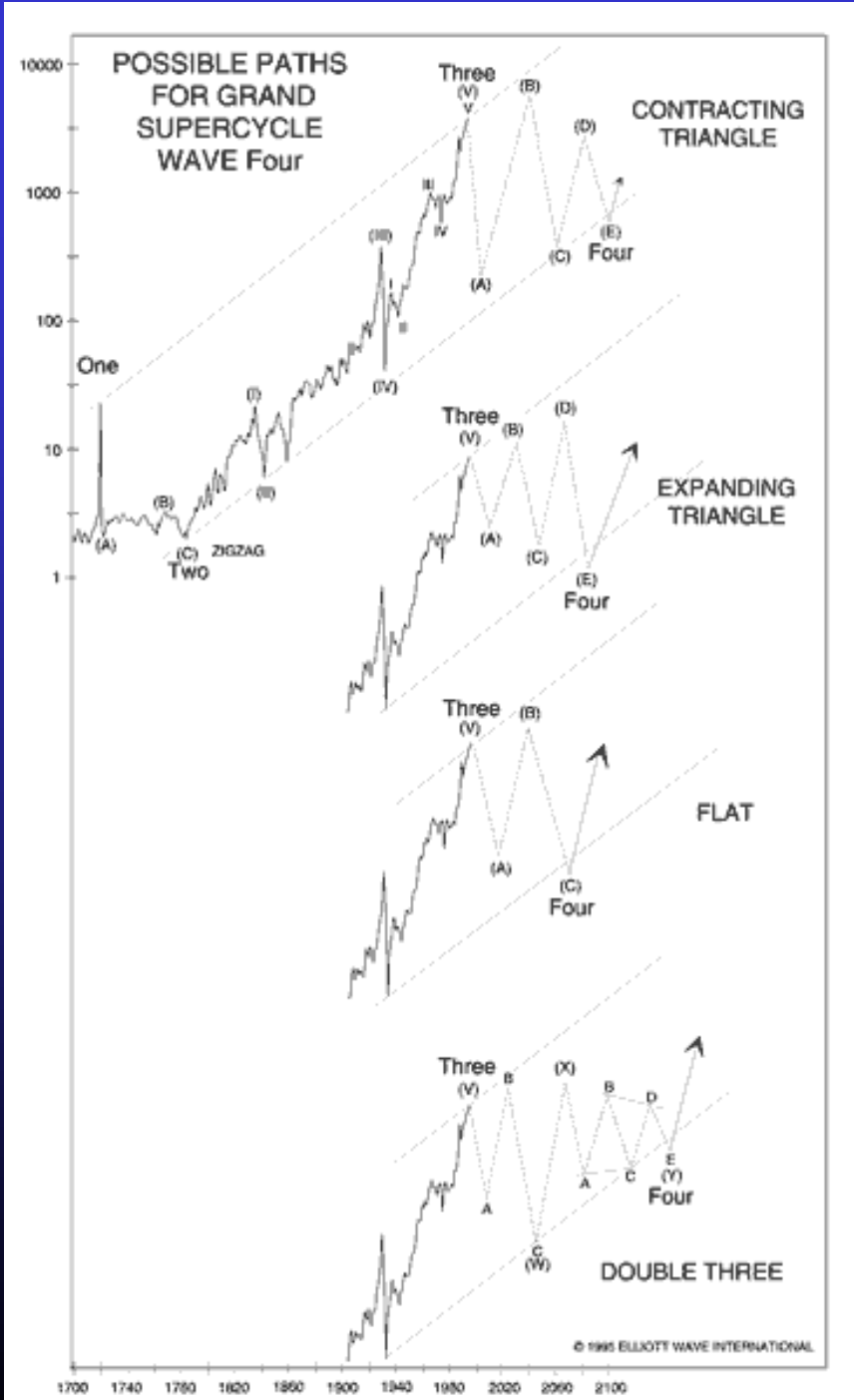


Figure F- 30

9/11/01

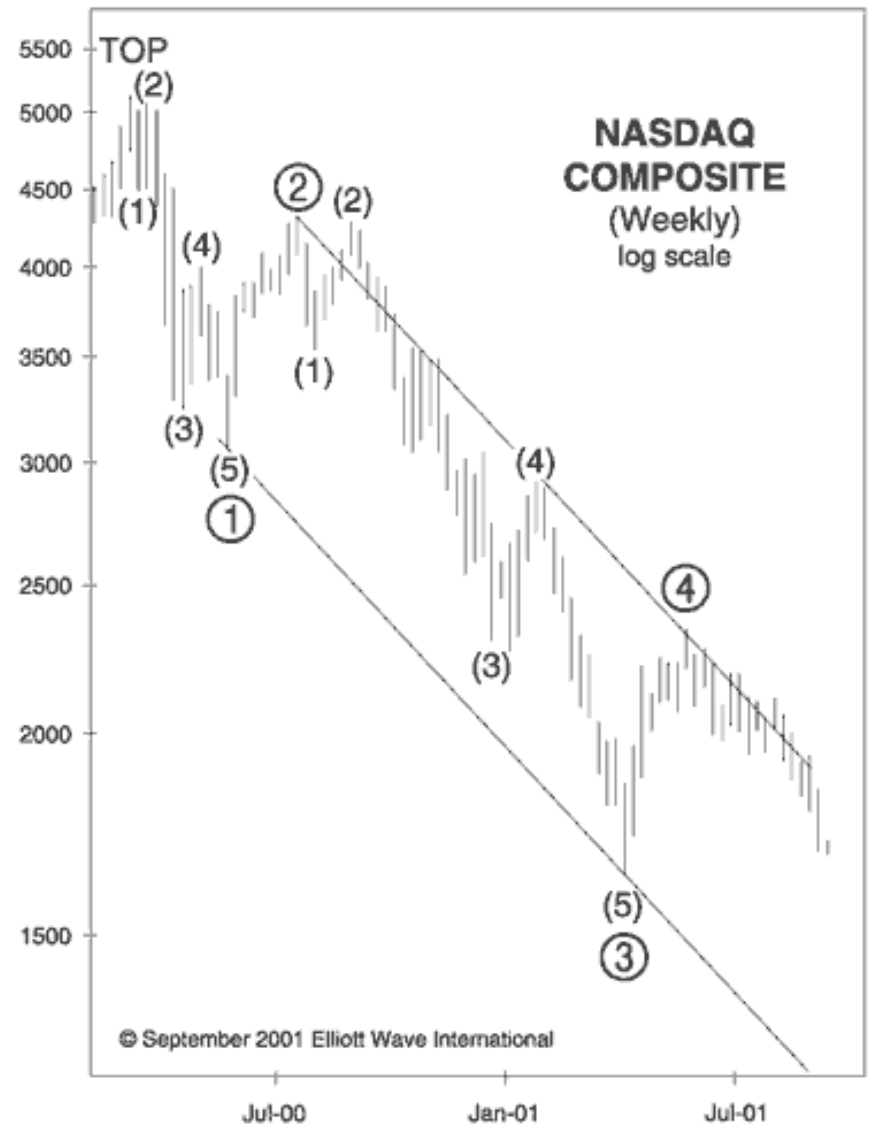
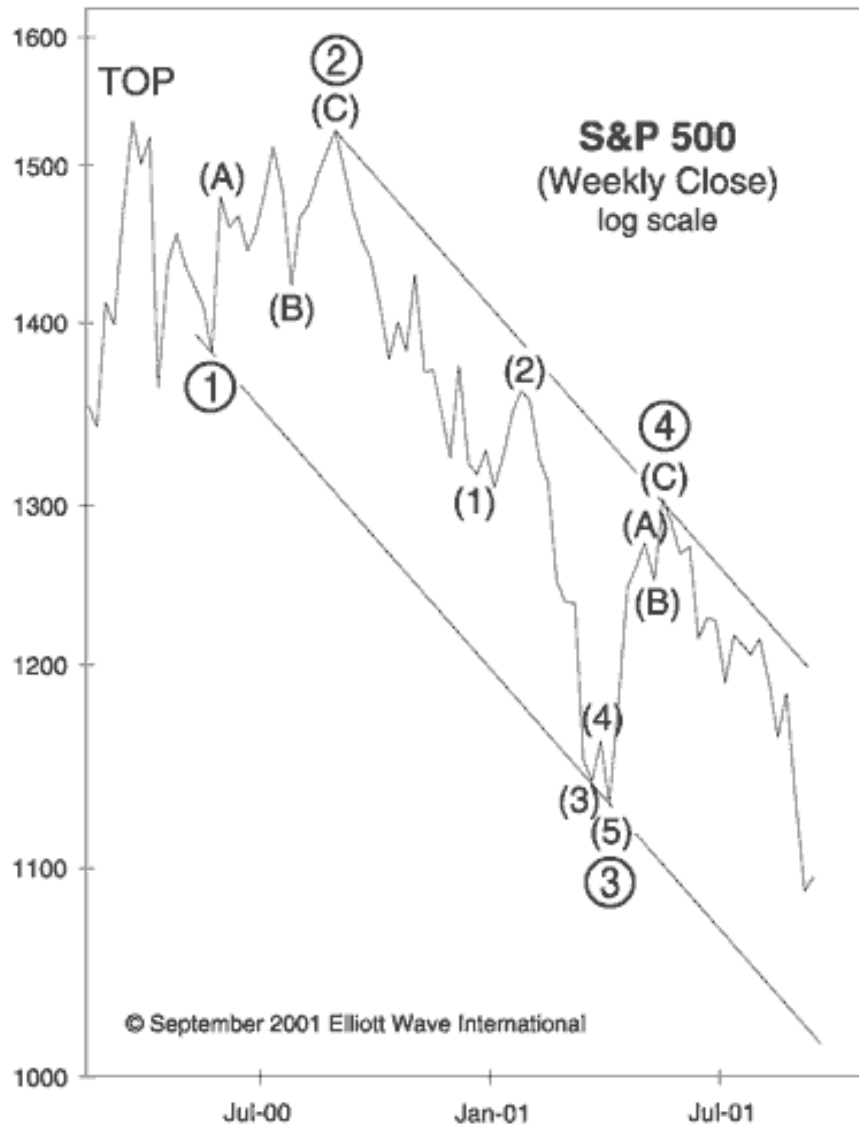


Figure F- 32

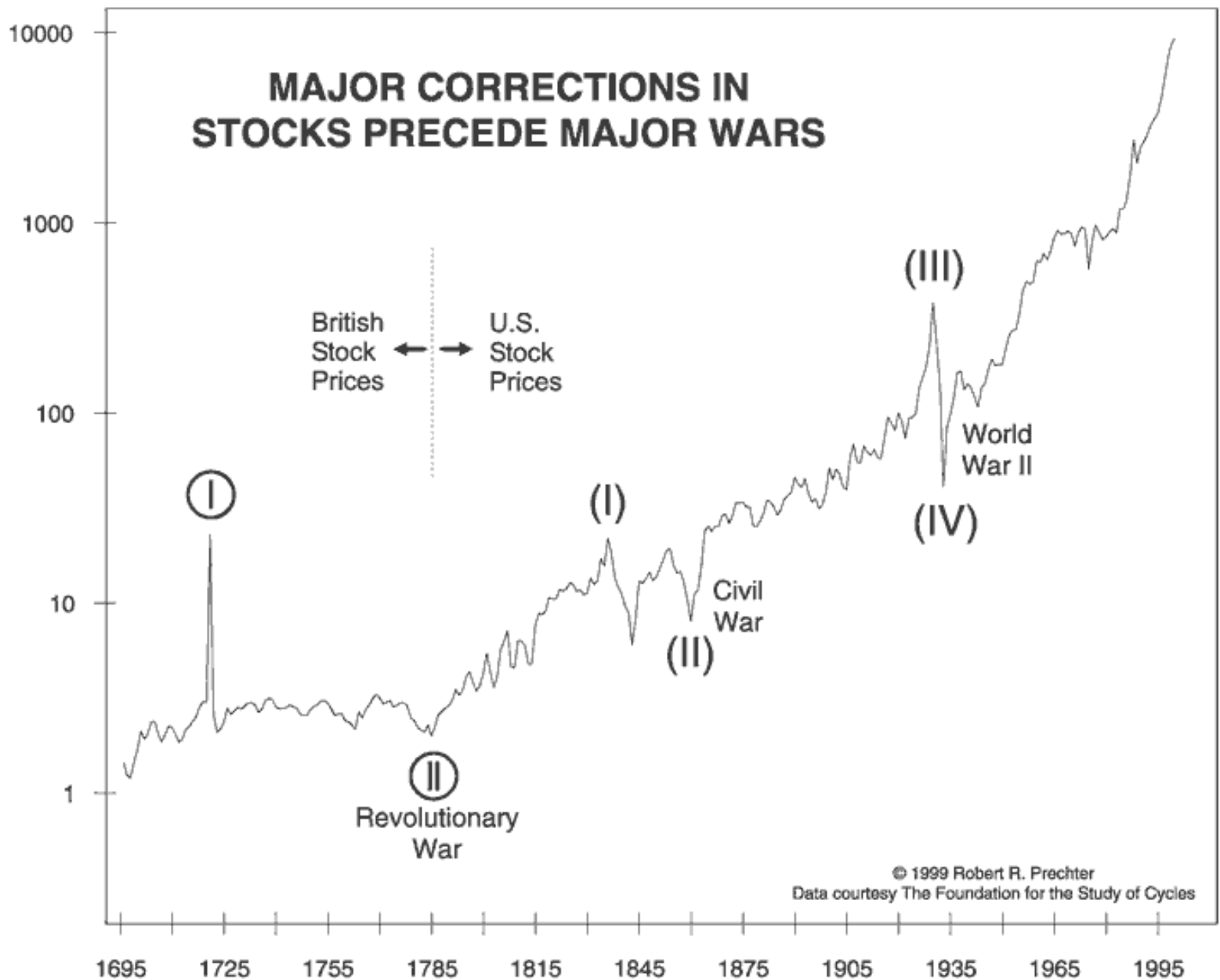
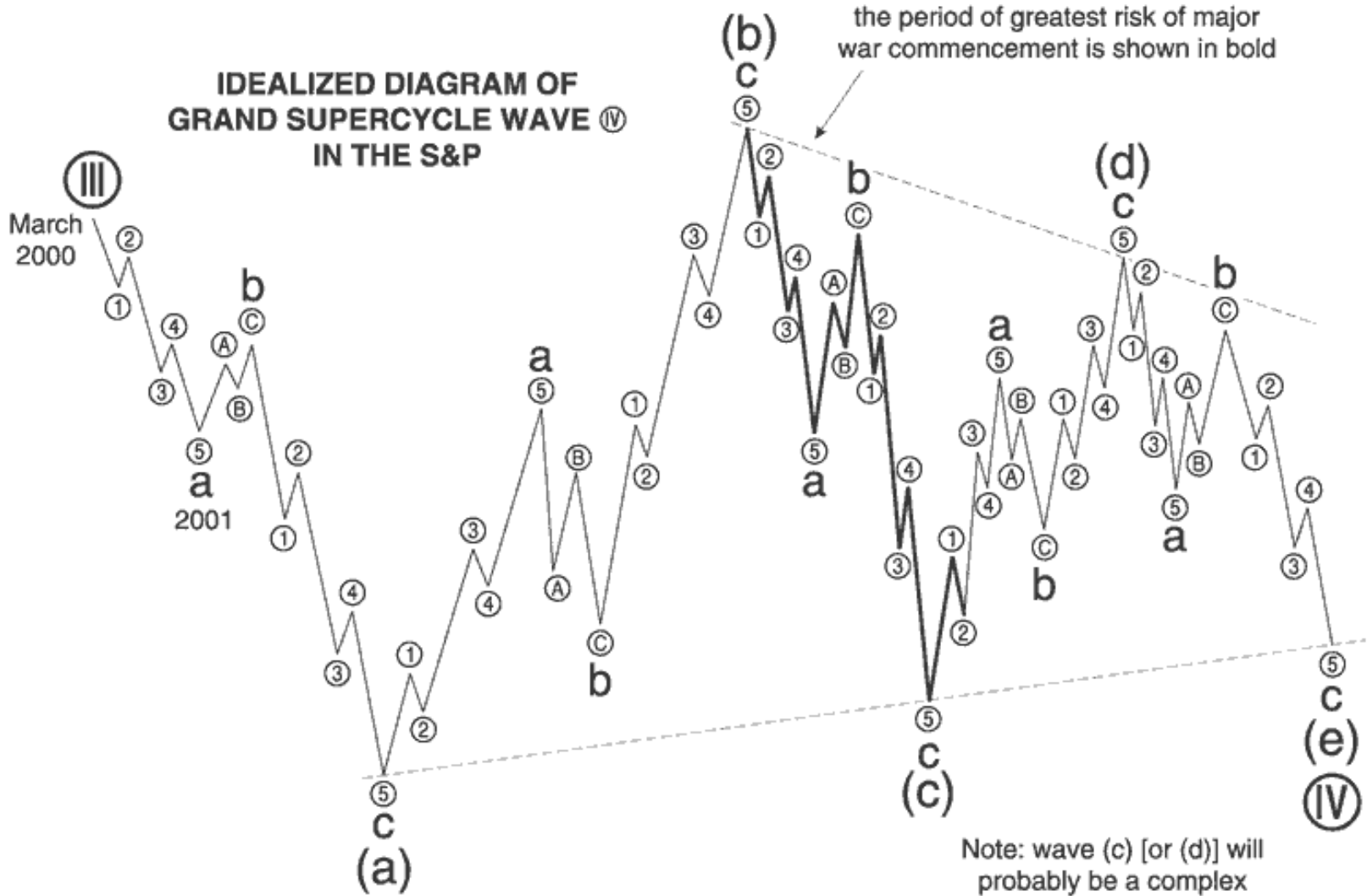


Figure F- 33

WORLD PEACE, WORLD WAR AND ELLIOTT WAVES

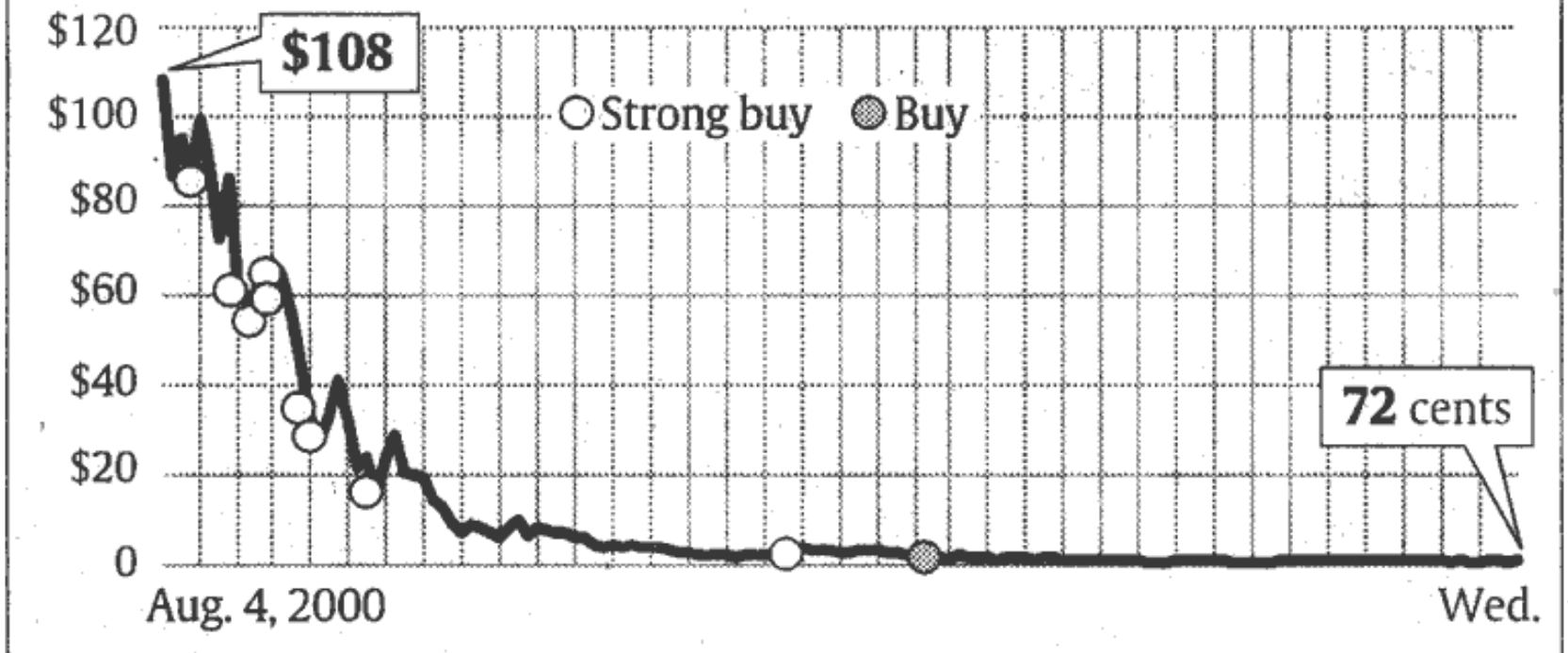
IDEALIZED DIAGRAM OF GRAND SUPERCYCLE WAVE ④ IN THE S&P



Note: wave (c) [or (d)] will probably be a complex wave (see EWP, p.51)

Recommendations stayed despite Corvis' tumble

Credit Suisse First Boston issued strong buy recommendations for Corvis, the firm's largest domestic tech IPO while Frank Quattrone was at the firm, even while the shares sank:



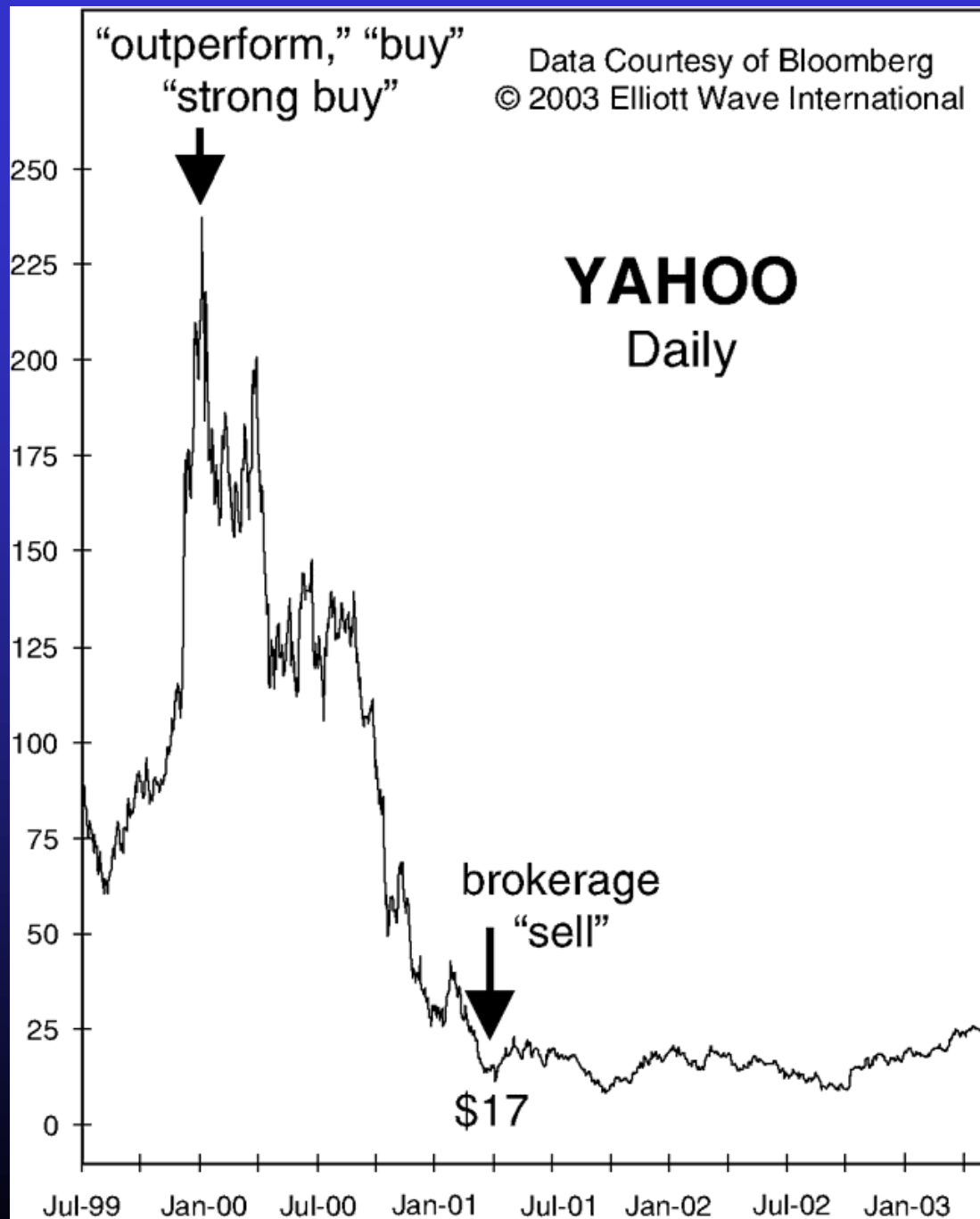


Figure F- 36

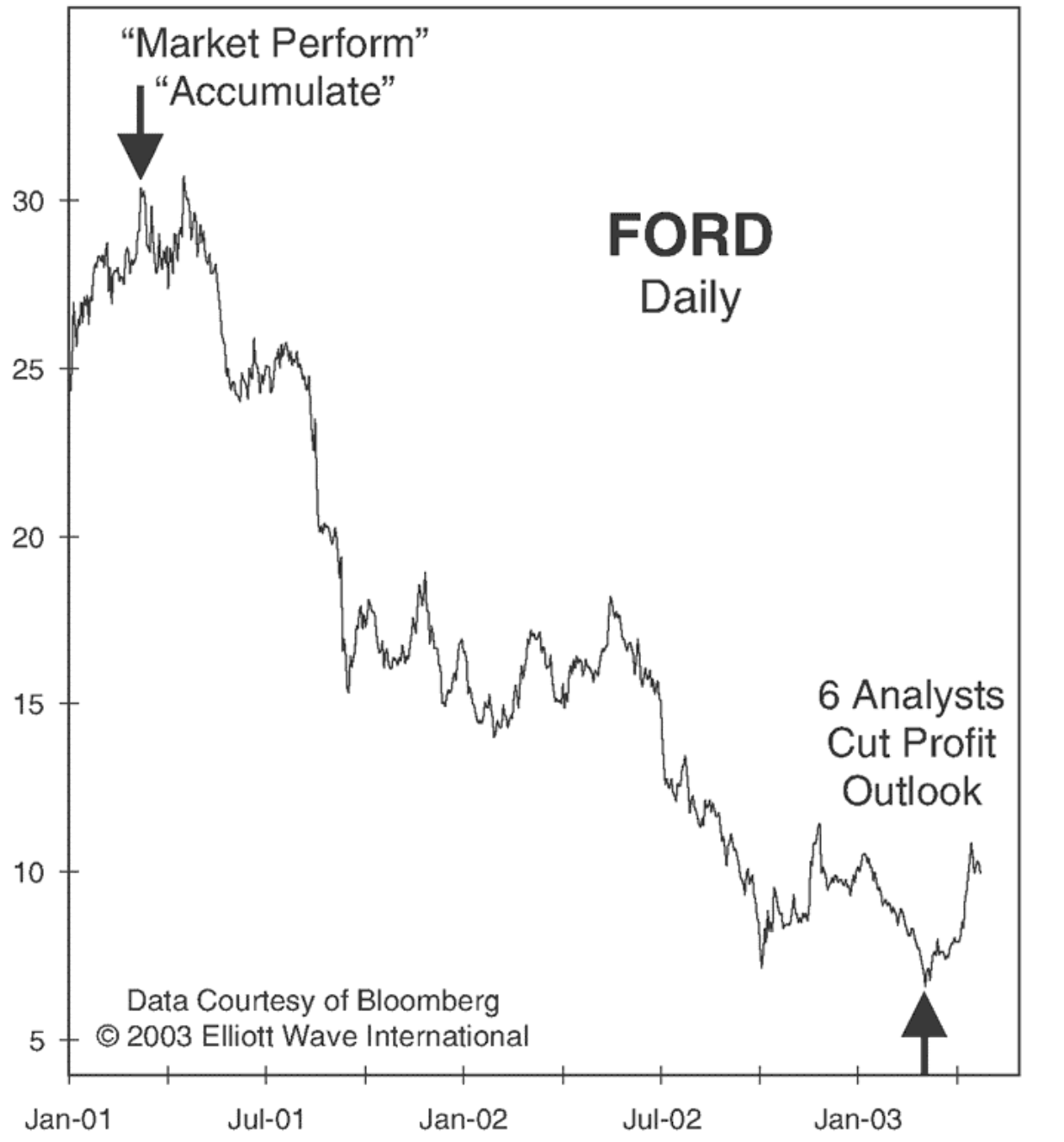


Figure F- 37

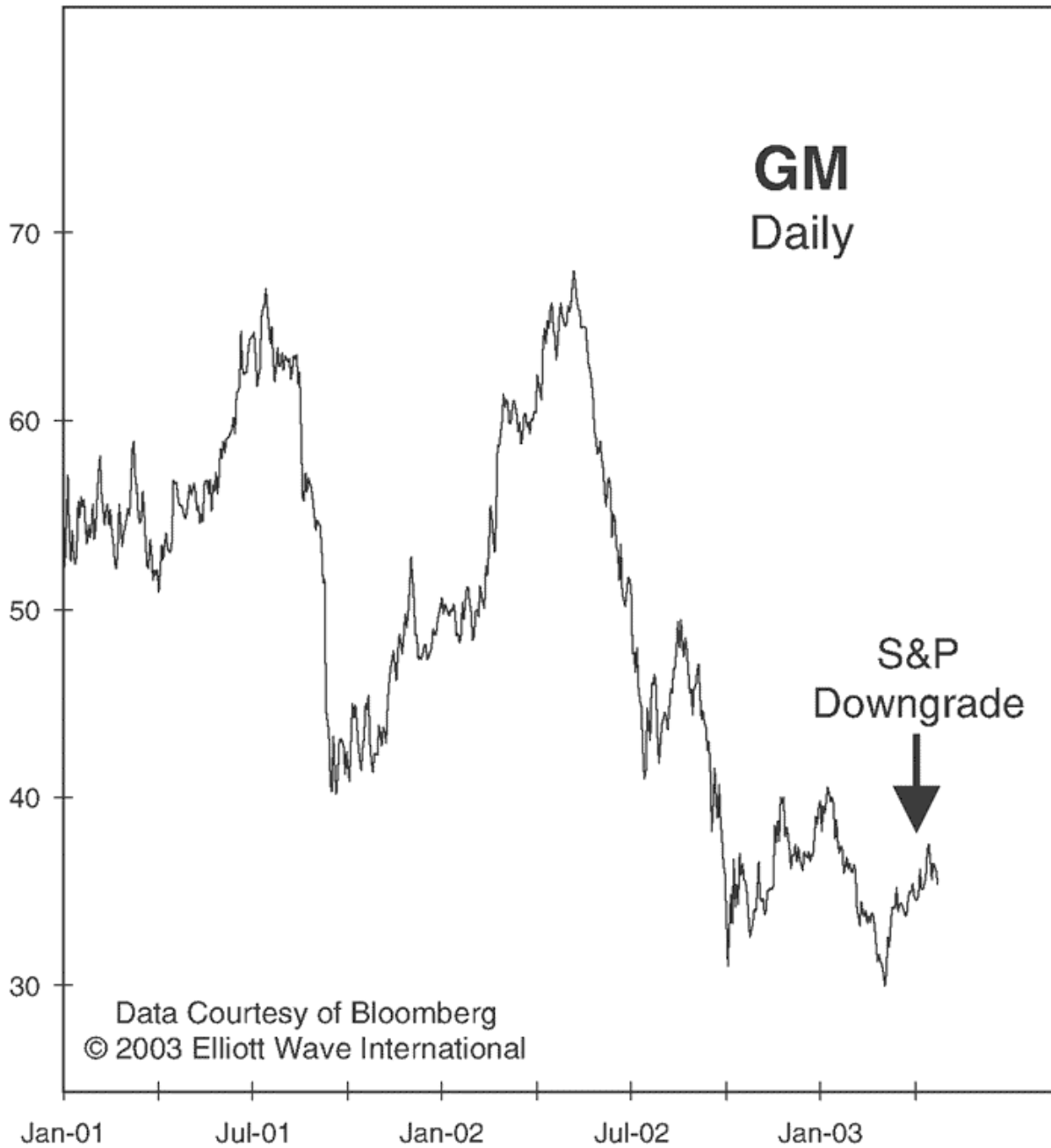


Figure F- 38

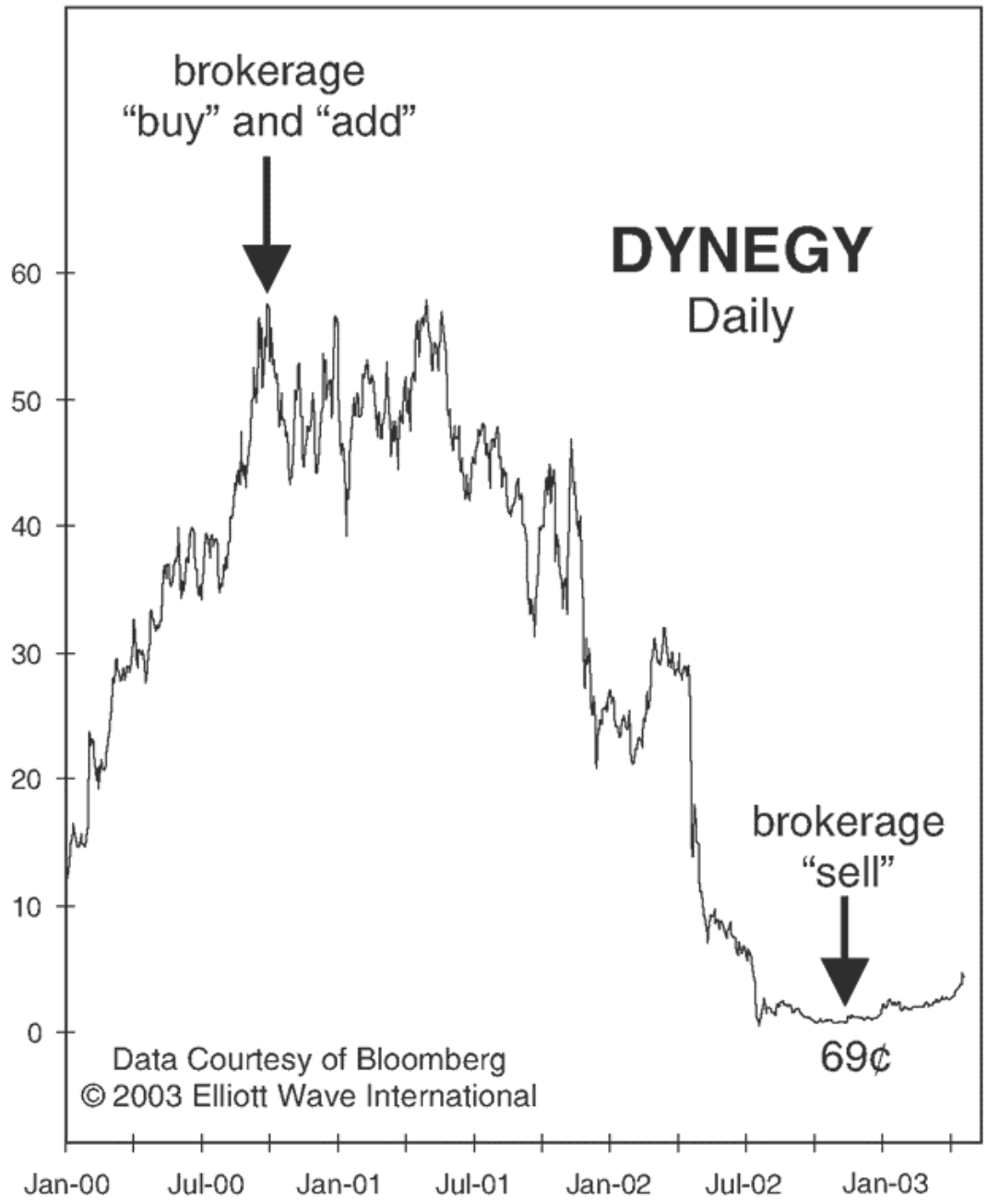


Figure F- 39

The Basic Pattern

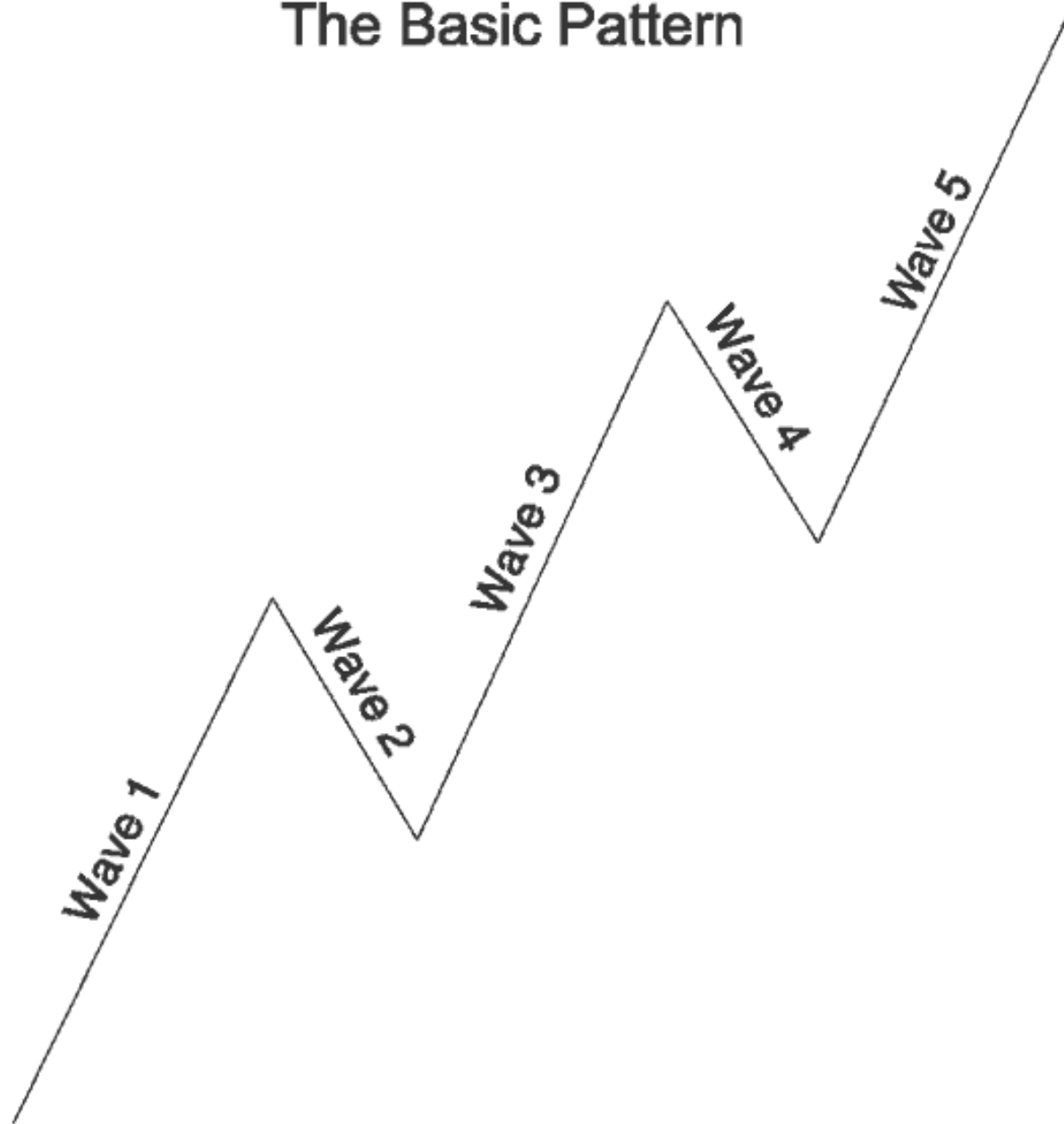


Figure F- 40