

Market Technical Analysis REPORT

using *Integrated Pitchfork Analysis*



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The traders must progressively monitor the conditions of the market movements that validate or invalidate the recommended forecasts. The market forecasts of this study have a very high probability, but they might not be exact. An astute trader, always trades the market behaviour, not only the forecasts. *Go with the market, let it be your guide and never impose anything on its behaviour.*

Our research strongly suggests a “top-down” market analysis rather than other procedures. In our opinion, the performed studies with *Cash Index* data are more illustrative than those with *Futures Index* data. However, due to our *Futures* trading preferences, we will use every time, the most adequate data, for that specific traded vehicle.

1. Dow Jones Industrial Average Cash Index – DJIA



Monthly Chart – As the traders always say “*the Dow is the maker of the World Markets*”, I couldn’t more agree with it, due to indice’s ubiquitous influence. The market flow is continuing its strong up-sloping trend. The last bar, *the third green one in a row*, is strongly approaching the first confluence at 13788 key level, where the upper 25% line of the major pitchfork, intersects the upper 150% line of the minor pitchfork and also the 61.8% Fibonacci ratio line where $W5=0.618*W1-3$. The consistent big sizes of the local market last three bars and the close of the latter bar in its upper quarter, highly suggest the up-move continuation. The market flow is approaching the three decisive confluence points formed by the median lines of both pitchforks and the horizontal Fibonacci ratio lines at the probable W5 termination zone, between the 13788 and 14026 levels. The former represents the $W5=1.500*W4$ key level.

Weekly Chart – W. D. Gann always said that the *weekly chart*, especially the *2-week swing chart*, is the *best indicator of the trend*. With the straight 7 green bars, in a row, the market flow confirms its strength, in spite of the *red eighth bar*. Remember the dictum? Never believe in a reversal, without the presence of the heavy evidence in favour of trend's termination! Or here... the *red eighth bar* made a higher high and a higher low, and closed in its upper third portion. However, we must be cautious and *expect the unexpected*... any signal of trend's weakness, like for instance, the breaking down of the previous low at **13297** level. It is highly probable that the market flow will reach the decisive confluence points at **13680** and **13805** levels, once it broke-up the current highest high at 13624.55 level.



Daily Chart – The up-sloping market flow tested and then re-tested the upper-median line of the major pitchfork (U-MLH), then it finally broke it down. However the last bar recuperated the correction and closed just below the upper median line (U-MLH). The major pitchfork has the merit to perfectly describe the market flow. It assists the trader to identify one of the possible confluence zones, which will pinpoint a reversal (refer to the multiple halts of the market price right on the upper 18.75% trend line - a Gann ratio - of the major pitchfork) or a trend acceleration. The set of the three steep slope **emas** (C) efficiently reveals the up-sloping trend. The **price-emas distance** (C) is a faithful strength indicator of the trend: the most distant price reveals the strongest trend.

240min Chart – The ascending channel has already guided the market to exceed, not only the classic value of wave 3 ($W3=1.618*W1$), but also the extended 2.382 ratio at 13601.95 where $W3=2.382*W1$. It is very probable that the market flow will break this level, thus forcing the wave 3 to reach farther extended targets such as **13669** or **13736** levels, respectively 2.500 and 2.618 Fibonacci ratios. The last one bar pullback, together with the RSI bounce on the TL-01, above the 50% level, strongly corroborate the trend's continuation.



120min Chart – The **Elliott waves** channels efficiently show the up-sloping pathways of the contextual market flow. We can observe that the **1.125** Gann ratio slant trend line has been tested many times since the beginning of May 2007. Its breakout would have certainly signalled a very strong momentum move. For now, the market flow respectfully followed the rectangles extensions. After only a two bar pullback the up-sloping reenergized market movement is probably prepared to fight and to breach the highest high at **13624** level, its immediate target. The last low was brilliantly halted by the 50% Fibonacci slant line at **13424** level.

2. S&P 500 Cash Index

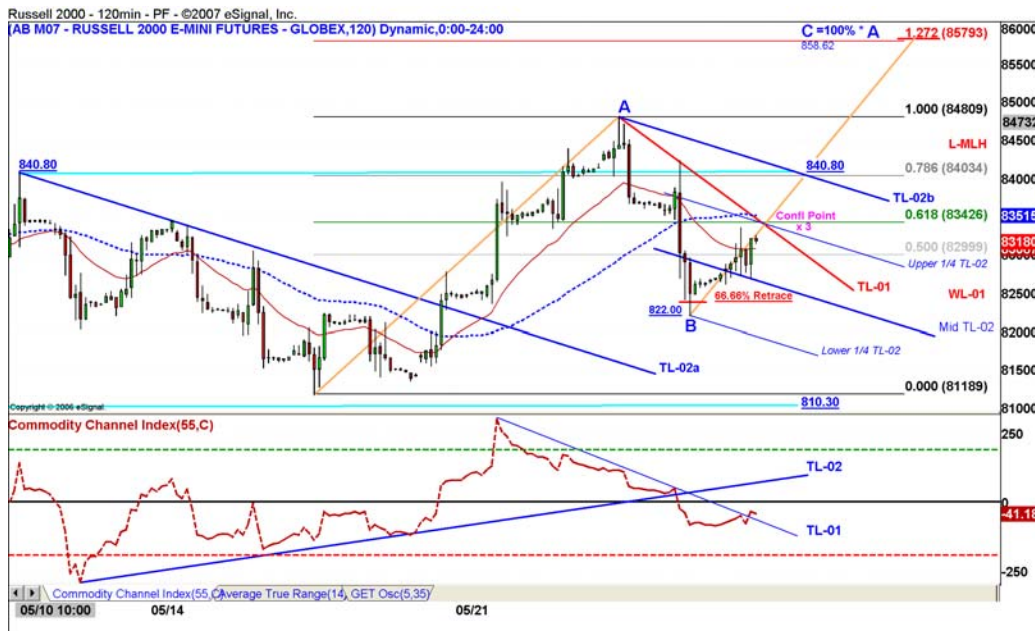
Weekly Chart – The strong up-sloping movement is strictly guided by the 60° slope price-channel, formed by the un-orthodox trend line-01 and -02. The Fibonacci and Gann ratio slant trend line technique shows, step-by-step, the strong up-sloping development of wave 5. The 88.6% correction level of the prior trend being already exceeded, we can probably expect the immediate attainment of the confluence zone where 233% TL intersects the un-orthodox trend line (TL-02) at **1544.50** level, followed by the 100% threshold at **1552.87** level. For the moment the one bar pullback seems to be halted by the 200% trend line at 1505.18 level.



Daily Chart – One of the most appreciated tools, which we really enjoy using is the *rectangle*. Even if the rectangle n°0, *the birthing pattern*, was formed during the last days of 2006, it still has a primordial role in establishing the limits of nowadays local market flow, almost 5 months later. Its 550% extension, has clearly stated the *highest high* around **1553** level. As some traders would say *“The final indicator is a tried and tested trend line”*. We add by saying that we strongly believe in efficiency of the upper/lower rectangle’s borders (*horizontal trend lines*), as reliable targets, mostly up to *seven times* the original *rectangle*. The classic value of W3, which is equal to $1.618 * W1$, has been already reached at **1528.40** level. In spite of a one bar pullback, the strong momentum of the last price bar and the bounce on the 50% level on the RSI chart, strongly suggest a further W3 development towards higher levels: **1526** (450% extension), **1532.42** (the second highest high), **1539** (500% extension), **1552.87** (the all-time highest high & the 550% extension) and finally the **1565-66** levels (the 600% extension, not drawn).

3. Russell 2000 e-mini Futures

Daily Chart – The up-sloping trend mimics the tendency of the other US markets. The market flow is on its way, again, to the upper-median line. However, attaining or breaking the ML level again, would mean dealing, once more with the high of W3 at **830** level. The local market flow has already started this process: the 830 level zone penetration, until the 845.94 key level (*the highest high, so far*) and the last bar's close immediate retracement at 829.93 level, right under on this 830 key level. The one bar pullback, the jump of the market price above **21-ema** and also the above **50-ema** price location certainly reveal that the *short-term* and *intermediate-term trends* are up-sloping. The up-trend will probably break, not only the **830** level but will probably reach the **847-857** level zone, corresponding to the classic value of the $w5:W5=(0.500 \text{ to } 0.618)*w1-3:W5$.



120min Chart – The recent down-sloping channelling of the local market flow on this time frame illustrates the short-lived last correction of the daily chart. Once the strong 834.36 level confluence will be penetrated and eventually exceeded, the market will direct towards the 847-857 price zone already mentioned, on the daily chart. However, the up-sloping pathway will be sprinkled with either acceleration or short-lived halts events like the breakout of TL-01 and TL-02b, the breakout of the upper wave A boundary. We can finally add as probable key levels, the 840 multi-level cluster (*an old high level & also the 78.6% Fibonacci ratio level of wave A expansion*) and the 858 multi-level cluster, where wave C=wave A and the wave C is equal to the $1.272*wave B$ expansion.

4. Euro/Usd Futures - Major Currency

Daily Chart – The market flow seems to have already finished W5 correction at 38.2% Fibonacci retracement at **1.34220** level, even if the classic prior correction values vary between 50% and 61.8%. As we can observe we did not definitely label the down-sloping correction because, at this stage, it can be either an ABC corrective pattern or a W1 to W5 impulsive pattern.

The distinction between these two choices will be made if wave C will exceed the value of wave A. In that case, the W1 to W5 labelling will replace the ABC labelling, and we can speak about an impulsive pattern. Thus, it is too early, at this stage, to establish the right type of pattern..

We will have a better understanding of the situation, if the down-sloping momentum will break the lower border of the 20° descending channel under **1.33990** level. On the contrary, if the market flow will climb, all the way up to the high of wave B at **1.36280** level, and probably exceed it, then the initial up-sloping 25° channel movement will be continued.

The first *Futures* down targets will probably be at **1.32980** followed by **1.31270** level. They both correspond to minor w4 waves of the previous wave 5 (**W5**).

The down-sloping momentum could bring the Eur/Usd currency to **1.3389** and then to **1.3291** levels.



As long as the CCI remains below the *zero line* level, we may retain the correction scenario, even if the CCI's TL-03 trend line, is breached.

The trespassing into the overbought territory delineated by +100 horizontal trend line and the two TL-01 & TL-02 trend lines will incite us to incline towards the prior up-sloping impulsive pattern continuation scenario.

6. German Dax 30 Futures Index

Weekly Chart – The up-sloping market flow almost reached the **7796** level where wave C= $1.618*B$ expansion. Robert C. Miner, an astute trader and an eminent teacher, will call this an **external price retracement**. The classic wave C size of a zigzag pattern is usually equal to 1.618 of wave A, which is not illustrated here but it is at **8253** level.

The most probable immediate target would be the **7850** multi-level cluster (wave C= $1.250*wave A$ & wave C= $2.250*wave a$). We can't certify the direction or the size of the future market momentum, but the fact that the close of the last week's bar is in its upper 10%, it will certainly corroborate the up-sloping scenario. The breakout of the **TL-01 trend line**, with a bar's close beneath it, will certainly incite us to consider a trend reversal.



Daily Chart – This daily chart efficiently illustrates the intricacy of the major and minor pitchforks in their process of optimally describing the contextual and also the local market flows. The high steam momentum bounce on the upper 116.66% Gann ratio trend line, with its three times testing, was temporarily halted by the upper 133.33% Gann ratio trend line at 7795 level, both belonging to the major pitchfork. It performed an above the average trading range of 111 points for a daily ATR(14) of only 100 points. The only one bar pullback and this up-sloping momentum's enhancement tell us, that there is more to come.

120min Chart – The market flow seems to be evolving towards the median line of the pitchfork, after a testing and re-testing the lower median line (L-MLH). The ongoing seven green bars culminated at **7795** level. The immediate target would be **7820-30** level, where $W5=0.66*W1$. It will be probably followed by a farther objective in the proximity of the median line, around **7950-60** level zone, near the **R2**, the daily pivot at **7847** level. The ascending RSI channel certainly corroborates this scenario in spite of its temporary halt by the mid-line of the ascending channel.



60min Chart – The beauty of trading *rectangles* is obvious on the above chart. After the 7333 level reversal (*not shown on this chart*) of 05/11/07, the market price stumbled almost on every extension level of the pattern at: 0%, 50%, 150%, 200%, 250%, 300%, 350%, 400%, 450%, 500%, 550% and finally 600%. The highest high of the market flow at **7795** level fell short of only six points off the latter extension. The ascending slope of the **21-** and **50-emas(C)** and the up-trending RSI, which is still cruising in the overbought zone ($> 80\%$ level) above the TL-01 trend line, are signalling that there is more to come...

5min Chart – This low time frame chart is frequently used, but only to pinpoint the entries and exits. In this case, the informational synergy of the market price with the chart’s Gann box and angles really reveals a profitable opportunity. A low-risk high probability short trade is highly feasible when the market price will fall below the confluence of **1X1** and **1x16 angles**, after the trespassing into the right-upper-side corner of the eighth rectangle territory belonging to the Gann box. As we can observe, *the entry point could be exactly where the price meets the time...!*



DAX Floor Pivots - Use prior bar level values

	DAILY	Weekly	MONTHLY
High	7 779	7 795	7 475
Low	7 676	7 619	6 944
Close	7 775	7 775	7 452
Day's Range			
R5	8 018	8 193	8 700
Mid R4/R5	7 984	8 138	8 526
R4	7 950	8 082	8 353
Mid R3/R4	7 932	8 050	8 261
R3	7 914	8 017	8 168
Mid R2/R3	7 880	7 961	7 995
R2	7 847	7 906	7 822
Mid R1/R2	7 829	7 873	7 729
R1	7 811	7 840	7 637
Mid P/R1	7 777	7 785	7 463
Close - 7775			
*** **	Main Piv 7 743	7 729	7 290
Mid P/S1	7 725	7 697	7 198
S1	7 707	7 664	7 105
Mid S1/S2	7 673	7 608	6 932
S2	7 640	7 553	6 759
Mid S2/S3	7 622	7 520	6 666
S3	7 604	7 487	6 574
Mid S3/S4	7 570	7 432	6 400
S4	7 536	7 376	6 227
Mid S4/S5	7 518	7 344	6 135
S5	7 500	7 311	6 042

Multiple Time Frame Floor Pivots TABLE - These levels are calculated ahead of the market opening, and they really place the trader far away off the crowd. They not only illustrate the hidden key levels but also they reveal the most probable trading range for the incoming day, which usually fluctuates between the **S2** and **R2** daily floor pivots.

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