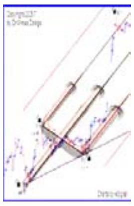
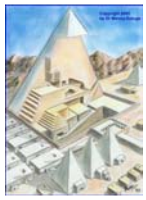
Market Technical Analysis REPORT

using ***Integrated Pitchfork Analysis***





by **Dr Mircea Dologa, MD, CTA**

MORNING of June 4th – 2007

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 some traders would say "*the Dow is the maker of the World Markets*", I couldn't more agree with them, 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 5% zone, 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*. The first green bar, after the one bar pullback had a consistent size, with the close in its upper 5% zone, thus constituting a strong argument in favour of the up-trend continuation. The market flow just exceeded the first confluence point at 13680 (*please refer also to last week's Report*), making a high at 13692 level. The second confluence point at **13805** level is within reach, only 13 points away. The next up-sloping target will be around **13864,** another confluence zone, not shown here. 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. Be cautious... keep an eye on these 3 levels: **13805**, **13864** and the lower low at **13297**.

Daily Chart – The up-sloping market flow tested twice and then re-tested twice the **13624** level. It finally decided to continued its up-move, even if for the moment, it was halted by the upper 125% trend line. The major pitchfork has the merit to perfectly describe the contextual market flow. It assists the trader to identify one of the possible confluence zones, which might pinpoint to *either* a market acceleration or, on the contrary, a reversal (*refer to the multiple halts of the market price right on the upper 125% trend line - a Gann ratio - of the major pitchfork*). 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. Thus, we can easily observe that this Friday's trend is stronger than last week's Friday!

240min Chart – The ascending channel has guided the market not only to exceed the classic value of the wave 3 (*W3=1.618*W1*), but also to almost reach the **13735** key level, a classic extension value, where W3=2.618*W1. At only 43 points away, it is very probable that the market flow will reach and maybe break this level, thus forcing the wave 3 to reach farther extended targets such as **13864** level. The six narrow bars, forming a strong consolidation pattern right under the W1 parallel trend line, associated with RSI's bounce on the 60% horizontal trend line, above the TL-03 trend line, 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. The eight narrow bar consolidation, right under the rectangle's 300% upper-border, represents a great energized potential for the market flow. So far, there are no signs of any weaknesses, meaning that the market flow will probably continue its triumphant up-sloping forced march under the influence of the strong and consistent restored momentum.

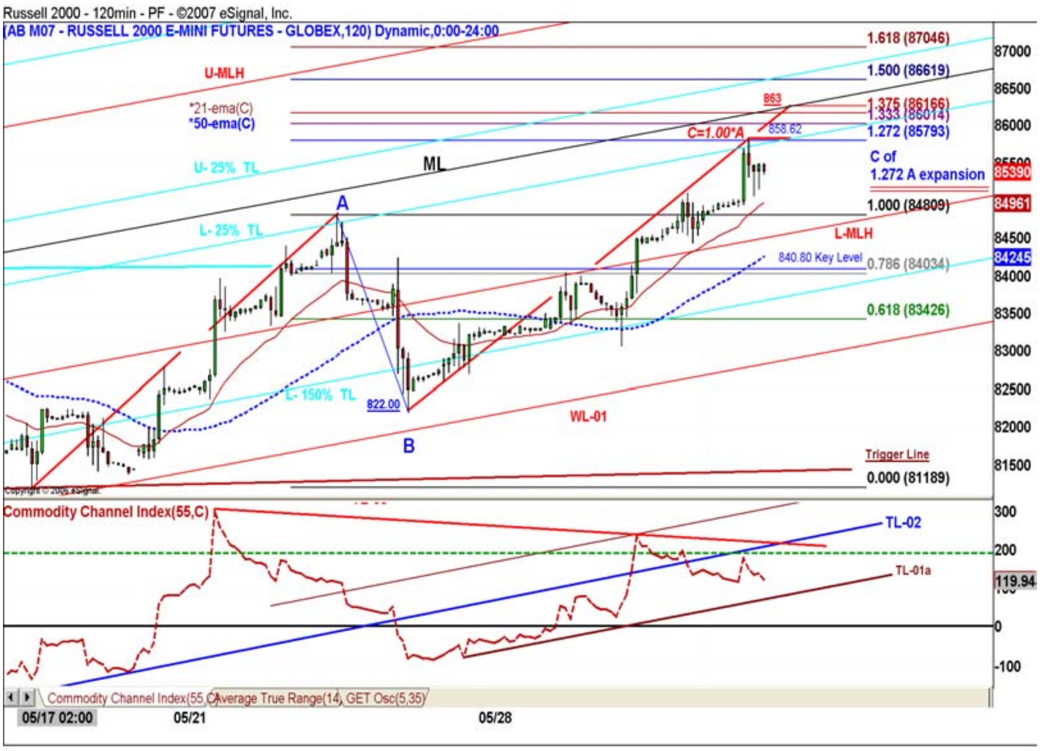
2. S&P 500 Cash Index

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, market's last big bar closed just touching the 225% trend line at 1536.34 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 six 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 already been reached at **1528.40** level. The market flow was halted right on rectangle's 500% upper border, near the 1.75*W1 level, where W3 is equal to **1536-38** zone levels. In spite of the last two narrow bars of the local market, the bounce and the break-up at 55% and 66% levels, *respectively* on the RSI chart, they strongly suggest a further W3 development towards higher levels: **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).*

3. Russell 2000 e-mini Futures

Daily Chart – The up-sloping trend mimics the tendency of the other US markets. The market flow, tested and re-tested again, the upper-median line, being bluntly halted at **856.39-69** zone level, where w5:W5=0.618*w1-3*W5. This location also coincides with the upper 25% line & 61.8% level confluence point. The consistent up-sloping steadiness reflected by the jumping and remaining of the market price above the **21-ema** and **50-ema** certainly reveals that the *short-term* and *intermediate-term trends* are up-sloping.



120min Chart – The last week's down-sloping channelling reflected the wave B of the ABC corrective pattern. This week, the market just completed the common value of wave C at **858.62** level where wave C = wave A, and also equal to 1.272*B expansion. Taking into consideration, the high-steaming momentum of the general market, it is very probable that the market flow will gather enough momentum to reach the classic wave C size of a zigzag pattern, where wave C= 1.618*A at **880.66** level.

4. Euro/Usd Futures - Major Currency

Daily Chart – The market flow seems to have already finished the W5 correction just under the 38.2% Fibonacci ratio retracement at **1.34000** level, even if the classic prior correction values vary between 50% and 61.8% values. As we can observe we did not definitely labelled 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 respect, 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 and drop below the 100-ema. If that is the case, the market will switch into a long-term bear market. 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 take over again the control of the contextual market flow.

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 corrective 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.

5. FTSE 100 Cash Index

120min Chart **–** The market flow is probably terminating the **wave v** of the ending diagonal triangle. In case of an *over-throw* movement, the **6740-50** price zone located *under* the ***W3-i trend line*** (*TL-01a*), will be probably reached. If the market flow fell short, it will probably reach only the classic target, near the ***i-iii trend line***, around **6720-23** level.

On the contrary, if the price won't exceed the **6643.80** level (*the high of **wave a** of the **wave v***) and will vehemently reverse, breaking down the ***ii-iv trend line***, then an up-sloping price failure will take place and an *under-throw* movement will occur. In this case, the trader should double his usual short trade units, because a very probable strong down-trend will ensue.

The *over / under-throw* movements are very hard to detect. However, the astute trader has several ways of preparing for the ***wave v*** termination. One of the solutions would be to associate price with its corresponding volume development. Another solution, would be to perform a detailed study of the same past movements and then extract and analyse the valuable parameters. As some of the W. D. Gann *adepts* would say … *the past will indubitably repeat* … over and over again!

6. German Dax 30 Futures Index

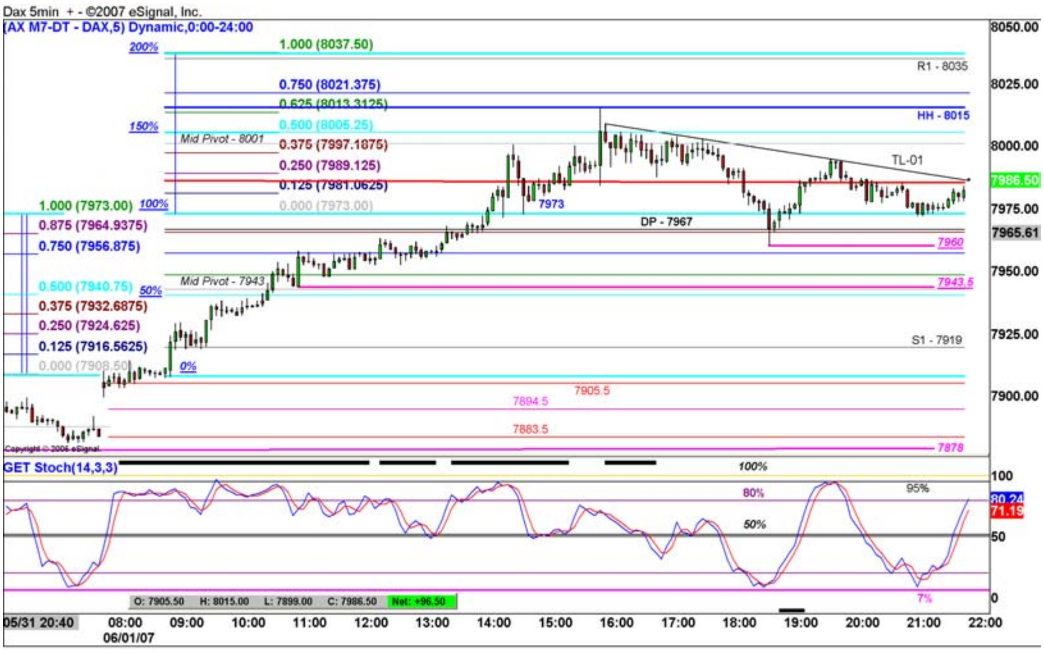
Weekly Chart – The up-sloping market flow just exceeded the **7796** level where wave C=1.618*B ***expansion***. Robert C. Miner, an astute trader and an eminent teacher, will call this an ***external price retracement***. However, the classic wave C size of a zigzag pattern is equal to 1.618*A at **8253-60** level.
The most probable immediate target would be the **8078** multi-level cluster (*wave C=1.875*wave B expansion & wave C=2.625*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 propelled the market flow, all the way up, in direct touch with the median line (**ml**) of the minor pitchfork. It performed an above the average trading range of 125 points for a daily ATR(14) of only 100 points. The three one bar pullbacks and this up-sloping momentum's enhancement tell us, that there is more to come.

120min Chart – The market flow seems to have stopped temporarily evolving towards the median line. The classic extended value of the W3=2.618*W1 was almost reached, at 8019 level. The market was short of only 4 points, closing at **8015** level. The market has now two choices: *either* testing and re-testing the median line on its way to perform an elongated W3 using 3.00 or 4.236 ratio values, or either starting the W3's correction, towards lower lows at 7878, 7689 or 7442 levels, first thing, on Monday morning. The ascending RSI channel cruising in the overbought zone, certainly corroborates the former scenario in spite of market flow's temporary halt right under the median line.

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%, 600%, 700%, 800% and finally 900%. The highest high of the market flow at **8015** level has exceeded with only 5.5 points the latter extension level. The ascending slope of the short-term moving average (*21-ema*) and the up-trending RSI are signalling that there is more to come. The correction of the ongoing impulsive pattern, might start but only after the down-sloping penetration of the 50% level on RSI chart. In the meantime, be prepared to reach the **8078** multi-level *cluster* and probably more! Never forget… keep thinking trend line…trend line… until the weight of evidence of trend's reversal is obvious!

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 local market's various aspects will certainly contribute to the proper execution of the trade towards a profitable outcome. The tools' ergonomic and synergetic selection tries to be here omnipresent: the usage of *two consecutive trading ranges* marked by the Fibs with their *False* Stochastics (14,3,3); the *daily, weekly and monthly floor pivots*; the *R/S key levels*; the *gap's high/low limits* and the *upper/lower boundaries* of the entire trading zone. And don't forget…whatever you decide… *Wait* for the *opening market turbulence waning* for at least 15-30 minutes and then try to quickly *take advantage of the breakout of the ongoing trading zone* located above/below 8015 and 7878 levels, respectively.



DAX Floor Pivots - Use prior bar level values

		DAILY	Weekly	MONTHLY
	High	8 015	8 015	8 015
	Low	7 899	7 689	7 899
	Close	7 987	7 998	7 998
	R5	8 267	8 764	8 274
	Mid R4/R5	8 233	8 659	8 239
	R4	8 199	8 553	8 203
	Mid R3/R4	8 175	8 496	8 181
	R3	8 151	8 438	8 158
Day's Range	Mid R2/R3	8 117	8 333	8 123
	R2	8 083	8 227	8 087
	Mid R1/R2	8 059	8 170	8 065
	R1	8 035	8 112	8 042
	Mid P/R1	8 001	8 007	8 007
Close - 7986				
*** ***	Main Piv	7 967	7 901	7 971
	Mid P/S1	7 943	7 844	7 949
	S1	7 919	7 786	7 926
	Mid S1/S2	7 885	7 681	7 891
	S2	7 851	7 575	7 855
	Mid S2/S3	7 827	7 518	7 833
	S3	7 803	7 460	7 810
	Mid S3/S4	7 769	7 355	7 775
	S4	7 735	7 249	7 739
	Mid S4/S5	7 711	7 192	7 717
	S5	7 687	7 134	7 694

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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Disclaimer

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