

# 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



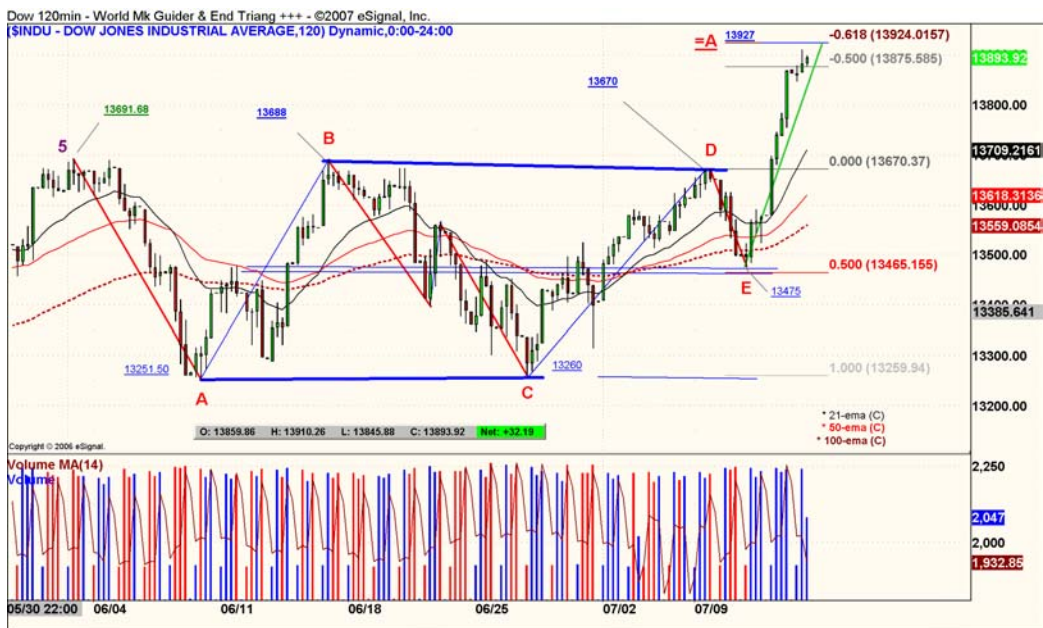
**Monthly Chart** – As some traders would say, “*the Dow is the maker of the World Markets*”, I couldn’t more agree with them, due to indice’s ubiquitous influence. The market flow is continuing its strong up-sloping trend. The last bar, *the first after an one bar pullback*, is strongly approaching the upper 33% trend line of the major pitchfork. The big last green bar with the close in its upper 5%, the last single bar pullback, and the nearness of the first cluster (*14500-14600*), highly suggest the up-sloping continuation. The market flow is approaching the other two decisive confluence points formed by the median lines of both pitchforks and the horizontal Fibonacci ratio lines at the probable w3:W5 termination zone, between the *14567* and *14029* levels. The latter represents the  $W5=1.500*W4$  key level and the former is the  $W5=1.618*W4$ .

**Weekly Chart** – W. D. Gann used to say that the *weekly chart*, especially the *2-week swing chart*, is the *best indicator of the trend*. The last bar, broke up vigorously the upper border of the 9-week rectangle. The last bar’s consistent size, with the close in its upper 5% zone, constitutes a strong argument in favour of the up-trend continuation. The market flow is approaching the **14105**-confluence n° 2 point, thus making a new high at **13932** level. The confluence n° 1 point at **13680** level has vehemently halted the market flow, holding it for more than 9 weeks. The next up-sloping target will be around **14105-14125**, confluence n° 2 zone and the 200% rectangle’s extension. 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 **13251** level. Be cautious... keep an eye on these four levels: **14105, 14125, 14222** and the lower low at **13251**.



**Daily Chart** – The up-sloping market just broke up the upper border of the 28-day-old ending diagonal triangle, making a new high at **13932** key level. Most of the time, the experienced trader will carefully watch the breaking volume, during the process and also during the post-breakout period, for 1-3 days. In our case, the breaking bar’s **300.5** million volume more than exceeded the Volume’s Moving Average (*14 days*) value of **2.324** million. The exceeded volume of the breaking bar, tries to guarantee, in a way, with a high probability, the up-move continuation, without the always possible interference of a pullback or a throwback. The set of the three step 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 the market is above all three *emas*.

**240min Chart** – The *Elliott waves* oriented channelling trend lines have efficiently guided the market not only to reach the classic value of an extended wave 3 ( $W3=2.618*W1$ ), but also to exceed it, making a new high where  $W5$  is equal to **13932** key level, almost reaching the  $W5=1.272*W1$  level. The market was temporarily halted by the 150% trend line. The steep slope of the ongoing sub-wave of  $W5$ , the price's close in its upper 5% daily's bar associated with the steep up-slope of the upper median line of the RSI's pitchfork, strongly corroborate the up-trend's continuation.



**120min Chart** – The ending diagonal triangle belonging to *Elliott waves* technique has optimally constructed the “*jail breaking*”-type thrust, reaching the **13910** key level.. As we have already mentioned, a pullback or a throwback is almost always missing due to the existence of an exceeded volume of the breaking bar compared with the volume-MA (14). In this way we can ensure the optimal development of the thrust out of the ending diagonal triangle. The usual development of the impulsive pattern during the post-*e wave* period is equal to the size of wave **A**. As we can observe, the market flow almost terminated the triangle's breaking wave, thus building the first sub-wave of the ongoing pattern (*wave w1:W5 or wave A of an ABC pattern*). The 12 up-sloping bars were performed almost continuously (**11 green and a small red**), thus signalling that the next bar (*the 13<sup>th</sup>, a Fibonacci number*) could be the reversal bar. 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, so optimally energized by the four-week-ending-diagonal triangle.

## 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 show, step-by-step, the strong up-sloping development of wave 5. The last huge bar, not only attained the highest high of **1552.87** level, but also exceeded it, reaching the **1555.10**. For the moment, the last big green bar potential, with the close next to its high and the breaking-up of the 7-week trading range, strongly signal the up-move continuation. Watch for the immediate target at **1563** level which represents the first extension of the original rectangle, located between **1500** and **1532**. A break-down of the last low at **1484** key level will make us consider an eventual reversal, and the commencement of a down trend.



**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*.

The wave 5 has exceeded the wave 3 and reached the **550 %** extension of the rectangle at **1553.91** level. The strong up momentum and the steep up-slope of the RSI, strongly suggest a further **W5** development towards higher levels: **1563** level (see weekly chart), **1567.51** level (the 600% extension), **1577** key *S/R* level (not seen here) and finally the **1581.11** level (the 650% 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, the mid-line of the ascending channel, being now bluntly halted at **862.20** level. The **862-863** key level is very strong because it accumulates the strength of the key levels:  $W3=3.875*W1$  at **863.78** level and the  $W5=0.666*W1-3$  at **862.12** level. The consistent up-sloping steadiness reflected by the jumping and remaining of the market price above the **21-, 50- and 100-ema** (C) certainly reveals that the *short-term and intermediate-term trends* are still up-sloping, in spite of the OSC (5,35) bearish divergence.

*Not every divergence signals a reversal, nor any reversal is accompanied by a divergence.*



**120min Chart** – The last few days up-sloping swing reflected the probable construction of the *wave E* of the *ABCDE* corrective pattern. We can observe an ending diagonal triangle which is mostly a continuation pattern that will provoke a strong down-sloping impulsive wave, when it will be terminated. The market was halted by the lower 50% trend line of the up-sloping pitchfork, just above the old high **860** level. The *wave E* will be finished if it will be ensued by a strong down-sloping move having the ambition to easily reach the lower zones under the *wave D* levels, or even farther down under the starting of triangle's *wave A*. This will also accomplish the termination of the ending diagonal triangle and the commencement of a strong down sloping pattern. Taking into consideration, the small consolidation pattern of the local market flow and the bearish divergence of the volume, we can observe that the market is not yet ready to move, in either direction. Keeping an eye, on the volume is the *key* to market direction...

#### 4. Euro/Usd Futures - Major Currency

**Daily Chart** – The market flow vigorously broke-up the last highest high of **1.37150** key level, closing with a Doji at **1.38440**. The steep up-sloping mini-channel is certainly an efficient pathway of performing this task. The market flow was promptly halted at the confluence formed by the 62.5% trend line of the major ascending channel and the upper 150% trend line of the up-sloping mini-channel. The closing bar, a symmetrically tailed Doji sits right on the 350% trend line of the minor descending channel. It looks like the market flow reached an indecision stage, ready not only to halt but also to reverse. However, the location of the symmetrically legged Doji, at the *end* of the 21-day-old up-swing (*21 is a Fibonacci number*) certainly signals a very probable reversal. The next few days will tell it...

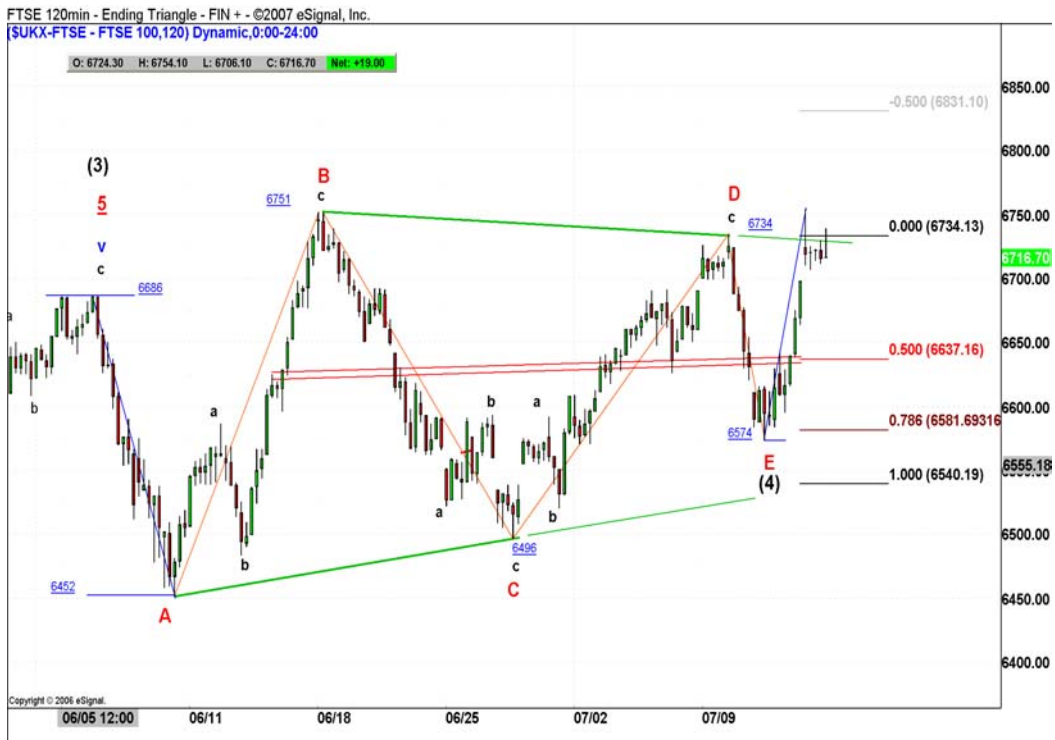
The first *Futures* down targets will probably be revealed when the market flow will descend under the mid-channel line of the major ascending channel.

The up-sloping momentum could bring the Eur/Usd currency to **1.3866**. In case of a short trade, the entry might be at **1.3550** for a down-target at **1.3430** levels.



It seems that the CCI has already signalled the commencement of the reversal when the down-bounce formed a perfect downward-oriented hook, just above the 200 level. The down-sloping CCI mini-channel formed a bearish divergence, signalling a probable *soon-to-be* price-reversal.

## 5. FTSE 100 Cash Index



**120min Chart** – The last swing of the market flow is probably a first wave of the ensuing impulsive / corrective pattern or rather a modified *wave D* of the ending diagonal triangle. In case of an already terminated *wave E*, the market flow is just constructing the first corrective wave of the ensuing pattern, around **6734** price zone. Its strong thrust emerged from the energized triangle will probably lift the market flow, all the way up to **6897** key level.

In case of a **failed** ending diagonal triangle, the market will shoot downward and break the **6452** level, the end of triangle's *wave A*.

The *over / under-throw* movements is very hard to detect. However, the astute trader has several ways of preparing for the *wave E* 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 would indubitably repeat* ... over and over again!

## 6. German Dax 30 Futures Index

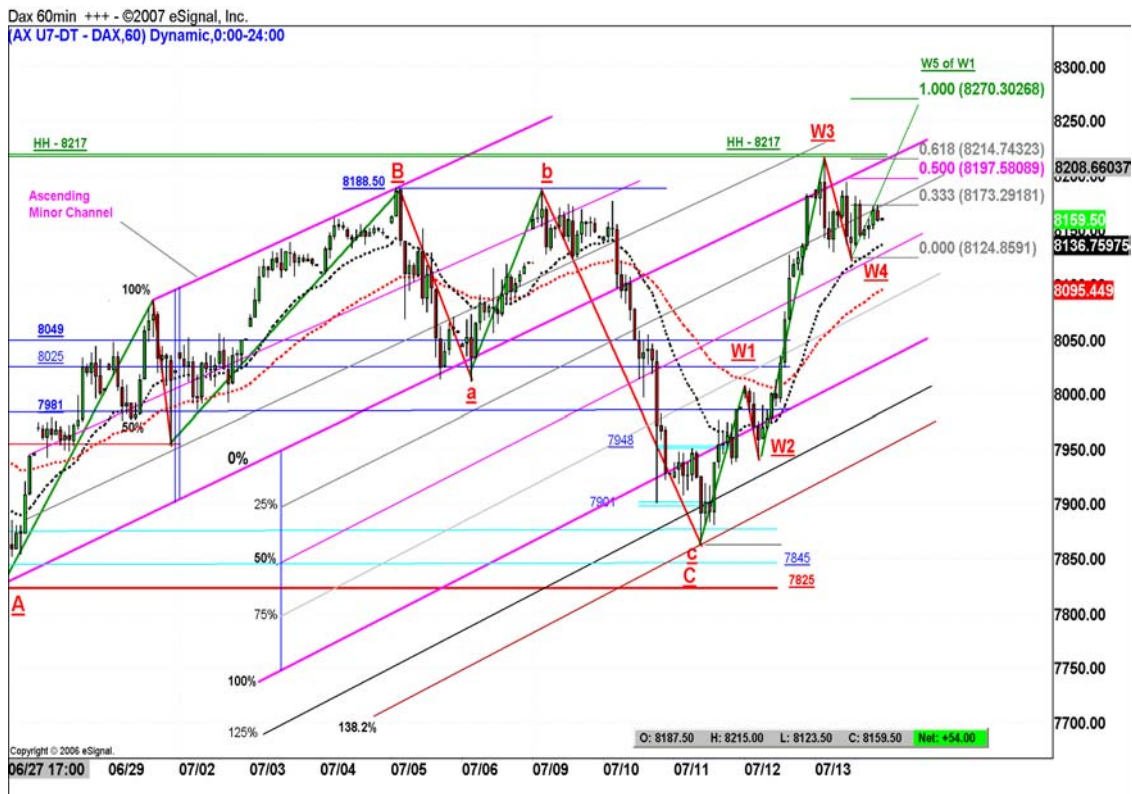
**Weekly Chart** – The up-sloping market flow reached again the **8215** level, being less than 2 points away from the highest high located at the **8217** key level.

The most probable immediate up-target will be the highest high, due to Dax's desire to test it, especially when it is in its neighbourhood. We can't certify the exact direction or the size of the future market momentum. The fact that the *close* of the last week's long legged Doji bar is in its upper 20% and that is a huge bar with a big down tail (**3.6 times bigger than the upper tail**), it means that the bears lost the battle. All these elements will certainly corroborate the up-sloping scenario. The break-down 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, with the last bar sitting on the lower median line (**l-mlh**) of the minor pitchfork. The **wave D** of the soon-to-be *ending diagonal triangle* was just constructed, being ensued by the **wave E**, having the common target on the midline of the triangle at **8041** level. Once the **wave E** is terminated, we can consider the **8362-66** key level as a next up-target zone. Watch the warning line **WL-02** that has already stopped the market flow, and could reiterate the same market manoeuvre.

**120min Chart** – The up-sloping market flow seems to have been temporarily halted by the warning line (*WL-02*). The *wave 5* did not reach yet the level of *wave 3*, being at **8215**, just 2 points away. The trader should watch closely the volume, thus expecting a break out, or on the contrary, a *W5* failure, all the way down to *W4* of the previous impulsive pattern, at 7863 key level. Whatever you do, keep in mind the **8366** key level, in case of an up-sloping continuation.



**60min Chart** – The climbing of the market flow along the *Action & Reaction set-up lines* among the many percentage trend lines of the up-sloping channel, confirms the *beauty* of this trading technique. As we can observe, the local market flow is either terminating the *W4*, or has already begun the first wave of *W5*.

**15min Chart** – This *short-term* time frame can play the role of a low time frame, frequently used, but only to pinpoint the entries and exits. However, many traders use it also for intra-day trading. 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 illustrated on this chart tries to be here omnipresent:

- *The Fibonacci & Gann ratio slant trend lines,*
- *The R/S key levels,*
- *The use of rectangles' extensions, which mostly perform, up to seven times,*
- *The Fibonacci ratio retracements,*
- *The swing distribution technique illustrating the tendency of every swing composing the trend,*
- *The Elliott wave technique,*
- *The daily, weekly and monthly floor pivots (please refer to next page table)*

*And don't forget...whatever you decide to do... 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 8217 and 8108 levels, respectively.*



**DAX Floor Pivots** - Use prior bar level values

	DAILY	Weekly	MONTHLY
<b>High</b>	8 215	8 215	8 217
<b>Low</b>	8 124	7 863	7 585
<b>Close</b>	8 160	8 160	8 079

<b>R5</b>	<b>8 392</b>	<b>8 999</b>	<b>9 599</b>
Mid R4/R5	8 370	8 891	9 412
<b>R4</b>	<b>8 349</b>	<b>8 783</b>	<b>9 224</b>
Mid R3/R4	8 325	8 715	9 096
<b>R3</b>	<b>8 300</b>	<b>8 647</b>	<b>8 967</b>
Mid R2/R3	8 279	8 539	8 780
<b>R2</b>	<b>8 258</b>	<b>8 431</b>	<b>8 592</b>
Mid R1/R2	8 233	8 363	8 464
<b>R1</b>	<b>8 209</b>	<b>8 295</b>	<b>8 335</b>
Mid P/R1	8 187	8 187	8 148
<b>Main Piv</b>	<b>8 166</b>	<b>8 079</b>	<b>7 960</b>
Mid P/S1	8 142	8 011	7 832
<b>S1</b>	<b>8 117</b>	<b>7 943</b>	<b>7 703</b>
Mid S1/S2	8 096	7 835	7 516
<b>S2</b>	<b>8 075</b>	<b>7 727</b>	<b>7 328</b>
Mid S2/S3	8 050	7 659	7 200
<b>S3</b>	<b>8 026</b>	<b>7 591</b>	<b>7 071</b>
Mid S3/S4	8 004	7 483	6 884
<b>S4</b>	<b>7 983</b>	<b>7 375</b>	<b>6 696</b>
Mid S4/S5	7 959	7 307	6 568
<b>S5</b>	<b>7 934</b>	<b>7 239</b>	<b>6 439</b>

Day's Range: Close - 8160

**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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