



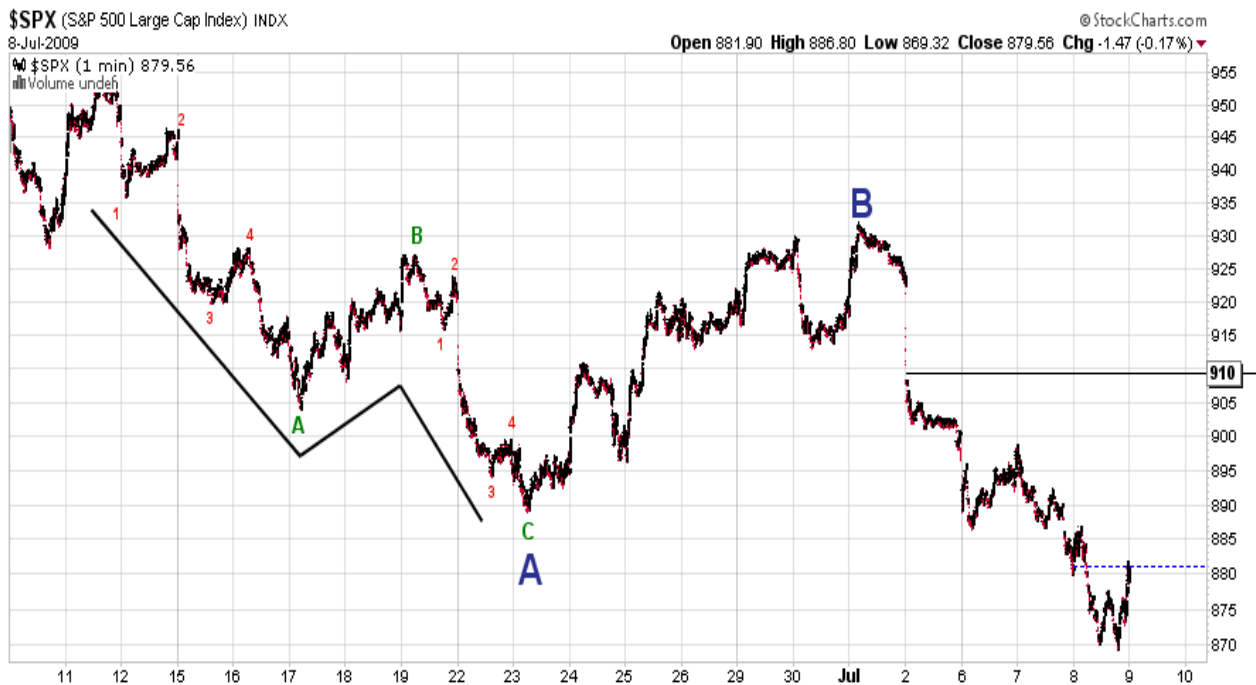
Wavespeak

Expert Market Forecast & Stock Trades Using Elliott Wave

Midweek Market Update

The indices have continued their descent for most of the past two sessions, and in so doing, they have accomplished a number of interesting feats. Most apparent is the fact that all indices have moved to new decline lows, providing absolute confirmation that the larger pullback is still in play as discussed on Monday. But there is more to recent weakness than just new lows. All indices have now moved into our Fibonacci target zones that we laid out in June. Not only has price reached these important zones, but it has also moved to some other important downside levels. For example, at today's low, the NDX tagged the exact point where the current down leg is equal in size to the down leg off June's high. The SPX came within five points of the same. To be sure, this is an interesting area, especially since all indices currently sport larger, countertrend three-wave declines off June's high after price already confirmed the corrective nature of this pullback on the SPX, NDX, and Nasdaq. All of this should put us on guard for a reversal in trend to up, since this is a likely spot for a low to occur. We have key upside levels that are proximate to our current location. Trade above these levels would confirm that the 4th wave pullback off June's high has completed and a large 5th wave advance has begun. We'll run down all of it tonight, starting with the near-term and moving out from there. Here we go:

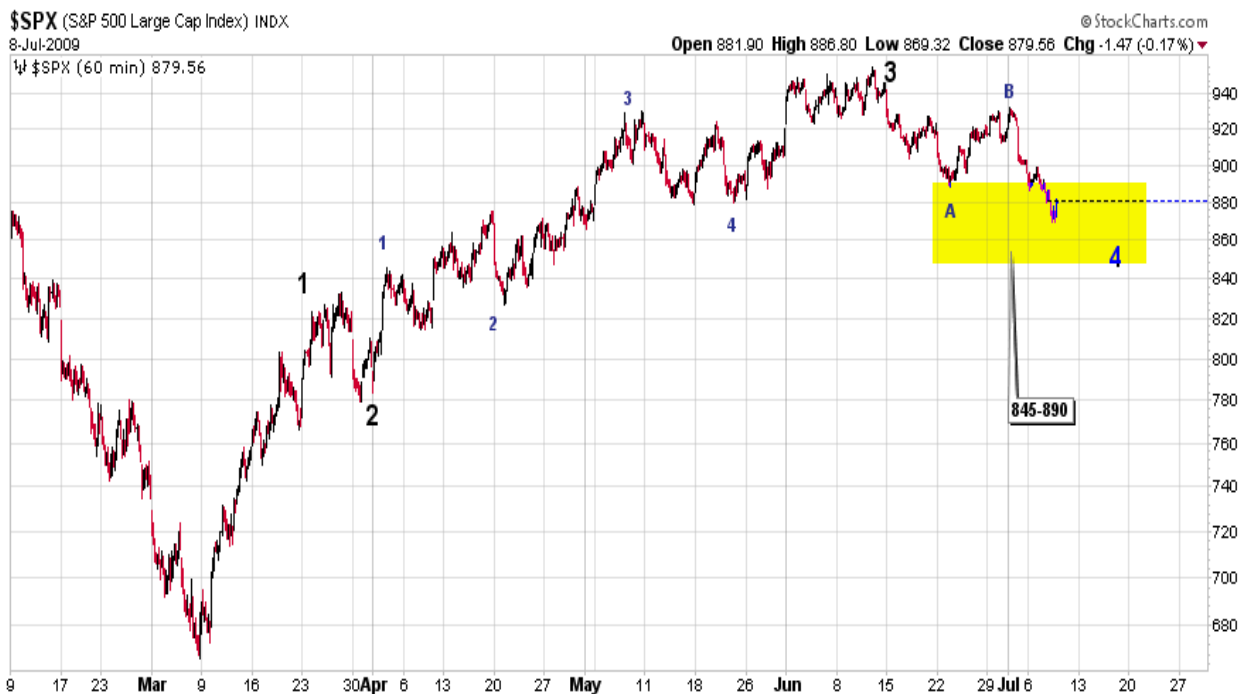
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Off last week's high, the indices have turned back down and have headed lower with strength. This renewed weakness has carried all indices below June's low, effectively establishing new lows for the pullback that began in mid-June.



Even the relatively strong NDX has found its way to new lows. Needless to say, this confirms that the pullback off June's high is still in play. This weakness may scare some traders, but we know that it's just setting up much greater strength ahead.



Now, all indices sport a larger three-wave decline off June's high, and it has carried us to a number of interesting levels. Both the Dow and SPX have now retraced 50% of the 3rd wave advance that started in early April and ended in mid-June. The NDX tagged a perfect 38.2% retracement of the same at

today's low. So Fibonacci would NOT have an issue if price puts in a low right in this area. But there's more:



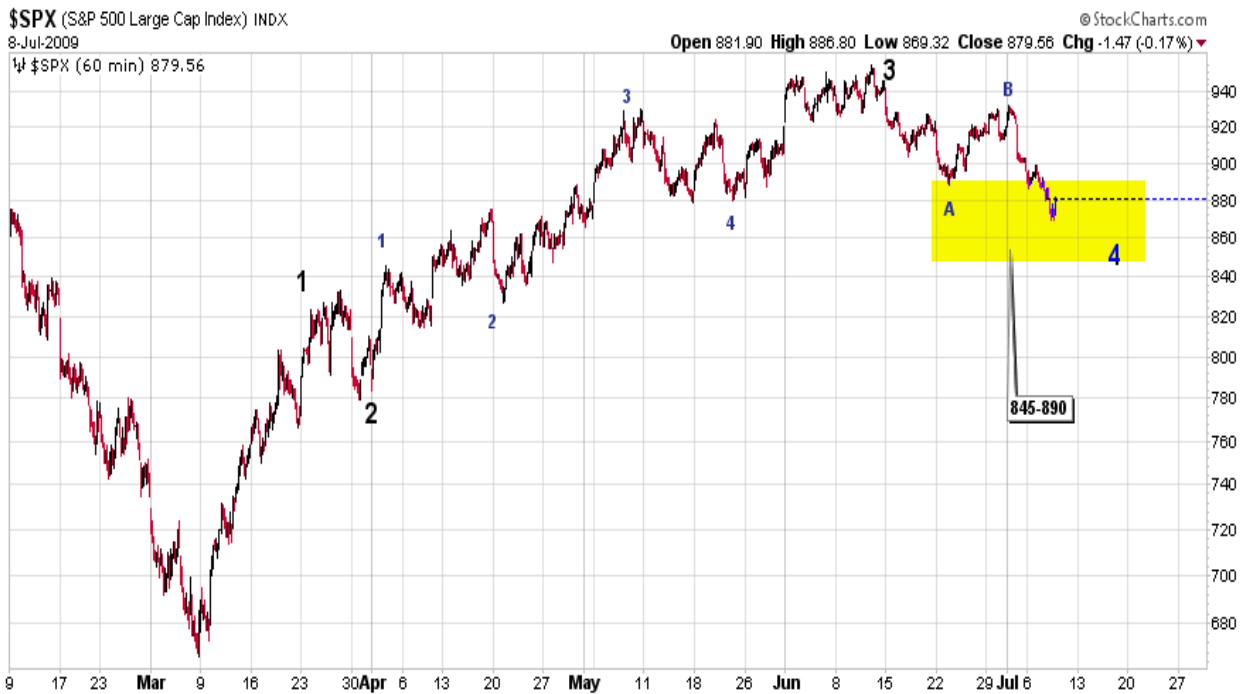
At today's low, the NDX also perfectly tagged the level where the current down leg (off last week's high) is equal in size to the down leg that played out in June.



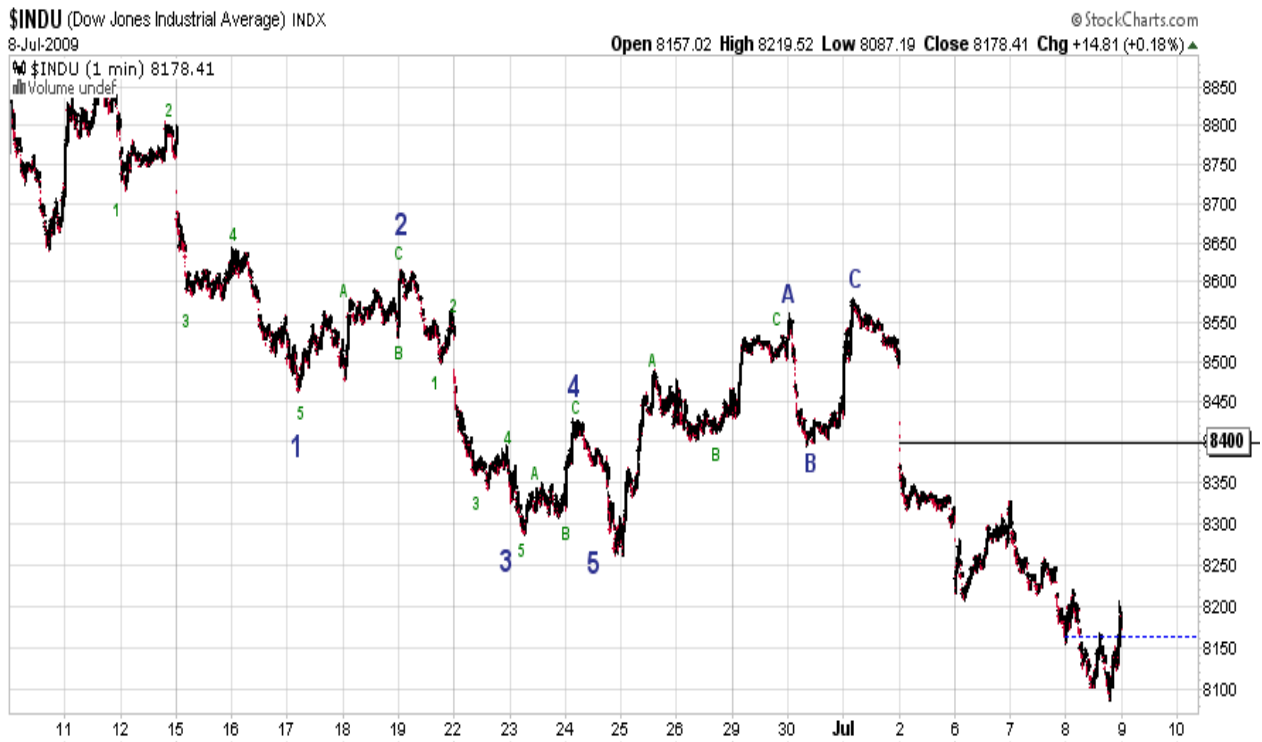
The SPX came within five points of its own level of equality, while also testing the “4th of a 3rd” low that was recorded in late May. The Dow came within about 100 points of its own level of equality. All of these levels are potential support, which make them potential levels for this decline to end. Recall that price has already given us a number of reasons to think that this pullback is corrective:



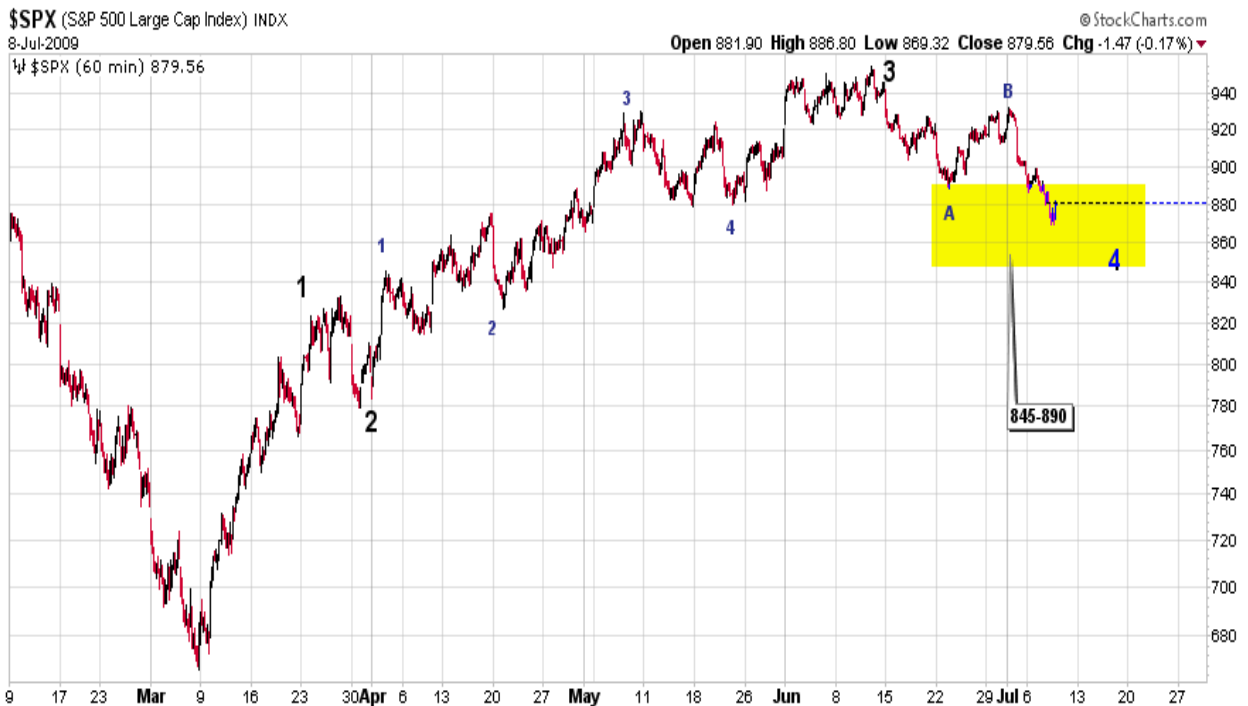
This is most apparent on the NDX. The initial down leg in June was a clear three-wave move (as shown by the green ABC labeling above), and the late June advance carried price back towards advance highs. All of this gives us a reason to think this decline will prove corrective and give way to a resumption of the overall uptrend, very possibly right here and now.



Not only does the near-term pattern tell us to call the move corrective, but the larger pattern favors a northbound resolution as well. That's because the most apparent labeling of this big advance dubs the pullback off June's high a 4th wave, meaning the big advance still has work to do before it's done. Since we now have clear three-wave declines that have carried price to a number of potential support levels (as detailed above), this seems like a probable area for things to turn back up. Let's get to the brass tacks:



Trade back above **8400 Dow, 910 SPX, and 1460 NDX** would confirm that this 4th wave correction has completed, and in all likelihood, that a big 5th wave advance has begun. We'd expect wave 5 to carry all indices back above June's highs and beyond from there.



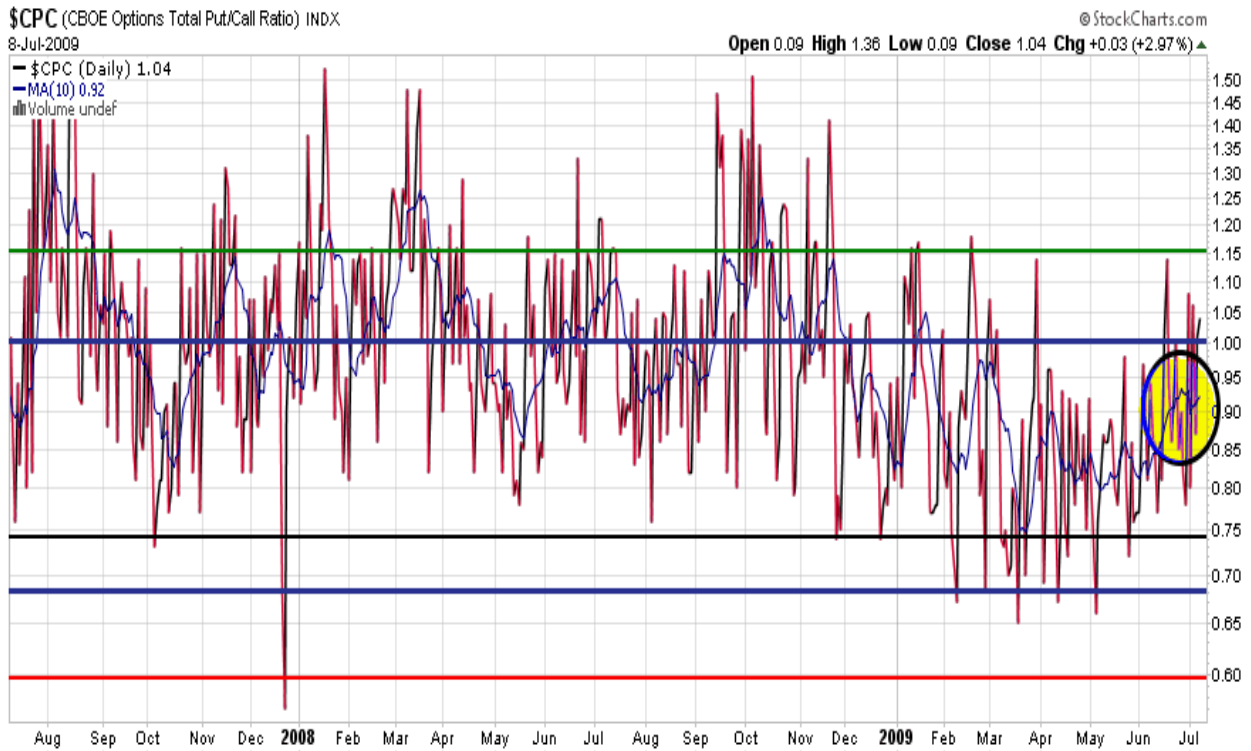
Meanwhile, keep in mind that price needs to find a low near or above **7975 Dow, 845 SPX, and 1320 NDX** for this pullback to continue fitting as a 4th wave. If price stays below the key upside levels indicated above and breaks down through these downside levels, we'd have to give much greater consideration to the possibility that the advance off March's lows has already completed.



In terms of the technical indicators, note that the Nasdaq Bullish Percent Index has reversed back down and is on a new sell signal. This indicator has been subject to notable volatility, reversing a new buy signal that was in place for only a few days.



Both the Dow and SPX closed below their 50 and 200-day moving averages today. The NDX and Nasdaq closed below their 50-dmas, but remain above their 200-dmas. Also note that some daily indicators, such as Stochastics as shown above, currently sport small positive divergences with price. This is when price sets a new low for a move while the indicator does not.



Finally, note that the Put/Call Ratio is on the rise, and is now at its highest level since early March.

That's what we're looking at tonight, folks. You can see from the charts above that, while we could see a bit more near-term weakness, there are a lot of things that can support a low occurring near here, including a clear price pattern, numerous support levels, and some technical indicator readings. Now, keep a close eye on price movement from here, since a move above our key levels will indicate that a big up leg to new advance highs has begun. Have a great evening and we'll take another critical look this weekend!



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