



As published in *The Elliott Wave Theorist* on February 20, 2004

PRICE AND TIME PROJECTIONS FOR WAVE 2 ARE BEING MET SIMULTANEOUSLY

The January issue projected a top in the stock market based on Fibonacci time and price relationships on a daily closing basis. Primary among them were:

“A 77-82 percent retracement would bring wave 2 up to the **10,702-10,924** range basis the daily close.

A .786 retracement would be **10,773.52.**”

“If wave 2 were to last 1/2 as long as wave 1, it would...end on **February 20.**”

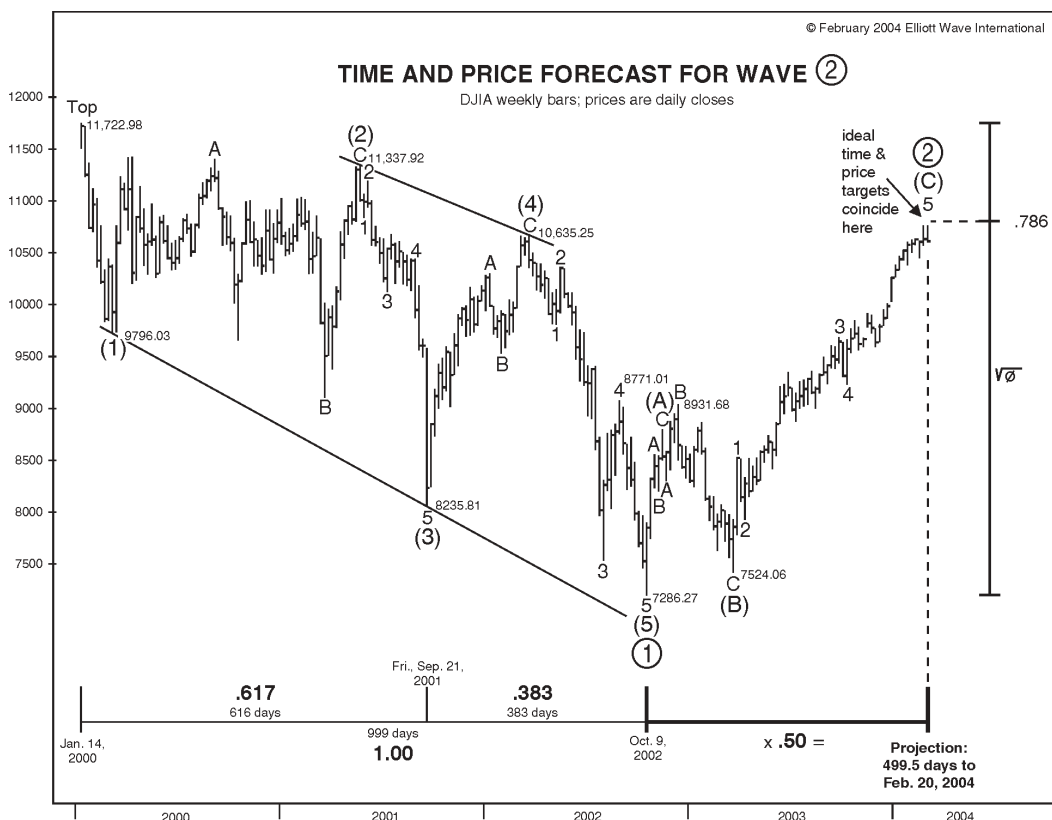
“The S&P would reach a **50 percent retracement at 1161.**”

It is exciting that *all three of these Fibonacci-based targets are being met simultaneously.* This confluence increases the odds that the top of wave 2 is upon us. Figure 1 shows this confluence in the Dow.

To conclude, the ideal time for wave 2's daily closing high for both the Dow and the S&P is **Friday, February 20 + or - a few days.** The NASDAQ, by the way, has already topped out.

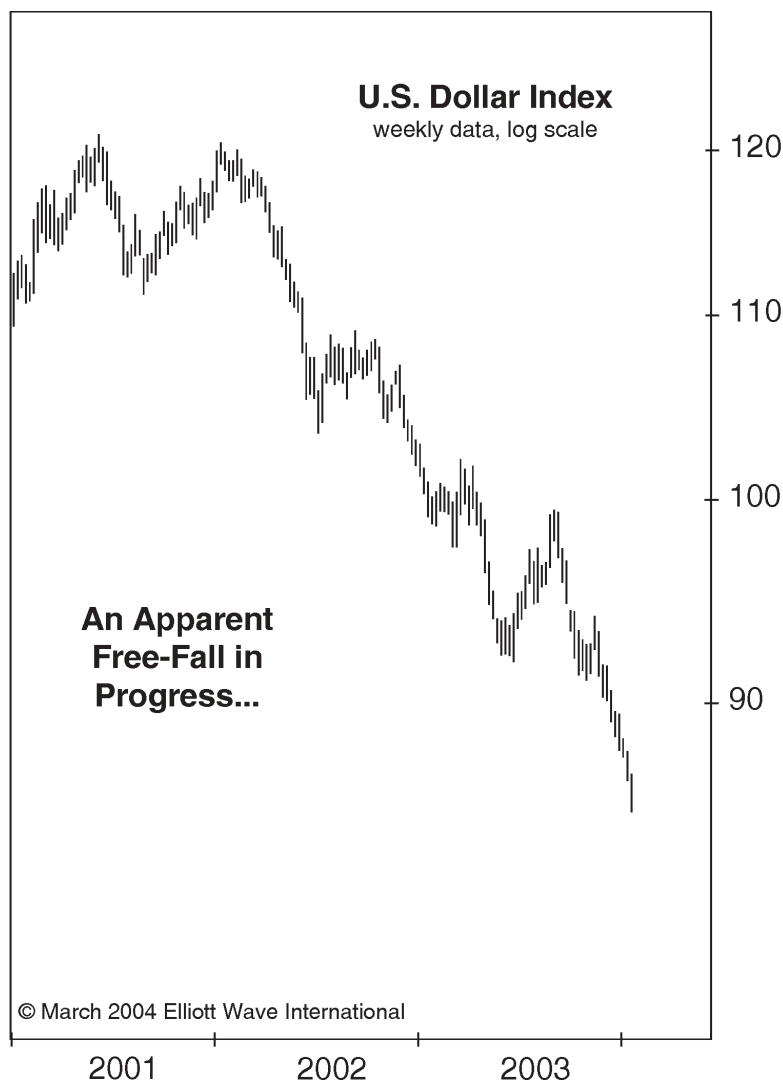
The price targets have some leeway, but not much. For example, the January issue said to expect “an intraday peak in the **10,700-11,000** range” for the Dow. The studies in *Beautiful Pictures* show that Fibonacci time relationships using daily closing prices are usually met within three days on either side of an ideal date. The intraday high could occur — as it often does — on a different day nearby.

Finally, as that issue said, “If the Dow reaches its *price* target near that *time* [February 20], we should expect a reversal.” That event appears imminent. It is a powerful combination.



Result: The Dow made its intraday high on February 19 at 10,753.63. The S&P topped at 1163, and the NASDAQ had already peaked on January 26.

What Others Were Saying in January and February



How to play the falling dollar

Warren Buffet stated a couple of months ago that he believed the value of the dollar will fall and that he had bought foreign currencies as a way to profit from this belief. Besides Buffet, plenty of other Wall Street forecasters think the dollar is facing a prolonged slide over the next few years because of the trade deficit.

– Fortune, Jan. 12, 2004

How You Can Play the Falling Dollar; As U.S. Currency Flirts With New Lows, Investors Are getting Big Returns From Foreign Bonds

AS THE U.S. dollar continues to slide, an increasing number of investors are pumping money into foreign bonds. In the past three weeks alone, more than \$700 million has flowed into global-bond funds, according to AMG Data Services. Investors have pumped about \$600 million into the T. Rowe Price International Bond Fund in the past 18 months, doubling its size. At J.P. Morgan Private Bank, the high-net-worth division of J.P. Morgan Chase & Co., wealthy investors have stuffed close to \$1 billion into individual foreign bonds in recent months. Is it too late to jump on the bandwagon? Currency movements often last for years, and a number of professional traders expect the dollar will weaken further because of America's budget and trade problems. J.P. Morgan last week said it expects the dollar to fall to \$1.40 per euro from its current \$1.28.

– The Wall Street Journal, Jan. 13, 2004

Let the dollar drop

– The Economist, Feb. 5, 2004

Dollar Drinking in the Last Chance Saloon

– Times (of London), Feb. 16, 2004

Quotes from Bloomberg news:

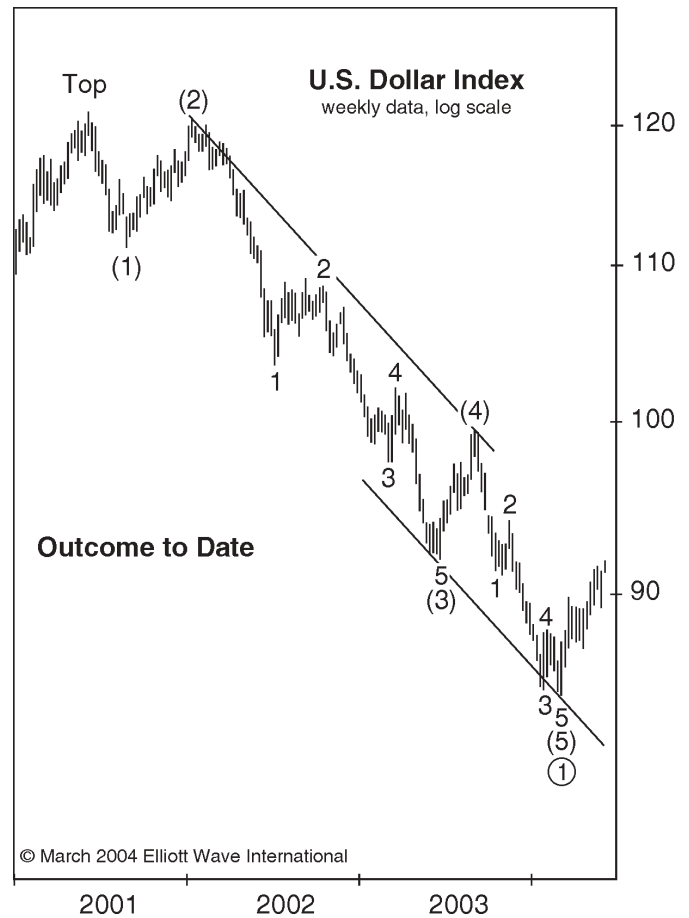
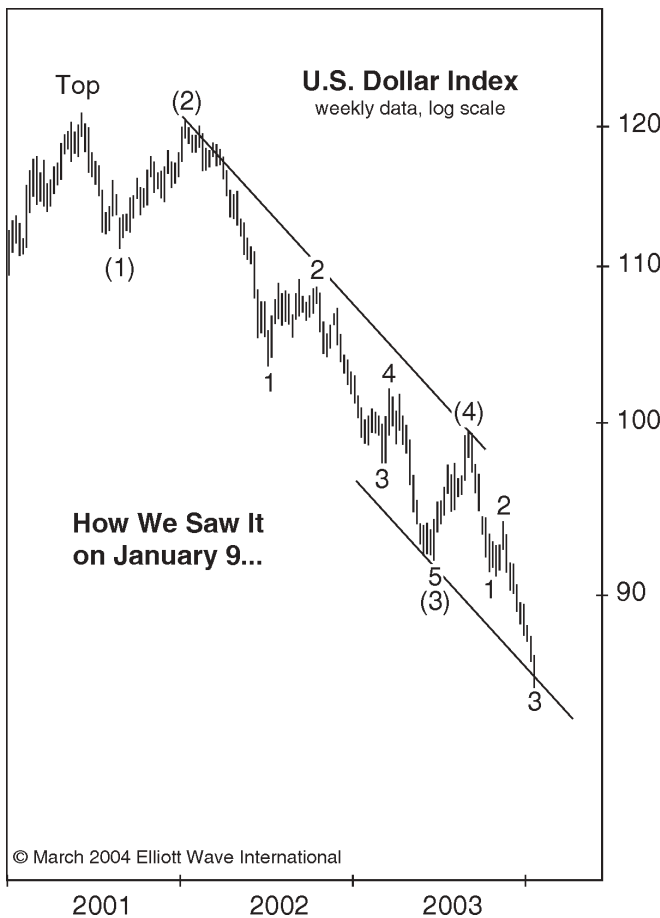
January 6: “The Fundamentals are certainly in favor of an ever-weakening dollar.”

January 9: “The dollar is in freefall,” “The U.S. labor report adds momentum to existing dollar weakness.”

January 10: “It's a fool's gambit to try to pick a bottom. Investors will continue selling dollars.”

February 17: “It's going to get worse before it gets better.”
“There's no reason to think this is the bottom for the dollar.” “The Dollar is in trouble.”

What The Elliott Wave Theorist Said on January 9, 2004



“I have not commented on the dollar vs. other currencies for a very long time. But the market is approaching a juncture that I cannot ignore. The dollar should end its descent not far from current levels -- ideally after another rally and decline on the daily chart -- and begin to rally.”

— *The Elliott Wave Theorist*, January 9, 2004

Result: The dollar's low against the Swiss franc occurred that day, January 9. The dollar index bottomed as it should have, “after another rally and decline on the daily chart.” It closed lower on February 17 (February 18 was the intraday low) by only .09, about as close to the “current levels” of January 9 as could be. It has rallied ever since.

The wave patterns you've just read about continue to unfold.

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