Where Are We in the Elliott Wave Pattern?
A Brief Perspective

November 3, 2008
By Alan Hall

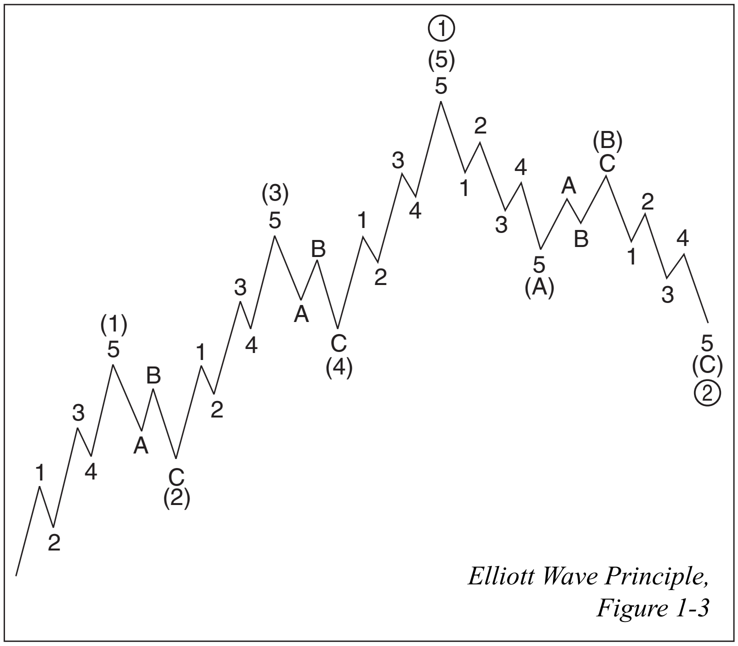

Figure 1

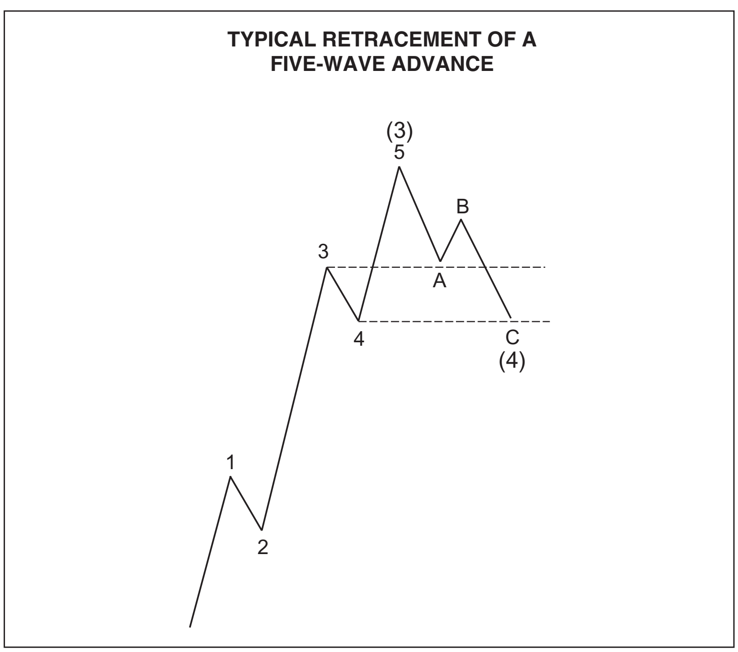

Figure 2

Figure 3

RTSI, November 2007

Figure 3 shows a forecast from the November 2007 Elliott Wave Global Market Perspective Special Report, "Sizing Up a Superpower ~ A Socionomic Study of Russia" (Click here for more information)

When we made this forecast, almost no one saw trouble on the horizon for Russian stocks. We first observed that five waves up from 1998 was nearly complete. We then confirmed this with social observations and our analysis of the Elliott pattern in oil prices, on which Russia is highly dependent. You can see the previous fourth-wave target area we identified, and in the report, we said that a fall in Russian stock prices would increase the likelihood of conflict on Russia's borders, and named Georgia as a likely candidate for this.

Figure 4

RTSI, November 2008

Six months later, the RTSI topped, then fell to the area of the previous fourth wave. The Georgia/Russia conflict followed a thirty-percent drop in the RTSI. Despite trading halts and other efforts by the government, the RTSI ultimately dropped to the bottom of our minimum target zone, a loss of almost 80%.

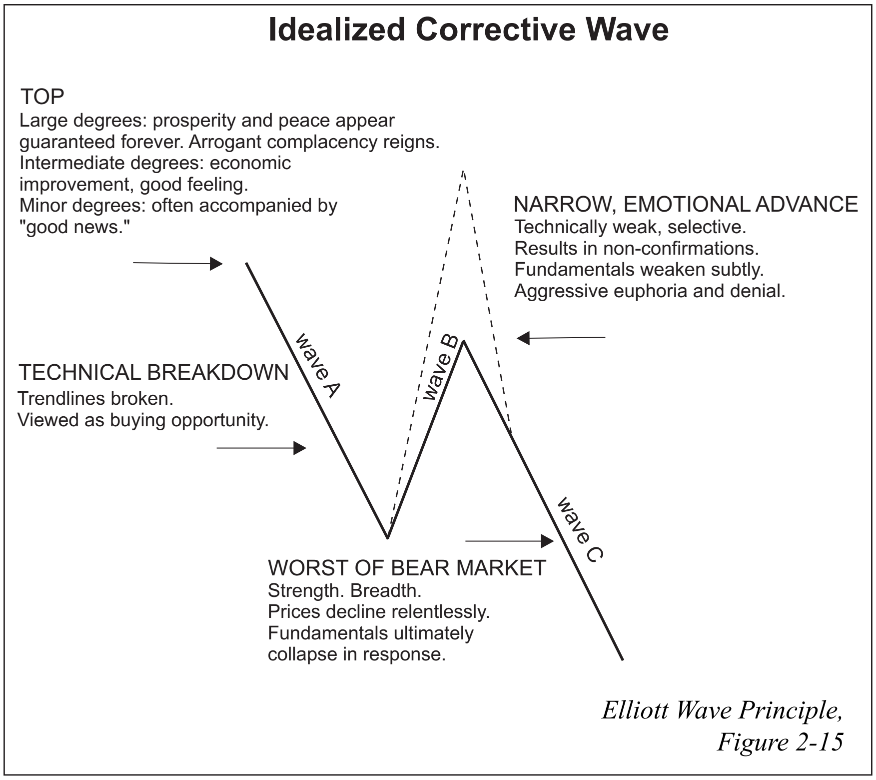

Figure 5

Idealized Corrective Wave

This illustration describes the "personality" of the three main phases of a bear market. Notice the last sentence, "Fundamentals ultimately collapse in response."

A quote from Elliott Wave Principle further illustrates the personality of a B wave:

> "B waves are phonies. They are sucker plays, bull traps, speculators' paradise, orgies of odd-lotter mentality or expressions of dumb institutional complacency (or both). They often involve a focus on a narrow list of stocks, are often "unconfirmed" by other averages, are rarely technically strong, and are virtually always doomed to complete retracement by wave C. If the analyst can easily say to himself, "There is something wrong with this market," chances are it's a B wave." (Chapter 2, Elliott Wave Principle, 1978, Robert Prechter)

The swift collapse from the 2000 peak in the DJIA is still fresh in memory. And the second quote well describes the historic credit inflation, the real estate mania and the associated rise in stock prices. The phoniness of that b-wave is more evident each day.

Now notice in Figure 5 that the (B) wave can exceed the previous high, and let's compare that to a chart from the November 2008 *Elliott Wave Financial Forecast*.

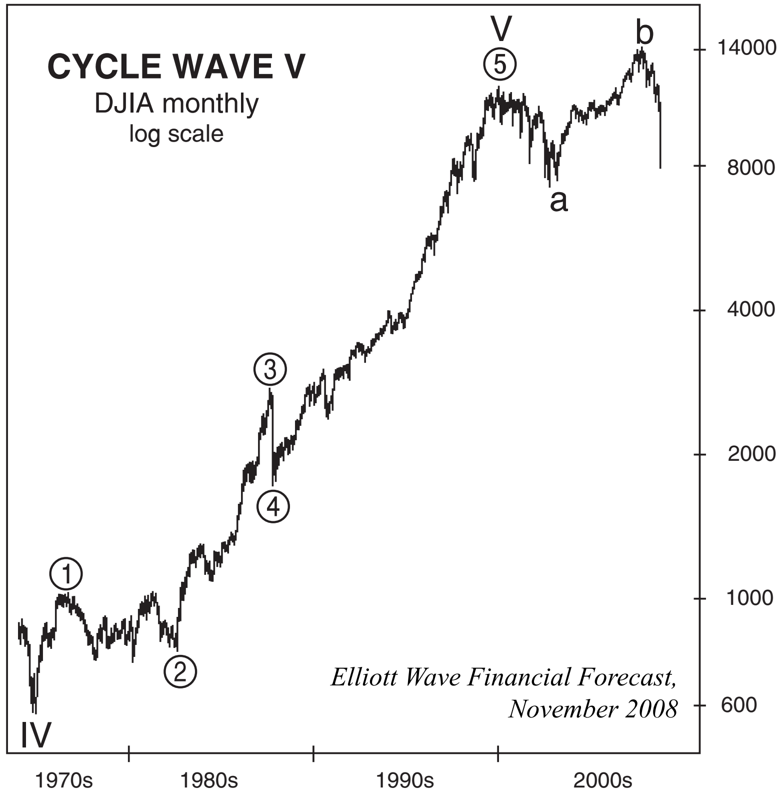

Figure 6

Cycle Wave V

Wave b exceeded wave 5. Notice the price level of the previous fourth wave, from 3 to 4. That is our first target zone.

Now remember that wave 5 is itself the final wave in a five-wave sequence that is one degree larger, wave V. Notice the price level of wave IV. This exercise serves to highlight the risk we now face.

The Wave Principle can provide invaluable perspective. Ignore its long-term message and you waste a valuable tool and face unnecessary risk. If you'd like to learn more, we can help with some free education. Click here.