

“...Let us run with patience the race that is set before us.” Hebrews 12:1

by Eric S. Hadik

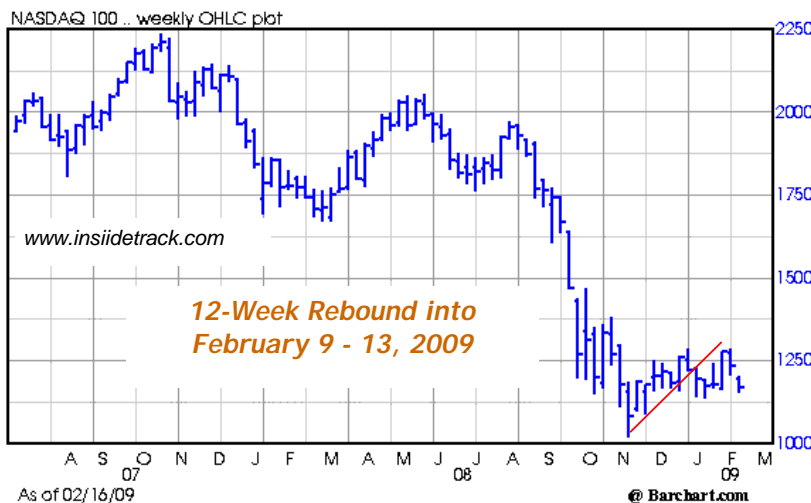
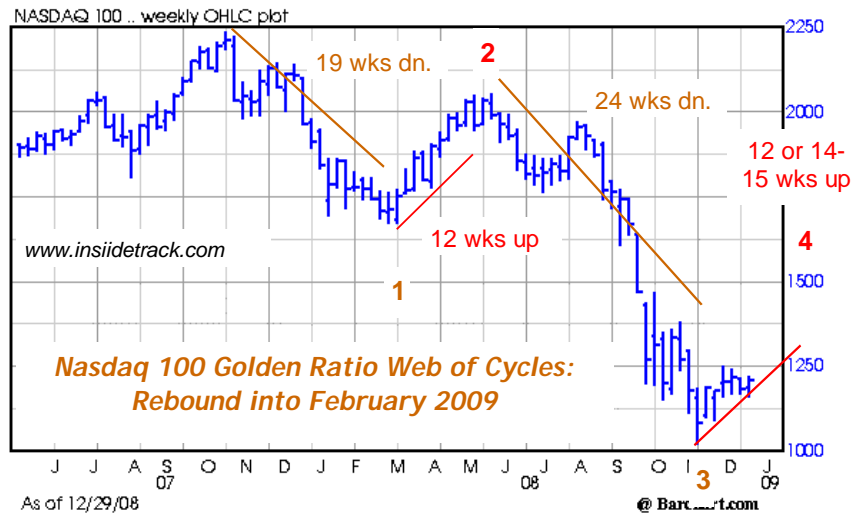
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STOCK INDICES

02/26/09 - Outlook 2009 (1-12 mos.):

Stock indices remain in a multi-year bear market. This is expected to continue into 2010... and could stretch beyond that time frame (depending on market action leading into and out of crucial cycles in 2009). However, two key events of 2009 may have accelerated the time for a multi-month bottom.

The first is price action...

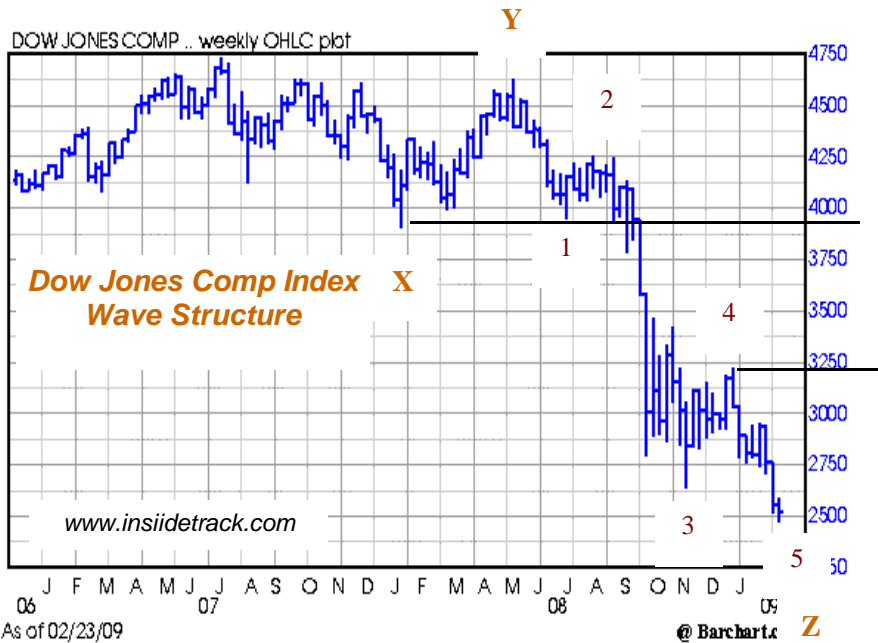
The Major downside objective for this decline - since late-2007 - has been at **7,100/DJIA** (or a range of **6,948 - 7,197/DJIA**).

...If the 2000 - 2002 decline was a correction in the final stages of a major advance, the next decline was expected to be greater than that decline - thereby confirming that a MAJOR top was intact. This decline

(Continued on page 2)

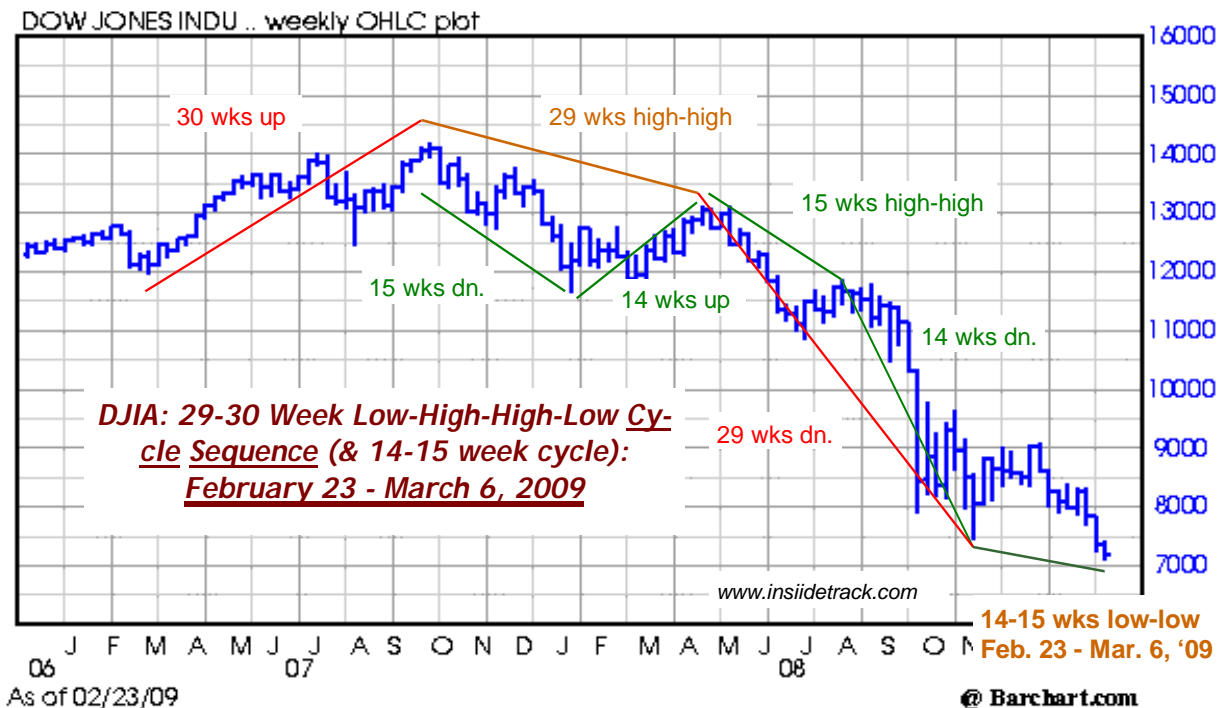
should be 1.618 times the magnitude of the 2000 - 2002 decline, which would take the DJIA down to **6,824...** slightly below the projected range.

...The Nasdaq 100 has been the lead market for many years. It led the way higher during the 1990's bull market (bubble). It led the way lower into 2002. It has been the index that so precisely adheres to the *January Cycle* (as it is doing again in 2009).



It was also the index that exhibited the clearest waves on the way down... which were featured in the 12/06/08 *Weekly Re-Lay* and repeated in the January 2009 *INSIIDE Track*, with this conclusion:

"The Nasdaq 100, for starters, has provided a wave sequence that is almost textbook, with respect to inter-wave relationships...From its late-2007 peak, the NQ dropped for 19 weeks and then rebounded for



12 weeks... a .618 retracement in time. It then entered a steeper decline that lasted **24 weeks**.

With these 3 primary waves acting as the basis for calculating future moves, there are some expectations that can be built for the ensuing rebound...The first one is that it will be related to the preceding, 24-week decline. The two most common retracements would be a 12-week (50%) rebound or a 14--15-week (.618) rebound.

The second one is that this rally will be similar to the previous rally (the 12-week rally in March - May 2008). The most common relationship - between a '2' wave rally and a '4' wave rally - is that of wave equivalence (12 weeks).

The next most common relationship is that the two are related by the 2DGR. In that case, it would make the impending rally either 9 weeks or 15 weeks in duration (.786 or 1.272 times 12 weeks). Putting this together, the odds favor either a 12-week or a 14--15-week rebound from the recent lows.

A 12-week rally would carry the Nasdaq 100 higher into **February 9--13, 2009**, whereas a 14--15-week rally would carry it higher into **February 23--March 6, 2009**.

The **February 9--13th** date would not be an unusual time for a peak since it is exactly 180 degrees from the August 11th peak in the indices."

As the chart on page 8 shows, the Nasdaq 100 did complete a **12-week** rally and did peak during the week of **February 9 - 13, 2009**.

In and of itself, this is a perfect fulfillment of the cycle outlook. However, price action is ALWAYS the ultimate filter for cycles. And, just as I stated last month, there were some discrepancies between the Indices.

While the Nasdaq 100 has been giving signs that this peak is not the end of the rebound, the DJIA was signaling a drop to new lows into its most synergistic cycle convergence - on **February 23 - March 6, 2009**.

The chart on page 9 is an updated copy of another chart from the January *INSIIDE Track*. The only difference is that it is adjusted to show the potential for a DJIA *bottom* at this time. This aligns with the accompanying chart of the DJ Comp Index (DJ Industrial, Utility and Transportation Index combined), which has a different wave structure than the DJIA.

In this wave structure, the DJ Comp is very clearly completing a 5-wave decline, part of a larger-degree 3rd wave drop. The reason I labeled the larger waves as 'X', 'Y' & 'Z' is that I am not sure if they are an 'A-B-C' (3-3-5) or a 'I-II-II' of a larger 5-wave decline. [End of excerpt.] **IT**

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