

# Sample Daily ASX 200 Forecast

## **Graham Dyer's ASX 200 update am Monday 14 February 2005 (Last close 4174)**

The ASX lost nearly 1% between Monday and Thursday last week, but by Friday's close it was slightly higher on the week. So that does not appear to be the "correction we have to have" yet. But we should expect a major correction before too long. Primary wave ⑤ has been pretty relentless for nearly two years now, and we still appear to be in Intermediate wave (3). However, even third waves cannot last forever. The fourth wave correction, when it comes, should be at least 200 to 300 points and possibly even closer to 400. If the Intermediate wave (2) correction was the 125-point drop in May last year, then that was very small and simple, and according to the guideline of alternation we should expect wave (4) to be larger and more complex. We should recognize it when it hits. In the meantime, I would urge extreme caution in this market. Bulls are living on borrowed time.

*Note: The ASX suffered a minor correction beginning on this day, but the major fall did not occur until five weeks later.*

## **Graham Dyer's ASX 200 update am Monday 20 June 2005 (Last close 4312)**

This morning I'll give you an extended report on the Australian share market to provide perspective for those not familiar with the wave principle.

Cycle wave V began in November 1992 when the All-ordinaries "bottomed" around 1350 points. Cycle wave V is made up of five waves of Primary degree.

Wave ① up of Primary degree took the All-ords to around 2350 points in February 1994.

The wave ② correction of 1994 took the index down to a little over 1800 points in February 1995.

Third waves are usually the longest and strongest. By 30 June 2001 we had a new index, the ASX 200, which peaked at 3490, ending a six-year long, strong third wave of Primary degree (the market almost doubled in that time).

According to Elliott's "Guideline of Alternation," if the wave 2 correction is simple, wave 4 will probably be more complex. This certainly appears to be the case with the ASX. Wave ④ bottomed on 9 March 2003 at 2693 points.

All of the action since then has been wave ⑤ of Primary degree, which has also been long and strong, but has only lasted two years so far. It is the final wave in Cycle wave V. Primary wave ⑤ is made up of five waves of Intermediate degree. Each of those waves is, in turn, made up of five waves of Minor degree. Each wave of Minor degree is made up of five waves of Minute degree.

The preferred count suggests the first major correction (Intermediate wave (2)) was the 125-point fall in May 2004.

For weeks leading up to the 21 March 2005 high of 4267 points I was suggesting that the market was due for a 200 to 400 point correction. It turned out to be 341 points and lasted about 6 weeks to May 5. It remains open to question yet whether that 4267 peak was the end of Intermediate wave (3) (i.e. Minor wave 5) or only the end of Minor wave 3 in Intermediate (3).

Actually there are some technical difficulties with both of these counts. First the 341-point correction was clearly a five-wave move, in which case a three-wave rally that retraced say 61.8% of the fall would suggest a simple 5-3-5 zig-zag was unfolding. However, the explosive strength of the move up since May 18 smacks of third wave behaviour and has already retraced more than 100% of the correction that began in March. So this rally is highly unlikely to be a B wave. I should be able to illustrate this in my July newsletter.

If the May 5 bottom was the end of wave (4) of Intermediate degree, then we are now into the fifth and final wave of Intermediate degree in Primary wave ⑤ of Cycle wave V. When this wave is over the bull market of the last 12 years is over.

We will have to wait a little longer to see how the waves unfold, but the most likely count at the moment is that May 5 was a wave 4 bottom of only Minor degree, and we are now approaching the top of a third wave of Minute degree in Minor wave 5 of Intermediate wave (3). In technical terms this means the five-wave 341-point fall from March 21 was almost certainly the third and final part of a 3-3-5 flat correction that began back on February 7.

Either way this market is due for a correction soon, even if it is only a fourth wave of Minute degree in Minor 5, in which case it will be followed by a fifth wave up that could be quite brief and give way to a major correction, larger than the one we have just seen, taking the ASX well below 4000 again, as it will be a fourth wave of Intermediate degree. This is a pretty bullish outlook, as it means all of Intermediate wave (5) is yet to come. It is also hard to harmonise with our expectations for major falls on Wall Street as Primary wave ③ gets underway there.

The alternative is that we are already into the fifth and final wave of Intermediate degree, and the ASX is getting very close to the end of its 12-year bull market. The downturn that will follow that, whether it be now or later, is going to be massive. The entire bull market from 1992, and more, has to be corrected.

To crystallize the very short term view, though, we could see a little more on the upside, but a correction, either large or small, should be at hand fairly soon. Whatever the degree, as last month's wave 2 was simple, wave 4 may well be more complex.

*Note: The market added 10 points and then fell 48 points over the next three days.*