

High Desert Investment Advisors

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S&P Index - Analysis of Elliott Wave structure

It seems clear that we have reached the top of the targeted three wave move, originally projected to be at the S&P Index price of 2047. This will complete Wave III and the next move will be a three Wave downside move, bottoming in the price area of about 1844. Then the final leg of this very long term five Wave upside move will commence, probably topping out at the S&P 500 Index price of 2213.

Comment:

The most likely retracement from the completion of Wave III of the upward move from the March, 2009, low of 666.79 is the Alternative target (shown below). Expect this next move of the S&P Index to retrace to a bottom, for the downside Wave III, at the price of 1843.96, with a further extension potential that includes a price level down to as low as 1790 for the Index, or somewhere in between.

Once the bottom of Wave III is completed, expect the market to go up to the ultimate Wave V high, which will be at the price level of 2213.53.

This analysis suggests that we have completed the Wave III upside move, when the intraday price level reached 2019, within just about 1% of the projected Wave III high, and then started a significant downside retracement move. This next move is likely to be a three Wave downside retracement from the high at 2019, that will reach the S&P Index level of about 1844; it may well extend beyond that level to perhaps as much as a 50% retracement. Since we have not had any significant retracement moves during the Wave III upside move, we are likely to see an extended downside price level, versus the move stopping at the 38.2% retracement target of 1844. Expect the downside move we are currently experiencing to end at a price level closer to 1790 than to 1844.

It is probable that that this downside retracement will be rather sharp, and then quick to end, returning to the 1900 level within a week or two at the most. There seems to be a lot of money sitting on the sidelines waiting for an opportunity to buy back into the stock market.

It should be needless to say, but...., there are no guarantees to the above scenario. However, it has been a long time since we have had any kind of a decent retracement, and we are well overdue for one. The driving force for this very long term market rally is the fundamental strength underlying the U.S. economy. A growth momentum based upon investment and reinvestment in our economy has been building ever so slowly and deliberately, as the private sector deleveraging process proceeds. Both businesses and consumers are continuing to deleverage. There is still much more to do, which is a primary motivation for this current bull market to continue for several more years.

Technical Analysis:

The very long term targets, determined from the low of the S&P Index at 666.79 are:

Wave III:	2047.38	(completed 9/15/14)
Wave V:	2213.53	

Upon the completion of Wave III (9/15/14) at 2019.26, the targeted retracements are:

38.2% Retracement:	1658.50
50% Retracement:	1547.02
61.8% Retracement:	1435.53

Upon the completion of Wave III (9/15/14) at 2019.26, the
Alternative targeted retracements are:

38.2% Retracement:	1843.96
50% Retracement:	1789.80
61.8% Retracement:	1735.63