Exceptional Bear Market Letter™

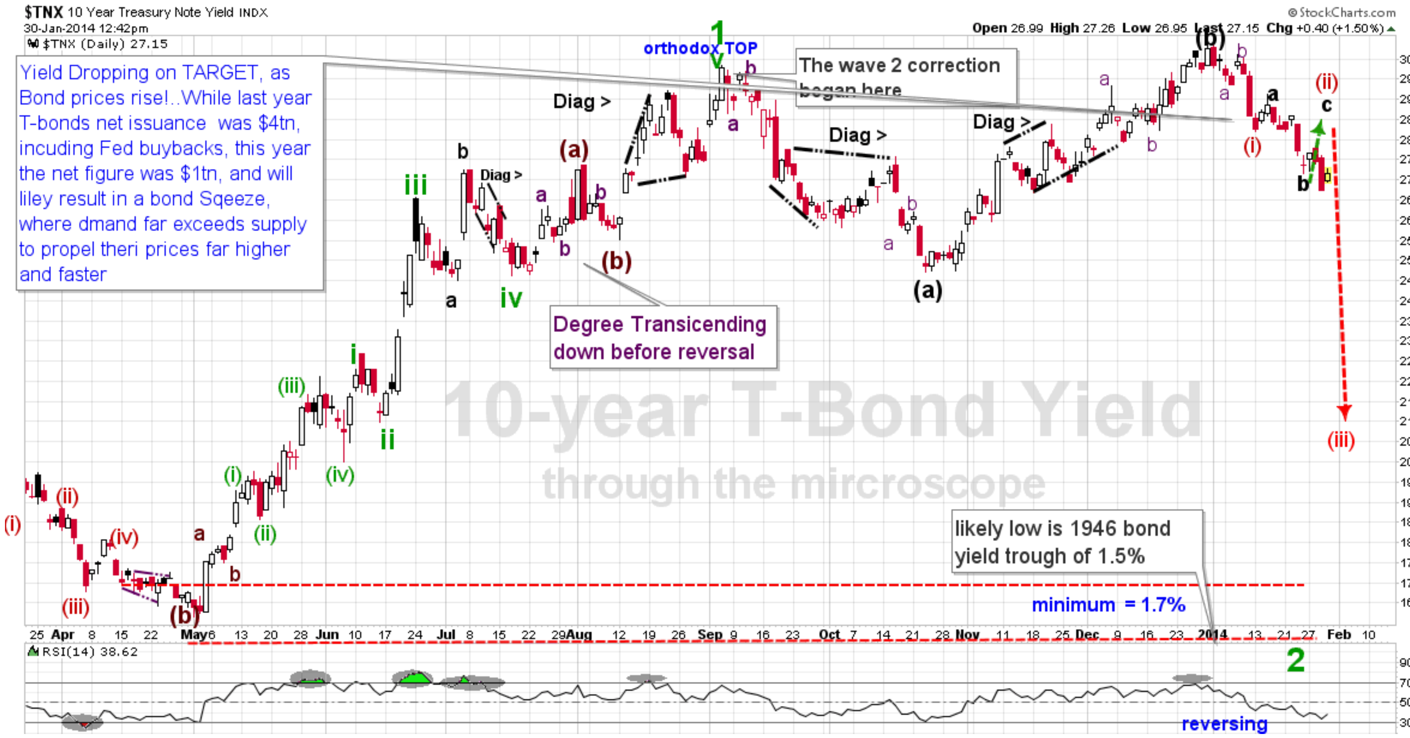
Revised January 30, 2014

Diagonal Triangles (Diag >) & Diagonal Triangles type II (Diag II)

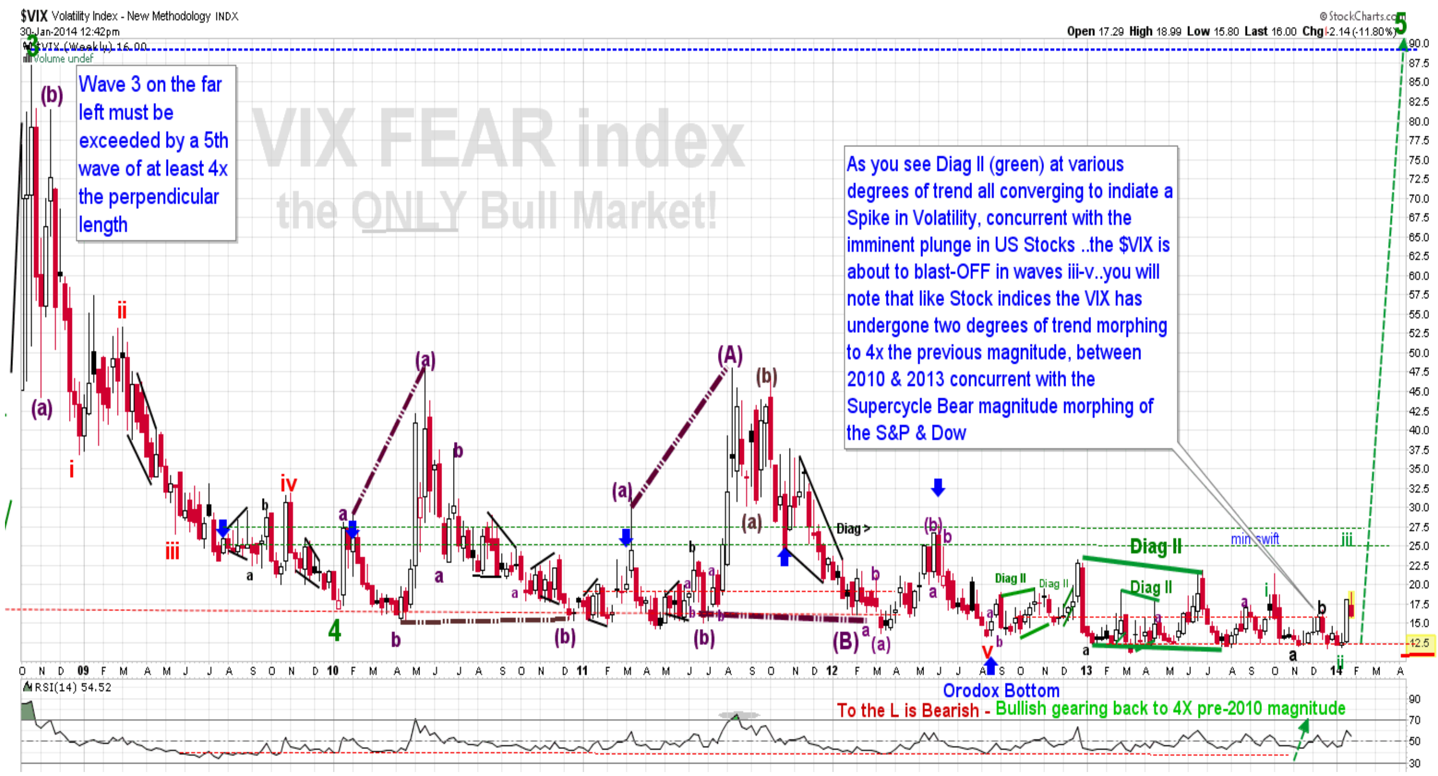
Once you understand and apply the wealth of information available from *Diagonal Triangles,* the exercise of investing will become a highly rewarding, *profitable* experience.

A Diagonal Triangle ***(Diag >)*** is a terminal structure, which heralds a ***dramatic reversal ahead***. ***Diag >s*** sub-divide into ***3's*** *(3-3-3-3-3 or 5),* similar to ***corrections***. Once the impulse wave that results from a ***Diag >*** completes, price territory swiftly retraces back to *at least* to where the ***Diag >*** began, its first touchpoint or wave (i). ***Diag >s*** often break all three of Elliott's rules: wave 2 *often drops below the origin of* wave 1, wave 3 *can be the shortest*, all Diagonals are defined by the *overlap* of waves 1 & 4. In essence, the ***Diag >*** signals a reversal, as well as, the extent of the subsequent *longer-term round-trip.*

In the daily 10-year yield chart *($TNX)* below, ***Diag >s*** *forecast each and every reversal. While one at the bottom, dated April 15-22, requires a reversal to a minimum yield of* ***1.7%*** *from the current* ***2.7%, a 37% drop****, which translates into far more than 37% in terms of capital gains****, since investors project the then current deflationary environment into eternity. This results in an increased demand for & Price of Bonds, far beyond their rational value. In a panic, few investors even calculate the "net present value" of the future income stream. In 2009, they bid up bonds to guarantee a loss.***



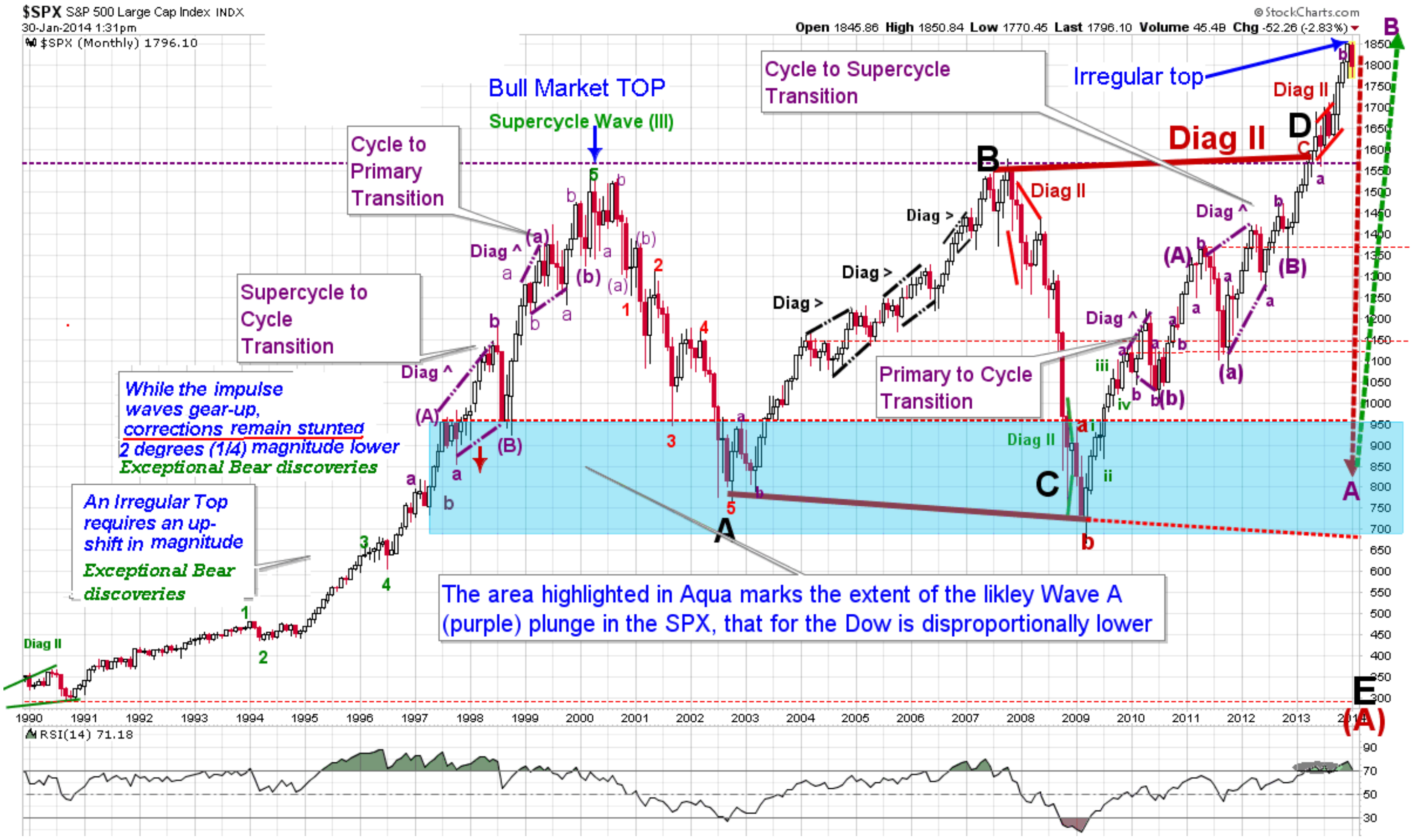
In the **$VIX** you see the ***gearing-up*** *in magnitude*, as two back-to-back ***Diag ^s.*** These correspond with the *Bear Market's* ***gearing-up*** *magnitude of the between 2010-2013.*



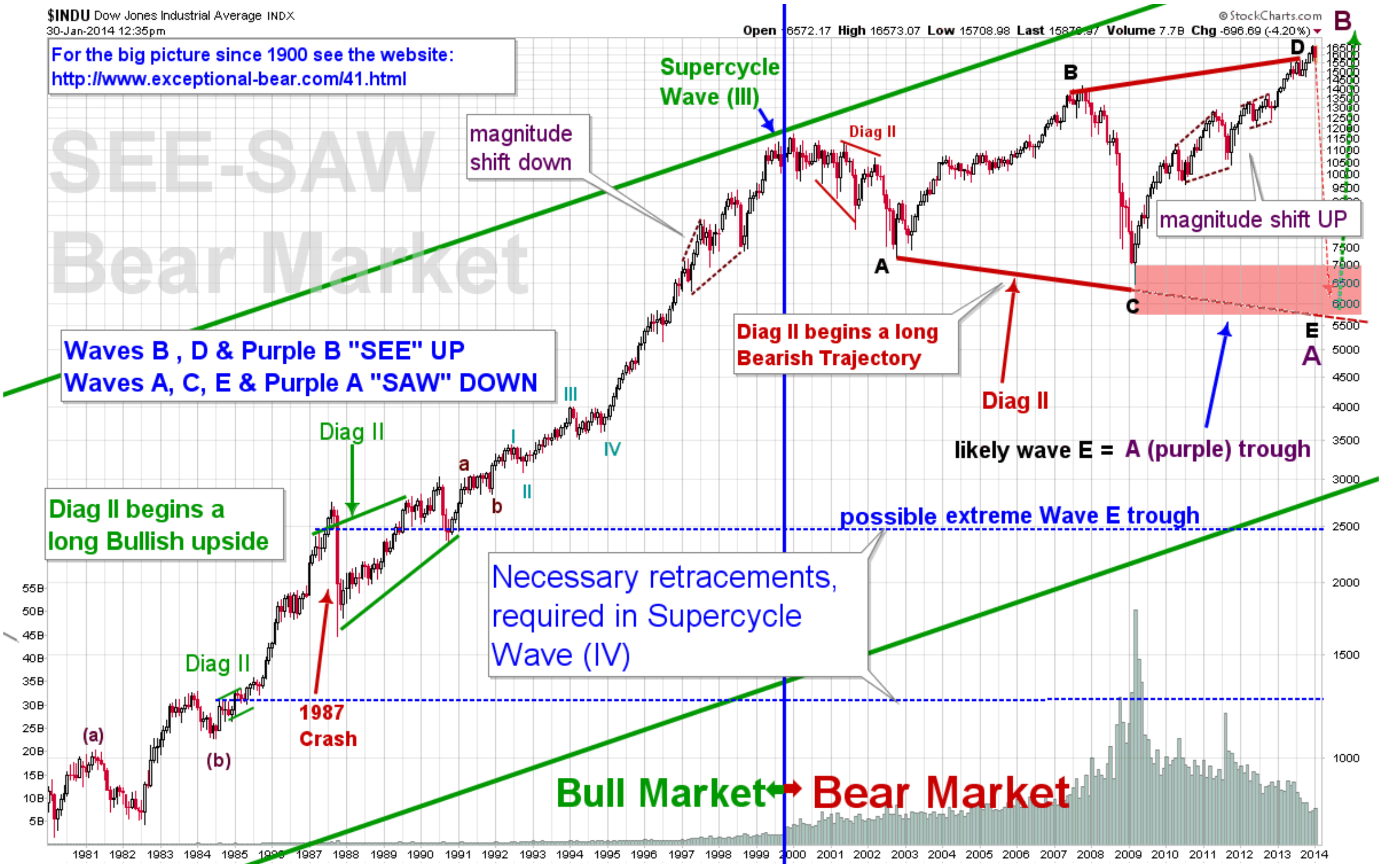
Below is a ***ground-breaking*** chart, which includes ***several exclusive Exceptional Bear discoveries <u>found nowhere else</u>,*** the holes in the chart resulted from having ***to replace the***

annotations** **<u>hacked away</u>**, **which** **<u>could not be completed in Stockcharts</u>**, **where the hacker's server filters the charts as they are uploaded for editing, to maliciously ***DELETE, much information, like a* RAT *gnawing away, a little at a time, so it's barely noticeable.***

1) Wave ***magnitude gears-up*** to conclude an ***irregular top*** *in* ***wave D***, which *<u>extends beyond the Bull Market's orthodox top</u>.*
2) *The* ***Supercycle Wave****, like Jack's Beanstalk,* **morphs two degrees higher** *in its* **impulse** *waves, while* **corrections waves 2 & 4 remain dwarfed two degrees lower** *(bullish or Bearish)*
3) *In the* Bearish Wave ***E*** *of* ***(A),*** *the same degree morphing occurs* **<u>to the downside</u>**, *while the* **upside corrections** *remain at* ***¼ of the magnitude. This is the <u>REASON for A CRASH</u>. That is, the identical pattern as led off with the Diag II at the bottom left in 1987, now reverses into its <u>reciprocal plunge. (wave A is only 2x the magnitude of wave C ended 2009, Wave E is 4x as massive)</u>***
4) Beginning in 1997, two back to back ***Diag ^s*** *(a subset of Diag >s)* which gears-up magnitude in preparation for the approaching Bull Market Orthodox Top, and the subsequent ***dramatic reversal***. When two or more ***Diag >*** occur in sequence, *the second is an extension of the first,* and *compounds the <u>violence</u>* of the subsequent reversal. As shown by the horizontal, red dashed lines, the ***Diag >*** retraces to *<u>at least</u>* its point of origin *(two examples).*
5) Read the call-outs, the hacker has nearly my pattern recognition ability, and so to prevent anything that's ***Exceptional*** from being posted.



Finally the Big Picture Dow, magnified in the shows both waves **B & D** were ***irregular tops***



Diagonal Triangles type II, on the other hand, are *beginning diagonals* and either *bullish* (*Diag IIs*) or *bearish* (*Diag IIs),* and so indicate the ***beginning of a long move***. In ***all Diagonals*** waves 1 & 4 overlap. The *bullish Diag IIs* are an *integral prelude* to wave 1 ***impulse wave*** to follow, echoed in wave ***i*** of the 3rd in *very long moves*.

In ***corrections,*** *Diag IIs* are found in the ***a***-wave of ***a-b-c corrections***, where instead of signaling the beginning of a long move, they signal a *Bear Market, which nothing more than a* LONG *correction. Diag IIs,* in either direction, sub-divide into ***5-3-5-3-5,*** just like ***impulse waves***. Once the move resulting from a *Diag II* completes, price territory retraces back to *at least* its first touchpoint, meaning *wave (i)*. The S&P chart above also provides a nice example of *Diag IIs*. *Diag IIs* when appearing in multiples also ***preview the violence*** of the downside ahead. As you see, five waves down are next, to a likely ***minimum of S&P 700, & Dow 5700,*** so that wave ***A*** *drops below the 2009 wave **C** low.*

What's more, we must drop back to retrace the *lowest* *Diag II,* of the ***1987 Crash low***. Note that the ***1987 Crash*** was ***wave ii*** of the ***third*** *Diag II* in sequence. These three *Diag IIs* preceded the Great Bull Market.

Eduardo Mirahyes

Exceptional Bear

"Opportunistically timed investments that mazimize wealth"