



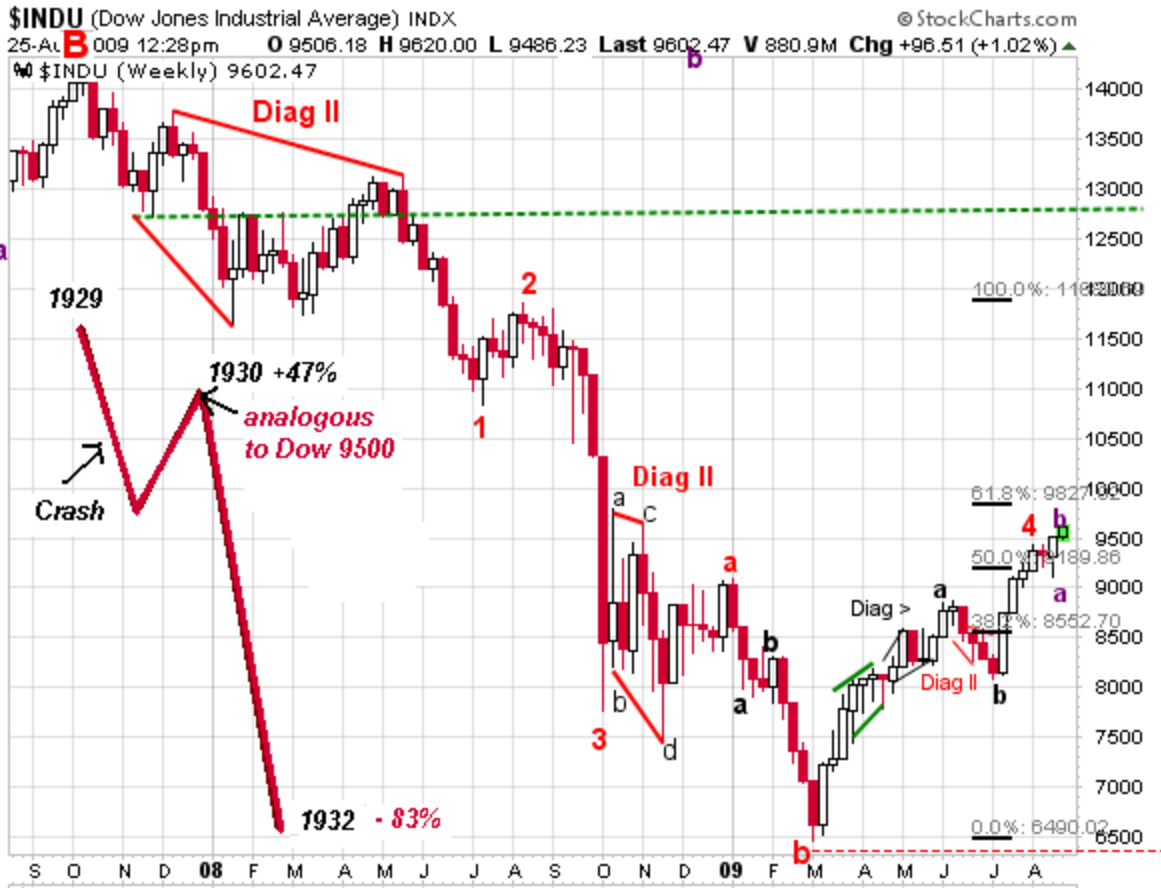
Tuesday, August 25, 2009

The Market's Foundation is built on Deception

The wave principle, which is based on broad market participation by independent investors, has been in effect commandeered unilaterally by the Fed. By buying blanket index futures, it appeared as though there was great depth to this market, characteristic of powerful bull moves. Only scant volume and poor fundamentals provided a hint that all was not congruent. That's why you would see the Shanghai Market tanking, while the ETF it represents continued to move up. Eventually this has to come to light, ***this Market's foundation is built on deception***, and deception is always destructive. The illusionary Green Shoots Rally is now over, from here we plunge, likely Crashing by October.

Highly prone to Crash

A Bear Market of this magnitude often contains multiple crashes, so an early crash would not preclude the *Mother of all Crashes* forecast after the *Mother of all Rallies*. If we take the 1929-1932 Bear Market (*inset below*) and compare it to this **leg C**, we had a Crash at the top followed by a similar 48% rally into 1930, followed by a gut-wrenching two-year 83% decline to the 1932 trough. In contrast, this **C wave** is likely shaping up as the inversion of that trajectory, meaning the slow grueling loss at the top, followed by a 52% sucker's rally are behind us and the Crash just ahead.



The Fed's Market Manipulation, has distorted this market and infused it with "green shoots" deception, as these truths come to light, a crash by October is 90% probable.

In effect, the 45% plunge previously envisioned to ~5170 may be optimistic. The next most probable trough for **C** is *an all-out nose dive to ~2750, a 71% crash*. The **Diag II** at the top of **C**, which indicates beginning of a long move down, to date, these expectations have not been met yet. A crash could occur in less than two months, likely bottoming in October, notoriously the month for Crashes. Both the 1929 and the 1987 Crashes occurred in October. **While structure and velocity may alternate, seasonality & cycles tend to remain the same.**

If we examine the **1965-77 Cycle Bear Market** below, we note that the *e* wave contained a **Diag II** near the top signaling the largest plunge of the entire Bear Market for ~47%. The gap in the chart is a *mini-crash*. This being a **Supercycle Bear Market**, or one degree of trend higher, we can expect a proportionately larger plunge.

1964-1977
Cycle Bear Market

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Regards,

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The true Wave Count