Exceptional Bear™

2015 Stock Market Timer of the Year

March 31, 2016

Elliott's *hypothetical* Channel made manifest below, confirms the only viable Long Wave count since 1900. RN Elliott himself was only able to construct this channel at lower degrees, due to an incomplete understanding of the *A-B Magnitude Transition,* plus the *Diag II,* not discovered until the 1950's by Hamilton Bolton.

Figure #1 ***New-Wave Elliott Wave count*** since 1900

After many years of empirical observation, I resuscitated and re-christened Elliott's *A-B Base* as the *A-B Magnitude Transition,* to imply its occurrence at ***every reversal*** - only then could this Channel finally manifest.

As Benoit Mandelbrot elucidated in the *Fractal Geometry of Nature*, and *The Misbehavior of Markets: A Fractal View of Financial Turbulence*, implies that for every bullish pattern, a reciprocal bearish array must also exist.

Robert Prechter discarded Elliott's *A-B Base* early in his career, and has since remained intractable. Such obstinance is responsible for his calling the end of the Bull Market 13 years early in 1987, rather than in 2000, and off by a *degree of magnitude,* in other words, such a long count is *a useless foundation for forecasting.*

Armed with a Biologist's background, I concluded that magnitude transitions, like all of Nature[2], *must be proportional to the degrees of trend which they bridge, in time and magnitude.* All of a sudden, out of the chaos, a very clear order emerges.

How to construct Elliott's Channel

At *Supercycle degree,* Elliott's Channel is formed by a straight line connecting *Supercycle Waves (I) & (III),* and drawing a parallel from the origin of *Supercycle Wave (II).* Likewise the Aqua channel denotes *Cycle Degree*, and the Lime Green *Primary Degree* channel *all occur within the larger Supercycle Channel.*

What's more, RN Elliott included a proviso for the Channel broadening upon completion of the 4th wave, *Supercycle Wave (IV).* This makes perfect sense given that magnitude transcends after the 4th wave in impulses, and within the 4th corrective wave. In *Supercycle Waves (IV)* a dramatic widening of the channel occurs entirely widen to the downside. This is done by drawing the lower parallel from the end *Supercycle Wave (IV).* Obviously, higher magnitude requires proportionately higher amplitude, in other words *volatility*. In physics, halving the distance to a light source increments its brightness ***4x***, while doubling the distance of the light source cuts its luminosity by 75%.

Magnitude increments dramatically in Nature

The Richter scale, which measures the destructive capacity of earthquakes, increments are measured on a *log scale*; a *degree 8* on the Richter Scale implies 10x the destructive force as a *degree 7.*

Similarly, Market Magnitude increments somewhat less dramatically on a *semi-log* scale, that is to say, doubling each time: *Cycle Degree* is ***2x*** the magnitude of *Primary*

Degree. *Supercycle degree* is ***4x*** the magnitude of *Cycle Degree,* and *Grand Supercycle* is ***16x*** the magnitude of *Supercycle Degree.* Keep in mind that the collective unconsciousness projects linearly, expecting at worst a disaster along the lines of 2008-2009, when instead a cataclysm of ***4x*** the magnitude awaits. Sooner, rather than later, a Market Dive will coalesce with ***4x*** the capital-destructive force as the 1929-1932 plunge.

My contributions to the Wave Principle

My contributions to the Wave Principle are fully encompassed in the ***New Wave Elliott™*** [1] since 1900. These include the precise location, as well as the as the *a-b-A; a-b-B* magnitude-transcending pattern. Bolton's *Diag II (Bullish Diagonal 2)* inverted as its reciprocal *corrective* pattern, the *Bearish Diag II* debuted in 1966 at *Cycle degree.* Prior to that, the *Bearish Diag II* manifested in Wave **(A)** of *Supercycle Wave (II),* and after a 9-year hiatus, was echoed in the 1929 Crash. Take moment to visualize & reconcile the text.

Many years were required to piece together the ***New Wave Elliott™*** Long count. Elliott's Channel ***confirms*** it for the true count. The adjustments required resulted from reconciling Nobel Laureate, Robert Shiller's *Century of Market Values* with Benoit Mandelbrot's *Fractal logic* & required reinstating RN Elliott's *A-B transition* proportional to the degree of trend, and incorporating Hamilton Bolton's *Diag II,* as a foundational Bearish structure in Bear Markets above *Cycle Degree,* yet rarely identified by Elliott Wave Experts. Robert Prechter dismisses the *Diag II,* in with a single paragraph, claiming that the pattern is so ***rare,*** that a competent analyst could forecast competently without it. *Obviously not!*

New-Wave Elliott Wave count since 1900 provides a solid foundation to forecast & demonstrates that *Supercycle Wave (IV),* in process since 2000, is *4th wave* corresponding with *Supercycle Wave (II),* of the same 5-wave progression. *Supercycle Wave (II),* the Great Bear Market originated pre-Fed in 1906 is remembered by the *Panic of 1907.* It endured 26 years, to end in 1932. Estimating by that modest duration of lower magnitude, we still have at least 8 years of Bear Market ahead. To learn more read *New-Wave Elliott™* http://www.exceptional-bear.com/174.html

After magnitude transcends, the 5th wave, is always the longest. Supercycle Wave (III) from 1982 to 2000 saw more market wealth-creation than all prior markets ***in aggregate.*** This is the key.

Despite the distortions of log scale, which conveniently force a semi log chart onto log scale, to fit on a single page. Simply compare the units on the converging **y**-axis near the top with the leaps taken at the bottom for like increments. Note further that the *5th of the 5th Supercycle Wave (III)* above is entirely void of Bear Markets. Note also *Cycle Wave V* does not exist, although these were synonymous for RN Elliott, a stretch that doubles previous magnitude, cannot be synonymous with the previous progression. All 5th waves which transcend magnitude, are replaced by *third wave of the next higher degree*. For an inside look, follow the link above...Note that the Roaring Twenties was a 9-year 3-wave, *Bear Market Rally. Wave (B)* sub-divides into an *A-B-C,* despite its upside trajectory, Bull Markets Sub-divide into 5 waves, while all *Bear Market Rallies, serve the purpose of luring investors-in at the top, only to fleece them.* B waves are all suckers' rallies make up the middle B-wave of all *A-B-C* corrections & Bear Markets. Since the Market is a *fractal, where the whole is echoed in its parts*, Bear Markets are no more than *higher magnitude corrections.*

[1]Although RN Elliott was the first to postulate incrementing market magnitude, this in itself is an amazing accomplishment given his tools consisted of *plotting the hourly prices from the previous day's Wall Street Journal*, by hand.
[2]The first edition of RN Elliott's work penned Nature's Law, is available on Amazon.com
[3]The reason Bull Markets appear are relatively smooth, when compared with Volatile Bear Markets, is that the *elongation of a Bullish trend requires several step-down magnitude transitions,* each one visually attenuating volatility, while the corresponding Bear Market gears up ***400%*** at *Supercycle Degree* and ***1600%*** *Grand Supercycle Degree.* The result of market manipulation under the Bernanke Fed, rather than "*Save us from Depression",* drove an early ***400%*** magnitude leap, to unleash a force of capital destruction beyond imagination.

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