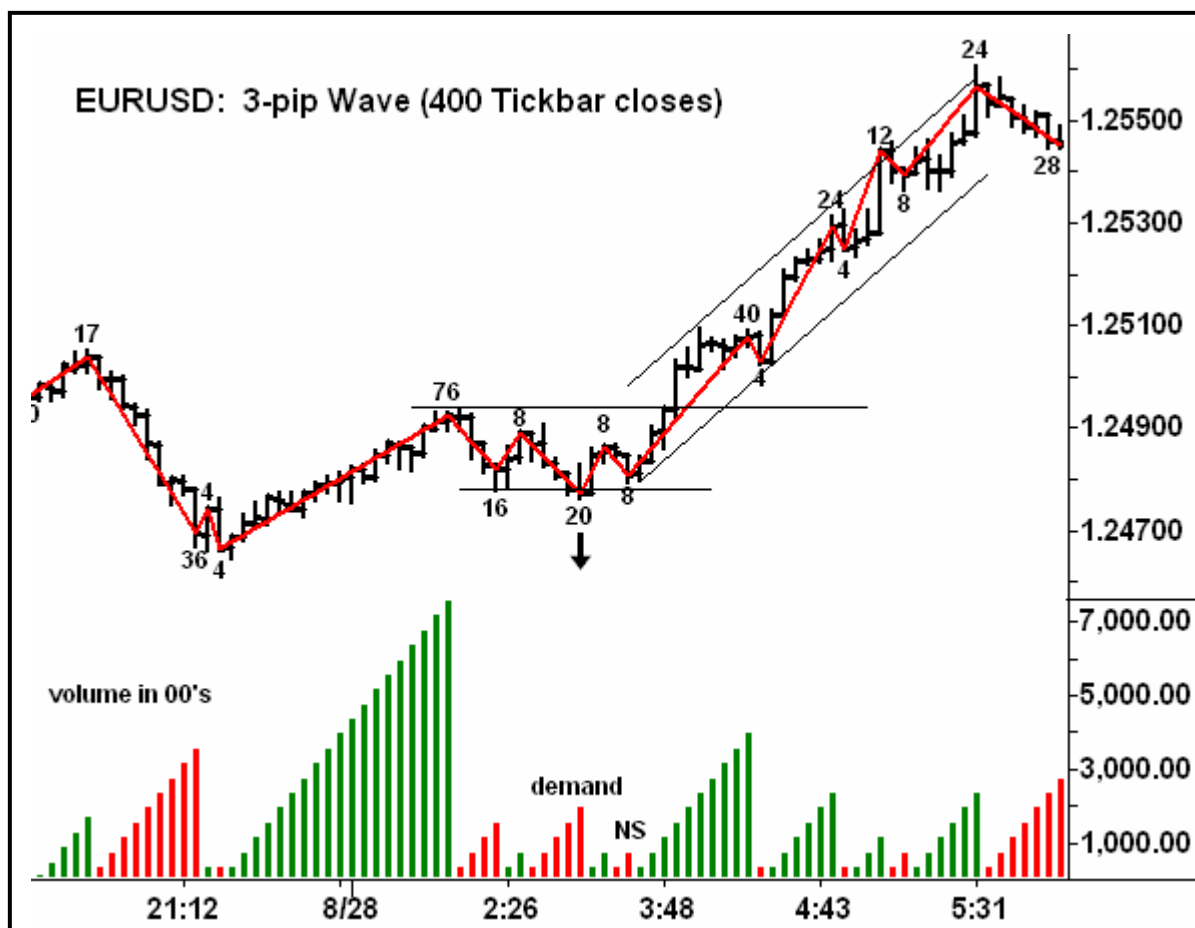




After the S&P made its low on June 4 and held at a higher level on July 12, I drew an uptrend line followed by a parallel across the June 19 high. On July 27, the S&P rallied above the July 5 and July 19 highs and appeared in position to challenge the top of the up-channel. This message was reinforced by the snap-back rally on August 3. Instead of accelerating higher, the S&P inched its way upward without coming near the upper line. When this behavior occurs, it usually reflects a loss of upward momentum. This can lead to a rounding over of price or, if the market refuses to give ground, a new steeper angle begins. You can see last Thursday's sell-off tested the demand line of the channel and prices held firm. Friday's high-volume up-move away from the line puts the S&P in position to move higher. Are we now to assume the S&P is on the brink of a steeper angle of advance? Even though this is an election year and the Fed has vowed to do everything in its power to prevent the economy/stock market from faltering, I'm not bullish. Even if another new high is achieved, I do not expect a steeper advance. The low volume throughout the August rally is not indicative of demand, the outside downward reversals on August 21 and 23 are bearish changes in behavior, and the downward reversal on August 21 occurred after taking out the earlier high of the year. Yet Friday's strong performance gives immediacy to the bullish story. We wait now to see if it will hurl prices upward or merely test last month's upthrust.

See wave chart on page 2.



For the Sunday reports, I will try to show an interesting wave chart from markets other than the S&P. I'm often asked about using the Weis Wave on forex charts and particularly in the London session. As many of you know, I like to look at currency or forex charts with a 3 or 5 pip wave. Once the wave line and volume are formatted, I can easily move from one currency to the other without having to change the parameters. The EURUSD upturn on August 28 began with the high-volume (7.6k) lift-off from below 1.247. This was a bullish change in behavior and it was followed by a shallow correction. The correction ends with a minor spring. But the wave volume gives added meaning to the spring. Here we see a minor penetration of support on 2k volume. The increased volume can be described as large effort with little reward. It also is a sign of demand. Wyckoff would say some larger interests forced the market lower in order to accumulate. No supply emerged on the next downwave which offered a low-risk opportunity to establish long positions. The subsequent up-move is dominated by strong demand and weak selling until supply appeared on the last down-wave.