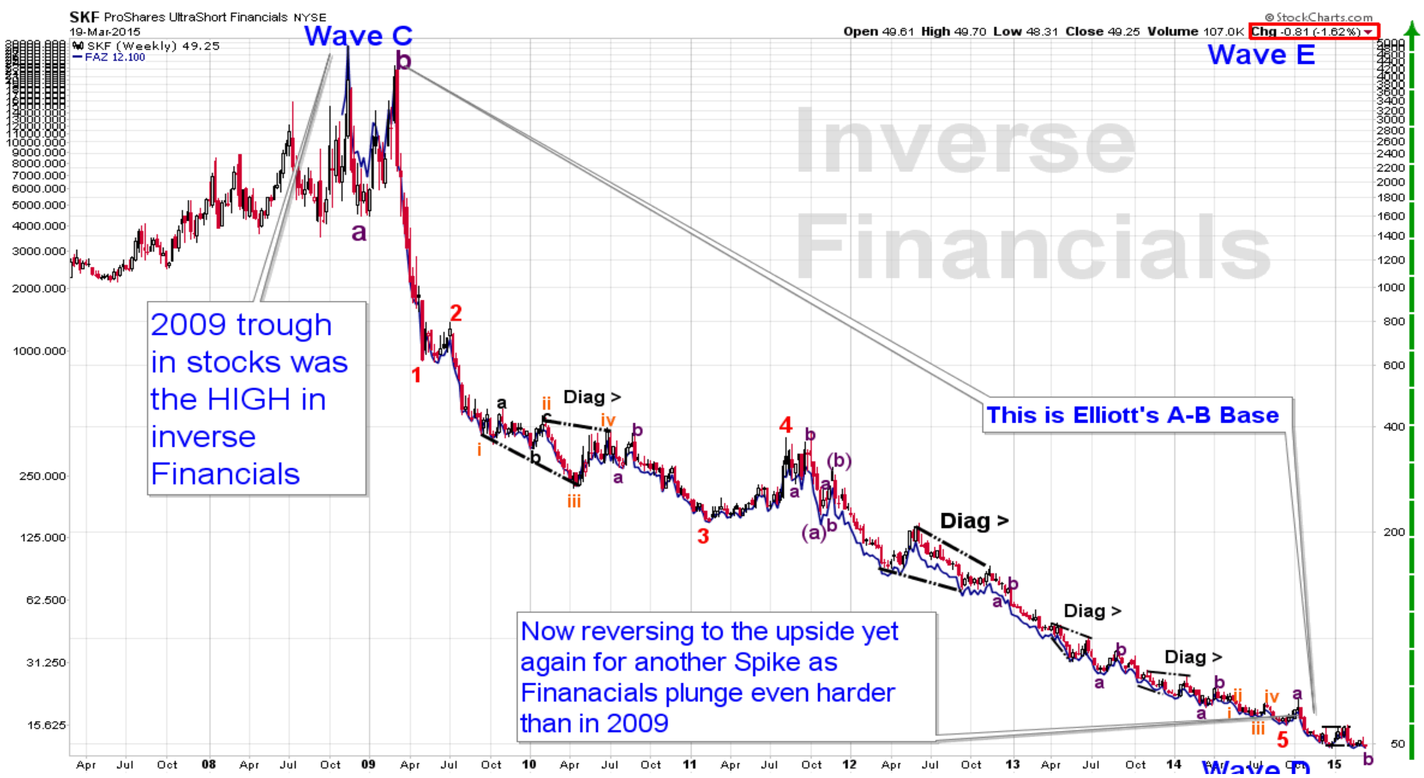
Exceptional Bear Market Letter™

March 20, 2015

Elliott's "A-B base"

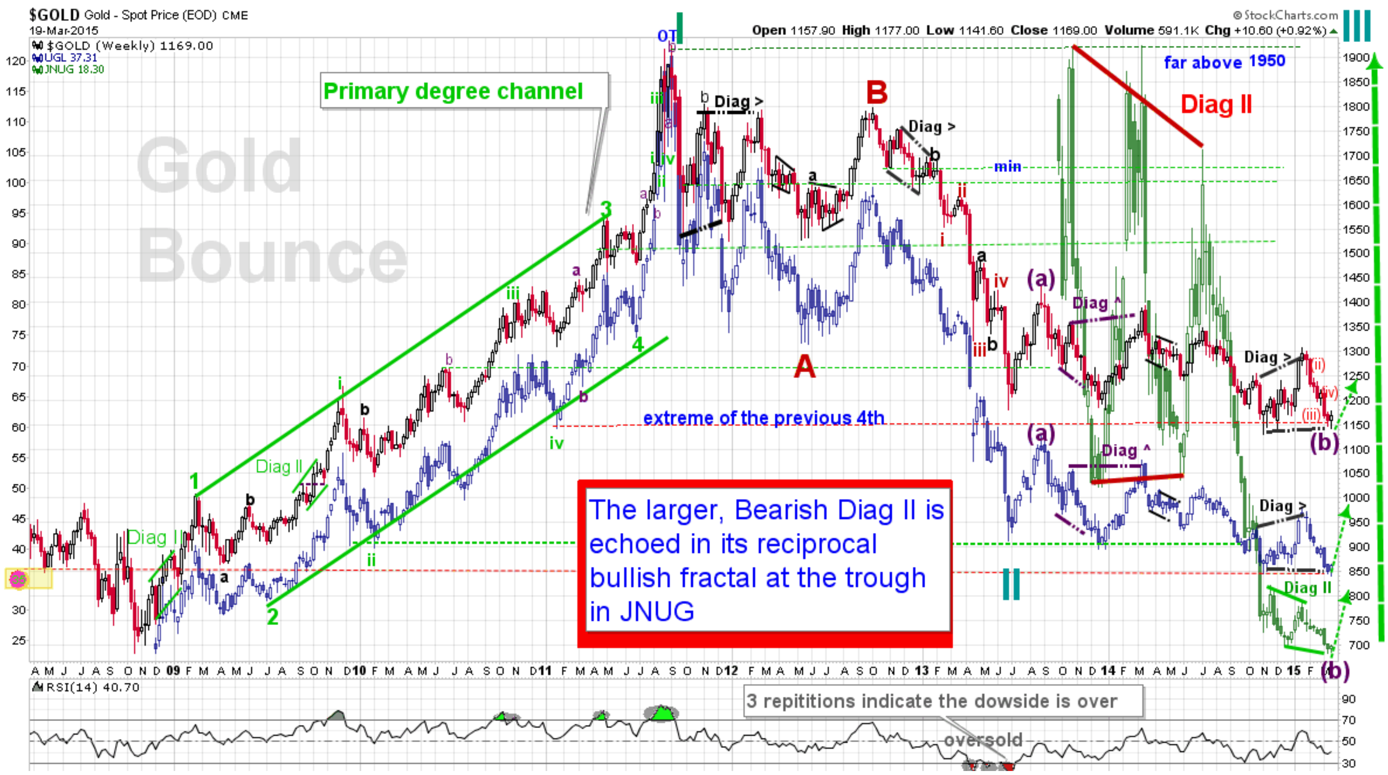
In *Nature's Law*, Elliott referred twice to a structure he called an *"A-B base",* in which after the decline had ended on a satisfactory count, the market advanced in three waves and then declined in the prior to the commencement of the 5-wave bull market.

Below you see such a structure, *inverted to indicate a reversal, regardless of direction.* This is the <u>*true*</u> nature of the *"A-B base",* here rechristened as the ***A-B Reversal,*** and reinstated as a fundamental Elliott structure.

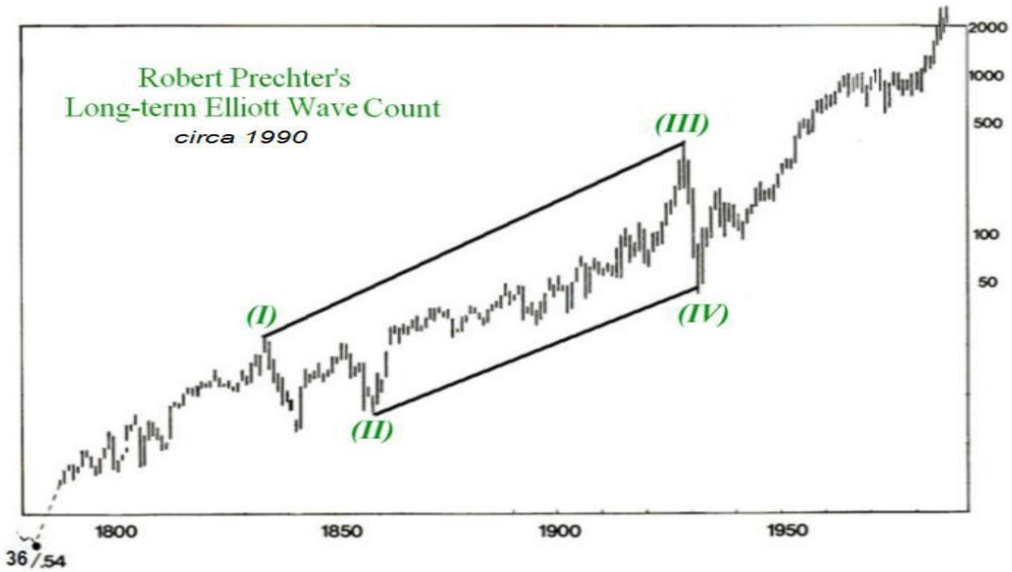


In the chart above Wave E must exceed As Elliott describes, the *a-b reverses* the larger trend's direction. Wave **C** designates the Market trough in long stocks, and inverse ETFs concurrent top in 2009. Currently another reversal, via the same structure is in process to the upside. The same structure is far less dramatic at the bottom than at the top due to the distortions of log scale. I am in agreement with Elliott on this as well the Natural scale is semi-log. It's currently not offered on stockcharts.

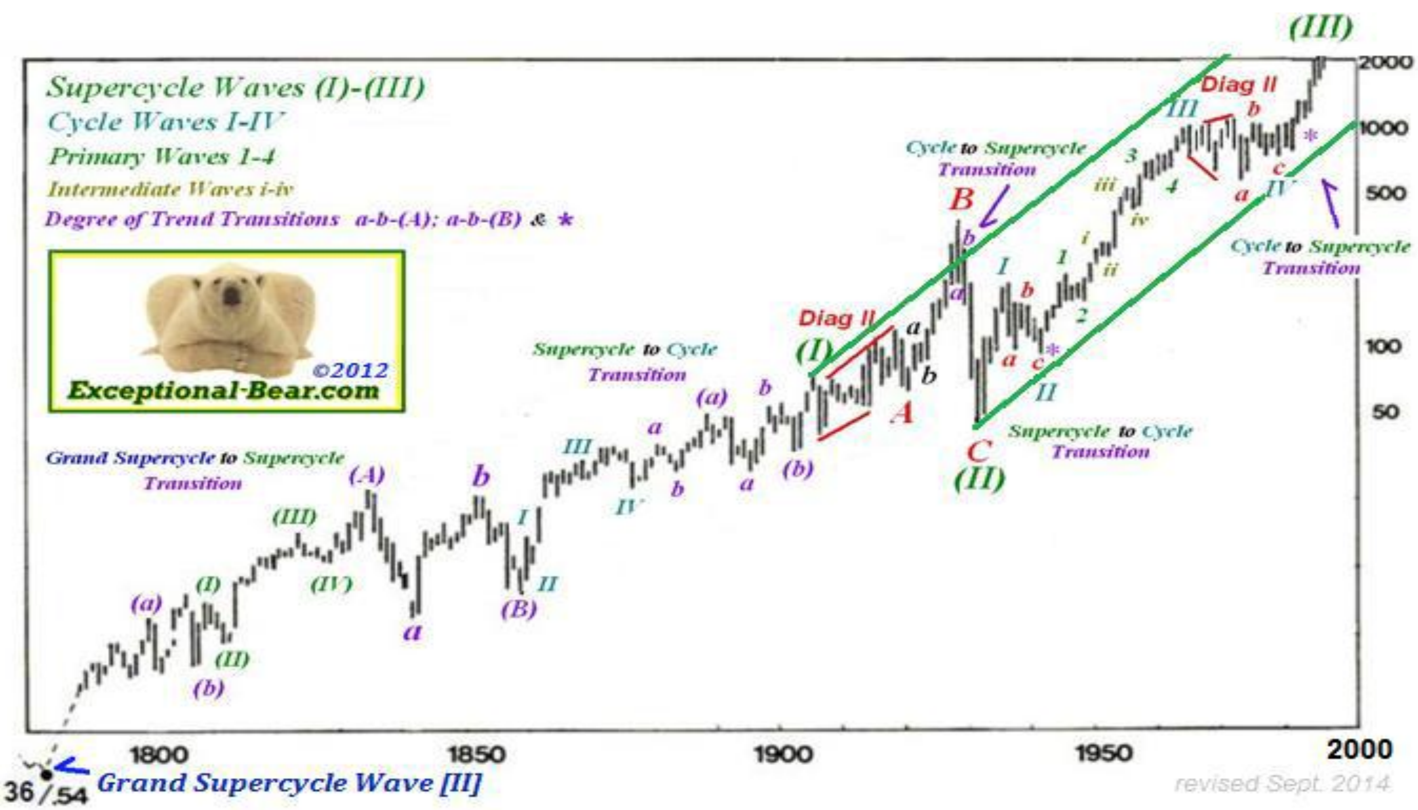
Below is another example in Gold from June 2013 to the present. As you see the dimensions or magnitude are proportional to the structure they reverse.



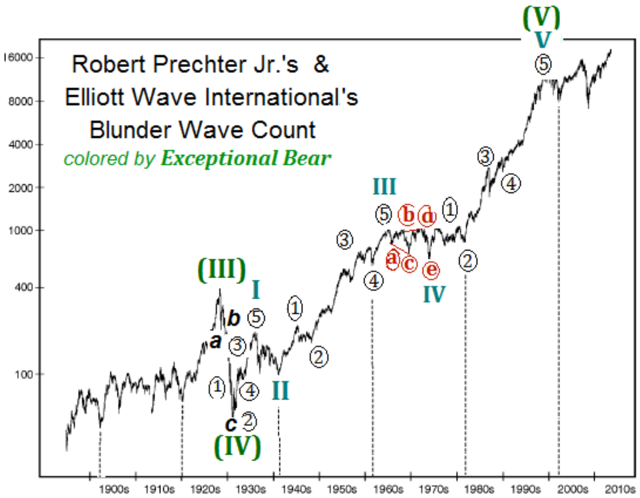
According to Robert Prechter and A. J. Frost "*Elliott invented this pattern during a period in which he was trying to force the pattern… Indeed it is clear that if such a pattern, if it existed, would have the effect of flatly invalidating the Wave Principle. The authors (Precheter & Frost) have never seen an "A-B base", and have every reason to believe that it cannot exist. Its invention by Elliott merely goes to show that for all his meticulous study and profound discovery, he displayed a typical investor's weakness in (at least once) allowing a prior opinion to adversely affect this objectivity in analyzing* *the market".* Rather than an accurate depiction, it's an example of the ***"pot calling the kettle black".*** Without this structure there can be no accurate count, as you see below this the Elliott pundit's wrong, long count, no channel here!

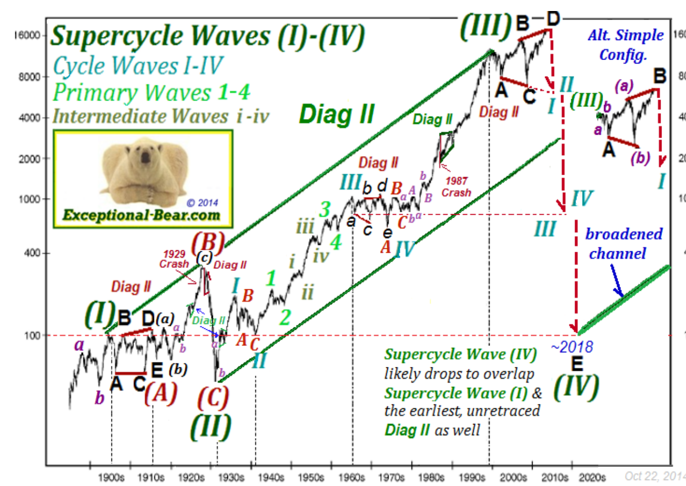


Notice below how the *identical data* only makes sense and a good channel to prove it's

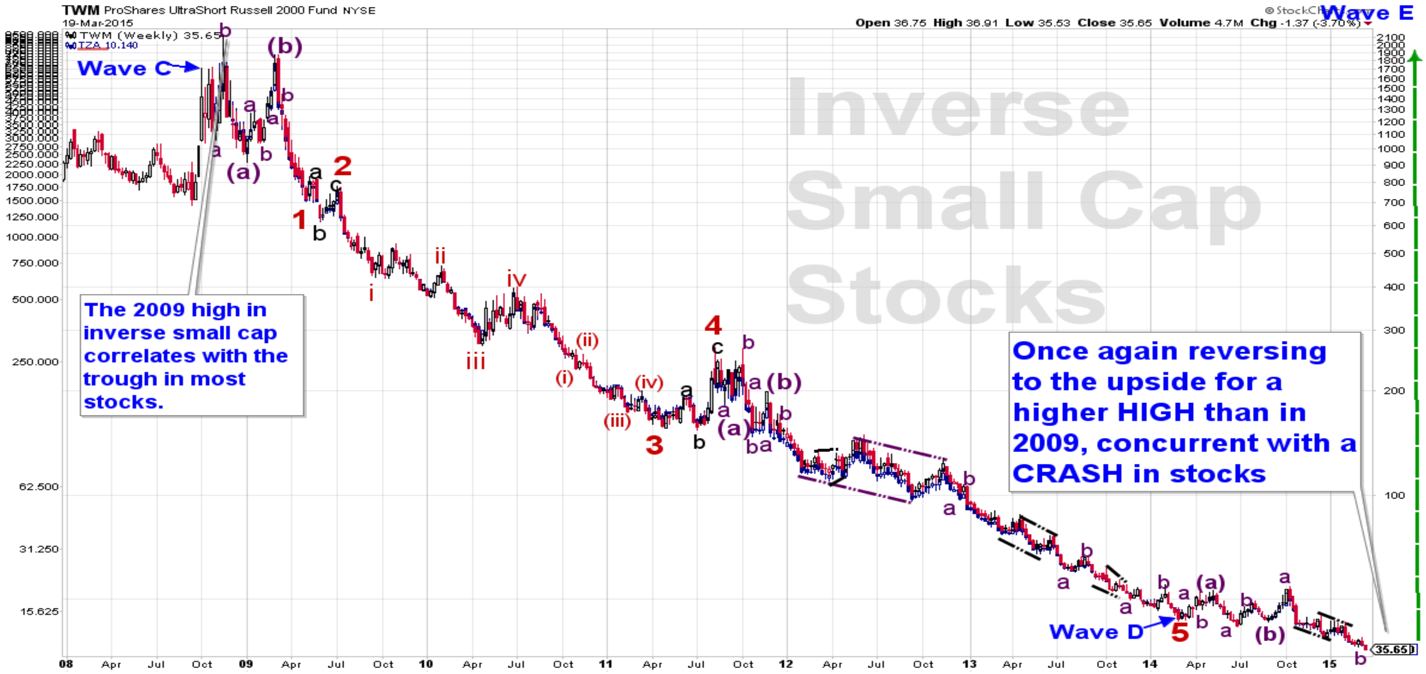


legitimacy, with the inclusion of this *A-B structure.* As you see the *Supercycle Channel* began in 1906, as magnified below in our landmark count. Rather than *Supercycle Waves (I) & (II)* in Pechter's count these were the *A-B Transcending* down magnitude from *Grand Supercycle* ended ~1780. *(The blur is courtesy of the hacker)*

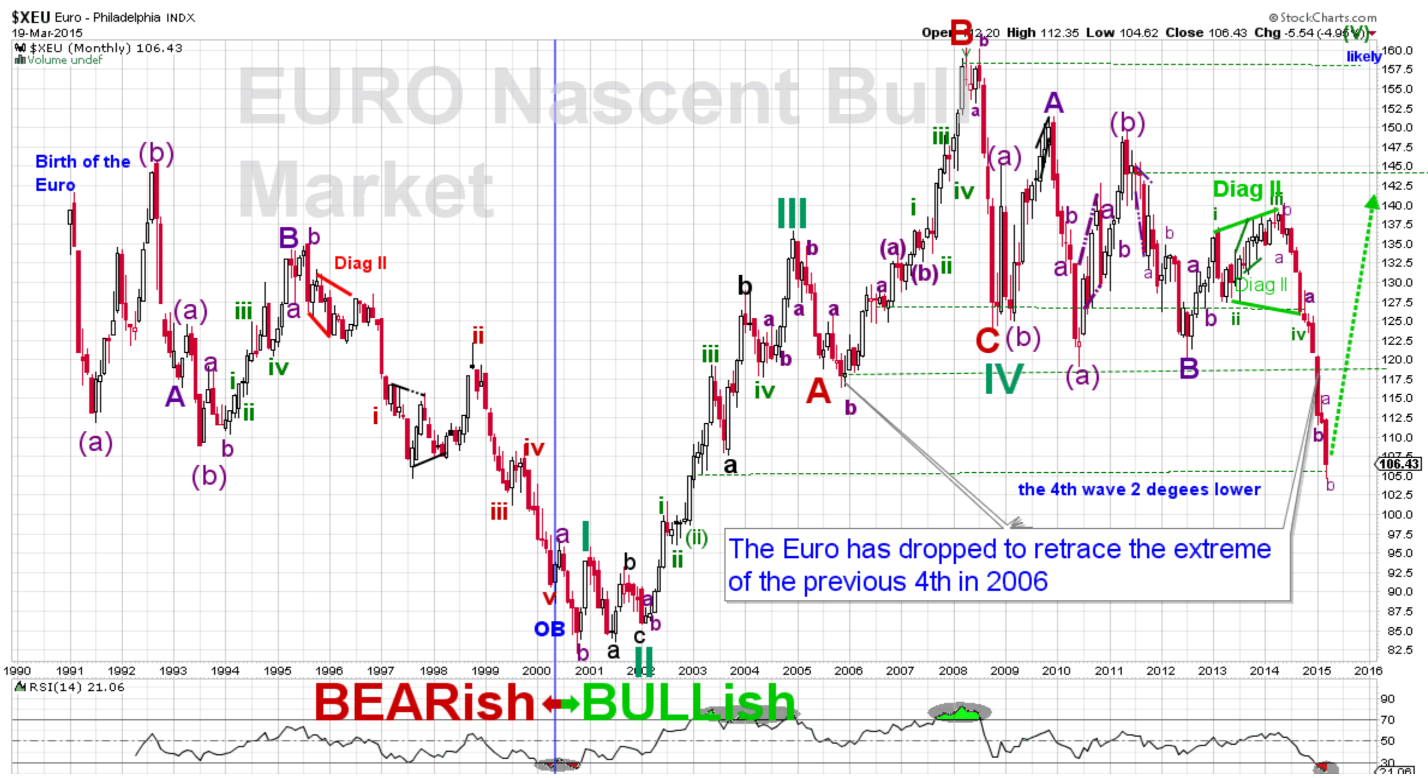




Above you notice that the blunder count on the left is lacking recognition of these *critical a-b structures* as well as the *Diag II* to lead off Bear Markets at *Cycle & Supercycle Degree.*



Below the identical *A-B pattern reverses from* ***Cycle Wave IV*** *to the longest,* ***Supercycle (III)*** *in the Euro.*



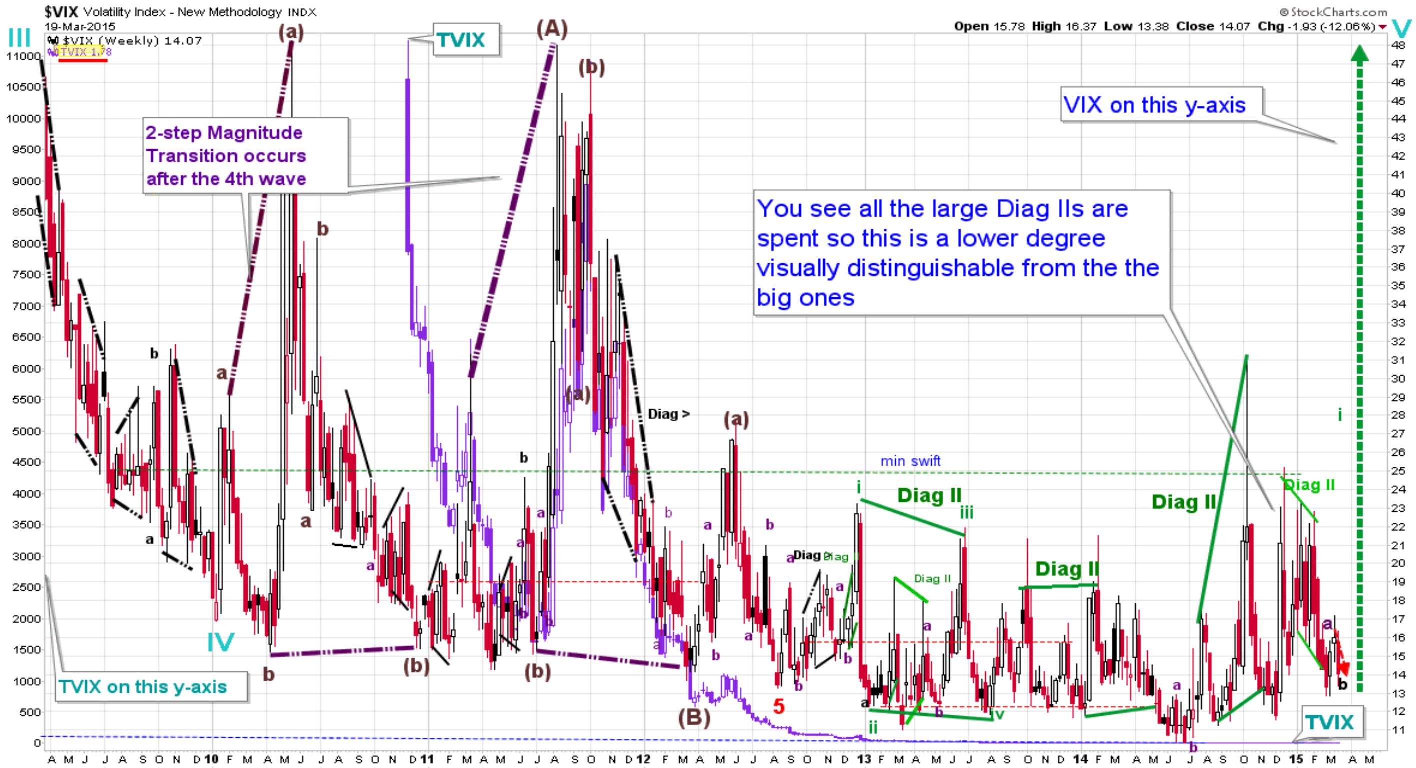
Below you see the same pattern ***gears-up magnitude** before a major reversal in* ***waves B** & **D** of the Dow*

*Concurrent with the **$VIX** magnified in Weekly candlesticks. Here too **Supercycle (III)** must exceed the upside of **Cycle III** in 2009. Notice the same A-B transitions after the 4th wave at all degrees of trend.*

Below you see the $VIX volatility index on the Right y-axis, overlain with TVIX on the Left y-axis.

The Correct Long Count

Going back to page 4, note that the blunder count has annotations for *Cycle V & Supercycle Wave (V)* – both are *fictional*. This is a major point, after ***Cycle (IV)*** follows ***Supercycle (III),*** just as after the current ***Supercycle (IV)*** comes ***Grand Supercycle [III],*** to tie back to ***Grand Supercycle [II],*** in ~1780.



If you subscribe to Stockcharts, please vote daily, this link will take you directly to our page where you can see the weekly interval charts in our allocation.

Eduardo Mirahyes

Exceptional Bear

"Opportunistically timed investments that mazimize wealth"