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SPECIAL INVESTMENT ISSUE

After being bullish for most of the 1980s, *The Elliott Wave Theorist* recommended two weeks before the 1987 crash that traders and investors sell long positions. A month afterward, I wrote this:

> My greatest professional disappointment is that we were not able to get positioned for the most profitable *short sale* in stock market history. Had I recognized [it,] we could have…profited as much in two weeks as we had in the previous nine months.
>
> —EWT, November 1, 1987

Almost exactly twenty years later, the market offered us another opportunity to make the biggest short trade ever—in fact, an even bigger one—and we made it happen. This trade has finally exorcized that little demon from a dark fissure somewhere in the corner of my mind. Here is the special bulletin from 19 months ago (underlines added) that went out at the pinnacle of complacency about the "New Economy."

© July 17, 2007
posted 4:00 p.m.

INTERIM REPORT

Even though the Dow has closed up for the past three trading days, the average advance/decline ratio for this time is below 1.00, indicating that more stocks fell each day on average than rose. Weak breadth over the past five trading days relative to Dow points gained confirms this rise as all or part of a fifth wave. If the Dow is rising from a flat correction ending late June, it will have one more pullback and rise on the daily chart. But if it emerged from a triangle ending a week ago, the rally is a thrust (see text, p.51), and it is topping now.

The Dow has risen 750 points since the low associated with our late June "cover" point. <u>Aggressive speculators should return to a fully leveraged short position now</u>. We may be early by a couple of weeks, but the market has traced out the minimum expected rise, and that's enough to act upon.

We are sometimes asked why the market has not "reacted to the bad news about mortgage debt prices." The very existence of the Wave Principle means that the market does not react to news; it moves in its own waves. News, in fact, tends to ***follow*** the markets to which it relates. Housing stocks topped out two years ago, indicating that optimism in that sector peaked at that time. Today's news about mortgages is a lagging result of that top. <u>When stocks start down again, news relating to the stock market will get worse</u>. Then people will say that the stock market "finally" reacted to the news about real estate loans, as if informed investors really wait weeks or months to react to the obvious. Reading waves is a challenge at times, but doing so at least keeps you focused on what matters.

At bearish junctures in the past (many of which were at near term peaks but not the final high), EWT recommended that traders go "200% short," which means putting up 50 percent margin. On July 17, 2007, market data were so bearish that the interim bulletin upped the ante and suggested using maximum leverage.

The S&P peaked two days later, on July 19, which still remains the date of the all-time high in the combined Dow Industrial and Transportation averages. The September 2007 issue of EWT allowed for "a slight new high" in the DJI, which occurred a month later, on October 9. After that, the market started falling and—despite bailouts, stimuli, politicians' speeches and the Fed chairman's promises—has never looked back.

The best way to achieve "a fully leveraged short position" is with futures. Buying options is completely unsuited for holding a *position*. They are good only for perfectly timed trades, which means almost never. Therefore I will not report on whatever put gains were possible. I will comment only on the gains in futures.

The active contract for the S&P 500 on July 17, 2007 was the September contract. At that time, the exchange required an initial margin of $4860 per S&P mini contract and maintenance margin of $3600, the latter figured on daily closing prices. Selling S&P futures on the runoff of July 17 (4:00 to 4:15 p.m. EST) would have established a short position at 1550, just 4 points from that month's closing high (using cash prices; futures were rolling over to the December contract). At no time would this short position have generated a margin call, even though futures reached a slightly higher high three months later. The maintenance margin was plenty enough to carry the trade right through. After just five days closing slightly above the July high, the S&P started down again, this time for good. As I write this, the S&P is trading at 750.

Futures traders know why I was repeatedly (often to our consternation) so desirous of shorting near the highs. Futures contracts convey profits and losses by *points, not percent*. **We have now earned 800 *points* worth of gains. This is surely the largest number of points that anyone has ever made, or will ever make, in the S&P futures in 19 months, and maybe ever.** This may seem like a bold statement, but the S&P is already down more than 50 percent, and, as bearish as I am, I do not think it will go below zero. Nor do I think it will rally far enough to let someone else earn 800 points from it on the next decline; if it rallies to 1000 and falls to 200, the financial turmoil, regulations and banking woes may be so severe at the bottom that brokers will not be able to pay off futures contract holders. So, I think we made history with this trade, establishing a record that might not be broken for many decades, assuming S&P futures even exist for that long (about which I am skeptical given the large, Grand Supercycle degree of the bear market we have entered).

Each point in the S&P mini futures contract is worth $50. A gain of 800 points is worth $40,000. In other words, short sellers made $40,000 on each *mini* contract sold. One mini contract generated $40,000; 10 contracts generated $400,000; 100 contracts $4 million. And so on, depending on how large or small a trader you are. (For normal sized S&P contracts, multiply all these figures by 5.) These figures conservatively assume no compounding of the position on the way down with earned gains, as a seasoned trader selling rallies might do. It's just a plain hold.

Moving closer to the present, we are able to tell from the put/call ratio and other indicators that the majority of investors thought that the period from October 10 to year-end 2008 was a major market bottom. But over the past four months *The Elliott Wave Theorist*, *The Elliott Wave Financial Forecast* and the *Short Term Update* have repeatedly stated, without equivocation, that the market required a fifth wave down. There were no alternate counts. The Wave Principle virtually guaranteed lower lows, and now we have them.

If you are a slick trader, perhaps you can finesse the final waves or snag some more profits early tomorrow. But as for our official position, ***I recommend covering our short position at today's close***. Here are the reasons why:

1) This is an environment of escalating financial chaos. Currently, banks and brokers can still pay us. We need to be smart bears, not pigs. Our main job is to *keep* the money we have. If we exit now, we will do that.

2) Probabilities for further decline immediately ahead have shifted. Wave (5) of ①, if that's what it is, is approaching a minimum downside target. The wave count is not quite finished, and ideally the S&P should continue down into the 600s. But the market is compressed, and when it finds a bottom and rallies, it will be sharp and scary for anyone who is short. I would rather be early than late.

3) To be successful, you have to sell when people love 'em and buy when they don't. The DSI reading for the S&P on Friday was just *3 percent bulls!* That's a long way from weeks of 90%-98% bulls and complete faith in the New Economy, which was widespread when we got short.

4) We should focus now more than ever on keeping money *safe*. (The next section will present a new discussion on this very topic.)

I also recommend getting out of any Rydex, ProFunds or any other index short fund that you are in. Since recommending these funds I have become educated about their serious problems with slippage over extended periods of time. These funds are *not* ideally suited for holding long-term positions. It is one of the ironies of the bear market that even bears who are right on the trend may not be properly paid. Let's get out while we can, on the lowest S&P prices in 12 years. (A few more points and it will be 13 years.)

Am I saying that the market has reached its final bottom? ***No!*** Re-read the January issue as an antidote if, at any time during the rest of 2009, you find yourself entertaining the minutest notion that the bear market is over.

Might the market continue going straight down? ***Yes.*** But if the market is in the middle of Primary wave 3 *now*, then major events in the developing banking crisis are just weeks away and you will want to get the bulk of your trading funds somewhere safe immediately anyway.

Might I recommend another short position at some time in the future? Not if the market continues straight down. If it rallies, then maybe. But if we get such an opportunity, you should take it only if the greatest portion of your net worth is *completely safe* and you want to sell short again with "mad money" that you can afford to lose if the credit markets freeze up so badly that you will not be paid.

O.K., now let's concentrate on making sure our money is safe.

Making Our Money Even Safer

Some people complain about the current low interest income from safe investments. But you must keep something in mind: *virtually everyone loses in a deflation*. It's a tricky environment, and most people are completely unsuited to negotiating it. It is nice to make money on the short side now and then, but the first key to success is to make sure you maintain as much of your wealth as possible. The money you preserve goes up in value the whole time, so you need to preserve as much as you can.

I have run into many people who think their money is safe because it is in bank CDs, corporate bonds, municipal bonds, short funds, etc. But most of these investments depend upon the solvency of some creditor institution that will probably not survive. All our readers should continue to hold most of their liquid wealth in Treasury bills, greenback cash, some foreign government debt (of Switzerland, Singapore and New Zealand; see www.stablecurrencyindex.com) and some gold, ideally held in a safe bank. The safest banks are overseas, and you can get introductions to such banks and other institutions from SafeWealth Ltd., based in Switzerland. Full contact information is provided in *Conquer the Crash*. Time is getting tighter, so act while you can.

Now I want to recommend another account that ***every subscriber to EWI's services should have***. There are two reasons why you should open this account:

The first reason is that we understand the difference between money and credit, and we want to be among the advance guard of the new monetary era by owning accounts denominated in *money*, not the "IOU nothings" offered by banks worldwide under the fiat-enforced, money-substitute system, which is imploding. You don't want to be one of the suckers who goes broke as a result. Remember, a bank is a loan-brokering institution that in most cases has handed out, in exchange for promises to pay interest, your money to home buyers, car buyers, property developers, credit card borrowers and other such debtors. If you have all your money in a bank and it goes under because the debtors can't pay, you won't have the money to buy food, pay for heat or fill up your car's gas tank. But if you have *real money* in a *vault*, you will always have purchasing power.

The second reason, quite frankly, is totally selfish: If a banking crisis occurs, I want you to have the means to continue subscribing to the only services in the world that have prepared you for what is happening today and, we hope, will continue to steer you through the rest of the global financial crisis: *The Elliott Wave Theorist*, *The Elliott Wave Financial Forecast*, and the other forecasting services of Elliott Wave International. It's good to have subscribers who are solvent!

As first announced in these pages five years ago, there is a way to own gold that should—and someday may—serve as the world's currency. Gold analyst and businessman James Turk created a patented way to have title to actual gold – not just a promise via certificate or contract—and to use it as digital currency. This currency, unlike government monopoly money, has all three of the necessary virtues of money: a unit of account, a store of value and final payment.

Through Turk's firm, **GoldMoney**, you can transfer US dollars, Canadian dollars, euros, British pounds, Swiss francs or Japanese yen electronically from your checking account, either to be held in that form or, if you so decide, to buy grams of gold, called "goldgrams," or silver if that is your preference. You can also receive a currency deposit when you sell goldgrams. GoldMoney stores your metal in London and Zurich vaults, insured through Lloyd's of London. (If Lloyd's fails, undoubtedly GoldMoney will find another insurer.) You may choose one or the other vault, or both. External auditors ensure that the company never lends your metal to third parties, which means that, unlike a bank, GoldMoney can never become a participant in a credit bubble and thereby be subject to a bust. Yet GoldMoney has the convenience of a bank because you can use goldgrams as currency simply by "clicking" goldgrams from your account to someone else's. Essentially, GoldMoney is like online banking except that your account is denominated in goldgrams and mils, not dollars and cents, and represents a *real asset* – not just a government's promise or a bank's loans. To help make your account useful to you, and to help us stay in business as well, **Elliott Wave International will soon allow customers to pay for subscriptions with goldgrams through GoldMoney**. It will be another payment selection, just like clicking on a credit card icon.

There is no minimum account balance at GoldMoney. Customers pay a monthly storage fee ranging from 0.15-0.18% per annum, depending on the weight of gold in your account. GoldMoney makes some of its profit from the spread, as customers buy goldgrams for 1% to 2.5% above the current spot rate, depending on the amount purchased. Considering what customers usually pay in terms of premium for coins or bars, it's an attractive rate. Plus, you avoid the added expense of shipping and storing the coins. The rest of the company's profit comes when you use your account to pay for things, as GoldMoney charges one percent of the value of each transaction up to a maximum of 100 mils (about $3.12 at today's gold price), with a minimum fee of 10 mils (31 cents). This is a great arrangement because it allows you to use the account even for small transactions without being gouged, yet it triggers only a negligible fee on very large transactions.

With GoldMoney, you don't have physical gold in your hands. But that is both a drawback and an advantage. If you have to leave your jurisdiction someday due to political unrest, you won't have to figure out how to get your gold out, too. All you have to do is remember your account number.

I strongly recommend that you open an account now, even if you put only a few thousand dollars in it to get started. Later, if the financial crisis becomes acute or if gold falls enough to make it price-attractive (it is already imperative to own as real money), I will surely recommend moving much of your wealth to gold, primarily through GoldMoney and also by going through the SafeStore program designed by SafeWealth.

Opening the account is somewhat of a pain. You will have to go through 20 steps across multiple screens. They involve accessing your email account, questions about the general source of your money and your investment plans, an identity check through Equifax (requiring your address, phone number, drivers' license number and other such information) or by transmission of notarized documents, and eventually a copy of a photo I.D. This is because GoldMoney is a stickler—*as it should be*—for satisfying all the government's requirements for *knowing its customers*, so it can stay in full legal compliance by shunning money launderers and other lawbreakers.

Get your information ready and set aside at least an hour or two of quiet time to do it right. Also, you should do it *now*. When the markets are in chaos, you won't be able to focus, and if your bank closes, you won't be able to transfer money at all.

When we told the people at GoldMoney that we were going to recommend their services again, they volunteered to pay us for it. Since we already recommend them anyway, we accepted their offer but also took that opportunity to request *a better deal for you*. So, when you sign on to open an account, make sure you take advantage of a special arrangement we worked out with GoldMoney, which allows you to receive *six months of free gold storage*, to kick off your relationship with them. If you want this very nice perk, make sure to sign on at www.goldmoney.com/VIP.

For the record: We cannot guarantee the soundness of any second-party service. Even though we know Jim Turk personally, believe GoldMoney to be 100 percent safe, have our own account there and believe that risks in the banking system far outweigh anything we can imagine relating to GoldMoney, unforeseen adverse events can always happen in life. Make sure you satisfy yourself that opening an account is the right thing to do.

By the way, when I started *The Elliott Wave Theorist* in 1979, I charged $233/yr., which is about $19 per month. Today it is still the same dollar price and in fact even cheaper when purchased along with other services. That isn't a lot of money, but even that amount will seem like a fortune to you if your bank shuts down. So make sure you are liquid; open a GoldMoney account, and have some greenback cash, gold coins and bags of silver coins on hand as well. Speaking of silver coins, long-time subscribers might remember this recommendation almost exactly 16 years ago:

> EWT has suggested that subscribers wishing to be prepared for the worst the depression has to offer take advantage of the approaching bottom [in silver] by buying bags of "junk" silver coins at low prices. We recommended buying one several months ago near the last low, while waiting for "below $3.50" to buy the rest. That opportunity appears to be imminent. In fact, with the nearby contract having hit $3.505, let's buy a second bag now.
>
> —EWT, February 26, 1993

EWT made that recommendation within days of the lowest price for silver in its entire bear market to date, which was $3.505 per ounce. "Junk" (non-collectible) silver coins might prove very useful when banks close. If you are a newer subscriber and have none, I recommend having some bags on hand. For

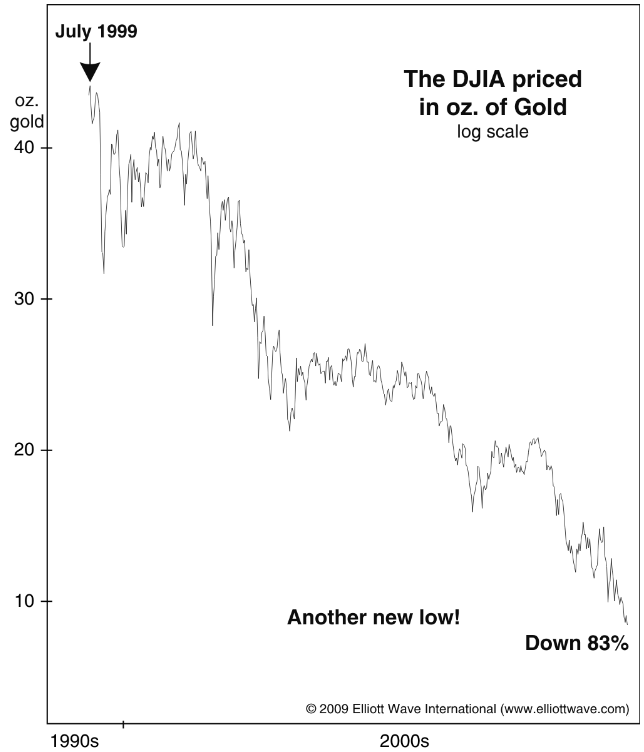

Figure 1

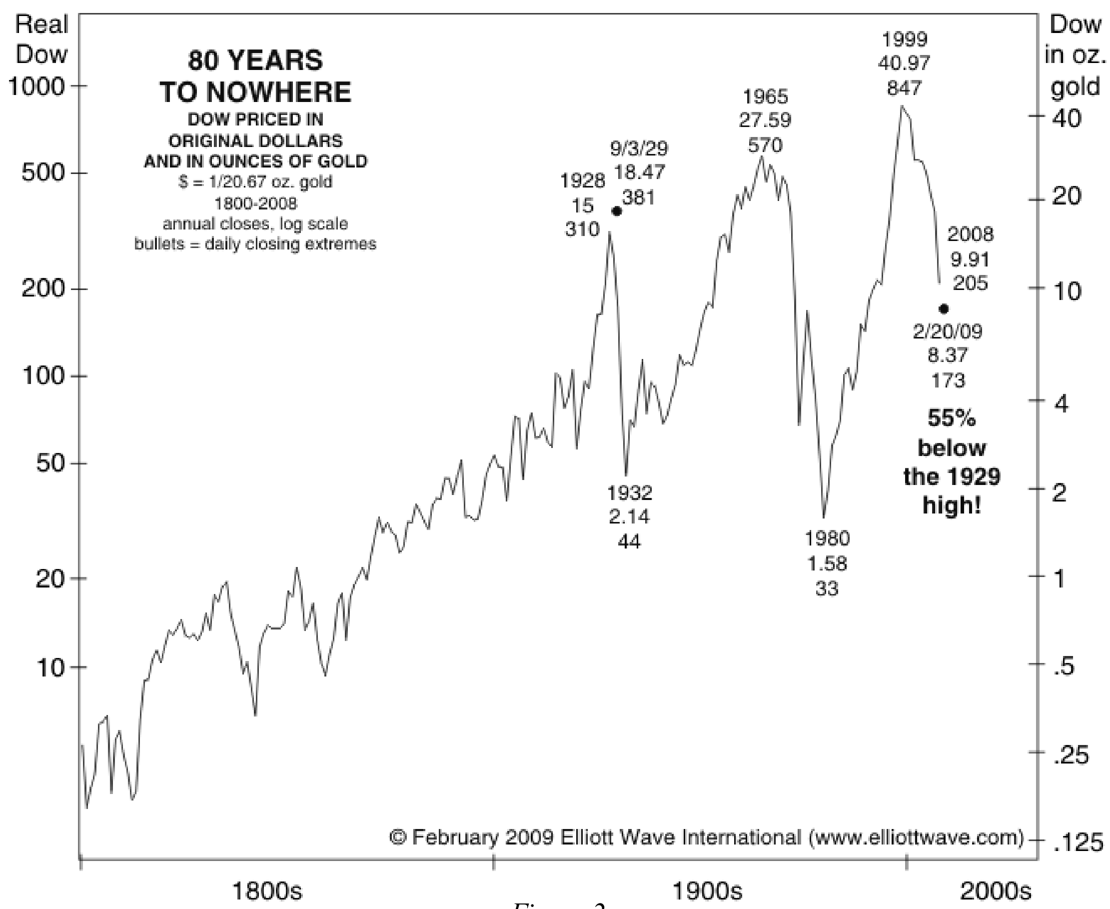

Figure 2

the first bag or two, don't worry about the price; just buy them. If the price of silver falls (as we expect; see upcoming discussion), you can add to your stash. Please see CTC for a list of gold and silver dealers.

The Dow Priced in Real Money Is Still Crashing

I can't help but publish these amazing charts yet again, because nearly every quarter they make history. The real value of the stock market is *still* crashing. Since the summer of 1999, the Dow has plunged 83 percent in real-money terms. As Figure 1 shows, the slide has been relentless. Figure 2 updates the long term picture. Had the U.S. stayed on the gold standard—the same one in force all the way up to 1934—the Dow as of Friday's close would be selling at 173. That's right: *half of its value at the 1929 high!* The difference between that figure and the Dow's current dollar value has nothing to do with production but is entirely due to inflation, which has lowered the value of the monetary unit.

Gold, Silver and T-bonds

This section will offer a novel viewpoint. Can you imagine a scenario under which precious metal and Treasury bond prices would fall together? Most people would think such an event would be impossible. After all, as we showed in our study of March 2008, bonds do well during deflationary recessions, and gold goes up during inflationary booms. Shouldn't they be contra-cyclical?

Look at Figure 3 and realize that gold and T-bonds have been going *up* together for an entire decade. This is completely normal behavior according to our liquidity theory of market movement at the end of credit bubbles and their aftermath, as proposed in *Conquer the Crash* back in 2002. If gold and T-bonds can go up together for ten years, they certainly can go down together as well.

One possible reason for a decline in both markets is if the stock market finds a bottom for Primary wave 1 here in the first quarter and embarks on a big rally for wave 2. Investors would quickly forget about safety and start chasing stocks and other investments again. Given current data, this is the most likely scenario.

Another scenario is likely to occur later, but since it could happen now, let's review it. *Conquer the Crash* said that bonds which are AAA at the start of the depression *and stay that way until the end* will be the best investments. As explained then, the problem is that I could not identify which bonds, *if any*, would be consistently that highly rated. The Financial Times reports that 60 U.S. companies had AAA ratings in 1980, and now only six do, and two of those are about to lose that rating. Even U.S. Treasuries cannot hold up forever, particularly given the drunken-sailor approach to

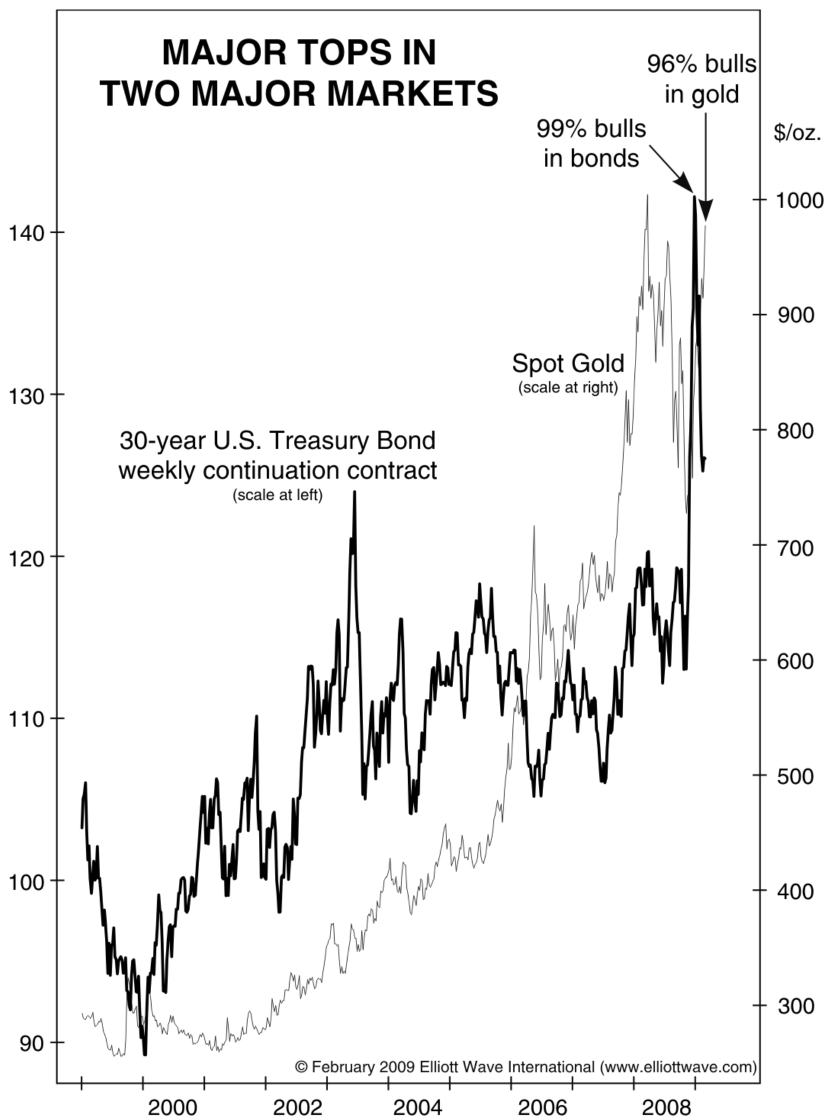

Figure 3

fiscal management that Congress has practiced over the past century and which has accelerated madly in the past eight years and even more outrageously since last September. The latest "bailout" program is yet another trillion dollars down the tubes, all borrowed. At some point, Uncle Sam's credit rating will begin to slip. According to the price of credit-default swaps on U.S. Treasury debt, it is already slipping. When the monopoly issuing agent of dollar-denominated debt—the Federal government—begins to lose credibility as a debtor, the U.S.'s great experiment in fiat money will end. Read it here first: The U.S. government is the *borrower* of last resort. When it can't borrow any more, the game will be up, because the government's T-bonds are the basis of our "monetary" "system."

What will happen when creditors begin to smell default wafting on the wind from the intellectual, moral and political swamp of Washington, D.C.? *They will demand more interest*. At first, it might not be much: 4 percent, 6 percent. But as the depression spreads, spending accelerates, deficits climb and tax receipts fall, the rate that creditors demand might soar to 10, 20, 40 or even 80 percent. In 1998, annual bond yields in Russia reached over 200 percent before the government finally threw in the towel and defaulted. Now, barely a decade later, some of its banks are in the same trouble. Bloomberg (2/11) reports, "Yields on bonds due next year from Moscow-based Transcapitalbank and JSC AIKB Tatfondbank in the Russian republic of Tatarstan are trading at yields above 80 percent, up from 12 percent in August." Prices of outstanding bonds, of course, collapse when yields surge. Concern about this very eventuality in the U.S. is why I have consistently recommended Treasury *bills*. If rates go up, we will continue to earn more and more interest.

The U.S. government is the only U.S. institution that can keep promising a higher and higher interest rate and still have many people confident that it will pay. In a crisis, rising interest rates for Treasury debt could serve as a "black hole" for money. As rates rise, many people will sell other investments to lend at these "attractive" rates. In such a situation, T-bonds would be the primary engine of falling prices, as they suck value from other investments. If this scenario unfolds, it will be the lunatic center of the credit crisis.

So, this is another way that gold and bond prices can go down at the same time. As T-bond yields go up, prices fall, and if investors rush to sell other assets to receive high yields, other investment prices will fall.

This is hardly a guaranteed scenario. Maybe the government will begin spending less than it takes in, thereby shoring up its credit rating. Maybe the rush to own real money will keep gold rising. But unless Congress, the Treasury and the Fed change their behavior, rising interest rates for T-bonds seem inevitable.

Some people might be confused. Don't rising rates mean inflation? Not always. We saw last year how the exception works. Asset-backed paper representing sub-prime mortgages went to *infinite* yield as prices went to zero. The rise was not due to inflation but to deflation. As explained in CTC, interest rates go two ways during deflation: *down* on pristine debt, and *up* on everything else, due to fear of default.

So far, Treasury debt has gone down in yield, in fact to zero on the short end of the curve. That's because the world still perceives Uncle Sam as a triple-A-rated debtor. But with the Treasury and Congress on a spending spree that would make the "Shopaholic" character blush, fear of Treasury default seems inevitable. Even if the Fed agreed to print all the money the government needed to pay its interest, creditors would recognize the move as a scheme to cheat them, and the rate they demand would rise even faster, choking off any threatened inflation.

When might a reversal begin? One clue that any aged trend is ending is evidence of a very strong belief that it will continue. On that score, we have an absolutely stunning piece of data. Two months ago, the Daily Sentiment Index for Treasury bonds (courtesy www.trade-futures.com) registered a reading that has *never* occurred, on *any* market or commodity, in the history of the DSI going back to May 12, 1987. (There were equivalent one-day readings in soybeans and soybean meal shortly after the service started earlier that year, but I suspect these were start-up anomalies.) On December 16, 2008, *99 percent* of traders polled were bullish on T-bonds. That strong conviction came about because Fed Chairman Bernanke announced that the Fed was considering buying up long term Treasury bonds, thereby forcing down their interest rates. Bond investors believed the Fed and bought bonds, figuring that doing so was a total "gimme." How could you lose, when the Fed's proposal so obviously guarantees lower rates? Funny thing, but those who bought bonds on that conviction are already at a small loss. Despite no changes in the Fed's stance, T-bond prices have retreated since the Chairman's announcement. When a market peaks with 99 percent bulls, it's hard to hold those prices. I suppose we will now find out whether the potent directors' promises will pay off, as almost everyone believes, or whether we, the only skeptics around on this issue, will prove right in predicting that the Fed's guarantees—whether to buy T-bonds or to force inflation to resume or anything else—are worth any more than the insurance policies of AIG.

At the same time that investors are salivating over T-bonds, the rebound in gold and silver has led to a DSI reading on Friday of 96 percent bulls in gold, while silver has been at 91-95 percent bulls for nine trading days in a row. In other words, investors are now super bullish in two markets: T-bonds and precious metals! Question: How did it work out when investors were super-bullish on two other markets: real estate and stocks? Well, it worked out fantastically…for the shorts. These joint readings are another reason why I am entertaining the idea that gold and T-bonds might be peaking together, right about now.

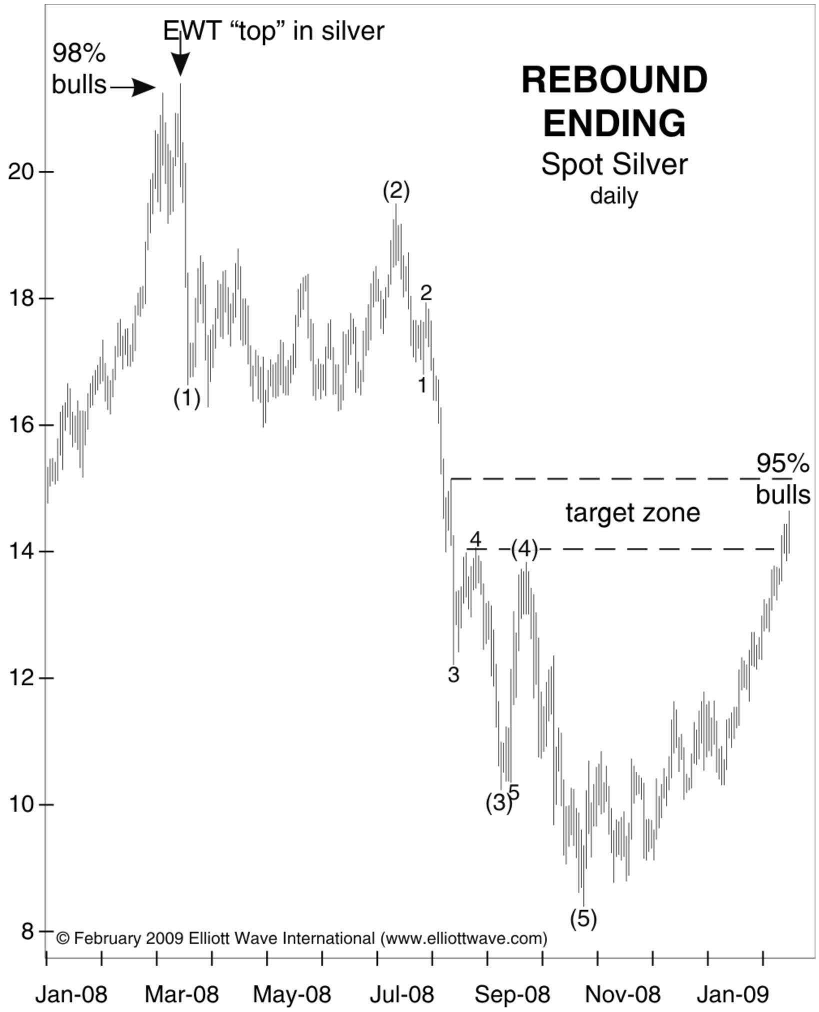

Figure 4

Gold has been tough for us to forecast, but silver has been clear as a bell. EWT had the peak in March 2008 to the day, and it plummeted from $21.23 to $8.42 in a clear five-wave form, as you can see in Figure 4. As *The Elliott Wave Financial Forecast* and the *Short Term Update* have been forecasting, silver was due to rally, and the upside target has been $14-$15. This morning's high is $14.58, right in that range. Silver is due to turn back down, and gold, which is back at $1000/oz., is likely to follow. As Figure 5 shows, gold has a history of making its biggest turns (all but three of them) *in the first quarter of the year*, and here we are again, and with a very high percentage of bulls.

Our long-standing target year for lows in the precious metals is 2012. With investors once again excited about gold and silver, there seems to be no reason to alter this forecast.

A Better Way To Handle a Shrinking Business

During depressions, many businesses make a fatal mistake: They lay off employees. Some business have no choice; if the product or service is related more to quantity than quality, then perhaps there is no alternative. But many businesses are far better served by keeping their employees and simply reducing compensation. That way, they can continue to serve customers with full quality and stand ready to lead the competition when the next economic expansion arrives.

Surely most employees would rather endure an across-the-board salary cut than risk being laid off. In the 1930s, General Electric polled its workers on this very question, and the majority agreed that they would rather endure salary reductions. A few years later, when the economy recovered, GE had all of its employees in place and did not have to spend years recruiting new people. It shot out of the gate in full operating mode. Moreover, the company had made progress improving designs and making plans during the lull. When business picked up, so did salaries. In the end, it was win-win for everyone.

Figure 5

Take, for example, a news service that needs to reduce costs. Instead of cutting staff by 50 percent, thereby forcing a radical reduction in the scope of the news coverage, it would make more sense to cut salaries by 50 percent and retain full service. If lowering the price of the service would keep the subscriber, viewer or listener base steady, or if reducing the cost of advertising would keep the support base steady, it would be better to make one of those moves rather than cutting staff. Either program would maintain quality and serve to keep the service in the forefront among news providers. Inflexible competitors would go out of business, thereby helping the survivors.

If an airline is in trouble, it should not cut routes and service while holding prices and salaries up. It should cut salaries and prices and continue serving the highest possible number of customers. That way, it will be the carrier of choice for many fliers when the economy returns to expansion mode. Again, everyone wins, including the employees.

This idea would work well for any business that does not have long term contracts—such as with labor unions or high-level employees—guaranteeing salaries. Even in such a case, negotiating reductions would be smarter than going bankrupt.

This approach could work for many kinds of businesses: airlines, manufacturers, newspapers, shippers and sports teams, to name a few. If you work for a business for which this plan would serve, mention it to those in management. Even they would probably prefer a reduction in income to none at all.

Reducing salaries has another benefit, which is that fewer people would go to the state for "unemployment benefits," reducing the strain on state budgets and taxpayers. If your business would operate better with all its employees, consider a company-wide salary reduction as opposed to layoffs.

New Life in Old Dogs

Back in July 2000, the king of Dow Theory, Richard Russell, sent out the following remarks:

> Just got a FAX from old buddy Harry Schultz. He says the newsletter business is a dying business, and I think he's right. Dines, Russell, Schultz, Granville and Prechter, we may be the last of a dying breed. We're the living dinosaurs.
>
> —Richard Russell, July 12, 2000

I would like to correct Dick on a couple of things. First of all, he is not a living dinosaur. He's a living legend. Second, although the newsletter business *was* a dying business, I think the bear market is breathing new life into it. *The Wave Principle of Human Social Behavior* (pp.342-343) postulates that people believe in exogenous cause ("fundamentals") during bull markets and endogenous cause ("technical" analysis) in bear markets. Unfortunately, the biggest bear market in nearly 300 years is probably going to have a dual effect on newsletters: positive, in that people will find themselves agreeing with technicians' explanations; and negative, in that they will become too poor and preoccupied to subscribe. To finish with another of Russell's remarks that day, "the newsletter business is as tough as a two-dollar chicken fried steak." But hey, if it weren't fun, we wouldn't do it, right, Dick?

Dick has been writing *Dow Theory Letters* since 1958, four years shy of a Fibonacci 55 years. To celebrate his outstanding career, a collection of newsletter publishers and financial analysts will gather on April 4 at a Richard Russell Tribute Dinner, to be held in San Diego. He has certainly earned this tribute.

Announcements

A few months ago, we announced that Elliott Wave International was looking for an analyst. The announcement yielded 50+ resumes—and our new *European Financial Forecast* editor! Now we're in need of help in our marketing department. If you or someone you know has an interest, please visit www.elliottwave.com/wave/jobs to learn more.

Recently I made a presentation to the Canadian Society of Technical Analysts on the idea that the Wave Principle is an all-encompassing model of market form that eliminates the need for any independent descriptions. Traditional technical-analysis stock patterns, Dow Theory and other descriptions of market form fall within the compass of the Elliott wave model. I think this is an important point, because the Wave Principle can consolidate technical analysis under a single model. I also believe that Elliott waves subsume all sentiment and momentum indicators as well, in that understanding the wave structure is the only way to know what the readings in these indicators mean. For example, what constitutes a pessimistic or oversold condition in an Intermediate-degree correction is irrelevant in a Supercycle-degree bear market. All readings are relative. I touched on this idea in Chapter 7 of *The Wave Principle of Human Social Behavior*. But that is a topic upon which to elaborate another time. This video does no forecasting, so if that's what you want, it's not for you. But if you are interested in technical analysis as a discipline, you can watch this hour-long presentation online in streaming video. It is priced at $49 but only $29 for subscribers: www.elliottwave.com/wave/CSTAvideo.

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