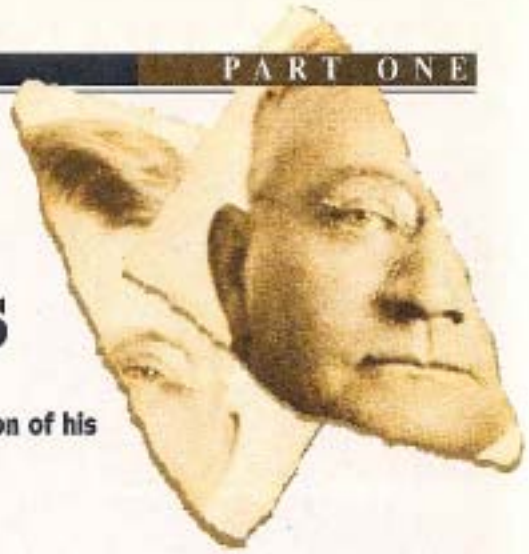


Picking up the Elliott wave pieces

In the first article of a three-part series, this wave analyst discusses shortcomings he has found in Elliott wave and describes the application of his NEoWave theory to the stock market.

By Glenn Neely

The Elliott Wave Principle, postulated in the early 1930s by Ralph Nelson Elliott (and continually improved upon by him through the 1940s), was a revolutionary concept for its time that described market behavior in greater detail than ever before.

Regrettably, years of incorrect forecasts made by various Elliotticians have jeopardized the reputation of R.N. Elliott's famous principle. After renewed interest and nearly a decade in the limelight, it appears to many people the Wave Principle has stopped working. Is it a flawed concept or is it simply being misinterpreted?

Having spent years finding solutions to Elliott questions, I've developed logical, objective, step-by-step techniques that enhance Elliott's original principle. NEoWave theory (Neely's Extensions of Wave theory) is my collection of innovations to wave analysis derived from more than a decade of research and real-time experience.

NEoWave is a superset of Elliott wave that introduces a more extensive and precise collection of rules, bringing together various new concepts and analytical techniques that improve forecasting accuracy.

In this series I'll first explain why the reputation of Elliott wave has been so damaged (it primarily revolves around one crucial period in history nearly all Elliotticians have analyzed incorrectly), and then provide you with three simple NEoWave concepts you can implement immediately to improve your analysis.

Second, you'll learn innovative concepts that address and solve many of the problems that have plagued Elliott wave since its inception. These new concepts, if applied correctly, should provide you with an enhanced level of analytical and trading confidence not usually possible using Elliott wave only.

Third, I'll apply NEoWave concepts to 200-plus years of U.S. stock market data, presenting the first publicly released update of my long-term forecast in eight years.

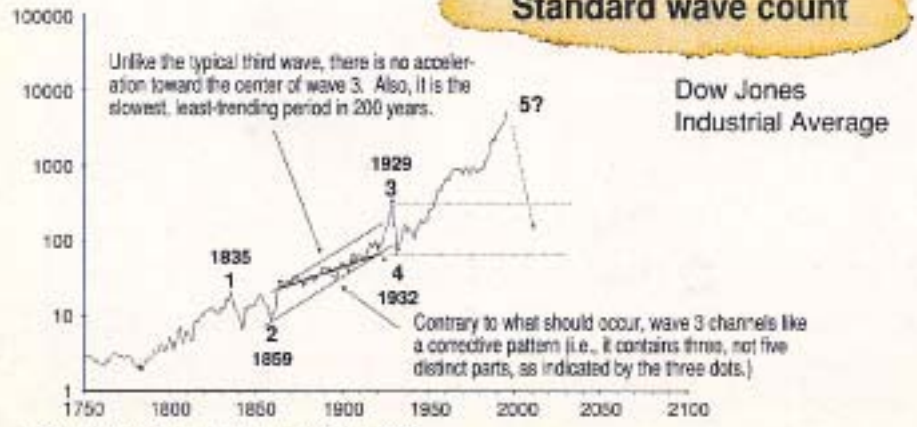
136-year-old error "Standard wave count" (below) shows a yearly average plot of the Dow Jones Industrial Average from 1789 to 1996. Included on the chart is the generally accepted long-term Elliott wave count. As you can see, that interpretation puts the U.S. stock market in the latter stages of wave 5. According to Elliott wave, when a fifth wave ends, the market should move back into the price range of the "fourth wave of one lower degree." Measuring from the most recent high, the Dow would need to drop a calamitous 4800 points to meet that requirement! Fortunately the generally accepted long-term wave count on the U.S. stock market contains several fundamental technical errors, making this scenario impossible.

It starts with a misinterpreted period of the stock market beginning in 1859 that has resulted in an avalanche of erroneous market forecasts through the 1990s. To understand the seriousness of this error, we need to review some of R.N. Elliott's most important rules.

First, Elliott discovered that the behavior of fast-moving markets (impulsive waves) was clearly different from the reactions to those market phases (corrective waves). Overall, impulsive patterns always produce a positive or negative price change and contain five subdivisions, while corrective patterns produce more neutral price movement and most often contain three subdivisions. If an impulsive pattern is moving upward, it will include three advancing phases, separated by two intervening declines.

Second, Elliott observed that when

Standard wave count



The prevailing long-term Elliott wave count is flawed because it labels the 1859 to 1929 advance as an impulsive pattern.

comparing the three advancing phases (still referring to the prior example) of an impulsive pattern, one, and only one, is significantly longer (and possibly more subdivided) than the other two; he called that wave the extension (see "Impulsive vs. corrective," right).

Third, he discovered the middle segment of an impulsive pattern (wave 3) can never be the shortest of waves 1, 3 and 5. A generally accepted associated rule holds that whether or not wave 3 is the extension, it most often exhibits noticeable price acceleration toward its center.

Remembering the above concepts, let's return to the year 1859, which is the end of wave 2 in "Standard wave count." Here is where most Elliott wave analysts go astray. Examination of the advance from wave 2 to wave 3 (from 1859's low to 1929's high) clearly reveals a pattern lacking the characteristics of an impulsive pattern and a third wave. When viewed as a whole, that period possesses only two major advances, not three (a requirement of impulsive formations). The two advances are separated by a long, upward-drifting consolidation phase (typical of a correction). Further, the price acceleration typically associated with the center of a third wave is not only absent, the middle of this wave 3 is the slowest, most congested trading period of the last 200 years. Additionally, wave 3 channels like a correction (a zigzag in this case), not an impulsive pattern. Finally, if you attempt to label each subdivision of the 1859-1929 advance, it cannot logically be counted as an impulsive pattern.

The "look" of the longer-term structure makes it tempting to count the 1859-1929 advance as a third wave, but yielding to that temptation is what has placed most Elliott wave analysts squarely on the wrong side of the U.S. stock market for nearly a decade. To consider 1859 to 1929 a third wave, too many fundamental rules must be ignored or broken.

Identifying the problem Markets function like bacteria, which mutate to frustrate the medicines developed to eradicate them. Elliott wave was an incredible discovery for its time. But, as technologies, governments, economies and social systems have changed, the behavior of people has also. These changes have affected the wave patterns R.N. Elliott discovered. Consequently, strict application of orthodox Elliott wave concepts to current day markets skews forecasting accuracy. Markets have evolved, but Elliott wave has not.

For example, in the 1980s contracting price patterns (e.g., triangle formations) occurred frequently. In the '90s, expanding and neutral formations became the norm, while contracting formations became rare.

This change severely affected the design of nearly all the patterns Elliott discovered: Triangles began to develop long (extended) C-waves, creating a new pattern I call a "neutral triangle;" the same thing happened to terminal formations (see below), known in the 1980s for their "rising wedge" appearance. But when wave 3 started extending in such patterns in the 1990s, the pattern no longer looked like a wedge.

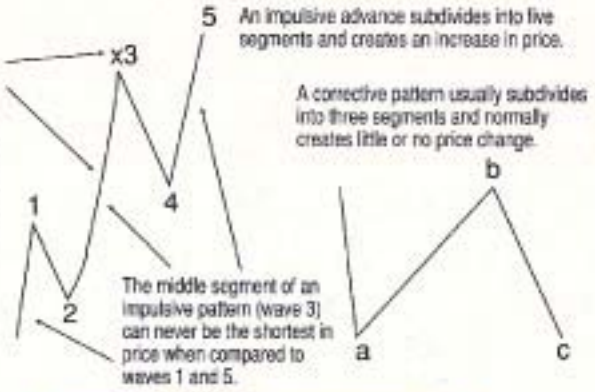
As an additional example, in the 1980s, a NEoWave pattern called a "terminal" consistently exhibited a specific relationship between waves 2 and 4: Wave 2 was always the larger, more time-consuming correction. In the 1990s waves 2 and 4 switched behavior traits; wave 4 became the larger, more time-consuming segment. That minor behavior change created a new and completely different look to the terminal pattern.

As a wave analyst or trader in the 1990s, if your objective has been to search for patterns that exhibit the "look" instead of patterns that obey specific rules, you have had serious difficulty predicting market action. Rule adherence is considerably more important than pattern appearance.

Analytical liberties Not all the problems of wave analysis can be laid at Elliott's feet. Many of them can be blamed on those who have practiced his philosophies. The association by most wave analysts of market advances with impulsive patterns and market declines with corrective patterns is so pervasive it's difficult to challenge this status quo.

When a market advances to new highs (even all-time new highs) it does not necessarily mean the advance is impulsive; if a market declines, it does not necessarily mean the decline is corrective. Instead of asking "which direction is the market moving" as a way of determining whether to label the move impulsive or corrective, the proper question to ask is "What rules does this collection of waves obey?" The answer to that ➠

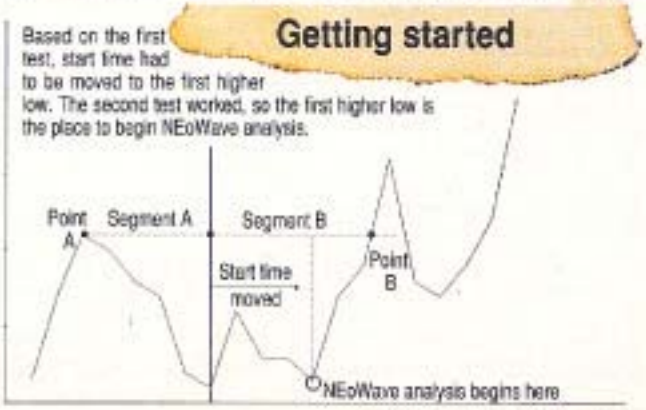
Impulsive vs. corrective



Specific rules defining the characteristics of impulsive and corrective formations are sometimes ignored or overlooked by wave analysts, resulting in flawed price forecasting.

Getting started

One nebulous area of wave analysis is defining the beginning of a wave count. NEoWave makes the process more objective.



question will more accurately guide the wave labeling process.

Jump start There are a few, simple NEoWave techniques you can implement immediately to begin to improve your analysis.

First, to guarantee structural integrity, use cash data for all your analysis. One of the primary reasons wave theory remains so controversial is nearly everyone applies its concepts to futures data (where continuously decreasing holding costs create distortions in price structure). Futures charts should be implemented for trading purposes only after you are certain a turning point is at hand.

Second, when performing wave analysis, do not use bar charts, which inaccurately depict market activity by making it appear the high and low occurred simultaneously. Wave analysis depends on the identification of waves, which are best revealed with a specific type of line chart. To construct, determine if the high or low occurred first each day. Then plot them in their correct order, each on a separate line of the chart. The result is a NEoWave chart, which has two advantages: It more accurately represents what the market did in real time, and it allows you to more accurately identify patterns.

Third, to start your wave count in the proper place, first determine the general trend of the market. If it has been moving upward, start this process from the lowest low of the chart. If it has been moving downward, start this process from the highest high (see "Getting started," page 41).

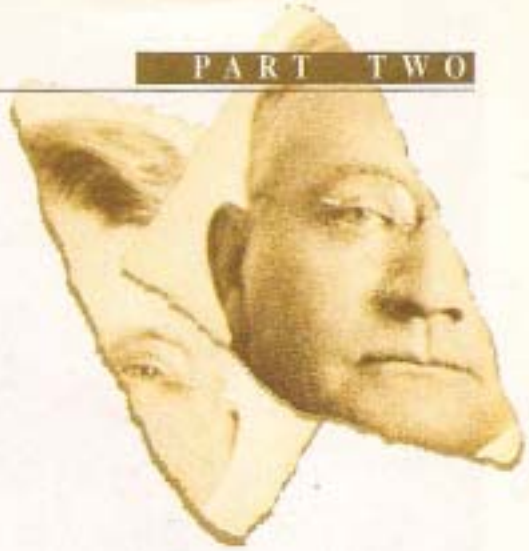
Next draw a vertical line intersecting this highest high or lowest low and call that point "start time." Then, going backward in time, pick an important high (if you started from a low) or an important low (if you started from a high) that occurred shortly before start time. (This is a relative concept: The further you go back, the larger the degree of the turning point you'll identify.) Mark that point "A." Draw a horizontal line from point A forward in time until it intersects future price action. Mark that point "B." Measure the time from point A to start time (segment A) and compare it to the time from start time to point B (segment B). Then follow the directions below as they apply:

- If segment B is less than or equal to segment A, begin your analysis at start time.
- If segment B is greater than segment A, move start time forward to the first higher low (if you started from a low) or the first lower high (if you started from a high), and repeat this process.

Incorporating these concepts will increase your success with wave analysis. Having discussed some of the serious problems with the standard long-term Elliott wave count and giving you some preliminary tools to improve your wave analysis, next month we'll progress to more advanced and innovative concepts. FM

Glenn Neely is president of the Elliott Wave Institute in Laguna Beach, Calif., and is chief trader for NEoWave Ltd. in St. Andrews, Scotland, an international capital management company.

A new wave paradigm



In this second of three articles, Glenn Neely discusses some NEoWave innovations that solve longstanding problems associated with the Elliott Wave Principle.

By Glenn Neely

As nature clearly demonstrates, that which does not adapt dies. Elliott wave — a great discovery for its time — worked well during the early to mid-20th century, but because of subsequent mutations of Elliott's orthodox wave patterns, it cannot deal with the complex, high-tech financial environment of the late 20th century. As a result, most Elliott wave analysts have experienced extraordinary difficulty predicting market activity for the last five to 10 years.

New concepts are needed to broaden Elliott's original foundation and guide the forecasting of today's markets — techniques that promote accurate wave counting and provide a more comprehensive description of 20th-century pattern development. To address these needs, I'll present three areas of innovation to traditional wave theory and provide tools for their real-time employment.

Degree Elliott's concept of degree — the comparability of one wave to another — is an essential part of wave theory and accurate wave counting. Unfortunately, while Elliott spoke of waves in specific terms like minor, intermediate and primary, he never precisely defined degree. Elliott Wave analysts repeatedly present wave counts in which patterns of a smaller degree consume more time and more price than patterns of a larger degree — a logically suspect practice.

NEoWave does not support such analytical freedom. To determine whether one wave segment is of the same degree as another, you must consider three factors: the price covered, the time consumed and the complexity exhibited by the waves you're comparing. If the relationship between the two wave segments does not meet specific NEoWave standards, they are not the same degree.

Extensions Equally essential to proper wave counting is the "extension" concept. Unfortunately, Elliott was less than clear on this subject. An extension, he said, occurred when one of the trending waves (1, 3 or 5) of an impulsive pattern was significantly longer or significantly more subdivided (or both) than the other two. So far so good, but Elliott went on to say an extended wave may or may not occur in an impulsive sequence. Confusing the issue even further, he said the extension might subdivide in a manner similar to waves of one larger degree, making it impossible to identify.

By contrast, under NEoWave, extensions are precisely defined using three separate but co-dependent rules involving price, time and complexity. In an impulsive pattern, the trending wave (either wave 1, 3 or 5) that traverses significantly more price than the other two is called the extended wave (price extension); the trending wave that consumes significantly more time than the others is called the prolonged wave (time extension); the trending wave that possesses significantly more subdivisions than the others is called the subdivided wave (complexity extension).

NEoWave demands that every impulsive pattern possess at least two of the three above Rules of Extension. Failure to meet that requirement indicates the pattern is not impulsive — it's that simple.

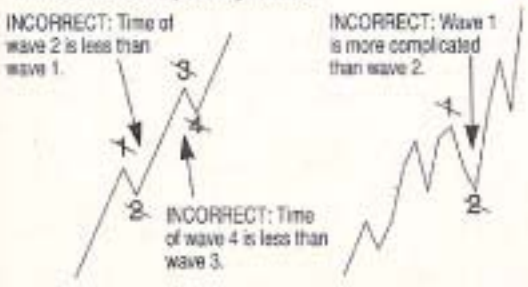
Modern concepts As an enhancement to orthodox wave concepts, NEoWave spells out the specific relationships that can and cannot occur between waves of the same degree.

For example, each figure in "Price limits" (above right) is composed of numerous monowaves (i.e., individual wave segments). The first monowave is labeled wave 1. To confidently say wave 1 is part of a larger uptrend (i.e., an impulsive pattern), NEoWave rules require wave 2 retrace between 25% and 75% of wave 1. If wave 2 retraces more than 75% or less than 25% of wave 1, the market is not forming a standard impulse pattern, making the wave 1 labeling incorrect (unless it is part of a terminal impulse pattern).

If the retracement of wave 1 by wave 2 is less than 25%, wave 1

Setting boundaries

Time and complexity limits



Strict rules govern NEoWave pattern development, helping to remove subjectivity from wave identification.

should be relabeled wave A or wave C and positioned within a complex series of corrections. All of the above retracement observations also apply to the relationship between waves 3 and 4 of an impulsive sequence.

Time and complexity limits also must be addressed. Most importantly, corrective waves should never take less time and should never be less complex than impulsive waves of the same degree that precede them in the same pattern.

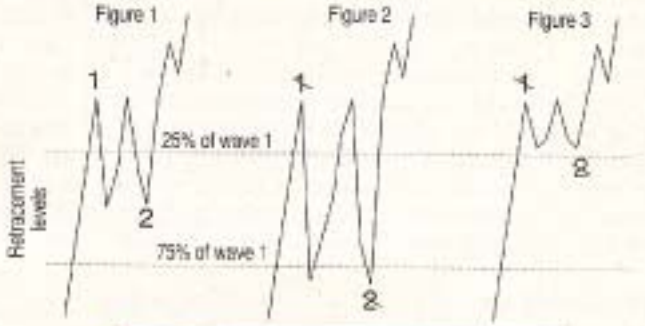
Failure to adhere to that one rule is responsible for the most persistent problem in the annals of Elliott Wave analysis. Elliotticians regularly present wave counts in which wave 2 consumes less time and exhibits less complexity than wave 1, or in which wave 4 takes less time and possesses less complexity than wave 3 (see "Setting boundaries," below left).

Elliott must take some of the blame for this technical *faux pas*. Studying his original diagrams, you could assume Elliott believed corrections were short, sharp affairs — but they are not. Elliott began to recognize this when he stated in 1946: "Usually the duration of a bear market is longer than the previous bull market." Because patterns follow the same rules on every degree, Elliott was acknowledging that corrections usually took longer than impulsions. If all practitioners simply followed his lead and stopped allowing wave 2 to take less time than wave 1 and wave 4 to take less time than wave 3, they would immediately improve their wave count accuracy.

Except during rare terminal impulse patterns, the minimum time and complexity required for waves 2 and 4 is always 100% of that taken by waves 1 and 3, respectively.

Self-confirmation Two of the enduring questions that bedevil Elliott wave analysts are how to know when their analysis is correct and how to know when one pattern ends and the next begins. The self-confirmation process answers those questions by defining the post-pattern behavior required to verify the conclusion of all wave patterns, removing subjectivity and uncertainty from the analysis process.

In Figure 1, the retracement of wave 1 by wave 2 falls in the 25% to 75% range allowed by NEoWave guidelines, so the labeling can remain. In Figure 2, wave 2 is too large to be correct; in Figure 3, wave 2 is too small.



Price limits

Self-confirmation dictates that if a change in price direction is the start of a new trend and not merely a reaction to an ongoing trend, it will announce its arrival through dramatic changes in price behavior, time consumption and complexity development. To fully understand this concept, let's analyze each component of the confirmation process.

First, if a new trend has just started (i.e., a new wave formation), the initial wave of the new trend must retrace 100% of the final wave of the previous trend. Second, that 100% retracement must occur in an equal or lesser amount of time than the final wave of the previous trend. Third, that 100% retracement must be no more complex than the final wave of the previous trend. Failure to follow these guidelines will result in inaccurate analysis.

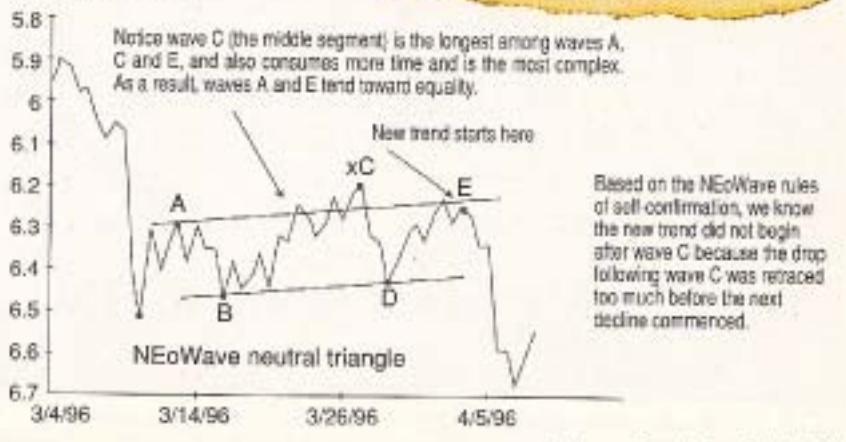
Contemporary patterns When price action does not follow established rules of pattern development, by default, a new pattern (or variation on an old pattern) must be forming.

This became evident in 1990 when pattern development in the U.S. stock market began to change: formations started appearing that Elliott's orthodox structure did not explain, making accurate market prediction impossible. It was during the 1990s, through logical deduction and a process of elimination, that I was able to discover NEoWave formations and orthodox pattern variations. The following are two of the most significant.

Neutral triangles Neutral triangles fill a void that has existed between contracting and expanding triangles for 50 years. Instead of the market forming the longest wave first (like wave A in a contracting triangle), or the longest wave last (like wave E in an expanding triangle), a neutral triangle is created when the middle segment (wave C) is the longest among waves A, C and E.

In "Neutral territory" (below), there is an example of a real-time neutral triangle found in the T-notes in 1996. Based on our earlier discussion, the conclusion of a trend requires a radical change in price behavior, time consumption and complexity. Notice that after the highest point of the neutral triangle (where most would be tempted to start the new trend), the market does not react properly until after the second high, which is ➡

Neutral territory



Based on the NEoWave rules of self-confirmation, we know the new trend did not begin after wave C because the drop following wave C was retraced too much before the next decline commenced.

➠ where the neutral triangle ended and the new trend began.

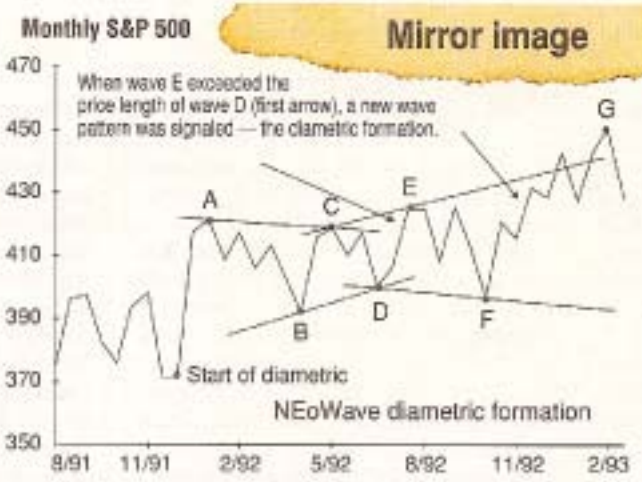
Diametrics I discovered diametric formations in the summer of 1991 while watching the S&P 500. The pattern started out looking like a contracting triangle (see "Mirror image," right). When it did not produce the post-triangle "thrust" necessary to confirm the pattern, it became impossible to categorize under Elliott's pattern development guidelines, creating the need for an entirely new pattern category. Its early stage contraction, followed by its later stage expansion, gives a diametric the general shape of a bow tie.

In flats and zigzags, the corrective labeling sequence is a-b-c; in triangles it is a-b-c-d-e; in complex corrections it might be a-b-c-x-a-b-c. But because a diametric is the only wave formation composed of seven segments that does not contain an x-wave, I had to add two letters to the corrective alphabet. As a result, a diametric formation is labeled a-b-c-d-e-f-g. The most significant clue that a diametric formation is developing is when price action mimics a contracting triangle, but is not followed by the typical "thrust" of such a pattern. All diametric features, behavior traits and variations are not yet known; as they continue to occur, more will be learned over time.

Adaptation and change are essential parts of life. For the open-minded, NEoWave concepts dramatically reduce the difficulties typically associated with Elliott wave analysis — difficulties you may have assumed you simply had to live with.

In the final installment of this series, I'll revisit my long-term, bullish forecast on the U.S. stock market. Placing my concepts on the line, I'll reveal how accurate that forecast was and how it has changed over the last 10 years. FM

Mirror image



Glenn Neely is president of the Elliott Wave Institute in Laguna Beach, Calif., author of Mastering Elliott Wave, *and chief trader for NEoWave Ltd. in St. Andrews, Scotland.*

Setting the record straight

In the final installment of a three-part series, we show how NEoWave concepts can be applied to construct a long-term forecast of the stock market. The outlook may surprise you.

By Glenn Neely

An approach to market analysis is only worth learning if it works. While many wave analysts have had little success predicting the stock market in recent years, my long-term forecast from 1988 has accurately described the path of the stock market up to the present time.

As we approach the new millennium, a reassessment of that forecast, using the concepts presented in the first two installments of this series, is in order. In the process of making sense of the past 200 years of the U.S. stock market, some surprising conclusions regarding the future course of the stock market into the next century will be revealed.

A bold statement The first long-term NEoWave stock market forecast appeared in *Cycles* magazine in 1988. Written just 10 months after the October 1987 crash — the worst price slide in stock market history (a one-day 500 point drop) — it specifically diagrammed how the U.S. stock market would unfold for the next 75 years and made the "absurd" prediction the Dow Jones Industrial Average would not break its 1987 crash low of 1616.20 for 200 years.

At the time, many Elliott wave analysts were calling for a multi-year bear market to end with a drop below 1000 in the Dow — some were even forecasting a drop below 100. Extremely pessimistic books like *The Great Depression of 1990* and *The Reckoning* were big sellers in the years immediately following the crash, reflecting the economic and social anxiety of the times.

The steadfast optimism of my forecast practically unhinged the orthodox Elliott wave camp. For several months, I responded to a barrage of letters from readers fiercely opposed to my perspective; they ridiculed my approach and pointed out the absurdities of my forecast.

But eight years later, the Dow is more than 4000 points higher than 1987's crash low — closer to 10000 than 1000 — and the 1988 NEoWave forecast is the only long-term wave count on the U.S. stock market to have survived unaltered for nearly a decade. "Forecast vs. reality" (below, left) shows the forecast's accuracy, in terms of both direction and magnitude, compared to what actually happened in the S&P 500.

Resolving the past To determine if changes to my original long-term count are necessary, we'll re-examine two centuries of stock market data. Because there was no U.S. stock market 200 years ago (hence no data), I needed to design wave concepts for the backward projection of market behavior on both a price and time basis. Application of those concepts yielded a starting price of 0.30 and a starting date of 1765 for the long-term data (see "Resolving the past," above, right); it is there we will begin our analysis.

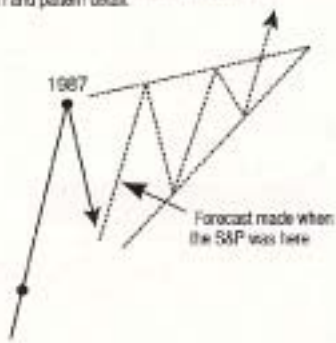
1765 to 1830: Integrating the projected starting price and time with the historical record, we can confidently say that from 1765 to 1830, an impulsive advance occurred that should be labeled wave 1.

The period from 1830 to 1949 consists of three distinct parts. We'll look at each individually.

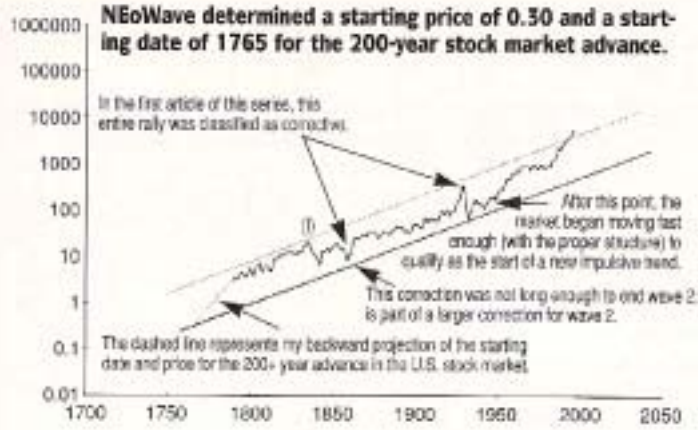
1830 to 1865: There is no doubt the price action from 1830 to 1865 is a corrective pattern. But because

Forecast vs. reality

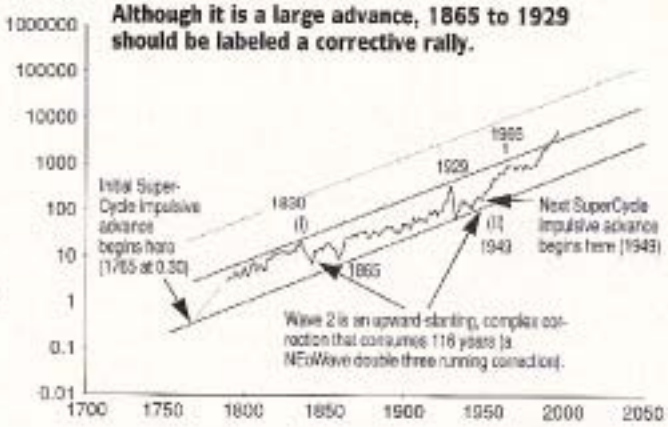
The diagram below is a reproduction of the forecast presented in *Cycles* magazine in August 1988. A comparison to the actual price action of the stock market over the following eight years highlights the accuracy of the forecast in terms of both market direction and pattern detail.



The original post-crash NEoWave forecast vs. the actual path of the S&P 500.



NEoWave determined a starting price of 0.30 and a starting date of 1765 for the 200-year stock market advance.



Although it is a large advance, 1865 to 1929 should be labeled a corrective rally.

Resolving the past

it consumes less time than wave 1, it cannot be the entire wave 2. According to NEoWave, it can only be the first phase of a larger, more complex correction.

1865 to 1929: As noted in "Picking Up The Elliott Wave Pieces" (*Futures*, August 1996), despite its duration and magnitude, 1865 to 1929 is a corrective rally. Because a correction that starts downward cannot end upward, no possible termination point for the correction beginning in 1830 can exist until after 1929's peak. Therefore, logically, 1865 to 1929 must be part of the ongoing complex correction that began in 1830.

1929 to 1949: This period is clearly corrective and is similar in price and time duration to the correction from 1830 to 1865 (meaning they are of the same degree, and could be part of the same larger formation). As a result, in 1949 — for the first time since 1830 — enough structure existed to conclude the correction that began in 1830. Ultimately, the pattern evolved into a NEoWave formation called a double three running correction (a variation of R.N. Elliott's Double Flat). The result is a 116-year, upward-slanting correction that separates two impulsive advances (one from 1765 to 1830 and the other from 1949 to present), just as wave theory requires (see "Double three running correction," above).

The concept of a century-long, upward-slanting correction is so difficult for most Elliott wave analysts to understand, their initial reaction is wholesale rejection. They assume all large market advances (and even small market advances) are impulsive and should be labeled 1-2-3-4-5. This simplistic approach to wave analysis is the reason most Elliott wave analysts are compelled to change their wave counts as frequently as they do. It is not the fault of wave theory; it's the erroneous bias of the analyst (forcing wave structure to fit a preconceived situation) that creates the problem.

1949 to 1966: Just like 1765 to 1830, the 1949 to 1966 period appears impulsive (see "Double three running correction," above): It is retraced little by a multi-year consolidation, which then is followed by more upside movement.

1966 to 1982: This period consumed enough time to fully correct the 1949 to 1966 rally, but the subsequent 1982-1987 rally also is corrective in design. Therefore, we cannot label 1982 the end of a correction. The bull market ending in 1987 also must be part of the correction that began in 1966.

Similar to what happened from 1830 to 1949, a complex corrective pattern began in 1966 and continued throughout the bull markets of the 1980s and 1990s. It was not until 1994, when one of the largest, fastest market advances in history occurred, that it became possible to conclude the correction that started in 1966. However, it will be some time before we can confirm whether an impulsive pattern began in 1994. If one did not begin in 1994, the correction from 1966 is still unfolding. If an impulsive pattern did begin in 1994, a 28-year correction ended there.

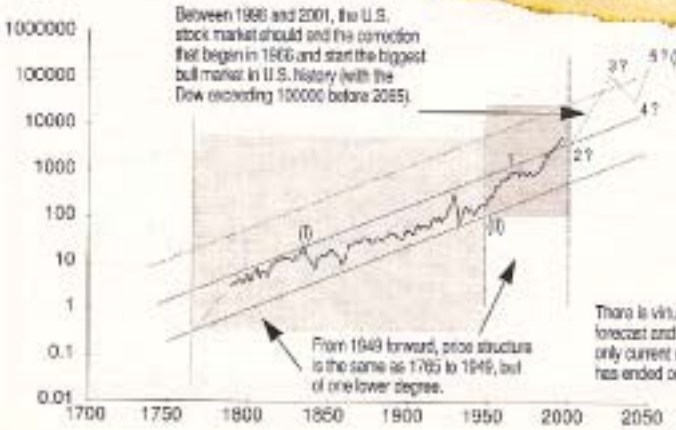
As an interesting side note, the similarities of 1830 to 1949 and 1966 to 1994 represent a phenomenon I call "pattern mirroring." If you study 1949 to 1994 in "21st century bull" (below), you will notice it mimics the design and behavior of the 1765 to 1949 period, but is of one lower degree.

Double three running correction

Into 2000 Here's a look at the stock market's future course.

Time targets: In almost all cases, except when wave 1 is the extended wave, wave 3 will take more time to develop than wave 1. In this case, that means wave 3 must consume more than 65 years, making its earliest conclusion date 2014. ➡

21st century bull



The NEoWave forecast for the stock market into the next century.

➡ Wave 3 also must take less time to develop than wave 2 (i.e., less than 116 years). Adding 116 to 1949, we arrive at 2065 as the latest conclusion date for wave 3.

Price targets: The best way to project the topping area for wave 3 is to double the original channel, which was formed by drawing a line across the low of wave 1 and the lowest point near the conclusion of wave 2. "21st century bull" (page 33) shows the original channel, which has been doubled in width to create the dashed line above it. The Dow and the S&P are likely to conclude along that upper dashed line. Depending on how long it takes to conclude wave 3, the upside target will vary from as low as 90000 to well over 100000 in the Dow. The S&P would experience a similarly spectacular advance, exceeding 10000.

From an arithmetic perspective, those target ranges may appear ridiculous, but when viewed logarithmically (which is the way markets evolve), those price targets are reasonable and believable. Consider that from 1765 to 1996, the Dow doubled more than 14 times over 231 years (doubling on average every 16.5 years). To exceed 100000 from current levels, the Dow will have to double just a little more than 4 times in 70 years — a perfectly plausible scenario based on the historical growth rate.

Social implications For a raging bull market to continue into the next century, clearly some tremendous social, political and economic changes are on the horizon for the United States.

Because economic progress is achieved only through increased efficiency, the first trigger for our economic boom already has occurred — the global collapse of communism. The freeing-up of third world economies has already provided large U.S. companies with entirely new markets for their products and services. Through information technologies, smaller U.S. companies also will begin to market to the entire world, creating unprecedented prosperity for the United States. The result will be the biggest bull market in history, concluding in the late 21st century.

Man's natural drive toward efficiency also will affect some of our most entrenched institutions. Expect massive reductions in the U.S. welfare system and the repudiation of the income tax (two areas currently either in the process of being overhauled or under attack) within the next five to 10 years.

While my long-term projections have, in the past, provoked skepticism and even outrage, the demonstrated track record of previous forecasts makes them worthy of debate. The level of objectivity and detail NEoWave introduces to the wave analysis process makes it a valuable tool for analysts wishing to substantially improve their forecasting accuracy and traders wishing to improve their bottom lines.

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