



# S&P Pivot Points, Gann Angles & Wave Analysis

KnovaWave

Volume 3, Issue 32

February 18, 2003

## Summary of Tuesday February 18, 2003



## Outlook for Feb. 19, 2003

	S&P	OEX	Nasdaq	Dow	SOX
Previous					
High	853.40	432.71	1,020.00	8,076.02	292.32
Low	840.00	422.57	992.00	7,909.30	280.16
Close	<b>851.80</b>	<b>431.48</b>	<b>1,019.00</b>	<b>8,041.15</b>	<b>291.63</b>
R3	866.80	442.85	1,048.00	8,242.74	304.48
R2	861.80	439.06	1,038.33	8,175.54	300.20
R1	856.80	435.27	1,028.67	8,108.35	295.91
Pivot	<b>848.40</b>	<b>428.92</b>	<b>1,010.33</b>	<b>8,008.82</b>	<b>288.04</b>
S1	843.40	425.13	1,000.67	7,941.63	283.75
S2	835.00	418.78	982.33	7,842.10	275.88
S3	830.00	414.99	972.67	7,774.91	271.59



## 30 Minute Rule

Do not trade gaps at the Open, in the direction of the prior day's trend. If the market gained the day before, and gaps up, you should avoid that situation for at least 30 minutes to give the pent-up demand time to bleed off. Otherwise, you can easily get caught in a fading market. Conversely, fading markets offer excellent Short candidate potential. Again why we use the S&P's here the Dow never actually gaps (it takes a while to get all the symbols open) so is not fully representative at the open.

## After 35 Minute Rules

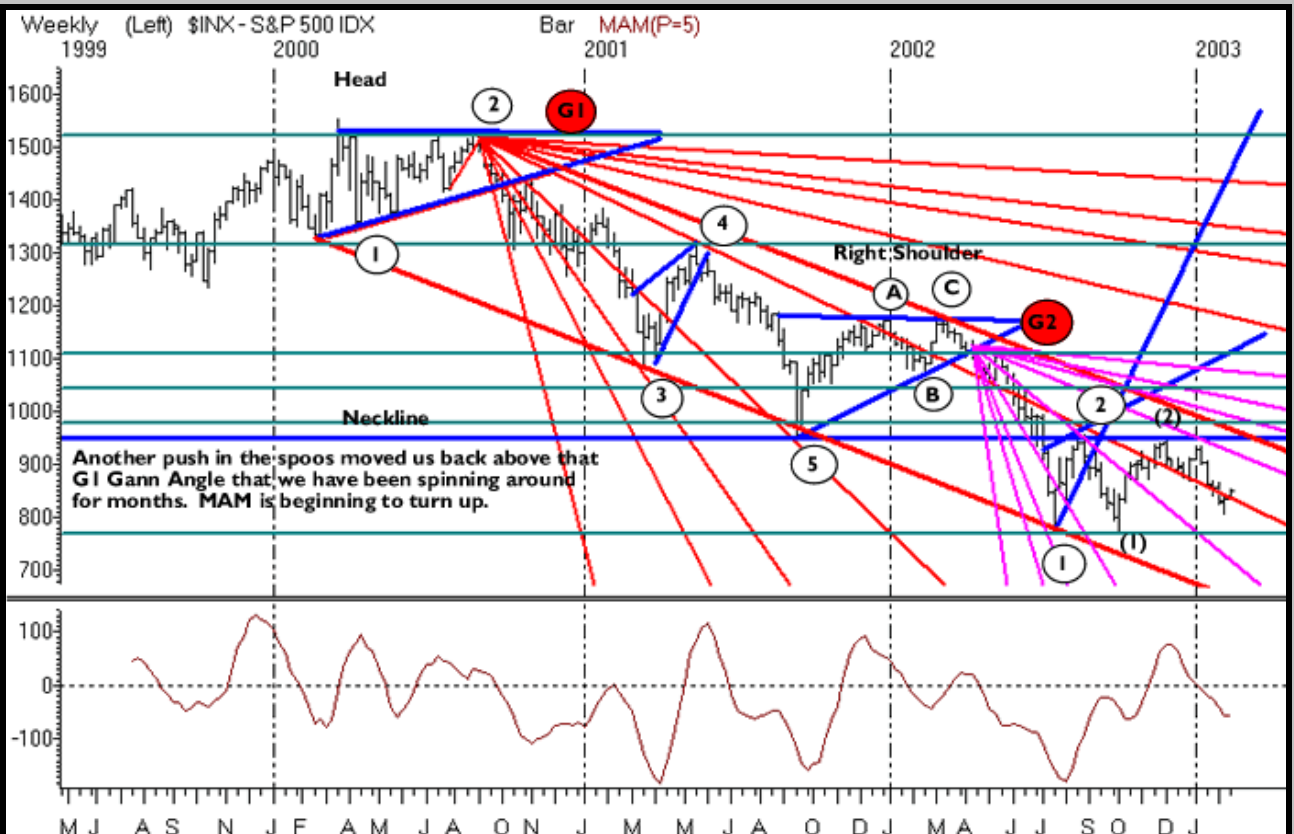
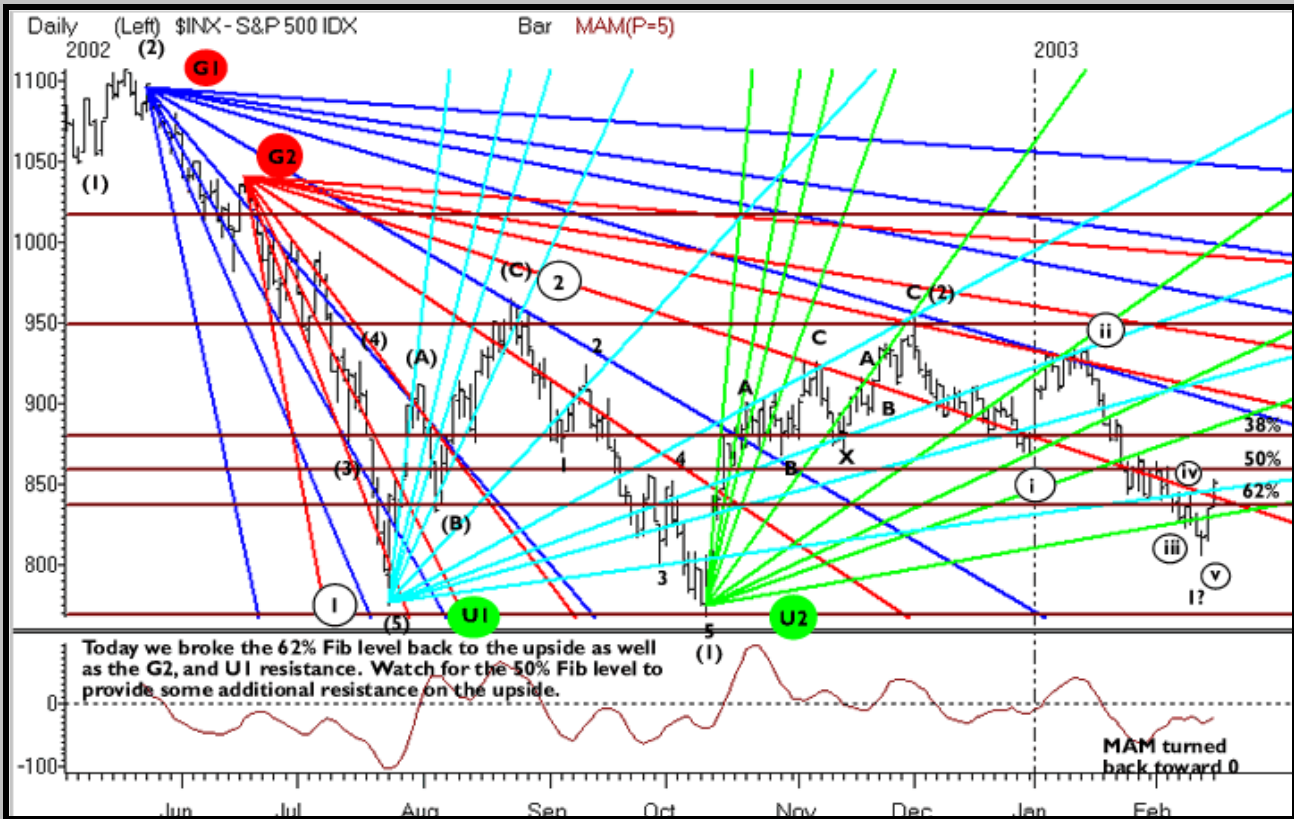
- ◆ If, after 35 minutes, we are above the 848.40 pivot, then it should serve as support for buying bounces (and if we break it, it becomes resistance). Buying multiple contracts, we would take partial profits in the 4.00 range and liquidate the balance if we trade up to resistance at 856.80 or 861.80 or on our 3.20 initial stop-loss or our 4.20-trailing stop.
- ◆ If, after 35 minutes, we are below the 848.40 pivot, I would suggest selling bounces off of it with multiple contracts exiting partially at the 4.00 target and exiting the balance at a downside target of 843.40 and then 835 or on our 3.20 initial stop-loss or our 4.20-trailing stop. (If we rally through the pivot, it becomes support)

**Remember that, by traditional definition, when support is broken significantly, it turns into resistance.**

**When resistance is broken significantly, it becomes support**



## S&P 500 Longer Term Gann and Elliott Wave Outlook





### S&P 500 Fibonacci Retracement targets

Symbol	Retrace	24%	38%	50%	62%	79%
SPZ2	BOUNCE	863.43	922.78	970.75	1018.70	1087.00
HIGH	T 24%	767.50	826.85	874.82	922.78	991.08
	A 38%	708.15	767.50	815.47	863.43	931.73
1174	R 50%	660.18	719.53	767.50	815.47	883.76
	G 62%	612.22	671.57	719.53	767.50	835.79
LOW	E 79%	543.92	603.27	651.24	699.21	767.50
	T 100%	456.93	516.28	564.25	612.22	680.51
767.50						

Retracement levels of March  
Highs Down (1174-767.50)

Symbol	Retrace	24%	38%	50%	62%	79%
SPZ2	BOUNCE	910.60	883.25	861.15	839.05	807.58
LOW	T 24%	954.80	927.45	905.35	883.25	851.78
	A 38%	982.15	954.80	932.70	910.60	879.13
767.50	R 50%	1004.20	976.90	954.80	932.70	901.23
	G 62%	1026.30	999.00	976.90	954.80	923.33
HIGH	E 79%	1057.80	1030.50	1008.40	986.27	954.80
	T 100%	1097.90	1070.60	1048.40	1026.30	994.88
954.80						

Retracement levels of Wave (2)?  
Up (954.80-767.50)

Symbol	Retrace	24%	38%	50%	62%	79%
SPH3	BOUNCE	840.58	862.41	880.05	897.69	922.81
HIGH	T 24%	805.30	827.13	844.77	862.41	887.52
	A 38%	783.47	805.30	822.94	840.58	865.70
954.80	R 50%	765.83	787.66	805.30	822.94	848.06
	G 62%	748.19	770.02	787.66	805.30	830.42
LOW	E 79%	723.08	744.90	762.54	780.18	805.30
	T 100%	691.08	712.91	730.55	748.19	773.31
805.30						

Retracement levels of minutte  
Wave I (954.80-805.30)

### An overview

In building a plan Fibonacci no doubt is in there somewhere, it makes up only a small part of the whole equation of market geometry but a quintessential part. Analyzing Fibonacci relationships between price movements is very important for several reasons. First you can control your wave analysis. The better the Fibonacci ratios of your wave count, the more accurate your count is, because in some way or the other, all waves are related to each other. Secondly you can project realistic targets once you have defined the wave count correctly or you have distinguished different scenarios, which point in the same direction.

The wave counts of the impulsive and corrective patterns (5 + 3 = 8 total) are Fibonacci numbers, and breaking down wave patterns into their respective sub waves produces Fibonacci numbers indefinitely. For whatever the underlying cause, whether it is natural laws of the market or a self-fulfilled prophecy as some may conclude, using these ratios can help you find market turns.

The most popular ratios to use are .618 and 1.618. The key geometric ratios would be the following (.147) (.236) (.382) (.618) (.786) (1.00) (1.272) (1.618). These are just some of the related ratios of Market Geometry. We know 1.618 is called the Golden Mean and it appears in the growth patterns of plants, the human body, seashells and many other things found in nature. Even the planets follow a pattern based on the Golden Mean. For example, for every time the earth orbits' the sun, Venus orbits the sun 1.618 times. The relationship between Venus and the Earth is 1.618:1.00.

- (.618) is the reciprocal of 1.618
- (1.272) is the square root of 1.618
- (.786) is the square root of (.618)
- (.382) is (.618) squared

So now you can see how they are all related!



## Where we are

### Elliott Wave

We still a strong follow through—though on tepid volume since the reversal off 7629 in the DJIA and 805.30 in the Spoos off key fib Conflusion. Again the rally's internal subdivisions are very choppy, much more characteristic of an upward correction then a higher degree, we achieved and passed the next target of 845 but still shy of our next Fib Levels. Breaking today's lows would confirm that we will continue the descent to the October lows. They are important! If the Dow, S&P and OEX all move below these levels, then odds are that the decline is accelerating. As we say in the room take one day at a time! What we do expect is a third wave with strong persistent selling pressure and respondent corrective waves. To repeat: *A break of Tuesday's highs of 7985 in the Dow & 845 in the Spoos should see this as a higher degree correction, possibly toward 8150-8250 in the Dow and 860-875 in the S&P. Again look at the SOX reeks of a long speculative bubble beset by margin calls look at the reversal in the currencies against the dollar and Gold's relentless march that came a crop today reeks of a mania rather than lasting fundamental event.*

**Please see the Weekly Review for an in depth Wave Interpretation  
And Page Four's Fib Levels**

#### Key Support targets

845.70 2/07 highs  
839.10 61.2% of 757.50-954  
826.50 Fib Confluence  
**822.00 Key Low**  
816.30 Previous Low  
812.40 Break up point  
807.60 78.8% of 757.50-954

#### Key Resistance targets

853.40 Today's High  
857.50 Wave a high  
859.80 Thursday's high & Wave iii 38%  
863.90 Wave (ii) High?  
866.70 50% Wave (I)  
873 Inflexion Point I/II low & near low  
875.50 Fractal 38%

#### Patterns

**2 min** Rising Wedge  
**15 min** Wedge  
**Daily** Double Zig Zag  
**Weekly** Head & Shoulders

#### Gann Speed Lines

**2 min** U1 Primary G1 Secondary  
**15 min** G2 Primary G1 Secondary  
**Daily** G3 Primary G1 Secondary  
**Weekly** G1 Primary G2 Secondary

#### Keys to watch

The US Dollar **The Euro is leading—watch it!**  
US-Iraq relations **The game continues—**  
Gold **\$340—will it hold watch!**  
SOX 270–300 band **Can 270 hold? NVLS 29 to 31 watch**  
Venezuela—Who is on strike next?  
**VIX and Put/call ratio for equities**  
10 Year Treasuries **Watch 4.00% yield**  
Oil **Watch for 35 fulcrum**  
World Terror **sadly.**  
30 Year Treasuries **Watch Yield curve**

#### The S&P Pit—who to watch

##### Paper

**Downside** for SPU's—**Merrill's**, Bear, Bank One , FIMAT **Selling**  
**Upside** for SPU's— Merrill's, Morgan's, Smith Barney, **Goldman Buying**

##### Locals

Locals are trading very methodically off Pivots watching cash—OEX when no paper.

##### Dominators

Goldman has picked up in the past month, been a big seller with Morgan, Bear & Merrill—Merrill's firmly in control & aggressive on the down days.

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...For the Third Millennium

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