



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

KnovaWave

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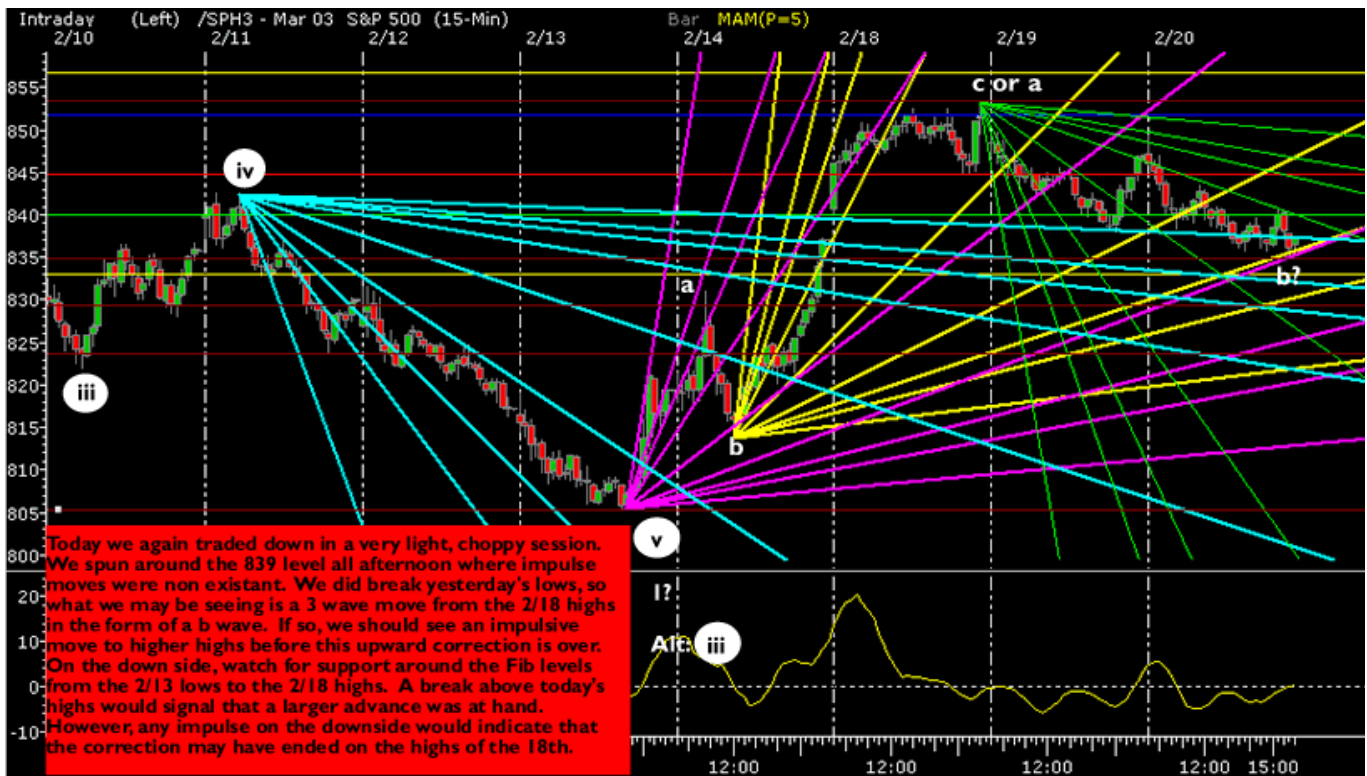
February 20, 2003

## Summary of Thursday February 20, 2003



## Outlook for Feb. 21, 2003

	S&P	OEX	Nasdaq	Dow	SOX
<b>Previous</b>					
<b>High</b>	849.30	430.63	1,016.00	8,027.35	295.19
<b>Low</b>	835.70	423.70	999.00	7,893.74	288.99
<b>Close</b>	<b>838.80</b>	<b>424.29</b>	<b>1,004.50</b>	<b>7,914.96</b>	<b>292.44</b>
<b>R3</b>	862.90	437.56	1,033.00	8,160.96	301.39
<b>R2</b>	854.87	433.14	1,023.50	8,078.96	298.41
<b>R1</b>	846.83	428.71	1,014.00	7,996.96	295.42
<b>Pivot</b>	<b>841.27</b>	<b>426.21</b>	<b>1,006.50</b>	<b>7,945.35</b>	<b>292.21</b>
<b>S1</b>	833.23	421.78	997.00	7,863.35	289.22
<b>S2</b>	827.67	419.28	989.50	7,811.74	286.01
<b>S3</b>	819.63	414.85	980.00	7,729.74	283.02



## 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

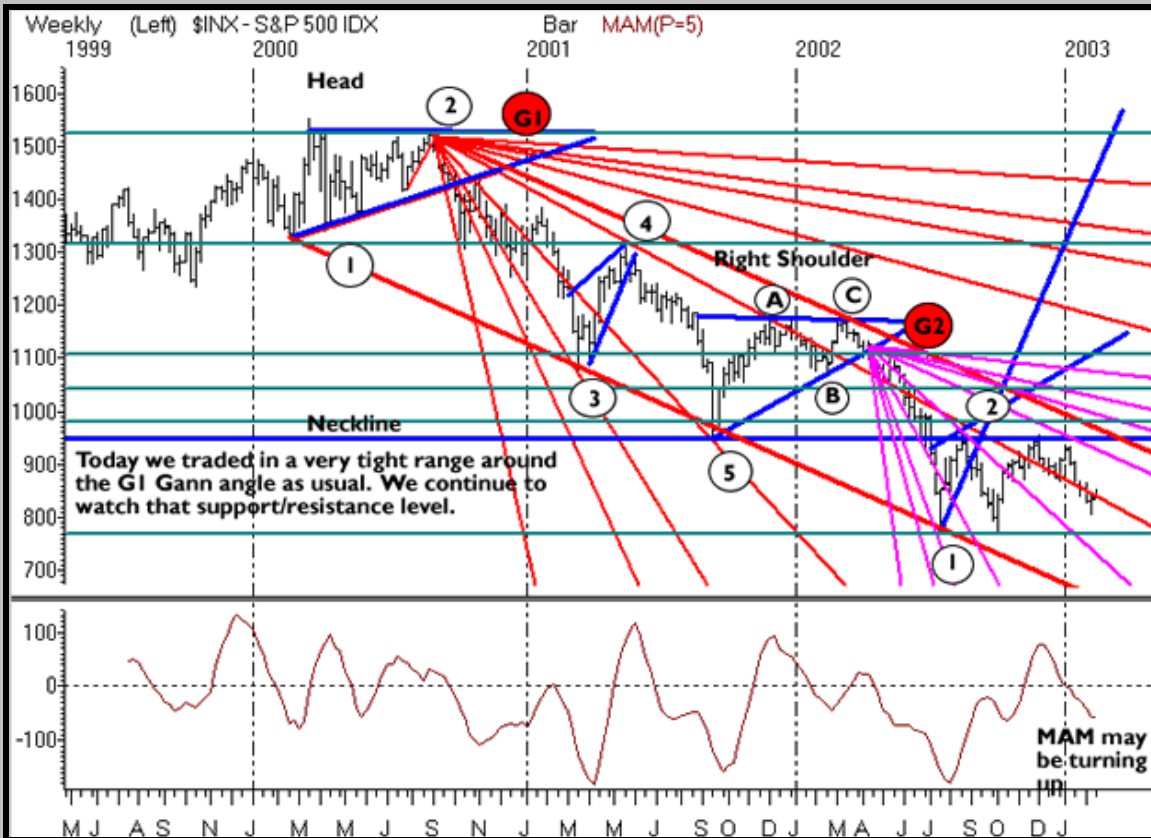
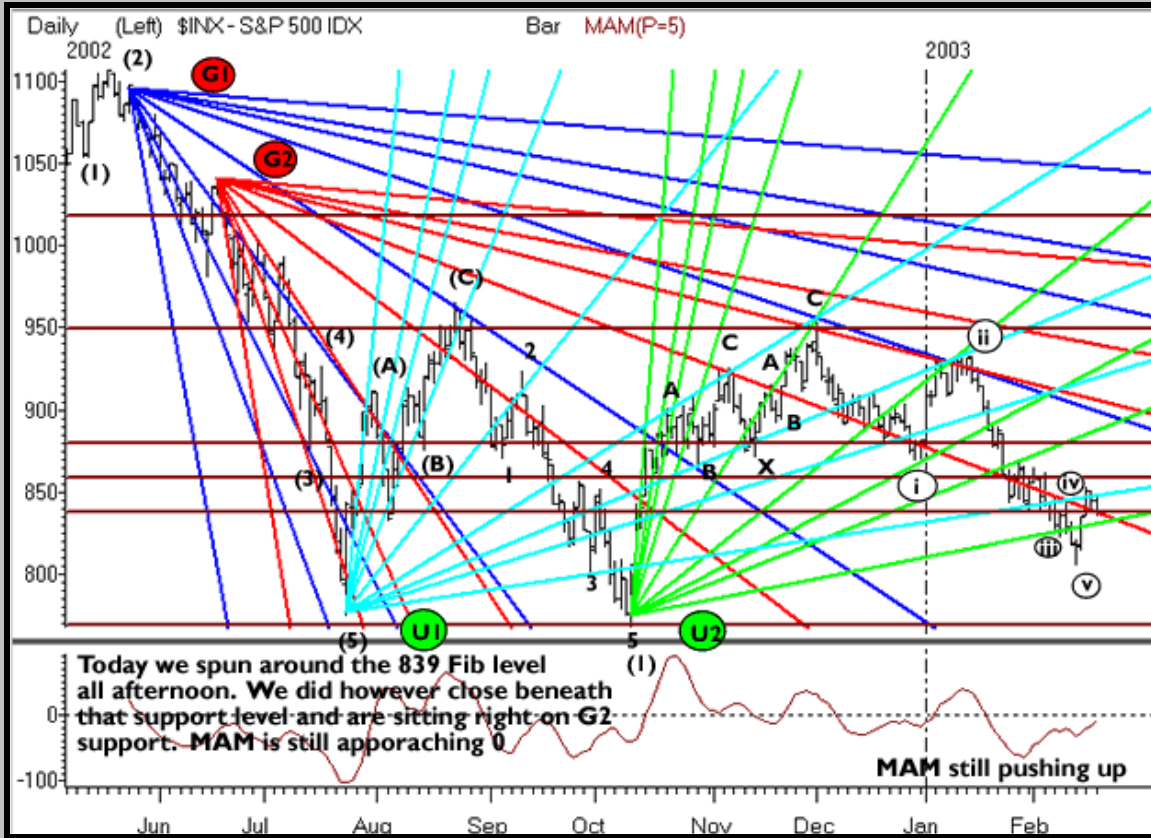
- ◆ If, after 35 minutes, we are above the 841.30 pivot, then it should serve as support for buying bounces (and if we break it, it becomes resistance). Buying multiple contracts, we would take partial profits in the 4.00 range and liquidate the balance if we trade up to resistance at 846.80 or 854.90 or on our 3.20 initial stop-loss or our 4.20-trailing stop.
- ◆ If, after 35 minutes, we are below the 844.90 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 833.20 and then 827.70 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 look at the strong possibility that that Tuesday's high might have marked the top of the countertrend A-B-C rally but the decline to today's low and break of 840 was not very impulsive. The same pattern as yesterday essentially. This leaves a strong possibility that the Correction wave may be of higher degree with the Dow's resistance is 8150-8250 and the S&P's is 860-875. I must stress this is a countertrend rally and we are coming into a Fibonacci turn window which opened yesterday day and goes through to Monday. The sentiment picture is mixed, the 10-day Daily Sentiment index of traders, which remains at a relatively low 13% bulls (MBH Commodity Advisors) - this no doubt skewed because of the war and expectations that the market will rally from there—so it may well reflect the way the question is asked. Also the CBOE put/call 10-day average is still at .98.—again we have to be wary of Tomorrow 's option expiration affecting this.

However the VIX still shows no signs of fear as you would expect at a major bottom as its recent closing high of 39.77 on Jan. 27 way less than the previous major lows. Furthermore the S&P futures have now closed at a premium to cash for four straight days—this depicts an optimistic market place and increasingly in a sideways low volume chop fest. As such we await the completion of The second wave which actually already be in place—stay disciplined and you will be on the impulses waves.

#### Key Support targets

835.70 Today's lows  
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  
805.30 Wave V Lows

#### Key Resistance targets

839.10 61.2% of 757.50-954  
845.70 7/2 highs  
853.40 18/2 High  
857.50 WWave a high  
859.80 Thursday's high & Wave iii 38%  
863.90 Wave (ii) High?  
866.70 50% Wave (I)

#### 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 **\$350—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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