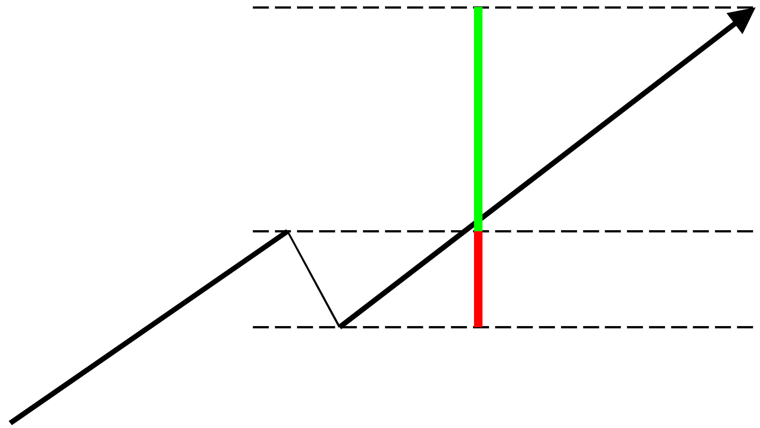
Francesco Maggioni



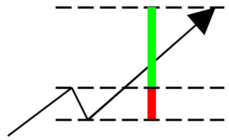
Applying Elliott wave and fractal theory on the Dow Jones Industrial Average

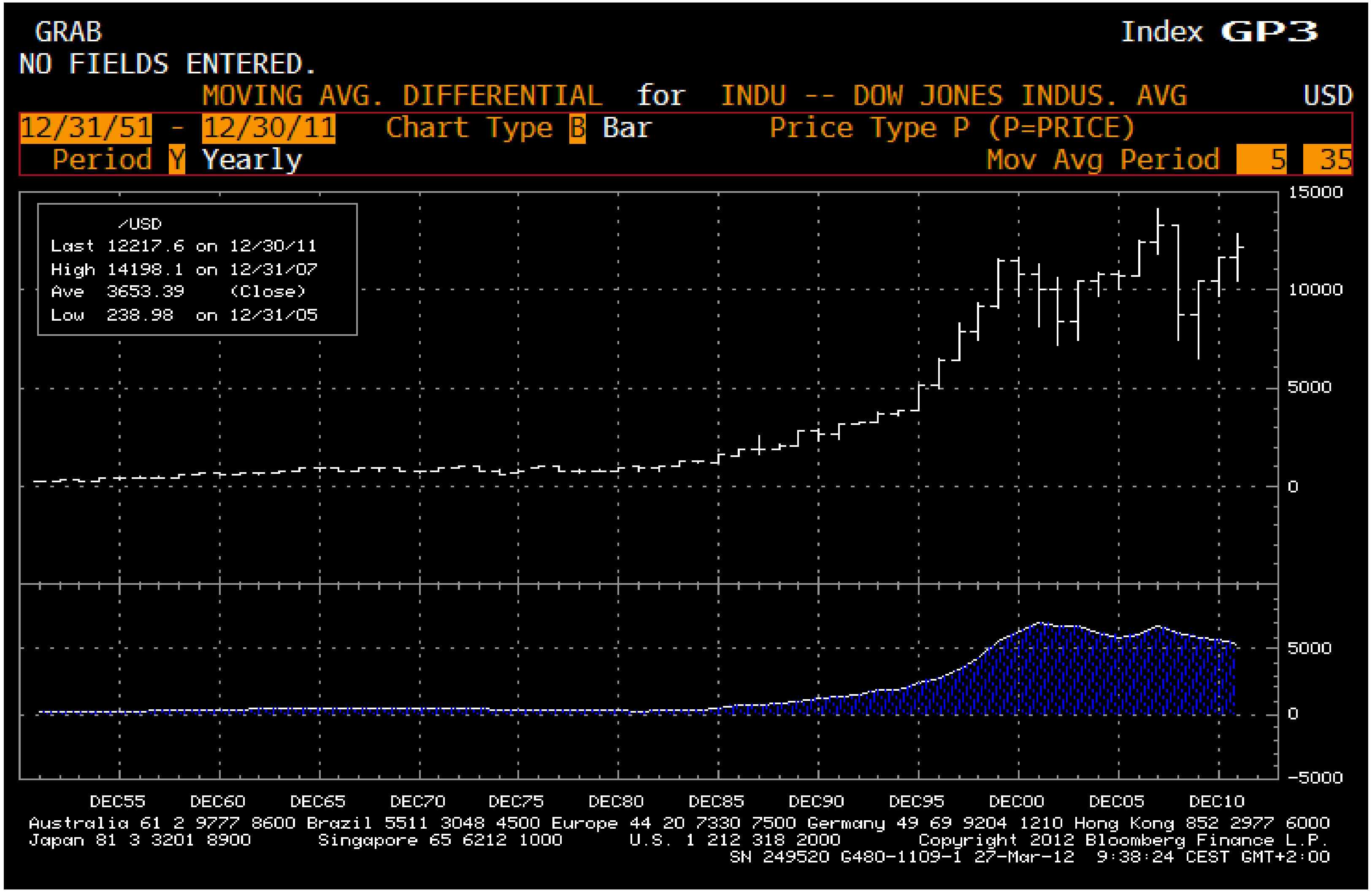
1955 – 2012 analysis
2012-2018 forecast

October 2012 update

1955 – present: Dow Jones Industrial Average

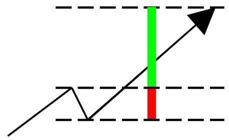
Timeframe: Yearly

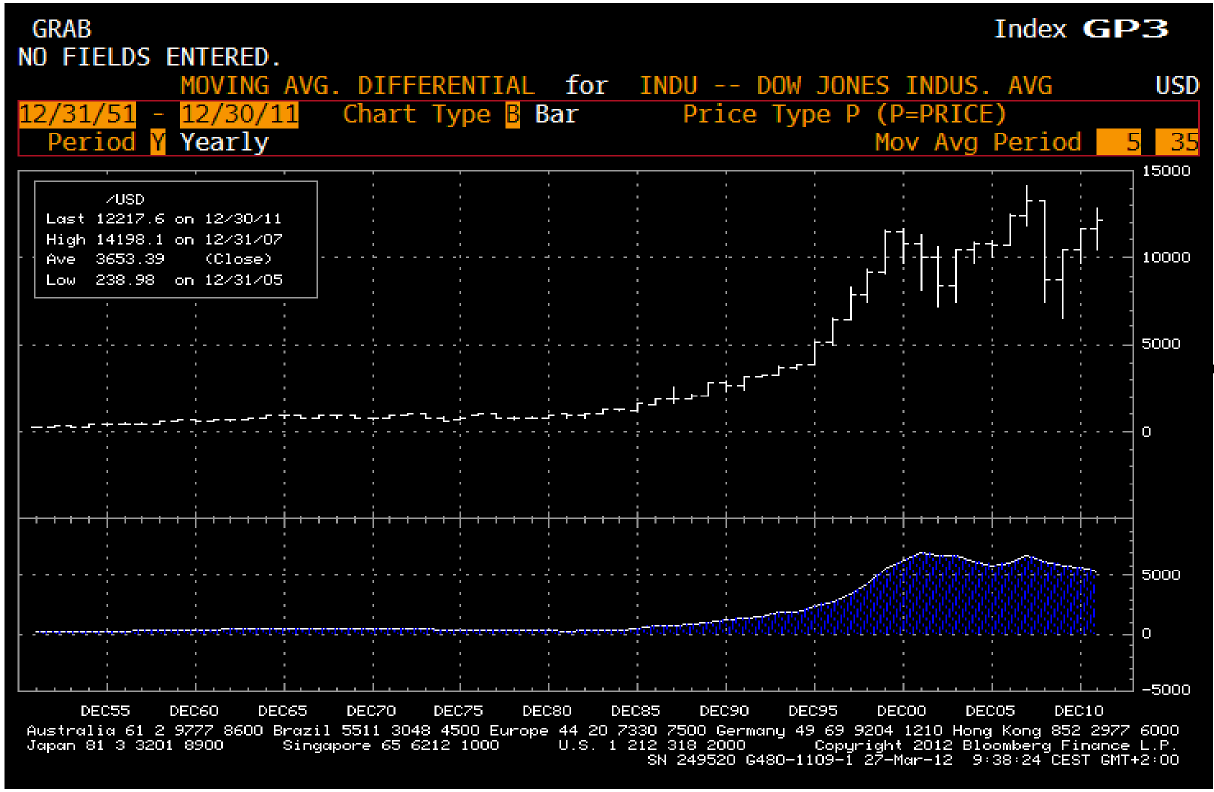




1955 – present: the Elliott Wave analysis

Timeframe: Yearly



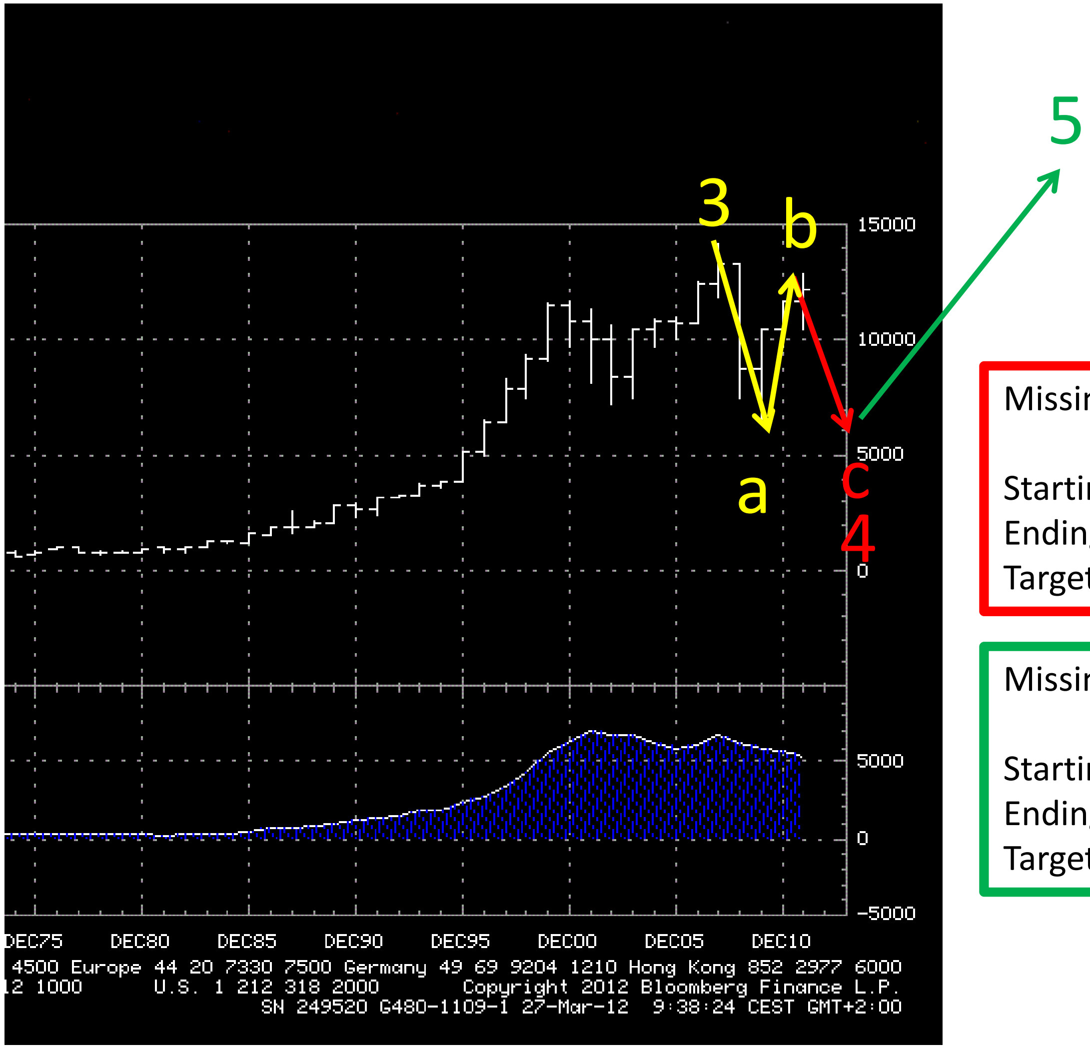


From top of 2008 is then unfolding an «abc» corrective pattern and most likely we just ended the «b» wave

Osc is yet to arrive around zero which confirms max in 2008 was wave 3

1955 – present: Dow Jones Industrial Average

Timeframe: Yearly



EPA: 18,000 points circa
ETA: August 2018

Missing step: Wave c

Starting date: October 2012
Ending date: May 2013
Target: 8,000 points circa

Missing step: Wave 5

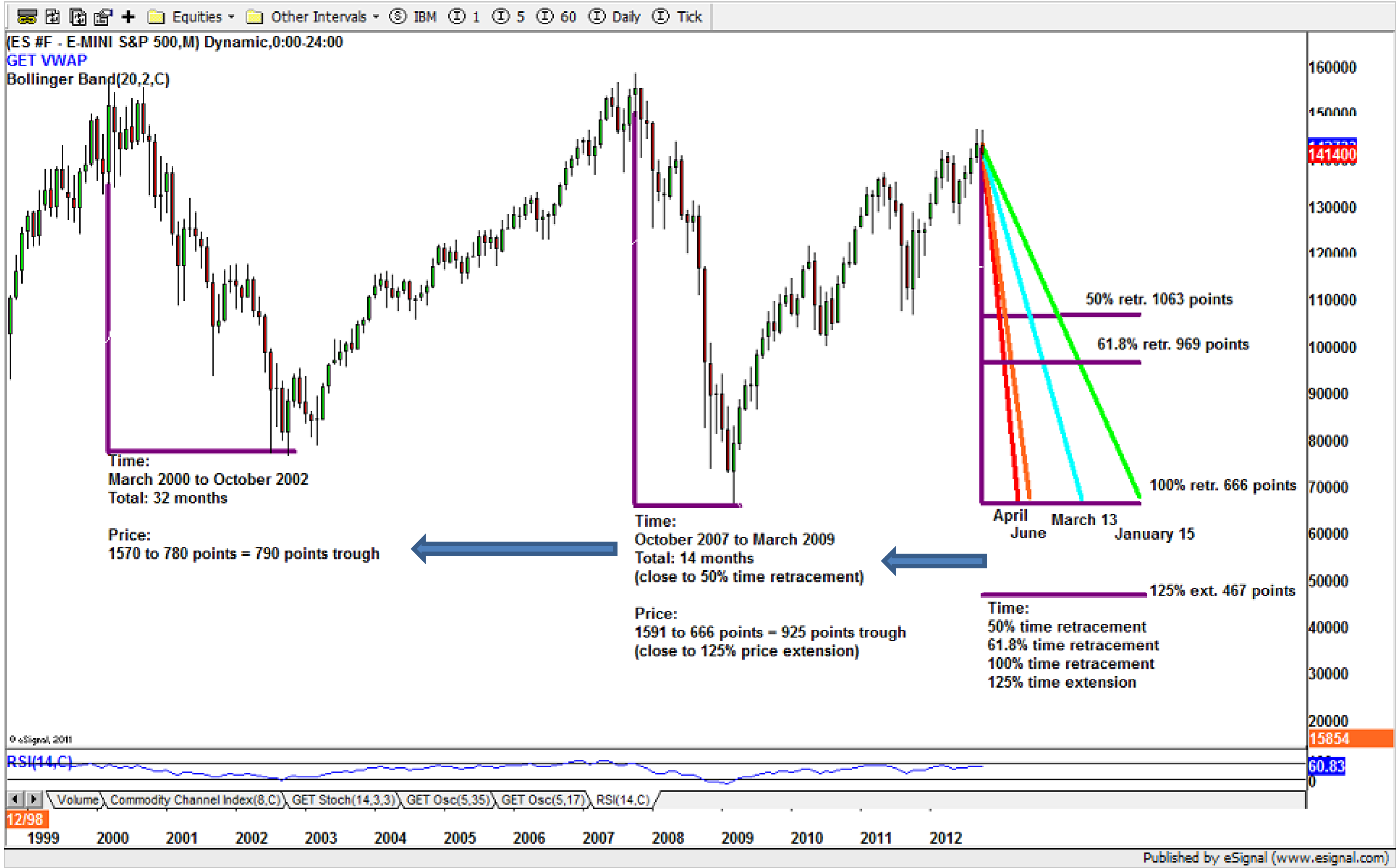
Starting date: May 2013
Ending date: August 2018
Target: 18,000 circa

1955 – present: the Elliott Wave analysis

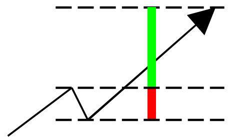
Timeframe: Quarterly

2000 – 2009: time and price considerations and projections

Timeframe: Monthly



What if I am wrong?



- The DJIA achieves new high around 15,370 index points this year (2012).

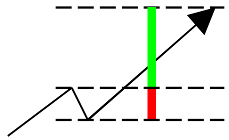
- My current way of interpreting that would be to label the high as the new wave 3.

- That would then mean that the typical «abc» corrective pattern of wave 4 is still in front us in its entirety.

- That would result in either similar or lower lows but with the bottom most probably in 2015 and therefore postponing the new all time high to 2022.

- Similar bottom (maybe a double bottom around 6,500 index points) will be possible because the 61.8% retracement will be calculated starting from the same initial point, but with a further up ending value than the high of 2008.

Why I think I am right



- The Price Oscillator of the yearly chart never arrived around zero confirming the 2008 high as the top of wave 3.

- Since 2000 the Price Oscillator of the yearly chart had lower highs giving possible signal that lowering Price Oscillator is a trend.

- The yearly chart and quarterly chart are correctly confirming the need for, in both cases, a subsequent «wave C» on both timeframes (fractal theory).

- Typical behaviour of wave B (current): similar to wave 2, its retracement can be very deep, between 61.8% and 100% of previous wave (wave 1 or wave a) resulting in the latter case, in a flat correction.

- Once target of wave B is achieved, market tends to shift ***suddenly and drastically***, leaving market participants who believed in the continuation of the trend totally by surprise. This leads to scare them and have lots of stop losses triggered as well as closing positions just for prudence.

Why I think I am right

- The overall upward movement started in June 2012 cannot be labelled as impulsive due to its choppy shape and missing volume and strength.

- Even though at this time (September 2012) there are no signs of trend inversion, it is very likely that the inversion will happen sooner rather than later: expected trend inversion between October 2012 and January 2013 with a time target of May to October 2013.

- Clearly the yearly chart shows a strong upward movement that went on untouched for the last 50 years circa. Even on a time analysis, the movement started in the year 2000 can be only seen as a correction.

- If this forecast will be confirmed, then there is a consistent probability that the low experienced will be a «generational low» meaning that market participants who will enter into the stock market around May 2013 will never see their entry prices again for their generation.

Biography

Francesco Maggioni

Mr. Maggioni has been working in the financial markets for the last 12 years covering different roles and working in tier 1 consulting companies and banks.

In recent years his studies have been focused on the psycho-emotional aspects of trading and how those aspects have an impact on traders' behavior.

Before starting this venture, he was head of a hedge fund desk at HSBC Private Bank in Monaco and before that he was employed at Credit Suisse Asset Management (CSAM) in Zurich covering the in-house single manager hedge funds.

Most of his experience in hedge funds was gained while working in a Swiss family office where he was in charge of the research and analysis as well as due diligence for US and European hedge funds. He also performed quantitative analysis and portfolio construction for several funds advised by the family office.

Prior to that he worked as an external consultant for KPMG Financial Services in the Milan office. In 2002 he has been hired by Ernst & Young LLP, San Francisco as auditor for hedge funds, auditing large single funds and fund of funds. In 2000 he joined Ernst & Young in Milan as an auditor for mid-sized companies.

Mr. Maggioni holds an MBA from IUM and a Portfolio Management degree from the University of Chicago GSB.

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