



**Equities:** Markets have recovered from around the target levels indicated last week, but there is rather greater improvement on this bounce than we had expected. The important change has been in Japan, where the 2007-09 decline is almost exactly the same percentage as 1989-92, and the indicator configuration is the best amongst the major indices. We are upgrading to **BOTTOM-FISHING BUY**. Breadth in the US this past week has produced some of its best readings since 2007, and two wave counts call for further recovery to the 940-1,015 zone. The main problem is that it is difficult to count Europe as a completed downside pattern, and too many of the shorter indicators are in downtrends. These imperfections would be removed by downward drift to new lows. However, this short-term uncertainty aside, we are increasingly positive towards markets and expect them to be significantly higher at some point in Q2.

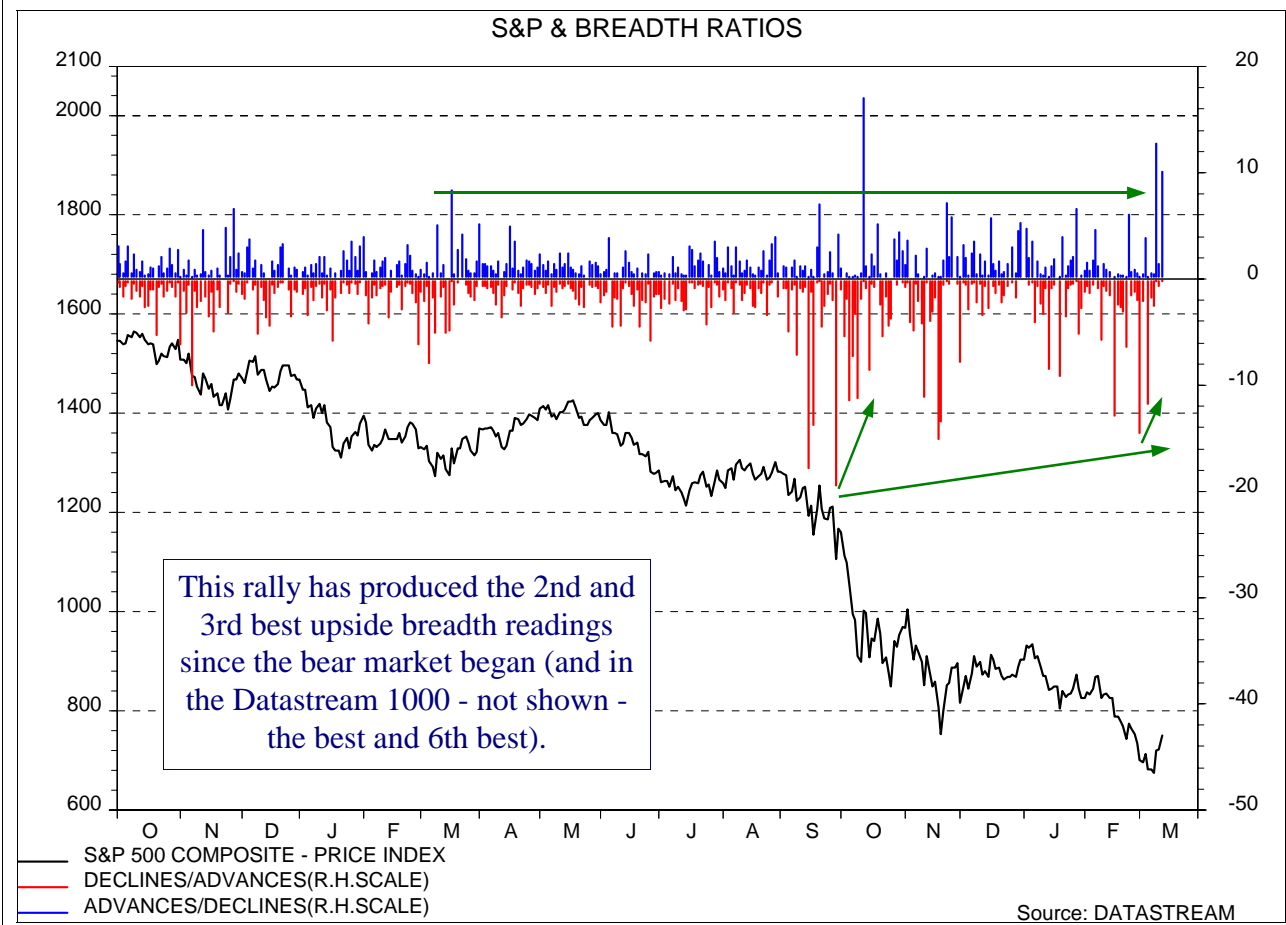
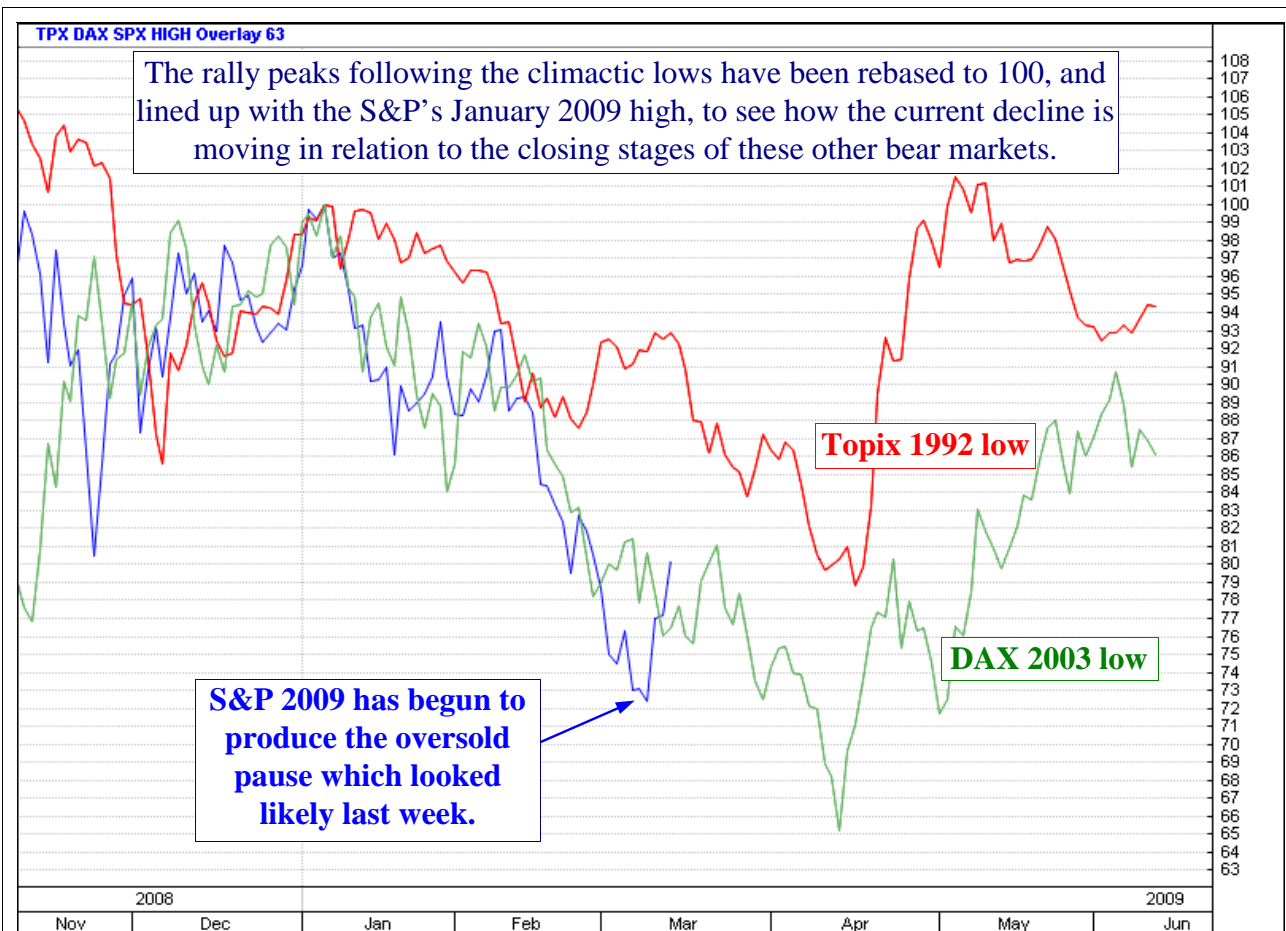
**The expected bounce ... and more (pp.2&3).** Last week's analogy between the S&P's recent decline and the final downward leg in the DAX in 2003 suggested that there should be a pause in the downtrend for an oversold bounce. That has certainly occurred, but has done two unexpected things. Firstly, it has produced the best daily breadth readings on the upside of the past 5 months, and it has also carried further than is normal in a minor 4th wave rally. An S&P recovery to the 727-748 range would have been normal, but, as of writing this today, it has been as high as 758.

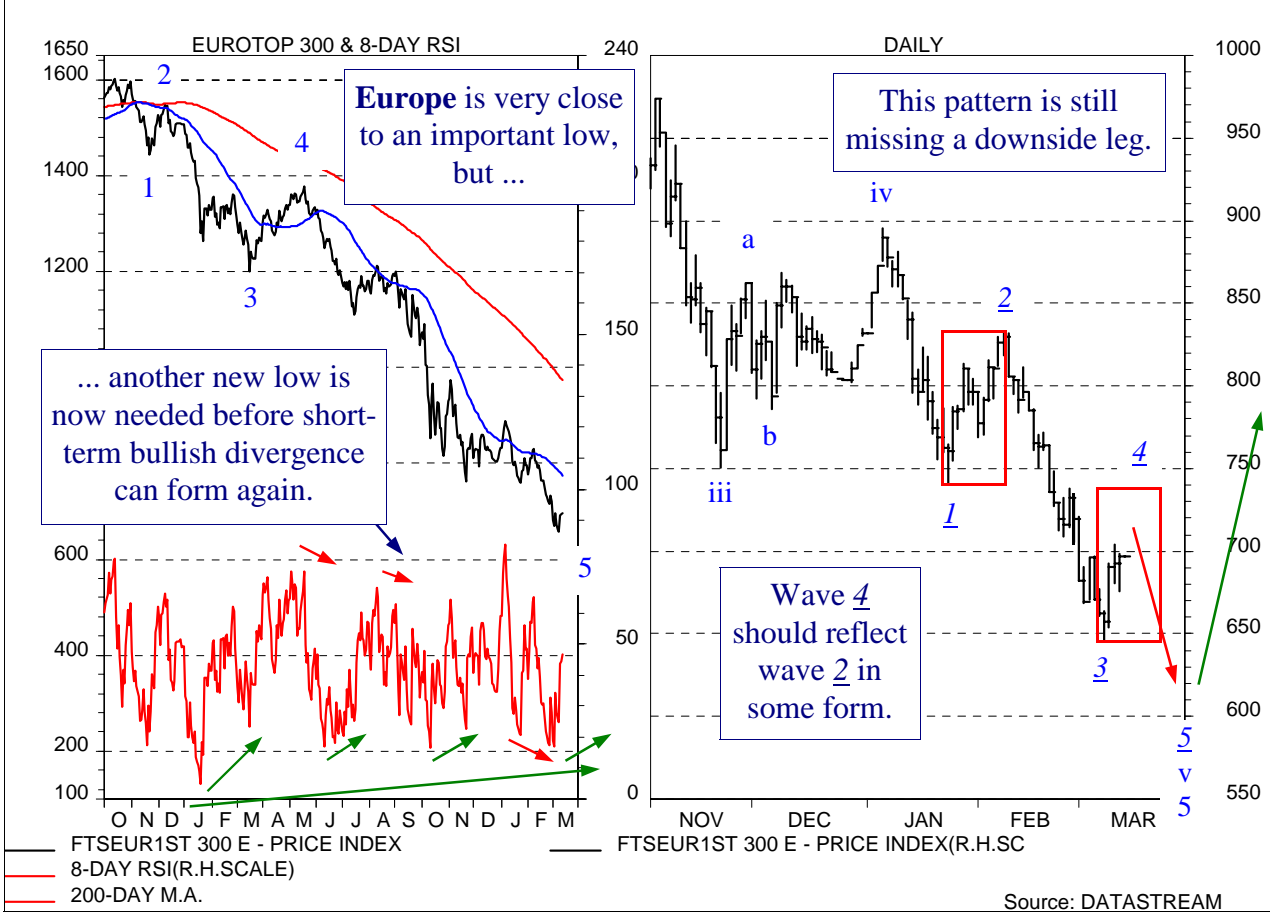
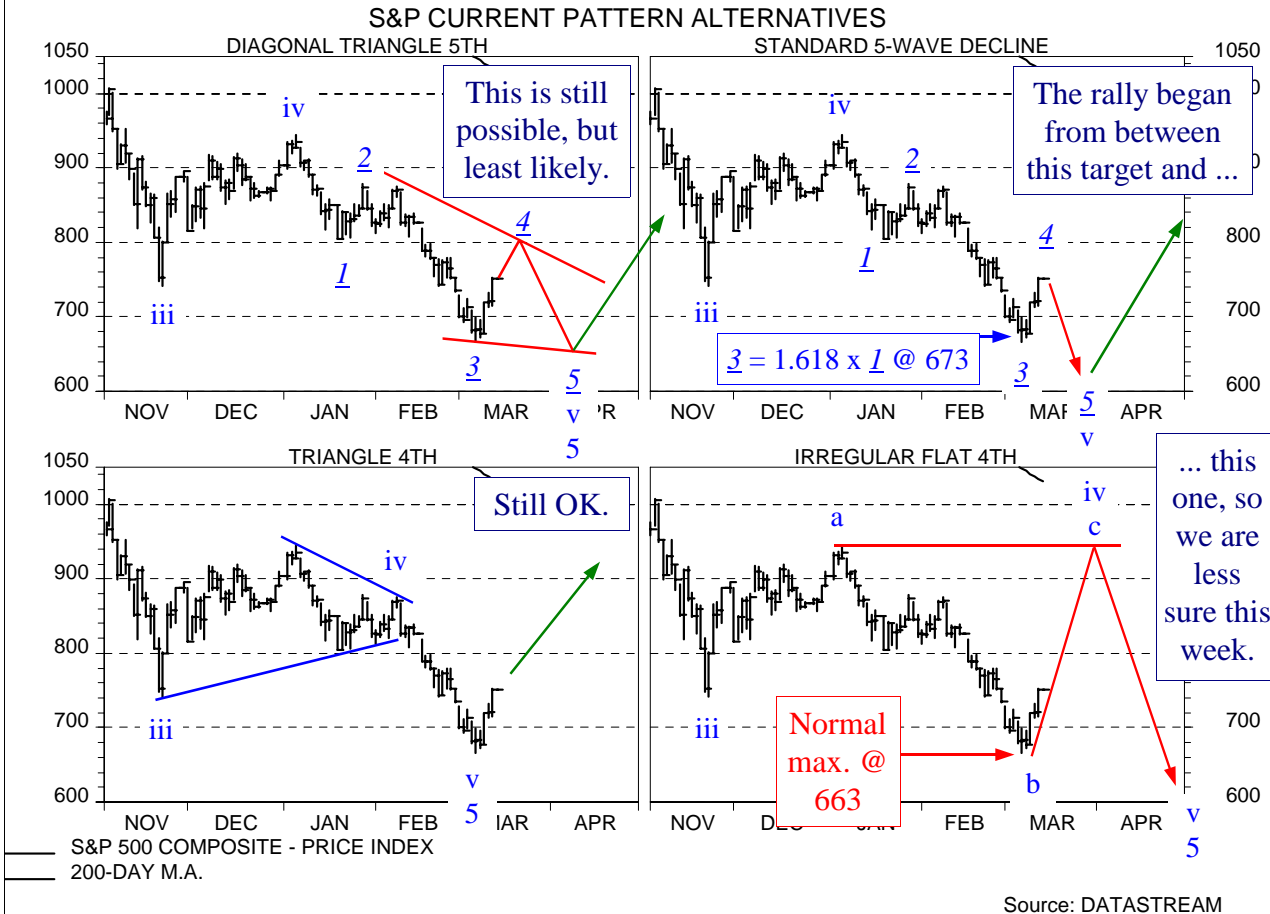
**Alternative US wave counts (p.3).** We have shown again the four alternatives from recent issues. Two of them would allow an immediate recovery back to at least the January high at 944. One of the reasons why we can now talk in these terms compared with last week is that the recent low occurred at 667, compared with the target at 663 under the Irregular Flat scenario. This required a 3-wave decline from the January high, with a target where it was 1.382 times the Q4 rally (which is how the 663 target was derived). What has therefore transpired so far this year is almost textbook in terms of this particular pattern's development, and is partly responsible for the even more positive tone of this week's summary.

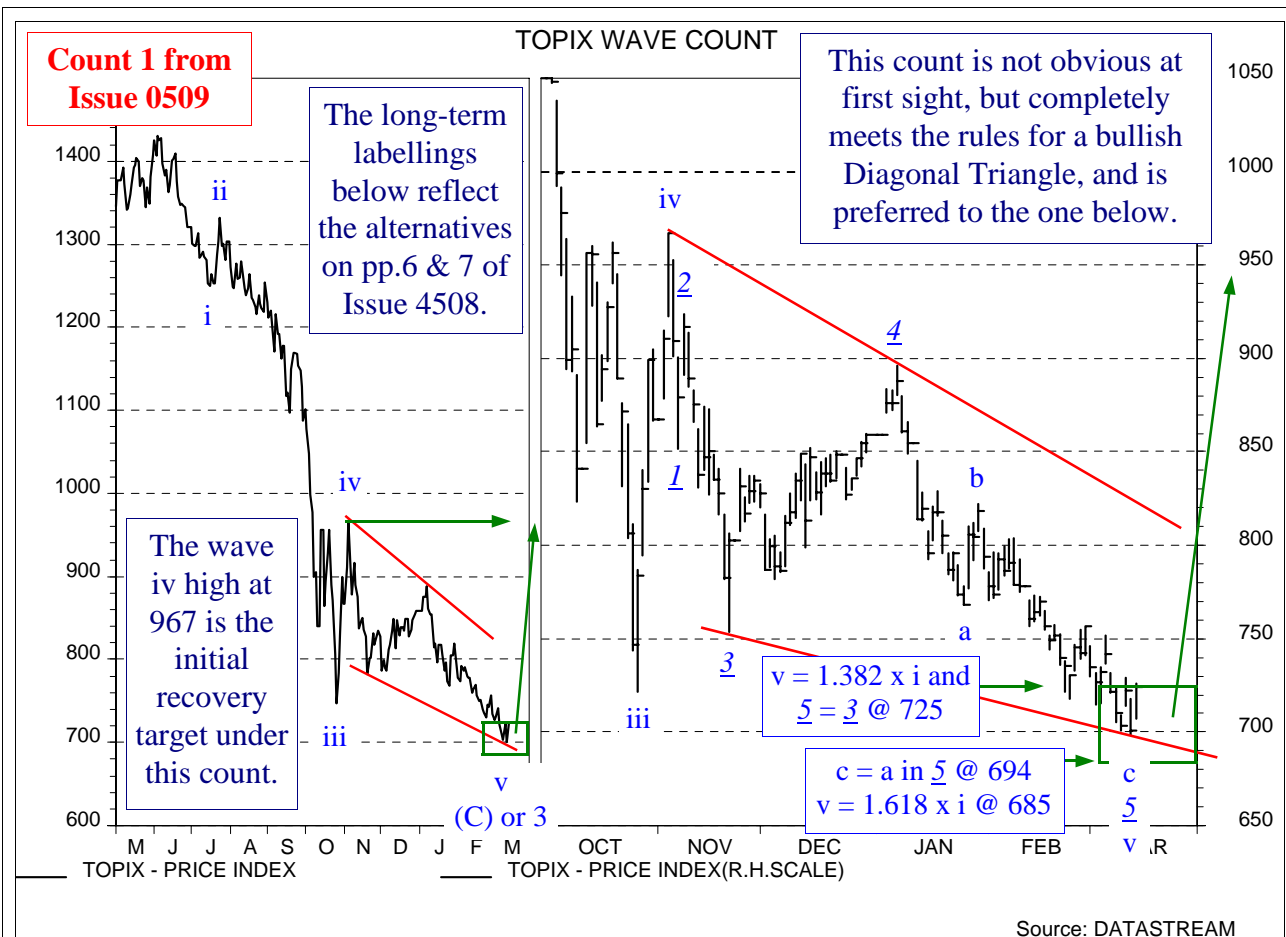
**Europe is the spoiler (p.3).** This quarter's decline in Euro1st 300 has carried much more than 1.382 times the Q4 rally, so it is harder to argue that a recovery all the way back to the January high is underway. In addition, the downtrend in its shorter momentum and breadth indicators continues to leave a question mark over whether the final low has occurred. The configuration is much more consistent with the diagram shown on the front of last week's issue, which treats this as a 4th wave rebound prior to a 5th and final wave down from the January peak. (In fact, the profile looks very similar to that of the DAX in 2003 as shown in green on page 2).

**A completed Japanese wave count ... and more (pp.4-5).** Topix has dropped into the 685-725 target range, and in the process has completed its most compelling wave count down from the November high. Like the S&P's wave count discussed above, it implies a fairly swift return to the 950-1,000 range. The recent low also fell just over 1 point above the 38.2% level of the 2007 high at 1,824. As the 1992 low proved, this is a major Fibonacci support zone, and it lies on the lower trend support line of the channel which can be drawn around the trading of the last 20 years. Not only is the indicator configuration more bullish than in other markets, but there is a cycle turn due at the end of the month, providing another reason for a more positive approach to this market.

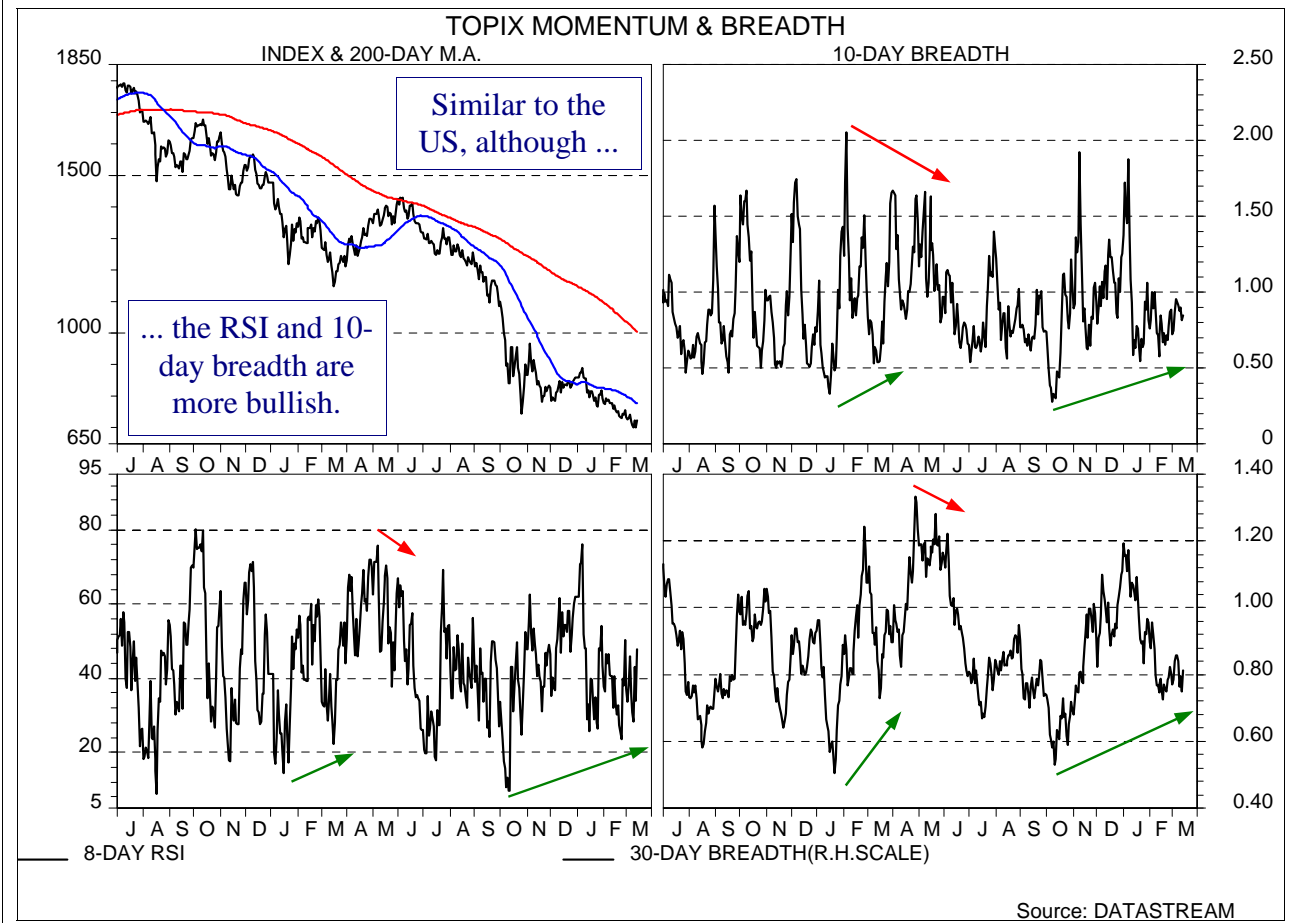
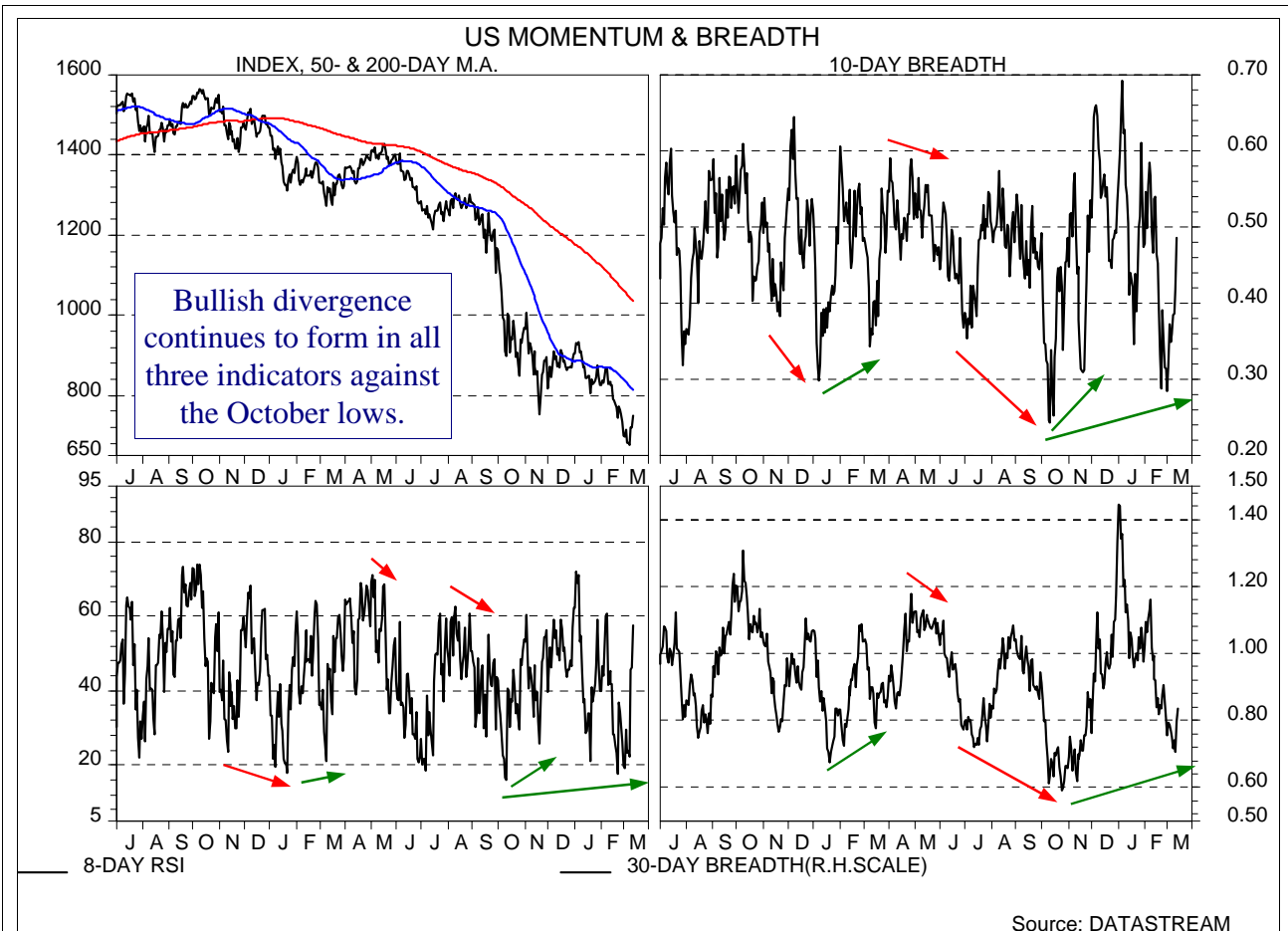
**Bond Summary (pp.9-12).** We should start by pointing out that the UK Equity/Long Gilt Total Return chart hit its 2003 low during the past week, and bullish indicator signals have begun to appear. The UK is also the market with the clearest signals. A 3rd wave decline in yields is close to ending, but, frustratingly, its pattern would allow a brief rise and then new lows in yields, much along the lines suggested by the Euro1st wave count. There is room for downward drift in Bund yields as well, but our medium-term approach to government bonds is becoming more cautious.

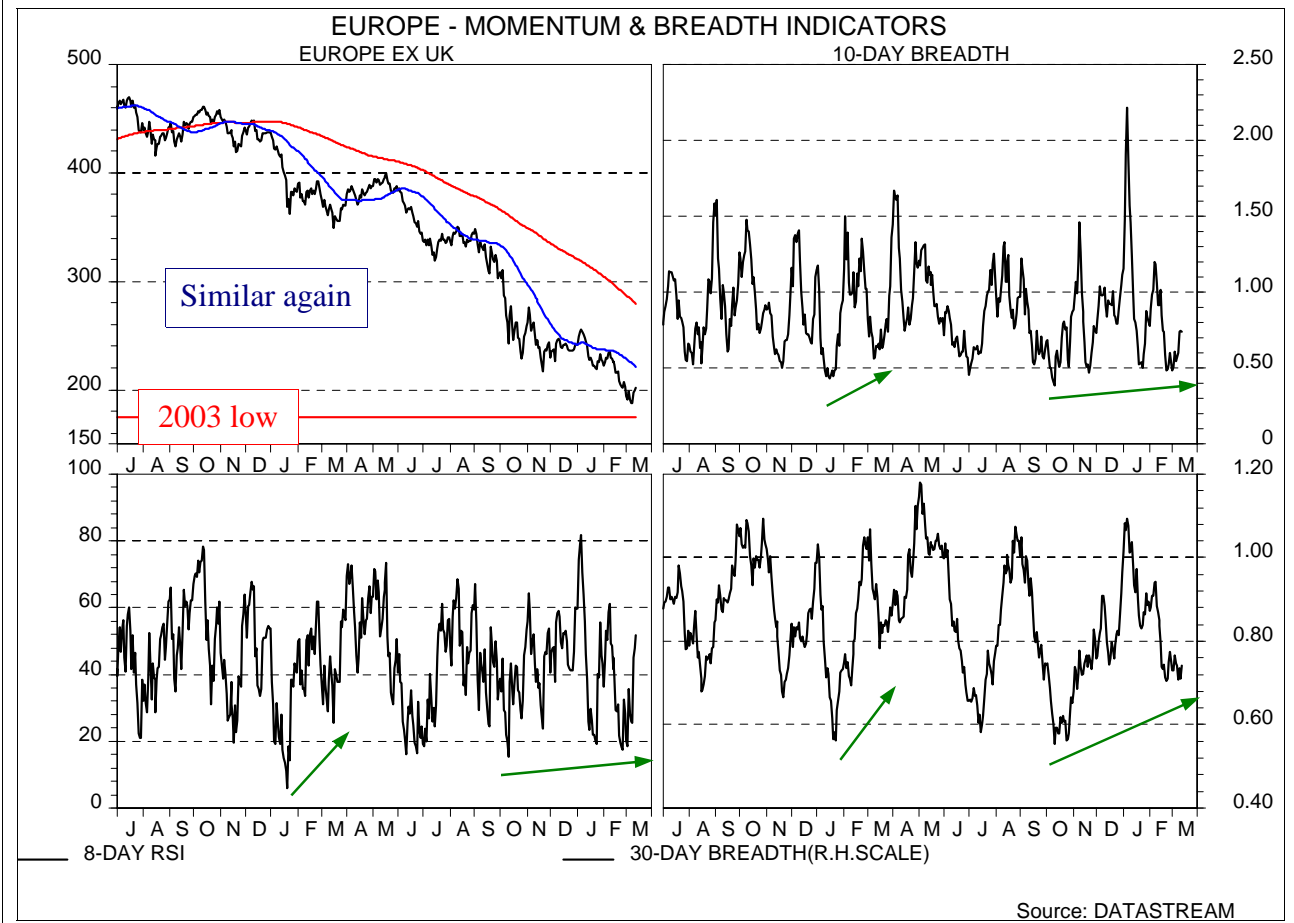
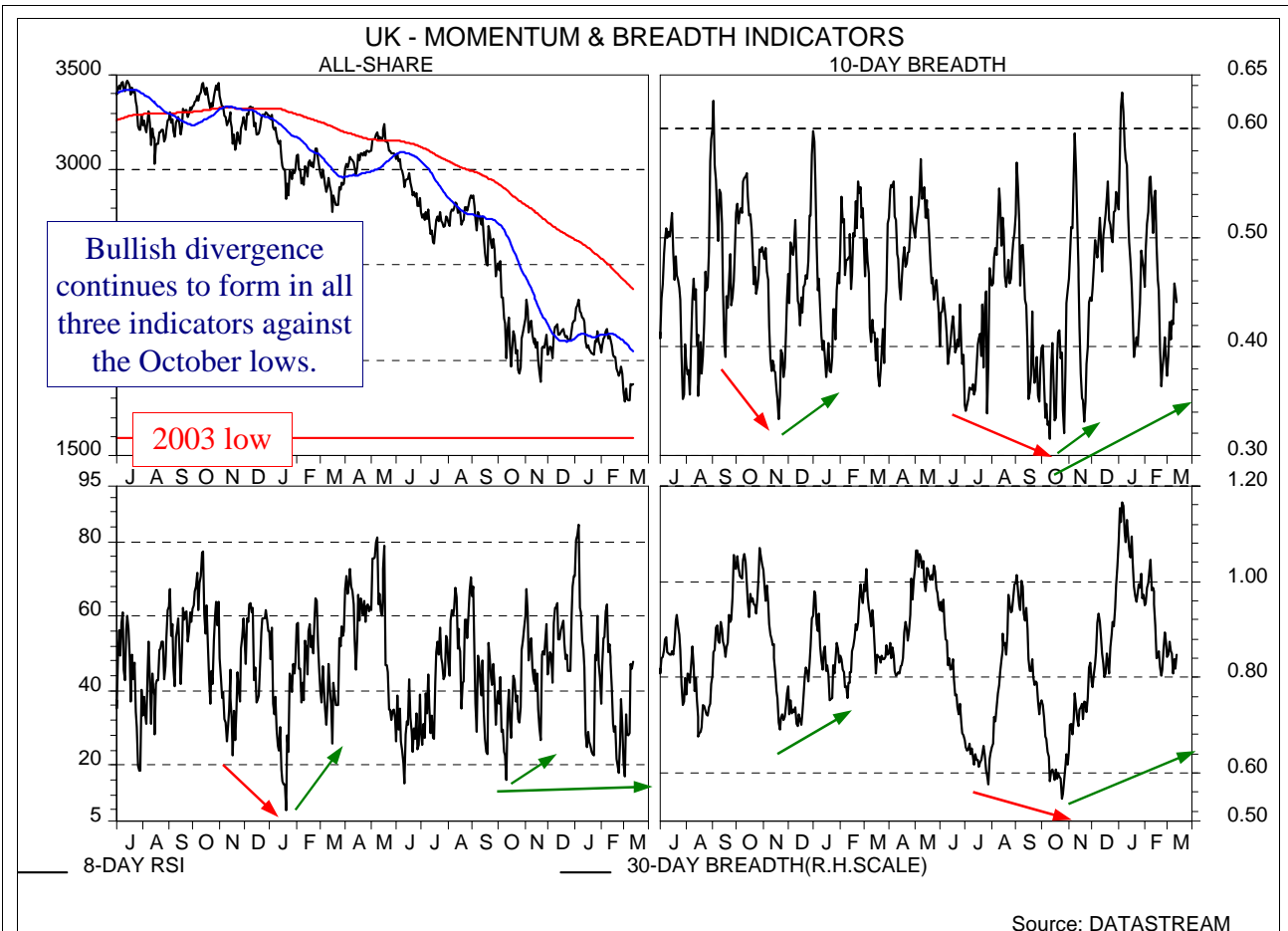




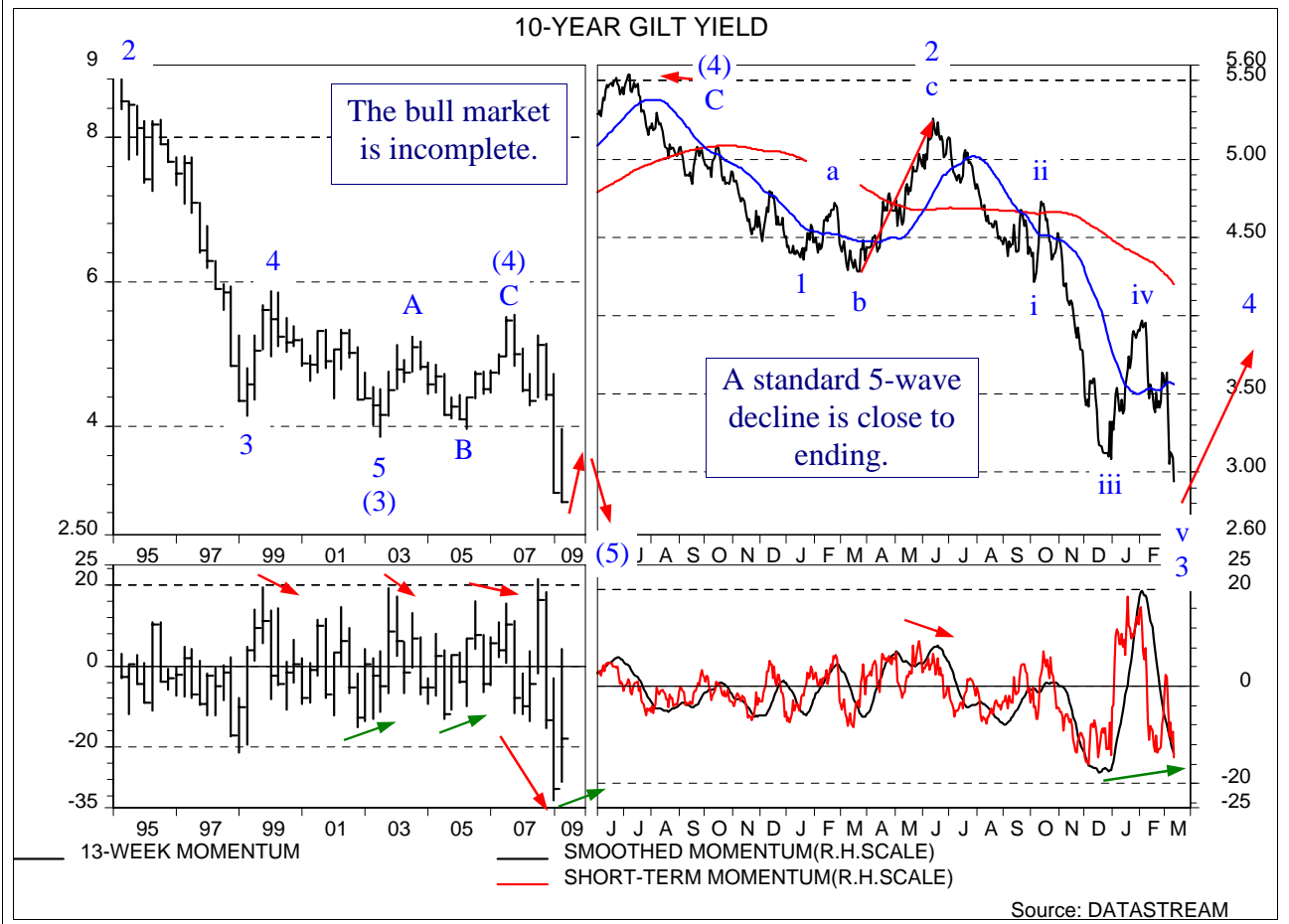
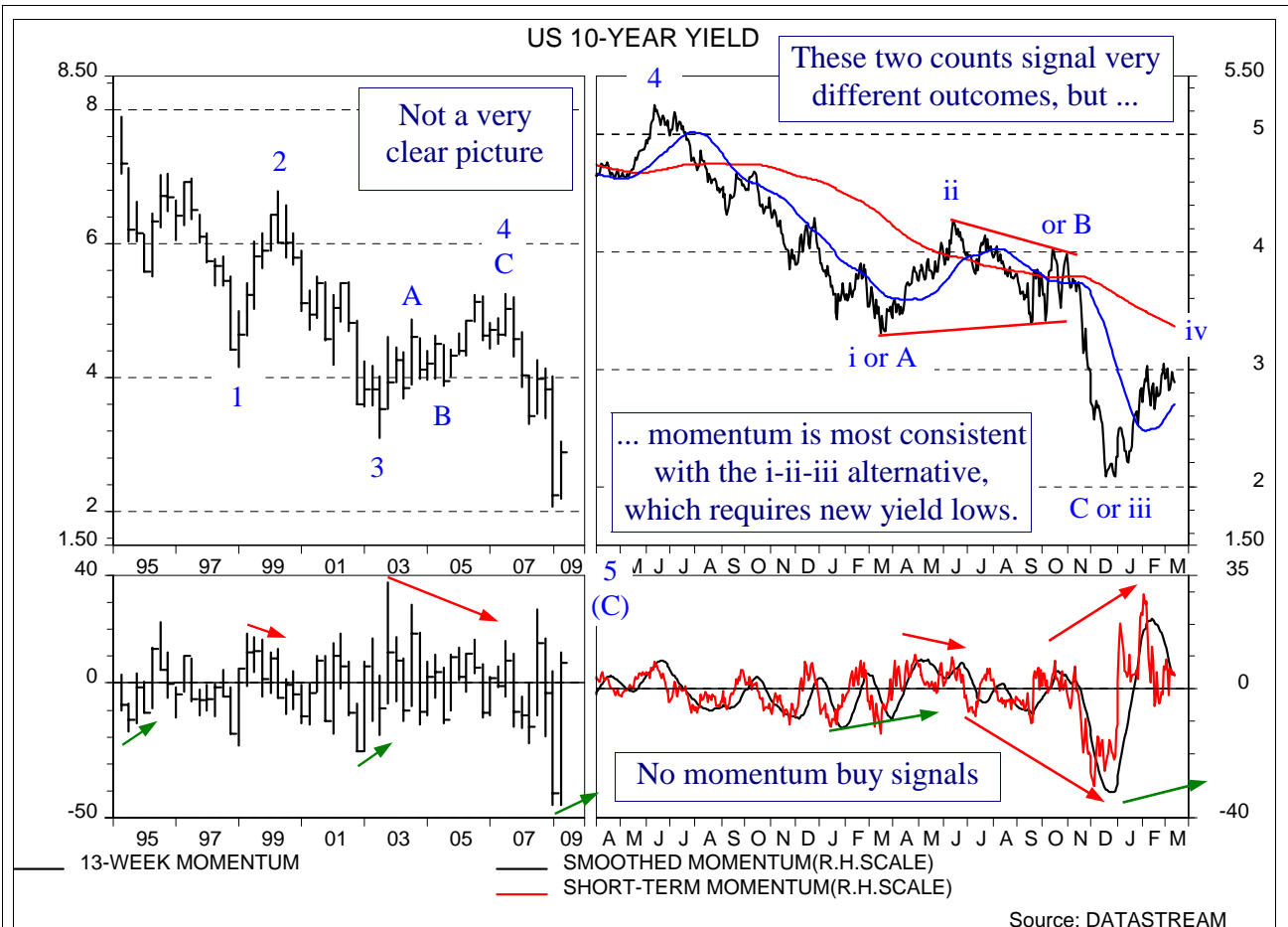


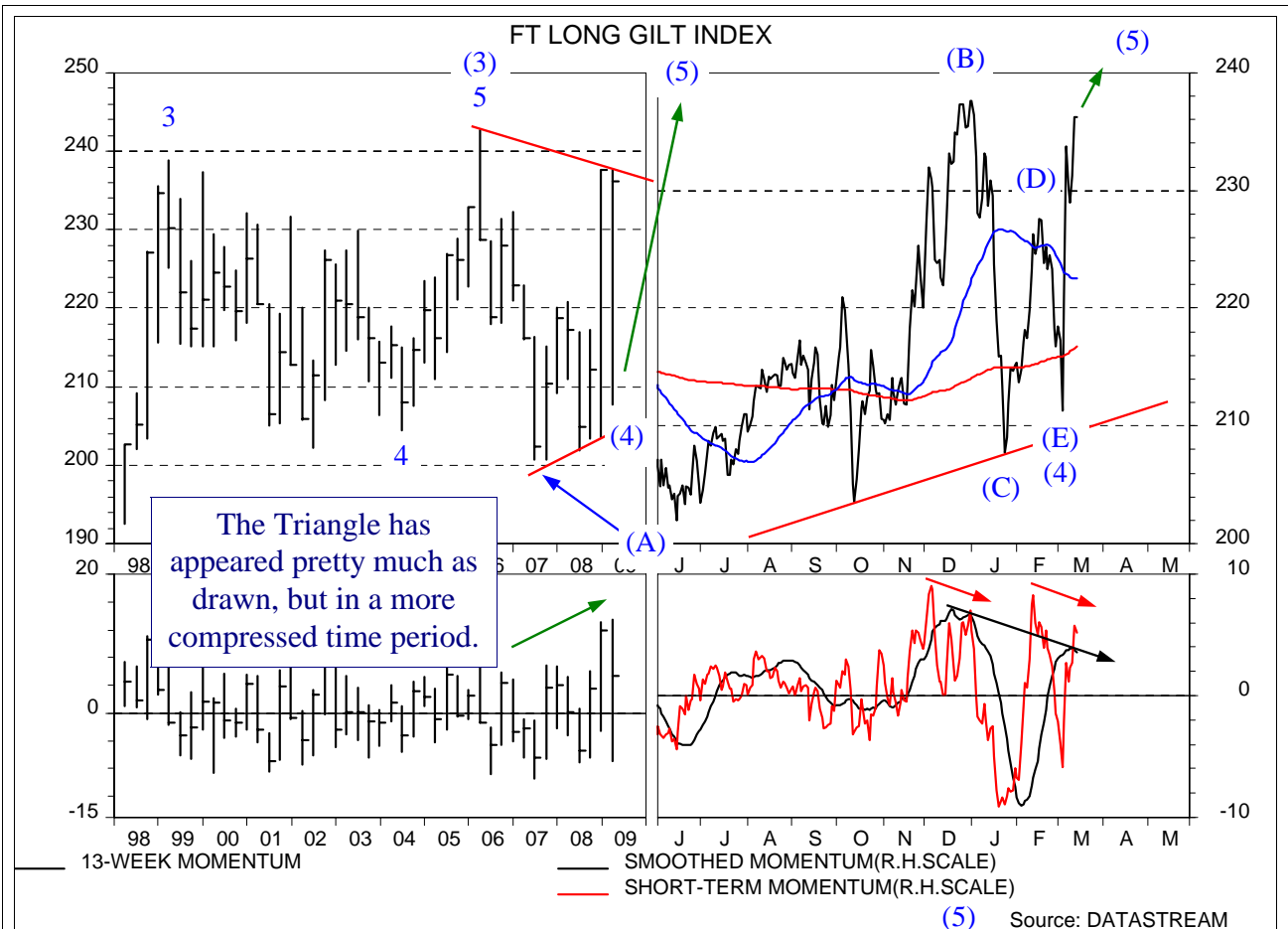


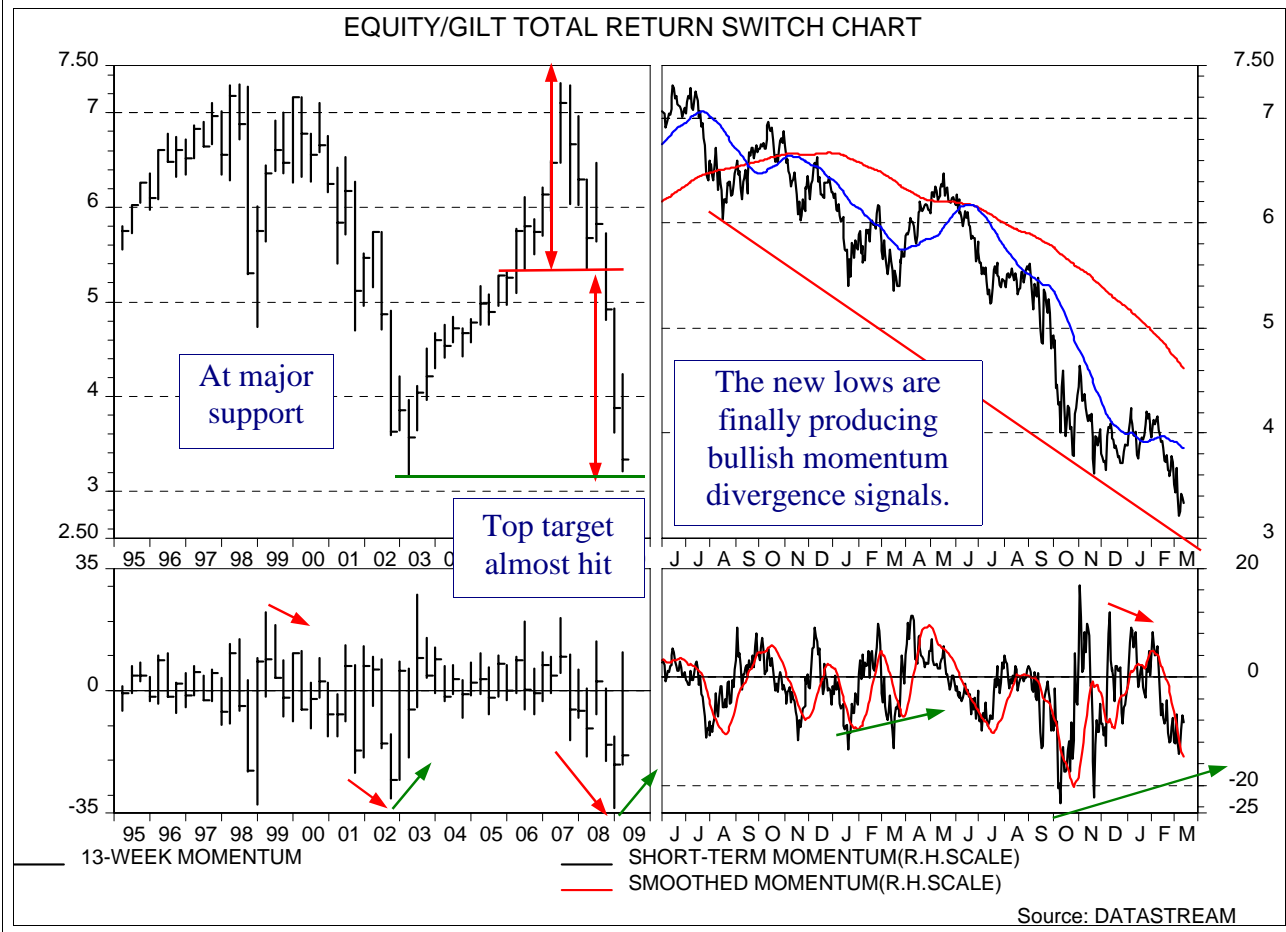


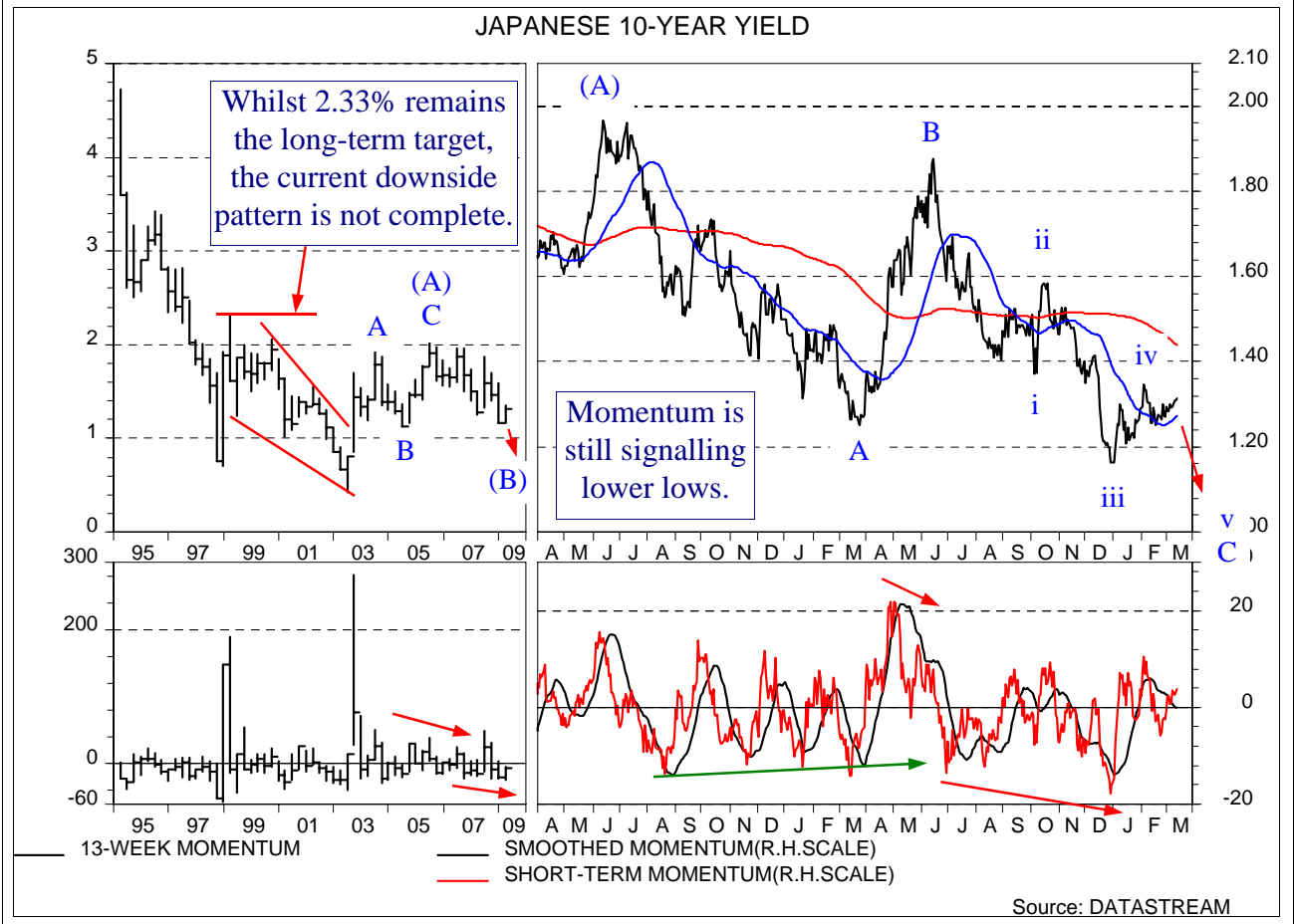
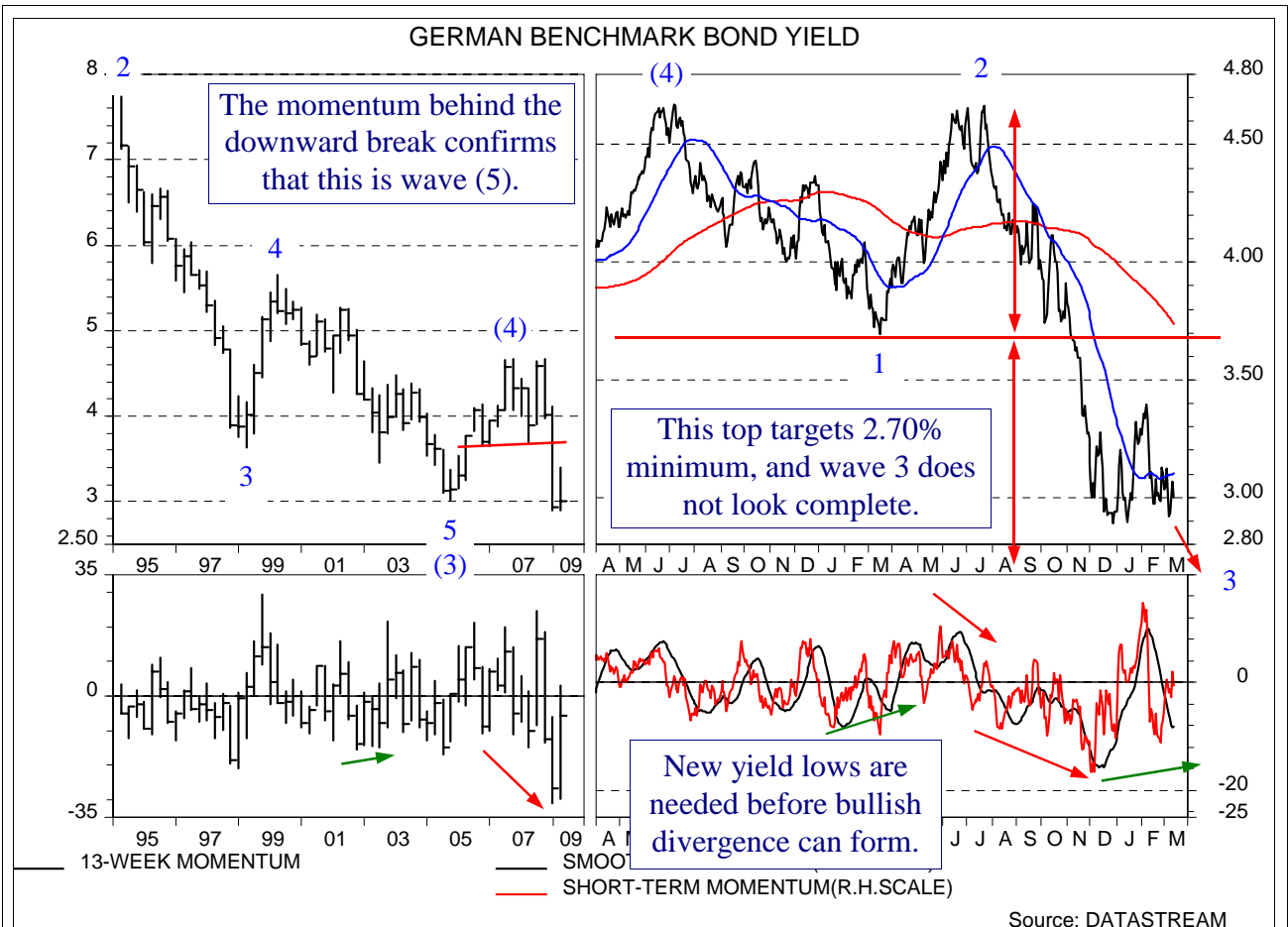














Point & Figure chart targets (changes are in bold)					
Markets	Up-Target/Stop	D-Target/Stop	Markets	Up-Target/Stop	D-Target/Stop
S&P500	None	570 / 880	Currencies		
DJI	None	6,000 / 8,400	Euro/Dollar	None	1.02 / 1.48
NASDAQ Comp.	None	1,065 / 1,605	Dollar/Yen	103 / 88	59 / 100
Topix	None	720 / <b>Hit</b>	Sterling/\$	None	1.28 / 1.53
Nikkei 225	None	4,700 / 8,300	Sterling/Yen	162 / 129	<b>129 / 141</b>
<b>Europe</b>			Sterling/Euro	1.30 / 1.06	0.93 / 1.22
CAC 40	None	1,820 / 3,150	Euro/Yen	None	None
FTSE 100	None	3,100 / 4,550	<b>Bond Yields</b>		
DAX 30	None	2,600 / 4,700	US10-YY	3.275 / 2.175	None
Swiss MI	None	None	UK10-YY	None	2.30 / 3.65
RTS \$	None	None	Bund10-YY	None	<b>2.325 / 3.425</b>
<b>Pacific</b>			Japan10-YY	1.57 / 1.21	1.02 / 1.43
Hang Seng	None	10,500 / 13,200	UK> 5-Y ILG	None	None
KOSPI	1,310 / 1,000	920 / 1,220	<b>Commodities</b>		
Shang. Comp.	2,620 / 1,800	1,900 / 2,320	CRB Index	None	280 / 390
Straits Times	None	1,245 / 1,770	Oil (Brent)	None	37.5 / 47
TAIEX	5,300 / 4,200	None	Gold	1,020 / 810	None
NSE Nifty	None	None	Copper (\$)	3,825 / 3,100	None
ASX 200	None	2,500 / 3,575			

Targets are shown even if they are inconsistent with other areas of analysis.

**And if you want to find a recent piece of analysis, or see when the next update is ...**

Focus	Last Issue	Date	Next Issue Date	Focus	Last Issue	Date	Next Issue Date
<b>Currencies</b>	07/09	20/02/09	27/03/09	<b>Bonds</b>	06/09	13/02/09	17/04/09
<b>Europe</b>	08/09	27/02/09	03/04/09	<b>Commodities</b>	06/09	13/02/09	20/03/09
<b>Pacific</b>	09/09	06/03/09	09/04/09				

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