

# Comshare Analysis Service

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## INTRODUCTION:

Comshare Analysis Service provides fundamental and technical information on a wide range of Shares, Commodities, Bonds and overseas Sharemarkets. Interest Rates, Gold and economic trends are also followed closely.

The writer is Ray Evans who has maintained a keen interest in markets since the Poseidon boom. Embracing the technical aspects from this time it became obvious that markets moved in waves and the length of one wave was related to the others, thus the Elliott wave theory was a natural attraction. Being a small business proprietor since 1975 and experiencing the booms and busts in the economy since, emphasised the importance of the markets as leading indicators for what will happen in the economy. A special report on Surviving and prospering in Business is available on request.

The service was started in Sept. 1992 with cycles and Elliott Wave theory forming the basis of our analysis. A range of other indicators and some aspects of Gann theory now form an important part of our time and price projections.

Technical and fundamental analysis enables us to assess the probabilities of the future market direction however markets often surprise so predictions will be wrong on some occasions. No one can claim a 100% success rate although Gann was said to have achieved a 90% success rate. We estimate that we may be wrong 20% - 30% of the time and suggest appropriate action may need to be taken to remedy any trading strategy based on the expected probabilities. Significant falls below expected support levels may indicate that a forecast has failed to eventuate and needs to be reassessed. This is where good money management principles and "Stop Loss" orders are employed by successful traders.

The aim of our service is to simplify the fundamental and technical information to allow quick interpretations and

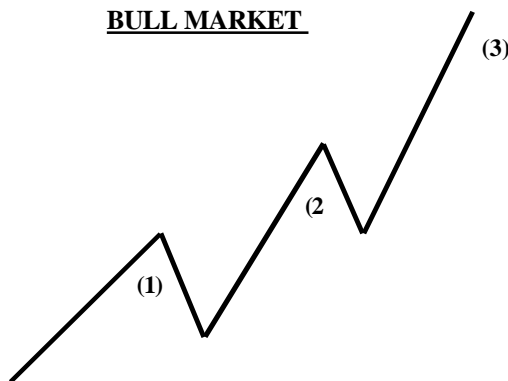
be checked with your financial adviser or broker prior to being acted on. We do not act in an advisory capacity. We provide technical and fundamental information to assist you in your own investment decisions.

## BASIS OF TECHNICAL ASSESSMENTS:

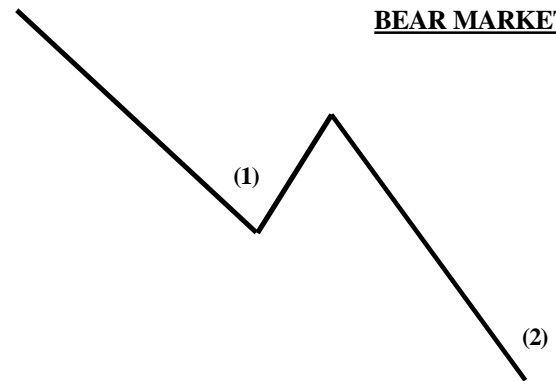
**Elliott Wave Theory:-** Discovered by R. N. Elliott in the late 1930's. He called it "Natures Law" because examples of this theory can be found in nature. The mathematics of this natural law are based on what is known as the "Fibonacci Sequence".

Fibonacci was an Italian Mathematician who discovered the following sequence:- 1:2:3:5:8:13:21:34:55:89:144. This is achieved by adding the first two numbers to give the third number. The second two numbers are then added to give the fourth number and so on to a maximum of 144. The maximum of 144 corresponds to the maximum number of seeds found in a swirl of sunflower seeds. Although the first few numbers do not conform exactly, the balance of the numbers in the sequence settle down to a ratio of 1.618 to each other. Instead of adding the numbers together we can get the same result by multiplying each number by 1.618 to get the next number. Elliott Wave theory also states that the markets move up in 3 waves and down in 2 waves as shown in the diagram below. Each wave consists of 3 smaller waves and this applies to both the major waves up in a bull market as well as the major waves down in a bear market. All correction patterns in bull and bear markets consist of 2 waves. Applying this principle to the market, we may find a share that will rise initially from 10c to 30c, so forming wave (1). A fall to 20c may then take place before a rise to the next target of 42c which is calculated by multiplying the difference between the base of 10c and the top of 30c by 1.618 and then adding this to the base. Often wave (2) overshoots by up to 25% so this would give us a target of 50c which is the difference of 30c - 10c (20c) multiplied by 1.618 = 32c + 25%

### BULL MARKET



### BEAR MARKET

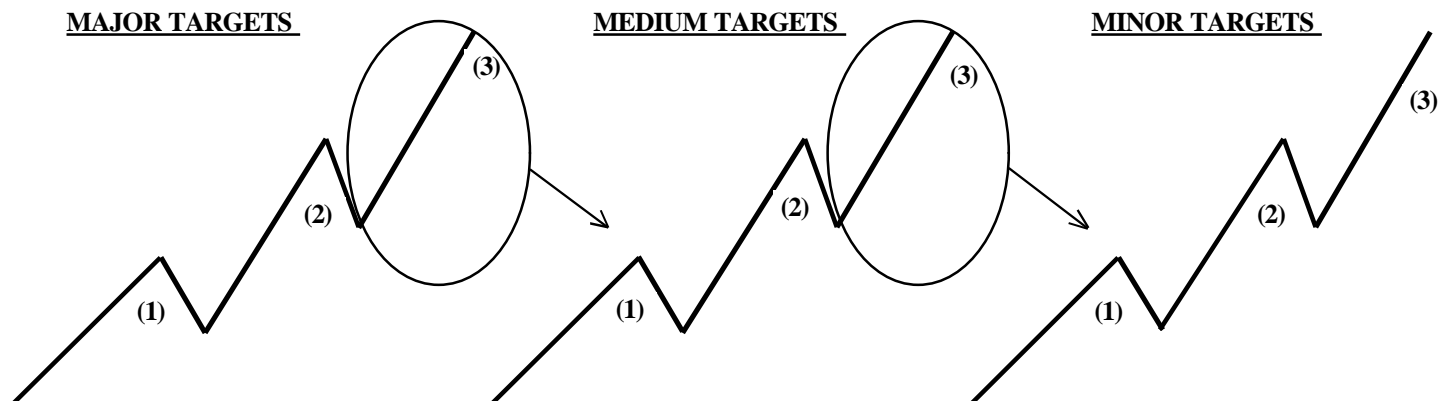


Each wave can be "zoomed in" on and examined to show that each wave up in a bull market or down in a bear market consists of three waves as shown below.

### MAJOR TARGETS

### MEDIUM TARGETS

### MINOR TARGETS



Each section of a wave pattern can be examined to confirm correct analysis, so wave (1), (2) or (3) can be split into 3 smaller waves and so on until it becomes indiscernible.

is calculated by deducting the base of 10c from the wave (2) top (say the mid range of wave (2) at 46c) and multiplying the difference by 1.618. This figure is then added to the base of 10c.

Wave (3) targets often undershoot by 20% so this would give us a target of 56c. We usually work in ranges rather than exact targets so the wave (3) target would be in the range of 56c (-20%) to 68c (normal). When a share reaches a wave (3) target it has then completed an important rise and a large correction or a retreat to the base is then possible.

What determines the limit of 'microscopic' examination of waves is the speed of movements in the market. In a strong Bull market for instance only the major waves and a few medium waves may be discernible, whereas in a slowly moving market such as a consolidation phase, we may examine up to 6 or 7 steps down, i.e. the major wave dissected into 3 waves, the last wave of which may be dissected into 3 waves etc. It is normal to dissect the last wave down in a bear market for instance 4 - 6 times.

**FIBONACCI TIMING:** This is closely related to Elliott Wave theory, but instead of multiplying the price move between important points, we multiply the time period between significant highs and lows. Important turning points in the market may also occur 5; 8; 13; 21 and 34 weeks after a major top or bottom.

A rise of 5 months for example may be followed by a fall of 3 months giving a total move of 8 months. The same -20% , + 25% principle applies so a rise of 5 months could be followed by a fall of 1.5; 3 or 5 months.

**GANN THEORY:** W.D. Gann is reputed to have made \$50M in his trading career on Wall St. and his theories form a part of many successful trading strategies. Gann considered a 50% retracement of a price rise a very strong support level and markets often conform to this.

Gann also related time to price and believed that one unit of time may equal 1 unit of price when a market was performing normally. A strongly performing market may rise 2 units of price for one unit of time and a weak market may rise 1 unit of price for 2 units of time. Thus we have what is known as the basic Gann lines or angles.

Gann considered time from an astrological perspective in that 360 degrees = 365 days and thus 30° = 1 month; 180° = 6 months etc. The most important divisions are the 90 degree or 3 month periods which if connected in a circle form a square and the 120 degree divisions which form a triangle or 'Trine' in astrological terms.

Gann was an avid astrologer however his timing methods are not conventional astrology, but more in tune with astronomy. Important turns in the market are often identified by going back to previous major highs and lows in the market and watching the dates 30°, 60°, 90°, 120°, 150°, 180° or more from these points.

The way to achieve precision in this work is to refer to an ephemeris which is an astrological book that gives the dates according to degrees. Important market turns can thus be identified often within 1 day. Anniversaries of major market highs or lows may also run in years, so a peak 1, 2, 3, 4 or 5 years or more ago may be important. When important anniversaries occur and these coincide with other timing indicators such as Fibonacci numbers and cycles, major market turns can be determined with a high probability of success.

**CYCLES:** The cycles we have found useful in our work are the 10.6 wk; 26wk; 2yr; 3.4yr; 9yr; 18yr; 18yr; 23yr. and 60 yrs. The best short term trading cycle appears to be 26 wks. The best longer term trading cycles are 2 yrs.; 3.4yrs. and 9 yrs.

Markets are always changing and depending on the strength or weakness exhibited e.g. a strong uptrend or a long sideways consolidation, different cycles will appear to be

the 26 wk. cycle will be seen but the 10.6 wk. cycle may seem to disappear.

In exceptionally strong markets, the 2 yr. cycle may be the most obvious or the 3.4 yr. cycle may take over. Cycles are not fixed periods. They expand by 25% and contract by 20%, making forecasts based on cycles only, difficult however they are a useful guide and when combined, they are a useful tool.

The shorter term cycles allow us to determine the length of the longer cycles with a fair degree of accuracy.

**MOMENTUM:** Markets tend to move up and down in parabolic curves and so steeper trend lines may need to be drawn as a major cycle is nearing its completion. When markets are rising strongly, the Fibonacci relationship between the last two important lows is often relevant to the subsequent top i.e. multiply the time between these two points by 1.618 to get an approximate top.

**PRESSURE POINTS:** Major pressure points are those dates that we expect important turns or reactions in the market. They can relate to major tops and bottoms. Minor pressure points refer to dates that we expect only minor reactions or turns in the market such as correction lows or highs within a major trend. Sometimes minor pressure points can be more significant, especially if they fall 90° or 120° from previous major highs or lows. In these cases we may change our opinion as to the importance of these points and call them major pressure points.

**FUNDAMENTALS:** In this age of information overload, we condense the fundamental information we publish on stocks and give shares a rating according to various codes. The codes basically convey our view of the stock and represent the growth prospects, calibre of management, risk etc. You will find an explanation of our ratings at the end of our newsletters.

**STOCKS FOLLOWED:** Usually stocks in an uptrend, those close to a major correction low or those considered to have the potential to be re-rated are followed. When a share that we have followed completes a major wave (3) move up and/or seems destined to decline we may remove the share from coverage in the newsletter until the outlook improves.

**SUPPORT LEVELS:** If support levels that we expect to hold are breached, this may indicate a much larger fall before the uptrend resumes or it may mean that we need to reassess the stock. Our policy in our own portfolio trading is to reassess the situation if a further fall appears likely and determine an exit point based on a rally if this is likely or determine a stop loss exit point or both. We must expect to be wrong on occasions and have a plan to deal with this situation.

**UNDERSTANDING THE WAVES:** Normally the completion of a wave (1) move up results a large correction down. If the correction from wave (1) is minimal, the correction from wave (2) is usually substantial. **Major targets** are those targets from where a large correction can be expected. **Medium target** corrections are usually smaller and **Minor targets** are smaller again. **Small targets and Extra small targets** continue to be proportionally smaller.

**RETRACEMENTS:** Retracements may also be referred to as corrections and reactions. **Minor corrections** can be expected to find support at 12%; 20% or 25% retracements of a wave. **Moderate corrections** at 25%; 33% or 38%, **Large corrections** 38%; 50% or 62% and **Major corrections** 62%; 66% or 75%. Retracements are calculated by deducting the start (referred to as **Start**) of the wave from the finish to give the range and then taking off the relevant percentage.

**WAVE CODES:** The following codes are used in our work:

Super Long	✦	Medium	{1}	Short	□
Extra Long	⬆	Minor	<1>	Extra Short	<1>
Long	[1]	Small	⌘1	Super Short	⌚
Major	(1)	Extra	①	Minute	)1(