1. Carefully note the climactic S&P parabolic price action (A-to-B on Chart 83) down through the Aug 19, 1999 3D bottom (1318.50). This intraday price action is analogous to the price action in your text, the grand rushes up to X (Charts 65/66; TDL 2:2:122-123).

2. Next, note the near-100% retracement (B-to-C) back up in the S&P in the afternoon of the 31st. This is analogous to the Y-to-Z rallies in Charts 65/66.

3. Now note how the congestion in the first half of the first of September price held the 50% region of the B-to-C range. Price did not quickly relapse below the 50% level.

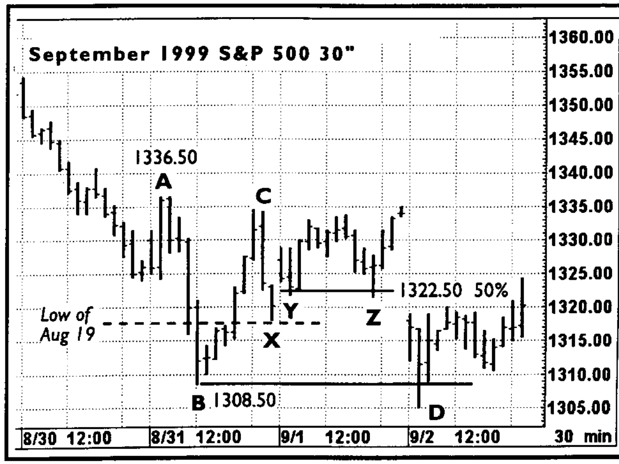

Chart 83. Selling climax.

Each of these three elements must be in place: a selling climax; a quick recovery of almost all of the panicky decline; and finally the holding of the 50% retracement level.

It was not initially obvious that the S&P was going to congest above the 50% point, but after midday First Law potential was prominent (time had conditioned and affected the potency [potential] of price movement), and the "holding above the 50% level" was attained at midday.

At this point, about midday into the 1st of September, I was looking for some type of price action, maybe a terminal or a washout of the low of the day, to define an entry point where I could get ideal trade location.

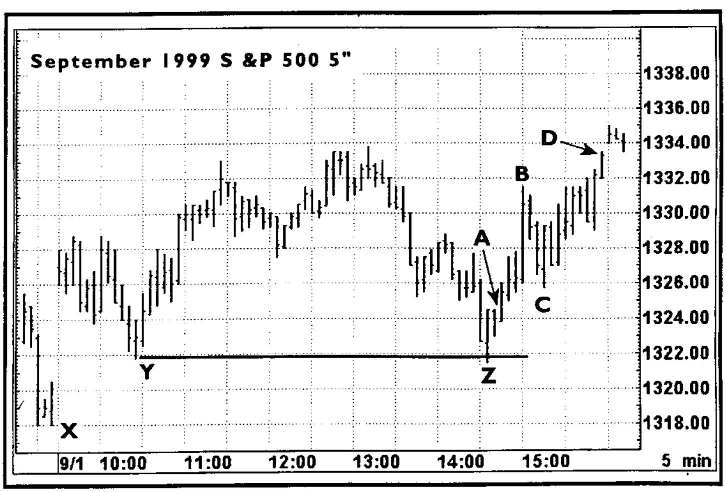

Chart 84. Seventh Law entry.

At the 5" micro level, the spring to new lows at Z on Chart 84, right, was a hybrid complex terminal (see bottoms X, Y and Z) as well as a spring of the daily range so far. It was therefore, if perversely, a compelling spot to initiate or add to long positions. This is what I did when the intraday timeframes started to show 5" line