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Seeking the Perfect Wave

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New York Times columnist Jeff Sommer, acknowledging recently that he found himself in a "buoyant mood" due to the steady rise in stock prices, sought out someone with a gloomier assessment of the financial markets to provide a counterweight to what he feared could be excessive optimism.

He turned to Robert Prechter, a veteran market analyst who has published *The Elliott Wave Theorist* in Gainesville, Georgia, since 1979. As Mr. Sommer reported last week in the *Times*, Mr. Prechter's investment outlook is "as bleak as an ice storm." Based on his interpretation of cyclical wave patterns that he discerns in both financial markets and "social moods," Mr. Prechter believes the current rally is only a minor upswing within a much larger, longer, and punishing downtrend that will "lead the unwary to ruin."

Market forecasters are often accused of doubletalk, couching their predictions in such convoluted language that they can later claim success regardless of the outcome. At least there is little doubt where Mr. Prechter stands—he sees disaster ahead and has been saying so for quite a long time.

In an earlier interview with the *New York Times* in July 2010, Mr. Prechter suggested the US stock market had entered a decline of "staggering proportions" that would likely see the Dow Jones Industrial Average—9686 at the time—fall well below 1000 over the next five or six years. Although the Dow has surged over 27% since that time to close at 12391 on February 18, Mr. Prechter is unperturbed and argues that the outlook is "much more dangerous today than it was last summer."

Perhaps Mr. Prechter will be proven right. But if not, he appears to have ample reserves of both patience and conviction. If his grim vision of deflation and depression sounds familiar, it should—he was making similar arguments in his book *At the Crest of the Tidal Wave*, first published in 1995.

Mr. Prechter has made some prescient market calls in the past—notably in the 1982–1987 bull market—but success since that time has proved more elusive. If only we could determine when to follow the advice of a market soothsayer and when to ignore it, we could be exponentially wealthier. But timing the market timers appears to be no easier than timing the market itself.
