

This week, we would like to revisit the count of Nikkei 225 CFD starting at the low of the 2008 financial crisis.

Figure1 (1W) Main Count at present (Jun 01,2023)



Let us list the advantages of this count again.

1. The entire impulse is golden section at approximately the position of wave ④ endpoint.
2. Wave ① is a leading diagonal and wave ③ is an extended one.
3. The wave 3 of wave (3) of wave ③ has the strongest uptrend, and it also features new quantitative and qualitative monetary easing measure by the Bank of Japan. Almost all stocks rise in wave ③.
4. The entire impulse is almost contained within the channel.
5. Wave ③ is extended and waves ① and ⑤ are almost the same size.
6. The first corrective wave after the completion of an impulse at Cycle degree is as large as that of sub-wave of the impulse in terms of both its price range and time duration.
7. The time duration of a corrective wave at Cycle degree is about 0.618 times that of the impulse of Cycle degree.
8. An endpoint of the corrective wave of Cycle degree is same level with the endpoint of sub-wave ④ of the Cycle degree impulse.
9. A notable spike appears at the end of the wave 3 of wave (3) of wave ③.
10. The endpoint of wave ④ is close to the endpoint of the sub-wave (4) of wave ③.
11. Deep correction for wave ② and wave (2) of wave ③, shallow correction for wave ④ and wave (4) of wave ③.

12. Waves ② and ④ are alternations. Waves (2) and (4) are also alternations.

If wave ① is counted as the following leading diagonal, the "wave equality" of waves ① and ⑤ becomes even more notable.

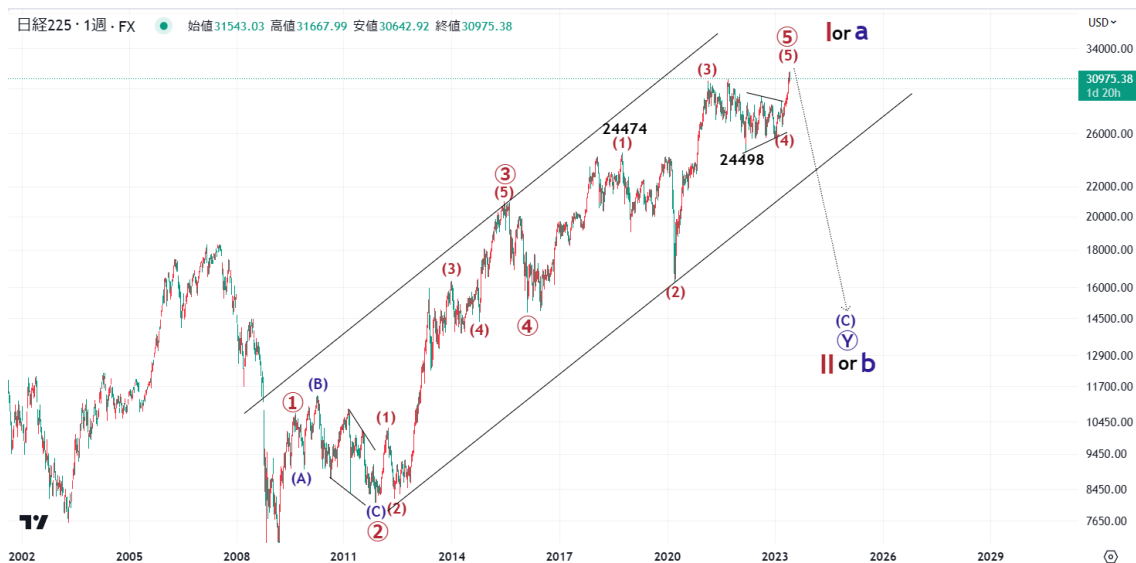
Figure2 (1W) at present (Jun 01,2023)



Here is a list of the counts other than the main count, Figure 1.

First, the following counts that wave (5) is extending. (Alternative count 1)

Figure3(1W) AlternativeCount 1 at present (Jun 01,2023)



The advantages of this count are as follows.

1. As long as there is no movement below the endpoint of wave ④, wave ⑤ may still be

in progress.

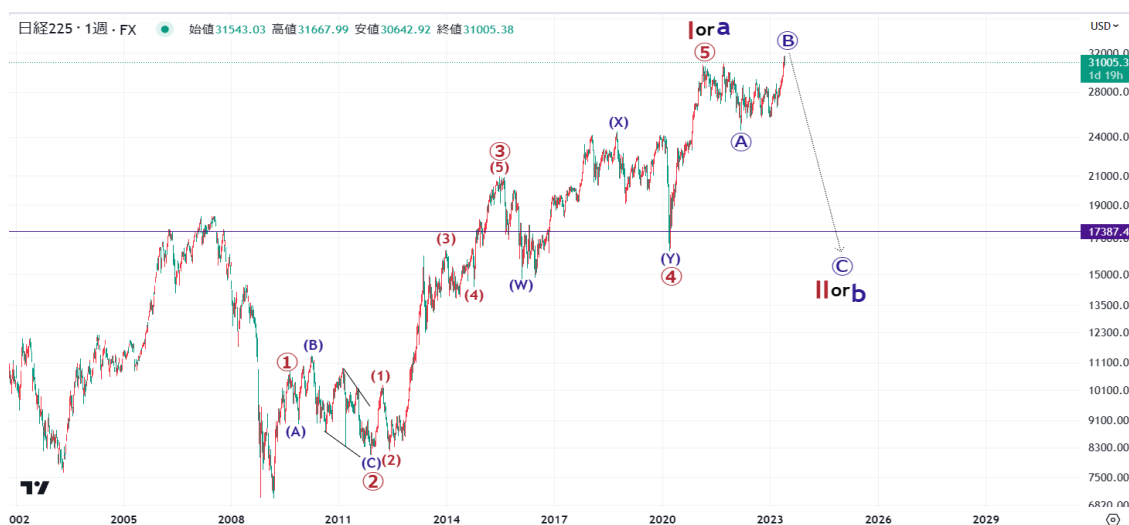
2. In wave ⑤, wave (2) shows a deep correction and wave (4) shows a shallow correction, and the waves are alternating.
3. The entire impulse is in the channel, approximately.
4. In the case of Nikkei 225 CFD, if wave ⑤ ends around 33,300 yen, the size of wave ⑤ will be 0.618 times the size of wave ① 's starting point to wave ③'s endpoint.
5. Wave③ same for the main count with respect to the strength of the wave.

The weaknesses of this count are as follows.

1. There is a guideline that both wave 3 and wave 5 are extended, usually when they are at Cycle or Supercycle degree level and are located in the wave 5 of one larger wave, which is not the case in this case.
2. It is questionable whether the wave (3) of wave ⑤ is an impulse or not.

The second alternative count is as follows.

Figure4 (1W) Alternative Count 2 at present (Jun 01,2023)



The advantages of this count include the following.

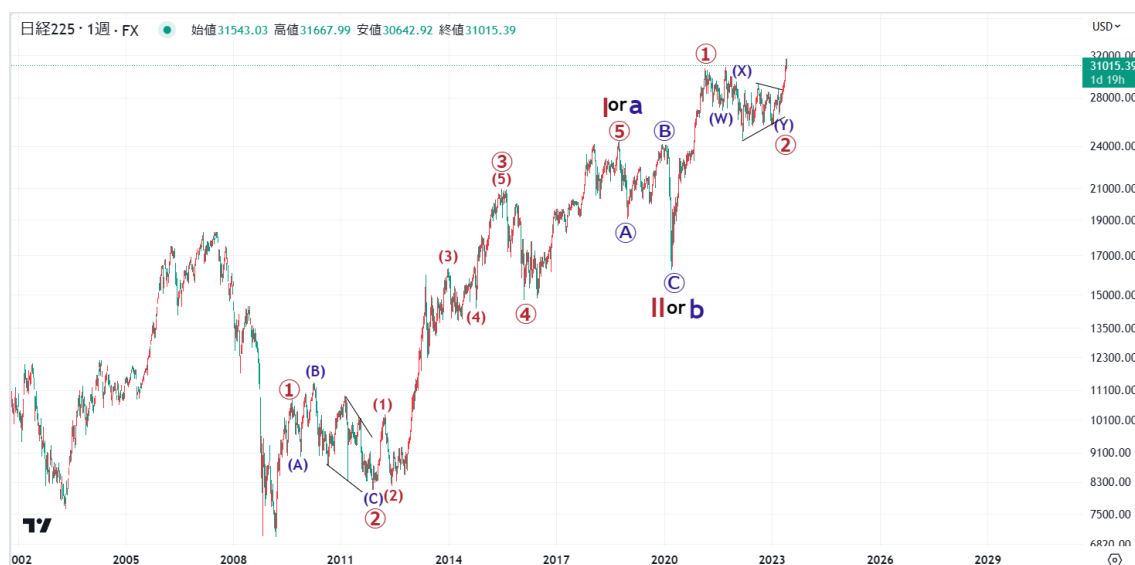
1. Wave ④ can be clearly counted as a zigzag and a flat double-three.
2. Wave ⑤ is 1.6 times that of wave ①, which is close to the Fibonacci ratio.
3. The fact that there is a large bias toward stocks with higher prices consistent with the characteristics of the wave ⑤.
4. The wave ④ endpoint is close to the line (purple line) that divides the entire impulse into golden section.

Weaknesses are as follows.

It is questionable whether the wave is an impulse or not.

The third alternative count is as follows.

Figure5 (1W) Alternative Count 3 at present (Jun 01,2023)



The advantages of this count are as follows.

1. The advantage is also the same as the main count up to the completion of the Cycle degree impulse in 2018.
2. The crash due to COVID-19 was the largest decline since the 2008 financial crisis and deserves Cycle degree correction.
3. If the price continues to rally sharply in the future, wave ② of the impulse will meet the count guideline of a double-three with a zigzag and a triangle.

Weaknesses are as follows.

1. The corrective wave of Cycle degree is too small in both price range and time duration.
2. It is doubtful that the wave ① of wave III is an impulse.
3. On this count, the market is currently in wave ③ of the wave III, but there is a large bias toward stocks with high prices, which is incompatible with the characteristics of the third wave.

The fourth alternative count is as follows.

Figure6 (1W) Alternative Count 4 at present (Jun 01,2023)



An impulse of Cycle degree was completed with the October 2018 high, followed by the corrective wave of Cycle degree at the COVID-19 crisis low. After that, motive wave of Cycle degree is underway with a diagonal.

The advantages of this count are as follows.

1. Same as the main count up to the 2018 high.
2. No need to count the February 2021 high as an impulse.
3. The Dow can be counted as being in the progress of Supercycle wave(V) or wave⑤ of Cycle wave III since the 2008 financial crisis low, and the waveform might be a diagonal. In that case, the first wave of the diagonal with the Dow and the abc zigzag formation period of this Nikkei 225 CFD count can be in sync. (See Figure33)

The weaknesses of this count are as follows.

1. The wave b is too small in both its size and time duration.
2. The wave ① of the wave c would be counted as a two-fold double zigzag, but there is no record of a two-fold double zigzag appearing in the waveform of Primary degree.

These are the advantages and weaknesses in the five counts, including the main count.

Among the alternative counts, a common weakness noted in "Count 2," "Count 3," and "Count 4" is the recognition regarding the waveform from the COVID-19 crisis low to the February 2021 high. This means that the shaded area in the following chart is doubtful to count as an impulse.

Figure7 (1D) at present (Jun 01,2023)



Let me revisit what the waveform is in this particular part of the chart.

First, as far on the four-hour leg, the counts that seem most appropriate are as follows.

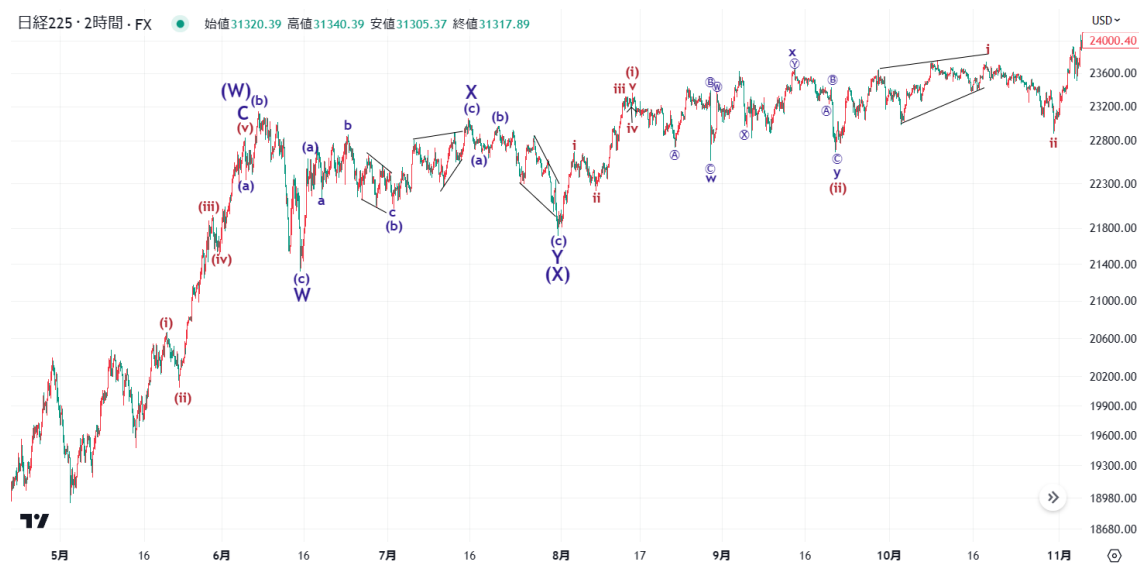
Figure8 (4H) at present (Jun 01,2023)



The overall count is a double zigzag of (W)(X)(Y). In the (W) wave, the A wave is a leading diagonal and the C wave is an impulse. The (X) wave part is a double-three, with the W wave being a flat and the Y wave a zigzag. The (Y) wave is a count that both the A and C wave are impulses.

The (X) wave of Figure 8 is expanded on a two-hour leg as shown below.

Figure9 (2H) at present (Jun 01,2023)



The X wave is a zigzag and its (b) wave can be counted as a flat. In addition, the (ii) wave on the right side in Figure 9 is a double-three, with a flat and a zigzag.

The (Y) wave of Figure 8 is also shown below when enlarged on a two-hour leg.

Figure10 (2H) at present (Jun 01,2023)

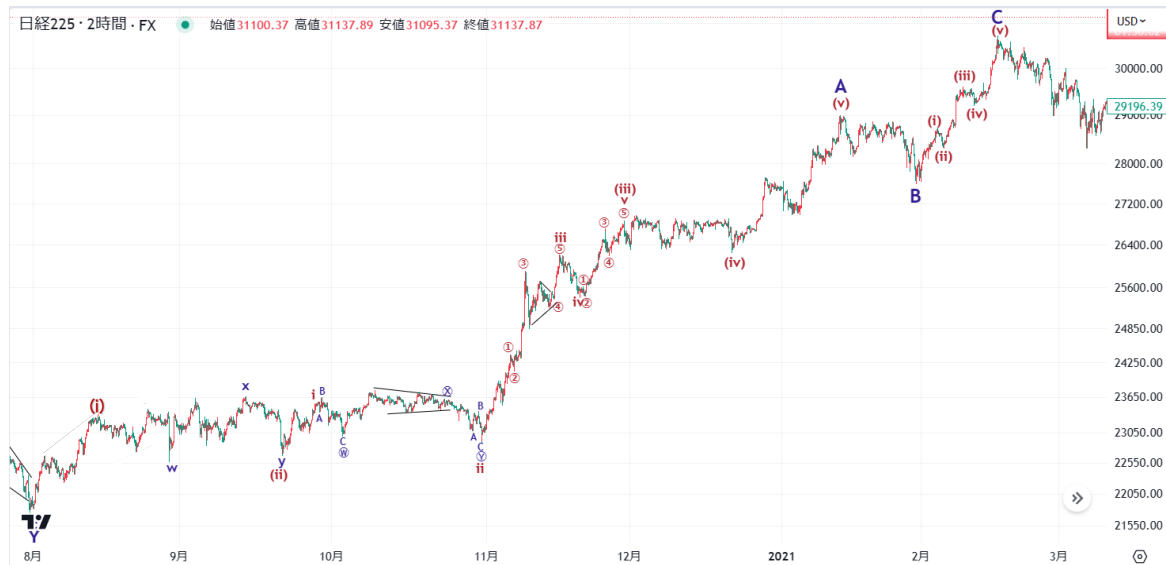


In this count, the wave i of (iii) of A is a leading diagonal, while wave (v) is “failure”.

If the rules were strictly applied, this count would be a rule violation, since a leading diagonal is not allowed to have “failure”.

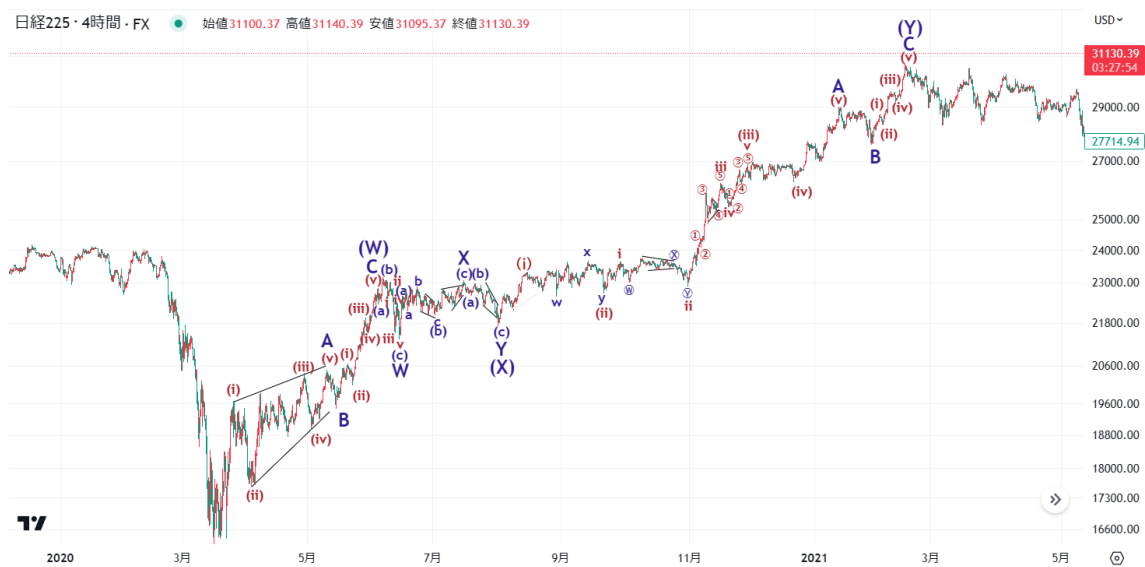
If that is not acceptable by any means, it can be solved by counting wave ii as a double-three with a flat and a zigzag, as follows.

Figure11 (2H) at present (Jun 01, 2023)



With all labels in, it would be as follows.

Figure12 (4H) at present (Jun 01,2023)





Below figure 13 is also the next most favorable count that recognize the whole as a double-zigzag.

Figure13 (4H) at present (Jun 01,2023)



On the other hand, when recognizing the said wave as an impulse, the most appropriate count would be as follows.

Figure14(4H) at present (Jun 01,2023)



There are various other possible counts, but I have considered a count under the condition that first wave is a leading diagonal, so that third wave is extended, and its sub-wave (iii) is also extended.

The four-hour leg appears to be extending sideways. However, when displayed on the daily leg, I have the impression that it is not an impossible count, except that the retracement by the wave 2 and 4 is too small.

Figure15(1D) at present (Jun 01,2023)



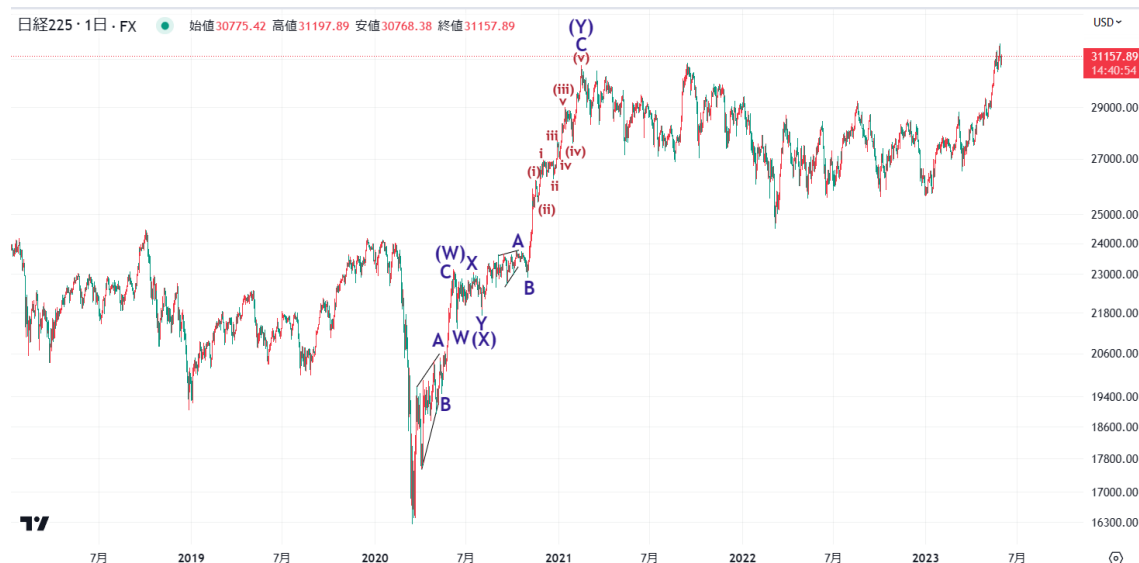
The daily counts in Figure 12 are shown below.

Figure16 (1D) at present (Jun 01,2023)



The daily counts in Figure 13 are shown below.

Figure17 (1D) at present (Jun 01,2023)



When presented on a daily basis, Figure 17 appears to be the most appropriate count.

This means that the wave from the COVID-19 crisis low to the February 2021 high is likely to be a double-zigzag, but it is not impossible to say that it is an impulse.

What is clear is that it is not such an impulse as the following.

Figure18 (1D) at present (Jun 01,2023)



The first wave cannot be recognized as a five-wave pattern in any reasonable way, and a conclusion or hypothesis drawn by fabricating a waveform that clearly violates the rules cannot be considered an analysis based on the Elliott Wave Principle.

Now, assuming that the wave from the Covid-19 crisis low to the February 2021 high can be counted as either a double-zigzag or an impulse, let me consider once again what the future progress assumption will be for the main count and alternative counts in the Nikkei 225 CFD since the low of 2008 financial crisis, respectively.

First, let's talk about the main count.

In the previous edition, the following counts were presented with respect to the corrective wave of Cycle degree starting at the 2018 high, and these were used as the main counts.

Figure19 (1D) at Weekly Report vol.277 (May 25, 2023)



The wave Y of (B) of (Y) is considered to have the following a zigzag in progress as follows.

Figure20 (4H) at Weekly Report vol.277 (May 25, 2023)



As of 4:00 p.m. JST on June 1, it is moving almost in line with the assumed dashed line as shown below.

Figure21 (4H) at present (Jun 01,2023)



Alternatively, we cannot rule out the possibility that the wave W of (B) of the  $\text{\textcircled{Y}}$  in Figure 19 is an impulse, as presented in the report vol. 220.

Figure22 (15m) impulse hypothesis in weekly report vol.220 (Apr 02, 2022)



In this case, the wave Y of (B) of ⑤ can be assumed to be forming an impulse as follows  
 Figure23 (4H) at present (Jun 02,2023)



However, several other possible impulses in process of forming can be considered, one example of which would be the following.

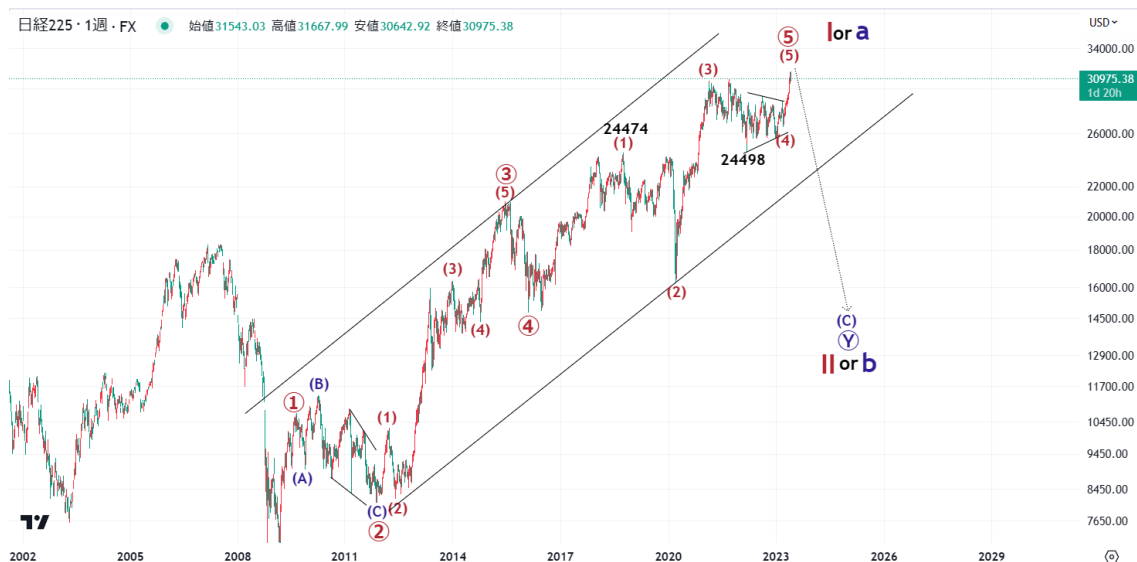
Figure24 (4H) at present (Jun 02,2023)



In Figure 23 and Figure 24, it is supposed that a diagonal is currently forming, but this is only one of the possible assumptions based on the current wave shape. It goes without saying that the wave shape should be reviewed as needed as the wave progresses.

Now what waveform would be considered to be currently underway on the next alternative count 1?

Figure3(1W) AlternativeCount 1 at present (Jun 01,2023)



As Figure 3 shows, wave (5) of ⑤ is currently in progress.

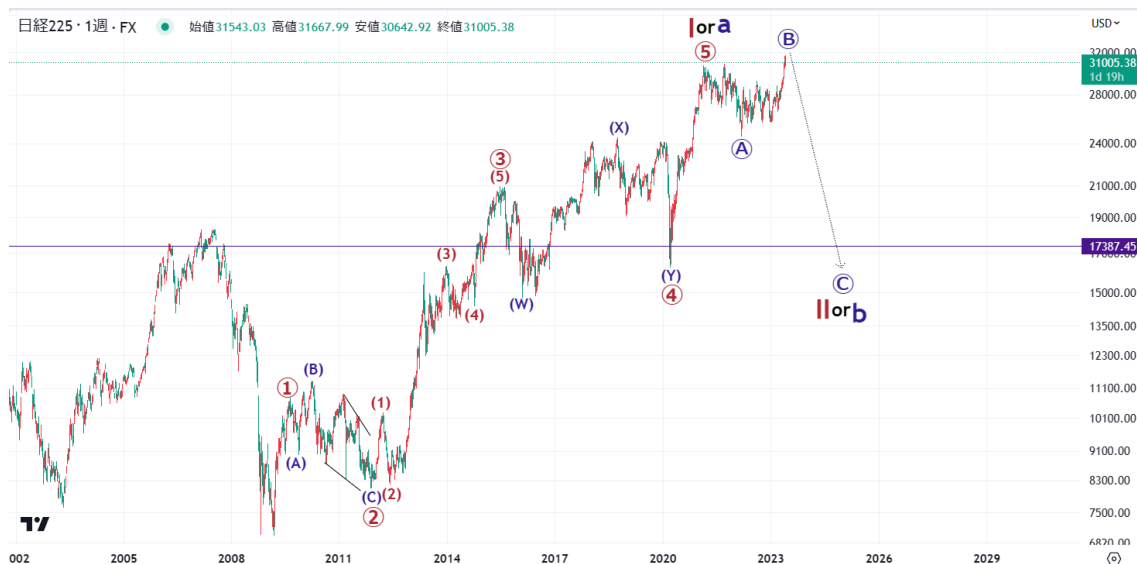
Therefore, the waveform can be limited to an impulse or a diagonal. The starting point of wave (5) is the March 16 low of this year. Thus, the waveform may be identical to Figure 23 or Figure 24. Considering that wave (4) is a triangle, wave (5) may be a thrust. In this case, it could be possible if the wave ends shortly as shown in Figure 23 and Figure 24.

Supposing that the size of the thrust is the same as the maximum range of the wave (4) triangle, the endpoint of the wave (5) can be assumed to be approximately 33,300 yen, as shown below. Figure25 (12H) at present (Jun 02,2023)



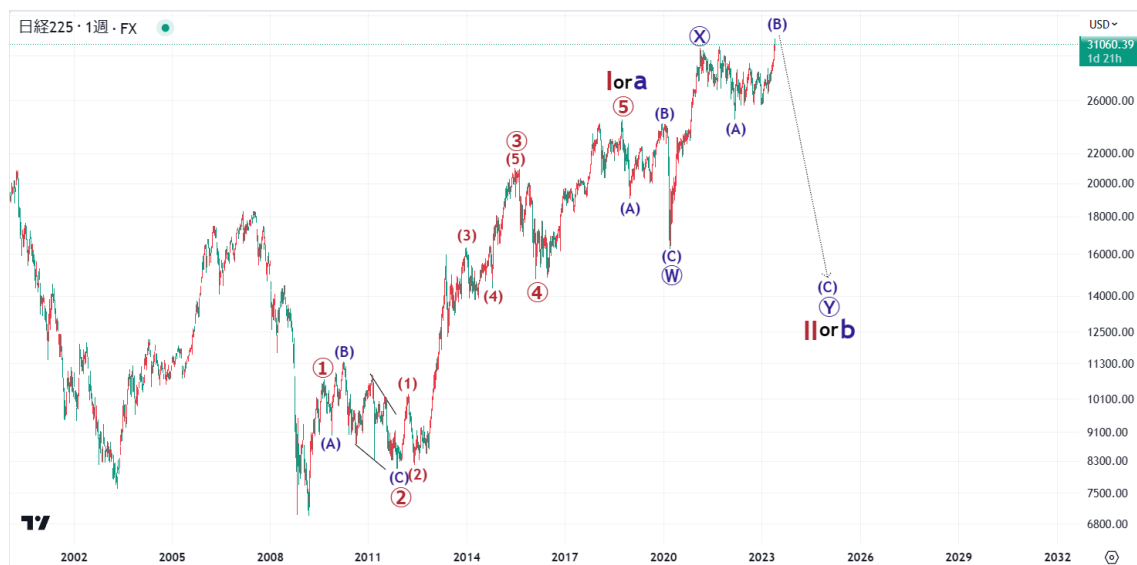
Then what about alternative count 2?

Figure4 (1W) Alternative Count 2 at present (Jun 01,2023)



In this case, the ongoing wave is a flat B, just like the main count presented next. Therefore, the count can be considered same as Figure 21 or Figure 23 or Figure 24.

Figure1 (1W) Main Count at present (Jun 01,2023)





Let's look at how the most recent wave can be counted in the case of alternative count 3.  
 Figure5 (1W) Alternative Count 3 at present (Jun 01,2023)



In this case, wave (3) of III would start at the March 16 low, so the impulse in Figure 23 or Figure 24 would be wave (1) of Intermediate degree. After the completion of the wave (1), a corrective wave (2) will occur. If subsequently a wave that can be counted as a wave (3) moves beyond the endpoint of the wave (1), the advantage of this alternative count 3 will increase at once.

If wave ③ of III is 1.618 times that of wave ①, the target is approximately 66,000 yen, so it is not too late to wait for such a move before buying.

Figure26 (1M) at present (Jun 02,2023)



Finally, let's look at how alternative count 4 might be considered.

Figure6 (1W) Alternative Count 4 at present (Jun 01,2023)



In Figure 6, wave (W) is defined as the period from the Covid-19 crisis low to the February 2021 high. In this case, wave (W) is a double-zigzag as shown in Figure 12 or Figure 13. Based on this, the ongoing wave (Y) is also a double-zigzag.

An example of a future progress assumption would be as follows.

Figure26 (12H) at present (Jun 02,2023)



The wave W portion would be the zigzag of Figure 21.

Having presented the main count and four alternative counts since the 2008 financial crisis low and discussed their advantages and weaknesses above. I should add as a reminder that there are also derivatively similar counts for each of these counts.

Let us now move on to a longer-term overview of the NASDAQ 100 and the Dow.

First up is the NASDAQ 100.

While this is only a rough overview of the count, the main count at this time is one of the following.

Figure27 (1W) Main Count 1 at present (Jun 02,2023)



Figure28 (1W) Main Count 2 at present (Jun 02,2023)



There are a number of opinions that the market bottomed at the October low last year, and based on that opinion, the wave count would be as follows.

Figure29 (1W) at present (Jun 02,2023)



The retrace by Cycle degree wave II against the wave I is too small, and its time duration is also too short.

Alternatively, the following count could be considered, but this is still an undersized retrace rate and time duration by the wave II, and it is unlikely that the corrective wave of Cycle degree would end up small in this way.

Figure30 (1W) at present (Jun 02,2023)



Therefore, from the Elliot Wave Principle's viewpoint, one has to be skeptical of the opinion that the bottom was reached in October of last year.

Next, let's look at the Dow's ultra-long-term wave.

The following chart shows a wave count for the correction caused by the Great Depression and the combined correction of the IT bubble crash and the 2008 financial crisis, which are considered to be the same Supercycle degree correction. In this count, the fourth wave of both the "death of equities" sideways move of the 1970s and the flat corrective wave of the combined IT bubble crash and the 2008 financial crisis fit the guidelines of an impulse.

Figure31 (1M) at present (Jun 02,2023)



On the other hand, there is a disadvantage that the correction by the wave (IV) is too small in terms of price range. The following count corrects for this problem.

Figure32 (1M) at present (Jun 02,2023)



If the count in Figure 32 is applied, we are currently in the process of wave IV of (III). Since

the guideline for wave IV is to be corrected to the area where the subwave ④ of III moved, we assume that wave IV is a (A)(B)(C) flat and count the wave as currently forming its (A) flat.

Figure 33 shows the counts assuming that wave ⑤ of III in Figure 32 is in the process of forming a diagonal. Figure33 (1M) at present (Jun 02,2023)



Referring to any of the counts, it would be no objection to judge that it is unreasonable to count the flat with downward wave C by the Covid-19 crisis as a stand-alone Cycle degree-level corrective wave. In addition, the view derived from the long-term wave analysis of the NASDAQ 100 could be one piece of evidence that the alternative count 3 presented in Figure 5 for the Nikkei 225 CFD is less advantageous.

Now that we have only two hours left in the New York market this week, let's take a look at the current movements of the Nikkei 225 CFD.

Figure34 (5m) at present (Jun 03,2023)



The chart in Figure 34 is subdivided as follows.

Figure35 (5m) at present (Jun 03,2023)



If the counts in Figure 35 are correct, such series of zigzags and zigzag complexes may be forming a diagonal. Since the March 16 low, we can recognize the following zigzags in progress, as an example. This means that the series of zigzags and zigzag complexes in Figure 35 are wave i through iii of the diagonal wave (v) of C in Figure 36.

Figure36 (4H) at present (Jun 03,2023)



However, it has been mentioned that even if the count in Figure 35 is correct, the ongoing zigzag from the March 16 low as shown in Figure 36 is only an example of a count.

For example, the impulse presented in Figure 23 could be underway as follows.

Figure37 (4H) at present (Jun 03,2023)



It is also possible to assume that the following impulse is underway, as presented in Figure 24 and Figure 25.

Figure38 (4H) at present (Jun 03,2023)





The following zigzag could be in progress.

Figure39 (4H) at present (Jun 03,2023)



However, if a diagonal of this size actually appears from the May 24 low (the endpoint of wave iv of (iii) of C in the chart in Figure 39), it would be reasonable to assume either Figure 36 or Figure 37 count could be correct. At this point, it is not confirmed that a diagonal has been in progress from May 24, so it will be necessary to first observe the transition and determine whether it is a diagonal or not.

Now, in New York time on June 2 (early morning Tokyo time on June 3), the Dow is up more than 2%. On the daily chart, the wave is as follows.

Figure40 (1D) at present (Jun 03,2023)



At this point, we do not have enough evidence to determine how this will unfold in the future, so we would like to offer a few examples of possible progress assumption based on the current wave situation.

First, here's the  $\textcircled{B}$  wave double-three assumption.

Figure41 (1D)



It could be said to represent a bearish count. The main count of the Nikkei 225 CFD and the alternate count 1 or alternate count 2 could be considered to be the counts that correlate with the progression.

The next one is the  $\textcircled{A}\textcircled{B}\textcircled{C}$  flat assumption.

Figure42 (1D)



This was the conventional main count. However, since the correlation between the Nikkei 225 CFD and the Dow has become weaker, and the Nikkei 225 CFD has rallied more on its own, the next alternate count 4 of Nikkei 225 CFD correlates with the Dow's figure42 at this time.

Figure6 (1W) Alternative Count 4 at present (Jun 01,2023)



However, considering the correlation with the long-term Nikkei225 CFD, if a move like Figure 42 were to be achieved, the Dow's count would be as follows. The one larger degree of this count is presented in Figure 33.

Figure43 (1W)

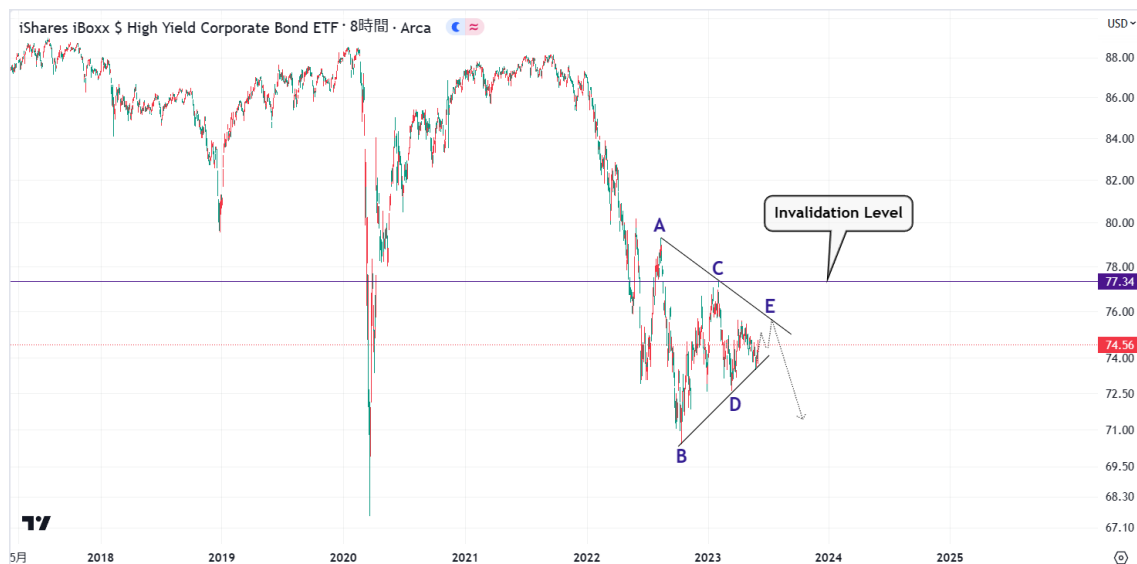


This means that even if the Dow were to rally in the short term (a few months) going forward, the conventional main count presented in Figure 42 itself would have lost much of its advantage.

Finally, let us review some of the charts at this time.

First is the High Yield Corporate Bond ETF (HYG).

Figure44 (8H)



This is within the expected range of movement; this count will be invalidated if the endpoint of wave C is exceeded.

Next is The Tokyo Stock Exchange Mothers Index.

This can be counted as a complication of wave (c) of triangle wave (4), of which wave D itself is a triangle.

Figure45 (1D)



This count becomes invalid once the endpoint of the wave (b) is exceeded.

Next is the Russell 2000 Growth ETF.

This also continues to count as a triangle of wave 4 in formation.

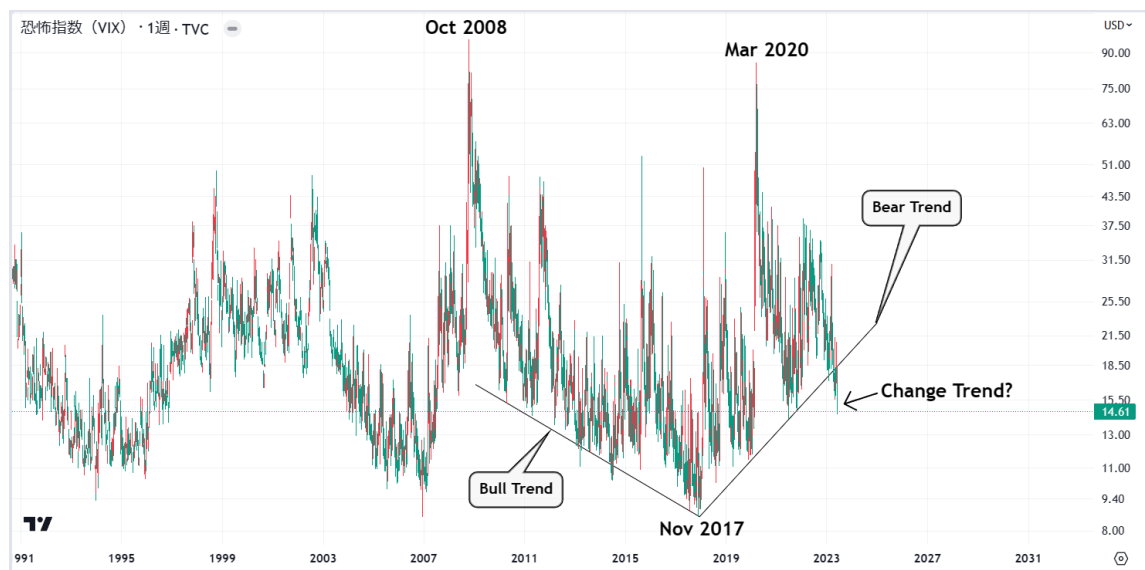
Figure46 (1D)



In other words, both the High Yield Corporate Bond, TSE Mothers, and Russell 2000 Growth are currently in bearish counts at this time. This would be consistent with the main count of the Nikkei 225 CFD.

However, there is one chart that contradicts these bearish views: the VIX index.

Figure47 (1W)



The VIX index, which reached its peak just after the financial crisis in September 2008, can

be seen declining right down of its low point until about a year before October 2018 high, when U.S. stocks are counted to have reached the end of Cycle degree's motive wave. This indicates that the stock market was in a bullish trend.

After October 2018 high in the stock market, a corrective wave of Cycle degree is in progress. The VIX index, which bottomed in November 2017, has continued its lower high sequence. This indicates that the bearish trend has remained in place.

However, the fact is that since April of this year, the VIX index has been clearly below its bearish trend. Whether this is a temporary situation or a change in trend cannot be determined definitively at this time, but it is something to keep a close eye on. This is because if the trend has turned (although the VIX index is against the S&P 500), then the Nasdaq 100 count presented in Figure 30 can no longer be said to be absolutely incorrect.

One last look at the monthly moving averages of the Nikkei 225. Since the high of the 1980s economic bubble, there have been four times that the 12-month moving average has crossed the upward 24-month moving average from below to above. And the fifth time (tentatively) happened this month (the monthly leg has not yet been finalized at this point).



In the 1996 case, the timing of the crossing was almost the high, but in the 2004 and 2013 cases, the market has been in a long-term uptrend since then. We will observe carefully how will it turn out this time.

That's all for this week.

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Kazuyuki Arikawa