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The following is an excerpt from pages 7 and 8 of Bob Prechter's March 14, 2008 Elliott Wave Theorist.

In 1980, silver peaked just beyond the line that connects the tops of waves ① and ③. Silver's rise in 1967-1980 created a neat Fibonacci price tapestry. Wave ③ peaked very close to a 233% gain from the top of wave ①, and wave ⑤ peaked very close to a 610% gain from the top of wave ③, a 2.618 relationship, achieving approximately a 34x multiple for the rise from the low of wave ②. In the current bull market, wave ③ peaked almost exactly at a 61.8% gain from the top of wave ①. If wave ⑤ soars to the same 2.618 relative percentage gain as the former wave ⑤, it will peak near \$21.70, achieving approximately a 5x multiple for the rise from the low of wave ②, which is a Fibonacci .146 relationship to the same part of the former bull market. Observe that the first two peaks (in 2002 and 2004) occurred slightly beyond Fibonacci numbers: **\$5** and **\$8**. Likewise this projection would bring wave ⑤ slightly beyond **\$21**. A repeat of these aspects of the wildest silver market ever, though, seems a lot to expect. A 100 percent gain ($1.618 \times .618$) to near \$16.61 would bring the price just beyond the ①→③ resistance line (see Figure 2), which is

**SILVER HITS THE TRENDLINE
NEAR A FIBONACCI MULTIPLE**

Final
peak
due

**SILVER HITS THE TRENDLINE
NEAR A FIBONACCI MULTIPLE
AMIDST RECORD OPTIMISM**

weekly continuation

Final peak due soon

21-day avg. 91% bulls
10-day avg. 95% bulls
Peak reading 98% bulls

3/6/08 \$21.32

Ø² 2.51x

Ø 1.65x

6/4/02 \$5.15

3/29/04 \$8.50

11/21/01 \$4.015

6/4/02 \$5.15

3/21/03 \$4.346

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again the wave structure appears nearly terminal while market sentiment is extreme. As shown in Figure 2, silver has met its resistance line on arithmetic scale, and bulls outnumber bears so lopsidedly that the 21-day average of daily readings has reached 91 percent and the 10-day average 95 percent, while the peak daily reading hit an amazing 98 percent. The wave count is nearly satisfied, although ideally it should end after one more new high to complete wave 5 of (5) of ⑤. A slight new high would give this top the same profile as that of 2006.

If this analysis of silver is accurate and silver does peak this year and begin a bear market, gold is likely to go down with it. As we have already seen, gold tends to perform less well during economic contractions, so the economy is likely to peak along with gold. This conclusion fits our long-standing observation that silver is an excellent predictor of recessions: When it goes down substantially, recession follows. Despite the recent torrent of bad news, the economy has yet to go into recession. So all this analysis fits our view: The economy is on its last legs, and the precious metals are nearing a top right along with it.

Figure 3 shows how this five-wave bull market in silver fits into the larger picture: It is wave ③ of an A-B-C counter-trend rally. This chart also updates our silver cycles from two years ago. They have continued to work, as the 5-year cycle coincided with the low in August 2007, and the 10-year cycle still points to a low in 2012 (+ or – a year). This is also a projected year for a major low in the stock market. So everything still points to a deflationary collapse bottoming about four years from now.

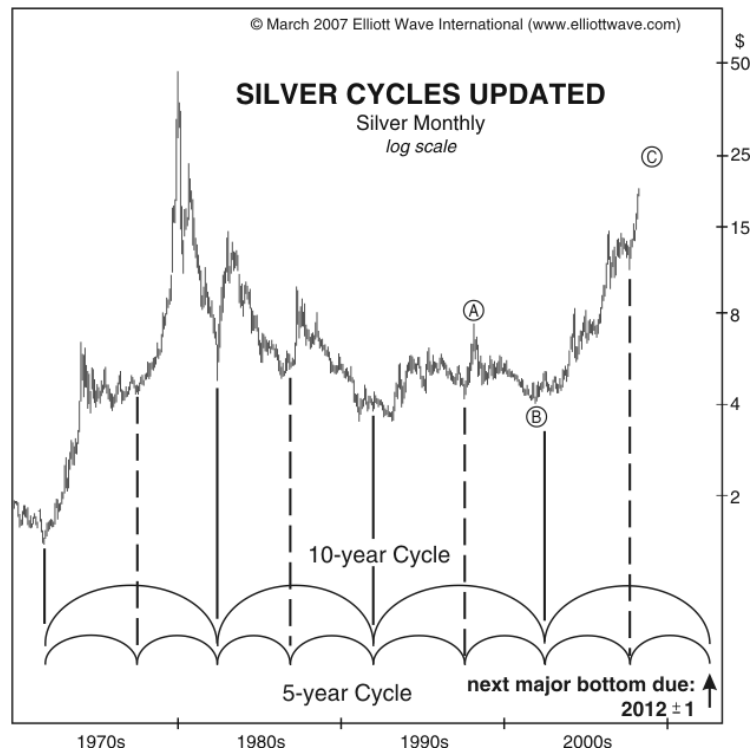


Figure 3



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