

## EQUITY SERVICE

### GS ENGINEERING & CONSTRUCTION CORP. (KOSPI)

16<sup>th</sup> August 2012

(data through 16<sup>th</sup> August 2012)

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## Highlights

- » *The existing data history comprises of three main price-swings. The first, an upswing to the Mar.'89 high of 17214 completed a five wave expanding-impulse pattern, the second, a downswing between March'89 and June '98 that unfolded into a counter-trend three wave (price-swing) sequence and finally the third, an upswing from June '98 onwards unfolding into another five wave impulse sequence that remains incomplete. This requires additional gains into record highs during the next 18-24 month period.*
- » *The biggest drop so far occurred during the Asian crisis in '97-'98. The actual low traded in June '98 at 1384 represents primary wave ④ within the larger five wave impulse pattern that is unfolding from a theoretical cycle low that began in 1982. The following advance as primary wave ⑤ began from this low and remains incomplete. It must itself unfold/subdivide into a smaller five wave sequence, labelled (1)-(2)-(3)-(4)-(5) in intermediate degree that is forecast to complete in late 2013/early 2014 towards upside targets at 802778.*
- » *Intermediate wave (1) completed at the July '99 high of 15665. A counter-trend three wave sequence balanced this upswing as intermediate wave (2) in November '00 at 3345. A large accelerative upswing followed as intermediate wave (3) reaching its conclusion in October '07 at 199000.*

*The overall uptrend from the June '98 low then took a pause during the financial crisis ending a countertrend low in November '08 at 37250 as intermediate wave (4).*

- » *The medium-term upswing as intermediate wave (5) began from the November '08 low of 37250 and represents the final sequence of the larger/aggregate impulse pattern that began from 1384. It must subdivide into a smaller five wave sequence that is labelled i.-ii.-iii.-iv.-v. in minor degree – ultimate upside targets are towards 802778.*
- » *The advance from the low of November '08 at 37250 to the May '11 high of 135000 represents the completion of minor wave i. and this is currently being balanced by a counter-trend retracement decline as minor wave ii. – it is at its half-way stage of completion. This decline is unfolding into a double zig zag pattern, labelled a-b-c-x-a-b-c in minute degree with ultimate downside targets towards 48708 – this is expected to complete before year-end 2012.*
- » *Our proprietary composite cycle analysis has accurately timed major price reversals during the last several years. The last peak occurred in June '11, with a downward trajectory currently engaged with the next cycle low due at the end of 2012.*

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# Overview

GS Engineering & Construction Corp. declined sharply during the Asian crisis of the late '90's with a recorded low in June at 1384. The equivalent low for the Kospi at this time was 277.37 synchronising both as ending primary wave ④ within a larger/aggregate five wave impulse bull market that began from the early 1980's. Primary wave ⑤ began a final advance from this low that remains incomplete.

Whereas the Kospi is unfolding into an overlapping five wave diagonal-impulse pattern with ultimate upside targets towards 3104.16 scheduled for completion late 2013/early 2014, GS E&C is taking the form of an expanding-impulse pattern characterised without price overlap.

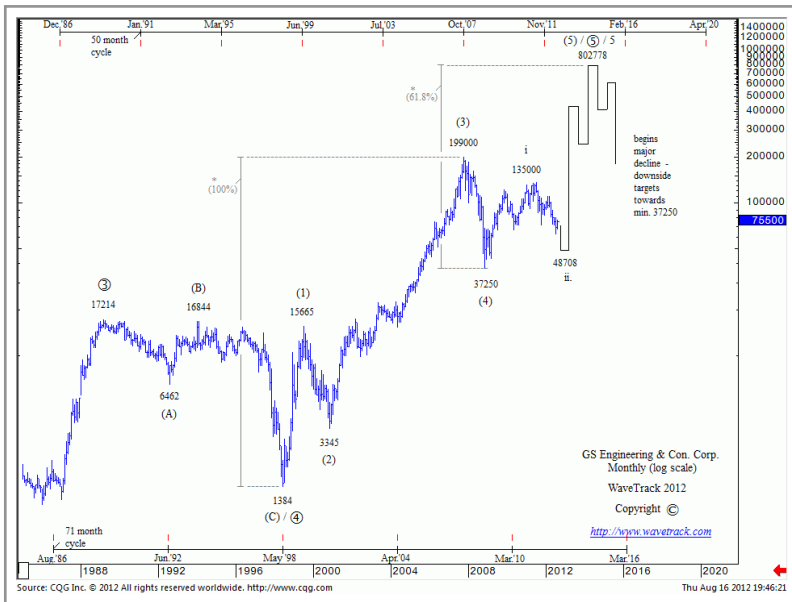


fig. #1 GS Engineering & Construction Corp. - Monthly

The similarities of these two are clear - both project record highs during the next 18-24 month period. GS E&C measures a final upside target towards 802778, a fantastical price level based on current valuations. From an Elliott Wave perspective, the 802778 target is simply derived where the fifth wave advance that began from the Nov.'08 low of 37250 measures a fib. 61.8% ratio of the net advance of preceding waves (1) to (3), a common standard measurement that is quite unremarkable - see fig #1.

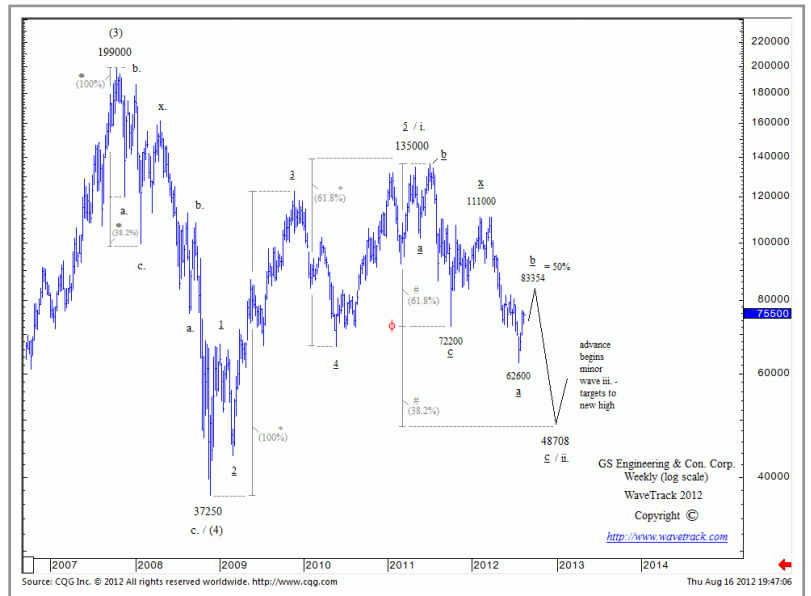


fig. #2 GS Engineering & Construction Corp. - Weekly

## Elliott Wave Analysis

GS Engineering & Construction Corp. traded sharply lower during the financial crisis of '07-'08 with its decline unfolding into a countertrend pattern ending intermediate wave (4) at 37250 in November '08. The same low began a final advance as intermediate wave (5) with measured upside targets to 802778 scheduled for completion in late 2013/early 2014.

Intermediate wave (5) must itself unfold/subdivide into a smaller five wave advancing sequence in reaching its ultimate upside objective. This five wave pattern is labelled in minor degree, i.-ii.-iii.-iv.-v. - see fig #2. Minor wave i. one that began its advance from 37250 has itself unfolded into five smaller waves (price-swings) ending into the May '11 high of 135000.

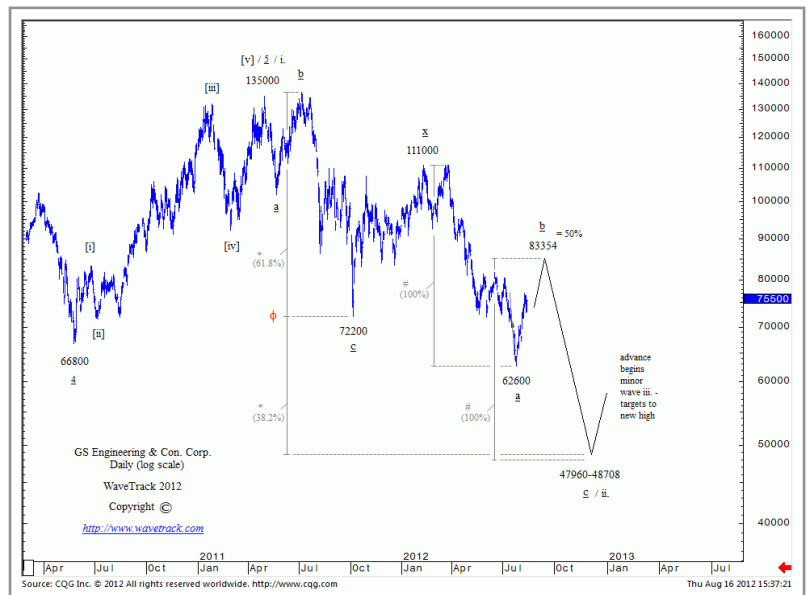


fig. #3 GS Engineering & Construction Corp. - Daily

A five wave pattern identified in this advance confirms upside continuity for the larger impulse pattern in progress during the next 12 to 24 months.

## Forecasts ~ the next several months

Shorter-term, minor wave i. one is being balanced by a counter-trend decline as minor wave ii. two. It is taking form of a double zig zag pattern, labelled a-b-c-x-a-b-c in minute degree. The first zig zag unfolded from 13500 in May '11 to 72200 in October '11. The second zig zag started from 111000 in February '12 and remains incomplete with two additional price-swings developing during the next several months - *see fig #3*. Ultimate downside targets are projected towards 47960-48708 - the former price level is measured by extending first zig zag by a fib. 61.8% ratio and the latter converges where waves a and c unfold by a fib. 100% equality ratio (measured equally). A test towards these downside price levels is expected once a shorter-term upswing has completed towards 83354.

Our proprietary composite cycle that depicts the timing of price reversals has closely matched most of the larger directional changes of the last several years - *see fig #4*. The last peak occurred in June '11 (see red line) synchronising a subsequent decline with price action (black line). It continues to project into the future with a continued decline into year-end, early 2013. Such a decline confirms the Elliott Wave forecast to 47960-48708.

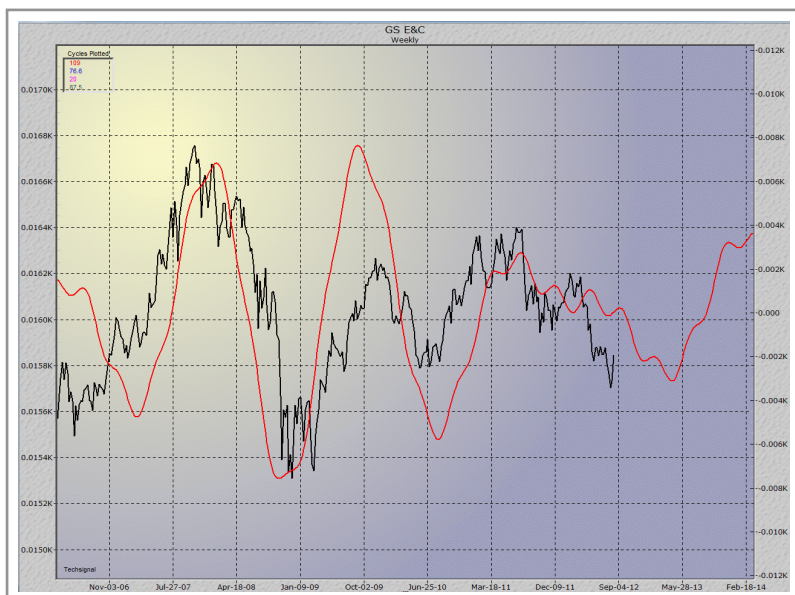


fig. #4 GS Engineering & Construction Corp. - Composite Cycles

Looking ahead, once GS E&C has completed its decline towards year-end, it can then resume its larger uptrend, participating in the final phase of the 'inflation-pop' scenario.

End | Fin | Ende

# APPENDIX

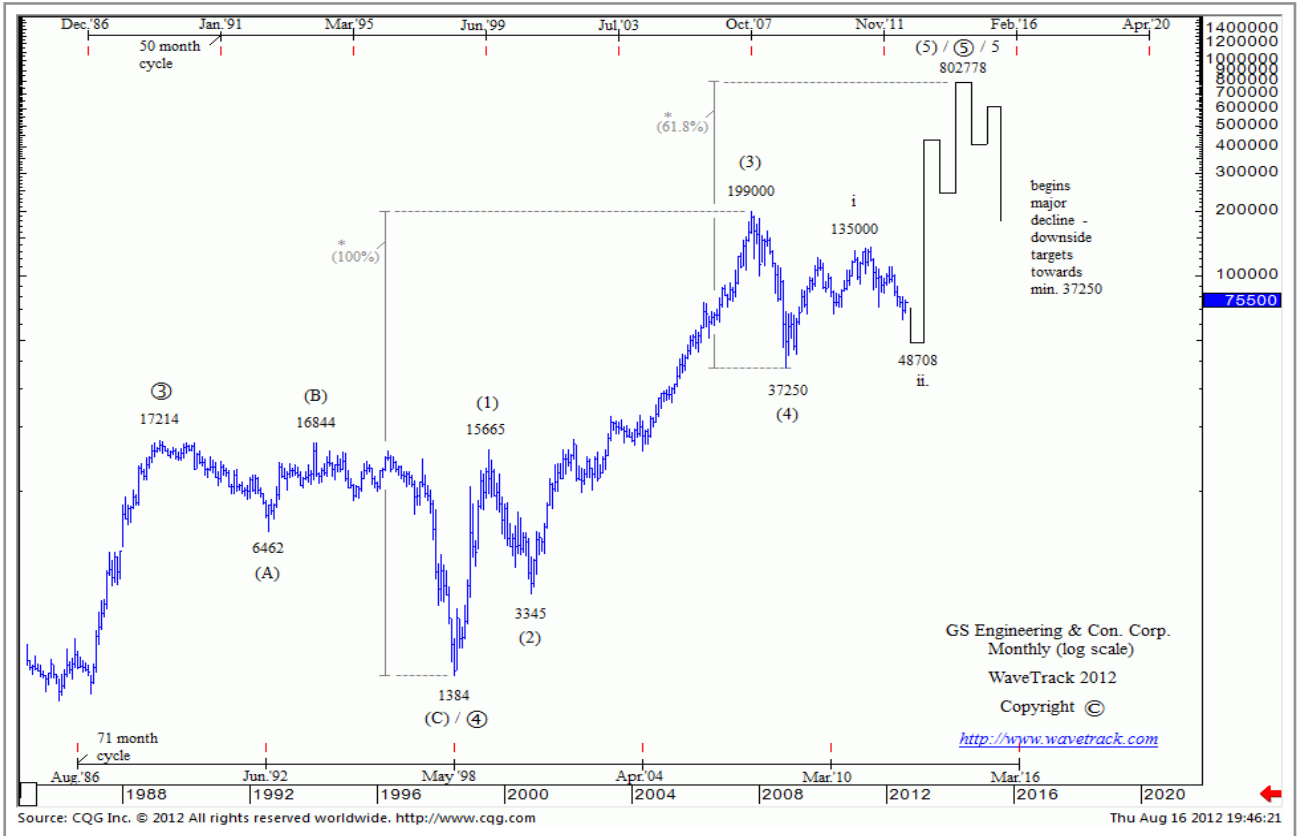


fig. #1 GS Engineering & Construction Corp. - Monthly

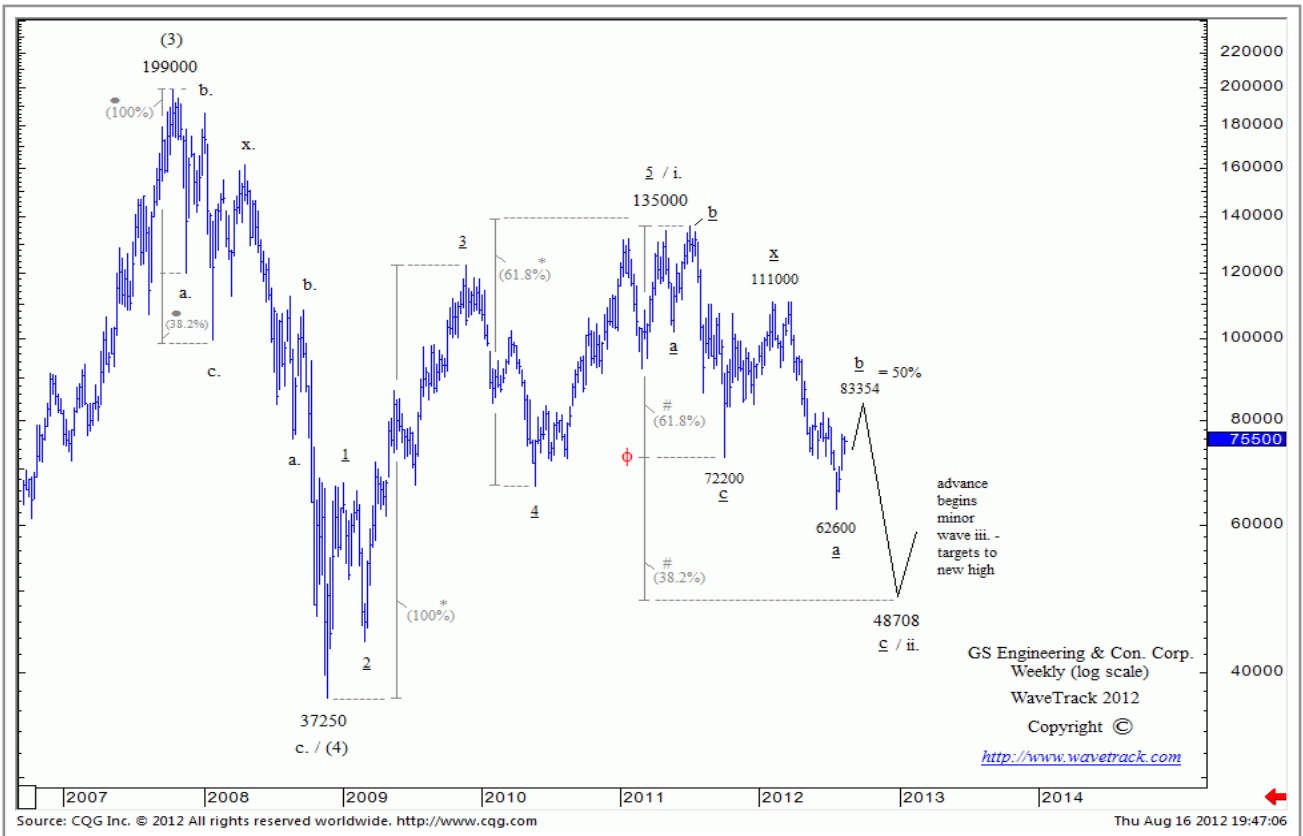


fig. #2 GS Engineering & Construction Corp. - Weekly

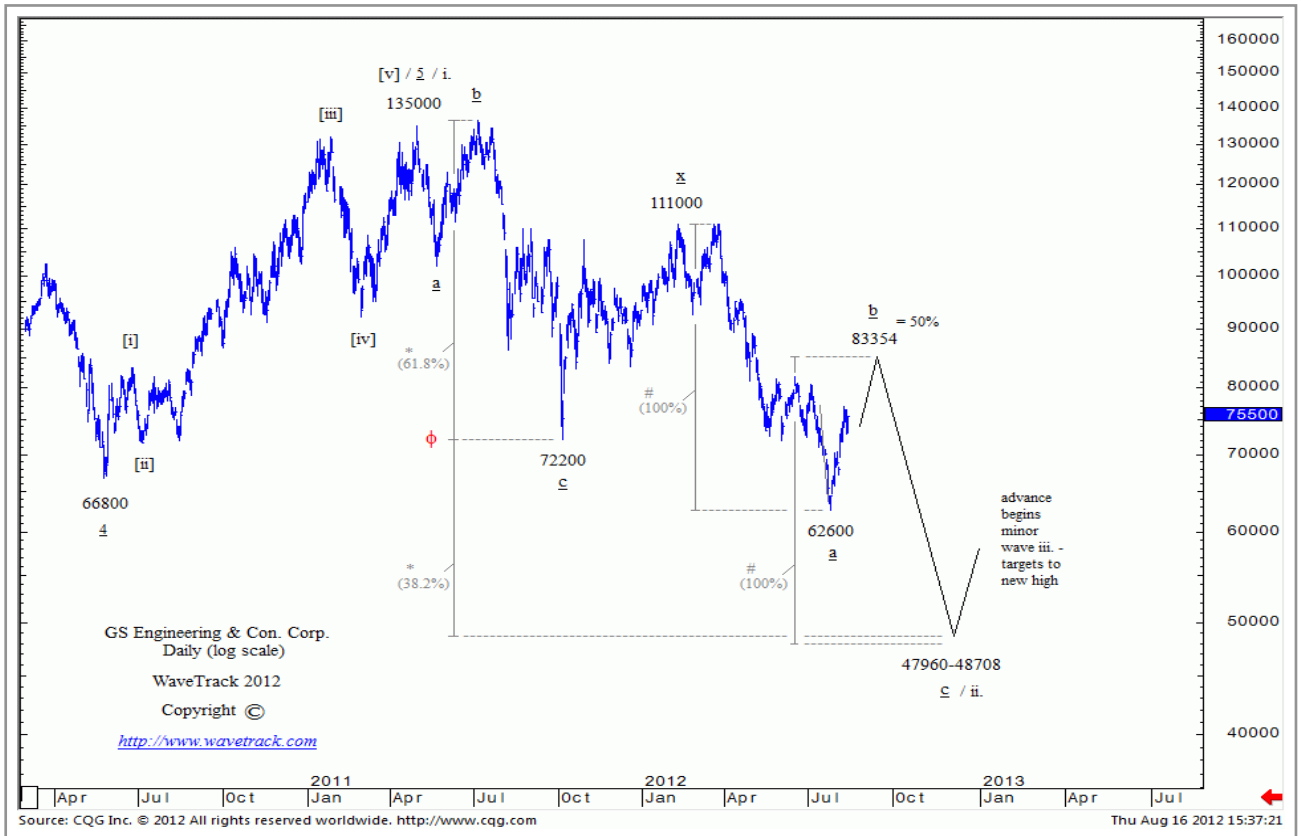


fig. #3 GS Engineering & Construction Corp. - Daily

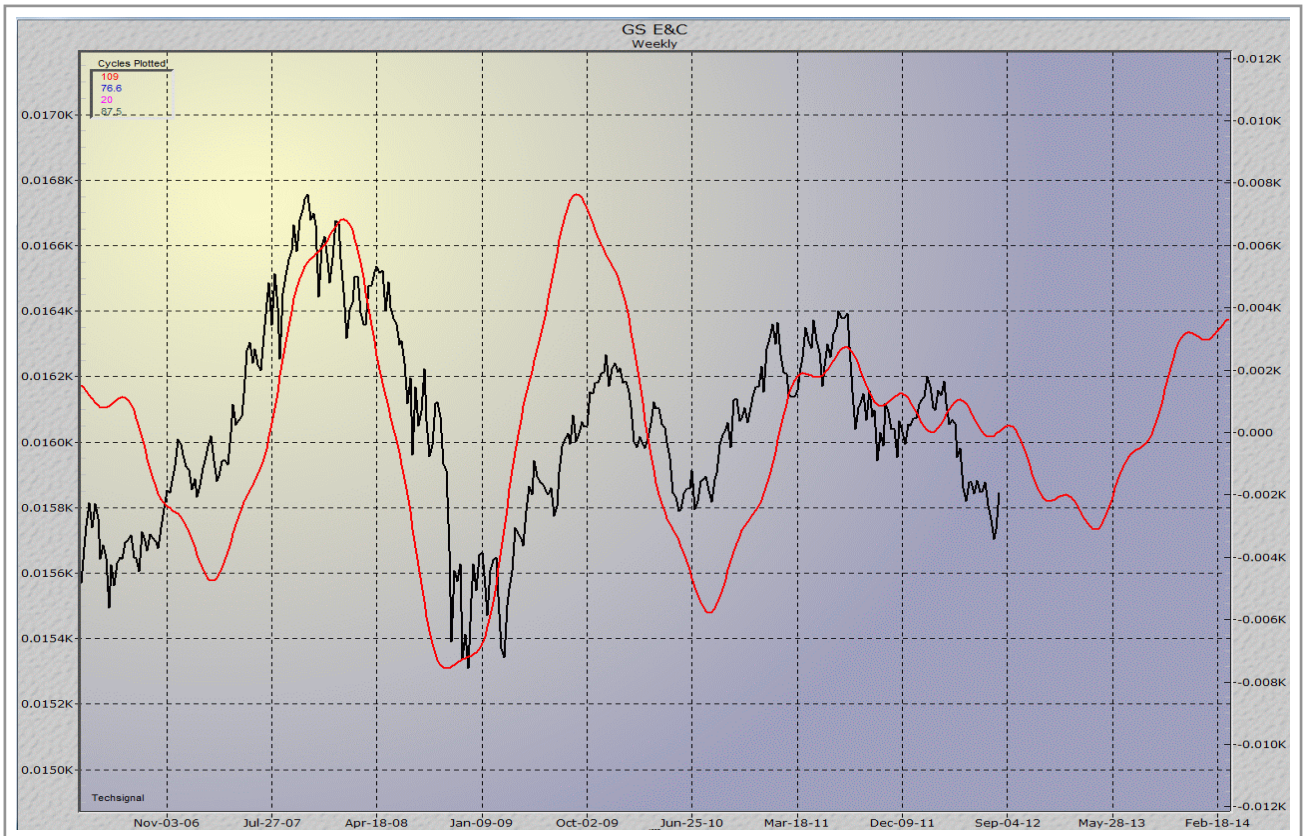


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