



by Eric S. Hadik

“...Let us run with patience the race that is set before us.” Hebrews 12:1

# 40-Year Cycle:

## Stocks in 2018 - 2021 IV

An INSIIDE Track Report

### 40-Year Cycle: Stocks in 2018 - 2021 IV

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### Outlook 2018:

### Sept. '18 Cycle High?

**May 2018:** Stock Indices are reinforcing the outlook for an extended topping phase in **1Q - 3Q 2018**, followed by a sharp sell-off in **4Q 2018** (possibly stretching into **1Q 2019**). If that unfolds as planned, it would powerfully validate the outlook into **3Q 2019**.

Most indexes turned their weekly trends neutral (but not down) during their **1Q 2018** sell-offs, projecting a rally back toward their highs (with some indexes likely to set new highs) - leading into **3Q 2018**.

Chinese stocks have already turned bearish, with European stocks following close behind. The STOXX 50 (as well as the DJ Composite Index) portend multi-month peaks in **Sept. '18** followed by a bearish period in **4Q '18**. Corresponding geopolitical cycles, particularly in China, reinforce the outlook for intensifying bearishness to take hold in **late-2018** and set the stage for overall expectations for **2019 - 2021**.

The following is a reprint of recent analysis, to bring newer readers up to speed...

## Outlook 2018 - 2019

### 40-Year Cycle Firmly Intact

**04-30-18** - As more time elapses, and more separation from the 2016 Election is gained, it becomes clearer and clearer that a seismic shift really did take hold at that time.

For the past decade, I have described the impact of the *40-Year Cycle* and why it was auguring serious challenges for the late-2010's.

Much of that discussion had to do with the *40-Year Cycle's* impact on America and why 2016 should time a new 'revolution' in American politics. It had timed the onset of the inaugural *Revolution* in 1776.

Following that, related revolutions (often revolving around banking & currency control - including the role of precious metals) were triggered surrounding 1816 (*2nd Bank of U.S.*), 1856 (suspension of gold & silver payment), 1896 (election focused on re-establishing the Gold Standard), 1936 (affirmation of paper/flat Dollar supremacy) & 1976 (global divorce from gold via *Jamaica Accord*).

Those six 'shifts' coincided with and/or triggered market panics & crashes, inflationary or deflationary spirals, war, food crises and geopolitical upheaval.

In each case, the preceding years set the stage (e.g. 1773 - 1775 set stage for 1776) and the ensuing years witnessed the more overt manifestations of those shifts (e.g. 1777 - 1781).

Throughout the past decade, **2018 - 2021** has been forecast to time a tumultuous period of conflict and unity - ushering in new global orders on multiple scales. (As noted many times before, the periods of greatest *conflict* are often the periods of strongest *unifications* - even though it usually involves two opposing unions.)

Part of that analysis has focused on the cyclic likelihood for a revamped *European Union*, taking hold in **2018 - 2021**. That revamp could be primarily economic & monetary or political & military.

Multiple referendums validated that analysis during the 2013 - 2017 initial phase, with *Brexit* being the most notable.

That was followed by Catalonia's vote for separation from Spain - in perfect sync with Catalonia's own *40-Year Cycle* dating back to 1137 & 1258 - a conflict that is still unfolding. (The culmination of Catalonia's *40-Year Cycle* arrives in **2019** - linked to its autonomy in Sept. 1979 and its suppression under Franco's rule, beginning in 1939.)

## China

Another part of that focus has been on China, a nation that is becoming a key player in currency and interest rate markets (holding a large amount

of US Treasuries) and whose *40-Year Cycle* focuses on **2018 - 2021**, as well. 1978/1979 began a seismic shift in China's relationship with the West - politically and economically.

Sept. 1976 saw the death of Mao Zedong and much of his Marxist/Leninist economic policies. In late-1978, Deng Xiaoping began to rule and initiated massive economic reforms that are still playing out. (His consolidation of power is often identified as Dec. 1978.) With careful political maneuvering, he forced the ouster of key leaders in 1980 & 1981, removing critical impediments to his plans.

Jan. 1, 1979 timed America's recognition of China (*People's Republic of China*; in lieu of Taiwan - the *Republic of China*) and was followed by Xiaoping's late-Jan./early-Feb. 1979 visit to the U.S.

For all intents and purposes, 1979 ushered in China's economic rise to power. As that rise took hold, China ultimately experienced ~three decades of 9+% average growth (GDP). 1979 is also when full US/China relations were established.

A complete *40-Year Cycle* from those events reaches fruition in **late-2018** (stretching into **2021**). Similar to 1978, when Xiaoping began to consolidate power, **2018** is when Xi Jinping accomplished the same thing - assuring his 'reign for life'. **2018 - 2021** could be when China overtakes the West.

As is often the case, the midpoint of that *40-Year Cycle* corroborated this progression of events. 2000 is when China was granted permanent normal relations and then *Most Favored Nation* trade status by the U.S.. In 2001, China was granted admission into the *World Trade Organization*. **2019 - 2021** is another 20 years in the future.

**2018 - 2021** is also the latest phase of the *40-Year Cycle* that has impacted China's conflict with key nations, including Britain, the US & Japan as well as with her own citizens (civil wars)... and dates back hundreds of years:

Late-1810's - America joins Opium Trade in China. Key graphs of Opium imports time the transition/acceleration points to the 1650's, 1770's &

1810's - all phases of this same *40-Year Cycle*. The 40-Year period - encompassing the late-1810's to the late-1850's - timed the tipping point in this trade, yielding two major Opium Wars.

The *Second Opium War* lasted from 1857 - 1860 (40 years after this initial, late-1810's phase)

Late-1850's - The *Taiping Rebellion* (1850--1864) was a massive civil war, considered bloodiest civil war ever with diverse estimates of 20 - 70 million deaths. It overlapped the *Second Opium War* (1857 - 1860).

Late-1890's - *Boxer Rebellion* (1899 - 1901; attempt to purge China of all foreigners)

Late-1930's - 2nd *Sino-Japan War* (1937 - 1945).

Late-1970's - 1978 - 1982 = major shift in China's economic & geopolitical approach (overlapping *Sino-Vietnamese War* in 1979).

**Late-2010's - 2017 - 2021** = 40, 80, 120 & 160 years from Major China-involved wars... as well as 200, 240 & 360 years from underlying triggers and the original Sino-Russia conflicts starting in 1650's.

The *40-Year Cycle* is ubiquitous in China's military & geopolitical evolution and has also had a dramatic impact on their trade policy. In each *40-Year Cycle*, the years of '7' - '0' include some or all of the conflicts described. **2017 - 2020** is the latest phase.

### ***Israel's 70-Year Cycle***

And then there is the Middle East. For two decades, I have discussed multi-decade, multi-century & multi-millennial Middle East cycles that collide in 2000/2001 through **2027/2028**. That began with war/attack cycles converging in 2001 - a cycle that was projected (in 1999 - early-2001) to draw Israel & the US closer together and that could involve a '*surprise attack on America's shores*'.

That was followed by cycles in 2007/2008 & 2010/2011 - the latter of which was forecast to spur the overthrow of multiple Middle East leaders as a precursor to *Jerusalem Cycles* of occupation & liberation that were forecast for **2017/2018**. The *Arab*

*Spring* of 2010/2011 perfectly fulfilled those cycles & reinforced the focus on **late-2017 - late-2018**.

Within that latest cycle, the *70-Year* anniversary of Israel's independence (**May 14, 2018** on the western calendar) was a focal point of that analysis since it represents the '*Cycle of Kings*' and governments and even has a potential relationship to David's discussion on life and that uncertain decade between 70 & 80 years (**2018 - 2028**, in Israel's case). *Could mid-May validate this cycle? IT*

### **STOCK INDICES**

**04/30/18** - Stock indexes remain in a corrective phase since fulfilling the latest phase of the 5-month *Cycle Progression* that projected an advance into mid-to-late-Jan. 2018 and subsequent high in **mid-to-late-June 2018**. From that cycle perspective, they have not yet determined if the June high is likely to be higher or lower than Jan.

On a larger-degree basis, cycles converge in **4Q 2018** and are more likely to time a 3 - 6 month (or longer) bottom. That is the latest phase of a ~3.25 year (12 - 13 quarters) low-low cycle that has timed important lows in 3Q 2002, 4Q 2005, 1Q 2009, 2Q 2012 & 3Q 2015.

Since the Jan. peak, equities have sold off multiple times with the Major Market Index (similar to DJIA) turning its weekly trend down. The three primary indices have generated multiple neutral signals against their prevailing weekly uptrends but would not turn those trends down until weekly closes below **23,360/DJIA, 2532.5/ESM & 6421/NQM...**

### **Corroborating Indexes**

The Transports spiked to new lows in early-April and then triggered a short-term buy signal, altering expectations for daily cycles on **April 12 - 16**. As a result, they set an important peak in mid-April - perpetuating a ~90-degree/13 - 14 week high-high-high-(high) *Cycle Progression*.

The DJCA (*Dow Jones Composite Average*, including Industrials, Transports & Utilities) has a 34 - 36 week low-low-low-(high) *Cycle Progression* that

**[May '16 INSIIDE Track] 4-27-18** - "While America has spent the last decade accumulating a massive, insurmountable, obscene amount of debt - enslaving herself to the rest of the world - China has been positioning for an eventual, economic showdown with the West... China is aligning with as many powerful allies as is possible - preparing for a looming financial meltdown in the West. Individually, those nations could not unseat the U.S. Corporately, that is another story.

The past 3+ years has exponentially accelerated that process... precisely when cycles projected that would happen (**2013--2016**). Since 2013, China has orchestrated the following (not to mention the escalating cyber attacks linked to China's *People's Liberation Army* and its '*Elderwood Gang*):

-- *BRICS New Development Bank* (to ultimately rival *IMF & World Bank*). As Putin himself stated back in 2014: "*The international monetary system itself depends a lot on the US Dollar... on the monetary and financial policy of the US authorities. The BRICS countries want to change that...*"

-- *AIB - Asian Infrastructure Investment Bank* - Similar to *BRICS NDB*, it started operations on Dec. 25, 2015 (proposed by China in 2013 and initiated in Oct. 2014). US tried unsuccessfully to prevent Australia & S. Korea from joining. *AIB* boasts 57 members, including UK & many European nations.

-- *YASRef* (joint refining venture in Yanbu, between Saudi *Aramco* & Chinese *Sinopec*); registered in Jan. 2012; operational in 2014.

-- *Aramco* (Saudi Arabia) & *Sinopec* (China) - **Jan. 2016** refining deal. Saudi Arabia is a primary force behind the Dollar's reserve status of the past 40 years after convincing all of OPEC to price oil in US Dollars in 1975. However, since the US deal with Iran - in July 2015 - they have become increasingly uneasy with U.S. (This comes after China & Saudi Arabia - in 2012 - signed a nuclear cooperation deal.)

-- 30-year gas deal with Russia, struck in May 2014, for two major pipelines between the two countries.

-- *Shanghai Gold Exchange* launches Yuan-based Gold fix on **April 19, 2016**.

-- Yuan to be incorporated into basket of currencies comprising the *IMF's SDR* - in **October 2016**.

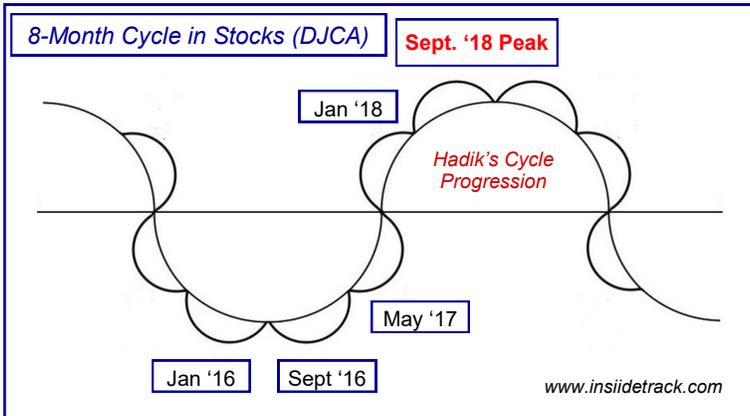
...And these are just the Major, global-impacting deals of the past 3--4 years.

This is not to say that China has experienced clear sailing with these pursuits. The 2014/2015 plummet in oil & gas prices seriously damaged the Russian & Saudi energy deals while contributing to China's evolving economic & equity downturn (bubble bursting?).

Right now, China is getting all of her '*ducks in a row*'. This process has not yet reached a tipping point and it could be that China is forced to '*play her cards*' before she is even completely ready (**2017?**). The potential for an economic meltdown looms large... as does the potential for some form of military showdown - perhaps in the *South China Sea*.

Of equal interest, there are many other deals & connections linking China, Russia & Saudi Arabia - all three of which have suffered severe economic malaise in the past 2 years, as the US Dollar surged and the price of oil plummeted. It is times like these that often draw sworn enemies - or at least historic antagonists - into an '*enemy-of-my-enemy-is-my-friend*' relationship of convenience.

I have talked about the dangers of backing one powerful bear (Russia) into a corner. *What about three of them being backed into a corner at the same time??* **2016--2017** is the culmination of momentous cycles for China, Russia & Saudi Arabia." **[End of May '16 INSIIDE Track excerpt.]**



11, the next phase of a ~7-week low-low-high-high-(high) Cycle Progression that timed the Jan. & March '18 highs.

Japan's **Nikkei 225 Index** turned its daily trend up in early-April and removed the potential for another near-term decline. That has prompted a ~50% rebound as it approaches intermediate cycles in **early-May**.

The Nikkei is nearing a critical level of gap resistance - that coincides with the year-opening low (resistance for intra-year downtrend) - at **22,500 - 22,753**. As long as it does not give a weekly close above **22,753**, the Nikkei should reverse lower in May and drop into **mid-2018**.

spanned an almost precise 2-year advance from the second half of Jan. 2016 into the second half of Jan. 2018.

The next phase of that ~8-month cycle is in **Sept. 2018** - when a subsequent high is expected...

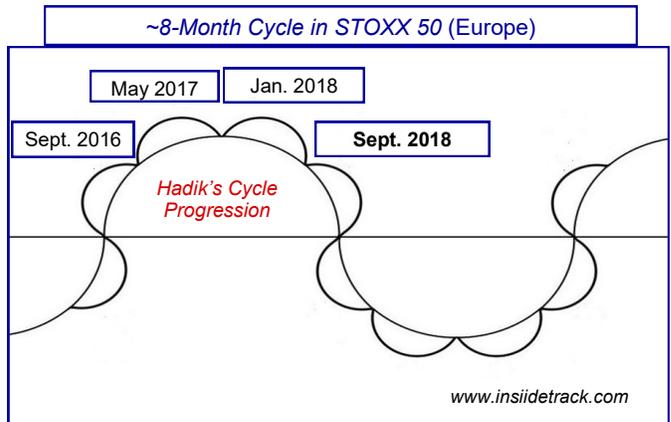
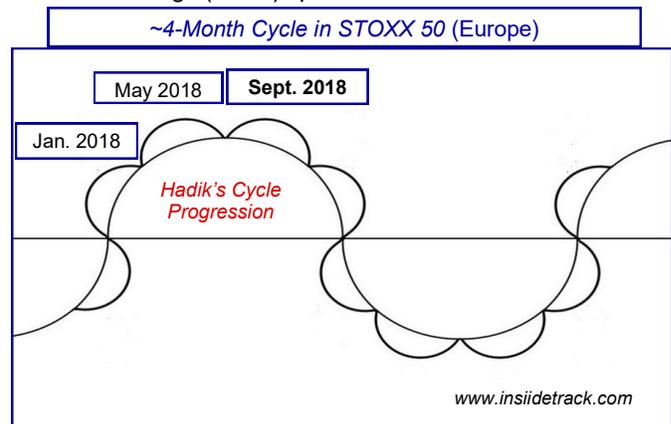
**Global Indices**

**04/30/18** - China's **Shanghai Composite** spiked to new intra-year lows in mid-April, perpetuating a 2-month/~60-degree low - low cycle that could produce a subsequent low in mid-June. This comes after it peaked in late-Jan. '18 - fulfilling a ~2-year low (Jan. '14) - low (Jan. '16) - high (Jan. '18) Cycle Progression & a ~1-year/360-degree low (Jan. '14) - low (Jan. '15) - low (Jan. '16) - low (Jan. '17) - high (Jan. '18) Cycle Progression.

Having wiped out an entire year's gains in a mere 2 weeks, this index has needed some time to consolidate and prepare for its next move. It remains capable of extending this latest decline into **May/June 2018**. That potential would be validated by a weekly close below ~**3200**.

Hong Kong's **Hang Seng Index** fulfilled a 16 - 17-month low-high-high-high-(high) Cycle Progression by peaking in late-Jan./early-Feb. 2018, but would not confirm a multi-month peak until a weekly close below **29,100**.

It could set another intermediate peak on **May 7** -



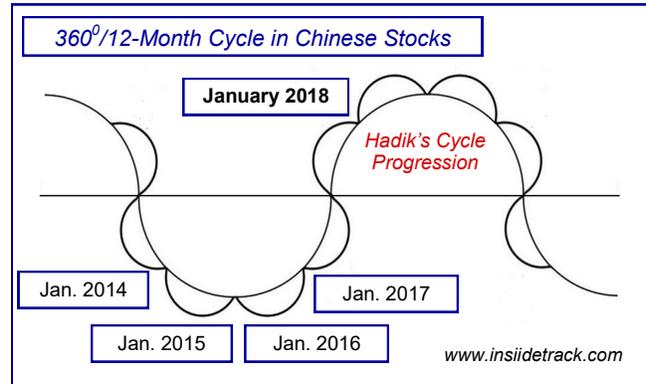
bounced since testing 1 - 2 year support and fulfilling cycle analysis for a sharp drop into **March 2018**. Critical 1 - 2 month resistance comes into play at **3156** - its year-opening range low.

The German **DAX Index** remains in an intra-year downtrend (until a weekly close above **12,745**) and rebounded from pivotal wave support at **11,850**. It fulfilled weekly cycles by bouncing into mid-April and twice neutralized its weekly downtrend at that time. It would not turn that weekly trend up until a weekly close above **12,640**. Until that occurs, the outlook remains negative.

The **FTSE** plummeted into late-March but held above decisive support near **~6,700** - a 50% retracement and the level of its Nov. '16 low. It has since rebounded and could extend this rally into **mid-May**, fulfilling a ~4-month low-high-(high) *Cycle Progression*.

The **CAC** remains in the most positive structure, pulling back into late-March while holding its Aug. '17 *4th wave of lesser degree* support and failing to turn its weekly trend down. That projects a rally back to the highs.

**May 2018** - Stock indexes have validated monthly cycles projecting a multi-month peak in **late-Jan./**



**early-Feb.** and a multi-month low in **March 2018**. Their weekly trend patterns, as well as wave structure and price action, project rallies back to their early-2018 highs before a more significant peak is expected to take hold.

Chinese stocks have already turned down and project a sharp decline into **4Q 2018** (before a potential bounce into **Jan. 2019**). European stocks are steadily rolling over and project the most negative period after a lower high is set in **Sept. 2018**. That is also when the DJ Comp Index projects a final high and the onset of a multi-month decline.

Refer to latest publications for most updated analysis. **IT**



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