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

40-Year Cycle:

Stocks in 2018 - 2021 VI

An INSIIDE Track Report

40-Year Cycle: Stocks in 2018 - 2021 VI

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3Q/4Q 2018 Equity Cycles: Canary in Coal Mine

July 2018: US Stock Indices are still targeting their late-Jan. highs even as individual stocks are now flashing warning signs. *NFLX could be the latest*. That would reinforce Chinese & European indexes that are powerfully confirming the outlook for a year-long decline with the greatest synergy of bearish cycles coming into play in **4Q 2018**. **4Q '18** is also when geopolitical cycles - particularly the economic/trade struggles between the US & China - could reach a crescendo.

The STOXX 50 & DAX are reinforcing expectations for subsequent (lower) highs in **mid-to-late-Sept. '18** - the next phase of both 4-month & 8-month *Cycle Progressions* - even as the DJ *Transportation* and DJ *Composite Indexes* project 3 - 6 month (or longer) peaks for **Sept. '18** followed by a bearish period in **4Q '18**... with a critical downside target at **22,100/DJIA**.

If all these equity markets come close to fulfilling this potential, it would add a great deal of credibility to the outlook for **2019 - 2020** and reinforce the *40-Year Cycle* correlation to 1978 - 1982, with **2018** action holding some intriguing parallels to the overall (general) action of 1978. The following is a reprint of recent analysis, to bring newer readers up to speed...

Outlook 2018 - 2019

East vs West

06-28-18 - If nothing more, the 2010's have highlighted a pivotal and momentous period in the ongoing East vs West battle. This struggle involves Europe (with Russia still struggling to maintain influence in the East) and the globe (with China continuing to rise to global power and influence as the US struggles to maintain its hegemony).

The difference is in how each player conducts their participation in this struggle. As I have enumerated many times before, China (and to a slightly lesser extent, Russia) have been preparing deliberately and methodically - beginning in 2013/2014 (BRIIC's *New Development Bank* and *Asian Infrastructure Investment Bank* followed by several other key moves and ventures).

In contrast, at least since early-2017, the US has approached this competition from the exact opposite angle. One glaring paradox, in that approach, could ultimately be costly.

The Art of the Bluff

Let's imagine two poker players sitting down for a few rounds of *Texas Hold 'em* (or any other variation of poker). Before doing that, one player has done his (or her) homework and meticulously studied the other. In contrast, the other one says he doesn't need to prep and he will go on his gut

Let's imagine the one that shuns preparation wrote a book a few years ago and titled it *'The Art of the Bluff'*. In that book, he revealed every tactic he uses for bluffing and even many of his own 'tells'. *Basically, he made himself an open book*.

If his opponent had any savvy, he would sit down and let the 'good gut' player win a few hands and raise his confidence. That would also give the savvy player a chance to compare what he had read to what is unfolding in real time. *Savvy* would take his initial lumps, sometimes protesting and sometimes just quietly accepting defeat.

Savvy knows that the opening hands are just the beginning. He also knows he can use these opening hands to better position *Good Gut* for the real battles ahead. Each time *Good Gut* wins a hand, he would gloat and announce his victory, quickly scribbling the score on poster board and holding it aloft while simultaneously 'clucking' about it.

Each time, those 'clucks' would reveal another 'tell' and set *Savvy* up for ultimate victory. When the time is right, *and only when the time is right* (when *Savvy* has all his ducks in a row and *Good Gut* is at his most vulnerable financial and psychological state), would Savvy utilize all the tools at his disposal.

The Art of War

Savvy might also be a life-long student of *Sun Tzu* - a military strategist and philosopher - and *The Art of War*, his acclaimed book. If there were a concise way to sum up that philosophy, and the key to victory, it would be *'Know Your Opponent'*. The following are just a few of Sun Tzu's principles:

If your opponent is temperamental, seek to irritate him. Pretend to be weak, that he may grow arrogant.

If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle.

Treat your men as you would your own beloved sons. And they will follow you into the deepest valley.

Be extremely subtle even to the point of formlessness. Be extremely mysterious even to the point of soundlessness. Thereby you can be the director of the opponent's fate.

2019 - 2021

Let's put aside this mythical poker game for a minute and get back to the topic at hand. A fierce struggle is going on for global leadership. Each key player has a different approach to what they believe will assure ultimate victory.

At least two of those leaders have pretty much assured themselves of a lengthy tenure governing their nations. They are both in the East. Most of the others, in the West, face uncertain futures and could be voted out of office within a few years.

So, which ones can afford to be patient and conduct their strategy methodically?

And which ones act with more haste and desperation - setting themselves up for ultimate defeat (even if preliminary battles are won)?

When Angela Merkel first prepared to meet President Trump, it was explained that she read his books, watched his interviews and studied his character as much as possible… to use to her benefit.

Is it possible that Vladimir Putin and Xi Jinping have done the same?

If so, who is in the most advantageous position when this competition is viewed from a longer-term perspective? And who might just be waiting for the right opportunity to go *'all in'*?

Flashing Warning Signs

In recent weeks, it has been reported that Chinese fishing boats - as well as 'land'-based sources - have been temporarily blinding US pilots with lasers, over the South China Sea. That region continues to be one of China's primary foci, an area through which massive amounts of global commerce travel each day. *China has the long view*.

This laser flashing has also been occurring on the coast of East Africa - where China just completed a naval facility in Djibouti, a few miles from an existing US facility. *They continue to compete*.

War Cycles in 2021

As I have pointed out throughout the 2010's, long-term *War Cycles* focus on **2021** (at least from the West's perspective) - the latest phase of an *80-Year Cycle* of War that dates back for centuries.

Major wars rarely begin out of nowhere. And rarely without a steady, often extended, escalation of tensions before reaching a breaking point. And they often surround some form of territorial dispute.

China, the US & the South China Sea fit into these criteria - with *War Cycles* continuing to focus on **2021** for the ultimate 'flashpoint'. From the looks and sound of it, dozens of preliminary *flash* points - in Africa & the South China Sea - are now occurring.

Late-2018/early-2019 completes a major *40-Year Cycle* from the *start* of China's economic & geopolitical rise to power. **Late-2018 - 2021** times a repeated *40-Year Cycle* of China-involved wars. **Late-2018** also ushers in a potentially momentous time in East vs. West competition. *Could **late-2018** usher in an intensification of these battles?* ***IT***

STOCK INDICES

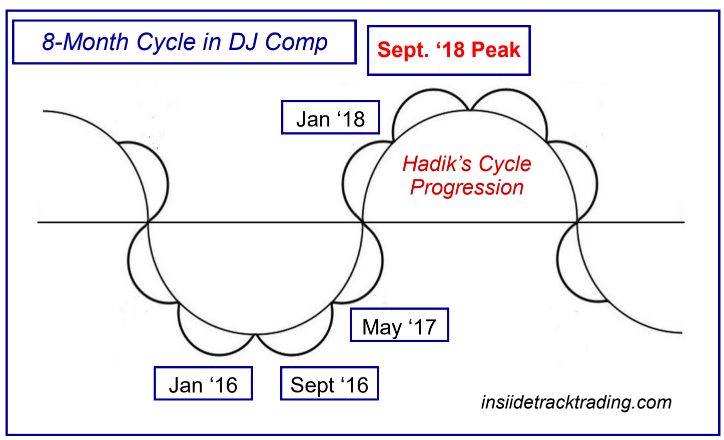
06/29/18 - Stock indexes are fulfilling the third significant (multi-month) cycle in **2018**. They were forecast to peak in mid-to-late-Jan. '18 and then decline into late-March '18 before rebounding into **mid-to-late-June 2018...**

The action of 2018 is reinforcing expectations that this time period - stretching into **2020** or **2021** could look a bit like 1978 - 1980/1981 (*40-Year Cycle*) during which a combination of competing forces - including accelerating inflationary pressures - kept the market in a volatile trading range for a few years.

[That is just a general assessment and is not intended to imply comparative months or years… just an overall parallel.]

The DJIA maintains key support at **23,360** - the level of its early-Feb low and its weekly trend reversal point. That support was tested in late-March and again in early-April, but has held each time.

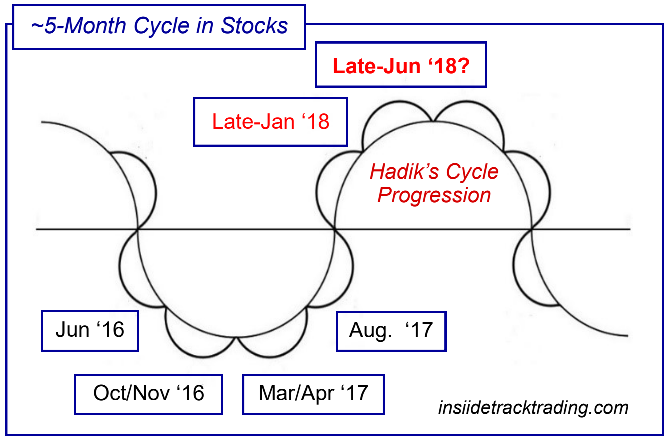
It would take a weekly close below **23,360/DJIA** to signal a larger-degree correction that could take it down to at least **22,900/DJIA** and closer to its 2018 support & primary target for the year - around **22,100/DJIA**.



Canary in Coal Mine?

NFLX Validating 5-Month Cycle Progression; Projecting Major Top & Sharp Decline.
Precursor to 4Q 2018 Troubles?

7-14-18 ***Weekly Re-Lay*** **-** *"Stock Indices remain mixed with the Nasdaq 100 remaining strong and in an all-out uptrend as the S+P 500 nears its secondary highs of mid-March and the DJIA sets progressively lower highs. The key - to the 1 - 2 month outlook - remains the DJIA with respect to its June highs. It would take a daily, and then weekly, close above* ***25,402/DJIA*** *to violate the 5-month Cycle Progression.*



In most cases, the DJIA is the least diverse and least representative of the overall market. With its composition of only 30 stocks, frequently re-aligned to bring in positive stocks and dump negative ones, it can give a rather skewed perspective.

However, the Nasdaq 100 and S+P 500 have become far less diverse, with close to 80% of the NQ-100's gains coming from three stocks in 2018 (AMZN, NFLX & MSFT). The same stocks account for 70+% of the S+P 500's gains, according to CNBC and other sources. Add in GOOGL, AAPL & FB and you have almost all of the NQ-100's gains.

After moving parabolic in 2018, NFLX has shown some signs of vulnerability after completing back-to-back ~150.0 rallies since Dec. 2017. In the past, I have discussed certain stocks acting as a proxy for the overall market. NFLX could be the canary in the coal mine...

As for the overall indices, they have rallied since turning their intra-month trends up on July 6, validating the short-term buy signal generated in the NQU on July 5. The NQU has generated a series of bullish signals while the DJIA has done the opposite. This tug-of-war could be coming to a resolution as the DJIA nears its decisive June peak."

July 2018 - Similar to 2015/2016, specific stocks could be more precisely adhering to overall cycles even as the indexes mask developing struggles. In this case, NFLX is peaking precisely during the **late-June/early-July** monthly cycles and preparing for a sell-off. As described since early-2018, there could be multiple factors - beginning with global indices and then evolving to specific US stocks - that create a *'tail wagging the dog'* syndrome.

That would also adhere to the 'roller coaster' analogy described many times before. In that parallel, different stocks and indexes peak sequentially (in a progression, at different times) - much like the separate but connected cars of an old wooden roller coaster. It is only once the final car passes the summit that the entire train of cars - or in this illustration, the entire equity complex - is able to decline in tandem… usually reaching an accelerated plunge in a short amount of time. Weekly, monthly & yearly cycles continue to point to **Sept. 2018** as the most likely time for the final 'cars' to reach and pass the summit - setting the stage for a bearish **4Q 2018**. ***IT***

Global Indices

06/28/18 - China's ***Shanghai Composite*** is fulfilling expectations for further downside but elevated this decline. This comes after it peaked in late-Jan. '18 - fulfilling a ~2-year low-low-(high) *Cycle Progression* & a ~1-year/360-degree low-low-low-low-(high) *Cycle Progression*.

In late-May, it triggered another sell signal that targeted a drop to **~2910** - the level of its secondary low in May 2016 and its downside wave target (3 = 1 or c = a), If/when that level is broken, there would remain only one more point of 2 - 3 year support - the Jan./Feb. 2016 low of **~2760**...

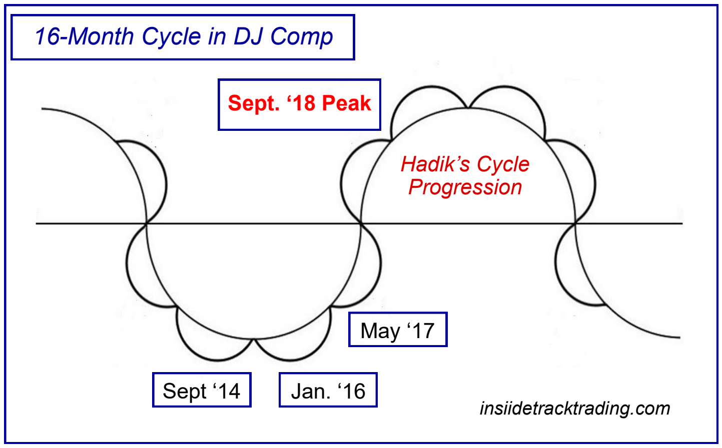
Hong Kong's ***Hang Seng Index*** fulfilled a 16 - 17-month low-high-high-high-(high) *Cycle Progression* by peaking in late-Jan./early-Feb. 2018. Since its initial decline, the ***Hang Seng*** traded in its weekly *21 MAC* in textbook fashion as it steadily created a secondary high and rolled over to the downside.

The June 15 close confirmed that, triggering a convincing weekly sell signal and projecting downside into the next phase of a 7 - 8--week high-high-high-(low) *Cycle Progression* in **late-June/early-July**. **~27,700** is the primary (initial) target.

Japan's ***Nikkei 225 Index*** is in no-man's land, remaining in an intra-year downtrend but a neutral weekly trend. It still needs to give a weekly close below **21,900**. If that occurs by/on **July 6**, it could drive prices lower into **late-July**.

The Euro ***STOXX 50 Index*** remains on track for an overall decline into **late-2018** that could stretch into **1Q 2019** (see comments in corresponding inset). After testing 1 - 2 year support and fulfilling cycle analysis for a sharp drop into **March '18** (a low that could hold for 3 - 6 months), it rebounded right to 1 - 2 month resistance and held.

Before reaching that (potential) **early-2019** low, the ***STOXX 50*** could see a multi-month high in **Sept. 2018** (ideally in **mid-to-late-Sept**). That would be the next phase of an ~8-month high-high-high-high *Cycle Progression* that has timed multi-month peaks in Sept. '16, May '17 & Jan. '18.



Sept. 2018 should time another high - more likely lower than the Jan. 2018 peak. More recently, it rallied into May 2018, peaking 4 months (half of ~8-month cycle) from the Jan. peak. That creates a potential 4-month (16 - 17 week) high-high-high *Cycle Progression* also targeted at **Sept. 2018**.

So, a pair of monthly/weekly cycles project at least a 1 - 2 month (and likely longer) peak in **Sept. 2018**. The price action in between, specifically the weekly trend pattern and whether or not the March 2018 low holds, should hone the outlook for **2019**. A drop into **late-July** would reinforce this scenario.

The German ***DAX Index*** is confirming the onset of its next decline (part of a larger decline from late-Jan. 2018) and could/should see selling into **late-July '18**. That would complete a 180-degree move from the late-Jan. peak and the third consecutive correction of 2 months (60 degrees)

The ***FTSE*** has remained strong after plummeting into late-March and fulfilling monthly cycle lows (while holding above decisive support near **~6,700** - a 50% retracement and the level of its Nov. '16 low). It peaked in mid-May, fulfilling a ~4-month low-high-(high) *Cycle Progression* that was expected to create a (minimum) 1 - 2 month peak. That has held but the ***FTSE*** would not turn negative until a weekly close below **7,500**.

The ***CAC*** is validating analysis for a major peak in

May 2018 - set while fulfilling its yearly *LHR* (in late-2017) and multiple yearly *LLR* levels. The May '18 peak also perpetuated a very precise 54 - 55 week high (Apr. '15) - high (Apr. '16) - high (May '17) - high (**May 2018**) *Cycle Progression*.

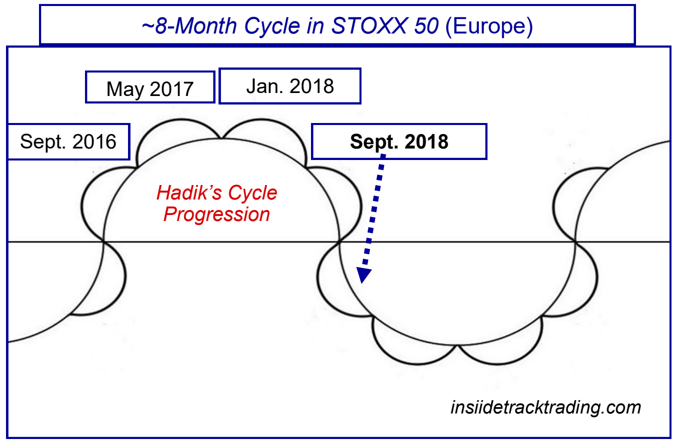
It quickly neutralized its intra-year uptrend, turned its weekly trend down and is poised to give a weekly close below a descending weekly *21 Low MAC*. A weekly close below ~**5,250** would accomplish that AND turn the intra-year trend negative."

July 2018 - Multiple indexes - domestic and global - are focused on **mid-to-late-Sept. '18** as a pivotal period when a 3 - 6 month (or longer) peak should take hold and usher in a bearish period in **4Q 2018.**

That is when the greatest synergy of cycles - both in and outside the equity markets - project a period of trouble and negative action.

Chinese & European stocks are leading the way, having turned down in early-2018 and projecting a year-long decline. US stocks have been projecting a retest of their late-Jan. '18 highs before a more significant downturn.

Now a key 'proxy' stock is corroborating this outlook, signaling a 3 - 6 month (or longer) peak in **late -June/early-July** and preparing for a sharp decline.



As just explained in the 7/14/18 ***Weekly Re-Lay***, NFLX could be the (or a) *'canary in the coal mine'* - warning of imminent danger in the overall equity markets. *Watch **4Q 2018**!*

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

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