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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 VII

An INSIIDE Track Report

40-Year Cycle:
Stocks in 2018 - 2021 VII

Contents

4Q 2018 Troubles:
5th of 5th Wave Peak

Oct. 2018: The DJIA has just signaled a 5th of 5th wave peak, one of the final objectives needed to be met before bearish cycles take hold in **4Q 2018**. At the same time, an uncanny *2-Year Cycle* is projecting a sharp sell-off in **October**, even as over-arching cycles continue to project global equity weakness into **late-2018**.

The STOXX 50 & DAX are fulfilling 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* are similarly fulfilling the potential for 3 - 6 month (or longer) peaks in **Sept. '18**… reinforcing a critical 2018 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

Cycles in Context

09-27-18 - Context is often the most critical component of any analysis. Even in a judicial setting, context can often make the difference between truth and lies. (That is one danger that the oath *'truth, whole truth and nothing but the truth'* attempts to address. A sliver of truth, removed from its context and compartmentalized on its own, is sometimes not truth at all.)

That is also the case with fundamental news, with technical indicators and especially with cycles. The Sept. 26 Fed action and commentary would have extremely different connotations if it were at the beginning of a recovery cycle, in the middle of one or nearing the end of one.

It might not be 'untrue' in any of those settings (since it is just a simple fact), but it would have vastly different impacts on the markets and on traders' perceptions and expectations moving forward.

The context is the key!

As often emphasized, the same is true of almost any technical indicator. The context in which it is generated has a significant impact on what it means, how effective it should be, and also the expected longevity of that signal.

That 'context' could be where in a trend the signal is triggered and/or whether the signal is against the prevailing trend.

The corresponding context triggers a different set of expectations and guidelines (i.e. certain signals should be given far less time to prove themselves if they are triggered against the prevailing trend).

The same is true with cycles.

One example of cycles and their diverging contexts is described on page 5. It describes a recurring *2-Year Cycle* in Stock Indices and discusses the uncanny similarity of equity moves on a recurring 720-degree (2-year) basis.

The clarifying factor is the *context* in which each corresponding move takes place. In one case, it might be after a Major 'I' wave advance and yield a larger-magnitude 'II' wave correction. In another instance, it might be following the 3 wave of 'III' wave advance - leading to merely a '4' of 'III' wave pullback… and so on.

In each case, the equity markets corrected (and or entered ensuing advances) on a consistent 2-year interval. However, the context - in this case, the wave structure and the market's location within that wave structure - created vastly different degrees of sell-offs.

The context was the key!

Equity markets have steadily rallied since fulfilling multi-year cycles projecting a 3 - 6 month or larger bottom to take hold in March 2018. While fulfilling that, stock indexes generated a weekly trend pattern that projected a rally back to their highs.

The DJIA has just fulfilled that, the third and final index to accomplish that. Overall, a topping process has been expected in 2018, setting the stage for a significant correction...

STOCK INDICES

09/28/18 - Stock indexes have maintained the potential for a quick, sharp drop in October - similar to late-Jan./early-Feb. '18 - and the subsequent setting of a new multi-week/multi-month low.

That remains in the context of another expected peak in **Nov./Dec. 2018** - in line with the next phase of the 10-month *Cycle Progression* that has governed equities for several years. Leading into 2018, two primary peaks were expected - in late-Jan/early-Feb. and then in **Nov./Dec. '18** - with an intervening peak in June/July '18.

The two primary ones incorporated phases of the ~5-month and ~10-month cycle. The intervening peak was only the ~5-month cycle.

The weekly trends were, and still are, expected to be the ultimate filter for mid-year and then late-year - identifying the likely positioning (higher/lower) of that next peak. When equity indexes could not turn their weekly trends down in Feb. (nor in late-Mar./early-Apr.), they projected a rally back to the highs.

Since those lows, the indices have steadily moved back toward their highs - even while setting an intervening peak in mid-June that could only hold until late-July - with the DJIA being the third and final index to fulfill this objective, on Sept. 21 (peaking ~180 degrees from its low weekly close on March 23).

[One of the three primary stocks (NFLX) - that until July '18 accounted for 70 - 80% of the 2018 gains in the NQ-100 AND S+P 500 - peaked on June 22 and has traded lower since.

Along with other 'secondary' stocks that peaked in that time period, it reflects a stronger influence of the intervening ~5-month cycle.]

The DJIA finally set those new highs even as the Nasdaq-100 was slowly fulfilling the intermediate potential for a correction from early-Sept... Bellwether stocks like AAPL & AMZN also remain below their early-Sept. peaks. That is one reason there remains the potential for another leg down in October. Another reason is described on page 5.

A third reason has to do with the DJIA's multi-year (since '09) wave structure. From the 2009 low, the DJIA rallied into May '11 ('1' wave), corrected into Oct. '11 ('2'), advanced into Apr. '15 ('3') and corrected into Aug. '15. It then began a 5th wave rally.

That 5th wave broke down into 4 waves, as of the Feb./April low. It then entered a new ('5' wave) advance, reinforced by the weekly trend pattern, with new highs in focus. With the recent spike high, the DJIA has at least provided the *minimum* necessary to fulfill a '5th' of '5th' wave advance.

The Nasdaq 100 is in the process of generating a near-term (1 - 4 week) sell signal up to **7690/NQZ** that could trigger this second sell-off...

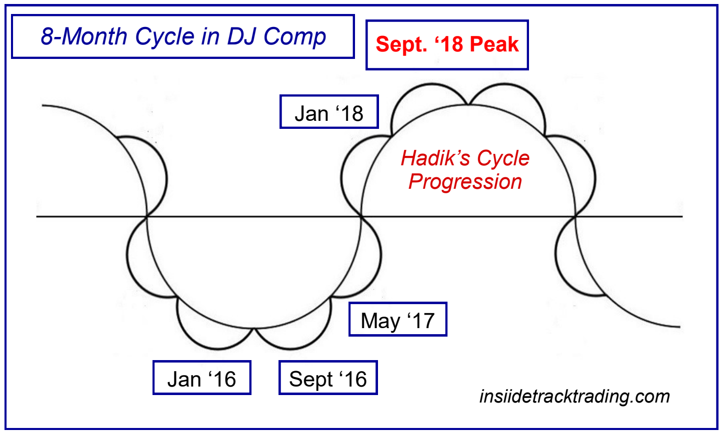
Global Indices

09/27/18 - China's ***Shanghai Composite*** has dropped sharply after fulfilling multi-year cycle highs in Jan. 2018 and plummeting back to its 2016 low of **~2760**. That level was expected to provide decisive support that has spurred a rebound in the second half of Sept… On a 2 - 3 year basis, this index could ultimately drop as low as **~2,000**.

Hong Kong's ***Hang Seng Index*** remains bearish on an intra-year basis after fulfilling a 16 - 17-month low-high-high-high-(high) *Cycle Progression* while peaking in late-Jan./early-Feb. 2018. It did see a new decline in Sept. - taking it down to new ~14-month lows and completing a 50% correction of its Jan. '16 - Jan. '18 advance (while also testing and holding its ascending monthly *21 Low MAC*).

The ***Hang Seng*** now needs to produce a monthly close below **26,200** to turn the monthly trend down (it just triggered a second neutral signal) and elevate this decline to another higher magnitude.

Japan's ***Nikkei 225 Index*** remains stronger, with



its monthly trend - since March 2018 - projecting a rally to new highs. It has just fulfilled that as it enters the most likely time for a major peak in **4Q 2018**.

The potential for a 1 - 2 year peak in the next 1 - 3 months (ideally in **Oct. 2018**) is reinforced by the latest phase of a 13-quarter low (1Q '09) - low (2Q '12) - high (3Q '15) - high (**4Q '18**) *Cycle Progression*.

A peak in **Oct. '18** would also fulfill an unfolding web of interrelated cycles - including a ~14-month low-low-(high) *Cycle Progression*, a 6.5 - 7-month low-low-(high) *Cycle Progression* and a ~3.5 month low-low-(high) *Cycle Progression*.

From a price/wave perspective, the Nikkei has also just fulfilled the minimum necessary for a '5' of '5' of 'V' wave peak - by exceeding the '3' of '5' of 'V' wave peak from Jan. '18. Since the early-2009 bottom, the Nikkei has traced out a textbook 5-wave advance with the '4' wave occurring at its Feb. '16 low.

In 2016 - 2018, it has traced out a textbook 5-wave advance with the corresponding '4' wave low occurring at its Mar. '18 low. (Both of those 4th wave lows will become key support and critical downside objectives once peaks - on their corresponding magnitudes - have been confirmed.)

One additional technical factor could be honing this potential. On Sept. 21, the Nikkei surged to and held its weekly *LHR*. The test of that extreme upside tar-

(Continued on page 6)

September Culminations: Middle East, Energy & Equity 'Peaks'

Late-Sept. 2018 *Completes Major Cycles in Markets and Middle East!*

8-30-18 *INSIIDE Track* - "Second to only the March/April time frame (the beginning of the Natural Year from March 20/21 into April 19/20), the period of Sept./Oct. is a time of extremes and a time of great transition in and around the market. While I firmly believe this is due to consistent, millennia-old cycles, it is also due to modern-day cultural habits.

One prime example is in many countries in Europe, where Summer is viewed as an untouchable privilege (this is not conveyed in a disparaging way and was described this way by a European). As a result, controversial or challenging political and economic decisions - if at all possible - are often delayed until September. Consistent with that, multi-month cycles are converging in Sept. 2018 - in markets like the Euro STOXX 50 and the DAX Index.

Another reason is long-held tradition. The Jewish civil calendar reflects this with Rosh Hashanah falling during the month of September and ushering in the time preceding the high holy day of Yom Kippur. (Their sacred year begins near Passover in the March/April time frame.) This observation is not made to enter a religious discussion but rather a realistic one. ~900 years ago, centuries of war and upheaval focused on Jerusalem (Crusades). 500 years ago, the entire Levant region was the focus (Ottoman Empire).

100 years ago, Jerusalem was back in focus, liberated in Dec. 1917. 70 - 80 years ago, the second World War was focused - on among other things - the plight of the Jews. 40 - 50 years ago, two Middle East wars solidified the adversaries of US/West/Israel vs. USSR/Russia/Syria (and others) and established oil as a major weapon. *That is reality*...

Stock indexes continue to move progressively higher after fulfilling the potential for a 3 - 6 month or longer bottom in March 2018… Based on the weekly trend patterns, most indexes have projected a rally back toward the early-Jan. highs after failing to turn those weekly trends down during the decline into early-Feb. and/or the subsequent decline into late-March.

The S+P was the latest to fulfill that (after the NQ-100 did it much sooner) - spiking to new contract highs this past week and fulfilling that weekly trend signal. The DJIA (as well as the NYA, MMX and others) remains below its Jan. high.

~3.5-Year Déjà Vu

The steady topping process of 2018 (except in a few key tech stocks that keep accelerating higher) is the latest phase of a similar pattern that dates back to the year 2000 and incorporates a web of related multi-year cycles - including a 14-Year Cycle, 7-Year Cycle & ~3.5-Year (40 - 42 month) Cycle.

On a regularly recurring basis (every ~40 - 42 months, on different degrees), equities have gone through a topping phase - that often included six months or more of bumping up against the same resistance - followed by at least one significant sell-off.

That includes the following 6 - 12 month moves:

-- Aug./Sept. 2000 (secondary) high - Sept. 2001 (-Oct. 2002).

-- Jan 2004 high - Nov. 2004 low.

-- Oct./Nov. 2007 high - Nov. 2008 low (-Feb. '09 low).

-- Apr./May 2011 high - Oct. 2011 low.

-- Aug. 2014 high - Aug. 2015 low (-Jan/Feb. '16 low)...

Equity & Energy Connection

There is another factor that could have a little stronger of an impact (potentially negative) in the coming weeks IF analysis in another market sector is validated. As is standard when discussing potential market correlations, it would take an accelerated move in the lead market to impact the lagging one...

Since May 2015, Crude Oil and the overall equity markets have moved in similar trends. This does not mean that every rally and decline were in lockstep with each other. And it does not suggest that every multi-month or multi-quarter or multi-year top in one was a corresponding peak in the other. However, the general trends and cycles have coincided.

Both markets experienced significant drops into Aug. 24, 2015 and then suffered subsequent drops that bottomed in Jan./Feb. 2016. Both have rallied since then.

From early-2016, both Crude and the DJIA rallied for 3 - 4 months and then corrected for 2 months.

Both moved progressively higher into late-Jan. 2018, with the strongest rallies unfolding in July '17 - Jan. '18.

Both dropped sharply into early-Feb. '18 and have moved higher since then.

Both set intervening highs in late-May - early-June '18 but have since exceeded those highs.

Both, on a short-term basis, pulled back into Aug. 15/16 and then projected rallies back to their highs. Both have just fulfilled those upside objectives.

The reason for addressing this has more to do with oil than with equities (although there is obviously overlap, particularly in an index like the S+P 500).

The 2017/2018 outlook for energy markets was to see a strong rally into Jan. 2018 and then subsequent highs in mid-to-late-May '18 and then finally in **late-Aug. '18** (the governing 15 - 16 Week & 31 - 32 Week *Cycle Progressions* would allow that peak to stretch into **early-Sept. '18**).

Energy markets have fulfilled all of that, often with uncanny precision, surging into late-Jan. 2018 and then setting subsequent peaks in the second half of May '18 and now rallying into late-August. That sets the stage for a larger-magnitude correction beginning in September.

And a larger-magnitude drop in oil prices could certainly catch the attention of equity traders, at a time when other fundamentals are causing some anxiety. It is also possible that some external event (trade wars, Iran deals, etc.) could pressure both of these markets simultaneously.

This is not to recommend trading equities off of energy cycles and technicals. Instead, it is highlighted to call attention to an ongoing correlation that could reach a point of critical mass in **Sept. 2018**."

Oct. 2018 - The projected transition period of **late-Sept. 2018** has been discussed and in focus since 3Q 2017 (and, from a broader perspective, for the past decade). Among other things, **late-Sept. 2018** was forecast to be the culmination of Middle East cycles coinciding with a major peak in oil markets - along with 5-year & 10-year cycles in Crude (and a pair of uncanny weekly cycles). This now takes on greater significance in the context of a myriad of domestic and global stock markets projecting a sharp sell-off in **4Q 2018** - reinforced by an uncanny *2-Year Cycle* that is discussed on page 7. This potential validates the 40 - 42 month cycle in equity markets (that times recurring 3 - 6 month sell-offs) - and the frequently-described *~3.25-Year Cycle* that could time a **late-2018** low. ***IT***

(Continued from page 3)
get usually ushers in a 1 - 2 month peak in the ensuing 1 - 3 weeks.

So, at the very least, a multi-month peak could take hold in the first half of Oct. Whether that evolves into something (much) larger remains to be seen.

The Euro ***STOXX 50 Index*** did complete a *drop* into **Sept. 2018** and turned its weekly trend back down in the process. That usually spurs a reactive 2 - 3 week rebound followed by a decline to new lows. That technical pattern fits with two key cycles...

-- The first part is the ~4-month & ~2-month high-high-(high) *Cycle Progressions* that could still produce a lower peak in **late-Sept./early-Oct. '18**. Instead of these longer and intermediate cycles forming *one* turning point, it appears they could be diverging to form *two* separate turns (low and high).

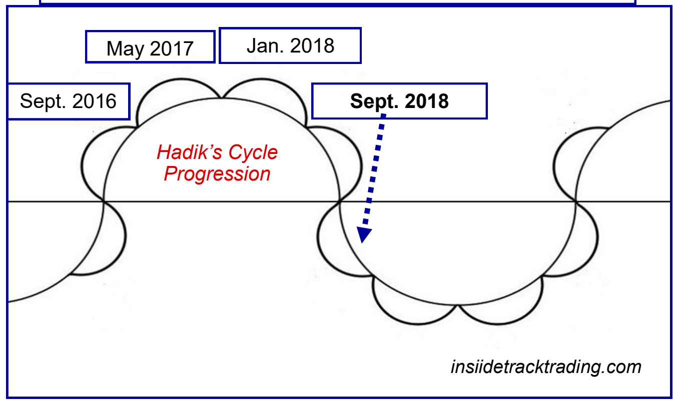
-- The second part is the overall outlook for a **4Q '18** drop that ultimately leads to a more significant low in **1Q 2019** - the midpoint of the 7.5 - 7.75 year cycle that timed decisive turning points since 1984 - also creating a corresponding ~3.75 - 3.85 year high-low-low *Cycle Progression*.

A low in **1Q 2019** would also arrive 3 years from the 1Q 2016 low and 10 years from the 1Q 2009 bottom and could represent the next phase of a ~4-month high-high-high-(low) *Cycle Progression*.

The monthly *21 MAC* is corroborating this outlook. That channel has been heading higher since early-2017 but the Index has been repeatedly testing the lower end (monthly *21 Low MAC*) - attempting to break through it. The inversely-correlated *21 MARC* has been rising and will now be at the point - in Oct. & Nov. '18 - where the ***STOXX 50*** would only need to drop below **2979** (it hit **2954** in Sept.) in order to turn the direction of the monthly *21 Low MAC* down.

If it spikes above **3095** in early-Oct. (ideally closer to **3150**, where its monthly *LHR* now resides), the ***STOXX 50*** would also be in the ideal position to generate a monthly *2 Close Reversal* (*Combo*?) lower if it were to close below **3042** on Oct. 31. ***IF*** the ***STOXX 50*** is able to do something like this, it could see a drop below **2500** in the ensuing 3 - 6 months.

~8-Month Cycle in STOXX 50 (Europe)



The German ***DAX Index*** remains in weekly & intra-year downtrends and extended its decline into **mid-Sept. 2018** before bouncing. On a weekly chart, it is in one of the most precarious positions - having just bounced to test its newly-declining *21 Low MAC*. That channel low (*support turned into resistance*) repelled the DAX as the index surged into **Sept. 27** - the latest phase of 17 - 18 week high-high-(high) *Cycle Progression* and an ~9 week low-high-high-(high) *Cycle Progression*.

That could/should produce an intermediate peak and reversal lower as those ~60 & ~120-degree (~2 & ~4-month) cycles were reinforced by a ~30-degree low (3/26) - low (4/25) - low (5/31) - low (6/28) - high (7/27) - high (8/28) - high (**9/27-28/18**) *Cycle Progression*. If the DAX can reverse lower from here, it should see a more convincing (and accelerated) decline into **1Q 2019**.

As part of that, the ideal scenario would be to see the DAX drop below **11,726** in the next month (**late-Oct. '18** is next phase of a ~7-month low-low-low-low *Cycle Progression* and the ideal time for the next bottom) and then rebound to a lower high in **late-Nov./early-Dec. '18**.

As observed before, the DAX - as well as the Shanghai, Hang Seng & Stoxx 50 - are doing almost precisely what cycles projected for the DJIA in 2018 - peaking in Jan. '18 and then June '18 (some in mid
(Continued on page 8)

2-Year/720-Degree Cycle in Equity Markets Projects Sharp Sell-off!

9-26-18 *Weekly Re-Lay Alert* - One of the most consistent cycles in equity markets is an approximate *2-Year Cycle* (accounting for similar consistency in a corresponding *4-Year Cycle* and even *8-Year Cycle*). This *2-Year Cycle* has multiple facets, including the timing of related moves at a ~24-month interval. This is more likely when the market has been in a similar trend for several years.

In many instances, those similar moves will be on progressively higher or lower degrees (magnitudes) due to the progression of higher and lower magnitude waves. A perfect example involved the following sequence on a 2-year interval:

- A moderate sell-off that bottomed on Feb. 3 - 12, 2014 (~1250/DJIA points or about a 7.5% decline).

- A sell-off of one larger degree that bottomed on Feb. 3 - 12, 2016 (~2500/DJIA points or about a 14% decline)

- A sell-off of one larger degree that bottomed on Feb. 3 - 12, 2018 (~3250/DJIA points or about a 12% decline).

Previously, the DJIA also had a decline of 900 points or 8.3% that bottomed on Feb. 3 - 12, 2010.

In 2014, it took 4 - 5 months for the DJIA to then exceed its previous peak (the peak before that sell-off). In 2016, it took 5 - 6 months to do the same thing. In 2018, it took almost 8 months.

In 2014, that subsequent spike high *immediately* led to a ~2-week reactionary pullback.

In 2016, that subsequent spike high *immediately* led to a 9 - 10-week reactionary pullback.

In 2018, the jury is out. But the DJIA just spiked to a new high on Friday, Sept. 21. So, we remain within a week of that peak and other factors - that have been in place and in focus throughout 2018 - argue for a quick sell-off in this time frame...

Corroborating that outlook is another case in point (of the *2-Year Cycle*):

In early-Sept. 2012, equity markets peaked and began to roll over on an intermediate basis. They sold off during Oct. and the first two weeks of November, spiking down to pivotal support and bottoming. *The entire correction lasted about 6 weeks with the majority of selling occurring in the final ~3 weeks.*

[Surrounding that move by one year on each side, equities experienced related 3-week sell-offs from mid-Sept. into early-Oct. - in 2011 and 2013.]

In early-Sept. 2014, equity markets peaked and began to roll over on an intermediate basis. They sold off during the first 2 - 3 weeks of October, spiking down to pivotal support and bottoming. *The entire correction lasted about 6 weeks with the majority of selling occurring in the final ~3 weeks.*

Two years later, in mid-Sept. '16, equity markets peaked and began to roll over on an intermediate basis. They sold off during the final two weeks of October and first week of November, spiking down to pivotal support and bottoming. *The entire correction lasted about 6 weeks with the majority of selling occurring in the final ~3 weeks.*

Two years later, some equity markets (Nasdaq 100 and several key tech stocks) peaked in the final days of August and have shown signs of rolling over on an intermediate basis for the past three weeks... The bottom line is that this *2-Year Cycle* has consistently timed sharp corrections…"

-May) with an intervening 3 - 6 month low in March '18. The final phases of those 2018 expectations were for another low in **Oct**. and a subsequent high in **late-Nov./early-Dec. '18**.

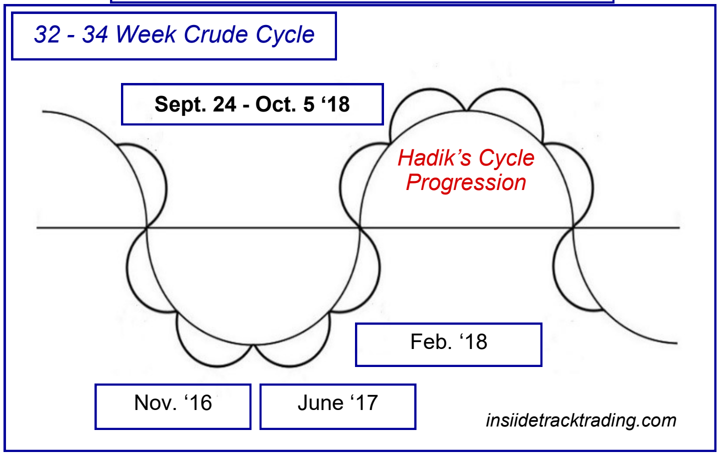
The ***FTSE*** is similar to the DAX in that it dropped to new 4+-month lows in early-Sept. and then rebounded into late-Sept. - the latest phase of ~2-month & ~4-month high-high-(high) *Cycle Progressions*. It initially peaked while testing its reversing (from up to down) weekly *21 Low MAC* and its weekly trend neutral point. If the recent high holds, it should trigger a decline into **late-Oct**.

The ***CAC*** is not as negative but did follow a similar pattern (as FTSE & DAX) and could see a sell-off into late-Oct. The weekly trend remains negative while the intra-year trend is neutral.

Canada's ***TSX 60 Index*** remains on track for an intermediate drop into **Oct.** followed by a rebound into **late-Nov./early-Dec. '18**. It needs a weekly close below **946.88** to turn the weekly trend down.

In early-Oct., its weekly *21 MAC* is likely to turn down so that could accelerate selling (and potentially turn the weekly trend down) leading into an initial low. With it already attaining key upside objectives around **980**, the ***TSX 60*** may have already set its peak for the year...

The Energy/Equity Connection: Cycle Peaks



Oct. 2018 - An overwhelming convergence of culminating cycles has just reached fruition and is ushering in expectations for 1 - 3 week and 1 - 3 month sell-offs in equities and energy markets… even as geopolitical cycles in China enter a more precarious period while Middle East cycles also shift.

Refer to latest publications for most updated analysis on all these topics. ***IT***

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