ITTC

INSIIDE Track

# 40-Year Cycle: Stocks in 2019 - 2021 III

## Outlook 2019/2020

### A Tale of Two Cycles

**08-30-19** - *It was the worst of times;*

*it was the best of times…*

...All depends on your perspective.

That is probably the best way to sum up what could be the most significant and revealing cycles of 2019 - most of which converged and culminated in **late-Aug. 2019**. It is a time when safe-haven markets surged (precious metals & bonds) as equity markets tanked… *at least temporarily*.

*Some context is key*.

Since early-2017, multiple longer-term cycles have focused on 3Q 2019 as one of the key times when a sharp, 10+% sell-off in equity markets was likely to take hold… AND when an important bottom should take hold (see page 2).

It is also a time when every year, since 2015, Bonds have completed rallies and entered multi-month declines.

And it is the time when Platinum, Silver & the XAU have been forecast to peak (**Aug. '19**) as Gold fulfills a 27-week low-high-(high) *Cycle Progression* (**Aug. 26 - 30**)… *and then transition*.

This is a good time to reiterate an important cycle principle, expressed by Solomon in Ecclesiastes - *what has been done will be done again*. In other words, the completion of one cycle ushers in the beginning of the next.

Or as David Pack (*Ambrosia*) so astutely observed in his song '*Endings*'. '*Endings are only places… where all things begin*'.

*"We've waited 'till who knows when, For the time to begin again; It's more than the change of time, It's something that's in all our minds; That no matter where or when, For endings are only places where all things begin."*

*- 'Endings' by David Pack - 1982*

### Cycle Relay

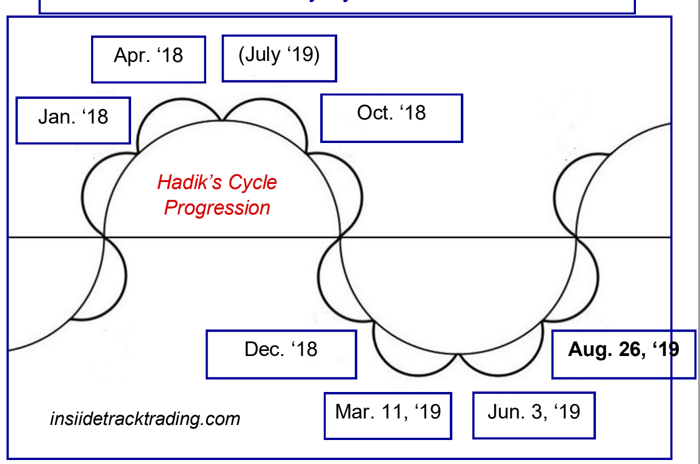
There are times when this type of action is greatly intensified as cycles of varying degrees enter (and exit) these transition phases at almost the same time, like a relay runner handing off the baton. That is what has been, and still very much is, anticipated for **2018 - 2022**.

Due to the fact that so many markets were/are expected to complete pivotal cycles in **late-Aug**., the majority of this issue is devoted to *Market Analysis* - after one other observation...

### Seismic Swarms Update

There continues to be an increased level of seismic activity on the West Coast (U.S.) and in some other key regions around the globe. Most recently, a 6.3 quake struck just off the coast of Oregon - on Aug. 29. This is where the dots need to be connected, in the off chance they warrant being connected…

~12-Week/~84-Day Cycle in Stock Indices



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1 - Focus remains on **2019/2020** for a projected spike in volcanic activity, with heightened focus on Indonesia and Europe.

2 - In many cases, a sustained increase of seismic activity (intensifying earthquakes and small volcanic eruptions) precedes a major volcanic eruption (historically, the precursor activity has lasted for up to a couple years).

3 - **2020** is the 40-Year Anniversary of the most significant volcanic eruption to hit the U.S. west coast in a century or more (Mt. St. Helens in 1980).

*Could all this activity, including the major quakes of July '19, be warning of something volcanic to come?* (This is not intended to be sensational or alarmist…. but rather to spur critical thinking.) ***IT***

## Stock Indices

**08/30/19** - The stock market remains in a multi-year period of volatile consolidation, providing a sequence of ~10% swings up and down while remaining in a wide trading range. That continues to be the scenario projected for 2018 - 2019.

For 2019, equities were forecast to see a strong rally from their late-Dec. '18 lows (lows that fulfilled an uncanny ~*3.25-Year Cycle* and were expected to hold for at least 6 - 9 months and potentially longer) - into May '19. That was expected to usher in a topping phase and ultimate correction that would see its most bearish phase in **late-July - late-Aug. '19**.

The latest multi-week bottom was projected to take hold on **Aug. 19 - 30**, the latest phase of an 11 - 12 week high (Oct. '18) - low (Dec '18) - low (Mar '19) - low (Jun '19) - (low) *Cycle Progression* with particular focus on **Aug. 23 - 27**. An exact 12-week/84-day low (Mar. 11) - low (Jun. 3) - low (**Aug. 26**) cycle forecast that low to take hold on **Aug. 26**.

That 12-week/84-day cycle is also the precise one that timed the late-2018 plunge from Oct. 3 into Dec. 26 (84 days). Prior to that, it timed the difference between the late-Jan. '18 high and subsequent mid-Apr. '18 high (84 days) and - when doubled - the time from that mid-April '18 high to the early-Oct. '18 peak (168 days).

*So, it continues to be an important cycle… that next comes into play in **mid-Nov. '19**.*

In recent weeks, additional factors corroborated this outlook and signaled why an intermediate low was imminent. That was also closely mirroring the action of Aug. 2015 - reinforcing the *4-Year Cycle* that was a primary component leading to analysis for an August plunge in stocks.

The 2015 low came on Aug. 24, the Monday of the final full week of August, culminating an accelerated ~40-day sell-off following a peak on July 16, '15.

In 2019, primary indexes (DJIA, NYA) also peaked on July 16 and began an accelerated ~40-day sell-off. That bottomed on the Monday (Aug. 26) of the final week of Aug. - along with daily cycles that were projecting a low for **Aug. 26/27**… with some indexes dropping as much as 10 - 13%.

In 2015, that Aug. 24 low led to a rebound into **mid-Sept**. before a sizeable sell-off. In 2019, the Aug. **26/27** low was projected to trigger a rebound into **early-to-mid-Sept**. before a sizeable sell-off. *Will the parallels continue?*

Whether or not stocks mimic the 2015 action in Sept. - Dec., they have adhered very closely to it in August while fulfilling expectations on multiple levels (and setting the stage for a pivotal low to take hold), including a final 3 - 5 day sell signal on Aug. 21. As already detailed in previous months, the *40-Year Cycle* also anticipated this August plunge.

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### INTEREST RATES

**08/30/19 - Bonds & Notes** rallied for the first half of their latest ~90-degree cycle after bottoming in mid-July while perpetuating a 13 - 14 week low-low-low *Cycle Progression*. (The next phase comes into play in **late-Oct. '19**.)

That has brought them to an annual period (**late-Aug./early-Sept**.) that has timed the onset of intermediate declines in each of the past four years.

A peak during this time frame would perpetuate a ~360-degree 'high-high-high' cycle that previously timed the late-Aug. '18 high & reversal lower.

It would also arrive 2-years from the early-Sept. '17 peak & reversal lower, 3 years from early-Sept. '16 - when Bonds completed a series of descending highs and then plunged - and 4 years from the late-Aug. '15 peak and reversal lower.

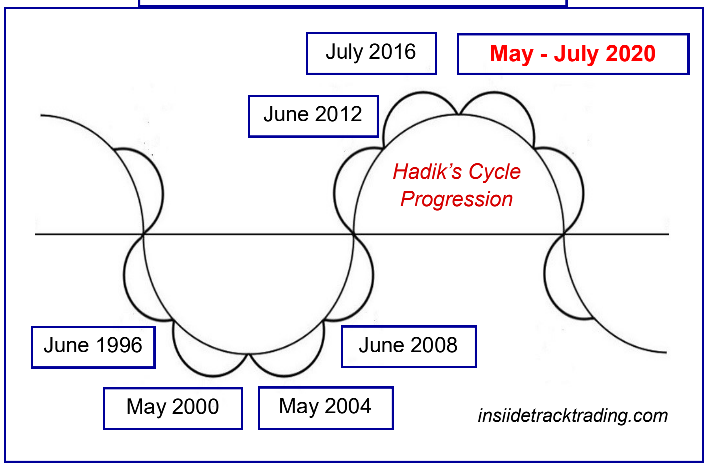
To reiterate, the action of 3Q '19 altered what was/ is expected from the next multi-month cycle low in **late-2019/early-2020** (when a higher low is now expected). In the process, Bonds have reinforced the next important cycle high - expected in mid-2020 (**May - July '20**).

For more than two decades, Bonds have traced out a consistent *4-Year Cycle* that most recently timed peaks in June/July '12 and July '16.

Prior to that, they set lows in June '08, May '04, May '00 (a secondary low after late-'99 events spurred a dramatic drop into Jan. '00) and June '96.

That creates a textbook, 4-year low-low-low-low-high-high-(high) *Cycle Progression* - next peaking in **mid-'20**.

*~4-Year Cycle in 30-Year Bonds*




The preceding is analysis from the recently-published Sept. 2019 *INSIIDE Track*. It reiterates ongoing expectations (since mid-2017) for equity markets to undergo a sharp sell-off in **3Q 2019** - with a crucial cycle low expected in **late-Aug. '19** (holding for at least 3 - 6 months and potentially longer).

That validates expectations based on several weekly & monthly cycles as well as the *2-Year*, *4-Year* and even *40-Year Cycle* (see pages 4 - 5). Those cycles next focus on **1Q '20** - when stocks should set an important peak (**late-Jan. '20**?) and see a sharp sell-off follow that.

Corroborating that, Bonds & Notes are poised to see sharp sell-offs in **Sept.** & **Oct. '19** - repeating an annual pattern of the past 4 years. This, too, would reinforce the outlook for another advance in stocks.

The ***Weekly Re-Lay*** will continue to update short & intermediate trends, strategies and outlooks. The longer-term & higher magnitude analysis will be elaborated in future issues of *INSIIDE Track*.

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Reprint of Aug. 2019 ***INSIIDE Track***

### Stock Indices

**07/31/19** - The stock market has *rallied* throughout 2019, encouraged by the expectations of lower interest rates. Immediately prior to that, In late-Dec. '18, equities completed a ~3-month *nosedive* - culminating on a fourth interest rate hike AND the perception that 2 - 3 more rate hikes were coming in 2019.

*It is now, with 20/20 hindsight, easy to see that late-2018 expectation was very mistaken.*

It took a little while (and a barrage of nasty *Tweets* directed at Jerome Powell) for that perception to shift - first to *'no more rate hikes in 2019'* and then eventually to *'perhaps a rate cut in 2019'* and finally to *'2 - 3 rate cuts in 2019'*.

Long before economists were perceiving this, the market was already anticipating it, rallying (along with Bonds) since late-Dec. - already pricing in this 180-degree shift in *sentiment*… and ultimately in *action*.

This time, with economists predicting the opposite of what they were in late-2018/early-2019, there are at least two considerations that could begin to shift market direction - on a short-to-intermediate-term basis.

The first is the obvious - Fed-watchers could be wrong. This rate cut might be a 'one-off' that leads to a prolonged period of stagnant, wait-and-see inaction from the Fed. Earlier in July, there were growing expectations that this rate cut would be .50 basis point. It came in at .25… with two Fed governors dissenting. Part of that was due to some better than expected data in the interim.

With that in mind, the obvious conclusion is that the economy would have to get worse to justify another cut. And that is where the second consideration emerges.

One of the rationales given for this interest rate move was to *'anticipate trouble ahead'* and not wait for it to happen. While that might be a breath of fresh air from a historically *reactive* institution like the Fed, it creates a *'Catch-22'* for stocks…

Either the economy, and earnings, do get worse and ultimately drag stock prices lower OR (1) the economy does not justify that mentality, (2) further rate cuts are squashed, and (3) stocks sell off - perhaps on the backs of bonds selling off - as a result of the pendulum swinging back to a neutral stance.

### Market Barometers

Generally speaking, the stock market anticipates economic movement 3 - 6 months in the future. So, any concerns about 3Q & 4Q activity could be quickly priced into stocks… *and not in a good way*.

Cycles and technicals also anticipate future price movement. And the period of **Aug./Sept. '19** is considered the most vulnerable period in **2019**.

That is not due to just one or two factors, but rather the synergy of many corroborating ones. From the broadest (and therefore most general and least precise) perspective, there are the expectations based on the *40-Year Cycle* and the unique parallels between **2018/2019** and 1978/1979.

Stock indexes continue to trace out a pattern similar to what they did in 1978/1979. (Other parallels include similarities to US/Iran relations in 1979 and the latest phases of China's unique *40-Year Cycle*.)

On an overall basis, the period of **2018 - 2022** was forecast to experience at least four corrections of 10

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Reprint of Aug. 2019 ***INSIIDE Track***

- 20% during this period - just as in 1978 - '82
- with powerful rallies surrounding those declines.

On a little more precise basis, 2018 traded in very similar action to 1978 - exactly 40 years prior.

In 1978, the DJIA set a 6 - 9 month bottom in February and then rallied into Sept./Oct. '78. In early-Oct., equity markets reversed lower and dropped sharply (15 - 20%) into/through Dec. '78.

Similarly, 2018 saw a 6 - 9 month bottom set in Feb. followed by a rally into Sept./Oct. '18 In early-Oct., equity markets reversed lower and dropped sharply (15 - 20%) into/through Dec. '18.

In 1979, the DJIA rallied - in three distinct waves - throughout the first quarter, peaking in April '79 and then selling off for a month.

In 2019, the action was *similar* (not exact, but similar… *history rhymes, it does not repeat*).

Following that ~month-long sell-off (1979), the DJIA rallied to new intra-year highs into 3Q '79 - ultimately retesting the 1 - 2 year peak it set in Sept./Oct. 1978.

In 2019, the DJIA is acting similarly - rallying to new intra-year highs into 3Q '19 (after a one-month sell-off) and retesting the peak it set in Sept./Oct. '18 as key indicators begin to flash warning signs.

In 1979, the retest of the previous year's peak resulted in a new 1 - 2 month sell-off that was similar - but not quite as damaging - as the 4Q 1978 decline.

In 2019, expectations are similar - based on a host of *other* indicators and cycles. Stocks are retesting their previous year's high (the Sept./Oct. '18 peaks) and are expected to see a new 1 - 2 month sell-off - with current cycles and related timing indicators portending a low in **Aug./Sept. 2019**.

It is important to re-emphasize that this is NOT solely an expectation that the market will repeat what it did 40 years ago. *That is rarely the case.*

However, this ~2-year period - in **2018 - 2019** - possessed so many other similarities and so many corroborating cycles and indicators - that the parallels could not be ignored.

Reinforcing this, a unique *4-Year Cycle* portends the same thing, with the markets in 2019 acting similar to how they did in 2015 (right down to the leading role of Chinese and European stocks). 2011 has a similar 3Q sell-off...

### *The Price Filter*

The monthly trend patterns are now muddying the waters… Today's reversal lower was enough to prevent the DJIA, the NQU, the DJTA, the Russell 2000, and the NYA from turning their monthly trends up. In contrast, the S+P turned its monthly trend up. In both cases, this action ushers in a 1 - 3 month period when a reactive sell-off becomes more likely.

And, from a broader perspective, it reinforces expectations for 2018 - 2019 to be a period of volatile swings within a wide trading range - with competing multi-month advances and declines keeping the market moving in a generally-sideways pattern.

Today's action had some other interesting results. The NYA (NYSE Index) is validating its latest 3 - 5 day sell signal - from July 26/29 - dropping below its July 22 low… The S+P needs to drop to **2920/ESU** to do the same thing… should clarify what to expect during the remainder of the month of **August**.

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Reprint of Jan. '17 ***'40YC - Stocks in 2017 - 2021'***

### 4-Year Cycle Projects 3Q 2019 Sell-off

***1-19-17 -** "Finally, there are slightly larger-degree cycles arguing for a low in **Aug./Sept. 2017** - as a precursor to a more important low in **3Q 2019**. This is related to the 16-Month Cycle, as discussed in the preceding 5/31/16 analysis (see top of page 10). Three of those 16-Month Cycles combine to create a ~4-Year Cycle - one half of one of the most consistent multi-year cycles in Stock Indices - the ~8-Year Cycle.*

*In July/August 2007, the Indices suffered a moderate decline that was ultimately recognized as an important precursor to what was to follow. In some Indices (those that peaked in July 2007), that was the first decline in an infant bear market. In most, it was the final decline in an aging bull market… that was about to die a violent death.*

*4 years later, in July/August 2011 (NQ-100) or July--Oct. 2011 (DJIA, SP, others), the Indices suffered a serious setback - the last one before a multi-year surge to new highs.*

*In July/August 2015, 4 years later, the Indices suffered an even greater sell-off with some (like China's Shanghai Composite) undergoing an all-out crash - providing early fulfillment to Crash Cycles. In each case, the Indices bottomed in **August** or **September** (with a few waiting until Oct. in 2011).*

***This 4-Year Cycle projects focus on July--Sept. 2019 - for another important decline & bottom.** In the interim, there is a growing potential for an intervening low at the ~2-year point (from the **Aug. 2015** bottom) - surrounding **August 2017**. That is reinforced by a growing synergy of weekly & monthly cycles that will be elaborated later."*



*Eric S. Hadik -- Editor*



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