

# INSIIDE Track

## Tech Tips: Cycle Synergy

### Perfect Storm II: 40-Year Cycle Turning Bearish

**02-12-20** - The S+P 500 and Nasdaq 100 (buoyed by FAANG stocks and a few other disproportionately bullish stocks) are rallying to new highs on the heels of turning their intra-month trends up. That signal projects advances into mid-month and up to monthly resistance.

Most have already reached monthly resistance, some while turning their intra-month trends up on Feb. 6 - so the timing aspect of that signal (a rally into **Feb. 13 - 17**) is the only remaining factor. That is another factor arguing for the majority of any second sell-off to wait until after mid-month...

In response to some questions about the 2-Year Cycle, it is an important time to revisit and update this uncanny cycle. Most recently, it was expected to trigger a late-Jan. sell-off and an early-Feb. low - ushering in a new rally.

That was discussed in the Dec. 11 & 18 and Jan. 8, '20 **Alerts**, quoting the Sept. 26, 2018 **Alert - 720 Degrees: What the 2-Year Cycle Reveals**:

**9-26-18** - "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 se-

quence 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)

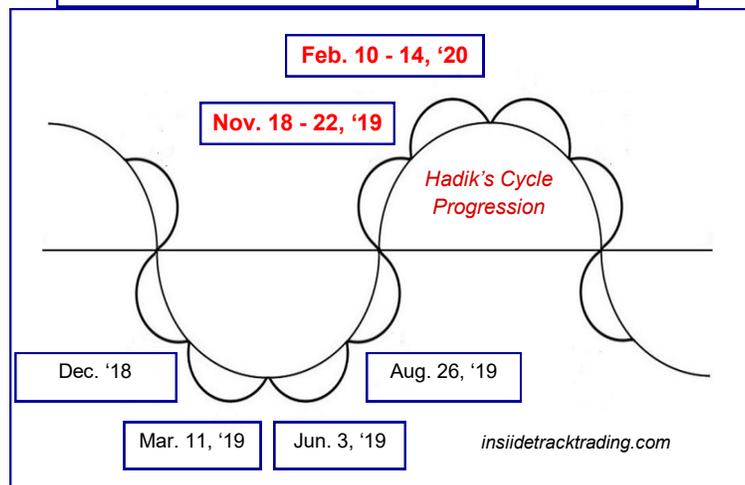
- A sell-off of one larger degree that bottomed on **Feb. 3 - 12, 2018** (~3250/DJIA points or about a 12% decline).

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

The Jan. 8, '20 **Alert** explained why stocks would likely wait until after mid-Jan. to suffer a quick, sharp sell-off:

**1-08-20** - "If that high stretches into the second half of **Jan. '20**, it would also mimic how 2018 began - the latest phase of the 2-Year Cycle. In that case (and several prior instances on a two-year interval), it led to a sharp sell-off..."

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



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At least one other cycle lends some credence to this scenario. It is the 11 - 12 week cycle that has governed action in the DJ Transports throughout the past two years, beginning with that Jan. '18 peak.

The next cycle in that sequence (illustrated on this page) is expected to be a subsequent high and comes into play on **Jan. 20 - 24** (Jan. 27 - 31, at the latest) - when another 1 - 2 month peak is expected.. ”

**Late-Jan./early-Feb. '20** was expected to be a close parallel to Jan./Feb. 2018 - when stocks suffered a quick, sharp ~2-week drop in late-Jan.... In 2018, the lead indexes & stocks peaked on **Jan. 16/17** and then plunged in late-Jan. - bottoming and reversing higher in the Feb. 3 - 12 time frame.

In 2020, the lead indexes & stocks peaked on **Jan. 16/17** and then plunged in late-Jan. - bottoming and reversing higher in the Feb. 3 - 12 time frame.

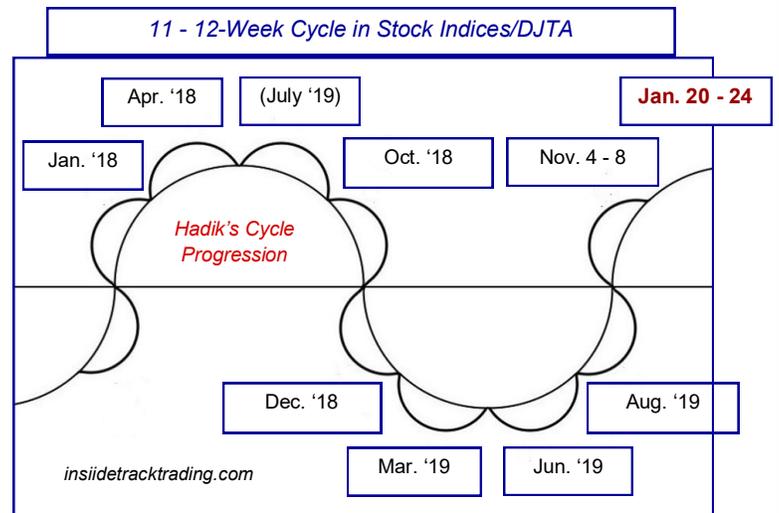
In 2018, the lagging indexes & stocks condensed their decline to a 2-week/14-day drop in late-Jan. - bottoming and reversing higher in the Feb. 3 - 12 time frame.

In 2020, the lagging indexes & stocks condensed their decline to a 2-week/14-day drop in late-Jan. - bottoming and reversing higher in the Feb. 3 - 12 time frame.

In 2018, the indexes subsequently rallied for 2 - 3 weeks before setting intermediate highs.

In 2020, the indexes have rallied for almost 2 weeks, with some (those that turned their intra-month trends up last week) on track for add'l upside into **Feb. 13 - 17**.

Looking at it on a more individual basis, here are what a several key stocks did in fulfillment of the 2-



**Year Cycle** - experiencing sharp declines in the second half of Jan. '20...

AAPL dropped about 8% in less than a week, bottoming precisely on Feb. 3.

GOOGL lost about 5%, dropping from Jan. 22 into Feb. 4. CSCO lost 7%.

SBUX dropped over 10% in a 2-week period in late-Jan. - turning back up - along with the 2-Year Cycle - on Feb. 3. Others were a bit more extreme...

3M (MMM; a DJIA component) plunged about 15% from mid-Jan. into Feb. 3.

Other DJIA components - like XOM & CVX - began their declines earlier but still plunged into early-Feb. and reinforced the 2-Year Cycle (losing 16% & 14%, respectively).

TRV lost 8%, NKE dropped 9% while PFE plunged over 10% in 4 days. UNH had a 2-week/10+% drop from late-Jan. into Feb. 3... all mirroring what has consistently occurred with the 2-Year Cycle.

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DOW was even more extreme, plunging about 15% in 2 weeks and bottoming on Feb. 3...

The Russell 2000 lost over 6% in late-Jan., turning back up on Feb. 3. Most of the primary indexes dropped about 4% before turning back up on Feb. 3.

Leading the pack (to the downside), the Transports dropped over 7% after fulfilling analysis for an intermediate peak and reversal lower on **Jan. 20 - 24** - the latest phase of an *11 - 12 Week* high-high-high-high-low-low-low-low-high-(high) *Cycle Progression*...

*Where does that leave the indexes in the short-term?*

They turned their intra-month trends up last week, extending the more likely time for an intermediate peak to mid-month (**Feb. 13/14 or 17**)...

The *4-Shadow* signal discussed last week remains in place and projected this latest rally - spurring some indexes to new highs, some to equal highs (double tops) and some to lower highs - **followed by a sharper sell-off**.

That is what is unfolding with the primary indexes, spurred by a few key stocks, surging to new highs even as so many others remain below their Jan. highs.

As discussed last week, the prevailing *4-Shadow* signal in those indexes gives the benefit of the doubt to the existing uptrend with the final rally surging to convincing new highs but falling short of the magnitude of previous recent rallies.

**While this shows additional strength on a near-term basis, it warns of an impending peak.**

It is still likely to usher in a significant top... Here again, the Transports could lead the other indexes - even if only by a day or two... Based on the ongoing divergence, the DJTA could drop to new lows..."

**2-12-20** - "They are reinforcing the potential for a divergent top of a slightly higher magnitude (3 - 5 week instead of 3 - 5 day) with the majority of the remaining indexes likely to wait until after mid-Feb. to suffer new declines.

The S+P 500 and Nasdaq 100 (buoyed by FAANG stocks and a few other disproportionately bullish stocks) are rallying to new highs on the heels of turning their intra-month trends up.

That signal projects advances into mid-month and up to monthly resistance.

Most have already reached monthly resistance, some while turning their intra-month trends up on Feb. 6 - so the timing aspect of that signal (a rally into **Feb. 13 - 17**) is the only remaining factor. That is another factor arguing for the majority of any second sell-off to wait until after mid-month.

Those intra-month uptrends usher in the potential for an *Intra-Month Inverted V* pattern in February (initial low at start of month, peak at mid-month, and new lows at end of month)."

**2-13-20** - "**Stock Indexes**... are fulfilling their intra-month uptrend signals by rallying into mid-Feb... Those intra-month uptrends usher in the potential for an *Intra-Month Inverted V* pattern in February (initial low at start of month, peak at mid-month, and new lows at end of month).

On a broader scale, recent action continues to fulfill and validate *2-Year Cycle* projections.

**Late-Jan./early-Feb. '20** was expected to be a close parallel to Jan./Feb. 2018 - when stocks suffered a quick, sharp ~2-week drop in late-Jan. and bottomed in the opening days of Feb. '18...

**So, what should follow?**

In 2018, the indexes subsequently rallied for 2 - 3

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weeks before setting intermediate highs.

In 2020, the indexes have rallied for almost 2 weeks, with the intra-month uptrends projecting add'l upside into **Feb. 13 - 17**.

And that is where the *2-Year Cycle* is poised to intersect the *40-Year Cycle*.

As repeatedly detailed, stock indexes have traded remarkably similar - in 2018 up to the present - to how they did in 1978 - 1980.

The latest comparative phase involved an early-year pullback in Jan. 1980 - with stocks bottoming in the first three trading days of the new year - followed by a rally into Feb. 13, 1980... and then a sell-off into late-March '80.

In 2020, stocks saw an early-year pullback in Jan. - with stocks bottoming in the first three trading days of the new year - followed by a rally into Feb. 13, 2020.

*Coincidence?* Perhaps.

But the similarities have been uncanny... for over two years. That does NOT mean the swings are exactly the same or that 1980 is expected to presage every turning point in 2020.

However, it does provide a little bit of a blueprint or roadmap for when to expect key turning points IF they are corroborated by other price and cycle analysis... **SYNERGY!**

As for the near-term, stock indexes turned their intra-month trends up last week, extending the more likely time for an intermediate peak to mid-month (**Feb. 13/14 or 17**).

The DJTA is still targeted for a second decline... So, *a reversal lower should take hold in this time frame.*"

The preceding are excerpts of the latest Feb. 12, 2020 **Weekly Re-Lay Alert** and Feb. 12 & 13 **INSI-**

**IDE Track Stock Index Updates** - reiterating the warnings that have been conveyed in recent weeks.

Simply put, a powerful convergence of weekly, monthly & multi-year cycles - as well as multiple indicators including an ominous *4-Shadow* sell signal - are projecting a divergent peak on **Feb. 13 - 17** followed by a much sharper sell-off into **late-Feb.** and then into/through **March 2020**.

An uncanny ~12-week/~84-day cycle corroborates this and projects a decisive peak for **Feb. 10 - 14** followed by a multi-week sell-off - the same timing for a sharp decline that the *40-Year Cycle* and the *2-Year Cycle* are projecting AND that the *DJTA 11 - 12 Week Cycle* is forecasting.

The intriguing aspect of this is that Feb. 13 is exactly when the DJIA peaked in 1980. It then plunged into **late-March**, suffering its sharpest drop in years and spiking to new multi-year lows before a bottom formed in March '80. The DJIA already triggered an intra-year downtrend signal on **Jan. 31, 2020** - indicating that a 3 - 6 month peak could be unfolding.

This is another example and elaboration of the *Tech Tips* and technical analysis tutorials provided in our publications, this time focused on the uncanny *2-Year Cycle* & *40-Year Cycle* that are corroborating an eerie combination of multi-week & multi-month sell signals occurring at this time.

More information on *Hadik's Cycle Progression* as well as related indicators can be found in *Eric Hadik's Tech Tip Reference Library*.

The **Weekly Re-Lay** will continue to monitor this evolving topping process - that is expected to trigger a much sharper decline in the very near future.

Related indicators are addressed separately.

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Aug. '19 - Jan. '20 *INSIIDE Track excerpts*

**7-31-19** - 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 - 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**.

**09/30/19** - Stock Indexes rallied sharply from the fulfillment of multi-week & multi-month cycle lows in late-Aug. '19. The latest multi-month bottom took hold on **Aug. 26**, the latest phase of an ~12 week high (Oct. '18) - low (Dec '18) - low (Mar '19) - low (Jun '19) - (low) *Cycle Progression*.

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 the time from that mid-April '18 high to the early-Oct. '18 peak (168 days).

*So, it remains a pivotal cycle... that next comes into play in **mid-Nov. '19**.*

The late-August low also mimicked the events of the *4-Year Cycle* - closely mirroring the action of Aug. 2015. The 2015 low came on Aug. 24, the Monday of the final full week of August, culminating an accelerated ~40-day sell-off originating from a peak on July 16, 2015.

In 2019, primary indexes (DJIA, NYA) also peaked

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### Aug. '19 - Jan. '20 INSIIDE Track excerpts

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%.

**11/30/19** - As the markets enter the final month of 2019, it is a good time to step back and view the forest for the trees. The 'forest' can be viewed on multiple levels - with the primary emphases on the recurrence and convergence of the **40-Year, 70-Year & 80-Year Cycles in 2019 - 2022**.

That applies to the markets, to the Middle East, Europe and overall global geopolitics (including cycles of unification), to cycles of war, to ongoing currency battles and even to earth disturbances...

In sync with the **40-Year Cycle**, the outlook has often been compared (loosely) to the stock market action of 1978 - 1982, during which the DJIA traded similarly to what was just described. Throughout the first two years of this period (2018 - 2019), some of the parallels have been uncanny - with market action in 2018 mimicking particulars of 1978 ... and 2019 mirroring certain aspects of 1979...

From a wave perspective, the Aug. '19 low was a type of '4th' wave in the DJIA - completing successive declines of near-equal magnitude and duration while setting the stage for a culminating, ~3-month advance. To illustrate the symmetry of that...

In May/June '19, the DJIA sold off for 22 trading days, losing about 2,000 points before encountering intermediate support and bottoming (a '2' wave).

In July/Aug '19, the DJIA sold off for 22 trading days, losing about 2,000 points before encountering intermediate support and bottoming (a '4' wave).

**01/06/20 - Jan. '20** is the latest phase of both the

**~8-Month & ~16-month cycles** - both of which forecast at least a 1 - 2 month peak for **Jan. '20**. Price action needs to filter what to expect in **April 2020**.]

Reverting back to monthly cycles in **Jan. '20**, there is also an uncanny weekly cycle that recurs this month. It is most prominent in the DJTA and was again examined in late-Oct. - anticipating a 1 - 2 month peak in early-Nov. '19.

The Transports fulfilled that **11 - 12 Week Cycle** (see accompanying **HCP** illustration, previously published in the Nov. '19 **INSIIDE Track**) and peaked on Nov. 7, trading below that high ever since. The next cycle in that sequence - expected to be a subsequent high - comes into play on **Jan. 20 - 24 (Jan. 27 - 31, at the latest)** - when another 1 - 2 month peak is expected.

The intriguing aspect of that potential is that it would closely mimic what the **2-Year Cycle** portends. That cycle has been discussed a great deal over the past few years and was instrumental in pinpointing the late-Sept. '18 peak in stocks.

At the time, it forecast a sharp sell-off in Oct. and another round of selling into late-2018.

The funny thing is how that year (2018) began. 2017 had been an up year, interrupted by a multi-week sell-off in Aug. '17. 2019 was similar.

In 2017, that uptrend resumed and carried stocks higher into Jan. 15 - 26, '18 before undergoing a sharp, 2 - 4 week drop into early-Feb. '18. (That low hearkened back to the previous sell-off low in early-Feb. '16... the previous **2-Year Cycle**.)

In **2019/2020**, stocks resumed their uptrend after fulfilling late-Aug. '19 cycle lows and could extend a final peak into the second half of **January '20**... before experiencing a quick, sharp drop into **early-Feb. '20**. *In either case, a **Jan. '20** peak is likely.*

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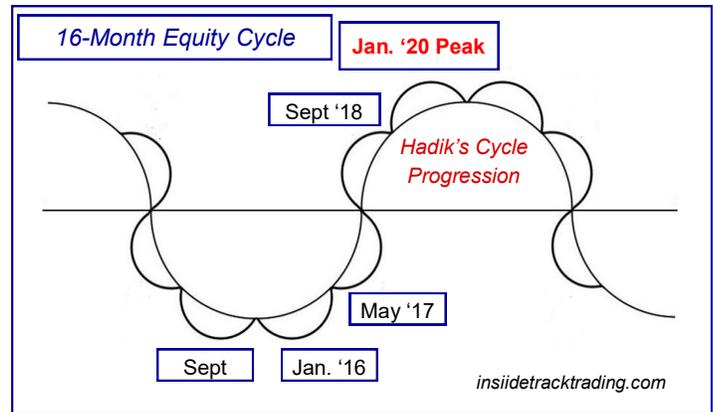
Aug. '19 - Jan. '20 *INSIIDE Track* excerpts

These *INSIIDE Track* excerpts discuss the ongoing focus on the *40-Year Cycle*, corroborated by many other cycles and indicators. The *40-Year Cycle* was forecasting another rally into **early-Feb. '20** (Feb. 13, 1980 was precise high of 40 years ago) followed by a sharp decline into **late-March '20**.

The wave structure described in the late-2019 excerpts corroborates this. The May/June & July/Aug. '19 declines were nearly symmetrical '2' and '4' wave corrections in an overall 5-wave advance from the late-2018 low. On a bit more ominous level, the entire advance from the Dec. '18 low is itself a '5th' wave on a higher magnitude.

That is another reason a higher-magnitude sell-off is forecast for **mid-Feb. - late-March '20**. (It could even be the culmination of a wave '5' of the entire advance from 2009, which is why these early-Feb. sell signals are viewed as a *Perfect Storm*.)

As is so often the case, the DJ Transportation Average is leading this topping process and confirming a multi-month top in Jan. '20. That top was below its 2018 peak which means the Transports could be



entering a major 'C' or '3' wave down - the most dynamic (and devastating) wave within a downtrend. The initial decline should last 7 - 8 weeks, based on that overall 11 - 12 week cycle.

*INSIIDE Track* and the *Weekly Re-Lay* will continue to update this unfolding reversal and elaborate on other cycles and indicators that are validating this *40-Year Cycle* analysis.



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