

The rhythm of time

By Tom Pelc – Head of Technical Strategy, Global Banking & Markets

***“That which the fountain sends forth returns
again to the fountain.”***

Henry Wadsworth Longfellow



CHRONUS

What is Technical Analysis ?

A Western dictionary definition....

Technical analysis is the study of market action, primarily through the use of charts, for the purpose of forecasting future price trends.

3 premises:

Market action discounts the known fundamentals

Prices move in trends

- Long Term trend follower can capitalise on big trends, short term traders are challenged by sudden shifts in crowd psychology that occur

History repeats itself = some kind of cycle occurring was originally linked to Dow theory

Definition of a cycle

Cycle is derived from the Greek word **Kuklos**, which means **circle**.

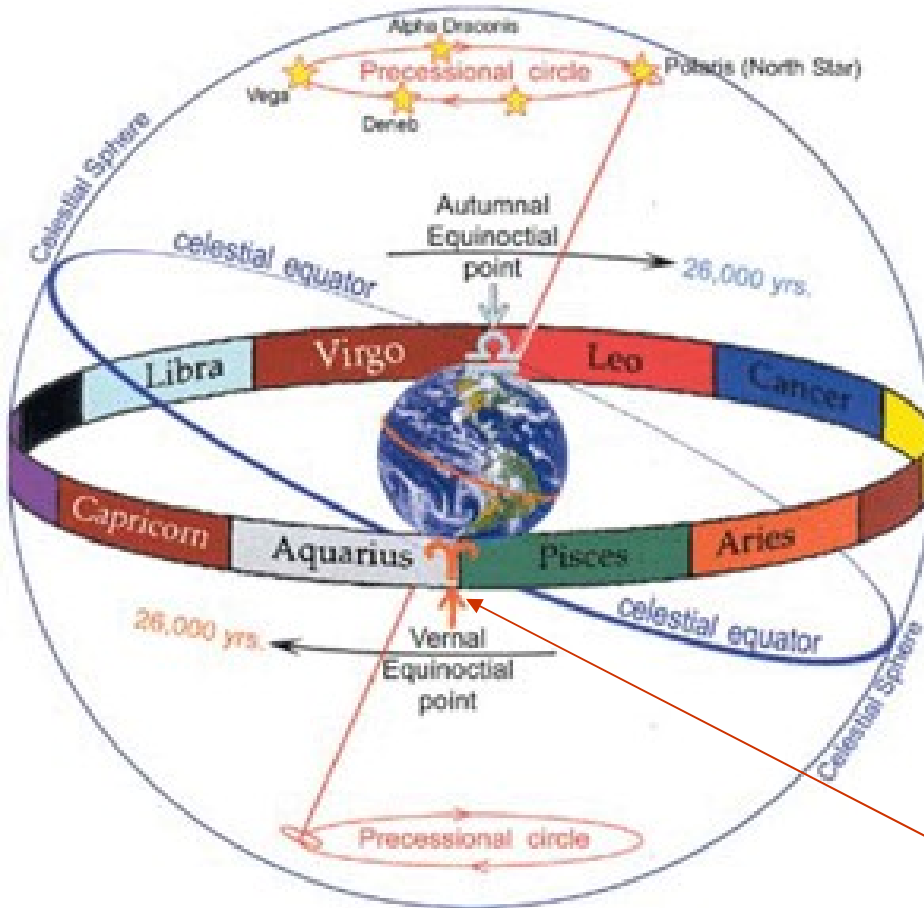
Cycle - a recurring interval of time within which a round of regularly repeated events is completed.

Cycle analysts - time between market lows

(580 BC) **Pythagoras of Samos** recognised the cyclical nature of the vibrations known as music, which he extended to the **music of the spheres**

The movements of the Sun, Moon and the stars literally define our notions of time here on earth.

The Heavens and the Earth Cycle



■ Grand Cycle

■ Precession of the Equinoxes = 25,820 yrs

Earth transits through each of the 12 Zodiac signs
= 2152 yrs approx each

We enter the age of Aquarius in 2012

The Heavens and the Earth

- **Grand Cycle - Precession of the Equinoxes = 25,820 yrs** (Earth transits through each of 12 zodiac signs = 2152 yrs each)
- **26,000 yrs = 36,500 “Tzolkin” cycles of 260 days** (“Tzolkin” Ancient Maya matrix of 260 energies = the human gestation period, time of planting and harvesting of corn on high ground)
- **5 lesser cycles of 5,125 years each** (also used in Aztec Calendar) – (5 elements @ work)
- Our present cycle (arguably) started circa Aug 13 , **3113 B.C.** and finishes around the end of **21 Dec 2012.**
- (Note: 1st Egyptian Dynasty was around 3,100 BC, the Hindu Kali Yuga, 3102 BC, the division of time into hours and seconds in Sumeria around 3,100 BC).
- Within the 5,125 year cycle lies **13 smaller cycles** = Baktun
- **Baktun** = 394 tropical yrs (144,000 days = Fib no)
- **Thus we are in the 13th Baktun cycle 1618-2012 AD.** (The Winter solstice in 2012, the noonday Sun exactly conjuncts the crossing point of the Sun’s ecliptic with the galactic plane. Close to conjuncting the exact centre of the galaxy (Mayans got it).

Mayan culture - Harmonic module – 260 day cycle

260 – energies “Harmonic module”

13 tones of Creation (13 Moon calendar)
 $(13 \times 20) = 260$

20 Solar Seals (cycles of possibilities)

52 shaded Squares = “Loom of the Maya”

(Lots of astrological calculations from these numbers)

260 days = human gestation period, and time between planting and harvesting corn in highlands.

20 sacred signs

IDEOGRAPHS

3113 BC	2718 BC	2324 BC	1930 BC	1536 BC	1141 BC	747 BC	353 BC	41 AD	435 AD	830 AD	1224 BC	1618 BC
1	21	41	61	81	101	121	141	161	181	201	221	241
2	22	42	62	82	102	122	142	162	182	202	222	242
3	23	43	63	83	103	123	143	163	183	203	223	243
4	24	44	64	84	104	124	144	164	184	204	224	244
5	25	45	65	85	105	125	145	165	185	205	225	245
6	26	46	66	86	106	126	146	166	186	206	226	246
7	27	47	67	87	107	127	147	167	187	207	227	247
8	28	48	68	88	108	128	148	168	188	208	228	248
9	29	49	69	89	109	129	149	169	189	209	229	249
10	30	50	70	90	110	130	150	170	190	210	230	250
11	31	51	71	91	111	131	151	171	191	211	231	251
12	32	52	72	92	112	132	152	172	192	212	232	252
13	33	53	73	93	113	133	153	173	193	213	233	253
14	34	54	74	94	114	134	154	174	194	214	234	254
15	35	55	75	95	115	135	155	175	195	215	235	255
16	36	56	76	96	116	136	156	176	196	216	236	256
17	37	57	77	97	117	137	157	177	197	217	237	257
18	38	58	78	98	118	138	158	178	198	218	238	258
19	39	59	79	99	119	139	159	179	199	219	239	259
20	40	60	80	100	120	140	160	180	200	220	240	260

Planets

394yrs (144,000 days) Baktun cycles 1 2 3 4 5 6 7 8 9 10 11 12 13

Scientific materialism

Measuring time - Astrology vs the man made clock.

- Gregorian Calendar - Pope Gregory XIII's **12 month calendar** system (1582)
- Perfection of **12 hour 60-minute mechanical clock** (c.1600). - Note even the Gregorian calendar is out by 26 seconds per year from the astronomical reality.
- These 2 instruments separate us apart from the rest of nature, operating by a false timing frequency.
- The Gregorian Calendar (GC) is the current world standard, as a product of the earlier Roman Empire calendar (Julian Calendar), but is actually more based on the parallel Egyptian calendars.
- Japan fully adopted (GC) in 1876.
- But over 90 countries today utilise the 13-moon/28 day calendar as a nature based form alternative.
- The clock was the first - going on to become the heart of all machine technology to come.
- Bear this fact in mind in terms of bigger cycles of natural behaviour and our own.

Cultural differences 2010 - Chinese Year of the Tiger

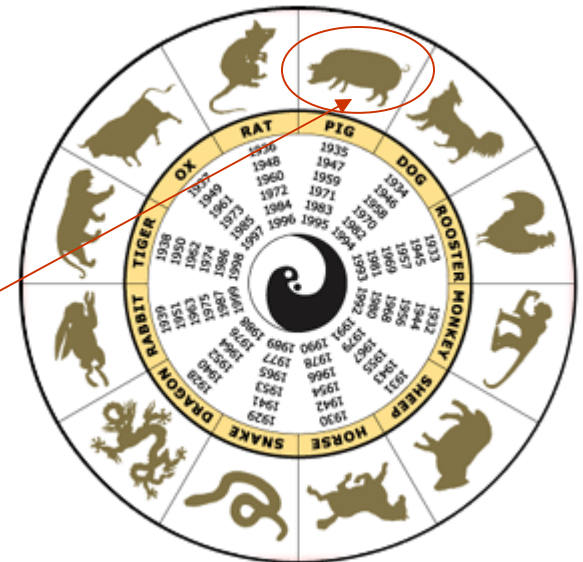
■ Legend

According to Chinese legend, the twelve animals quarrelled one day as to who was to head the cycle of years. The gods were asked to decide and they held a contest: whoever was to reach the opposite bank of the river would be first, and the rest of the animals would receive their years according to their finish.

- All the twelve animals gathered at the river bank and jumped in. Unknown to the ox, the rat had jumped upon his back. As the ox was about to jump ashore, the rat jumped off the ox's back, and won the race. The pig, who was very lazy, ended up last. That is why the rat is the first year of the animal cycle, the ox second, and the pig last.
- The Chinese adopted the Western Calendar in 1911, but still use
- the Lunar calendar for festive occasions and financial astrology.



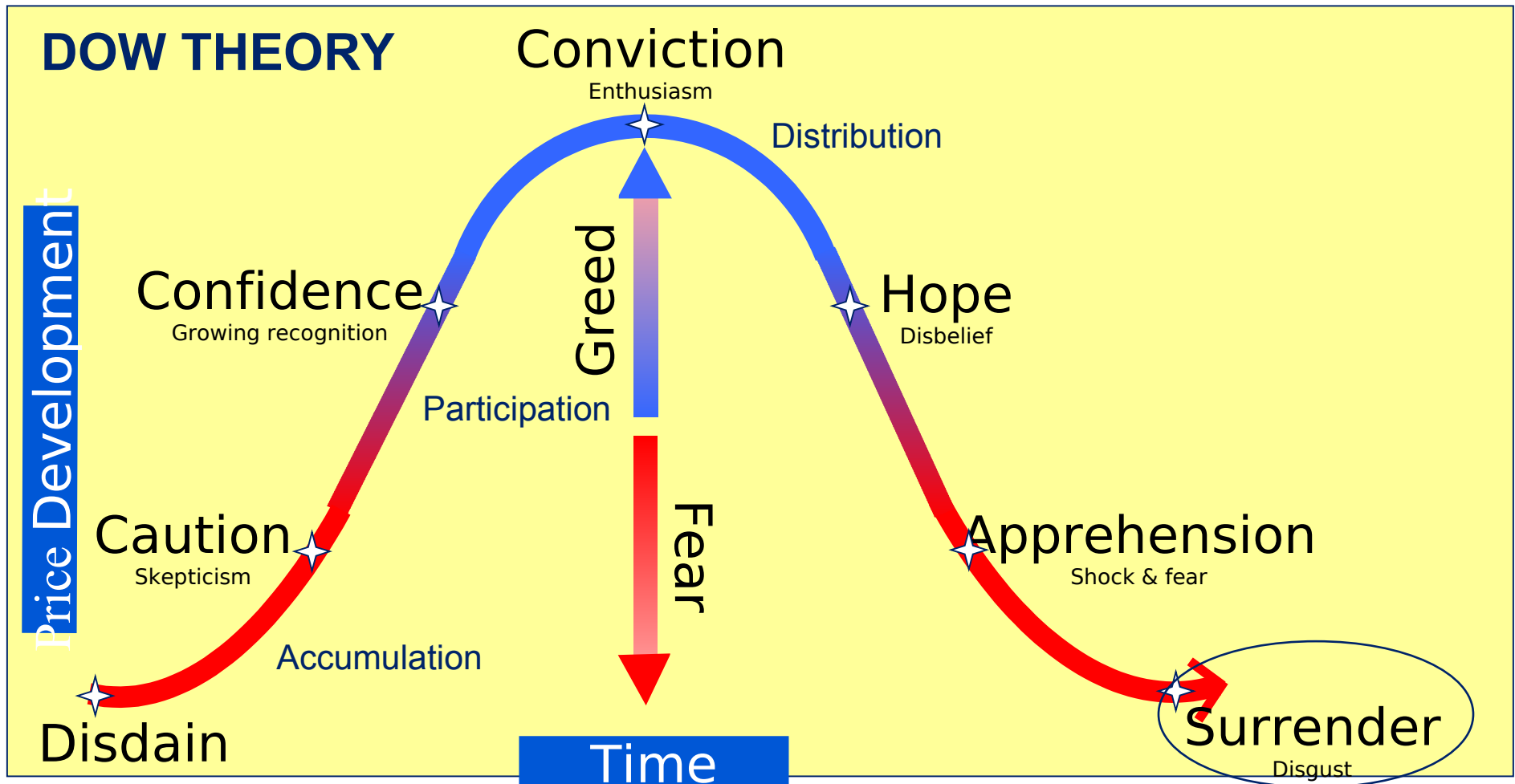
2007 was a Golden pig year



People manipulate the divisions of time for there own ends

- 65% of US publicly traded companies use January to measure the fiscal year.
- In the UK pre-govt owned Co.s - eg, BT Group, National Grid, continue to use the govt's financial year which ends on the last day of March.
- Many Universities have a fiscal year ending in Summer months
- Australia & New Zealand fiscal year July 1st -June 30th

Psychology of investor behaviour – whatever the culture



Cycles – Basic concepts

Once the wave is identified, its value can be determined at any past or future time.

It is the characteristics of waves that provides a degree of predictability for the price action.

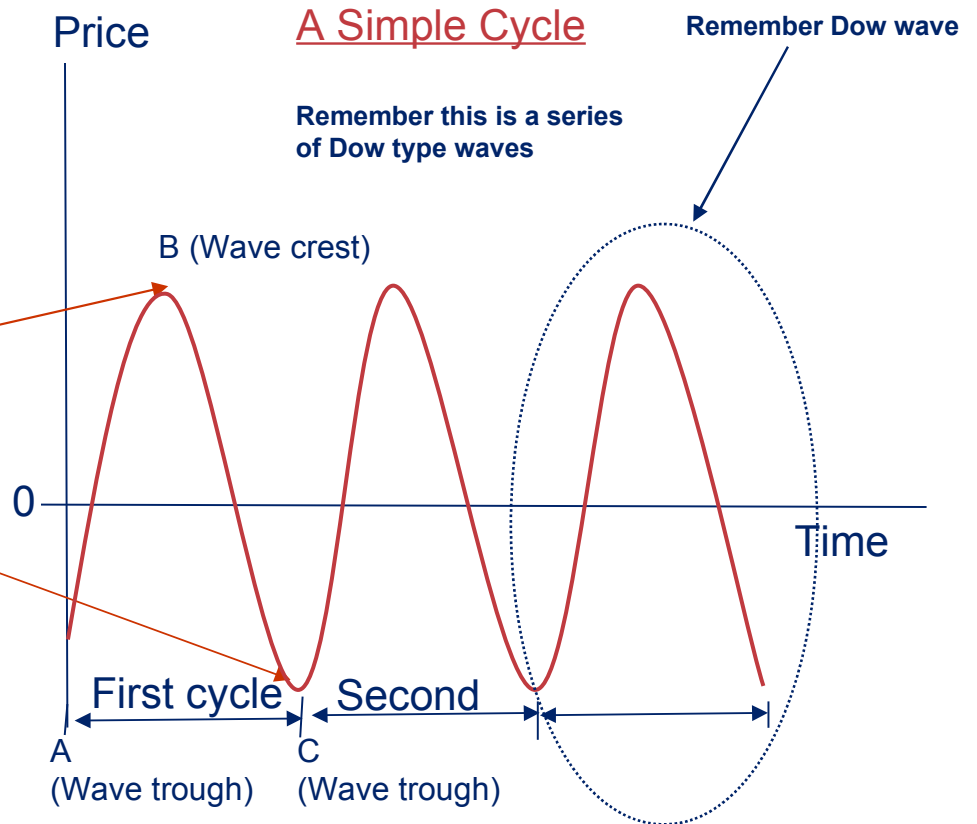
Cycle **tops** are called **crests**

Cycle **bottoms** are **troughs**

Note: Cyclic analysts prefer to measure Cycle lengths from low to low.

Measurements can be taken between crests but are not considered to be as stable or reliable.

The 3 qualities of a cycle are , amplitude, period, and phase.



Cycles – Basic concepts

Amplitude: measures the height of the wave

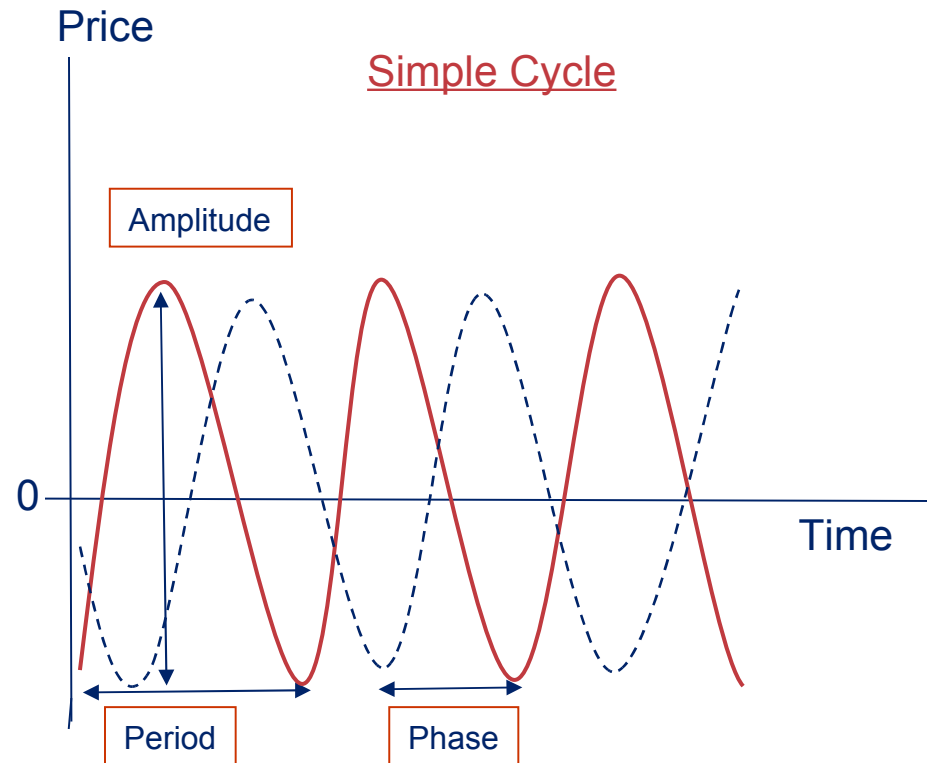
Wave Period: is the time between troughs

Phase: is a measure of the time location of a differing wave troughs.

Because there are different cycles occurring at the same time, **phasing** allows the cyclic analyst to study the **relationships between different cycle lengths**.

Phasing is also used to identify the date of the last low.

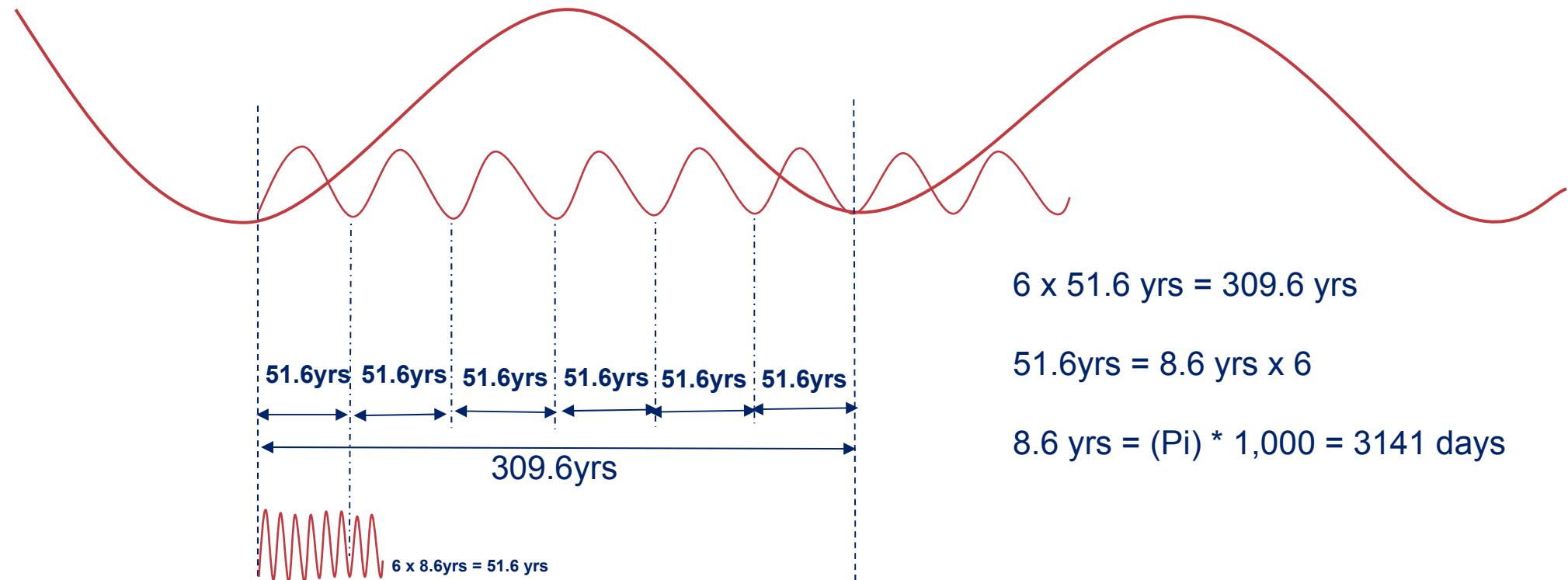
If we know the **amplitude, period and phase** the date of the next cycle low can be determined if the Cycle remains constant.



The 8.6 yrs cycle = 3141 days ($\pi \times 1000$)

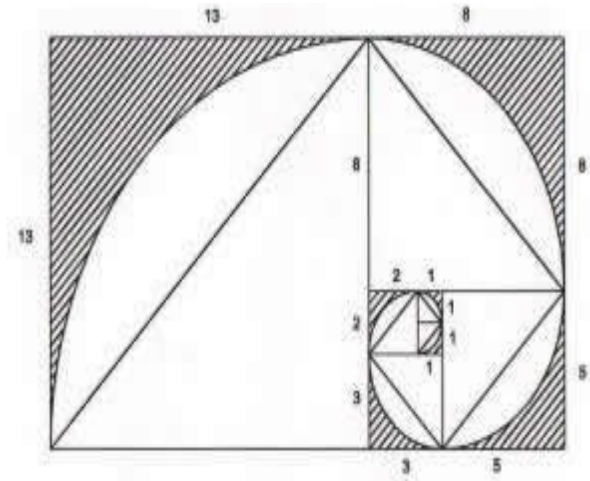
Martin Armstrong - Economic Confidence model

His model suggests June 14th 2011 will be a 4.3 yr cycle low for stocks therefore not til 2017 is the worst behind us....



Using Fibonacci Numbers & Ratios – have been used to try and measure time and price

- Leonardo of Pisa introduced the Arabic numbering system we use today 1,2,3,4,5,6,7,8,9 and also the idea of fractions $5\frac{1}{2}$ and the decimal point and the square root symbol. He wrote 5 books the most famous “Liber Abacci”.
- He also introduced the numbering system as follows:
 - 1,1,2,3,5,8,13,21,34,55,89,144 etc and the discovery of certain natural ratio relationships.
 - The mathematical relationships that technical analysts rely on, predate him significantly they are found in nature.
 - These ratios are also used in Gann and Elliott Wave analysis and for fractals.



Source: images.co.uk

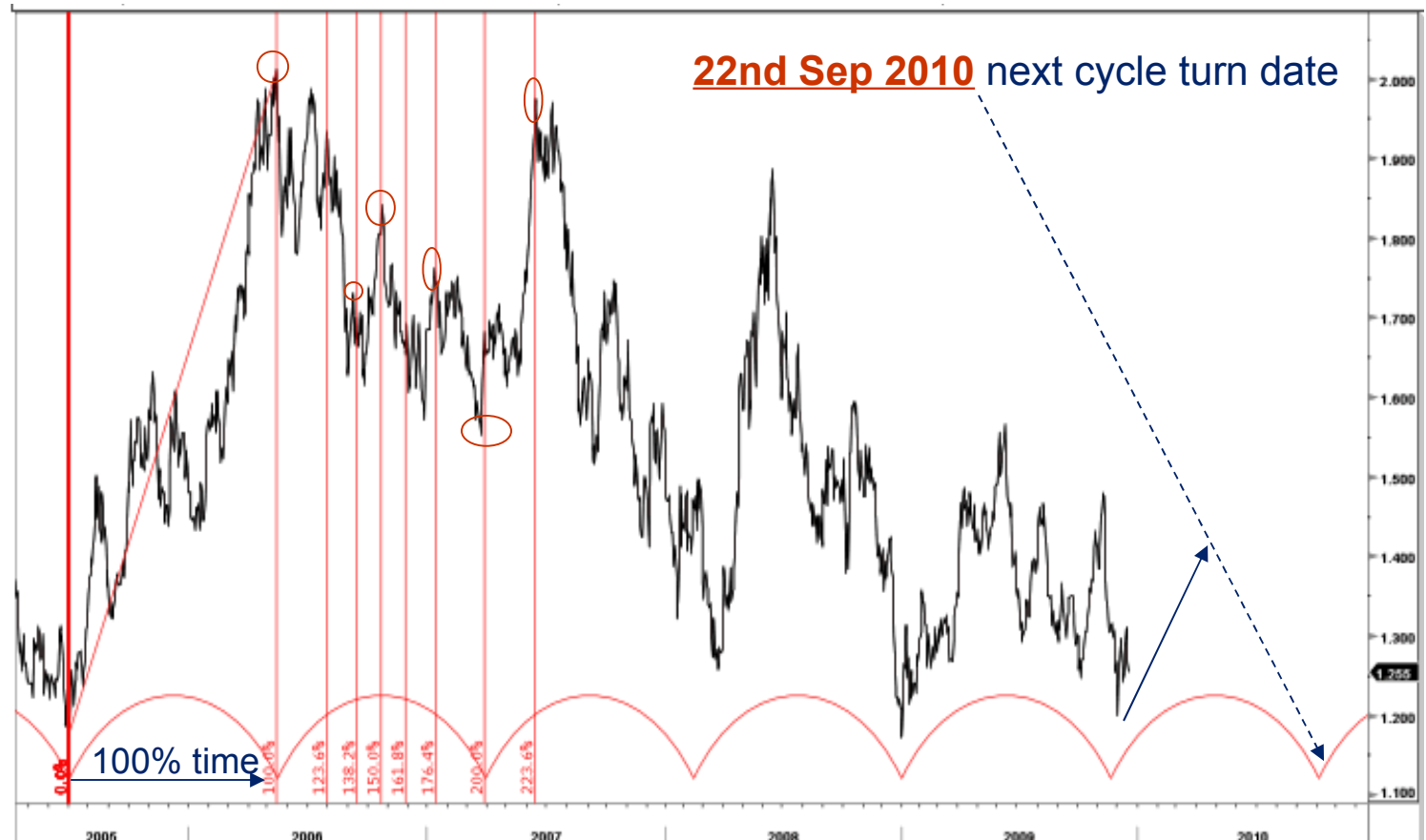
Fibonacci – Time projections – *measuring ratio's of time*

Chart: Japan 10 year generic yield (Daily chart)

Source: Bloomberg

Another less commonly used technique is Fibonacci time projections.

This is basically measuring a price wave and projecting the distance in time it took to form, and projecting this out in the future adding ratios of that time for potential **important future turn dates**.



Fibonacci – Time projections and Fibonacci price projections together

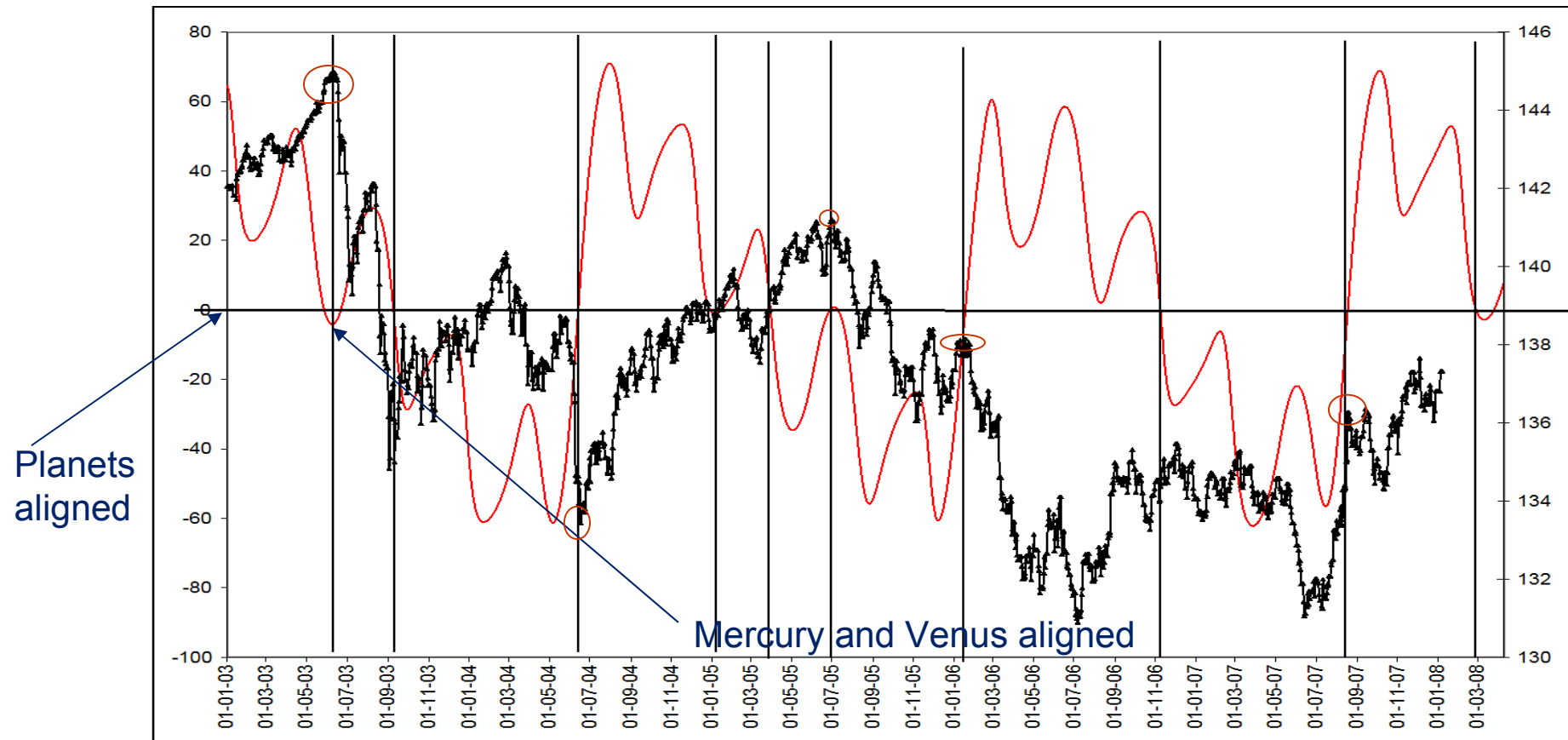
Chart: Japan 10 year generic yield (Daily chart) – Time & price projections

Source: Bloomberg



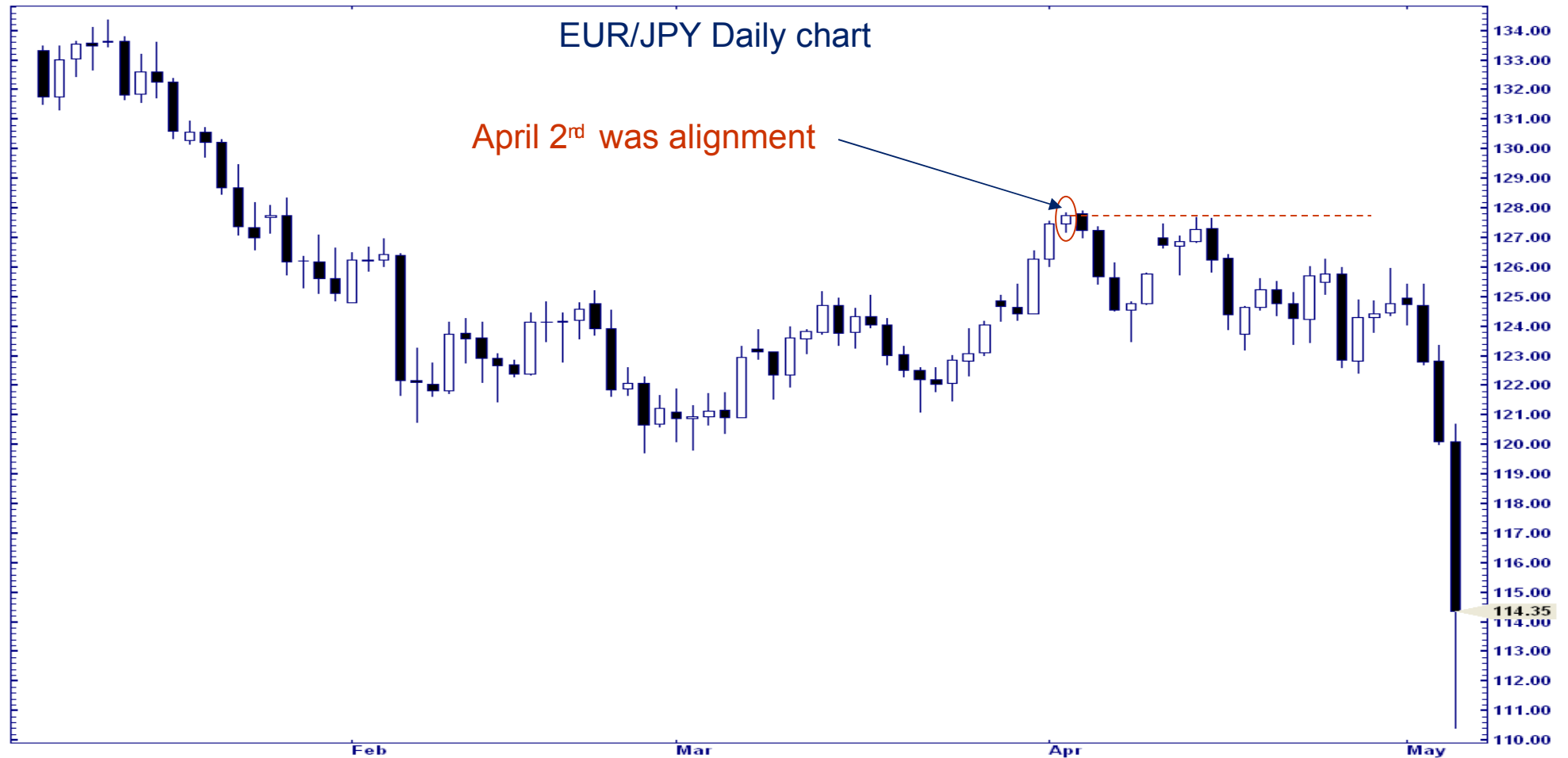
JGB's Astro cycle – Mercury and Venus alignments (what about using another approach)

- Planets are aligned when at the zero line – note JGB's turn at these points



(April 2nd 2010 and June 13th 2010 to watch)

Technical strategy is seeing an observation and translating into a trade-able solution



USD/JPY - Daily chart



Cycle Principles - We use these to smooth out the Sine wave

■ 4 MAIN PRINCIPLES

■ Summation

■ Harmonicity

■ Synchronicity

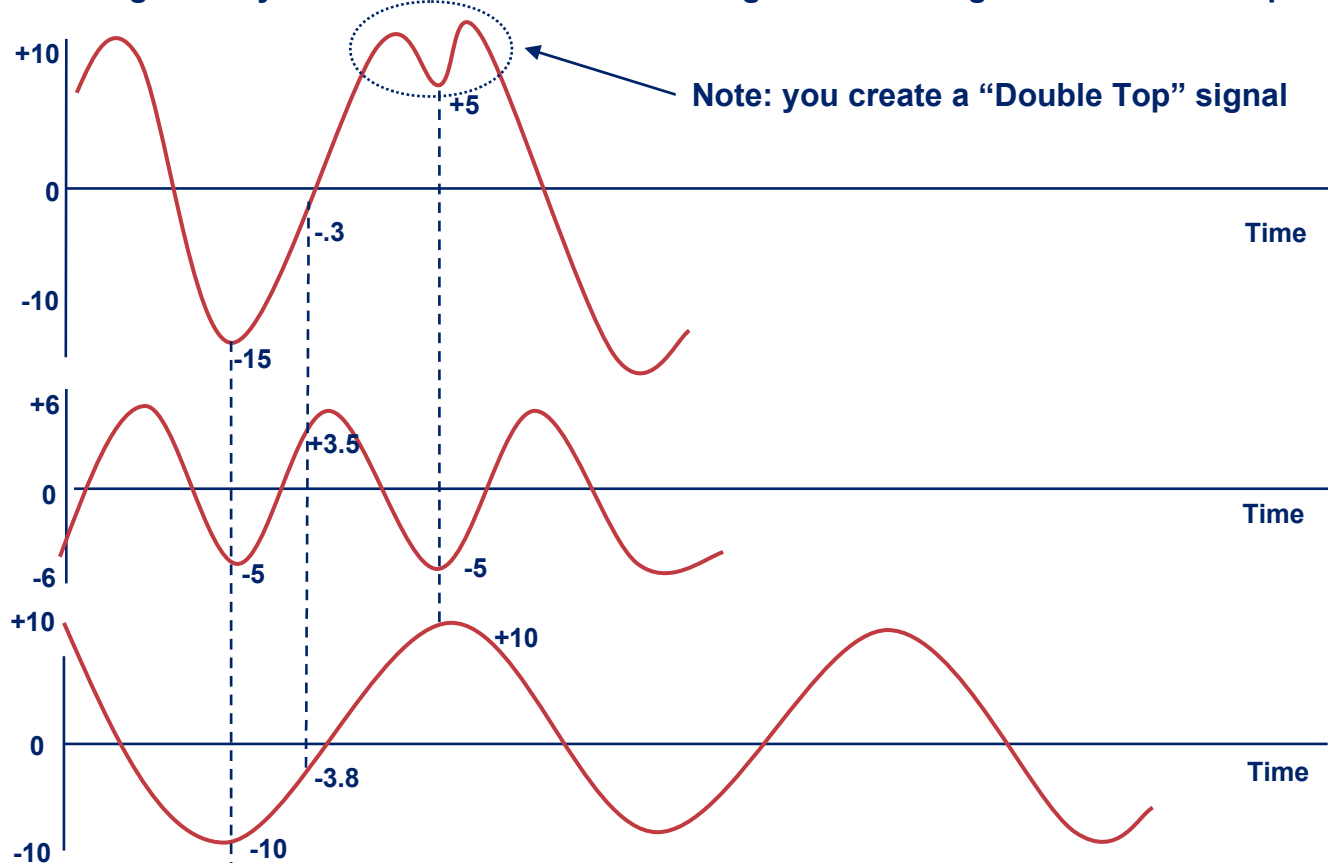
■ Proportionality

■ - Variation

■ - Nominality

Principle of Summation (Price patterns are formed by the interaction of two or more cycles)

Continuing each cycle into the future and summing them back together = the future price trend in theory ...



(Composite chart)

=

+

+

Principles of Harmonicity & Synchronicity

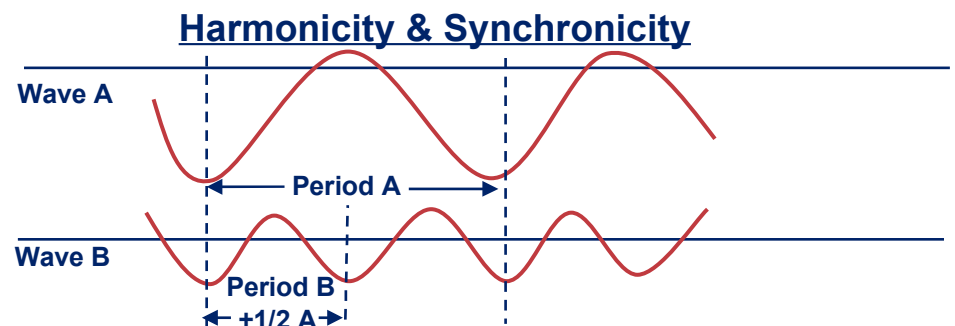
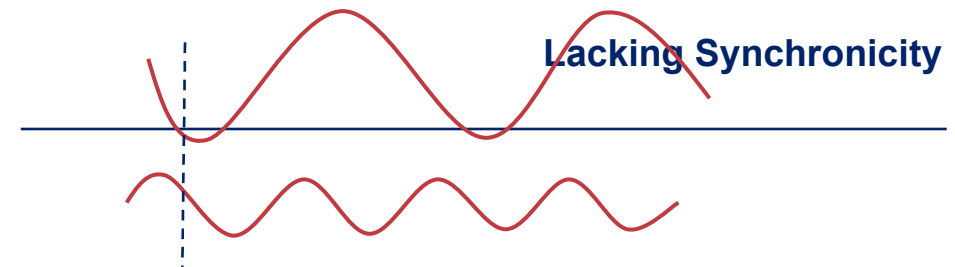
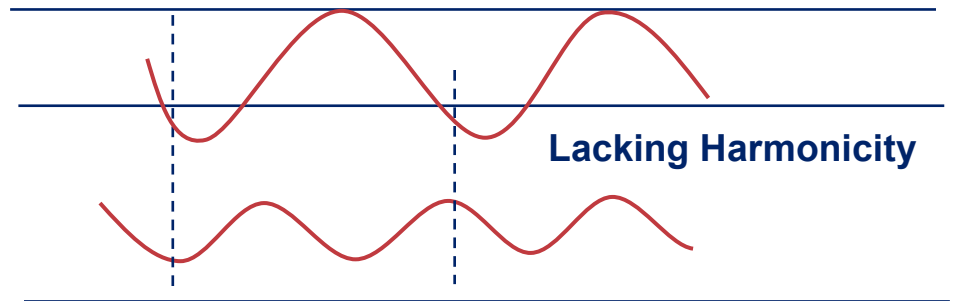
Harmonicity – Neighbouring waves are usually related by a small whole number, usually two. (eg. If 20 day cycle exists, the next shorter cycle will be $\frac{1}{2}$ its length 10 days. The next longer cycle would be 40 days).

Synchronicity – tendency for waves of differing lengths to bottom at about the same Time.

Wave B is $\frac{1}{2}$ the length of Wave A.

Wave A has two repetitions of the smaller Wave B (Harmonicity)

When Wave A bottoms Wave B also bottoms (Synchronicity)



Principles of Proportionality, Variation and Nominality

Proportionality – relationship between cycle period and amplitude.

Cycles with longer periods (lengths) should have proportionally wider amplitudes. The amplitude, or height of a 20-day cycle should be about double a 10 day cycle.

Variation – the 4 other principles are just strong tendencies, and not necessarily reflected exactly in the real world some variations can and do occur.

Nominality – There appears to be a nominal set of Harmonically related cycles that affects all markets. Nominal model cycle lengths can be used as a starting point in the analysis of any market.

Nominal Cycle Model

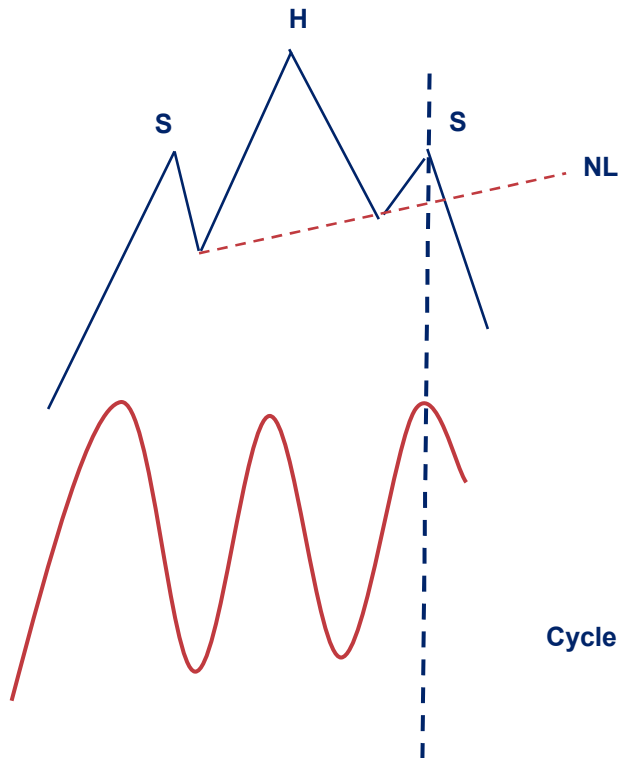
In this example the model begins with an 18-year cycle and proceeds to each successively lower cycle half its length.

(The only exception is the relationship between the 54 and 18 months which is a third instead of a half).

YEARS	MONTHS	WEEKS	DAYS
18			
9			
	54		
	18	77.94	
	9	38.97	
		19.48	
		9.74	68.2
		4.97	34.1
			17.0
			8.5
			4.3

Note most of my work has found best cycle results lie between 36-39 weeks for many main liquid instruments.

Patterns and Cycles – Confidence building



The best situation is if you have a cycle which has a turn confirmed by a price pattern you could also try summation to generate pattern signals re: previous Double Top.

GBP/USD Weekly Chart and Lucas table with 36 week cycle and pattern confirmation

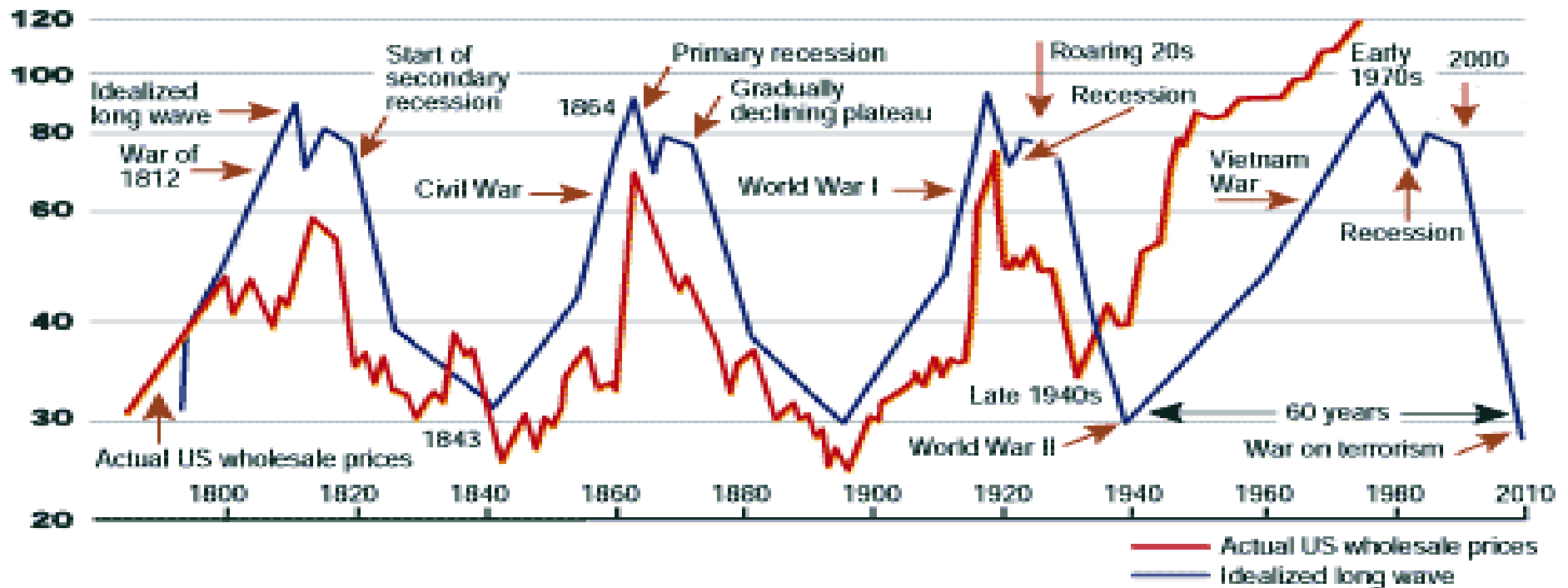


Studying Cycles

- Many people use time by the mechanical clock, but as stressed at the beginning it might be worth considering more natural activities like the Moon cycle or the planets at work.
- Whatever you use you should start with a longer term cycle first, and then work downwards a Top/Down approach – nominality.
- Dow talked about various stages, Elliott Wave uses the concept of 8 wave cycles, Gann did much work on cycles and there are many techniques that can be employed.
- Key is to use ones you understand and are comfortable with as the results will be more meaningful to you.
- **Let's look at some well known cycles.....**

KONDRATIEFF WAVE

The Kondratieff Wave



Well known cycles

Juglar cycle – 8-10 years based on Banking, interest rates, stocks prices, business failures, patents, pig iron prices. (Basis of the decennial pattern, but more on this later).

Noted 9.25 yr cycles in stocks (nb: every 9 years, the angles 0 degrees and 180 degrees between the Sun and the Moon, and the nodes repeat to within one degree).

Kitchin Cycle – 4 year cycle wholesale prices, interest rate changes and influences in bank clearing. Note roughly 13 x 4 yr cycles leads into K-Wave.

Cycles of War the 17.70 Year Cycle

The Foundations for the study of cycles has produced this result.

17.70 year cycle in War, dating back to 600BC

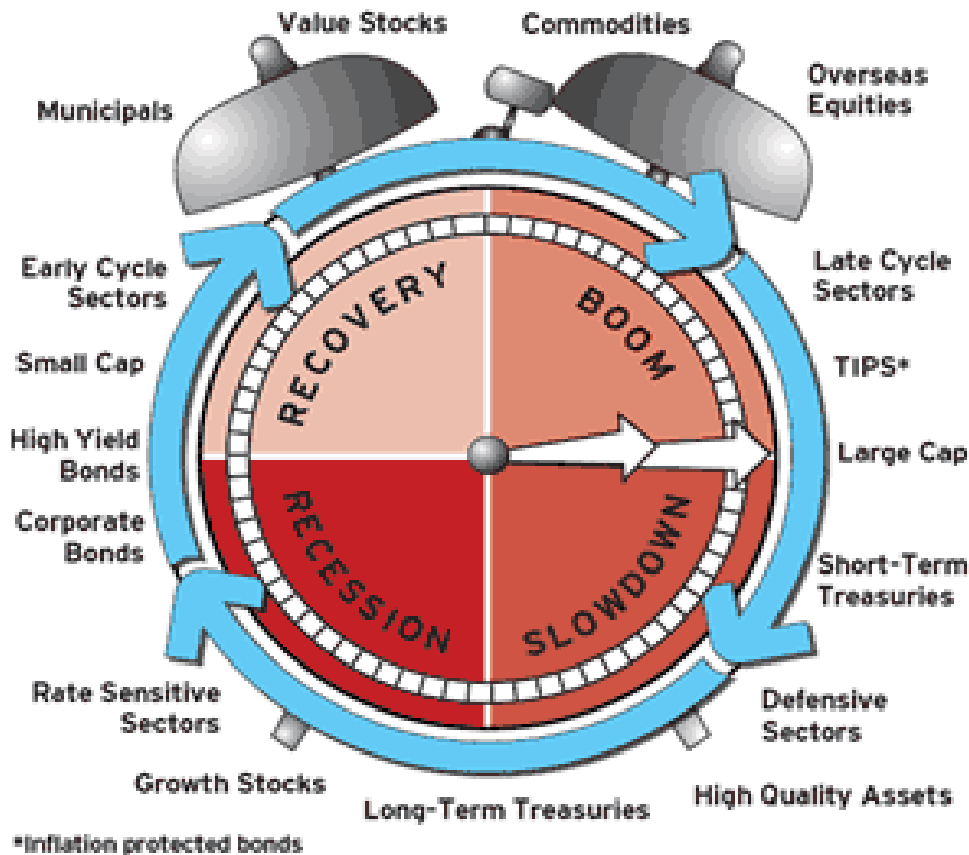
17.50 year cycle in U.S. wholesale prices

18.00 year cycle in Bituminous Coal production

17.33 year cycle in the Flood stages of the River Nile.

(Note three of these cycles links to K-wave too. $3 \times 17.7 = 53.1$)

Where money flows in a cycle



We know what we do with our own money when things are going well or are we are worried about the economy and our finances.

The paradigm we now have is a loss of confidence in Sovereign debt, so where will the money flow especially as stocks get hit too?

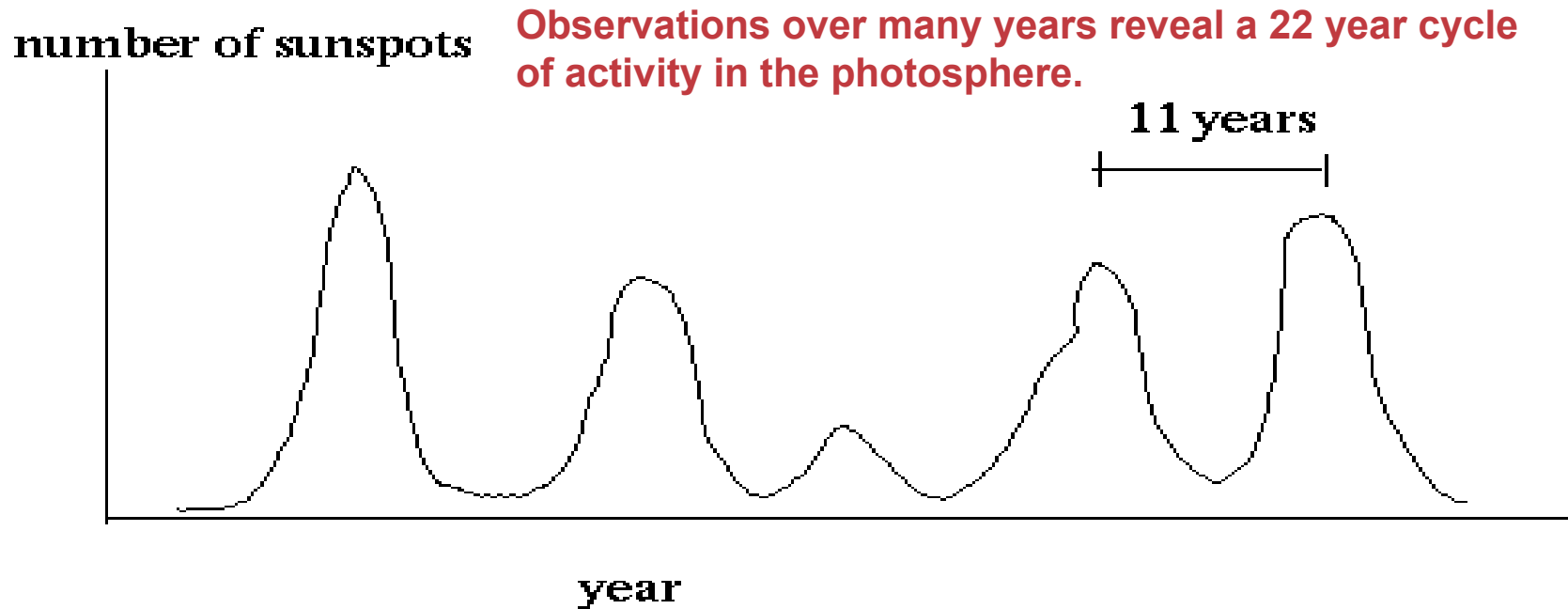
W.D. Gann

- **Cycle timing** - **Anniversary dates** of major highs lows are important
- **One year could be divided** into representation of a circle to 360 degrees. A date here a number of cycles line up is called a **TIME CLUSTER** and used to predict tops and bottoms.
- Gann **linked** hourly, daily, weekly and monthly to each other and to **long “swings”**
- **Pyramiding techniques**
- Gann used **Financial Astronomy and Astrology** (great success forecasting Soya Bean prices using longitude of the Sun).

THE DECENNIAL CYCLE BY GANN ON THE STOCK MARKET

- 1 = Bear Ends, Bull Begins
- 2 = Minor Bull or Bear Rally
- 3 = Bear Begins
- 4 = Ends Bear, Bull Foundation
- 5 = Strong Bull
- 6 = Bull till Fall, Fast Decline
- 7 = Bear
- 8 = Bull
- 9 = Strong Bull, Sharp Decline in Fall
- 10 = Bear
- The 10 year cycle continues to repeat over and over, but the greatest advances and declines occur at the end of the 20 year and 30 year cycles, and again at the end of the 50 year and 60 year cycles which are stronger than the others.

The Sunspot Cycle



The number of sunspots reaches a **maximum about every 11 years**, but successive maxima have spots with reversed magnetic polarity. Thus the whole cycle is 22.2 years long. The record of observations indicates that this cycle has been going on back to the early 1700's, although the strength of the cycle varies and is quite a well known cycle. (droughts and commodity prices good correlations).

ALLEGED ECONOMIC AND SOCIOLOGICAL 11 YR CYCLES (10.8 YRS TO 11.4yrs)

- **Written by Edward R. Dewey (1968). The Foundation For the Study of Cycles.**

- **COMMODITY PRICES**

Cotton Prices, (1731-1964)
 Grain Prices, (1259-1400)
 Pig Iron Prices, (1784-1951)
 Sheep Value, (1867-1963)
 Wheat Prices, (1545-1869)

Wholesale Commodity Prices, (1720-1964)

- **STOCK PRICES**

Combined Stock Prices, (1871-1958)
 Industrial Stock Prices, (1871-1950)
 Stock Prices, (1871-1964)

- **OTHER FINANCIAL**

Deposits in All Banks, (1834-1964)
 Post Office Revenues, (1800-1964)
 Reichsbank Clearings, (1884-1925)
 Residential Mortgage Loans, (1923-1942)
 United States Steel Corp. Earnings, (1900-1948)

- **GENERAL BUSINESS**

Business Activity, (1855-1940)
 General Business Activity, (1750-1960)
 Non-Agricultural Business Activity, (1875-1931)

AGRICULTURAL PRODUCTIVITY

Corn Acreage Harvested, (1866-1964)
 Cotton Production, (1790-1964)
 Crop Yields, USA, (1792-1951)

INDUSTRIAL PRODUCTION

Automobile Production, USA, (1925-1936)
 Lead Production, (1821-1964)
 Crude Petroleum Production, (1861-1964)
 Physical Production of Manufacturing, USA, (1863-1953)
 Physical Production of Minerals, (1878-1927)
 Pig Iron Production, (1844-1958)

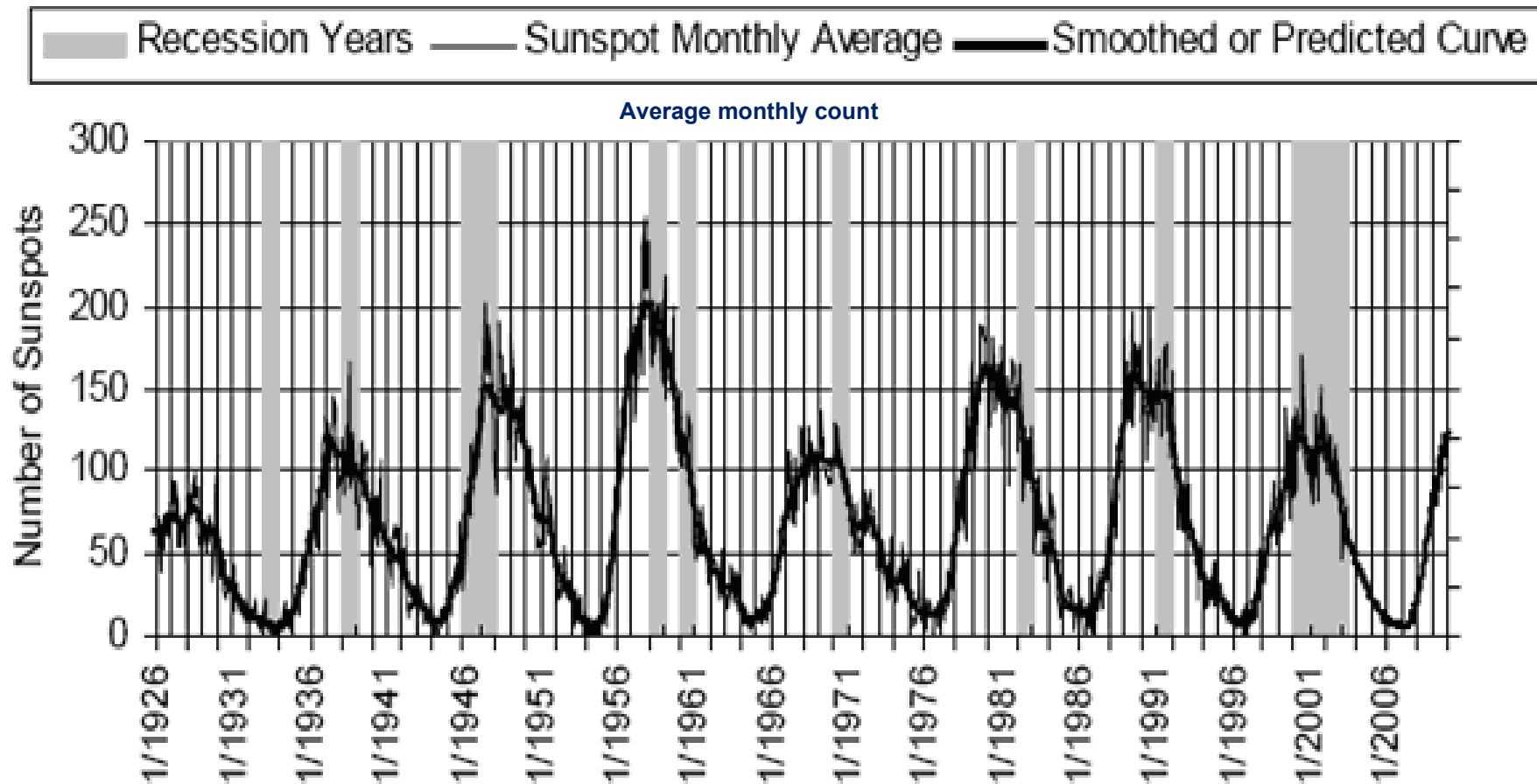
MISCELLANEOUS ECONOMICS

Business Panics, USA, (1877-78, 1933-34)
 Commercial Crises, France, England, (1793-1847)
 Worldwide Economic Prosperity and Crises, (no dates given)
 Shipwrecks, Indian Ocean, (no dates given)
 Value of Fisheries, Canada, (1870-1917)

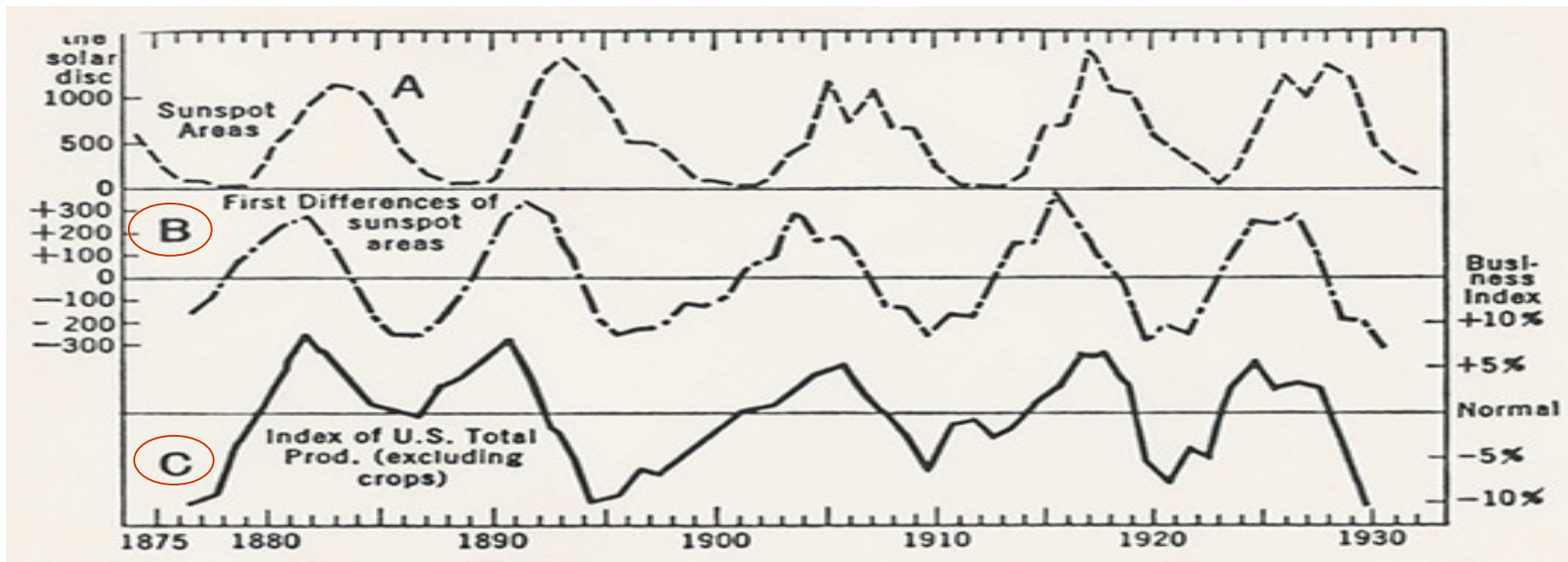
SOCIOLOGICAL

International Battles, (529 B.C.-1900 A.D.)
Mass Human Excitability, Worldwide, (500 B.C.-1922 A.D.)
 Drought and Famine in South India, (no dates given)
 Marriage Rates in 15 Countries, (1867-1912)

SUNSPOT CYCLES 1926-2003 & DEPRESSION/RECESSIONS



SUNSPOTS AND MANUFACTURING 1875-1931 (Edward R. Dewey)



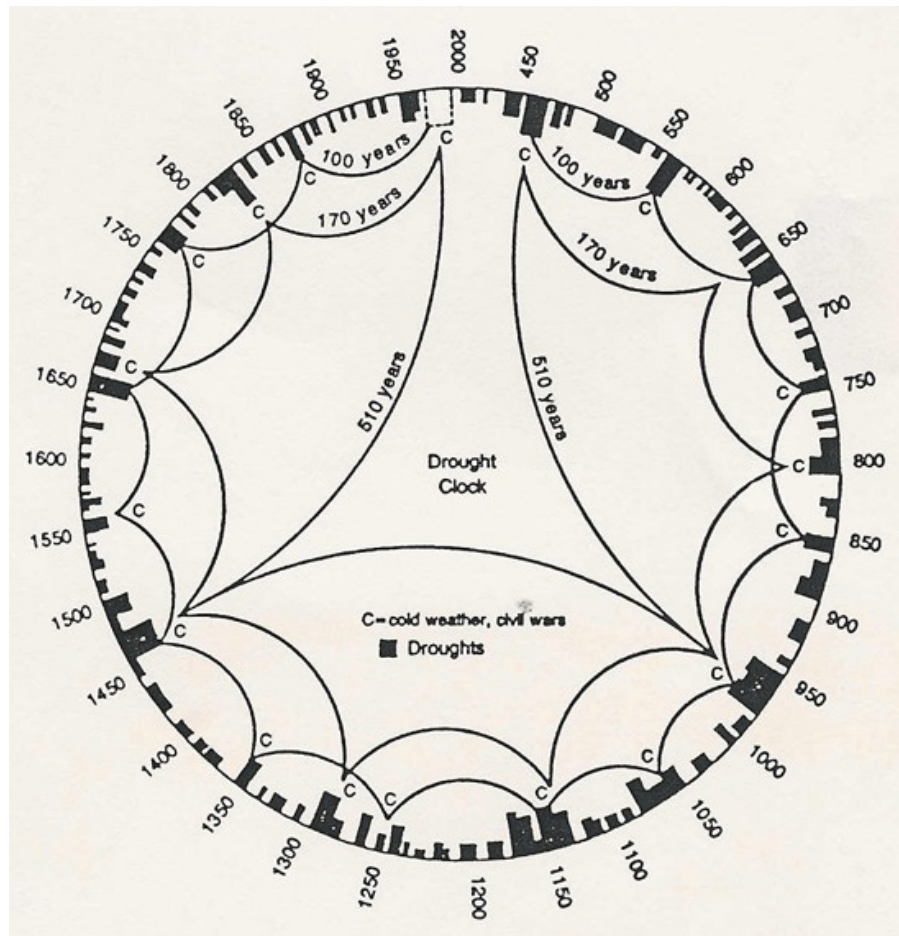
Sunspot areas and first differences (a measure of rate of change) of sunspot areas compared to manufacturing production, U.S.A., all values smoothed by a 4 year ma.

Note B and C are well correlated

Professor A.L. Tchijevsky 1920's (Heliotaraxy) effect of Solar activity on Biosphere

- **"As soon as the sunspot activity approaches its maximum, the number of important mass historical events, taken as a whole, increases, approaching its maximum during the sunspot maximum and decreasing to its minimum during the periods of the sunspot minimum..."**
- *"In the middle points of the cycle, the mass activity of all humanity, assuming the presence in human societies of economical, political, or military exciting factors, reaches the maximum tension, manifesting itself in psychomotoric pandemics, revolutions, insurrections, expeditions, migrations, etc, -- thus creating new formations in the existing separate states and new historical epochs in the life of humanity. It is accompanied by an integration of the masses, a full expression of their activity and a form of government consisting of a majority."
"In the extreme points of the cycle's course, the tension of the all human military-political activity falls to the minimum giving way to creative activity and is accompanied by a general decrease of military or political enthusiasm, by peace and peaceful creative work in the sphere of state organizations, international relations, science and art, with a pronounced tendency towards absolutism in the governing powers and a disintegration of the masses."*
- *"The maximum of human activities in correlation with the maximum of sunspot activity, expresses itself in the following:
A.) The dissemination of different doctrines (political, religious, etc.), the spreading of heresies, religious riots, pilgrimages, etc.
B.) The appearance of social, military and religious leaders, reformers, etc.
C.) The formation of political, military and religious and commercial corporations, associations, unions, leagues, sects, companies, etc...."*

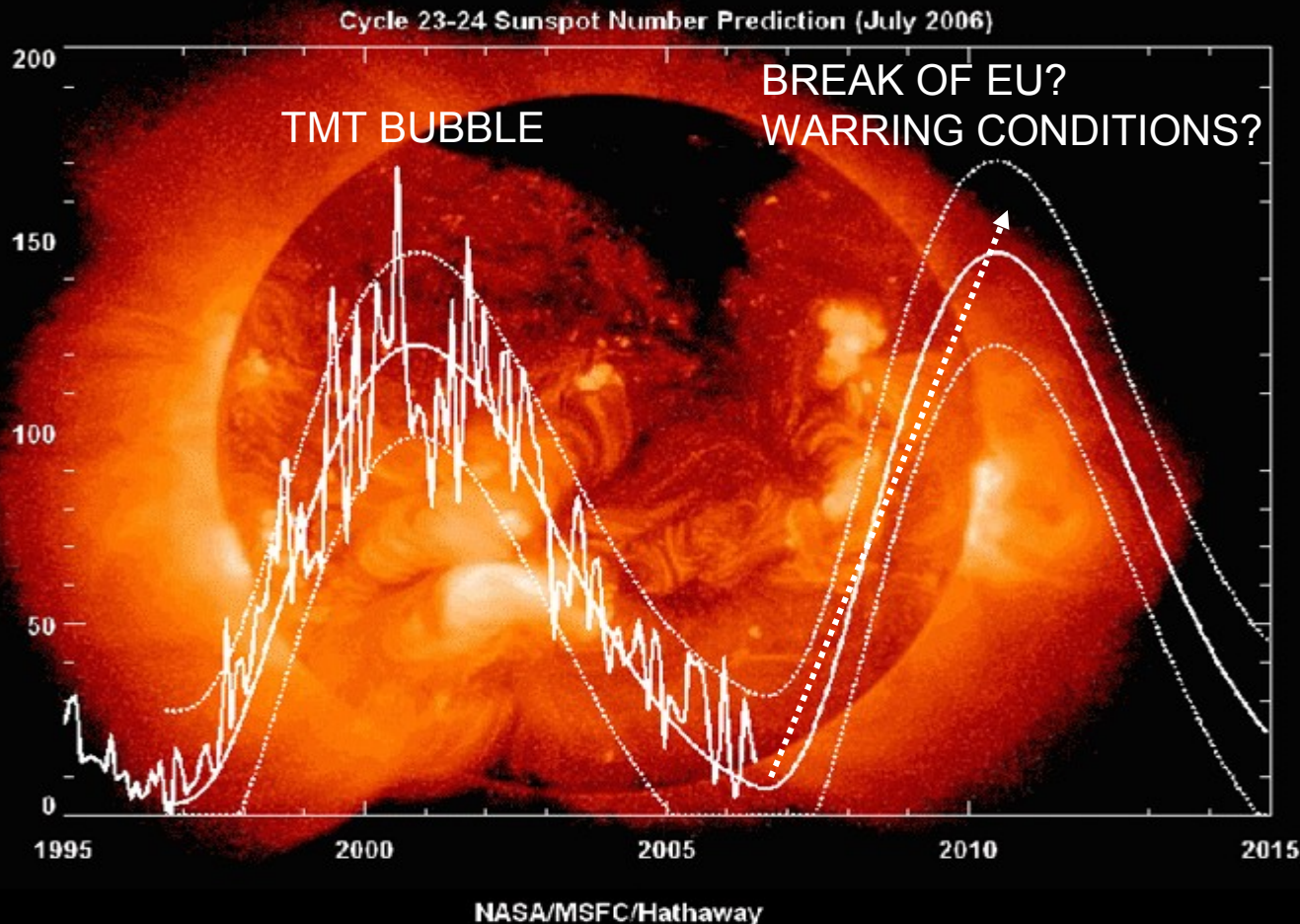
71 countries = 80% of wars to 500BC around sunspot maximum



Raymond Wheeler & Dewey

Second & Third Cycle Harmonics							
MANY SOCIAL AND NATURAL CYCLES FIT INTO THESE HARMONIC EPICS							
B*2*2*2	88.88	B*2*2*3	133.32	B*2*3*3	199.98	B*3*3*3	299.97
B*2*2	44.44	B*2*3	66.66	B*3*3	99.99		
Base*2	22.22			Base*3	33.33		
Dominate Sunspot Cycle >> 11.11 years			Base =	11.11	Years		
	Base/3	3.7		Base/2	5.56		
	B/3/3	1.23	B/3/2	1.85	B/2/2	2.78	
B/3/3/3	0.41	B/3/3/2	0.62	B/3/2/2	0.93	B/2/2/2	1.39
B*2*2*2	143.84	B*2*2*3	215.76	B*2*3*3	323.64	B*3*3*3	485.46
B*2*2	71.92	B*2*3	107.88	B*3*3	161.82		
Base*2	35.96			Base*3	53.94		
11.11yr. Sunspot Cycle >> times(x) 1.618034 (Fibonacci Growth Ratio)			Base =	17.98	Years		
	Base/3	5.99		Base/2	8.99		
	B/3/3	2	B/3/2	3	B/2/2	4.5	
B/3/3/3	0.67	B/3/3/2	1	B/3/2/2	1.5	B/2/2/2	2.25

2009-2012 – maximum excitability – recessions, warring conditions?



Where we are headed is to an extreme level of Sunspot activity warning the next 18 months could be very tough times....

= get long real assets

Ref: NASA, Solar Physics

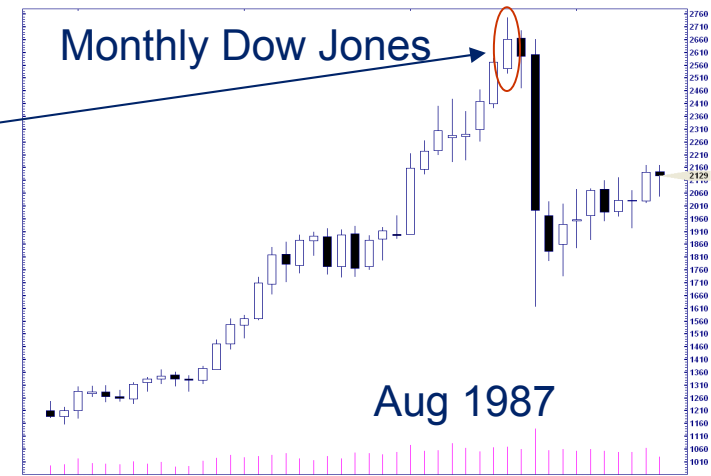
A note on the planets for timing

When the Earth is at the mid-point betwixt 2 planets 45 90 135 180 degrees are considered as difficult angles and tough for stocks.

Aug 24 1987 – 5 planets were on the same ecliptic longitude last happened 800 years ago

Aug 6 2008 – Mars-Uranus crash cycle

AUG 1 2010 - +/- 1 week 5 planets aligned Cardinal Climax not happened in 1,000 years watch out stock market and the world.....



What about the Lunar Cycle

There is an important short term cycle that tends to influence commodity markets and in turn the bond markets – the **28 day Trading Cycle**.

One explanation is the strong cyclic tendency throughout most commodity markets is the **lunar cycle**. The moon has had some influence on turning points in commodities and bonds.

Buy on a full moon.

Sell on a new moon.

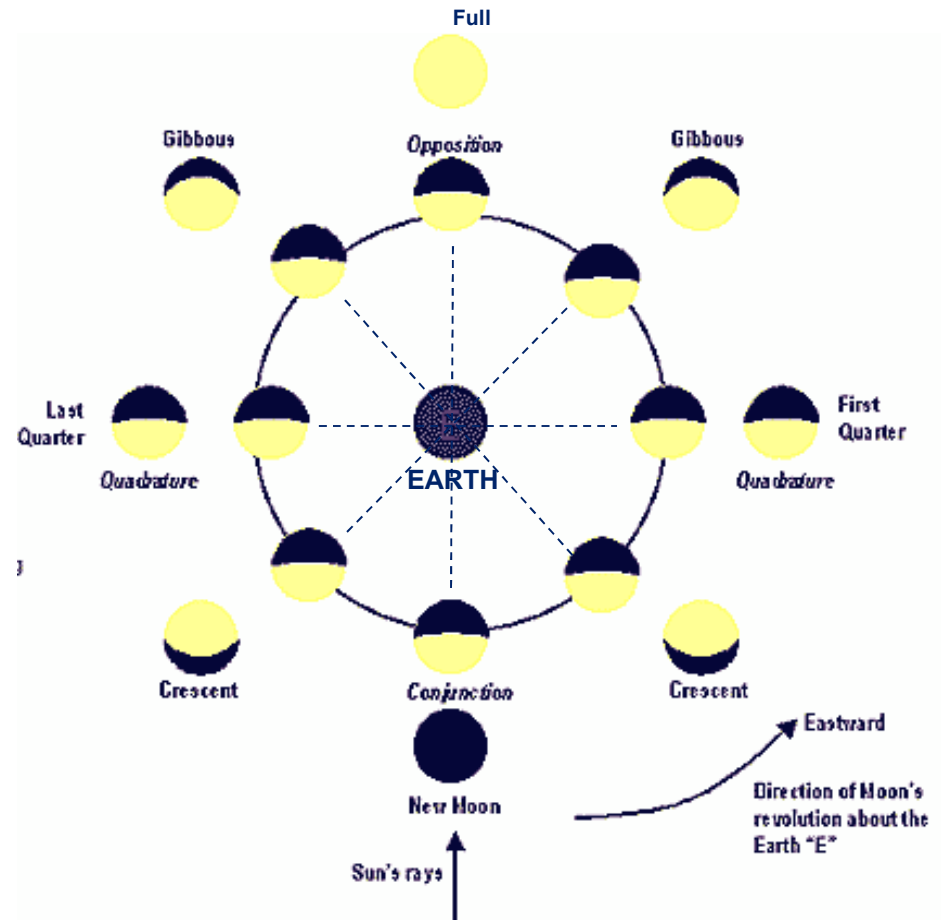
The 28-day cycle is based on calendar days. Translated into actual trading days, the number becomes 20.

One technique is buy when a market sets a new 4 week high and sell when the market makes a fresh 4 week low. But be careful the Techie patterns should confirm the cycle signal.

The Lunar Cycle

The moon's phases. Inner ring of discs shows the side of the moon always highlighted.

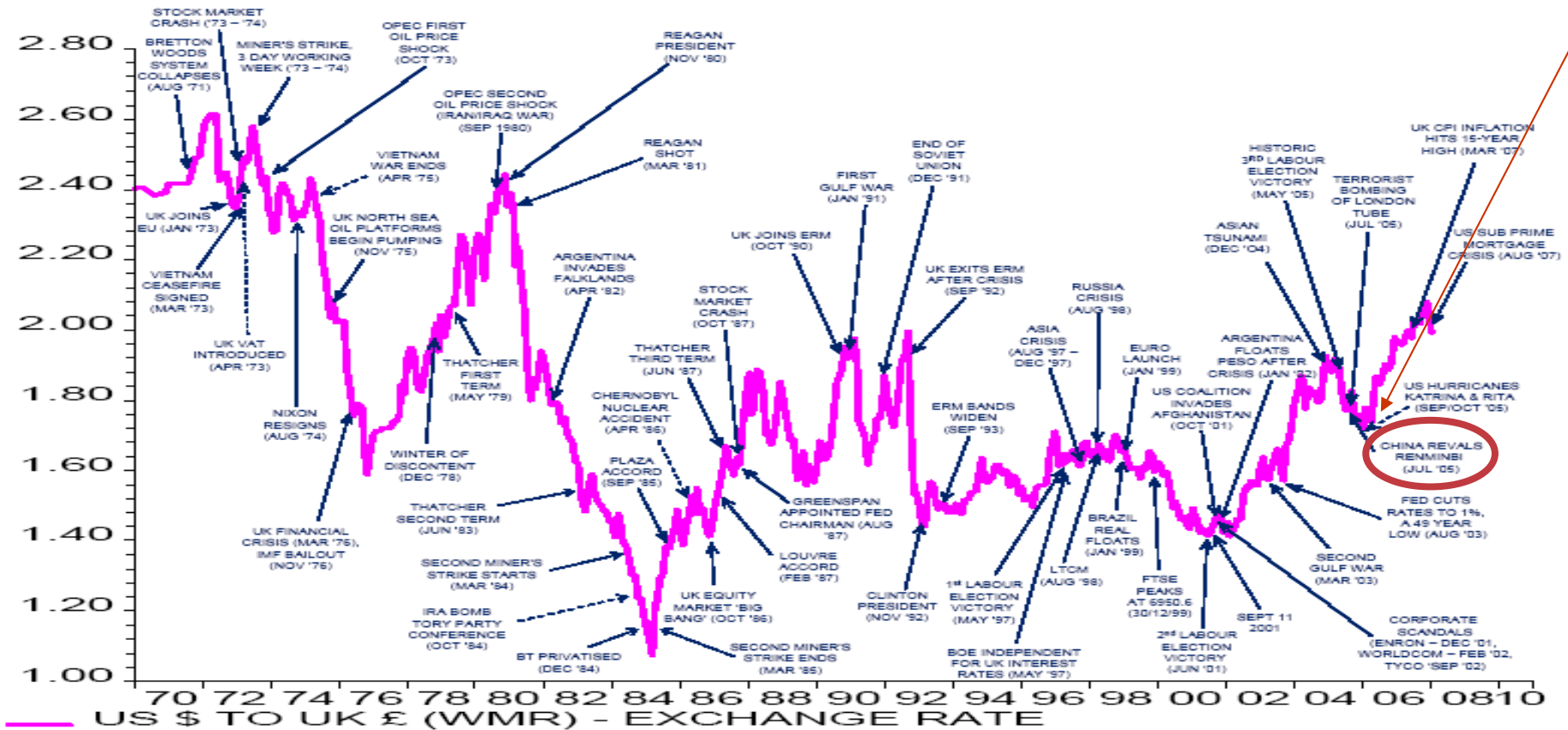
Phases as seen from the Earth E are shown in the outer ring of discs.



Source: Encyclopedia Americana International

CABLE SINCE 1970 AND A CATALOGUE OF EVENTS

CHINESE REVALUE CLOSEST MOON TO EARTH IN 8 YRS



GBP/USD – confirmed by Fibonacci projections and 13 month cycle

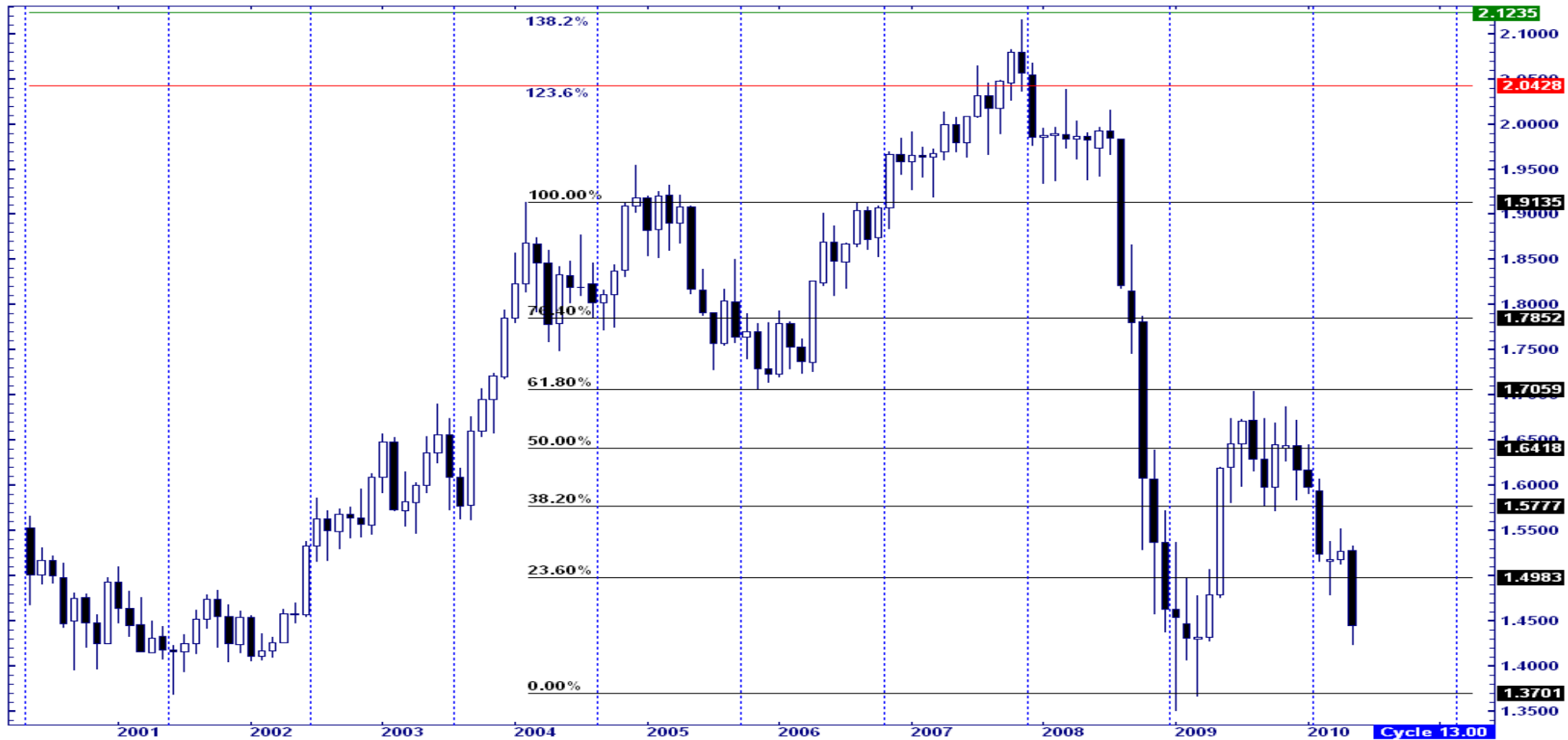


Table of dates for New and full moons back in 2006

New Moons	Full Moons
Dec 30 2005	Jan 14 2006
Jan 29 2006	Feb 12 2006
Feb 27 2006	Mar 14 2006
Mar 29 2006	Apr 13 2006
Apr 27 2006	May 13 2006
May 27 2006	Jun 11 2006
Jun 25 2006	Jul 10 2006
Jul 24 2006	Aug 9 2006
Aug 23 2006	Sep 7 2006
Sep 22 2006	Oct 6 2006
Oct 22 2006	Nov 5 2006
Nov 20 2006	Dec 4 2006
Dec 20 2006	

Potential selling periods

Potential buying periods



LEFT & RIGHT HAND TRANSLATION

= Shifting cycle peak either to the left or to the right of the ideal cycle midpoint.

In a 40 day trading cycle we measure from low to low. The ideal peak should occur 20 days into the cycle or halfway. 20 days rising 20 days declining, but as mentioned ideal cycle peaks rarely occur (= variation). Most cycle variations occur at cycle peaks (crests) not normally troughs. (That's why it's good to measure trough to trough).

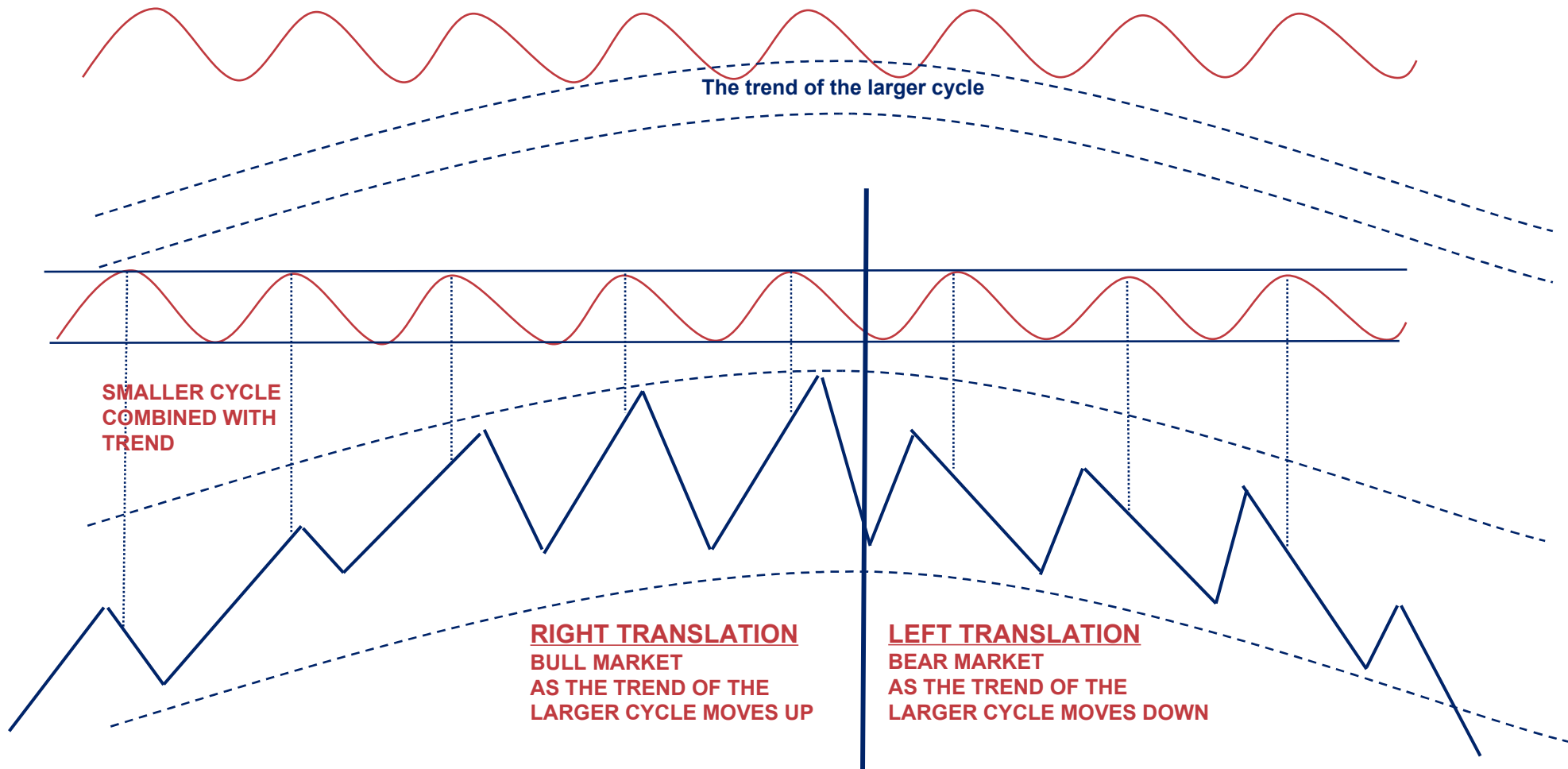
If the trend is up, the cycle crest shifts to the right of the ideal mid-point causing right translation and vice versa.

Right hand translation is bullish

Left hand translation bearish

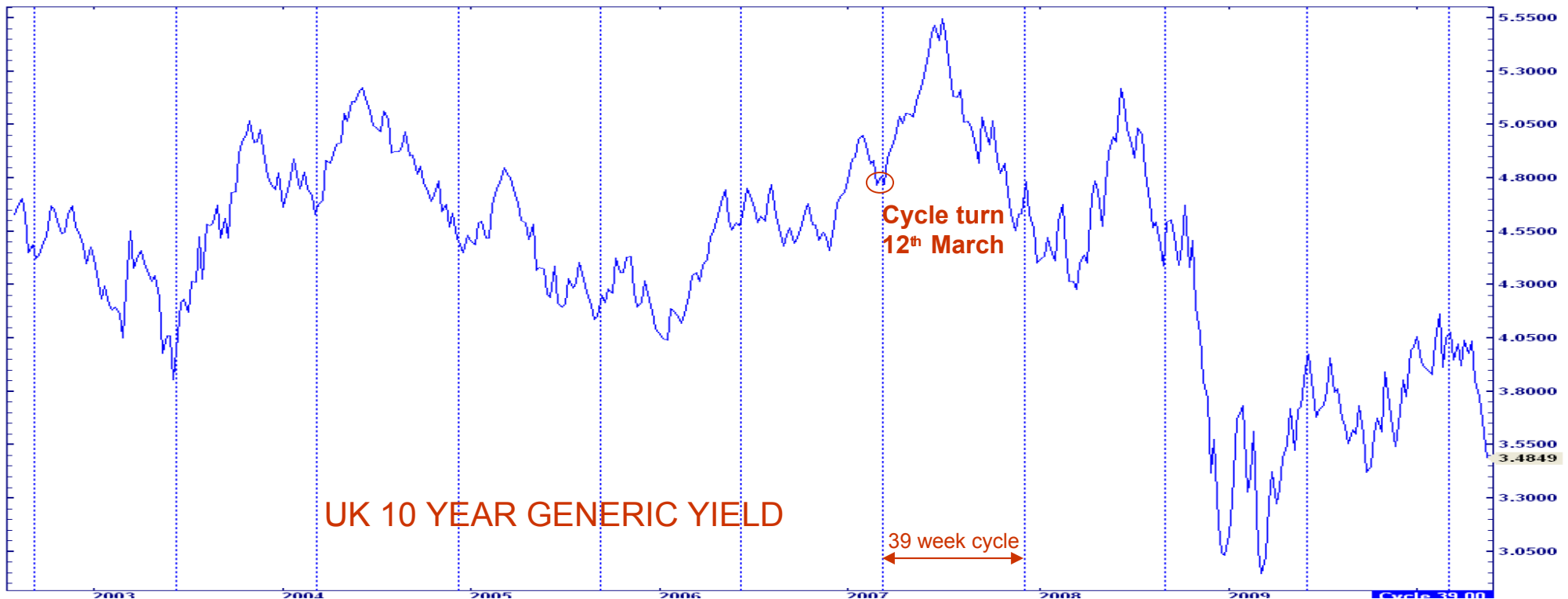
Prices will tend to spend more time going up than down in a bull trend, but remember we are looking at time here.

LEFT AND RIGHT TRANSLATION

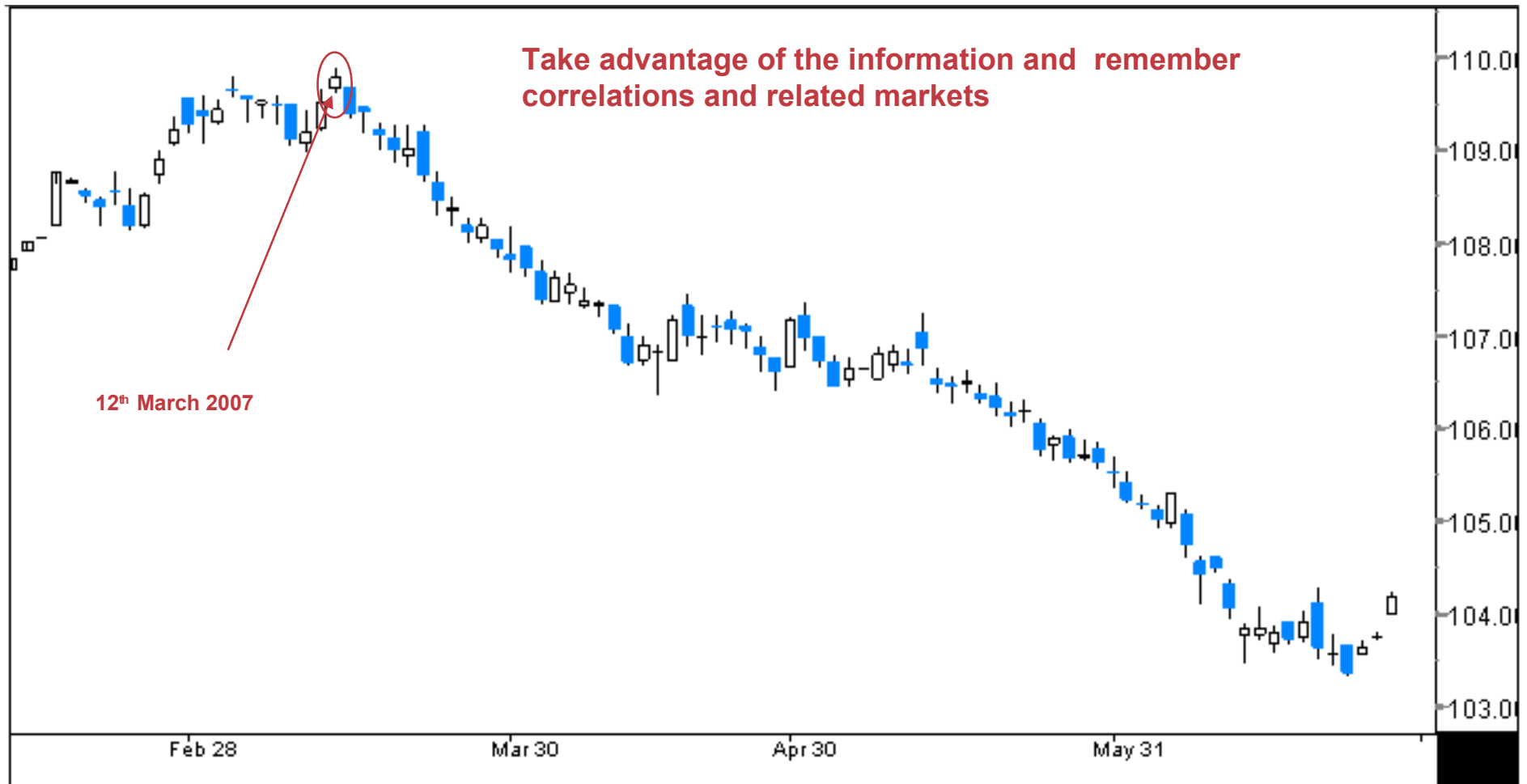


ISOLATING CYCLES - DETRENDING

In order to study various cycles affecting a market it is necessary to first isolate them. The simplest technique is visual inspection to identify obvious tops and bottoms. By taking the average time periods between these cyclic tops and bottoms, certain cycle lengths can be found.



Cycles – Gilt Jun07 contract daily chart



CYCLES ARE ONGOING – UK 10 YEAR YIELDS



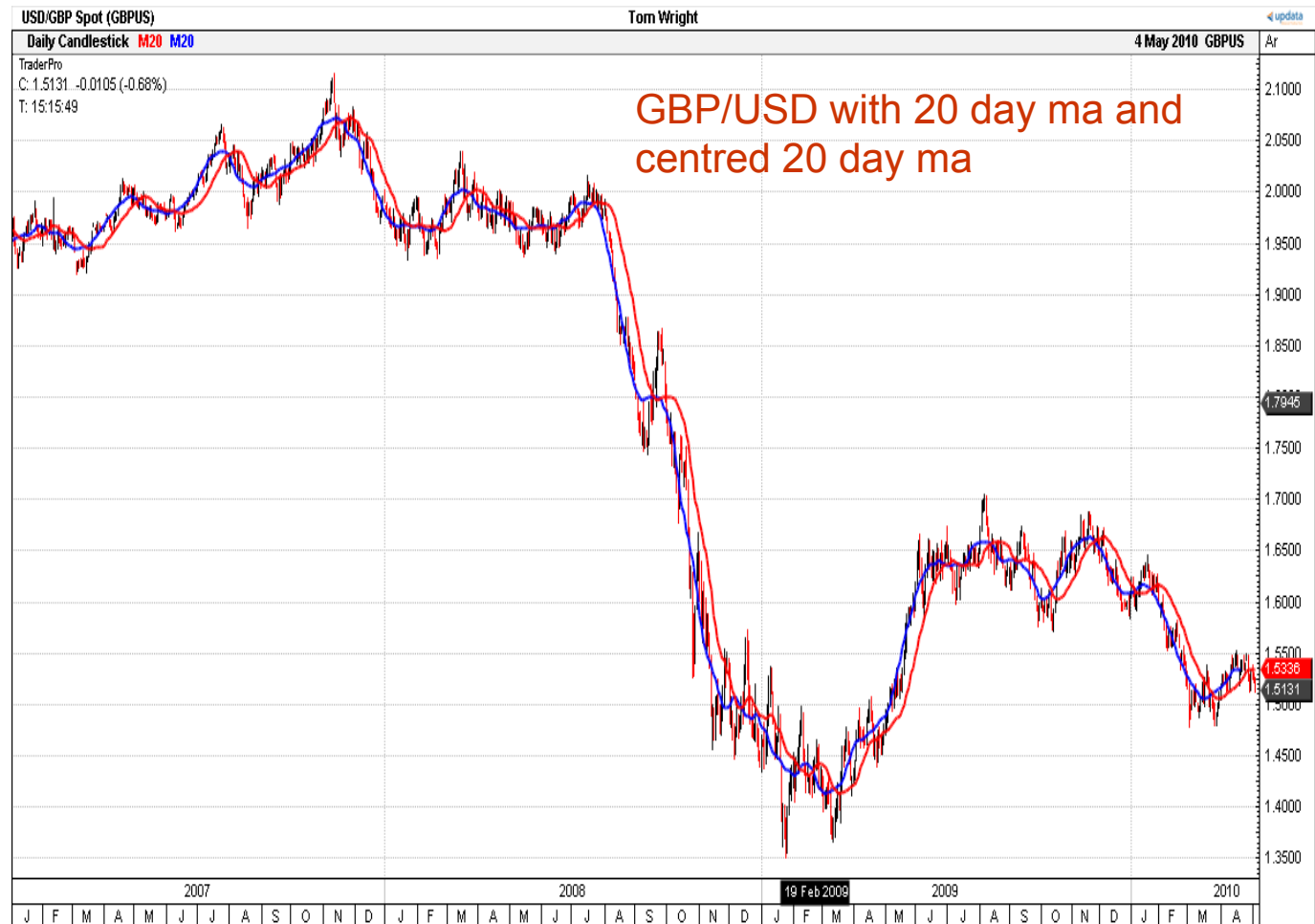
Centring moving averages

MA's are a smoothing device.
Problem in trying to find s/t time cycles is the presence of trend

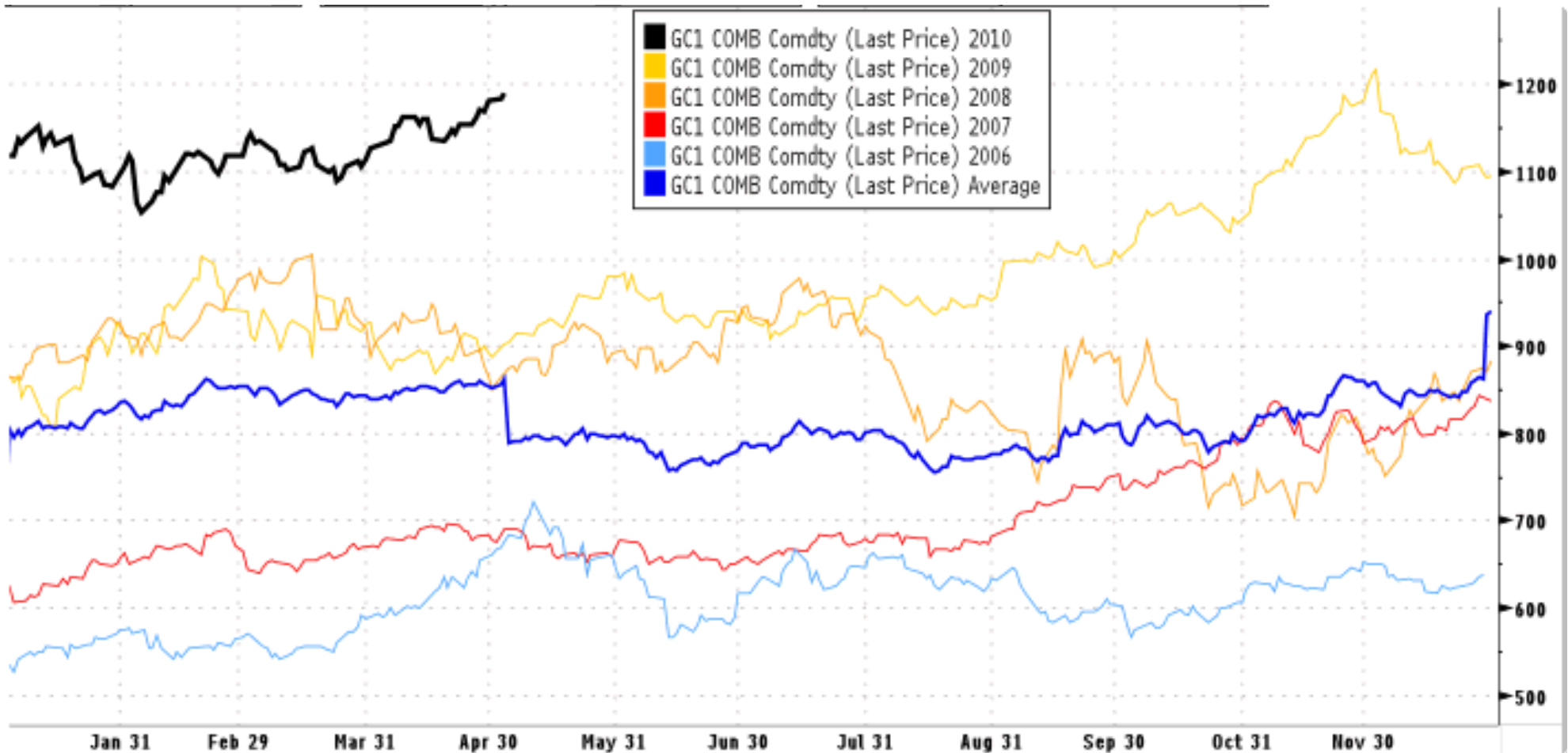
EG. 20 day ma.

Centre it ie. avg is plotted on the 11th day of the cycle or the Middle of the cycle length instead of the last day.

Some people plot it as a zero line on the bottom of the chart with prices above or below the zero line.



SEASONAL CYCLES – SPOT GOLD



SEASONAL CYCLES

Examples

- **Copper** – Jan/Feb typically strong up-trend peaks Mar/Apr
- **Gold** – Typically strong base in late Jan and forms another base into the end of August
- **Silver** – Typically has a low in January with higher prices into March
- **Soy Beans** - 70% of tops occur between April and July, bottoms occur Aug-Nov 75%
- One general seasonal pattern is that a penetration of the January high is considered quite bullish. A reading of 80% or greater is considered a strong seasonal pattern

Multiple techniques with the dominant cyclic behaviour create confident signals

Here is a sample of Bloomberg data going back to 1980 on yield data. Interesting results to me are above 80%.

In this simple example we found that weeks 32-34 have 86% chance (historically) of seeing lower 30 year yields (ie. higher long bonds in the U.S.)

Forewarned is forearmed.

Weeks 32-34 in 2005 were from Monday 8th August-Fri 26th Aug.

US													
Day	2y		5y		10y		30y						
	UP	DOWN	UP	DOWN	UP	DOWN	UP	DOWN					
1	48%	52%	52%	48%	55%	45%	58%	42%					
2	53%	47%	60%	40%	63%	37%	60%	40%					
3	45%	55%	45%	55%	39%	61%	48%	52%					
4	44%	56%	28%	72%	34%	66%	38%	63%					
5	45%	55%	55%	45%	48%	52%	52%	48%					
6	47%	53%	47%	53%	43%	57%	40%	60%					
7	50%	50%	47%	53%	37%	63%	37%	63%					
8	55%	35%	58%	42%	58%	42%	55%	45%					
9	40%	60%	40%	60%	40%	60%	37%	63%					
10	55%	45%	42%	58%	45%	55%	39%	61%					
11	39%	61%	39%	61%	45%	55%	42%	58%					
12	29%	71%	32%	68%	35%	65%	35%	65%					
13	37%	63%	37%	63%	37%	63%	37%	63%					
14	61%	39%	55%	45%	48%	52%	45%	55%					
15	56%	44%	56%	44%	47%	53%	41%	59%					
16	52%	48%	52%	48%	58%	42%	55%	45%					
17	47%	53%	44%	56%	47%	53%	44%	56%					
18	56%	44%	53%	47%	44%	56%	41%	59%					
19	33%	67%	43%	57%	35%	65%	37%	63%					
20	50%	50%	50%	50%	50%	50%	50%	50%					
21	58%	42%	58%	42%	55%	45%	45%	55%					
22	29%	71%	32%	68%	35%	65%	35%	65%					
23	50%	50%	50%	50%	50%	50%	43%	57%					
24	29%	71%	39%	61%	29%	71%	29%	71%					
25	41%	59%	38%	63%	36%	63%	44%	56%					
26	43%	57%	43%	57%	43%	57%	43%	57%					
27	43%	57%	43%	57%	50%	50%	57%	43%					
28	45%	55%	48%	52%	52%	48%	48%	52%					
29	62%	38%	55%	45%	62%	38%	59%	41%					
30	21%	79%	25%	75%	36%	64%	29%	71%					
31	29%	71%	29%	71%	24%	76%	18%	82%					

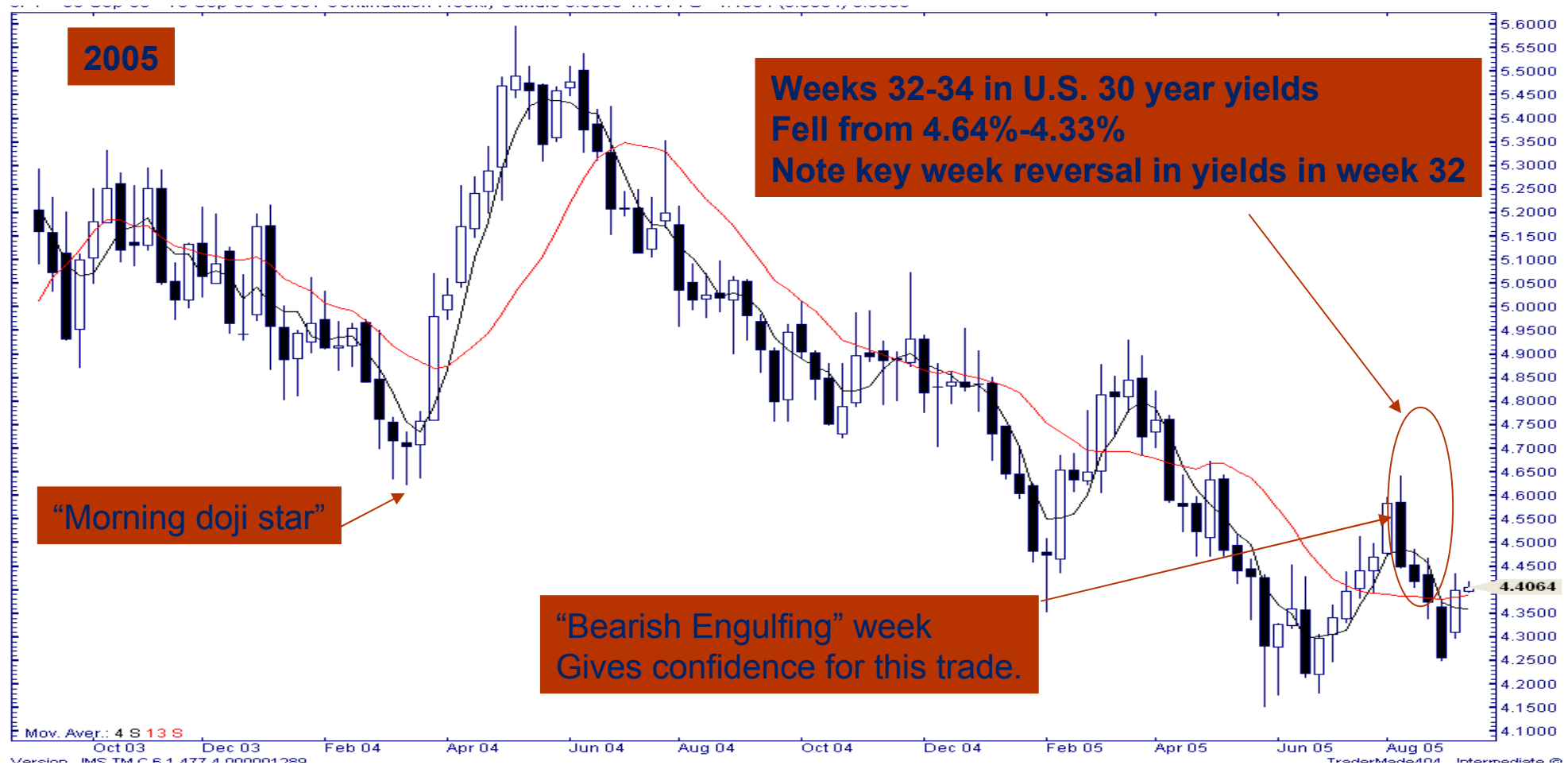
Week	2y		5y		10y		30y						
	UP	DOWN	UP	DOWN	UP	DOWN	UP	DOWN					
1	57%	43%	57%	43%	47%	53%	67%	33%					
2	71%	29%	57%	43%	44%	56%	29%	71%					
3	29%	71%	43%	57%	44%	56%	43%	57%					
4	86%	14%	86%	14%	39%	61%	43%	57%					
5	43%	57%	14%	86%	17%	83%	14%	86%					
6	71%	29%	71%	29%	50%	50%	29%	71%					
7	71%	29%	57%	43%	61%	39%	43%	57%					
8	43%	57%	43%	57%	50%	50%	50%	50%					
9	43%	57%	57%	43%	61%	39%	63%	38%					
10	71%	29%	57%	43%	56%	44%	50%	50%					
11	43%	57%	43%	57%	44%	56%	63%	38%					
12	71%	29%	57%	43%	50%	50%	63%	38%					
13	29%	71%	43%	57%	50%	50%	50%	50%					
14	43%	57%	43%	57%	33%	67%	50%	50%					
15	57%	43%	71%	29%	50%	50%	63%	38%					
16	57%	43%	71%	29%	56%	44%	63%	38%					
17	71%	29%	71%	29%	61%	39%	63%	38%					
18	71%	29%	71%	29%	61%	39%	75%	25%					
19	57%	43%	57%	43%	39%	61%	63%	38%					
20	57%	43%	29%	71%	39%	61%	13%	86%					
21	14%	86%	29%	71%	33%	67%	38%	63%					
22	29%	71%	29%	71%	33%	67%	63%	38%					
23	57%	43%	43%	57%	39%	61%	50%	50%					
24	29%	71%	29%	71%	33%	67%	38%	63%					
25	43%	57%	57%	43%	44%	56%	50%	50%					
26	29%	71%	57%	43%	39%	61%	50%	50%					
27	29%	71%	29%	71%	50%	50%	63%	38%					
28	43%	57%	43%	57%	44%	56%	50%	50%					
29	57%	43%	57%	43%	44%	56%	50%	50%					
30	57%	43%	71%	29%	61%	39%	75%	25%					
31	57%	43%	57%	43%	56%	44%	38%	63%					
32	71%	29%	57%	43%	44%	56%	13%	86%					
33	33%	67%	33%	67%	33%	67%	14%	86%					
34	67%	33%	50%	50%	33%	67%	14%	86%					
35	17%	83%	33%	67%	33%	67%	43%	57%					
36	33%	67%	33%	67%	22%	78%	43%	57%					
37	17%	83%	0%	100%	33%	67%	29%	71%					
38	33%	67%	33%	67%	50%	50%	29%	71%					
39	50%	50%	66%	33%	39%	61%	57%	43%					
40	50%	50%	67%	33%	56%	44%	57%	43%					
41	67%	33%	67%	33%	61%	39%	57%	43%					
42	29%	71%	29%	71%	50%	50%	43%	57%					
43	43%	57%	43%	57%	50%	50%	43%	57%					
44	71%	29%	57%	43%	50%	50%	57%	43%					
45	43%	57%	43%	57%	33%	67%	29%	71%					
46	86%	14%	71%	29%	50%	50%	43%	57%					
47	57%	43%	71%	29%	50%	50%	71%	29%					
48	0%	100%	14%	86%	22%	78%	29%	71%					
49	43%	57%	29%	71%	39%	61%	29%	71%					
50	43%	57%	43%	57%	44%	56%	29%	71%					
51	43%	57%	43%	57%	44%	56%	57%	43%					
52	71%	29%	86%	14%	44%	56%	57%	43%					
53	0%	100%	0%	100%	67%	33%	100%	0%					

HISTORICAL DATA (U.S. Bond markets) going back to 1980

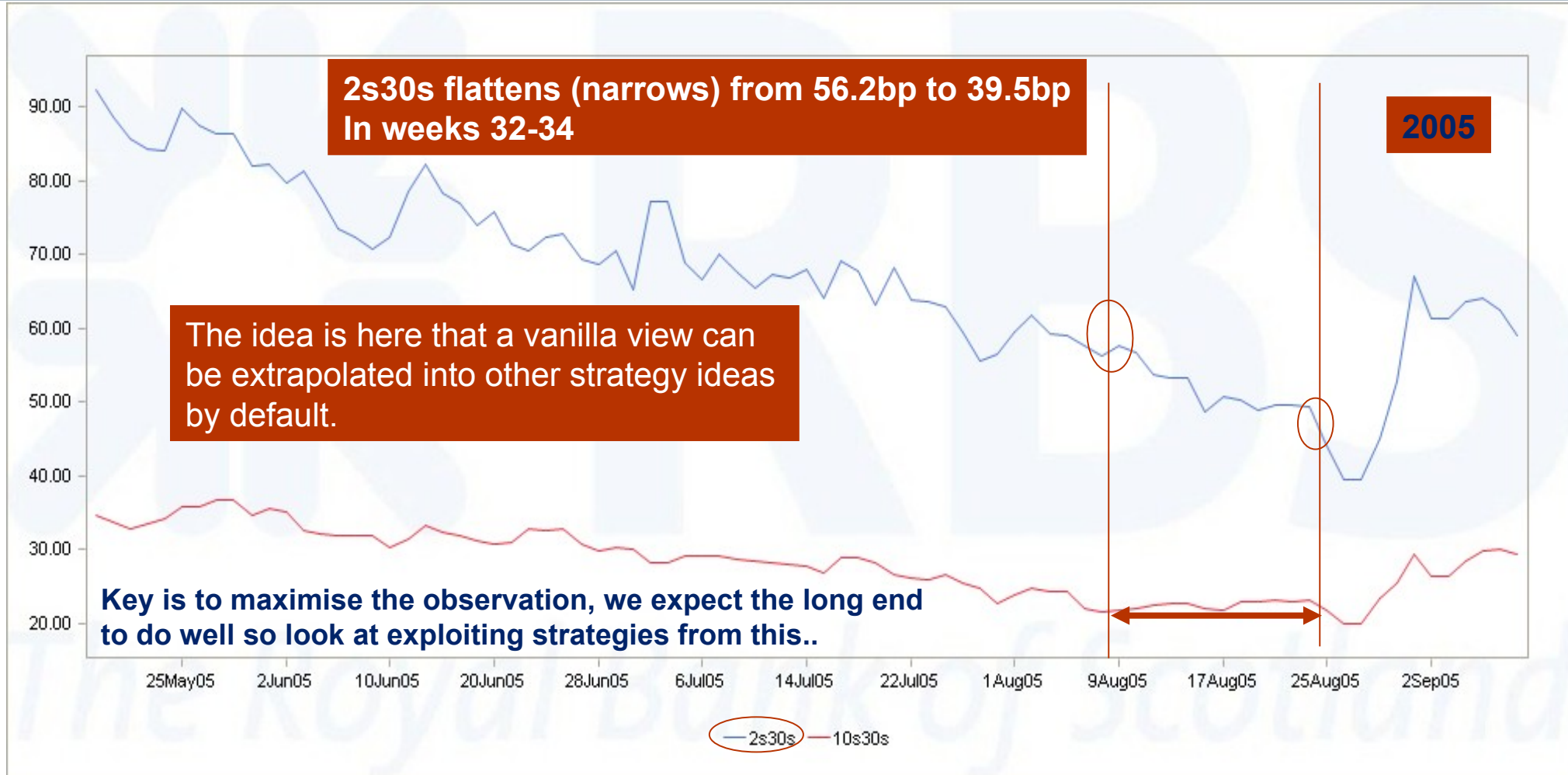
SEP 05 U.S. T-BONDS (Daily) X Check top/down confirmation



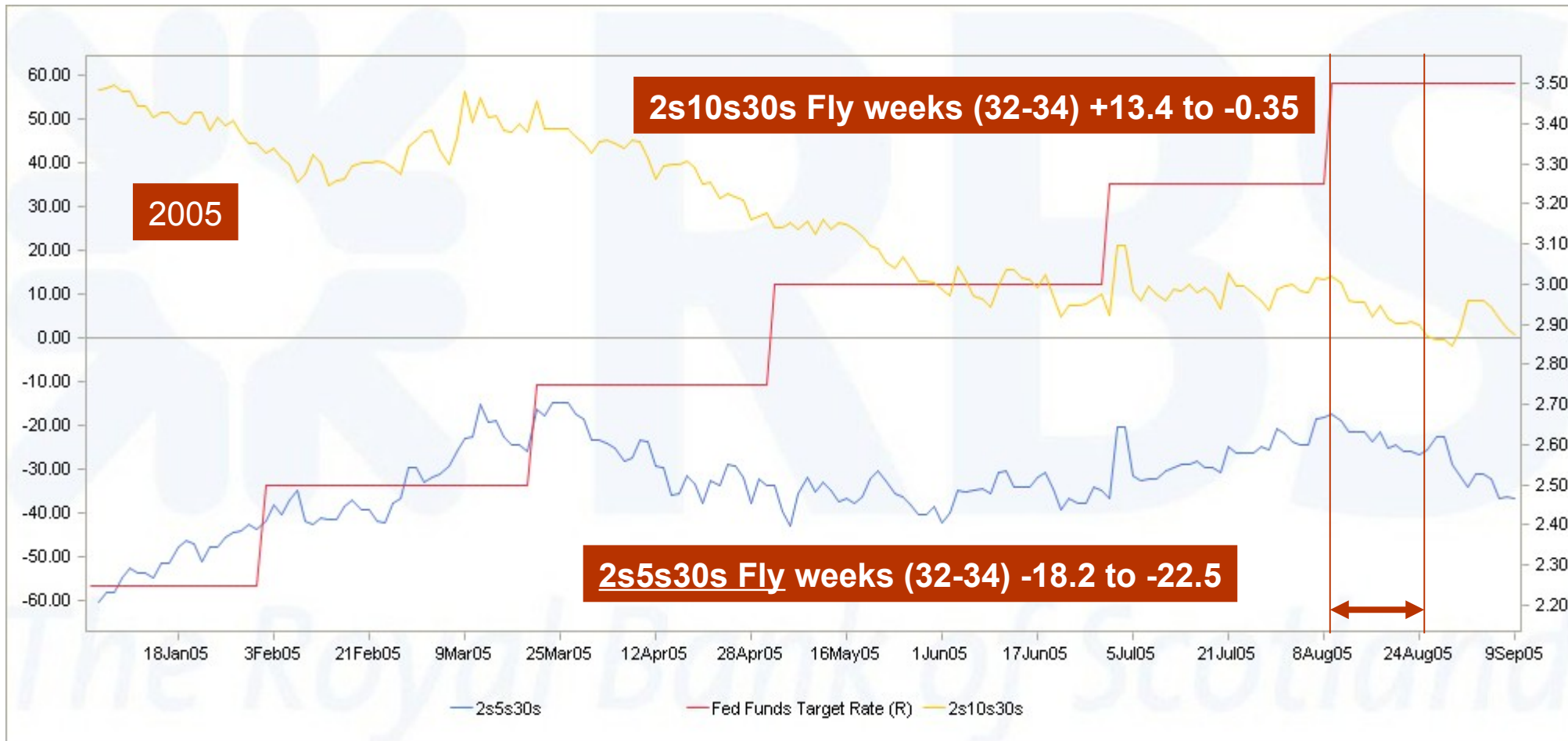
U.S. 30 YEAR YIELD CHART – confirmation from candles



2s30s U.S. swaps also 10s30s (curve plays) 2005



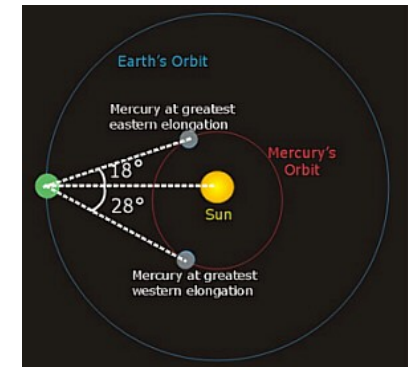
U.S. FLY'S. using this theme in more complex strategies 2005



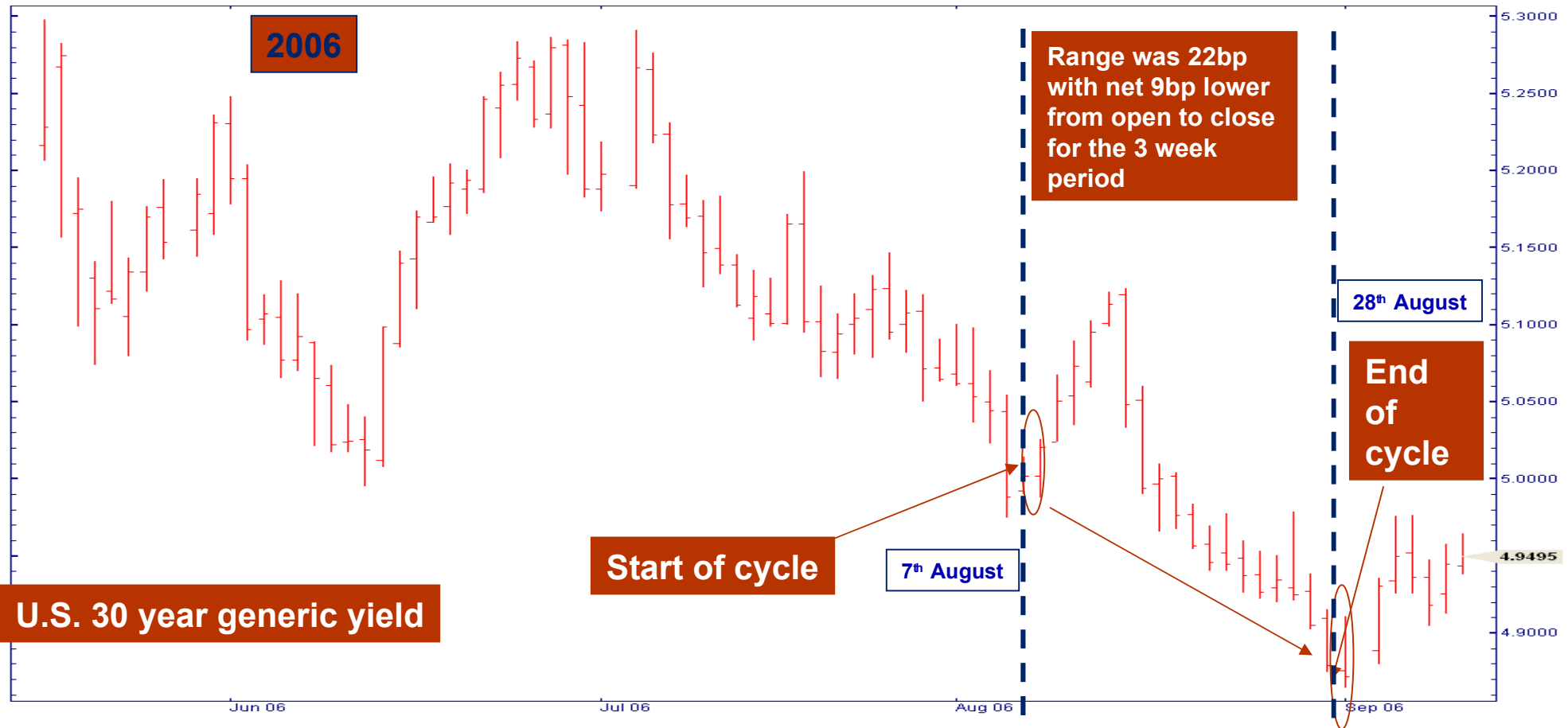
So what happened 2006?

- Firstly, looking at dates for Mercury and the Greatest Western Elongation (MGWE), I have studied data back to 1999. By taking these dates and using the high in yield for T-bonds (generic yields) for those dates the results were the following, (note if it was w/e then defaulted to the Friday high):
- Over 43% of the time the MGWE date produced the high in yield for over 1 month
- Over 23% of the time the date produced the high in yield for over 2 weeks
- Over 13% of the time the date lead to 1-2 weeks of the high in yield
- Only 21% of the time did the high in yield not last greater than 1 week.
- The date this year was 7th August the start of week 32 of a 3 week bull period from our cycle data... (“Re – “Rule of Confirmation”) HARMONICITY.
- There two approaches are positive long bonds from 7th August on a net basis.

Elongations of Mercury



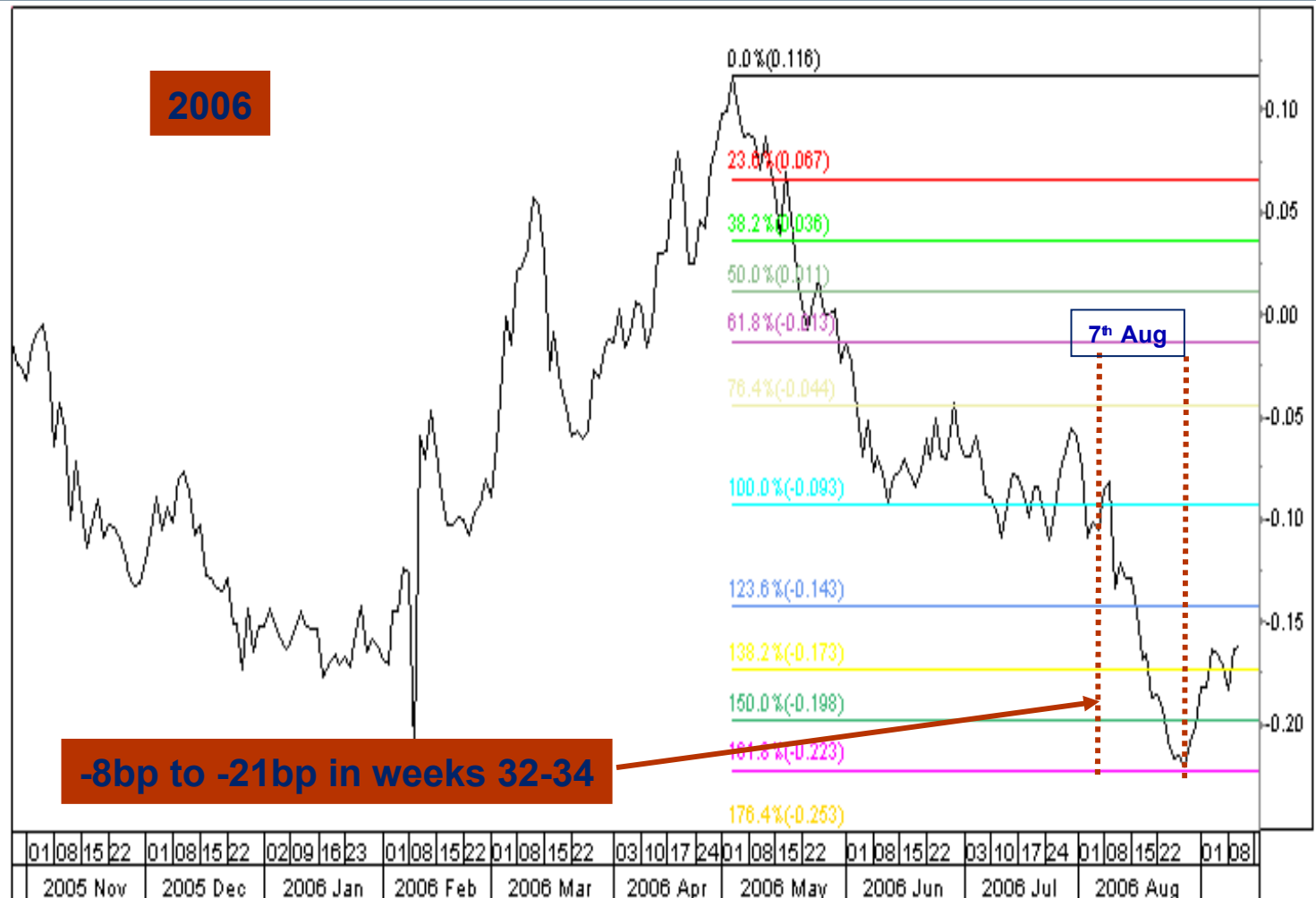
So what happened 7th-28th Aug 2006 Daily chart 30 yr U.S. yield 2006



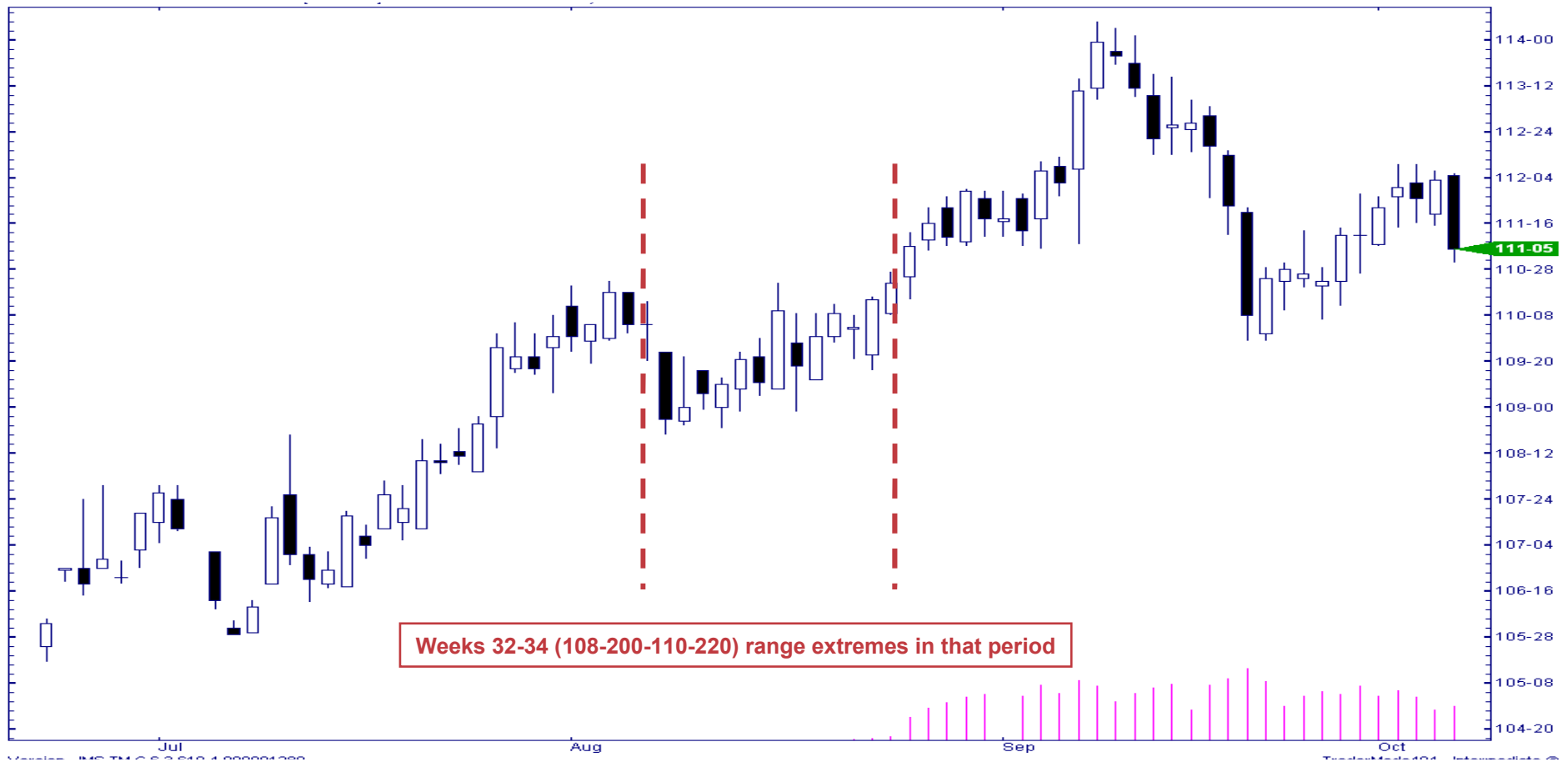
U.S. 2s10s30s fly (using generic yields) daily chart 2006

Not only did the fly move dramatically in weeks (32-34), it actually based out exactly at the end of the 3 week cycle which was at 161.8% Fibonacci projection of the May/June decline.

13bp net gain



T-Bonds in 2007 Sep07 Daily chart – history repeats itself



U.S. 2s10s30s fly - History repeats itself a daily chart for 2007

**Range extremes
= 31bp - 8bp
massive moves in
short time frame**

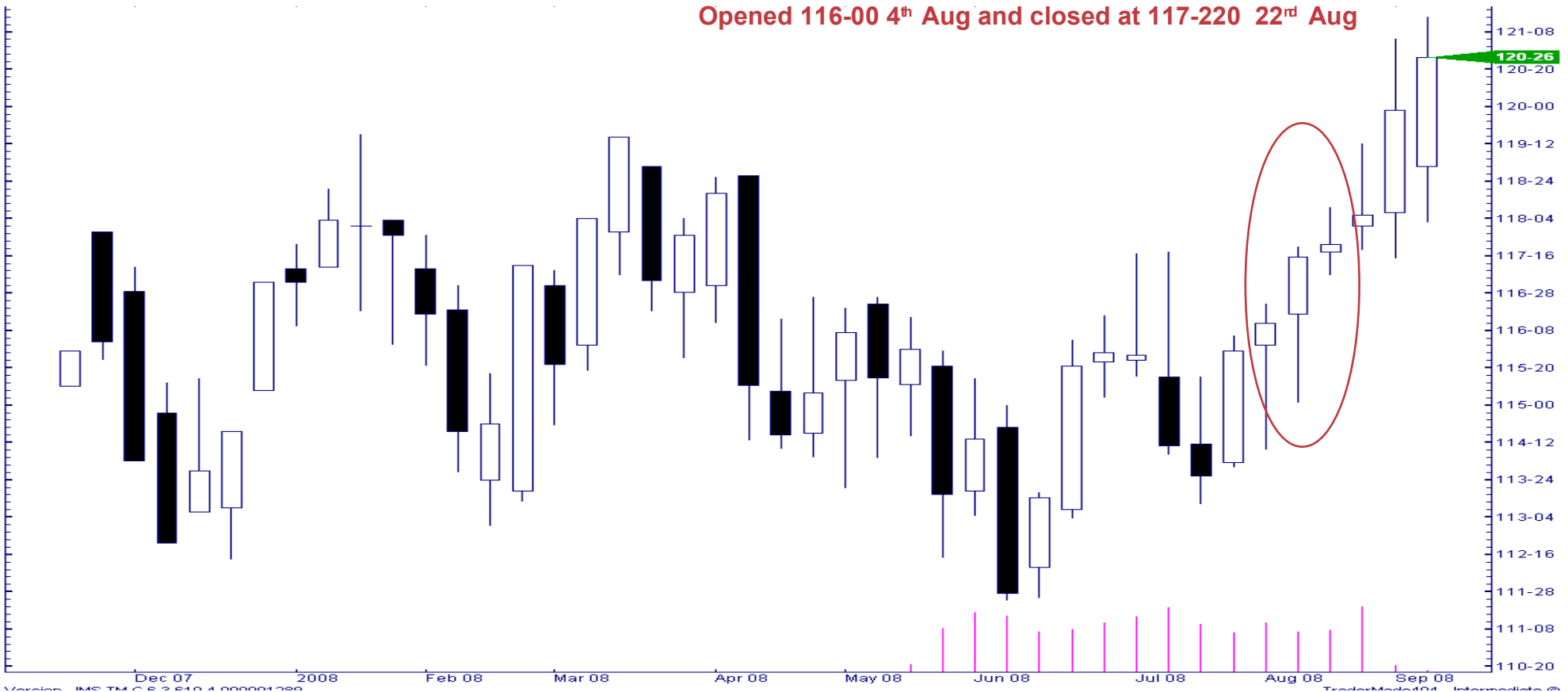
**Net change start to
finish from
20bp -8bp**

= 28 bp net gain

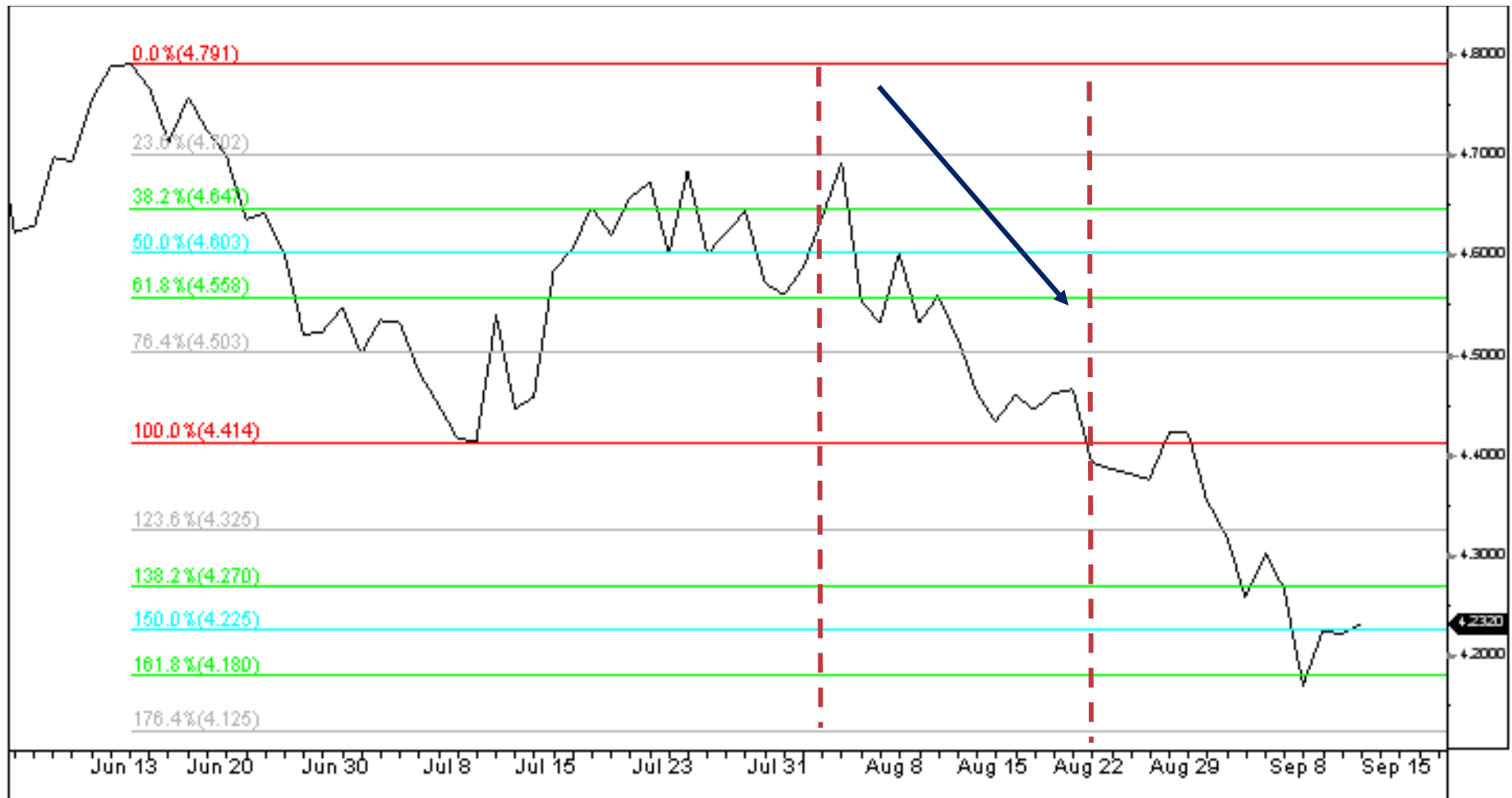


And what happened in 2008? 4th Aug-22nd Aug (U.S.U8)

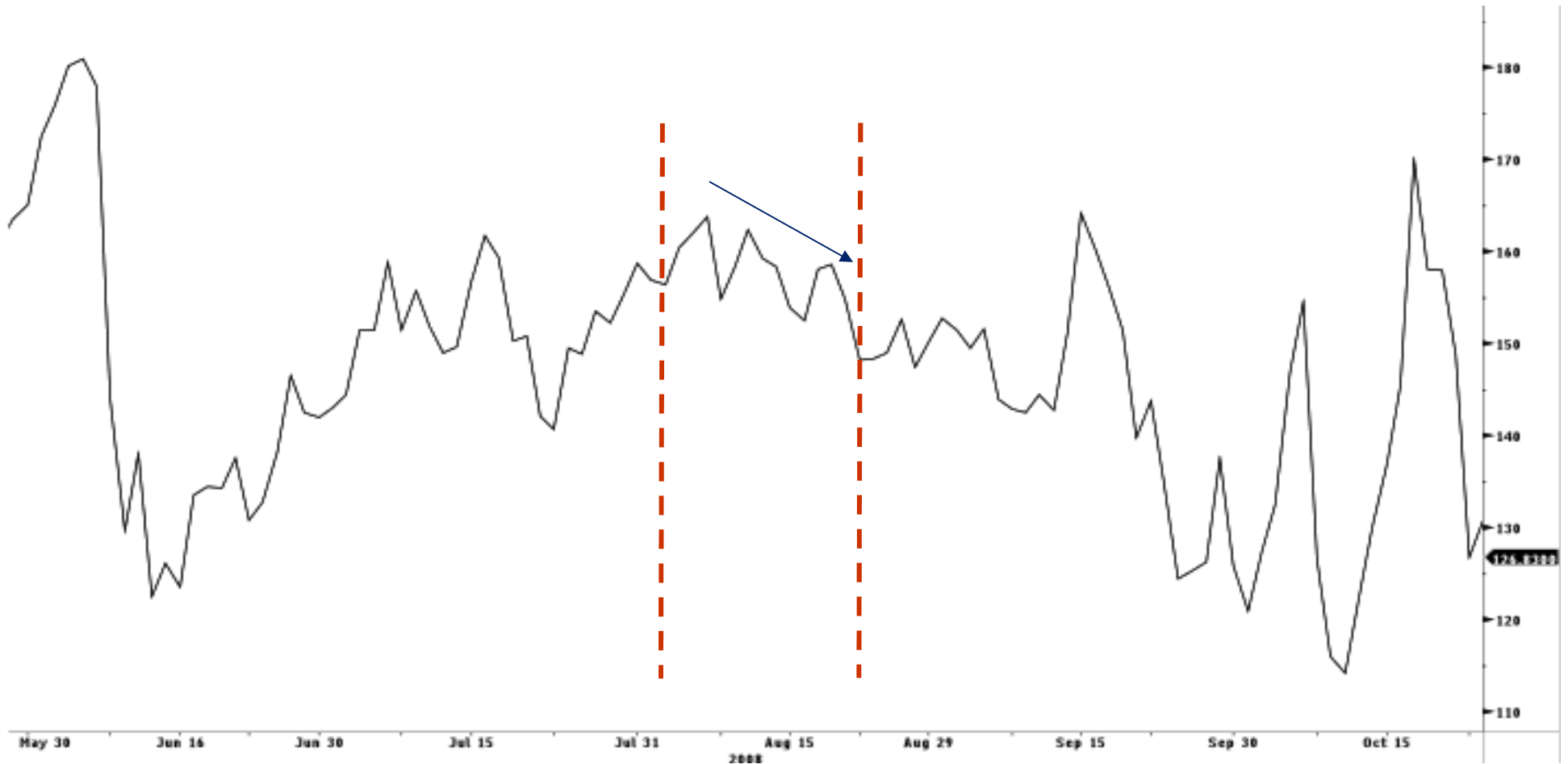
Opened 116-00 4th Aug and closed at 117-220 22nd Aug



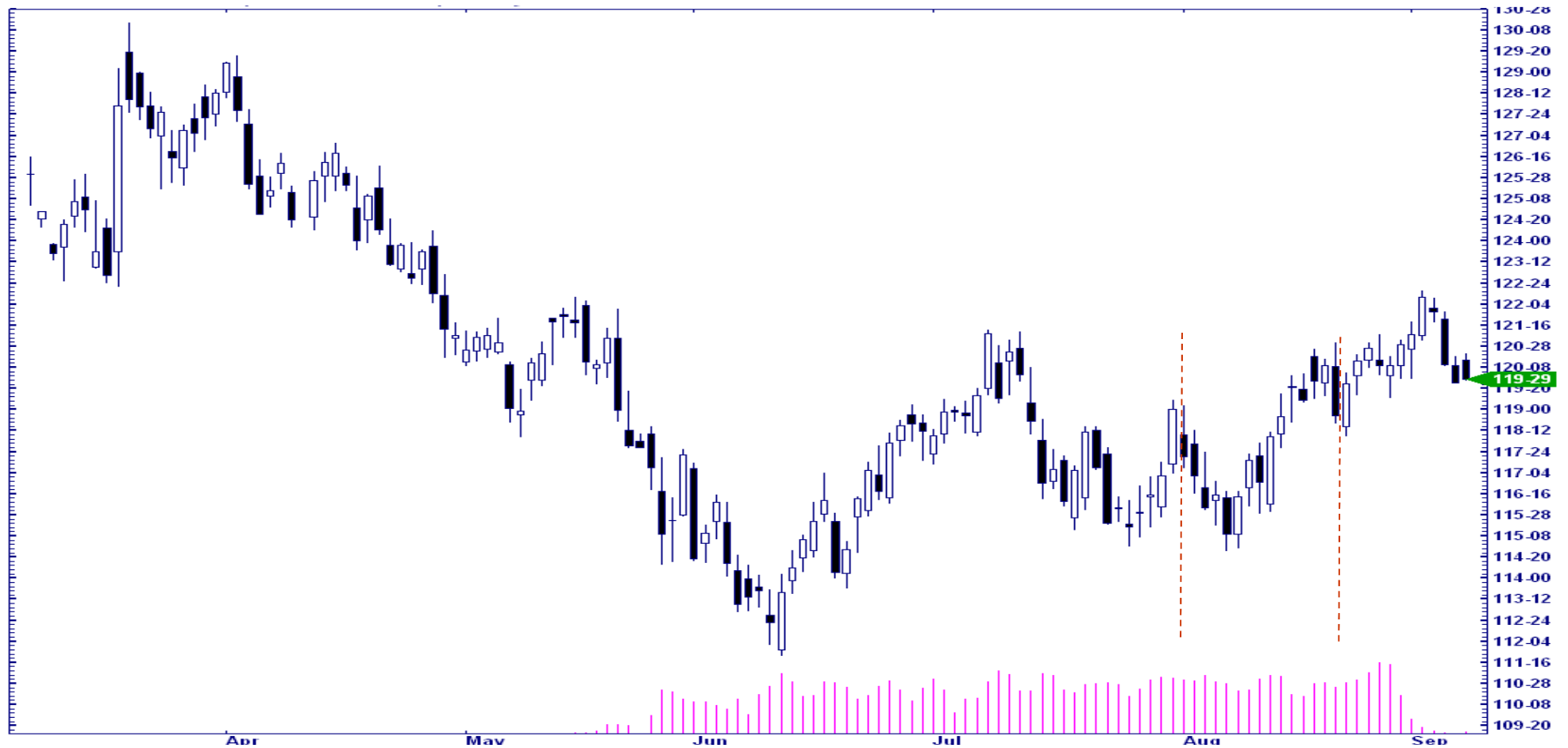
2008 for 30 year yields 4th 22nd August



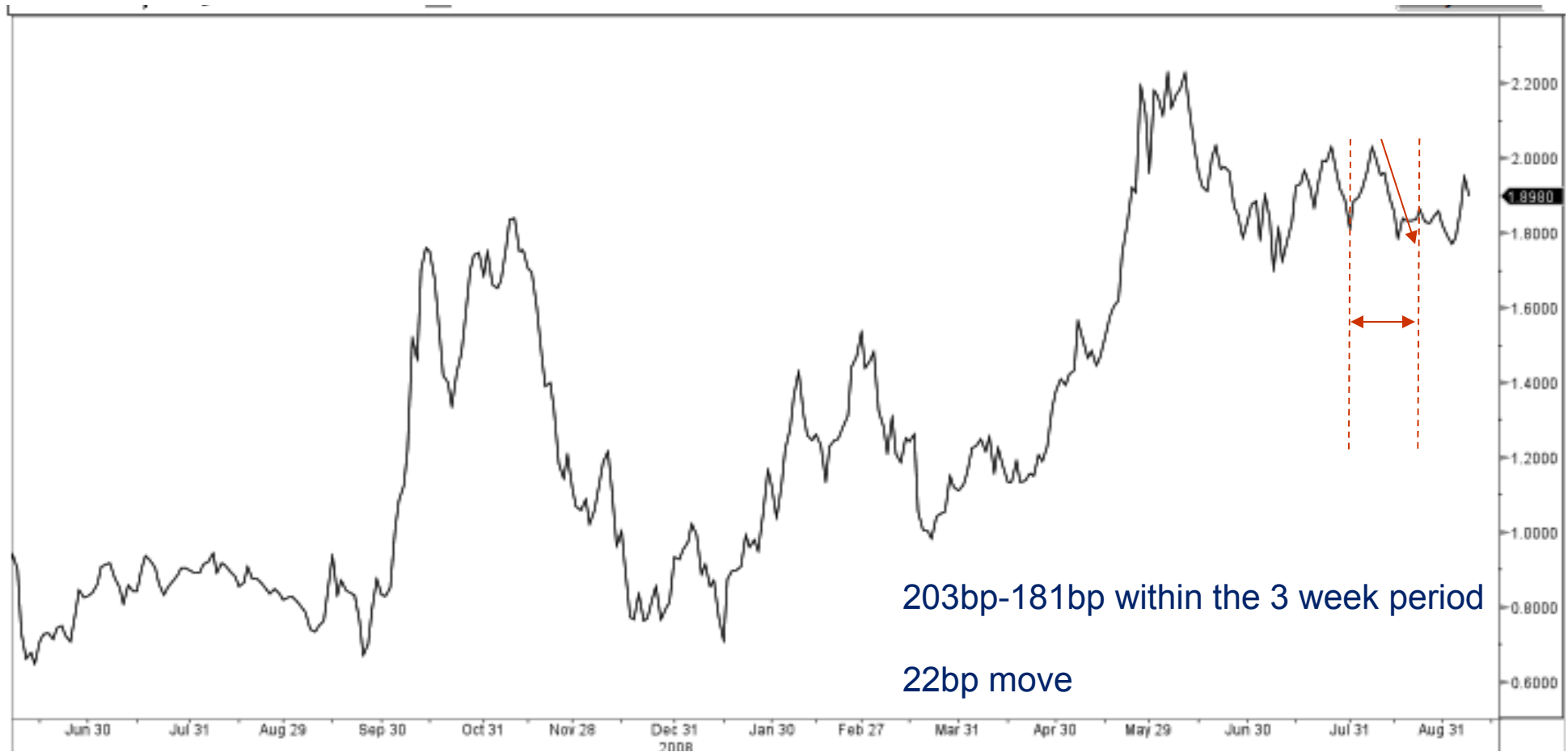
2008 for 2s30s (swaps) 4th 22nd August



2009 T-bonds U9 Daily chart



2s10s30s US Swaps Daily chart for 2009



Remember Gann- BEAR MARKETS IN 7 ENDED YEARS - DOW JONES

1887	Dec3 1886	Apr 2, 1888	-20.1%
1897	Sept 10, 1897	Mar 25, 1898	-24.6%
1907	Jan 19, 1906	Nov 15, 1907	-48.5%
1917	Nov 21, 1916	Dec 19, 1917	-40.1%
1927	Oct 3, 1927	Oct 22, 1927	-10.2%
1937	Mar 10, 1937	Mar 31, 1938	-49.1%
1947	May 29, 1946	June 13, 1949	-24.0%
1957	Apr 6, 1956	Oct 22, 1957	-19.4%
1967	Feb 9, 1966	Oct 7, 1966	-25.4%
1977	Sep 21, 1976	Feb 28, 1978	-26.9%
1987	Aug 25 1987	Dec4 1987	-35.1%
1997	Aug 6, 1997	Nov 12, 1997	-13.2%
2007	?????? YTD	(05/10/07)	+12.52% post payrolls

Scary but still suggests from Oct 11th big correction was looming, but price was against this thus far.

DOW JONES INDEX with New Moon dates - Rule of 9 = sell in Oct

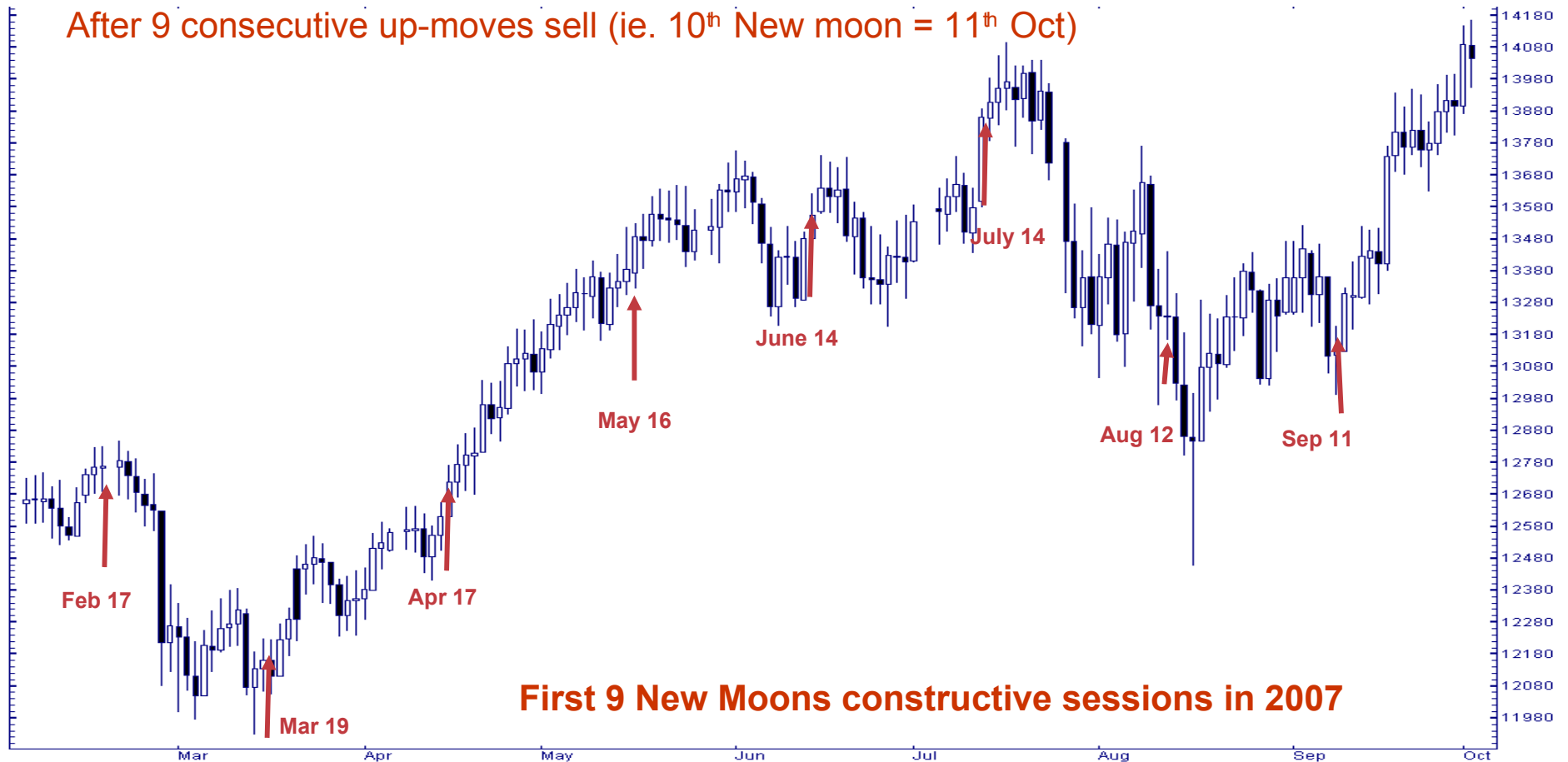
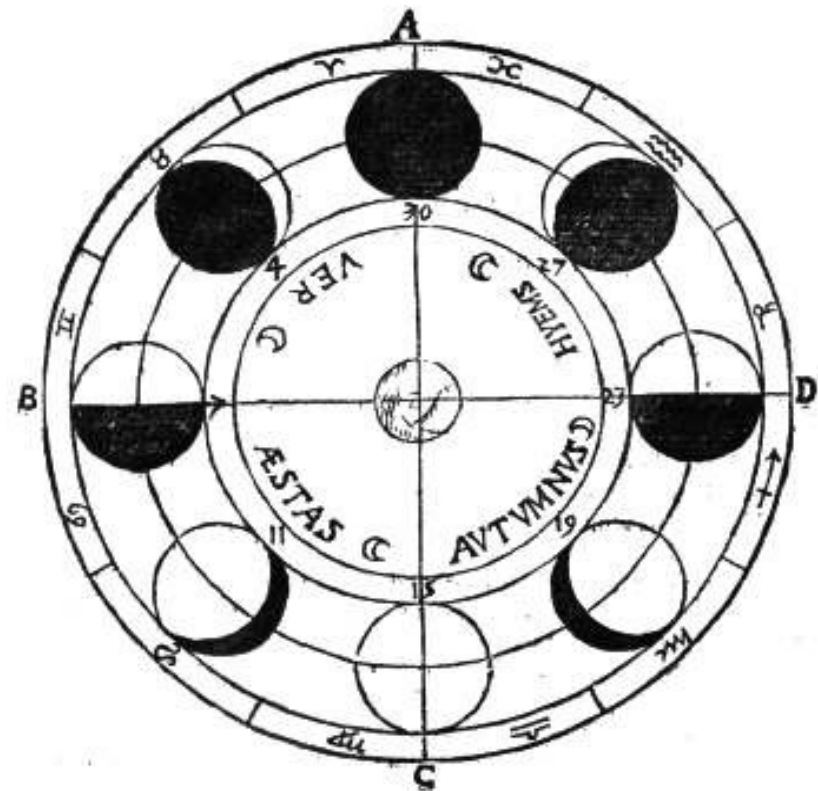


Table of dates for New and full moons in 2007

New Moons	Full Moons
Jan 19 2007	Jan 03 2007
Feb 17 2007	Feb 02 2007
Mar 19 2007	Mar 03 2007
April 17 2007	Apr 02 2007
May 16 2007	May 02 2007
June 15 2007	Jun 01 2007
Jul 14 2007	Jun 30 2007
Aug 12 2007	Jul 30 2007
Sep 11 2007	Aug 28 2007
Oct 11th 2007	Sep 26 2007
Nov 09 2007	Oct 26 2007
Dec 09 2007	Nov 24 2007
	Dec 24 2007



Based on Astrology potential major top – note was a bearish key day reversal this day

FALLS IN YEARS ENDED IN 7 FOR THE DOW JONES

- 1887 September 19 (-2.24%) & October 12 (-2.29%)
- 1897 September 21 (-3.95%) & October 12 (-3.90%)
- 1907 March 14 (-8.29%). Major banking panic October 22
- 1917 November 01 (-4.16%) & November 08 (-4.21%)
- 1927 October 8 (-3.65%)
- 1937 October 18 (-7.75%) Panic/depression
- 1947 April 14 (-2.95%)
- 1957 October 21 (-2.48%) Credit crunch
- 1967 No fall =>2.00% recorded
- 1977 July 27 (-2.17%)
- 1987 October 19 (-22.61%) Black Monday
- 1997 October 27 (-7.18%) Blue Monday
- **2007 October/Nov = ????** Are we gonna get the fall from Oct 11th 2007?

LUNAR PHASE & THE DOW JONES

Major moves do occur around important Lunar dates

Oct

Possible dates for major stock market declines are around the Oct New and Full Moon dates.

DOW & ANNUAL ONE DAY FALLS UP TO 2007

DJIA AOD Fall		% Fall
Oct 12	1897	-3.95
Oct 19	1903	-4.17
Oct 08	1927	-3.65
Oct 28	1929	-12.83
Oct 18	1937	-7.75
Oct 19	1987	-22.61
Oct 13	1989	-6.91
Oct 27	1997	-7.18

10 > 3.6% falls took place in Oct since 1887.

DOW JONES MONTHLY CHART



DOW DAILY CHART –



The Decennial cycle and the Dow in 7 ended Years

7 Ended yrs	DJIA High	DJIA Low	% Decline
1887	Dec 3, 1886	Apr 2, 1888	-20.1%
1897	Sep 10, 1897	Mar 25, 1898	-24.6%
1907	Jan 19, 1906	Nov 15, 1907	-48.5%
1917	Nov 21, 1916	Dec 19, 1917	-40.1%
1927	Oct 3, 1927	Oct 22, 1927	-10.2%
1937	Mar 10, 1937	Mar 31, 1938	-49.1%
1947	May 29, 1946	Jun 13, 1949	-24.0%
1957	Apr 6, 1956	Oct 22, 1957	-19.4%
1967	Feb 9, 1966	Oct 7, 1966	-25.2%
1977	Sep 21, 1976	Feb 28, 1978	-26.9%
1987	Aug 25, 1987	Dec 4, 1987	-35.1%
1997	Aug 6, 1997	Nov 12, 1997	-13.2%
2007	<u>Oct, 11th 2007</u>	<u>Jan 22, 2008</u>	-20.5%

Greater than 20% = bear market

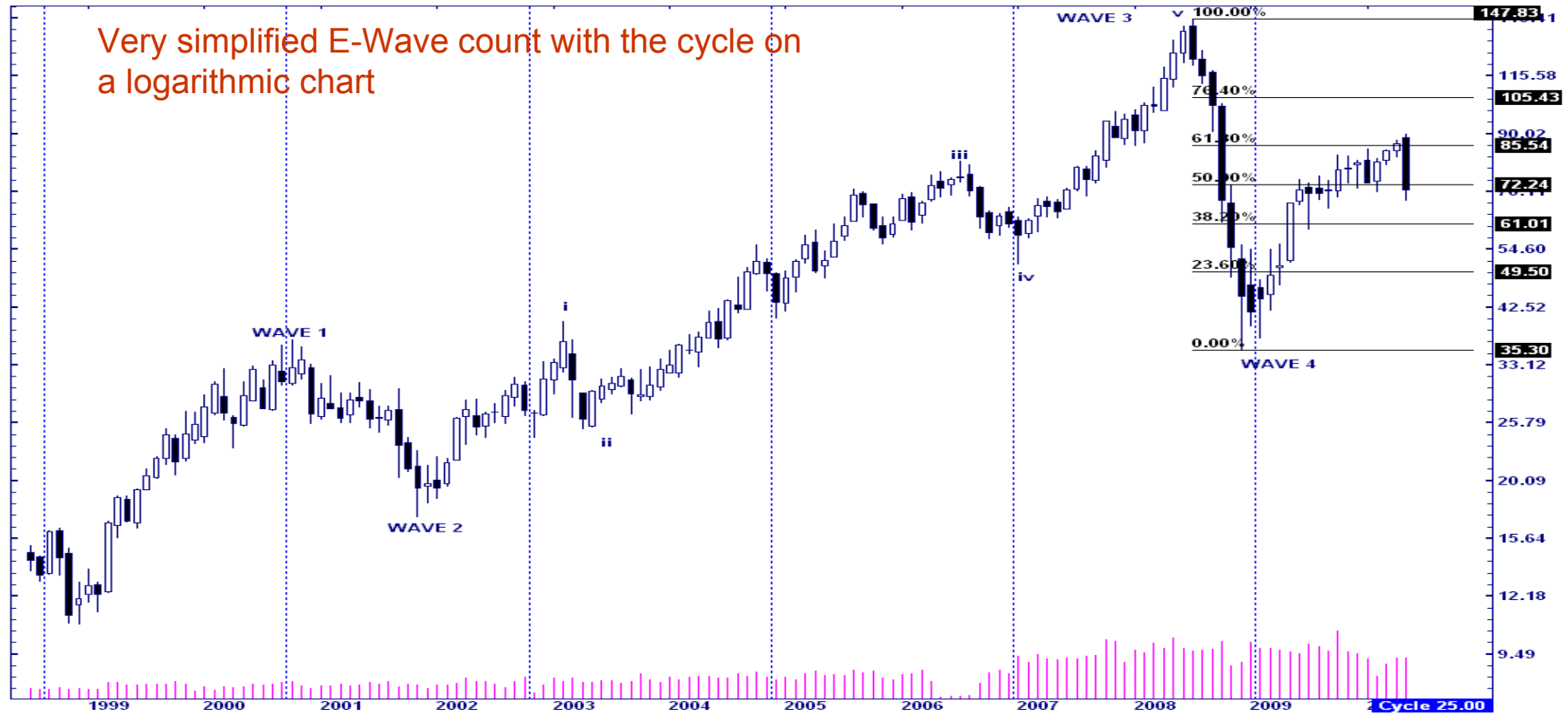
New Moon

Full Moon

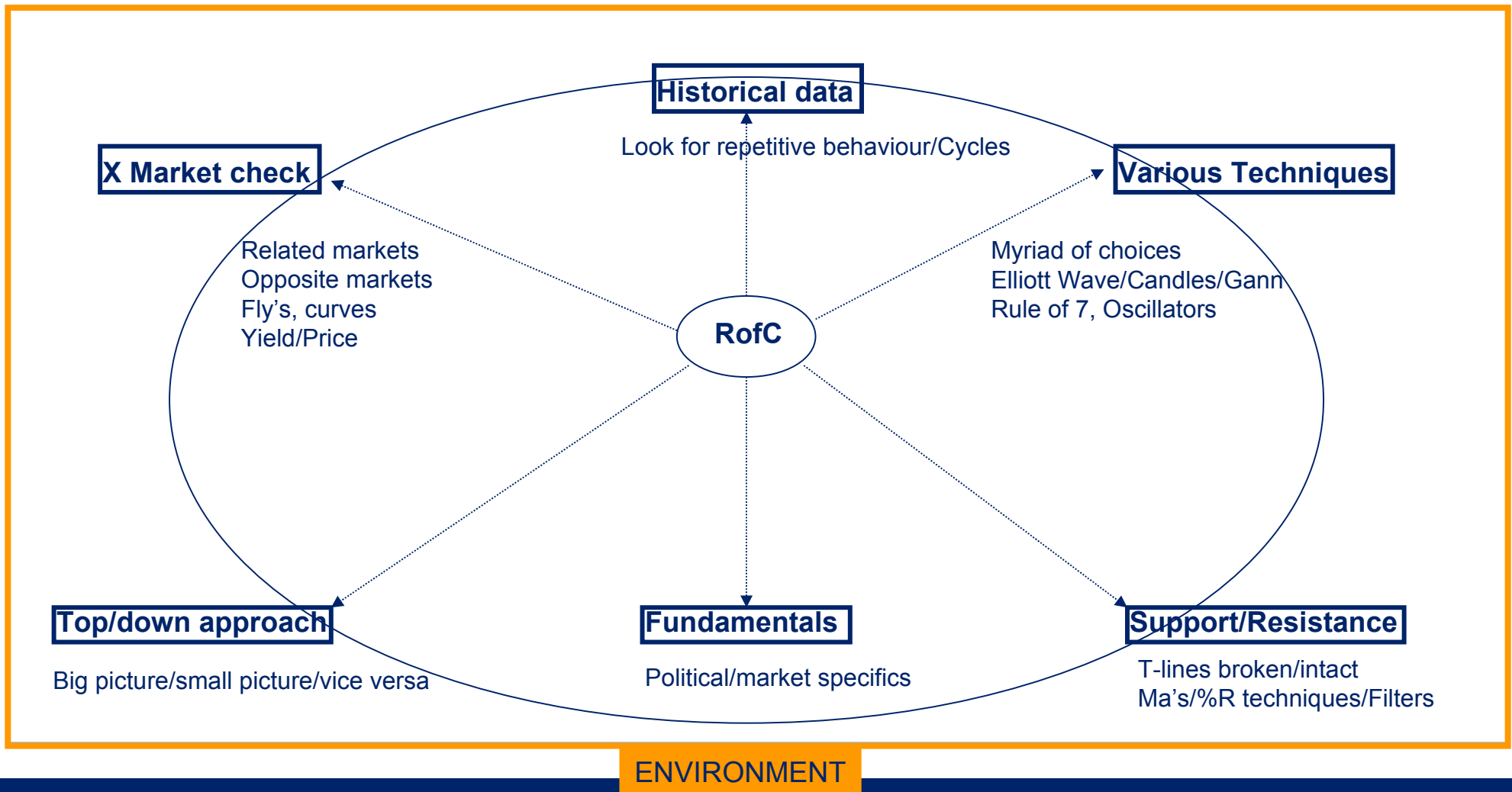
USD Index – Current simple 39 week Sine wave structure



Nymex Oil – 25.8 months cycle (sub cycle = 8.6 months x3)



RULE OF CONFIRMATION – THOUGHT PROCESS/CHECKLIST



Cycle summary & views with thoughts for the future

Seasonality plays a part in many peoples analysis including economists

The longer the history with reliable data then the more powerful the argument if it ties in with Technical signals.

There are cycles within cycles so look for the big picture first then work smaller.

Use rule of multiple techniques.

Some suggested key dates to look out for. – June 13th , and more imp end of July 2010

Mars and Saturn will be conjunct and in opposition to Uranus and all 3 squared to Pluto.

Oct 8th 2010 – major day for the stock market

Picks for the future investment on long term cycles = nuclear energy – South Africa /Kenya Egypt.. Bullish for food EDF (PF) and Mitsubishi heavy industries (MITS) to watch going fwd long term.

“Millions don’t use astrology, Billionaires do” ... J.P. Morgan

Further reading

- Cycles: The Mysterious Forces that Trigger Events – Edward R. Dewey
- The Profit Magic of Stock Transaction Timing – J.M. Hurst
- The Long Wave Cycle – Nikolai Kondratieff
- Heliocentric Astrology – contact the Magi Society
- Chinese Astrology – www.fourpillars.net

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