



by Eric S. Hadik

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

## **40-Year Cycle: Stock-flation Capitulation Inflationary Stock Index Cycles Turning**

An INSIIDE Track Special Report **EXCERPT**

**40-Year Cycle:  
Stock-flation II**  
**EXCERPT ONLY**

### **2015/2016 Outlook...**

**C.D.C.**

**May 2015** - The month of **May** begins the second third of **2015**... when things should get a lot more interesting. When looking at **2015**, I have been viewing it from a perspective of 'thirds' - or 4-month periods. One of the reasons has to do with the diverse concentration of cycles - at different points during the year. *They tend to divide the year into thirds...The first 1/3 of 2015 was projected to be the transitional phase.*

...Since September 2014, the focus has been on **April 2015** when the first sign of trouble was expected to materialize - a warning sign of what was expected to follow (in **May--Sept. 2015**)... If weekly trends turned down in **mid-April**, that would project a quick, 2--3 week reactive rally...All of that was expected to prepare the markets for the ominous, **late-April--late-Sept. 2015** period. By the time **October 2015** rolls around, the Indices should have experienced... [[See Stock-flation II Report for specifics.](#)]

### **Leaders**

Another potential sign of trouble was seeing the strongest Indices (those that had been strongest since 2009, 2011, 2013 and/or even since mid-Oct. 2014) finally capitulate and trigger reversals lower. There have been a few of these Indices, in focus, which have exhibited signs of leadership leading into **2015**. Perhaps the most convincing has been - and remains - the DJTA (Transports). *More on that Index in a minute.*

Another, amplified by the developing stand-off in Europe, has been the DAX...it would likely be the last - or among the last - to show any signs of weakness. The greatest synergy of cycles - in the DAX - converged in **March/April 2015**, projecting a top. The extreme upside target for that peak - the yearly LHR for **2015** - was/is just above **12,600/DAX** (2013 low ~**7,400**--2014 high ~**10,000** creates **2015 LHR** at ~**12,600**), with a corroborating multi-year LLH objective just below **12,000/DAX** (see chart on page 3).

The DAX surged into the **March/April 2015** cycle peak and topped at **12,390** on **April 10, 2015**... almost perfectly fulfilling extreme upside objectives - in time AND price.

It then, in the minimum amount of time possible, reversed its weekly trend to down as it was giving a convincing monthly reversal lower... a kind of 'double-whammy' *Sign of Trouble*.

The DAX suffered a quick 8.5% drop in **April**, mimicking the 8.5% drop that the DJ Transportation Average completed at its **April 2015** low... two preliminary signs of trouble. At the same time the DAX was exhibiting this '*sign of trouble*', another leading Index also triggered an ominous reversal.

### **S.O.T. (Sign of Trouble) #3**

Before elaborating, it is necessary to review a pair of charts featured in the March 2015 INSIIDE Track... as well as a small box of accompanying text that described unique parallels between them. As stated on 2/27/15:

*"Even a comparison of the culminating rallies reveals parallels. The DJIA rallied for 11 months, then pulled back, and then rallied a final 13 months. The Russell 2000 rallied for 11 weeks, then pulled back, and has since rallied to new highs. Will the parallels continue?"*

If those parallels were to continue (as discussed in Feb. 2015), the Russell 2000 would have rallied for 13 weeks following its latest pullback into **Jan. 2015** - paralleling the culminating DJIA 13-month rally into 1973 (DJIA in 1970's - 11-month rally followed by culminating 13-month rally; Russell 2000 in **2014/2015** - 11-week rally followed by culminating 13-week rally??).

Sure enough, the Russell 2000 rallied for *exactly* 13 weeks (90-degrees) from its January low and peaked on **April 15, 2015**... *a perfect parallel!*

It immediately triggered a weekly 2 Close Reversal sell signal (on **April 17, 2015**) and then followed that with a convincing, outside-week/2 Close Reversal lower on **April 27--May 1, 2015**... creating a corresponding weekly 2-Step Reversal lower.

...**Sign of Trouble #3.**

### **32--33 Week Cycle**

Corroborating this pivotal period - and culminating the first 1/3 of **2015** - a nearly-ubiquitous cycle (and most of its multiples/divisions) also came into play on **April 27--May 8, 2015**...In the original (**Oct. 2014**) **40-Year Cycle - Stock-flation 1974--2014 Report**, the big focus was on the **32--33 Week Cycle** that had just projected a peak for Sept. 15--19, 2014...The ensuing phase of the **32--33 week cycle** came into play in **late-April 2015**...

Within 4 weeks of the previous phase (high) - in mid-Sept. 2014 - many Indices provided another key sign that these markets were entering a topping process: they provided a textbook '*4-Shadow*' signal (see **Eric Hadik's Tech Tip Reference Library** for more detailed description).

...That **4-Shadow** signal warned of a culminating rally that could complete the overall advance from late-2008/early-2009. In other words, it would be a very significant rally AND peak...

All of this is occurring as the stock market is providing some compelling examples of symmetry on many levels...a ~7-Year high (Jan./Mar. 2000)--high (July/Oct. 2007)--high (**Jan. '15--May '15**) Cycle Progression is forming and also portends a peak in **1Q/2Q 2015**.

The S+P 500 & Nasdaq 100 - Indices that most recently set new highs - form a high (March 2000)--high (Oct. 2007)--high (**May 2015**) Cycle Progression at this exact time... another form of cycle symmetry in these markets.

And then there is the potential for cycle symmetry on a **17-Year Cycle** basis. As described since late-2014, Stock Indices have suffered successive, ~20% declines - in the middle half of the year - on a consistent, 17-year basis. The Indices are set up for a similar drop in **2015**... another form of symmetry within this multi-decade advance.

### **MARC Tipping Point?**

For the last ~6 months, there has been one overriding expectation for an expected reversal in  
(Continued on page 4)

**02-26-15** - The Euro continues to plummet, powerfully validating its May 2014 cycle high...some consolidation could soon take hold... before the other shoe drops. *That is more likely to occur in the second half of 2015...* the DAX has exploded since late-2011 - more than doubling since then (and tripling from its 2009 low). Similar to the DJIA, it has fulfilled the potential for an accelerated advance during the second half of 2013 and all of 2014. The DAX has even surged over 30% from its mid-Oct. 2014 low...

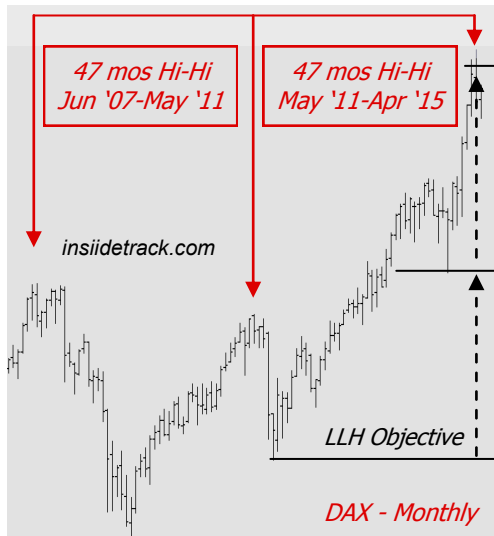
And that latest surge has been while the future of the EU has been shaky at best. Since Germany is the driving force of Europe's economy, they would be expected to be the strongest... and would also be expected to be the last to show any signs of trouble. That is also why it would be the most concerning if/when they did show any signs of trouble...As for the DAX, it is important to note the convergence of Major upside time & price objectives that come together in the first half of **2015**...

Among those cycles is a ~4-year cycle that connects lows in late-1998 & early-2003 with subsequent highs in 2Q 2007 & 2Q 2011. The next phase is an expected peak in **2Q 2015**...

When you add in more recent monthly & weekly cycles - the focus becomes most acute on **March/April 2015**... even though a peak could take hold at any time in **March--June 2015**...This fits within the structure of the general scenario I see as most likely for **2015**. In it, the Euro does see another decline... but not until later in **2015**. And, Gold & Silver are expected to bottom in **mid-2015**. And, panic selling in the Euro could lead to a sell-off in worldwide equities and a resulting rally in Gold... particularly in **late-2015**...

The bottom line is that Europe - more specifically, Germany - *could* hold the cards for if/when another significant economic 'dip' takes hold. *Will they be the 'last man standing'?* **[End of excerpt.]**

**May 2015** - DAX cycle highs were the most synergistic in **March/April 2015** - with a precise, 47-month high-high-(high) Cycle Progression connecting the June 2007 & May 2011 multi-year peaks with a potential future peak in **April 2015**. The 'Last Man Standing' peaked on **April 10, 2015** - while fulfilling its multi-year LLH objective and nearly reaching its yearly LHR (extreme upside target for **2015**) - that created a multi-year upside target range at **11,750--12,600/DAX**. Within weeks, the DAX had turned its weekly trend down as it gave a monthly reversal lower - dropping over 8% in a few weeks. *THAT is the type of 'sign of trouble' that would be expected to validate April 2015 cycles!* At the very least, this should prompt a decline into **mid-June 2015**. **IT**



Stock Indices. *That expectation has been that it would be a slow process - with each sell-off being met by a nearly-equal advance... and vice-versa.*

That continues to be the case. However, the second third of **2015 - May--August 2015** - is when the declines are likely to begin overtaking the advances (in magnitude) and setting a progression of lower lows, instead of ascending or lateral lows.

The last 6 months have been setting the stage for this as each advance has been *smaller* in magnitude, with each intervening decline representing a *larger* percentage retracement of that previous advance... *a classic sign of distribution.*

In the case of the Nasdaq 100, its Nov.--Dec. correction gave back about 40% of the Oct./Nov. advance. Following that, the March correction gave back about 50% of the Jan/Feb. advance. Most recently, the Nasdaq Composite has retraced ~75%

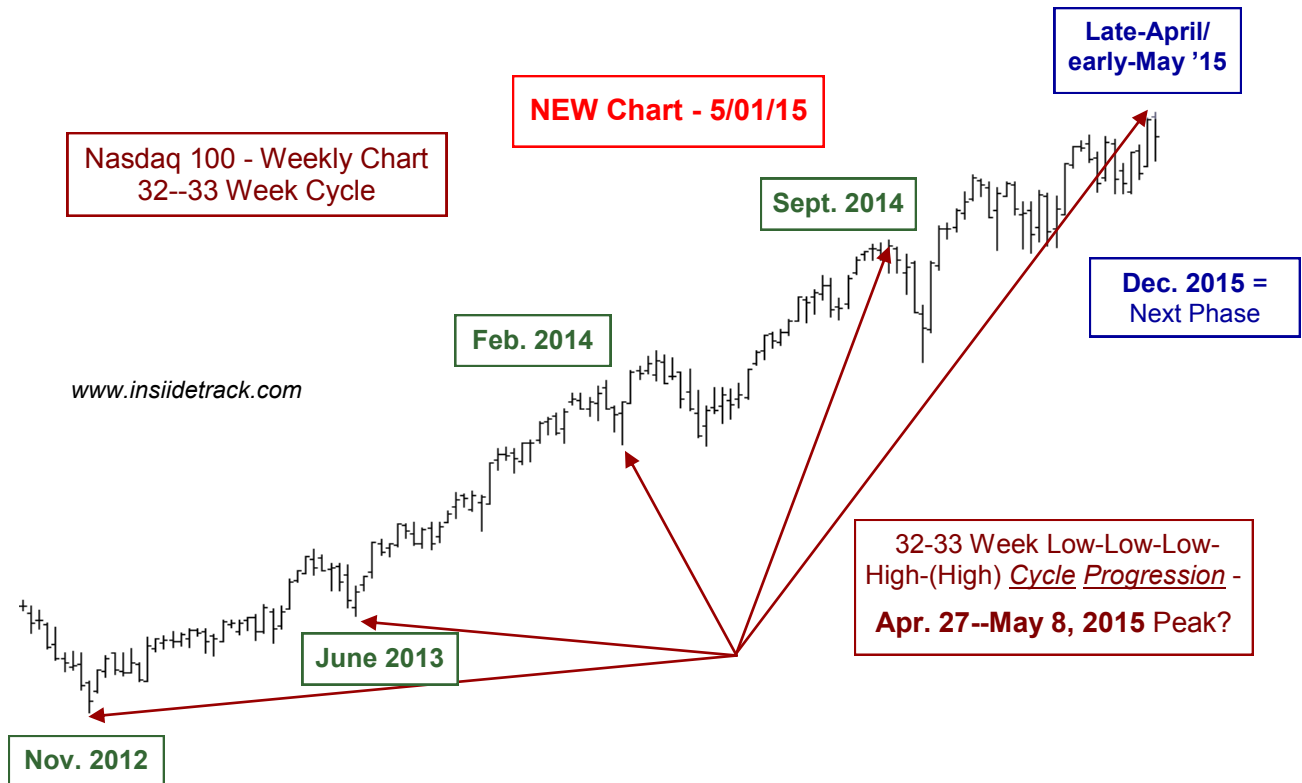
of its April rally. Of course, the real key will be when this market retraces more than 100% of its preceding advance... *creating descending lows.*

This process has allowed the weekly 21 MACs to catch up with - and overtake, in many cases - the actual price levels of these Indices. And, those weekly 21 MACs are flattening and beginning to roll over to the downside - another sign of transition.

When these channels turn down AND price action closes below them (on a weekly close basis), that would be the sign that a more accelerated decline (the *Capitulation Phase*) is unfolding.

**Ides of May**

Another form of 'symmetry' - or it could just be viewed as a simple 'annual cycle' of sorts - reinforces this time frame. It involves the moves that have been *triggered* in the middle of **May**...



[See **Stock-flation II Report** for details on an uncanny sequence of diverse yet corroborating cycles that have timed dramatic declines - most of them ranging from 20--45% - that ALL converge in **2015**. Almost all of them have been triggered in the month of **May** - around **mid-May** - but the most convincing & accelerated drops happen later. *Specific triggers & strategies addressed separately.*]

### **Narrowing the Focus**

As just discussed, a few Indices turned their weekly trends down in **April** - providing an initial 'sign of trouble' ... That usually leads to a 1--2 week reactive bounce and a corresponding 2--4 week period of consolidation (before a breakdown to new lows).

One Index - the DJIA - has been following a 10-week cycle that would allow it to rally back to its highs leading into **May 15th**. It has an overlapping, ~7-week cycle that projects a peak for **May 13--18th** (see recent **Weekly Re-Lays** for more details).

While that is unfolding, most of the other Indices are expected to rebound to *secondary* highs. One of those - the Russell 2000 - is corroborating that potential and projecting a lower high for **May 18--20th**...

That coincides with all these other timing indicators and pinpoints the date(s) when any remaining bullish factors will reach fruition (most of those 'bullish' factors are supporting '2' or 'b' wave rebounds, *not* propelling rallies to new highs). So, **May 13--20th** could see the final signs of resilience and be quickly followed by capitulation.

Already, multiple factors are favoring a convincing decline into/through... xxxxxx IT

[Please refer to the entire **Stock-flation II Report** for more specific analysis on when the largest - and most dynamic - decline is cyclically probable. The complete **Stock-flation II Report** also includes many additional charts & diagrams that illustrate this analysis and what is expected throughout **2015**.]

Information is from sources believed to be reliable, but its accuracy cannot be guaranteed. Due to futures' volatility, recommendations are subject to change without notice. Readers using this information are solely responsible for their actions and invest at their own risk. Past performance is no guarantee of future results. Principles, employees & associates of *INSIIDE Track Trading Corporation* may have positions in recommended futures or options. The discussion and/or analysis of any stock, ETF or Index is strictly for educational purposes and is not an offer to buy or sell securities nor a recommendation to do so. Please check all information before making an investment. No part of this publication may be reproduced or re-transmitted without the editor's written consent. All **Tech Tips**™ (*underlined* and *italicized*) -- as well as the term **Tech Tips**™ -- are trademarks of *INSIIDE TRACK Trading Corporation* and all unauthorized reproduction is strictly prohibited.

Copyright 2015 *INSIIDE Track Trading Corporation*

*INSIIDE Track*™ newsletter is published monthly with periodic (2-3/year) Special Reports. Eric S. Hadik -- Editor

#### **SUBSCRIPTION RATES:**

- #1 - Monthly newsletter with periodic Special Reports (no intra-month Updates): \_\_\_\_\_ \$179 per yr. (12 issues)  
 #2 - Monthly newsletter plus intra-month Updates: \_\_\_\_\_ \$199 for 6 mos. (6 issues & 6 months)  
 #3 - Monthly newsletter plus intra-month Updates\*\*: \_\_\_\_\_ \$297 per yr. (12 issues & 12 months)

\_\_\_\_\_ \*\*Eric Hadik's **Tech Tip Reference Library** available for \$249 (included as a FREE bonus with #3 subscription)

Make checks payable to *INSIIDE Track Trading*. Credit Card payments can be made via [www.PayPal.com](http://www.PayPal.com) (to '[INSIIDE@aol.com](mailto:INSIIDE@aol.com)')  
 PO Box 2252 • Naperville IL 60567 • 630-637-0967 (vc) • 630-637-0971 (fx) • [INSIIDE@aol.com](mailto:INSIIDE@aol.com) • [www.insiidetrack.com](http://www.insiidetrack.com)

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY A PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. THE ABILITY TO WITHSTAND LOSSES OR ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE MANY OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF A SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS -- ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.