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by Eric S. Hadik

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

40-Year Cycle: Stock-flation III

Inflationary Stock Index Cycles Turning

An INSIIDE Track Special Reprint

40-Year Cycle: Stock-flation III

Deflating Equities

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Capitulation Taking Hold...

May--August '15 = Bearish 1/3 of 2015

July 2015 - The middle third of **2015** is well underway and market action is powerfully validating the outlook for **May--August 2015**. As has been the case all year, the *Dow Jones Transportation Average* is leading the way and already pinpointing when & where the first phase of *'capitulation'* could reach fruition. It would not be surprising if that were the first Index to bottom. To lay the groundwork for the latest analysis, it is vitally important to first review what was written two months ago (**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.*

*Another has to do with the approximate breakdown of how a stock market transition is expected to unfold. Since late-2014, I have repeatedly warned that this (expected) transition - from bull to bear - would be a slowly-evolving process, full of brief (but sometimes sharp) declines AND rallies. The first 1/3 of **2015** was projected to be the transitional phase.*

*As a result, that would be expected to be a lot of sideways action to begin **2015**. 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...By the time **October 2015** rolls around, the Indices should have experienced Culmination (**late-2014**), Distribution (**1/3 2015**) & Capitulation (**2/3 2015**)...*

*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 a way, it is like the first third of **2015** handing the baton to the second third... when things should get more interesting...*

Symmetry

...Stock Indices are in the process of transitioning into a new 40-Year Cycle, having just completed a 40-Year Cycle of Stock-flation - an inflationary advance in equity prices from Dec. 1974 into Dec. 2014. This has been a replay - 'resembling' what was seen between the early-1930's and early - 1970's - a similar 40-Year advance...

*From the Great Depression DJIA low of 1932, Stock Indices rallied for 40 years into 1972 (with an intervening, 35+% decline 5--6 years prior to that ultimate peak) - increasing more than 25-fold in the process. That rally lasted into **Jan.** 1973 - making it a total of 40 years & 6 months - and led to a 50% drop unfolding over the ensuing 2-year period.*

*From the Stock-flation DJIA low of 1974, Stock Indices rallied for 40 years into **2014** (with an intervening, 35--50% decline 5--6 years before the present) - increasing more than 25-fold in the process. In a couple Indices, that rally lasted into **April 2015** - making it a total of 40 years & 4 months... **two VERY similar, 40-year advances!***

*As for the latter, 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**…*

MARC Tipping Point?

For the last ~6 months, there has been one overriding expectation for an expected reversal in 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...*

*...there is another 'Cycle Progression' - a higher multiple of the same 7-year 'Cycle Progression' - that corroborates part of this expectation...Sharp declines (30-40%) were seen in **3Q** 2001 & **3Q** 1987 - creating a reinforcing 14-year 'Cycle Progression'. That 14 -year pattern comes back into play in **3Q 2015**.*

*At that time, a 2-year, a 7-year, a 14-Year AND a 17-year 'Cycle Progression' of declines in the **3rd Quarter** of the year - all will reach fruition in **3Q 2015**. That creates some intriguing synergy.*

> *"…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…"*

But, it does not stop there!

*Prior to the 3Q 1987 decline (28 years earlier), a related drop was seen in 3Q 1959 - lasting about 2 months (similar to 1987), although it was not as sharp (about 10%). That created an overlapping 28-year pattern that ALSO goes back to 1931 - when the DJIA suffered a 45% drop between **July--October** (similar to 1987).*

*That would mean that sharp declines were seen in **3Q** 1931, **3Q** 1959 & **3Q** 1987 - creating another corroborating 28-year 'Cycle Progression'. That 28 - year pattern comes back into play in **3Q 2015**. The synergy keeps growing!*

*SO... a 2-year, a 7-year, a 14-year, a 17-year AND a 28-year 'Cycle Progression' of declines in the **3rd Quarter** of the year - all reach fruition in **3Q 2015**… as a new 40-Year Cycle begins.*

Could there be a pattern??? **[End of excerpt from *Stock-flation II Report*.]** ***IT***

2015/2016 Crash Cycles

06/05/15 - Stock Indices have entered the dangerous & oft-volatile transition period of several multi-year (and/or multi-decade) cycles… as well as multi -month & multi-week cycles. As of **May 2015**, the Indices have entered the *very beginning stages* of the following cycles - all of which project a sharp drop between now & **late-2015**… as part of a potentially larger decline (based on the extent of these initial drops):

Multi-Decade Cycles

1- *40-Year Cycle of Stock-flation* - an inflationary advance in equity prices from Dec. 1974 into Dec. 2014*.

2- *40-Year Cycle of Food Crises* - a consistent natural occurrence, usually exacerbated by man-made factors, that contributed to and/or magnified corresponding economic crises...

3 - *80-Year Cycle of Economic Malaise & Revolt* (1775--1855--1935--**2015**)...

In each case, panics and/or crashes were seen in the '7' year - including the *Panic of 1857* and the second stock market crash of the 1930's the *Crash of 1937*. [This *80-Year Cycle* extends back to the 1690's & includes the Mass. Bay Colony.]

Note that the *Crash* & *'Recession of 1937--1938'* arrived 8--9 years after the Crash of 1929--1930 (into 1932). *Is it just coincidence that **2015--2016** arrives 8--9 years after the Crash of 2007--2008 (into 2009)? Could this 80-Year Cycle be back for an encore??*

Currently, there are the seeds of multiple revolts - most of which have been simmering & smoldering throughout the 2010's. These include a new *Islamic Revolution* (akin to the 1970's, except this time there are increasing economic aspirations) - that began in 2010/2011 & has been projected, for several years, to create momentous shifts in Syria & Saudi Arabia in **2016**...

And, just as the corresponding 1970's collapse of *Bretton Woods* led to the 1976 *Jamaica Accord* (final nail in coffin of gold as currency) and triggered an inflationary spiral in the U.S., a 2010's collapse of - or at least a couple serious shockwaves through - *European Economic Unity* could trigger a new Gold reality in ***2016 - The Golden Year***.

These multi-decade cycles are just the proverbial 'tip of the iceberg'. There is also...

Multi-Year & Multi-Month Cycles

4- *17-Year Cycle of Financial Crises* - an international phenomenon perpetuated by diverse triggers around the globe. It has created stock market declines between late-April and late-Sept., most recently in 1998 & 1981.

The related mid-points - in 1973/74 (prior to 1981) and 1990 (between 1981 & 1998) provided similar, corroborating declines. That creates a corroborating, *~8.5 Year Cycle* of similar corrections… that also recurs now.

5 - *~7-Year Cycle of Stock Market Peaks* - a cycle that separates the March 2000 & Oct. 2007 highs and projected another peak for **May 2015**. **[End of excerpt from June 2015 *INSIIDE Track*.]** ***IT***

Mid-to-Late-August Downside Target

06/30/15 - Stock Indices are fulfilling diverse cycles & indicators, most of which project a significant drop (20% or more) between **late-April & late-Sept. 2015**. These have all been discussed at length (and can be studied/reviewed in previous publications), so a brief recap is all that will be included this month:

1- *40-Year Cycle of Stock-flation* - an inflationary advance in equity prices from 1974 into 2014. If accurate, **2014** should be the highest yearly close and **2015** should close lower.

2 - *80-Year Cycle of Economic Malaise & Revolt* (1695--1775--1855--1935--**2015**). Each (prior) phase of this cycle has triggered economic revolts - in one form or another. In many cases, panics and/or crashes were seen in the '7' year - including the *Panic of 1857* and the second stock market crash of the 1930's the *Crash of 1937*.

3- *17-Year Cycle of Financial Crises* - an international phenomenon perpetuated by diverse triggers around the globe. It has created stock market declines between **late-April and late-Sept.**, most recently in 1998 & 1981. ***2015*** *was/is next*.

The related mid-points - in 1973/74 (prior to 1981) and 1990 (between 1981 & 1998) provided similar, corroborating declines. That creates a corroborating, *~8.5 Year Cycle* of similar corrections… that also recurs now.

4 - *~7-Year Cycle of Stock Market Peaks* - a cycle that separates the March 2000 & Oct. 2007 highs and projected another peak for **May 2015**.

5 - *15--16 Month (~66-Week) Cycle*. The Nasdaq 100 has a *66-Week Cycle* - creating lows in August 2011, Nov. 2012 & Feb. 2014 - that projected a subsequent high for **late-April/early-May 2015**. *It peaked on* ***April 27, 2015***.

6 - The related *32--33 Week Cycle* projected a peak during the weeks of **April 27--May 1st** and **May 4--8th, 2015** - perpetuating a 32--33 week low-low-low-low-high-(high) *Cycle Progression* (with an ensuing peak - more likely to be a lower peak - projected for **Dec. 2015**).

That should be followed by a drop of at least 16 weeks (1/2 of *32--33 Week Cycle*) and possibly 20 weeks (.618 of *32--33 Week Cycle*)… into **mid-August--mid-Sept. 2015**.

Analogies

The Indices have generated multiple sell signals in recent months - first for 1--3 month & 3--6 month traders and then, in **mid-June**, for 1--4 week traders (see ***Weekly Re-Lay*** for details). Along with those, some intriguing parallels were discussed - setting the stage for a sharp decline beginning in **late-June** - that hone the *17-Year Cycles*…

> *"That should be followed by a drop of at least 16 weeks (1/2 of 32--33 Week Cycle) and possibly 20 weeks (.618 of 32--33 Week Cycle)… into* ***mid-August--mid-Sept. 2015****…"*

6/24/15 ***Weekly Re-Lay Alert***: *"One of the (many) cycles that pinpointed this time frame was the '17-Year Cycle of Financial Crises' that most recently timed the Russian Ruble crisis of mid-1998 (that piggy-backed the Asian Financial Crisis)…*

In 1998, the DJIA saw an initial decline from early-May into mid-June. That was followed by a brief bounce and then a sharper, ~20% drop in July & August 1998. That decline ultimately bottomed in early-October 1998.

17 years prior to that, another financial crisis unfolded in which the DJIA topped in early-May 1981 and then saw its secondary high in mid-June. It then entered a ~21% decline - ultimately bottoming in late-Sept./early-Oct. 1981… a 17-Year precursor to 1998.

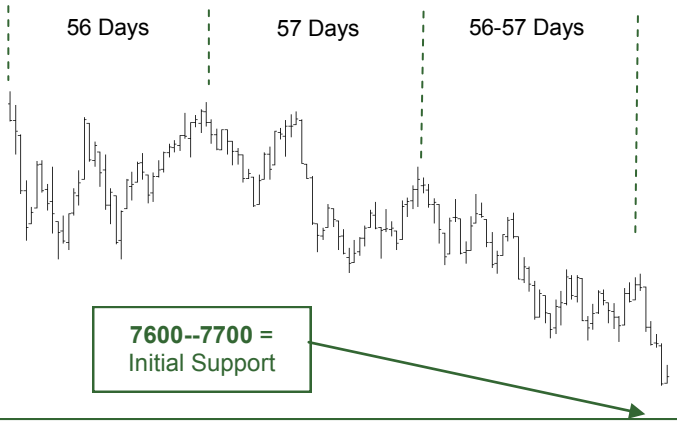
*In 2014, I discussed this cycle (as well as the mid-point of the 17-Year Cycle of Stock Crashes & Corrections**) and explained why it created the potential for a similar ~20% decline between* ***late-April/early-May 2015 & late-Sept./early-Oct. 2015****.*

That coincided with many diverse cycles, including the 32--33 Week & 66-Week Cycles that peaked in ***late-April/early-May 2015****.*

*All of the Indices set peaks between **late-April & mid-May 2015**. Most of those peaks have continued to hold. And all of these peaks ushered in an initial drop into **mid-June**, very similar to what took place in 1998. They are now approaching the July--Sept. period, when the sharpest declines (in these cycles) have historically taken place...*

*That is also in synch with a related, 7-Year Cycle - detailed throughout the past two decades - that timed a ~40% drop between early-May & early-Oct. 2008 and a ~29% decline between mid-May & late-Sept. 2001. That 7-Year Cycle also timed that pesky Aug.--Oct. 1987 decline of ~41% in the DJIA. An overlapping, 14-Year Cycle (1973--1987-2001--**2015**) corroborates that analysis.*

*So, from a longer-term cyclic basis, the markets are entering a 3-month period when volatility has consistently increased... and when stock market declines have consistently taken hold...right in the midst of all these anticipated cycles - surrounding mid-2015 and encompassing **late-April/early-May through late-Sept./early-Oct** - another corroborating factor is poised to turn negative. ALL of them focus on **3Q 2015** for the fireworks to begin."*



DJ Transports - Daily Chart
~8-Week High--High--High--High Cycle Progression
Mid-August = Potential *Low*

*"That is exactly what is unfolding as it heads toward 6--12 month support - and its minimum/initial downside target at **~7600--7700/DJTA**...the DJTA is expected to drop into **late-August** - when a ~90-degree cycle recurs."*

That coincided with decisive signals setting up in the weekly trend & weekly *21 MAC* - both of which pinpointed **June 22--26th** & **June 29--July 2nd** as the most likely time for convincing confirmation signals (to the downside)...That rebound took place on **June 18--22nd** and triggered corresponding intermediate sell signals.

Bottom Line: Very little has changed since late-2014, when the Indices were projected to begin a slow, gradual topping process that should then lead to a more pronounced decline in **May--Sept. 2015**. All these cycles, market analogs, trend reversal signals & technical indicators projected an accelerated decline beginning in **late-June**.

At the same time, China's lead Index (*Shanghai Composite*) began plummeting and quickly shed over 20% in less than 3 weeks. It has a lot more downside potential. And, of course, the escalating *'Greek Tragedy'* continued to unfold.

...the DJ Transports maintains its role as lead Index, plummeting to new 8-month lows immediately after perpetuating the ~8-week/56--57 day high-high-high-high *Cycle Progression* discussed last issue. The latest high - anticipated around **June 19th** - was expected to trigger a more accelerated drop.

That is exactly what is unfolding as it heads toward 6--12 month support - and its minimum/initial downside target at **~7600--7700/DJTA**. Ultimately, however, it could make it down to **~5,500/DJTA**.

On a 1--3 month basis, the DJTA is expected to drop into **late-August** - when a ~90-degree cycle recurs. The Transports topped in late-Nov. 2014 and then set a secondary high in late-Feb. 2015 - 3 months/~90 degrees later.

They then plummeted into late-May - ~90 degrees later - a bottom that held for several weeks. The next phase in this ~90-degree high-high-low-(low) *Cycle Progression* is **late-Aug. 2015**. That also fits nicely with the *7-Year* & *17-Year Cycles* just discussed.

Global Indices

The DAX sold off into **mid-June**, nearly reaching its initial downside objective - and the high of its **2015** year-opening range - around **10,700**. It has now lost about 13% from its mid-April high after validating longer-term cycles and giving its first sizeable correction of **2015** - falling ~5% during the pivotal week of **April 13--17th**.

That peak (**12,390/DAX**) almost perfectly fulfilled the 1--2 year upside wave target of **12,351--12,366/DAX** - where the 5th wave rally equals the magnitude of the 1st wave rally & .786 (2DGR) times the dynamic 3rd wave rally.

[2009 low of **3588**--2011 high of **7600** = *4012 points*; 2014 low of **8,354** + *4012 points* creates target at **12,366/DAX** // 2011 low of 4965--2014 high of 10,050 = *5,085 pts.*; *5,085* x .786 = *3,997 pts*; 2014 low of **8,354** + *3997 points* creates target at **12,351/DAX** // Highest daily AND weekly close = **12,374/DAX**.]

Combined with the mid-Oct. 2014 low, the mid-April peak set the stage for a drop into **mid-July** - the next in this series of geometric (~90-degree) cycles and a 50% retracement in time. A drop into **July 10--17th** would also create a ~7-week high-high-(low) *Cycle Progression*...

10,050--10,095/DAX is a more significant area of *resistance turned into support* and a make-or-break level of support for the 3--6 month trend...

On a near-term basis, the FTSE is showing more weakness after turning its weekly trend down in May and its weekly *21 MAC* down in mid-June (both are considered lagging & confirming indicators)… as it was neutralizing its intra -year uptrend." **[End of excerpt from July 2015 *INSIIDE Track*.]** ***IT***

July 2015 - These excerpts from publications of the past two months set the stage for the next phase of bearish cycles in Stock Indices - in **3Q 2015**. The DJTA is leading the way and appears headed for a critical juncture in **mid-to-late August**… particularly if it makes it down to **7600--7700/DJTA**. Refer to current publications for updated analysis & trading strategies. ***IT***

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