

**West Coast Cycles Club**

**June 26, 2012**

**Understanding  
Market Cycles**

**Stan Harley**

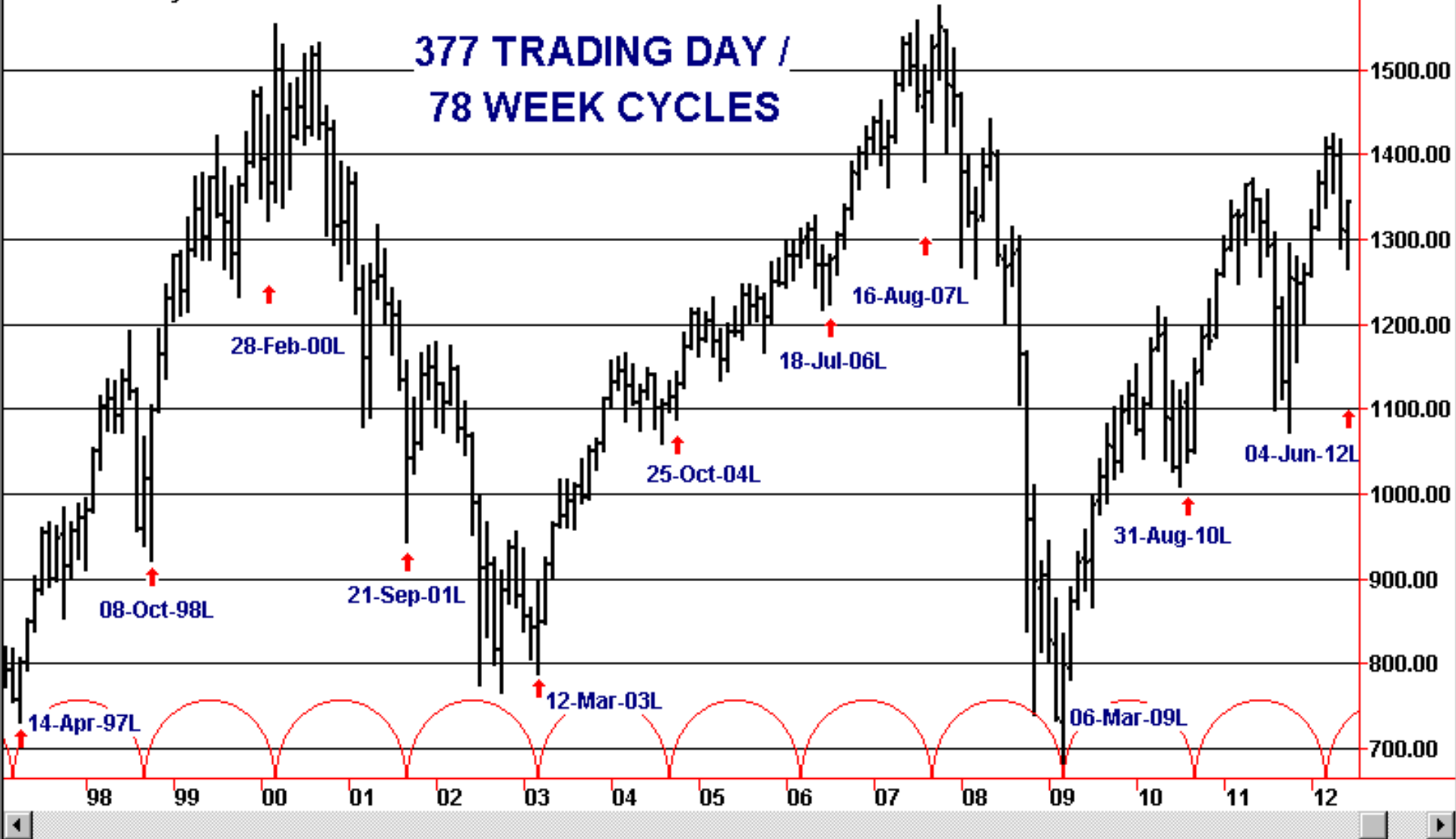
# OUTLINE

- Focus on Cycles
- Cycles Derivation - Fibonacci Numbers
- (Fibonacci Series /  $\sqrt{5}$ ) Unit Cycles
- 337.2 Week High-High Stock Market Cycles
- 215.4 Week / “Four-Year” Low-Low Cycles
- Current Markets: Stocks, Bonds, Precious Metals, Crude Oil, Housing, Unemployment

# FOCUS ON CYCLES

SP 54/10-Monthly 06/29/2012 C=1342.84 +32.51 +2.48% O=1309.87 H=1343.32 L=1266.74

377 TRADING DAY /  
78 WEEK CYCLES





Behind the wall the gods play;  
they play with numbers of  
which the universe is made up.

--- Le Corbusier

# FIBONACCI SERIES

The Fibonacci series of numbers is one in which I often refer to in my market analysis. Fibonacci numbers are the numbers in the following sequence:

0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55,  
89, 144, 233, 377, 610, 987...

# FIBONACCI SERIES

The golden ratio is the limit of the ratios of successive terms of the Fibonacci sequence. Therefore, if a Fibonacci number is divided by its immediate predecessor in the sequence, the quotient approximates  $\varphi$ ; e.g.,  $987/610 \approx 1.61803279$ . These approximations are alternately lower and higher than  $\varphi$ , and converge on  $\varphi$  as the Fibonacci numbers increase. This equation has one positive solution in the algebraic irrational number  $\varphi = (1 + \sqrt{5}) / 2 = 1.618$ .

# Derivation of Market Cycles

0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, 233, 377, 610, 987, etc.

## Fibonacci-Derived Market Cycles

$$39.8 = (89 / \sqrt{5})$$

$$64.4 = (144 / \sqrt{5})$$

$$79.6 = (39.8 * 2)$$

$$104.2 = (233 / \sqrt{5})$$

$$128.8 = (64.4 * 2)$$

$$159.2 = (39.8 * 4)$$

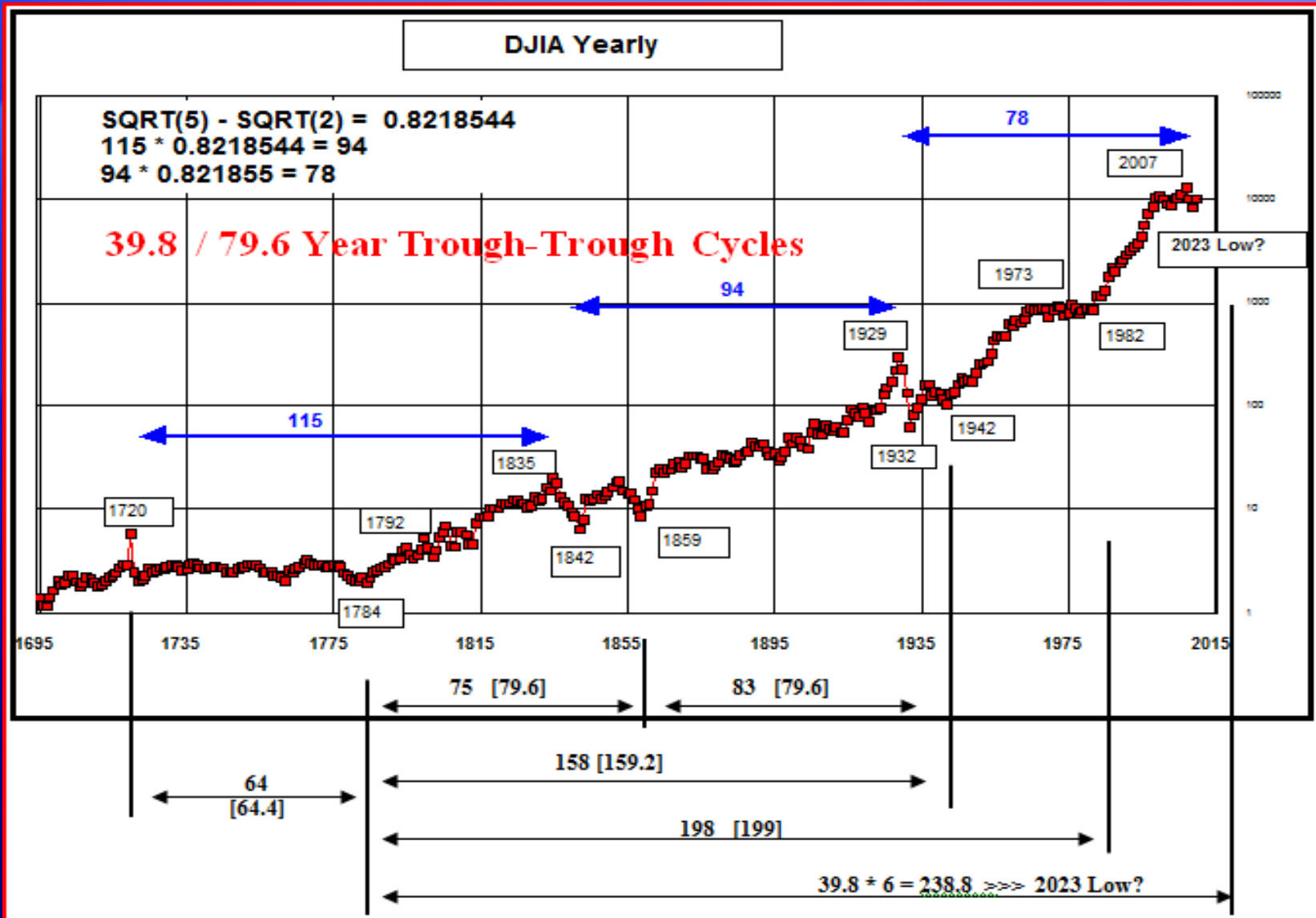
$$168.6 = (377 / \sqrt{5})$$

$$238.8 = (39.8 * 6)$$

$$272.8 = (610 / \sqrt{5})$$



# Stock Market – A Longer View



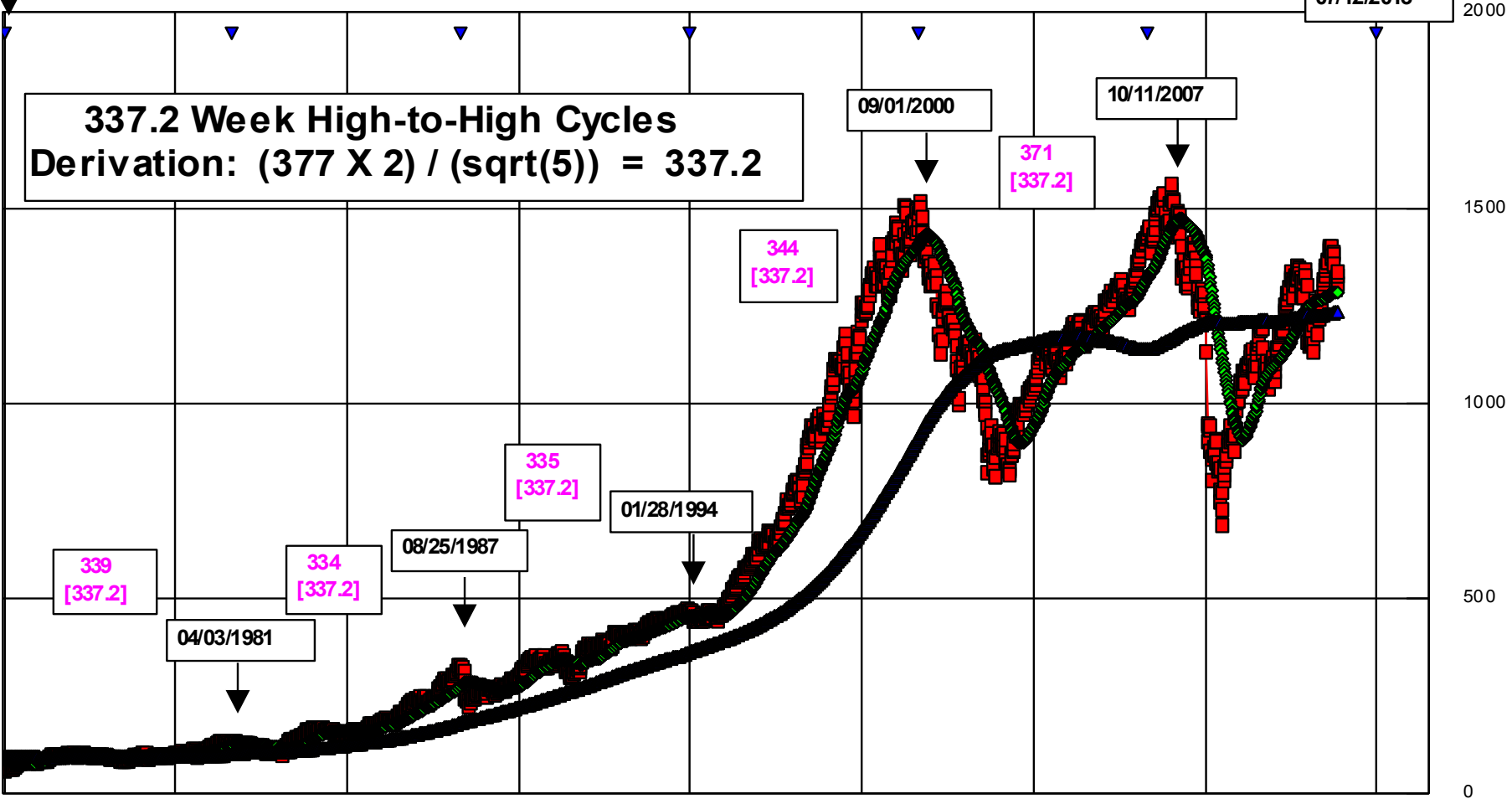


Genesis Point  
04-Oct-74 Low

# S&P 500 Weekly

Due  
07/12/2013

**337.2 Week High-to-High Cycles**  
Derivation:  $(377 \times 2) / (\text{sqrt}(5)) = 337.2$



10/04/1974      08/10/1979      06/15/1984      04/21/1989      02/25/1994      01/01/1999      11/07/2003      09/12/2008      07/19/2013

■ Price    ◆ 54 M.A.    ▲ 323 M.A.    ▼ Proj 337.2 Week High

Price History

# 215.4 Week "Four-Year" Cycles

Derivation:  $(377 / 7 = 215.4)$

Next Due: July 2015





# Present Markets



- Stock Market
- Bonds
- Precious Metals
- Crude Oil
- U.S. Housing – Case Shiller Index
- Unemployment

# Dow Jones Industrials

01-May-12H

\$INDU (Dow Jones Industrial Average) INDX

© StockCharts.com

25-Jun-2012 **Open** 12639.80 **High** 12639.87 **Low** 12458.01 **Close** 12502.66 **Volume** 710.6M **Chg** -138.12 (-1.09%) ▼



## 128.8 Trading Day (TD) Cycles

Derivation:

$$64.4 = (144 / \sqrt{5})$$

$$128.8 = (64.4 * 2)$$

# \$INDU (Dow Jones Industrial Average) INDX

© StockCharts.com

22-May-2012

Open 12505.38 High 12575.96 Low 12447.33 Close 12502.81 Chg -1.67 (-0.01%) ▼

\$INDU (Daily) 12502.81

MA(50) 13000.91

MA(200) 12209.70





# Fibonacci-Derived Market Cycles

$$39.8 = (89 / \sqrt{5})$$

$$64.4 = (144 / \sqrt{5})$$

$$79.6 = (39.8 * 2)$$

$$104.2 = (233 / \sqrt{5})$$

$$128.8 = (64.4 * 2)$$

$$159.2 = (39.8 * 4)$$

$$168.6 = (377 / \sqrt{5})$$

$$238.8 = (39.8 * 6)$$

$$272.8 = (610 / \sqrt{5})$$

\$SPX (S&P 500 Large Cap Index) INDX

© StockCharts.com

25-Jun-2012

Open 1334.90 High 1334.90 Low 1309.27 Close 1313.72 Volume 2.6B Chg -21.30 (-1.60%)

\$SPX (Daily) 1313.72

MA(50) 1343.80

MA(200) 1296.25



337.2 Week High

11-Oct-2007

186  
[182.5]  
0.618

114  
[112.7]  
0.382

337.2 Week High  
02-Jul-2013H?



# S&P 500 – Next Projected Highs and Lows

\$SPX (S&P 500 Large Cap Index) INDX

© StockCharts.com

25-Jun-2012

Open 1334.90 High 1334.90 Low 1309.27 Close 1313.72 Volume 2.8B Chg -21.30 (-1.60%) ▼

1/4 \$SPX (Daily) 1313.72

— MA(50) 1343.80

— MA(200) 1296.25

**Next Projected High:**

**02-Apr-12H + 64.4 TDs = 03-Jul-2012**



**Next Projected Low:**

**04-Jun-12L + 39.8 TDs = 31-Jul-2012**



# Bonds

**\$USB** (30-Year US Treasury Bond Price (EOD)) INDX

© StockCharts.com

25-Jun-2012

Open 149.75 High 149.75 Low 149.75 Close 149.75 Chg +1.19 (+0.80%) ▲



# Gold – Major Top

\$GOLD (Gold - Spot Price (EOD)) CME

© StockCharts.com

25-Jun-2012

Open 1572.80 High 1589.00 Low 1566.90 Close 1584.70 Volume 106.6K Chg +13.50 (+0.86%) ▲

1/4 \$GOLD (Daily) 1584.70

— MA(50) 1608.36

— MA(200) 1671.98



# West Texas Intermediate Crude

\$WTIC (Light Crude Oil - Spot Price (EOD)) CME

© StockCharts.com

25-Jun-2012

Open 80.20 High 80.68 Low 78.03 Close 79.35 Volume 238.1K Chg -0.63 (-0.79%) ▼

1/4 \$WTIC (Daily) 79.35

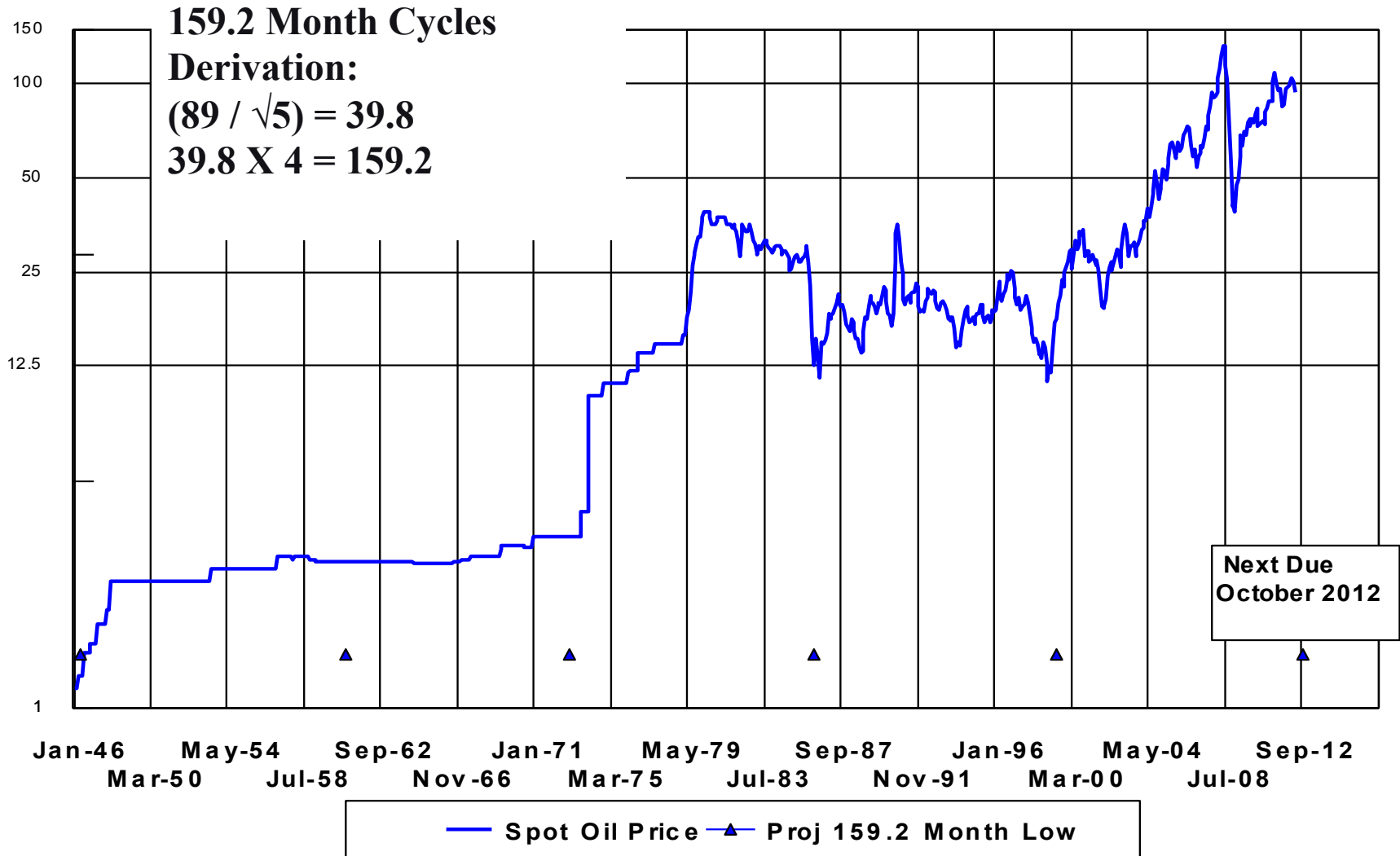
— MA(50) 92.62

— MA(200) 96.19



# West Texas Intermediate Crude

## West Texas Intermediate Crude



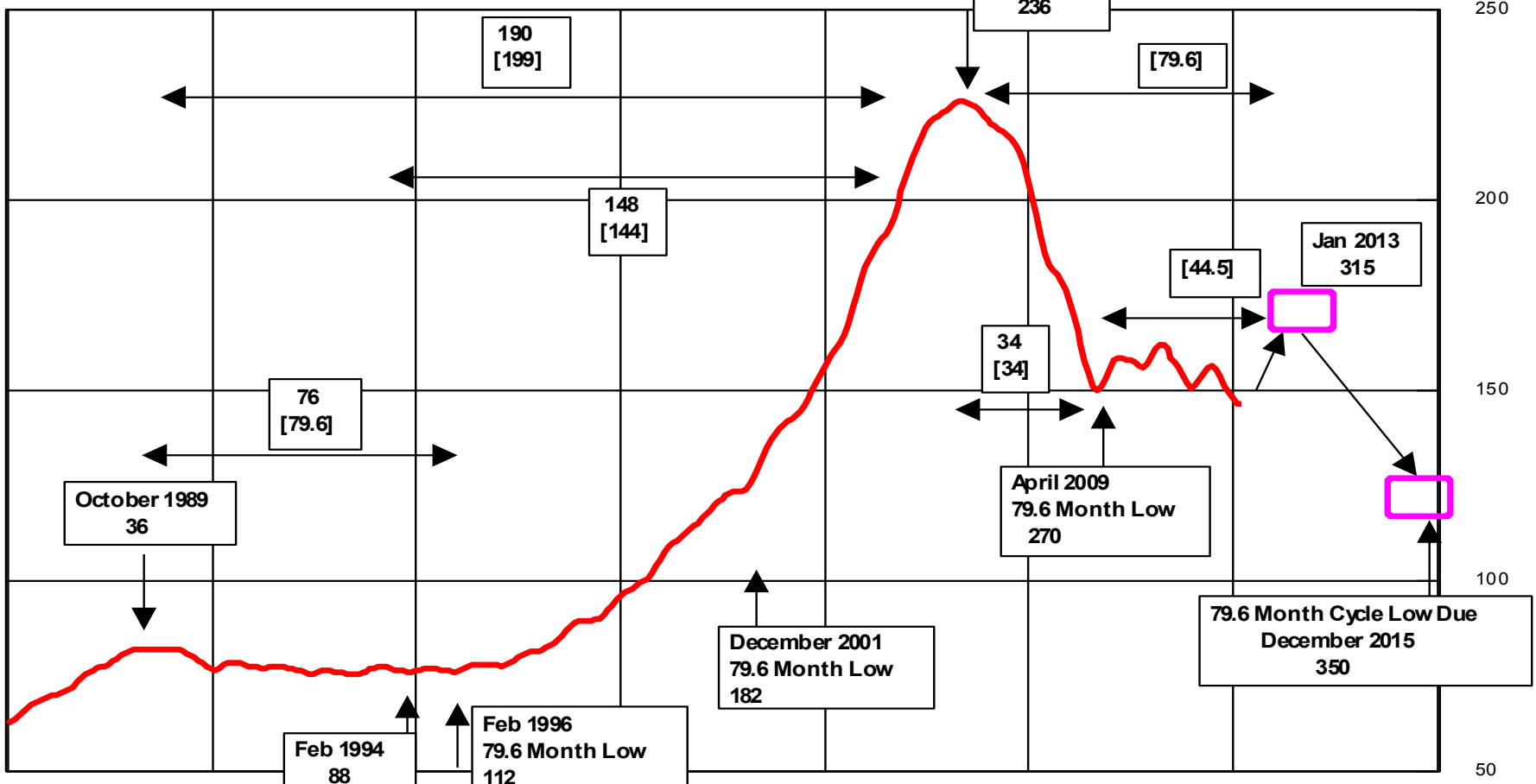


# U.S. Housing Market

## Case Shiller Home Price Index

10-City Composite

Data Through March 2012  
Not Seasonally Adjusted

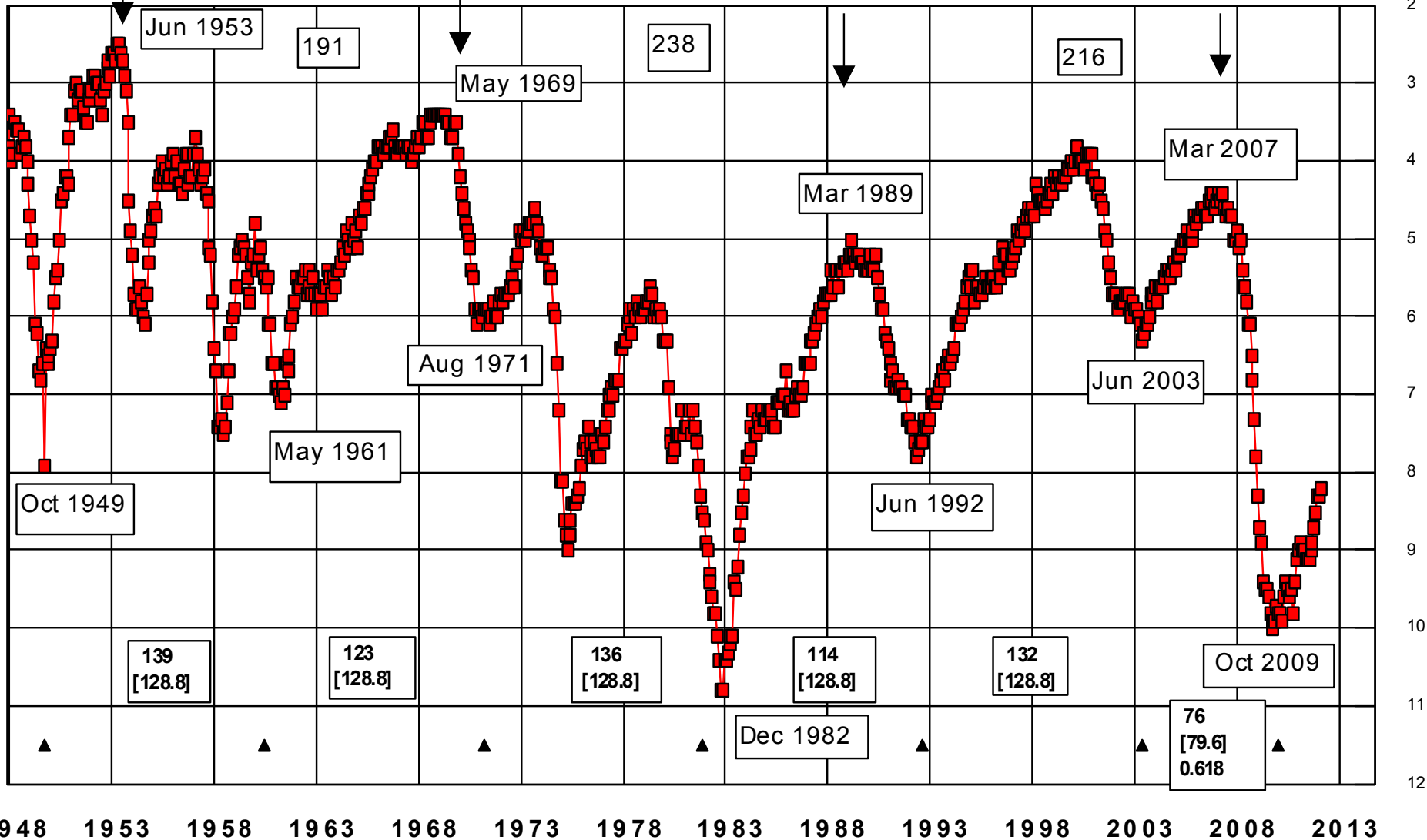


January 1987      March 1991      May 1995      July 1999      September 2003      November 2007      January 2012      March 2016

— Price Index

# Bureau of Labor Statistics Unemployment Rate (Seasonally Adjusted)

Data Inverted



■ Unemployment Rate ▲ Proj. 128.8 Month Cycle

You Have to Work Very  
Hard to Make Easy Money



The Happiest Time in a Man's Life  
is When He is in Red-Hot Pursuit of  
a Dollar With a Reasonable  
Prospect of Overtaking It.

--- Josh Billings

