Geometry of an Evolving Top

Charts from Stan Harley

Setup for a July 2013 Cycle Top

I believe what we are now seeing is a complex topping structure in the completion phase. One thing that has really bothered me about the May 22nd high was that virtually every stock, index, and indicator peaked out in unison on that date.

A major top without divergences? Possible – yes; probable – no. But now we are beginning to see the development of some divergences that make me a whole lot more comfortable in saying we could be very close to my forecasted top.

The Russell 2000 – one index that I don't usually spend a lot of time studying or discussing – just went to a new, all time record high.

The Dow Industrials are just over 100 points from etching out a new closing high. The S&P, the NASDAQ Composite are very close as well. Laggards include the NDX, the NYA, the European indices, and the All Ordinaries.

The point to be made is that I'd like to see one or more index at a new all time or new recovery high on Thursday, July 11, 2013. If we get that – with a plethora of divergences – then I will feel much better about the topping structure now in the making. This stock market has advanced a considerable sum since the March 2009 major bottom. I believe we are very, very close to finishing this thing off.

GEOMETRY OF AN EVOLVING TOP

337.2 Week High-High Cycles

An interesting phenomenon I have observed is that major highs in the stock market tend to occur at six-seven year intervals – 337.2 weeks on average. This cycle – like all market cycles – undergoes various degrees of expansion and contraction. But my regression analysis of the data defines the central tendency to be right at 337.2 weeks – roughly six-seven years. The next occurrence is due right about now.


1130222 O1502.42 H1515.64 L1502.42 C1515.60 Ch 13.18 DAILY S&P 500 IND54/10
1530.94
1473.91
1416.89
1359.87
1302.85
1245.83
1188.81
1131.79
1074.77
1510.66 MUI 20
99-100 Trading Day Cycles
RELEVANCE III C 1990
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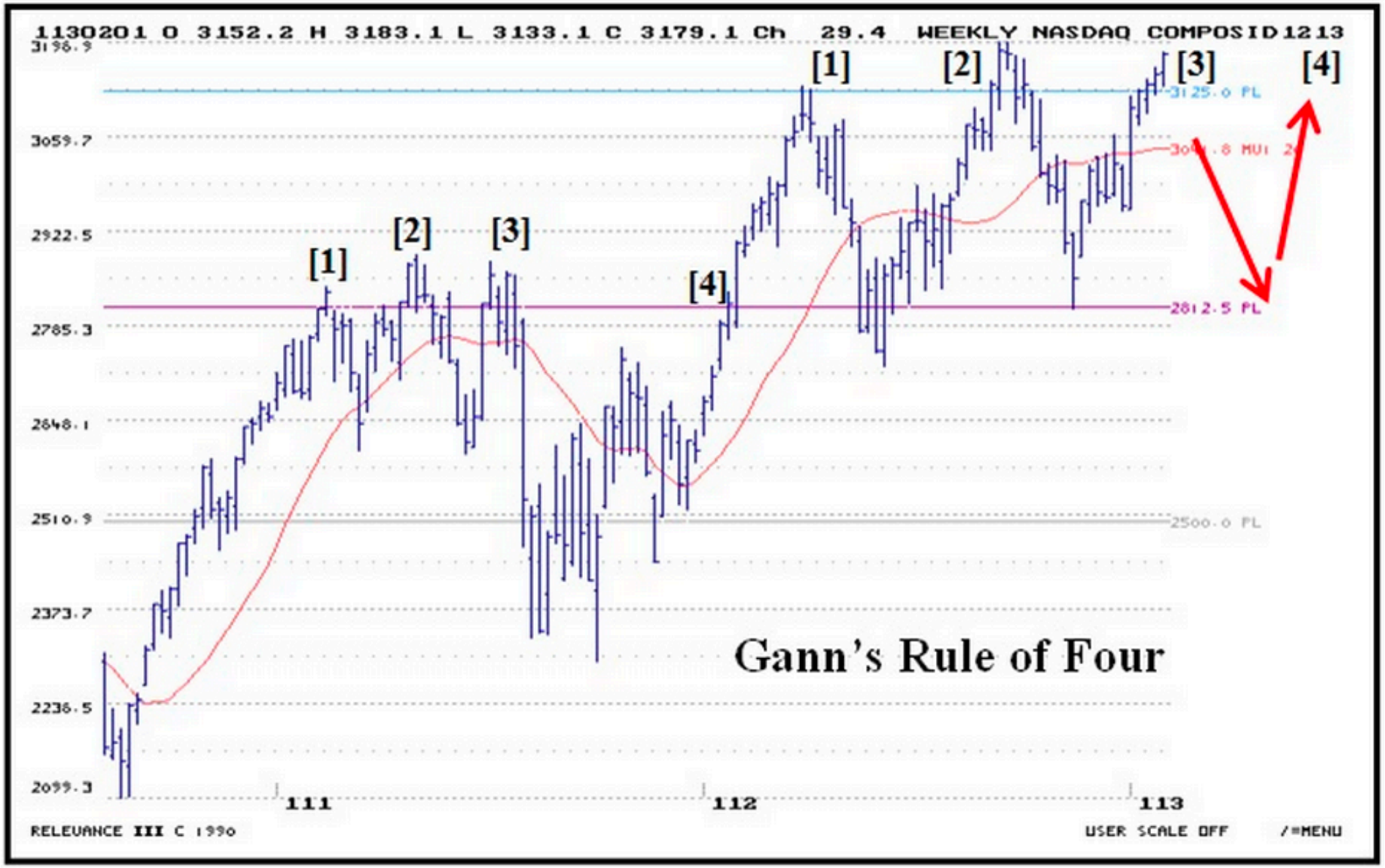
1130201 O 3152.2 H 3183.1 L 3133.1 C 3179.1 Ch 29.4 WEEKLY NASDAQ COMPOSID 1213
3198.9
3059.7
2922.5
2785.3
2648.1
2510.9
2373.7
2236.5
2099.3
[1]
[2]
[3]
[4]
[1]
[2]
[3]
[4]
3125.0 FL
2812.5 FL
2500.0 FL
Gann's Rule of Four
111
112
113
RELEVANCE III C 1990
USER SCALE OFF
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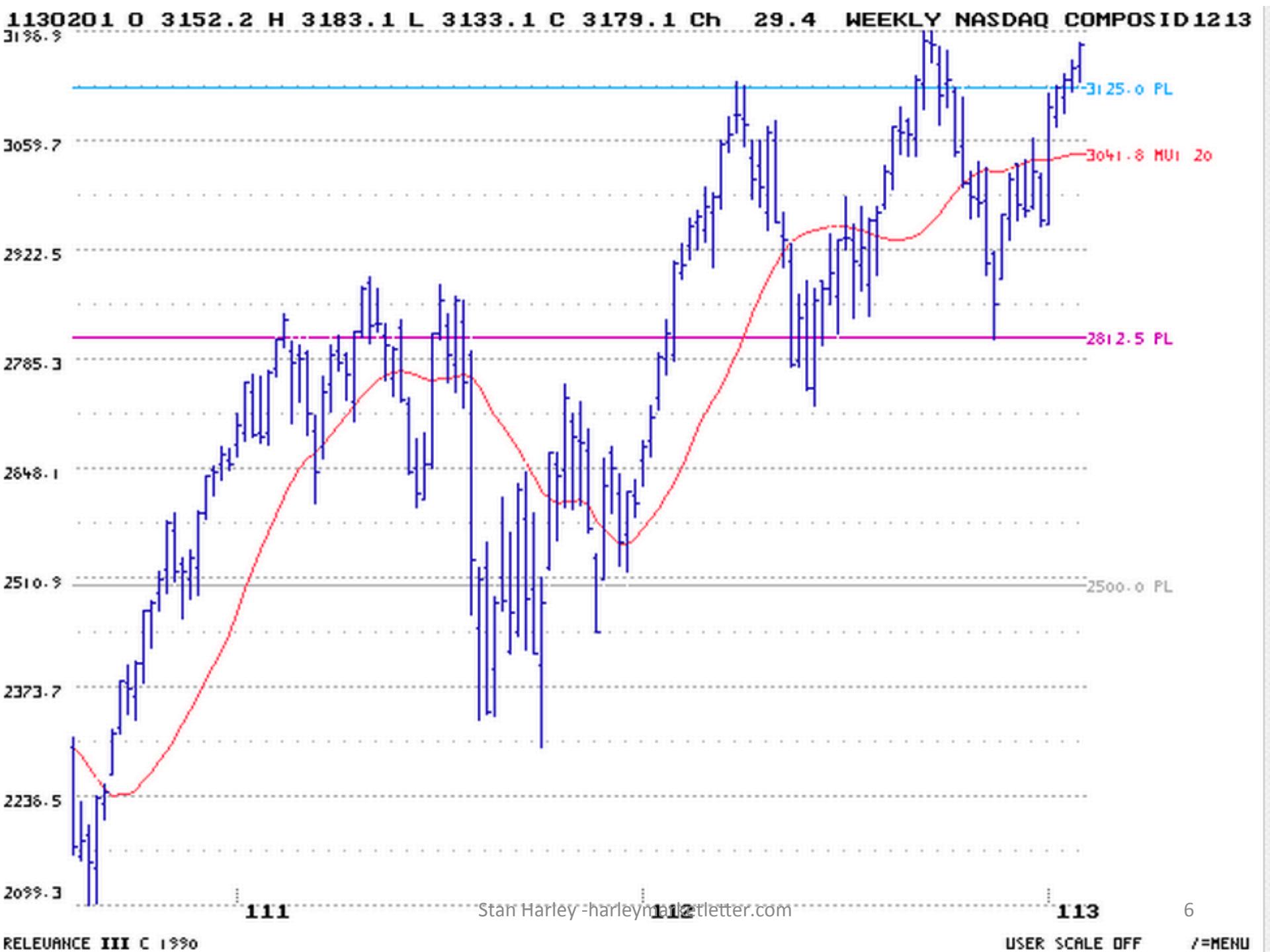
1130201 O 3152.2 H 3183.1 L 3133.1 C 3179.1 Ch 29.4 WEEKLY NASDAQ COMPOSID1213
3198.9
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2099.3
3125.0 PL
3041.8 MU1 20
2812.5 PL
2500.0 PL
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RELEVANCE III C 1990
USER SCALE OFF
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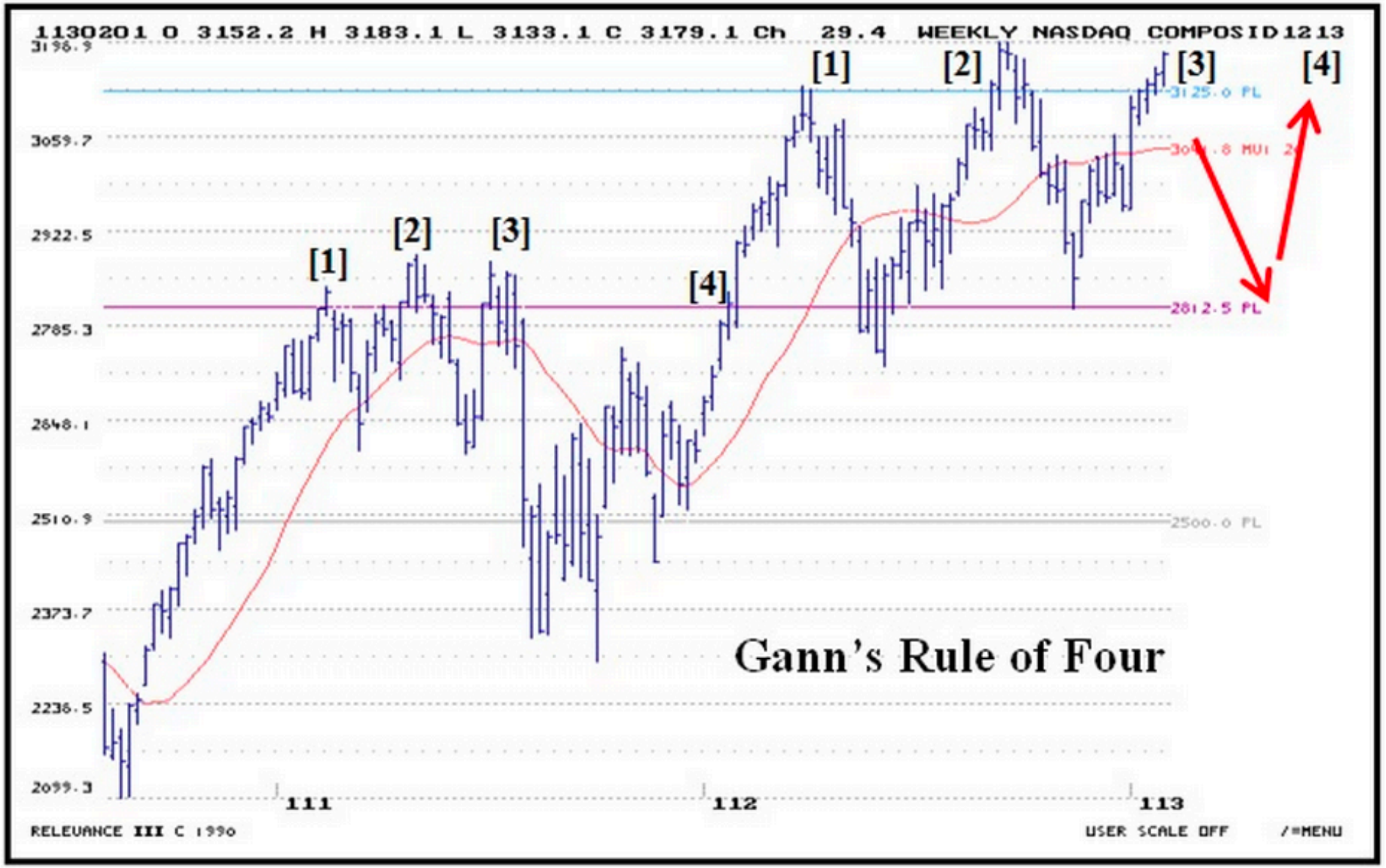
1130201 O 3152.2 H 3183.1 L 3133.1 C 3179.1 Ch 29.4 WEEKLY NASDAQ COMPOSID 1213
3198.9
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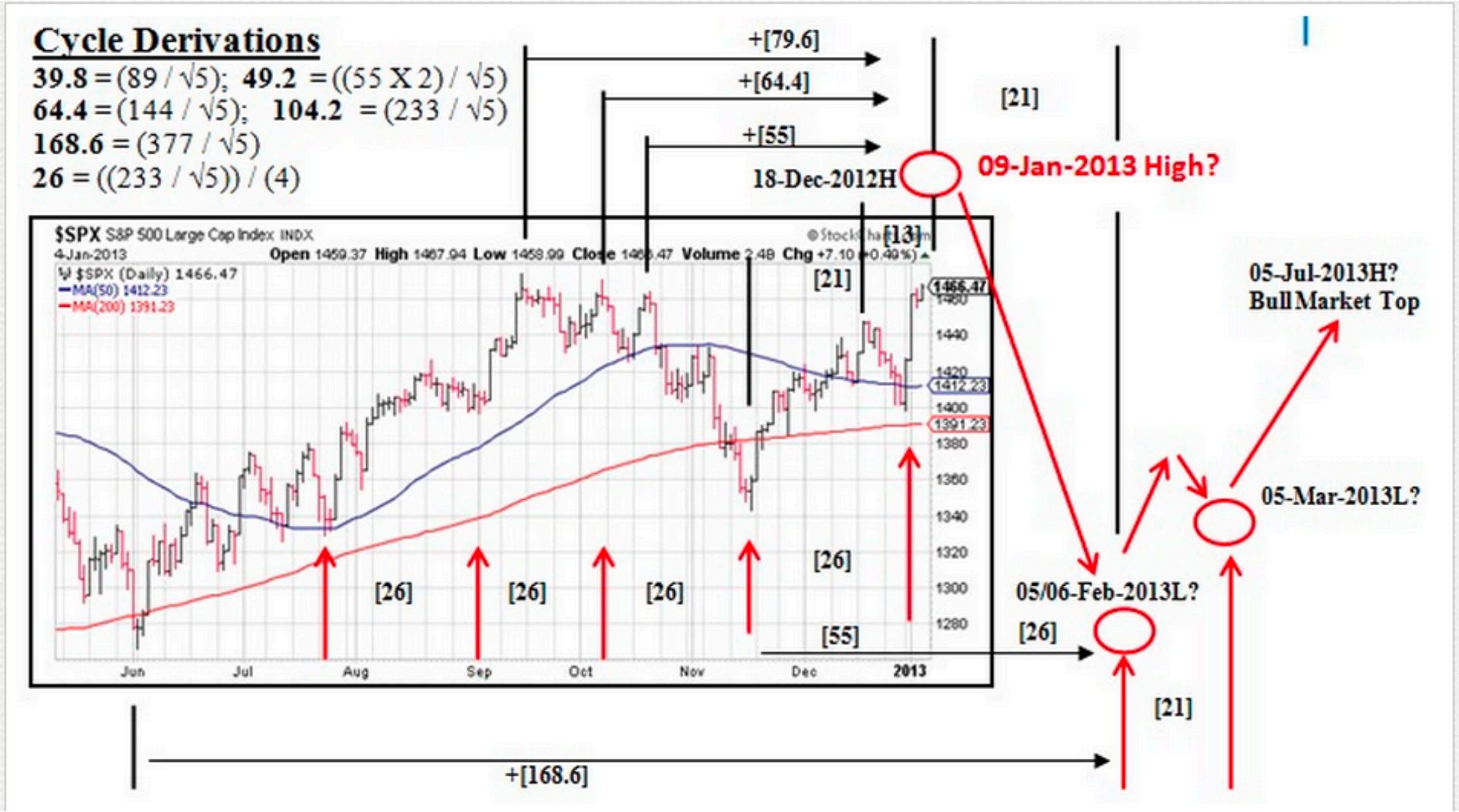
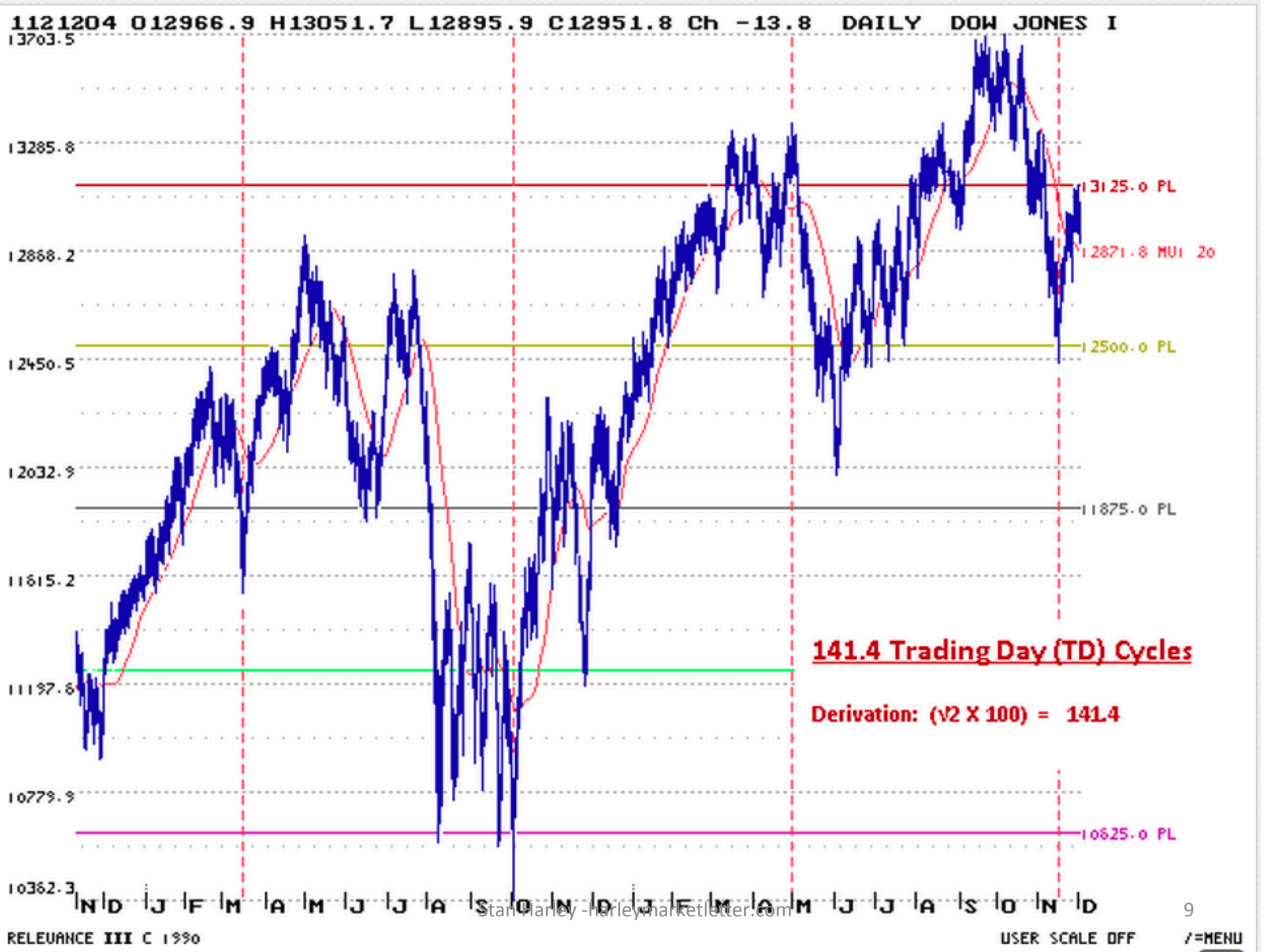
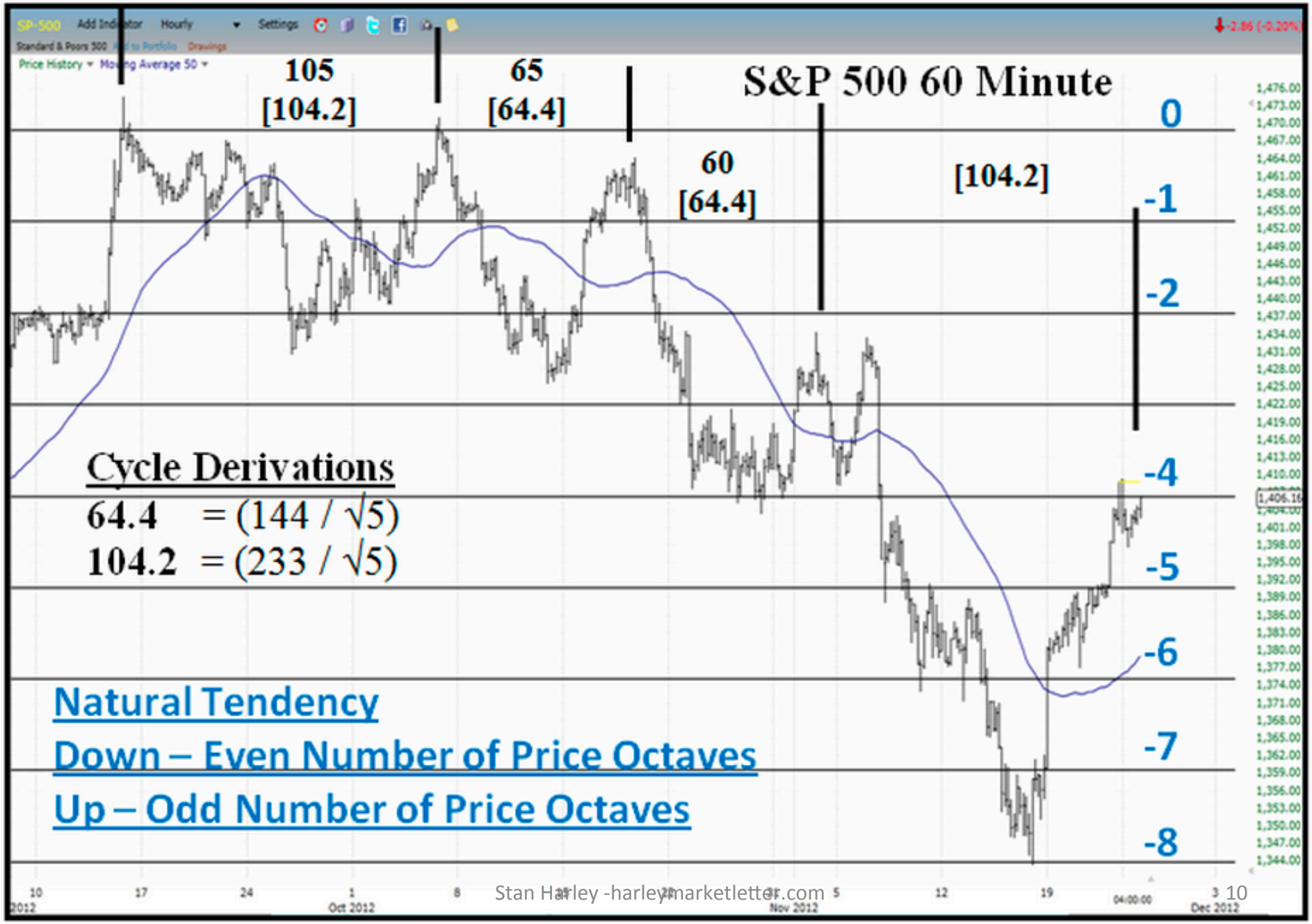
[3]
[4]
[1]
[2]
[3]
[4]
3125.0 PL
2812.5 PL
2500.0 PL
Gann's Rule of Four
111
112
113
RELEVANCE III C 1990
USER SCALE OFF
/=MENU


Cycle Derivations
39.8 = (89 / √5); 49.2 = ((55 X 2) / √5)
64.4 = (144 / √5); 104.2 = (233 / √5)
168.6 = (377 / √5)
26 = ((233 / √5)) / (4)
+[79.6]
+[64.4]
+[55]
[21]
18-Dec-2012H
09-Jan-2013 High?
[13]
[21]
$SPX S&P 500 Large Cap Index INDX
4-Jan-2013
Open 1459.37 High 1467.94 Low 1458.99 Close 1466.47 Volume 2.4B Chg +7.10 (+0.49%)
$SPX (Daily) 1466.47
MA(50) 1412.23
MA(200) 1391.23
1466.47
1412.23
1391.23
[26]
[26]
[26]
[26]
[55]
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2013
05/06-Feb-2013L?
[26]
[21]
05-Jul-2013H?
Bull Market Top
05-Mar-2013L?
+[168.6]


1121204 O12966.9 H13051.7 L12895.9 C12951.8 Ch -13.8 DAILY DOW JONES I
13703.5
13285.8
12868.2
12450.5
12032.9
11615.2
11197.6
10779.9
10362.3
13125.0 PL
12871.8 MUI 20
12500.0 PL
11875.0 PL
10625.0 PL
141.4 Trading Day (TD) Cycles
Derivation: (√2 X 100) = 141.4
N D J F M A M J J A S O N D J F M A M J J A S O N D
RELEVANCE III C 1990
USER SCALE OFF
/=MENU


S&P 500 60 Minute
105
[104.2]
65
[64.4]
60
[64.4]
[104.2]
0
-1
-2
-4
-5
-6
-7
-8
Cycle Derivations
64.4 = (144 / √5)
104.2 = (233 / √5)
Natural Tendency
Down – Even Number of Price Octaves
Up – Odd Number of Price Octaves
Oct 2012
Nov 2012
Dec 2012

Dow Jones Industrial Average 23-Nov-2012

Dow Jones Industrials 20-Nov-2012

Dow Jones Industrials 14-Nov-2012


$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
13250
13000.91
12750
12502.81
12209.70
12000
11750
11500
11250
11000
0750
10000
9750
0.382
0.236
0.382
05-Jun-12L?
A M J J A S O N D 11 F M A M J J A S O N D 12 F M A M

S&P 500 60 Minute 17-May-2012

S&P 500 with 104 TD Cycles


$SPX (S&P 500 Large Cap Index) INDX
©StockCharts.com
3-Jan-2012 1:43pm
Open 1258.86 High 1284.62 Low 1258.86 Last 1277.24 Chg +19.64 (+1.56%)
$SPX (Daily) 1277.24
MA(50) 1238.56
MA(200) 1258.81
A Perfect Fibonacci Expansion Series
1277.24
1258.81
1238.56
0.236
0.382
0.618
1.000
1.618
+2.618 = Jan. 03, 2012
May Jun Jul Aug Sep Oct Nov Dec 2011 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2012
0.146

Enter points 1,2,3

S&P 500 - Fibonacci Regression Analysis

Observation	Increment	X	Y	Turning Point	H / L	Δ	Y = mX + b	Predicted - Actual	%
1	0	0	4455	02-Nov-09	Low		4454.63	-0.3718	-0.0849
2	0.381966	0.381966	4621	01-Jul-10	Low	166	4621.97	0.9734	0.2222
3	0.236068	0.618034	4726	30-Nov-10	Low	105	4725.40	-0.6016	-0.1373
4	0.381966	1					4892.74	= July 29, 2011	
5									

Regression Output:

Constant	4454.6282	= Y-Intercept (b)
Std Err of Y Est	1.2031789	= 68% Probability, TDs
R Squared	0.9999612	
No. of Observations	3	
Degrees of Freedom	1	
X Coefficient(s)	438.1154082	= Computed Cycle Length, m, Trading Days
Std Err of Coef.	2.727948276	
Standard Deviation / Cycle Length =	0.27%	

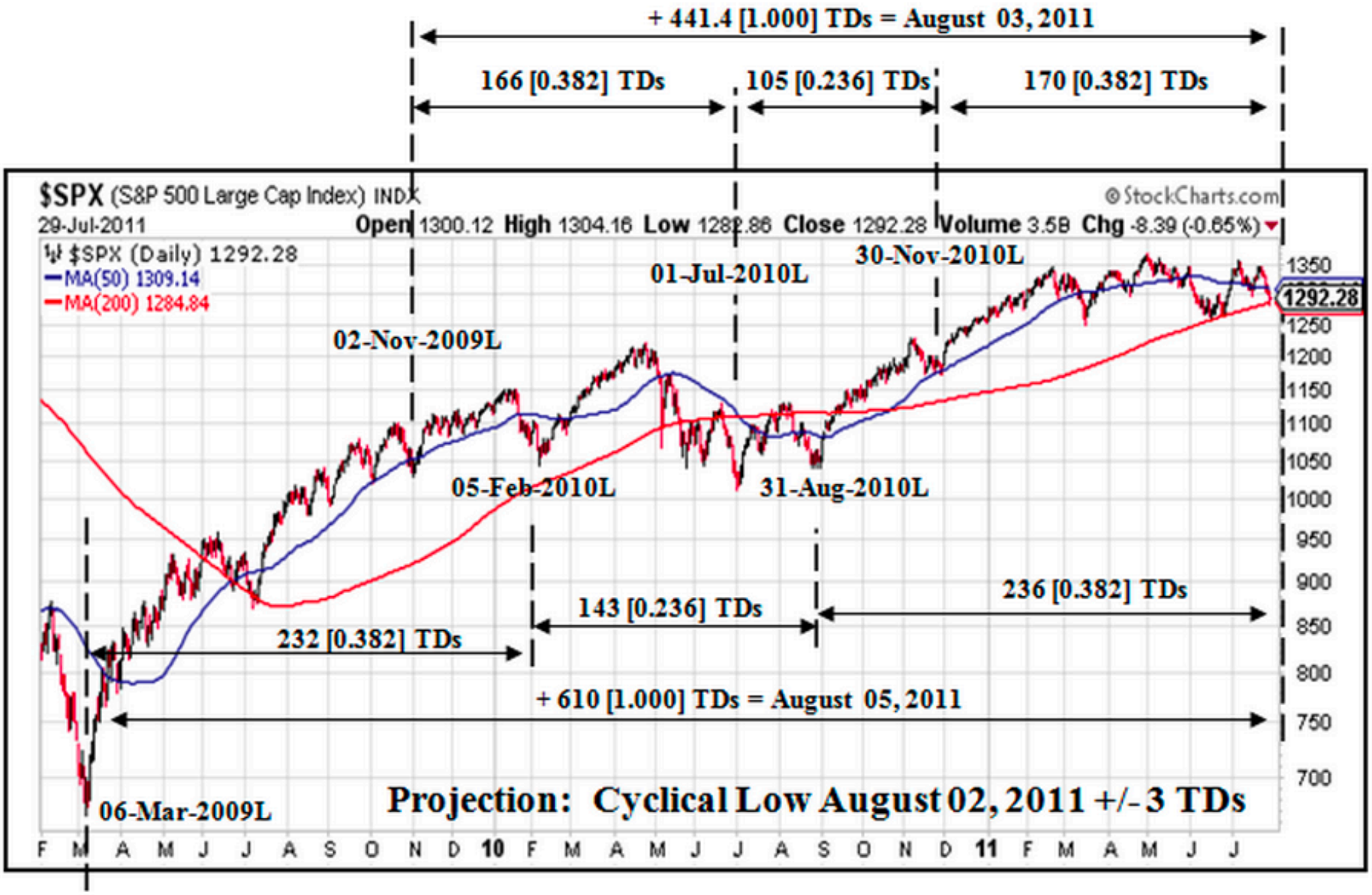
Enter points 1,2,3

S&P 500 - Fibonacci Regression Analysis

Observation	Increment	X	Y	Turning Point	H / L	Δ	Y = mX + b	Predicted - Actual	%
1	0	0	4288	06-Mar-09	Low		4288.06	0.0593	0.0098
2	0.381966	0.381966	4520	05-Feb-10	Low	232	4519.84	-0.1553	-0.0256
3	0.236068	0.618034	4663	31-Aug-10	Low	143	4663.10	0.0960	0.0158
4	0.381966	1					4894.88	= August 02, 2011	
5									

Regression Output:

Constant	4288.0593	= Y-Intercept (b)
Std Err of Y Est	0.1919427	= 68% Probability, TDs
R Squared	0.9999995	
No. of Observations	3	
Degrees of Freedom	1	
X Coefficient(s)	606.8220593	= Computed Cycle Length, m, Trading Days
Std Err of Coef.	0.43518859	
Standard Deviation / Cycle Length =	0.03%	

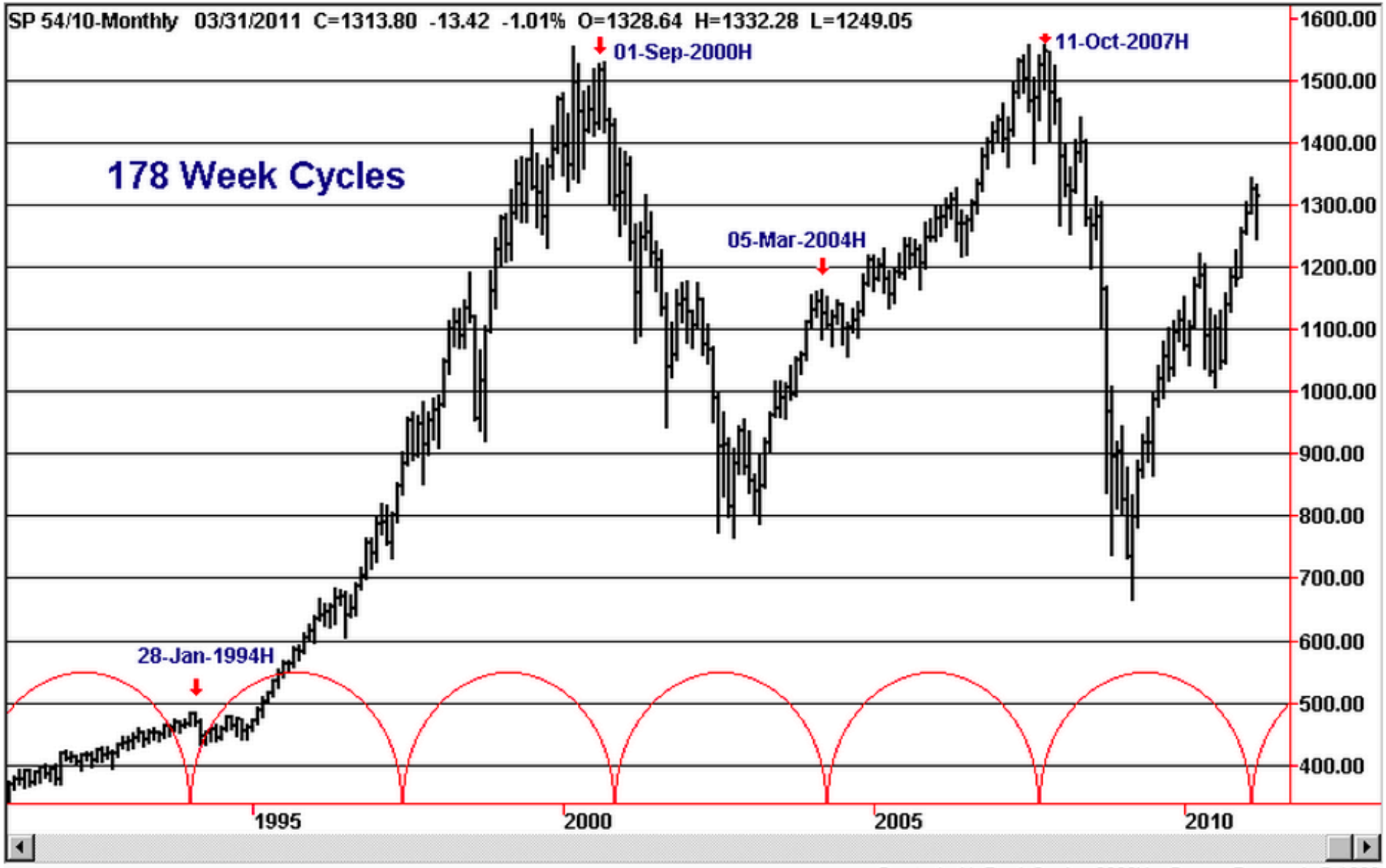

+ 441.4 [1.000] TDs = August 03, 2011
166 [0.382] TDs
105 [0.236] TDs
170 [0.382] TDs
$SPX (S&P 500 Large Cap Index) INDX
©StockCharts.com
29-Jul-2011
Open 1300.12 High 1304.16 Low 1282.86 Close 1292.28 Volume 3.5B Chg -8.39 (-0.65%)
$SPX (Daily) 1292.28
MA(50) 1309.14
MA(200) 1284.84
30-Nov-2010L
01-Jul-2010L
02-Nov-2009L
05-Feb-2010L
31-Aug-2010L
236 [0.382] TDs
143 [0.236] TDs
232 [0.382] TDs
+ 610 [1.000] TDs = August 05, 2011
06-Mar-2009L
Projection: Cyclical Low August 02, 2011 +/- 3 TDs
1350
1292.28
1250
1200
1150
1100
1050
1000
950
900
850
800
750
700
F M A M J J A S O N D 10 F M A M J J A S O N D 11 F M A M J J

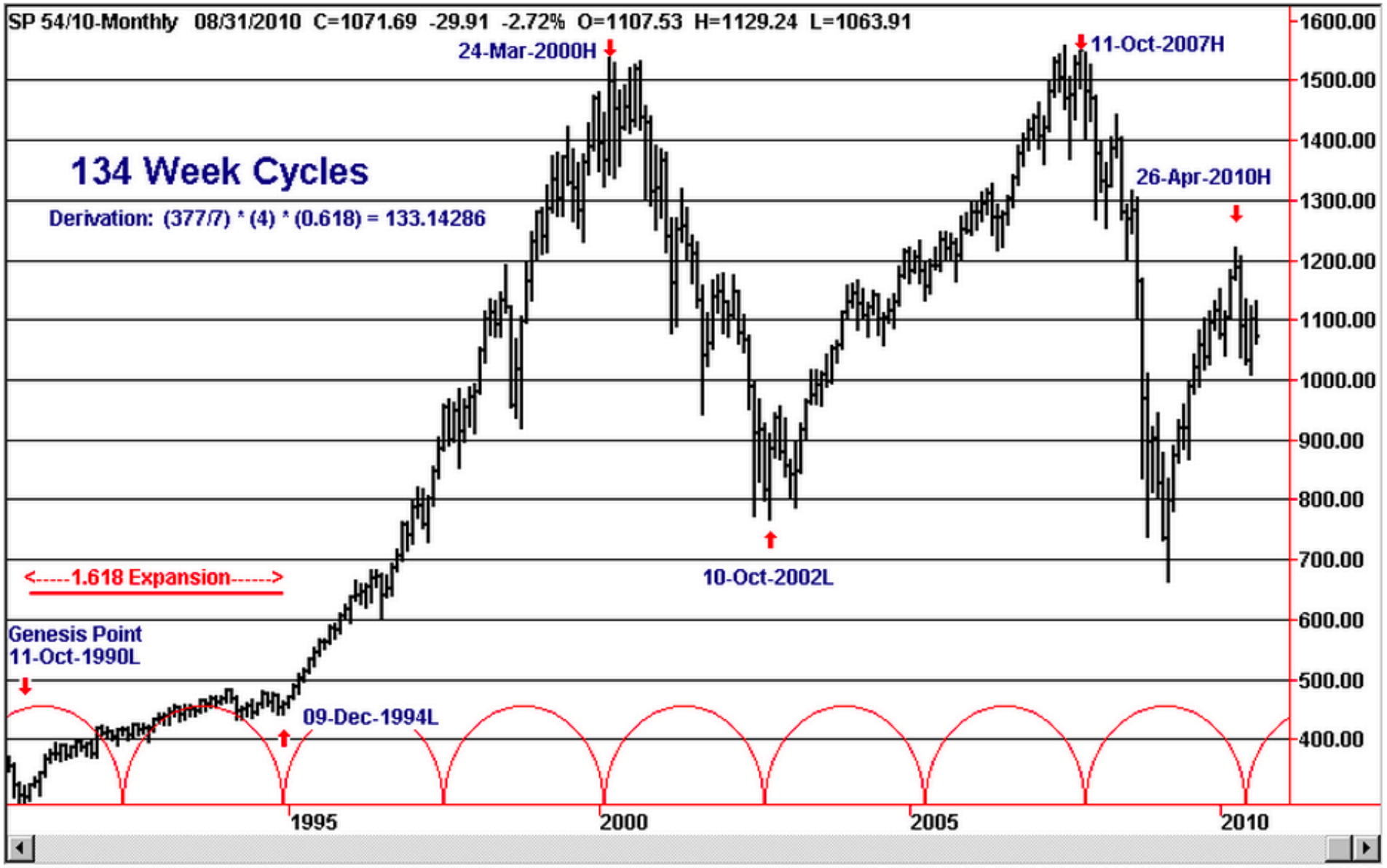

SP-500
Add Indicator
Hourly
Settings
Standard & Poors 500
Add to Portfolio
Drawings
Price History
44.5 Hour Cycles Spanning Highs and Lows
23.6
1,372.00
1,370.00
1,368.00
1,366.00
1,364.00
1,362.00
1,360.00
1,358.00
1,356.00
1,354.00
1,352.00
1,350.00
1,348.00
1,346.00
1,344.00
1,342.00
1,340.00
1,338.00
1,336.00
1,334.00
1,331.07
1,328.00
1,326.00
1,324.00
1,322.00
1,320.00
1,318.00
1,316.00
1,314.00
1,312.00
1,310.00
1,308.00
1,306.00
1,304.00
1,302.00
1,300.00
1,298.00
1,296.00
1,294.00
4 5 6 7 8 11 12 13 14 15 18 19 20 21 25 26 27 28 29 2 3 4 5 6 9 10 11 12 13 16 17 18 19 20 23 24 25 26 1 2 3 6 7
2011
May 2011
01:54:08

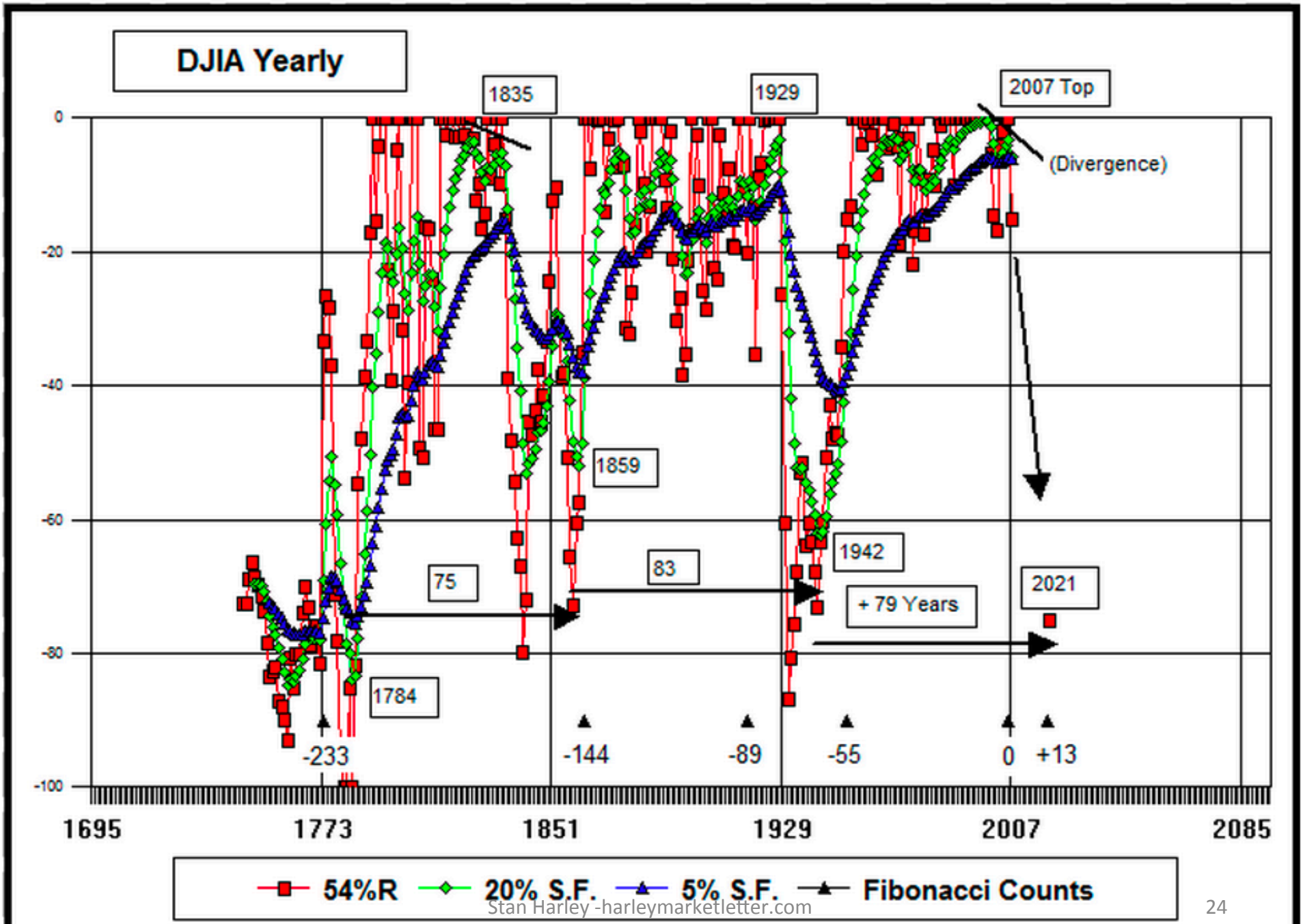
S&P 500 - 178 Week High-High Cycles Regression Analysis

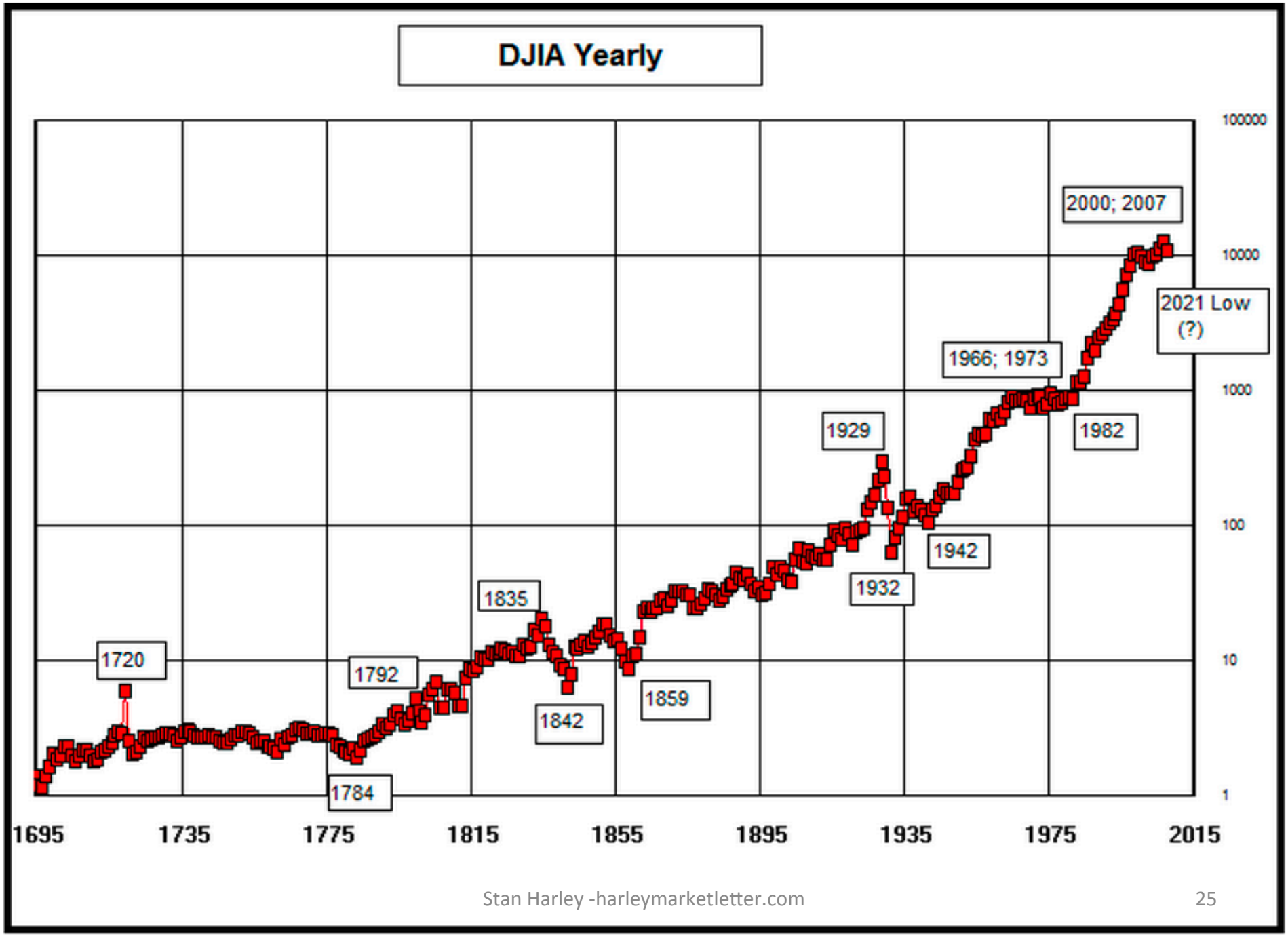
Observation	Increment	X	Y		△	Y = mX + b	Predicted - Actual	%
1	0	0	2304	01-Feb-1994 High		2299.05714	-4.9429	-2.78
2	2	2	2647	01-Sep-2000 High	343	2655.22857	8.2286	4.62
3	1	3	2830	05-Mar-2004 High	183	2833.31429	3.3143	1.86
4	1	4	3018	11-Oct-2007 High	188	3011.40000	-6.6000	-3.71
5	1	5						

Regression Output:			
Constant	= Y-Intercept (b)	2299.06	
Std Err of Y Est	1 Std Dev	8.56404	= 68% Probablilty, Weeks
R Squared		0.99947	
No. of Observations		4	
Degrees of Freedom		2	
X Coefficient(s)	178.08571	= Computed Cycle Length, m, Weeks	
Std Err of Coef.	2.89518		


SP 54/10-Monthly 03/31/2011 C=1313.80 -13.42 -1.01% O=1328.64 H=1332.28 L=1249.05
178 Week Cycles
01-Sep-2000H
11-Oct-2007H
05-Mar-2004H
28-Jan-1994H
1600.00
1500.00
1400.00
1300.00
1200.00
1100.00
1000.00
900.00
800.00
700.00
600.00
500.00
400.00
1995
2000
2005
2010
Created with TradeStation 2000i by Omega Research © 1999


SP 54/10-Monthly 08/31/2010 C=1071.69 -29.91 -2.72% O=1107.53 H=1129.24 L=1063.91
24-Mar-2000H
11-Oct-2007H
26-Apr-2010H
134 Week Cycles
Derivation: (377/7) * (4) * (0.618) = 133.14286
<-----1.618 Expansion------>
10-Oct-2002L
Genesis Point
11-Oct-1990L
09-Dec-1994L
1600.00
1500.00
1400.00
1300.00
1200.00
1100.00
1000.00
900.00
800.00
700.00
600.00
500.00
400.00
1995
2000
2005
2010
Created with TradeStation 2000i by Omega Research © 1999


DJIA Yearly
1835
1929
2007 Top
(Divergence)
1859
1942
2021
75
83
+ 79 Years
1784
-233
-144
-89
-55
0
+13
0
-20
-40
-60
-80
-100
1695
1773
1851
1929
2007
2085
54%R
20% S.F.
5% S.F.
Fibonacci Counts


DJIA Yearly
100000
10000
1000
100
10
1
2000; 2007
2021 Low (?)
1966; 1973
1982
1929
1942
1932
1835
1720
1792
1859
1842
1784
1695
1735
1775
1815
1855
1895
1935
1975
2015