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MONTHLY

JAPANESE CYCLES REPORT

MMA JAPANESE CYCLES REPORT
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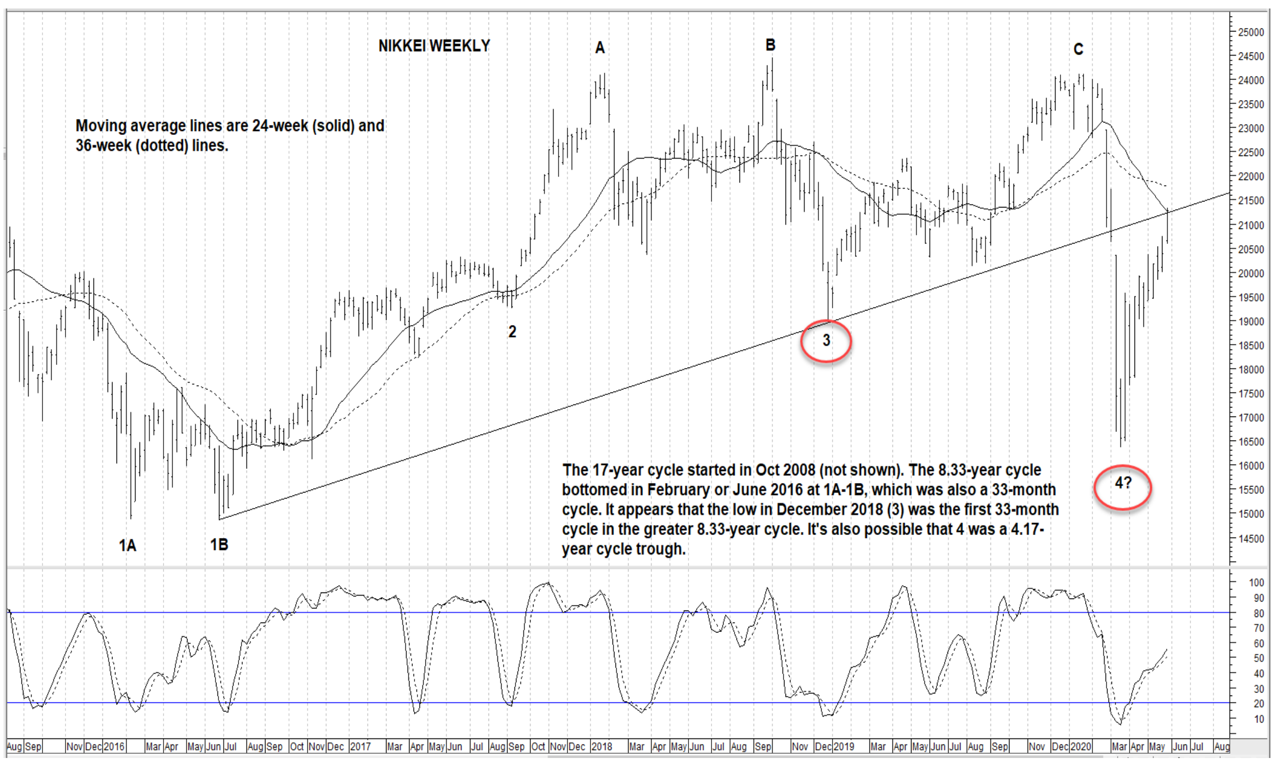
NIKKEI CONTINUES RALLY

From its low of 16,358 on March 19, the Nikkei has now rallied to a high of 21,328 as of this writing on May 26. That is a gain of 4970 points, or 30.4% from the low of 16,358 on March 19. However, it still represents only a correction of 64% of the collapse from the 24,116 high on January 17 to the low of March 19. Additionally, this rally is now back to the extension of a former upward trendline shown on the weekly chart – a trendline that was broken decisively on the move down, confirming the high of January 17 as a longer-term cycle crest. That is now resistance and we are here.



LONGER-TERM CYCLES

The focus right now is on the type of cycle low that occurred on March 19, the bottom of the crash in world stock prices. It was either the end of a longer-term 4.17-year cycle following the double bottom lows of February and June 2016 at 14,865 and 14,864 respectively, or the first of two 16.5-month cycle lows within a 33-month cycle that started with the 18,948 low of December 26, 2018.

In the first case (4.17-year cycle low), the Nikkei could be in a new bullish longer-term cycle. As stated last month and before, *"The 8.33-year cycle can exhibit a two-phase pattern of two 4-year sub-cycles, or a three-phase pattern of 33-month sub-cycles, or both. The steepness of the decline… suggests that there will be a 4-year cycle. With a range of 37-59 months (81.25% frequency), we can actually call this a 4-year cycle, although sometimes I may refer to it as 4.17- or 4.25-year cycle, based on which starting point is used in the past to measure these cycles. Measured from the low of June 2016, this next 4-year cycle is due July 2019-May 2021. We are in that time band now… The decline was 8090 points from its crest of 24,448 on October 2, 2018, or a loss of 33%, which is consistent with declines from the crest of a 4-year cycle to its trough. However, most of this decline took place in only two months from the triple top of 24,116 on January 17, 2020. That is a very short time to complete a decline to a cycle as long as 4 years. It is possible, but not highly probable."*

If the low of March 19, 2020, was a 4.17-year cycle trough, then this market is bullish and can go higher for several months. It can even soar to a new multi-year high, above the 24,448 high of the last 4.17-yesr cycle crest on October 2, 2018, the week of the previous instance of Venus retrograde (it just occurred again on May 13). But it will have to rally above a couple of important resistance areas shown on the weekly chart to support this view.

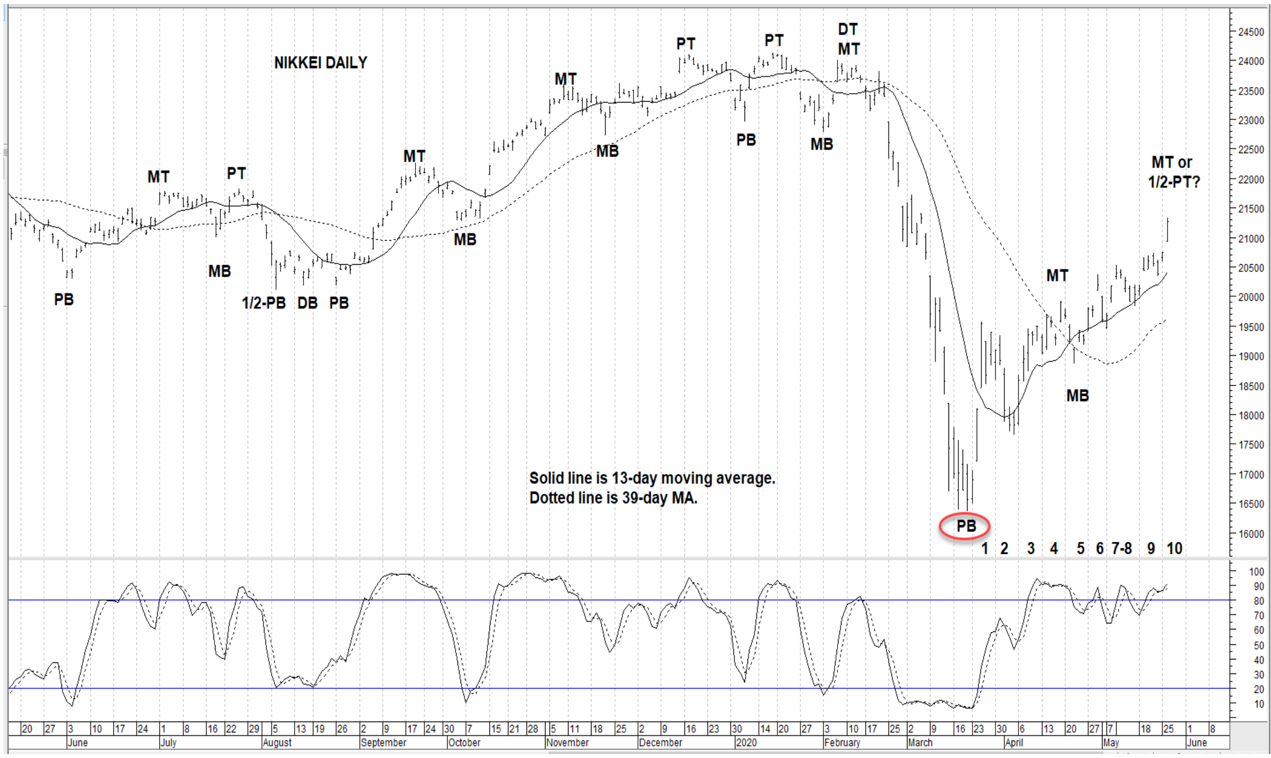
The first resistance zone is the extension of the upward trendline connecting the 33-month cycle lows of June 2016 and December 2018 (1B – 3 shown on the weekly chart). That extension is now around 21,250, and the Nikkei has reached this level as of yesterday, May 26. Above that are the 24- and 36-week moving averages at 21,265 and 21,780, respectively. Exceeding those levels does not confirm March 19 as a 4.17-year cycle trough, but it does confirm March 19 as at least 16.5-month cycle trough. Even if the longer-term cycle is bearish, we would still expect prices to rally 2-5 months and at least test these moving averages. May is only the second month, so it is still in the time band for a 16.5-month cycle crest if the greater cycle is bearish – if the March 19 low was not a 4.17-year cycle, but instead the half-cycle within the 33-month cycle. A new yearly high (above 24,116) or a rally that exceeds 8 months (past November 2020) would confirm March 19 as a 4.17-year cycle low.

In the event that March 19 was a simple 16.5-month cycle low, and the half-cycle to the 33-month cycle low, the Nikkei is bearish, and this rally will end within the next three months. This was described last issue as follows: *"However, if the 8.33-year cycle is to be a classical three-phase pattern consisting of three 33-month cycles, then this is just the middle of the 2nd of those cycles. The first 33-month cycle occurred in December 2018. The next would be due September 2021 +/- 6 months. In between, however, would be a 16.5-month half cycle, which was (is) due May 2020 +/- 3 months. The low of March 19 could be that 16.5-month cycle. That doesn't solve our issue of whether March 19 was a 4-year cycle low or not. But it could be, because the 4-year cycle is often comprised of three 16.5-month cycles. Thus, we know that the low of March 19 could very well be the 16.5-month cycle, but we don't know if it was also the end of the 4-year cycle or just the halfway point of a 33-month cycle that will see lower prices into September 2021 +/- 6 months."*

If March 19 was a 16.5-month cycle trough, and the half-cycle to the 33-month cycle, then the Nikkei will not make a new high. But the rally can be sharp, as much as a 45-85% retracement of the decline, or 19,849-22,952. The Nikkei is in the top part of that range now, and it is in the 2-5 month time band following the low, when this 16.5-month half-cycle crest would be due if the greater cycle is bearish.

THE PRIMARY CYCLE

May 25 starts the 10th week of the 12-20 week primary cycle following the low of 16,358 on March 19. The fact that this primary has been bullish is not a surprise, since the first primary cycle phase of longer-term cycles is almost always bullish. In fact, the first phase of any cycle is usually bullish. The Nikkei has fulfilled our basic criterion for a bullish primary cycle by making new highs after Tuesday of the 9th week. This is known as our "bullish 8-week rule." In bullish primary cycles, the high will usually occur past the midway point of the cycle (8th week). This is also known as a bullish right translation chart pattern. The Nikkei is doing that now.



This also begins the 5th week of the second 4-7 week major cycle phase of the primary cycle. The first phase ended (and the second began) with the low of 18,858 on April 22, just two trading days after our April 20 two-star critical reversal ate (CRD). The crest of this cycle is due at any time. The price target for this crest is 21,616 +/- 469 or 22,422 +/- 716. The Nikkei is getting close to the overlap of these two price targets at 21,706-22,075. Once this crest is in, we will look for a 3-8 day corrective decline to end by June 12. It could end next week, for June 3-4 is the midpoint of this Venus retrograde cycle (May 13-June 25). Next week would also be the 11th week of the primary cycle, so there is a possibility the decline could be steep, for that is in the time band for a 7-11 week half-primary cycle low too. A major cycle low would probably test the 13-day moving average or even fall in between the 13- and 39-day moving averages. A half-primary cycle low would test or fall below the 39-day moving average. Both are shown on the daily chart enclosed.

Looking further ahead, a three-star geocosmic critical reversal date is approaching June 19-22, +/- 1 week. This will cover the period of the summer solstice solar eclipse (June 21),Venus turning direct (June 25), and the second passage of the Jupiter/Pluto conjunction on June 30. This would be an optimal time for the primary cycle crest, followed by a sharp 2-5 week decline to the 12-20 week primary cycle trough. However, since we never know for sure if a future CRD will be a low or a high until we get there, we cannot rule out the possibility that it could instead be a short 13-14 week primary cycle trough. My bias at this point, however, is that it will be a high, as it looks like it might be in the third and last major cycle phase of the primary cycle.

Trading strategies: Position traders would have been stopped out of shorts since out last report, as we didn't fall enough to get long. On any 2-5 week decline to the 39-day moving average or lower, and a possible primary cycle low we will look to long, Shorter-term, you may look to go long on a drop into June 2-5 if prices fall between the 13- and 39-day moving averages, with a stop-loss on a close below 18,800.

Aggressive traders were also stopped out of shorts since our last report. You may now look to buy if prices decline into a low next week (say June 1-8), between the 13- and 39-day moving averages, with a stop-loss on a close below 18,800. If filled, look to cover, and go short if the Nikkei is making a new cycle high June 19-22 +/- 1 week. Look to cover and go long on a 2-5 week decline that follows into a primary cycle trough. We don't have price targets for that low yet, but the price target for the high has been given earlier in this issue, and we will relate any changes and/or new prince targets to this outlook in our weekly reports.

U.S. DOLLAR/YEN CONTINUES IN CONGESTION

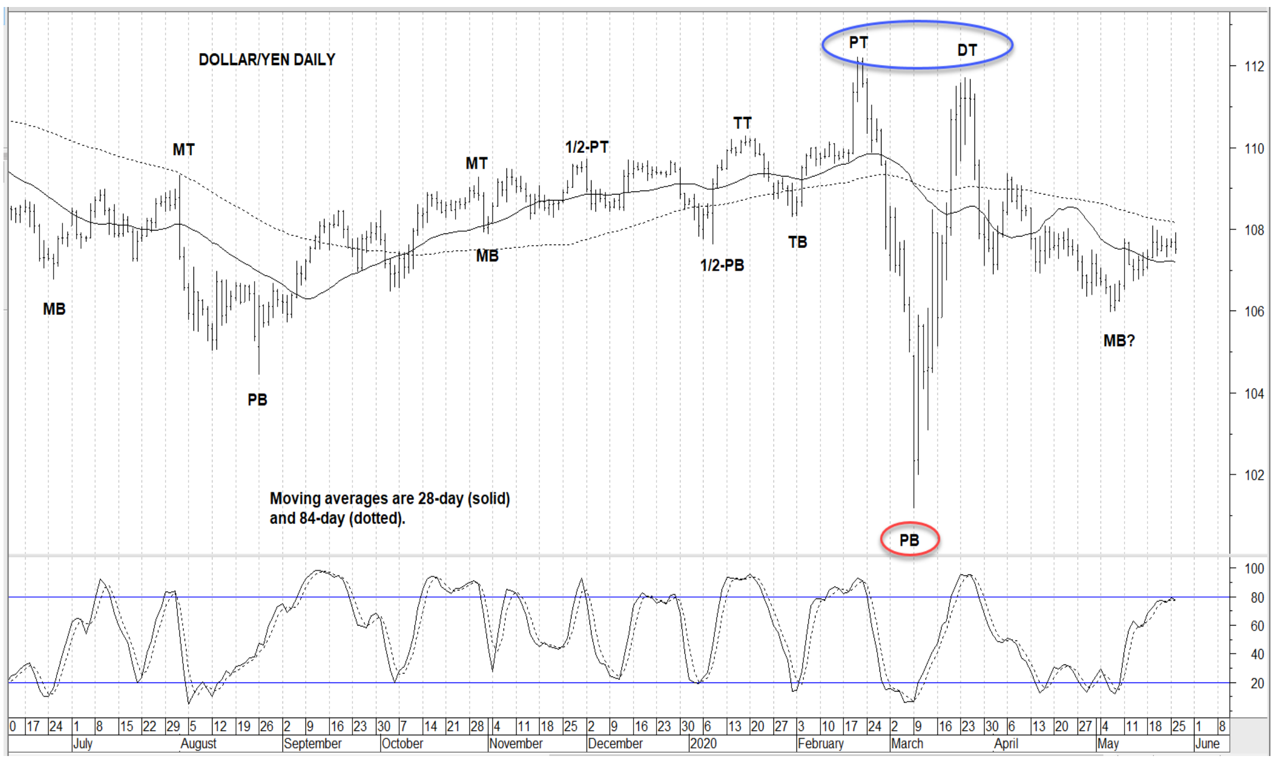
This market is still trying to digest the importance of the coronavirus pandemic on world economies and world trade. The high of this year remains 112.21 on February 20, right after Mars entered Capricorn, an ingress that has relevance to any interest-rate related market. It just so happened that this was also the crest of many world stock indices before COVID-19 began its rampage, resulting in the closure of many businesses worldwide and a huge increase in unemployment all around the world. Economic activity ground to a halt. The Dollar fell sharply, to 101.17 on our two-star CRD (critical reversal date) of March 9, its lowest level since November 2016, The Dollar/Yen reversed, rallying sharply to 111.71 on March 24, right into our critical reversal period of March 27-30 +/- 1 week, forming a double top to the high of the prior primary cycle February 20. Since that time, it has traded mostly in a sideways pattern between 106.35 and 109.37.

Looking at the weekly chart, we have labeled the Brexit low of June 2016 at 99.08 as the 5.5-year cycle (the end of the 1/3 phase to the greater 16.5-year cycle low of October 2011).

Within the 5.5-year cycle are usually three 22.5-month cycles with a range of 18-27 months. The first was March 2018, or 21 months after June 2016. The second may have ended with the low of March 24, 2020, which was 24 months in length. If correct, the Dollar/Yen is now in the second month of its third and final 22.5-mnth cycle phase. The 5.5-year cycle is due to bottom December 2021 +/- 11 months. The 22.5-month cycle low is next due to bottom August 2020-June 2022.

If this labeling is correct, it is unlikely that the crest of this 22.5-month cycle ended after only two weeks with the double top high of 111.71 on March 24. It seems more likely that the Dollar will re-test of even exceed that high during this final 22.5-month cycle. But for now, that double top of 111.71-112.21 is formidable resistance.

At the same time, a correction of the move up from 101.17 to 111.71 is 106.44 +/- 1.25. The low so far has been 105.97 on May 6, one week before Venus turned retrograde. That may be an early 9-14 week major cycle trough.



May 25 starts the 11th week of this newer 26-40 week primary cycle. As mentioned above, a 9-14 week major cycle low is due, and may have occurred early, in the 8th week, on May 6. If so, another rally could be starting, which could test the double top resistance area of 111.71-112.21. Or, if this market is still uncertain of where it is going, it may only make a corrective rally back to 108.84 +/- .68.

There is also a possibility that instead of a three-phase pattern of 9-14 week phases, the Dollar/Yen may exhibit a 13-20 week half primary cycle. The low of May 6, in the 8th week, may have been just a half-cycle to the half-primary cycle. In this case, the rally will not likely exceed the 108.84 +/- .68 resistance area just described, and be followed by another sell-off below 105.97 (but not below 101.17) in the next 2-9 weeks, maybe just in time for the June 19-22 three-star CRD zone, +/- 1 week. That is when Venus will turn direct. Since the low (so far) occurred one week before Venus went retrograde, another cycle (low or high) could happen within a week of Venus turning direct on June 25. Symmetry would argue for a high then, but that is no guarantee. Notice that the daily stochastic indicator looks like it is topping out and readying for a decline.

We also need to watch next week carefully too because it is the middle of Venus retrograde (June 3-4) and a lunar eclipse (June 6). These two can coincide with sudden reversals, although they may not last long.

For now, we don’t have a strong bias either way short-term. Longer-term, my bias is more bullish for the Dollar against the Yen, based on the 22.5-month cycle, but I cannot rule out another decline below 105.97 for a half-primary cycle low. Thus, our strategy will be to buy declines that remain above 103.

Trading strategies: Position traders are advised to look to buy at 107 +/- .50 with a stop-loss on a close below 103 or 105, depending on your risk allowance. Aggressive traders were advised last month, “… look to go long now with a stop-loss on a close below 105 or 106, depending on your risk allowance. Look to exit on a re-test of 112 +/- .50.” Let’s cover 1/3 at 108 +/- .50 and use the 105 stop-loss on the others. If the Dollar/Yen is making new multi-week highs June 19-22 +/- 1 week, cover all and look to sell short. I don’t have a stop-loss to give at this point but will provide one in the weekly reports if we go short.

The next MMA Japan Cycles Report is due out June 16, 2020.