



# **MMTA Course One – Cycles and Chart Patterns in Financial Markets**



# The 18-Year Cycles in Stock Markets

## Module Lesson Six



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# Objectives

## Learning objectives:

- Identify and comprehend the 18-year cycle in stocks
- Identify and demonstrate an understanding of the phases of the 18-year cycle

## What we'll do:

- Review examples in the Table of the Performance of historical 18-year cycles

# The Stock Market (USA and British)

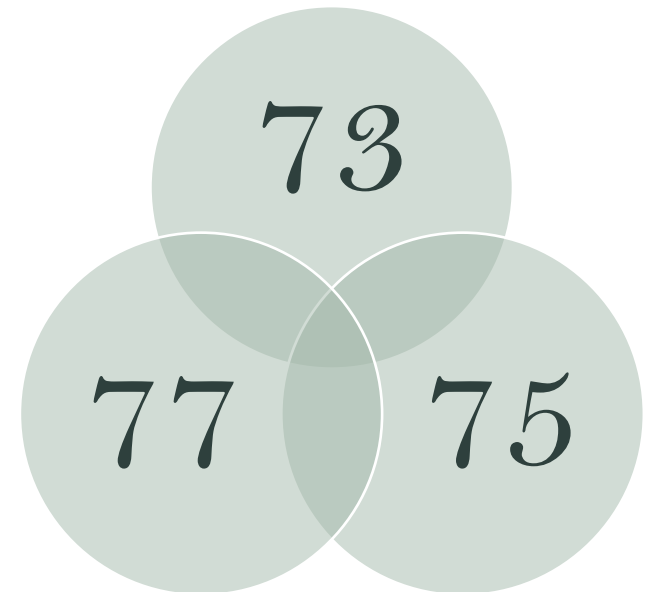
## Overview

# 75-Year Long-Term Stock Market Cycle

## Overview

- There appears to be a 75-year long-term stock market cycle
- 75-Year cycle bottomed in:
  - **1784**
  - **1857**
  - **1932**
  - **2009**

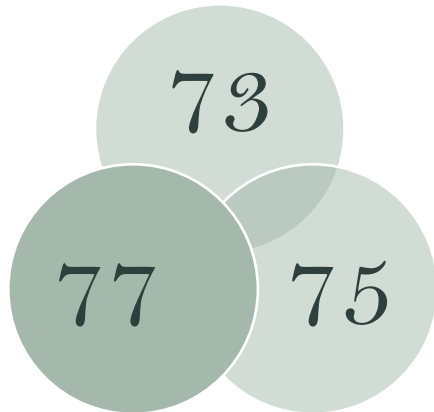
## Intervals in Years



# 3 Intervals of the 75-Year Cycle

## Those Instances:

- **Range:** 73-77 years
- **Mean periodicity:** 75 years
- **Orb:** 2 years



## Future Examples:

- Likely to find more that fall within the **1/6 orb** rule
  - Cycle likely adjusted in the future
- Ideal: To have 20 cases where:
  - At least 16 would fall within the allowable orb and range limits

# 37.5-Year Phases Found Within

Divide the 75-Year cycle by 2:

- **Result:** 37.5-Year Phases
- Considered longer-term cycles

$$75 \div 2 = 37.5$$



# The 18-Year Cycle

## Determine:

- If the 37.5-year cycle is correct, it breaks down into sub-cycles of either:
  - Two 18.75-year phases, or
  - Three 12.5-year phases.

## Historical Study Volume 1:

- Two phases to the:
  - 37.5-year cycle; or
  - 38.5-year cycle
  - Listed as 18-year cycles

# The 18-Year Cycle

## Determine:

- If the 38.5-year cycle is correct, it breaks down into sub-cycles of either:
  - Two 19.25-year phases
  - Three 13-year phases.

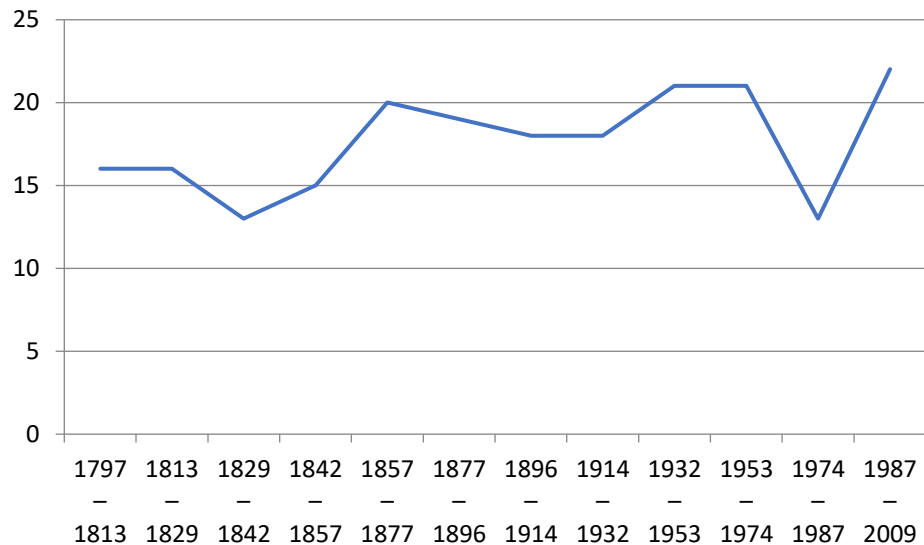
## Historical Study Volume 1:

- Two phases to the:
  - 37.5-year cycle; or
  - 38.5-year cycle
  - Listed as 18-year cycles

# Dates and Periods: 18-Year Stock Cycles

Dates	Years
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- 1797 – 1813 16
- 1813 – 1829 16
- 1829 – 1842 13
- 1842 – 1857 15
- 1857 – 1877 20
- 1877 – 1896 19
- 1896 – 1914 18
- 1914 – 1932 18
- 1932 – 1953 21
- 1953 – 1974 21
- 1974 – 1987 13
- 1987 – 2009 22



# 12 Cycles Found

## 12 Cycles Found:

- Range: 13-22 years
- If using all instances:
  - Mean Periodicity:
    - 17.5 years
  - Orb:
    - 4.5 years

## If Removing Shortest (13 Years), Result:

Field where:

- 80+% of the cycles occurred between 15-22 years

Mean periodicity of 18.5 years.

# Prior to the 2009 Low

## Prior to 2009 Low:

- Field would have:
  - Range of 15 to 21 years
  - This could possibly remain valid

## Books Written Prior to 2009

Reasoning for an 18-year cycle as reported in our books

9 of 11 cases occurred between 15 - 21 years (over 80%). Midpoint thus 18 years.

If we consider 12<sup>th</sup> case as 1987 - 2002, then 10 of 12 cases are 18-year cycles.

# Compare and Identify:

## Phases of 18-Year Cycle U.S. & British Indices

Filtered Waves of 18-Year Cycles to Date

Table of 18-Year Cycles

1. Range of years: Market rallied from start to crest of the cycle?
2. Range of appreciation (% of gain) from the start of the cycle to its 18-year cycle crest?
3. Range in years from the crest to the end of the cycle (final low)?
4. Range of decline from the crest to the trough of the 18-year cycle?

# Compare and Identify:

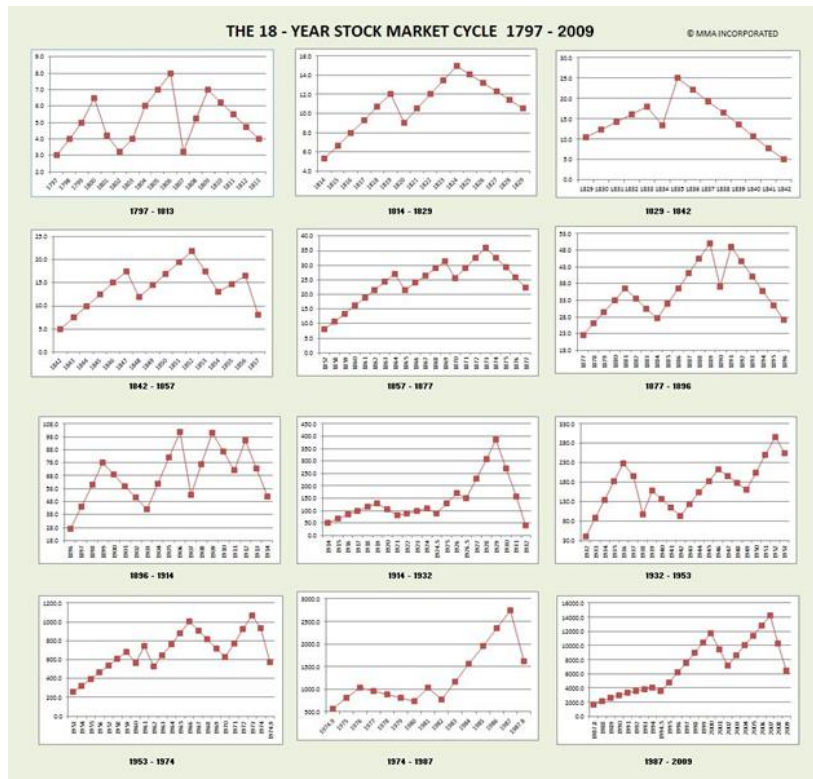
## Phases of 18-Year – Continued

Filtered Waves of 18-Year  
Cycles to Date

Table of 18-Year Cycles

5. Type of pattern present in each cycle, as shown by the (filtered graphs)?
6. Identify if each cycle was bullish or bearish. Why?
7. Where was the crest? Was it a left or right translation 18-year cycle?
8. Was the first phase of each bullish?
9. Was the last phase either bearish, or contained the steepest decline in the whole cycle?

# 18-Year Stock Market Cycle: 1797 - 2009





# Table of 18-Year Cycles

**TABLE OF 18-YEAR CYCLES**

<u>Cycle #</u>	<u>Trough</u>	<u>Crest</u>	<u>Trough</u>	<u>Yrs Up</u>	<u>Yrs Dn</u>	<u>Low*</u>	<u>High*</u>	<u>Low*</u>	<u>% Up*</u>	<u>%Dn*</u>
1.	1797	1806	1813	9	7	3.0	8.0	4.0	166.7%	50.0%
2.	1813	1824	1829	11	5	4.0	15.0	10.5	275.0%	30.3%
3.	1829	1835	1842	6	7	10.5	25.0	5.0	138.1%	80.0%
4.	1842	1852	1857	10	5	5.0	22.0	8.0	340.0%	63.6%
5.	1857	1873	1877	16	4	8.0	36.0	22.5	350.0%	37.5%
6.	1877	1889	1896	12	7	22.5	50.0	27.0	122.2%	46.0%
7.	1896	1906	1914	10	8	27.0	102.0	52.0	277.7%	49.0%
8.	1914	1929	1932	15	3	52.0	386.1	40.6	642.5%	89.5%
9.	7/32	1/53	9/53	20	1	40.60	295.10	254.00	262.8%	13.9%
10.	9/53	1/73	12/74	19	2	254.00	1067.20	570.00	320.1%	46.6%
11.	12/74	8/87	10/87	12	1	570.00	2746.70	1616.20	381.9%	41.2%
12.	10/87	1/00	10/02	12	3	1616.20	11,908.50	7181.50	636.8%	39.7%
12A.	10/87	10/07	3/09	20	2	1616.20	14,279.96	6440.08	883.5%	54.4%

Note that #12 could be labeled as ending October 2002 or March 2009.  
We will assume the later.

# QUIZ #6

## The 18-Year Stock Market Cycles

# QUIZ #6

1. What has been the historical range of the 18-year cycle in USA and British Stock market?
2. If you take out the shortest and longest instances, what now becomes the “normal” range for the 18-year cycle?
3. How many of the 18-year cycles have fallen in the “normal” range to date? What rate of frequency is this (what is the percentage of times it has exhibited a “normal” range)?
4. What is the historical period of time it has taken the stock market to rise from the low that started it, to the crest of the 18-year cycle? What is the shortest and longest duration for this rally?

# QUIZ #6

5. Historically, how long have declines lasted from the crest to the end of the 18-year cycle?
6. Historically, what has been the percentage of decline from the crest to the end of the 18-year cycle?
7. How many 18-year cycles have exhibited “left translation?”
8. When did the largest declines occur in 18-year cycles? What was their percent of decline?

# End of Module Lesson

Break