PRICE OBJECTIVES FOR LONG-TERM CYCLES
MODULE LESSON 5

Now we will begin our study of price targets and objectives starting with longer-term cycles and working down.

The purpose of this lesson is to identify price targets based on long-term historical charts.

In this lesson, you will study the following:

1. Review the meaning of support and resistance
2. Identify chart patterns of long-term support and resistance
3. Determine price targets for long-term cycle troughs and crests based on historical percentage moves

REVIEWING CONCEPTS OF SUPPORT AND RESISTANCE

In Course 1, the concepts of support and resistance were defined as follows:

1. **Support** refers to a floor, or a low in price, that markets may fall to and then start to rally.
2. **Resistance** refers to a ceiling, or a high in price, that markets may rise to and then start to decline.
3. **When support breaks, it becomes resistance. When resistance breaks, it becomes support**. This is a truism that will be referred to over and over again in this and future courses, so it is wise to commit it to memory.

There are many support and resistance zones. There are many ways to calculate and determine a support and resistance zone. The challenge is to determine which support or resistance zones are most important. That will depend upon which type of cycles and/or cycle phases you are analyzing.

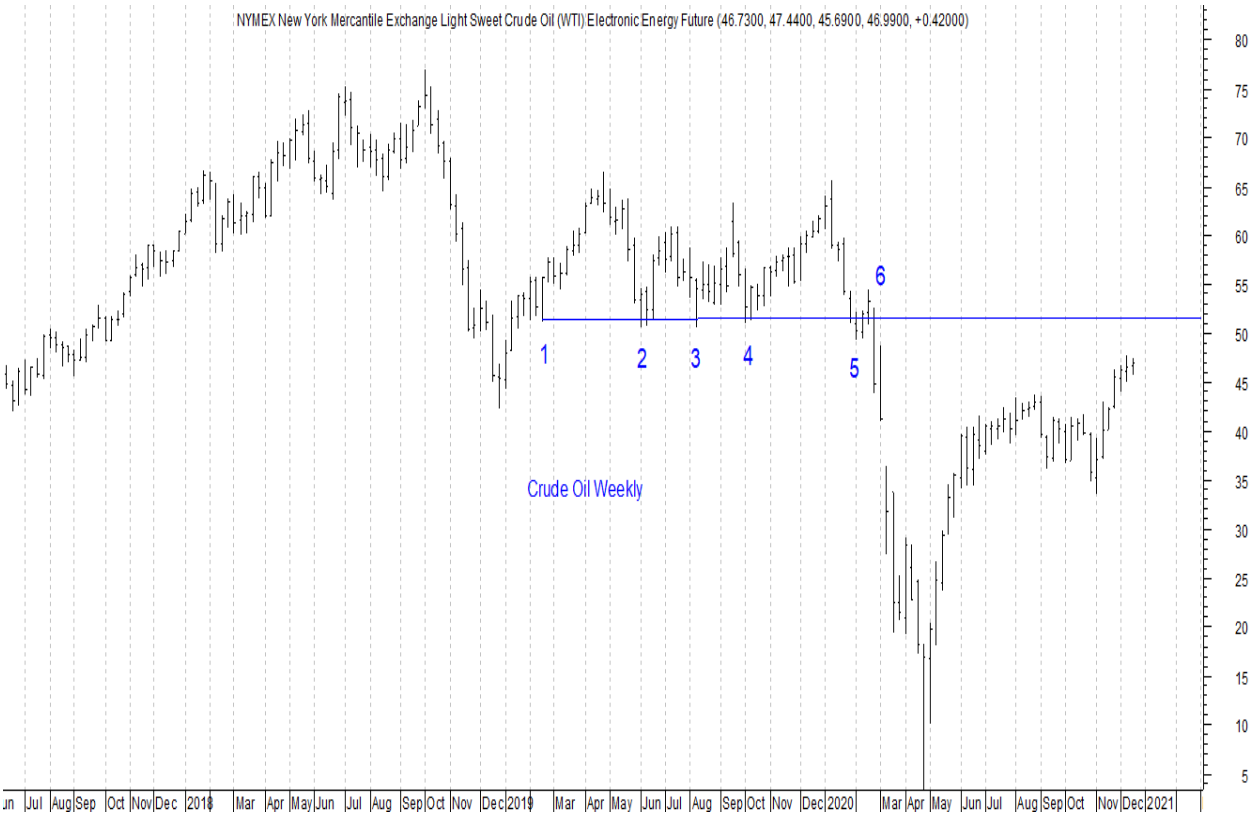
The most important support and resistance zones and the price targets for those zones will depend on cycle length and phase structure.

- Long-term cycles – cycles of 4 years or more.
- Intermediate-term cycles – longer than the primary cycle, but shorter than the 4-year cycle.
- Short-term cycles – sub-cycles of the primary cycle and its phases.

In this course, you will discover multiple methods for determining support and resistance. In this particular lesson, the emphasis will be upon methods used to calculate long-term support and resistance areas, as well as long-term price targets based upon historical studies. Some of these methods will also be applicable to intermediate and short-term cycles.

IDENTIFYING CHART PATTERNS OF LONG-TERM SUPPORT AND RESISTANCE

Double Bottoms: One way to define a support zone in long-term charts (as well as intermediate and short-term) is by a prior low price (trough) from which the market rallied. When a market later falls to that prior low and holds at that area of support, it is known as a "double bottom." The price action in a market can do this multiple times - actually forming "triple" or even "quadruple" bottoms.



Example of support is shown in the chart above at 1-4, from Course 1.

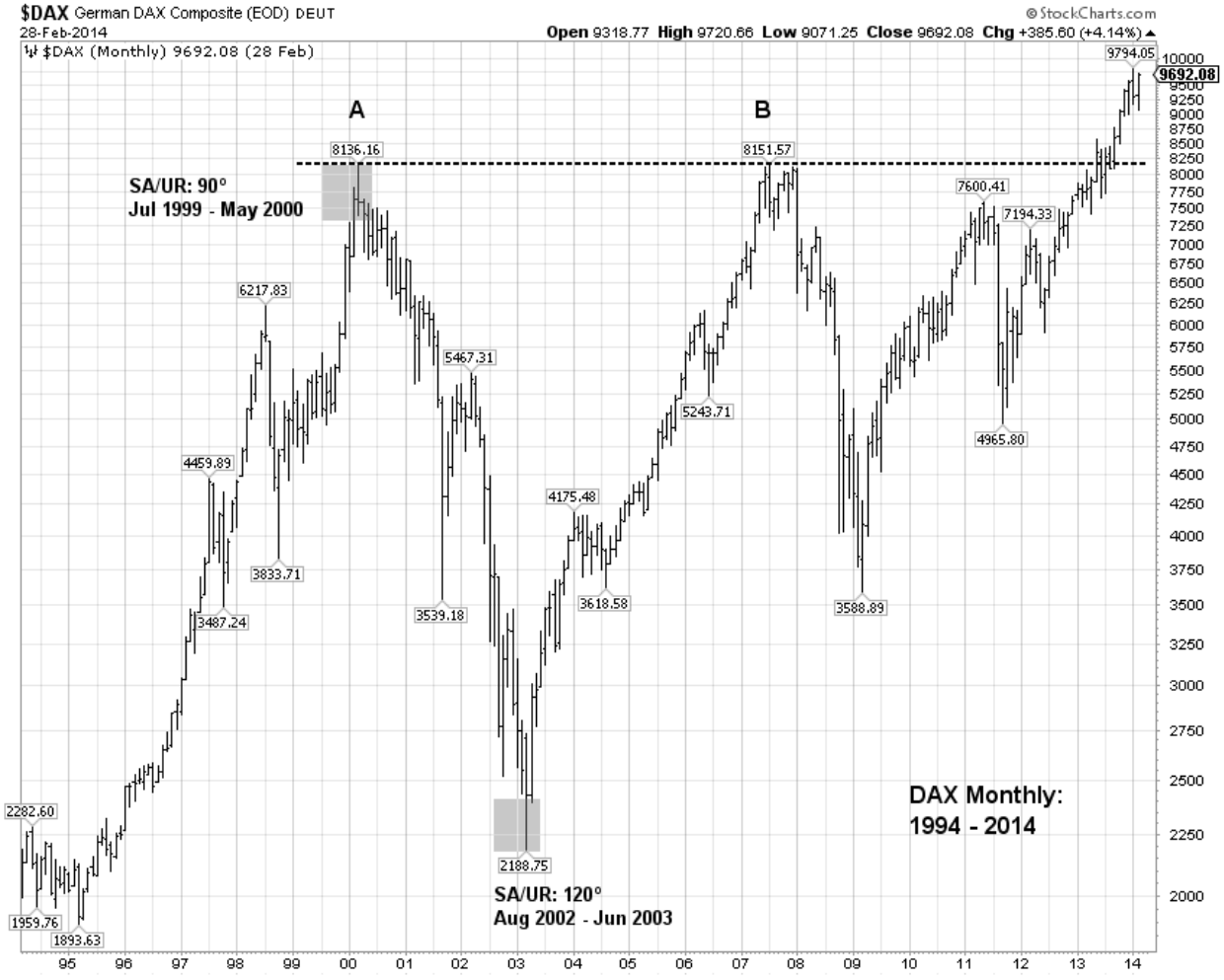
In the weekly Crude Oil chart above, note how support held wonderfully at 1-4. However, once this support zone breaks, it becomes resistance – point 6. This support zone was around 52.00-53.00, after it broke (at 5) it then rallied back to retest former-support-turned-resistance. It decisively closed below 52.00-53.00 shortly thereafter, and preceded a dramatic drop into a historic low in April 2020.

Double Tops: Resistance zones in long-term charts (as well as intermediate and short-term) may be identified by a prior high price (crest) from which sell-offs began. When a market later rallies to a prior crest and stalls in that area, it is known as a "double top." As with bottoms, it can do this many times, forming "triple tops," and even "quadruple tops."

Every time a market rallies into a double top area, it serves as a resistance zone. Once it starts to close above, it is known as an "upside breakout." That area of previous resistance then becomes support.

In Courses 2 and 3, it was pointed out that "breakouts" of support and resistance tend to happen when Uranus is in hard aspect to another planet.

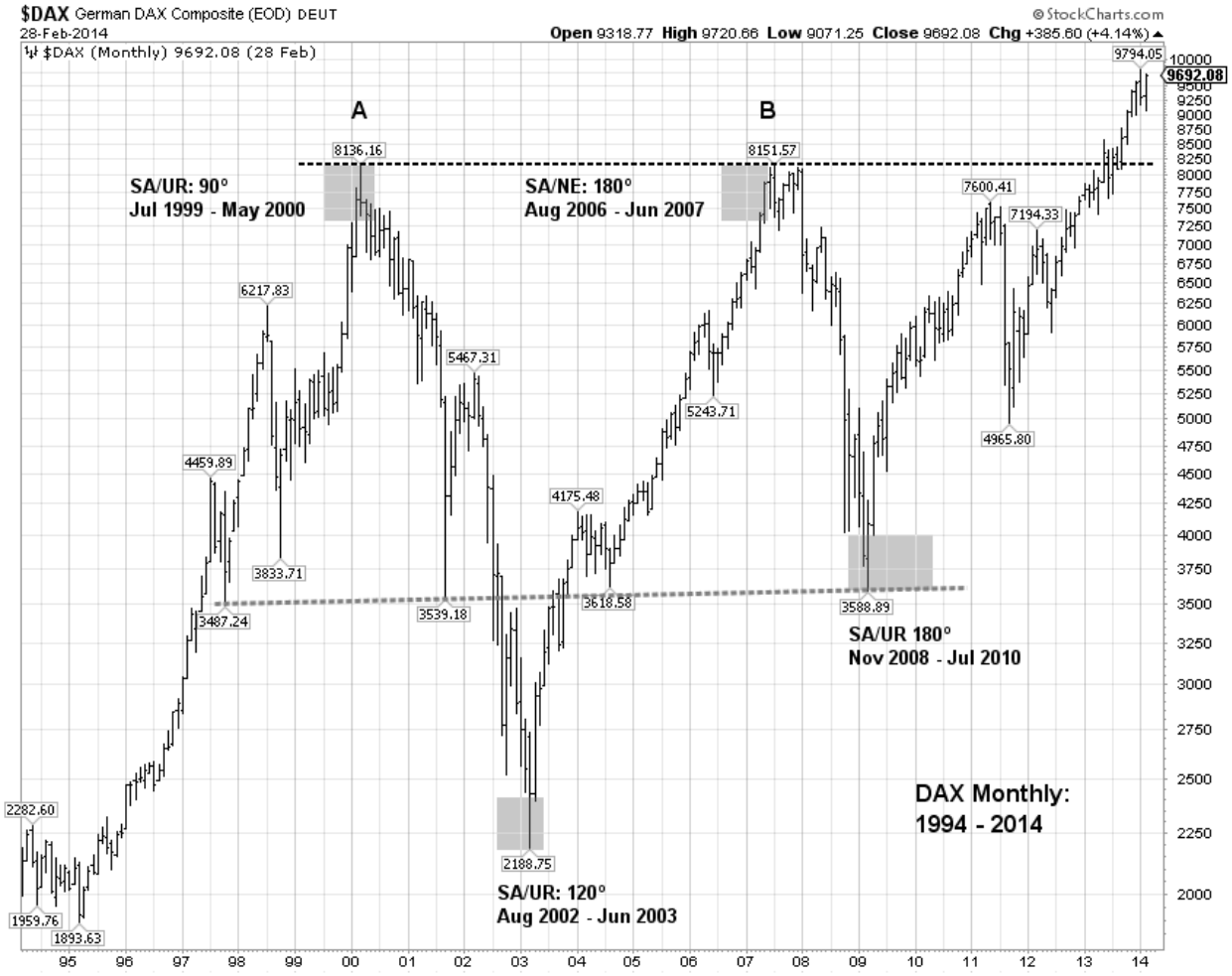
- Breakouts of long-term double bottoms or double tops are more likely when Uranus is in a major aspect with the outer planets of Saturn or Pluto (usually a "hard" aspect).
- Intermediate-term cycles may exhibit breakouts when Uranus is in a major aspect with Jupiter.
- Shorter-term breakouts of double tops and double bottoms can happen when the Sun, Venus, or Mars are in a hard aspect with Uranus.



Example of a double top in the long-term chart of the German DAX

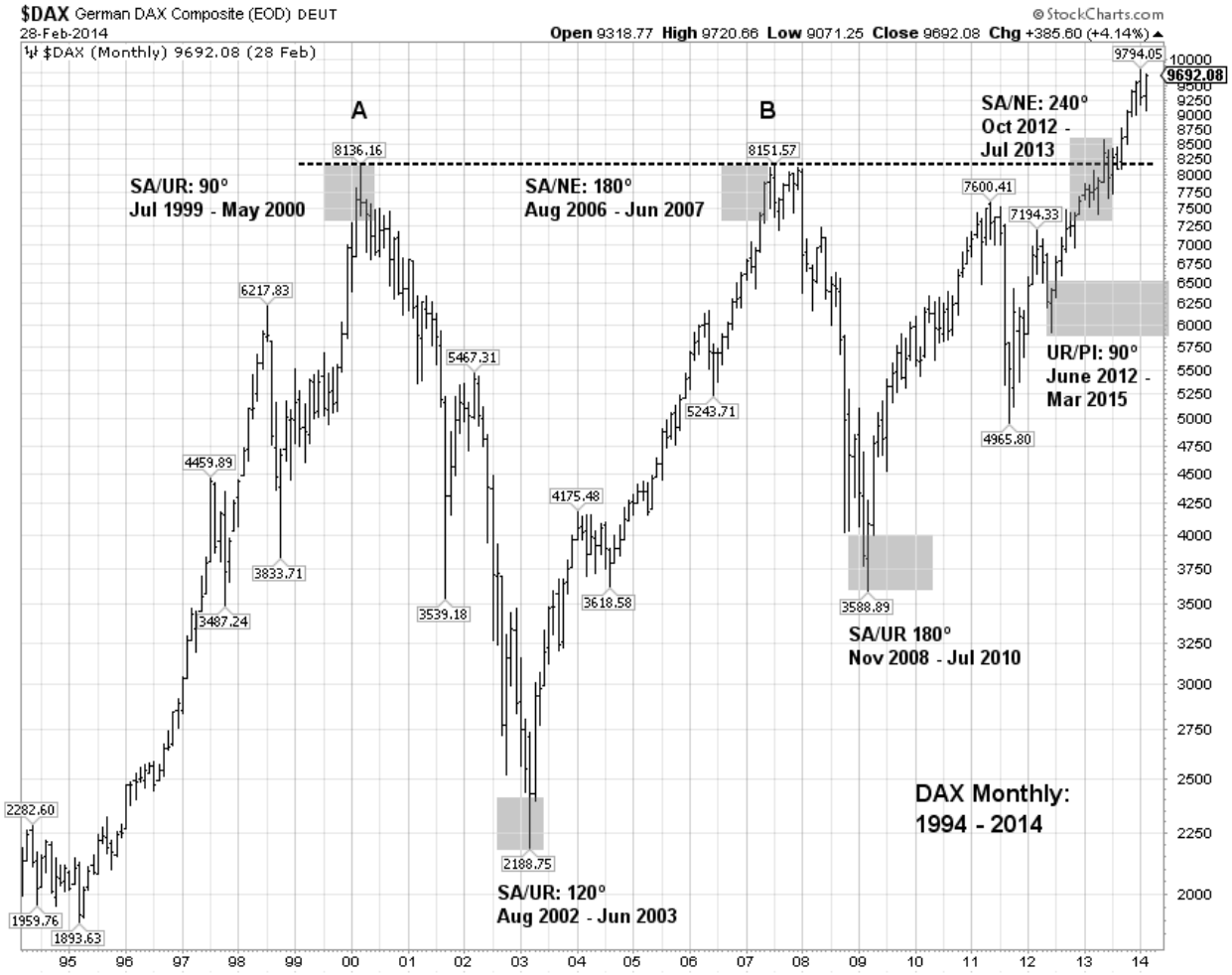
In the monthly chart of the German DAX from 1994 to 2014 shown above, a long-term double top can be observed at A and B. The first high occurred at 8136 in March of 2000. The market then sold off to 2188 by March of 2003; a loss of 73% in three years. The breakout and high of point A occurred during the period Saturn was in a waxing square to Uranus, July 1999-May 2000. It is interesting to note that the 2003 low occurred when the same two planets were in a waxing trine to one another (August 2002-June 2003). Although the decline was steep, it did not break the low of 1995.

The second part of the double top occurred in July 2007 at 8151, labeled as point B. It was only slightly higher than the 8136 high of March 2003. In fact, the DAX kept testing this 8100-8150 level from June through December of 2007, but could not break above it, thus confirming the double top chart formation. This is typical of major aspects involving Neptune combined with Saturn or Uranus. At the time, Saturn was in opposition to Neptune.

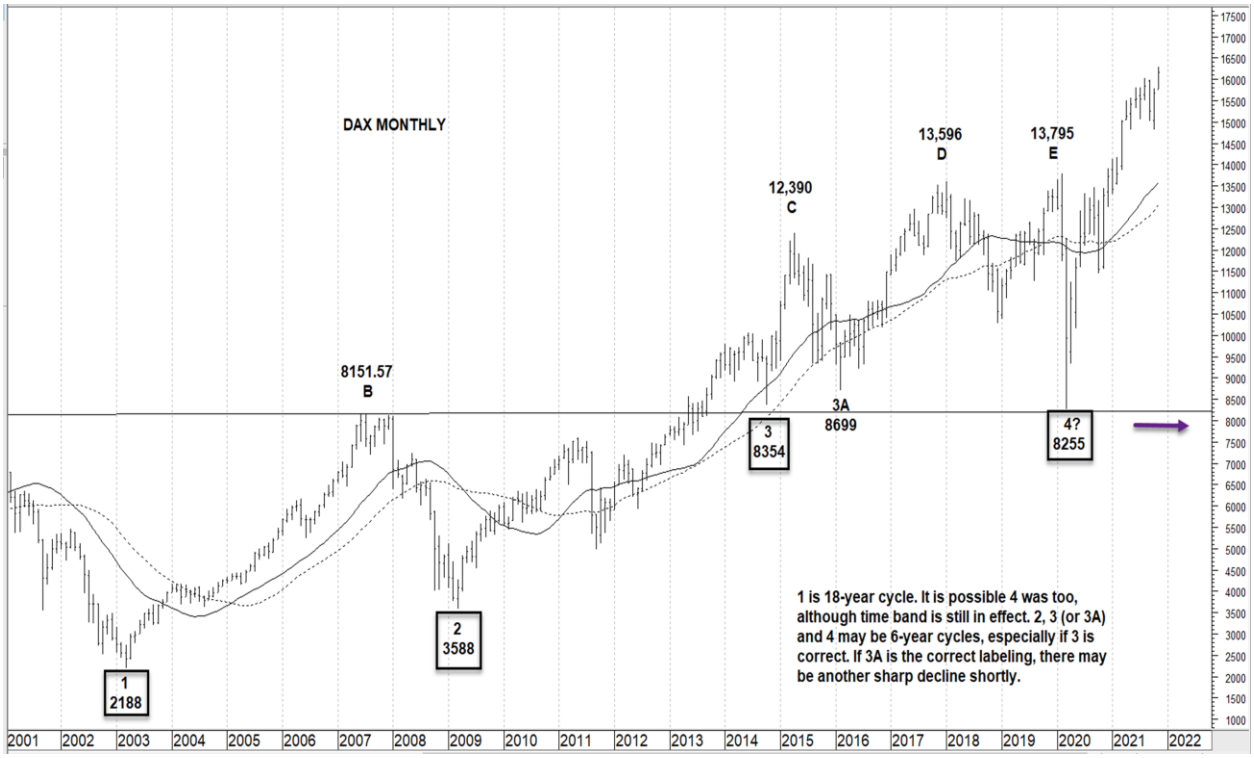


The market reversed from the second double top (at B) to decline into the 2009 low, finding support in a previously established zone from prior cycle lows. As illustrated above, the market again reversed in a time band of Saturn in a hard aspect to Uranus – the opposition.

The next point to note is in May-July 2013, when resistance was again tested and the price finally broke out above the double top at A-B. Note that this occurred during Saturn in waning trine to Neptune – the same planetary pair (in an opposition aspect) that had previously marked the double top at B. However, during this interval, Uranus had moved into a waxing square with Pluto – another hard aspect.



The DAX pulled back to test the previous all-time high area of 8100-8150, in August and September 2013. The challenge to this new support zone held and was followed by an upward explosion, typical of Uranus "breaking out" above long-term resistance. The extension of line A-B (the former double top) became support.



DETERMINING PRICE TARGETS FOR LONG-TERM CYCLE TROUGHS AND CRESTS BASED ON PERCENTAGES OF HISTORICAL GAINS AND LOSSES

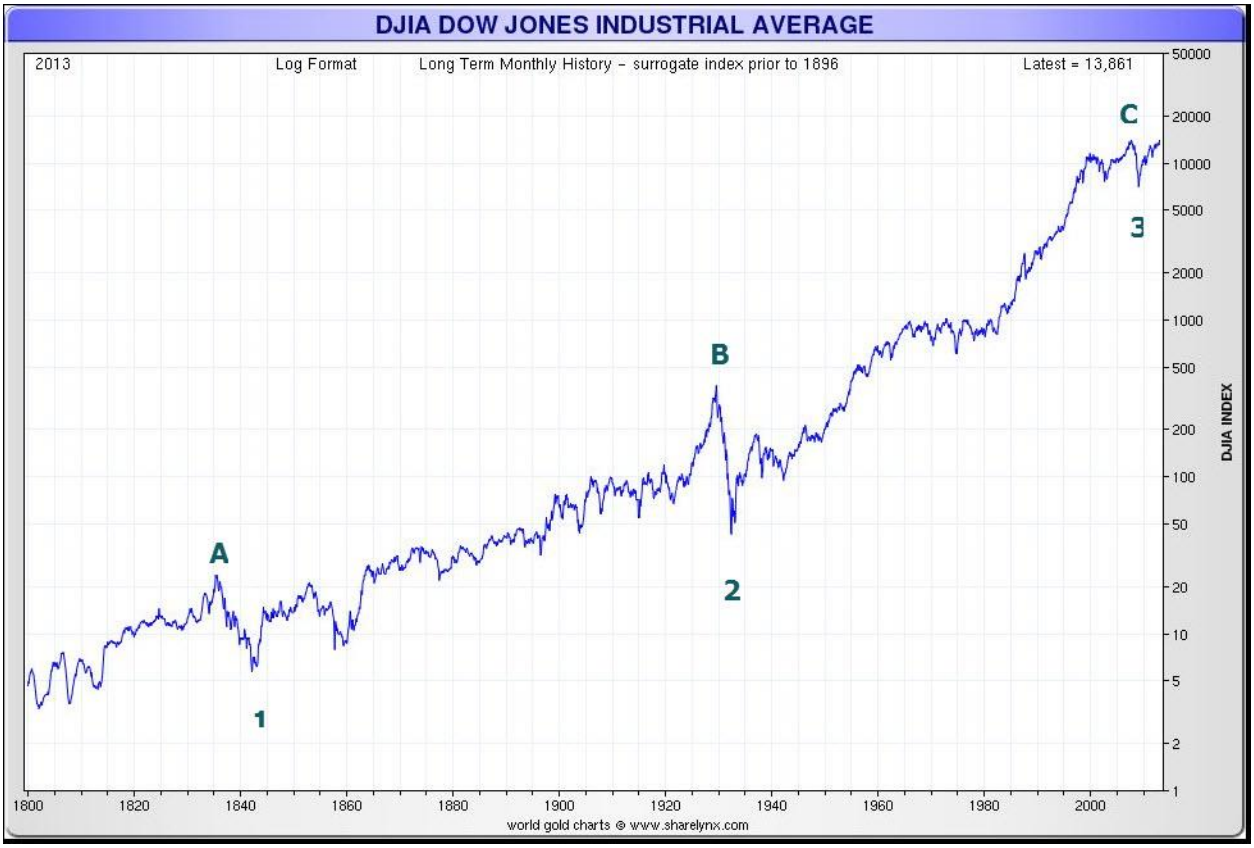
There are many ways that traders mathematically calculate price target zones for troughs and crests, support and resistance. However, these commonly used formulas are not sufficiently accurate for investors when forecasting price targets for troughs and crests of 4-year or longer cycles. Instead, we suggest the following steps for calculating price targets of longer-term cycles (4-year or greater cycles):

- The percentage value of gains (rallies) between troughs and crests.
- The percentage value of losses (declines) between crests and troughs.
- The price range in which 80% of these percentage gains and losses occur.

To illustrate this principle, we will use long-term charts of the U.S. and British stock market, as depicted in Course 3.

THE 72 AND 90-YEAR CYCLES

There are not enough cases of the 72 and 90-year cycles to produce a reliable study. However, in the three cases to date of these very long cycles, the stock market declined 50-90% from the all-time high that preceded each of the lows of 1842, 1932, and 2009. In the following very long-term monthly chart of the DJIA, the three all-time high crests are shown as points A, B and C. The troughs are illustrated as points 1, 2 and 3.



In the first two cases, the declines from crest to trough were 80-90%. In the last instance (C), the decline in the DJIA was 54.4%. In evaluating the rallies from the long-term troughs, the percentage of gain in each instance (from low to next all time high) was too extreme to be meaningful (over 60 times in the first case, and over 350 times higher than the value of the low in the second case).

According to cycle theory, the percentage decline to a 72-year or greater cycle trough will exceed any of the sub-cycle declines contained within the greater cycle, assuming the greater cycle was bullish. For example, in the 1932-2009 cycle, the 36-year half-cycle phase (of the greater 72-year cycle) happened in December 1974 and provided a 46.6% decline from its crest in January of 1973. Theoretically, the decline of the second 36-year cycle phase should be greater than 46.6%. As expected, the decline from the high of October 2007 to the probable 72-year cycle low in March 2009, was greater, at 54.4%. However, it was not in the 80-90% range of loss exhibited at the end of the two previous 72-90 year cycle troughs (1 and 2), occurring in 1842 and 1932.

With respect to orbs and ranges of long-term cycles, the time band remains in effect that could still correlate with an 80-90% decline yet to occur by the end of this decade, and perhaps early-next. It is probably safe to say that whenever a very long-term cycle high is completed, stocks will likely decline 50-90%.

A 50-year monthly chart of the DJIA 20% filtered waves is shown above. In this chart, the crest of the first 36-year cycle (half-cycle to 72-year cycle, 1932-1974) is at C, January 1973. The DJIA hit a new all-time high of 1051 (actual, not theoretical) at the time. It then declined to the 36-year cycle trough (3) in December 1974, with a low of 577. This was a loss of 45% (46.6% if using theoretical values, as in Volume 1 and 2 of the Stock Market Timing series).

At the 72-year cycle low (7), a decline greater than 45% would thus be anticipated. This would be due 30-42 years after December 1974, or in the time band from 1994-2016. In March 2009 (7), the DJIA met that requirement, as it had fallen 54.4% from the all-time high of October 2007 (G) at 14,198 to a low of 6469.

CHART LEGEND

Crest	Trough	Date	Cycle	Price Notes	4 yr Gain - Loss	Aspect	Aspect	Aspect
A		Feb-1966	4-year	1st touch 1000	90.8% Gain	SA/UR: 180	SA/PL: 180	UR/PL: 0
	1	Oct-1966	4-year	735.7	26.5% Loss	SA/UR: 180		UR/PL: 0**
B		Dec-1968	4-year	DT tests 1000	35.2% Gain	JU/UR: 0 *	JU/PL: 0**	JU/NE: 270 ^
	2	May-1970	4-year	627.5	36.9% Loss	JU/SA: 180		
C		Jan-1973	36-year	New ATH 1067.2	70.1% Gain	JU/UR: 90 *	SA/UR: 240	
	3	Dec-1974	36-year	570	46.6% Loss	JU/NE: 90	SA/PL: 270 ^	
D		Apr-1981	6-year	1031 DT '67 crest	39.9% Gain	JU/SA: 0		
	4	Aug-1982	4-year	BO early 1983	33.9% Loss	SA/PL: 0 *		
E		Aug-1987	18-year	2746.7	256.7% Gain	JU/UR: 120	SA/PL: 0	
	5	Oct-1987	18-year	1616.2	41.1% Loss	SA/UR: 0		
F		Jan-2000	18-year	11908	636.8% Gain	JU/SA: 0 *	SA/UR: 90	
	6	Oct-2002	18-year	7181.5	39.7% Loss	SA/UR: 120	Venus ST	Saturn ST
G		Oct-2007	72-Year?	14,198	883.5% Gain	JU/UR: 270	JU/PL: 0 *	
	7	Mar-2009	72-Year	6469	54.4% Loss	SA/UR: 180		
DT - Double Top / ATH - All Time High / BO - Break Out under JU/UR: 0 / ST - Stationary								
* applying aspect within allowed time band / ** separating aspect within allowed time band / ^extended time band								

The take-away regarding long-term cycles is:

1. The decline to very long-term cycle troughs is likely to be 50-90% off the preceding all-time high.
2. The decline to the final low is likely to be steeper than the declines of any previous phases, as long as the overall cycle was bullish.

18-YEAR CYCLE

Another means of forecasting price targets for long-term cycles in the DJIA is via percent of gains and losses from the troughs and crests of 18-year cycles throughout its history. In Course 1, we presented the following table of 18-year cycles in the U.S. and British stock market.

TABLE OF 18-YEAR CYCLES

Cycle #	Trough	Crest	Trough	Yrs Up	Yrs Dn	Low*	High*	Low*	% Up*	% Dn*
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.	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	626.9%	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	783.5%	54.9%

Note that cycle 12 could be labeled as ending October 2002 (#12) or March 2009 (#12A). We will assume the 2009 trough is correct for the cycle end, although that assumption will change if there is a decline greater than 54.4% by the end of 2023.

In the table above, the last column to the right (% Dn) displays the cycle declines in percentages from the high to the low of each 18-year cycle. These declines ranged from 13.9% to 89.5%. If the smallest (13.9%) and largest (89.5%) declines are removed, we find ten instances with a range of 30.0-80.0%. If we also remove the next smallest and largest declines, the range for the other eight cycles becomes 37.5-63.6%. Therefore, the table shows that eleven of the thirteen cases declined at least 37.5% from the crest of that cycle.

In the column marked Percent Up (% Up), all of the rallies from the 18-year cycle trough to the next 18-year cycle crest were at least 122%. Ten of those twelve cases appreciated at least 262%. In fact, every cycle since 1896 has appreciated at least 262%. Ten of these cases also appreciated less than 382%. Thus, the median price performance for rallies in the 18-year cycle has been 262-382%, with a minimum of 122% and a maximum appreciation (so far) of 883%.

These historical price percentage ranges determine the price objective targets for the purpose of long-term planning. The take-away from this study of the 18-year cycle is as follows:

1. Declines are predominantly 37-63% from the 18-year cycle crest to trough. There is only a 30% historical frequency that the final price will occur outside of this percentage range of decline. Therefore, when an 18-year cycle crest is identified, our downside price objective will be a 37-63% decline from the high of the 18-year cycle crest.

2. Rallies from the 18-year cycle trough to the following 18-year cycle crest occur mostly in a price range of 250-400% appreciation. Therefore, our “normal” price objective for an 18-year cycle crest will be 250-400% above the price of the 18-year cycle trough.

Remember, if the 18-year cycle has been bullish (the low was never taken out), then we may anticipate that the steepest decline will be in the last phase of the two or three phases within the 18-year cycle. Percentage-wise, it will exceed the percent of declines of any 6 or 9-year cycle within the 18-year cycle.

PRICE OBJECTIVES FOR LONG-TERM CYCLES
LESSON 5 QUIZ

1. What are the two main methods of determining price targets for long-term cycles in financial markets, such as 18-year or greater cycles in U.S. stocks?

2. When considering a price target for a 72- or 90-year cycle trough in U.S. stocks, how much (percentage-wise) does the decline from the cycle crest to trough usually cover?

3. When considering a price target for an 18-year cycle trough in U.S. stocks, what parameters should we look for? That is, what is the minimum decline, percent-wise, to look for? What is the "norm?"

4. When considering a price target for an 18-year cycle crest in U.S. stocks, which historical guidelines should we apply? What is the minimum appreciation? What is the normal percent of appreciation from the start of the cycle to its crest?