The Persistent Bull – 12 January 2013

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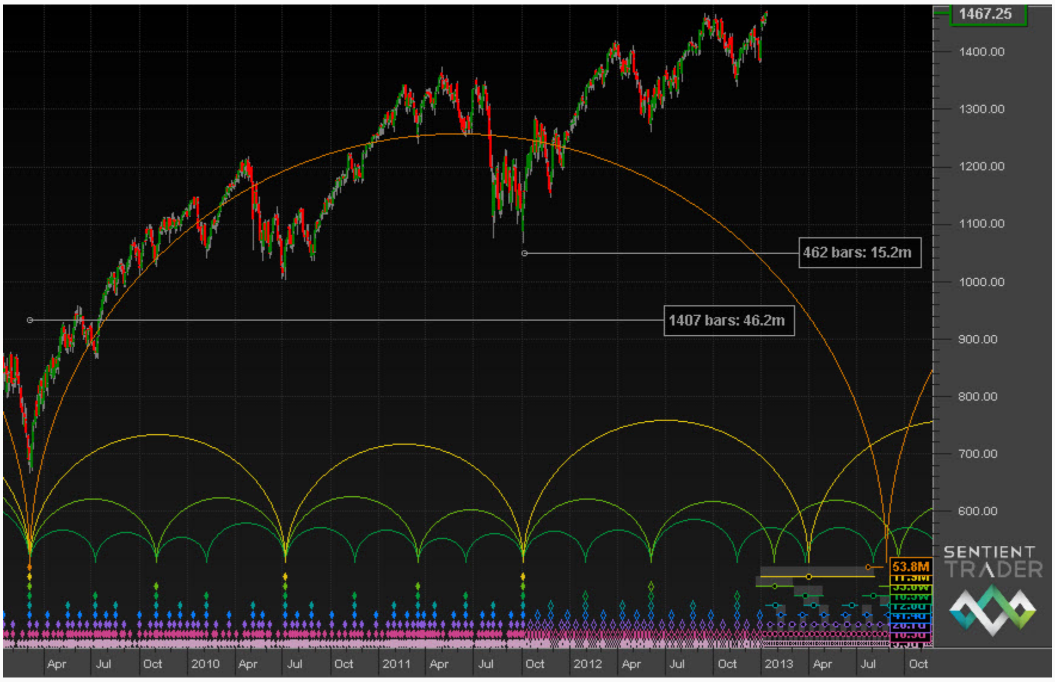
This entry was posted in Uncategorized *on January 12, 2013 by David Hickson.*

For the past few weeks I have been presenting two possible analyses for the US markets. The difference between them is simple, but crucial: was the trough in November 2012 a trough of 20-week magnitude (which is my preferred analysis) or was it a trough of the 18-month cycle?

The continued upwards move this week has not ruled out either analysis, and my preferred analysis remains the most likely analysis in my opinion (call me stubborn!)

But what is the difference between the two analyses in terms of what is going to happen next?

If the November 2012 trough was of only **20-week magnitude** then we expect the market to fall soon, in a hard and fast decline into the 18-month (probably also a 54-month) cycle trough expected by about the beginning of May, as shown here:



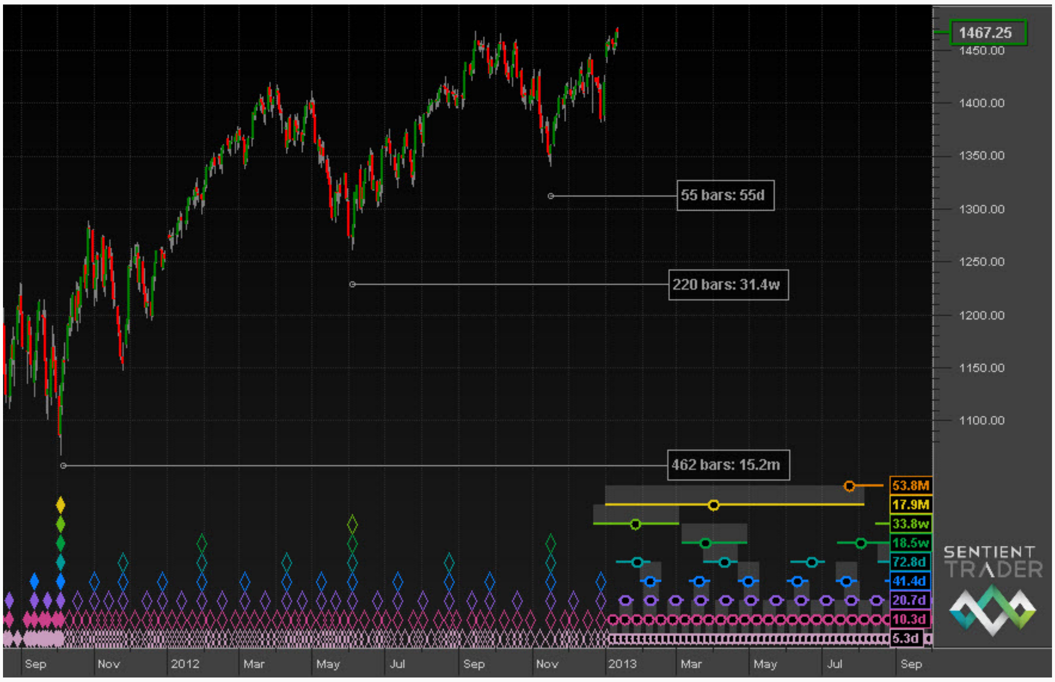
If on the other hand the November 2012 trough was of **18-month magnitude** then the situation is a little more complicated because the sequence of the last three 18-month cycles does not seem correct. If they were the three sub-cycles of the 54-month cycle then you would expect a progression from bullish to neutral to bearish, and the most recent 18-month cycle was not bearish, but in fact more bullish than the previous cycle. I have introduced in these posts before the concept of a non-Hurst six year cycle that seems to have been dominant in the US stock markets recently. I won't present the whole argument here again, but suffice to say that the sequence of bullish – neutral – bullish again that we have seen is explained by including the 6-year cycle in the analysis, as shown here:

And so what do we expect if this is the case? The next 18-month cycle is the middle sub-cycle of the 54-month cycle (and so gets a neutral impetus from that cycle), and it is the final sub-cycle of the 6 year cycle, which implies a good deal of bearish pressure. The last time we witnessed an 18-month cycle which was the final sub-cycle of a 6-year cycle was in 2008.

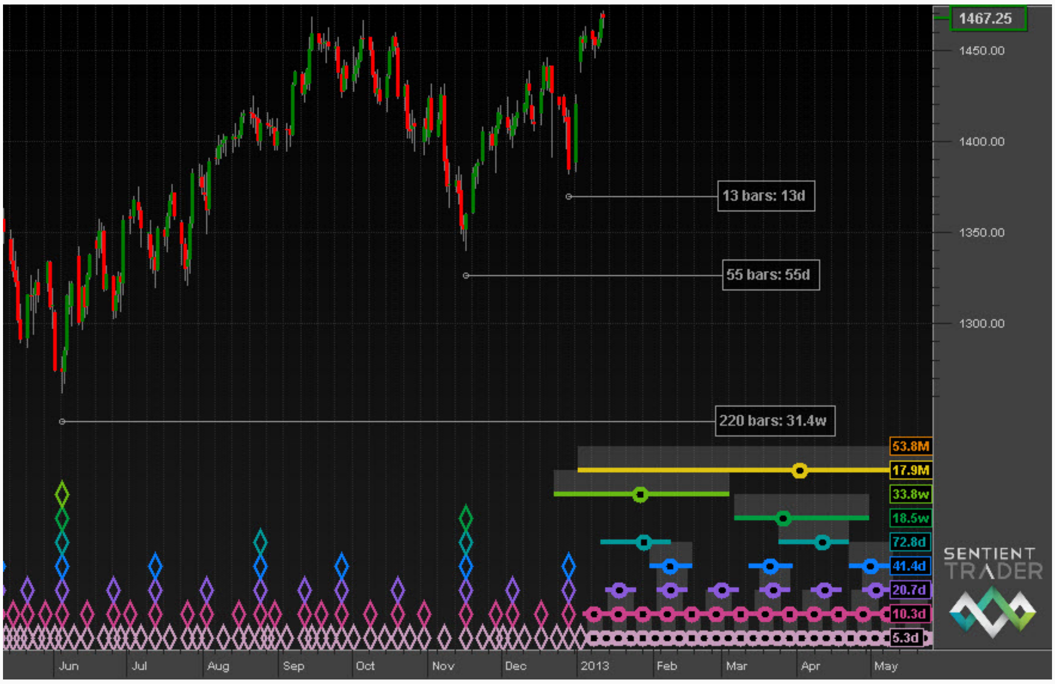
And so whichever analysis turns out to be the true one, things are looking bearish. The only difference really is how soon the bear will strike, and how hard.

S&P 500

Here are two charts of the S&P 500 showing my preferred analysis, which expects a downwards move soon to bring the market down into the trough of the 18-month (and in this scenario, 54-month) cycle.

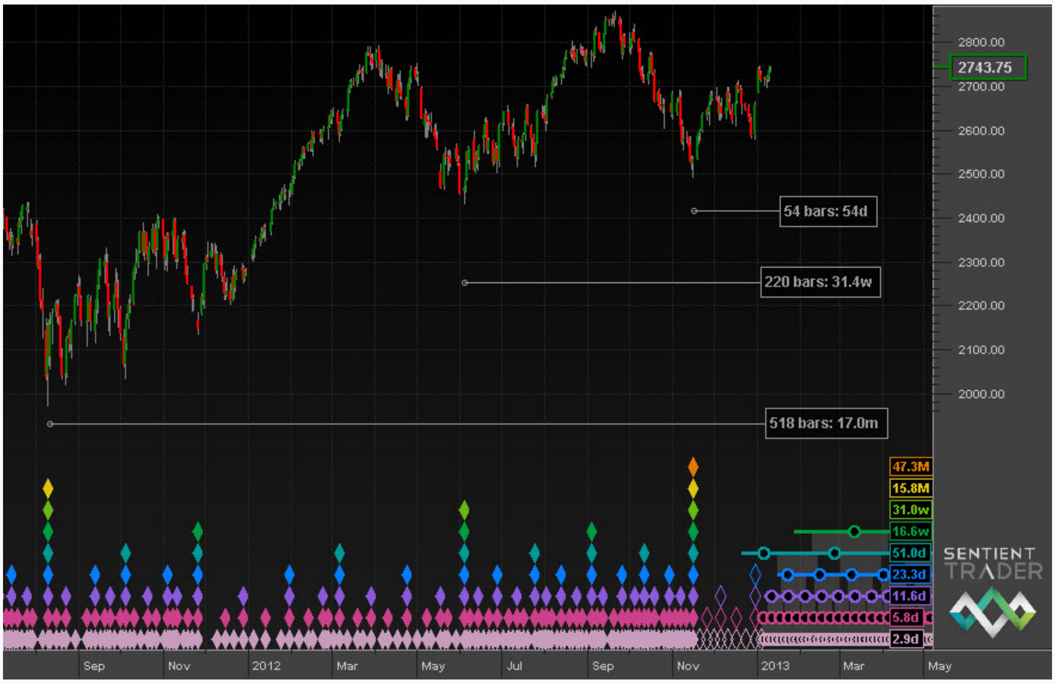


The bar counts show that we can expect the trough to form in about 8 weeks to 3 months time.



Nasdaq

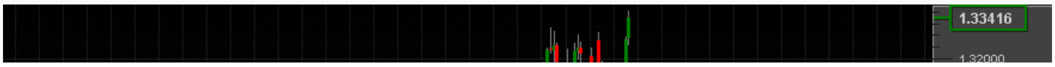
I am presenting the alternate analysis in the Nasdaq, where it is more acceptable because of the August 2011 trough, which can be phased as the trough of the 18-month cycle as opposed to the October 2011 trough.

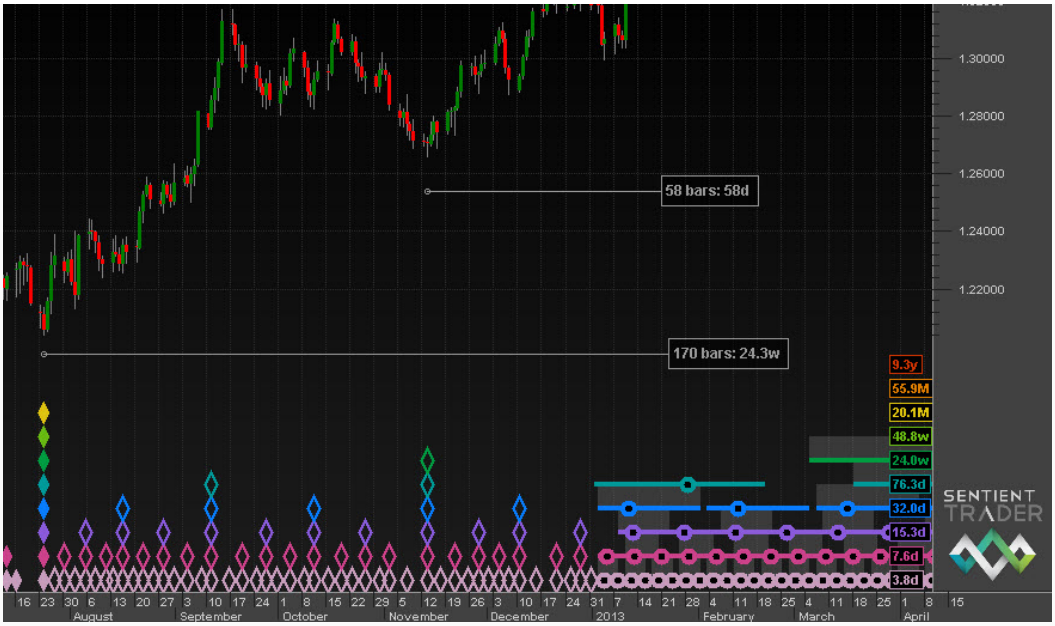


If the November 2012 trough was of 54-month magnitude as shown in the above chart then it will most probably turn out to be a straddled trough. Price action is usually fairly symmetrical surrounding a straddled trough, and so we might see price coming up to the levels of the September peak before turning down.

Euro/US Dollar

The way in which price and the 20-day FLD were interacting puzzled me at the beginning of the week, but then I realized that the cycles were running short in the Euro, and that the trough of Friday 4 January 2013 was a trough of 80-day magnitude. I published a video about it just in time to catch the move.





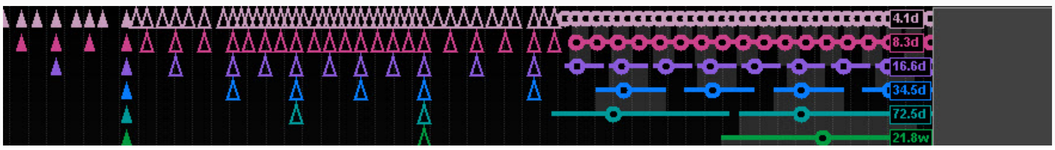
The Euro is looking bullish now, but eventually the 40-week cycle will exert its influence and pull the Euro down into the 40-week cycle trough expected in about April/May this year.

Gold

I thought that it would be helpful to take a step back and look at the bigger picture in Gold as well. The W-shapes are clear in the first 40-week cycle following the September 2011 peak. Now of course Gold is expected to complete the bigger W-shape for the current 18-month cycle that has the 40-week cycle peak of October 2012 as its center point. Price is falling now to the second trough of the W, then it is expected to pull back up to the final peak of the 18-month cycle expected in about July this year.

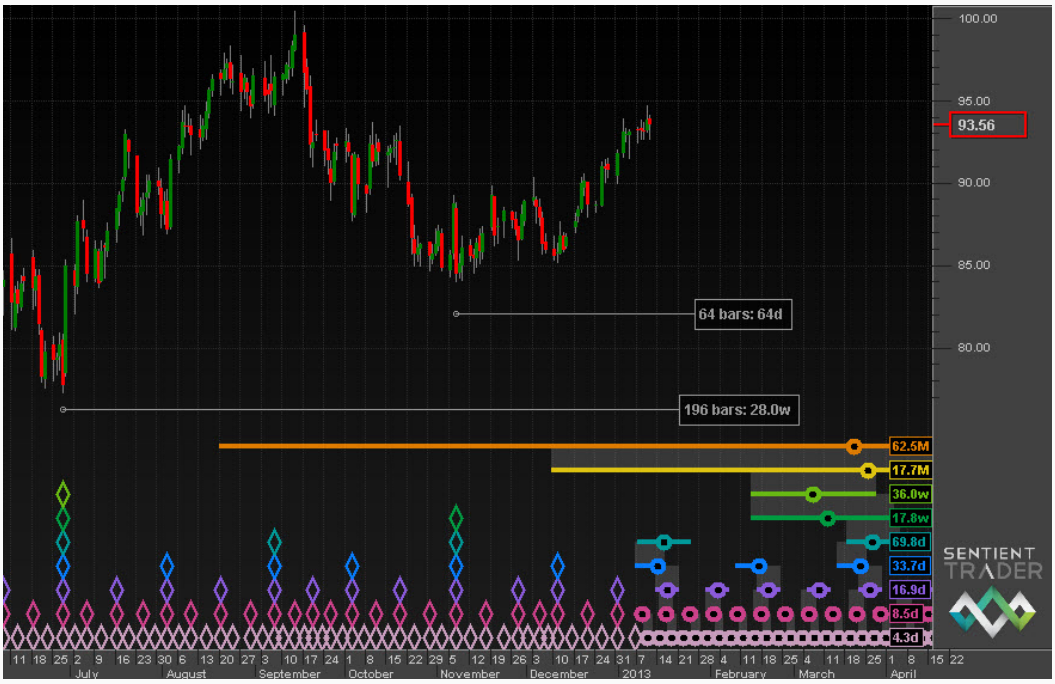
30-Year US Bonds

Speaking of W-shapes: Bonds should gather some strength soon to pull up towards the 40-week cycle peak expected in April/May this year.



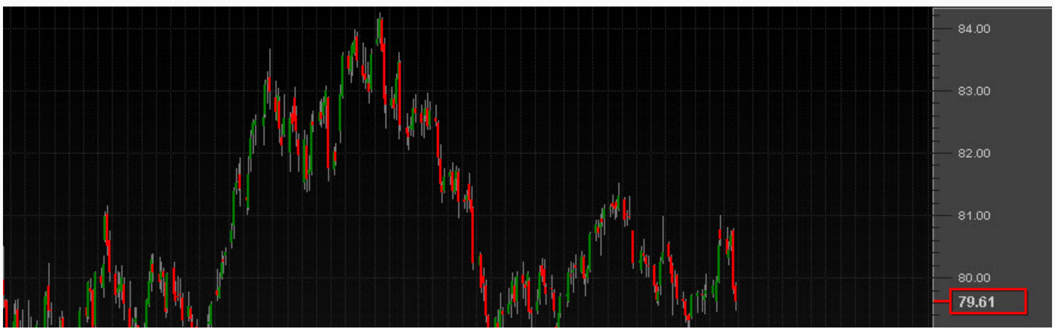
Crude Oil

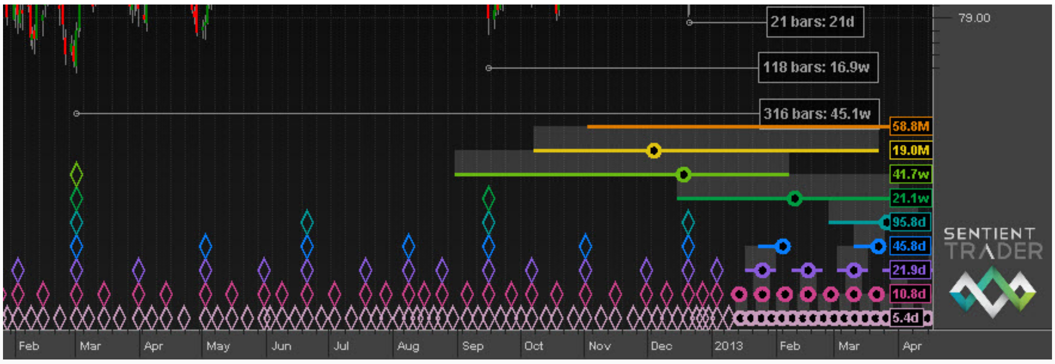
With all the noise around the two possible analyses in the US stock market, Crude Oil provides a much simpler and clearer picture. There is no question here that the November 2012 trough was a trough of the 20-week cycle. A peak should form soon and oil will start the downwards journey to the 18-month (at least) trough expected in about April this year.



US Dollar Index

The US Dollar is putting up a fight, but there is little doubt now that the 54-month cycle trough we discussed last week still lies ahead. The bar counts show how the cycles have been stretching, but it looks as if there are about 7 weeks still to go.





That wraps up this week's outlook. I am sorry to be the bearer of such bearish tidings, but that is what I believe the cycles are saying.

Have a great week, and profitable trading!

Like 0

About David Hickson

I have been trading for over 20 years, but only had any success after discovering Hurst's cyclic principles. Unable to find any software to speed up the analysis process I created Sentient Trader software, which now pretty much does all the analysis for me. I am a film maker and a TV director, but nowadays I mostly provide consultation services to professional traders and fund managers, helping them to integrate Hurst analysis into their trading. I'm South African and live with my family in Italy.

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4 thoughts on "The Persistent Bull – 12 January 2013"

Maheshwar

January 14, 2013 at 1:54 am

Reply ↓

hello david,

Can you please add the Nifty Futures(Indian Market) in this analysis page.

Thanks
Maheshwar

Paul Johnson

January 15, 2013 at 11:52 am

Reply ↓

Hello Maheshwar. Thank you for the the suggestion. From time-to-time we may look at some alternative markets and the Nifty would be interesting to cover occasionally.

cyril

September 4, 2019 at 10:00 pm

Reply ↓

Greatings. I was wondering, where can i get this awsome software/ indicator, it seems intresting on the pictures

David Hickson Post author

September 5, 2019 at 9:04 am

Reply ↓

Hi Cyril the software is Sentient Trader: https://sentienttrader.com Email info at sentient trader if you have any questions or need any help.

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This book has a chapter about the FLD Trading Strategy: ***Trade the Markets with an Edge (Traders World Online Expo Books Book 4)***

Other useful links

We use ***NOZBE*** to get things done and be productive.

A movie directed by David Hickson: ***BEAT THE DRUM*** (just for something different, it has nothing to do with Hurst, cycles, or financial markets!)

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