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# STOCK CYCLES FORECAST

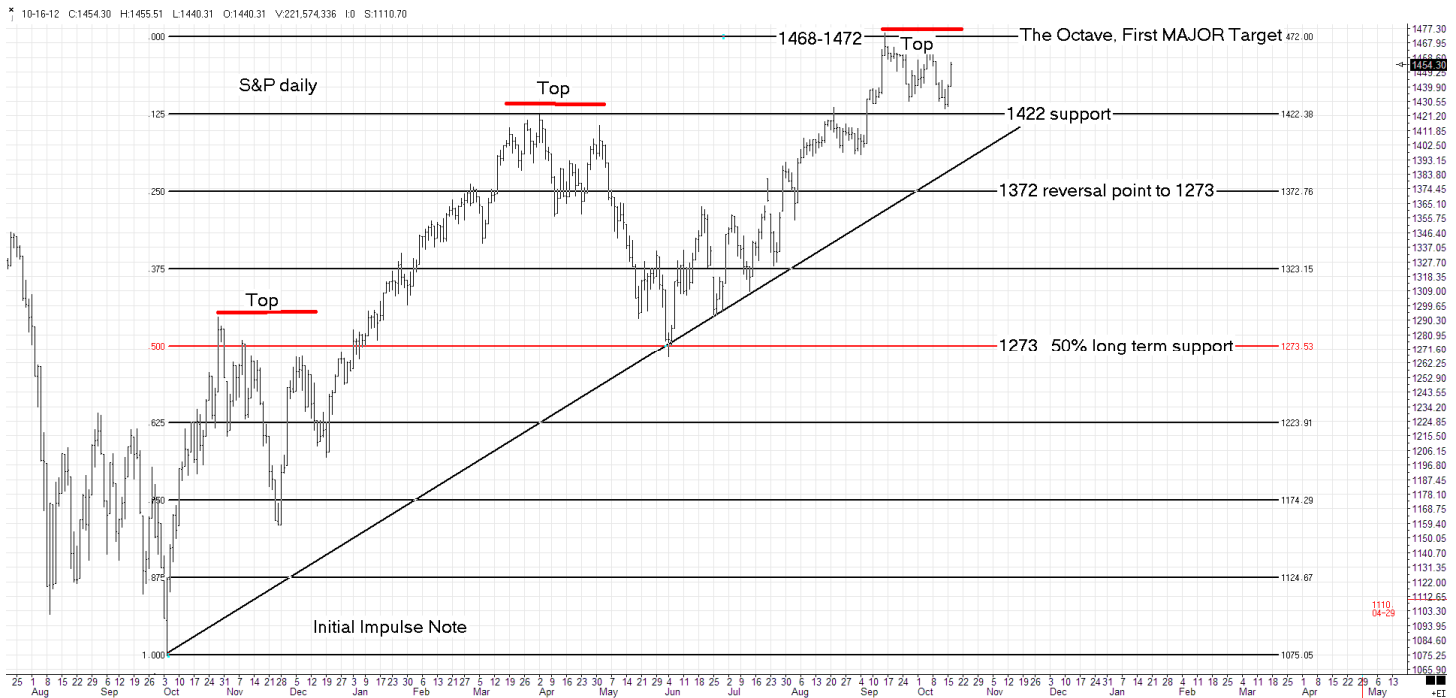
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**October 19, 2012**

**Dow 13,413**

## Last Push Then Major Correction

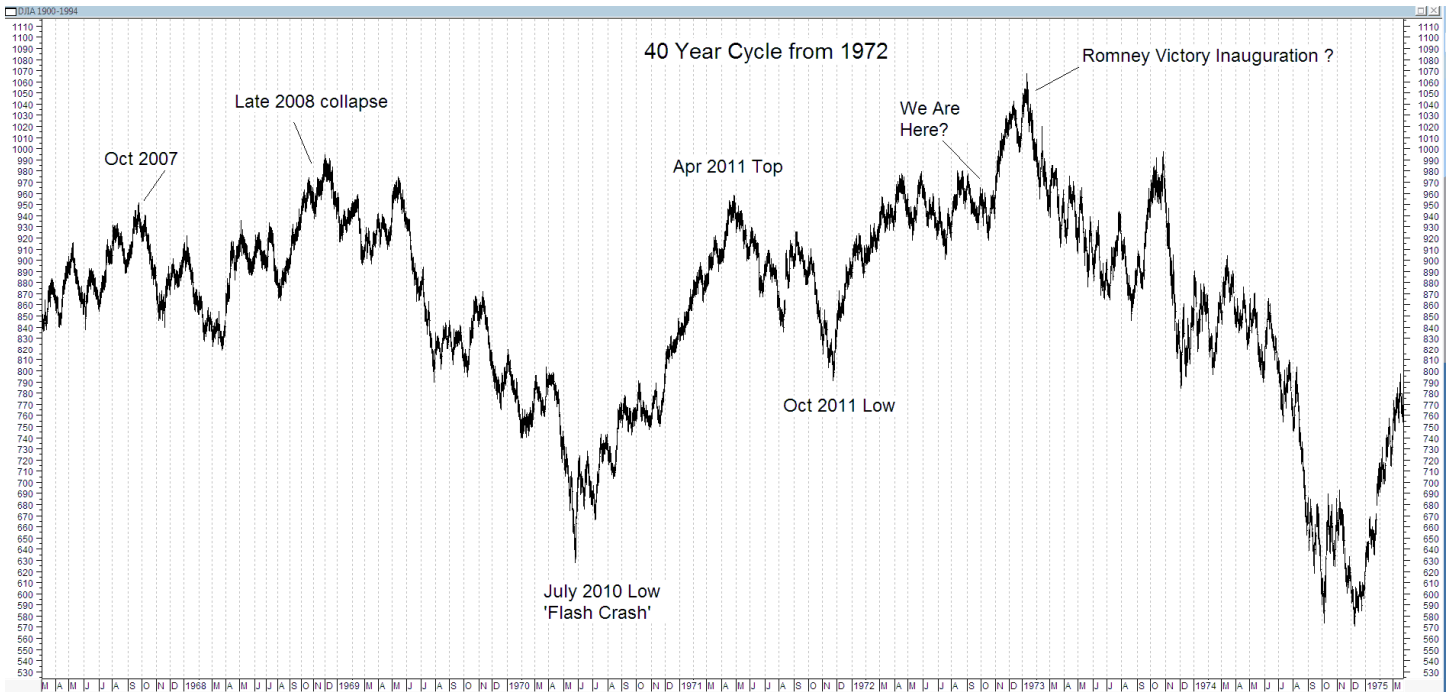
In the last issue I mentioned how the market respected my theoretical top target of 1468 on the S&P and now we would enter a dangerous time zone. There is still a small chance for a last fling thru that top to 1480 or even 1540 but it would be a 'spike reversal' type of event and lead to a new bear market. Usually that would begin immediately and extend for the next two years but the Election is beginning to look like the classic Republican sweep like in 1980 or even 1972 and a rally until January can't be ruled out in which case the old top at 1576 could be challenged. Certainly there is no room for any swing low like 1422 to be broken again, otherwise it would mean the correction had started. Should Obama be re-Elected I expect massive liquidation as he has a very heavy tax agenda and the capital gains rate would certainly go from 15% to 30% or more and all the billions of dollars locked up in 'carried interest' at hedge funds could be liquidated before year's end. The current **S&P** is below:



This chart below is the same relative chart from exactly 5 years ago at the **2007 top** and we see a potential spike to a slight new high before the big liquidation. That liquidation could be near the Election. Even after that you might get a yearend rally like the August to October 2007 snap back.



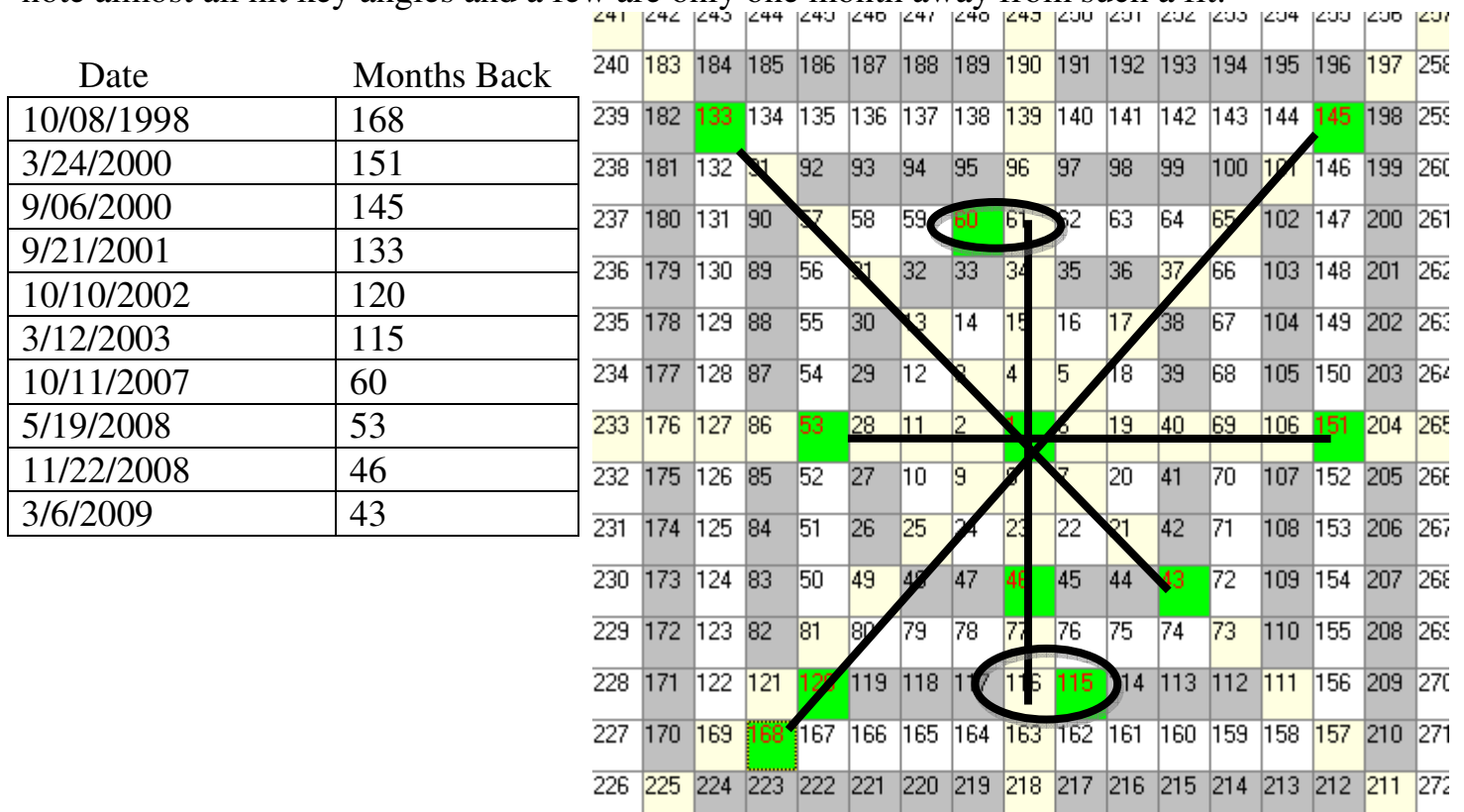
The 'big' cycles like the 100 year or 120 year and many others are pointing down now and like the chart above that had a snap back to the October high, they still had to go down for the next year or two since the cycle had topped out.



Here again (above) is the **1972** pattern that has been nearly perfect for four years.

## Traders Tip: Square of Nine

Most technical analysts are familiar with the '**Square of Nine**' which is a mathematical matrix which arranges numbers in a spiral circle. One diagonal is the square of odd numbers and the opposite the square of even numbers and it is also a representation of the Great Pyramid viewed from the top. It has been shown numerous times that the market vibrates to the squares of numbers so when the various highs and lows in history are entered in the Square of Nine they often line up in symmetrical axes at the key turning points. Most of the big turning points in history are related to past highs and lows so when many line up in this square it presents high odds that a major event is about to take place. The graphic below is the Square of Nine with the number of MONTHS backwards from *this week* to final highs and lows in the past. You will note almost all hit key angles and a few are only one month away from such a fit.



This is a pattern of a cycle culmination so while a fundamental case might be made at some point for an economic recovery, my belief in cycles tells me it's a time to watch and wait and use very close stops, or use a very steep stop out trendline like a 2 x 1 or 4 x 1 angle on longs if you think a 'nifty fifty' final run like the end of 1972 is repeating.

The Square of Nine can be used with all kinds of time periods like hours, days, weeks, months, etc. Often the axis lineups also point to differences between other squares, and prior highs or lows are often found along the same axis line. For example in the above the numbers 43 and 133 are on the same axis and both were big LOWS (Mar '09, Sep '01), axis 53 and 151 were big HIGHS (Mar '00, May '08). Each high and low can spin out another set of correspondences so it can get complicated. That's why in this first analysis I went *backwards* to see if there was a fit with this week as opposed to trying every conceivable combination going

forward. The 'big' events in history should be carried forward and this next chart shows why. It is a slide from my personal seminars and shows the harmonics after the October 2007 top.

# Months from October 2002 Low



Here we see a very nice set of major pivots from this simple natural integer squared sequence in months (all numbers on Square of Nine cardinal, and cross points). The big problem is identifying the 60 month point as the October 2007 top. Most inexperienced traders would label that as '1' and would get many little wiggles but not the big picture. Since October 2007 was exactly 5 years (60 months) from the October 2002 low it was a fairly obvious choice to try for a fit. One possible way to 'check' is to note the number of months between major highs and lows, as in the above, every 4-5 months. You then go out to the 'rung' in the square of nine that has an axis cross every 4-5 months and you can go backwards that number of months to look for a fit that would justify an origin hypothesis. On the next page is the follow up to this chart with the 77 months being the bottom and how it worked out going forward in time the next three years. The 'hits' were still good even after 10 years from the 2002 origin but they are drifting off a little but still are close to important turning points. The next one is November 9th just after the Presidential Election on the 6th. Note these are NOT the cycles first shown above that tie in with *this week* constructed backwards, as that was a reverse countdown and these latter two spin forward from the 2002 low. My first claim to fame was calling the 1987 top and that was a reverse countdown when I realized the cycles were getting shorter and shorter and all

pointing to the August 1987 point as 'zero'. That is more similar to where we are now over this next month and that confirms the big 100 year cycle whose bullish phase has come to an end.

By the way, when you study a chart like the one below that seems to be 'slipping' just off the exact turns, you will usually find that the displacement is about the same into the future. The last cycles from number 86 on seemed about one month late. That may mean that the November 9th cycle really was early October and October 5th was the last top. We could exceed it again like after number 101 but that was still part of a big 'rollover' top.



The above analysis concerns TIME but we know that PRICE is just as important. Usually when the Square of Nine lineups occur the prices fall in line with the time cycle prices from the past. We know that the relationship of one number in the Square of Nine to the next adjacent number out in the next rung is  $\text{SqRt}(\text{number}) + 2$  re-squared. We see this in the odd square diagonal of 9, 25, 49, 81, 121 etc., where these are just 3,5,7,9,11 as the roots with 2 added to them and squared. If we are 5 years from the October 2007 top of 1576 then one rung lower would be  $\text{SqRt}(1576) - 2$  re-squared = 1421 and if you look at the chart on the first page you see the last support which was recently tested was 1422 so *that number is key* to another top like the 1576 one on this date. Since the Square of Nine has a series of 45 degree angles (1/8th of 360), and the full circle takes a  $\text{SqRt} + 2$  re-squared to go one full circle, to get to any 1/8th 45 degree angle we would take  $\text{SqRt} + 0.25$ , (2/8) and re-square to get that 45 degree harmonic number. From our last 1422 support level the first resistance is  $\text{SqRt}(1422) + 0.25 = 1441$ , then the next (90 degrees) is  $\text{SqRt} + 0.50 = 1460$ , and the opposite to 1422 is  $\text{SqRt} + 1.0 = 1498$ . In this way we can find natural support or resistance and we try and line them up with our time cycle dates. By the way, the October 2002 low of 768 is also right next to our 1422 number  $\text{SqRt}(768) + 10$  (5 rungs up) = 1422. On the next page is a small section of my beautiful 'free' square of nine program I wrote that you can get from my sister website:



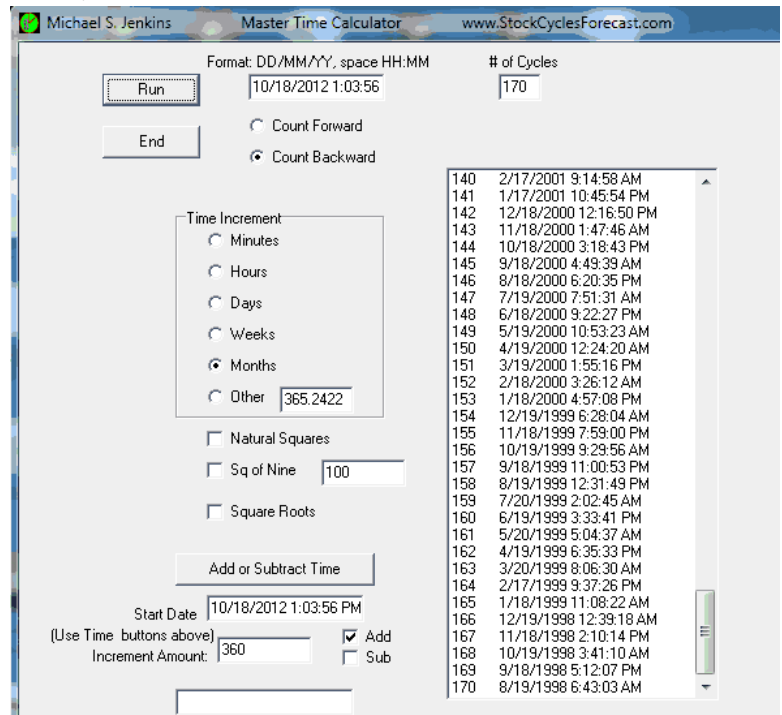
[www.michaeljenkinstradingresources.com](http://www.michaeljenkinstradingresources.com) and click on the 'free stock calculators and cyclic programs' link.

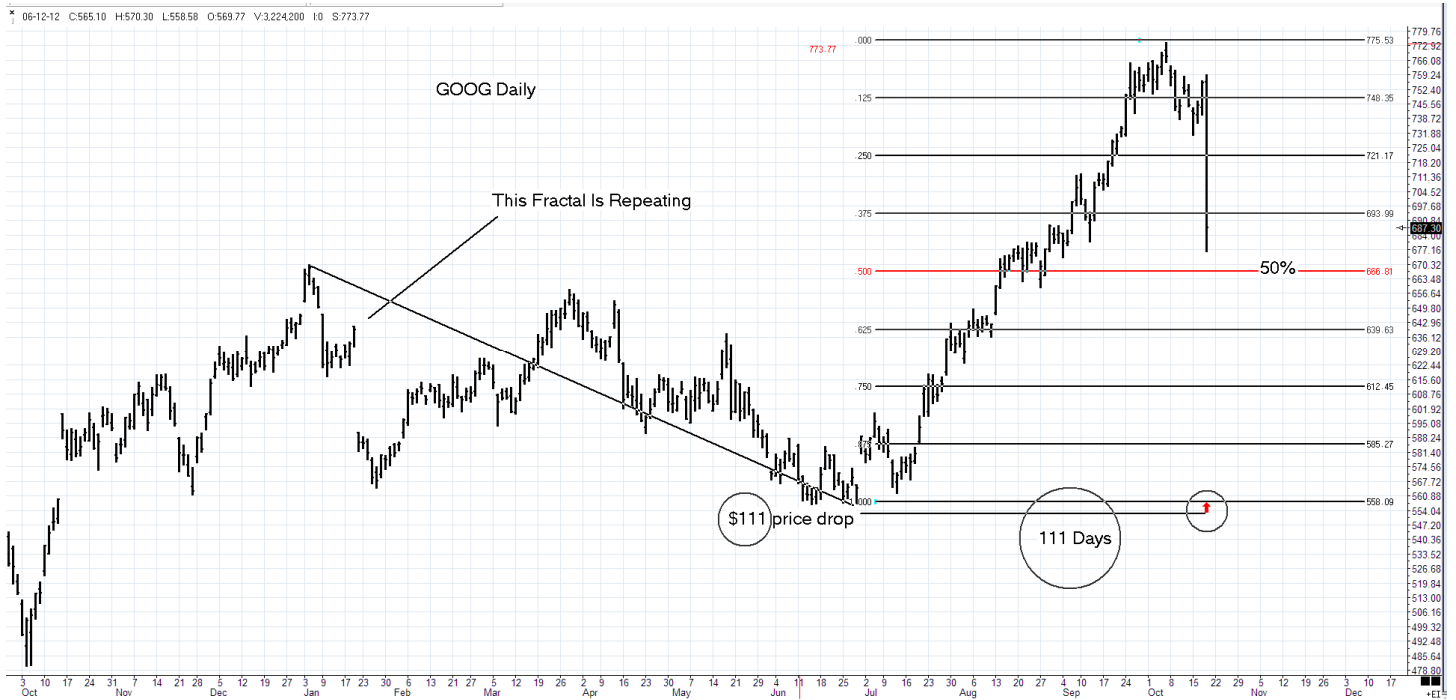
This is a tiny section as the whole grid is much bigger but you can expand or shrink it to any size you need. You can see that the numbers of 1576, 1422 and 768 are all very near the same vertical line and are related (slippage of one or two points would line them up perfectly). If you trade S&P futures you will soon learn that they hit these corner numbers almost every single day and bounce off them for easy trades for the people willing to look. Day traders will note that at our 1440 level the 'height' of the daily S&P bars is about 18-20 points a day. This is the resistance from the straight up 1426 to 1445 right corner section of the wheel. We can use this fact to estimate our daily moves and what per cent of that daily range can we reasonably be expected to scalp successfully. This is only a brief introduction to the Square of Nine but I show it now since the historic dates are lining up this month for a big turn. Only in my private seminars do I teach the hidden methods to its real use but the above simple public domain ideas work reasonably well at times and are worth serious further study.

|      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 1561 | 1562 | 1563 | 1564 | 1565 | 1566 | 1567 | 1568 | 1569 | 1570 | 1571 | 1572 | 1573 | 1574 | 1575 | 1576 | 1577 | 1578 | 1579 | 1580 | 1581 | 1582 | 1583 | 1584 | 1585 | 1586 | 1587 | 1588 | 1589 | 1590 | 1591 | 1592 | 1593 | 1594 | 1595 | 1596 | 1597 | 1598 | 1599 | 1600 | 1601 |
| 1560 | 1407 | 1408 | 1409 | 1410 | 1411 | 1412 | 1413 | 1414 | 1415 | 1416 | 1417 | 1418 | 1419 | 1420 | 1421 | 1422 | 1423 | 1424 | 1425 | 1426 | 1427 | 1428 | 1429 | 1430 | 1431 | 1432 | 1433 | 1434 | 1435 | 1436 | 1437 | 1438 | 1439 | 1440 | 1441 | 1442 | 1443 | 1444 | 1445 | 1602 |
| 1559 | 1406 | 1261 | 1262 | 1263 | 1264 | 1265 | 1266 | 1267 | 1268 | 1269 | 1270 | 1271 | 1272 | 1273 | 1274 | 1275 | 1276 | 1277 | 1278 | 1279 | 1280 | 1281 | 1282 | 1283 | 1284 | 1285 | 1286 | 1287 | 1288 | 1289 | 1290 | 1291 | 1292 | 1293 | 1294 | 1295 | 1296 | 1297 | 1446 | 1603 |
| 1558 | 1405 | 1260 | 1123 | 1124 | 1125 | 1126 | 1127 | 1128 | 1129 | 1130 | 1131 | 1132 | 1133 | 1134 | 1135 | 1136 | 1137 | 1138 | 1139 | 1140 | 1141 | 1142 | 1143 | 1144 | 1145 | 1146 | 1147 | 1148 | 1149 | 1150 | 1151 | 1152 | 1153 | 1154 | 1155 | 1156 | 1157 | 1298 | 1447 | 1604 |
| 1557 | 1404 | 1259 | 1122 | 993  | 994  | 995  | 996  | 997  | 998  | 999  | 1000 | 1001 | 1002 | 1003 | 1004 | 1005 | 1006 | 1007 | 1008 | 1009 | 1010 | 1011 | 1012 | 1013 | 1014 | 1015 | 1016 | 1017 | 1018 | 1019 | 1020 | 1021 | 1022 | 1023 | 1024 | 1025 | 1158 | 1299 | 1448 | 1605 |
| 1556 | 1403 | 1258 | 1121 | 992  | 871  | 872  | 873  | 874  | 875  | 876  | 877  | 878  | 879  | 880  | 881  | 882  | 883  | 884  | 885  | 886  | 887  | 888  | 889  | 890  | 891  | 892  | 893  | 894  | 895  | 896  | 897  | 898  | 899  | 900  | 901  | 1026 | 1159 | 1300 | 1449 | 1606 |
| 1555 | 1402 | 1257 | 1120 | 991  | 870  | 757  | 758  | 759  | 760  | 761  | 762  | 763  | 764  | 765  | 766  | 767  | 768  | 769  | 770  | 771  | 772  | 773  | 774  | 775  | 776  | 777  | 778  | 779  | 780  | 781  | 782  | 783  | 784  | 785  | 902  | 1027 | 1160 | 1301 | 1450 | 1607 |
| 1554 | 1401 | 1256 | 1119 | 990  | 869  | 756  | 651  | 652  | 653  | 654  | 655  | 656  | 657  | 658  | 659  | 660  | 661  | 662  | 663  | 664  | 665  | 666  | 667  | 668  | 669  | 670  | 671  | 672  | 673  | 674  | 675  | 676  | 677  | 786  | 903  | 1028 | 1161 | 1302 | 1451 | 1608 |
| 1553 | 1400 | 1255 | 1118 | 989  | 868  | 755  | 650  | 553  | 554  | 555  | 556  | 557  | 558  | 559  | 560  | 561  | 562  | 563  | 564  | 565  | 566  | 567  | 568  | 569  | 570  | 571  | 572  | 573  | 574  | 575  | 576  | 577  | 678  | 787  | 904  | 1029 | 1162 | 1303 | 1452 | 1609 |
| 1552 | 1399 | 1254 | 1117 | 988  | 867  | 754  | 649  | 552  | 463  | 464  | 465  | 466  | 467  | 468  | 469  | 470  | 471  | 472  | 473  | 474  | 475  | 476  | 477  | 478  | 479  | 480  | 481  | 482  | 483  | 484  | 485  | 578  | 679  | 788  | 905  | 1030 | 1163 | 1304 | 1453 | 1610 |

You can easily find the time cycle backwards or forward from this 'Master Time Calculator' at right, also given out free on the above mentioned website. In this case I checked 'months' and 'Count Backwards', but you can use any time factor you want.

As I write this letter **GOOG** has just collapsed on bad earnings and I show the chart below since it demonstrates one of the key principles demonstrated in my new book showing how time and price must be balanced at every pivot. In this case a top and decline of \$111 points created a top and collapse point 111 days later or on October 18th - the crash day, and looking back at the origin we see the potential same fractal pattern repeating. The fractal does show a rally back very labored and that would tie in with the 2007 top which was a month *after* the general market top in October. This principle of price drop and time duration





rally was mentioned in the last letter where I said the 910 point drop from October 2007 to March 2009 would require a rally phase to end 910 'bars' later which would be October 2012. We are there now. It may not end like this **GOOG** chart did but it could, so be sure and use stops on longs. Note that in the past week we saw major breaks in **AAPL**, **IBM** and now **GOOG**. What do they have in common? They ALL had final bear market bottoms on November 22, 2008. Now go back to the first Square of Nine graphic and see the November 22, 2008 date is a 46 month line up with all the other dates. The big top is near, but like the period from November 2008 to March 2009 it may be a rotational top with a last top near the Presidential Inauguration at the end of January 2013.

**Summary:** The next big pivot dates are October 22nd and November 6th. Price targets are 1468, 1480, 1510 and 1540. Breakdown points are 1445, 1410, and 1371. Below 1370 we go to 1270.

**The following stocks have cyclic turns during the next three weeks.**

|       |       |       |       |       |       |       |       |       |       |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| KO    | UNH   | BAC   | CSCO  | GS    | JPM   | SLB   | HD    | ADBE  | BA    |
| 10/22 | 10/22 | 10/23 | 10/24 | 10/24 | 10/24 | 10/24 | 10/24 | 10/25 | 10/25 |
| DD    | INTC  | AAPL  | WMT   | UTX   | MSFT  | CAT   | AXP   | VZ    | OXY   |
| 10/25 | 10/25 | 10/25 | 10/25 | 10/26 | 10/26 | 10/26 | 10/26 | 10/29 | 10/29 |
| MCD   | DIS   | GE    | C     | IBM   | PG    | ADM   | BP    | HD    | MMM   |
| 10/29 | 10/30 | 10/30 | 10/31 | 10/31 | 10/31 | 11/01 | 11/02 | 11/02 | 11/02 |
| XOM   | AMZN  | EBAY  | BAC   | GS    | UTX   | ASA   | GOOG  | DIS   |       |
| 11/05 | 11/06 | 11/06 | 11/07 | 11/08 | 11/09 | 11/09 | 11/09 | 11/09 |       |

## October / November Activity Calendar

| DATE  | UP /DOWN DAY | DAILY | WEEKLY | HOURLY |
|-------|--------------|-------|--------|--------|
| 22    | U            | *     | *      | 11     |
| 23    | U            |       |        | 10     |
| 24    | U            |       |        | 11     |
| 25    | D            |       |        | 12     |
| 26    | D            |       |        | 11     |
| 29    | D            | *     |        | 2      |
| 30    | U            |       |        | 10     |
| 31    | D            |       |        | 3      |
| Nov 1 | D            |       |        | 10     |
| 2     | D            |       |        | 10     |
| 5     | U            |       |        | 2      |
| 6     | U            | *     | *      | 12     |
| 7     | U            |       |        | 10     |
| 8     | U            |       |        | 1      |
| 9     | U            |       |        | 10     |

Notes: U means up day, D means down day. Trend changes indicated by the \* will generally be more accurate than the frequent U/D day indications and will usually trend in the same direction until the next \*. Hourly turns are given in local New York City (Eastern) times, i.e.10=10 AM EDT.

**Be sure and check out my new and best book ever, now on the website:**

<http://www.stockcyclesforecast.com/SCF10.html>

The reviews have all been fantastic with many scratching their heads how this is possible and how exciting it all is. It really is the final solution to any market problem.

Stock Cycles Forecast voicemail telephone number is (212) 866-2934, but I rarely answer phone messages. To get a quick response it is better to use email at: [mjenkins@Stockcyclesforecast.com](mailto:mjenkins@Stockcyclesforecast.com), or [Mikecyc@aol.com](mailto:Mikecyc@aol.com). Let me know if you can get email delivery of the newsletter as it is at least two to three days faster than regular mail. **Stock Cycles Forecast** is published approximately every three weeks. Annual subscriptions to the newsletter including the nightly telephone update are \$500, a six month subscription is \$265. One-year subscriptions without the telephone service are \$300, and a two-issue trial is \$50. Mr. Jenkins books and course: *The Geometry Of Stock Market Profits* (\$50), *Chart Reading For Professional Traders* (\$75), *The Secret Science of the Stock Market* (\$135), *Basic Day Trading Techniques (\$125)* as well as *The Michael S. Jenkins Complete Stock Market Trading and Forecasting Course* (\$529 US \$550 Foreign), and *Secret Angle Method* (\$500), *Michael S. Jenkins Trading Video* (\$900) and *Square The Range Trading System* (\$325) are available for purchase by check mailed to: **Stock Cycles Forecast, P.O. Box 652, New York, N.Y. 10025-9998. PayPal is also accepted on the web ([www.paypal.com](http://www.paypal.com))** by 'sending money' to [mjenkins@stockcyclesforecast.com](mailto:mjenkins@stockcyclesforecast.com). The information and statistics as well as the original theoretical concepts utilized in this report are presented solely on the basis of the writer's interpretation of such factors and may not reflect specific knowledge or fundamental analysis of any of the companies mentioned. Any opinions expressed are subject to change without notice. Neither the information nor any opinion-expressed herein constitutes a representation or solicitation for the purchase or sale of any security. From time to time the publisher, his associates or members of his family may have a position in the securities mentioned in this report.