

# GENERAL OUTLOOK FOR 2016

## *TOPPING FORMATION IN PROGRESS*



BY

**DANIEL T. FERRERA**

500 index could decline from 40% to 60% by the time the next cyclical bottom forms, just as it did in 2000 to 2002 and 2007 to 2009.

Additionally, the price behavior of the indexes will be characterized by rapid, wild, extreme moves in both directions much more than it has been during the past several years, as this new cyclical bear within the larger secular bear removes the speculative excesses from the market.

Thus, the present danger is that the Fed began raising rates into a weakening environment that may trigger the economy into stalling out again. Inflation falls further due to zero wage growth, collapsing energy prices, shadow unemployment, and the central bank has to reverse its course in short order. So far, that is what has happened to every other country that has tried to raise rates off from zero, which paints a wider picture of a sluggish global economy.

Note secular bull and bear markets average 18-years in duration:



## FERRERA OUTLOOK FOR 2016



**Note:** The thin red angle and blue angle moving left to right across the chart intersect precisely on the September 19<sup>th</sup>, 2014 high, which was followed by a 9% correction that found support on the green 45-degree angle. This was predicted in advance in the August update to the 2014 Outlook.

The thin red line is the 1x4 geometric angle projected forward from the October 2007 high, and the blue line is the 1x8 angle projected from the March 2000 top. Like the 45-degree angle, the red 1x4 angle is now acting like a price resistance barrier. When support angles change to resistance, it implies that a top is currently in place and the trend has changed.

In terms of Gann's own writings, the stock market is clearly on the bear side of the 45-degree angle (bold green) and given the amount of elapsed time from

(advancing stocks vs. declining) along with continued weakness in the Transportation index provides concurring evidence that the May 20<sup>th</sup> peak is significant.

Also mentioned in the October correction update, converting the May 20<sup>th</sup> high price to a time period demonstrates that the market is presently vibrating as if this were the final price culmination. The next chart shows both the full and half cycle of the high price balanced out as a time period in trading days (not calendar), and has produced 6 turning points that have all been within a single trading days' tolerance. **January 6<sup>th</sup>, 2016, February 8<sup>th</sup>, March 10<sup>th</sup> and April 12<sup>th</sup> of 2016 are the next 4 dates of this cycle.** Additional dates from this cycle will be provided in the follow up letters to keep you abreast. The main cycle is 46.40 trading days.



collusion and complete misrepresentation of the underlying risk. Because from this new *modus operandi* (going back to the 1998 failure of Long Term Capital Management), any profits will be theirs to keep, while any losses (and risk) will likely be backed up by the Nation State and its multitude of taxpayers to save the economy from complete collapse. Again as former Fed chairman Ben Bernanke himself claimed: *"that direct manipulation of the stock market would create a virtuous cycle that would somehow repair an economy that had become overburdened with excessive debt."*

## MARKET STRUCTURE CONTINUED



Connecting the impulse waves top to top and bottom to bottom yields a unique view that mimics a type of three dimensional perspective. All the impulse waves supported higher highs and higher lows and give the impression that

## FERRERA OUTLOOK FOR 2016



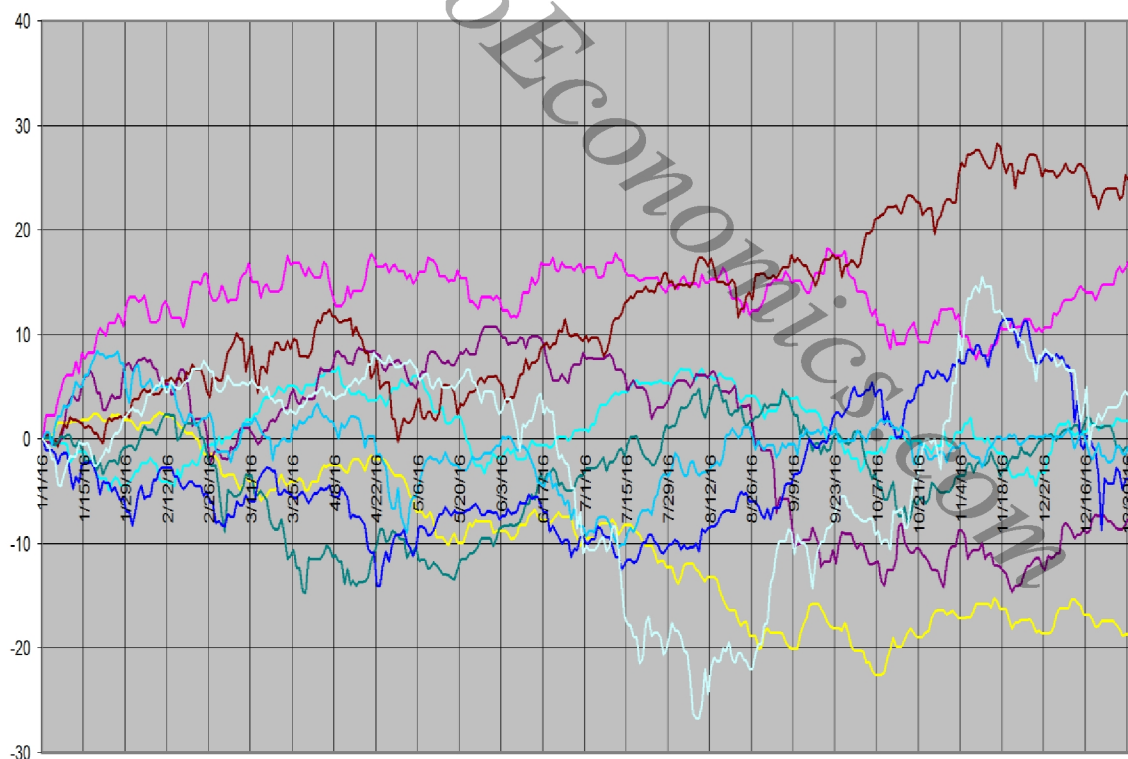
In any event, there seems to be a struggle between the remaining bull and bears within this low volume year end phase of the Santa Clause rally. The bulls are trying to get the S&P500 index to close in positive territory by December 31<sup>st</sup>. It also looks like this daily decline structure could find an early bottom around January 6<sup>th</sup>, 2016 (the next price vibration date).

Before leaving this chart, it is interesting to note that the last two advancing structures had lower tops on the 9<sup>th</sup> wave, whereas in the majority of advancing structures, it is the highest high of the entire segment. Again, this implies a weakening condition as upward momentum is fading.

cycle to generate addition turns. Future updates to the 2016 Outlook will also include these additional dates.

## MASS PRESSURE

The Mass Pressure chart for 2016 excluded the secular bull market 1982 to 2000. The emphasis was placed on 1976 and then looking back in 10-year increments to 1896. The majority of these 10-year cycles culminated in the 6th year as is expected for the subject year 2016. The majority of years finished flat to negative with the worst year losing 20% by year end. The largest decline was 28%. Most of the declines persisted into October.



cycle to generate addition turns. Future updates to the 2016 Outlook will also include these additional dates.

## MASS PRESSURE

The Mass Pressure chart for 2016 excluded the secular bull market 1982 to 2000. The emphasis was placed on 1976 and then looking back in 10-year increments to 1896. The majority of these 10-year cycles culminated in the 6th year as is expected for the subject year 2016. The majority of years finished flat to negative with the worst year losing 20% by year end. The largest decline was 28%. Most of the declines persisted into October.

