INSIIDE TRACK

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"...Let us run with patience the race that is set before us." Hebrews 12:1

by Eric S. Hadik

Beware the Bear

An INSIIDE Track Analysis Recap

Beware The Bear

Preparing for Sept. 2007--2008

CONTENTS

"The Lord said to Moses, "This month is to be for you the first month, the first month of your year.

Tell the whole community of Israel that on the tenth day of this month, each man is to take a lamb for his family, one for each household...

Eat it in haste; it is the Lord's Passover. On that same night I will pass through Egypt and strike down every firstborn - both men and animals - and I will bring judgement on all the gods of Egypt."

Exodus 12:1-3, 11-12
(New Int'l Vers. ©1986)

Focus 5768...

17-Year Cycle Confirming

May - July 2007 - In ***Bring on the Bear***, the focus was on an uncanny sequence of events that have occurred in the days immediately surrounding **April 19th**… dating back to the *American Revolution* (first shot fired on **April 19**, 1775) and the *Civil War* (first shot fired on **April 19**, 1861) and flowing through right to many of the attacks of the 1990's (Waco, Oklahoma City & Columbine - **April 19/20th**).

These events often involved war and/ or domestic attacks & revolt. (More recently, there has also been a corroborating series of **April** events in Iran.) One of the primary conclusions of ***Bring on the Bear*** was that America would be hit by new domestic attacks - and/or international turmoil - on **April 16 - 20, 2007**.

Sadly, **April 16, 2007** validated this cycle again - with the Virginia Tech Massacre.

During the same week (**April 20, 2007**), Iran confirmed a significant escalation in their nuclear development. This fulfills recent expectations & projects focus forward - to **April 2008** and beyond. The interesting thing is that domestic terror events & international geopolitical events are often reflected in financial markets - like Stock Indexes & the Dollar or Gold & Crude Oil.

The destabilizing events of **April 2007** are expected to piggyback other cycles & indicators that are projecting a sharp downturn in the stock market - later in **2007**.

Another corresponding cycle - the *17-Year Cycle* - has been detailed in recent publications and portends a major bear market in the coming years. As discussed in this analysis, that should be a 35-

50% drop in equity prices - over a 1-3 year period.

And that coincides with all of the analysis in ***Focus 5768*** articles, which explain why **Sept. 2007--Sept. 2008** should usher in a transformational period for Israel & the Middle East - looking ahead to **2011** & **2017/2018**.

The following is a compilation of all this analysis, provided to allow new readers and subscribers to get caught up on what has recently been discussed. It begins with the supposition that Dollar cycles could be the key to the next several years. ***Watch Sept. 2007!***

If the analysis is accurate, the Dollar should be dropping to new 40-year lows by or in **Sept. 2007**… and trigger the arrival of *'The Bear'* in Stock Indices. This could be exacerbated by a surge in energy prices. That has been discussed in several previous ***Weekly Re-Lay*** publications:

5/16/07 ***Weekly Re-Lay Alert***: ***"The Last Straw: Oil or the Dollar… or Interest Rates?"*** *"In recent months, one of my contentions has been that another market complex (perhaps more than one) will provide the last straw for stock indices...Similar to times like 1986/1987, stock indices have ignored oft-correlated markets that would normally be deemed negative for stocks.*

This is not unusual since correlations are most influential once the lead market enters a parabolic phase… or breaks through a multi-year extreme.

I believe the Dollar will break below its multi-year lows later in 2007… and this will weigh heavily on stocks…

Oil markets are another complex that could trigger a knee-jerk reaction in stocks. And, interest rates could do the same (even if it is just an initial reaction before a more-sustained sell-off hits stock indices later on)…

Bonds *&* ***Notes*** *are increasing the potential that they could see a drop back to their April lows in the coming days or weeks. A drop to new intra-year lows is also possible...This potential action could have a similar impact - albeit on a smaller scale - as the 1986--1987 bear market (in Bonds) did on stocks.*

This is NOT to say that the proverbial 'sky will fall'… just that it could be one of those events that suddenly attracts traders' attention… at just the right moment in time."

5/19/07 ***Weekly Re-Lay***: *"The* ***Dollar*** *did see additional gains and did signal that its current advance should extend into May 21--25th.*

82.66--82.75/DXM is shaping up as a powerful range of resistance that could pinpoint a top. 82.66/DXM is the monthly 2nd Close Resistance (the March 30th close, which also makes it 'unchanged' for 2Q 2007) while 82.70/DXM is the low of the year-opening range (support turned into resistance).

82.75/DXM is the weekly 21 Low AMAC, a level that should clarify what to expect in the next 1-3 months…

If the Dollar trades up to this level and reverses lower, it would show a trend that is about to enter an accelerated decline. This could trigger a new wave of selling that lasts into mid-September, when multiple cycles come into play."

5/23/07 ***Weekly Re-Lay Alert***:

"The Back-Breaking Straw: The Dollar"

"Although Gold, Oil, the CRB and Interest Rates could all place additional burdens on the Stock Indices, I still place the highest probability on the Dollar providing the proverbial 'straw that breaks the camel's back'… at least with respect to Stock Indices.

There are many reasons for this, but I will just touch on a few right now. Others will be elaborated in the June 2007 ***INSIIDE Track*** *(and others in upcoming* ***IT Special Reports****). The first reason is cycles...At the risk of sounding like a broken record, this has similarities to 1987…*

At that time, interest rates had been surging for 17 months - into September 1987 - and stocks barely took notice (although they did peak in late-August). In this case, the Dollar has been dropping for almost 6 years and stocks have barely taken notice. But, let me review one other piece of analysis that leads up to the present…

In late-2004, I compared the action of the Dollar & Euro to that of the Dollar & D-Mark in late-1987 and projected a 12-18 month Dollar rally/Euro correction - for 2005 & 2006 - before a new Dollar drop/Euro surge took hold.

The Dollar and Euro turned the next month and have consolidated ever since. The next phase - a Dollar drop to new 40+-year lows - appears to be underway.

Though it is rarely described in terms like that, the Dollar Index is only 2 basis points above its 10-year low and less than 4 basis points above its 30--40 year low.

Can you imagine how the media will describe it if/when the Dollar drops below 78.00/ DX?

In typical form, a drop from 121.00 to 81.00 (2001 peak to late-2004 low) will mean little or nothing. However, a drop from 82.00 to 78.00 will mean the end of the world… at least that's what we are all likely to hear, if it happens.

*At the risk of sounding like a broken record, now is a perfect time to review **'Hadik's Axiom of Market Correlation'**, which states:*

Markets only follow other markets when the lead market is going parabolic or is in an extreme phase…

In this case, the Dollar might not be going 'parabolic' if/when it breaks below 80.53 and then below 78.50 (although that will likely trigger some panic selling) but it will be in an 'extreme phase' - the lowest point of a generation… and going lower.

Which brings us back to the comparison to 1987… October 1987 saw the 18th month of an interest rate surge… and it was finally too much for stocks to bear.

This also coincided with a US/Iranian confrontation in the Persian Gulf on October 19th. Bonds dropped below psychological support and stocks suddenly plummeted.

As in 1987, the reaction in stocks could be extremely sharp… and short-lived. Or, it could be something that drags out a little longer and does more overall damage.

My guess is more of the latter… with the sharpest stock drop occurring in September 2007 and the Dollar initially bottoming in September 2007."

5/30/07 ***Weekly Re-Lay Alert***: *"The Back-Breaking Straw: The Dollar II" "Although there seems to be very little attention given it presently, many signs still point to a coming breakdown in the **Dollar**… potentially by Sept. 2007.*

However, it is definitely at a critical juncture. If the Dollar - which is only 2 basis points above its 10-year low and less than 4 basis points above its 30--40 year low - is going to turn back down in the near future, it should NOT give a weekly close above 82.32/DXM.

*There are a lot of corresponding factors - that are elaborated in the current **INSIIDE Track** - that could continue to contribute to this. Other currencies are testing or breaking out above multi-year and multi-decade highs. The British Pound & Canadian Dollar are prime examples.*

Economic strength in areas like housing had delayed the need for further interest rate cuts that could undermine the Dollar. This, however, appears to be changing. The 3-6 month outlook for Bonds & Notes is corroborating this.

A 5-year advance in stocks has also helped to keep the Dollar's 'head above water'… but has certainly not rescued it. This is why the Dollar - and by association, the US stock market - are a precarious house of cards. Remove one of those cards and the whole house comes toppling down."

June 2007 ***INSIIDE Track***

5/31/07 - *"For over a decade, my primary focus has been on Sept. 2007 to usher in a unique period in history. As this time frame has neared, more and more cycles have corroborated it and more price action has validated it…*

Although I usually resist speculating on 'causes' for market moves, there is at least one strong possibility for a stock market correction that should be watched closely. If nothing more, it might give a brief warning signal before the masses recognize the danger.

> *"For over a decade, my primary focus has been on Sept. 2007 to usher in a unique period in history...*
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> *...there is at least one strong possibility for a stock market correction that should be watched closely. If nothing more, it might give a brief warning signal before the masses recognize the danger...*
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> *Many cycles and indicators point to a new decline in the Dollar coming this Summer...*
>
> *And, this could trigger panic selling in the Dollar... resulting in domestic and int'l investors deciding to liquidate some US Dollar-denominated investments, like stocks."*

Many cycles and indicators point to a new decline in the Dollar coming this Summer. If the Dollar drops only 2.00 basis points, it will already be at new 10+-year lows. If it drops a mere 4.00 basis points - more than the amount it declined between mid-April & mid-May 2006 (a 4-week drop) - the Dollar will be trading at new 40+-year lows!

Imagine how the media would portray that?!?

And, this could trigger panic selling in the Dollar... resulting in domestic and int'l investors deciding to liquidate some US Dollar-denominated investments, like stocks. Dollar cycles show that the next decline could be culminating in September 2007. So, the majority of the drop could occur before then.

This could also coincide with the potential for declining interest rates into late-2007 (lowering the appeal of the Dollar), either leading the Dollar lower or as a response to falling stock prices ('flight to quality').

So, we could see a vicious circle of a declining Dollar causing declining stocks causing declining interest rates causing a declining Dollar causing declining stocks, etc., etc."

Excerpt from June 2007 ***INSIIDE Track***

6/02/07 ***Weekly Re-Lay***: *"The **Dollar** remains at a crossroads that could determine or influence what occurs for the next 3-6 months (or longer). It has fulfilled analysis for a rally to 82.37--82.66/DXM and has done it without turning its weekly trend up. This also brings it back up to the low of the year-opening range (support turned into resistance).*

Since little of that has changed, it is a good time to review an important principle…

All of trading and technical analysis is a 'numbers game'. It is calculating the most probable scenario based on all available factors. Often, the difference between a market signaling a big rally versus a big decline is a few points. This is where the Dollar finds itself…

As long as the Dollar does NOT give a weekly close above 82.32/DXM (which would turn the weekly trend up), the prevailing analysis will be that the Dollar has completed a rebound and is poised to enter a new 2--4 month decline.

*As explained in **INSIIDE Track** and in previous Weekly Re-Lays, this decline - if it unfolds - has the potential to be momentous.*

This does NOT mean it has to be an all-out Dollar crash. Instead, it would just be the proverbial 'straw that breaks the camel's back'.

This 'straw' doesn't weigh any more than any of the other straws… and might even weigh less. However, it represents that decisive move when the masses no longer ignore what has gone on for the past 6 years… and even the past 22 years.

And, just like the news media needing another new story every day (often totally blowing an event out of proportion in the constant battle for viewer attention), traders constantly need a new focus and a new scapegoat for whatever ills might be impacting various markets on a given day or week.

*So, IF - and this is still a big **IF** - the Dollar turns down & breaks below 80.53/DX… and then below 78.50/DX… my guess is we will hear about the inflationary ramifications, the lost faith in America & her currency and foreigners fleeing Dollar-denominated investments.*

And, this might all be discussed as a result of a 4-5 basis point drop in the Dollar Index (less than the amount it dropped in a 4-week period in April/

May 2006). In reality, these points may have been valid all along. It would just be the Dollar 'crossing the Rubicon' that suddenly made it all so significant."

The Dollar could be the key to what occurs in Stock Indices, Interest Rates, Gold and even Oil over the next couple years. All signs point to an impending Dollar drop - into **September 2007** - to new 10+-year lows and potentially to new 40+-year lows… that should then trigger a new *Bear* in stocks and surge in Oil.

There are other cycles (*17-Year cycle* & *34-Year cycle*) and potential events (watch **April 2008**) that could corroborate this. Some of them have also been discussed in recent months… and are addressed in the following excerpts:

4/30/07 INSIIDE Track:

2007--2008

The Trap…

"No-Win Situation...

04-30-07 *- From all appearances, the trap is set. The 'West' - in particular the U.S. - are being lured into a no-win situation. No, I am not discussing Iraq. In fact, since before March 2003, I have conveyed my belief that one of the biggest incentives for going into Iraq (shortly after going into Afghanistan) was to provide an envelope around the nation that poses the greatest threat to the Middle East and to Western interests...*

IRAN!

The American presence also provides perceived containment of Syria - the hotbed of terrorism. This is not stated to enter a political discussion or to debate the merits of US foreign policy. But, it is an attempt to understand what is truly driving it... and what could, therefore, prompt future actions. It is also an attempt at understanding the motivation behind Iran's actions and/or proclamations. In many respects, for almost 30 years, America has been ignoring the warning signs.

April 19th...

So, with all the current global focus on Iran, is it any surprise what this year's April 19th time period brought? It actually hit on April 18th (the exact 19-year anniversary of Operation Praying Mantis - US/ Iranian warship battle in the Persian Gulf) and was the revelation - by inspectors from the International Atomic Energy Association - that Iran is enriching uranium and has over 1,300 centrifuges in operation. Next stop: A Nuclear Bomb.

In many respects, the pattern is similar to the past decade…

War Cycles & Iranian Cycles...

April 2006 saw Iran test-firing the fastest torpedo in the world. April 2007 saw the confirmation of Iran's nuclear development. What will April 2008 reveal...

April 2007 ushered in the next phase of an unstable period... in global politics, in the markets, in the earth and even in the heavens. As reiterated last month, we are about to enter the 7th sunspot cycle in a sequence of increasingly active solar cycles. There was initial evidence that this had begun last fall, but now there is some question as to whether it might hold off until March 2008…

This fits with the long-term outlook and projection for energy markets, inflation and precious metals. All were forecast to see a major surge from 2001 - 2011/2012, with an intervening peak in 2006. The second surge was projected to begin in 2007…

Stock indices have rallied to new intra-year highs, with the expected leader - the Nasdaq 100 - spiking about 20 points (1%) above its January 2007 peak. It needs to give a monthly close above 1888/NQM, however, to show any signs of triggering a new wave higher. Otherwise, the intra-year trend will remain neutral.

The other indices have rallied to new highs, as well, fulfilling the weekly trend pattern. This also initially fulfills the 5-wave structure illustrated in the DJIA chart from ***'Bring on the Bear'*** *(see right column).*

In contrast, the S+P 500 & Nasdaq 100 (and OEX & Russell 1000) remain below their 2000 highs. It has taken them almost twice as long (time) to recoup what was lost (price) in the 30.5 months following that peak. In the case of the Nasdaq, it has only managed to recoup about 25% of those losses. Overall, this is not the sign of euphoric strength that financial commentators would have investors believe.

*Once again, it prompts a review of a parallel I have cited over the past 7 years. It involves a comparison between the period beginning in **2000/2001 and extending into 2007/2008** - with the period between **1966--1974.** This was based on a myriad of cycles, including the 11-year sunspot & Middle East War Cycle (1956, **1967**, 1978/79, 1990, **2000/01**, 2011/2012). Here is a sampling of the similarities…*

***Jan/Feb 1966** saw a MAJOR stock market top followed by a nearly 40% drop in the DJIA. **Jan/Mar 2000** saw a MAJOR stock market top (DJIA) followed by a nearly 40% drop in the DJIA. Hmmm.*

***1967** saw an Israeli/Middle East War (Six Day War) at the same time America was entering a prolonged battle (Vietnam) that polarized the nation. **2000/2001** saw a renewed battle involving Israel (intifada) and America entering a prolonged battle (starting with 9/11) that has polarized the nation. Hmmmmm.*

***1970 - 1973** saw a 31-month culminating surge that brought the DJIA back up to - and about 10% above - its Jan. '66 high.*

***2004 - 2007** has seen a culminating 30-month surge (May is the 31st month) that brought the DJIA back up to - and about 10% above - its **Jan. 2000** high. Hmm-mmmm.*

***1973** - 7 years (1 'week' of time) from the **1966** stock market top - saw the DJIA trade above its **1966** high for a brief period of time and then enter a 2-year bear market and lose 50% of its value...Will 2007 repeat the pattern with the start of a 2-year bear market in stocks?*

…The indices are living on borrowed time and this is expected to be more apparent in late-2007... when an initial decline could be unfolding...

Longer-term traders & investors should now lighten up on additional long positions and use weekly closes below 12,561/DJIA, 1452.0/SPM & 1829.0/NQM to exit additional longs."

5/29/07 INSIIDE Track:

2007--2008

17-Year Armies on the Move…

*"**Armies Marching Up...***

***05-29-07** - Batton down the hatches. Head for the shelters. Massive armies are on the move. They are emerging from underground, everywhere east of the Great Plains, south of the Great Lakes and north of Florida. It is time for the **17-year** cicadas to reappear.*

If you do not live in this region of the US, you might not be aware of this phenomenon. So, let me briefly explain the entire cycle...

*The **17-year** cicada life cycle is actually reaching fruition now and a new one will begin in a few weeks. The culmination of a **17-year** development involves the mature cicadas emerging from the ground and climbing whatever vertical structure (tree, pole, sign, stake, etc.) they can find. In the process, they shed their shell - that had protected them for nearly **17 years** - and indulge in a kind of 'last hurrah' mating ritual. (Sadly for them, it is also their 'first hurrah'.) Along the way, these cicadas can seriously damage newer shrubs and trees.*

Soon after, they begin the mating call, mate & then the males die. The females lay eggs in whatever small crevice they find (or create) - slits in the bark or branch of a tree, leaves, etc. - and then they, too, die. According to most estimates, this process - from first appearance to final disappearance - will last about 40 days. Hmmmm.

...And Armies Falling Down...

*A few weeks later, the hatched cicadas come raining back down to earth, burrow underground & then spend the next **17 years** feeding on the sap from tree roots. Makes you wish you were a cicada, doesn't it?*

Armies of Stock Investors...

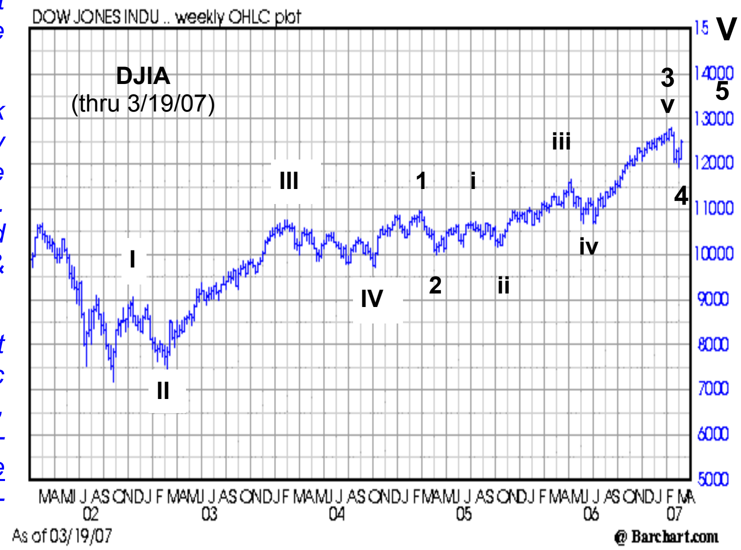
The last time these particular cicadas emerged was 1990. Before that, it was 1973. And, before that it was 1956... and 1939. Ring a bell?

In 1990, armies of stock investors made a steep climb and then came raining down... while armies of soldiers converged on the Middle East, following Saddam Hussein's invasion of Kuwait.

1973 & 1956 were similar, with significant stock market peaks, sharp declines & Middle East Wars. 1939 was also similar.

Many investors are well aware of stock market cycles that encompass approximately 2, 4 & 8-years. These were obvious in the market moves from 1966--1974--1982--1990. In reality, these cycles are a little over 2 (and 4) years, equaling slightly less than 2 years & 2 months each (when averaged out).

These combine to make a cycle of just under 8 years, 8 months (450 geometric weeks) and just over 17 & 34 years, respectively. A perfect example of this 34-year cycle is the Major low-high-high Cycle Progression (1932 crash low to 1966 high - 2000 high).



*However, it is the **17-year** cycle that is the focus. And, it is not just the **17-year** cicadas. On a very consistent **17-year** basis, a combination of factors - let's call them 'pests' - emerges from a type of 'hibernation', climbs into focus, does some damage and then soon dies off… but not before planting the seeds - or eggs - for a future appearance.*

From all outward appearances, these 'pests' are gone… never to be seen or heard from again.

However, right on schedule (and yet, paradoxically, when least expected), the pesky critters emerge again, climb to the forefront of our focus, do some damage and then soon die off… but not before planting the seeds - or eggs - for a future appearance. And on and on...

Global Armies Marching...

In 1922, the stage was being set for most of the wars that followed. The Palestine Mandate of 1922 was structured in response to the collapse of the Ottoman Empire in World War I. Land and peoples - that were previously under the control of the Ottoman Empire - were divided according to this Mandate.

***17 years later** - in 1939 - with the DJIA having climbed to a secondary top in Nov. 1938 & then retesting this peak in Sept. 1939 - war broke out and the stock market declined about 35% in the next 3 years. Ultimately, this war engaged much of the globe and resulted in another division of the Middle East.*

***17 years later** - in 1956 - the DJIA completed a 3-year surge and set a double top - in April & July/August - before dropping into late-1957. This stock market decline - of roughly 20% - coincided with the Suez or Sinai Crisis of late-October 1956.*

*The proclamations leading up to this War - that involved Britian, France & Israel vs. Egypt with Soviet backing - are similar to modern-day proclamations. Egyptian President Gamal Abdel Nasser (see **Bring on the Bear** for April 19th connection) proclaimed in August 1955 that Egypt "has decided to dispatch her heroes, the disciples of pharaoh and the sons of Islam and they will cleanse the Land of Israel...we demand vengeance, and vengeance is Israel's death."*

Sounds a bit like a modern-day Iranian leader. In another coincidence, the events leading up to this 1956 war were a precursor to recent events in Lebanon. In mid-1955, Egypt used the 'fedayeen' (a group that was again in the spotlight in 2003) to make cross-border raids against Israel and attack civilian targets. The tensions - created by these Egyptian-trained and condoned raids - set the stage for the late-1956 War.

The US was not directly involved, distracted by the Soviet-Hungary conflict and a bit unnerved by Nikita Kruschev's proclamation that he would *"intervene on the Egyptian side and launch attacks by 'all types of weapons of destruction' on London & Paris".*

2006/2007 is seeing parallels. Cross-border raids against Israel. Iran, et al threatening Israel. Russia testing a missile to nullify defense shields. Putin warning the US not to erect a missile-defense shield in Europe ("turn it into a powder keg").

***17 years** ago, Aug. 1990 - Dec. 1991 had a monumental impact on Russia's government. Could Aug. 2007 - Dec. 2008 be similar?*

*In 1973 - **17 years after** the 1956 War and stock market decline - guess what took place?*

*The stock market topped - a little more than 10% above its previous peak - and then lost 50% of its value in the next 2 years. Once again, it coincided with a late-1973 Middle East war - the Yom Kippur War. It took years to recover from the damage done during that brief period of time. The 'pest' went back underground for another **17 years**... but the seeds for future conflicts were left behind in 1973.*

17 Year Cycle

1922 - Division of Middle East (Palestine Mandate).

1939 - Sept. peak in DJIA followed by 3 year, 35% decline, WW II (leading to new division of Middle East).

1956 - DJIA completes 3 year surge and sets double top (April & July/August) and then drops 20% in less than 2 years; Suez/Sinai Crisis of late-October.

1973 - DJIA tops 10+% above 1966 high and then drops 50% in less than 2 years; Yom Kippur War in October 1973.

1990 - DJIA tops 10+% above 1987 high and then drops 20% in a few months; Persian Gulf War in August 1990.

2007 - DJIA trading 10+% above its 2000 high; Saber-rattling reaching a crescendo in Middle East; Sept./Oct. 2007 *ushers in* momentous, multi-century and multi-millenial cycle culmination in Middle East.

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*Then came 1990. **17 years had passed** since the 1973 Middle East War and stock market drop. The DJIA had again climbed to new highs - about 10% above its 1987, pre-crash peak. In walked Saddam Hussein… into Kuwait, that is.*

The stock market dropped over 20% & war broke out in the Middle East. Market action was more like 1956 (34 years prior) - creating a sharp setback in a developing bull market. Regardless, 1990 involved the advancing and retreating armies of cicadas, armies of stock investors and global armies of soldiers.

***17 years later**... here comes 2007.*

*The DJIA has recently rallied to new highs and is trading a little more than 10% above its previous highs - just as in 1973 & 1990 - even while the S+P & Nasdaq 100 are showing significant divergence...And, it all converges at the EXACT time frame that has been our focus for the past 10-15 years: the **Jewish Year of 5768** that begins in **September 2007**...*

Could the stock market be in for another sharp correction, as in 1973 & 1939 (the same 34-year cycle that governed the 1932--1966--2000 turning points)? Or, at least a 20+% correction as in 1956 & 1990?...

With similar regularity, stock market investors shed their shells of reason and latch on to whatever vertical stock they can find... not realizing this is their last hurrah. They make all kinds of noise - along with the financial media - a clear sign that some form of culmination is in the making.

The current culmination could stretch into 3Q 2007 - just as in 1939, 1956 & 1990 - but this would not alter the larger cycles.

Cicadas, Soldiers, Stocks & Synergy...

*The important principle in all of this is **synergy**. It is not just a single cycle that warrants increased attention. Instead, it is when many cycles converge during the same period. The*

*Jewish Year of **5768** - Sept. 2007 - Sept. 2008 (although the sacred year has already begun) - contains one of the greatest alignments of diverse cycles I have ever seen in a single year. The period of 2007 - 2011 is similar.*

As this year and this period are about to begin, the sun is also preparing for an active period. Some scientists believe it will be one of its most active ever.

Market cycles - that turned in 1999 - 2001 and were projected to continue new trends into 2009 - 2011 - are ready to enter their most active phases. These include energy and precious metals, currencies, commodities & stocks."

"The 1973 & 1990 tops occurred 10-15% above the previous record highs in the DJIA. In 2007, the DJIA has exceeded its record high (of 2000) by 15%.

If history is any indicator, the Fall of 2007 could see the fall of stock prices... just as in 1939, 1956, 1973 & 1990.

...And it all leads into September 2007, the beginning of what is expected to be a momentous 1-year, 4-5 year and 7-10 year period (beginning with the Jewish year of 5768)...

So, we are now entering the pre-transition period, the final 60 days of an old cycle."

6/27/07 INSIIDE Track:

2007--2008

17-Year Armies Gearing Up…
and Dieing Off...

*"**Armies Marching Up...***

***06-27-07** - Last month, we revisited an intriguing cycle in the markets, in the earth, and in the Middle East. It is the **17-year cycle that governs the** life cycle of the aptly named 17-year cicada... AND the stock market... AND wars in the Middle East. Each one involves different armies that come marching up and back down with remarkable regularity. The table on page 2 synopsizes what was discussed last month.*

While the last brood of cicadas is dieing off, a new generation is hatching and will soon head to their underground 'bunkers' for the next 17 years.

The story could soon be the same for the current brood of stock market investors. Similar to 17 years ago (1990) and 17 years before that (1973) and 17 years before that (1956) and 17 years before that (1939), the DJIA could be heading for a 20 - 50% correction in the next 1-3 years.

The 1973 & 1990 tops occurred 10-15% above the previous record highs in the DJIA. In 2007, the DJIA has exceeded its record high (of 2000) by 15%.

If history is any indicator, the Fall of 2007 could see the fall of stock prices... just as in 1939, 1956, 1973 & 1990.

...And it all leads into September 2007, the beginning of what is expected to be a momentous 1-year, 4-5 year and 7-10 year period (beginning with the Jewish year of 5768)...

So, we are now entering the pre-transition period, the final 60 days of an old cycle. As in the case of the cicadas, the final days of this cycle could be very noisy and somewhat disconcerting... at least on the surface.

The cicada life cycle is a perfect illustration of what frequently happens in the stock market...

For 16 years, 10 months and 2 weeks (approximately), nobody hears from the cicadas or even realizes that they are gradually growing stronger and preparing to emerge. They are out of sight... so they are out of mind.

However, the final 1 month and 2 weeks of their 17-year cycle makes up for the 16 years and 10 months of relative silence. It begins with the onslaught of millions of creatures who quickly create a deafening ruckus. The frequent 'fly-bys' unnerve many observers, as well.

When the noise begins to subside, nearby humans are soon treated to the stench of millions of decomposing, 17-year old cicadas. Soon after, some are treated to millions of new cicadas raining down from the tree-borne nests. And, then, all is quiet for another 16+ years.

The only difference between the cicadas, the *stock bulls (or bears) and the Middle East armies is that the cicadas do little lasting damage... and actually might have a beneficial impact.*

The purpose of this discussion is to re-examine the parabolic stage, when pent-up energy is released in a small window of time. This energy could be cicadas primed for their once-in-a-lifetime mating ritual. It could be stock market investors reacting to culminating worries, all at once... as if those issues had never existed up until the moment of panic.

...All the visible activity takes place in a relatively short period of time. And everyone acts as if it is completely unexpected and noone had any way of anticipating extreme actions of this nature.

Breaking Down the 17-Year Cycle:

Last month, I described the makeup of the 17-year cycle - and its 'sister cycle' - the 34-year cycle. A perfect example of the 34-Year Cycle involved the low-high-high Cycle Progression that impacted the S+P & Nasdaq 100 in 2000 (1932 - 1966 - 2000).

At its core, this cycle is a multiple of the 2+-year cycle that governs stock market action. More specifically, this family of stock market cycles involves time frames of 2.15, 4.3, 8.6 & 17.2 years (and 34 years).

The 2, 4 & 8-year cycles were obvious in the market moves from 1966--1974--1982--1990. They have also been seen in the market lows in 1990, 1994, 1998 & 2002.

However, when the 17 & 34-year multiples come into play, it represents a greater synergy of cycles converging at the same time. Such is the case in late -2007…" IT

All of this analysis corroborates expectations for a coming *'Bear'* in the stock market, that is linked to diverse cycles and markets. The events of **April 2007** could be a harbinger to a corroborating 'event' in **April 2008**… and for future **April** or **April 19th** dates.

The DJIA has nearly reached its upside targets as it completes a *'5th of 5th of 5th'* wave advance. The bottom line is that time is running out. And the important question remains: *Could the **Fall of 2007** see the fall of stock prices… or at least the beginning of an overall 35-50% decline?*

Please refer to current copies of *INSIIDE Track* and the ***Weekly Re-Lay*** for updated analysis. The *17-Year Cycle* analysis is also being compiled separately. *More to come*... *IT*