



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

by Eric S. Hadik

The 17-Year Cycle II

An INSIIDE Track Report

17-Year Cycle II

INSIIDE Track Report

CONTENTS

July 13/16, 2007: Validation Point #12

17-Year Cycle in Stocks: The Bigger Picture3

“The sun rises and the sun sets, and hurries back to where it rises. The wind blows to the south and turns to the north; round and round it goes, ever returning on its course.

...What has been will be again, what has been done will be done again; there is nothing

new under the sun. Is there anything of which one can say, "Look! This is something new"? It was here already, long ago; it was here before our time.

There is no remembrance of men of old, and even those who are yet to come will not be remembered by those who follow."

Ecclesiastes 1:5-6 & 9-11 (New Int'l Vers. ©1986)

The following is a compilation of **Weekly Re-Lay** analysis from July & August 2007, reiterating and/or updating the scenario outlined in the original **17-Year Cycle** Report and discussed throughout this year. This is NOT new material but is analysis that has already been published for subscribers. This Report is intended to bring new readers - and or prospective subscribers - up to speed on analysis for a Stock Index top in 2007 and the onset of a multi-year bear market... partially due to a VERY unique **17-Year Cycle**.

This cycle is expected to impact the markets for years to come and is linked to solar swings, earth-disturbance cycles, US Presidential 'anomalies', stock market swings, Middle East wars (and peace) and many other 'big picture' events that govern our lives.

The most recent application of it was projected to be a stock market peak in mid-July, exactly 17 years from the mid-July 1990 peak that immediately preceded the Iraqi invasion of Kuwait. As explained the last several months, I have expected the Dollar to plummet to new 40+-year lows and ultimately drag Stock Indices lower. There are several other critical time frames to watch in the coming 12 months. A few of them are:

#1 - October 11, 2007.

#2 - January 15/16, 2008.

#3 - February 23, 2008.

#4 - Early-to-mid-April 2008.

The Weekly Re-Lay and INSIIDE Track will continue to update this very unique cycle and its expected impact(s) on various markets. For a comprehensive explanation and foundation to the following analysis - and for more insight on what to expect in the coming months and years - please refer to the original 17-Year Cycle Report.

July 13/16, 2007: Validation Point #1...

7/07/07 **Weekly Re-Lay:** "Stock Indices turned back up and are likely to extend this rally into July 13/16th, when cycles converge in the Nasdaq 100. Similar to 1990 (the 17-year cycle at work again), a July peak could give way to a drop into October... Stock indices are continuing to exhibit some divergence with the Nasdaq 100 heading to new highs while the DJIA & SPU remain in consolidation since their early-June peaks.

The weekly trends argue for new highs in all the indices, particularly the SPU... Now that the SPU has re-entered its weekly uptrend, new highs should be seen. The DJIA & NQU remain in weekly uptrends, so additional upside is likely. The Nasdaq 100 has its next convergence of intermediate cycles in mid-July - 180 degrees from its Jan. 12/16th peak and 360 degrees from the July 18, 2006 low in all the indices.

This would also represent a 40-day period of 'testing' from when the DJIA & SPU initially peaked in early-June. A short-term (19-day) low-low-high Cycle Progression also projects a peak on July 16th. And, all three indices just attacked their weekly LHR levels, indicating that an intermediate top should take hold in the ensuing 2-3 weeks...

SHORT-TERM (1-5 DAY) OUTLOOK:

The daily trends are back up in all three indices, corroborating the potential for rallies to new highs. The daily 21 MACs have also turned back up, reinforcing this potential. The intra-month trends are also up, corroborating the potential for rallies into mid-month (July 13/16th)."

7/11/07 **Weekly Re-Lay Alert: "Peering Over the Cliff: The Dollar Dilemma"** The Dollar is testing monthly support and is spiking below its 10+-year low of 80.53/DX. This strengthens the

case for a drop to new 40+-year lows by - or in - September...

Stock Indices are showing mixed signs with some question as to what to expect leading into a short-term Cycle Progression on July 16th. The Nasdaq - with successively higher lows - projects a peak for July 16th ...today's action could be the deciding factor."

7/14/07 **Weekly Re-Lay:** "Stock Indices have fulfilled their potential to extend this rally into July 13/16th, when cycles converge (primarily) in the Nasdaq 100. Similar to 1990 (the 17-year cycle at work again), a July peak could give way to a drop into October... The Dollar has fulfilled projections for a drop to new 10+-year lows and is still on track for a decline to new 40+-year lows..."

Stock indices are back in synch, with the Nasdaq 100 leading the DJIA & SPU to new highs, just as Nasdaq cycles converge beginning July 16, 2007. The coming 2-week period is the next phase in an ongoing 26-27 week (approximately 180-degree) high-high-low-high-low-high-high Cycle Sequence. This Cycle Sequence includes the January 2005, January 2006 & January 2007 Nasdaq highs and the July 2006 cycle low and should be watched carefully for any signs of a peak (1-3 month or greater).

The new high in the SPU fulfills its weekly trend pattern and sets it up for a test of its March 2000 peak (continuous contract) of 1576.0/SP... in the next 1-2 weeks. An intermediate high (2-4 weeks or greater) is also signaled by the 7/02--06/07 weekly LHR pattern, that projects a top in the next 1-2 weeks. Since the indices remain in an uptrend, the primary focus is on the next 3--6 month (or greater) cycle low that comes into play in Sept/Oct. 2007...

The daily trends & daily 21 MACs remain up in all three indices and were validated by the recent rallies to new highs. The intra-month trends remain up, triggering rallies into mid-month (July 13/16th)."

7/28/07 **Weekly Re-Lay :** "Stock Indices reversed lower, initially validating their mid-July cycle convergence. Similar to 1990 (the 17-year cycle at work again), a July peak could give way to a sharp

(Continued on page 5)

17-Year Cycle in Stocks:

The Bigger Picture

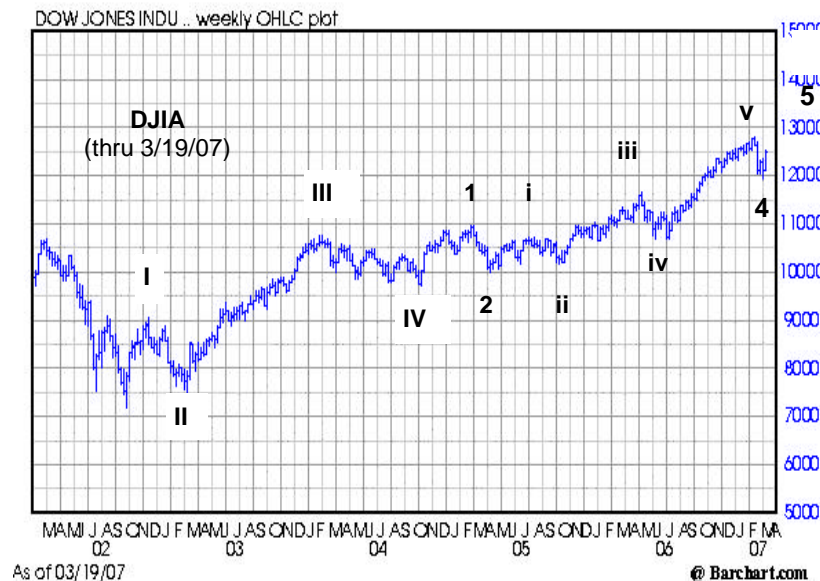
While the majority of this Report examines the Weekly Re-Lay analysis of the past several weeks - and the corresponding intermediate trends & outlook - this 2-page inset is provided to maintain perspective and to keep the bigger picture in focus.

Whether or not mid-July turns out to be the final top in Stock Indices... or the recent blow-off low (hitting 6-12 month support in the DJIA & SPU) holds for 2-4 weeks or 2-4 months, the overall outlook still calls for a multi-year bear market to begin in 2007.

The recent stock market tops - at precisely the 17-Year Anniversary of the 1990 peak - have

given a critical level of corroboration to this scenario and to the uncanny **17-Year Cycle**. However, much more confirmation is needed to validate this analysis.

The following is a reprint of July 31, 2007 **INSIDE Track** analysis (more comprehensive, longer-term analysis can be found in the original **17-Year Cycle Report**) that brings this longer-term outlook up to the present (or almost present). The September 2007 **INSIDE Track** will update this...



7/31/07 - "Stock indices are closing in on the September/October 2007 time frame, when an initial low - of a larger decline - is expected. Similar to what was seen in 1990 (17-year cycle), stock indices set a top in mid-July and could see 20% declines into October. A Middle East event - similar to August 1990 - could trigger the next phase.

The big difference is that many other - even longer-term and potentially more powerful - cycles are only **beginning** to turn down now. This is why I believe that mid-to-late 2007 will usher in a 4-5 year period of very volatile, uncertain, and sometimes very negative action.

The most convincing (initial) sign of this would be for the weekly trends to turn down in stock indices. This cannot take place until at least August 10th, so that will be re-examined next month (and in intra-month and weekly updates). A monthly close (July 31st) below 13,408/DJIA & 1515.4/SPU would

(Continued on page 4)

(Continued from page 3)

trigger a monthly Double-Key Reversal lower, which would also be a very bearish signal... at least into October 2007. A monthly close below 13,251/DJIA & 1492.2/SPU would magnify this by making it an outside-month reversal lower.

The chart below (a copy of the March 19, 2007 DJIA chart from 'Bring on the Bear') [Editor's Note: This chart appears on page 3 of this Report.] illustrates the first of two major points that should influence these markets for many months to come. It shows the Elliott Wave structure that was perceived at that time.

Stock indices had pulled back into mid-March and - at least the DJIA - was expected to see one final wave higher. Major upside objectives grouped closely together, right around 14,000/DJIA. The chart in the next column illustrates the 2nd major point...

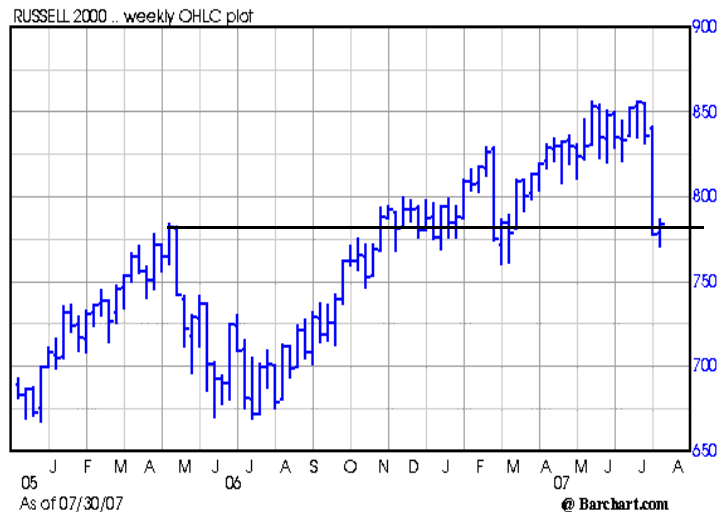
The Russell 2000 - a much broader index - took only 2 weeks to drop below unchanged for the entire year, to wipe out 36 weeks of gains & to drop below the November 2006 AND May 2006 cycle highs.

If it could do all that in 2 weeks, this should give investors some idea of what will happen IF a 2-3 month decline - and potentially a 2-3 year decline - takes hold. A weekly close below 760.0 would confirm that a 2-3 month drop is unfolding.

Longer-term traders & investors (3-5 year or longer) should have exited an additional 10-15% of long positions - on the DJIA's weekly close below 13,297 - and should be down to about 35-50% invested in the equity markets (having exited the 50 - 65% at an avg. of about 12,900/ DJIA). Use a daily close below 13,210/DJIA to exit additional longs (5-10%).

Intermediate #2 (1-3 months) Outlook:

The intermediate trends have turned neu-



tral, with the DJIA & SPU signaling intra-month, intra-quarter and intra-(6-month) downtrends in July. This could also be signaling an intra-year inverted V reversal (that would project new intra-year lows in the second half of 2007).

The most important signal for an intermediate reversal lower is for the weekly trend to turn down. This cannot occur until Aug. 10th, at the earliest, and requires (at least) weekly closes below 13,162/DJIA & 1441.0/SPU.

TRADING STRATEGY: 1 - 3 month traders can buy Sept. S+P 1400.0 put options when the Sept. S+P futures are trading at 1502.5 - 1529.5 BUT only on Aug. 3rd or later. Risk two daily closes above 1537.5/SPU. FUTURES TRADING INVOLVES SUBSTANTIAL RISK!

INSIDE Track continues to update market analysis and applicable trading strategies, not only for Stock Indices but also for the Dollar, Gold & Silver, Energy Markets and many other markets or market complexes.

The Dollar Index is still on track for a drop to new 40+-year lows and this is still expected to weigh on Stock Indices in the months to come.

Please refer to current/recent publications for the most up-to-date analysis. *IT*

(Continued from page 2)

drop into October. In 1990, this drop was the 2nd largest of the preceding decade... The Dollar remains on track for a decline to new 40+-year lows leading into September 2007...

Stock indices have neutralized their weekly trends and turned their intra-month, intra-quarter and intra-(6-month) trends down. This is powerful corroboration to cycles that turned down during the past two weeks. Among them was an ongoing 26-27 week (approximately 180-degree) high-high-low-high-low-high-high Cycle Sequence that now places focus on mid-to-late-January 2008...

If the current decline is just a correction - that will then give way to a rally to new highs in the coming months - then the coming week will probably see significant downside, in a blow-off manner. ...Key levels to watch in the coming days will be at 13,004/DJIA, 1431.9--1434.8/SPU & 1918/NQU. Tuesday's monthly close will also be crucial, particularly in the Nasdaq 100 - where the last two monthly closes were at 1957 & 1956/NQU.

If these indices are going to turn their weekly trends to down (not possible until at least August 10th) - as is expected - the textbook pattern would be for a reversal higher in the coming week... and then a new decline to take hold on/after August 6--8th. This would then be expected to produce a decline into August 27/ 28th. If the indices reverse higher on Monday, it would also provide a low-low Cycle Progression aimed at August 27th.

SHORT-TERM (1-5 DAY) OUTLOOK:

The daily trends are down in all three indices, as are the daily 21 MACs in the DJIA & SPU. The NQU needs to drop below 1951 on Monday to turn its daily 21 MAC down. The intra-month trends show that this drop could extend into Tuesday or Wednesday."

8/01/07 **Weekly Re-Lay Alert:** “Edging Over the Cliff: The Stock Index Dilemma”: **Stock Indices** are trying to rebound, which would fit perfectly with the short-term 'ideal' scenario. This scenario involves the indices rebounding into August 6--8th before the proverbial 'other shoe' drops. Ideally, the DJIA will close this week back

above 13,474 - setting up the 'ideal' weekly trend pattern... for a reversal lower.

That is a lot of 'ideals' to see in a market that is extremely nervous. So, some key validation levels to watch are at 13,670--13,690/DJIA, 1503.7--1515.4/SPU & 2003--2018/NQU. If the indices can rally to - or rally close to - these levels leading into next week, it will set the stage for a secondary top. The daily trend could set up the perfect pattern for a secondary top."

8/15/07 **Weekly Re-Lay Alert :** “Stock Indices are on track to reverse their weekly trends to down, the next level of confirmation needed for the current 3-6 month outlook (for a sharp drop from mid-July into mid-October). They now need weekly closes below 13,132/DJIA, 1437.0/SPU & 1923/NQU to accomplish this and corroborate the July 31st monthly reversal signals.

The SPU is turning its weekly 21 MAC down, lending more credibility to the outlook for the next couple months.

The indices bounced on Monday - with the SPU & NQU testing their August 1st highs and the DJIA testing its daily LHR - and then reversed lower. They are now approaching monthly support levels as they pass through mid-month. These levels come into play at 12,721--12,801/DJIA, 1388.4--1406.4/SPU & 1853--1878/NQU.

In addition, the DJIA will complete back-to-back declines of equal magnitude - around 12,800. 12,795/DJIA is the high of 1Q 2007 and an important level of resistance turned into support. So, this level should be watched closely for new clues regarding the coming weeks.

Considering the intermediate outlook, the setup in the weekly trend pattern and the support levels falling like dominoes, it would not surprise me to see the DJIA give a quick spike down to 12,500 (1364.0/SPU) before finding some support. If a blow-off spike low is seen in the coming days - and the weekly trends reverse to down on Friday - the indices could see a bounce into August 29--31st before the next wave down.

8/18/07 **Weekly Re-Lay:** “Stock indices did

give a blow-off decline & tested 12,500/DJIA before rebounding....2 of the 3 primary stock indices have reversed their weekly trends to down. The only remaining hold-out, ironically, is the market that led the latest decline: the SPU.

It will still take a weekly close below 1437.0/SPU to reverse this weekly trend to down...The NQU bottomed at an interesting level. On a quarterly basis, it gave a spike high in early-July & then went negative. In order to provide a longer-term sell signal, the NQU would need to close below 1812.75 on September 28th and generate a quarterly 2 Close Reversal sell signal. In other words, 1812.75/ NQU is quarterly 2nd Close Support.

The Nasdaq dove to 1813/NQU - also within a few points of its weekly HLS (1801) and its weekly 21 Low MARC (1794) - and reversed higher. Meanwhile, the DJIA fulfilled analysis for a blow-off decline on Aug. 16 or 17th with a downside target of 12,500.

Among other things, this test of 12,500/DJIA included a test of the monthly HLS, the weekly HLS, the weekly 21 High MARC (12,511/DJIA) and the year-opening range (12,580/DJIA). It also completed the first 10% correction in several years, ending one of the longest-running ad-

vances without at least a 10% correction.

At the same time, the SPU spiked to new lows for 2007, but did not close below its March 14th low of 1388.4/SPU. As stated multiple times, the SPU needed to give a weekly close below 1439.5/SPU - its year-opening low - in order to turn the intra-year trend down. Even though it spiked well below this level, the SPU could not (yet) give a weekly close below it.

All of these factors combined point to a low that will probably hold for a week or two... The daily trends are neutral and cannot turn up until at least Tuesday. A bounce to 13,473--13,489/DJIA & 1484.5/SPU is possible."

The **17-Year Cycle** is intact and has important validation points coming up in October (11) 2007, January (15/16) 2008, February & April 2008. 12,500/DJIA has become the ultimate confirmation/trigger point for the onset of a bear market in Stock Indices. Details and expectations regarding these time frames and price levels are - and will be - discussed in related publications. The biggest impact is still expected to wait until 2008 (and even into 2009). **Focus 5768 I-V & The Grand Illusion I & II** detail many other cycles that also converge in this time frame. *Much more to come... IT*

Information is from sources believed to be reliable, but its accuracy cannot be guaranteed. Due to futures' volatility, recommendations are subject to change without notice. Readers using this information are solely responsible for their actions and invest at their own risk. Past performance is no guarantee of future results. Principles, employees and associates of *INSIIDE Track Trading Corporation* may have positions in recommended futures or options. No part of this publication may be reproduced or re-transmitted without the editor's written consent. All *Tech Tips ?* (underlined and italicized) -- as well as the term *Tech Tips ?* -- are trademarks of *INSIIDE TRACK Trading Corporation* and all unauthorized reproduction is strictly prohibited. **Copyright 2007 INSIIDE Track Trading Corporation**

*INSIIDE Track*TM newsletter is published monthly with periodic Special Reports. Copyright © 2007 ITTC. Eric S. Hadik -- Editor

SUBSCRIPTION RATES:

Monthly newsletter with periodic Special Reports:

• \$179 per yr. (12 issues)

Monthly newsletter plus intra-month Updates **package***:

• \$199 for 6 mos. (6 issues & 6 months)

Monthly newsletter plus intra-month Updates **package***:

• \$297 per yr. (12 issues & 12 months)

- **Eric Hadik's Tech Tip Reference Library* is available for \$249 (included as a FREE bonus with either 'package' subscription)

Make checks payable to *INSIIDE Track Trading*. Credit Card payments can be made via www.PayPal.com (to '*INSIIDE@aol.com*')

PO Box 2252 • Naperville IL 60567 • 630-637-0967 (voice) • 630-585-5701 (fax) • *INSIIDE@aol.com* • www.insiidetrack.com

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS & THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY A PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK & NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. THE ABILITY TO WITHSTAND LOSSES OR ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE MANY OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF A SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS -- ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.