

New Bull Market 5 Reasons



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Why I believe we are in a new Bull Market—5 Reasons

1. 44.44 % of all bulls since 1916 have been preceded by a flat market of around 1 ½ years, NOT a bear market crash.

...We just had one.



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Definition of Bear Crash Used in this Study

A few weeks before 5/2/11, I predicted that I believed we were beginning a new bear market crash.

From a high on 5/3/11 to the low on 10/7/11, the market fell 21.58% . This bear lasted 5.2 months.

Wall Street refused to call this a bear market. Mr. Mario Draghi from the European Central Bank, said quantitative easing was on the way. The next day a new bull began.



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Definition of Bear Crash Used in this Study

We will use Wall Street's NEW definition:

...A fall greater than around 22% to 23%.



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44.44% of Bull markets since 1916 were NOT preceded by bear crashes

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1/16/17

		Dow (Switched to S & P 500 in 1980)					
		Low/High	High/Low		Months	% Change	Years
1	11/21/1916	\$110.20	\$65.90	12/21/1917	13.2	-40.20%	1.10 WWI and Spanish Flue 1914-1919
2	12/21/1917	\$65.90	\$119.60	11/3/1919	22.7	81.49%	1.89
3	11/3/1919	\$119.60	\$63.90	8/31/1921	22.2	-46.57%	1.85
4	8/31/1921	\$63.90	\$105.40	3/21/1923	18.9	64.95%	1.58
5	3/21/1923	\$105.40	\$85.90	10/20/1924	19.3	-18.50%	1.61 -18.50% 11/2/23 LOW
6	5/20/1924	\$88.30	\$386.10	9/9/1929	64.6	337.26%	5.38 Great Depression
7	11/3/1929	\$386.10	\$40.60	7/11/1932	32.7	-89.48%	2.73 Black Tues. Oct. 29, 1929
8	7/11/1932	\$40.60	\$110.50	7/18/1933	12.4	172.17%	1.03
9	7/18/1933	\$110.70	\$84.60	3/19/1935	20.3	-23.58%	1.69
10	3/19/1935	\$95.90	\$195.60	3/16/1937	24.3	103.96%	2.02
11	3/16/1937	\$295.60	\$101.90	4/4/1938	12.8	-65.53%	1.07 Doubts about Franklin Roosevelt's
12	4/4/1938	\$101.90	\$157.80	9/19/1939	17.8	54.86%	1.48 New Deal. Recession.
13	9/19/1939	\$157.80	\$92.70	5/5/1942	32.0	-41.25%	2.66 WWII 1939-1945
14	5/5/1942	\$92.70	\$213.40	6/5/1946	49.7	130.20%	4.14
15	6/5/1946	\$213.40	\$160.50	11/1/1946	5.0	-24.79%	0.41

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16	11/1/1946	\$192.60	\$160.60	6/16/1949	31.9	-16.61%	2.66
17	6/16/1949	\$160.60	\$277.40	10/4/1951	28.0	72.73%	2.33
18	10/4/1951	\$295.10	\$254.40	9/21/1953	23.9	-13.79%	1.99 Post Korean War
19	9/21/1953	\$254.40	\$424.40	4/9/1956	31.0	66.82%	2.59
20	4/9/1956	\$523.10	\$416.20	4/10/1958	24.4	-20.44%	2.03
21	4/10/1958	\$437.30	\$688.20	1/8/1960	21.3	57.37%	1.77
22	1/8/1960	\$688.20	\$564.20	10/28/1960	9.8	-18.02%	0.82
23	10/28/1960	\$564.20	\$741.30	11/20/1961	12.9	31.39%	1.08
24	11/20/1961	\$741.30	\$524.60	6/26/1962	7.3	-29.23%	0.61 Kennedy Slide or Flash Crash of '62
25	6/26/1962	\$524.60	\$1,001.10	2/10/1966	44.2	90.83%	3.68
26	2/10/1966	\$1,001.10	\$735.70	10/13/1966	8.2	-26.51%	0.68
27	10/13/1966	\$735.70	\$994.50	12/3/1968	26.1	35.18%	2.17
28	12/3/1968	\$994.50	\$627.50	5/29/1970	18.1	-36.90%	1.51
29	5/29/1970	\$627.50	\$1,067.20	1/16/1973	32.1	70.07%	2.68
30	1/16/1973	\$1,067.20	\$590.80	12/3/1974	22.9	-44.64%	1.91
31	12/3/1974	\$590.80	\$1,026.30	9/27/1976	22.1	73.71%	1.84
32	9/27/1976	\$1,026.30	\$736.80	3/1/1978	17.3	-28.21%	1.44
33	3/1/1978	\$736.80	\$917.20	9/12/1978	6.5	24.48%	0.54
34	9/12/1978	\$917.20	\$729.90	4/21/1980	19.6	-20.42%	1.63 Switched to S & P 500
35	4/21/1980	\$89.95	\$141.96	12/1/1980	7.5	43.47%	0.62
36	12/1/1980	\$141.96	\$101.44	8/13/1982	20.7	-28.54%	1.72
37	8/13/1982	\$101.44	\$167.26	10/12/1983	14.2	64.89%	1.18

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38	10/12/1983	\$174.65	\$147.26	1/10/1985	15.2	-15.68%	1.27	
39	1/10/1985	\$163.36	\$337.89	8/28/1987	32.0	106.84%	2.67	Black Monday, Oct. 14, 1987
40	8/28/1987	\$337.89	\$216.46	10/26/1987	2.0	-35.94%	0.16	Early high volume computer trading,
41	10/26/1987	\$216.46	\$360.44	10/10/1989	23.8	66.52%	1.99	overvaluation, lack of liquidity and
42	10/10/1989	\$368.95	\$294.51	3/7/1991	17.1	-20.18%	1.43	failure of markets to work in sync
43	3/7/1991	\$294.51	\$482.85	1/31/1994	35.4	63.95%	2.95	
44	1/31/1994	\$482.85	\$442.88	2/3/1995	12.3	-8.28%	1.02	
45	2/3/1995	\$467.49	\$1,190.99	7/23/1998	42.2	154.76%	3.52	
46	7/23/1998	\$1,190.99	\$923.32	10/9/1998	2.6	-22.47%	0.22	
47	10/9/1998	\$923.32	\$1,530.09	9/5/2000	23.2	65.72%	1.94	
48	9/5/2000	\$1,530.09	\$788.90	3/13/2003	30.6	-48.44%	2.55	Tech Bubble Burst
49	3/13/2003	\$788.90	\$1,576.09	10/12/2007	55.8	99.78%	4.65	
50	10/12/2007	\$1,576.09	\$666.79	3/12/2009	17.2	-57.69%	1.44	Sub Prime Crises
51	3/12/2009	\$666.79	\$1,370.58	5/3/2011	26.1	105.55%	2.17	
52	5/3/2011	\$1,370.58	\$1,074.77	2/9/2012	9.4	-21.58%	0.78	
53	2/9/2012	\$1,326.21	\$2,134.71	5/22/2015	39.9	60.96%	3.33	Chinese Stock Market
54	5/22/2015	\$2,134.71	\$1,810.10	7/11/2016	13.9	-15.21%	1.16	Crash
55	7/11/2016	\$2,074.02	\$2,278.68	1/13/2017	6.2	9.87%	0.52	

Note: From high on 5/3/11 to low on 10/7/11 was a 21.58 percent drop and lasted 5.2 months.

44.44%

27 cycles since Nov. 1916 to present
12 NOT preceded by a bear crash of 20%+

There have been 27 cycles since Nov. 1916.
12 were NOT preceded by a bear crash more than 22% to 23%.

That's 44.44%.

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17	6/16/1949	\$160.60	\$277.40	10/4/1951	28.0	72.73%	2.33



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18	10/4/1951	\$295.10	\$254.40	9/21/1953	23.9	-13.79%	1.99
19	9/21/1953	\$254.40	\$424.40	4/9/1956	31.0	66.82%	2.59



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20	4/9/1956	\$523.10	\$416.20	4/10/1958	24.4	-20.44%	2.03
21	4/10/1958	\$437.30	\$688.20	1/8/1960	21.3	57.37%	1.77



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22	1/8/1960	\$688.20	\$564.20	10/28/1960	9.8	-18.02%	0.82
23	10/28/1960	\$564.20	\$741.30	11/20/1961	12.9	31.39%	1.08



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42	10/10/1989	\$368.95	\$294.51	3/7/1991	17.1	-20.18%	1.43
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44	1/31/1994	\$482.85	\$442.88	2/3/1995	12.3	-8.28%	1.02
45	2/3/1995	\$467.49	\$1,190.99	7/23/1998	42.2	154.76%	3.52



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52	5/3/2011	\$1,370.58	\$1,074.77	2/9/2012	9.4	-21.58%	0.78
53	2/9/2012	\$1,326.21	\$2,134.71	5/22/2015	39.9	60.96%	3.33



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54	5/22/2015	\$2,134.71	\$1,810.10	7/11/2016	13.9	-15.21%	1.16
55	7/11/2016	\$2,074.02	\$2,278.68	1/13/2017	6.2	9.87%	0.52



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Why I believe we are in a new Bull Market

2. Many of the points we teach concerning the start of a bear, and the beginning of a new bull have been met.

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THE END OF A BULL MARKET
...Recognizing the Signs
Look at the Candles, what do you notice?



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- Sometimes the spread from the highs to the lows is larger. In other words the candlesticks will be smaller body with longer wicks than normal.
- Usually distribution begins while the index is advancing higher, so few people notice it.

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- If you have several positions stopping out during these last tops, you will be mostly in cash before the crash happens due to your rules. You will feel pretty defensive, and this is a GOOD thing.

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- A few days or weeks later, volume will pick back up during down candlesticks. Now many people are beginning to realize what is happening. By now you have waited too late, if you are not already out.

Now, at this point this does not mean a full blown bear market crash will happen, but that is certainly one of the two possibilities!

One of two things can happen:

- a. A failed rally attempt, and continued crash.
 - b. A move up on higher volume, confirmed by another move up on higher volume within four to seven business days.
- Evaluate overall conditions and events in the world, because there will always be one or two major catalysts which precipitate the crash (like the mortgage debacle in 2007 or the tech bubble in 2000/2001).
 - If not, then sometimes a sideways market for 1½ to 2 years with companies still having good earnings, sets up a new bull market (about 44.44% of the time since 1916).

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THE BEGINNING OF THE NEXT NEW BULL MARKET

...Recognizing the Signs

- A new rally attempt begins. One or more of the major indices closes higher after many months of decline (usually 6 to 9 months).
- Look for a follow-through on the 4th to 7th business day after the rally began. This would be an up day on higher volume than the day before. (If the follow-through happens inside 10 business days, this is o.k., but not as strong.)

The index should close 1.5% to 2% or more higher than the day before.

The volume should be HEAVY volume compared to the day before, and the feel should be that "...This is an explosive rally."

You should see a large clear candlestick on quite a bit higher volume than the day before.



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THE BEGINNING OF THE NEXT NEW BULL MARKET

...Recognizing the Signs (Cont.)

- If the follow-through happens on the 3rd day, then all three days should be 1% to 2% higher than the day before the rally began, and on heavy volume.
- When you see these things happen it does NOT mean you should go out and put all your money in the market. In fact many times right after this, there is a pull back for a few days, and then the market continues up. Sometimes the rally fails.
- It DOES mean you should begin to look for the new leading stocks and industry groups that will lead the new bull market. If you do not find any strong stocks moving up off sound bases, then this is probably not the real thing.

No new bull market has ever begun without the above rally accompanied by a strong follow-through day on higher volume.



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THE BEGINNING OF THE NEXT NEW BULL MARKET
...Recognizing the Signs (Cont.)

- Usually the last leg down will make a triple bottom over a three to four month period. This is more likely to be the end of the bear if the bear has lasted at least six to nine months.
- Charting the indices should tell the main story (I use the S & P 500 primarily).



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Why I believe we are in a new Bull Market

3. There are many potential new growth companies that never existed before.



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These are the top 10 emerging technologies of 2016

World Economic Forum

<https://www.weforum.org/agenda/2016/06/top-10-emerging-technologies-2016/>

The top 10 technologies to make this year's list are:

1. Nanosensors and the Internet of Nanothings

With the Internet of Things expected to comprise 30 billion connected devices by 2020, one of the most exciting areas of focus today is now on nanosensors capable of circulating in the human body or being embedded in construction materials. Once connected, this Internet of Nanothings could have a huge impact on the future of medicine, architecture, agriculture and drug manufacture.

2. Next Generation Batteries

One of the greatest obstacles holding renewable energy back is matching supply with demand, but recent advances in energy storage using sodium, aluminium and zinc based batteries makes mini-grids feasible that can provide clean, reliable, round the clock energy sources to entire villages.

3. The Blockchain

Much already has been made of the distributed electronic ledger behind the online currency Bitcoin. With related venture investment exceeding \$1 billion in 2015 alone, the economic and social impact of blockchain's potential to fundamentally change the way markets and governments work is only now emerging.



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4. 2D Materials

Graphene may be the best-known, single-atom layer material, but it is by no means the only one. Plummeting production costs mean that such 2D materials are emerging in a wide range of applications, from air and water filters to new generations of wearables and batteries.

5. Autonomous Vehicles

Self-driving cars may not yet be fully legal in most geographies, but their potential for saving lives, cutting pollution, boosting economies, and improving quality of life for the elderly and other segments of society has led to rapid deployment of key technology forerunners along the way to full autonomy.

6. Organs-on-chips

Miniature models of human organs – the size of a memory stick – could revolutionize medical research and drug discovery by allowing researchers to see biological mechanism behaviours in ways never before possible.



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7. Perovskite Solar Cells

This new photovoltaic material offers three improvements over the classic silicon solar cell: it is easier to make, can be used virtually anywhere and, to date, keeps on generating power more efficiently.

8. Open AI Ecosystem

Shared advances in natural language processing and social awareness algorithms, coupled with an unprecedented availability of data, will soon allow smart digital assistants help with a vast range of tasks, from keeping track of one's finances and health to advising on wardrobe choice.

9. Optogenetics

The use of light and colour to record the activity of neurons in the brain has been around for some time, but recent developments mean light can now be delivered deeper into brain tissue, something that could lead to better treatment for people with brain disorders.

10. Systems Metabolic Engineering

Advances in synthetic biology, systems biology and evolutionary engineering mean that the list of building block chemicals that can be manufactured better and more cheaply by using plants rather than fossil fuels is growing every year.

To compile this list, the World Economic Forum's Meta-Council on Emerging Technologies, a panel of global experts, drew on the collective expertise of the Forum's communities to identify the most important recent technological trends. By doing so, the Meta-Council aims to raise awareness of their potential and contribute to closing gaps in investment, regulation and public understanding that so often thwart progress.



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10 Breakthrough Technologies for 2016

MIT Technology Review

<https://www.technologyreview.com/lists/technologies/2016/>

Immune Engineering Genetically engineered immune cells are saving the lives of cancer patients. That may be just the start.

Precise Gene Editing in Plants CRISPR offers an easy, exact way to alter genes to create traits such as disease resistance and drought tolerance.

Conversational Interfaces Powerful speech technology from China's leading Internet company makes it much easier to use a smartphone.



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Reusable Rockets Rockets typically are destroyed on their maiden voyage. But now they can make an upright landing and be refueled for another trip, setting the stage for a new era in spaceflight.

Robots That Teach Each Other

What if robots could figure out more things on their own and share that knowledge among themselves?

DNA App Store An online store for information about your genes will make it cheap and easy to learn more about your health risks and predispositions.

SolarCity's Gigafactory A \$750 million solar facility in Buffalo will produce a gigawatt of high-efficiency solar panels per year and make the technology far more attractive to homeowners.



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Slack

A service built for the era of mobile phones and short text messages is changing the workplace.

Tesla Autopilot

The electric-vehicle maker sent its cars a software update that suddenly made autonomous driving a reality.

Power from the Air

Internet devices powered by Wi-Fi and other telecommunications signals will make small computers and sensors more pervasive.

Ideas of TRADEway students:

Reusable rockets

AI

Automatic Pilot in cars and planes

Robotics

Nano Robotics (used in medicine)

Big Data

Virtual Reality Games (3 D)

Planetary Travel & Colonization

Chips 3 atoms thick

Space manufacturing

Genetic Immune Engineering

DNA App Store

Online Banking

Online Venture Capital



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Why I believe we are in a new Bull Market

4. All the stocks we posted after the election went up from support all the way to resistance, in most cases three times!

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These 15 stocks were posted by TRADEway just after the election for "up" plays:

AMZN AVGO FB AAPL FANG NVDA EW ALK CHKP ICLR GPN CNI VNTV
LUV PAYC

AMZN has had three possible plays since the election, all three of which ended at the proper sell point for a \$5 + per share gain.

AVGO, same.

ALK has had one \$20 and one \$10 move.

FB same.

CHKP has had one \$15 move and one \$5 move.

AAPL same.

ICLR has had two \$7 moves.

FANG has had two \$10 moves and one \$5 move.

GPN has had two \$6 moves and a \$10 move.

NVDA has had two \$20 moves and one \$10 move.

CNI has had an \$8 move and a \$5 move.

EW has had one stop out and two \$10 moves.

VNTV has had a \$4 move and an \$8 move.

LUV has had a \$10 move.

PAYC has had a \$4 move, a \$5 move, and a \$6 move.

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Why I believe we are in a new Bull Market

5. Over-priced stocks do not always stop a Bull Market

No Expiration Date on S&P 500 Bull Run Hurling Into Ninth Year

By Lu Wang
Bloomberg
12/29/16

<https://finance.yahoo.com/news/no-expiration-date-p-500-103001758.html>

Using data on CAPE ratios provided by Yale University's Robert Shiller, stocks are more expensive now than 96 percent of time since 1871. Currently at 28, the multiple has held at least one standard deviation above its historic average every month since July 2013.

While the ratio is about a year away from eclipsing stretches before the last two market peaks, investors haven't stopped buying.

CAPE ratios indicate a crash about 1 year out (if they still are relevant after 7 years filled with Quantitative Easing and artificially low interest rates, and negative rates in Europe. Where else can people put money to earn, other than the U.S. stock market? Will companies invest the trillions in cash for future growth? If they do, a new bull is virtually certain.

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Why I believe we are in a new Bull Market

5. Over priced stocks do not always stop a Bull Market

"If you look at the prospect for earnings growth and the prospect for a pickup in the economy, you start to see that conditions have come off the bottom," said Robert Pavlik, chief market strategist at Boston Private Wealth who helps oversee \$9.1 billion. "All these are very positive signs of what could potentially come for 2017."

Company earnings are picking up the last quarter of 2016, and so are top line sales.

What will President Trump's low corporate and personal tax rates do for the world?

...Bringing thousands of jobs back to the U.S.?

...Reducing red tape to allow more IPOs, and bank growth, etc.

...Cutting the Federal spending & budget.

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Why I believe we are in a new Bull Market

5. Over priced stocks do not always stop a Bull Market

The CAPE standard has taken its lumps of late. As money manager Laszlo Birinyi often notes, heeding its signal would've kept you almost entirely uninvested in the current bull market, the second-longest ever.

That CAPE ratios repeatedly fattened since the 1990s suggests to many that changes in the economy -- the switch to service industries or the explosion of buybacks, perhaps -- have rendered it obsolete.

A 2012 paper by Cliff Asness of AQR Capital Management showed that elevated readings in the 10-year ratio more often than not, preceded up years in the S&P 500.

More current statistics show that higher prices are indicative of a healthy climbing market, not of an "overpriced" market.

PE ratios have become less important in choosing stocks in recent years, according to some, like Birinyi, Asness, and O'Neil.

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5. Over priced stocks do not always stop a Bull Market

*Price/Earnings
Ratios
(trailing 12 mos.)*

Jan. 1, 1999 32.92

Jan. 1, 2009 70.91

Feb. 22, 2017 26.49

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Why I believe we are in a new Bull Market

I believe the “Trump” bull will last for a year to 1 ½ years, possibly 2.

This is more in line with the majority of bull markets in the past 50 years, according to William O’Neil*.

**How to Make Money in Stocks*

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