

MONTHLY
JAPANESE CYCLES REPORT

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NIKKEI ENCROACHES ON 70,000 MILESTONE

By Gianni Di Poce, MMA Analyst, and Raymond Merriman

Cycle	Progress
17-year	18 th year
8.33-year	10 th year
4.17-year	14 th month
17-month	14 th month
Primary (12-20 weeks)	10 th week

The Japanese Nikkei continued its historic rally over the past month, reaching as high as 68,786 on June 3, before dropping hard into the weekend. This rally has exceeded previous upside objectives, and so additional upside targets will be discussed in this month's report. Although it's getting late in some long-term cycles, there's still time in the short-term cycles for the Nikkei to keep making new highs.

Last month's report stated, "... there appear to be some storm clouds brewing on the horizon as we look out to late-summer or early-fall, but for now, bulls remain on parade...What's most impressive about this rally is how it's unfolded as the Bank of Japan remains so hawkish. The central bank has serious concerns about inflation, and it even prompted them to intervene in currency markets to support the value of the Japanese Yen. More on this in the section on USD/JPY. The favorable mundane geocosmic backdrop in the coming months supports the idea of a sustained rally in the Nikkei as well." We're just over a month away from a favorable geocosmic period that could lead to a blowoff rally in the Nikkei. Don't be surprised if there are more interventions from the Bank of Japan this year, either.

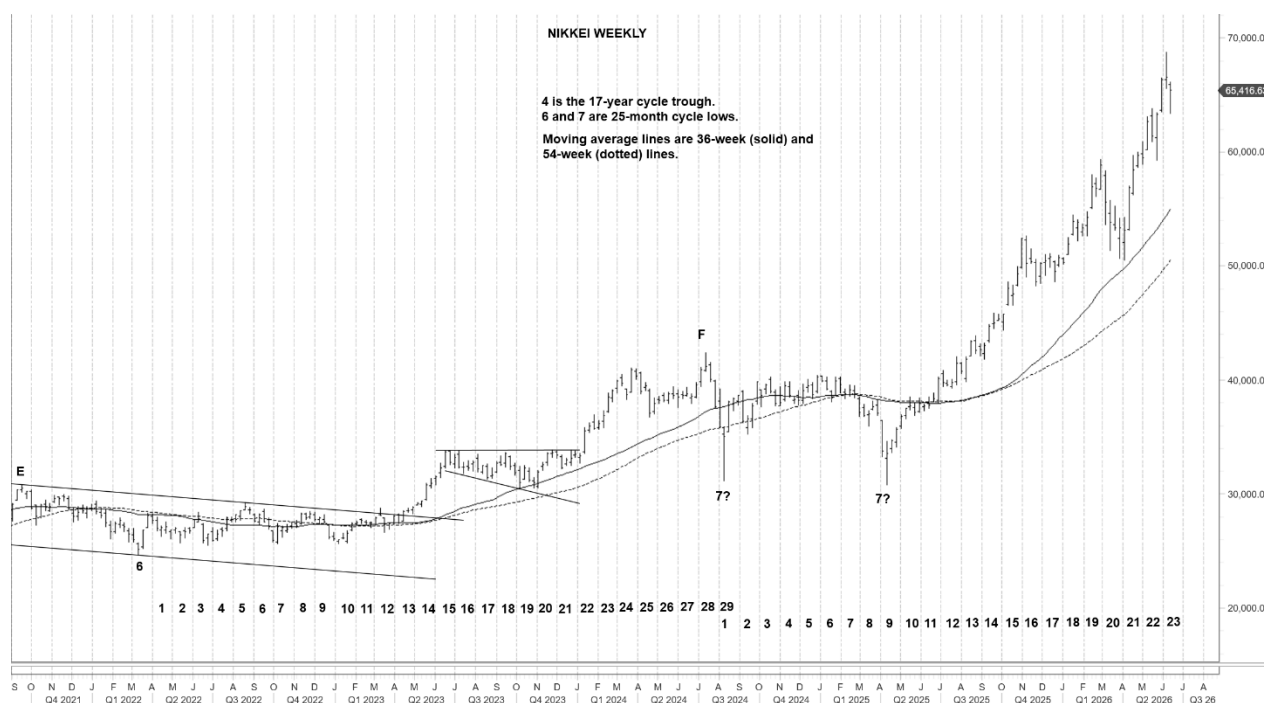
LONGER- AND INTERMEDIATE-TERM CYCLES

The Nikkei's long-term analysis begins with the 17-year cycle. The previous low was in 2008, so 2026 is the 18th year of this cycle. It's getting very late, which means that a drop into a long-term low could start at any time. Even so, a final parabolic rally appears to be unfolding as expected, and the question is how long after the Saturn-Neptune conjunction a long-term crest will unfold, as the previous Saturn-Neptune conjunction occurred in 1989. It corresponded with a historic top that held for decades in this index, but time will tell whether Uranus trine Pluto gives the Nikkei another push higher.

Once a 17-year crest is complete, a decline of at least 35% from the high is expected, with the next key 17-year cycle low projected around 2028. Although the April 7, 2025, low fits the timing for a cycle

bottom, its 27% pullback was not steep enough to qualify as a long-term low. For comparison, the 2008 cycle low involved a roughly 60% plunge.

The 17-year Nikkei cycle breaks down into two 8.33-year half-cycle phases. The last 8.33-year phase completed its low in 2016, which makes 2026 the 10th year of the phase. This suggests that downside risks are increasing during this long-term cycle, too. Even with the sharp decline into the low of April 7, 2025, it did not display the magnitude typically needed to signal a true 8.33-year cycle bottom. Given that the bigger 17-year cycle is approaching its final high as well, distortions in the shorter 8.33-year sub-cycles are to be expected. The blowoff rally may go on longer before the final long-term high is complete. But any declines under the April 7, 2025, low would confirm that a major bear market has begun, with the primary target being the next major 17-year cycle low, expected between 2028 and 2029.



The 8.33-year cycle breaks down into two 4.17-year phases. The April 7, 2025, low remains a strong candidate for a 4.17-year cycle low. However, this causes problems for the current long-term cycle outlook, as it means the second—and typically final—4.17-year sub-cycle unfolded within the 8.33-year cycle that began from the 2016 low.

Three 4.17-year phases within an 8.33-year cycle are highly abnormal. The decline into that April low was 27.4% from the previous all-time high, but still short of the ~35% decline that typically occurs with 4.17-year cycle lows. It may have just been an abnormal 4.17-year cycle after all.

The 4.17-year cycle then divides into two 25-month cycles or three 17-month cycles. The previous 4.17-year cycle displayed three 17-month cycles. The previous 17-month lows occurred in March 2022 (24 months from March 2020) and October 2023 (19 months from March 2022). The April 7 low was 18 months after October 2023 and was also a 17-month cycle low. We're getting closer to the point where the breakdown of this 4.17-year cycle will be known. This month starts the 14th month of the 17-month or 25-month cycle. There is still time in either scenario for new all-time highs to continue, although we are

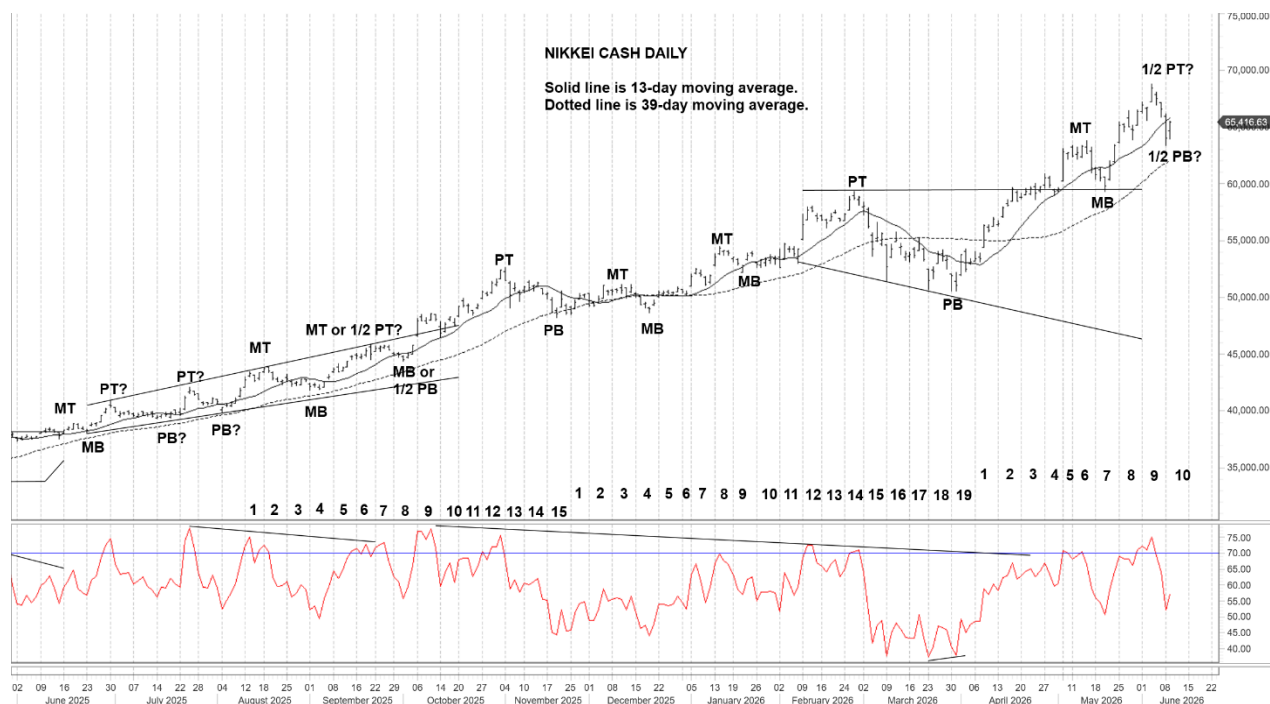
approaching the time band for a 17-month cycle crest to occur at any time. It may happen in this primary cycle, or possibly the next one. Ideally, the 17-month cycle high occurs this summer as aspects related to the irrational exuberance approach.

THE PRIMARY CYCLE

This week begins the 10th week in the primary cycle from the low on March 31 at 50,558. The Nikkei rallied to yet another new all-time high last week, reaching 68,786 on June 3 before pulling back into Friday's close. The Nikkei also completed a major cycle trough on May 20 in the 7th week, and it was also in the orb of the May 22-26 CRD. Since we are not in a CRD period until later in June, it's not our bias that the June 3 high was a primary cycle crest. It may, however, turn out to be a half-primary cycle crest. In the meantime, the Nikkei starts the 3rd week in the second major cycle phase.

The primary cycle breaks down into phases that include half-primary cycles that last 7-11 weeks or major cycles that last 4-7 weeks. Combination patterns occur when both major and half-primary cycles unfold. The May 20 low was confirmed as a major cycle trough after a 4-day corrective decline within the 3-8 day corrective decline window, and then prices rallied to a new all-time high. There is still time left for new all-time highs to keep forming in both the major and primary cycles. If a half-primary cycle crest occurred on June 3, we can't rule out that the low formed on June 8 at 63,406, as that would fall in the 3-13 day window where we often see lows form for half-primary cycles. However, there is still time for further downside this week or next to form a half-primary cycle low.

It's also worth observing how the Nikkei hit its cycle high on Wednesday of the 9th week. This satisfies the cycle study, which shows that a rally beyond Tuesday of the 9th week occurs most commonly in bullish cycles.



In terms of geocosmics, the next CRD falls on June 26-29, which features Venus trine Saturn (June 25),

Mars ingressing into Gemini (June 28), Mercury retrograde (June 29-July 23), and then Jupiter's ingress into Leo (June 30). There's also a CRD on July 6 and July 17-20. The July 6 CRD features Mars trine Pluto (July 5), Sun square Saturn (July 6), and Neptune retrograde (July 7). Venus also ingresses into Virgo on July 9.

The July 17-20 CRD may be the most impactful of 2026. It starts with Venus square Uranus on July 13, followed by Uranus sextile Neptune (July 15), Uranus trine Pluto (July 18), Jupiter trine Neptune and opposite Pluto (July 20). Mercury then goes direct on July 23. The bias right now is for a primary cycle crest in the July 17-20 CRD, +/- 3 trading days, but it may last up to a week in this case, given the long-term factors at play.

The Basic Trend Indicator for the Nikkei continues to be reinforced for the bulls with last week's new all-time high. As long as it continues making higher-highs and higher-lows, this will remain the case. It's also an encouraging signal that the RSI indicator moved into overbought territory above 70 during last week's rally, which confirms that momentum is in favor of the bulls. But now, as the primary cycle matures, be alert for any bearish divergence signals whereby the RSI doesn't make a new high with price. This could signal that upside momentum is waning, which often occurs at or near important market highs.

Last month's report stated, *"Regarding price patterns, there was a clean breakout from the broadening wedge last week. These are momentum patterns that point to significantly more upside in this index. The target from this pattern remains in the 65,000-66,000 zone. Note how the Nikkei closed above the previous upside target at 60,000-62,000 last week. This is a very bullish development. Plus, there's the MCP price target for the next primary cycle crest at 61,656 +/- 1,306. We're in this range now, and the primary cycle is still early."* Prices exceeded the projected target, rallying as high as 68,786 on June 3. The 60,000-62,000 level is now a floor in the Nikkei. Above there, little reason exists to be bearish from a technical standpoint. In terms of additional upside objectives, the new upside target is in the 70,000-71,000 zone with a measured target for the next major cycle crest at 72,532 +/- 2592. This could coincide with a primary cycle crest in the Nikkei. There aren't any other clear patterns in play right now.

The moving average study remains bullish. Prices are above both the 13-day moving average at 65,164 and the 39-day moving average at 61,591. The 13-day MA is above the 39-day MA, and prices are above both, so the moving average indicator remains bullish. If it drops below the 13-day moving average but stays above the 39-day moving average, it will be downgraded to "bullish turning neutral". It would be downgraded back to neutral if it closed below both moving averages and the 13-day stayed above the 39-day.

TRADING STRATEGY

Position traders were long with a stop-loss on a close below 55,895, after covering 2/3 already for an excellent profit. Traders were advised, *"Let's cover the final 1/3 on a rally to 65,500 +/- 60 if offered and stand aside."* Got this off for a final excellent profit. Let's stand aside this month.

Aggressive traders were long with a stop-loss on a close below 55,895, after covering 2/3 already for an excellent profit, buying back, and covering another 1/3 for an excellent first profit. Traders were advised, *"Let's cover another 1/3 at current price levels, and the final 1/3 on a rally to 65,500 +/- 60 if offered, and stand aside."* Got these both off for a final excellent profit. Let's buy back on a drop to 65,100 +/- 60 with a stop-loss on a daily close below 61,684. Cover 1/3 on a rally to 69,000 +/- 60 if offered.

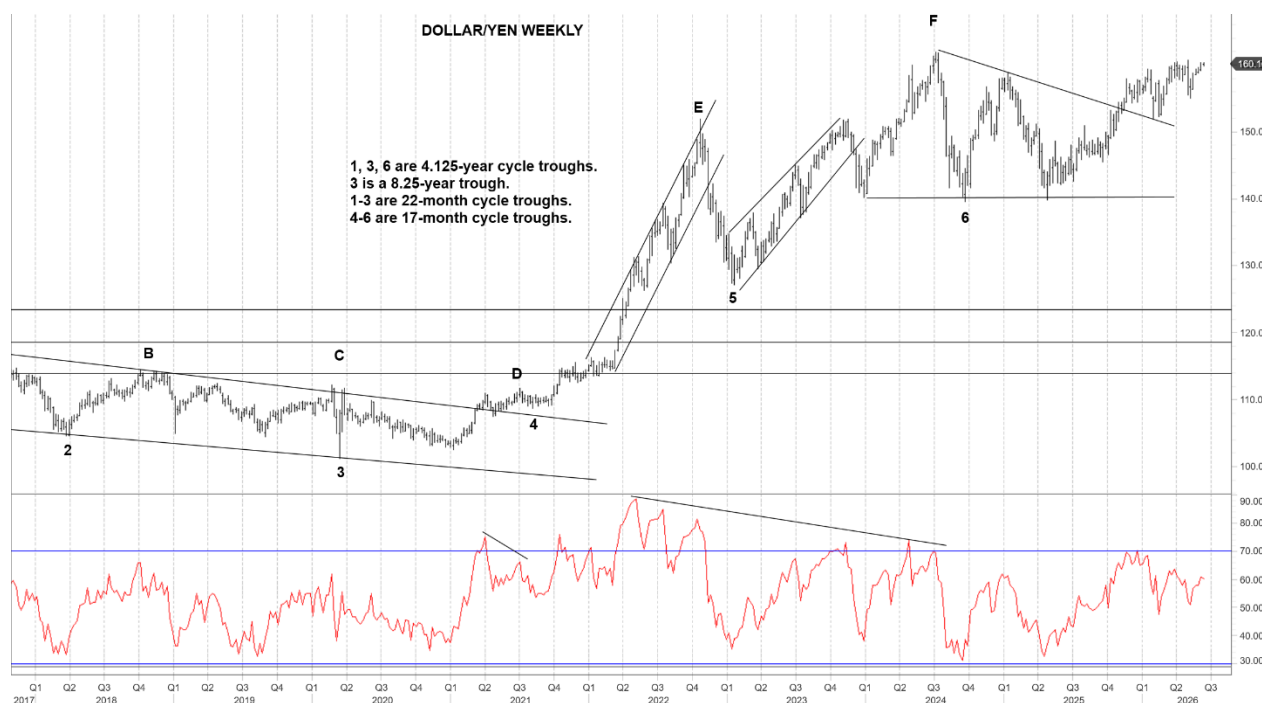
IS THE BANK OF JAPAN BETTING ON A 22.5-MONTH CYCLE?

By Gianni Di Poce, MMA Analyst

Cycle	Progress
16.5-year	15 th year
8.25-year	6 th year
4.125-year	2 nd year / 21 st month
17-month	21 st or 5 th month
Primary (26-40 weeks)	19 th week

The Dollar/Yen continued its slow but steady drift higher over the past month. Nearly all of the losses following the Bank of Japan's intervention in late April have been recovered, which puts this currency pair in a precarious position. This past week, USD/JPY closed out at 160.29, and over the past few years, we've seen the central bank intervene mostly in the 160.00-162.00 zone. Are we on the verge of another intervention, or is the Bank of Japan quietly banking on a 22.5-month cycle capping prices over the next few months?

Even the rise in Japanese Government Bond (JGB) yields hasn't been enough to help the Yen hold its value. Inflation remains the biggest issue facing Japan, as the export-based economy relies heavily on oil imports. The market keeps testing the Bank of Japan, and the only thing that would help the central bank prevent a major surge in USD/JPY in the near-term would be a drop in energy prices.



LONGER- AND INTERMEDIATE-TERM CYCLES

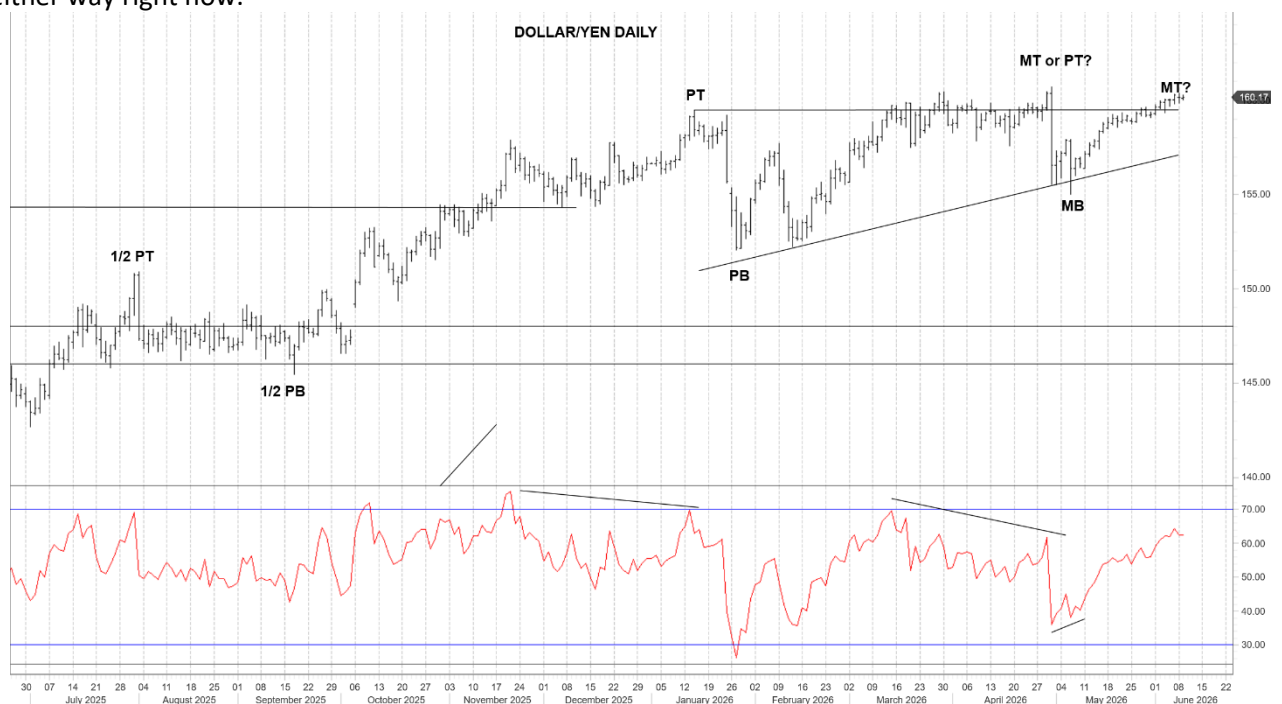
The long-term cyclical outlook in USD/JPY starts with the 16.5-year cycle, which is in its 15th year from the previous bottom in October 2011. It is very late in this 16.5-year cycle, and the Bank of Japan is pulling out all the stops to prevent a final, parabolic move higher. Downside risks are rising with each passing

month. The cycle high at 161.99 on July 3, 2024, continues to hold, but there's only a 25% probability that this is the high of this cycle.

In the event USD/JPY were to break beneath the September 16, 2024, low of 140.30, it would confirm completion of the longer-term crest and a drop into a 16.5-year cycle bottom. This low would be anticipated between 2027 and 2028. But as explained last month and still the case, *"...there is an alternate, yet less likely scenario that has the April 22, 2025, trough at 139.86 marked as the 16.5-year cycle low. In this scenario, the cycle would have broken down into three 5.5-year segments rather than the standard two 8.25-year phases. If this plays out, 2026 would only be the 1st year in a new 16.5-year cycle for USD/JPY, and needless to say, the Bank of Japan would be facing a major crisis. This isn't the preferred outlook, but a possibility nonetheless."*

The 16.5-year USD/JPY cycle breaks down into either two 8.25-year sub-cycles or three 5.5-year phases. The current 8.25-year cycle started at the March 2020 low, which makes 2026 the 6th year within this phase. The September 16, 2024, low at 140.30 was a half-cycle low within the 8.25-year sub-cycle from 2020. This 8.25-year cycle is composed of two 4.125-year phases, with the September 2024 low unfolding almost exactly in the 4th year of the 4.125-year phase.

The 4.125-year cycle then breaks down into either two 22.5-month phases or three 17-month phases. June could start the 21st month in the 4.125-year cycle and in both of its 22.5-month and 17-month sub-cycle phases. The question is whether the January 27 low at 152.08 was a 17-month low. There isn't enough confirmation just yet for this. If so, June would start the 5th month, and it would be very bullish now, although if it were to take out the January 27 low at 152.08, this outlook would be nullified. If USD/JPY is going to experience a 22.5-month phase, we may have seen the crest on April 30, and a downward drift in the next few months is in play and will most likely occur at the end of this current primary cycle. It could go either way right now.



THE PRIMARY CYCLE

The primary cycle is the next consideration. This week begins the 19th week in the primary cycle from the January 27 low at 152.08. The low that started the cycle was in the 40th week of an older primary cycle, from the April 22 low at 139.86, and in the 26-40 week time band for a low. 2026 is the 2nd year of the 4.17-year cycle from the September 2024 low, so plenty of time remains for new highs.

The primary cycle consists of phases: half-primary cycles, lasting 13-20 weeks, and major cycles, lasting 9-14 weeks. A major cycle trough occurred on May 6 at 155.02, right in the orb of the May 5 CRD. This week will begin the 5th week in the second major cycle phase, and keeps the bullish outlook alive for now. However, if a drop into a 22.5-month cycle low is set to unfold, then there's a good chance the primary cycle peaked on April 30 at 160.72. This, too, would have occurred in the orb of the April 24-27 CRD. Let's see if the Venus signatures (ruler of currencies) this week lead to a major cycle crest. The big question will be whether this major cycle crest can form above the April 30 high.

The recovery in USD/JPY over the past few weeks further reinforces the uptrend. It keeps making higher-highs and higher-lows, although a lower-high that forms this week or next could start to shift the trend somewhat. Until then, the bulls are firmly in control. Last month stated, *"Note the wide case of bearish divergence that presented itself on the daily chart between prices and the RSI indicator at the April 30 high. This warns of it being a primary cycle crest, but we may have a major cycle trough on our hands already since the May 6 low had the RSI in the 40-60 corrective range. Trading cycle lows often form in this range in bullish cycles."* Indeed, the low on May 6 was held as a major cycle low. If it makes a new cycle high here, beware of this bearish divergence continuing.

USD/JPY also continues to coil within a broader ascending triangle formation. Triangles are continuation patterns and imply trend continuation. This is projecting a rally to 167.00-168.00, but only if it clears resistance at 160.00-162.00. The price target for the next major cycle crest is 163.85 +/- 1.03, but only if USD/JPY can exceed 160.72 on a closing basis. Last month also stated, *"There's the descending triangle on the weekly chart to consider, too. This pattern points to USD/JPY rallying as high as 178.00-180.00 in time as well. If support at 155.00-156.00 breaks, the next stop would be 150.00-152.00. If that were to break, it would send a strong signal that a decline into a 16.5-year cycle low is unfolding."* No change here. 155.00-156.00 remains key as that's where the major cycle low held. If it breaks, it confirms a drop to a 22.5-month low is underway.

In terms of geocosmics, this week may be extra important with Venus set to conjoin Jupiter on June 9 and then ingress into Leo on June 13. Then, there's the June 26-29 CRD, where Venus is trine Saturn (June 25), Mars ingresses into Gemini (June 28), Mercury retrograde (June 29-July 23), and then Jupiter's ingress into Leo (June 30). The July 17-20 CRD is also there to consider, with the plethora of trines and sextiles amongst outer planets. Venus is also square Uranus in this period. Important highs or lows could happen within 3 trading days of these CRDs.

TRADING STRATEGY

Position traders are 2/3 long with a stop-loss on a close below 154.62 now, after covering 1/3 for an excellent first profit.

Aggressive traders are 2/3 long with a stop-loss on a close below 154.62 now after covering 1/3 for an excellent first profit. Cover another 1/3 on a rally to 164.00 +/- .50 if offered.

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