

*The Merriman Market Analyst, Inc.
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MMA EUROPEAN CYCLES REPORT

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REVIEW

The DAX and the Zurich SMI continued to rally following their March 23 lows. This was both a primary and 10.5-month cycle low in the DAX and accounts for the relative strength in the German market compared to its Swiss counterpart. The DAX got within 100 points of a new all-time high while the SMI remains comfortably below its all-time high of February. There is still some debate over whether this was a primary cycle bottom in the SMI, but the odds suggest it was. Something to watch for in the next few months is bearish divergence developing when either the DAX or the SMI makes a new all-time high, but not both. If this occurs in a CRD zone, it may spell trouble in the long term.

Cycle	Progress
5.5-year (64-month)	13 th or 44 th month
32-month	13 th month
21-week	11 th week

LONG AND INTERMEDIATE CYCLE REVIEW

The correct long-term cycle in the DAX is still up for debate, but if we use the more reliable 64-month cycle, and utilize the multiplication method, we get possible long-term cycles of 16- or 21-years in length. The true start date for these cycles is also up for debate. The two largest and longest declines in the DAX have been the 73% decline from March 2000 into a low in March 2003, and then the 56% decline from June 2007 into a low of March 2009.

It is likely that the March 2009 low (also the start of the current 18-year cycle in the U.S. market) is the correct starting point for either the 16-year or 21-year cycle. The 16-year cycle would be due by the end of December 2027, while a 21-year cycle would be due to bottom anytime between September 2026 and September 2033. Both of these possibilities seem to align well with when we expect the U.S markets to also put in an 18-year low.

There would be three 64-month cycles in a 16-year cycle and four in a 21-year cycle (due to the 21-year cycle consisting of two 10.6-year cycle phases that are then made up of two 64-month cycles each). In the 16-year scenario, the DAX is now 45 months into the third and final 64-month cycle measured from the September 2022 low. Final phases can become parabolic in nature, and this one has done just that and may not be done yet, with the DAX making another attempt at a new all-time high as recently as May

25. However, it is past the halfway point, so we must be aware that a long-term crest could occur at any time.

In the 21-year cycle scenario, the COVID low of March 2020 was exactly 11 years from March 2009. This was right on time for a 10.6-year half-cycle to occur. The DAX then experienced a sharp 21% decline in April 2025. This was 61 months from March 2020 and right on time for another 64-month cycle to form (the 64-month cycle carries an 8-month orb). June will therefore be the 14th month of the final 64-month cycle before a 21-year bottom is due. Given that we are still early in this final long-term cycle and the DAX is still hanging around the January high of 25,507, there is no reason to think the 21-year cycle high is in yet.

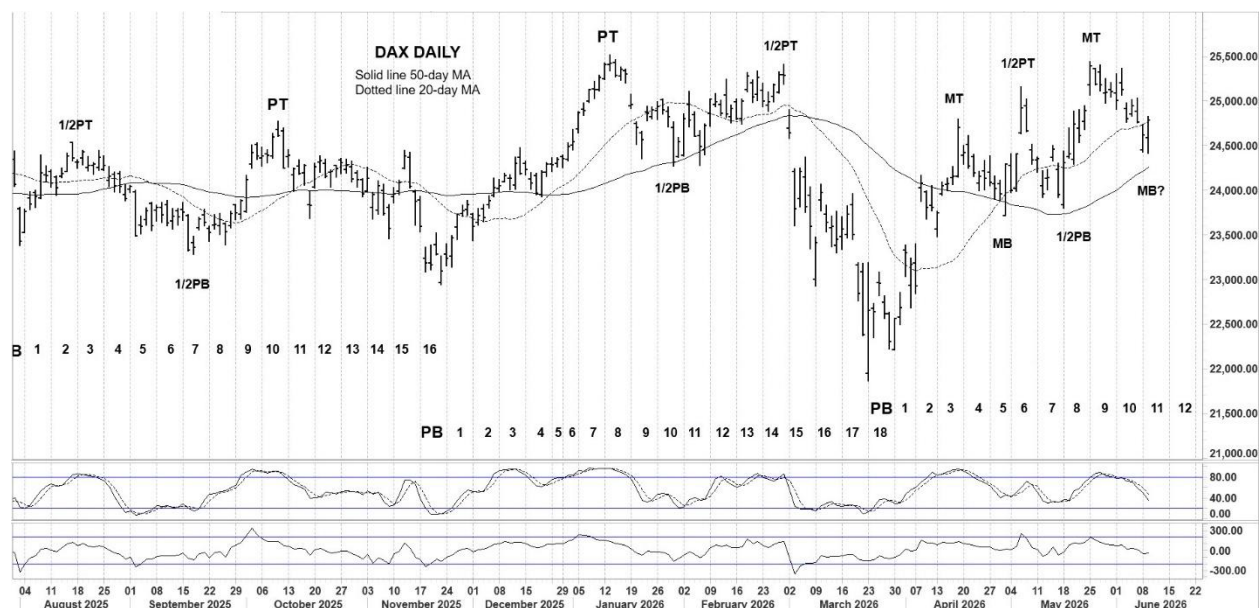
The 64-month cycle typically breaks down into a two-phased pattern of two 32-month cycles with a 5-month orb. It is highly likely that April 7 was at least a 32-month cycle low, even though we are not 100% certain of the correct long-term cycle picture and start of the current 64-month cycle. The difference is that either we are just now 13 months into the first 32-month cycle phase of a new 64-month cycle (21-year cycle labeling), or this is the second 32-month cycle before the 64-month bottom is due (16-year labeling). In the first case, the intermediate outlook for the DAX is more bullish, with potential upside targets of 28,000 +/- 1,122 and then 33,700 +/- 1,795 (These would be my preferred price targets). In the latter case, targets for a 32- and 64-month crest would be 25,666 +/- 1,628 and 30,100 +/- 2,152, respectively. We have reached the first of these targets, with the DAX reaching 25,507 on January 13, but we have yet to break through this level.

For now, the trend is still bullish as long as the DAX remains above the April 2025 low of 18,489. It will take a change in character for this market to give an early signal that an important crest has formed. That change of character would be a monthly close below the 16-month moving average. This has now happened, so it is imperative that the DAX make new highs above 25,507 on this next rally. It is getting close to doing that, coming within 100 points of this high on May 25. If it can't break out, it would send warning bells that an important high was made on January 13, and what is transpiring now is a double-top chart pattern similar to what occurred in 2007, before the DAX declined 56% to a long-term low.



The 32-month cycle can break down into three 10.5-month cycles or two 16-month cycles. The previous 32-month cycle unfolded as a three-phased pattern labeled as such on the weekly chart. This current 32-month cycle looks to be following a similar path with a 10.5-month low occurring right on time on March 23 at 21,863. Therefore, June will begin the 3rd month of the second 10.5-month cycle. The first price target would be a test of the all-time high at 25,507, which the DAX has now done with the May 25 high. If the DAX can break through this level, then 26,200 +/- 511 and 28,880 +/- 828 become the next upside targets.

Even though this 32-month cycle looks to be again deploying in a three-phased pattern, we still may get a sharp decline into a 16-month half-cycle low. If this were to happen, it would be due by the end of this year, with it ideally occurring August +/- 3 months. With an intense geocosmic lineup set for the summer months, the chance of this happening is far from zero. In fact, readers may recall that this market is prone to sharp reversals around solar and lunar eclipses. The next series of eclipses takes place in August.



THE PRIMARY CYCLE

The week of June 8 begins the 11th week of a new 16-26 week (20.5 +/- 5 weeks) primary cycle following the low of 21,863 on March 23. This low occurred 18 weeks from the November 21 low, so it formed right on time. March 23 was also right in the center of the March 20-23 CRD. Last month stated, *"Being that this is the first primary cycle in a new 10.5-month cycle, we are looking for the rally to last at least 8 weeks, and probably longer."* The DAX rallied into Monday of the 9th week, which was technically one day short of satisfying the bullish 8-week rule, which states that bullish primary cycles tend to top out after Tuesday of the 9th week. There is still time for this to occur, however, as the DAX continues to make higher highs and higher lows in this primary cycle.

Major cycles in the DAX typically last 5-8 weeks, with half-primary cycles lasting 8-12 weeks. The way I have the phases labeled on the daily chart currently shows a combination pattern developing. We had the first major cycle low in the 5th week on April 30, early but still on time. This was followed by a rally and sharp decline into what could be considered a half-primary cycle low in the 8th week of the primary

cycle. Again, early in the time band, but still on time. Now, the DAX is falling to what could be the second major cycle low on June 8. This is six weeks following the first major cycle bottom and would be right on time if it verifies.

Should Monday turn out to be the second major cycle low (or whatever low forms later this week or next), it is imperative that the DAX rally above 25,438 to keep the bullish bias going in this primary cycle. A failure to do so would imply that May 25 was the primary cycle crest, and the DAX could be lower into the cyclical overlap period, leading to a low between July 13 and August 17.

Last month stated, *“The initial price target for this second major cycle is 25,525 +/- 213, with a more bullish price target at 26,644 +/- 345. Notice that this target corresponds to the 28,000 +/- 1122 mentioned earlier.”* The DAX hit 25,443 on May 25, bang on the given crest target. If the trend is still bullish, the next upside price targets are 25,829 +/- 240 and 26,541 +/- 261.

GEOCOSMICS:

May 22-26 was a three-star CRD, and the DAX rallied to a high on May 25. This was effectively a double top to the all-time high set in January. It is important that the DAX make a new high on this next rally, or we will have a very good reason to believe May 25 was also the primary cycle crest. The next CRD isn't until June 26-29. If the DAX can break out to new highs, this might be the spot to look for a primary cycle crest to form before a possible decline into a low during the intense July and preferably August time period.

In a previous report, I shared a chart showing that the DAX tends to make pivots during solar and lunar eclipses. While it didn't make a new all-time high, the DAX did indeed form a half-primary cycle crest during the “eclipse window” and then fell sharply to a primary cycle bottom on March 23. Interestingly, if we measure out 20 weeks (normal primary cycle length in the DAX), we come to mid-August. When is the next solar/lunar eclipse window? In August.



TRADING STRATEGY

Position traders are flat. Let's go long at 23,700 +/- 125. Set the stop-loss on a weekly close below 22,900 for now. If filled, exit 1/3 at 25,500 +/- 150.

Aggressive traders were long 2/3 after covering 1/3 for excellent gains. Last month, I advised, *"Exit another 1/3 at 25,250 +/- 200."* Got this too! Let's return fully long at 23,550 +/- 150 if offered and exit 1/3 at 25,500 +/- 150. Move the stop-loss up to a weekly close below 23,000 or 22,250, depending on risk tolerance.

Very Aggressive Traders were long and advised, *"Exit 1/3 at current prices and another 1/3 at 25,250 +/- 200."* Bingo! Exit the final 1/3 at 25,500 +/- 150. Traders may also go fully long again at 23,900 +/- 100 or 23,500 +/- 100, depending on your risk tolerance. Move the stop-loss on all longs to a weekly close below 22,500.

ZURICH SMI STRUGGLES WITH PRIMARY CYCLE OUTLOOK

by MMA Analyst Gianni Di Poce

Edited by Ray Merriman

SMI Cycle	Progress
18-year	6 th year
6-year	6 th year
4-year	3 rd year
Primary (15-26 weeks)	11 th or 19 th week

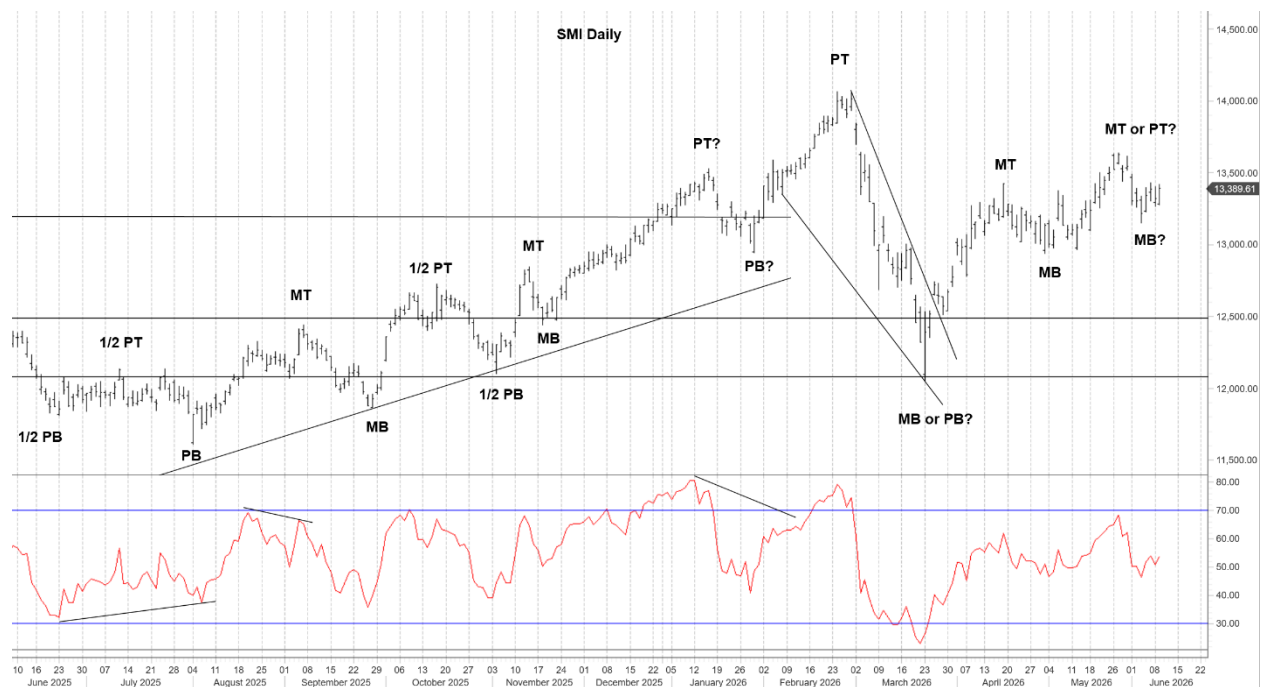
The Zurich SMI is only slightly higher compared to the prior month. Prices drifted up into a high on May 27 at 13,637, right in the May 22-26 CRD, before commencing another pullback lower. Prices found a floor on June 3 at 13,152, although it's too soon to know whether this is another important cycle low, or if a little more downside is still in play.

There are a couple of primary cycle scenarios the Zurich SMI continues to grapple with. This uncertainty is reflected in the price action too, as it's been trading within a 500-point range approximately over the past month. The Swiss National Bank didn't make any major moves recently, although it's expressed concerns about the strength of the Swiss Franc, which can make exports more difficult for the economy. Remember that interest rates are still at zero, but don't be surprised if there's a direct intervention in the currency market to try to lower the Swiss Franc. In theory, such developments could be bullish for the Zurich SMI, as the currency would become worth less. Bigger picture, there's still a bias for new all-time highs in this index, even with the lateness of some long-term cycles.

The week of June 8 either begins the 11th week of a slightly newer, potentially still bullish primary cycle measured from the March 23 low at 12,053, or it begins the 19th week of a slightly older, yet bearish primary cycle measured from the January 29 low at 12,542. The January 29 scenario would be bearish, as prices have already dropped below the low that began the cycle. The March 23 possibility exists due to an expanded primary cycle measured from August 4 that bottomed in the 33rd week. There's even a possibility that a primary cycle bottom occurred on November 4, in which case, the March 23 bottom would have occurred in the 20th week, and right on time for a normal-length primary cycle low to form. I give a 75% probability to the newer, potentially bullish primary cycle scenario at the moment, up from 60% last month, mainly because it hit a new cycle high. If it were a bearish primary cycle, I would look for prices to break down again imminently.

Primary cycles in the Zurich SMI typically last 15-26 weeks, and with the bearish January 29 scenario, a drop beneath the March 23 low would be expected, since the lowest price in all bearish cycles is at the end. A low would be due within 7 weeks in this case. As such, the March 23 scenario is preferred, so our bias is currently bullish. Not to mention, the March 23 low was right in the March 20-23 CRD, and it occurred after a 4-week correction from the all-time high of February 24. This was right in the 2-5 week corrective window that lows tend to occur in bullish primary cycles. Last month's report stated, *"The test now will be whether the cycle can make new highs beyond Tuesday of the 9th week, which would all but confirm its bullish nature."* It made its cycle high on Monday of the 9th week, so in theory, if it's going to be bullish, we'll need to see another cycle high above the May 27 high at 13,637. This would have been the primary cycle crest under an older cycle scenario.

The primary cycle consists of three major cycles lasting 5-8 weeks, or two half-primary cycles lasting 8-14 weeks. When both phases unfold, it's a combination pattern. If this is an older primary cycle from January 29, then this week would start the 6th week in the third and final major cycle phase measured from the April 30 low at 12,940. We would be in the time band for a low, ideally within 2 weeks. It would seem rather unlikely for prices to drop below the March 23 low at 12,053, barring some sort of major event. If this is a newer primary cycle, however, then a major cycle trough could have formed at 13,152 on June 3. This would have been 5 weeks from the April 30 low. It's also a candidate because it was 5 days from the major cycle crest of May 27, and it falls within the 3-8 day corrective window where major cycle lows can form. If that wasn't the low, we could look for a trough at any time here. It may even spill over into the June 26-29 CRD, as that would be 8 weeks from April 30 in the early part of that orb.



The long-term cycle scenario in the Zurich SMI is next. It starts with the 18-year cycle that bottomed in March 2020, which was 17 years from March 2003. The year 2026 is the 6th year of this 18-year cycle, although the biggest near-term risk lies in the 5-7-year cycle sub-cycle phase.

The 18-year market cycle comprises three phases, each lasting 5 to 7 years. The previous 5-to-7-year low was in March 2020, so 2026 is the 6th year of the current phase. We are now in the time band that historically carries the most significant risk for the Zurich SMI from a long-term cyclical standpoint.

As explained last month and still the case, *“Although the April 9, 2025, low lined up well in terms of timing for a 5-to-7-year cycle bottom, the drop was only 18.9%, falling short of the ideal depth. Normally, a corrective move of this scale would exceed the 22.9% drop that preceded the September 2022 low. Thus, new 5-7 year highs are expected this year before turning sharply lower toward an important low in 2027-2028. It cannot be ruled out that the Zurich SMI may have already started the downward leg of its next 5-to-7-year cycle. This would especially be the case if a bearish primary cycle from January 29 was in effect.”*

Lastly, there's the 4-year cycle, and we're in the 3rd year. The previous 4-year low was registered in October 2023, making the April 9, 2025, low the half-phase (half-cycle) low. The current 4-year cycle looks

to be vying for a high that coincides with the 6-year peak of the larger cycle, likely in late 2026 or early 2027.

The Basic Trend Indicator in the Zurich SMI is still mixed, although it's making progress on the bullish front. Another series of higher-highs and higher-lows was printed over the past month, which favors the bulls, although the Zurich SMI is still very much in a "new all-time highs or bust" stage in its rally, especially so late in numerous long-term cycles. If prices take out the March 23 low to the downside, it would send a strong message that the trend is turning bearish, with the February high marking a 6-year cycle high.

There aren't any clear-cut price patterns in play now in the Zurich SMI, but as long as prices hold above the support zone at 12,000-12,500, bulls have the technical advantage. If it drops below this support zone, it would send a strong signal that a long-term cycle crest is complete. Note this is where the March 23 low was, too. The longer-term upside objective in the Zurich SMI is still in the 15,800-16,200 region, assuming a long-term cycle high hasn't formed yet. The price breakout from the ascending triangle formation back in January points to a move up to 15,800-16,200. There's also the falling wedge pattern that the Zurich SMI broke out from in early April, which points to a retest of the previous highs. We still haven't fully gotten there, but it provides an upside target of 14,000-14,200 near term.

Last month's report also explained, *"... if the Zurich SMI is undergoing a bearish primary cycle, it will continue to struggle to close the daily gaps left following the February 27 high at 13,700 and 13,933. These still need to be filled to get the bullish trend back on track, and another month has passed, and they're still open."* It managed to close one of those gaps from March 2, but the February 27 one at 13,933 remains open. Another concern is that the RSI indicator failed to hit overbought (above 70) following a two-month rally. This lends credence to the idea that the rally was corrective rather than the start of a new bull trend. A new overbought reading above 70 would quell these concerns, but if bears are going to assume control here soon, look for the RSI to drop below 30 during further declines.

With respect to geocosmics, the next CRD is June 26-29, which includes Venus trine Saturn (June 25), Mars ingressing into Gemini (June 28), Mercury Rx (June 29-July 23), and then Jupiter's ingress into Leo (June 30). There's another CRD on July 6 and July 17-20. The July 6 CRD has Mars trine Pluto (July 5), Sun square Saturn (July 6), and Neptune retrograde (July 7). Venus also ingresses into Virgo on July 9.

But the July 17-20 CRD may be the most exciting of the year. It begins 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. In theory, a primary cycle crest or trough could occur in the July 17-20 CRD, but only under a newer primary cycle labeling.

TRADING STRATEGY

Position traders are long with a stop-loss on a close below 12,320 after covering 1/3 for an excellent first profit. Cover another 1/3 at 14,500 +/- 100 if offered.

Aggressive traders are long with a stop-loss on a close below 12,320. Let's cover 1/3 on a rally to 13,850 +/- 60 if offered.

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