

Reading the cycles ...

... or maybe not

When you look at these charts and imagine what you would do and how you would react in response to these changes, your actual reaction, and your guesses, and your sense of what is going on, if you were to live through these, would be altogether different.

Most of us over-react to the here and now, and can easily lose sight of the patterns in the bigger picture. That is why if you are an investor, it is important to pause and think about this from time to time.

Clear patterns almost never emerge.

It is also important to stay calm and analytical in the face of major events and large moves.



25,000 2017 – One of the strongest momentum years in history 24,000 ln(close/open) = 0.218!23,000 22,000 21,000 0.451 0.523 20,000 0.038 0.021 0.575 0.157 0.167 19,000 phenomenal some 0.055 setbacks runs 0.075 18,000 2/3/2017 1/3/2017 3/3/2017 4/3/2017 5/3/2017 6/3/2017 7/3/2017 8/3/2017 9/3/2017 10/3/2017 11/3/2017 12/3/2017

Mudd finance

0.372 0.088 0.501 0.008 0.055 0.305 0.185 0.139 0.134 0.372 0.176 0.694 0.023 0.712 0.235 0.718 0.480 0.306 0.142 0.365 0.122 0.247 0.346 0.097 0.039 0.037 0.026

0.253

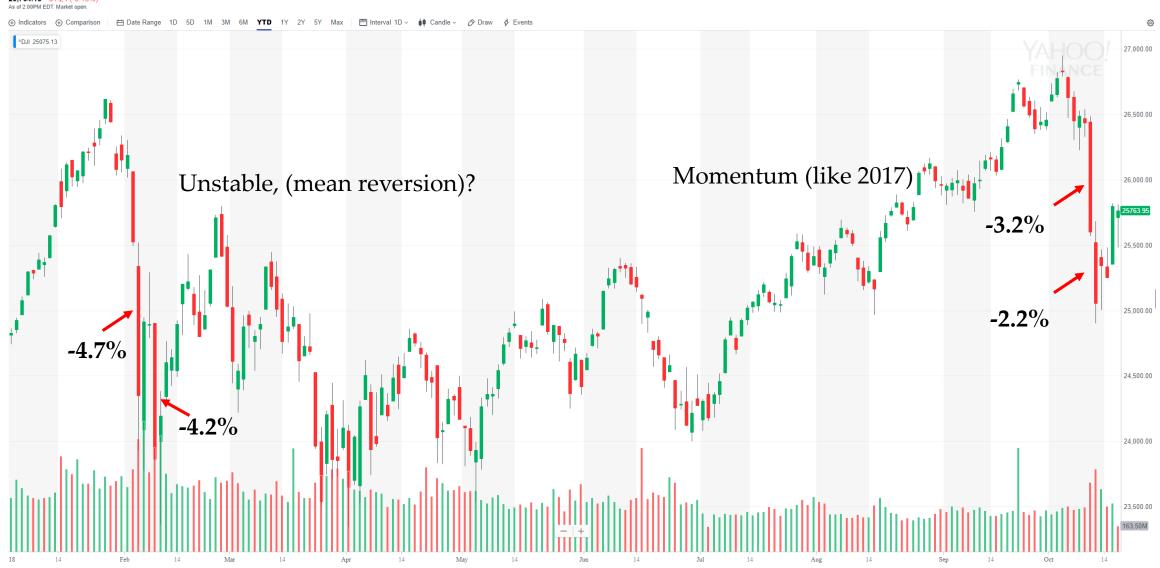
0.181 0.107

0.678

Even in such a strong year there were some down periods .. would you have thought that a downturn was underway??

There are no days more than 2% up or down!

Dow Jones Industrial Average (^DJI) ☆ Add to watchlist DJI -DJI Real Time Price. Currency in USD 25,764.18 _-34.24 (_0.13%) As of 2:00PM EDT. Market open.



26500 **January through March of 2018** 26000 -2.56This was a "headline" drop of 1,175.21 points. 25500 -0.07 -4.71 25000 -4.23 24500 gaps are weekends 24000 2.30 1.38 This looked like the beginning of a bear market as it unrolled ... 23500 but it was not! 23000 3/4/2018 3/5/2018 2/1/2018 2/3/2018 2/5/2018 2/6/2018 2/7/2018 2/8/2018 2/9/2018 2/12/2018 2/17/2018 3/1/2018 3/3/2018 2/10/2018 2/16/2018 2/20/2018 2/21/2018 3/2/2018 1/30/2018 2/11/2018 2/13/2018 2/14/2018 2/15/2018 2/18/2018 2/19/2018 2/22/2018 2/23/2018 2/24/2018 2/25/2018 2/26/2018 2/27/2018 2/28/2018

Mudd finance

close to close

d
u
u
d
d
u
d
d
u
u
u
u
u
u
d
d
u
u
u
d
d
d
d
u

27000 Right now ... 26500 Note that this is This was the 26000 an "up" day, not "headline" day a "down" day: of the 831.83 point decline 25500 25000 24500

Mudd finance

close to close

u
u
d
d
u
d
d
d
u
d

u

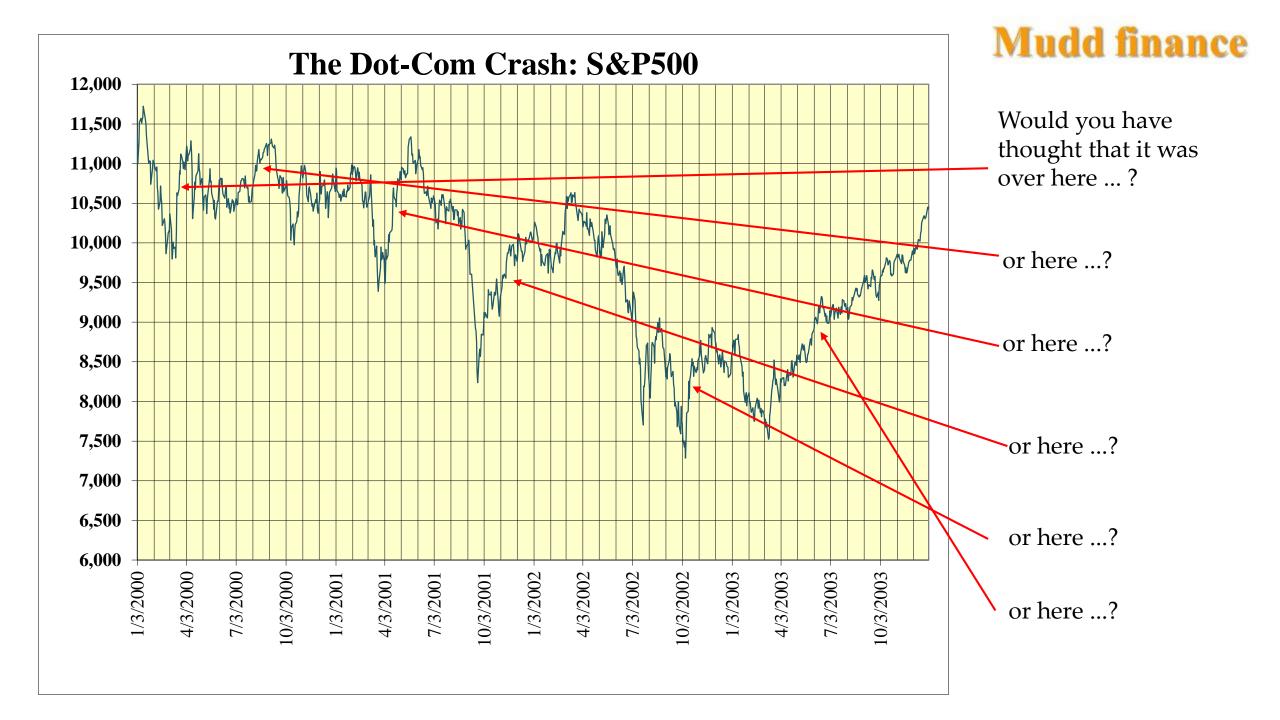
2150 7/20/2015 11/3/2015 2128.28 2109.79 12/29/2015 2100 2078.36 8/17/2015 2102.44 2050 2000 1950 1900 9/28/2015 1881.77 8/25/2015 1850 1867.61 4/22/2016 1/20/2016 2091.61 1859.33 1800 6/1/2015 7/1/2015 8/1/2015 10/1/2015 11/1/2015 12/1/2015 1/1/2016 2/1/2016 3/1/2016 4/1/2016 9/1/2015

Mudd finance

from a lecture in 2016 (the S&P500 is being shown)

did these feel like the beginnings of bear markets??

(yes)





Comments about Bayesian inference ..

Recommended background: Dr. Kristin Lennox, Lawrence Livermore National Laboratory, All About that Bayes: Probability, Statistics, and the Quest to Quantify Uncertainty

https://www.youtube.com/watch?v=eDM GDhyDxuY

... and John Maynard Keynes "Treatise on Probability"

impossible

certain

... considering the weight of evidence that is non-repeatable, ephemeral, indirect, and difficult to detect either because we don't know it is there or because it is obscured by noise.

... and finally, Survival Bias (in the data)

Abraham Wald's shot-up airplane ...

