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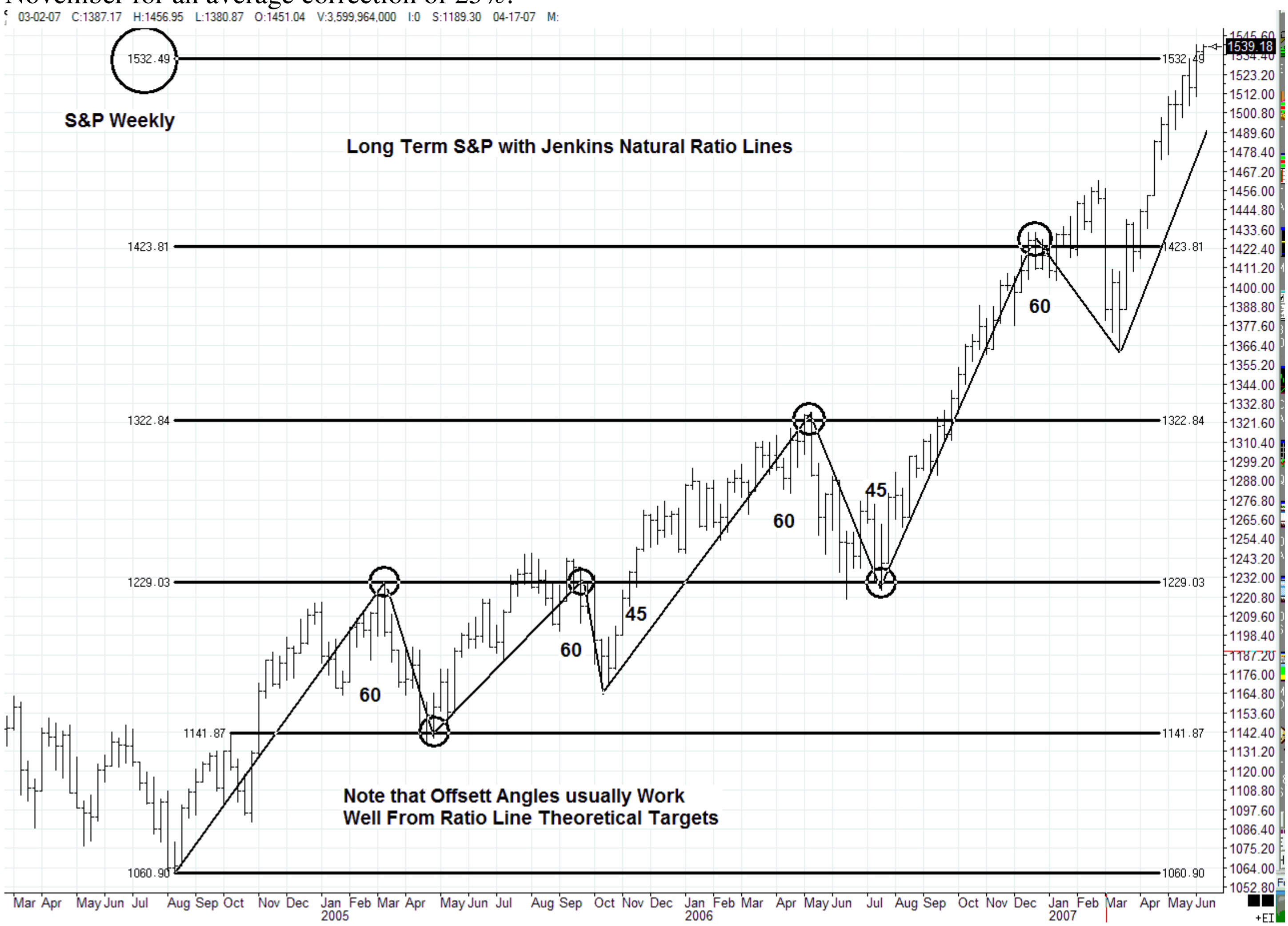
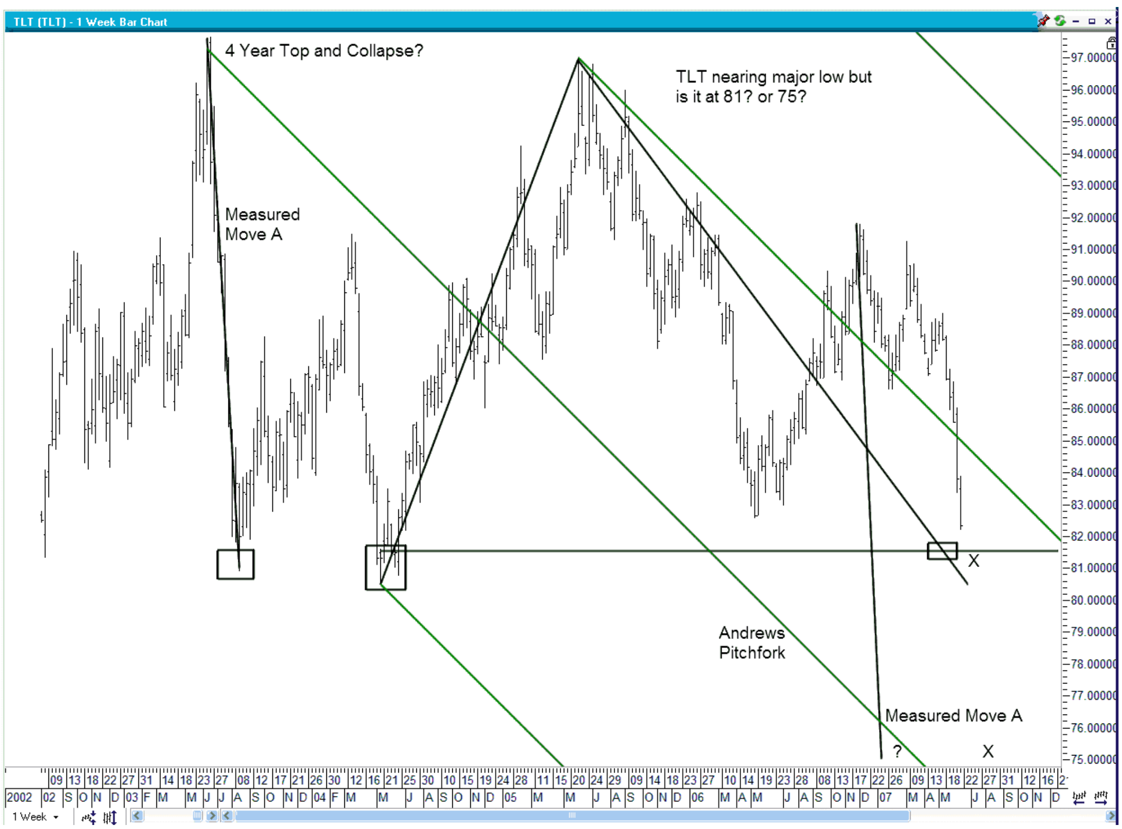
Approaching The Finish Line

This year falls in the cycle periods where a major financial panic should seen, similar to 1987, 1998, 1937, and especially 1907. The 1990 Saddam invasion is also active with Turkey lined up on the border and the annual pattern so far this year nearly identical to 1990. Most of these years had initial corrections in March or early June and a final fling to a record high in mid-July or mid-August. After that everything goes down hard into November for an average correction of 25%.



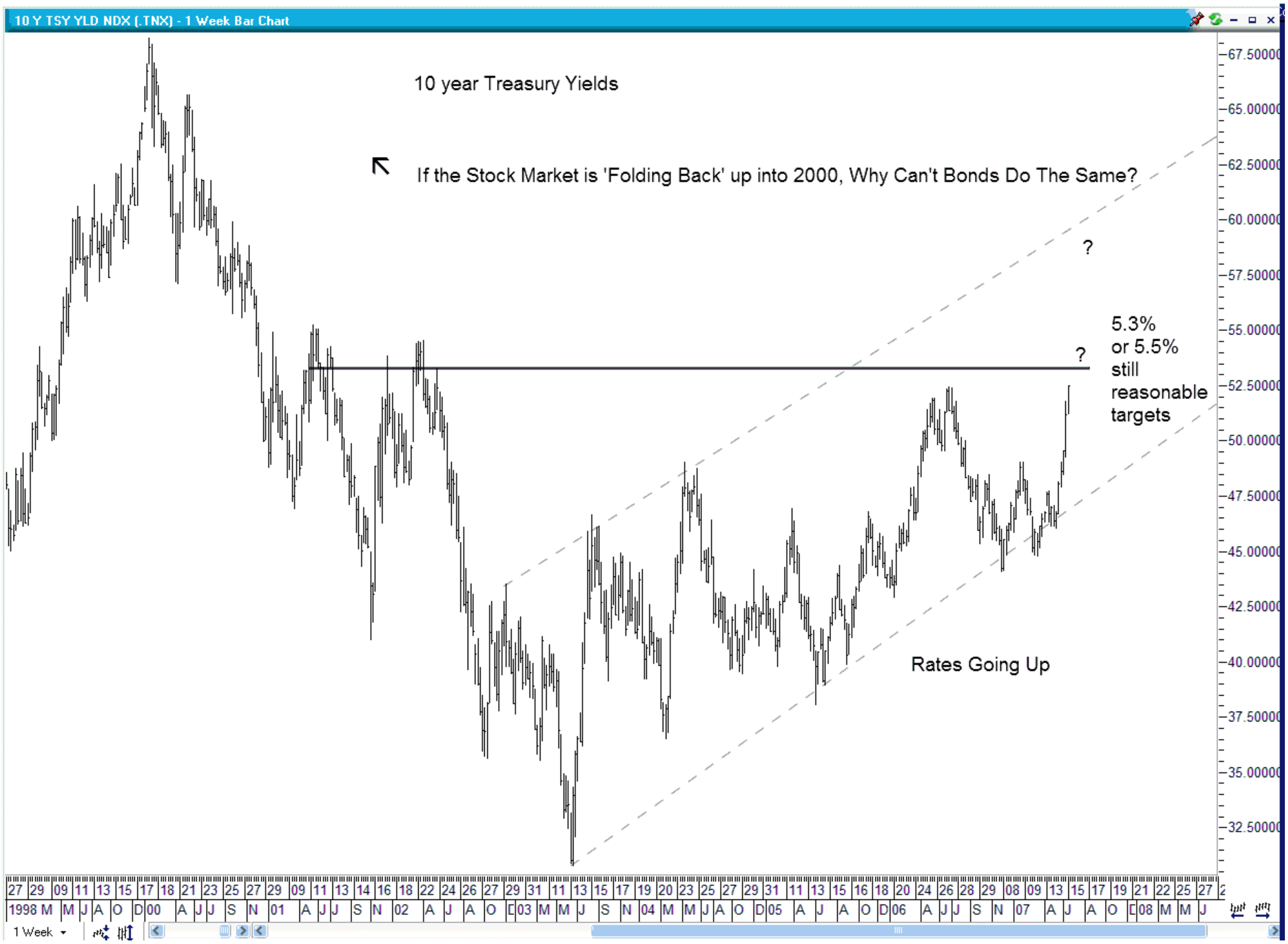
This chart is an exhibit from my new book '**Basic Day Trading Techniques**' and it shows why the market recently topped near 1535 S&P. The chart uses my 'ratio lines' explained in the 'Secret Science' book and it also uses my offset angle method explained in the new book (see end of letter or website for new book info).

From the wave four low, in August 2004 we can clearly see the advancing bull move stopping at the exact ratio lines all the way up and the big one labeled 1532 as the recent top in theory, plus or minus 10 S&P points. Usually the last wave is similar to the first wave so if you look at the start back in 2004 you will see two tops with the second a bit higher than the first. That should happen again and we could see a spike to 1560-1570 S&P near July 14th (7 years from Dow ATH 1/14/2000) which is the 90 month cycle, or August 14th which is the Gann Square of Nine 91 month cycle and the anniversary of the 1937 and 1987 tops. By the way, if you have studied my past letters you will note that you can shift the decimal point on the Square of Nine so 1570 becomes 157, which of course is the axis that caused the last top in May'06. 1510 is the pivot, which must be regained, to go up again, and 1450 the major breakdown point where it would be very unlikely that the bull phase was still intact. In the short run we are in a small 'A' 'B' 'C' correction that should probe 1470 for the low. That low could be as late as June 25th, but the IPO calendar is still huge so never underestimate the bulls ability to get a stampede going again just after the expiration. The expiration just ending was a bullish one that trapped a lot of 'short stock baskets' from the March meltdown. This happens because hedge funds back in March went short the market thinking it was a major meltdown and rather than covering shorts when the market crept up, they went long the then longer term June S&P futures. That 'locked' them into their shorts without any further losses until the June expiration when the futures expire. After the expiration they will be net short again and could get squeezed out on a big rally. That's how you usually get those final spikes. The crash in 1987 came from a triple witch expiration in September and the squeeze into the first week in October. In 2002 there was also a July 4th squeeze before the July 24th panic and October low. This year seems very similar combined with the 1990 pre Saddam invasion in August and a July spike high, near the 18th.



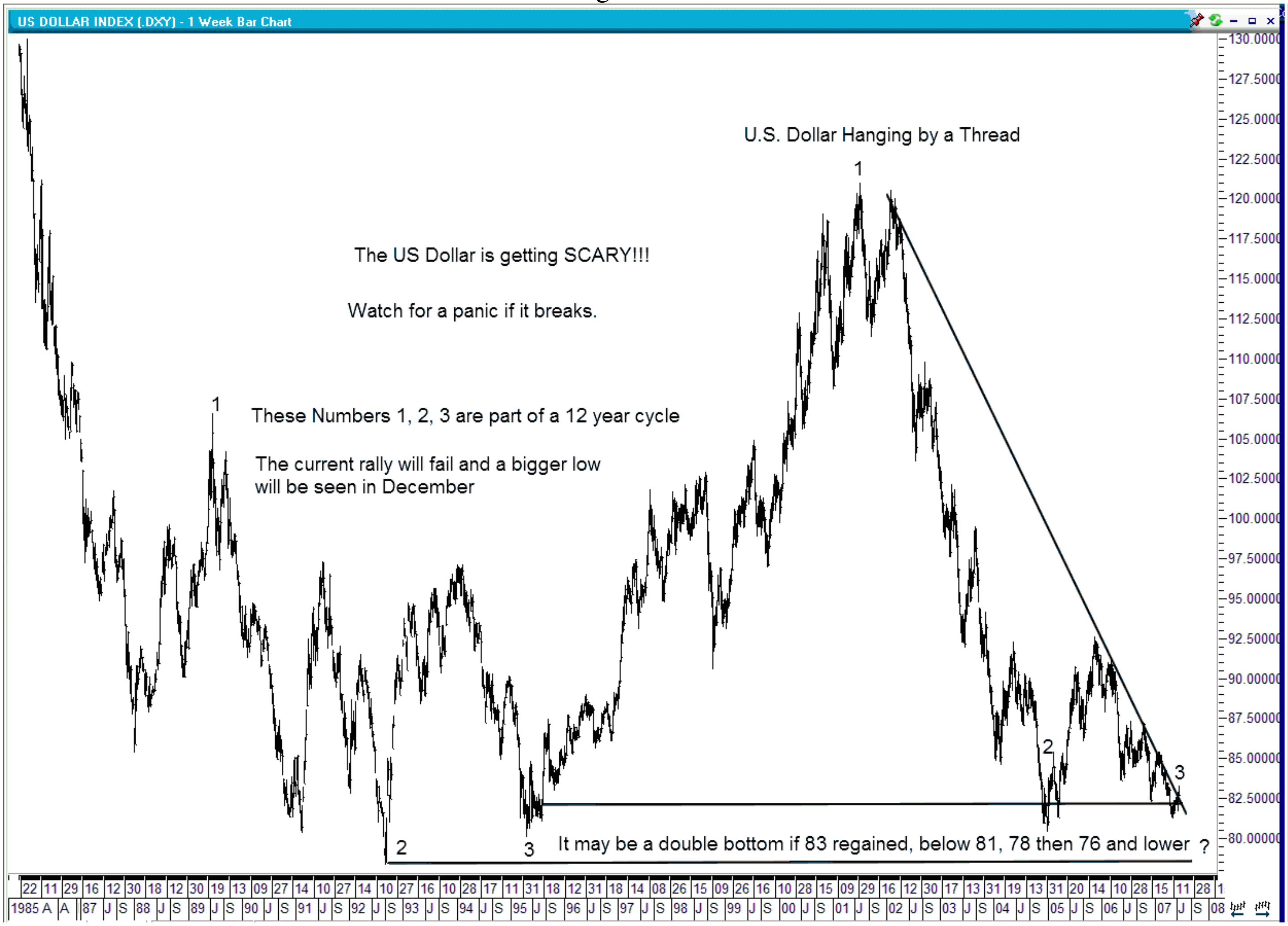
Bonds could be the catalyst for a meltdown along with the US Dollar. The past decade saw hundred of billions of Dollar denominated basket programs in stocks to take advantage of the Japanese 'carry trade' borrowing at low interest rates under 1% in Japan and investing in the US at 5%. As rates rise and the Dollar weakens due to slow growth, these carry trades will create massive liquidations of all the ETF proxies like the SPDR.

The TLT bond proxy above, shows multiple lows near current levels that may generate a 'bounce' but if the global economies stay strong then this chart will dramatically break all those long term lows and rates would go significantly higher.



This is the bond yield chart and it sure looks like a typical break out chart. Those highs back in 2002 were near 5.60% so they look like they will be hit during the next six months but a last drop back to 4.50% can't be ruled out yet if we see a big global recession in the Fall. One alternative is that rates just go straight up in a hyper inflation breakout and this chart could be read with a target of 6.50% just as easily. The only thing fairly conclusive about this chart is that rates seem to be going up for the foreseeable future.

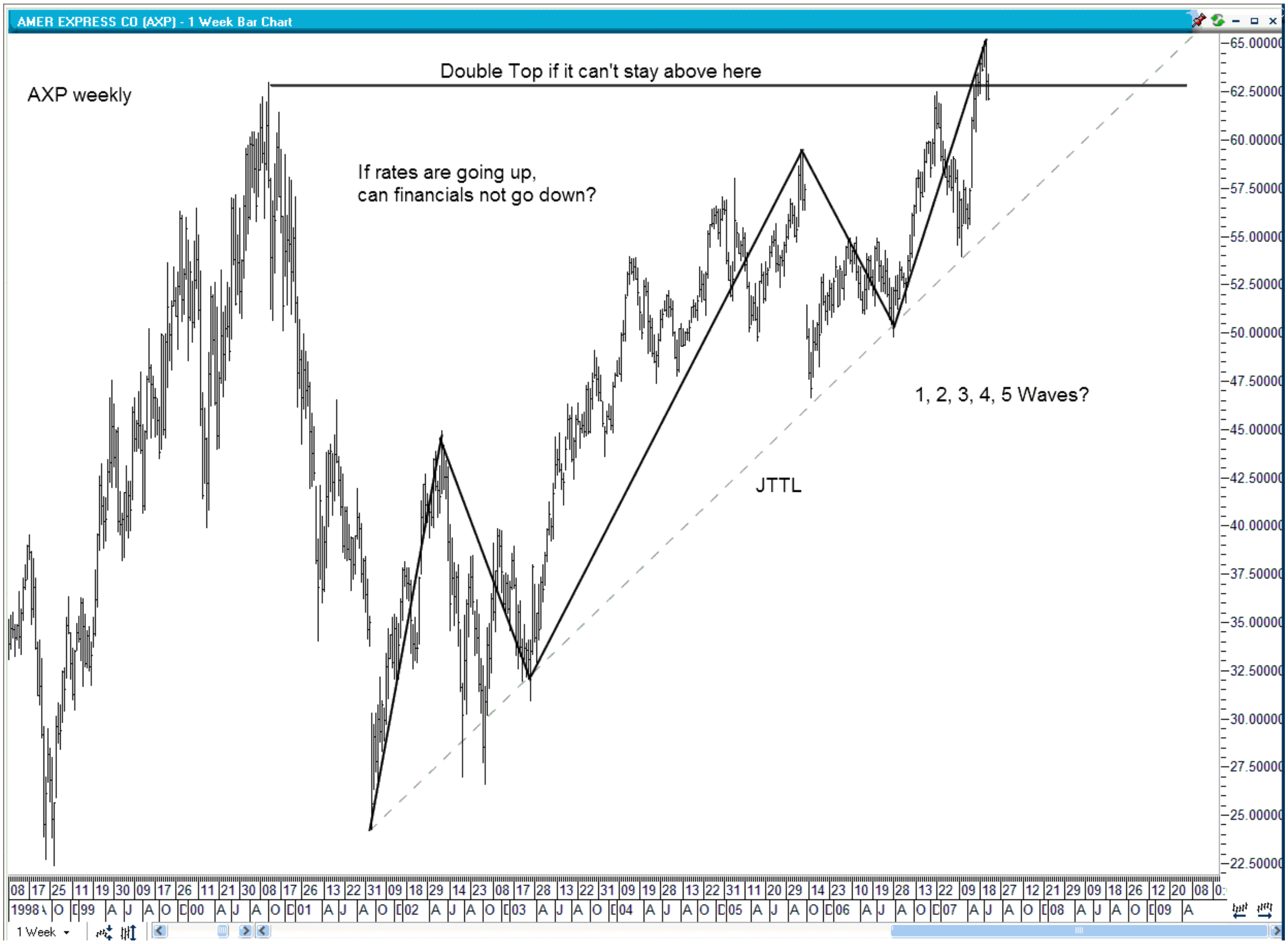
Bonds are related to the Dollar since most of the Dollar reserves around the world are invested in bonds. If the Dollar weakens it will play havoc with the economy and our interest rates will rise substantially. Now that China and a host of other countries are growing much faster than the US, over time, the US currency will not be needed as much as people will need other currencies to purchase from China and India. So far China has been content with holding a trillion Dollars in reserves but if politics change they could liquidate that. In any event cycles seem to be suggesting that the US is repeating Japan's collapse from 1990 and for the next 15 years the Dollar will be liquidated along with stocks and inflation will rise. Growth will slow as the baby boomers retire and the GDP could limp along at 2% for a decade. At the same time the Government will start to liquidate the Social Security Trust Fund to finance the baby boomers retirements checks and with $50 billion of bonds dumped on the market each week, rates will certainly approach double digits within six to eight years. The coming surge of 15 million illegals clamoring for welfare and social services as they become 'legal' (i.e. they can sue for lots of government benefits) will further kill the Dollar and make rates rise, as foreigners will not want to finance trillions in new bond debt. If the Dollar shown on this next chart can't rally while the current stock market is setting record highs, then as soon as the market tops, foreigners will sell massive amounts of Dollar denominated stocks and other US assets just like what happened in Japan in the 1990's. Japan had a big advantage, however, that we could only dream about. That was that they had a very high personal savings rate while we in the US have a negative one. Our country is closer to Germany in the 1920's. The coming bust will be an historic event that will cause unbelievable suffering.



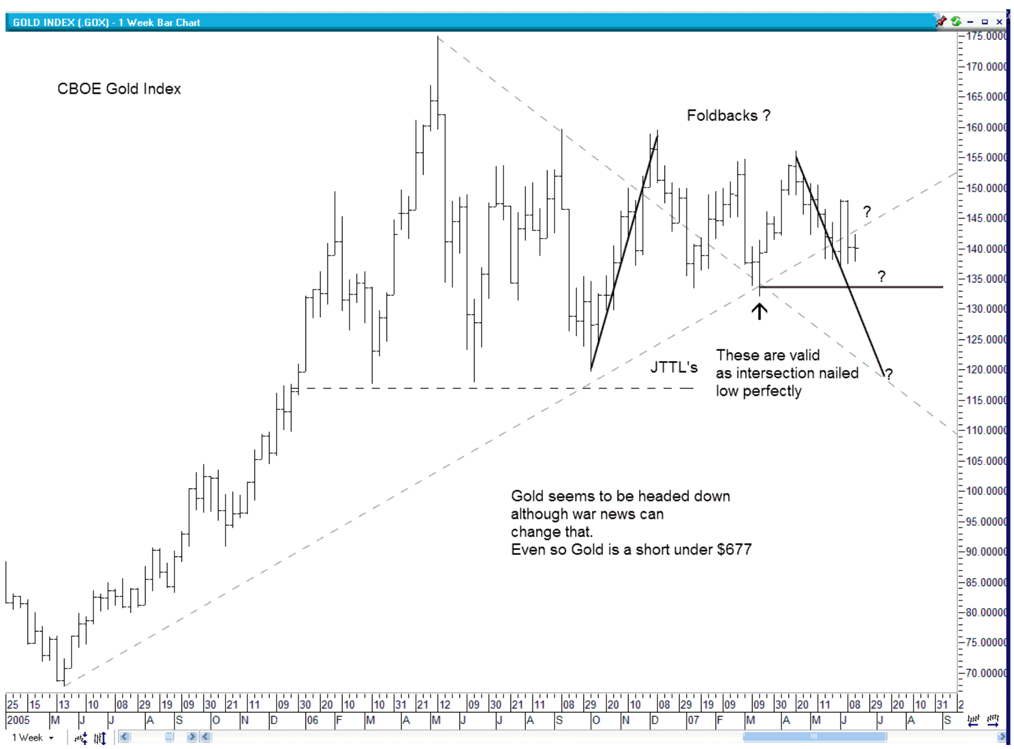
The hope for the markets is whether this Dollar Index chart above actually has a 12 year cycle shown by those numbers 1, 2, and 3 which would be repeating with a big up leg just ahead if true. Of course cycles can and do invert so that big up leg could just as likely be a big long term down leg so the chart bears very close watching as it is the primary catalyst for any future bull or bear stock markets in the US.

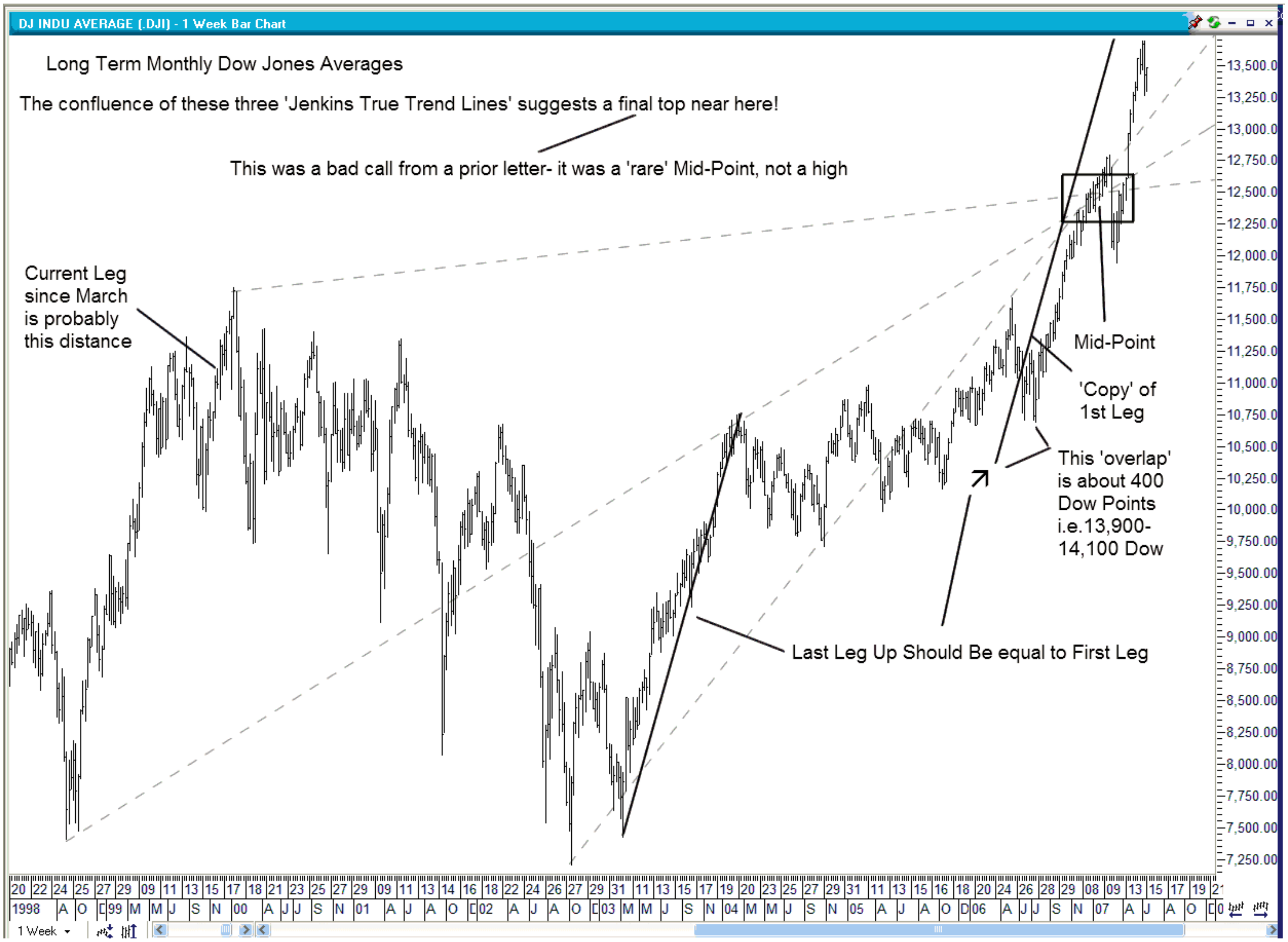
Since the entire market outlook is contingent on the Dollar and interest rates and the GDP growth, one of the key groups to watch will be the interest sensitive sector especially banks and brokers. If you recall the 1990 pattern, which is very similar to our market with the pre- Iraq invasion and the Japanese collapse, you will also recall it was the Savings and Loan collapse with bad real estate loans, especially in California. This clearly is happening again but on a much larger scale. Sub Prime mortgages are everywhere and this week Goldman Sachs and Bear Stearns got hit in earnings due to Sub Prime bad paper. Credit card companies won't be far behind as consumers fight to stave off their homes from being repossessed and they will miss a lot of credit card payments.

This next chart of **American Express** went to an all time high, and recently stalled out and drifted back below the 7-year top from 2000. This is bearish if it doesn't rally soon and since the advance since 2001 is clearly a 5-wave pattern it bears very close watching for the industry as a whole. Other interest sensitives like C, BAC, GS, LEH and BSC have not participated recently and most made their highs for the year weeks to months ago, believe it or not. These clearly are the 'leaders' to a bearish outcome.



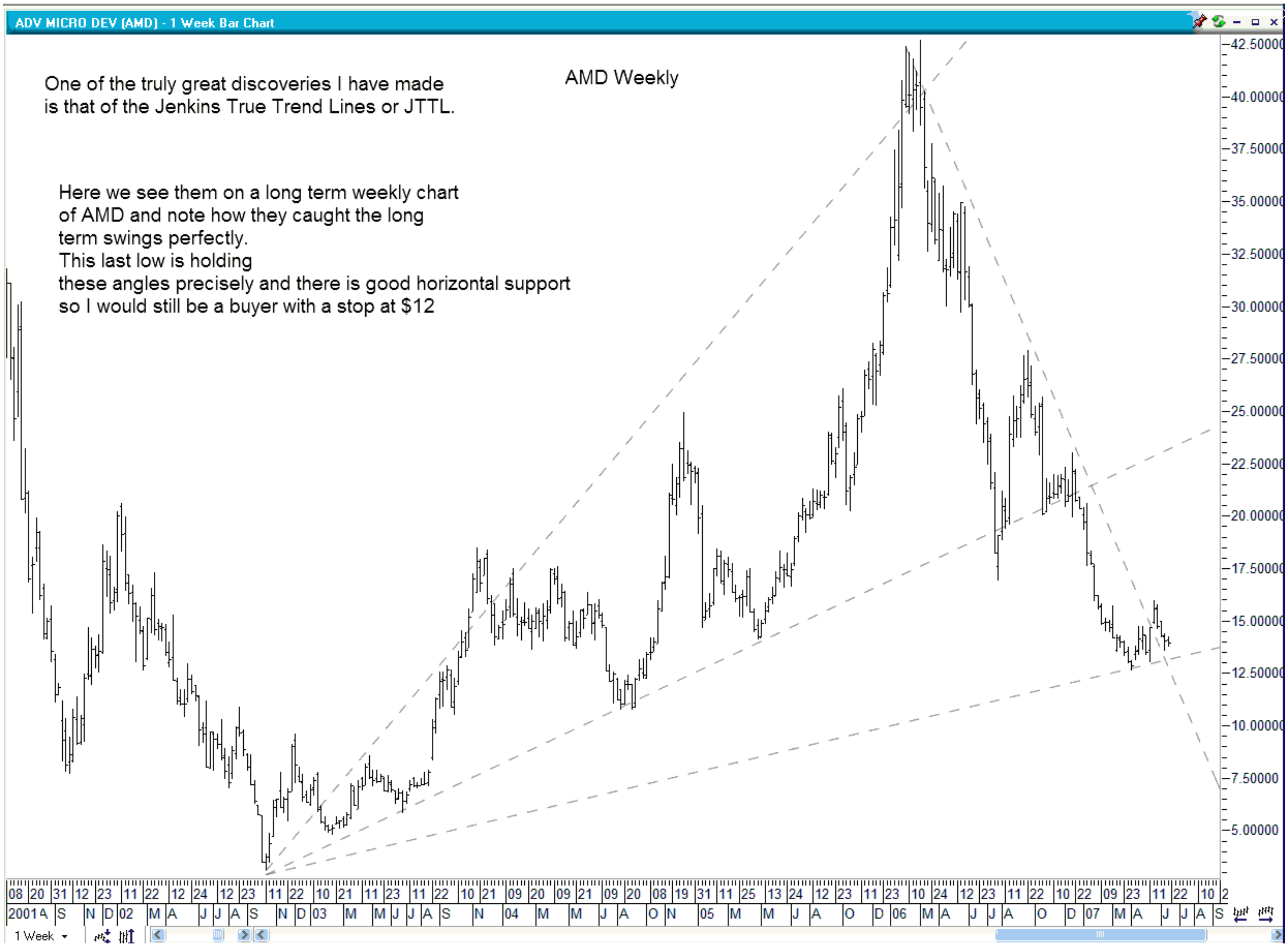
Gold and interest rates are usually inverted as is gold and the Dollar, since gold is a monetary asset. This chart of the gold Index shows either a long base or a top. My guess is that long term it's a base for a run to $3000 gold when the Dollar crashes but in the short run gold will most likely retest the lows of the past 2 years before starting the next big leg up next year.





Here's the long term monthly Dow Jones chart which is going straight up to the top which should be seen within 6 weeks no matter what. Price targets can be as high as 14,400 if the 1987 pattern repeats, or 13,800 if 1990 repeats. The average expected is near the 14,000 level. Several observations are in order here. 1) The last leg from Feb 2000 to March 2000 is very similar to our current June expiration, which was a March expiration squeeze in 2000. 2) The first leg from March 2003 if equal to our current one would be a Dow 14,000 number. 3) If the bottom from March 2003 is similar to a top now, note a potential DOUBLE TOP from October 2002 coming five months later or near year end or January 2008. The intervening drop between those tops is about 1,600 Dow points i.e. 12,400. After THAT foldback, the Dow would go to 9,700. All this is just conjecture now but the cycles from 1907, 1987, and 1990 give warnings that things could well get out of hand very quickly so don't get complacent if a swing low is broken. Also keep in mind the ever important one point per calendar day trendline from March 12, 2003 is at 1556 today and rising 1 point per day so the S&P target still seems like 1570 to 1600 in the extreme in the next three weeks.

Recently Dell computer broke out on unexpected earnings, and combined with IBM and Intel recommendations, the Street is planning a technology rally into the highs. This next chart of **Advanced Micro Devices** is holding key long-term support and will go with the group but has a lot more leverage-both ways. It's a buy with a stop, or a cheap call buy.



By the way, if you don't get the hotwire and didn't hear it, I've put a great new 'free' program on my website www.Stockcyclesforecast.com to calculate square roots of stocks and bonds and basically use the Square of Nine in an easier way for most people. Just click on the 'free stuff' link on the home page and download the Square Root Calculator.

The following table lists stocks that have cyclic turns during the coming three weeks. These turns have been mechanically generated from a program I give out in my personal seminars, which is quite reliable and often catches the major highs and lows for the year.

JNJ 6/18	AMZN 6/18	GE 6/18	MMM 6/19	C 6/19	WMT 6/19	INTC 6/19	KBH 6/19	BAC 6/19
CSCO 6/20	DD 6/25	XOM 6/25	RIMM 6/25	SLB 6/26	IBM 6/29	AAPL 6/29	MSFT 6/29	YHOO 6/29
BA 7/02	TLT 7/02	DELL 7/02	IP 7/02	GOOG 7/03	UTX 7/03	GM 7/03	JPM 7/03	CAT 7/05
AMGN 7/05	CME 7/06	GS 7/06	ASA 7/06	EBAY 7/06	HPQ 7/06			

June / July Activity Calendar

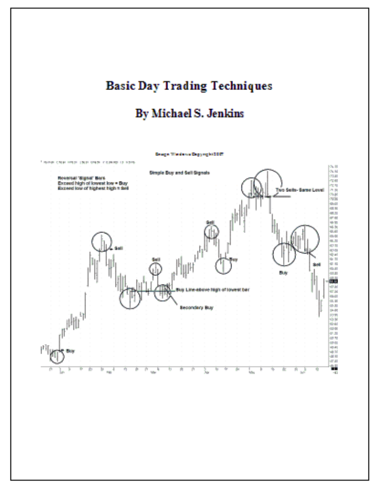
DATE	UP /DOWN DAY	DAILY	WEEKLY	HOURLY
18	U			1
19	U	*		1
20	U			10
21	U			2
22	D			10
25	D	*	*	12
26	D			10
27	U			10
28	U			2
29	U	*		1
2	U			11
3 Early Close	D			10
5	U	*		3
6	D			11

Notes: U means up day, D means down day. Trend changes indicated by the * will generally be more accurate than the frequent U/D day indications and will usually trend in the same direction until the next *. Hourly turns are given in local New York City (Eastern) times, i.e.10=10 AM EDT.

Summary

The next primary top number is 1560 S&P, but note the 1532-35 front page math. Support is 1501 and 1483. Below that the top is probably in. Upside still possible is 1553, 1560 and 1570. The big dates are June 25th and July 5th, and 13th.

Note: **Basic Day Trading Techniques** ($125) my new book, is all about how you set up your trades each morning. It is a 'how to' manual for day trading and it will teach you how to trade step by step. How to set up your time frames, determine the trend, predict target prices, placements of stops, and especially how to use trading angles. My major technical breakthrough the TIME CONVERSION BAR is explained for the first time. Check the website for more details. You will like it.



Stock Cycles Forecast voicemail telephone number is (212) 866-2934, but I rarely answer phone messages. To get a quick response it is better to use email at: mjenkins@Stockcyclesforecast.com , or Mikecyc@aol.com. Let me know if you can get email delivery of the newsletter as it is at least two to three days faster than regular mail.

Stock Cycles Forecast is published approximately every three weeks. Annual subscriptions to the newsletter including the nightly telephone update are $500, a six month subscription is $265. One-year subscriptions without the telephone service are $300, and a two-issue trial is $50. Mr. Jenkins books and course: *The Geometry Of Stock Market Profits* ($50), *Chart Reading For Professional Traders* ($75), *The Secret Science of the Stock Market* ($135), *Basic Day Trading Techniques ($125)* as well as *The Michael S. Jenkins Complete Stock Market Trading and Forecasting Course* ($529 US $550 Foreign) are available for purchase by check mailed to: **Stock Cycles Forecast, P.O. Box 652, New York, N.Y. 10025-9998. PayPal is also accepted on the web** (www.paypal.com) using email of mjenkins@stockcyclesforecast.com.

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