

Title: Very Interesting DD

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Created 2021-06-13 03:00:59 UTC

Permalink: /r/ratioatblessons/comments/nyna9h/very_interesting_dd/

Url: /r/bullhouse/comments/nx43zx/history_repeating_itself_again/

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Hey everyone, Kenna here... Yep, you guessed it... time to do another deep dive! Hope you all brought your scuba gear, because you are going to need it for this!

*the necessary: not financial advise.. i will not tell you when to buy certain things... i just provide data on things that I find!!

For my latest DD I have been looking into the historical trends of the market as a whole. This mainly consists of looking into the Nasdaq, Dow Jones, and S&P; 500, and how they moved historically compared to now.

This is going to take a bit, so grab some popcorn and a drink... I will at least include some photos along the way!

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We start with my research on cyclical events. It is notoriously known that every 10-12 years our economy goes through a correction, and I have found that every 100 years there is a financial crisis in the 20's or 30's!

1920's

1920-21- economic recession after WW1

1929- Great Depression

1820's

1819/1820- U.S.'s first great depression

(https://www.digitalhistory.uh.edu/disp_textbook.cfm?smtid=2&psid=3531)(https://www.digitalhistory.uh.edu/disp_textbook.cfm?smtid=2&psid=3531)

1720's

1720- The South Sea Bubble (UK)

(<https://www.historic-uk.com/HistoryUK/HistoryofEngland/South-Sea-Bubble/#:~:text=In%201720%20the%20whole%20of,as%20The%20South%20Sea%20Bubble.&text;=The%20stocks%20crashed%20and%20people,carriages%20became%20destitute%20almost%20overnight>)(<https://www.historic-uk.com/HistoryUK/HistoryofEngland/South-Sea-Bubble/#:~:text=In%201720%20the%20whole%20of,as%20The%20South%20Sea%20Bubble.&text;=The%20stocks%20crashed%20and%20people,carriages%20became%20destitute%20almost%20overnight>).

1620's

1619-1623- The Economic Crisis of 1619

(<https://www.jstor.org/stable/2123055>)(<https://www.jstor.org/stable/2123055>)

33AD (Just for fun, but showing that it dates back THIS FAR!)

(<https://www.armstrongeconomics.com/research/panics/ancient-panics/financial-panic-of-33ad/>)(<https://www.armstrongeconomics.com/research/panics/ancient-panics/financial-panic-of-33ad/>)

And the list goes on... and yes there are many recessions and events that happened between all of these, but these were some of the BIGGEST ones during their times. The fascinating part is the years in which they happened. What is it about the 20's and 30's?

Now that we see there is a cycle of events, we can dive into charts a little bit more to see patterns.

Are you still with me??

Maybe take a small break to go read about some of those events, and come back to continue on with the MASSIVE DEEP DIVE into the Nasdaq, Dow Jones, and S&P; 500 and see WHY these cyclical events are important to us RIGHT NOW!

I will wait for you... don't worry!

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You're back! Great! Let's start off with what the Nasdaq, Dow Jones, and S&P; 500 track! I will be using Investopedia for some of my sources and provide the links to read more about each of them.

Nasdaq

([Dow Jones](https://www.investopedia.com/terms/n/nasdaqcompositeindex.asp#:~:text=Nasdaq%20Methodology,by%20each%20security's%20last%20price.](https://preview.redd.it/9o617zm9fj471.png?width=802&format;=png&auto;=webp&s;=1a23ea87ef2cc45311c7c8660fc0dc4c8b19637e)https://www.investopedia.com/terms/n/nasdaqcompositeindex.asp#:~:text=Nasdaq%20Methodology,by%20each%20security's%20last%20price.](https://preview.redd.it/9o617zm9fj471.png?width=802&format;=png&auto;=webp&s;=1a23ea87ef2cc45311c7c8660fc0dc4c8b19637e)</p></div><div data-bbox=)

([S&P; 500](https://www.investopedia.com/ask/answers/050115/what-does-dow-jones-industrial-average-measure.asp#:~:text=The%20Dow%20Jones%20Industrial%20Average%20(DJIA)%20is%20the%20second%20D,the%20New%20York%20Stock%20Exchange.](https://preview.redd.it/1tzlydbcfj471.png?width=798&format;=png&auto;=webp&s;=380030d6cc9fb19ca4b6aaa818da93a82e8b0b29)https://www.investopedia.com/ask/answers/050115/what-does-dow-jones-industrial-average-measure.asp#:~:text=The%20Dow%20Jones%20Industrial%20Average%20(DJIA)%20is%20the%20second%20D,the%20New%20York%20Stock%20Exchange.](https://preview.redd.it/1tzlydbcfj471.png?width=798&format;=png&auto;=webp&s;=380030d6cc9fb19ca4b6aaa818da93a82e8b0b29)</p></div><div data-bbox=)

([Now that we know what they track, let's dive into the patterns.](https://www.investopedia.com/ask/answers/040215/what-does-sp-500-index-measure-and-how-it-calculated.asp](https://preview.redd.it/y52a1n8efj471.png?width=802&format;=png&auto;=webp&s;=8c456c60f6477729feac2d34ba5ac2f695a0600e)https://www.investopedia.com/ask/answers/040215/what-does-sp-500-index-measure-and-how-it-calculated.asp](https://preview.redd.it/y52a1n8efj471.png?width=802&format;=png&auto;=webp&s;=8c456c60f6477729feac2d34ba5ac2f695a0600e)</p></div><div data-bbox=)

If we look at each of the historical charts, we can see the various depressions/recessions that have occurred since each were inceptioned. We can clearly see the Great Depression (1929), 1973-75 recession, 1987 crash (not marked as a recession/crisis), the 1990 recession caused by trying to reduce inflation, the dot com bubble (2000-2001), the Great Recession (2008-2009), and what we are sitting in now (whatever they decide to call it starting February 2020). Each of the three historical graphs will show these in their own way (minus the Great Depression on the Nasdaq because it was not around yet!)

Nasdaq

([Dow](https://www.macrotrends.net/1320/nasdaq-historical-chart](https://preview.redd.it/iz74nz60gj471.png?width=849&format;=png&auto;=webp&s;=baff80d2670845332447f3818ea0b2f9c27bd630)https://www.macrotrends.net/1320/nasdaq-historical-chart](https://preview.redd.it/iz74nz60gj471.png?width=849&format;=png&auto;=webp&s;=baff80d2670845332447f3818ea0b2f9c27bd630)</p></div><div data-bbox=)

(

1gj471.png?width=869&format;=png&auto;=webp&s;=e658e7ced7d15bed4b077162f6c71a067d36e955)

S&P; 500

[https://www.macrotrends.net/2324/sp-500-historical-chart-data](https://preview.redd.it/x1il4i04gj471.png?width=830&format;=png&auto;=webp&s;=d134c635a77358f379ee19f1a668246c75fbb9b8)

Now we start diving more into the charts that show us various trends and what we need to be looking at in regards of patterns leading up to crashes/corrections.

Nasdaq vs Dow Jones since 1971 (Orange is Nasdaq | Blue is Dow Jones)

[https://www.macrotrends.net/2528/dow-jones-vs-NASDAQ-chart](https://preview.redd.it/nzjgu3a8gj471.png?width=904&format;=png&auto;=webp&s;=8efe4597beb30fbe42bd93d1efd9753cc75fdff0)

This was an interesting chart due to the pattern I saw within it. If you look straight at it, what stares back? Do you see it? That fun spike in the middle... THAT is the dot com bubble! Oh.. you see the other GLARING BEAST... yeah, we will get back to that in a minute! If you manipulate the chart around the times of KNOWN crashes, you can see that the months/years leading up to it the two start to diverge away from each other! We see what the dot com bubble did, and their divergence was nothing compared to recent years. YEAH... that beastly looking gap is something I am looking at! They have been diverging away from each other gradually for years. I wondered if there was some relation between the divergence and the crashes and came to this fun article:

[https://www.msn.com/en-us/money/savingandinvesting/the-dow-and-the-nasdaq-are-diverging-why-thats-honey-for-stock-market-bears/var-BB1fIEO2](https://preview.redd.it/yraxrlwagj471.png?width=852&format;=png&auto;=webp&s;=c4a7607f79940600b38371c230a207c13456915c)

"It's not a good sign that wide divergences between the Dow Jones Industrial Average and the Nasdaq Composite Index have become almost commonplace.

Consider the number of trading sessions in which there is at least one percentage point spread between the returns of these two indices. We've experienced two such days just this week alone. On Tuesday, the Nasdaq rose 1.1% while the Dow fell 0.2%. In Wednesday's session the mirror opposite occurred, with the Nasdaq falling 1.0% and the Dow rising 0.2%.

Such broad divergences historically have been quite rare. Since the Nasdaq Composite was created in the early 1970s, just 12.8% of the trading days experienced such a wide divergence as investors experienced this week. So far this year, in fact, the proportion of these 1.0%-plus divergences has been 34% — almost three times greater. As you can see from the chart below, this year's percentage is the highest on record except for the years associated with the internet bubble." — Mark Hulbert

This was fascinating that the divergence is an actual indicator of the market itself! I still have to do more research on this, but know that we found something truly special being able to track this type of movement now!

These findings also led me to investigate the S&P500; 90-year earnings charts.

"But Kenna, WHAT THE H** IS AN EPS?"

GREAT QUESTION.. See below!

[https://www.investopedia.com/terms/ve/eps.asp](https://preview.redd.it/u4mqrqkhgj471.png?width=775&format;=png&auto;=webp&s;=9b79af0e2ae8f1cd8aee34dcc6d017e1a3c3725f)

Now that you know what an EPS is... Let us see if you can figure out the pattern..

[<https://www.macrotrends.net/1324/s-p-500-earnings-history>](<https://preview.redd.it/igi3l2hjgj471.png?width=864&format=png&auto=webp&s=d2144fe37df0a47cbda5ccae2d41b05788e84954>)

Give up? Don't worry, this one has stumped others too, but that is why I am here! I found in RECENT history that when the EPS (orange line) crosses over the S&P; line (blue) and falls below it, a correction or crash is likely! You can see it throughout the other crashes as well.. See the screen grabs!

[Dot com bubble and '08](<https://preview.redd.it/up9h5uzzgj471.png?width=842&format=png&auto=webp&s=b534d513dab7092ccf7957349ed0be1e8b17b11e>)

[Great Depression](<https://preview.redd.it/poedr7y1hj471.png?width=884&format=png&auto=webp&s=49348855a198e7b8857519cf0586f17081b40aa2>)

So that is why THIS screen grab should grab your attention. December of 2019 we had ANOTHER cross over where the EPS line is now below the S&P; line. The thing that I am trying to find out is WHY the S&P; is STILL going up! This is not a particularly a good thing... I am not screaming the sky is falling YET... but the charts are not looking favorable.

[I spy... with my little eye..](<https://preview.redd.it/dn167tu3hj471.png?width=912&format=png&auto=webp&s=c58be718988dca8b9fba380564a5ef6b0c886b50>)

Break time! Go stretch! We are not quite done yet!

Did you get a fresh drink? GOOD!

So with all of the data suggesting another 1929 incident, I had to search for it! IS IT POSSIBLE?! Well, our good friends at Investopedia must be on that same track as me! This is a great article to read, but I am more focused on this small section!

[<https://www.investopedia.com/investing/1929-stock-market-crash-could-happen-again/>](<https://preview.redd.it/cmaa9sy9hj471.png?width=766&format=png&auto=webp&s=ec58d94b57811c2c0611c27cac48102e8c500e0c>)

Learning about the Shiller P/E ratio (P/E 10) has led me to looking into those charts to see what they are saying! Sadly, they were saying what I presumed to be the case. We are sitting at interesting times because our economy has not been allowed to FULLY fail. Any time there is a crisis at hand (starting in 1987 with the Greenspan PUT) we have never let the banks/financial sector fail.

[<https://www.multip.com/shiller-pe/>](<https://preview.redd.it/yp9um2khj471.png?width=930&format=png&auto=webp&s=b3551e84b17fd58562937bc950ee296a15e1c01b>)

We currently sit at 37.42 Shiller PE Ratio! On the chart, you can see Black Tuesday (Great Depression) and Black Monday (1987!!!!) ... the ones not labeled you can pinpoint easily (dot com and 2008). The fact we are WAY ABOVE 1987 AND 2008 should be sending red flags everywhere!

Finally, this brings me to the CPI! Which CONVIENTLY was posted today and has gone up 5% for the last year! This is not good for ANYONE! I am including two links for data on this spot. For historical record when I started looking into this, April was reported to be at 267.05. When the new graph is up, I WILL UPDATE THIS TO ADD IT!

[https://www.multpl.com/cpi](https://preview.redd.it/44uj3lfdhj471.png?width=1080&format=png&auto=webp&s=1d809c3f3b68adde554ee8db38c27bc031f058de)

[https://www.bls.gov/news.release/cpi.htm](https://preview.redd.it/uiihpb9mnj471.png?width=636&format=png&auto=webp&s=8ec40797e1962577623583a66499a8e1e641da8b)

So what is the purpose of all of this? Well... it is to bring awareness to our current economic climate. We have seen longer than usual bull runs on our stock market, and it is getting to a point of not being sustainable. We are also seeing inflation rising at astonishing rates, and there is nothing in particular we, the common people, can do to stop it. This is an unfortunate side effect of never allowing the economy to breathe fully paired with a pandemic that expedited the inevitable. My goal is to get more people looking at the pattern, looking at data, and trying to help more people not suffer through 2008 all over again... or worse 1929! This is just the beginning of my research on these trends... and figured this was a good stopping point for everyone's brains to catch up! I do not have all the answers yet, but I am on a great track to finding the answers if you do have questions! If you have MORE information that would be valuable, PLEASE LET ME KNOW!!

Thank you for reading!!

EDIT: REQUESTED DUE TO THINGS I HAVE DISCUSSED WITHIN THE COMMUNITY

I wanted to bring attention to the amount of put options on the SPY (S&P500;) and the QQQ (Nasdaq) for June 18th! Thank you to u/ArmyVeteranCO for finding this after presenting my DD to him! We found that there was an astonishing number of put options for both major indices, and their inverses showed a similar sentiment! THIS IS NOT SAYING TO INVEST INTO THE INVERSES!! THEY ARE VERY RISKY! I am using these as market indicators ONLY at the moment! The graphs I am putting in here show the TOTAL VOLUME for calls and put options for each! This does not demonstrate the number of options on each strike price. You are welcome to search around the website I am using (and we have confirmed the data numerous times)! (http://maximum-pain.com/options/qqq)

[Total Put Options: 39, 946, 858, 500 | Total Call Options: 14, 523, 585,100](https://preview.redd.it/ppr81e4xlk471.png?width=2129&format=png&auto=webp&s=0cb1c5d70303ff74d8519418e71f117745c568e0)

[Total Put Options: 38, 207, 550 | Total Call Options: 566,040,350](https://preview.redd.it/5umzsd4xlk471.png?width=2074&format=png&auto=webp&s=9036623429ce7e0c7f82b4d6e659958d8a1c36f5)

[Total Put Options: 92, 080, 445, 100 | Total Call Options: 27, 665, 425, 300](https://preview.redd.it/6ae2tf4xlk471.png?width=2098&format=png&auto=webp&s=15e85c867d5be054025403e6f4200b06977870bd)