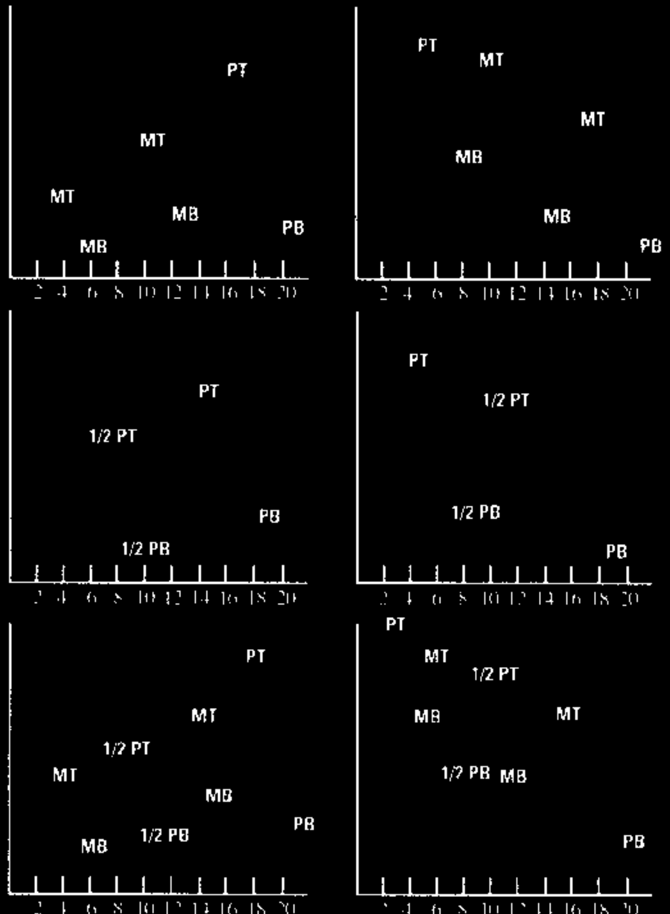
The Ultimate Book On

Stock Market Timing

Geocosmic Correlations To Trading Cycles



by Raymond Merriman

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STOCK MARKET TIMING

VOLUME 3

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VOLUME 3

GEOCOSMIC CORRELATIONS
TO TRADING CYCLES
(SHORT-TERM STOCK MARKET CYCLES)

BY
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DISCLAIMER

All information provided herein is based upon original research and observations of Raymond A. Merriman. It is written with sincere and reliable intent.

Although these methods and techniques have proved reliable over the years, there cannot be and therefore is no guarantee that these same methods will continue to work in the future. Therefore, neither the publisher nor the author assume any responsibility whatsoever for any reader's activities or decisions regarding trading or investing in any stocks or financial vehicles.

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THE ULTIMATE BOOK ON STOCK MARKET TIMING, VOLUME 3: GEOCOSMIC CORRELATIONS TO TRADING CYCLES

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ACKNOWLEDGMENTS

This was easily one of the most illuminating books I have written. It can also be said that it is, without a doubt, the most difficult book I have ever written. It is certainly the longest book, which was a major reason for its difficulty. Why was this book so difficult? For several reasons. First of all, it required analysis and study of so many geocosmic signatures. Unlike Volume 2, which involved looking up the market activity surrounding only the aspects of Jupiter and beyond, this volume involved that and more. It required analysis of the past 20+ times that each planet went retrograde and direct. It also involved analysis of the U.S. stock indices during the past 20+ times that the Sun, Venus, and Mars made major aspects to all the planets (except Sun-Venus). In all, there were over 3,000 instances of various geocosmic signatures that had to be examined and then correlated to various cycles that might have been present in the Dow Jones Industrial Averages and S&P futures indices. If I didn't require reeding glasses before this project began, I would certainly need them after it was completed.

The second reason why this book was so difficult is due to the time that would elapse between portions of writing this book. During that time, several of these geocosmic signatures would have to be analyzed again, because more instances occurred between the first study and the last. Since I started this book in early 1999, there were several cases where a geocosmic signature repeated itself one or two times (more in the case of Mercury retrograde and stationary) by the time I finished in mid-2001. In order to keep the book as up to date as possible, those instances had to be added to the final editing. And of course, that meant making new calculations, and in some cases, new conclusions. Thus every editing also meant updating. This took enormous amounts of time.

But as I stated in Volume I, somebody has to do this study. It is too valuable to let it wait indefinitely. Several years ago, in 1994, I decided that "somebody" would be me, and I dedicated the next several years of my life to completing this self-appointed mission. I left my position as Accounts Vice President of Retail Commodity Futures at Paine Webber to begin my life's purpose, which was to create a series of reference books for investors and traders of stocks, as well as for students of astrology who seek to know of the correlation between stock markets and geocosmic signatures. The correlation existed, of that I was fairly certain through my observations and experiences in many years of trading. But I was equally certain that the correlation did not exist in the manner that either most astrologers or financial market analysts might expect. It would take a major study, involving many years, to determine just how stock indices responded to each signature — to determine which, if any, had an uncanny correlation to major cycle reversals.

Because this particular work took so long to construct, it meant leaving home and business on many occasions to write. After all, a writer cannot concentrate properly when distracted with such mundane things as business and family matters that arise every day. He or she must be able to write without any distraction. So to all of those wonderful people who let me use their house, vacation rental, or villa while they traveled somewhere else in order to leave me in the bliss of my own solitude, I would like to express my sincere gratitude. These include the following individuals: Dane and Julie Christy of Bloomfield Hills, Michigan, who allowed me to use their vacation retreat on Walloon Lake in Northern Michigan on several occasions; to Joan and Bob Tewes of Waterford, Michigan, who also allowed me to use their vacation retreat in the mountains (ski country) of Northern Michigan; to my daughter and son-in-law, Aimee and Mike Nolan of Chicago, Illinois, who allowed me to use their condo in Chicago while they went to work for an honest living during the day; to my acupuncturist Susan Burke of San Diego, California, who allowed me the use of her home in San Diego while she went to poke needles in her clients during the day (and me at night, to keep me alert and creative); to my parents, Willis and Norma Merriman of Sarasota, Florida, who allowed me to use their condo in the winter months when I needed to get away and write; and to my neighbors Al and Lisa Yglesias, who rented me their vacation home in Caseville, in the "Thumb" section of Michigan, where I finished the last segment of this work on a deck overlooking the beautiful sunsets across the magnificent Lake Huron. Each of these settings provided an ideal inspirational environment for writing this book, where the only distraction was whatever my imagination could conjure.

And finally I would like to express my special thanks to Geraldine Hannon of Venice, California, the editor of this book, as well as the other books on the *Stock Market Timing* series. Just as I have dedicated myself to writing these books, I believe Geraldine may have dedicated herself to making sure they are edited correctly. She is like my guardian angel when it comes to writing. And it is a bonus that she is a remarkably intelligent person who actually understands the concepts presented in each volume. It helps that she, too, has a rich background in both astrology — where she served as editor to one of astrology's top professional magazines, *The Mountain Astrologer*, for a number of years — and in financial markets. She is a secutiries-registered financial planner and investment advisor representative. If you find any errors in this work, you can be certain that it was due to my oversight or impatience, not hers.

To all of those who have helped make this book materialize, please know that I am extremely grateful.

FOREWORD: CRITICAL REVERSAL DATES

Now comes the concept of critical reversal dates. In the art of trading, timing is indeed critical. It is often said that "Timing is everything in the markets." Although this might be debatable, it is a claim many professional market traders tend to accept. A trader will go to the ends of the earth to find something that will give him or her that extra "edge" in the marketplace. Market timing thus becomes very crucial to a trader.

It is misleading to hear many analysts and market experts claim that market timing is not important. In a very limited sensa, that may be correct. But that area in which market timing may not be so important pertains to investors, but certainly not to traders. In fact, to a trader, market timing is not only important, but it is arguably the *most important* variable in one's ultimate success. Therefore, the next time you hear someone denounce the importance of market timing, understand that what he or she may really be stating is that s/he is against the value of trading and is primarily (and probably only) in the camp of investors. Perhaps that person has failed at the art of trading somewhere in his or her background, for the rules for successful trading are markedly different than the rnles for successful investing. By denouncing the value of market timing, one is likely admitting one's failure or non-interest as a trader. Unfortunately, it may come across as fostering a mistaken belief that fundamental analysis, which is the primary key to successful investing, should also be applied solely to the field of trading, where success is usually more dependent upon technical analysis and market-timing skills.

The greatest value of this series of books on *Stock Market Timing* probably lies in this particular volume. For it is here, in the arena of the trader, that precision in timing short-term market reversals, is possible. Very briefly, it works like this: the study of cycles outlines a time band in which the crest or trough of that cycle is due. Within that time band, there is apt to be a smaller time frame where particular geocosmic signatures occur, which have a correlation to historical troughs and crests in stock market cycles. Each geocosmic signature falls on a particular day. If one can isolate those dates, and determine a "center of confiuence," then one has a specific critical reversal date from which to work. The cycle trough or crest will usually unfold within 3 trading days of that "center of confiuence," or "cluster," which is known as **the critical reversal date.**

The purpose of this book is to identify which geocosmic signatures have a high correlation to the major trading cycles in the U.S. stock market. The most important of these cycles is known as **the primary cycle**. As discussed at length in *Volume I: Cycles* *and Patterns in the Indexes*, our studies showed that in the 193 cases of primary cycles in the U.S. stock market between 1929-1997, all occurred between the 10-29 week interval, with an average periodicity of 18.22 weeks. The "mean" would be 19.5 weeks. However, in 179 of these instances (92.75% frequency), the primary cycle unfolded between weeks #13-26. Once again, this gives a "mean" of 19.5 weeks. In 162 cases (83.9%), the interval of time between these primary cycles was 13-24 weeks, or a mean of 18.5 weeks. And in 72% of the cases studied (139 instances), the primary cycle trough occurred between the 13-21 week interval, or a mean of 17 weeks.

Primary cycles can be further divided into their two most important phases: the 7-11 week half-primary cycle, and the 5-8 week major cycle. As explained in Volume I of this series, all cycles are usually comprised of "phases," which are divisions of the greater cycles' mean by the numbers 2 or 3. Thus an 18-week primary cycle may be comprised of two half-primary cycles, which last about 9 weeks each, or three major cycles, which last about 6 weeks each. In many cases, both phases will be operative, resulting in a "combination" pattern for the primary cycle. These, then, are the three most common patterns within a primary (or any type of) cycle: the 2-pbase pattern, which consists of just two half-primary cycles; the 3-phase pattern, which consists of three major cycles; or the combination pattern, which consists of two half-primary as well as three major cycles. These pattems are shown in Figure 1 on the next page.

The hypothesis of this book, Volume 3, is that *geocosmic critical reversal dates will correctly time a major, half-primary, and/or primary cycle trough or crest within 3 trading days with a high rate of frequency.* If our hypothesis is correct, then market timing is not a psychological delusion, as many so-called experts contend, but rather an important tool that has the potential to greatly enhance the success of traders. And if that is troe, then one wonders who really suffers from the delusion of reality?

At best, these books can provide a degree of understanding and respect for the tools required for success by both the investment and trading community. The fact is that their tools for success are different. It's not that one's tools or training is better than the other. It is a case whereby the means for success are simply different, but both worthy of respect. A trader will have a very difficult time succeeding with the tools of the investor, for to "buy and hold" based on fundamental factors will fail to catch the sharp rallies and declines that happen at least 2-3 times per year in almost every market (i.e. primary cycles). By the time the fundamentals change from bullish to bearish or vice-versa, the cycle trough or crest is past history. On the other hand, the ability to pinpoint a primary cycle trough or crest through market timing tools set forth in these books will be of little use to an investor who plans to buy and hold stocks for several years. The investor knows that over time, good quality stocks will tend to appreciate more than the prevailing rate of interest, or value of bonds. They always have. So why should an investor take the risk of selling a stock at a primary cycle crest, and try to buy it back later at a lower price, when 1) he or she might not get the lower price s/he wants, and 2) the probabilities are great that in time, the price of this stock will be higher anyway? So it isn't that either the trading or investment community is better than the other, but rather that they are comprised of different types of people with different psychological values. The question then becomes: which one are you?

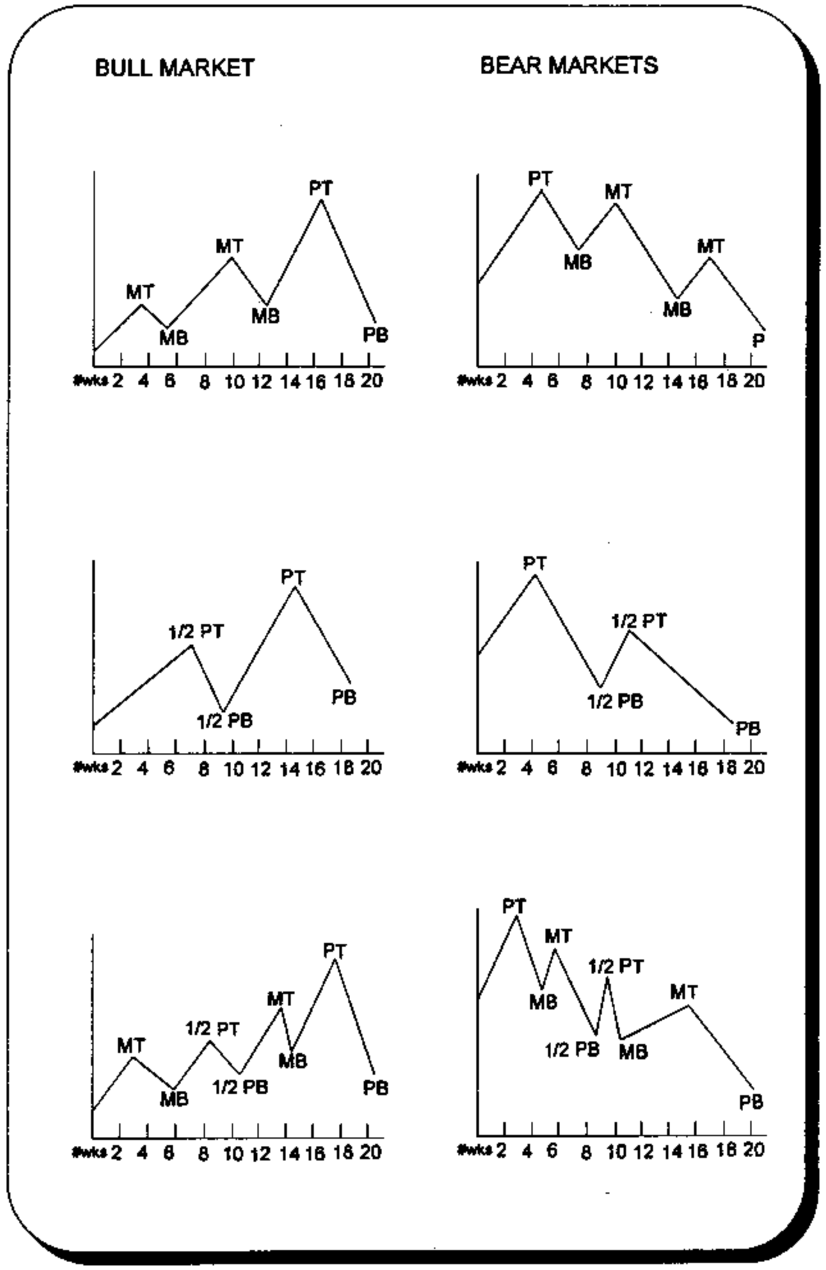

Figure 1: The different phases of a primary cycle