GENERAL OUTLOOK FOR 2014

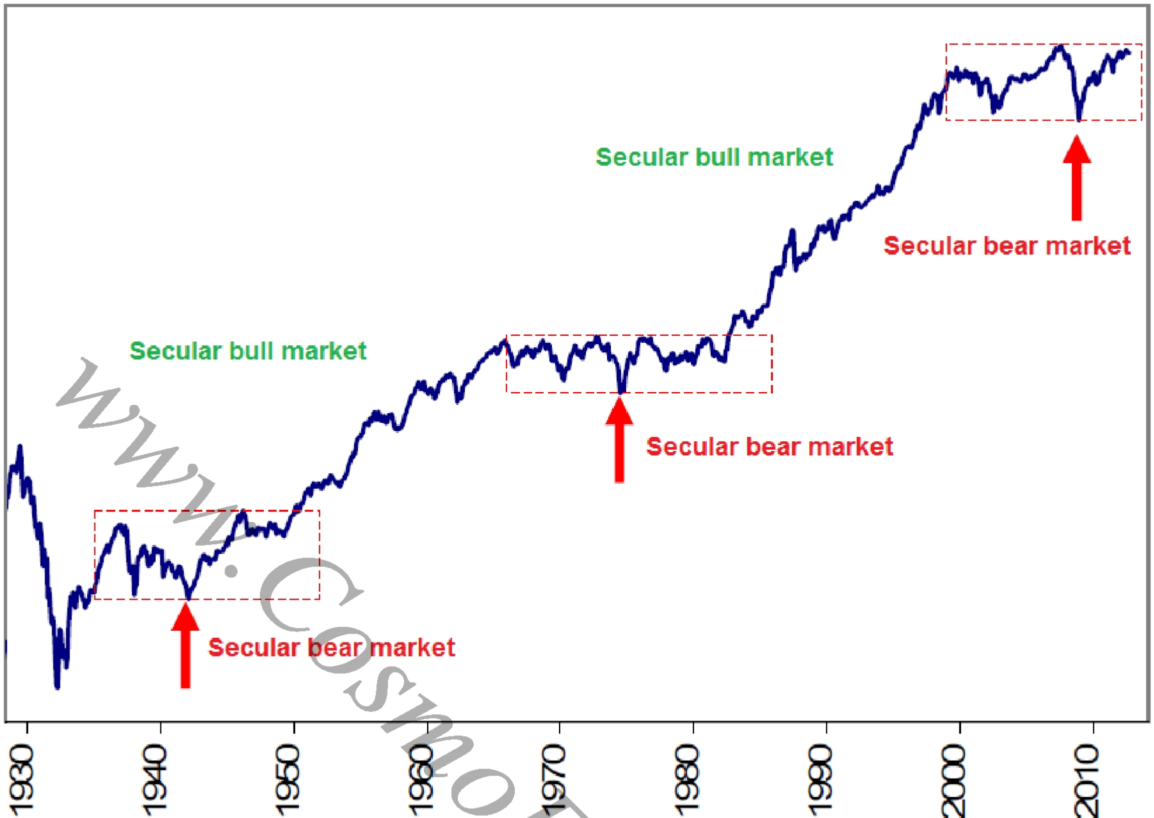
BY DANIEL T. FERRERA

No. 4 or the 4th year, is a bear year, but ends the bear cycle and lays the foundation for a bull market. - W.D Gann, Bull & Bear Calendar Years

Reviewing W.D. Gann's decennial rules, we find that the 4th year in each decade has the tendency of being a weak year for stock market performance, which typically paves the way for the 5th year to be a strong advancing year with good returns on equity investments.

Looking backwards in time in 10 year segments from 2014, we get the years 2004, 1994, 1984 and so on. Each of these years, the market struggled to advance, which laid the foundation for strong equity returns in the 5th year that followed thereafter. The decennial years 2004, 1994 and 1984 were all primarily range bound years in which the equity markets moved sideways producing negative or nearly zero gains for the period.

Looking back another decade, we find that 1974 was a severe bear market decline of about 34% from January to December, which is a much different occurrence than the range bound markets just discussed. How does one account for this variation? 1974 occurred in a secular bear market cycle.

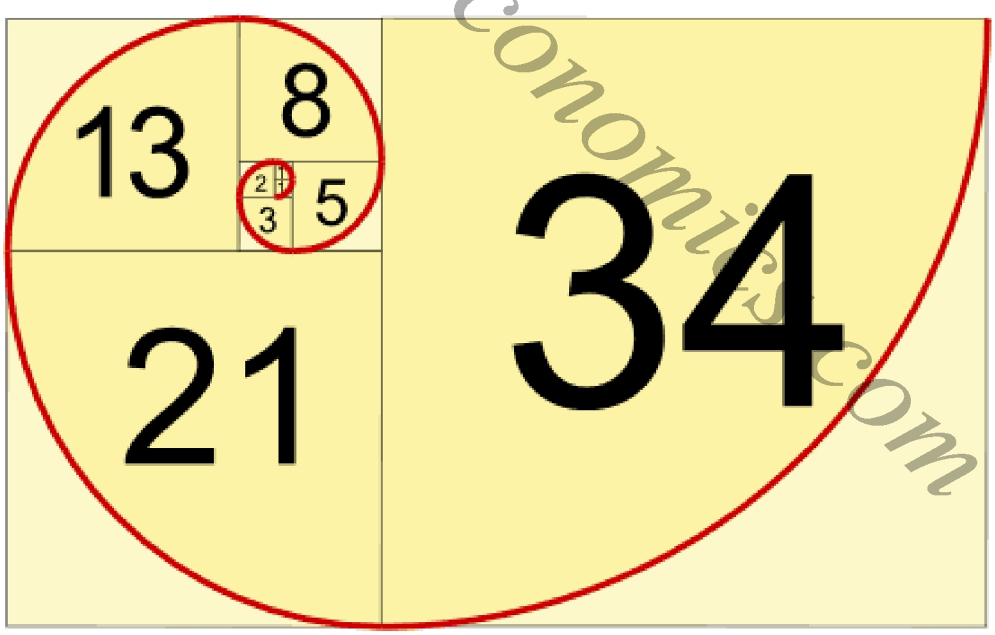


In general, secular bull and bear markets run in 18-year time periods that comprise a 36 year cycle, advancing for 18 years, then declining for 18 years. This particular cycle has been predominant since the passing of the Federal Reserve Act of December 1913. The secular bull phase ran from 1948 to 1966. Additionally, the year 1974 was the 42 year cycle low from the extreme Great Depression low of 1932 as well as a 7 year low from 1967, and the midpoint of the 17 year cycle from the 1966 top.

Similarly for comparison sake, the 2009 low is the 17 year midpoint from the 2000 secular bull market top. Our subject year 2014 is thus still in a secular bear market cycle, which shouldn't complete until 2017 to 2018 as a simple time measurement.

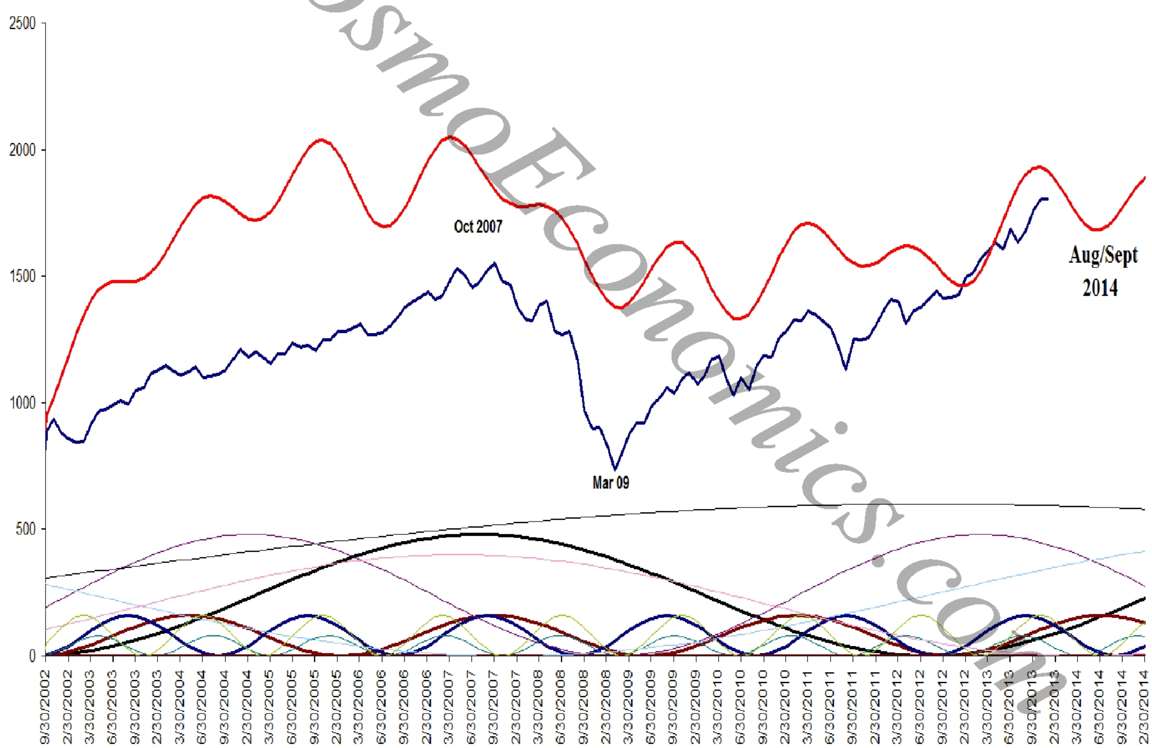
should arrive in 2013 to 2014. A stock market panic is forecasted for the year 2015 followed by low stock prices for the year 2016. Please note that the year 2019 (Benner's next panic) is also expected to bring in high stock prices on Gann's Time Table preceding another panic. The DTF-Barometer also agrees in this regard.

The Fibonacci numbers are: 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144…… Each new number is created by simply adding the current number to the one preceding it. Since the low in 1982, the stock market has made significant turning points based upon this number sequence. For example: the 1987 Crash is +5 years from 1982, the mini crash of 1990 is +8 years, the recession breakout of 1995 was +13 years and the double bottom low after dot-com bubble was in 2003 or +21 years from 1982. The next number in the sequence is +34 years, which again yields the year 2016.

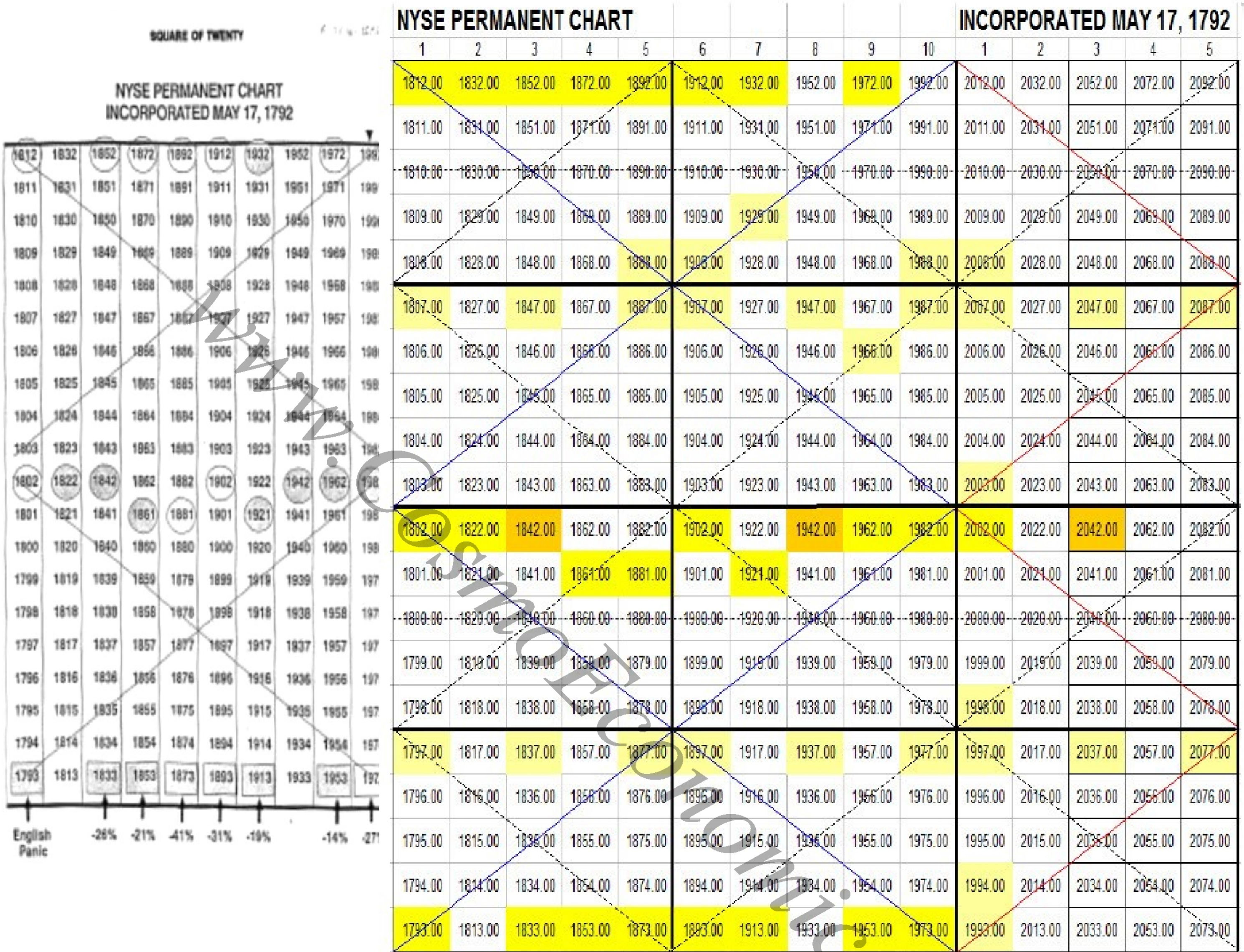


In summary, the information presented thus far suggests that the U.S equity markets are reaching their full extension in terms of time, measuring 7 years top to top from 2007 = 2014, and 5 years up from the March 2009 low, each warning that 2014 is not expected to be a good year for stocks, further supported by a bearish decennial tendency.

The next price low of importance within this secular bear market cycle is projected to be the year 2016. If there is any short term buying opportunity in 2014, it will likely appear around late July to September where the 12 year cycle projects a low that is in phase with smaller intermediate cycles that are reaching lows at the same point in time.



In the final update to the 2013 Outlook, it says: “The long-term trade from 2009 is over and new buying is not advised even though the markets continue to post new record highs (Price overbalancing Time). As was stated in prior updates, options would be the only acceptable method of

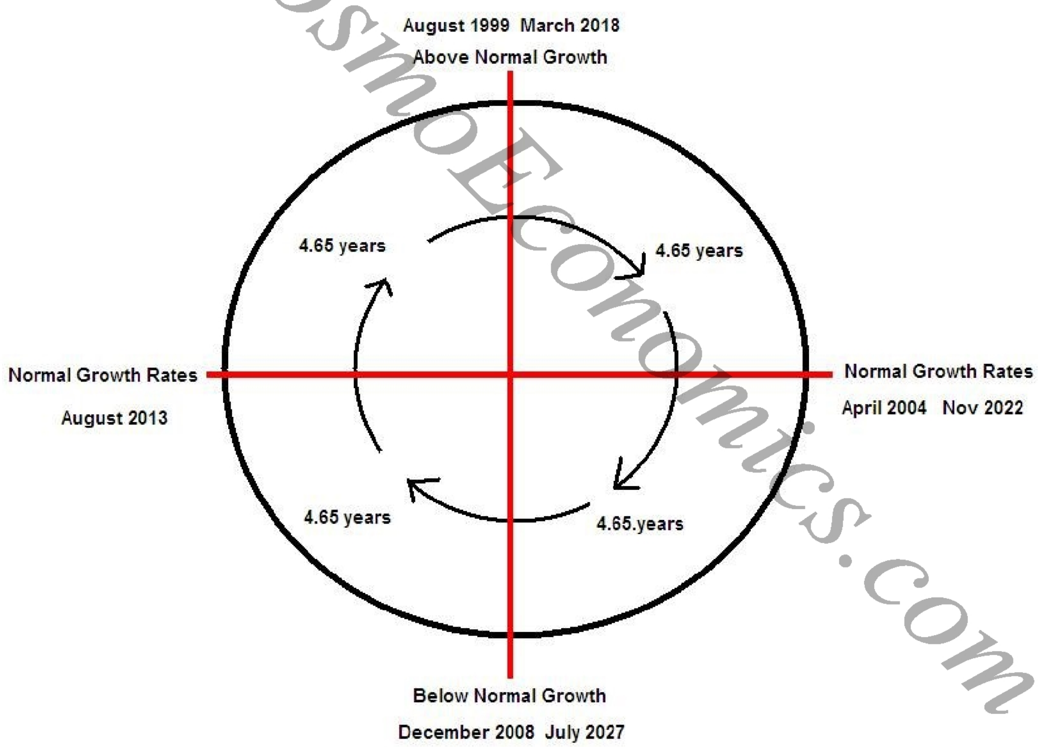


NYSE PERMANENT CHART										INCORPORATED MAY 17, 1792				
1	2	3	4	5	6	7	8	9	10	1	2	3	4	5
1812.00	1832.00	1852.00	1872.00	1892.00	1912.00	1932.00	1952.00	1972.00	1992.00	2012.00	2032.00	2052.00	2072.00	2092.00
1811.00	1831.00	1851.00	1871.00	1891.00	1911.00	1931.00	1951.00	1971.00	1991.00	2011.00	2031.00	2051.00	2071.00	2091.00
1810.00	1830.00	1850.00	1870.00	1890.00	1910.00	1930.00	1950.00	1970.00	1990.00	2010.00	2030.00	2050.00	2070.00	2090.00
1809.00	1829.00	1849.00	1869.00	1889.00	1909.00	1929.00	1949.00	1969.00	1989.00	2009.00	2029.00	2049.00	2069.00	2089.00
1808.00	1828.00	1848.00	1868.00	1888.00	1908.00	1928.00	1948.00	1968.00	1988.00	2008.00	2028.00	2048.00	2068.00	2088.00
1807.00	1827.00	1847.00	1867.00	1887.00	1907.00	1927.00	1947.00	1967.00	1987.00	2007.00	2027.00	2047.00	2067.00	2087.00
1806.00	1826.00	1846.00	1866.00	1886.00	1906.00	1926.00	1946.00	1966.00	1986.00	2006.00	2026.00	2046.00	2066.00	2086.00
1805.00	1825.00	1845.00	1865.00	1885.00	1905.00	1925.00	1945.00	1965.00	1985.00	2005.00	2025.00	2045.00	2065.00	2085.00
1804.00	1824.00	1844.00	1864.00	1884.00	1904.00	1924.00	1944.00	1964.00	1984.00	2004.00	2024.00	2044.00	2064.00	2084.00
1803.00	1823.00	1843.00	1863.00	1883.00	1903.00	1923.00	1943.00	1963.00	1983.00	2003.00	2023.00	2043.00	2063.00	2083.00
1802.00	1822.00	1842.00	1862.00	1882.00	1902.00	1922.00	1942.00	1962.00	1982.00	2002.00	2022.00	2042.00	2062.00	2082.00
1801.00	1821.00	1841.00	1861.00	1881.00	1901.00	1921.00	1941.00	1961.00	1981.00	2001.00	2021.00	2041.00	2061.00	2081.00
1800.00	1820.00	1840.00	1860.00	1880.00	1900.00	1920.00	1940.00	1960.00	1980.00	2000.00	2020.00	2040.00	2060.00	2080.00
1799.00	1819.00	1839.00	1859.00	1879.00	1899.00	1919.00	1939.00	1959.00	1979.00	1999.00	2019.00	2039.00	2059.00	2079.00
1798.00	1818.00	1838.00	1858.00	1878.00	1898.00	1918.00	1938.00	1958.00	1978.00	1998.00	2018.00	2038.00	2058.00	2078.00
1797.00	1817.00	1837.00	1857.00	1877.00	1897.00	1917.00	1937.00	1957.00	1977.00	1997.00	2017.00	2037.00	2057.00	2077.00
1796.00	1816.00	1836.00	1856.00	1876.00	1896.00	1916.00	1936.00	1956.00	1976.00	1996.00	2016.00	2036.00	2056.00	2076.00
1795.00	1815.00	1835.00	1855.00	1875.00	1895.00	1915.00	1935.00	1955.00	1975.00	1995.00	2015.00	2035.00	2055.00	2075.00
1794.00	1814.00	1834.00	1854.00	1874.00	1894.00	1914.00	1934.00	1954.00	1974.00	1994.00	2014.00	2034.00	2054.00	2074.00
1793.00	1813.00	1833.00	1853.00	1873.00	1893.00	1913.00	1933.00	1953.00	1973.00	1993.00	2013.00	2033.00	2053.00	2073.00

GANN'S ORIGINAL NYSE PERMANENT CHART & FERRERA'S UPDATED VERSION

Note: The year 2014 is also afflicted by a 45 degree time angle on Gann's Chart, indicating troubles for this specific year. For example, if you look at the similar section one block to the left, the same type of 45 degree time angle strikes the year 1914. This was another bear stock market year,

Review: In prior published materials I have written the following: "In general, the economy usually runs in cycles of 4.65 years or 4-years and 8-months if you prefer. As a basic rule, the economy will advance above normal for 4.65 years, then decline back to more normal levels over the next 4.65, then drop to below normal over the next 4.65 years, and then return back to normal, where the business cycle starts all over again. This cycle in total measures about 18.6 years. Under this basic scenario, the economy was due to reach a peak in its above normal phase in August of 1999. It should continue to decline for 9.3 years (9-years 4-months) where it will reach it's below normal level.



So, this basically means that economic conditions will slowly decay until at least December of the year 2008, when conditions will start to improve again. This cycle is harder to find in economic data because of the "Wealth Effect" that is created in strong bull markets, which tends to somewhat hide