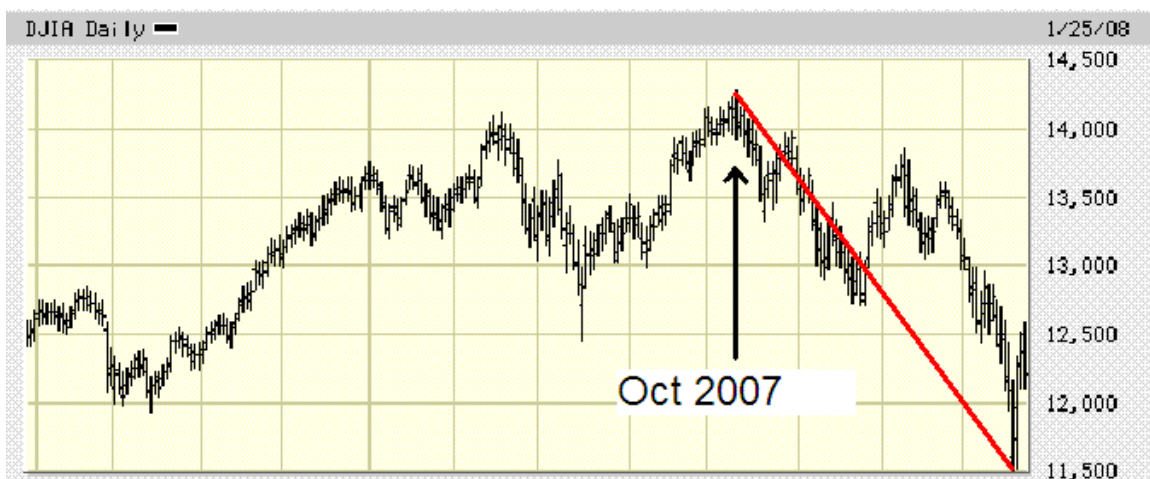


General Outlook For 2008

The individual who makes money buying stocks in 2008 will have to use far greater discrimination than ever before in selecting the right stocks to buy. When once stocks have reached a final top and start trending down, they will continue to work lower and rallies will get smaller. Those who hold on and simply hope will likely have bigger losses. The markets will move over a very wide range and sharp, severe declines will be followed by even quicker rallies. It will be necessary most of the time for a trader to be very agile and manage positions quickly in order to take advantage of the opportunities as they develop in an active market.

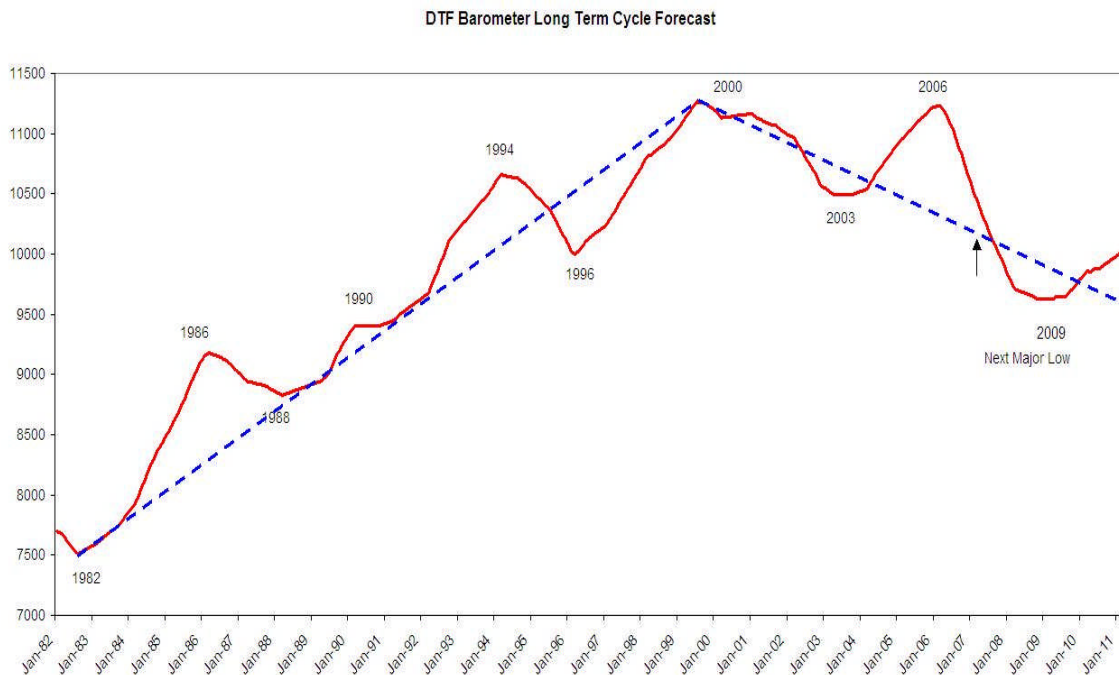
This year occurs in a cycle, which shows the ending of the 5-year bull market phase caused by the planet Saturn and the potential beginning of a prolonged bear campaign. The bull market campaign, which began in October 2002, has lasted as expected and was typical based on the history of this country. As W.D. Gann's work illustrates: *"There are usually two significant Bull Markets every thirty years. Typically, the 1st Bull Market will begin in years ending with a "2" such as 1922, 1952 and 1982. The 1st Bull Market is usually longer than the 2nd Bull Market and typically ends in the 9th or "0" year of the pattern (1929, 1959, 1990) with a major correction in the "7th" year like 1927, 1957 and 1987. The 2nd Bull Market leg typically begins in the "12th" year of the pattern (1932, 1962, 1992). It is usually shorter than the 1st leg and ends in the "17th" year on average (1937, 1967, 1997) after which a consolidation or sideways pattern of approximately 13-years begins with a slight upward bias."*



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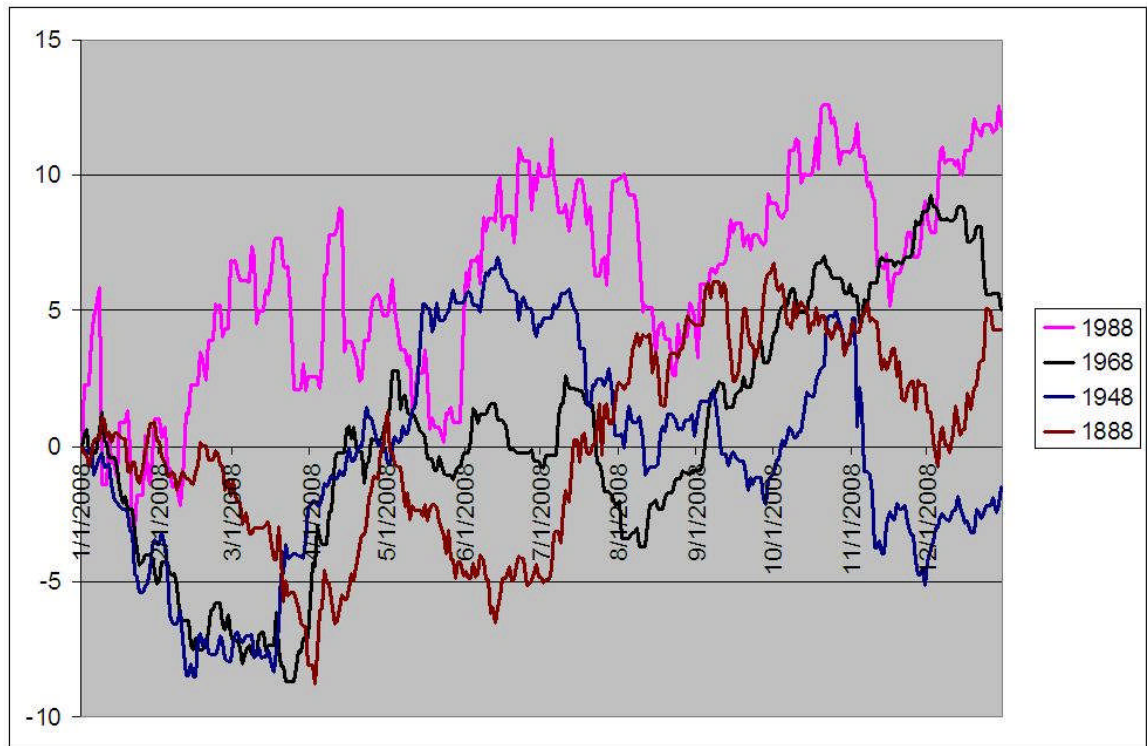
In Gann’s forecasting course he said: “Stocks move in 10-year cycles, which are worked out in 5-year cycles – a 5-year cycle up and a 5-year cycle down. Begin with extreme tops and extreme bottoms to figure all cycles, either major or minor”. From here on he explains his rules for adding specific cycle lengths or time periods to tops and bottoms. This is where you need to use the planetary periods to calculate the future turning point.

So here we see once again the usefulness of Gann’s market perspective, which was also verified by the Foundation for the Study of Cycles. The Bull campaign began in 2002 and initiated a major correction after a 5-year run in the “7th” year of the pattern. In addition, this time period also brought in the anticipated business activity top forecasted by the number sequence work of Samuel Benner. Typically, share values are lower a full 2-years after the projected date. So, here we would expect stock prices to be generally lower going into 2009. Incidentally, the next 30-year section of Gann’s forecasting pattern begins with an anticipated low for 2012. This year also falls in line with Samuel Benner’s sequence work for predicting “periods of hard times and low stock prices.” Representing the ideal time to accumulate stocks. The 5-year negative influence of Saturn also terminates around late September early October of 2012. My cycle work or DTF-Barometer shows a confirming low in 2009 coinciding with Benner’s sequence.



<http://www.sacredscience.com/ferrera/WheelsCourse.htm>

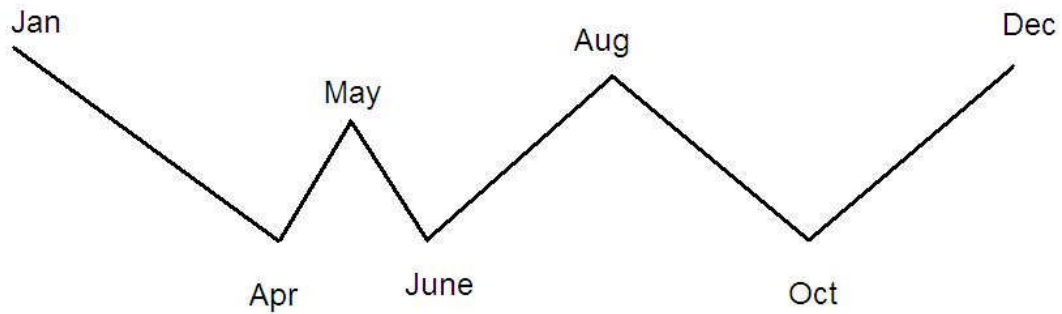
The fact that both the Dow 30 & S&P500 have attained new highs during the negative phase of the 36-year cycle, i.e. “The Super Bear Market” section typically means that when declines occur, they must be in proportion to the advance to balance out. The year 2008 will likely witness some sharp, severe panicky declines in many high priced stocks. The only positive support for stocks is that 2008 is an election year cycle. Looking back at other years ending in “8” that were also election years, we find: 1988, 1968, 1948, 1928, 1908 and 1888. Most years were sideways basically ending the year + or - %5. The years 1908, 1928 were the only election years that had strong bull trends throughout their years and 1988 finished up +12% in a pattern that was very choppy and volatile. The election years of 1968, 1948 and 1888 were basically flat years where the market finished up %5 in 1968 & 1888 and down %5 in 1948.



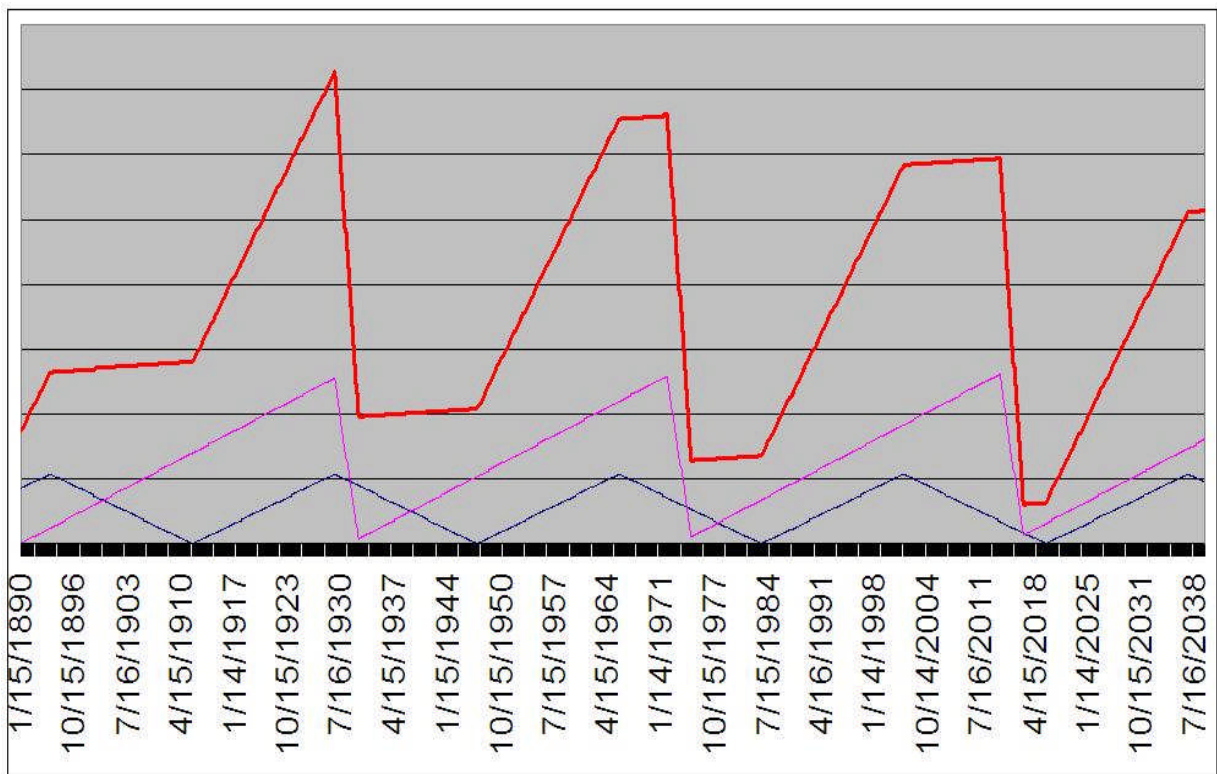
<http://www.sacredscience.com/ferrera/gannanalysis.htm>

Looking at all years ending in “8” we find that the best opportunity to buy stocks for appreciation has historically been the period from late March, early April, where stocks generally advance into August or September. The basic Stock Market pattern for election years ending in “8” is as follows:

Average Tops & Bottoms for
Election Years ending in 8

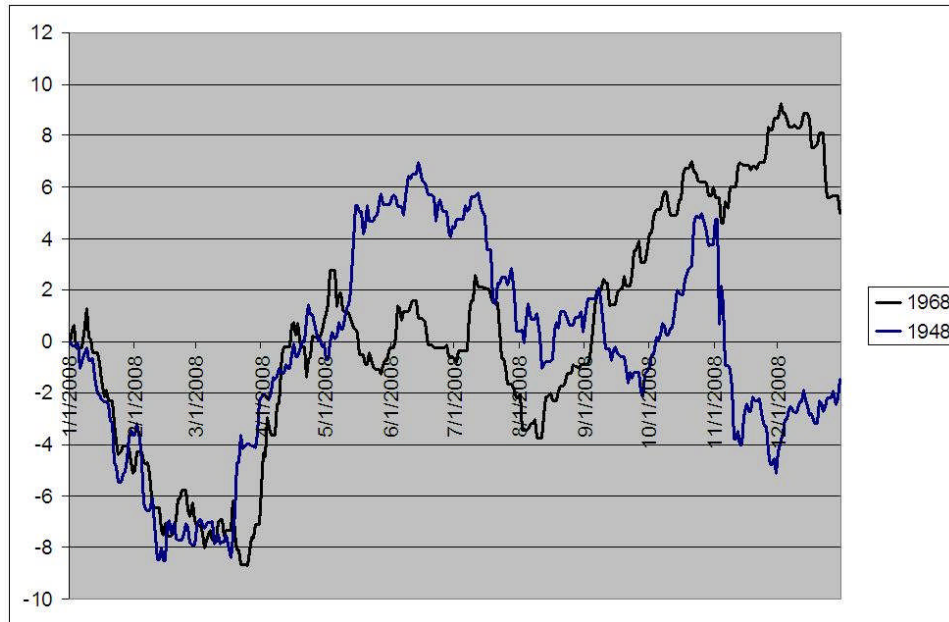


Further narrowing our list of market patterns based on election years ending in “8” we find that the years 1968 and 1948 occur in similar flat sections of the summation wave of the 36-yr and 42-yr pattern.



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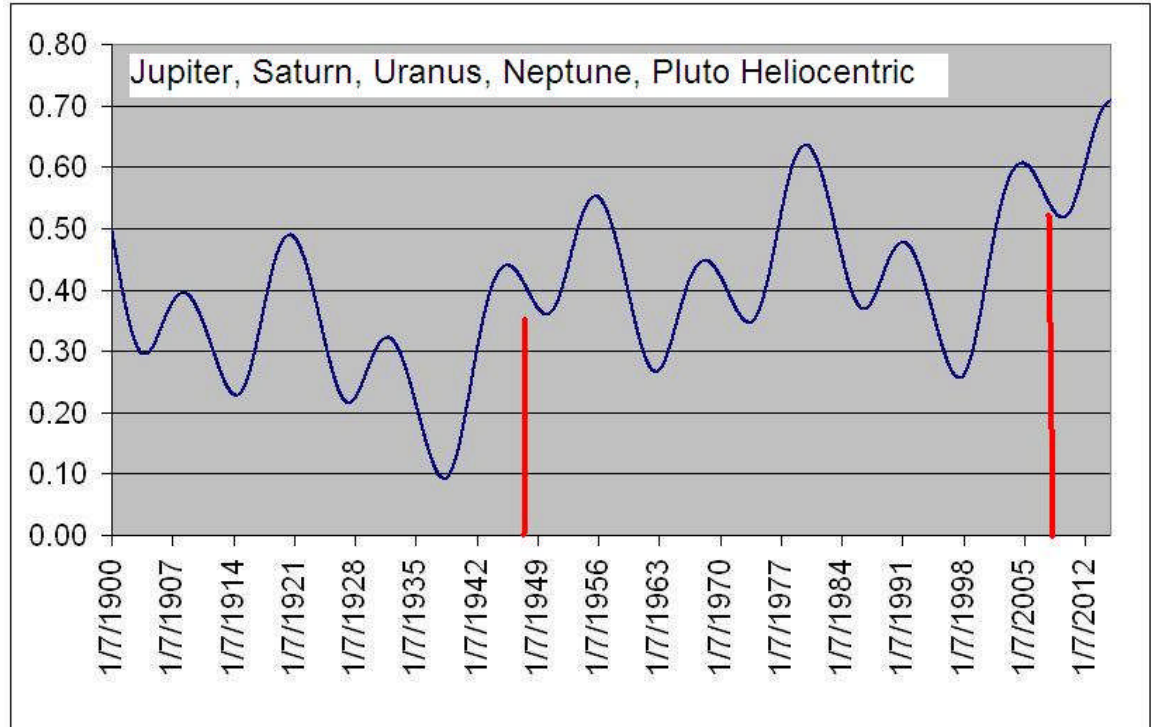
As a result of focusing on years that are in a similar section or phase of the overriding larger cyclic pattern the decennial patterns for these years are much more alike and their basic forms tend to follow one another quite well. The main difference in their overall behavior is the change in trend that occurred in November for 1948.



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The year 2008 being in a similar flat section of the 36 & 42-year summation wave should perform similar to these two curves. Here we see the period from March/April is highlighted to be the best time to purchase stocks for a short pull to June/July. Another potential purchase can be made if the market declines into August with an exit strategy to liquidate by October 25th.

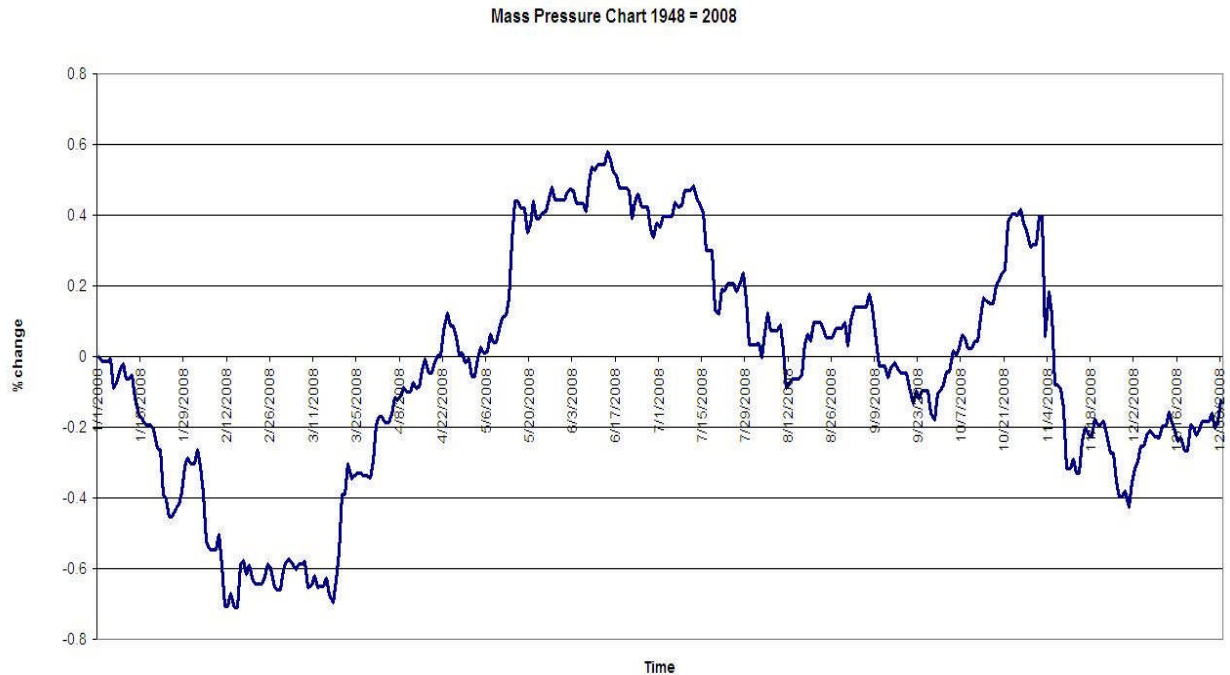
Looking at the next chart showing the combined influence of the outer planets: Jupiter, Saturn, Uranus, Neptune and Pluto, we see that the year 1948 shows a similar decline or reaction in the summation wave of these planets. In other words, the year 1948 appears to be the best overall fit for anticipating the price action of 2008. This is also Gann's master cycle or 60-year time factor, which typically works well when you use it in view of the larger patterns involved. Most long-term economic forecasts are based on the Kondratieff or 'K' Wave, which is the theory that capitalist economies are prone to major economic cycles lasting 50 to 60 years



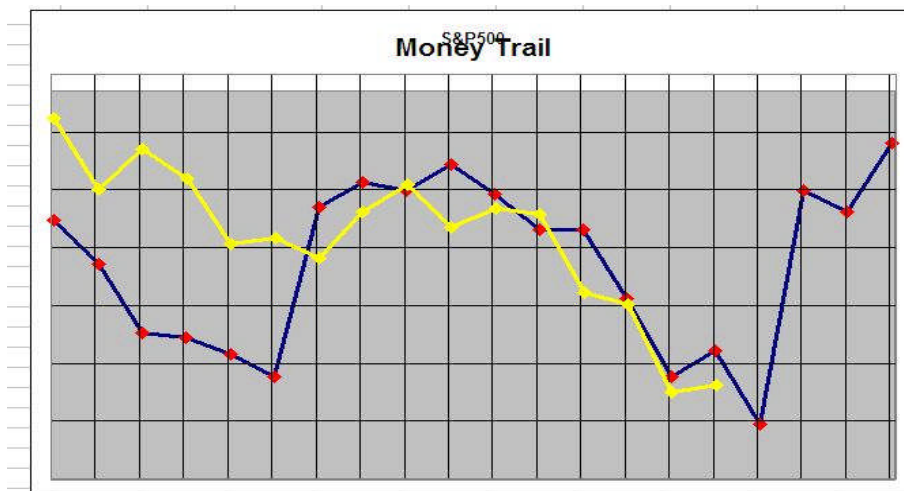
Planetary celestial longitudes for the above chart were converted to wave amplitudes using the trigonometric cell calculator $-\text{SIN}(X \cdot \text{PI}() / 180)$, where X is the celestial longitude in degrees. The factor $\text{PI}() / 180$ converts the degree measure to radian measure required by the Microsoft Excel program. Composite fundamental waves were calculated by summing the wave amplitudes of individual planets, starting with the outermost planet Pluto as the fundamental wave of longest wavelength and lowest frequency, and successively adding to it the wave amplitudes of Neptune, Uranus, Saturn, and Jupiter, in that order.

Now focusing entirely on the year 1948, due to all factors discussed above, we get the following curve or mass pressure chart for 2008. This curve indicates that the best buying opportunities should form February 15th to 17th, with a potential for another low around March 17th to 19th. The largest % gain should occur from these low levels into the 2nd week of June around the 15th. A secondary top may also occur in the 2nd week of July around the 12th if you are still holding onto winning positions at this time. The market is anticipated to decline from these levels into the 2nd week of August around the 12th with a potential bounce rally into September 7th. The second best buying opportunity of the year is indicated at the projected lows for the end of September around the 30th. From these levels, the market could experience a very rapid 1-month rise into October 29th. The following decline is expected to be sharp and severe, so one must either side with caution and/or exit early or be highly observant and nimble with their

positions. The final opportunity to buy is indicated at the potential lows at the end of November followed by a “Christmas rally” into year-end.



My “Money Trail” curve, which anticipates the markets general direction 5 weeks in advance, indicates a rally for the month of February. In addition, those familiar with my “Market Opportunist” system based on market breadth know that it has given a recent buy signal, which is typically good for a minimum 18% advance in the averages.



Money Flow is a displaced 5-period rate of change of the Yield Gap between stocks and high grade bonds.



<http://www.sacredscience.com/ferrera/Keys.htm>

IMPORTANT DATES FOR CHANGE IN THE MAJOR TREND

The following dates should be watched for important changes in the major trend of all individual stocks and stock market averages or indices. If any stock makes top or bottom around any of these dates, you can anticipate a reversal in trend, especially if there is a sharp decline or a sharp advance around these dates: Feb 8th to 10th, March 21st to 23rd, May 3rd to 7th, June 20th to 24th, August 3rd to 8th, Sept 21st to 24th, Nov. 8th to 11th, Dec. 20th to 24th. These dates are based upon a permanent cycle, which does not change. Important tops and bottoms are made in many stocks every year around these times. Watch the stocks that reach extreme high or low levels around these natural dates.

DATES FOR ACTIVITY AND WIDE FLUCTUATIONS

The following dates indicate times when stocks will be very active and have wide fluctuations, making tops and bottoms. While all stocks will not make tops and bottoms around these dates, some of the most active ones will and if you watch the ones that turn around these dates, it will prove helpful in your trading:

January 1st, 6th & 25th

February 2nd, 4th, the 12th to 15th, 17th & 29th

March 3rd, 9th, 17th to 19th, 22nd & the 27th to 29th

April 23rd

May 2nd, 16th, 19th & 27th

June 7th, 14th, 22nd, 24th & 29th

July 12th, 20th & 28th

August 1st to 3rd, 5th, 11th, 21st, 25th & 30th to 31st

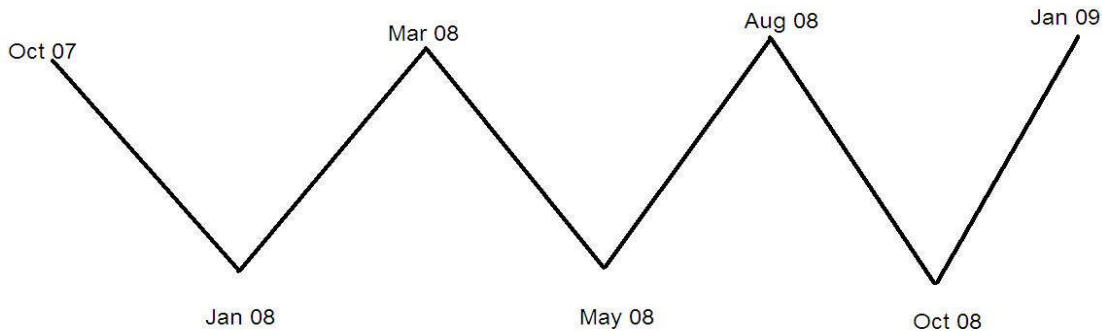
September 7th, 13th, 15th, 21st, 25th & 28th

October 7th, 10th, 26th & 29th

November 2nd to 3rd, 4th to 5th, 14th, 19th & 30th

December 13th & 19th

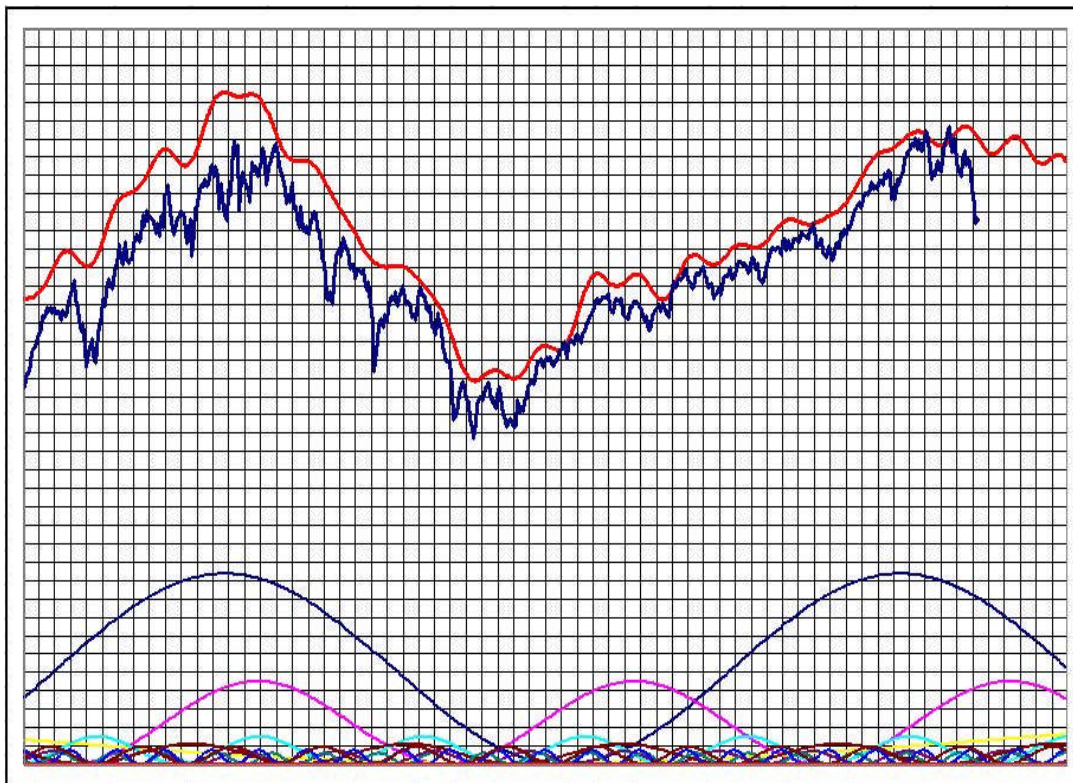
Due to the 5-month cycle, the 10th to 14th of the following months should be monitored for swing highs and lows in most share values. This has been a very strong and persistent cycle for many years and must be monitored for potential flips or inversions. The last of which occurred December 05. Since this time, the 5-month cycle has maintained a perfect saw tooth pattern.



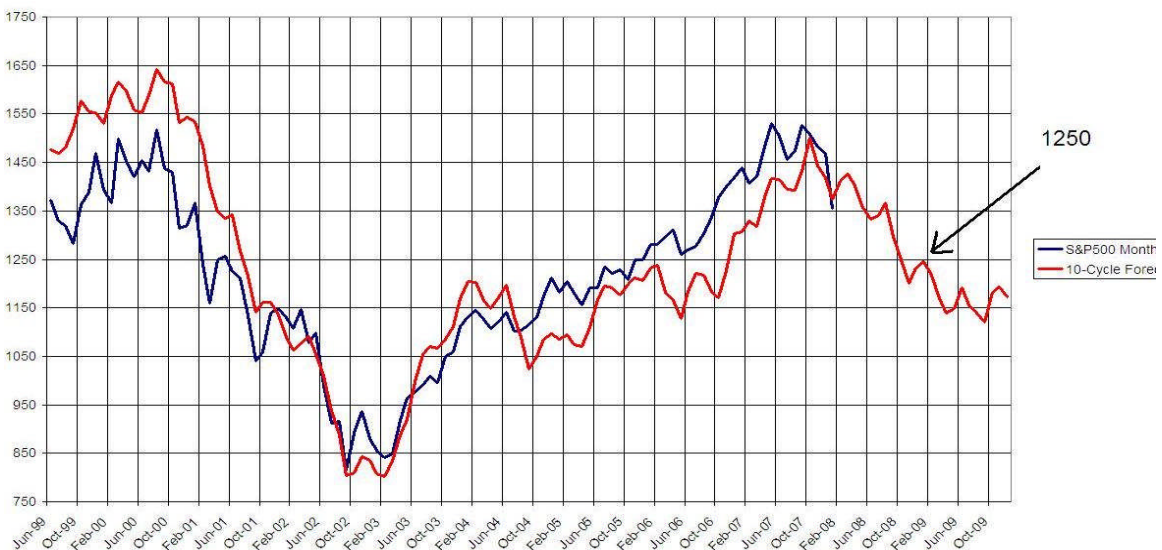
5-month Cycle Highs & Lows
most pivots should occur in the
2nd week of the month indicated.

Overall 2008 should be a down year for the stock market. The dominant cycles (36-yr, 10-yr, 41-month & 24-months) are all in downward phases of their movements, which should cause all declines to be much sharper due to the combined weight or influence of these cycles. We have

already declined 19% from the highs of October 2007 and the original cyclic model indicates that the end of the year should be around 1250 to 1240 price levels on the S&P500. Mass Pressure indicates a similar bearish outlook but only ending down only 2% or so. Both Spectral Analysis and my original cycle work presented in Wheels Within Wheels forecast a similar downward trend or market curve.



<http://www.sacredscience.com/ferrera/WheelsCourse.htm>

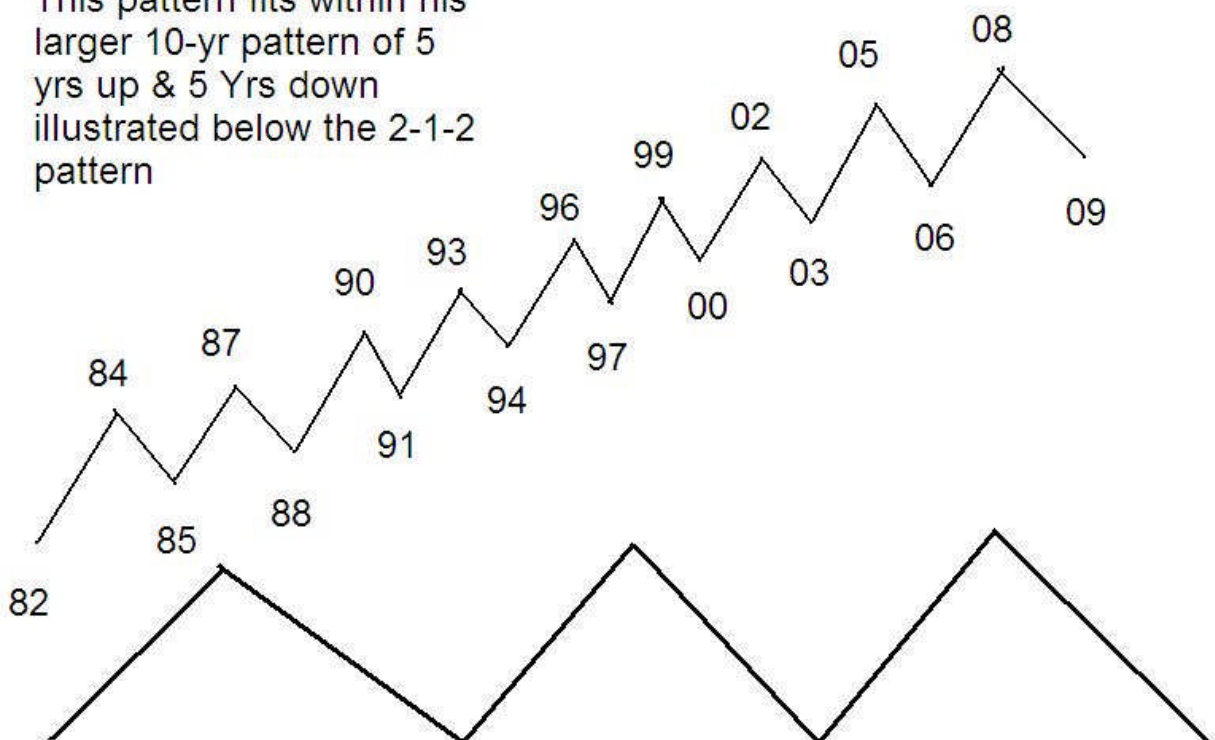


January Effect – The last week of January closed lower than the first week, which typically indicates a down year and further supports the prior analysis. For more information on this subject, refer to *Wheels Within Wheels*.

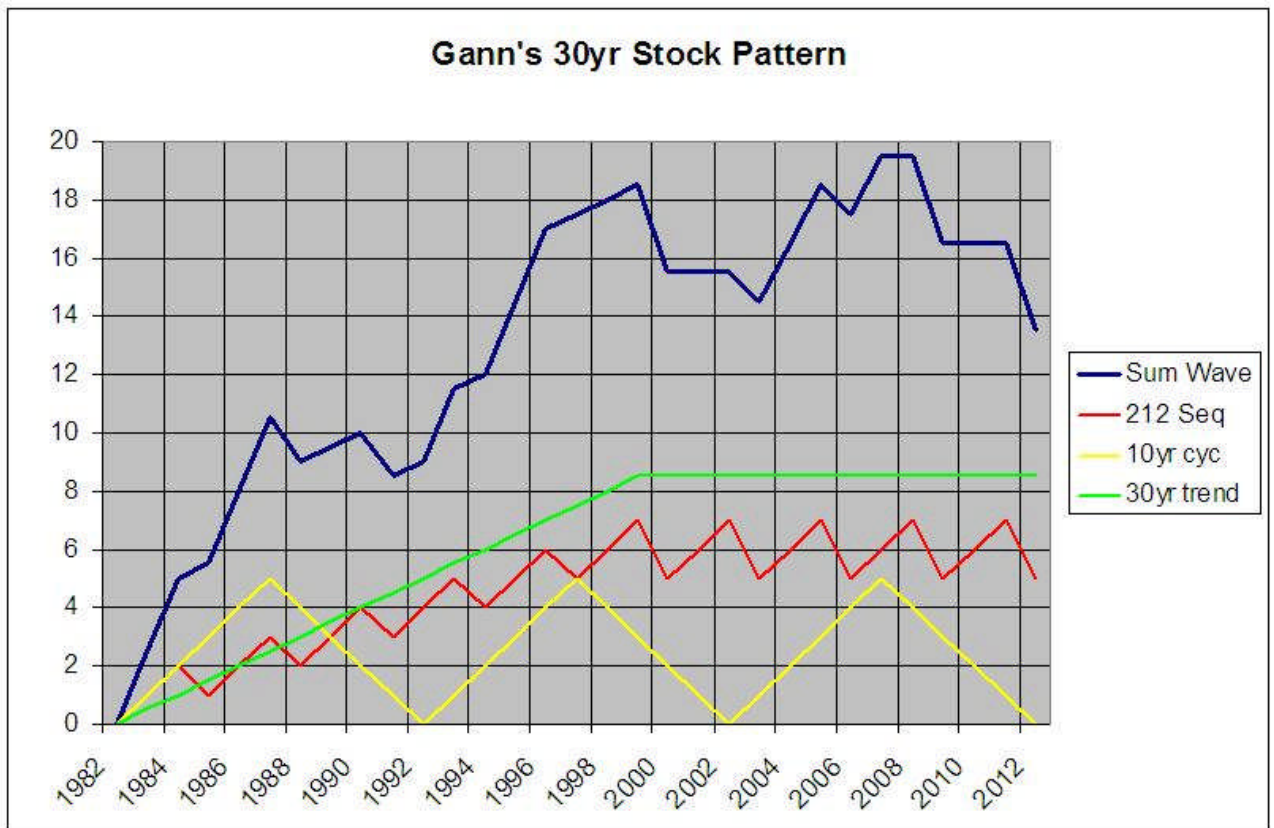
2-1-2 Pattern: Within Gann's 10-year pattern of 5 years of advancing prices followed by 5 years of declining prices, he further divided and broke down the 5 year segments as 2 years up, 1 year down, 2 years up totaling up as the generalized 5 year segment. The chart below illustrates this basic pattern as a fixed numerical cycle without using the Saturn cycle, which is the actual time factor used to measure this market pattern. As you can see, even as a fixed measurement, it has called the market fairly well. Using the actual turning points caused by Saturn, we should downtrend well into April-May for the 1-year down component of this 2-1-2 pattern.

W. D. Gann's 2-1-2 Fixed Pattern from 1982 to 2009

This pattern fits within his larger 10-yr pattern of 5 yrs up & 5 Yrs down illustrated below the 2-1-2 pattern



Now just to clarify Gann's stock market work, when you factor the above 10-yr pattern (5 up & 5 down), with the 212 pattern (2 up, 1 down, 2 up) along with Gann's 30 yr trend, which simply says that the stock market tends to rise for 17-yrs and consolidate for 13 years, you get the following sequence, which basically repeats every 30-yrs. Gann worded it as: the 2nd Bull market ends in the 17th year, after which a sideways pattern begins for 13-years.



<http://www.sacredscience.com/ferrera/gannanalysis.htm>

I have intentionally illustrated this pattern from 1982 to 2012 so you can see the elegant simplicity and forecasting value of this perspective of market behavior. Also note that during the 13-year sideways consolidation pattern that the 1-yr declines of the 212-pattern completely retrace the 2-year advancing component of this sequence. According to Gann, this pattern repeats over and over, with the next 30-yr cycle beginning in 2012, which is just a repeat of the 30-yrs illustrated above. This 30-yr pattern was extremely important in all of Gann's annual stock market forecasts.

PUBLIC CONFIDENCE FOR 2008: As long as the public believes that everything is all right, they will hold on expecting higher prices, but when public buying power has exhausted itself at the end of major cycles we find that the largest number of stock speculators in history lose confidence and all start to sell, it requires no stretch of imagination to picture what will happen. When the time cycles are up, neither Republicans, Democrats nor our hopes for a good President can stem the tide. As Gann says, it is a natural law. Already the news is full of recession fears coupled with the higher costs of living due to high oil and energy prices. We see it in the ebb and flow of the tides and we know that from the full bloom of summer always follows the dead leaves of winter. Most investors do not think; they always invest on hope and that is why they lose. Investors and traders must pause and think and use all available information to manage their holdings.

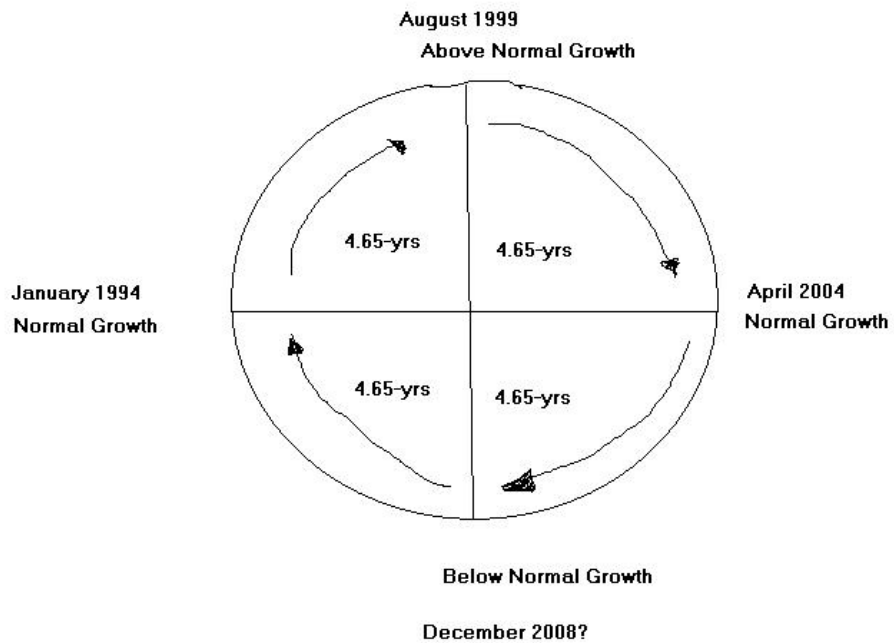
WAR: Overall, our nation's prosperity causes jealousy throughout the world, and as economic conditions get worse in foreign countries, greed and jealousy will lead to greater resentment and potentially war. As the old saying goes; "It is the hungry dog that starts the fight." A study of the rise and fall of nations shows that when any country enjoys unusual prosperity for a long period of time, war is one of the main causes of the start of recessions. While most Americans grow tired of the situation in Iraq and the so called "War on Terror", we will likely hear a lot of talk about peace from our newly elected leader. However, the facts show that many of the leading foreign countries as well as our own country, are spending more money preparing for war than they are for peace. Gann wrote: "When a man or a country is armed and gets ready to fight, he usually gets what he is ready for." Although 2008 is unlikely to see any further escalation of war, cycles indicate that 2009 to 2010 could see a rise in international warfare ending with more peaceful and prosperous times beginning in 2010.

The Dollar, Gold & Oil: Although demand for these commodities will remain high, we are likely to see prices decline due to reactions caused by the minor cycles and a likely rise in the US dollar. Both commodities are priced in dollars and as the US dollar has weakened over the last several years, these commodities and others have risen accordingly. In fact, the Government's "economic stimulus plan" that plans on giving most Americans a rebate around \$1200 is somewhat comical when you look at the weak dollar. Basically, they are giving you a rebate at low value levels knowing that they are going to stimulate the dollar causing you to pay them

back at higher values. From 2001 to present, the dollar has declined approximately 40%. If you discount the current \$3.00/gallon gas prices at the pump by 40%, you find that Gas would be about \$1.80 if the dollar had remained stable or strong. Gold would be about \$550/ounce instead of \$916 but most don't pay attention to the fact that these things are priced in dollars. There has been some increased demand for these commodities, but understand that the majority of their price appreciation has really been caused by a declining dollar. This fact has also caused large-scale foreign ownership of our stocks. Foreign investors, especially "oil rich" nations have been taking advantage of their strong currencies relative to ours, by purchasing significant ownership of our major corporations.

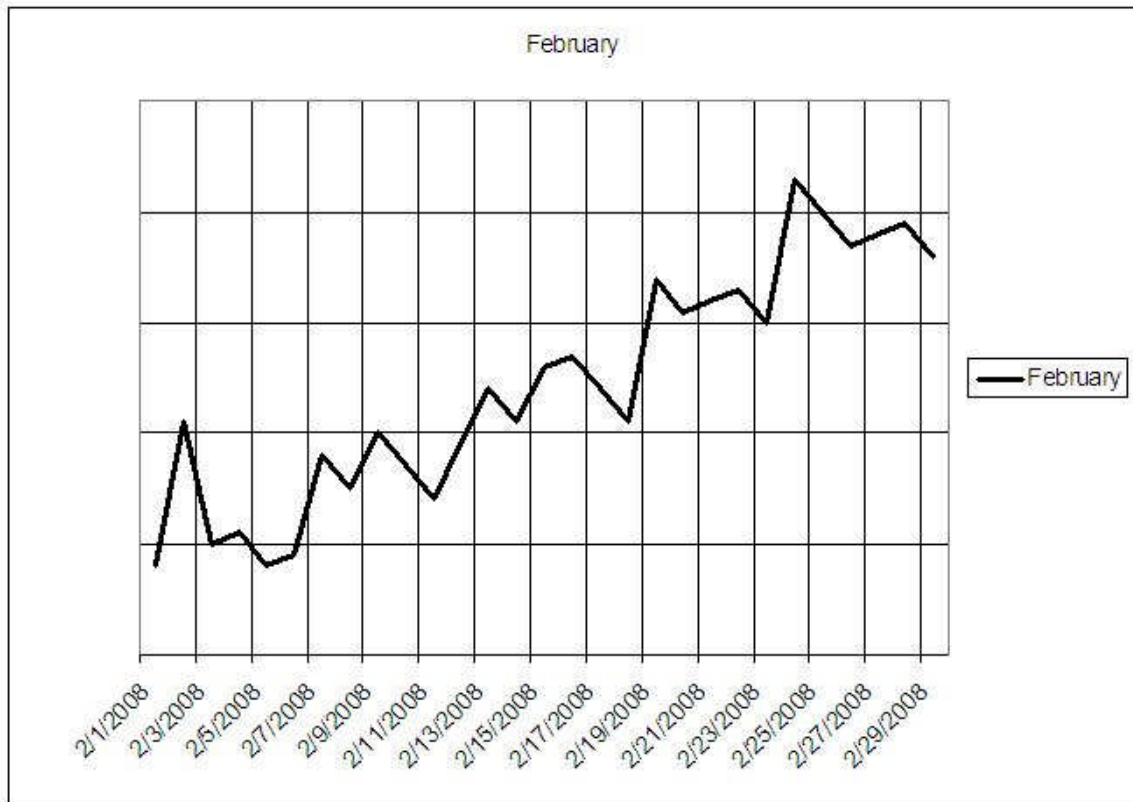
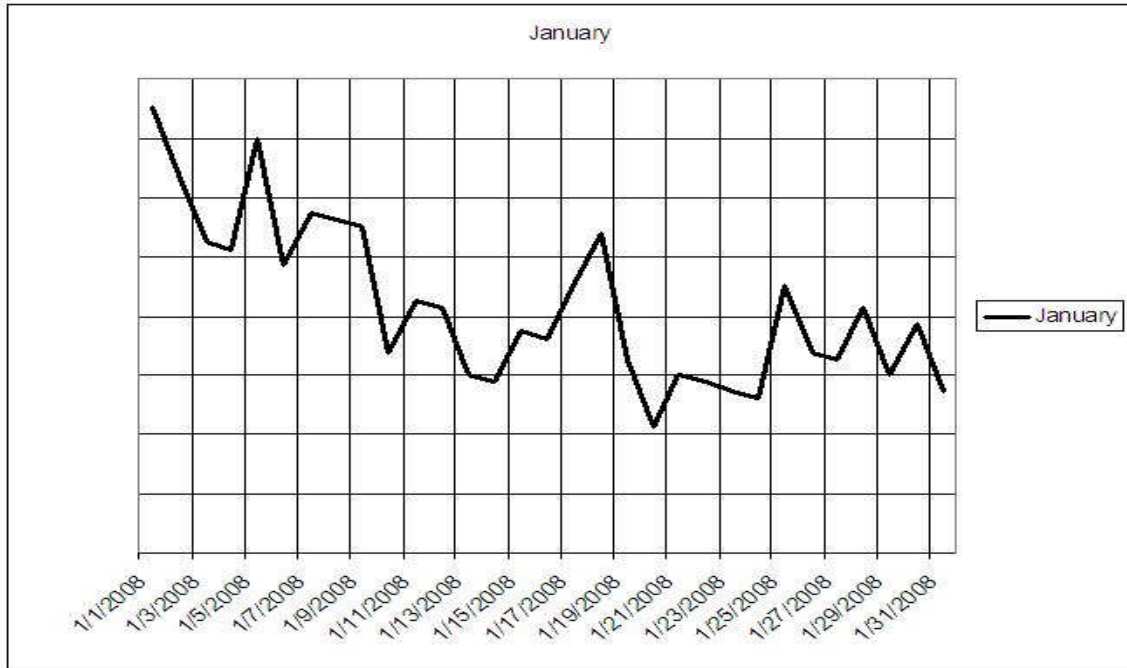
The Economy- The economy is due to reach its lowest point in the 18.6-yr cycle around December 2008. From here it is anticipated to begin improving back to normal conditions into July 2013. In prior published materials I wrote the following: *"In general, the economy usually runs in cycles of 4.65 years 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 it's 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 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 this cycle. But if you subtract 4-years & 8-months from August 1999, you get the year 1994, which was considered to be a mini-recession during Clinton's first term as president. In any event, I have found this to be a useful tool since economists, as a general rule cannot seem to do anything more than analyze the past. I was certainly prepared for the new economy to potentially reach a peak in 1999 based on this simple information. Again, forewarned is forearmed. Only time will tell if this basic economic cycle continues to prove true, but now at least you have the information, which is better than nothing at all. Here is a picture of how it basically looks":*

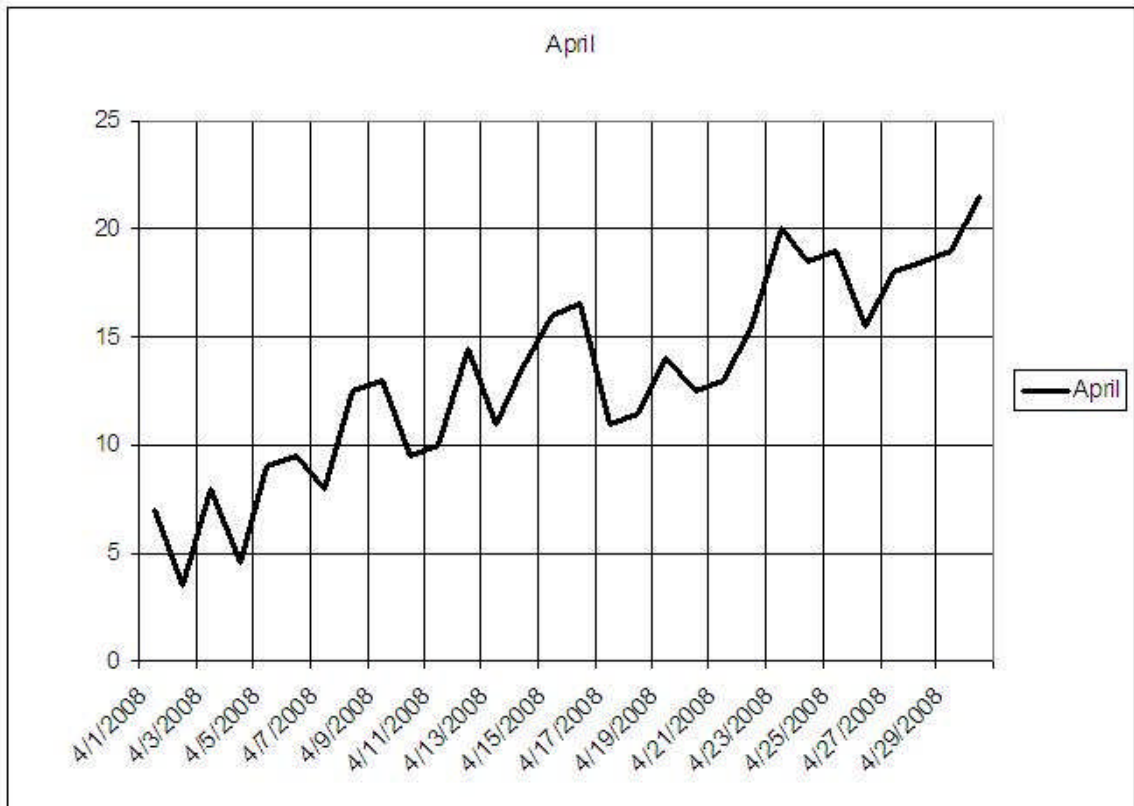
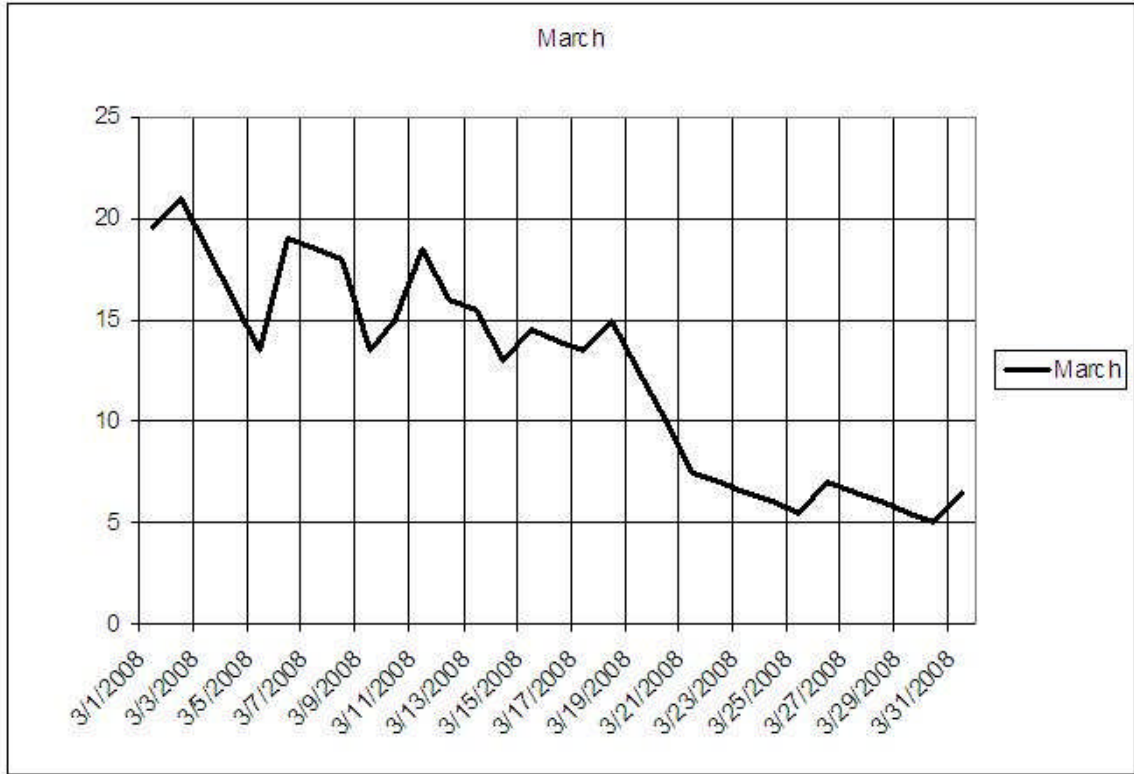
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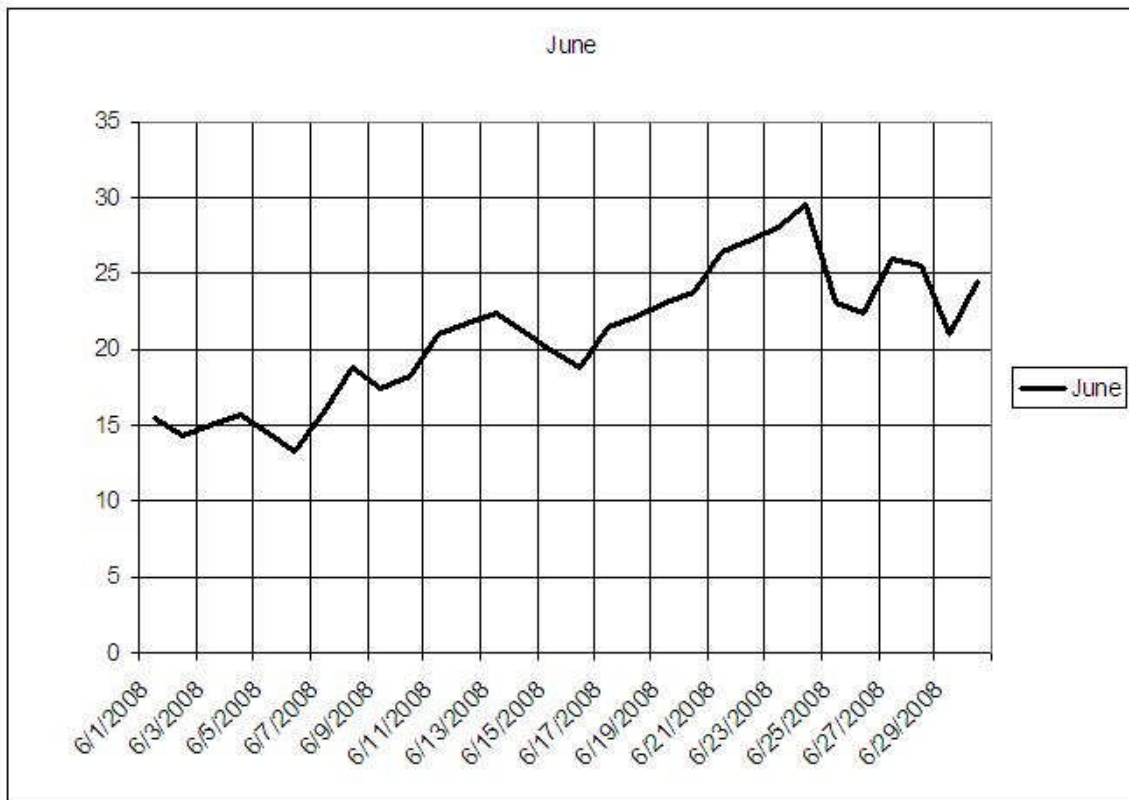
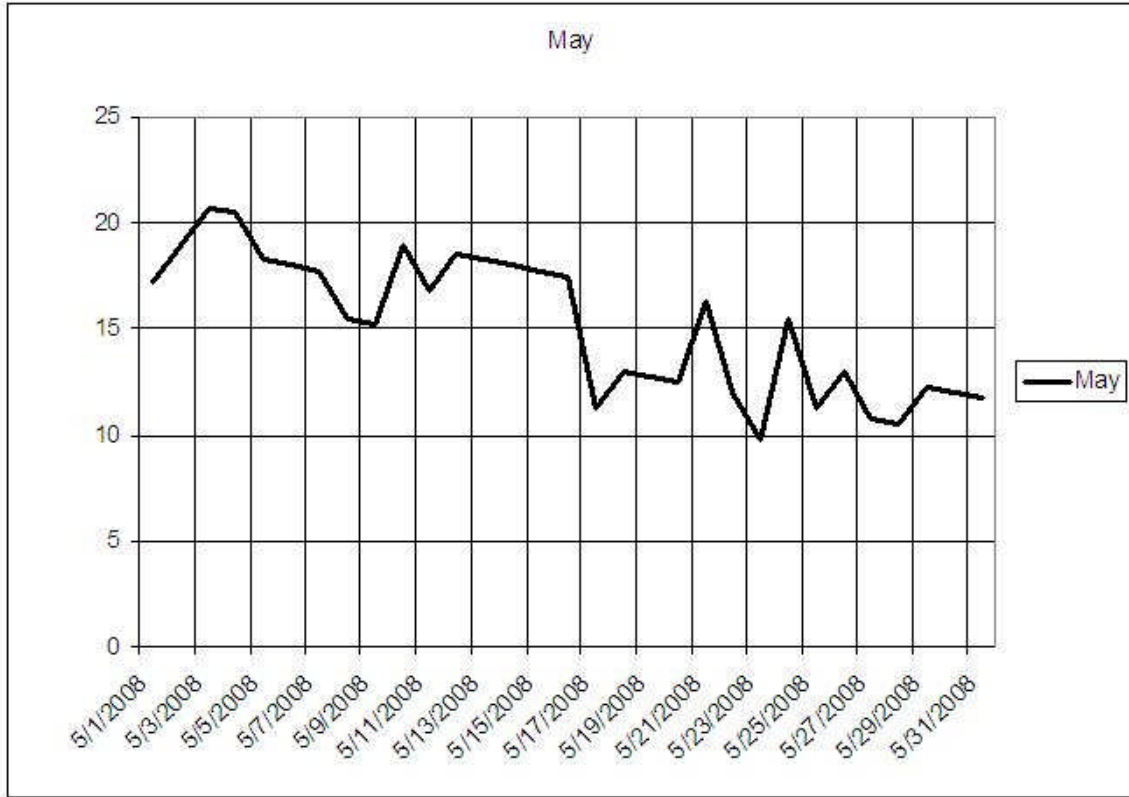


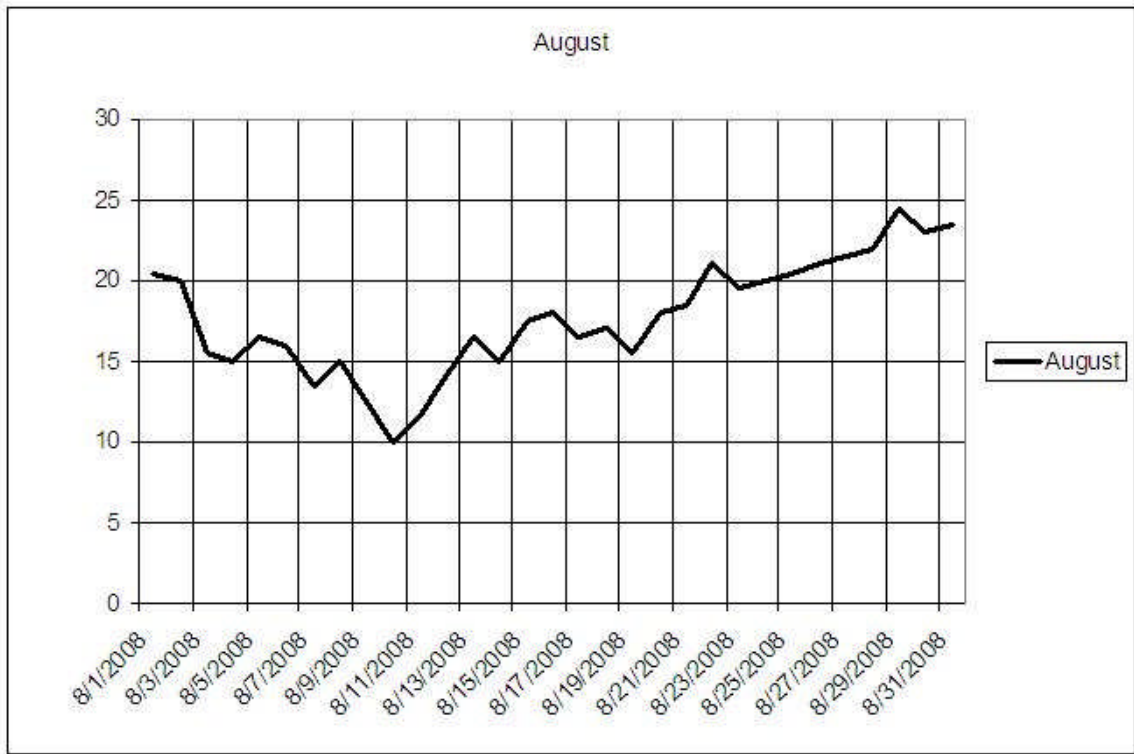
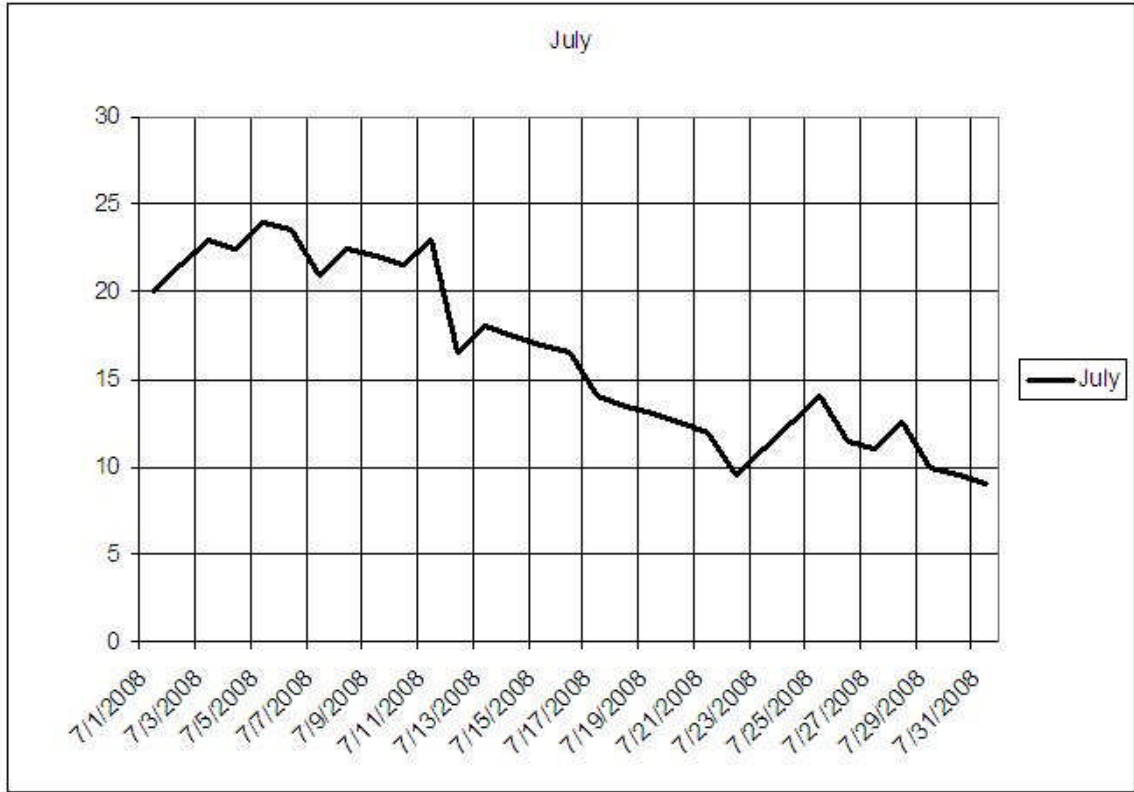
Therefore, the 18.6-year Economic cycle within the larger Stock Market cycles (36-year, 10-year, 41-month & 24-month) and Gann's 30-year pattern support 2008 as a negative stock market year with poor economic conditions adding weight to its decline.

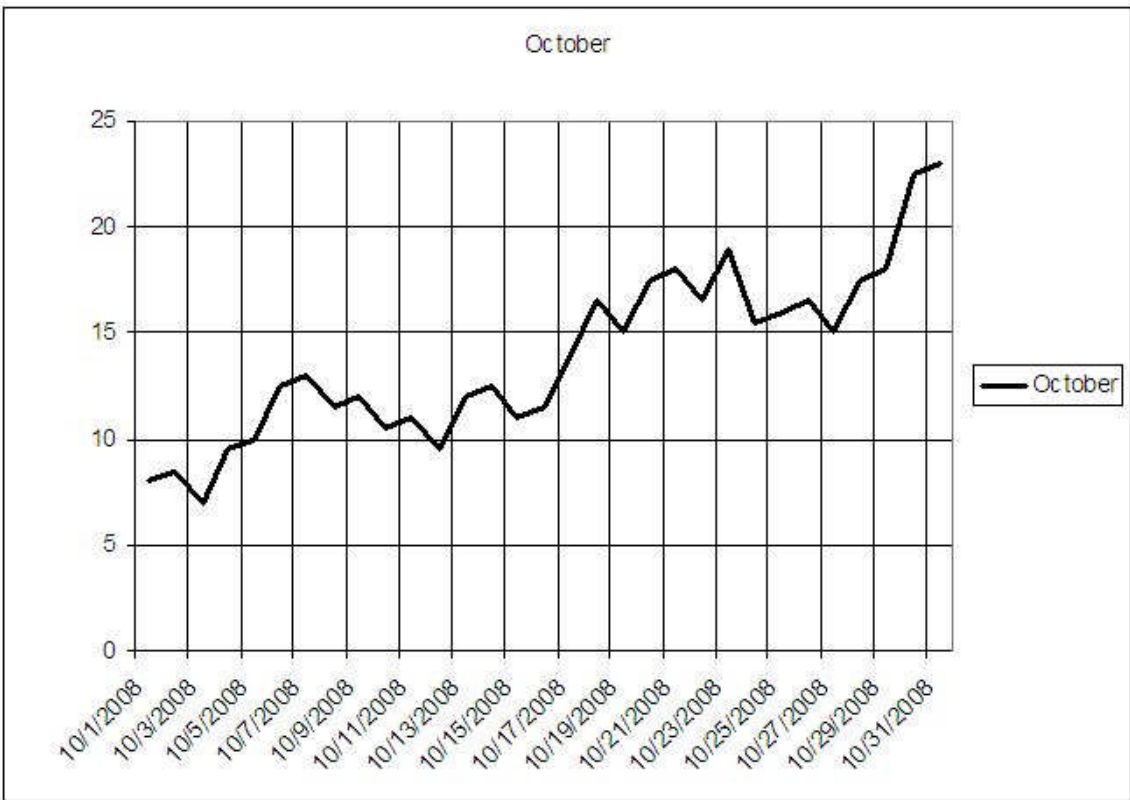
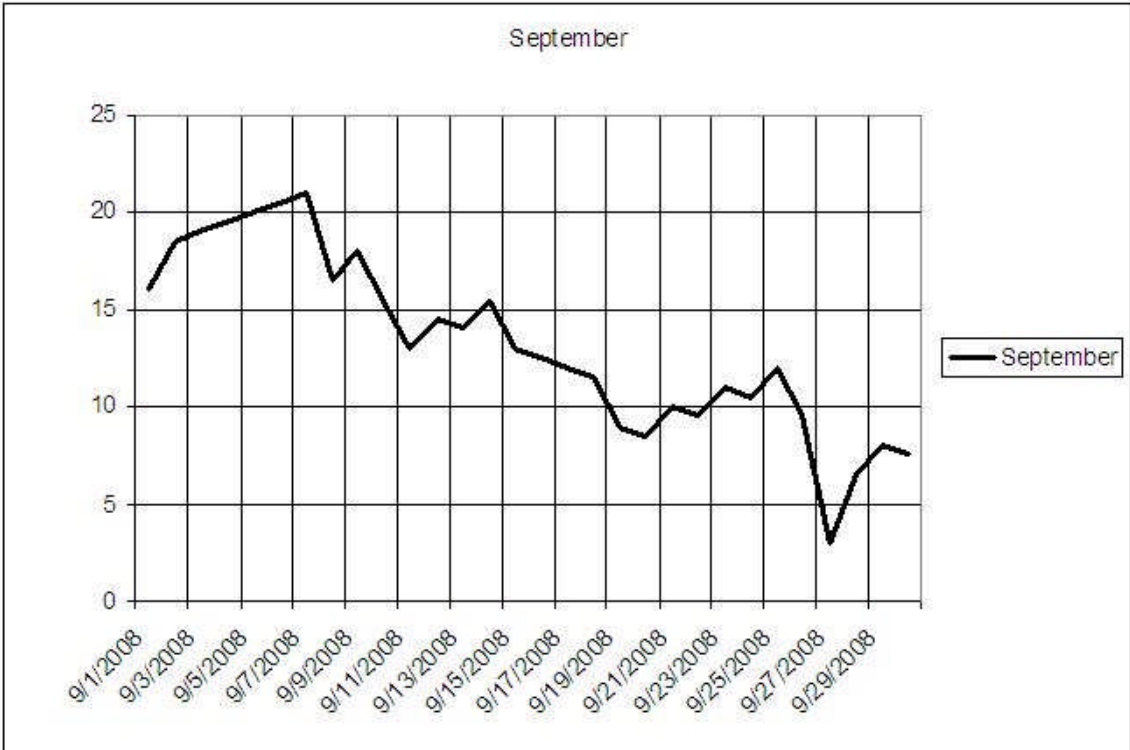
2008 Monthly outlook based on 1948 & historical patterns

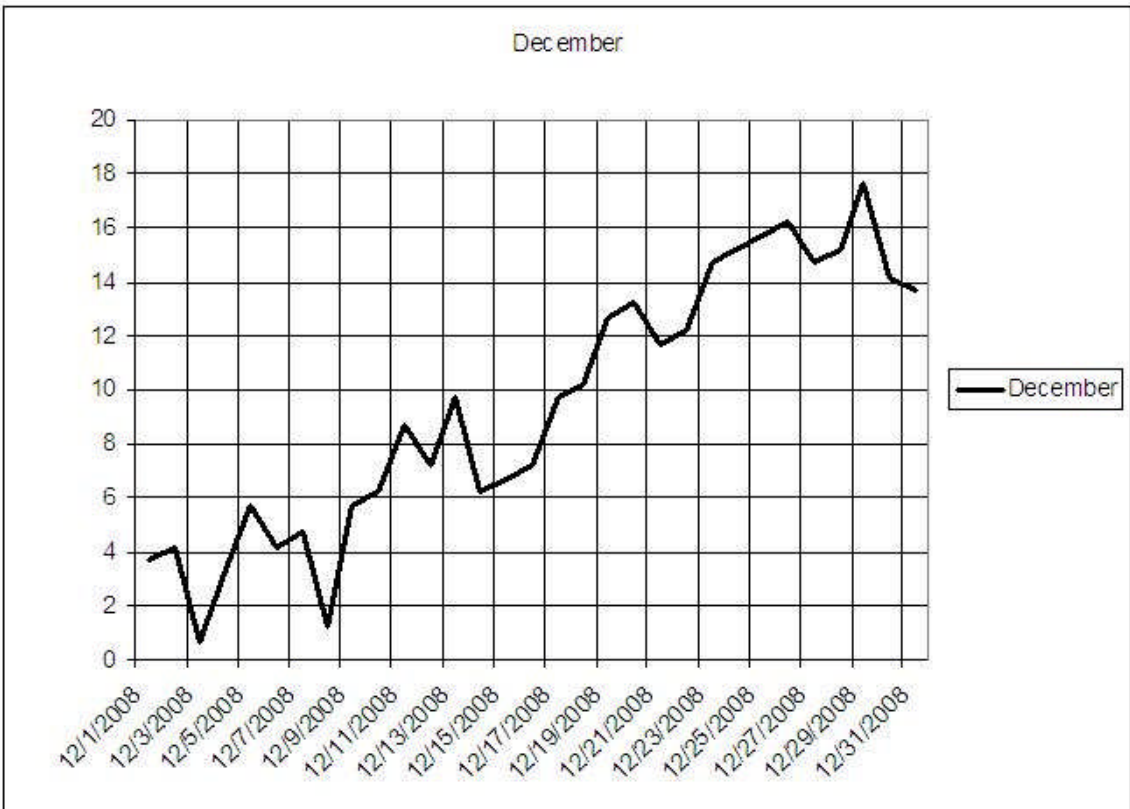
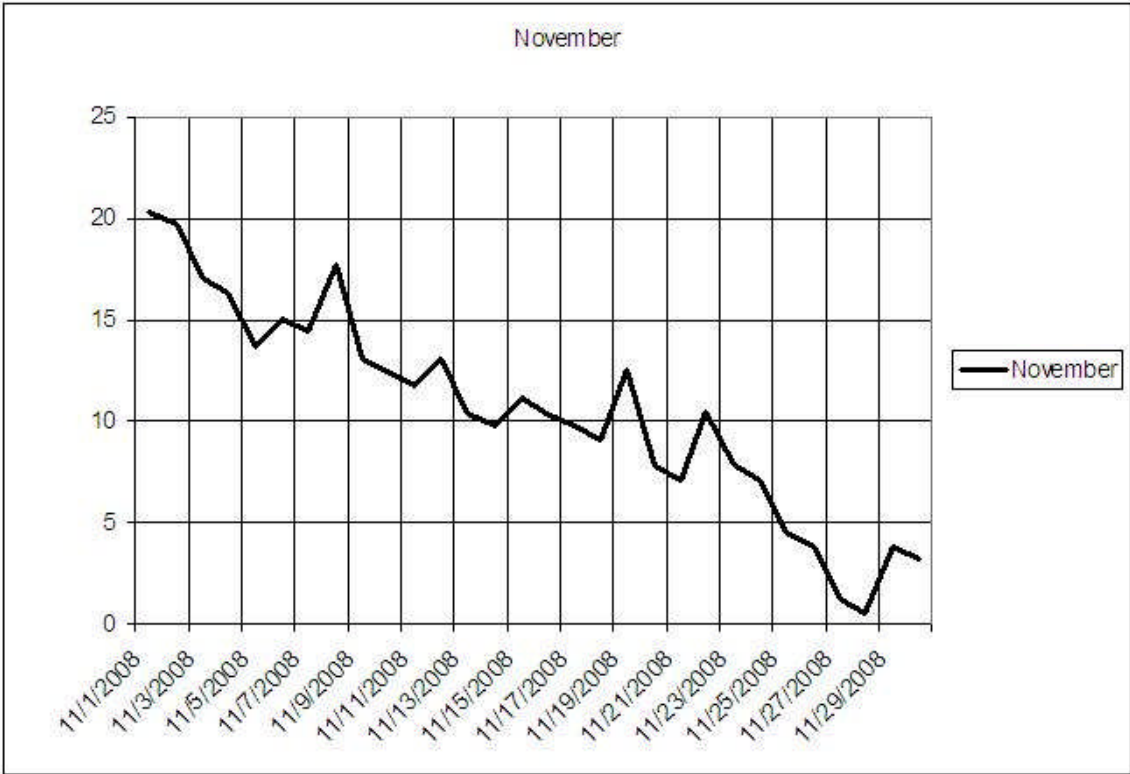












These monthly curves represent historical trends and turning points to help short term traders identify potential trend changes and/or other reversals. The time of the change tends to be more accurate than the direction, but overall, these should provide you with useful information. The best approach is to use all tools available. Aggressive traders should buy all lows that are 10% below the last swing high if the “Market Opportunist” breadth indicator is -400 or lower. Market tops are more difficult to identify but typically this indicator is pretty accurate during Bear Market phases so watch +400 readings or greater for potential selling indications. Always take the perspective of TIME into account to determine if these technical indications are occurring at the anticipated points in time. Those of you who own Keys to Successful Speculation should follow the swing trade and money management rules to maximize profits while keeping losses in check.

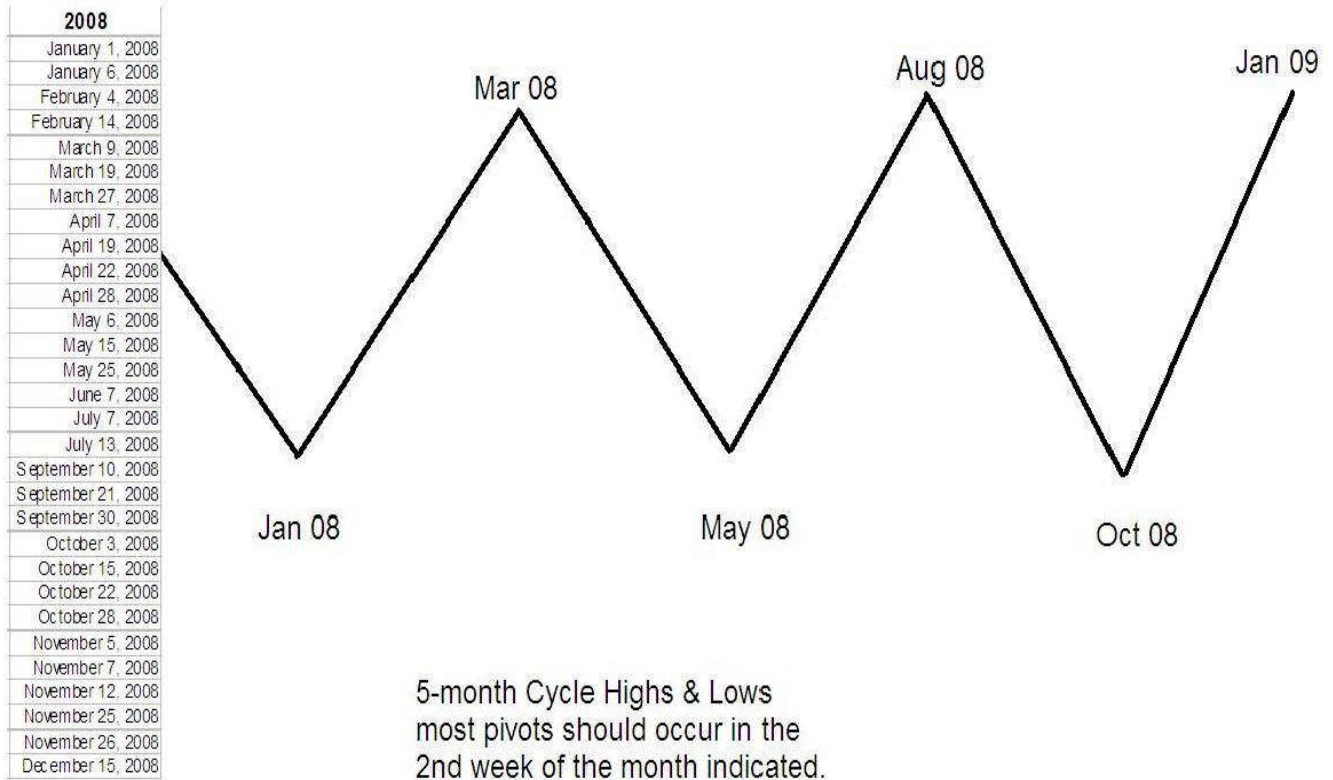
<http://www.sacredscience.com/ferrera/Keys.htm>

It is also very important to use and project the following Gann angles on the Dow Jones Industrial Average and the S&P500. The 1x 1 angle being the most useful for projecting support or resistance trends ahead of the market. The correct rates of change based on the Master Time and Price Squares are as follows:

Dow	S&P500
1 x 2 = 3.74 pts/day	1 x 2 = 0.625 pts/day
1 x 1 = 7.48 pts/day	1 x 1 = 1.25 pts/day
2 x 1 = 14.97 pts/day	2 x 1 = 2.5 pts/day
3 x 1 = 22.46 pts/day	3 x 1 = 3.75 pts/day
4 x 1 = 29.95 pts/day	4 x 1 = 5.00 pts/day

These are all based on calendar days, not trading days so adjust your charts accordingly. Those who utilize these angles on their charts will find them of value. Particularly in combination with the other trading tools mentioned prior. I’m including my last Trader’s World article on this subject so you can see how well the geometry of these angles work in the markets.

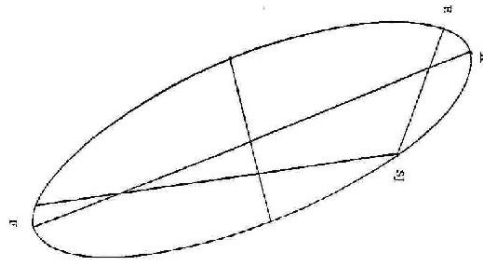
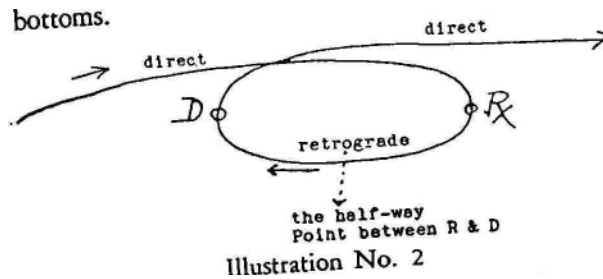
Also due to the importance of the 5-month cycle, I have included the saw tooth chart below along with the dates that the Bradley Siderograph changes trend, which may allow you more precise timing within these projected highs and lows for the stock market.



If time permits, I may provide low cost monthly supplements and/or adjustments to this general outlook for 2008.

Market Geometry and Chart Scaling (Traders World Article)

W.D. Gann and George Bayer were both fascinated with the concept of squaring the circle. Gann discussed this many times in his natural resistance levels for time and price, his angle courses, seasonal dates for trend changes, his 1/8th rules, Mylar overlay charts, etc. George Bayer had his hidden in his “Polish ellipse” and his: Hand Book of Trend Determination.



Basically the word joke hidden in the term “Polish ellipse” has nothing to do with the country of Poland. Bayer was referring to the orbits of planets, which rotate on a North and South Pole axis (i.e. polish) and revolve around the sun in elliptical orbits.

NATURAL RESISTANCE LEVELS AND TIME CYCLE POINTS

Gann wrote: *“The resistance levels given below are based upon natural law and can be applied to the measurement of both time and space. Around these points stocks meet resistance going up or down or traveling the same number of points from a top to a bottom. Tops and bottoms of major and minor movements come out on these resistance levels.*

When man first began to learn to count, he probably used his fingers, counting 5 on one hand and 5 on the other. Then counting 5 toes on one foot and 5 on the other, which made 10, he added 10 and 10 together, which made 20, adding and multiplying by 5 and 10 all the way through. This basis for figuring led to the decimal system, which works out our 5, 10, 20, 30 and other yearly cycles, as well as other resistance points. Man's basis for figuring is 100, or par, on stocks and \$1.00 as a basis of money value. Therefore, the

1/4, 1/8, 1/16 points are all important for tops and bottoms and for buying and selling levels.

Taking the basis of 100, the most important points are 25, 50 and 75, which are 1/4, 1/2 and 3/4. The next most important points are 33 1/3 and 66 2/3, which are 1/3 and 2/3 points. The next points in importance are the 1/8 points, which are 12 1/2, 37 1/2, 62 1/2 and 87 1/2. The next in importance are the 1/16th points, which are 6 1/4, 18 3/4, 31 1/4, 43 3/4, 56 1/4, 68 3/4, 81 1/4 and 93 3/4.

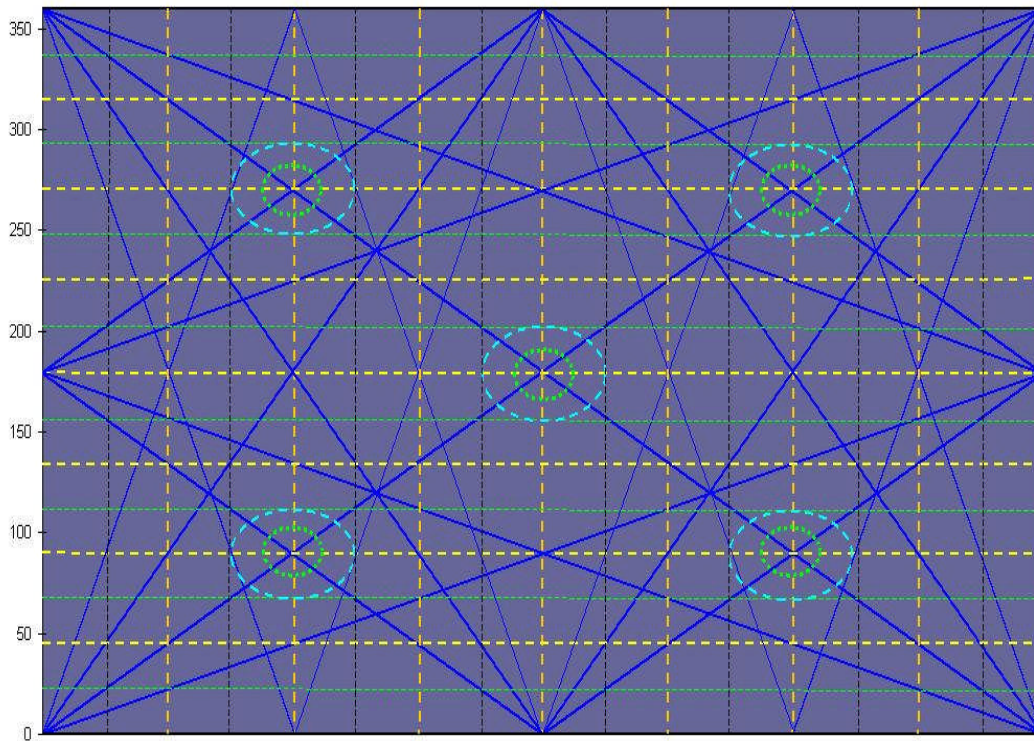
There is no top and bottom price, which cannot be determined by mathematics. Every market movement is the result of a cause and when once you determine the cause, it is easy enough to know why the effect is as it is. "Man first learned to record and measure time by the use of the Sun dial, and by dividing the day into 24 hours of 15-degrees in longitude. The "reflection" of the geometrical angle on the Sundial indicated the time of day. Since all time is measured by the Sun, we must use the 360 degrees of the circle to measure time periods for the market."

Everything moves to a gravity center or to a point halfway between some bottom and top or some other important resistance point. For example: We divide the circle of 360° by 2 and get 180. We divide by 4 and get 90; then divide 90 by 2 and get 45; divide 45 by 2 and get 22 1/2; divide 22 1/2 by 2 and get 11 1/4; divide 11 1/4 by 2 and get 5 5/8; divide 5 5/8 by 2 and get 2 13/16, which is the lowest division of the circle that we can use for time periods. Each of these points is 1/2 of one of the other important divisions of the circle. *Gann's plastic overlays of the Square of 52, 144, etc. all illustrate this method for scaling a price chart so that price and time balance geometrically.*

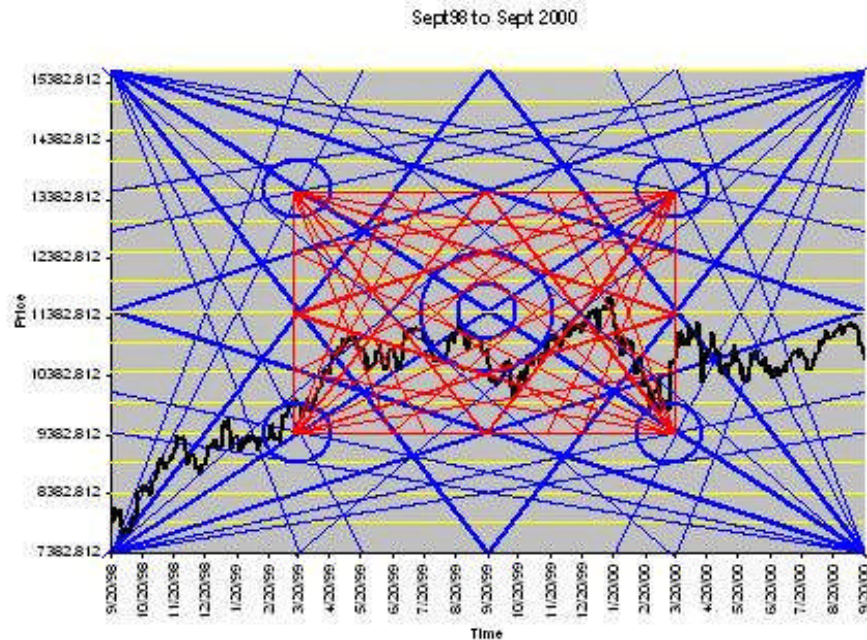
George Bayer also hid this same overlay in his "Stock and Commodity Trader's Hand-Book of Trend Determination. Bayer gives a lot of weird values in exact degrees minutes and seconds, but the entire book can basically be summed up by a simple formula:

The Weird Number = [(360-deg)/(A x 52)] x B. Where "A" is typically a value of "1", "2", "4", or "6". In the majority of calculations "B" is usually "1" but there are a few where "B" is "6", "10" or "15". The "52" in the above formula represents the number of weeks in a year. If you don't have

an accurate daily ephemeris, you could use a formula like this to approximate where a given planet may be. If you plot this as a chart, you get an overlay that is nearly identical to Gann's Square of 52 overlay.

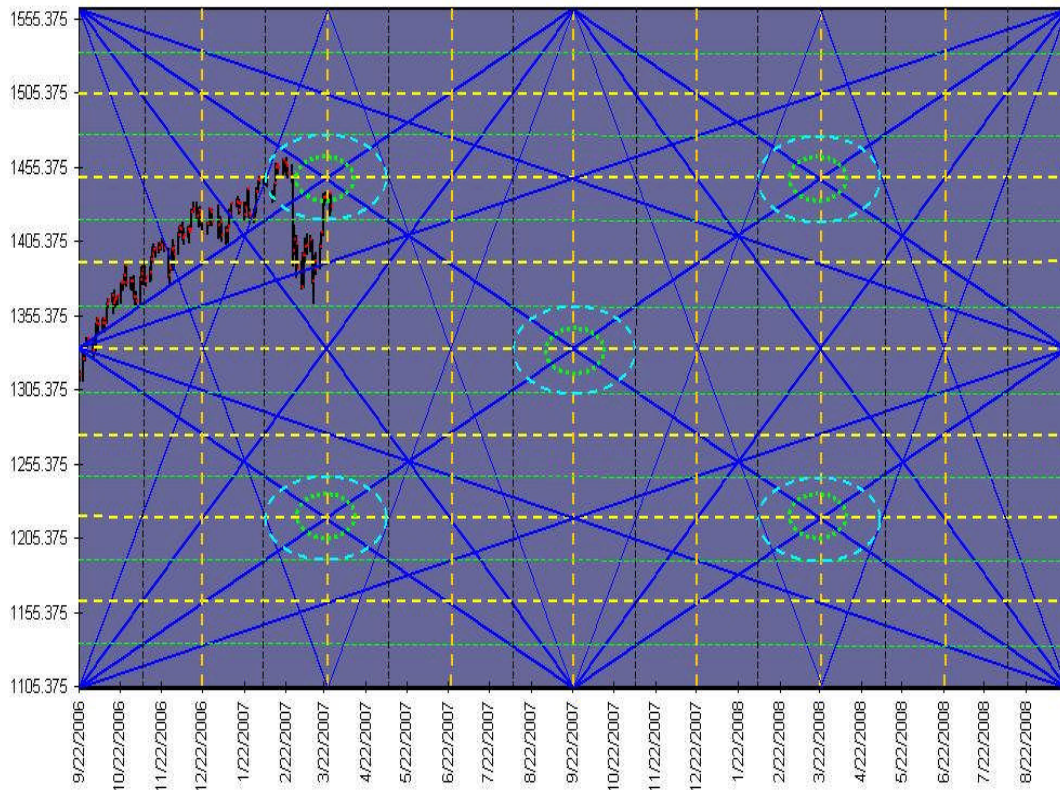
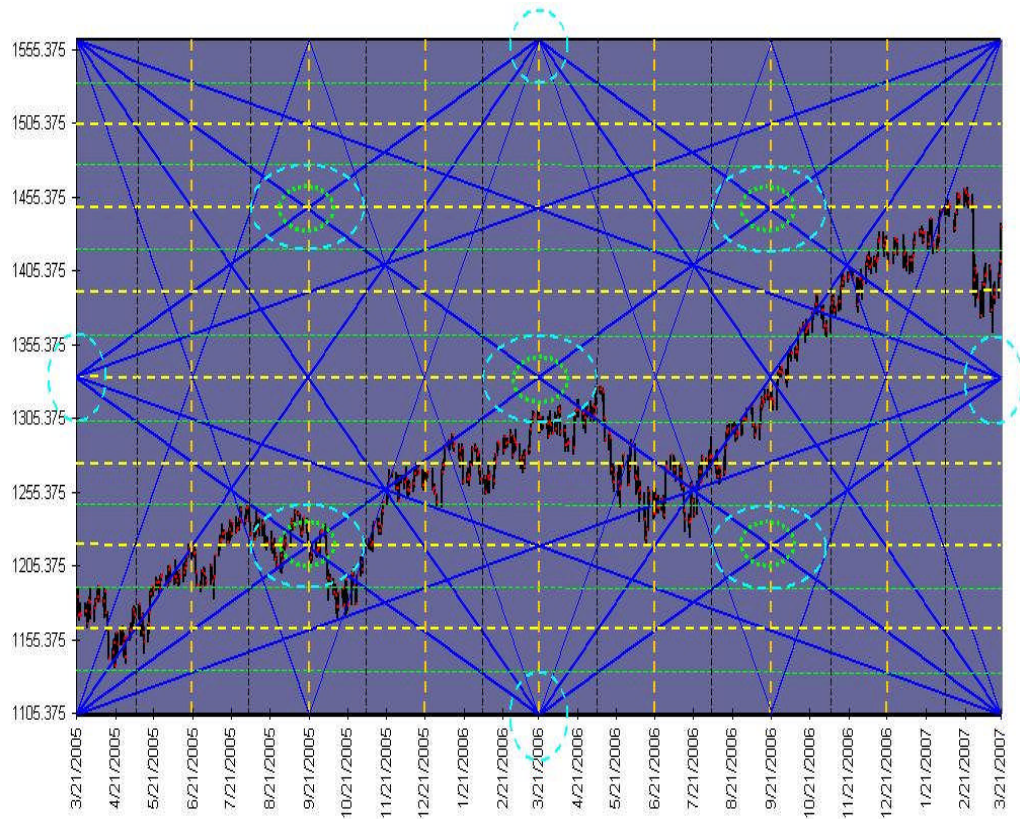


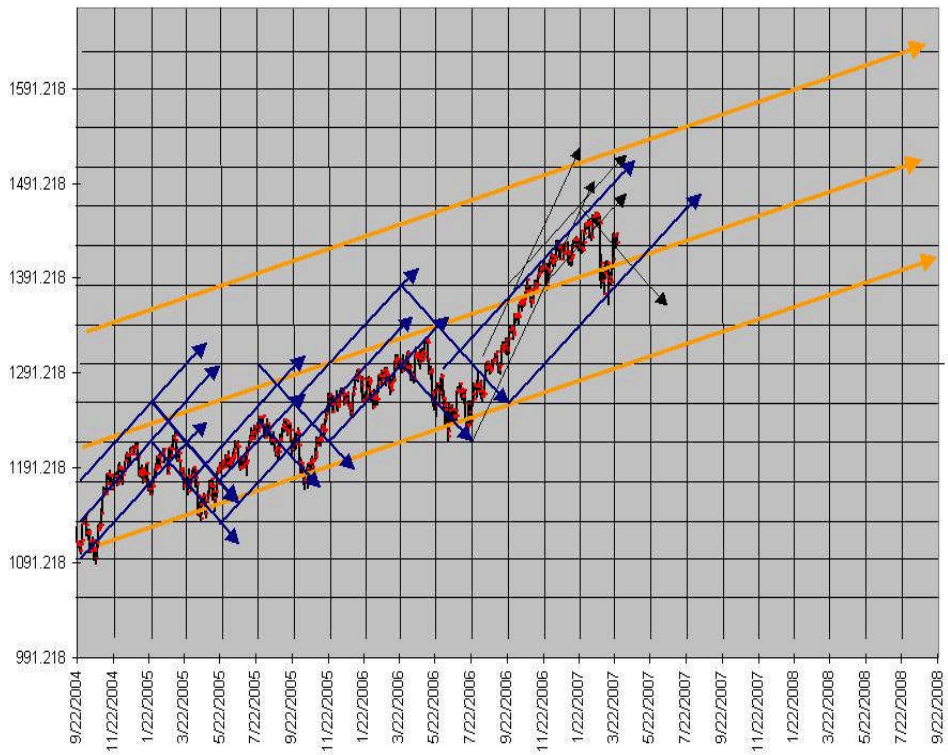
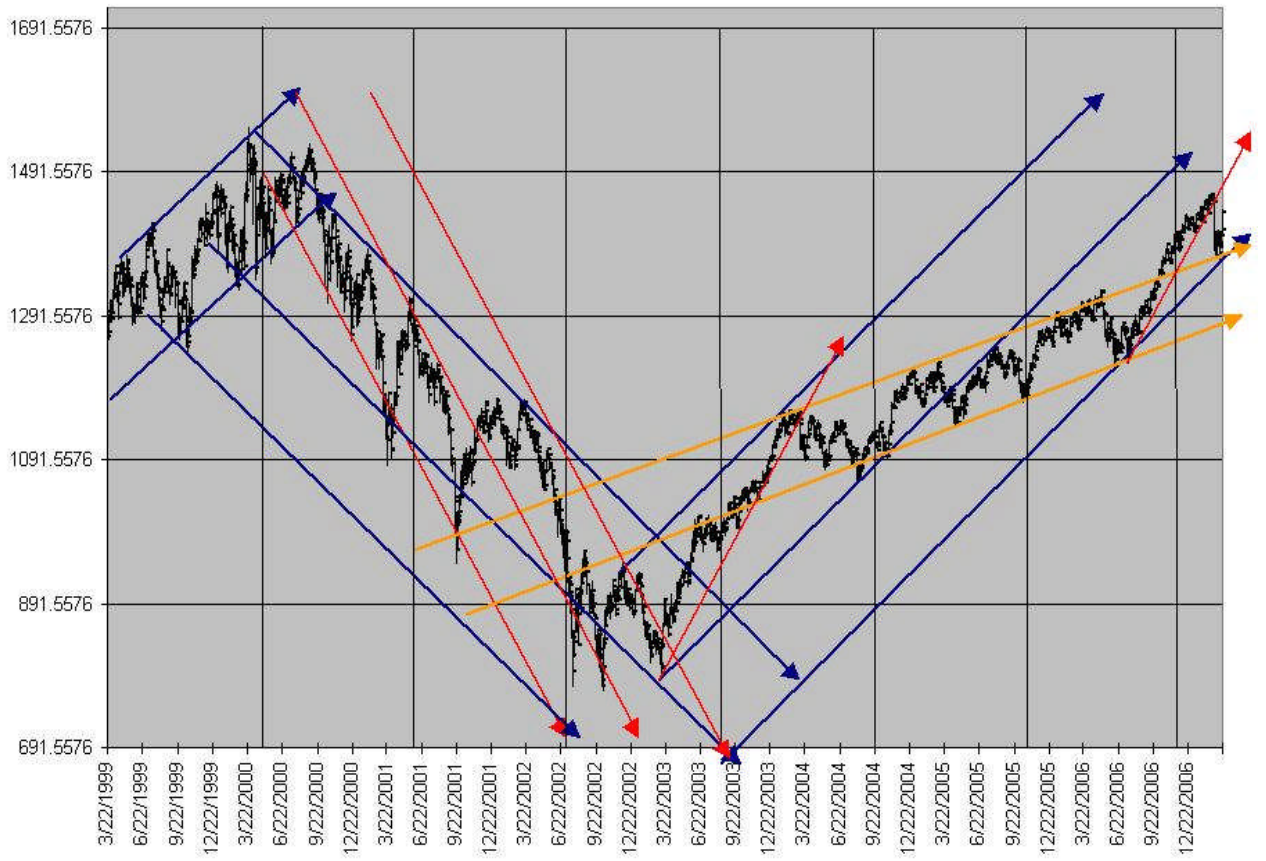
Seven years ago, I illustrated these techniques of balancing price and time with Gann's Square of 52 overlay in the article titled "Mathematical Formula For Market Predictions." This article charted the Dow on a 2-year chart from 1998 to 2000.

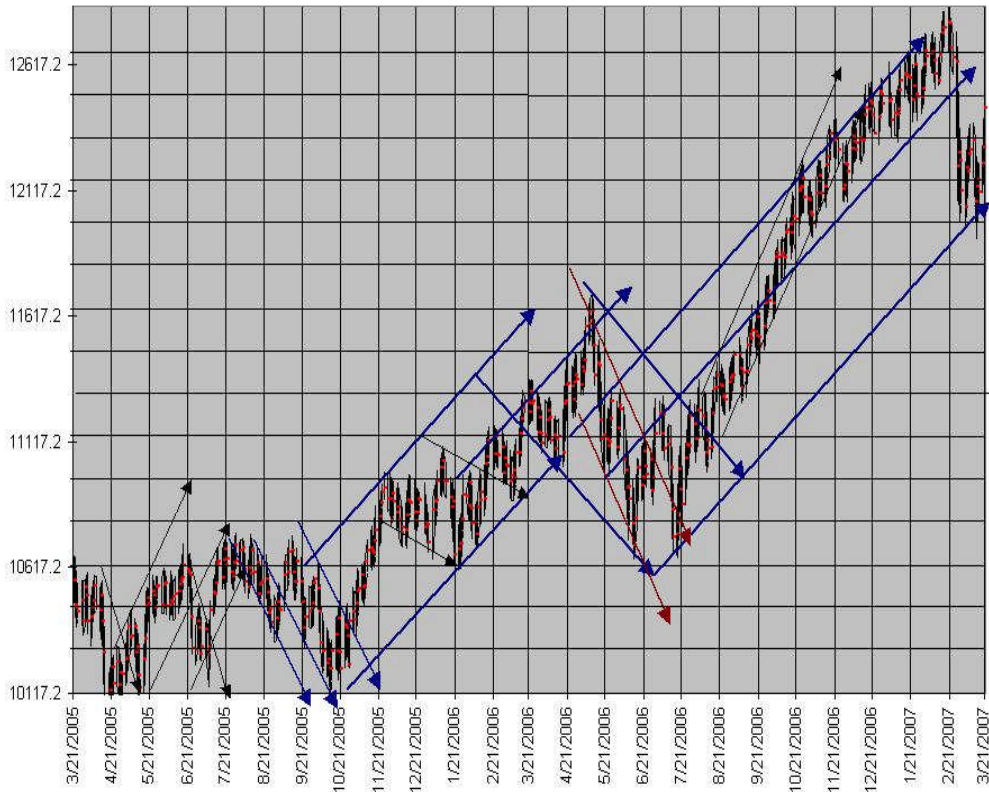
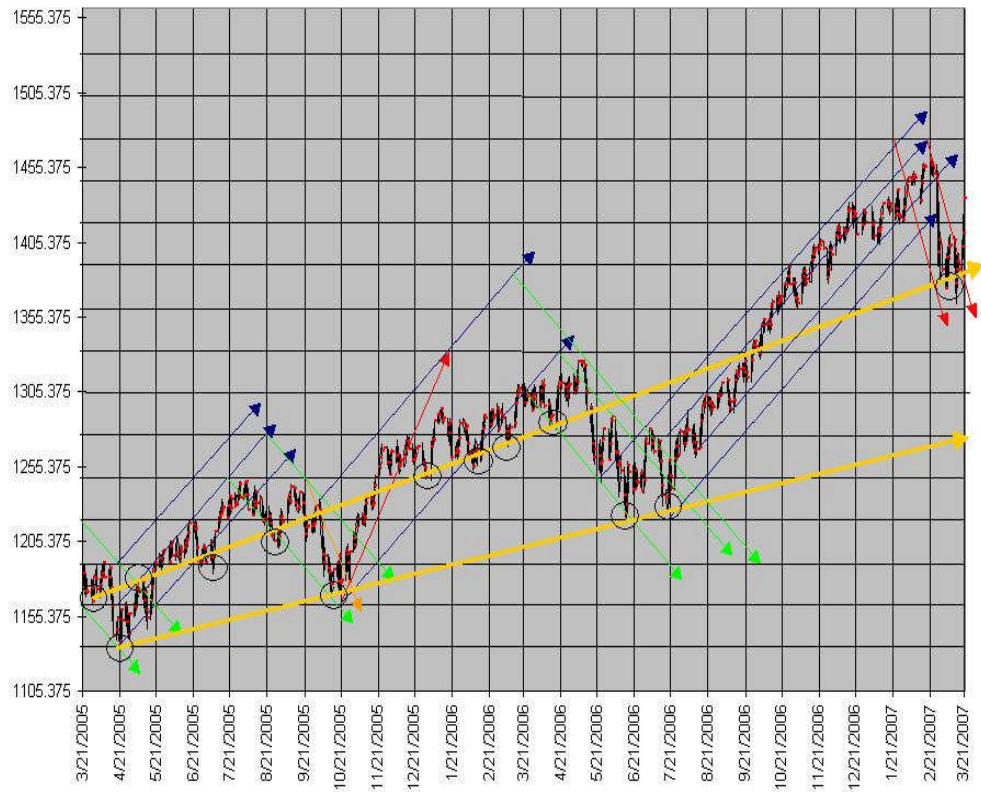


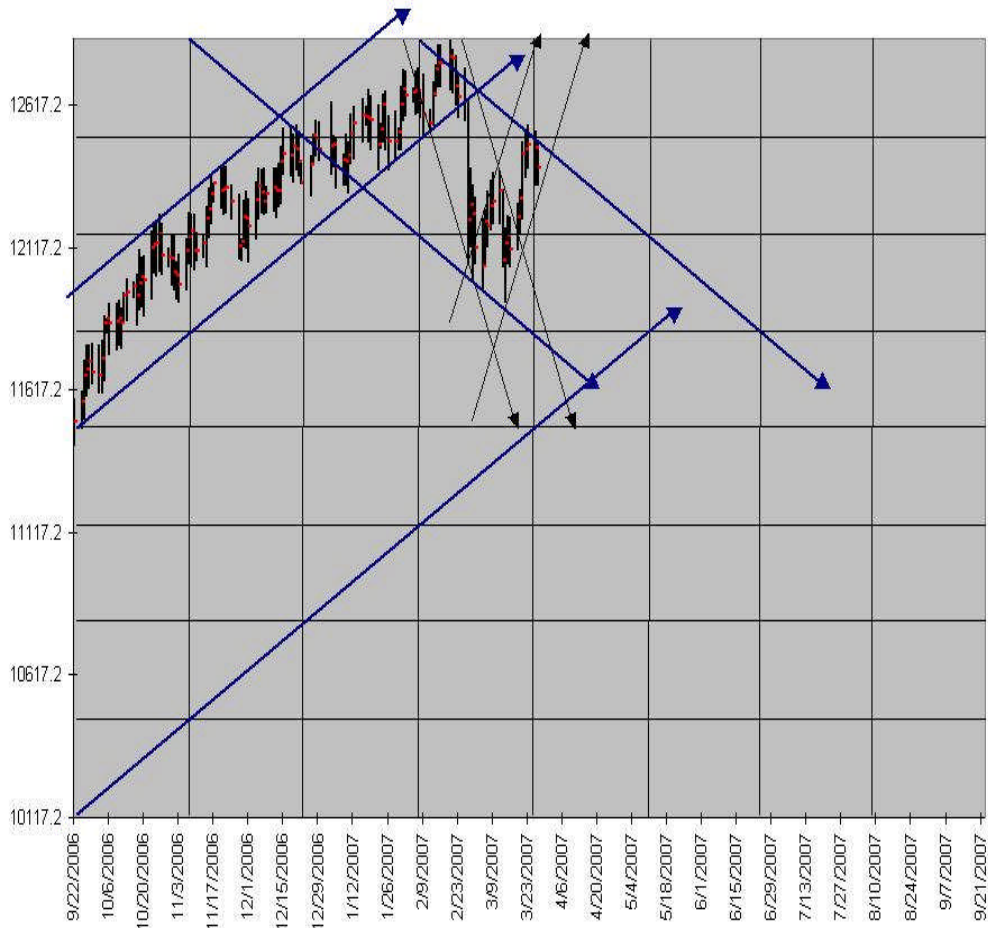
If you want any of Gann's geometric techniques to work, you must scale your charts based on this overlay pattern, which is itself based on "Squaring the Circle." Typically, if I am looking at something new, I scale my chart using a 2-year or 4-year overlay so that I have enough data to make sure that all calculations are accurate before setting up my square for the current year. Once the chart scaling has been fit with the data, everything that W.D. Gann said about market geometry begins to work like magic. I have been using the same charting scales for the Dow and S&P for over 10-years now without any change.

The following charts illustrate the geometry of Gann's 1x1, 2x1, and 3x1 angles on graph paper style charting based on the above scaling method. Also, I have included the recently completed 2-year square of the S&P as well as the current 2-year square, which began September 22nd, 2006. The charts speak their own language; so I will just end this article here and let the pictures do the rest of the talking.









Wishing You A Success,

Daniel Ferrera

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