

Will Stocks Bottom Out on 20 Jun 2011?

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What will happen to the stock market on 20 Jun 2011? I'm sure you would like to know. I don't have a clue, but according to a business cycle theory first proposed by Martin Armstrong [1], Monday 20 Jun 2011 should represent a "turning point" with regard to "volume and liquidity" in the stock markets. Apparently his theory was successful in predicting the large declines in the stock market that occurred on 19 Oct 1987 and 27 Feb 2007.

In any case, the theory predicted major high points (the beginning of protracted declines) starting on 12 Dec 1989, 20 Jul 1998, and 27 Feb 2007. On the other hand, it predicted major low points (the beginning of protracted increases) starting on 25 Aug 1985, 1 Apr 1994, and 6 Nov 2002; it predicts another one for 18 Jun 2011. But since the market was closed yesterday, perhaps the low will occur tomorrow. If so, look for the Dow Jones to close below 11900 and the S&P to close below 1050, which would be a considerable dive, given that it closed at 1271 on Friday. After this decline, the theory indicates a long protracted increase.

The theory predicted that an intermediate high should have been reached on 19 Apr 2009, but as we all know, the low point of the last crash occurred in fact on 9 Mar 2009, just a month earlier. Maybe a minus sign got flipped somewhere; who knows. Will stocks go up or down Monday? Flip a coin and have a nice trading day.

The theory also predicts that there will be an intermediate turning point downward on 6 Aug 2013, just so you know.

[1] http://www.contrahour.com/contrahour/2006/06/martin_armstron.html