MMA Weekly Nikkei Report

Outlook for week beginning October 24, 2005

Review:

Last week's close was 13,199, down 221 points from the prior week. The high of the week occurred on Monday at 13,510, and the low occurred on Friday at 12,996. The close was into weekly support, which is mostly bearish. And the close was below the weekly trend indicator point for the 1st time in 11 weeks, which means it is downgraded to neutral.

Cycles:

This begins the 11th week of the13-19 week primary cycle. Prices are now falling into the expected 7-11 week half-primary cycle trough, normally due no later than this coming week. The rally which follows this trough will determine whether the primary cycle is already in, or is still forming. And that will give us a very strong clue as to the phasing of the greater 48-week, 18.5-month, and 3-year cycles. The crest of all of these long-term cycles is due at any time, and their trough is scheduled to bottom January-August 2006.

If the longer-term cycles have not yet topped out, then the next rally (to the crest of this second half-primary cycle), will exceed the high to date in all of these cycles, which was 13,784 on October 5. Such a rally would probably take 3-5 weeks to complete. But it is possible that the October 5 high was the primary cycle crest, and if so, the rally to the crest of the second half-primary cycle would be corrective in nature, probably lasting only 1-2 (maybe 3) weeks, and not make a new high. That would create a "left translation" primary cycle, which is a bearish pattern. That in turn would imply the 48-week cycle has topped out, and a very sharp decline would commence. And since this is also the last 48-week and 18.5-month cycle phase(s) of the greater three-year cycle, this would be a correction of the whole move up that started with the 20+-year cycle trough of April 29, when the Nikkei was at 7604.

For those who are students of cycle studies, know that there are usually three 48-week cycles to a 3-year cycle. The third one began with the double bottom low of 10,771 and 10,789 on April 21 and May 17, 2005. So we are already at least 23 weeks into this last 48-week cycle (within the 3-year cycle), or about halfway through. Last phases of longer-term cycles that have been bullish, are the most bearish phases. The most severe declines occur in these phases, and oftentimes they exhibit left translation patterns them selves. Additionally, they oftentimes distort in time. They can contract to unfold early (i.e. before the 41st week), or expect to unfold late (i.e. after the 55th week).

And within the 48-week cycle are usually three primary cycles, lasting about 13-19 weeks each (although the vast majority are actually 12-20 weeks). We are now in the second of these primary cycles. If the 48-week cycle is to be bearish, then the 48-week cycle crest is more likely to happen in the first or second of these three primary cycles. We could be there now, which is why traders need to be very cautious about long positions. If the next rally doesn't make a new high, it is a strong signal that the remainder of this primary cycle, as well as the next, may be bearish. This is now my bias – that the primary cycle has topped out and a 2-8 month bear market is now in force to the 3-year cycle trough, due January-August 2006. However, my bias cannot really confirmed until 1) the next rally fails to make a new high and 2) the following decline takes out the low of the half-primary cycle trough that is now forming.

Geocosmics:

We are now entering the middle of a very important critical reversal zone, October 14-November 7, with a midpoint (critical reversal date) of October 26, +/- 3 trading days. The half-primary cycle crest is now confirmed as of October 5, and prices are now falling into the half-primary cycle trough as we enter this critical reversal zone.

For this coming week, we note that the Sun will enter Scorpio on October 23 for one month, and Jupiter will enter Scorpio on Tuesday, October 25, for about one year. Scorpio is one of the money signs, but it relates debt and losses, and not necessarily financial gains. So serious financial concerns with the world may garner more attention in the coming days, and even months. This may become quite pronounced at the end of this coming week as Venus (planet of money, like savings) comes in a conjunction with Pluto (debts also) on Friday, October 28. Even stronger signatures arise the 10 days after that. My guess is that we are trying to form a half-primary cycle trough now, and we will rally into the half-primary cycle crest by November 7. But please know that it is possible that the half-primary cycle crest already formed on October 12, and prices are just crashing down straight to the primary cycle trough, which might also be in by November 7. I prefer the former outlook, however, at this time – that the half-primary bottom is forming now, and the second half-primary cycle crest will be completed by November 7, after which the Nikkei falls again to the primary cycle trough, due in weeks #13-19.

Price Objectives and Patterns:

As stated the last two weeks, "Now we look for a sharp 1-3 week decline to the half-primary cycle trough. This decline could be 45-85% of the move up from the 11,615 low of 8 weeks ago, which gives us a target of 11,940-12,808." This will be the third week since the crest of October 5, so I think the bottom will happen this week, if it didn't already occur last Friday at 12,996. Ideally, we will fall a little lower early this week to fulfill our given price target. But keep in mind that with us, time is always more important than price.

The Nikkei has now fallen below the 25-day moving average, which currently stands at 13,332 and is still rising. As stated last week, "I expect it to be touched, and even broke in the next 10 sessions, which would confirm prices are falling to the half-primary cycle trough that I suspect." So now that criterion is filled, so a bottom can be completed at any time. On the next rally, we will expect prices to test and even take out this moving average. But will it make a new high? If so, an MCP price objective for a new high would be 15,165 +/- 419. But if it makes only a double top (say 13,700-13,800), or only a corrective 1-2 rally (say to 13,290 +/- 93), then the stage is set for a rather severe 2-8 month decline to the three-year cycle trough, due in the next primary cycle.

The 24-week moving average is still far below the market, at 12,128 and rising. As stated last week, "Not until prices close below here can we confirm the 48-week cycle crest is in. But if the next rally fails to make a new high, and gives us a left translation primary cycle, I will assume the 48-week top is in – long before it will be confirmed."

The 15-day slow stochastic now reads K= 22.07% and below D at 28.57%. It is not quite as oversold as I like to see it at important lows (I like to see both under 20% when primary bottoms form). But it may be enough, as this is only a half-primary cycle trough that is due. A cross of K well above D will confirm the half-primary low is over, and the rally to the second half-primary cycle crest is in force. The 8-week slow stochastic is more troubling. Here we see K at 69.57% and moving away from D, which is at 80.20%. It has closed below 71% after forming a bearish double loop above 90%, suggesting a primary cycle crest is already in. It is possible we could see a slightly new high with a lower stochastic reading, to yield a bearish oscillator divergence signal. But we already got a bearish pattern with the double loop above

80%, followed by a decline of this study to under 71%. This is why I think the top of the 3-year cycle is in.

Technical Support and Resistance:

Weekly support is 13,049-13,076, **12,942-12,960**, 12,728-12,867, and 12,228. A weekly close below **12,942** is bearish. A trade below and a weekly close back above is a bullish trigger. Weekly resistance is 13,296-13,322, **13,456-13,474**, and 13,779. A close above **13,474** is bullish. A trade above followed by a close back below will be a bearish trigger. The weekly trend indicator point is now at 13,367. A weekly close below here will downgrade it to neutral.

Several bullish crossover zones remain in effect at 12,782-12,865, 11,908-11,909, 11,622-11,678, and 11,374-11,407. But one at 13,032-13,038 was penetrated last week, yet the market closed back above, which shows it is valid support. This is one reason why Friday's low of 12,996 may have been a half-primary cycle trough. As we close below each one, the market becomes more bearish, especially if a new bearish crossover zone forms in the process. That did not happen last week, so it may not be as bearish as it looks by other studies. If we close a week below 13,032, it will look more bearish.