

## ATAA talk April 20 2006

**slide:** title of last year's talk, the boom is ahead of us, not behind us

conclusion was:

think we are going way up, and the boom is ahead of us

**slide:** Draw attention to series of dates, understand this series of numbers and you will see how the world works:

2001/2 1991 1982 1974

1961 (1955) 1949 1937 1932

1921 (1913) 1907 1897 1893

1884 1873 1866 1857

1847 1836/7 1825 1819

roughly one per decade,

those in red about 20 years apart

those underlined, (group to do) say 50 to 60 years apart

**slide:** plan for this evening

**slide:** things to learn

be well informed –

A reverend offered a lift to one of his most devout parishioners.

She got in and crossed her legs, revealing just a hint of a bare knee.

The reverend nearly had an accident.

After controlling the car, he gently rested his hand on the parishioner's knee.

She said, "Reverend, you must remember Psalm 129 surely"

The reverend removed his hand.

But, changing gears, he allowed his hand gently rest on the knee once again.

"Reverend, remember Psalm 129?"

The reverend apologized "Sorry Miss but the flesh is weak."

Arriving at their destination, the parishioner went on her way.

Whereupon the reverend immediately pulled out his handy bible and looked up Psalm 129.

It said, "Go forth and seek, further up, ye shall find glory."

*If you are not well informed in your job, you could miss a great opportunity.*

history repeats – Iraq statements

it's about the rent – of land and natural resources

**slide:** rent comic

## Commodities:

**slide:** long term commodity waves, prices

K wave explanation

emph K wave lows, swing to religion, conservatism at lows, on upswing, ideologies square off

quote re, re-instated

note the Kwave lows, 1840's, 1890's, 1930's, 1990's – roughly every 50 - 60 years. We have just finished another one. Commodities will start their long swing upwards now. Expect new all time highs in many. This is detailed on the web site.

**slide:** long term commodity waves, interest rates

**slide:** gann's wheat chart

**slide:** November beans

note 180 months, 360 months

## Real estate

**slide:** Real estate, the US movement inwards

Just a reminder, as the Americans went further and further inland, they discovered the land got better and better

Draw attention to Napoleon sale

Now to cut a long history short, eventually more and more of the US was settled, the twelve or so eastern seaboard states got together after Independence and elected a federal government, with the states ceding their control of land to that federal body, which began a process of selling title to the land to all who would come and live there. That was the practice that interested me, because after 1800 this process became measurable, as I am about to show you

**slide:** land sales to **1819**,

explain how the land was sold off by the government, \$1.25 per acre regardless of situation or quality, on extended credit terms, stake out the land, seek title at the nearest title office, take in your freshly printed bank notes for the deposit, and start farming

**slide:** land sales to **1837**

**slide:** land sales to **1857**

sales peaked in 1854,

note the rapid rise in speculation with very low interest rates

war against Mexico reasons invented

Quote of historians writing of 1857: "Nearly the whole West swarms with speculators... who neither intend to cultivate the soil nor settle there, but who expect to realize fortunes without labour. Land speculation, observed many a newspaper editor, had become a mania. 'Merchants have shut up their shops, lawyers have left the bar, farmers have laid down the shovel and the hoe, manufacturers have abandoned their business to turn land agents and real estate dealers.'

## **How much has changed ? 1857**

Read the summary from Kindleberger:

Gold discoveries in California 1849 and in Australia 1851 vastly increase the credit / money base of the US and some parts of Europe, especially Britain, feeding the existing rail road and banking booms, the banks in particular lending vast sums to further finance trade and industry. Speculation runs rampant; The collapse was made worse following the ending of the Crimean war and subsequent collapse of wheat prices. War financing had fed the huge expansion of credit in the first place. At the peak, UK banks had lifted interest rates to 12-15%.

Try this for 2010:

The huge growth in new lenders and mortgage originators vastly increased the credit/money base of the country, the banks in particular lending vast sums to further finance industry takeovers, trading in commodities and the buying of two, three or four houses. Speculation increases. The collapse was made worse following the reduction of hostilities in the Middle East and Iraq and subsequent collapse of copper, gold and commodity prices in general. War financing had fed the huge expansion of credit in the first place. At the peak, US banks had lifted interest rates to 7 - 8%.

The year 1857 also saw the introduction of a new fashion, the hoop skirt. "After women overcame their initial prejudice, the new style vied with many of the more noted methods for improving the exterior contour of the female form." Aha, an indicator – as you know i am interested in all sorts of indicators to try and forecast the future

Had discussion with a fellow subscriber to see if he might follow this up for me, (we'll call him Frank 'cause that he's real name, he's in audience but wants to remain anonymous):

So, is there a link between skirt length and economic conditions prevailing at the time:

In other words, as economic conditions improve, do hemlines rise and conversely in periods of distress or recession do hemlines fall. Therefore, in the name of science...

(hold copy of report up in front)

**slide:** height of skirts from floor  
then we compared this to the Dow

**slide:** skirt / Dow correlation (point out)

But alas, just when you're onto a good thing:

the report made the following observation, and I quote:

“during the decade of the nineties the Dow made such a skyward run that to include this last decade severely squashed the skirt length line to the point it ceased to make sense. In other words, for the first time, skirt length ceased to keep pace with the Dow. The author believes that this may indicate that the hemline indicator (whilst historically may be an accurate barometer of economic conditions) may not be the indicator it once was, for how high can hemlines rise ? So, as we move into future business cycle peaks, the author speculates that extremes of fashion may possibly manifest in other ways.”

So not one to be outdone, I discovered this little gem in the Foundation for the Study of Cycles book, “Cycles”:

read page 68

So I emailed this off to Frank for further scientific study, to which he replied:

“Yes, it occurs to me that the cycles of plunging necklines is a very important field of scientific study which may not have been given the due emphasis it deserves. I shall have a think about how this might be tackled and get back to you if I find anything.”

Now I did actually have a couple of slides measuring recent observations but since this is a G rated presentation, modesty does not allow me to further develop this theme just presently...

I suspect rather than measure plunging necklines, we might have to measure the bare skin between the hipsters and the naval – this will be another tough day at the office - anyone interested in the results just send me an email...

### **1873**

**slide:** real estate speculation in the 1873 peak

Land sales peaked in 1869.

rail index versus interest rates

Railroad stocks peaked, the month *before* interest rates bottomed in New York, at 4.85%, which was in June 1871. (The stock market correctly discounting lower earnings in future years, pricing in the information before hand.)

As interest rates went up, land speculation went down, so too stock prices.

Interest rates peaked October 1873, this was as it happens, 30 years from the 1843 low

### **1893**

**slide** real estate spec into 1893 downturn

Land sales peaked in 1888, well before the months of panic as usual, with sales falling markedly after 1890.

war against Spain, reasons invented

**slide:** 1893 continued

Interest rates on New York commercial paper peaked in July and August of 1893, in line with the final crisis of that state at the end of the panic. This was 20 years (238 months actually) from the October 1873 panic high, and exactly 15 years from the 1878 low.

**Slide:** real estate into 1932

again, a real estate speculation peak 20 years after the last one.

**Slide:** 18 years has a good history, chicago land value

**Slide:** 18 years has a good history, US building construction

the heavy black line is the Warren and Pearson 120-City-Index of building activity

the dotted line is the value of construction contracts awarded in 37 states, F.W. Dodge Corporation, 1925-45.

A stylized 18 years cycle is added in the background.

**Slide:** 18 years has a good history, US real estate activity

black line is measuring US real estate activity (indicator died with the death of its inventor, Roy Wenzlick.

A stylized 18 years cycle is added in the background to show what would happen if the cycle as seen then continued...

In years past, the memorable downturns had occurred in an economy without electric light, without telephones or fax machines (or any other fast means of communication for that matter) and in conditions that would seem less than civilized to on-lookers from today's era. What's more, despite the US economy operating either with a central bank, or without one, at a time of inflation or at a time of deflation, under conditions of a government budget surplus or deficit, severe downturns (depressions in fact) had been occurring roughly every eighteen to twenty years.

Current: highlight 2005 Fortune magazine

**Slide:** Gann timing- explain

**slide:** Gann's 1929 forecast, at back of "Truth of stock Tape" book, explain  
quote march page 31  
page 36 september  
october page 37

**Now go to stex**

highlight first principles

- never buy below the moving average,
- trade only with the trend
- god is rarely on your side, in fact he doesn't take sides

banks, eg **anz** - providers of credit to the real estate market - real estate cycle on show

**dvu** int rate sensitivity, bus cycle, r/estate

**vwd** int rate sensitivity, bus cycle, r/estate, sept – march highs div

other stocks highlighting cycle: **srv** serviced offices, **bol** cranes, **cxp** office supplies,

**ugl** engineering

**bhp** / **rio** K wave confirmation on the break into all time highs

10 yr commodity repeat, **monthly** chts, **irc**, **agm**, **mrc**, **cmx**, **alk** (93/03), **hzn**, **taa**

15 years for gold, **sbm**

ethanol 98/99 of interest with high oil prices, **aae**

**Uranium** last price peak, \$40 in 1978

example of counts **caz**

**btv**, top 9.1.06, +30 = 8.2.06, +45 = 23.2.06, +30 = 24.3.06, ie 75 days off top – mid point

**gdn** top 9/8, + 30 +45, 76 days the low

also sae, top 25/11, low 9/11, also a mid point

think of the time line as a circle, not linear – ie morph into a circle

Gann's time overbalance, show **jbm**, then apply to **anz**

## Indicators / forecasts

stock market:

Gann's time overbalance,  
rule of 20

Gann's decadal cycle observations, highs usually in year 09, recession years one and two

economic:

fashion

bliss index

Cantillon indicator (tall buildings)

money supply

yield curve

enclosure of government granted licenses, ie measuring the speculation,

land price index

land price barometer

taxi cab licenses

some comments

whilst land price stays up and goes higher, things rarely change, but look out in the downturn, attitudes turn nasty: ('cause remember, the next downturn will be the first in living memory for anyone under 40)

eg current Howard wage outcomes – will make downturn worse

eg current war time plundering of iraq contracts, profiteering and US government corruption

eg current debt levels, spending patterns, - suddenly we will start to accentuate all the bad

news...

as to when, well you might have to subscribe to my service for the full story

## end thoughts

show sen

to 7/12 high, an emotional point, + 30, +45 from high(not big) + 30 = 75 = low

time counts (bring up circle again) as applied to 9/11

fwd, 30 months (911 days), 45 months,

now count 60 90 off 9/11, and 30 60 90 etc off london 7/7/05

(WW I lasted 60 months exactly, outbreak to truce signing  
then 20 years to WWII, communism last 45 years.)

any questions