

Ending How It Began (Parabolically)?

eResearch Corporation is pleased to provide a weekly commentary, authored by Tom McClellan, entitled "The McClellan Chart-In-Focus", which is a free technical analysis article published each week.

In this article, Mr. McClellan divulges some charting magic.

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The McClellan Chart-In-Focus

by Tom McClellan (bio at end)

Ending How It Began (Parabolically)?

There is a lot of talk lately about the market “going parabolic”. Most of the time when that term is used, people are thinking about prices swooping upward like the main cable on a suspension bridge, with each additional lateral increment seeing increasing vertical increments.

However, a parabola can also be seen in the path of a bouncing ball, which goes up the fastest at first, and then stalls out at the apex of its rise. If you turn upside down a plot of a bouncing ball, you will get a pattern resembling a suspension bridge. Parabolas are the same, even if turned upside down.

That is the point behind this week’s chart, which I created this week just because it occurred to me that the pattern of the DJIA looked like it was repeating itself now, but upside down and backwards.



It has long been rumored that if you play certain Beatles songs backwards, a technique known as “backmasking”, you can hear secret messages, including the revelation that “Paul is dead” (he is not, by the way, last I checked). This led to the joke that if you play a country music song backwards, your wife will come back to you, your truck will start running again, and your dog will come back to life.

When I was a kid I took violin lessons and my teacher, Mr. Conway, had me play a Beethoven duet with him that was a musical joke. The single sheet of music was placed on a table between two violinists, each of whom reads the music from what they saw as the top of the sheet, and ending up at the bottom,

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which was the other guy's top, but with the notes in the score upside down. Beethoven could make that work musically, and in the top chart I pay homage to Beethoven by playing the DJIA's song backward.

If you look closely, you can see lots of moments of coincidence in the minor price patterns, which makes this comparison really interesting. There are also a few instances of pattern inversion, which is pretty normal in any analog comparison.

By this way of looking at the DJIA's pattern, the current blow-off upward in prices is the echo of the up-move out of the 2009 bottom. That up-move ended when QE1 was shut down, and it led to the Flash Crash of 2010. The implication is that the 2015-16 correction was the corollary to the Flash Crash, and now we are playing back the rally out of the 2009 bottom.

This is admittedly an irregular way of portraying a price analog, and full of peril in drawing conclusions about what we see continuing. But it is still a fun chart.

I do not have prior evidence that this is a legitimate form of chart analysis. It just seems to be working at the moment. And as I reveal it now to the world, I remind myself of **my #1 Rule of Technical Analysis**, which holds that "*A phenomenon will remain in effect only until noticed*". The bulls had better hope that rule works this time.

Tom McClellan

Editor, The McClellan Market Report

BW: Information on Tom McClellan and *The McClellan Market Report* and *The Daily Edition* follows on the next page.

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ABOUT THE AUTHOR



Tom McClellan

Tom McClellan has done extensive analytical spreadsheet development for the stock and commodities markets, including the synthesizing of the four-year Presidential Cycle Pattern. He has fine-tuned the rules for inter-relationships between financial markets to provide leading indications for important market and economic data.

Tom is a graduate of the U.S. Military Academy at West Point, where he studied aerospace engineering, and he served as an Army helicopter pilot for 11 years. He began his own study of market technical analysis while still in the Army, and discovered ways to expand the use of certain indicators to forecast future market turning points.

Tom views the movements of prices in the financial market through the eyes of an engineer, which allows him to focus on what the data really say rather than interpreting events according to the same "conventional wisdom" used by other analysts.

In 1993, he left the Army to join his father in pursuing a new career doing this type of analysis. Tom and his Father spent the next two years refining their analysis techniques and laying groundwork.

In April 1995 they launched their newsletter, The McClellan Market Report, an 8-page report covering the stock, bond, and gold markets, which is published twice a month. They utilize the unique indicators they have developed to present their view of the market's structure as well as their forecasts for future trend direction and the timing of turning points.

A [Daily Edition](#) was added in February 1998 to give subscribers daily updates on their indicators and also provide market position indications for stocks, bonds, and gold. Their subscribers range from individual investors to professional fund managers. Tom serves as editor of both publications, and runs the newsletter business from its location in Lakewood, WA.

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