



**Third Party Research**

**January 26, 2018**

## **A Use For Bitcoin**

**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 shows bitcoin as a leading indicator (8-week period) for the for the stock market (DJIA).

The article is reproduced below, beginning on the next page, or you can use this link to go to the article directly:

[https://www.mcoscillator.com/learning\\_center/weekly\\_chart/finally\\_an\\_actual\\_use\\_for\\_bitcoin/](https://www.mcoscillator.com/learning_center/weekly_chart/finally_an_actual_use_for_bitcoin/)

You can also visit the McClellan Financial Publications Home Page at the link below. This is a subscription service, and there are two publications which can be subscribed for: (1) **The McClellan Market Report**; and (2) **The Daily Edition**.

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January 25, 2018

## The McClellan Chart-In-Focus

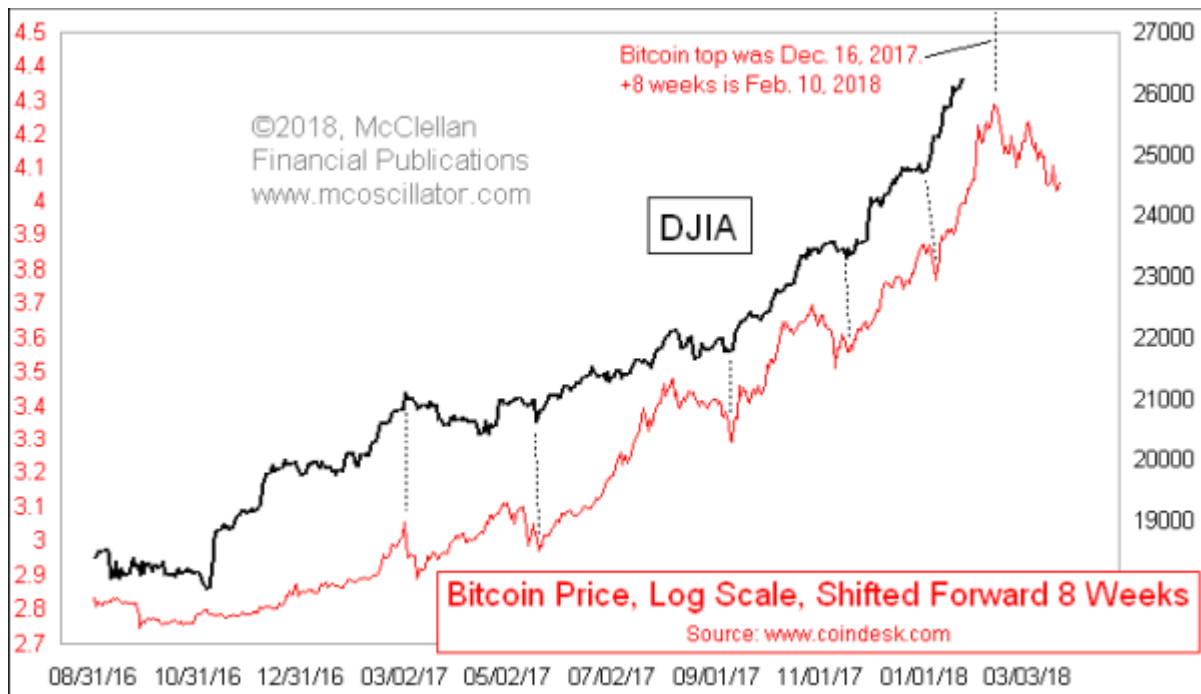
by Tom McClellan (bio at end)

### Finally, An Actual Use For Bitcoin

Bitcoin and the other crypto-currencies have captured the hearts of millennial speculators around the world. Their grandfathers may have traded gold during the run-up to gold's big blow-off top in 1980, and their parents may have traded Internet stocks in the late 1990s, but the young hipsters want to play a more modern bubble for their "It's different this time" denial.

Bitcoin was designed as an online medium of exchange, so that customers could use it to pay vendors for goods and services. Its primary use lately has turned into being a speculative trading vehicle. But lengthy transaction times and high fees are starting to take the bloom off of Bitcoin's rose as a transaction medium, and the price is showing that diminishment of interest.

As this week's chart shows, Bitcoin's price plot also shows us something else: a leading indication of what the DJIA is going to do a couple of months later. In this chart, I have shifted the price plot of Bitcoin forward by 8 weeks (56 calendar days) to reveal how the DJIA is following in Bitcoin's footsteps.

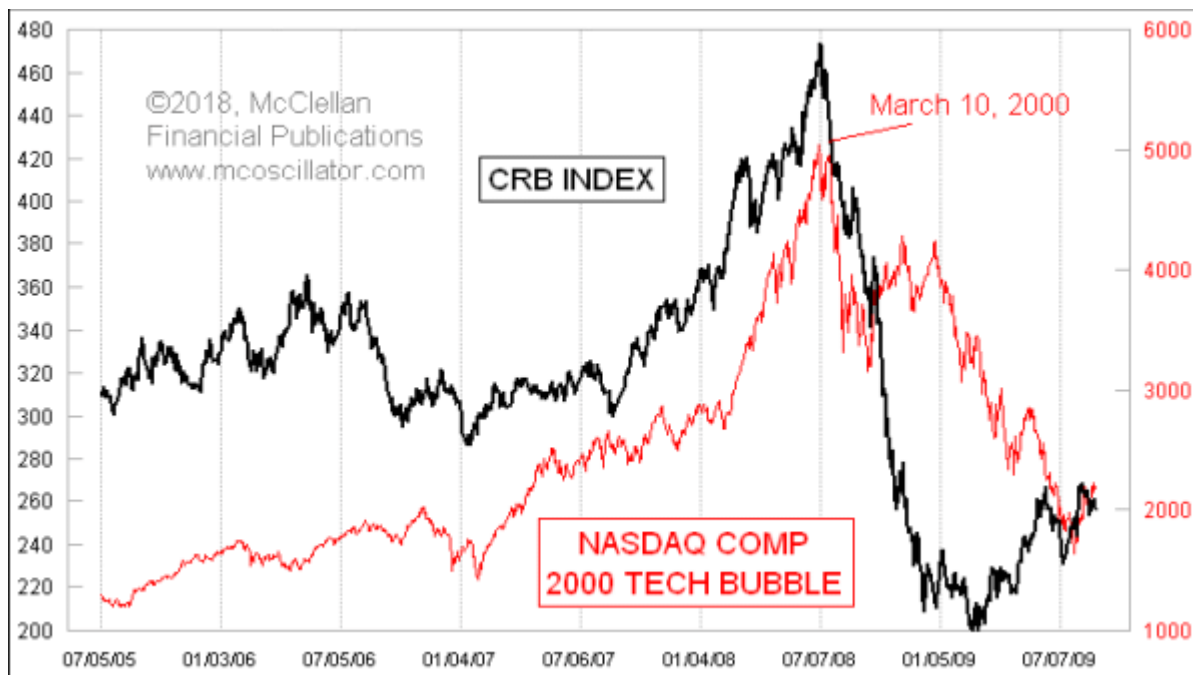


This chart goes all the way back to the autumn of 2016, when Bitcoin was still trading around \$600. The leading indication effect really did not start showing up until around February 2017, when the price was closing in on \$1000. That seems to be when the big speculation frenzy in Bitcoin started, and thus when it began modeling the same sort of waxing and waning of interest people have in the stock market.

# McClellan Financial Publications

Usually, when analysts do price-pattern analogs, we employ a prior period from the same market index's history, such as comparing the current SP500 price plot to that of 4 years ago. For example, see [The Unexplainable 4-Year Rerun](#).

But there is precedent for using another market's price behavior to model prices in a different market, especially during a bubble. The dynamics of how human emotions react to a speculative bubble remains largely the same from one bubble to the next, since our brains do not change. Years ago in our *McClellan Market Report* newsletter, we showed this next chart, illustrating how the 2007-2008 commodities bubble strongly resembled the Internet Bubble of 1999-2000.



Throughout the CRB Index's advance in 2007-2008, it closely matched the dance steps seen in the Nasdaq Comp during 1999-2000. As the CRB Index's collapse started, it also matched the Nasdaq's path downward. Eventually, that pattern correlation broke up, as happens with all pattern analogs eventually.

The point is that the dynamics of humans' reactions to price bubbles remain the same from one bubble to the next, and that shows up in the resemblance between the price patterns.

So, here in 2018, we have a collapsing Bitcoin bubble, but a still-intact stock market bubble, as evidenced by high valuations, the lack of meaningful drawdowns (dip-buying), and a nearly parabolic price plot. The DJIA's movements are matching those of Bitcoin 8 weeks prior. Why 8 weeks? That is a fun question, but not an essential one to answer for us to be able to observe and digest this behavior.

My eurodollar COT model says that a major price top for the U.S. stock market is ideally due in early March, as discussed in our latest [McClellan Market Report](#) newsletter. But Bitcoin's chart implies that the corresponding top is due a bit earlier, in February. The real answer may lie somewhere between the two.

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.**

## 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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