

Backmasking The DJIA's Price Pattern

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 performs a circus act of chart inversions. The conclusion seems to be that the market is likely to begin a meaningful swoon beginning Iwete April-early May.

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/backmasking_the_djias_price_pattern/

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**.

Here is the link to the Home Page: <http://www.mcoscillator.com/>

eResearch was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, our Subscribers (*subscription is free!!!*) benefit by having written research on a variety of small- and mid-cap, under-covered companies. We also provide unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis. We complement our corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals. We provide our professional investment research and analysis directly to our extensive subscriber network of discerning investors, and electronically through our website: www.eResearch.ca.

Bob Weir, CFA
Director of Research

Note: All of the comments, views, opinions, suggestions, recommendations, etc., contained in this Article, and which is distributed by eResearch Corporation, are strictly those of the Author and do not necessarily reflect those of eResearch Corporation.

April 5, 2018

The McClellan Chart-In-Focus

by Tom McClellan (bio at end)

Backmasking The DJIA's Price Pattern

The stock market is continuing to display a weird backwards rerun of its own behavior 9 years ago. I wrote about this here back on January 18, 2018, in a Chart-In-Focus article titled, "[Ending How It Began \(Parabolically\)?](#)". That was just a week before the stock market's blow-off top. So it is time for a review of how things have turned out since then.

Just so you understand what this week's chart is showing, what I have done is taken the **black**-line plot of the DJIA, and rotated it around the Z-axis (perpendicular to the page) in order to create the **red**-line plot. Each one is showing the same thing. It is just that the **red** line is upside down and backwards from the **black** line. And, no, I was not smoking mushrooms when I thought up this comparison. I just happened to notice that the parabolic shape of the DJIA's swoop up in late 2017 looked a lot like the parabolic initiation of the new bull market in 2009, but backwards, and that led me to go hunting to see how the overall pattern fits together.



The steepness of the DJIA's drop out of the January 26, 2018 top matched the steepness of the drop into the final bottom in March 2009. Now we are into the equivalent of the mushing-around phase in late 2008, as the stock market was trying to digest the collapse of Lehman Brothers. If the pattern continues to match up, then we have a lot farther to go down in 2018.

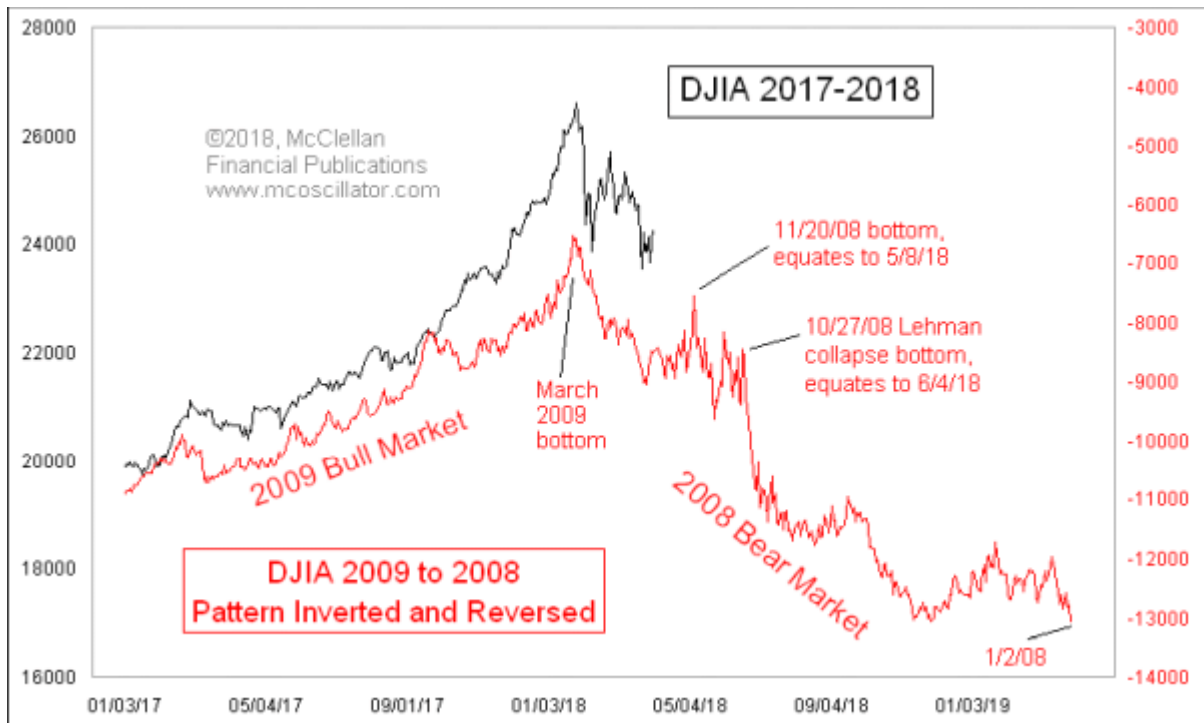
Remember that the red-line plot in this chart is being played backwards. When you do that with a

McClellan Financial Publications

record album, it is known as “[backmasking](#)”, and the Beatles were rumored to have embedded backwards messages in some of their songs. Their song Revolution 9 supposedly contains the phrase “Turn me on, dead man” if played backwards. That discovery has led to rumors of other bands also embedding backward messages in their songs, which if nothing else was a good sales gimmick to get music fans to go buy more vinyl.

But hearing words in a song is something that is subject to (mis)interpretation. By backmasking the DJIA in a chart, we can evaluate for ourselves whether this hypothesis of the market rerunning itself in reverse has any merit.

There is a lot of data crammed into that chart above, and so it is hard to see the finer details. So here is another chart which zooms in closer on that comparison:



In this chart, the January 26, 2018 top is aligned with the March 9, 2009 bottom (inverted, and backwards). To validate a pattern analog, I like to see nice alignment leading up to a big top, as well as afterward. This one is not perfect (they never are), but it is pretty good.

Whether this pattern resemblance is going to persist is something we of course cannot know right now. Every pattern analog eventually breaks correlation, and usually at the moment when you are counting on it most to continue working. But if it does continue to work, then you can see what some of the landmarks of the 2008 bear market equate to for 2018.

I would note that my eurodollar COT leading indication calls for a similar decline this year, ending in late August 2018. We show that model frequently in both our *Daily Edition* and our twice monthly *McClellan Market Report*, which are [available by subscription](#). The backwards 2008 pattern agrees with that idea of a late August bottom, but then it says prices are going to renew the decline again toward another lower bottom in November 2018. We will have to see how the stock market in 2018 resolves that slight disagreement. For now, however, a downturn beginning around late April to early May is on the script according to both models.

McClellan Financial Publications

Tom McClellan, Editor,

The McClellan Market Report

BW: Information on Tom McClellan and *The McClellan Market Report* and *The Daily Edition* follows below.

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.

#####