FROM THE SPECIFIC TO THE NON-SPECIFIC

A market reversal in the making?

In March of last year I was lecturing in Singapore when one of my students mentioned something I had never heard of before, the Bradley Model. He said it called for a straight up move in the market. That was music to my ears; I had mortgaged the farm and bought stocks which were down. But I was clueless as to when the lift off would occur as Britney Spears is to taste.
The rest is history, stocks roared off the March lows, proving me right as well as the Bradley model.

So I began to investigate the model, only to find Arch Crawford and Larry Pesavento had already done a good deal of work with as well as Manfred Zimmel. Let me tell you right up front that since <u>it's based on astrology </u>I was intellectually put off and also intrigued by it. As long term readers know I'm a skeptic of most arcane stuff, to me it all gets down to this, "rocks are hard and water is wet". As a trader I'm scared to death of having beliefs. Yet, I have seen things I can't explain and my mind is curious enough to openly investigate everything and anything that might give me an edge trading.
Don Bradley, the inventor, first wrote about the index in his book, "Stock Market Prediction" in 1948. The index is a numerical representation of….ready for this. the Ptolemaic Harmonic angles between all two planet squares. Please do not write for what this means. I don't know.

In his book "***Stock Market Prediction -- The Planetary Barometer and How to Use It***," he asserts the belief of mass psychology and its impact on the U.S. stock market. The booklet is long since out of print. At the heart of Bradley's work is the belief that elusive natural forces powerfully affect men's minds and emotions. These forces are the broad cycles which determine underlying trends in world economic and political affairs over years, decades, and beyond. Bradley concluded that the planetary aspects are the secret engine behind the cycles in mass psychology and he proved they are frequently revealed in the stock market. Bradley found that the sum of planetary relationships, involving 190 planetary position combinations, could be categorized into what he called the Long-Term and Middle-Term Indicators.

Long time friend Arch Crawford has written the most about the index and continues to advise that a follower of it looks just for times it has a major trend change, say from up to down, and expect the market, at that time to reverse the trend it is in. Stock market up trends end as do down trends, when the index itself reverses.
The direction of the index is not what to focus on…that it is sharply up or down does not tell the story. What counts is when it peaks or troughs, and then at that time expect the stock market to make a directional change.

What your are looking at above is the Bradley model---in red---as well as a 55 period detrended oscillator of the index---in black---vs. the Dow Jones from lat 1987 into early 1991. I'll let you study and judge how helpful the index might have been. It is certainly not perfect, yet it had some stellar calls. The model gave ample warning of the 1987 peak and buy point.

Additionally it nailed the late 1988 buy, but called for a reversal in mid 1989 that never came about. Following that, it called for a reversal in late 1989 and early 1990 that again nailed a market trend change. The index did not call for another change of any major reversal until the third quarter of 1991…which so happened to be when the Dow reversed to an up market.

All in all, it appears to me this is an index that needs to be looked at from time to time.

A LOOK AT 2003 IN THE REAR VIEW MIRROR

The magnitude of the swings is not of importance…it's about time.

The above chart shows the Bradley Model, top line, for all of 2003. Now you can see what I saw last March, a turn in the index, and it this case it just so happened the turn was to the upside. It next suggested a strong rally, then a flat move, with another trend move in late May leading to a July reversal.

The next call for a reversal is for the first of September, followed by one in mid October, with a move into late December. Considering this is based on stars and such the calls were pretty much right on.

Just so you don't loose sight of this point I'm going to re-state it here one more time.

THE DIRECTION OF THE INDEX IS MEANINGLESS---IT IS ONLY THE TURNING POINTS AND IN MOST INSTANCES THE MARKET REVERSES WHATEVER IT HAS BEEN DOING AT THOSE POINTS.

A case in point, 3/5/04 is shown below as a turning point. The fact the index was in a down move does not mean expect a market high, just that a turn should take place there…as it did.

Please re-read that, and keep in mind it is a reversal tool only, it suggests where important market turns should/may take place.

Here is what the Bradley Model has to say for rest of this year. It is suggesting an important change of direction to stock prices just about now. You can see the little bumps along the way and should note the model suggests the next trend change will take place late this year. As the year draws on we will re-visit the model to see how well prices respond to this suggested reversal indicator.

The model is not suggesting the market will slide from now into December, there is that inference, but I will be looking more at the turning dates. What it is saying is there should be a long lasting turn in the market at the end of April and again about the middle of May. Time well tell, but clearly the indicator is known well in advance and has laid it on the line.

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