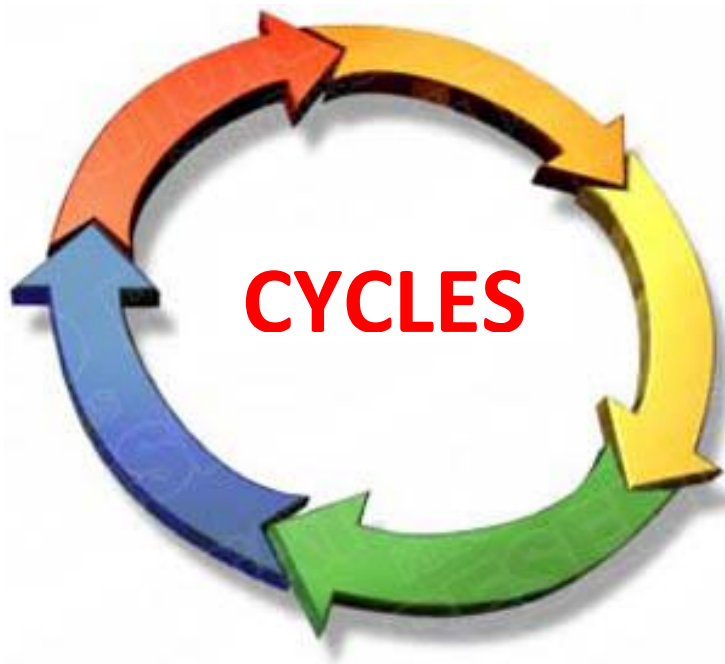


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THE SEVEN YEAR SHEMITAH CYCLE IS UPON US!

ANALYTIC INSIGHTS



THE SEVEN YEAR "SHEMITAH" CYCLE IS UPON US!

KEY EVENT CYCLE

Looking at key events many have observed that there appears to be a 7 year cycle. For example looking back at the most recent multiples (going back in 7 year increments), we can see it marks some major adverse market events.

<u>Year</u>	<u>Event</u>
1973	Oil Shock/Stocks Crash
1980	US Recession
1987	Stock Market Crash
1994	Bond Market Crash
2001	9-11 / Stocks Crash
2008	Subprime / Stocks Crash
2015	EM/Stock Crash????

THE SEPTEMBER "SHEMITAH"

My friend and repeat Macro Analytic guest, Jeff Berwick has published extensive work on what he sees to be a critical confluence of indicators during September 2015. They are centered on September 13th, 2015. Financial analysts on Wall Street call it the "end of a seven-year cycle."

VIDEO

<https://youtu.be/rkELqi6EkNo>



WHITE PAPER

<http://surviveshemitah.com/shemitah/>

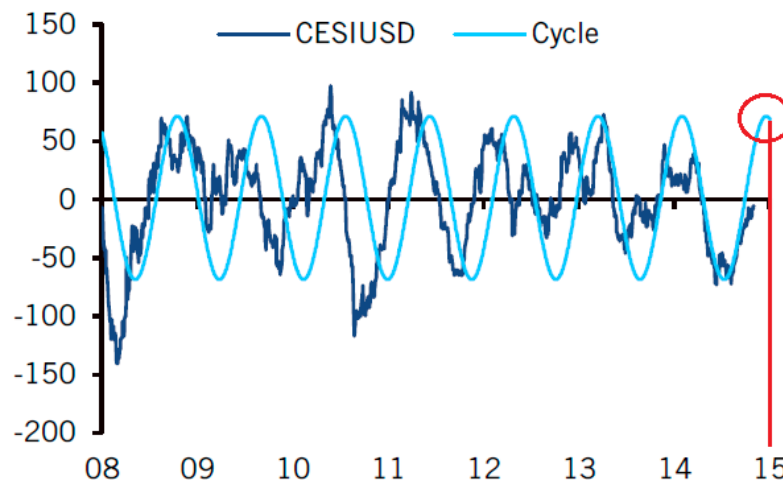
Jeff's work would suggest that minimally, extreme caution is advised, now through the end of Q3 earnings season.

CONFIRMING PATTERNS

Separate from Berwick's work I see many additional patterns that support his findings.

The Economic Momentum Cycle

Figure 4 Economic Momentum Cycle

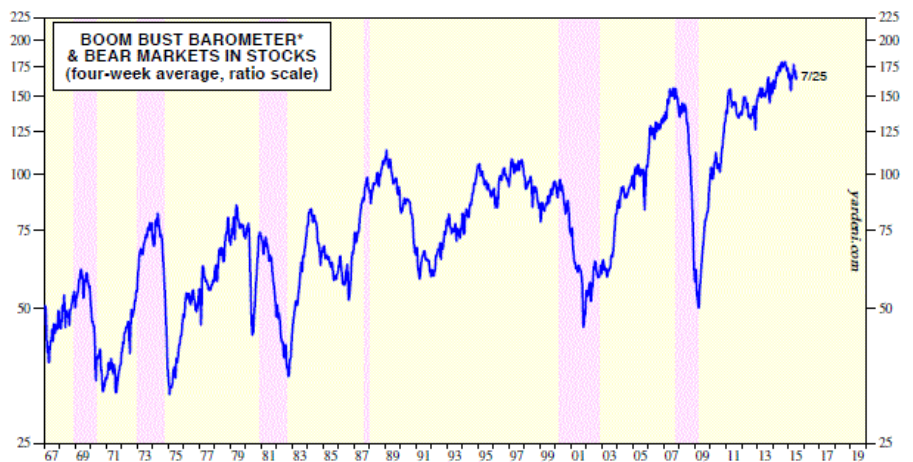


Source: Bloomberg

Boom Bust Barometer

Here is a chart produced by Wall Street legend Ed Yardeni. This chart illustrates the weekly average of the CRB raw industrial spot price index divided by four week average of initial unemployment claims.

The CRB raw industrials spot price index is a very good daily real-time indicator of the global economy. It's looking bearish for stocks currently. When divided by initial unemployment claims to derive Yardeni's Boom-Bust Barometer, it suggests two things:



* Weekly average of CRB raw industrials spot price index divided by initial unemployment claims, four-week average.
Note: Shaded red areas denote S&P 500 bear market declines of 20% or more. Yellow areas show bull markets.
Source: Commodity Research Bureau and US Department of Labor.

1. We are on the upper side of the trend channel suggesting some corrective action can be expected,
2. A seven year cycle is clearly evident against the shaded areas where S&P 500 declines of 20% are shown.

Again the seven year cycle is evident. This is probably a little more telling in that it relates to agricultural crop cycles.

GLOBAL SLOWDOWN WELL UNDERWAY

SLOWING FREIGHT VOLUMES & FALLING SHIPPING RATES

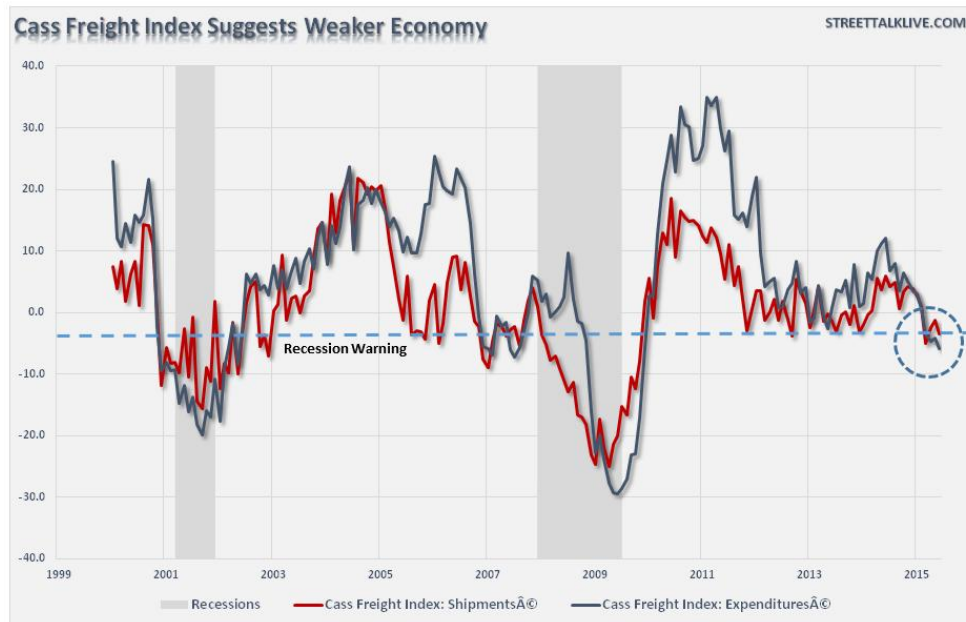
[Lance Roberts writes:](#)

We often look at broad measures of the economy to determine its current state. However, we can often receive clues about where the economy may be headed by looking at data that feeds into the broader measures. [Exports](#), [imports](#), [wage growth](#), [commodity prices](#), etc. all have very important ties to the health of the consumer which is critical to an economy that is nearly 70% driven by their consumption.

While I have discussed the importance those issue in the past, there are other indicators that can also provide valuable clues. One such example is the Cass Freight Index. From the [Cass website](#):

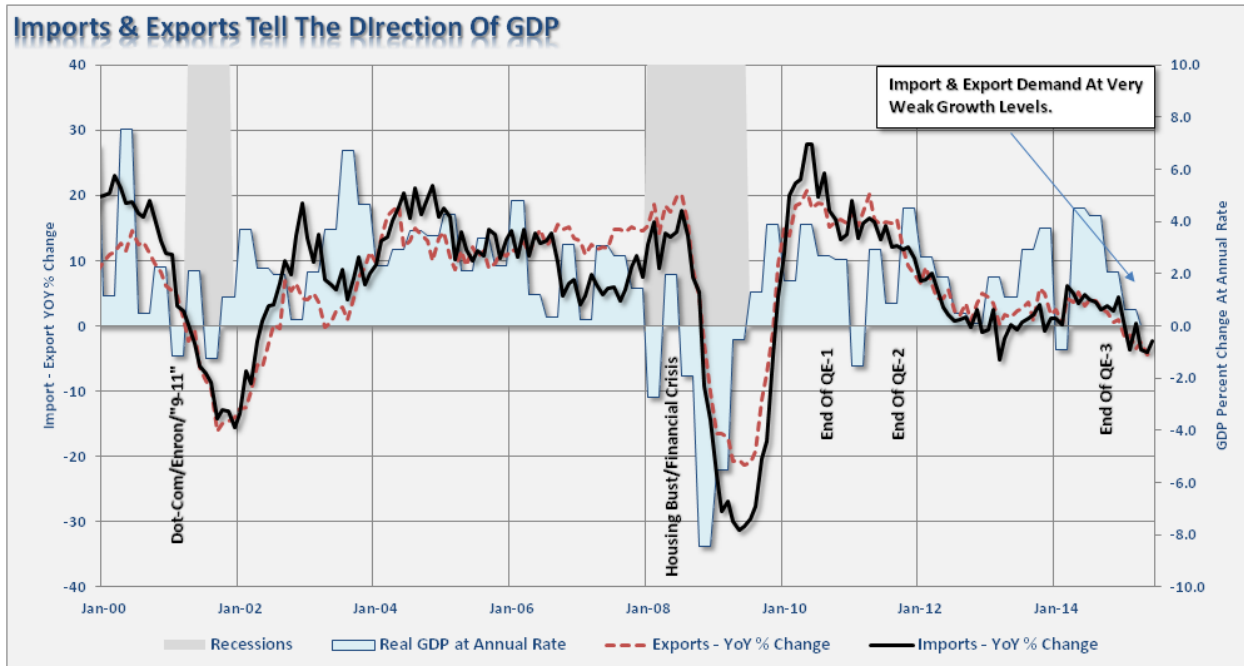
"Data within the Index includes all domestic freight modes and is derived from \$26 billion in freight transactions processed by Cass annually on behalf of its client base of hundreds of large shippers. These companies represent a broad sampling of industries including consumer packaged goods, food, automotive, chemical, OEM, retail and heavy equipment. Annual freight volume per organization ranges from \$1 million to over \$1 billion. The diversity of shippers and aggregate volume provide a statistically valid representation of North American shipping activity."

The chart below is the annual change in both the shipments and expenditures on freight shipments since 1999.





IMPORT EXPORT VOLUME



[Lance Roberts also writes:](#) **Deflationary Pressures on the Rise**

Speaking of exports and imports, imports are currently suggesting that deflationary pressures are once again on the march globally. Deflationary pressures abroad ultimately force down import prices

into the US economy which aggravates the deflationary cycle. With the strong dollar dragging on exports, a decline in import prices further deteriorates corporate profitability.

Albert Edwards at Societe General recently noted:

*"We expect the acceleration of EM devaluations to **send waves of deflation to the west to overwhelm already struggling corporate profitability** and take us back into outright recession. As investors realize yet another recession beckons, **without any normalization of either interest rates or fiscal imbalances in this cycle**, expect a financial market rout every bit as large as 2008."*

There are a couple of important points that Mr. Edwards is making. The first is that in an already weak economic environment, further deflationary pressures will continue to detract from corporate profitability and further slow already slow economic growth. Secondly, and more critically, with interest rate policy still near the zero bound there are few policy tools available to combat an economic recession.

The chart below shows the annual change in imports and exports. Imports are driven by domestic demand. As consumers demand more goods or services, imports increase to fulfill that demand. Exports are an indication of global demand. Therefore, if the economy is expected to grow more strongly in the quarters ahead, should not imports and exports be on the rise?

WORLD TRADE VOLUMES

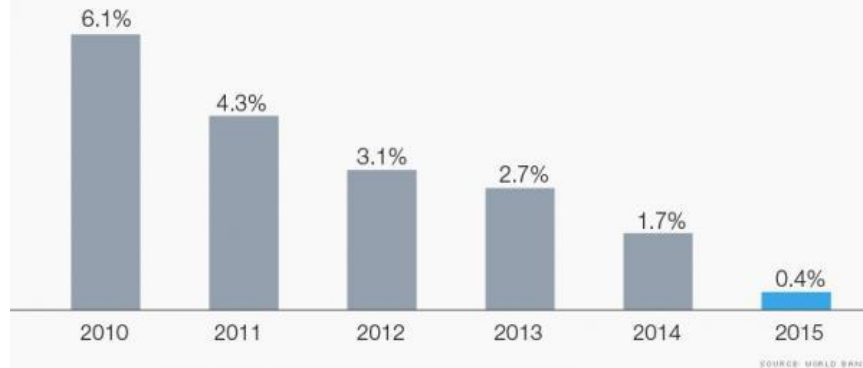


REGIONAL VIEW

We could go around the world to see the carnage that is now occurring but it may be more instructive to look at a peripheral region such as Latin America that is very dependent on other economies for its exports.

Latin America overall shows a steady erosion over the last 15 years. This chart indicates that the current economic environment is a secular slowdown with overlaying cyclical patterns.

Latin America's economic slowdown
GDP growth for the region



TRIGGERS.CA PREDICTED THIS

Triggers.ca has been calling this period of disruption since April 2015 (marked "Y").

MATA has been talked about Q3 2015 Quadruple Witch as a turn point for over two years.

What do we see next?





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