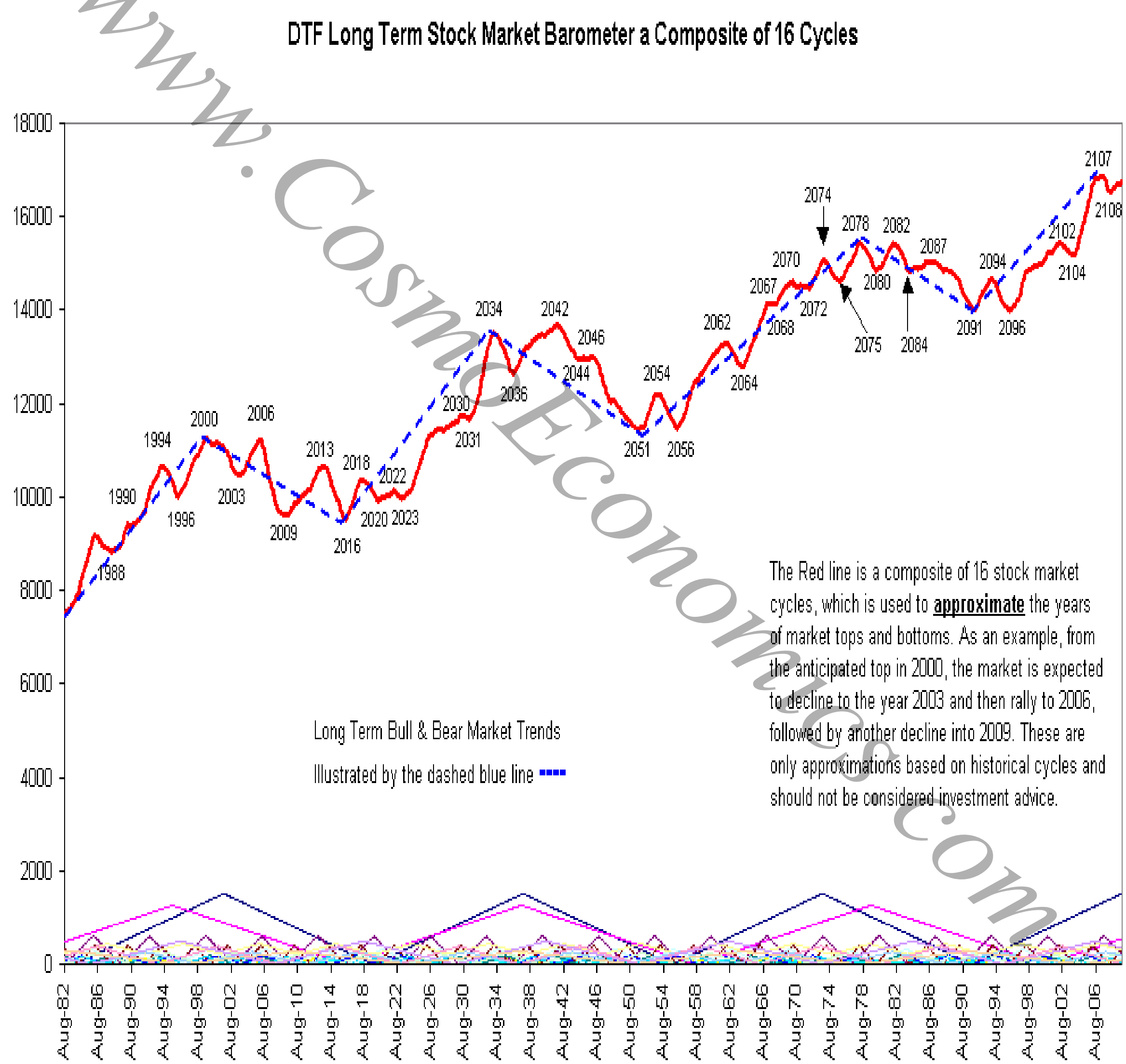
<u>WHEELS WITHIN WHEELS</u>

<u>THE ART OF FORECASTING FINANCIAL MARKET CYCLES</u>



BY DANIEL T. FERRERA

PUBLISHER'S PREFACE

The Sacred Science Institute is proud to release this new course by Dan Ferrera on the underlying cyclic structure of the Dow Jones Industrial Averages. There have been a number of excellent works on cycle analysis in the past, but this is the first material we have seen which presents a composite model matching the Dow for over 100 years, and projecting forward 100 years into the future.

The genesis of this book began with a brief Cycle Report, Part 1 of this course, written for the general investor concerned with financially navigating the dangerous waters of personal portfolio management in these unstable times. This report identifies two primary cycles of the Dow, giving a bird's eye view of the phases and turning points of prosperity and stagnation in the market, allowing any investor to manage his portfolio according to the major economic trend of the time.

This initial work led Dan to a more detailed cycle analysis of the Dow, with the intermediate and short term cycles being elaborated in a second Cycle Report, Part 2 of this course. This report breaks down another 14 cycles giving their lengths, phasing, and some possible causative correlations. These 16 cycles combined with an underlying trend when graphed as a summational composite wave produce an impressively accurate map of the Dow Jones Industrial Averages over the past 100 years, the like of which we have never seen in published form.

The final part of this course presents the summation of this work in the DTF Barometer, a composite model of the 16 component waves, modeling the Dow for the past 100 years and projecting these cycles forward for another 100+ years to 2108. The Excel worksheets which produced the charts seen in this course have been included on the accompanying CD ROM, so that readers may reproduce this work themselves, having every detail of cycle length, phasing, and calculation procedure necessary to create a composite model from an analysis of component waves. Dan has also included a section on the cycles of gold and bonds since these two investment vehicles posses important correlations to market behavior.

W. B. STEWART
SACRED SCIENCE INSTITUTE

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PART III – THE DFT LONG TERM STOCK MARKET BAROMETER

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Introduction

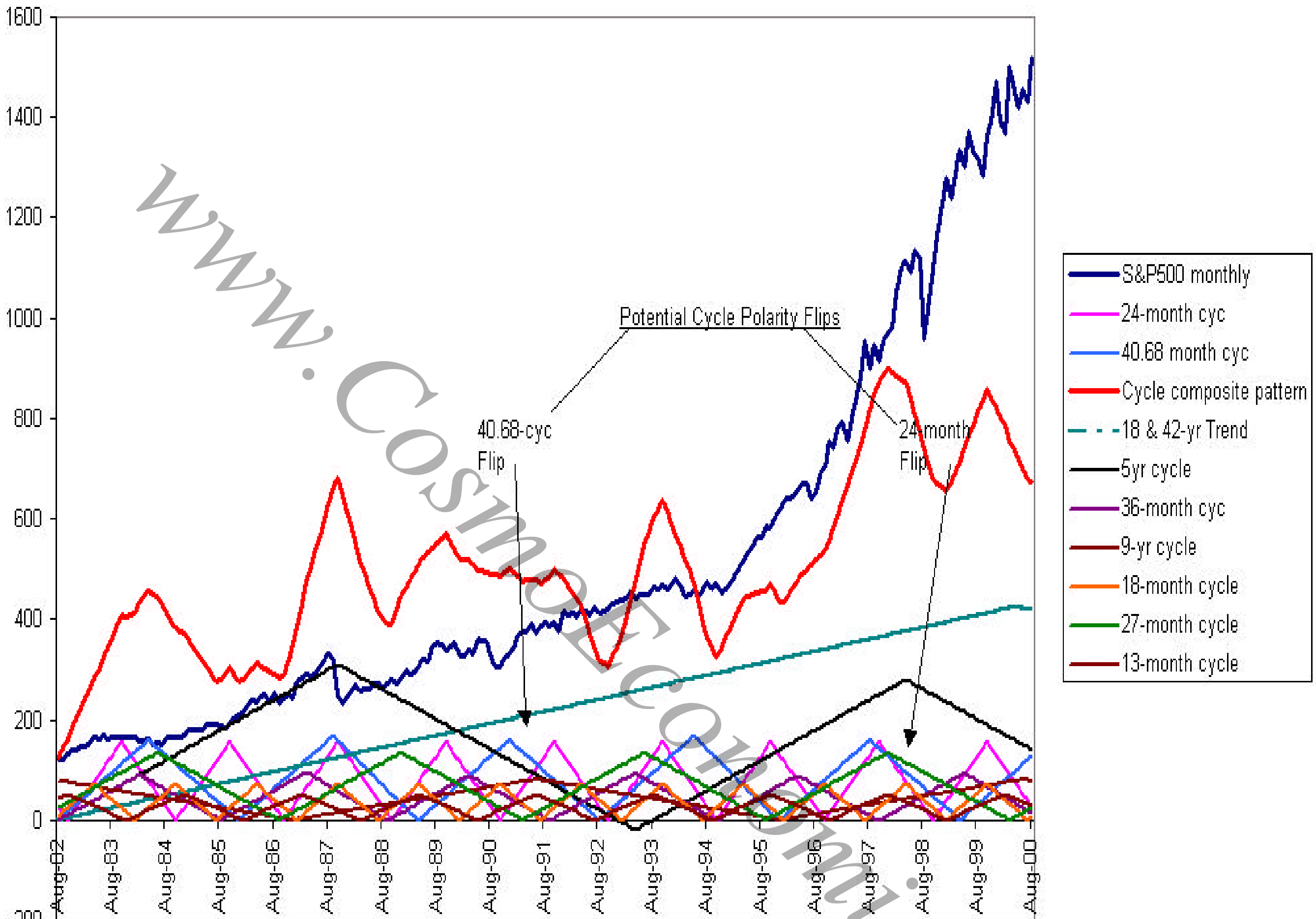
Dear course owner,

What follows in the next several pages is the result and evolution of several years of research into the main rhythms of the Stock Market. You will be given specific cycles along with their phasing to learn how the synthesis of many "waves" or "cycles" can model market behavior. In addition, you will receive my Excel worksheets, which contain the cycles and future projections. It is my hope that these worksheets will allow you to develop similar spreadsheets that you can use for the market of your choice. These worksheets are not available to those that simply purchase reports I & II and will sell for several hundred dollars each in the event that they choose to acquire them later. In this material, you will receive my DTF-Long Term Stock Market Barometer. This is a composite of 16 different long-term stock market cycles that have had a very strong influence historically on price behavior. Each component or constituent cycle in the barometer will be illustrated individually to aid you in your understanding of these underlying rhythms. Originally, this "Long Term Barometer" of stock market behavior was only going to be sold to financial institutions and professional money managers for several thousands of dollars but after discussing this with friends and family, I decided to make this information available to the general public instead.

To take a complex wave like market behavior and analyze it into its simple components involves a great deal of research and technical knowledge. In addition, the task of reconstructing these simple rhythms or cycles into a totality also involves a great deal of work and knowledge. It is my hope that the excel worksheets included with this material will help you in this regard. The subject of cycle analysis is too vast to cover in this material. There are many books, websites and computer programs that can aid you in gaining a more comprehensive understanding of the subject. The following link is a good place to start http://homepages.kcbbs.gen.nz/rtomes/index.htm. It contains a wide variety of information on cycles and cycle analysis that I have found useful in the past.

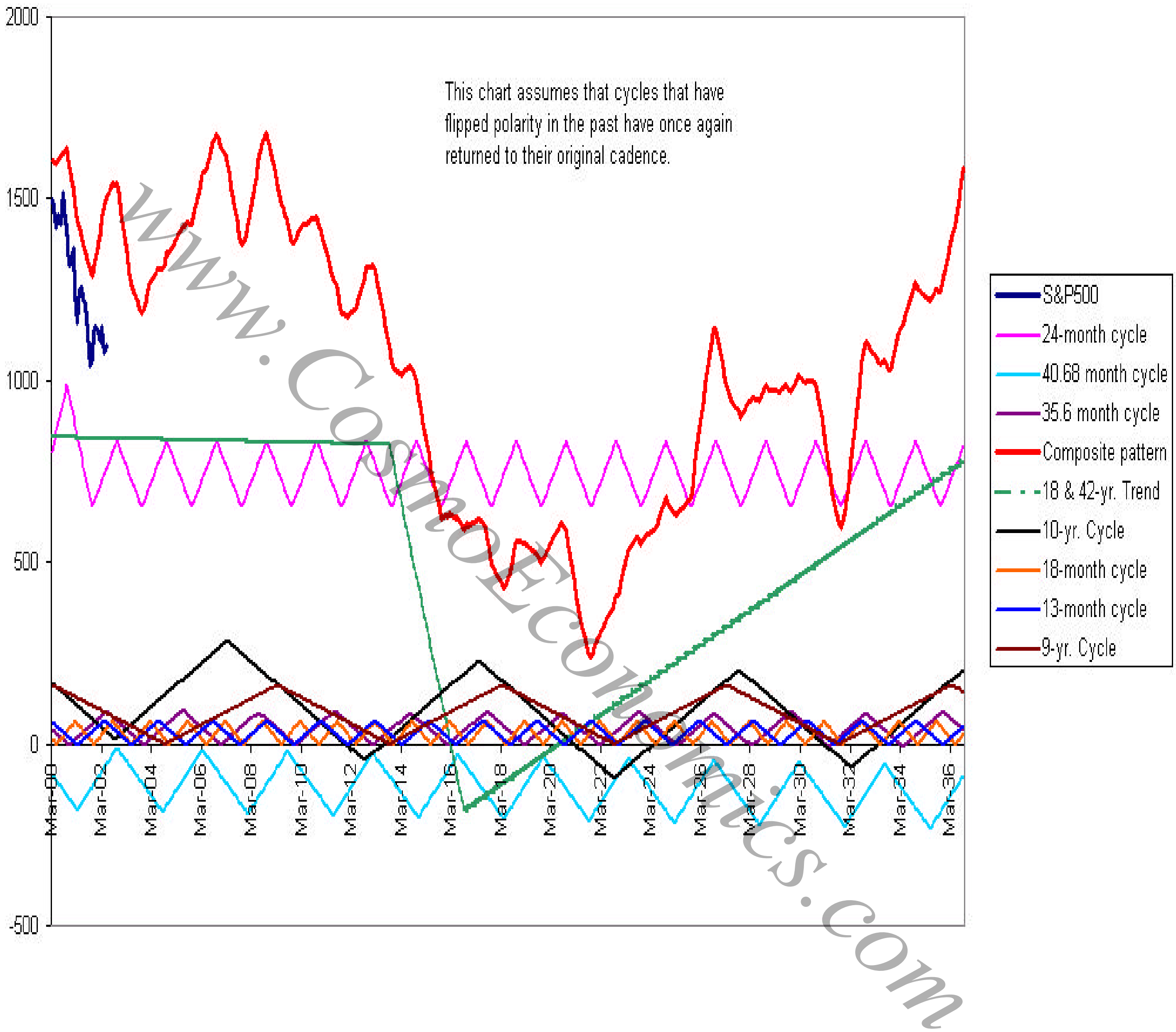
The first two sections of this material will cover Stock Market Cycle Reports I and II. The third section will cover the cycles and phasing of the DTF-Stock Market

S&P500 with Dominant Cycles & Summation Wave

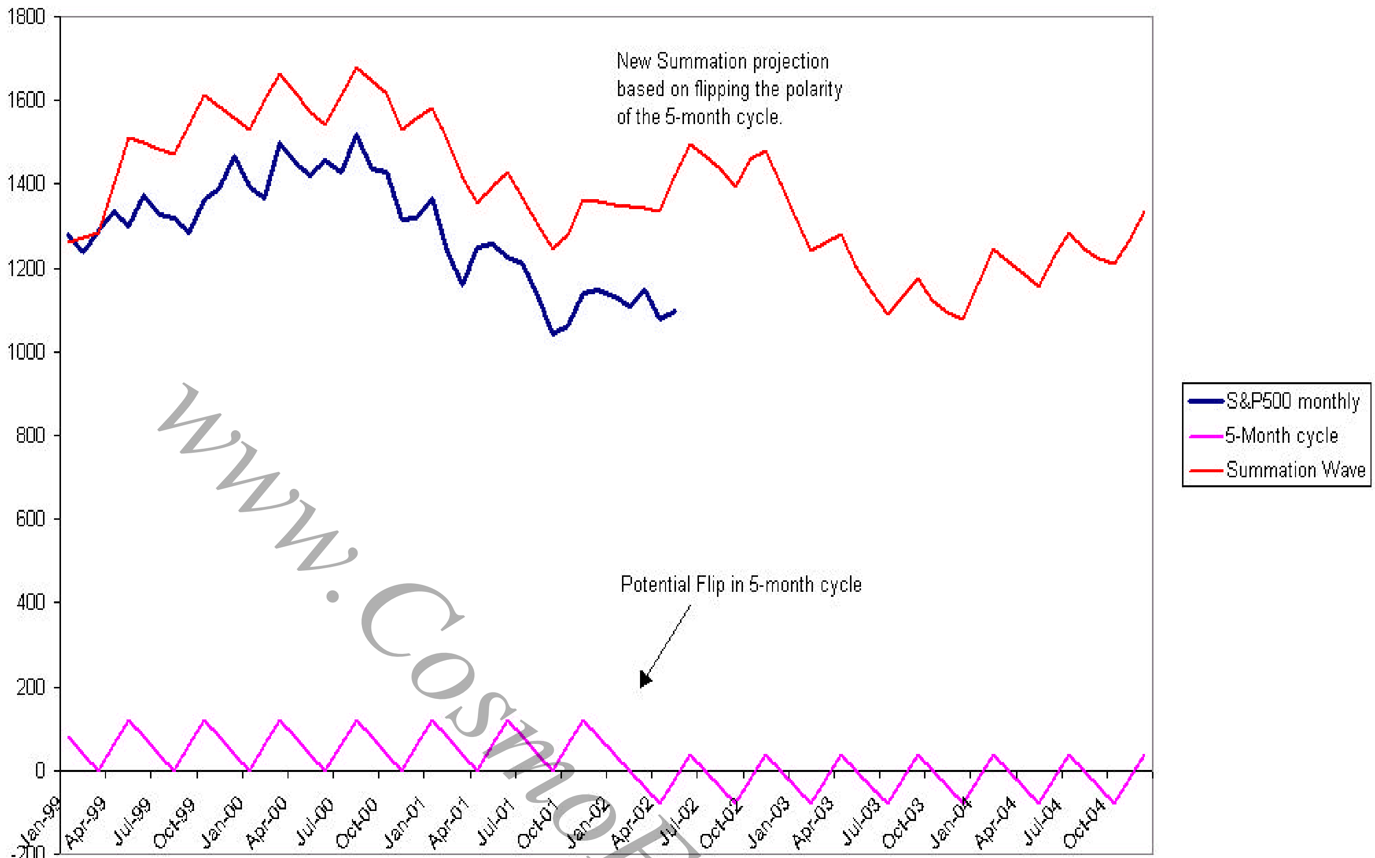


The red line on the chart above is our summation wave using the 4 dominant cycles discussed in this report (page 5) plus the minor cycles illustrated in the graphs along with the "main trend" from the 18-yr & 42-yr cycles from report 1. It is important to note that I am not attempting to model the market's amplitude. Only the general trends up, down or sideways are our concern. As you can see, the "market corrections" of 1987, 1990 and 1994 were clearly foreseen in the composite wave as well as the powerful rallies. The projected sell-off from 1990 to 1992 did not manifest. This is either the result of a polarity shift in some of our underlying cycles or possibly the result of other cycles missing from the model. I have made some notes on the above chart of potential polarity

S&P500 Projection #1 using Dominant Cycles



This chart in my opinion should provide the more reliable projection of the two.


New Summation projection
based on flipping the polarity
of the 5-month cycle.
Potential Flip in 5-month cycle
S&P500 monthly
5-Month cycle
Summation Wave
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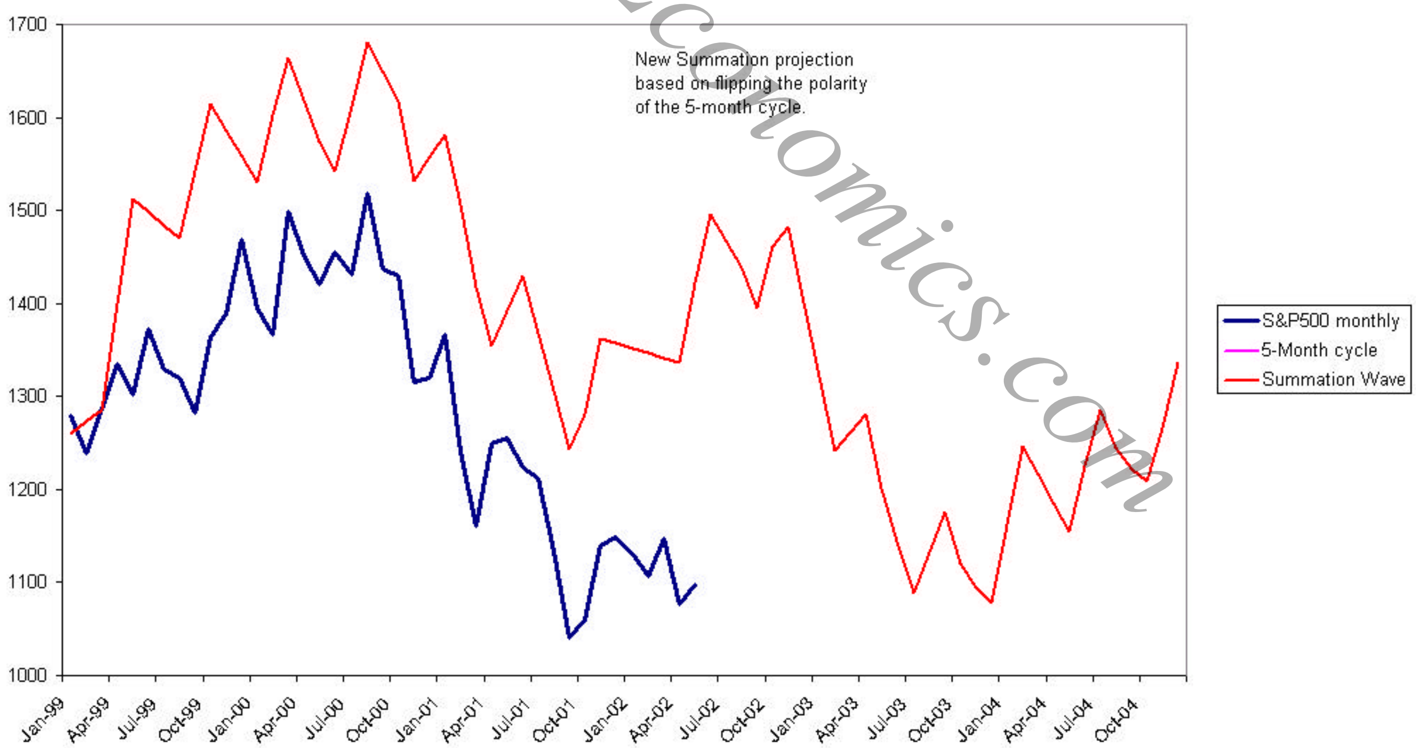
New Summation projection
based on flipping the polarity
of the 5-month cycle.
S&P500 monthly
5-Month cycle
Summation Wave
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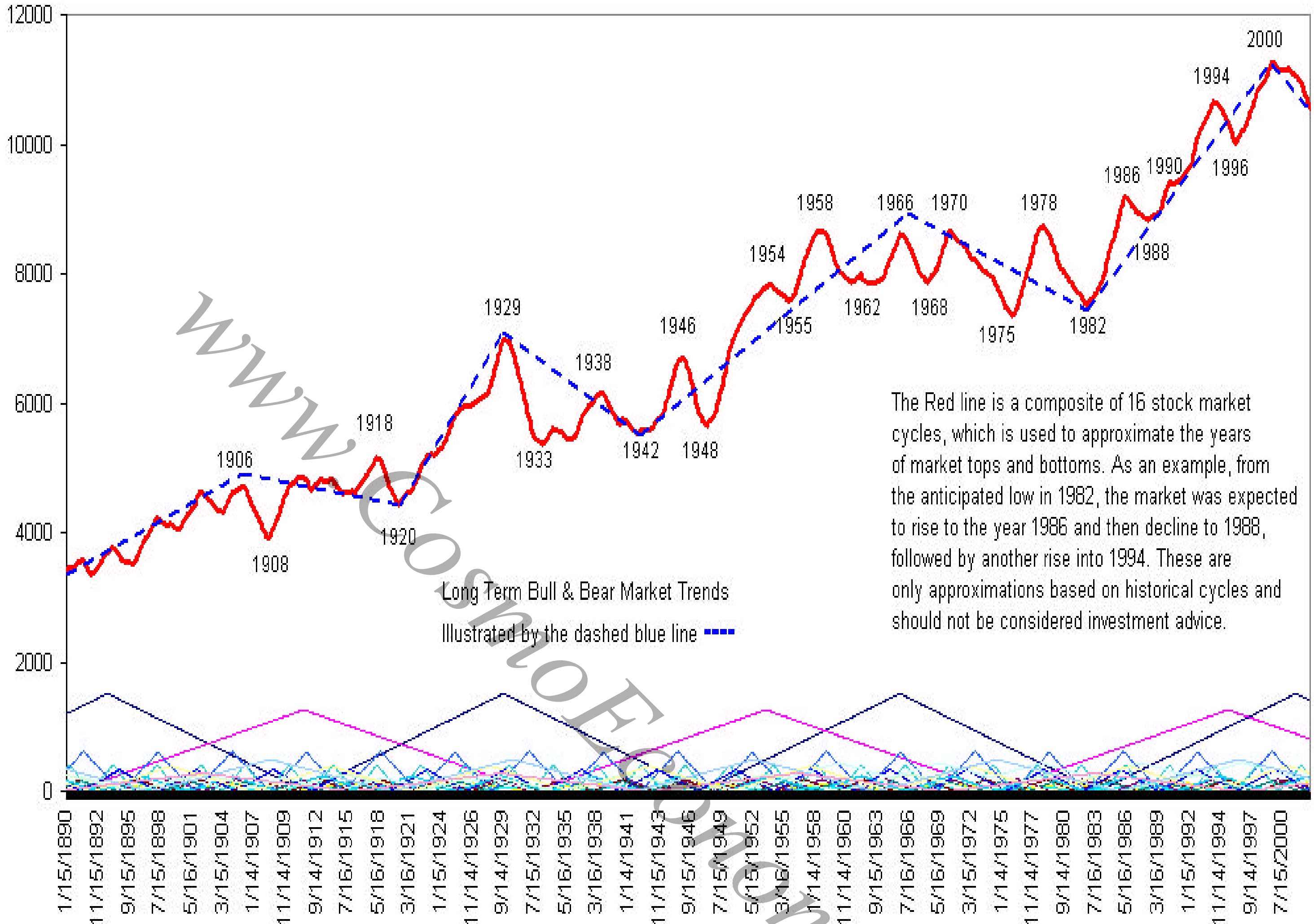
DTF Long Term Stock Market Barometer a Composite of 16 Cycles



The above chart illustrates how a synthesis of constituent cycles can be used to emulate market price movements. Although the model is far from perfect, it does provide a very good road map for the duration of potential up and down trends along with their anticipated ending points (tops & bottoms). Obviously, one would have to add shorter cycles or use other market timing methods to enhance entry and exit points, but even without these additions, this model would significantly outperform a "Buy & Hold" approach. Because this model is based on longer term cycles and monthly data, the longest cycle being 42-years and the smallest cycle being 4-years, the ideal timing can be off by a full year. In most of the historical cases, the ideal timing envelope was accurate

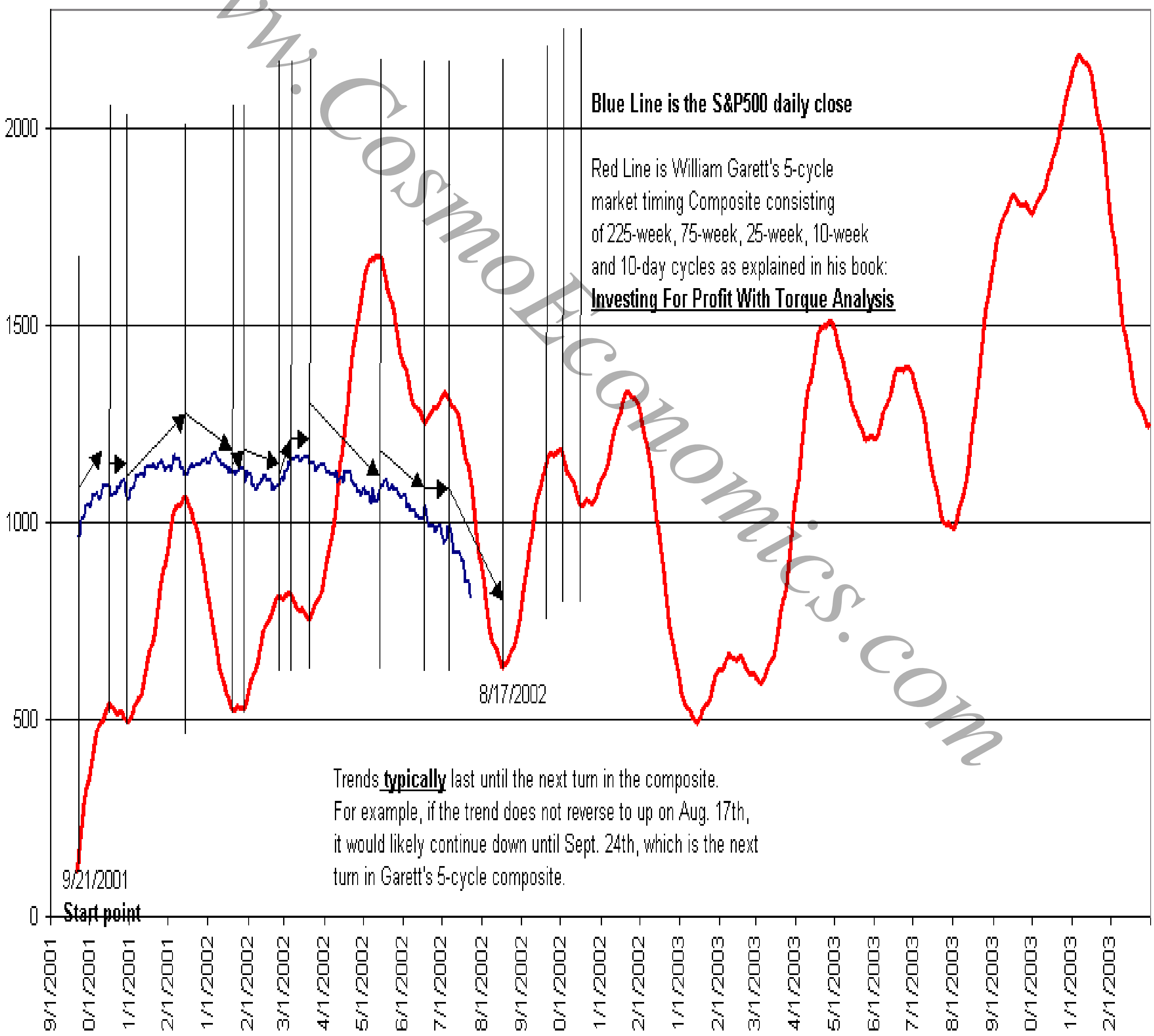
APPENDIX 1

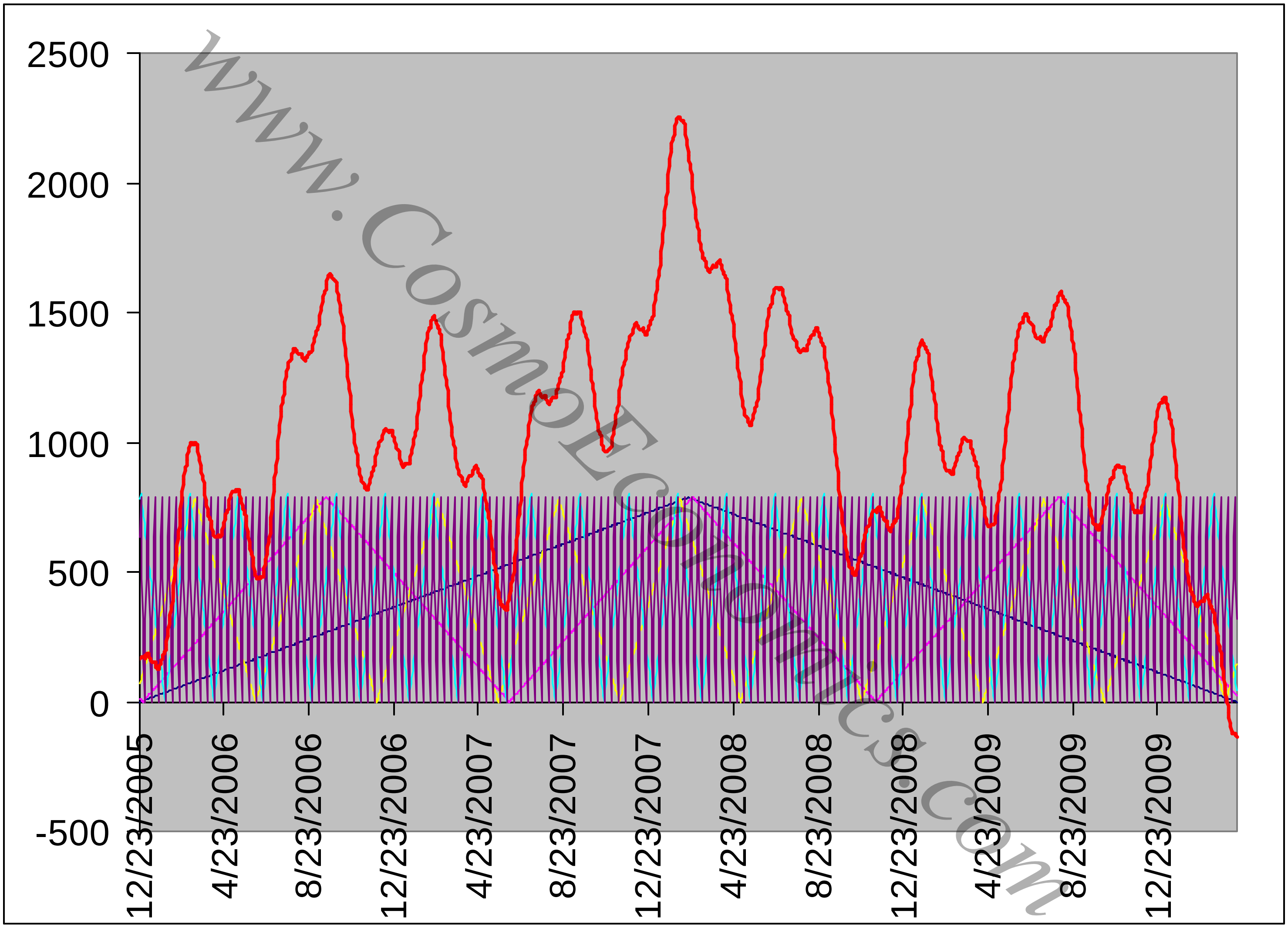
AN EXAMPLE FROM WILLIAM GARRETT'S

TORQUE ANALYSIS OF STOCK MARKET CYCLES

BY DANIEL T. FERRERA

Please see the included CD ROM for the worksheets which generated these charts.

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