



GORDON T LONG

Advanced Technical Analysis



Gordon T Long

Global Macro Research |
Macro-Technical Analysis



Technical Analysis

Market Road Maps | HPTZ
Methodology



SII

Global Macro Research |
Market Road Maps

NOTE

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BEAR MARKETS DIE or HIBERNATE IN OCTOBER



AGENDA

BEAR MARKETS DIE (OR HIBERNATE) IN OCTOBER

DIE OR HIBERNATE?

- DIE: 1987, 1990, 2000 et al..... SLIDES
- HIBERNATES: Trend - Double Combo / Zigzag.

GLOBAL CENTRAL BANK TIGHTENING

SUSTAINING INFLATION PRESSURES

- Dollar & Real Rates In Control.
- Three Wave of Inflation – Geo-Politics of Energy

VALUATIONS

- Forward PE Ratios.

Q3 EARNINGS

- Unfolding View

CONCLUSION

- Decision Time for the Bear



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\$SPX S&P 500 Large Cap Index INDX

© StockCharts.com

30-Oct-1987 **Open** 251.78 **High** 254.03 **Low** 244.77 **Close** 251.78 **Chg** +7.01 (+2.86%) ▲

\$SPX (Daily) 251.78
Volume undef



1987 Crash

251.78

\$SPX S&P 500 Large Cap Index INDX

© StockCharts.com

31-Dec-1990 **Open 328.00 High 330.72 Low 327.00 Close 330.69 Chg +2.69 (+0.82%) ▲**



\$SPX S&P 500 Large Cap Index INDX

© StockCharts.com

31-Oct-2000 O 1402.01 H 1432.22 L 1398.66 C 1429.40 V 1.8B Chg +30.74 (+2.20%) ▲



\$SPX S&P 500 Large Cap Index INDX

© StockCharts.com

31-Oct-2008 **Op** 953.11 **Hi** 984.38 **Lo** 944.59 **Cl** 968.75 **Vol** 5.1B **Chg** +14.66 (+1.54%) ▲



\$SPX S&P 500 Large Cap Index INDX

© StockCharts.com

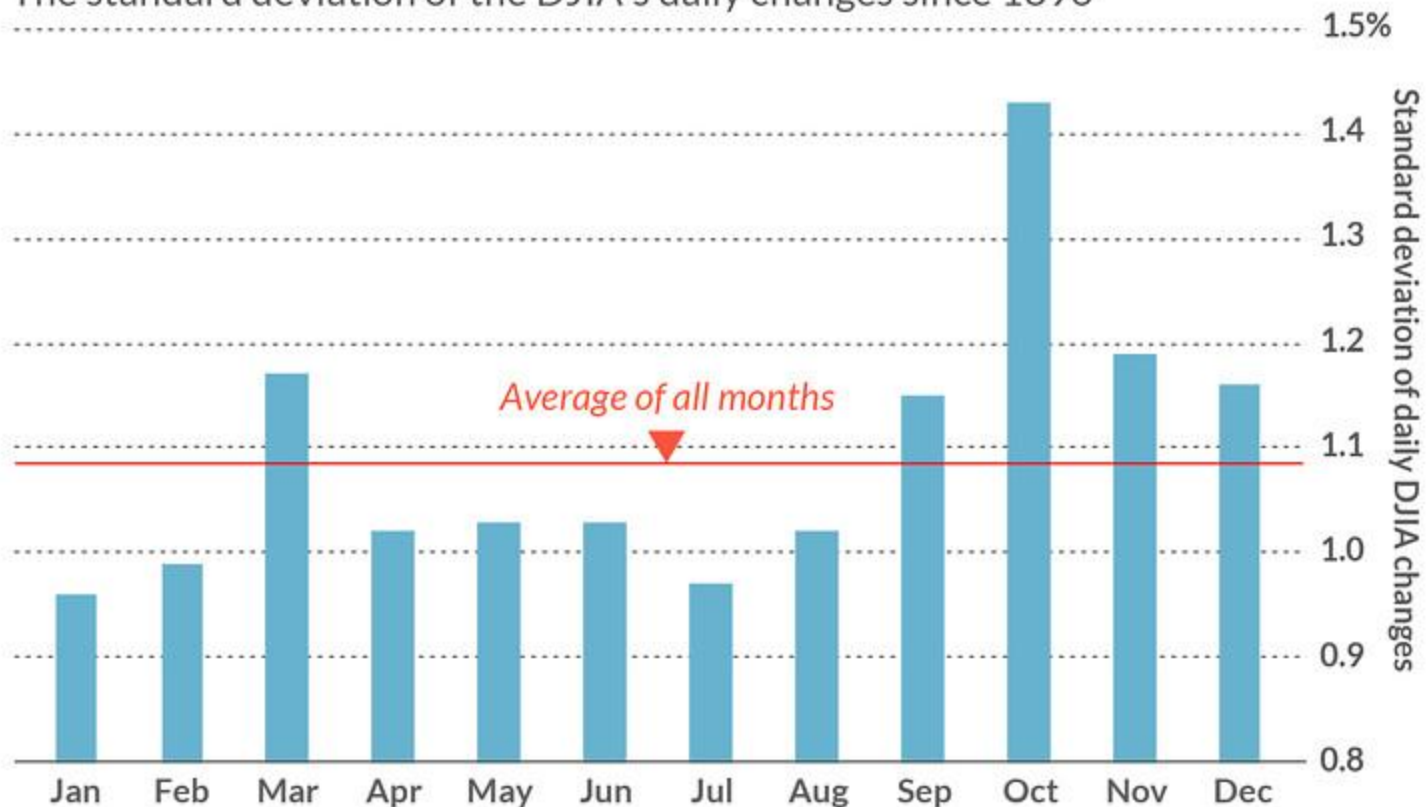
31-Oct-2011 O 1284.96 H 1284.96 L 1253.16 C 1253.30 V 3.3B Chg -31.78 (-2.47%) ▼

1/4 \$SPX (Daily) 1253.30



October stands out

The standard deviation of the DJIA's daily changes since 1896



Source: www.HulbertRatings.com

DURATION DECLINES SINCE GFC

At 269 days (as of 10/07/22) and counting, this is now the longest correction we've seen since the March 2009 low.

Is this still only a "correction"...?

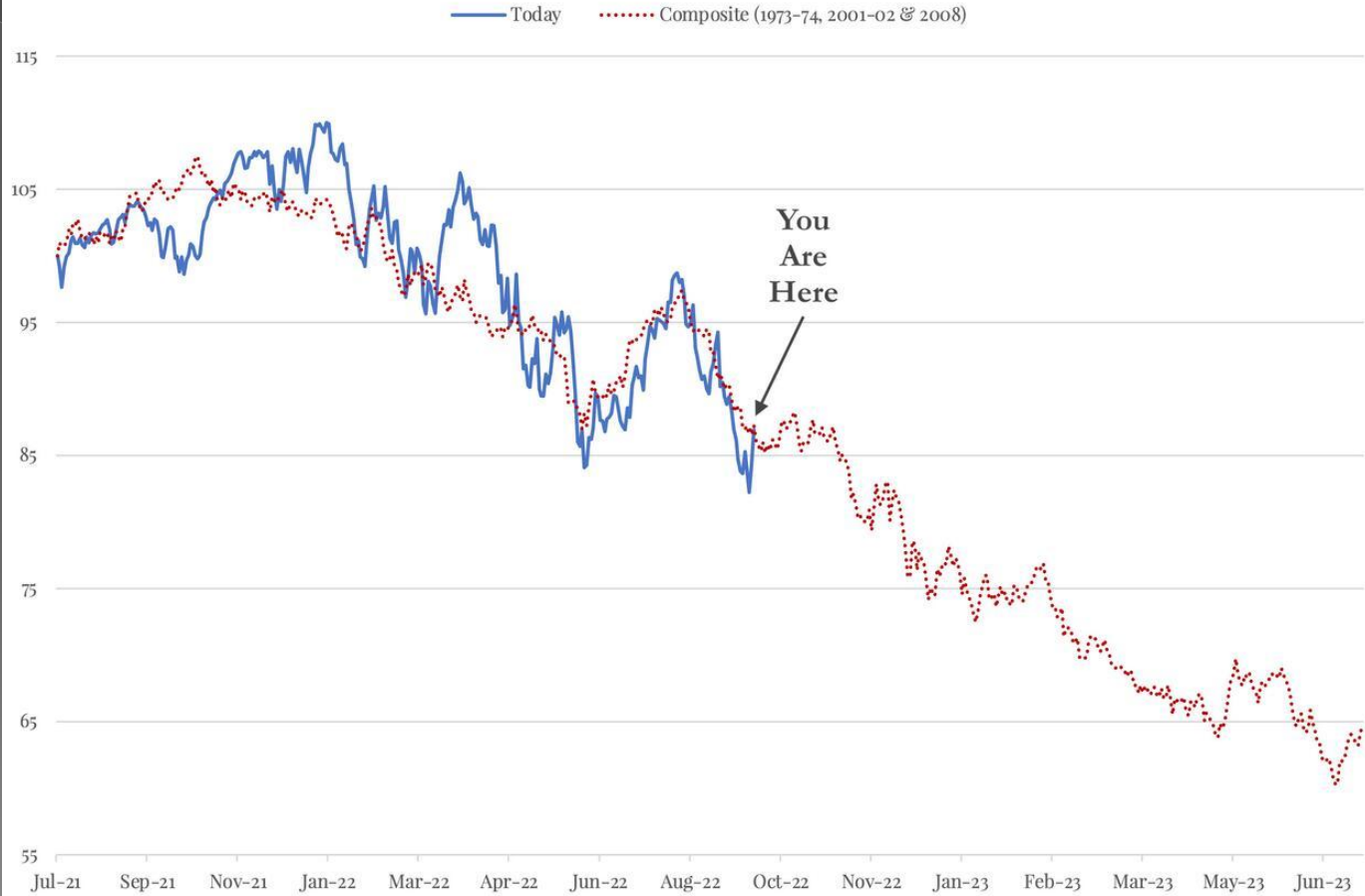
Bear Markets normally have a different profile pattern!

| Correction Period | # Days | S&P High | S&P Low | % Decline |
|--------------------------|-----------|----------|---------|--------------|
| 2022: Jan 4 - Sep 30 | 269 | 4819 | 3584 | -25.6% |
| 2021: Nov 22 - Dec 3 | 11 | 4744 | 4495 | -5.2% |
| 2021: Sep 2 - Oct 4 | 32 | 4546 | 4279 | -5.9% |
| 2021: Feb 16 - Mar 4 | 16 | 3950 | 3723 | -5.7% |
| 2020: Sep 2 - Sep 24 | 22 | 3588 | 3209 | -10.6% |
| 2020: Feb 19 - Mar 23 | 33 | 3394 | 2192 | -35.4% |
| 2019: Jul 26 - Aug 5 | 10 | 3028 | 2822 | -6.8% |
| 2019: May 1 - Jun 3 | 33 | 2954 | 2729 | -7.6% |
| 2018: Sep 21 - Dec 26 | 96 | 2941 | 2347 | -20.2% |
| 2018: Jan 26 - Feb 9 | 14 | 2873 | 2533 | -11.8% |
| 2016: Aug 15 - Nov 4 | 81 | 2194 | 2084 | -5.0% |
| 2015/16: May 20 - Feb 11 | 267 | 2135 | 1810 | -15.2% |
| 2014/15: Dec 29 - Feb 2 | 35 | 2094 | 1981 | -5.4% |
| 2014: Dec 5 - Dec 16 | 11 | 2079 | 1973 | -5.1% |
| 2014: Sep 19 - Oct 15 | 26 | 2019 | 1821 | -9.8% |
| 2014: Jan 15 - Feb 5 | 21 | 1851 | 1738 | -6.1% |
| 2013: May 22 - Jun 24 | 33 | 1687 | 1560 | -7.5% |
| 2012: Sep 14 - Nov 16 | 63 | 1475 | 1343 | -8.9% |
| 2012: Apr 2 - Jun 4 | 63 | 1422 | 1267 | -10.9% |
| 2011: May 2 - Oct 4 | 155 | 1371 | 1075 | -21.6% |
| 2011: Feb 18 - Mar 16 | 26 | 1344 | 1249 | -7.1% |
| 2010: Apr 26 - Jul 1 | 66 | 1220 | 1011 | -17.1% |
| 2010: Jan 19 - Feb 5 | 17 | 1150 | 1045 | -9.2% |
| 2009: Oct 21 - Nov 2 | 12 | 1101 | 1029 | -6.5% |
| 2009: Sep 23 - Oct 2 | 9 | 1080 | 1020 | -5.6% |
| 2009: Jun 11 - Jul 7 | 26 | 956 | 869 | -9.1% |
| 2009: May 8 - 15 | 7 | 930 | 879 | -5.5% |
| Median | 26 | | | -7.6% |

3-Phases Of Bear Markets



Bear Market Analog



Earnings Breadth

%pos of 3m change in GIC2 industry group EPS
Weekly data. Source: FMRco, Bloomberg

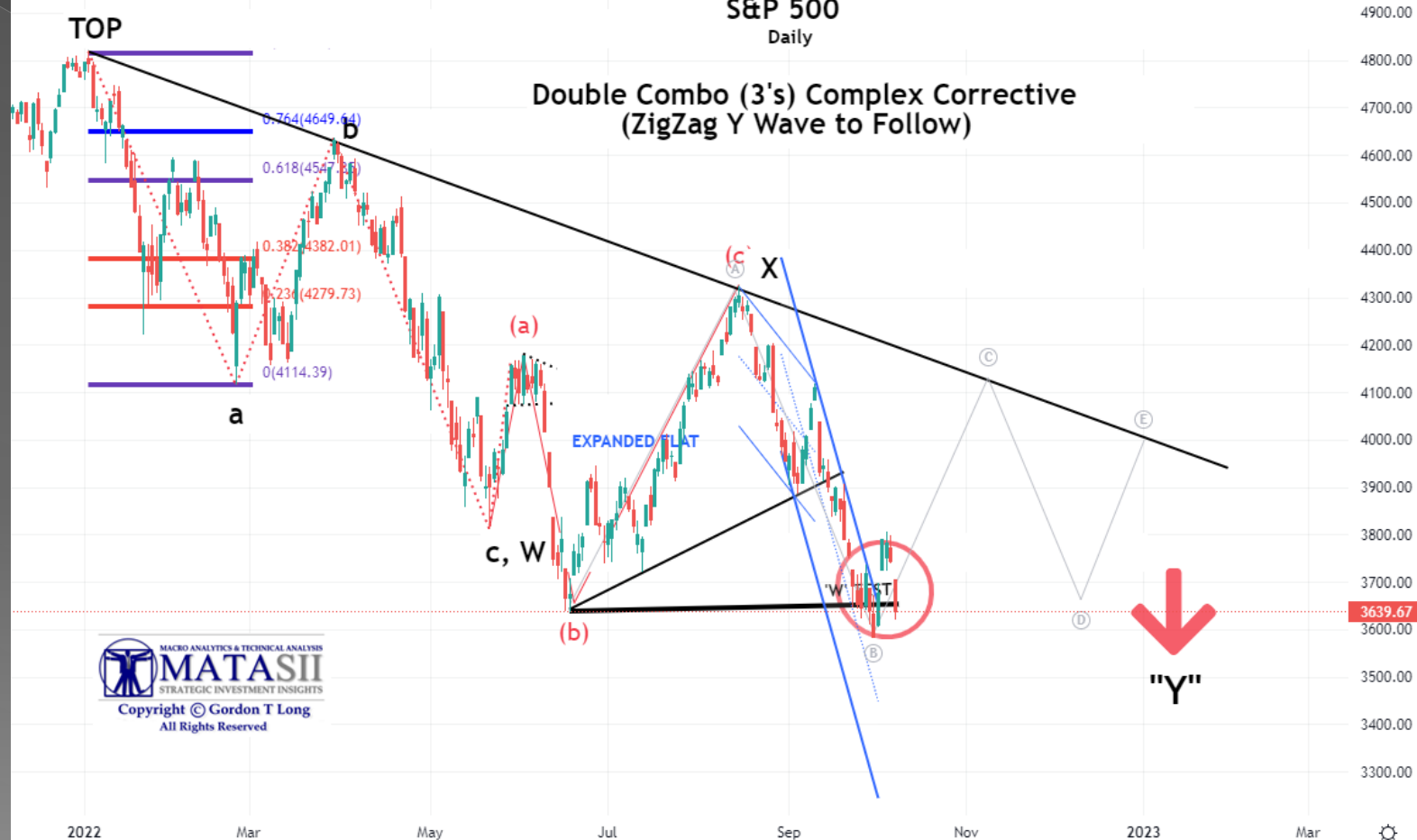


AN ELLIOT WAVE "DOUBLE COMBO - ZIGZAG" CORRECTIVE



S&P 500 Daily

Double Combo (3's) Complex Corrective (ZigZag Y Wave to Follow)



Path of S&P 500: Soft vs. Hard landing scenarios

S&P 500 falls to 3600 in soft landing, but 3150 if investors price hard landing



Source: Goldman Sachs Global Investment Research

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S&P 500 falls to 3600 in soft landing, but 3150 if investors price hard landing



Source: Goldman Sachs Global Investment Research

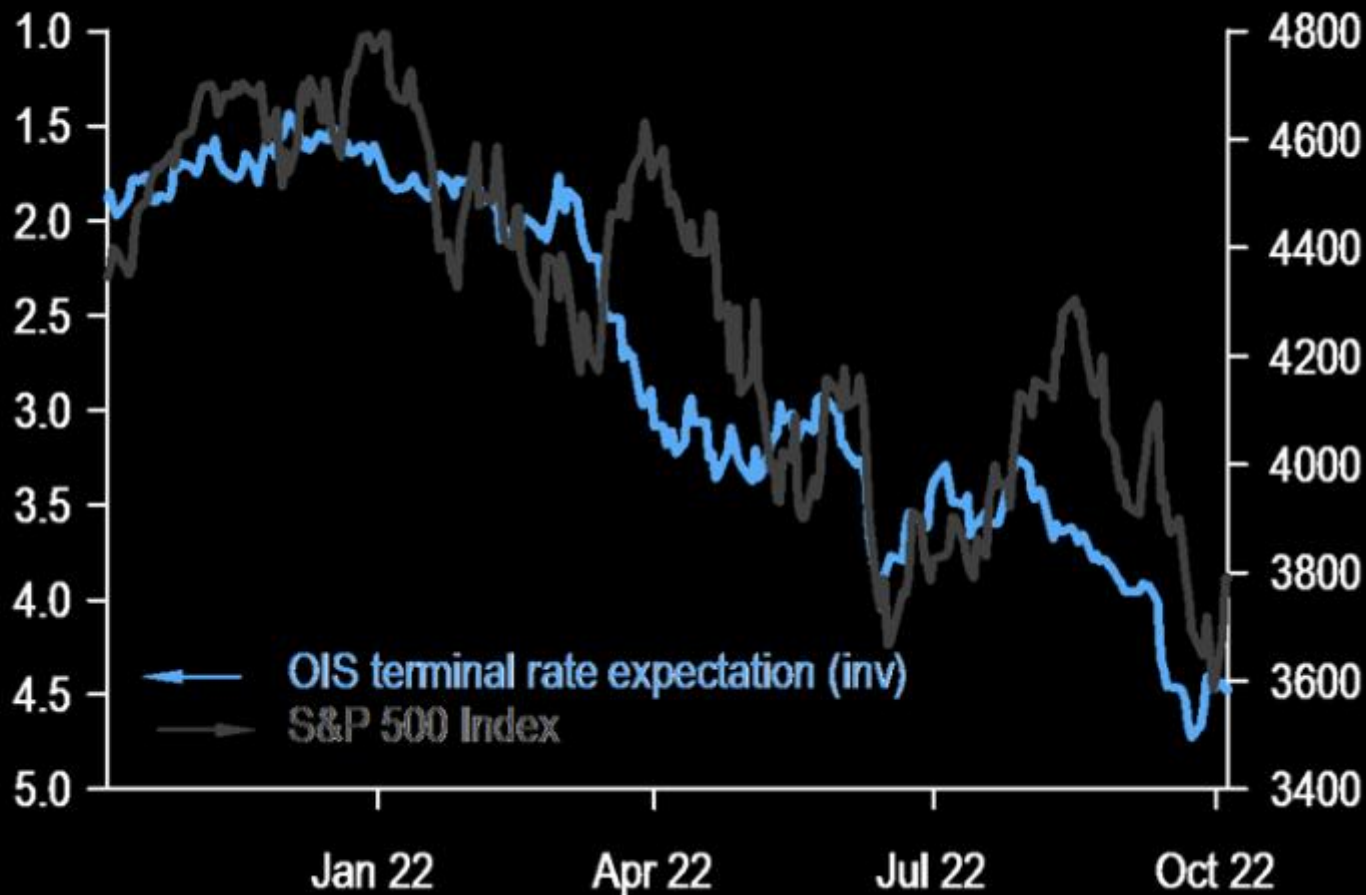
RANGE

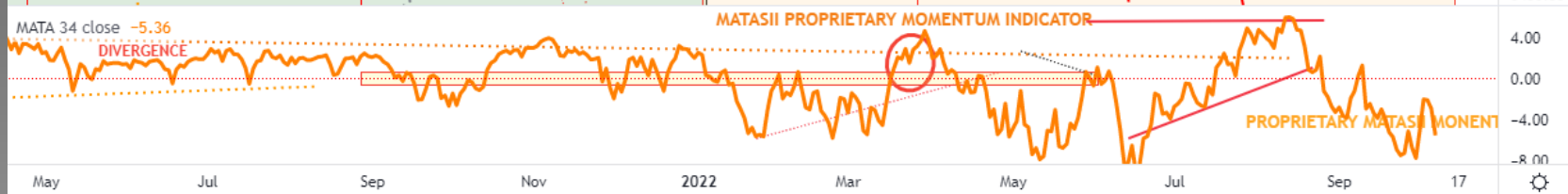
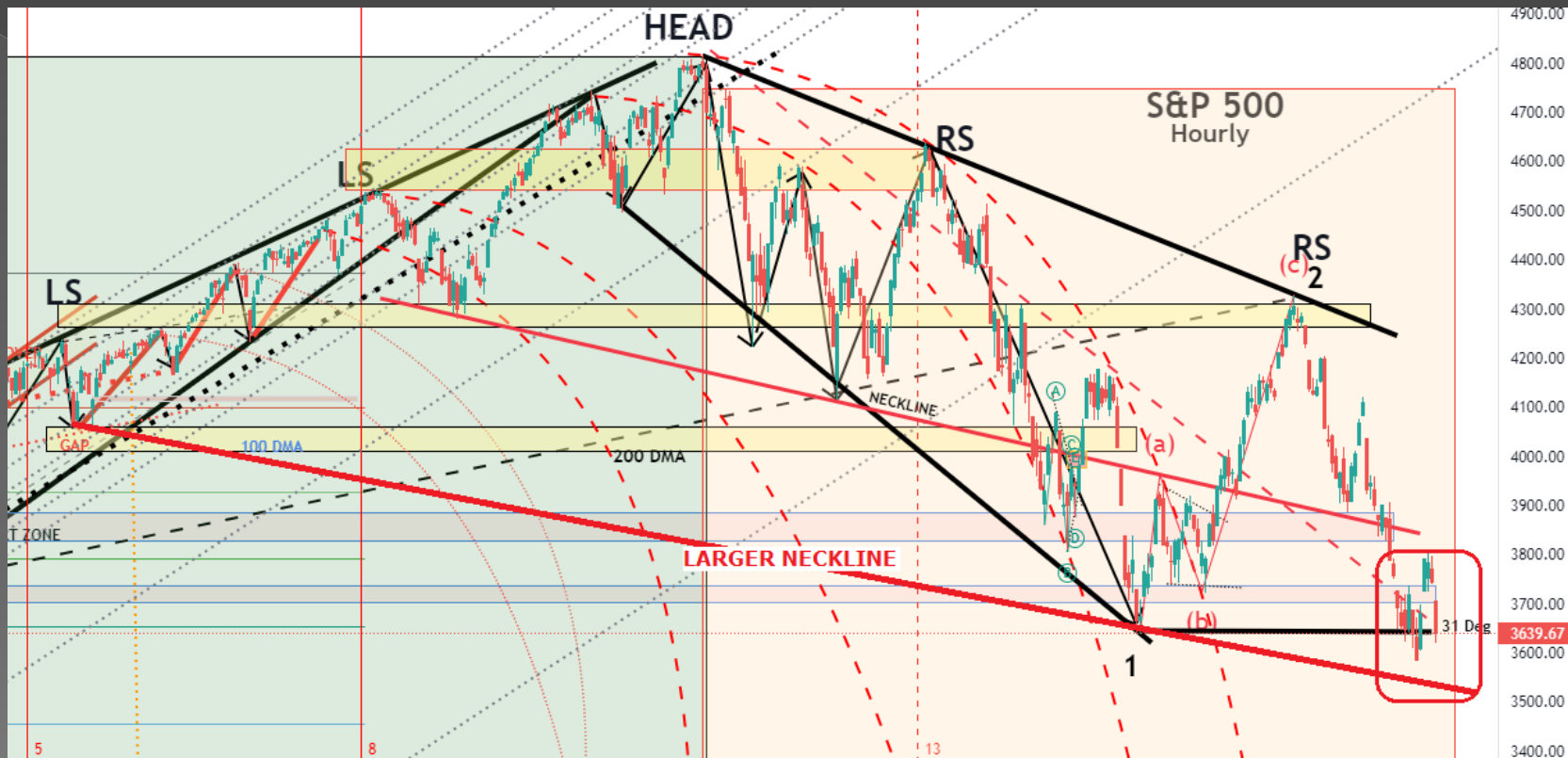
CONTROLLERS
 1- Moving Averages
 2- Fibonacci Extensions

S&P 500



S&P 500 Index (rs), Terminal Fed Fund rate expectations via OIS market (Is, inv)





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Q3 EARNINGS

- Unfolding View

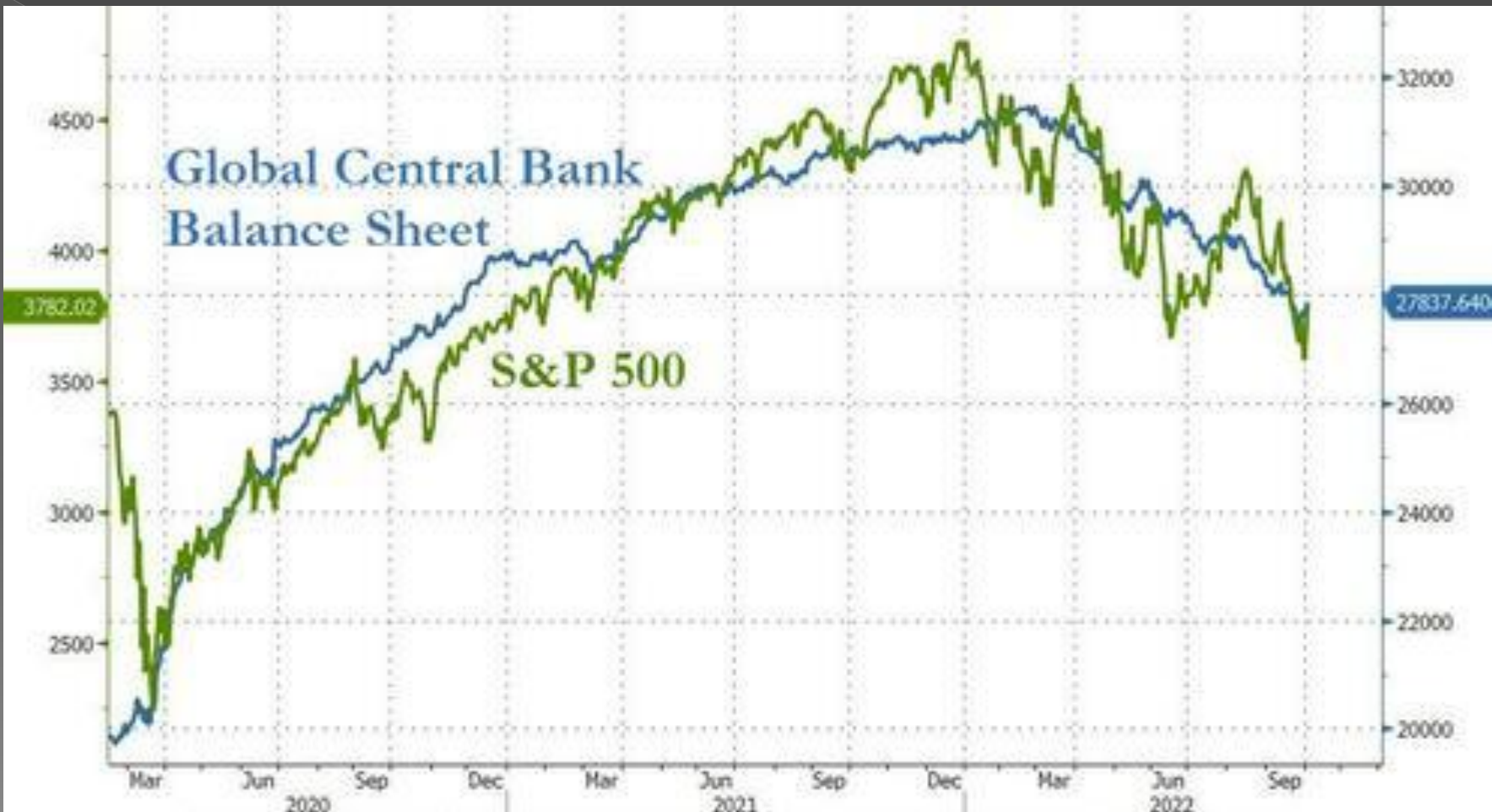
CONCLUSION

- Decision Time for the Bear

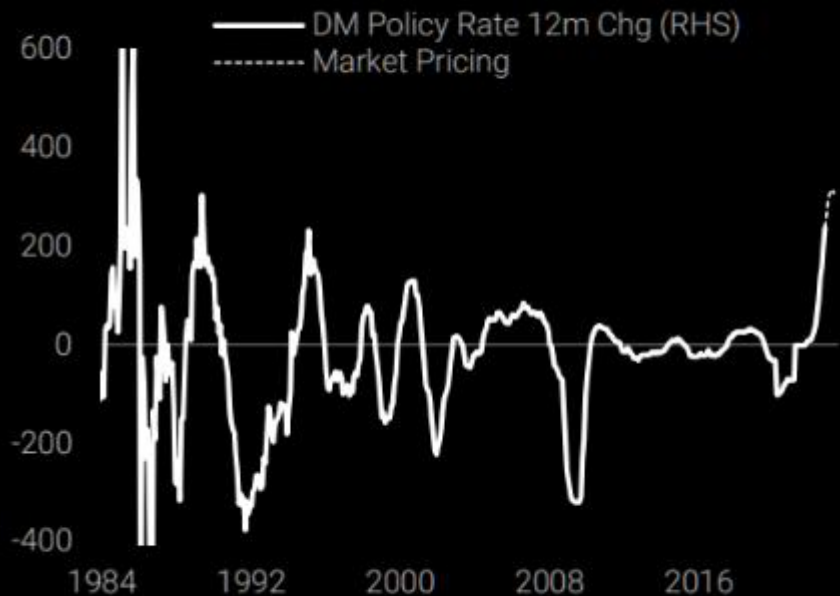


Global Central Bank Balance Sheet

S&P 500

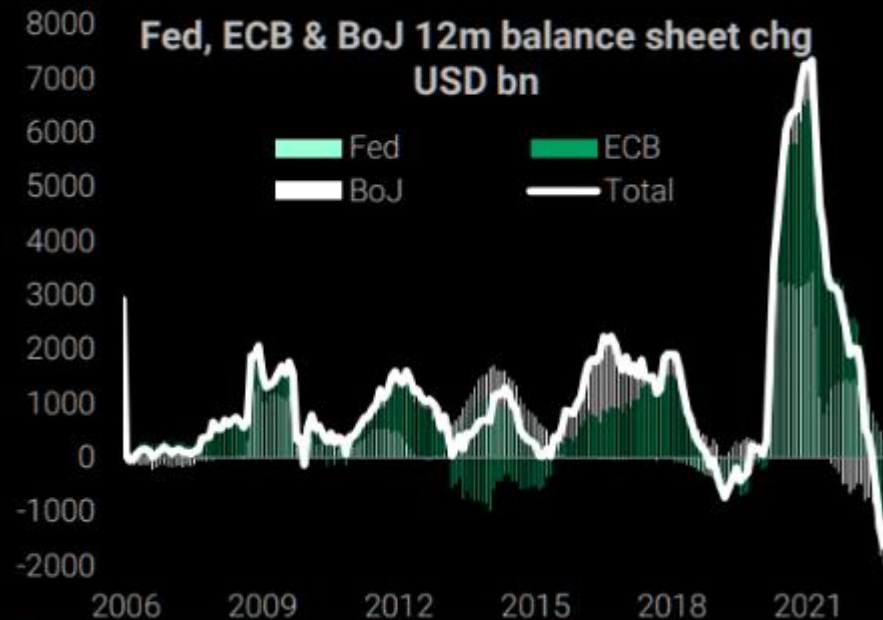


Rates are rising across DM – and quickly...

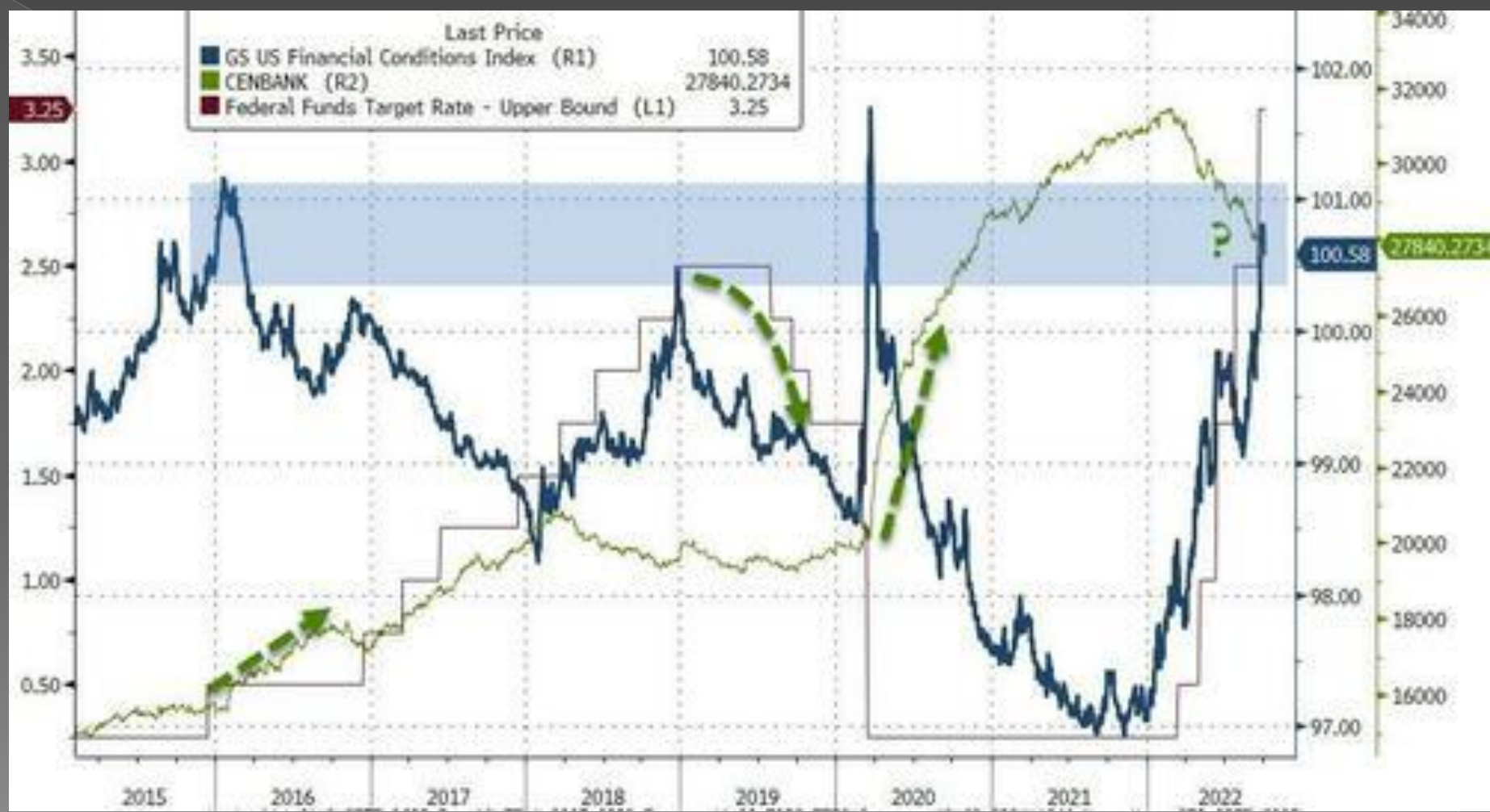


Sources: TS Lombard, Bloomberg.

... as central-bank balance sheets tighten



Sources: TS Lombard, Bloomberg.



■ Bloomberg United States Financial Conditions Index Plus - Last Price 1.811





UN WARNING PRESSURES??

The UN Demands All Central Banks Stop Rate Hikes And Switch To Price Controls Instead



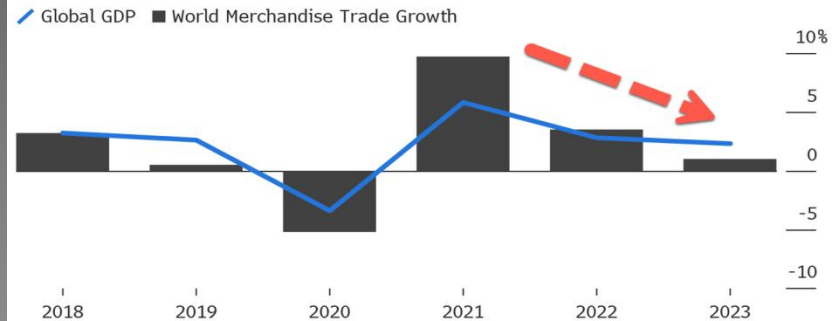
Policymakers appear to be hoping that a short sharp monetary shock... will be sufficient to anchor inflationary expectations without triggering recession...

TUE OCT 4, AT 11:01 AM

WTO, IMF, OECD
ALL WARNING OF GLOBAL
RECESSION

Pandemic Trade Boom Stalls

Trade losing momentum amid multiple shocks to the world economy



Source: World Trade Organization

Bloomberg

World Careening Toward "Dangerous New Normal", IMF Chief Warns



*"The deeper causes of the **world's fragility** can only be addressed by **countries working together.**"*

FRI OCT 7, AT 8:20 PM

Will We Be Able To "Put in a Fix" to a Global Problem By Again "Cheating"?

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U.S. 10 Year TIPS

US10YTIP:Exchange

Yield | 6:22 AM EDT

1.642% ▲ +0.025



CORRELATION

REAL RATES - UP

>>

DOLLAR-UP

YEN, EURO, DOWN

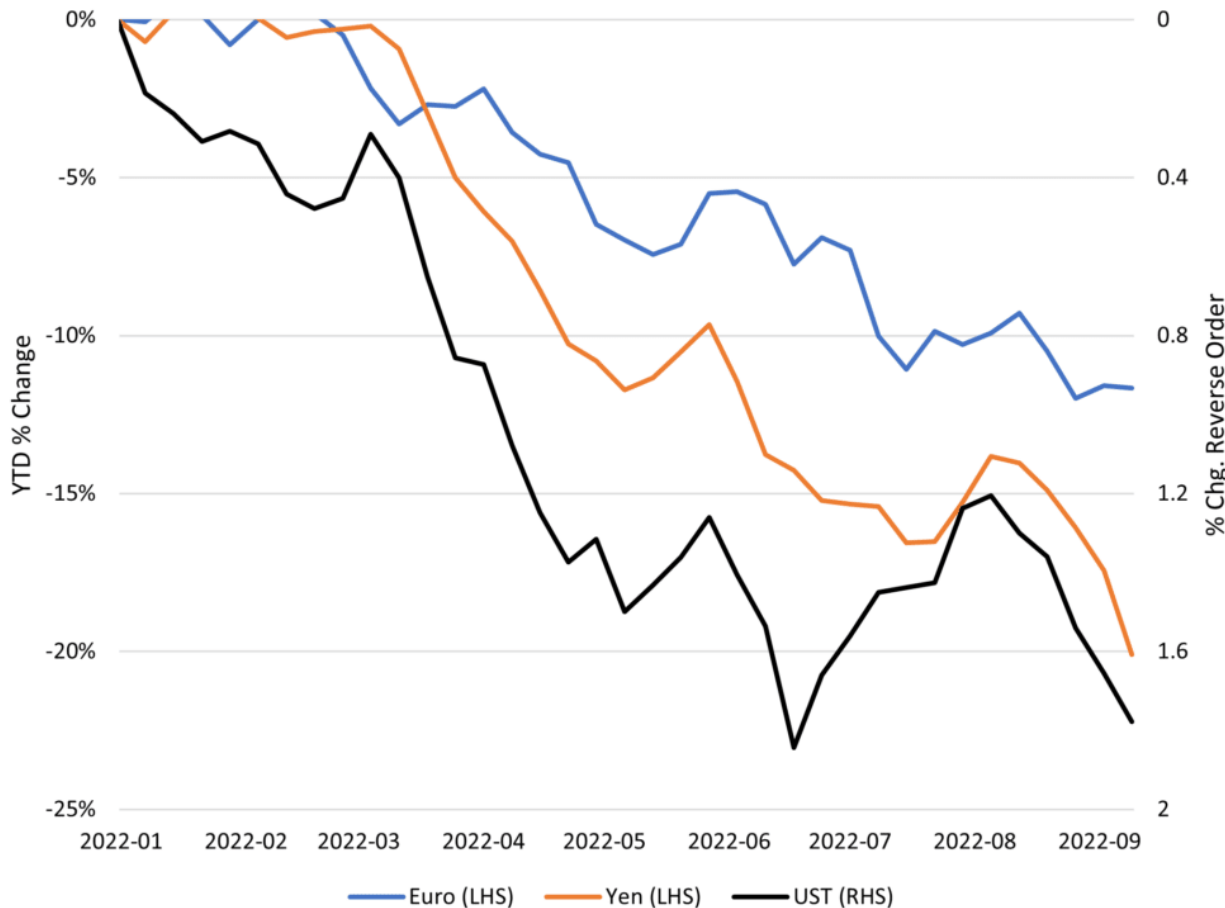
>>

UST YIELD - UP

>>

EQUITIES - DOWN

Year to Date Change - Euro, Yen and 10yr. UST Yield



OPEC+ Meeting Preview: Output Cut Between 0.5 And 2.0 Million bpd



OPEC+ is likely to agree to cut oil, output, with expectations ranging from 0.5-2.0mln BPD; more recent expectations tilt towards the top end of the range.

WED OCT 5, AT 7:29 AM

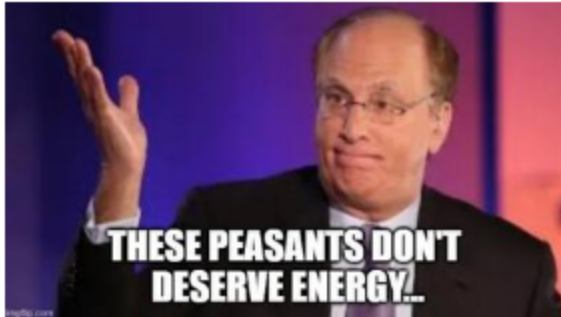


GEO-POLITICAL TENSION

Last Seen During the Cuban Missile Crisis



OPEC's Counterattack...



...the message is clear - the Fed can crash global GDP in their fight against oil, but OPEC wields a much larger stick and will cut production even faster...

WED OCT 5, AT 8:35 AM

White House Panics As Gasoline Prices Rebound, Mulls Export Ban, Blasts OPEC+ "Hostile Acts"



"For these reasons, we urge the Biden administration to take this option off the table ..."

WED OCT 5, AT 7:44 AM

**OIL PRICES ARE
MOVING UP AS
THE US\$ WEAKENS**



OPEC+ BELIEVE
THEY HAVE
THE US (& WEST)
EXACTLY WHERE
THEY WANT THEM!

THEY WON'T BE
PUSHED AROUND
ANY LONGER!

Chart 6: Wall St leads Main St

US private sector financial assets % of GDP



OPEC+ KNOWS
THEY WILL BREAK
SOMETHING!

Source: BofA Global Investment Strategy, Haver

BofA GLOBAL RESEARCH

2023

An Energy Refining & Extraction Crisis!



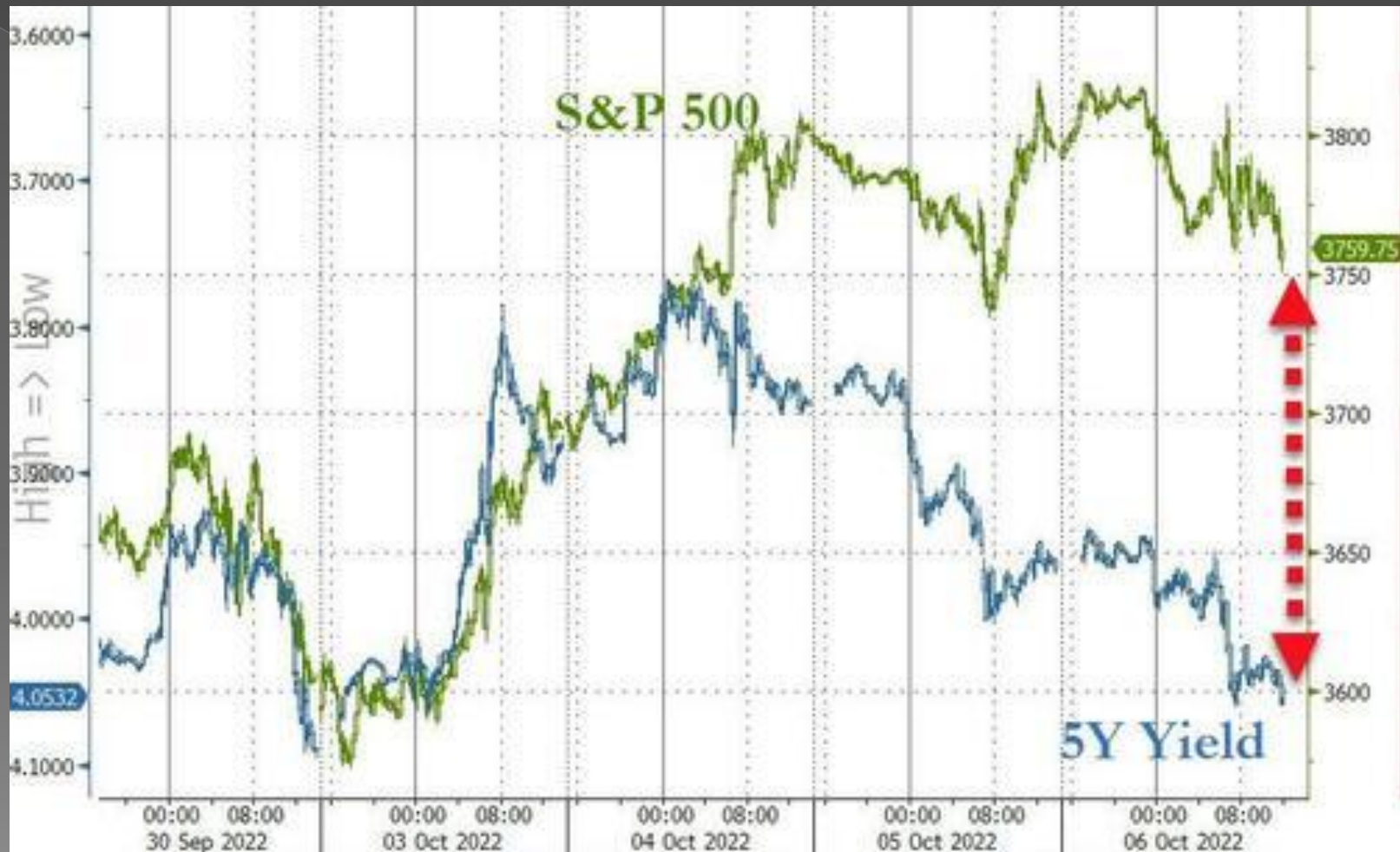
COMMODITY SUPER-CYCLE

- ① Commodities FALL as US\$ Rises,
- ② Commodities RISE as Scarcities Increase
- ③ Commodities FALL as G7 Fiat Currencies Fall
- ④ Commodities RISE as Export Restrictions, Allocations, Restrictive Trade Agreements Increase
- ⑤ Commodities FALL as Global Growth Craters

DOMINATE CONTROLLERS

GOLD & SILVER PRICES MOVING UP AS THE US\$ WEAKENS





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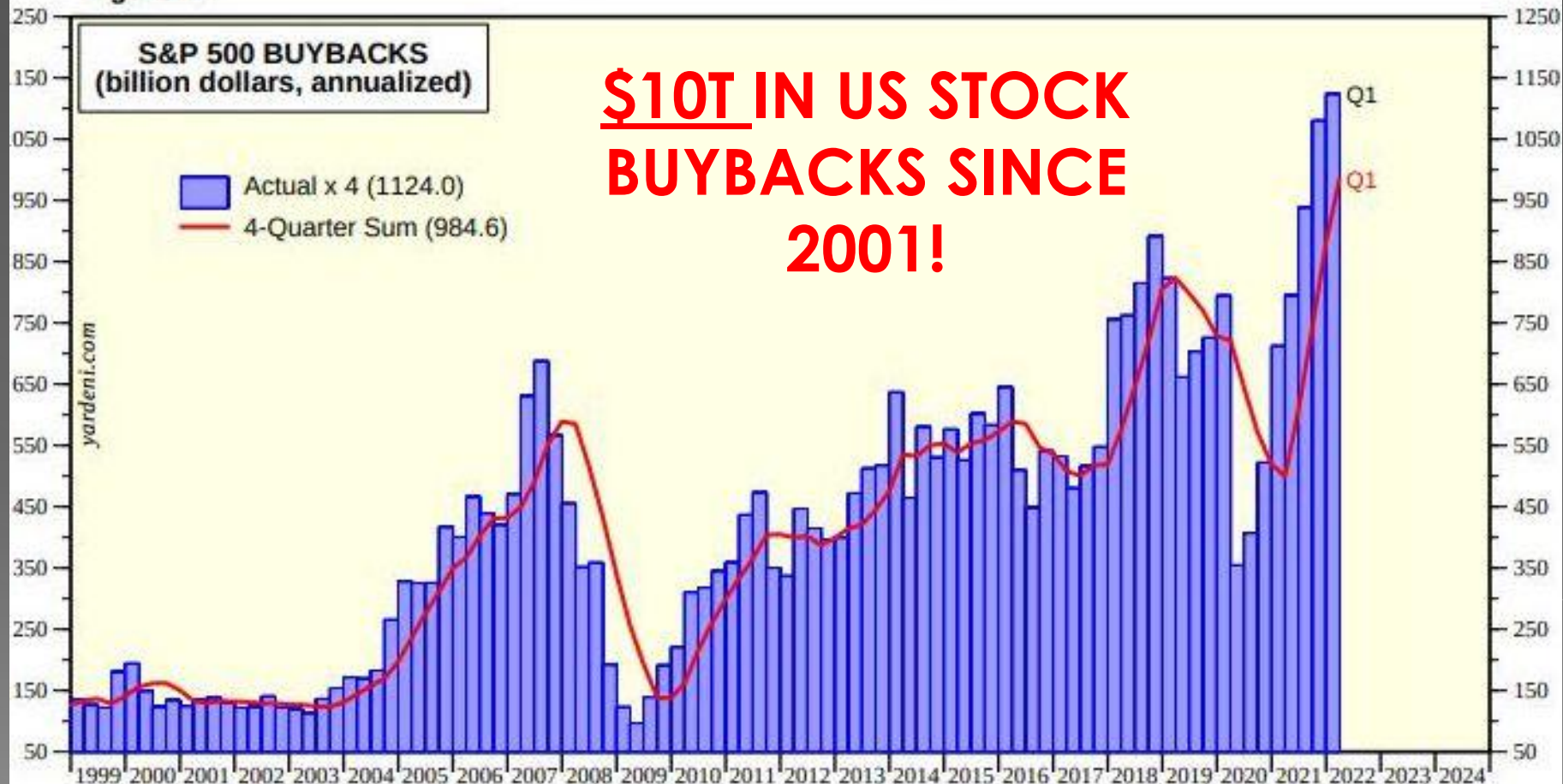
- Unfolding View

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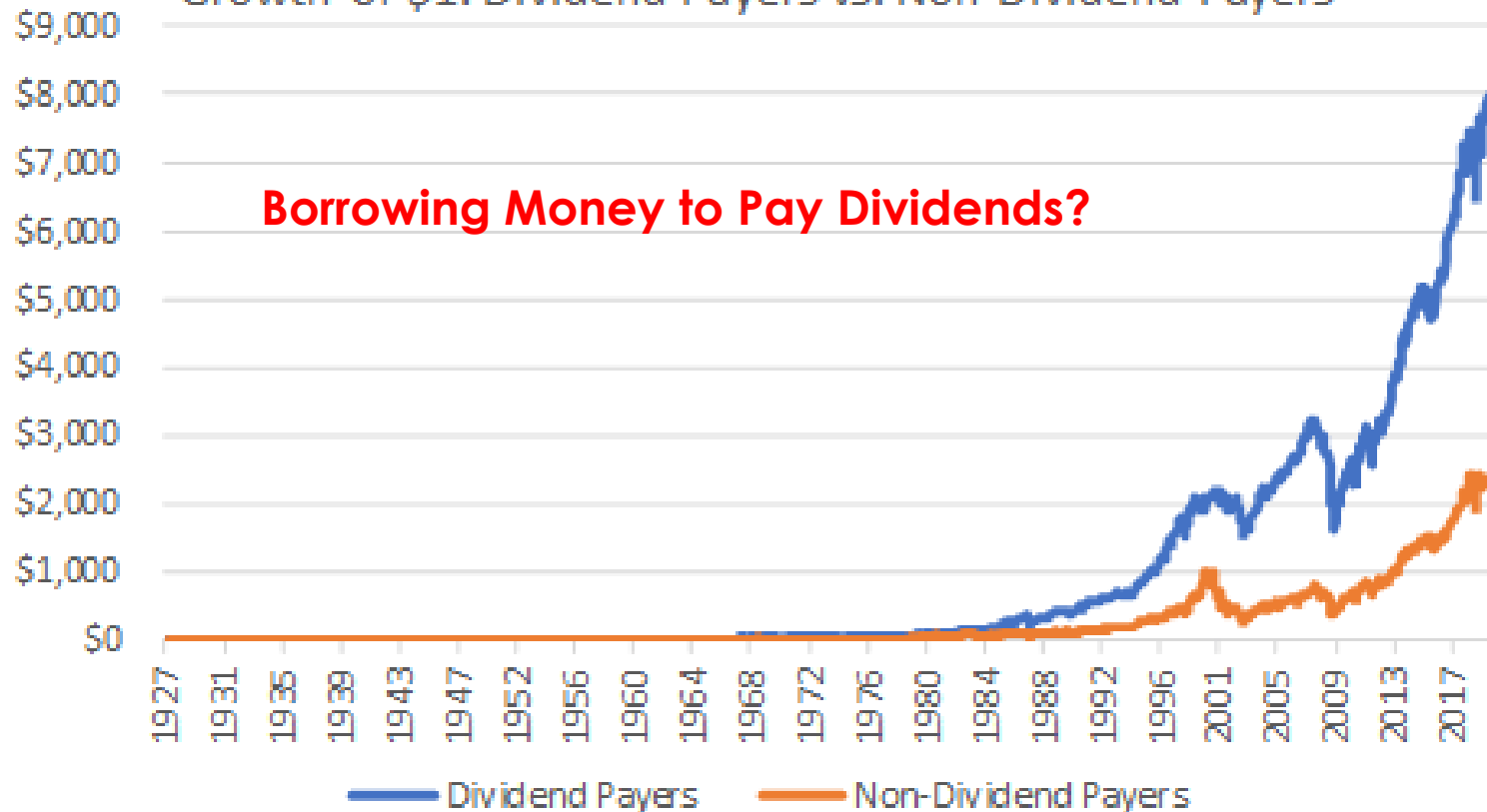


Figure 1.

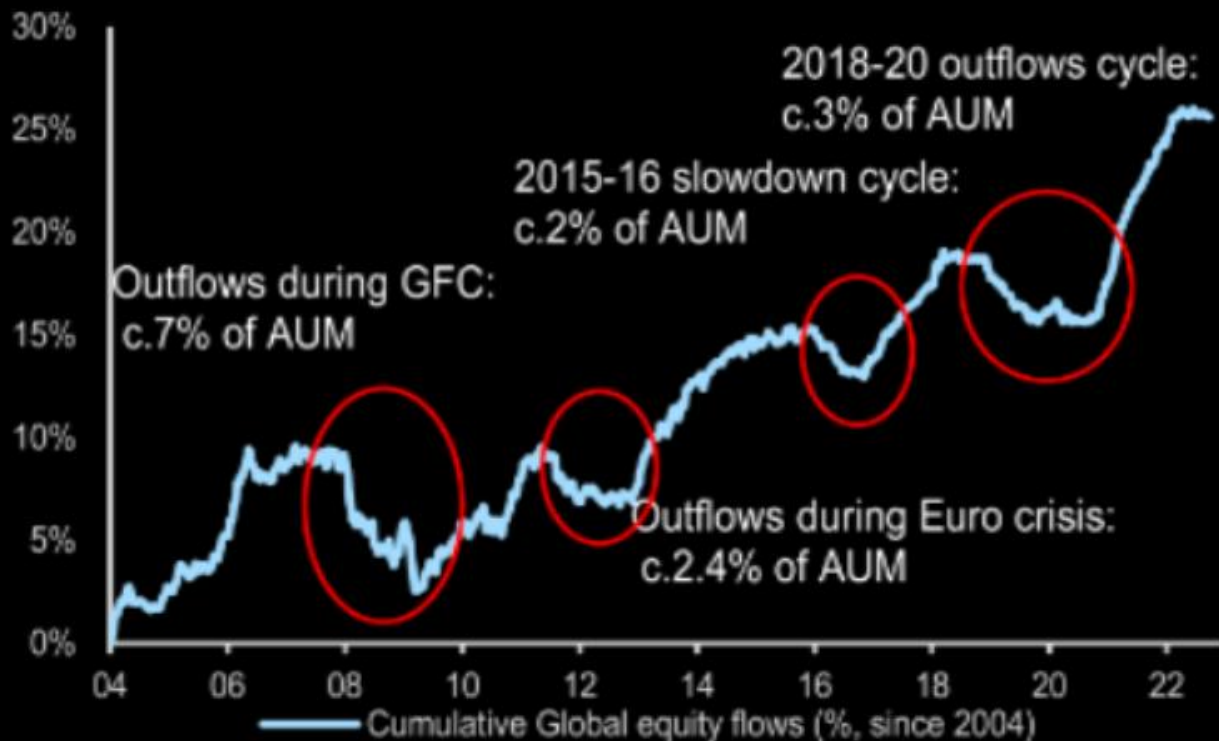


Source: Standard & Poor's.

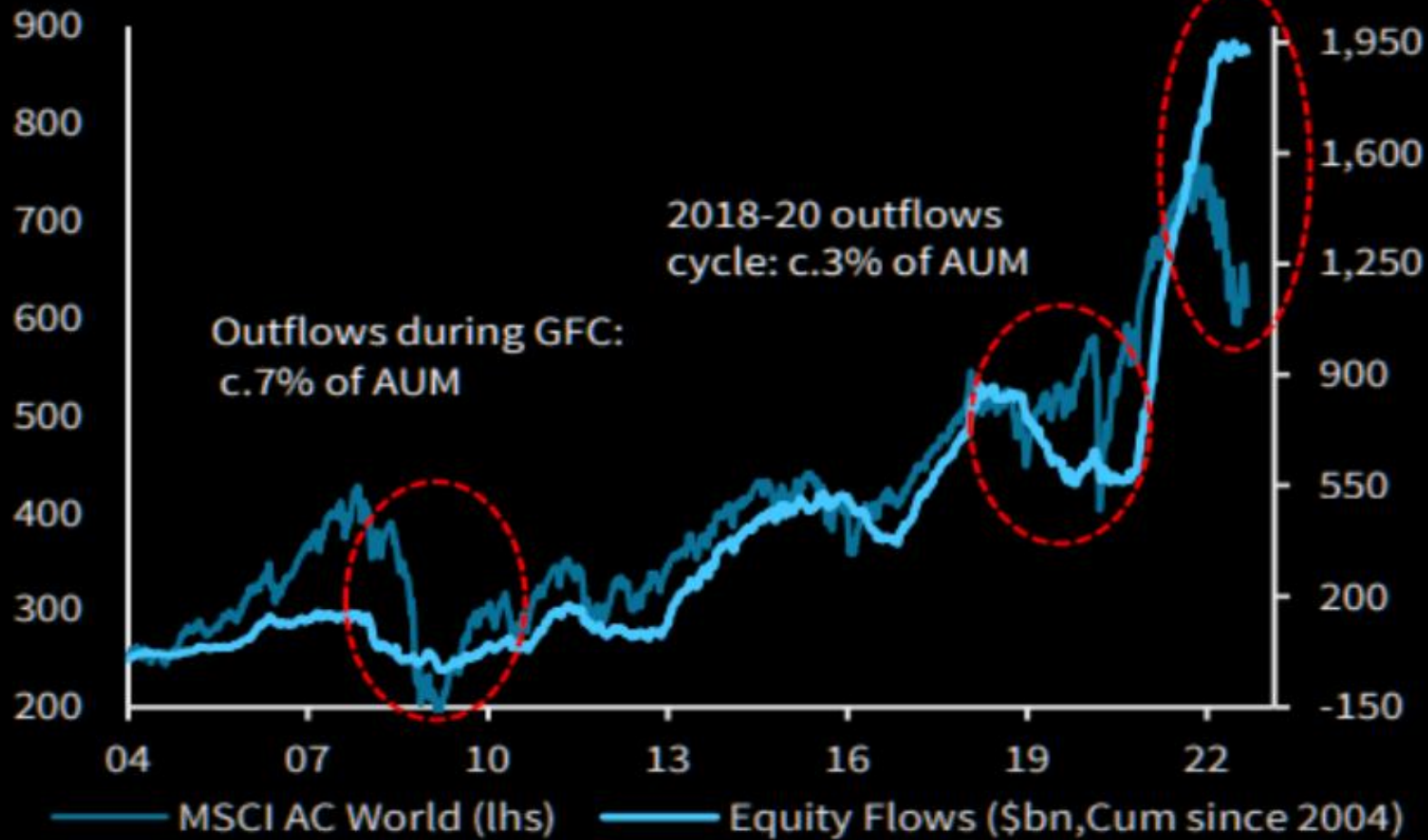
Growth of \$1: Dividend Payers vs. Non-Dividend Payers



Recession is usually accompanied by big redemption cycle



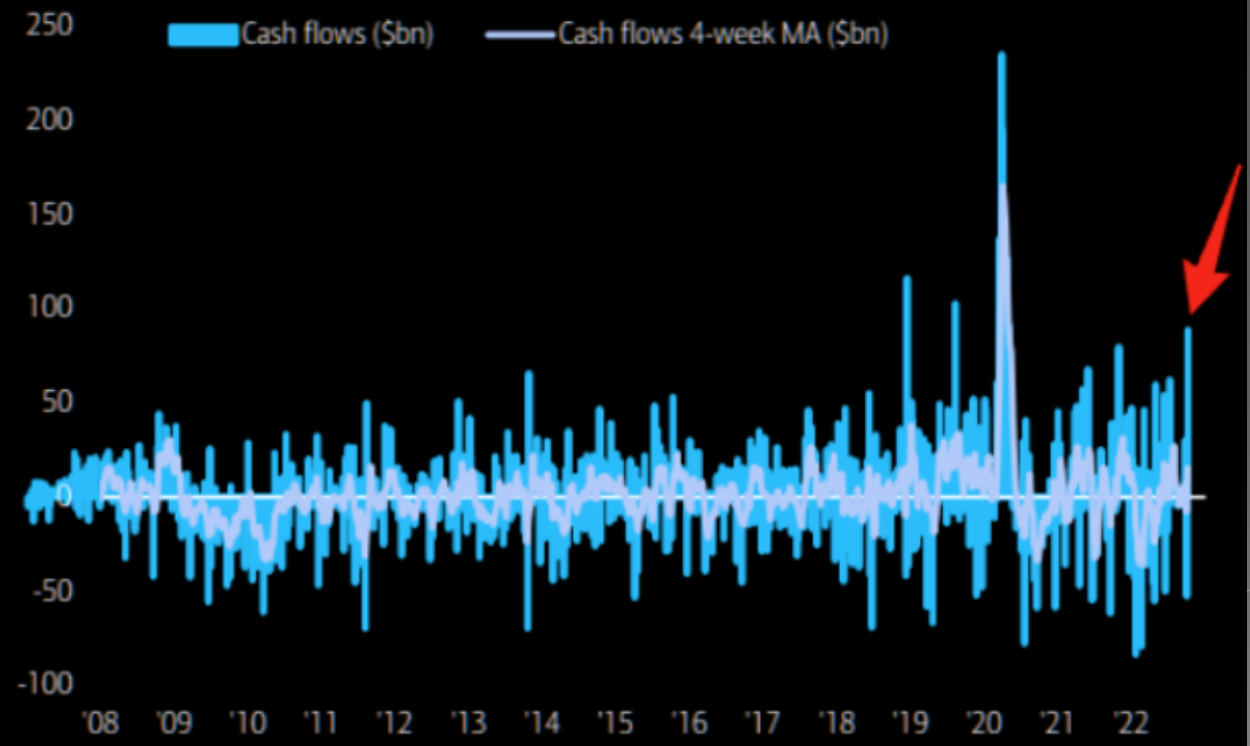
Source: EPFR, Bloomberg, Barclays Research



Source: EPFR, Datastream, Barclays Research

CASH IS BECOMING KING!

Chart 10: Biggest inflow to cash since Apr'20
Cash flows: weekly vs 4-wk moving average (\$ bn)

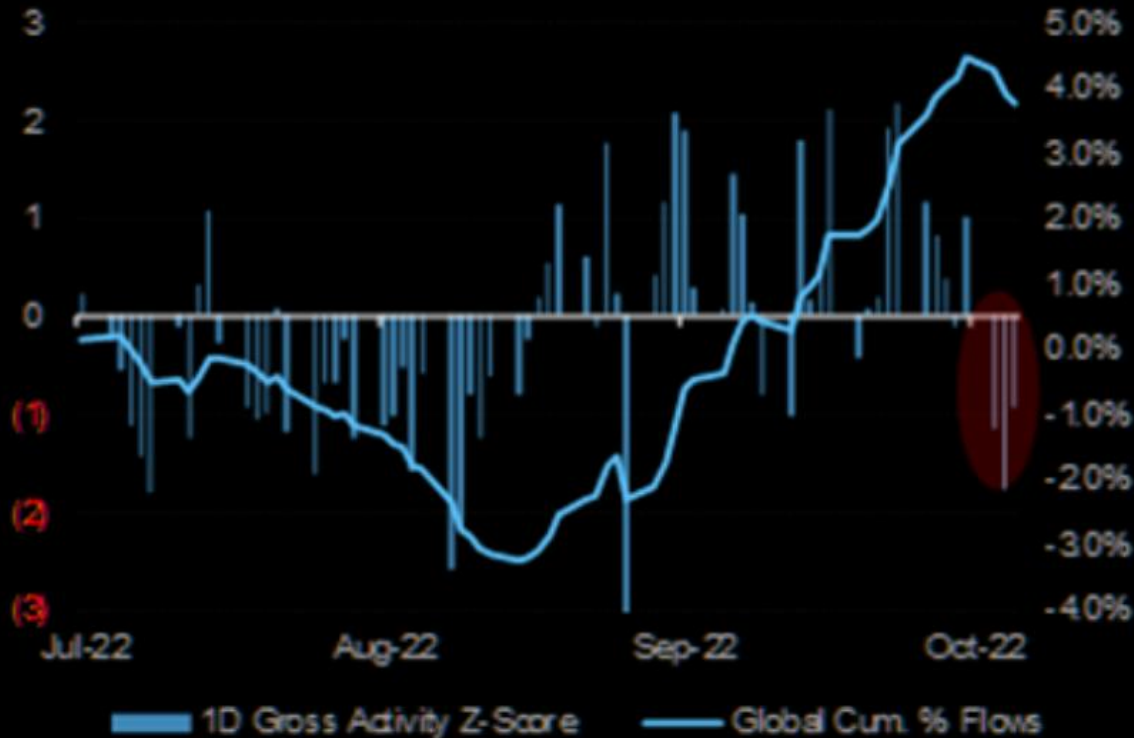


Source: BofA Global Investment Strategy, EPFR

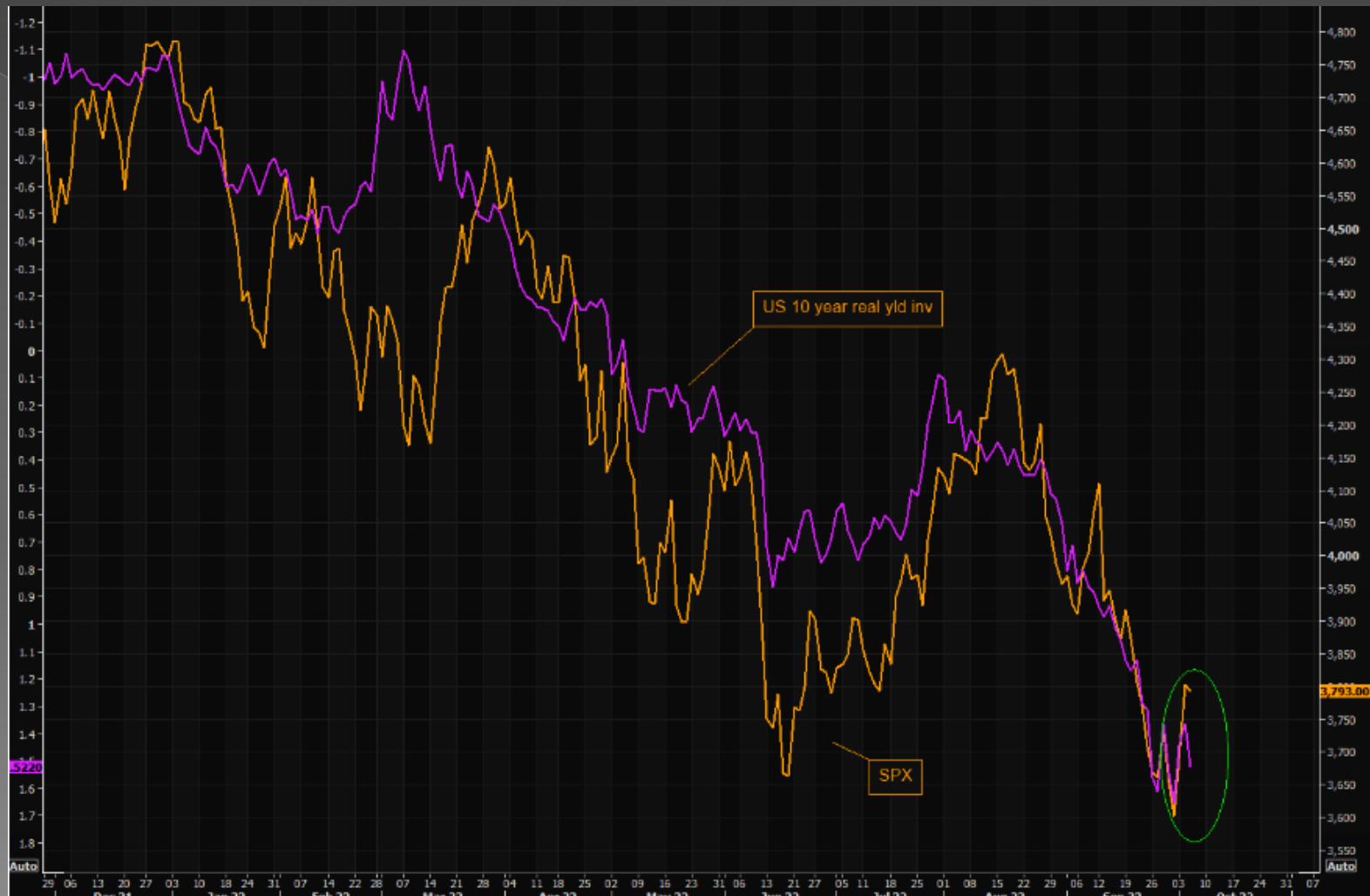
HF Gross Flows Turn Negative...

Global Gross Flows

1Day Gross Flows - Daily & Cumulative







P/E multiple



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- *Unfolding View*

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'The reduction in interest and tax expenses is responsible for a full one-third of all profit growth over the prior two-decade period. That boost to corporate profits is unlikely to continue, indicating notably lower stock returns in the future.'

Figure 5. Real growth indicators for S&P 500 nonfinancial firms



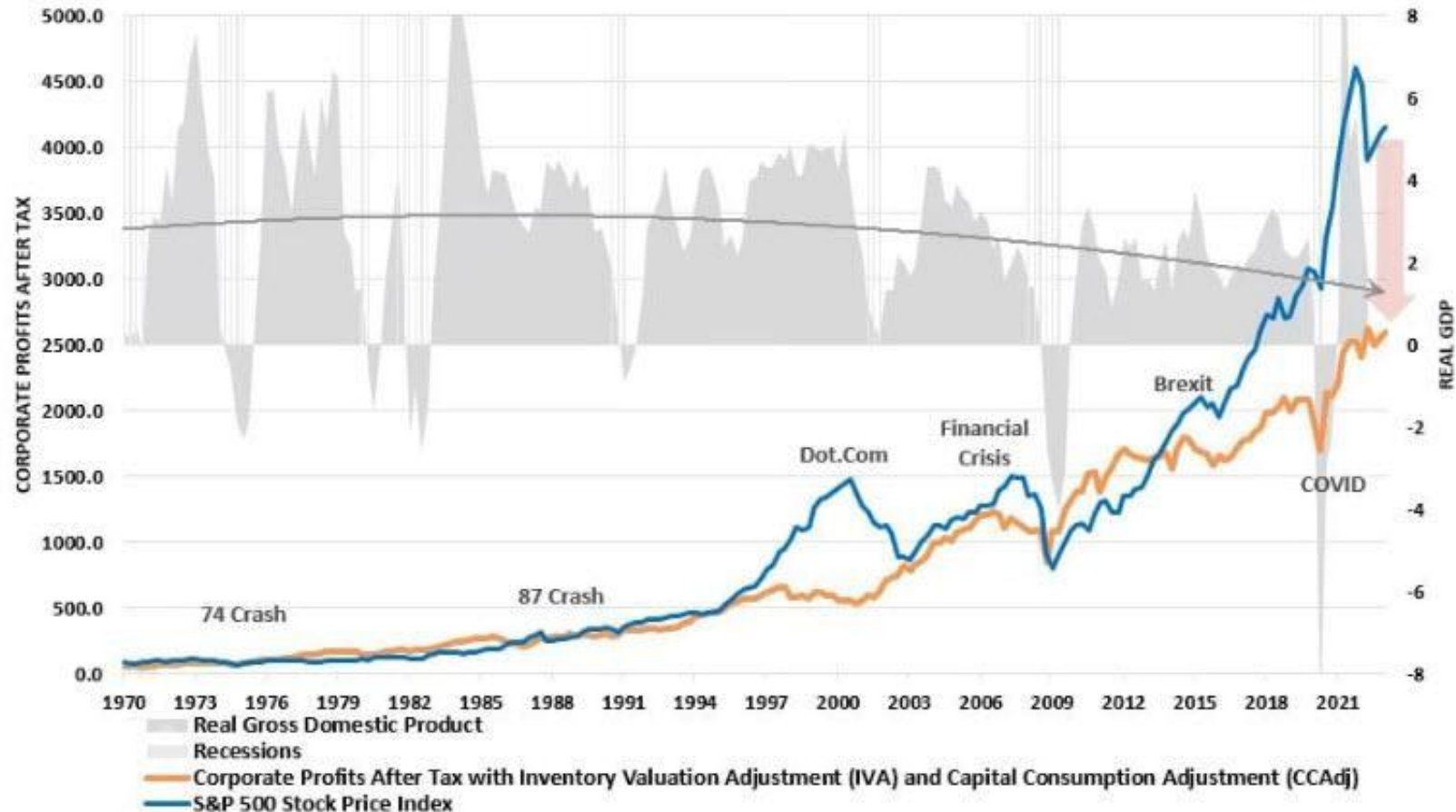
Note. Aggregate values for S&P 500 nonfinancial firms.

Source: Compustat; S&P Dow Jones Indices.

Accessible version

[FED PAPER](#): The coming long-run slowdown in corporate profit growth and stock returns

S&P 500 vs. Corporate Profits After Tax & Real GDP

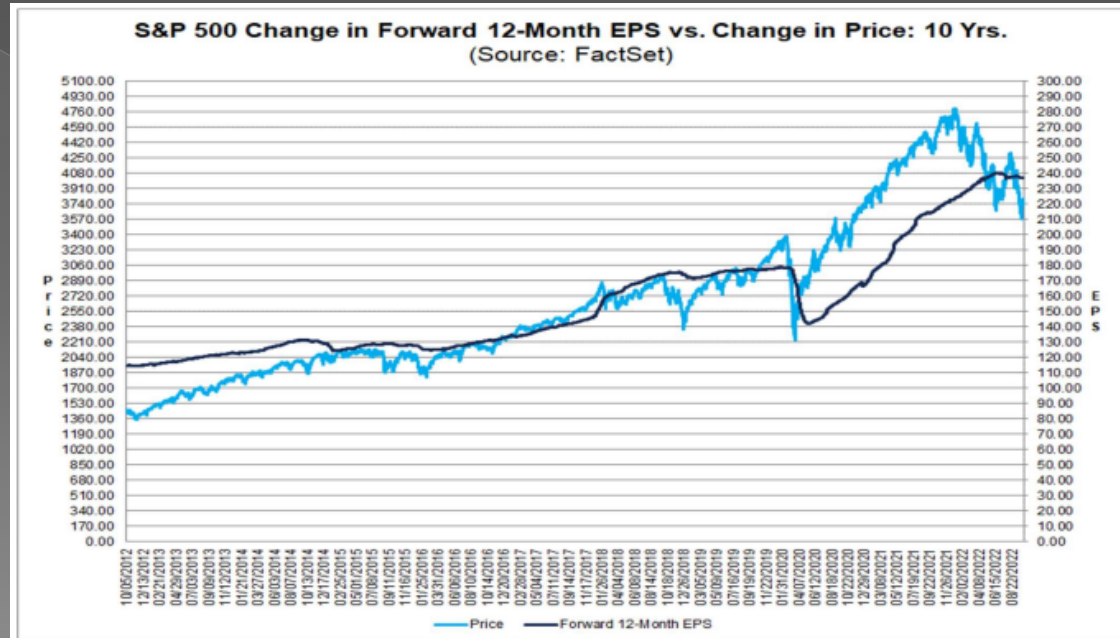


KEY METRICS

- **Earnings Growth:** For Q3 2022, the estimated earnings growth rate for the S&P 500 is 2.4%. If 2.4% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q3 2020 (-5.7%).
- **Earnings Revisions:** On June 30, the estimated earnings growth rate for Q3 2022 was 9.9%. Ten sectors are expected to report lower earnings today (compared to June 30) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q3 2022, 65 S&P 500 companies have issued negative EPS guidance and 41 S&P 500 companies have issued positive EPS guidance.

- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 15.8. This P/E ratio is below the 5-year average (18.5) and below the 10-year average (17.1).

- **Earnings Scorecard:** For Q3 2022 (with 20 S&P 500 companies reporting actual results), 14 S&P 500 companies have reported a positive EPS surprise and 13 S&P 500 companies have reported a positive revenue surprise.



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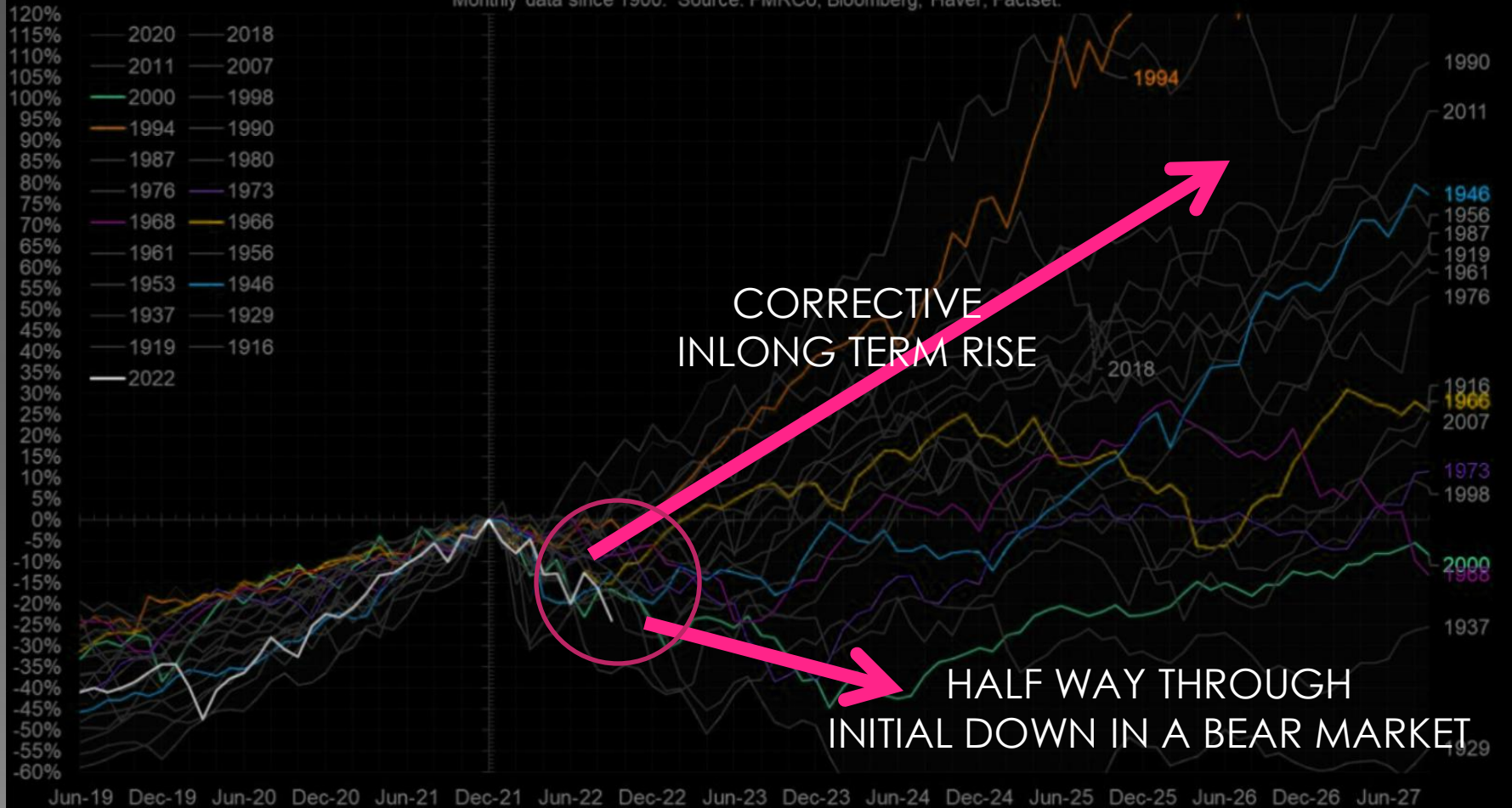
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Bear Markets (Total Return)

Monthly data since 1900. Source: FMRCo, Bloomberg, Haver, Factset.



EUROPEAN CREDIT DEFAULT SWAP COSTS



CURRENT:

8 Month Decline
- 26% Change

**BEAR MARKETS WITH
RECESSION**

16 Months Decline
- 42% Change

| S&P 500 Bear Markets (defined by 20% Peak to Trough Decline): 1929 - Present | | | | | | |
|--|--------------------------------|----------------------|------------------------------|-----------|---------|----------|
| Bear Market Period | Length of Bear Market (Months) | NBER Recession | Length of Recession (Months) | S&P Start | S&P End | % Change |
| Jan 2022 to Sep 2022 | 8 | ? | | 4819 | 3584 | -26% |
| Feb 2020 to Mar 2020 | 1 | Feb 2020 to Apr 2020 | 2 | 3394 | 2192 | -35% |
| Sep 2018 to Dec 2018 | 3 | | | 2941 | 2347 | -20% |
| May 2011 to Oct 2011 | 5 | | | 1371 | 1075 | -22% |
| Oct 2007 to Mar 2009 | 17 | Dec 2007 to Jun 2009 | 18 | 1576 | 667 | -58% |
| Mar 2000 to Oct 2002 | 31 | Mar 2001 to Nov 2001 | 8 | 1553 | 769 | -51% |
| Jul 1998 to Oct 1998 | 3 | | | 1191 | 923 | -22% |
| Jul 1990 to Oct 1990 | 3 | Jul 1990 to Mar 1991 | 8 | 370 | 295 | -20% |
| Aug 1987 to Oct 1987 | 2 | | | 338 | 216 | -36% |
| Nov 1980 to Aug 1982 | 22 | Jul 1981 to Nov 1982 | 16 | 142 | 102 | -28% |
| Sep 1976 to Mar 1978 | 18 | | | 109 | 86 | -20% |
| Jan 1973 to Oct 1974 | 21 | Nov 1973 to Mar 1975 | 16 | 122 | 61 | -50% |
| Dec 1968 to May 1970 | 17 | Dec 1969 to Nov 1970 | 11 | 109 | 69 | -37% |
| Feb 1966 to Oct 1966 | 8 | | | 95 | 72 | -24% |
| Dec 1961 to Jun 1962 | 6 | | | 73 | 51 | -29% |
| Aug 1956 to Oct 1957 | 14 | Aug 1957 to Apr 1958 | 8 | 50 | 39 | -21% |
| Jun 1948 to Jun 1949 | 12 | Nov 1948 to Oct 1949 | 11 | 17 | 14 | -21% |
| May 1946 to May 1947 | 12 | | | 19 | 14 | -28% |
| Nov 1938 to Apr 1942 | 36 | | | 14 | 7 | -46% |
| Mar 1937 to Mar 1938 | 12 | May 1937 to Jun 1938 | 13 | 19 | 9 | -54% |
| Jul 1933 to Mar 1935 | 20 | | | 12 | 8 | -34% |
| Sep 1932 to Feb 1933 | 5 | Aug 1929 to Mar 1933 | 43 | 9 | 6 | -41% |
| Sep 1929 to Jun 1932 | 33 | Aug 1929 to Mar 1933 | 43 | 32 | 4 | -86% |
| Average With No Recession | 12 | | | | | -29% |
| Average With Recession | 16 | | | | | -42% |
| Average All | 14 | | | | | -36% |
| Median With No Recession | 7 | | | | | -26% |
| Median With Recession | 16 | | | | | -39% |
| Median All | 12 | | | | | -29% |

ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES ...

DON'T WORRY, THEY WILL PRINT THE MONEY!

EVERYONE IS NOW IN PLACE & READY!!



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WE READ ALL COMMENTS FOR
FEEDBACK THAT WILL IMPROVE OUR
RESEARCH ANALYSIS



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CHANNEL & WE VALUE HEARING
FROM YOU!

IT IS THE ONLY PAYMENT WE ACCEPT
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