

Secular Trends in Stocks and Stock Sectors

Presentation by

Bill Carrigan

CSTA Annual Meeting

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Thanks to The Pioneers

- Ron Meisels (1985-1987) Founding President
- Horst Mueller (1987-1989)
- Bill Sharp (1989-1991)
- Ken Norquay CMT (1991-1993)
- Karl Wagner CMT (1993-1993)
- Don Vialoux CMT (1993-1995)

Hall of Fame

- Ian S. Notley
- Donald R. Stark
- Merv Burak (CMT)
- Karl Wagner (CMT)
- Ron Meisels

Agenda

- Bulls & Bears – Defined
- The Bull & Bear Cycle
- The Secular Trend
- Structure
 - Granddaddy Bears
 - Asset Bubbles
- Current Opportunity

Bull Defined (NDR)

- A Bull Market requires a 30% rise in the Dow Jones Industrial Average after 50 calendar days or a 13% rise after 155 calendar days.

Bear Defined (NDR)

- A Bear Market requires a 30% drop in the Dow Jones Industrial Average after 50 calendar days or a 13% decline after 145 calendar days.

Modern Bulls DJII

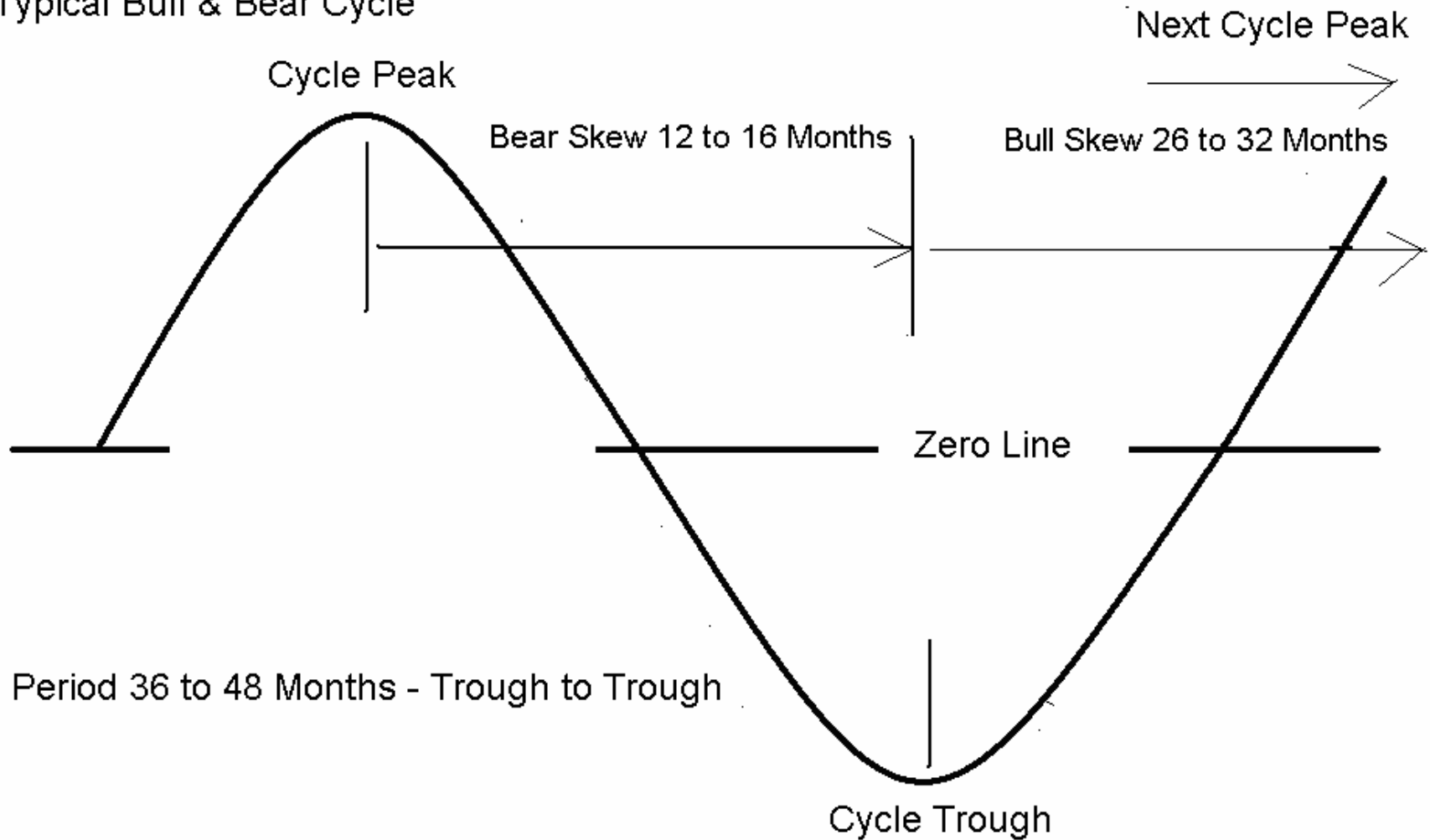
Begin	End	Net	Days
5/26/70 631.16	4/28/71 950.82	50.6	337
11/23/71 797.97	1/11/73 1051.7	31.8	415
12/06/74 577.6	9/21/76 1014.79	75.7	655
2/28/78 742.12	9/08/78 907.74	22.3	192
4/21/80 759.13	4/27/81 1024.05	34.9	371
8/12/82 776.92	11/29/83 1287.2	65.7	474
7/24/84 1086.57	8/25/87 2722.42	150.6	1127
10/19/87 1738.74	7/16/90 2999.75	72.5	1001
10/11/90 2365.1	7/17/98 9337.97	294.8	2836
8/31/98 7539.07	1/14/00 11722.98	55.5	501
9/21/01 8235.81	3/19/02 10635.25	29.1	179
	Average	80%	740

Modern Bears S&P500

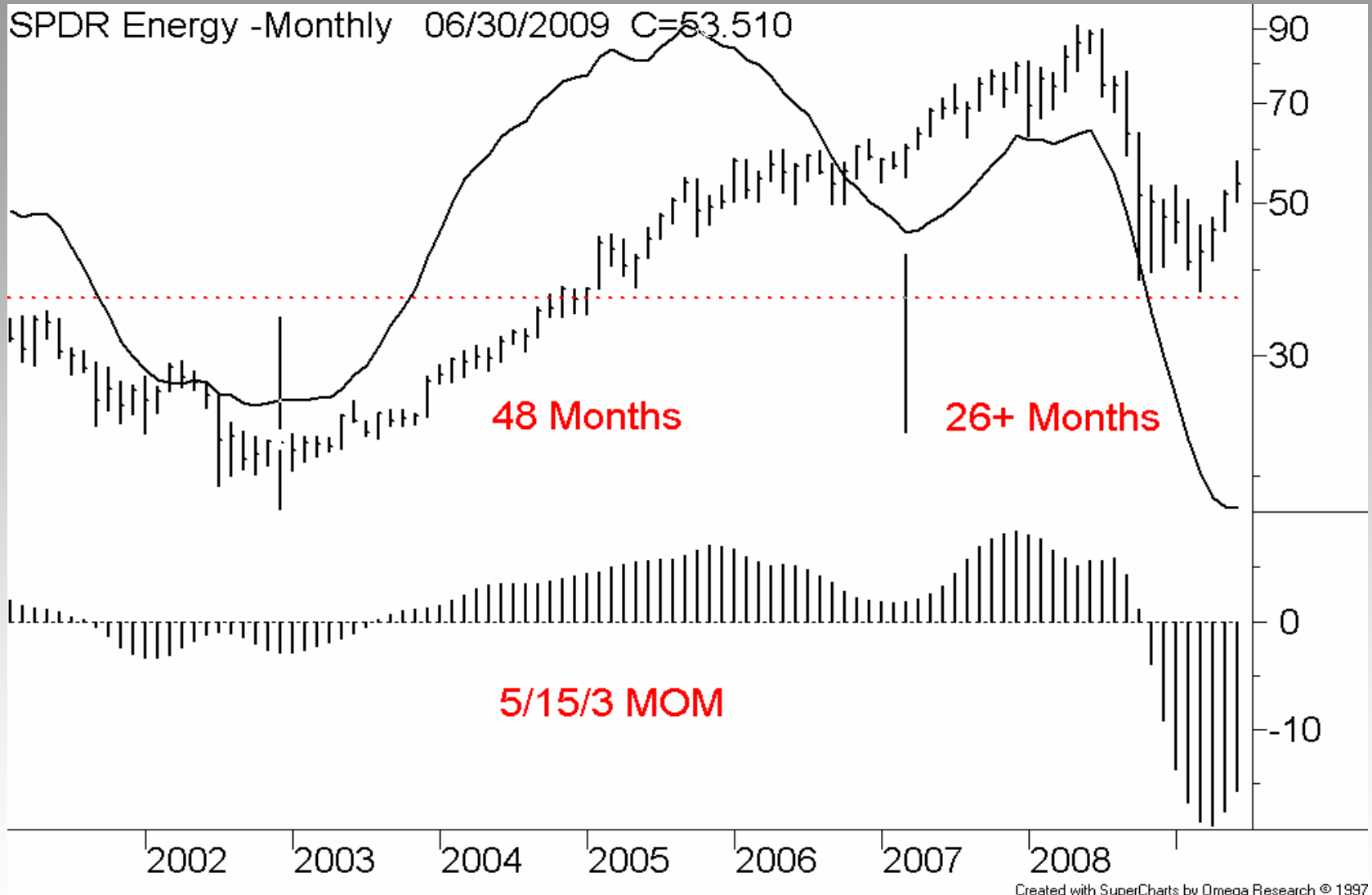
High Date	High Price	Low Date	Low Price	%Loss	#Days
12/12/1961	72.64	6/26/1962	52.32	-27.97	196
2/9/1966	94.06	10/7/1966	73.2	-22.18	240
11/29/1968	108.37	5/26/1970	69.29	-36.06	543
1/11/1973	120.24	10/3/1974	62.28	-48.2	630
11/28/1980	140.52	8/12/1982	102.42	-27.11	622
8/25/1987	336.77	12/4/1987	223.92	-33.51	101
3/24/2000	1527.46	9/21/2001	965.8	-36.77	546
1/4/2002	1172.51	10/9/2002	776.76	-33.75	278
			Average	-33.2	394.5

Bull & Bear Cycle

Typical Bull & Bear Cycle



One Complete Bull & Bear Cycle



Secular Trend Defined

- A long term trend (12 to 20 years) that contains a series of bull and bear cycles – hence the term “Secular Trend”
- A secular up trend will contain at least 5 bull and bear cycles
- A secular down trend will contain at least 3 bull and bear cycles

Secular Trend Rules

- The Secular Up Trend will introduce “The Next Big Thing” and it ends with an asset bubble
- The Secular Down Trend will contain one Granddaddy Bear and a related Crisis usually killing the current “Big Thing”

Modern Asset Bubbles

- The Nifty Fifty buy-and-hold bubble of the late 1960's
- Dot Com technology bubble late 1990's
- Housing Bubble 2006 - 2007

Crisis & the Granddaddy Bear

- The Largest Bear in the Series
 - Duration
 - Magnitude
- Usually the 1st or 2rd Cycle
- High Sector Correlation
- Introduced by a Crisis

Secular Down Trends

Period	Duration Years	Annual Real Return
• 1802-1815	13	2.8%
• 1835-1843	8	-1.1%
• 1853-1861	8	-2.8%
• 1881-1896	15	3.7%
• 1906-1921	15	-1.9%
• 1929-1949	20	1.2%
• 1966-1982	16	-1.5%
Average	14	0.0%

Secular Up Trends

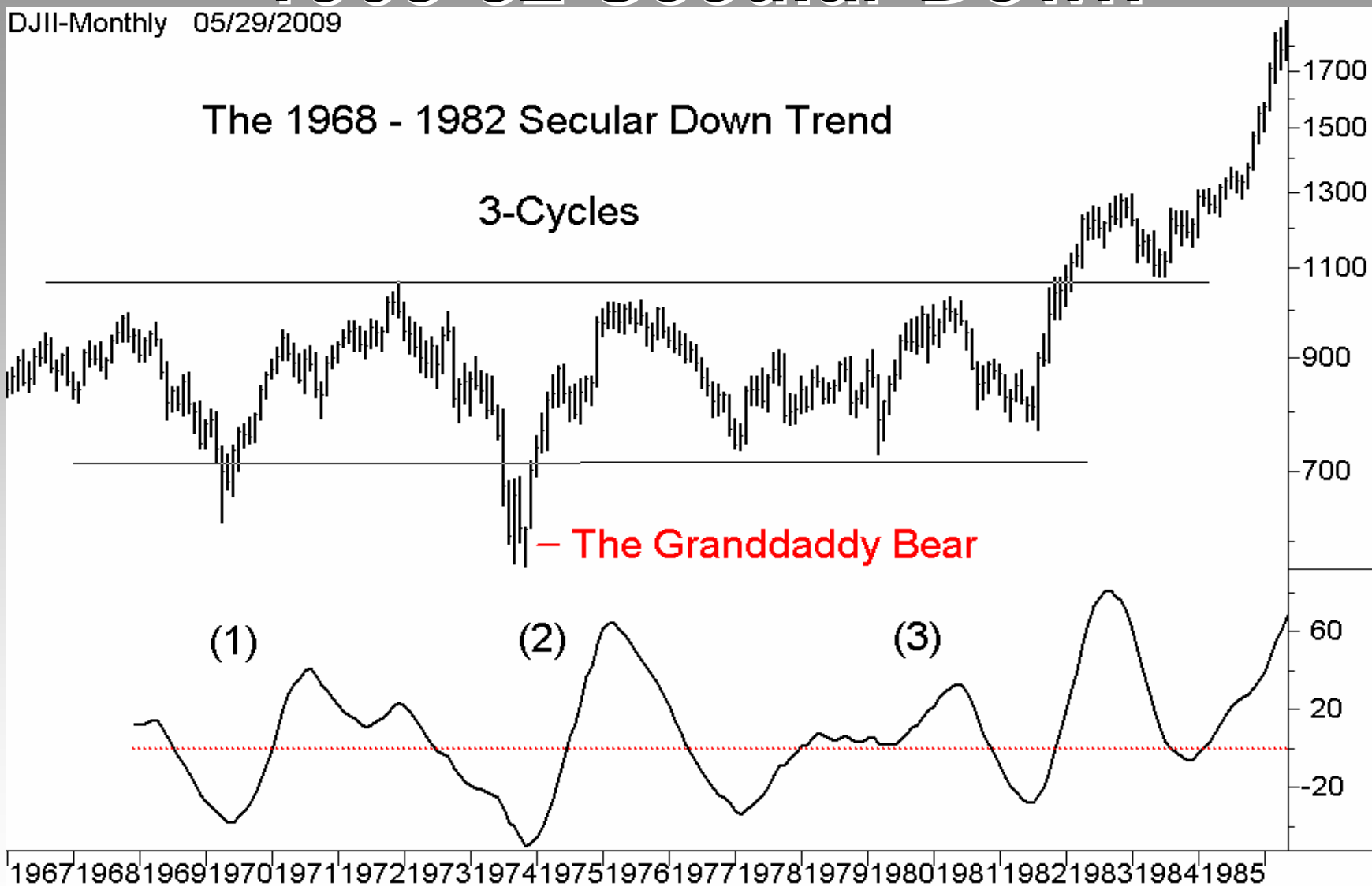
Period	Duration Years	Annual Real Return
• 1815-1835	20	10%
• 1843-1853	10	13%
• 1861-1881	20	12%
• 1896-1906	10	12%
• 1921-1929	8	25%
• 1949-1966	17	14%
• 1982-2000	18	15%
Average	14.71	14.11%

1968-82 Secular Down

DJII-Monthly 05/29/2009

The 1968 - 1982 Secular Down Trend

3-Cycles



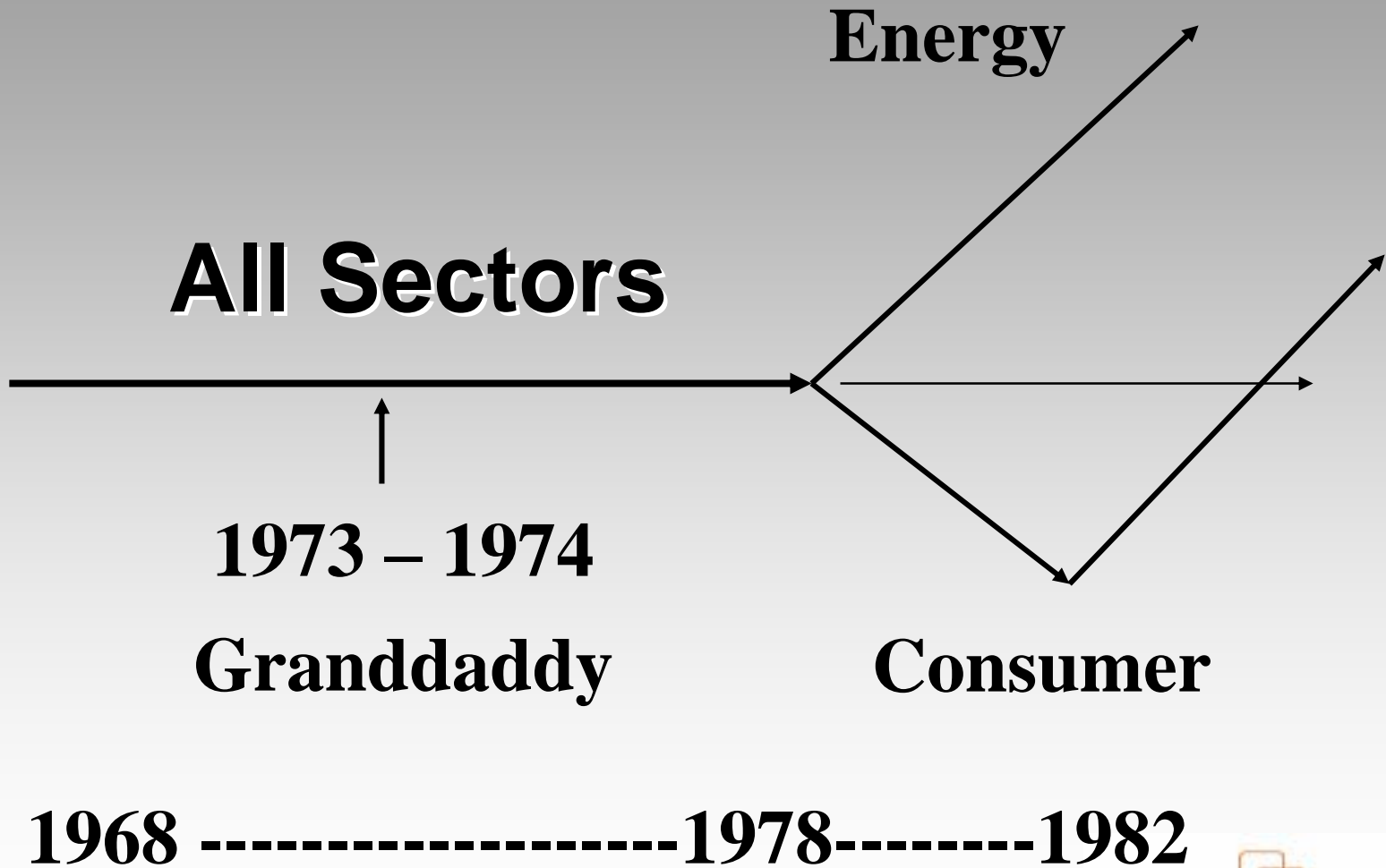
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1968 - 1982 Conditions

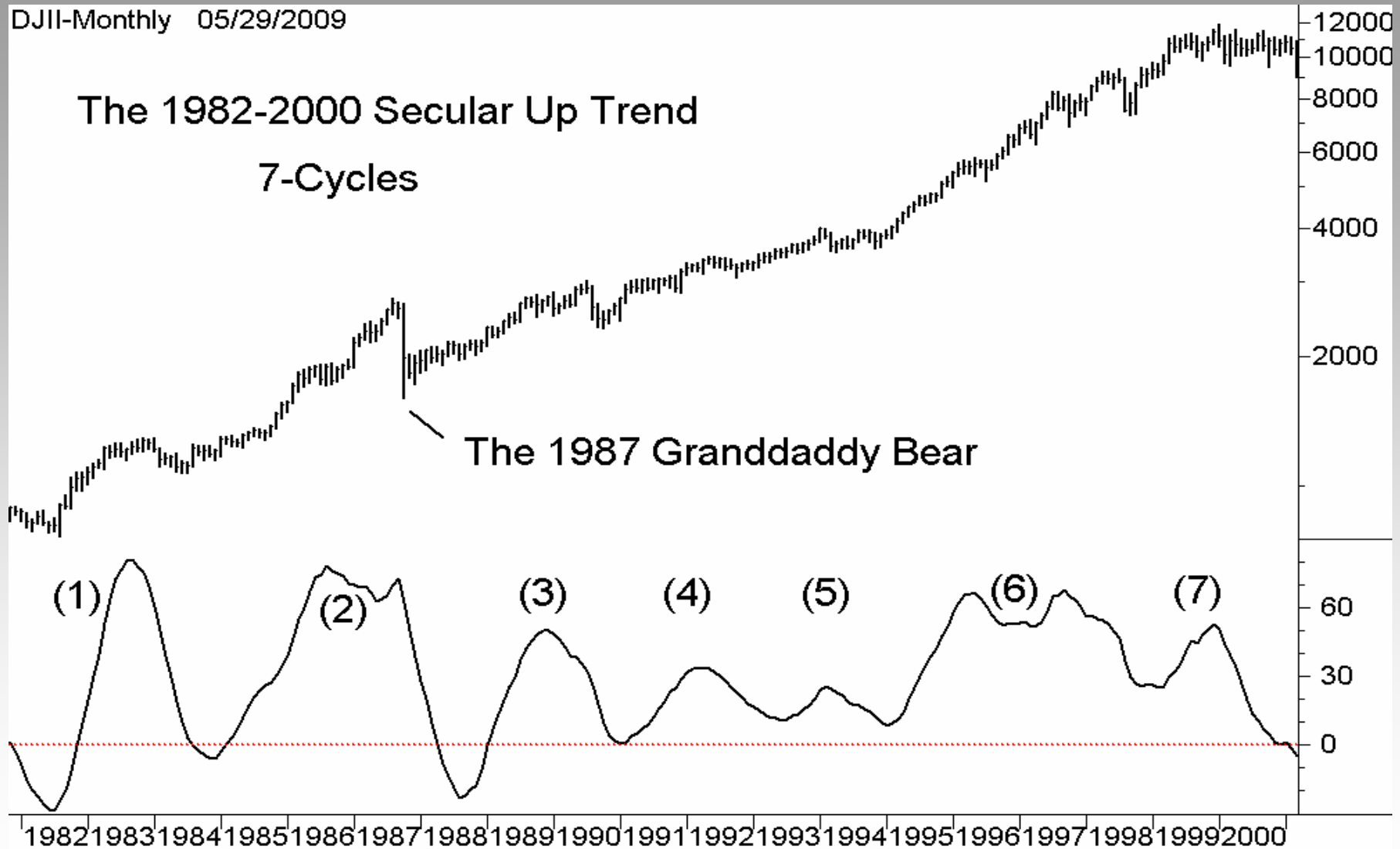
- Followed the post-World War II boom 1949-1966
- A Western Economy Event
- High Sector Correlation
- Transition from Old to New Economy
- Introduced “The Next Big thing”
 - Japanese Auto Imports
 - The PC & the Internet

1968-82 Secular Structure



1982 – 2000 Secular Up

DJII-Monthly 05/29/2009



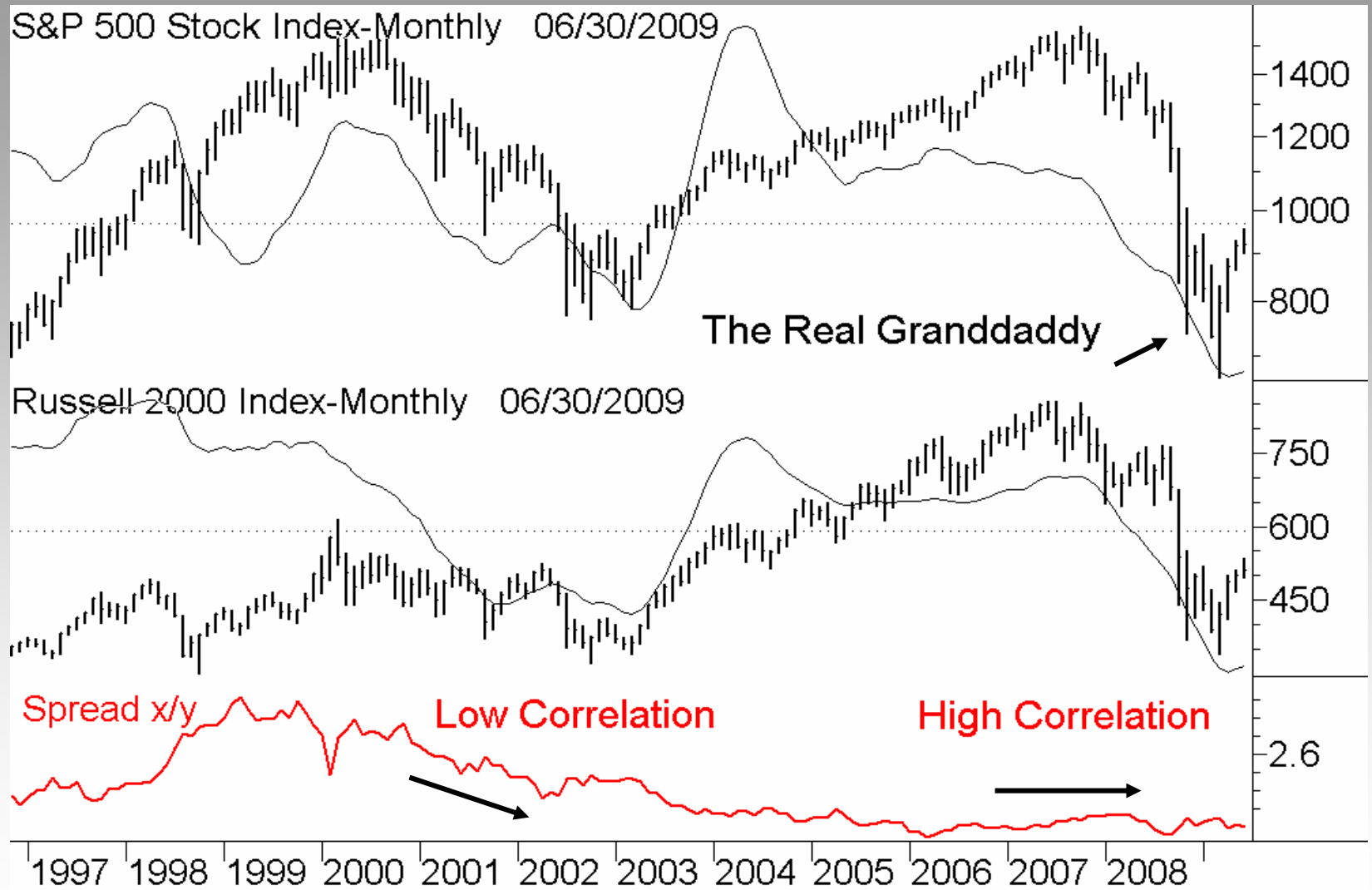
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1982 – 2000 Structure

- Birth of the “New Economy”
 - Information Technology
 - Biotechnology
 - Financial Services Industry
- Broad Investor Participation
 - Business Television
 - Discount Brokers
- Broad Sector Participation
- Ended with an asset bubble

Current Secular Down



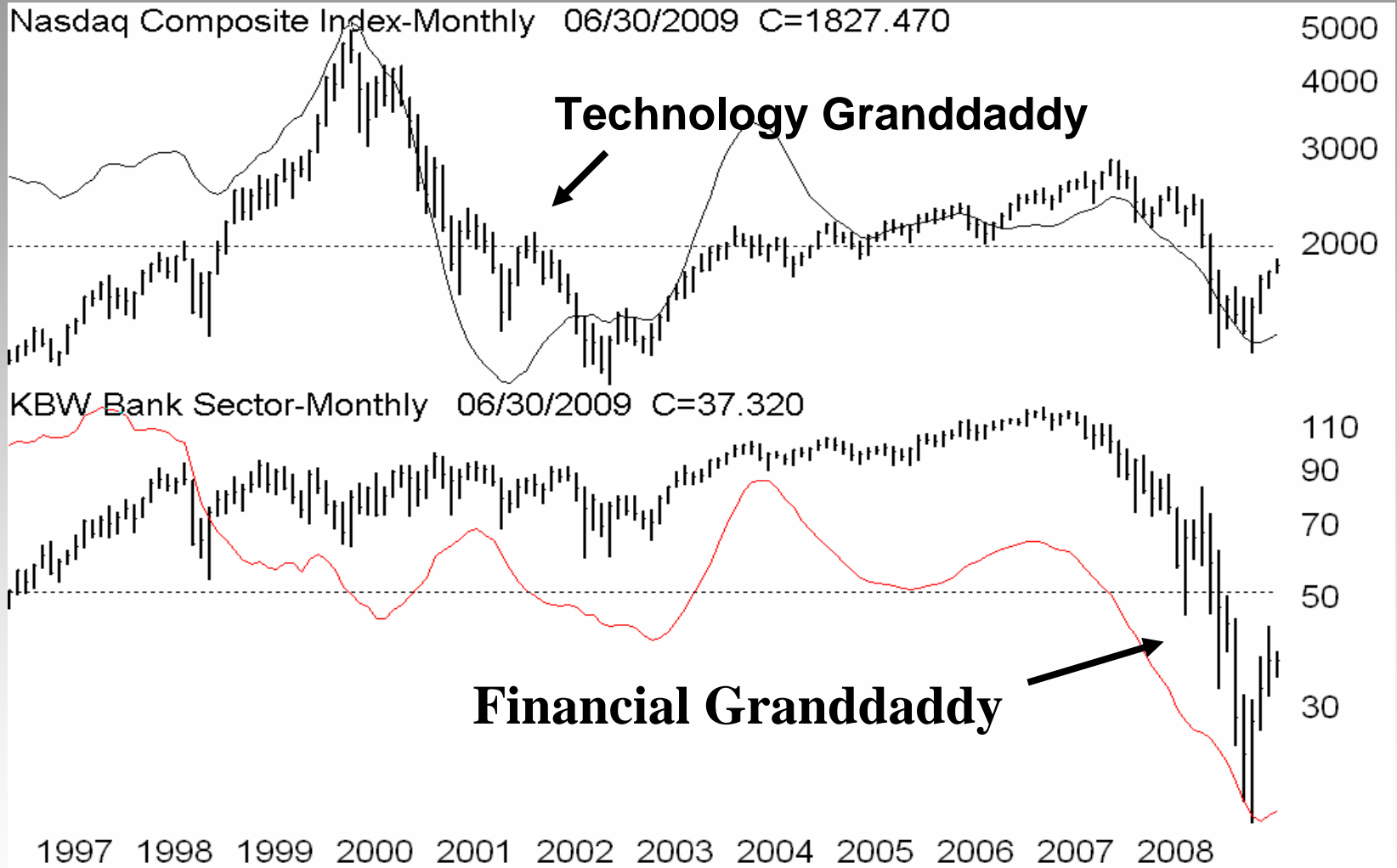
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2000 + Secular Down Structure

- A Global Event
- Low Sector Correlation
- Two sector Granddaddy Bears
- Technology 2000 – 2002
- Financial 2007- 2008
- Probable Rotational Conclusion

Sector Granddaddies



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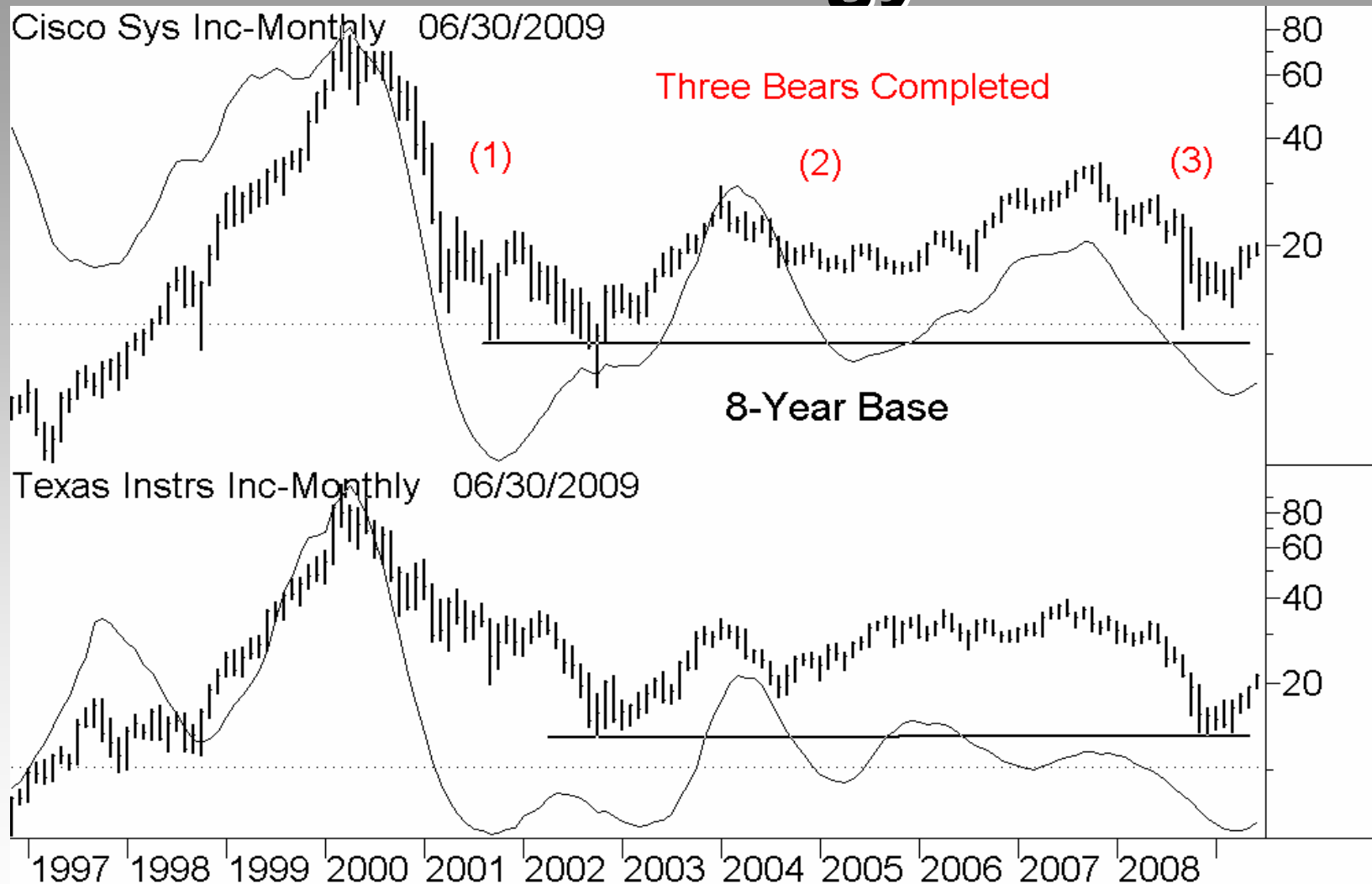
Secular First-in First-Out

- Technology
 - Internet
 - Semiconductor
- Biotechnology
- Pharmaceutical
- Telecom

Secular Last-In Last-Out

- Consumer Complex
- Energy Complex
- Metals & Mining
- Financial

Technology

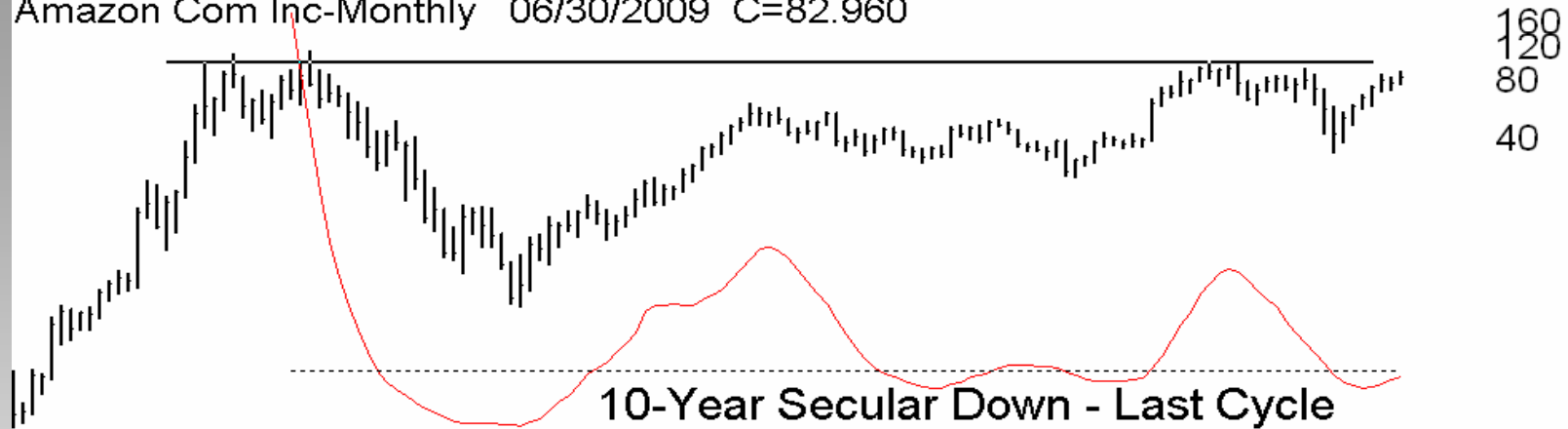


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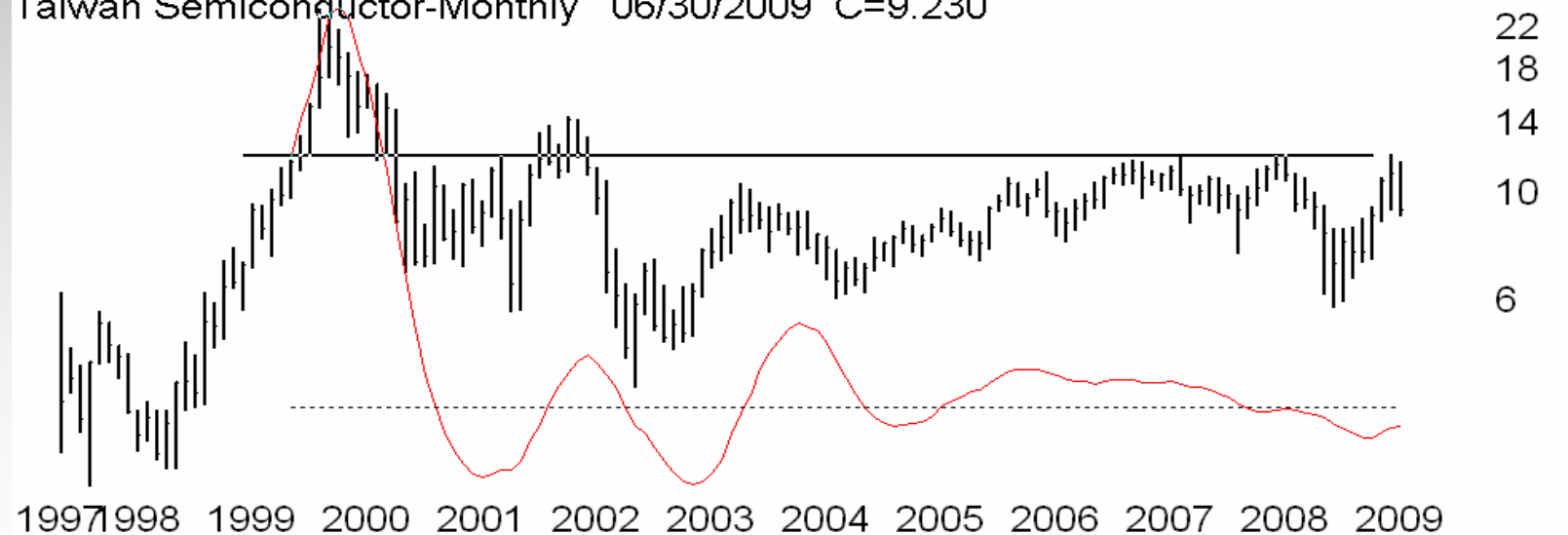
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Internet & Semi's

Amazon Com Inc-Monthly 06/30/2009 C=82.960

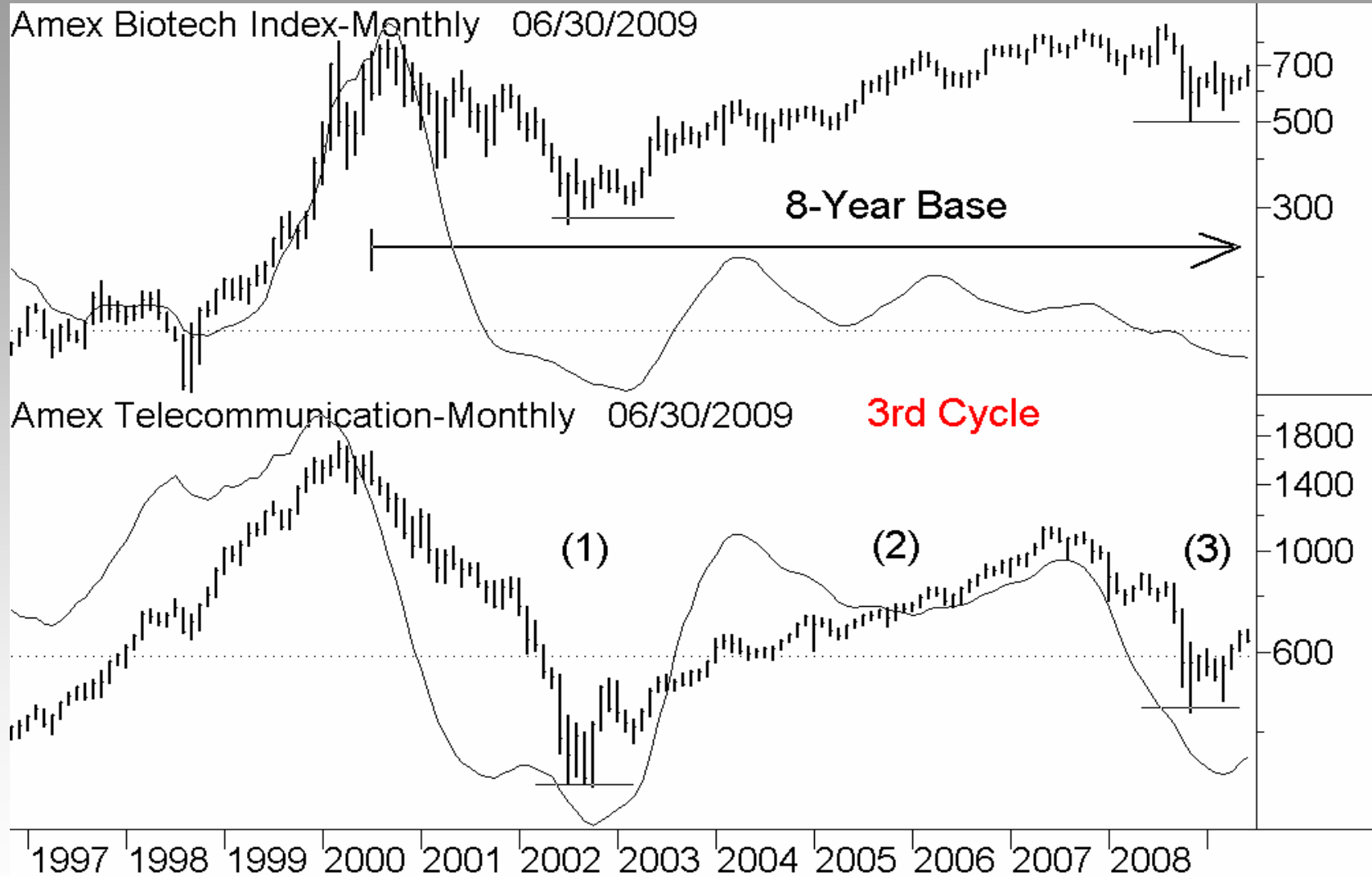


Taiwan Semiconductor-Monthly 06/30/2009 C=9.230



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- Questions?