The Dow-Gold Ratio Cyclicity Theory (DGRCT)

Alignment With Other Cycle Theories

March, 2016

How does the Dow-Gold Ratio Cyclicity Theory align with other cyclical theories?

TURNINGS

Fourth Turning Highlights

"The reward of the historian is to locate patterns that recur over time and to discover the natural rhythms of social experience."

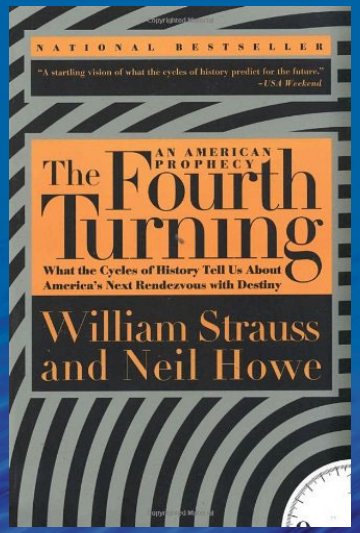
"Each turning comes with its own identifiable mood. Always, these mood shifts catch people by surprise."

"During each of these previous Third Turnings, Americans felt as if they were drifting toward a cataclysm. Each time, the change came with scant warning."

"The cycle remains mysterious, but need not come as a total surprise."

"How can we offer this prophecy with such confidence? Because it's all happened before. Many times."

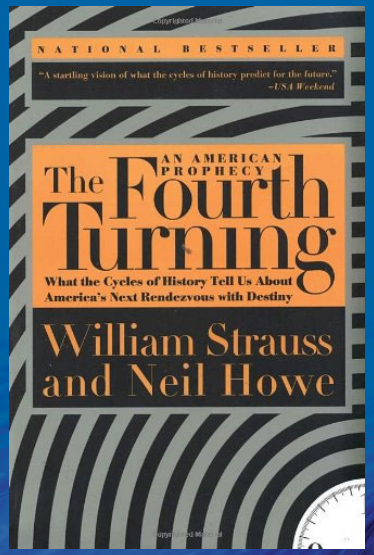
"The Fourth Turning", **William Strauss & Neil Howe**



Turnings - Description

First Turning

The First Turning is a High. This is an era when institutions are strong and individualism is weak. Society is confident about where it wants to go collectively, even if those outside the majoritarian center feel stifled by the conformity. America's most recent First Turning was the post-World War II American High, beginning in 1946 and ending with the assassination of John Kennedy in 1963, a key lifecycle marker for today's older Americans.



Second Turning

The Second Turning is an Awakening. This is an era when institutions are attacked in the name of personal and spiritual autonomy. Just when society is reaching its high tide of public progress, people suddenly tire of social discipline and want to recapture a sense of personal authenticity. Young activists and spiritualists look back at the previous High as an era of cultural poverty. America's most recent Awakening was the "Consciousness Revolution," which spanned from the campus and inner-city revolts of the mid 1960s to the tax revolts of the early '80s.

Third Turning

The Third Turning is an Unraveling. The mood of this era is in many ways the opposite of a High. Institutions are weak and distrusted, while individualism is strong and flourishing. Highs follow Crises, which teach the lesson that society must coalesce and build. Unravelings follow Awakenings, which teach the lesson that society must atomize and enjoy. America's most recent Unraveling was the Long Boom and Culture Wars, beginning in the early 1980s and probably ending in 2008. The era opened with triumphant "Morning in America" individualism and drifted toward a pervasive distrust of institutions and leaders, an edgy popular culture, and the splitting of national consensus into competing "values" camps.

Fourth Turning

The Fourth Turning is a Crisis. This is an era in which America's institutional life is torn down and rebuilt from the ground up—always in response to a perceived threat to the nation's very survival. Civic authority revives, cultural expression finds a community purpose, and people begin to locate themselves as members of a larger group. In every instance, Fourth Turnings have eventually become new "founding moments" in America's history, refreshing and redefining the national identity. America's most recent Fourth Turning began with the stock market crash of 1929 and climaxed with World War II.

www.fourthturning.com

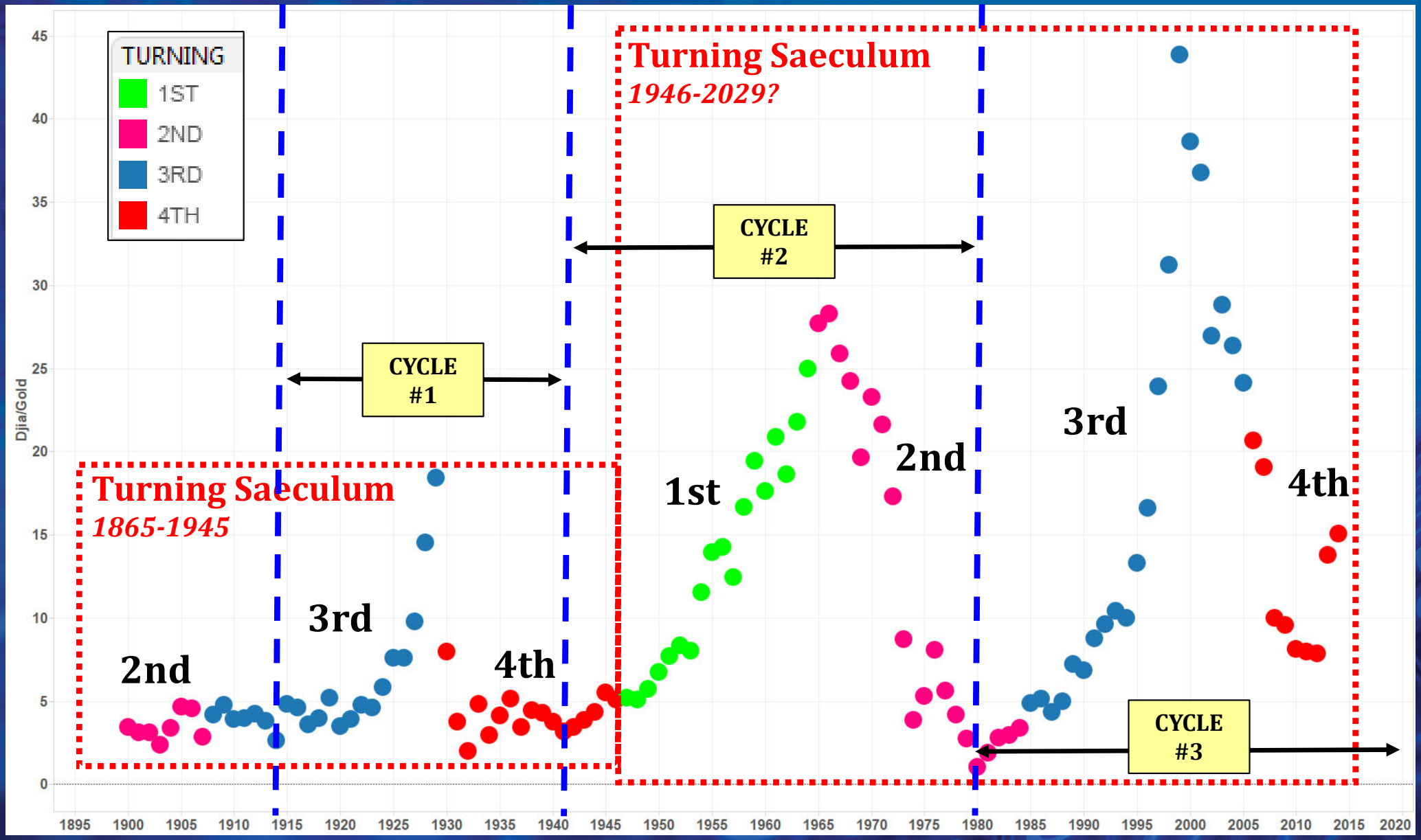
Turnings Through History

The Turnings in Anglo-American History

	THE TURNINGS			
	First (High)	*Second (Awakening)*	*Third (Unraveling)*	*Fourth (Crisis)*
Life Phase:				
Elderhood	Nomad	Hero	Artist	Prophet
Midlife	Hero	Artist	Prophet	Nomad
Young Adulthood	Artist	Prophet	Nomad	Hero
Childhood	Prophet	Nomad	Hero	Artist
Saeculum:				
Late Medieval	—	—	Retreat from France (1435–1459)	War of the Roses (1459–1487)
Tudor	Tudor Renaissance (1487–1517)	Protestant Reformation (1517–1542)	Intolerance & Martyrdom (1542–1569)	Armada Crisis (1569–1594)
New World	Merrie England (1594–1621)	Puritan Awakening (1621–1649)	Reaction & Restoration (1649–1675)	Glorious Revolution (1675–1704)
Revolutionary	Augustan Age of Empire (1704–1727)	Great Awakening (1727–1746)	French & Indian Wars (1746–1773)	American Revolution (1773–1794)
Civil War	Era of Good Feelings (1794–1822)	Transcendental Awakening (1822–1844)	Mexican War & Sectionalism (1844–1860)	Civil War (1860–1865)
Great Power	Reconstruction & Gilded Age (1865–1886)	Third Great Awakening (1886–1908)	World War I & Prohibition (1908–1929)	Great Depression & World War II (1929–1946)
Millennial	American High (1946–1964)	Consciousness Revolution (1964–1984)	Long Boom & Culture Wars (1984–2008)	Global Financial Crisis (2008–2029?)

www.lifecourse.com

Turnings & Dow-Gold Ratio



ELLIOTT WAVE THEORY

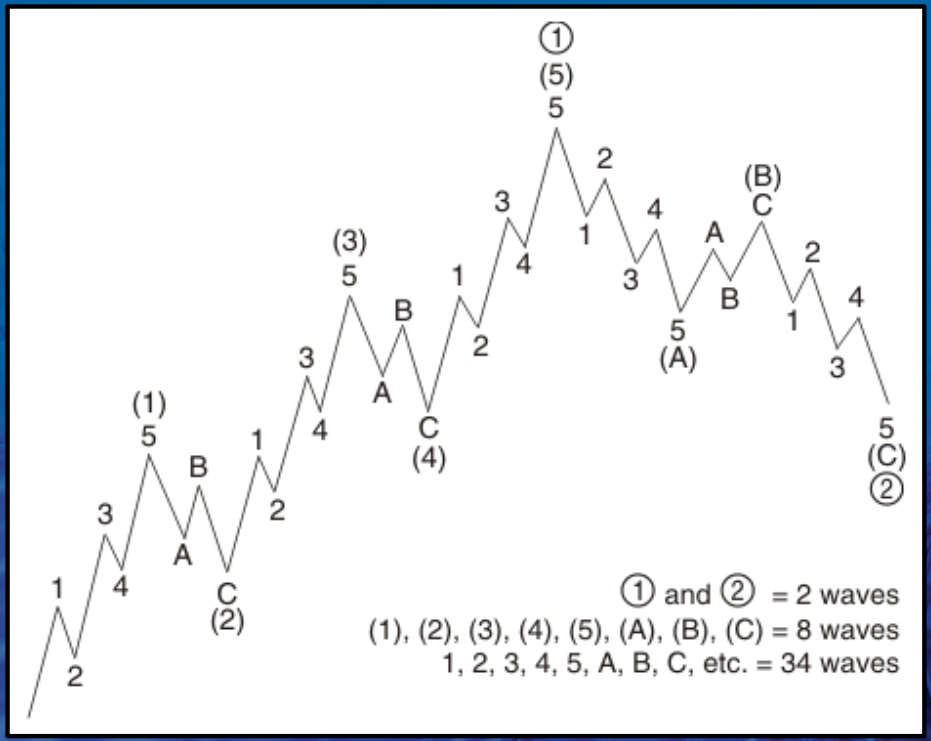
Elliott Wave Principle

The Elliott Wave Principle is a detailed description of how groups of people behave. It reveals that mass psychology swings from pessimism to optimism and back in a natural sequence, creating specific and measurable patterns. One of the easiest places to see the Elliott Wave Principle at work is in the financial markets, where changing investor psychology is recorded in the form of price movements. If you can identify repeating patterns in prices, and figure out where we are in those repeating patterns today, you can predict where we are going.

The Elliott Wave Principle is named for its discoverer, Ralph Nelson Elliott. Elliott Wave Principle measures investor psychology, which is the real engine behind the stock markets. When people are optimistic about the future of a given issue, they bid the price up.

These Elliott waves link together to form larger versions of those same patterns. They, in turn, link to form identical patterns of the next larger size, and so on.

Elliott Wave International – www.elliottwave.com



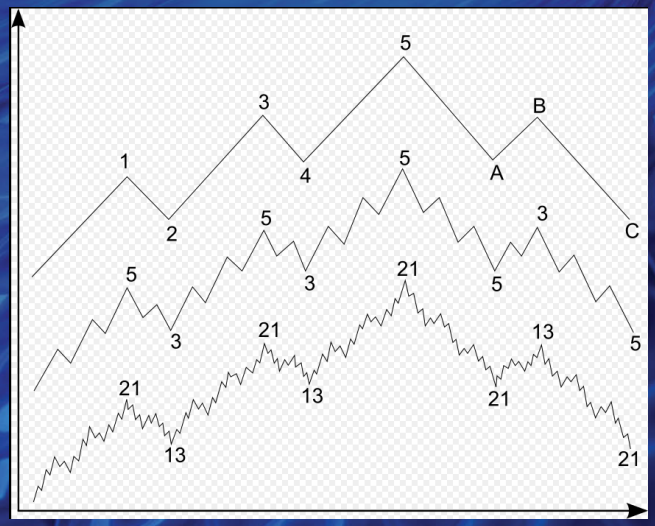
Elliott Wave Principle

Five wave pattern (dominant trend)
Wave 1: Wave one is rarely obvious at its inception. When the first wave of a new bull market begins, the fundamental news is almost universally negative. The previous trend is considered still strongly in force. Fundamental analysts continue to revise their earnings estimates lower; the economy probably does not look strong. Sentiment surveys are decidedly bearish, put options are in vogue, and implied volatility in the options market is high. Volume might increase a bit as prices rise, but not by enough to alert many technical analysts.
Wave 2: Wave two corrects wave one, but can never extend beyond the starting point of wave one. Typically, the news is still bad. As prices retest the prior low, bearish sentiment quickly builds, and "the crowd" haughtily reminds all that the bear market is still deeply ensconced. Still, some positive signs appear for those who are looking: volume should be lower during wave two than during wave one, prices usually do not retrace more than 61.8% (see Fibonacci section below) of the wave one gains, and prices should fall in a three wave pattern.
Wave 3: Wave three is usually the largest and most powerful wave in a trend (although some research suggests that in commodity markets, wave five is the largest). The news is now positive and fundamental analysts start to raise earnings estimates. Prices rise quickly, corrections are short-lived and shallow. Anyone looking to "get in on a pullback" will likely miss the boat. As wave three starts, the news is probably still bearish, and most market players remain negative; but by wave three's midpoint, "the crowd" will often join the new bullish trend. Wave three often extends wave one by a ratio of 1.618:1.
Wave 4: Wave four is typically clearly corrective. Prices may meander sideways for an extended period, and wave four typically retraces less than 38.2% of wave three (see Fibonacci relationships below). Volume is well below than that of wave three. This is a good place to buy a pull back if you understand the potential ahead for wave 5. Still, fourth waves are often frustrating because of their lack of progress in the larger trend.
Wave 5: Wave five is the final leg in the direction of the dominant trend. The news is almost universally positive and everyone is bullish. Unfortunately, this is when many average investors finally buy in, right before the top. Volume is often lower in wave five than in wave three, and many momentum indicators start to show divergences (prices reach a new high but the indicators do not reach a new peak). At the end of a major bull market, bears may very well be ridiculed (recall how forecasts for a top in the stock market during 2000 were received).

Three wave pattern (corrective trend)
Wave A: Corrections are typically harder to identify than impulse moves. In wave A of a bear market, the fundamental news is usually still positive. Most analysts see the drop as a correction in a still-active bull market. Some technical indicators that accompany wave A include increased volume, rising implied volatility in the options markets and possibly a turn higher in open interest in related futures markets.
Wave B: Prices reverse higher, which many see as a resumption of the now long-gone bull market. Those familiar with classical technical analysis may see the peak as the right shoulder of a head and shoulders reversal pattern. The volume during wave B should be lower than in wave A. By this point, fundamentals are probably no longer improving, but they most likely have not yet turned negative.
Wave C: Prices move impulsively lower in five waves. Volume picks up, and by the third leg of wave C, almost everyone realizes that a bear market is firmly entrenched. Wave C is typically at least as large as wave A and often extends to 1.618 times wave A or beyond.

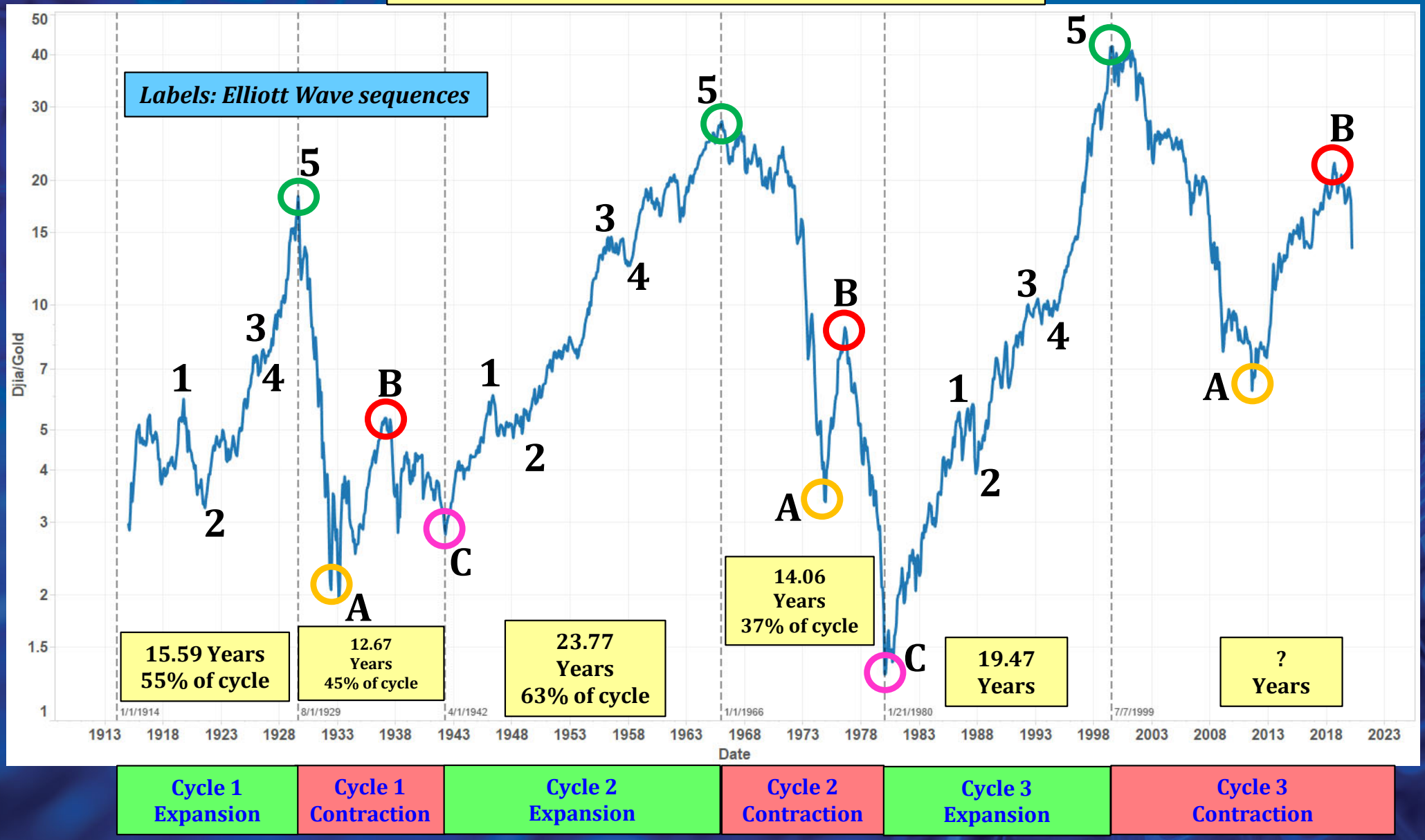
Source: https://en.wikipedia.org/wiki/Elliott_wave_principle

"The Basis of the Wave Principle", R.N. Elliott, October 1940



Dow-Gold Ratio – Elliott Waves

The Dow-Gold Ratio progresses in Elliott Waves.



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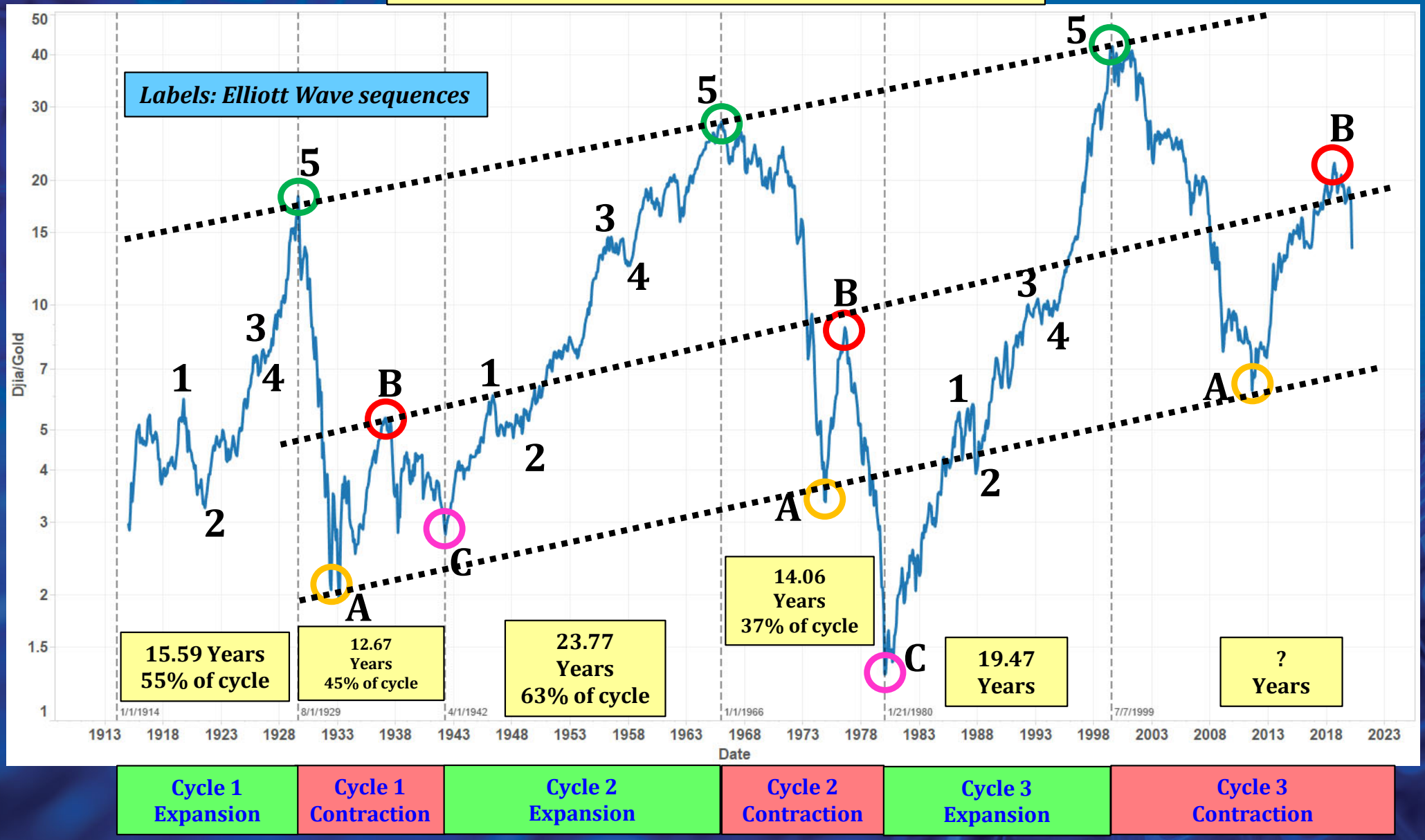

KONDRATIEFF WAVES

Kondratieff Waves

Shortly after the Russian Revolution of 1917, Kondratieff helped develop the first Soviet Five-Year Plan , for which he analyzed factors that would stimulate Soviet economic growth. In 1926, Kondratieff published his findings in a report entitled, "Long Waves in Economic Life". Based upon Kondratieff's conclusions, his report was viewed as a criticism of Joseph Stalin's stated intentions for the total collectivization of agriculture. Soon after, he was dismissed from his post as director of the Institute for the Study of Business Activity in 1928. He was arrested in 1930 and sentenced to the Russian Gulag (prison); his sentence was reviewed in 1938, and he received the death penalty, which it is speculated was carried out that same year. Kondratieff's major premise was that capitalist economies displayed long wave cycles of boom and bust ranging between 50-60 years in duration. Kondratieff's study covered the period 1789 to 1926 and was centered on prices and interest rates. Kondratieff's theories documented in the 1920's were validated with the depression less than 10 years later.
www.kwaves.com

Nikolai Dmyitriyevich Kondratieff
1892 - 1938

Kondratieff Waves

Four Phases of One Cycle

A Kondratieff cycle consists of four distinct phases, or distinguishable, dramatic mood changes, the tone of which determines the actions of individuals involved in the economy. The awareness of these characteristics allows for the anticipation of the change in the economy and the psychological mood that will prevail.

SPRING - Inflationary Growth Phase

A common premise among business cycle economists supposes inflation as an inevitable part of growth. Government becomes a passive participant in the inflation cycle. Growth begins from a depressed economic base and expands in an ever-increasing spiral. The interaction of the participants within the economy causes wealth, as represented by savings, and the production of capital equipment to be accumulated for the future. The expansion of production and affluence causes prices to rise, and the increased volume of goods requires a higher velocity of money, thus creating a higher price structure. Accompanying growth is a shift in social demands. As wealth is accumulated and new innovation introduced great upheavals and displacements take place. The process of social unrest builds with growth culminating in massive shifts in the way work is defined and the role of the participants in society.

SUMMER - Stagflation (Recession)

Eventually, the continuation of exponential growth reaches its limits. Excess capital produces a shortage of key resources and the economy enters a period where growth creates a shortage of resources. An economy will only support expansion to the limits of its resources, both human and material. The mood of affluence also brings a change in attitude towards work. As an economy gets closer to its limits inefficiencies build up. With the change comes a conservative shift in the popular mood reinforcing the limits..

AUTUMN - Deflationary Growth (Plateau Period)

The primary recession occurs out of an imbalance forced upon the economy by real limitations. The rapid rise in prices and changes in production correct this imbalance -- at least temporarily. The change in price structure, along with the mood of a population used to consumption accompanied by the vast accumulation of wealth from the past 30 years, causes the economy to enter a period of relatively flat growth and mild prosperity. Due to structural changes and the limits of the existing paradigm the economy becomes consumption oriented.

Excesses of an unpopular war, along with fiscal liberalism, cause popular reaction toward stability or normalcy. A mood of isolationism permeates . The inflated price structure from the primary recession, along with the desire for consumption, produces a rapid increase in debt. Eventually, wealth consumption expands beyond all practical limits, and economy slips into a severe and protracted depression.

WINTER - Depression

Excesses of the plateau period effect a collapse of the price structure. This exhaustion of accumulated wealth forces the economy into a period of sharp retrenchment. Generally, the secondary depression entails a three year collapse, followed by a 15 year deflationary work out period. The deflation can best be seen in interest rates and wages that have shown a historic alignment with the timing of the Long Wave - peaking with and bottoming at the extremes. Kondratieff viewed depressions as cleansing periods that allowed the economy to readjust from the previous excesses and begin a base for future growth. Incremental innovation consolidates industries. As increment innovation narrows profits and increases. Within the Down Grade is a consolidation of social values or goals. Ideas and concepts introduced in the preceding period of growth while radical sounding at the time become integrated into the fabric of society. Often these social changes are supported by shifts in technology. The period of incremental innovation provides the framework for social integration.

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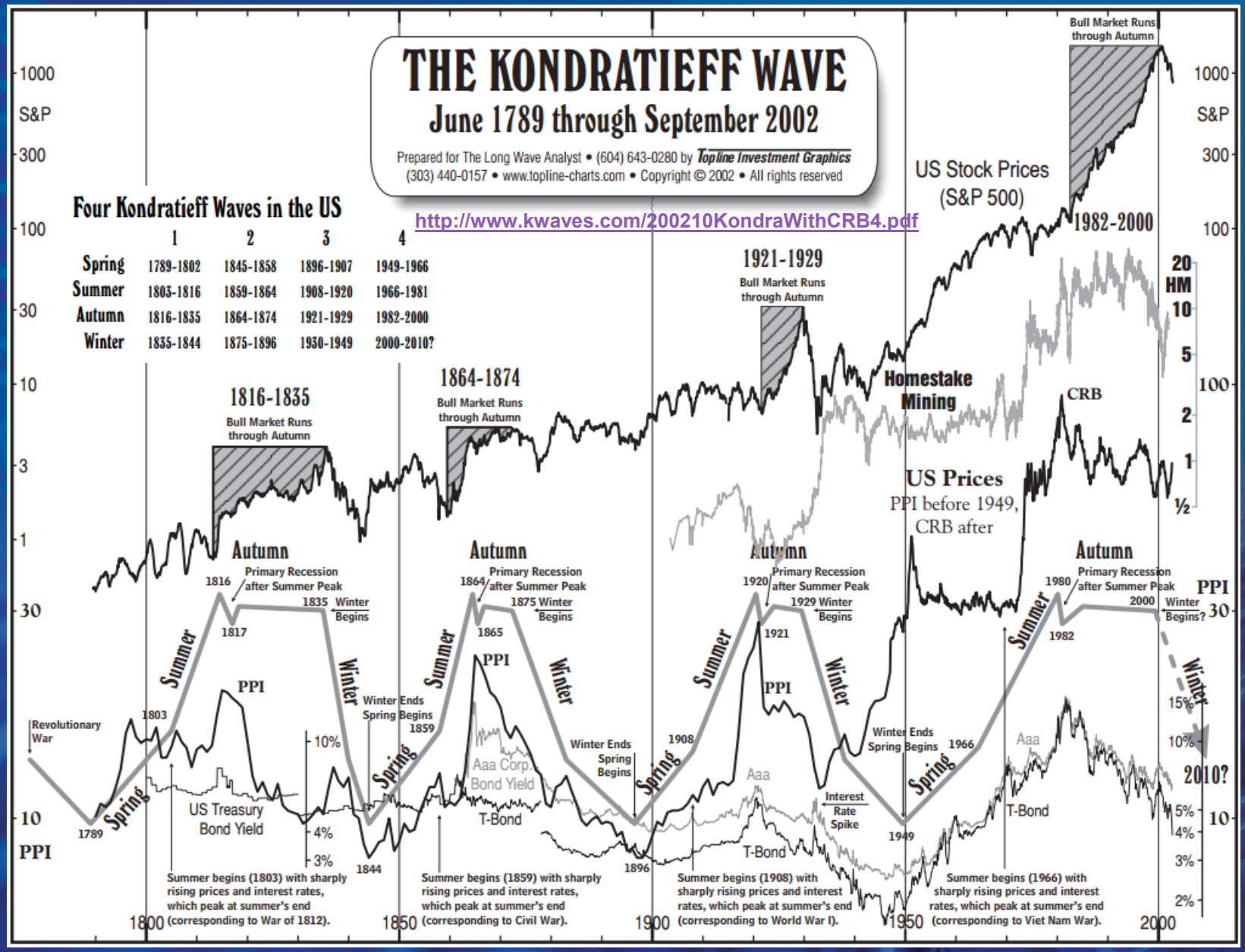
Kondratieff Waves



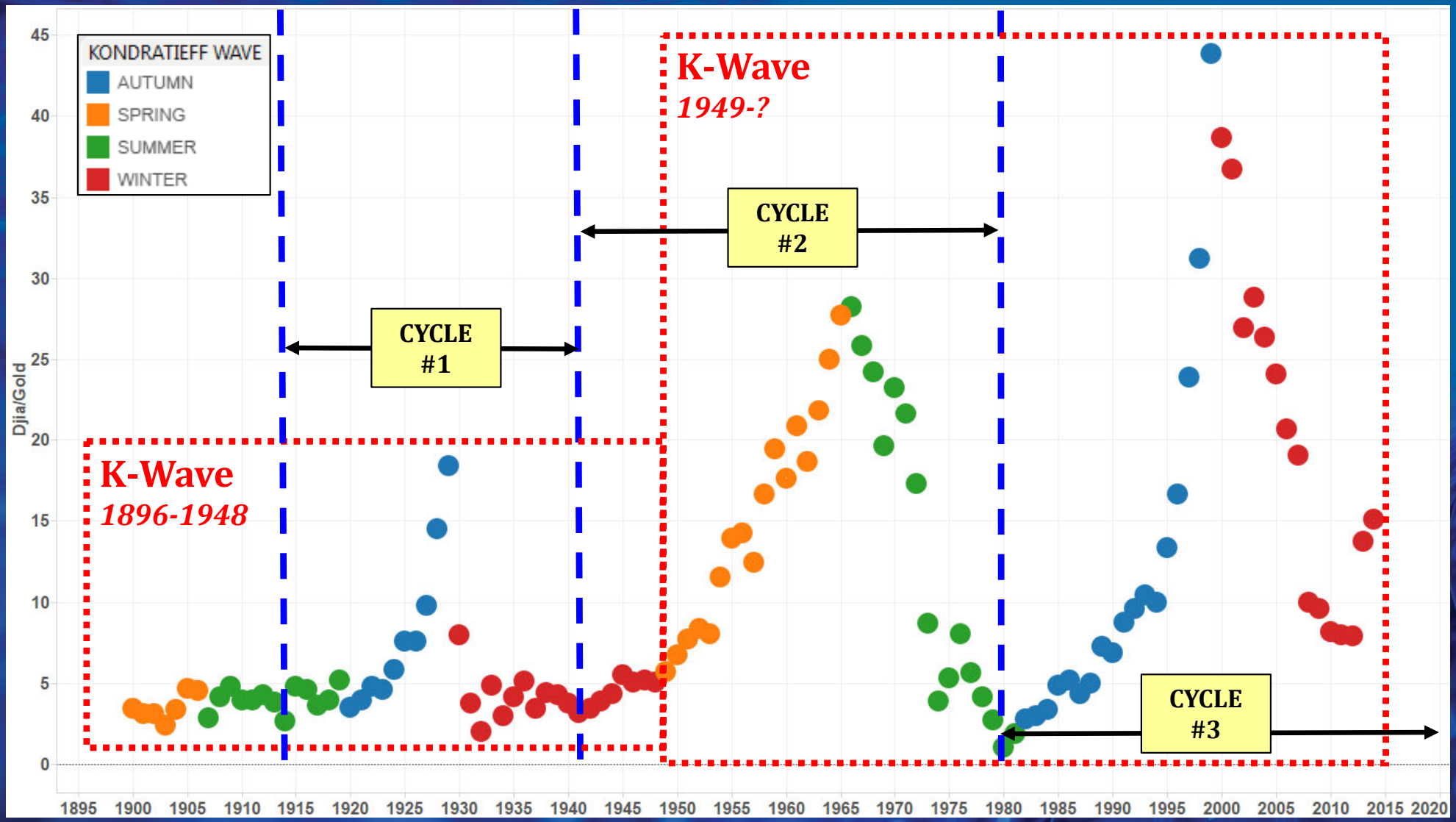
Kondratieff Waves – Economic Cycles

With four distinct phases in the K-wave a number of analysts have compared them to the seasons. Spring (inflationary growth, expansion), summer (stagflation, recession), autumn (deflationary growth, plateau) and winter (depression).

What the Kondratieff wave is about is a study of long cycles of debt buildup and repudiation. It is not exclusively about price inflation and deflation periods. Deflation is caused in part by the debt collapse. It is also a generational thing as the next cycle of debt buildup and collapse is renewed every 2-3 generations as the previous generation that went through comparable periods dies off. The old adage that "this time it is different" means the circumstances are different, yes, but they fail to recognize that the previous period was the same in terms of excesses and therefore the end result is the same.
www.kwaves.com

Spring (expansion)	Summer (recession)	Autumn (plateau)	Winter (depression)
1784-1800	1800-1816 (War of 1812)	1816-1835 ("Era of Good Feelings")	1835-1844 (Mexican American War)
1845-1858	1859-1864 (American Civil War)	1864-1874 ("Reconstruction)	1875-1896 (Spanish American War)
1896-1907	1907-1920 (World War 1)	1920-1929 ("Roaring 20's")	1929-1949 (World War 2)
1949-1966	1966-1982 (Vietnam War)	1982-2000 ("New World Order")	2000-? (War on Terror? Or?)

Kondratieff Waves & Dow-Gold Ratio



Dow-Gold Ratio vs Kondratieff Waves