

Four Pillars Finance Newsletter

Issue #58 (8 August 2005)

The Yang Wood Monkey month started yesterday.
The dominant energies for this month are Wood and Metal.
Wood is generally positive for stocks, while Metal is the big minus, so this is a mixed bag

Stocks did rise in July with Nasdaq Index making the double peak at near 2200.

Lots of typical 'peak' characteristics became obvious this month, including the 'everything is good news' attitude and the hot IPOs that rise over 300% on their first day of trading.. (remember 1999 anybody?)
Selling your stocks looked like the dumbest idea in the world..

But our FPF prediction chart for the Nasdaq falls back into negative territory this month and will remain negative for the rest of the year. This doesn't necessarily mean the market will go down every month starting from now, but we better be prepared for some serious downside action during this fall and winter.



(Predictive chart made with FPF 1.1 software, available at <http://www.fourpillars.net/finance/fpf.php>)

Nasdaq

FPF Index: -12.1 (down from +7.4 last month)

The Nasdaq rose to 2220, where it bumped into a ceiling
So we got the double top we had been talking about in previous newsletters (see chart below)
With the FPF turning negative I expect this market to try the downside again.
First target will be around 2000, where it will meet with long term uptrendline in the chart.
If this support line breaks we could go much lower...

We still stay out of stocks.
If you haven't sold yet, there is still good opportunity to do so at current prices.

Here is the updated prediction chart for Nasdaq:



Gold

FPF Index: -30.2 (down from -4.6 last month)

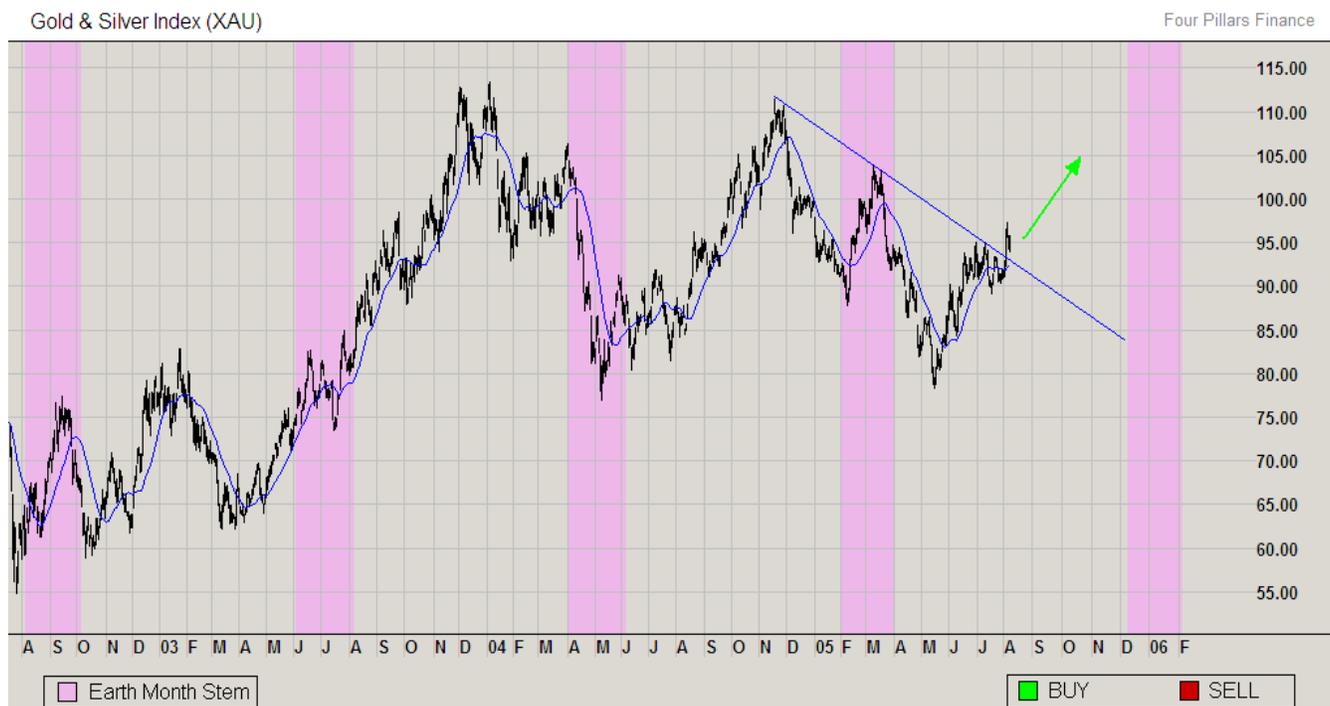
Gold stocks gave us a few chances to buy below 90, as we suggested in last month's newsletter, but then broke towards the upside and ended the month near 95.

This market is also behaving as we expected and prospects look good for further gains towards the end of the year.

Our FPF turns negative this month, which I expect to produce some consolidation in the prices, probably fluctuating around 90 – 95 for the next weeks.

Hold on to the gold stocks for long term.

Here is the updated chart:



Euro - US Dollar

FPF Index: + 5.4 (up from -12.7 last month)

The Euro bottomed right in the middle of our timeframe, and nicely at our buy target.
A low of 1.18 was reached early in July, and now the Euro is up to 1.24 against the US dollar already.
The sharp downtrend appears to be broken as you can see in the chart.
Those who bought Euro below 1.20 at our suggestion must be smiling...

We expect further appreciation in the Euro for the coming months, with a first target at 1.28 – 1.30, where it will meet with a long term downtrend line (see chart)

Stick to these Euros..

Here is the new prediction chart:



Question of the month

Q: Do you use other technical indicators for your predictions, or is it based on Chinese astrology only?

A: We receive this type of question quite regularly.

My own understanding is that most people are using too many indicators.
More is not always better, and there are several well known traders and investors that use only one or two indicators.

I did some extensive experiments with the common technical indicators years ago, and I found that most of them simply don't work.

Or better: they work when they work, and they don't work when they don't..

But then what's their use?

I sometimes think they are only meant to conf-use...

Here is what I do use:

I use the Chinese astrology cycles for timing purpose. This tells me with reasonable accuracy when bottoms and tops can be expected, based on past history how the stock or index behaved during same Chinese cycle in the past.

But the Chinese cycles tell me nothing about price.

For estimating price I use the trendlines as you see them in our monthly newsletter.

Trendlines is one of the things that do work, and you will find them again and again when you look at charts.

Trendlines work because many traders and investors are looking at charts, and intuitively one starts seeing and drawing lines in them.

They are a self-fulfilling prophecy in a way, but it works because lot of traders are looking at charts and drawing the same lines in them.

It is the combination of both, the timing with Chinese Astrology plus the use of trendlines for price estimation, that is at the basis of the predictions in this newsletter.

It works often enough to be profitable.

And I do use one other technical indicator, which is based on an own proprietary formula and not found in any charting program.

This indicator helps me to pinpoint the actual turning points in the market, based on daily market action.

It serves to fine tune upon the timing and price estimates gained from my first two tools.

This indicator is not shared in this newsletter, I may do so in the future.

In short:

I use the Chinese astrology as the timing tool,

Ordinary trendlines for price estimate,

And one technical indicator as a kind of double-check.

Four Pillars Finance software - Free trial download

For more detailed daily prediction charts you are welcome to download the Four Pillars Finance 1.1 software on our site : <http://www.fourpillars.net/finance/fpf.php>

The program calculates the Chinese cycles and shows you in advance the best days , months or years to buy or sell stocks, gold, bonds, currencies, commodities...

No experience in Chinese astrology is needed in order to use this program.

Start of the Yang Wood Monkey month: 7 August 2005 at 6:04 am EDT (New York)

Start of the next Yin Wood Rooster month: 7 September 2005 at 8:57 am EDT (New York)

If you want to receive our next monthly outlook in your mailbox, please subscribe to the free Newsletter on our site: <http://www.fourpillars.net/finance/newsletter.php>

You are welcome to forward this free newsletter to anyone who is interested.

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