

Long term Nasdaq prediction chart

(updated January 2005)

The start of the new year is a good opportunity to update our long term prediction chart. It is always useful to have a look at the bigger picture once in a while.

Earlier versions of this long term prediction chart have been quite accurate, and are still available at our site:

Nov 2000: <http://www.fourpillars.net/finance/nas25year.php>

Feb 2002: <http://www.fourpillars.net/finance/naslong02.php>

Here is our new updated long term prediction chart for Nasdaq Index (Zoom out if it doesn't show very clear on your screen, or print it):



In 2000 we predicted that the Nasdaq would fall below the red line that supports the uptrend in place since 1974. This came true in late 2002, when the Nasdaq dropped to 1100, but the market snapped back and managed to stay in the old long term channel.

We even briefly touched the blue middle line again in late 2003.

While many investors believe that this bear market is now behind us and we are back in a long term rising market, I do think there is another leg down to come first.

The brief drop to 1100 has not balanced out the extreme excess created by the blow-off peak in 2000.

As you can see in the chart we may very well be in a long term downtrendchannel (given by the fine blue lines), with the market just about to touch the ceiling and ready to resume the downmove.

Based on the trendlines, another major leg down starting from here will take us down to Nasdaq 850 by the end of 2007. A more severe collapse can even bring a Nasdaq crashing to 500 by the end of 2007.

From these lows a new long term uptrend is likely to start.

Even if we see the market make a spurt towards 2500 Nasdaq by next March 2005, it will not alter this scenario.

The real test is bound to come when in a next correction phase the Nasdaq falls back on the long term uptrendchannel (red in the chart).

I expect this to happen this year.

Any drop towards 1800-1900 on the Nasdaq will mean a retest of this 30 year uptrend.

If the line holds and the market can stay in the long term channel, then we are saved from this pessimistic scenario.

If the line breaks and the market falls below 1700, then the scenario of Nasdaq 800 – 500 by the end of 2007 becomes a strong possibility.

Investors and speculators can profit from such scenario by buying some long term leap put options with expiration in January 2008 (this series will become available at the end of this month).

We will give a regular follow-up on the evolution of this scenario in our free newsletter.

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

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

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