

Long term Nasdaq prediction chart

(updated January 2006)

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>

Jan 2005: <http://www.fourpillars.net/pdf/naslong05.pdf>

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):



Stocks seem to have stabilized back in their long term uptrend channel.

The chance for a drop below this channel, which was discussed in last year's update of this chart, is diminishing.

Studying this chart it can be observed how stocks have tended to alternate between periods when prices are mostly above the medium (blue) line, and periods when they are mostly below it.

These periods have been about 7 years average duration.

This is like the proverbial seven fat years followed by seven lean years.

I have marked these periods with blue and red color line below the years in the chart.

Typically a seven lean years ends with the general public being utterly disinterested in stocks

While a seven fat years period results in great public interest for the stock market.

A brief overview of these periods:

Lean1 ('74-'80): oil shock, inflation, stocks go out of favor

Fat1 ('80-'87): economy and stocks boom, ends in 87 crash

Lean2 ('88-'94): recession, 1st Gulf War, stocks go out of favor

Fat2 ('95-'01): economic expansion, stock market mania of 2000, ends in Nasdaq crash of 2001

Lean3 ('01-'08??): recession, 2nd Gulf War, stocks go out of favor

Fat3 ('08-'14?):

If this pattern persists, then stocks should remain below the blue medium line in this chart till 2007/2008

A break above 3500 for Nasdaq in 2008 might then start a new fat years period with above average stock prices.

For a perspective, the green expensive line will reach 10000 by the year 2014, so that would be the initial upside target for a next fat years period.

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