Transcript of Glenn Neely Interview

Rallying to new heights: Discussing Glenn Neely's 1988 forecast (Dow will reach 100,000 by 2060) in light of today's active market

Interviewer: Hello, this is Bud Fox. Today, it's my privilege to have NEoWave and Elliott Wave expert Glenn Neely here with us. Glenn, how are you doing today?

Glenn Neely: I'm doing well. I'm excited about the 25th anniversary of my super long-term forecast that I made right after the 1987 stock market crash. It'll be interesting to review that and see how things stand now and where things are going.

THE PESSIMISTIC MARKET ENVIRONMENT OF THE 1980s

Interviewer: At the time, some of the readers and listeners were not involved in finance or trading. Would you mind providing a review of the psychology and the market dynamics in the late 1980s?

Glenn Neely: Obviously when I made this forecast I was very new to the business. I had been in the business for about six years. Now I'm an old timer. I've been doing this for over 30 years.

At the time, before I wrote my book, I had written an article for *Cycles Magazine*. It was their special Elliott Wave edition in 1988. I had presented in that issue an extremely long-term stock market forecast. It probably was then – and still to this day – the longest stock market forecast ever made that I know of. It covered a period of about 75 years, from 1988 all the way to 2060, somewhere in there.

For the first 10, 15 or 20 years so far, the forecast has worked really well. There have been some minor changes to my Wave count, but overall the market has done exactly what I was expecting. It's been extremely strong and has gone way past levels people at the time thought would have been impossible.

I remember before I did this article I had done a presentation, which is what prompted *Cycles Magazine* to ask me to do this article, in the summer of 1988. At the talk, I had presented my long-term perspective on the stock market.

Remember, this was after the '87 crash so pessimism was worse than I'd ever seen in my 30-year career. It was even worse than after the crashes in 2000 and 2009. There was a lot of fear in 2009 but the fear of "the world coming to an end" in '87 was much greater than it is now. At least that was my experience personally.

The pessimism was everywhere. At the time, I was the only bullish stock market forecaster, along with Don Wolanchuk, that I knew of in the entire world. Everyone else across the board was super bearish – they thought this was the beginning of a depression.

When I made this talk, no one was optimistic, especially in the audience. They were all assuming that we were going into a new depression. At the end of the talk, I announced what I thought was going to happen to the stock market over the next 75 years. The audience just burst out laughing, because they thought it was the most ridiculous thing they'd ever heard in their lives.

This, again, was about seven or eight months after the crash of 1987 and the Dow Jones was in the 1,800 or 1,900 range. That's hard to believe now. The low was around 1,650 or so in the Dow. That happened, of course, extremely fast. The market bounced off that low. The low was only 200 or 300 points below where it was currently trading.

I said at that talk that the low would never be broken for the rest of my life. That was what caused the first outburst of laughter. It turns out that low was never broken. I also indicated we were going to make all-time new highs in the stock market above the 1987 top, and we'd eventually go way beyond that, even above 10,000. That, of course, got another laugh in the audience. People thought I was out of my mind.

There was actually even a newsletter I remember that started right after the crash called *The Down Wave Digest*. I can't remember who started it. When I saw it, I just knew that if someone created a newsletter where there's only one outcome possible – the market is going down – they had to be wrong. That's just crazy to me.

Trading stocks is about being open to possibilities and options, not just having a one-sided perspective! This person was locked in. Of course, that locked-in perspective ended up ruining his newsletter.

It was a very pessimistic period. The more pessimistic an environment is, the more likely it's going to be a low and things are going to change. The same thing happened in 2009, if you remember how pessimistic everyone was. Then Warren Buffett comes in and buys up all kinds of things with all the excess money he had. It probably turned out to be one of the best trades of his life.

That's what the environment was like back then. The article I wrote 25 years ago for the Foundation for the Study of Cycles is "The Stock Market Forecast to the Year 2060."

Bud, let's review it, look at what I was predicting and then make the leap to a more current assessment of where things stand, what adjustments I've made to the Wave count and what I think is going to happen over the next 10, 20 or 30 years.

AN IN-DEPTH LOOK AT MR. NEELY'S 72-YEAR FORECAST

Interviewer: We can go through the article. Let's look at the first page. The first page gives us a broad framework of Elliott Wave. It talks about the Impulsive Wave and the Corrective Wave. Would you share a little bit of that background knowledge to the listeners and readers? What's the Foundation's view of Elliott Wave in terms of psychology and the price action?

Glenn Neely: This is obviously very simple and basic stuff just indicating that, under Wave Theory, when a market's moving in the direction of a trend, it'll move in five segments. When it's going against a trend, it typically moves in three segments.

Those three segments, even if they're more than three, tend to mostly go sideways. Five-wave impulsive patterns always have to go comfortably or substantially up or down. You have this big move which is impulsive and you have corrective moves which go sideways for the most part.

Moving on to the next page, I start taking this information and applying it to the long-term stock market data which was provided to me by the Foundation for the Study of Cycles at the time. The long-term data they provided went back to 1789. That data carried all the way through to the high in 1987, of course. It doesn't show the crash in full detail but mostly it's there. You can see the really big picture in the stock market.

Most people misinterpreted this period. Virtually all Wave analysts who had access to the data misinterpreted the period where the first advance, which is marked with the words "first advance," was considered Wave 1. Then the period to 1860 was considered Wave 2. The peak in 1929 was considered Wave 3. The crash in 1932 was considered Wave 4. Some people said Wave 4 was in 1940. Then the third section was what most people considered Wave 5.

Because of this long-term count, ever since the late 1980s and all the way up to now, most Elliott Wave analysts have assumed we've been in this fifth Wave since 1932 or 1940, at any time we would peak out this multi-millennium advance, a 200- or 300-year advance, that's going to be "the end of the world" for the United States and the rest of the world, and we'd go into a massive depression.

Based on Wave Theory, if the 1929 to 1940 period, which I think it was actually 1949, was Wave 4, then the market should actually go back down into that range, which means it would go down to 140. I've heard some forecasts for the Dow to go down to 40, which is near the 1932 low. You're talking nuclear war, obviously, if that happens.

Interviewer: Actually, I guess it somewhat makes sense. If you think about the turmoil in the 1980s with oil prices and the Cold War, what was going on between the United States and Russia, and then you look at this chart which is basic knowledge of Elliott Wave, any commonsense person would see there are five Waves up. At the time, your interpretation was very interesting and different compared to others.

Glenn Neely: There are a lot of problems with this count, which I've pointed out now for 30 years. I've constantly held the position that, and clearly spell out in the article, there's no way that scenario could be correct. It would require that most of the segments that we're looking at or assuming to be impulsive are actually corrective.

The biggest problem is, if you look at the first advance, the pattern starts off with a lot of choppy, sideways, volatile, crazy action before it actually starts to trend toward the end. That's not the way you would start an impulsive pattern.

The next big problem is the correction from the peak around 20.1 all the way to 1860 didn't take as long as the previous advance. Under NEoWave rules, corrections always have to take more time than impulsive patterns.

Most Elliott Wave analysts don't stick to this rule and it's for this reason. Most of their Wave counts constantly have to be changed and they're constantly wrong. It's a rule that can't be broken. If you break it, you're going to have to revise your scenarios.

As long as you make sure your corrections always take the same amount of time or more as your impulsive periods, you'll have a dramatic reduction in the amount of errors that you experience doing Wave analysis and increase the long-term accuracy and stability of your Wave counts.

That's problem number one. What most people were calling Wave 2 took less time than Wave 1. That's not allowed under NEoWave and should not be allowed under Wave Theory at all.

You run into the same problem for the next big advance, which most call Wave 3, up to the high in 1929. The correction after that for Wave 4 also takes way less than the time for Wave 3. That's another big problem with this count, which, to me, makes it impossible.

Not to mention, notice during the middle-second advance, there's an area that says "consolidation toward center." Notice how choppy that is? In any impulsive pattern, most of the time, the middle part of Wave 3 would be the most trendy accelerated phase of the pattern, not the deadest, calmest, choppiest part of the pattern. It's very clear from 1860 to 1929 that the dead period is all toward the middle and the quick moves are the very beginning and very end.

That's not possible in a third Wave. That behavior alone makes this count impossible. I've been saying this for 30 years. I've never agreed with this count. It's never even been a remote possibility.

When I looked at this pattern, I realized the move from 1860 to 1929 had to actually be a corrective rally, despite how big it was and the implications of that. If it's a corrective rally, then this was a far more bullish situation than what most people were considering.

What I started to realize was that the start of the United States didn't occur in 1789, which is where this data began, and the progress of humanity didn't begin there. London and Europe had existed for hundreds of years before then. Europe was making great progress even in the 1600s and 1700s. That data was not present on this chart.

Some people actually went to the trouble to connect historic information from London. They were connecting London's data to the U.S. data. I felt that was a mistake because progress in one country isn't the same as progress in another. I thought it might give bad information.

What I did instead was do something that had never been done before. If you go to the next page, which is Figure 3, it's page 219. This was the page number in the article at the time.

I actually projected backward in time where Wave 1 would have had to have started to make the rest of this pattern make sense. You have enough structure to have an impulsive pattern for what I marked as Wave 1 at the high right above 20.1. That was finishing around 1835.

There was this ABC correction. Because the correction took way less time than Wave 1, I had to make sure the correction continued despite the new highs.

Then we rally up to this X Wave in 1929, which was a corrective rally. We go through this contracting triangle. This contracting triangle is interesting because that's exactly the count that R.N. Elliott originally had for his Wave count. He thought that was a contracting triangle, which I finished in 1949 and he did also.

I feel comfortable that the originator of the theory had a similar Wave count as me, at least from the data he had. He didn't have all data I have here. He did assume the 1929 to 1949 period was a contracting triangle.

That helped to conclude this very large corrective pattern all making up just Wave 2. If that was Wave 2 finishing much higher than Wave 1 and showing an incredible amount of strength, that meant the move after had to be the biggest, fastest, largest move of all time up to that point.

If you do some measurements, you can see 1949 to 1966 was the largest, fastest move on this chart that was actually recorded data. It's not the part I projected backward, but was actually part of recorded history.

That helps to reinforce the idea that, in 1949, we finished a sideways consolidation, or a contracting triangle, we had this huge thrust upward, which would be the thrust out of the triangle, and the start of a major new stock market advance which was part of this new third Wave beginning in 1949.

Interviewer: Glenn, I think most Elliott Wave followers who only have a simple knowledge of impulsive and corrective Waves have a hard time getting over how in the world a corrective wave can advance that big.

Glenn Neely: Everything is relative. The size of it is irrelevant. That's just a human emotional reaction. In 1929, we began what easily could be qualified as a 20-year bear market. In 1835, we had what was probably also another 20-plus-year bear market. It may have even gone longer than that.

You can have very long corrective patterns that go sideways, up or down. You can have impulsive patterns that go up and down. It's not relevant how big it is or how much time it takes. What's relevant is how it is structured.

That's like saying a building that's turned on its side is no longer a building because it's going sideways instead of up. If a building is an impulsive pattern, if you turn it upside down, it's still a building even if it's turned upside down.

A correction is a correction. It doesn't matter which direction it goes or how big it is. It just matters how it is structured. The structure of that move from 1835, where the C Wave is on that chart, all the way up to the X wave is a corrective rally. It doesn't matter that it's big. It just is.

Interviewer: Also from what we learned in Elliott Wave, Wave 2 tends to be a deep retracement of some sort before a strong Wave 3 happened, according to your chart. That's why I suspect that a lot of Elliott Wave followers at the time couldn't believe your forecast. Not only, according to your Wave 2, it didn't retrace much and we actually advanced the other way, which I suspect shows the huge amount of momentum that is going to build on Wave 3. Is that correct?

Glenn Neely: Right. What happened was the U.S. was the most incredible industrial, money-creating machine in the history of the world from the early 1800s to the mid-1900s. That was perfect justification.

You're talking about human progress on a scale that's never been seen in 10,000 years. All of a sudden you were having an incredible number of new products being created, the industrialization of society, patents and new technology.

It makes sense that that was all a very strong period causing an upward slant to what would normally be a standard advance. This was being stretched upward because of the incredible innovation taking place in a very short period of time that had never happened in the history of the world to that degree.

Whenever you have new technologies that are life and society changing, that creates upward momentum in favor of the trend. That's why this second Wave stretched upward so much. It was preparing us for the incredible technological revolution that began in the 1949 period with computers just being created and eventually mass distributed in the 1980s and 1990s and the creation of the Internet.

All this stuff is building up incredible efficiencies, allowing for distribution of information worldwide and quick and easy access to things that never existed before, not to mention efficiencies for companies that saved tremendous amounts of money so they can make more money easier and faster.

All this stuff is what's creating this upward slant to Wave structure and setting the stage for an explosive stock market advance going into the 1990s, which I was predicting here, and eventually into the mid-21st century and the 25th year.

This power we've experienced from 1835 to 1949 then transferred into the future market advance, which got us from 148 to 1,000 in just a matter of about 20 years. That was almost a 10 times increase in 20 years.

Then we went sideways for a while. Then computers came on the scene. Then the market took off again from 1,000. I can't remember the peak. Was it 2,500 or 2,600 in the Dow? Then we went through the crash of 1987. Then we went way up above 10,000. Now we've recently reached 15,000.

On this chart, we'd be up well above the 8,000 range. I'm not sure exactly where it would be on the chart, but it would be significantly higher. This is part of all this new technology creating incredible efficiencies, increase of business concepts and distribution of products easier, faster and better, with better record-keeping and more.

Interviewer: I'm sure you probably will cover it later, but as an Elliott Wave follower, I'd like to ask you a question regarding super cycle Wave 4. After what is supposed to happen in 2020 to 2060 based on the rule of alternation, shouldn't we get a very severe retracement? It seems it is such an upward slant in corrections. Wave 4 is not only supposed to take longer and also alternating with Wave 2, but it should be a downward retracement. Is that a fair assessment, or do you have other thoughts?

Glenn Neely: Wave 4 hasn't started yet, most likely. If it has, it just recently started with the crash of 2009. We have to get into some short-term and much more up-to-date charts to get into that scenario. This chart and analysis were done in 1988. Most everything that has happened that I was predicting obviously did not even exist at the time.

Let's move on to the next chart. We can visually move into those long-term scenarios with a more up-to-date chart. Let's move onto the next chart. In the next page, it's titled "The Long-Term Wave Count."

In the article, I discuss the various phases of Wave 1 going from the 1765 to 1835, Wave 2 from 1835 to 1949, Wave 3 from 1949 to 2020 and maybe 2060. At the time I assumed we were just going to take that kind of structure to it. That may have changed some.

Let's look at the actual Wave count that's presented. You can see where I finalized Wave 1. It shows part of Wave 2, to the X Wave and the contracting triangle to finish off the big Wave 2. By the way, that 2 Wave took about 160% or 150% of the time of Wave 1. It did take longer than Wave 1, not an excessive amount of time but it did take longer.

The interesting part about this count, which is very common to running corrections, is that at the top of Wave 1 in 1835, if you take the length of that Wave 1, take 61% of it and add it to the top of Wave 1, you get exactly the peak in 1929. That would be a very common Fibonacci relationship for running corrections. This is on the log scale, of course. That helps to reinforce that it's a good determination for a strong second Wave that's drifting upward in a running kind of fashion.

Once Wave 2 finishes, it applies where you get a much larger advance in the stock market, which is what I think we're in right now.

Of the new third wave, we've already had Wave 1. We probably have finished Wave 2. Sometime between 2000 and 2009 we finished Wave 3.

We still have Wave 4 to go, which is probably forming now, a fifth wave to go which is going to bring us up to much higher highs, and then a massive fourth wave to come later on. That will be potentially considered the new Dark Ages, but it will be a massive fourth Wave correction starting around 2060 or 2065.

Interviewer: That's my question. Based on the rule of alternation, usually Wave 4 takes a much longer time. That means if Wave 2 takes about 140 years based on your chart, you are looking at the mass of Wave 4 potentially spanning more than 140 years.

Glenn Neely: Remember that alternation has to follow multiple different rules. It's not just alternating in price, time, structure and complexity. There are five different types of alternations. With Wave 2 being excessively long, complicated and powerful, that would indicate Wave 4 is going to be probably quicker, deeper and more violent.

I would expect Wave 4 to take maybe half or even less of the time of Wave 2, more like 50 years, but it could be extremely deep and scary. It would be a really large correction, maybe 60% or 70% of Wave 3. That's going to be the scary part. That's not going to happen any time soon, but it could be very scary.

Interviewer: Right. At the same time, the scariest thing that America has experienced is the Great Depression. In some ways, that's a correction with being a running Wave 2. What you're saying is the mass of Wave 4 will be even bigger than the Great Depression.

Glenn Neely: It may not be bigger percentage-wise, but I guess it would have to be if it's on the log scale. Let me just take a quick measurement here on my chart. I'm going to quickly measure Wave 4. On a log scale, it should actually look larger than that decline, but I don't know if that means on an arithmetic basis percentage-wise if it's going to be larger. On the log scale, it should be a larger decline.

When you measure things arithmetically, it changes things quite a bit. When you do it logarithmically it's a little different. Top to bottom on a log scale, it has to be a larger decline, but I don't know if percentage-wise it will be a larger decline on an arithmetic basis.

It will be a very big drop. I can assure you of that, but it's a long way from now. You don't need to worry about that for some period of time. We will probably start a big correction in the next six to 12 months. It could go on for quite a while, but it won't be on the scale of the Great Depression.

We began basically with Wave 3 on my long-term count in 1929. We're still in it and still have a long way to go. I don't see it peaking until about 2060 or 2065, somewhere in there. There are multiple reasons for that having to do with timing. It also has to do with some studies I did at the time regarding population growth and the expected peak of the world's population.

The world peak population, which was projected at the time I was doing this, was around 2060 and 2065. All growth in the human realm is dependent on the human population. Whenever you have massive population declines, you have massive reduction in growth because there are fewer people to buy and create products.

Peak population has a strong tendency to correlate to peak stock markets. Troughs in population relate well to troughs in the stock market. That was another reinforcement to my long-term forecast with a peak around 2065.

Based on the time of Wave 1, which in this case I projected went from around 1765 up to 1835 for about 70 years, we would want Wave 3 to take more than 70 years. That would be about 2019 as a minimum. I gave it another 40 years, which is typical for third Waves. If they're going to be large, they'll typically be around 160% of the time of Wave 1. That also gets us around the year 2060.

For all these reasons, that's a good year to expect a super long-term top in the stock market, which of course is still 47 years from now. We still have a lot of time, but there are going to be a lot of ups and downs before then.

Let's move on to the next page. This shows some of the relationships that I mentioned earlier, which is actually extremely interesting. You'll notice that for the length of Wave 1 if you take 61%, you get this 1929 high. It looks like big Wave 1 and big Wave 2 are identical to small Wave 1 and small Wave 2. You have to rally it up to 1,097 for small Wave 1.

Then there's the sideways period, and the peak of the 1987 high is 61% of the top above the 1966 high. This creates similarities between a smaller timeframe and a larger timeframe, which is a very common phenomenon.

The count has changed since 1949, but at the time this looked good. The relationships were there. It was still bullish, even though it was bullish for slightly different reasons now.

We move on to the last page. This was the controversial page. I can't tell you how much flack I got for this forecast in this article in the late 1988 period. I was ridiculed publicly. People wrote in to the magazine saying how stupid I was and so forth.

As it turned out, the 1987 crash low was never broken. Clearly, in my opinion, it will never be broken for the rest of my life. The Dow Jones is now at 15,000. This article was projecting a move in the Dow to over 100,000 by the year 2060.

You can see where that little X wave is. That X wave is the peak in 1987. This was written right after the crash of 1987. Everything after that, the little triangle and the advance to 8,000, the correction and advance to 100,000 higher, were all projected by me. This is what I was predicting would happen over the next 72 years from when I wrote the article. So far, so good.

The market has obviously gone well above 8,000, and it's probably up in the middle section of the next square between 59,000 and 8,000.

A lot of people, when they look at stock market progression, always think of it in arithmetic terms. They think, "God! To go from 10,000 to 100,000, we have to go up 10 times." You actually don't. All you have to do is double about two and a half times. Then you're there. Markets double, on average, every 10 or 15 years. I'm not sure. Do you know? It may be every seven years.

Interviewer: It's the rule of 72, right?

Glenn Neely: Yes, I think it's about every 7, 8, 9 or 10 years that markets double in value, on average. Of course, there's inflation there, which helps a lot. The government is always inflating the currency. That's generally how it goes. If you double every 10 years, you're going to get to 100,000 just in 20 or 25 years. That's just based on historical evidence. This is a very achievable number, even though in current dollar or arithmetic terms, it sounds preposterous and ridiculous.

Let me tell you, it sounded a lot more preposterous and ridiculous to say we were going to 100,000 when we were at 1,900. I was predicting we were going to rally 98,000 points before we dropped 300 points. That's one reason why they laughed me out of the room.

DOW 100K – IS IT PLAUSIBLE? YES, DUE TO THE POWER OF COMPOUNDING

Glenn Neely: Clearly, it seems much more plausible now, with the Dow at 15,000. Optimism is pretty high now. It seems a lot more believable than it did when I wrote this article.

Interviewer: Sure. The most interesting thing is *the power of compounding*. A lot of people don't understand it. The math just doesn't lie. You can actually do it on the calculator, and it just doesn't lie. It works.

Glenn Neely: It's a lot more achievable than it sounds. *If you give it enough time, it's remarkable what's possible with compounding.*

That's the big picture. For anyone who's looking at this article, if they can just keep this long-term count handy, the only part that has changed is the interpretation of the price action after Wave 1 in 1966.

I've had to make some adjustments of what's happened since then and where we stand because the 2000 peak produced a big correction, and of course, the 2007 high and 2008 period created an even larger correction, which was the largest since the Great Depression. It changed the way I'm counting this in detail. It does not change my long-term forecast.

I still think we're going to go to 100,000 by 2060 and maybe even up to 200,000 or 300,000. It just changes the labeling a little bit here and there.