Insight into Glenn Neely's September 2004 Forecast for the S&P 500

NEoWave 8-year forecast from 2004 through mid-2012

An Interview with Glenn Neely, Founder, NEoWave Institute

Transcript

Interviewer: We're speaking with NEoWave Institute's Glenn Neely, internationally regarded as an Elliott Wave innovator and creator of NEoWave technology. Today, we wanted to talk about your forecast for the S&P that you made in September 2004. It was a multi-year forecast extending through mid-2012. Here we are in November 2010, and this is a good time to revisit that forecast.

I have to say it's pretty amazing. It has panned out very accurately. We will have a chart, so the people who are listening to this interview can see the chart that we'll refer to. Glenn, can you explain the forecast you made for the S&P 500 back in September 2004? What was the market doing then? Why did you make that forecast? Was it similar to what other people were thinking at the time or different?

Glenn Neely: The first reason I wanted to cover this forecast is because it's coming to an end. The forecast was an eight-year forecast, and we're reaching the very final part of that timeframe, at least from a long-term perspective. There's that final little wiggle on the chart that hasn't happened yet, but we're reaching the end of it.

When you look at the orange line, which was the forecast, and you compare it to what actually happened, we saw that it's extremely close. We know the market was a little less volatile during the rally up to the highs in 2007 and a little more volatile since. Overall, it has been very close to what was expected.

This harkens back to the concept that we talked about early this year regarding periods of specific predictability, general predictability, and unpredictability. We were just moving out of the period of highly predictable price action after Wave-A finished in 2002 and early 2003. We were moving into a general predictability phase in the market that allowed me to generally predict that the market would start moving up, and that it would make an all-time new high, again above the 2000 high, to conclude the B-Wave. That B-Wave would take about 1.5 to two times and no more

than three times longer than Wave-A in time. Then the C-Wave would be the biggest and fastest move that we had seen in years. It turned out to even be bigger than what was predicted on this timeframe.

It was a very good time to make a general forecast and a general future market action in oscillation. Now that it's coming to an end, I think it's a good time to review it.

At the time, I'm pretty positive that no orthodox Elliott Wave analysts were expecting this particular scenario. Virtually all of them were extremely bearish, thinking that the high in 2000 was the end of the bull market and that the drop down to Wave-A was Wave 1 of a massive ongoing bear market. Of course, that would not have allowed for a new high, which we did make.

The ABC scenario fits the reality. I'm pretty confident that this count is not only still on track but that the fourth wave that's at the bottom right-hand corner of the chart is not going to end with that C-Wave. The C-Wave will be part of a larger pattern that will involve a D-Wave and an E-Wave. This is going to go on for another five to 10 years.

Interviewer: Let me clarify. When you made the forecast in September 2004, did you say that most people were bearish at that time, thinking the market was going to continue to go down? Your forecast was unusual in that you were looking at a bullish forecast for several years.

Glenn Neely: I don't remember what all market predictors were saying, but I know for sure the orthodox Elliott Wave camp was definitely bearish in thinking that the high in 2000 was the end of the mega-long-term bull market and that we were in the beginning of the biggest bear market of all time. As it dropped to the lows in 2002, that was Wave 1. The rally we were in through September was Wave 2. They were never expecting to move back above the old highs.

I was saying shortly after early 2003 that the rally would go on for about five years and that we *would* exceed the high in 2000 during that five to eight-year rally that I was looking for. As has been typical for much of the last 20-25 years, my perspective has been apart from the orthodox Elliott Wave camp. Generally speaking, my forecasts tend to work out better than the orthodox approach.

Interviewer: You're kind of the lone wolf too. You have a lot of people in one camp saying one thing, and then here you are following NEoWave. You're not following the traditional Elliott Wave but NEoWave. You're saying something different. It's interesting to visually see here on the chart how closely it panned out.

Glenn Neely: Right. NEoWave is a much more complicated form of analysis than orthodox Elliott Wave. It has an incredible number of rules, criteria in relationships, timing parameters, and things that you don't have with orthodox Elliott Wave. It generally allows you to be very specific when you can be specific.

The other side of the coin is, unfortunately, when NEoWave isn't clear, it's completely unclear to where I have no idea. It runs both extremes where orthodox Elliott Wave stays more in the middle. It's generally predictable, or at least it attempts to be generally predictable, more of the time. Because of the fact that it can't be, it tends to be wrong more often too.

Interviewer: When you made this forecast, we were in a period of general predictability, and you were able, using NEoWave, to predict forward for approximately eight years. Where are we now, if you could recap briefly? Are we in a period of unpredictability or predictability?

Glenn Neely: The most extreme period of unpredictability began at the low in March 2009 and continued through about March 2010. That period is now past. Ever since then, my ability to predict markets has increased quite dramatically and should continue to be pretty good to really good for the next one to two years. Then after that, it may decline again. We're past the midpoint of this 20-year correction. It happened around 2009 or 2010. We're past that point, and from this point forward, predictability should be better, though not great, for the whole next 10 years. It will be better than it was during the late 2008, early 2009, and late 2009 period.

Interviewer: Glenn, as this eight-year forecast plays out, we're at about 6.5 years into this forecast with about 1.5 years to go. Can you address what you think will happen with the S&P through the end of 2010?

Glenn Neely: You can tell that the drop in 2008 was quite vertical and violent, and it broke comfortably below the lows of 2002. It was so violent, and the recovery has been slower and more choppy, that it's extremely suggestive that we're in either in a contracting triangle (which would be a contracting phase for the next two years, probably into late 2012 or early 2013) or that we're in a flat pattern with the B-Wave rallying very soon to finish.

On a large scale, the final phase of the bear market, which will conclude Wave-C, should begin sometime this year or early next. That will bring us back down toward the lows of 2009. I don't know if it's going to break it, but it should get pretty close.

Interviewer: As I understand it, you'll be presenting a forecast with some predictions for 2011 and beyond. At a later date, we can get a lot more detail about how the remainder of this forecast will play out.

Glenn Neely: Right. As this current rally comes to an end, which may happen in the next few weeks to a couple of months, the clarity should get really high. I should be able to provide a much more specific roadmap going forward, about how the S&P will unfold for the next few months to the next couple of years. I'm waiting for that to happen before we do that.

Interviewer: Glenn, do you have any trading advice for people who are in the market right now, November 2010? Do you have trading advice for the immediate timeframe, perhaps the next four to six weeks?

Glenn Neely: If you're long in the market, it's going to be increasingly more dangerous. It'll be a time to hedge or to exit the market for early 2011 – for most of 2011 and 2012.

Interviewer: Hedge and be conservative.

Glenn Neely: Right. Either hedge long positions, or get out and don't look for bargain hunting or anything. This will be a timeframe to stay out of the market for a while.

Interviewer: Back to the S&P 500 forecast that you made in September 2004 through mid-2012, do you have any final comments before we wrap up?

Glenn Neely: For a psychological perspective, the odds are pretty good that we will not break the low of 2009. I think the psychology could be worse than the environment. The fundamental international environment could be a lot scarier the next time we approach those lows. The price action probably will not break that low. I think we've reached the peak of financial panic after the lows in 2009, but we probably haven't reached the peak of psychological panic yet. That's probably going to happen around late 2012.

Interviewer: Good perspective. Thank you so much for your time today, Glenn.

Glenn Neely: Thank you.

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