# Glenn Neely Interview Series

## *Did the Mayans Get it Right?*
## *Broad Predictions for the 2012 Stock Market*

## Past Social Manias and Their Impact on the Stock Market

Bud Fox: I'm Bud Fox, and today it's my privilege to speak with Glenn Neely, founder of NEoWave and renowned Elliott Wave expert. In fact, Glenn was recently named a Top 10 S&P Timer by *Timer Digest* for the last 10 years, 8 years, 5 years, and for the entire year of 2011.

Today we are discussing a timely subject: the December 21, 2012 "end" of the Mayan calendar plus its potential impact on social behavior and economic trends. But, before addressing this future, brewing "social mania," let's review some past manias and their impact.

In the late 1980s, there was the Harmonic Convergence. Then, at the end of the 1990s, there was the Y2K scare.

Glenn, would you share with the audience what the Harmonic Convergence was and how the stock market behaved at the time?

Glenn Neely: The goal of Wave Theory is to predict the behavior of markets, which are the result of mass human actions. Manias occur when you have a synchronization of mass human behavior. During my career, the first social mania I experienced was the Harmonic Convergence. It was an astrological event that occurred August 16 and 17 of 1987 when many planets in our solar system were said to "align."

For some people, the Harmonic Convergence marked the beginning of a new age – a great, new period for humanity. I lived in California in the late '80s, and there was a tremendous amount of "New Age" talk. In fact, "New Age" music emerged around then and was very popular at the time. Shirley MacLaine wrote her book *Out on a Limb,* which was about "the meaning of life," psychic experiences, and transcendental meditation. Some people believed the Harmonic Convergence would initiate a wonderful, new age of human potential and enlightenment.

If memory serves, the U.S. stock market topped the exact day of the Harmonic Convergence – that is, right at the peak of optimism, euphoria and excitement for the future. That was the *end*, not the beginning, of the stock market's advance. Within 2 months, the stock market had experienced its second-largest top-to-bottom decline in history. In one day, it dropped more, percentage-wise, than ever before.

It was interesting to see human behavior "synchronize" so perfectly as newspaper, television and investor behavior converged to pinpoint the precise top of the 1980s bull market. That event was followed by a massive decline, culminating with a 1-day public panic and stock market crash on October 19, 1987.

Those two extremes in market action and crowd psychology were reached just 2 months apart! In August 1987, people were talking of a new beginning, a new age, a new civilization, the end of wars, and an age of enlightenment. Two months later, people were talking of the "end of the world" and that the U.S. was going into a depression. In fact, 1987 produced the fastest, most dramatic change in public sentiment I've ever experienced.

In the summer of 1988 (nine months after the 1987 crash), I gave a talk in which presented my long-term prediction for the U.S. stock market. (You can find this in the back of my book, *Mastering Elliott Wave.)* I predicted the 1987 stock market low would never be broken for the rest of my life, and the Dow Jones Industrial average would eventually exceed 100,000 over the next 75 years (if the Dow still exists at that time). The audience actually broke out in laughter. The minute they did, I knew I was going to be right. For a prediction of that magnitude to work, no one can believe it. It's just like no one would have believed, two months after the peak in 1987, the stock market would experience one of its biggest declines in history. After all, at the time of the so-called Harmonic Convergence, mankind's future was filled with pixie dust and fairytale endings.

As predicted, 1987s stock market low of 1,616 has not been broken in 25 years. In late 1989, just 2 years after the "crash" low, the Dow exceeded 1987s high. By 1999, the Dow exceeded 11,000 – a level that was unimaginable 13 years prior! That infamous year 1999 brings us to the second, "social mania" I've personally experienced – Y2K.

Bud Fox: We mentioned another social mania: Y2K. How did this affect people and the markets?

Glenn Neely: Even though the stock market had been advancing for more than 10 years by this time, instead of it creating an overwhelming sense of excitement, goodwill, and hope for the future (like 1987's Harmonic Convergence), there was a serious, growing fear. Supposedly, at midnight on December 31, 1999, computer systems around the world would fail. Financial markets would collapse. Anything and everything that relied on computers wouldn't work. I remember reading about how oil pumping stations would stop working – which would create oil shortages – and virtually every industry and business would grind to a halt.

As everyone knows, virtually nothing happened on the changeover from the year 1999 to 2000. While the so-called Harmonic Convergence was the greatest "contrary" trading event of my career, Y2K was the greatest "non-event" of my career. All that pent-up fear was for nothing. Once everyone realized the world was safe, fear quickly turned to optimism, creating a rally of nearly 20% in the Nasdaq, just three months after Y2K.

With the Harmonic Convergence, no one expected a crash or that the economy would be bad. And, perhaps for the first time in my life, the majority of people were actually optimistic about the future, but they turned out to be wrong. In the case of Y2K, people feared the future, and this social mania generally turned out to be right – if you want to give it several years' leeway. It didn't happen right away, which was the expectation. Over time, we did get a big correction.

Bud Fox: Of course, now we have another major event coming up. Some people are afraid the world will end in December 2012, because the Mayan calendar "ends." There are a lot of wild theories, such as major earthquakes, an ice age, or the Earth's magnetic poles will switch. Clearly this counts as another huge social mania. My question to you, Glenn, is this: since you are an expert in Wave behavior and study social moves and shifts, where does this mania come from?

Glenn Neely: I've read that the Mayan calendar ends on December 21, 2012, which has led a lot of people to think the world is coming to an end. As I understand it, the Mayans were actually predicting the end of an "age." This brings up some interesting discussions on what *age* really means. If you talk about the zodiac from an astrological perspective, the end of an age isn't the end of the world. The end of an age is the end of a progression of the sun through the zodiac.

In this case, the Mayans have a different form of measuring the cycle of the sun going through what's called the procession of equinox. As I recall from my reading, it takes about 25,600 years for this progression to take place. The zodiac divides this progression into 12 equal parts, which is about 2,133 years each. The Mayans separated this into five parts, which is about 4,266 years each.

Apparently, the end of the age that the Mayans were predicting is the end of this particular one-fifth of the 25,600-year period. Under their calendar, one period is ending, and we're beginning a new age. In my opinion, I don't think the Mayans actually expected the world to end in December 2012. Instead, they anticipated the end of one age and the beginning of a new age.

For those who believe in the zodiac, the age we're in right now is the age of Pisces, which is the age of the fish. It's also connected to the Christian era. That's why a lot of Christian denominations use the fish as a sign for Christianity. We've been in the age of the fish for about 2,100 years, starting around 2,000 years ago. The end of the age of the fish is not the end of the world but the end of an age. It's a very fuzzy psuedo-science. Approximately around the year 2,100, give or take a hundred years, the age of Pisces will end and the new age of Aquarius will begin. I'm sure you've heard the song "The Age of Aquarius."

That's why, from two different perspectives – the astrological perspective and the Mayan calendar's astrological perspective – we're coming to the end of an age. In my opinion, that's why so many people believe the world is coming to an end.

Now couple this social mania with our bad economic times, declining employment, currency problems, and banking defaults. For a lot of people, these difficult economic times reinforce the idea that things are coming to an end.

Since Wave Theory deals with human behavior, we can't completely discount this social mania, even if we don't agree with it. Human behavior and mass psychology do impact the stock market, and this "end of the world" social mania will impact the 2012 stock market.

Bud Fox: Thank you, Glenn. In the next part of this 2-part interview series, let's discuss your stock market predictions for December 2012 and beyond – and whether you believe the stock market will crash due to "end-of-the-world" fear.

## Stock Market Predictions for 2012 and the Following Decades

Bud Fox: Glenn, you are the expert in forecasting and trading in the stock market, particularly from the perspective of NEoWave and Elliott Wave Theory. What do you think will happen in December 2012? Did the Mayans get it right? Will the stock market crash?

Glenn Neely: Based on Wave structure, we are in a bear market. In fact, we're in two bear markets. We're in a bear market inside of a bear market. The most current bear market started in January 2008. That's one degree lower than the bear market that started at the high in 2000 when the Y2K "non-event" came to an end.

According to NEoWave, on two different scales, we are in a bear market, which means the stock market is likely to go down or sideways predominantly for the next year or two, not day-to-day or week-to-week. Based on current timing and structure, it appears it's almost impossible for the stock market to actually bottom around December 2012. However, I think we'll be in a market decline by then.

The real low probably won't happen until 2013, maybe as late as early 2014. It doesn't look like it's possible for the bear market to terminate in December 2012, although we might experience a significant low due to "end-of-the-world" fear.

Under Wave theory, the actual conclusion of the bear market probably will happen much later than December 2012. I think the Mayans got it wrong, but they've been gone for a thousand years or more. We can give them a little leeway!

Bud Fox: Yes, of course. Do you really think that, for the next year or so, the general direction of the stock market will be down?

Glenn Neely: It will be sideways or down, because we're still working on concluding the corrective rally that began at the low in 2009, and that pattern has been going on for almost two and a half to three years.

That upward and sideways, complex corrective pattern is counter to the downtrend. In Wave theory, we've been in a countertrend corrective rally. Most people call it a bull market, but Wave theory discusses and looks at markets in a different kind of way. The way the stock market rallies determines what kind of pattern you're in, so it's rallying in what's called a *corrective fashion*.

We're currently in a countertrend upmove from a low in 2009 to present, and that's getting very close to finishing. It looks like it could last through the middle of this year, give or take a few months.

Then I think the bear market will resume. We're going to go down in late 2012 and probably into early 2013, with an outside chance of early 2014. That will be the significant part of this bear market for the next few years.

My long-term forecast shows analysis beginning at the high in September 2000 where this correction began. I predicted that this correction would go on for at least 20 years and potentially 30 years. We're only past the first

10 years of this correction, which means we have at least 10 more years to go.

Under all Wave patterns you almost always get the worst economic conditions toward the end of the pattern. Even though things appear bad and could be bad over the next couple of years, the really bad economic period will probably be about 10 years from now, and maybe as far out as 20 years from now.

Progressively, things should get slowly worse, economically speaking, for the next 10 to 20 years. It's not great news, but that's what Wave Theory indicates.

Bud Fox: Do you believe in the next downwave, which you mentioned should start possibly mid-2012 that might last until 2014, that the March 2009 low might be broken in the S&P?

Glenn Neely: That doesn't look very likely. I'd give it a 50% chance or less. It looks much more like that was the panic low, and that whatever decline we get might bottom above that, maybe in the 800 range and not the 666 range where the S&P cash bottomed.

I would say somewhere around 800 will more likely be the bottom of this decline. It could be a bit higher. I don't think we're going to break that low. That's a judgment call, and it's not confirmed one way or the other by Wave structure, but it just seems like that low, based on everything I've seen and the reaction we've gotten since that time, was sort of a panic washout. We won't see that kind of condition again for a very long time.

Bud Fox: You mentioned that even after the low of maybe 2013, 2014, or 2015, wherever we end low, that we still have a good 10 or 20 years to go in some kind of sideways market. We're going to have a rally like what we had for the last three years that seems to be really good, where everyone thinks we have turned a corner. Then we don't have selloffs like what we had from 2007 until 2009, and then, of course, this upcoming selloff. Is that a correct observation of what you just mentioned might happen?

Glenn Neely: Yes. Probably the closest correlation to what we're experiencing from 2004 would be from 1966 until 1982. That was pretty much a 16-year sideways bear market. This will be larger, but it'll be the same kind of thing. The highs we've made over the last 10 years, and the lows we've made over the last 10 years will be the upside and downside limits for this bear market.

Keep in mind that the U.S. government is always adding new currency to the system and slowly inflating the currency, or at least attempting to inflate the currency.

Generally speaking, you have this slow devaluation in the value of the dollar, which has been going on for a very long time, so the market goes perfectly sideways for 20 years. What it really means is that the value of that market is declining, because the measurement of that market is in dollars that are decreasing in value.

That sideways market really means the market is going downward if it were measured in more absolute terms, such as the price of gold.

Bud Fox: You also mentioned that toward the end of this giant bear market, which will be maybe 20 years from now, things actually will become much worse. If the low of March 2009 is broken 10 or 15 years from now, will it produce a panic at the time?

Glenn Neely: That's definitely possible. What doesn't appear probable is for it to happen any time soon during this next decline, but it definitely is possible for it to happen later on during what could be an E-wave decline or another A-B-C decline.

I think we're in a C-wave drop off the high of January 2008, and that appears to be part of a larger triangle pattern. It is possible we could get a C-wave to new highs, and then an E-wave that would come back down later to new lows below 2009's low. It's impossible for me to predict that right now, but NEoWave does allow for it to happen later on. It's just not likely to happen during this next year or two.

Bud Fox: Glenn, it sounds like investing will be very challenging for the next 10 or 15 years. A lot of investing theory was established during the bull market of the 1970s, 1980s and 1990s. For the market we'll experience in the next decade or two, traders and investors will probably be frustrated. Perhaps some kind of strategic buying and selling might work better than the buy-and-hold, asset allocation, or other traditional theories to manage money. Is that a fair statement?

Glenn Neely: Yes. This is not a buy-and-hold environment if you're looking for appreciation. For the next 10 to 20 years, the much better strategy is to buy high-dividend-paying stocks of essential companies, for example, large blue-chip companies that have essential market share, such as consumables and staples – things people need to have and must use on a regular basis. These companies can't go out of business, because they produce products everyone needs and uses.

It's much better to shoot for dividend-paying stocks for the next 10 to 20 years and forget about capital appreciation, because that's not very likely to happen for most companies.

Bud Fox: Even with capital appreciation stock, during a panic selling, these would also be sold. In this market, it may be a good idea to have someone like you who is expert in Wave Theory and help people navigate, so they can do some strategic buying and selling. For example, maybe someone who is low might not want to get out completely, but they can definitely reduce their exposure to the equity portion, then wait for the selloffs that you mentioned toward the end of 2013 or 2014.

Glenn Neely: If you're going to hold or trade stocks, then the next 10 years will definitely be more of a trader's market and not a buy-and-hold market. Getting out or hedging near the tops and going long near the bottom is definitely a better approach than just hanging on, unless you have high-dividend-paying stocks in companies that will make money even though the stock itself isn't going anywhere. Those are two different approaches you can take, but it definitely is not a buy-and-hold market – not for appreciation.

Bud Fox: Back to our discussion on social manias, we are not going to have the end of the world in 2012, but it's going to get bad in the years that follow. Is that a fair statement?

Glenn Neely: Right. I don't expect the "end of the world" to happen in 2012 – in terms of a stock market crash. We may have some bad times in 2012 and 2013, but it's not going to be significant, in my opinion.

Bud Fox: Glenn, does Wave structure tell you, from a very large-scale view, when the end of the world might come?

Glenn Neely: When you speak in terms of the "end of the world," obviously the physical ball called the Earth is probably not going anywhere. Human civilization ebbs and flows. It prospers at times and doesn't prosper at other times. Under Wave Theory, this is the very beginning of a period that could be really bad for humanity. The worst period in human history going forward for potentially several hundred years, and maybe even 1,000 years or more, will probably start around 2065.

But because of the delay in economic trends, these things take a long time to unfold. So it probably could be 20 to 40 years before the real impact of that peak in the markets would have almost worldwide impact. I expect the stock market and the economic trends for the entire world to peak around 2065. This is based on the forecast I made 20 years ago, which is in my book, *Mastering Elliott Wave,* and is still relevant today.

I expect the correction that starts there to last several hundred years. I'm not sure of the exact amount of time. That probably will be the beginning of the worst period in human history. A lot of people will probably consider that to be the end of the world, even though, obviously, the Earth itself won't end. The human race will have a lot of difficulties. It might be due to nuclear war. That would be an obvious assumption. But that would be the first time where I think real predictions of the end of the world would be relevant.

If you connect this to the sentiment we had at the high of the so-called Harmonic Convergence, the peak in 2065 will probably be one of the most euphoric periods in world history. No one will think it's the beginning of the end. It'll take years for people to catch on that, "Oh, things are starting to get bad."

Keep in mind, it'll be the peak in prices most likely, but not the beginning of the pessimism that's going to be obvious for a very long time. With the peak in prices, you'll get a peak in optimism. Then it takes years for the pessimism to come around, for the markets to decline and, historically looking back, for it to become obvious that the market had topped and that things are getting worse.

Who knows how bad it will get, but it has to be pretty bad because you're talking about the possibility of the stock market going from 100,000 to 200,000 on the Dow all the way back down to where we are now. It'd be something like a 1929-style crash market where it could drop 70% to 90% off the high over a period of many years. Again, this could take place over a period of decades or hundreds of years.

Bud Fox: Oh my goodness. Basically, what you're saying is to have children now, but tell them not to have any grandchildren. Is that right?

Glenn Neely: Yes. Anybody who's born now, or anytime soon, and who's middle-aged, is going to probably do really well into their later years because the stock market will be booming. Technological advances will be incredible. It will be a good time. But you want to move along, so to speak, after 2065. Find another planet to live on after that!

Bud: Sounds like this will be a major downwave for the Earth, but an upwave for some other planet! Glenn, I appreciate your time and expertise. This is definitely an intriguing and interesting subject. December 2012 is not far from now. A lot of people have a very bearish view of life. I'll be happy to at least live through this year compared to 50 years from now.

Glenn Neely: I don't think 2012 will be nearly as bad as people think, but the worst may come in the decades that follow. I appreciate you talking with me. This has been a fun conversation.

Bud Fox: Thank you very much.

**About Glenn Neely and NEoWave, Inc.**

Glenn Neely, internationally regarded as a premier Elliott Wave analyst, has devoted nearly 30 years to refining, mastering, and advancing the concepts of Wave theory to make it scientific, objective, and logical. Glenn Neely's now-famous NEoWave technology is a precise, step-by-step assessment of market structure, which leads to more accurate Wave analysis, as well as low-risk investing and trading with demonstrated returns. Analysts, investors, and traders worldwide trust NEoWave's Trading and Forecasting services for market forecasting and wise trading advice on the S&P, Euro, T-Notes, and Gold markets. Learn more about Glenn Neely and NEoWave, Inc. at http://www.NEoWave.com.

Learn about NEoWave's Forecasting Service.

Learn about NEoWave's Trading Service.