

ATAA Newcastle, Feb 10 2007

slide: Draw attention to series of dates, understand this series of numbers and you will see how the world works:

2001/2 1991 1982 1974
1961 (1955) 1949 1937 1932
1921 (1913) 1907 1897 1893
1884 1873 1866 1857
1847 1836/7 1825 1819

roughly one per decade,
those in red about 20 years apart
those underlined, (group to do) say 50 to 60 years apart

slide: plan for this evening
at times may wonder where I am going with all this, but will come together at the end

slide: things to learn
well informed – joke

A reverend offered a lift to one of his most devout parishioners.
She got in and crossed her legs, revealing just a hint of a bare knee.
The reverend nearly had an accident.
After controlling the car, he gently rested his hand on the parishioner's knee.
She said, "Reverend, you must remember Psalm 129 surely"
The reverend removed his hand.
But, changing gears, he allowed his hand gently rest on the knee once again.
"Reverend, remember Psalm 129?"
The reverend apologized "Sorry Miss but the flesh is weak."
Arriving at their destination, the parishioner went on her way.
Whereupon the reverend immediately pulled out his handy bible and looked up Psalm 129.
It said, "Go forth and seek, further up, ye shall find glory."

If you are not well informed in your job, you could miss a great opportunity.

history repeats – Iraq statements
it's about the rent – of land and natural resources

slide: rent comic

Commodities:

slide: long term commodity waves, prices

K wave explanation

emph K wave lows, swing to religion, conservatism at lows, on upswing, ideologies square off
note the Kwave lows, 1840's, 1890's, 1930's, 1990's – roughly every 50 - 60 years. We have just finished another one. Commodities will start their long swing upwards now. Expect new all time highs in many. This is detailed on the web site.

slide: long term commodity waves, interest rates

slide: gann's wheat chart

slide: November beans

note 180 months, 360 months, 30 yr low to low high 73 / 03

Real estate

slide: Real estate, the US movement inwards

Just a reminder, as the Americans went further and further inland, they discovered the land got better and better

Draw attention to Napoleon sale

Now to cut a long history short, eventually more and more of the US was settled, the twelve or so eastern seaboard states got together after Independence and elected a federal government, with the states ceding their control of land to that federal body, which began a process of selling title to the land to all who would come and live there. That was the practice that interested me, because after 1800 this process became measurable, as I am about to show you

slide: land sales to **1819**,

explain how the land was sold off by the government, \$1.25 per acre regardless of situation or quality, on extended credit terms,

explain banking

stake out the land, seek title at the nearest title office, take in your freshly printed bank notes for the deposit, and start farming

how historian's described the era

Public land sales, which had averaged \$2 million to \$4 million per annum in 1815 and 1816, rose to a peak of \$13.6 million in 1818. Speculation in urban and rural lands and real estate, using bank credit, was a common phenomenon which sharply raised property values...

a memorable downturn followed

slide: land sales to **1837**

At the heart of national prosperity was a land boom developing in the West, financed by the banks. The farmer, the manufacturer, and the merchant, instead of paying their debts, bought land and speculated in land. The conservative eastern capitalist, the reckless easy-going southern planter, and the wary, doubtful western farmer joined hands in their efforts to purchase land. Villages and cities sprang up overnight in every direction, sites increased at the rate of 200 to 300 per cent per year, fortunes were made and lost in a few moments. All who had money or credit plunged

headlong into the stream. Companies were formed, and through the generosity of the banks the mad rush to destruction was facilitated. Many of the states had slapdash banking laws, and many of these new banks were badly - if not fraudulently - managed, under-capitalized, under-regulated and overly bullish about the future.

The land auctions were attended by veritable mobs. They were scenes of great excitement. Premiums were paid for choice locations near the auctioneers, and bribery and corruption in the process of receiving and registering bids were common.

From a Wisconsin newspaper came the estimate that in the newer sections of the country, real estate investment for the ten years between 1825 and 1835, paid a 20 to 30 per cent return per annum... Men left their warehouses, counting-rooms and stores and rushed off to buy townships, village lots or raw land. In Milwaukee, it was being reported that land buyers went to bed at night hugging themselves with delight over the prospect that the succeeding morning would double their wealth.

a memorable downturn followed

slide: land sales to **1857**

sales peaked in 1854,

note the rapid rise in speculation with very low interest rates, point out 1843 interest rate low war against Mexico reasons invented

Henry Miller story and Federal swamp land act

Quote of historians writing of 1857: "Nearly the whole West swarms with speculators... who neither intend to cultivate the soil nor settle there, but who expect to realize fortunes without labour. Land speculation, observed many a newspaper editor, had become a mania. 'Merchants have shut up their shops, lawyers have left the bar, farmers have laid down the shovel and the hoe, manufacturers have abandoned their business to turn land agents and real estate dealers.'

a memorable collapse followed

How much has changed ? 1857

Who to blame

"Our present disorders have been provoked by the extravagance of our women. Crinoline and moiré, gloves and feathers, fans and furbelows, kickshaws and gewgaws, these have ruined us. These have drained us of our western wheat and our Californian gold, to give us in return only hotel flirtations and watering place polkas."

New York Weekly Times, Oct 17 1857

Hunt's Merchants' Magazine listed one of the causes of the 1857 depression as the telegraph, disseminating the bad news, as it was, 'too quickly'.

And finally:

The *Herald* layed the blame to wine, women and (wait for it) fast horses."

Washington Evening Star, Aug 28 1857

Read the summary from Kindleberger:

Gold discoveries in California 1849 and in Australia 1851 vastly increase the credit / money base of the US and some parts of Europe, especially Britain, feeding the existing rail road and banking booms, the banks in particular lending vast sums to further finance trade and industry. Speculation

runs rampant; The collapse was made worse following the ending of the Crimean war and subsequent collapse of wheat prices. War financing had fed the huge expansion of credit in the first place. At the peak, UK banks had lifted interest rates to 12-15%.

Try this for 2010:

The huge growth in new lenders and mortgage originators vastly increased the credit/money base of the country, the banks in particular lending huge sums to further finance industry takeovers, trading in commodities and the buying of two, three or four houses. Speculation increases. The collapse was made worse following the reduction of hostilities in the Middle East and Iraq and subsequent collapse of copper, gold and commodity prices in general. War financing had fed the huge expansion of credit in the first place. At the peak, US banks had lifted interest rates to 7 - 8%.

The year 1857 also saw the introduction of a new fashion, the hoop skirt. "After women overcame their initial prejudice, the new style vied with many of the more noted methods for improving the exterior contour of the female form." Aha, an indicator – as you know i am interested in all sorts of indicators to try and forecast the future

Had discussion with a fellow subscriber to see if he might follow this up for me, (we'll call him Frank cause that he's real name, but wants to remain anonymous):

So, is there a link between skirt length and economic conditions prevailing at the time:

In other words, as economic conditions improve, do hemlines rise and conversely in periods of distress or recession do hemlines fall. Therefore, in the name of science...

(hold copy of report up in front)

slide: height of skirts from floor
then we compared this to the Dow

slide: skirt / dow correlation (point out)

But alas, just when you're onto a good thing:

the report made the following observation, and I quote:

“during the decade of the nineties the Dow made such a skyward run that to include this last decade severely squashed the skirt length line to the point it ceased to make sense. In other words, for the first time, skirt length ceased to keep pace with the Dow. The author believes that this may indicate that the hemline indicator (whilst historically may be an accurate barometer of economic conditions) may not be the indicator it once was, for how high can hemlines rise ? So, as we move into future business cycle peaks, the author speculates that extremes of fashion may possibly manifest in other ways.”

So not one to be outdone, I discovered this little gem in a 1947 booklet from The Foundation for the Study of Cycles:

read page 68

So I emailed this off to Frank for further scientific study, to which he replied:

Yes, it occurs to me that the cycles of plunging necklines is a very important field of scientific study which may not have been given the due emphasis it deserves. I shall have a think about how this might be tackled and get back to you if I find anything.

Now i did actually have a couple of slides measuring recent observations but since this is a G rated

presentation, modesty does not allow me to further develop this theme just presently...

I suspect rather than measure plunging necklines, we might have to measure the bare skin between the hipsters and the naval – this will be another tough day at the office - anyone interested in the results just send me an email...

1873

slide: real estate speculation in the 1873 peak

Land sales peaked in 1869. The land speculation at that time was being done by railroad companies as they sought to build ever bigger and longer railroad networks.

rail index versus interest rates

Railroad stocks peaked, the month *before* interest rates bottomed in New York, at 4.85%, which was in June 1871. (The stock market correctly discounting lower earnings in future years, pricing in the information before hand.)

as interest rates went up, land speculation went down, so too stock prices.

interest rates peaked October 1873, this was as it happens, 30 years from the 1843 low

A memorable downturn followed

Who to blame ?

"Wall Street has seen the bluest time today it has ever known." putting the blame on the stock market

Cincinnati Daily Gazette, Oct 15 1873

"Republican misgovernment and misrule have brought upon us the financial troubles that now afflict so terribly all parts of the country."

Baltimore Gazette, Nov 4 1873

"The Democratic Party caused these hard times."

New York Daily Graphic, Oct 27 1876

"The financial disturbance has been brought about by the trade unionists."

New York Journal of Commerce, Dec 29 1873

"Women's extravagance bears a large portion of the responsibility."

Carthage Illinois Gazette, Jan 26 1874

Mrs. Jones says that a woman should have two husbands 'these times', for one man can't keep a woman respectably."

New York Star, Aug 3 1874

1893

slide real estate spec into 1893 downturn

Land sales peaked in 1888, well before the months of panic as usual, with sales falling markedly after 1890.

war against Spain, reasons invented

slide: 1893 continued

Interest rates on New York commercial paper peaked in July and August of 1893, in line with the final crisis of that state at the end of the panic. This was 20 years (238 months actually) from the October 1873 panic high, and exactly 15 years from the 1878 low.

Slide:

Oklahoma land run

Slide: real estate into 1932

again, a real estate speculation peak 20 years after the last one.

Florida Story

Developer Dave Davis dredged two mud islands in Tampa bay and built Davis islands, complete with yacht clubs, hotels, tennis courts and more. Barron Collier, who had made a fortune from streetcar advertising, put together 1.3 million acres of the state after visiting Florida in 1911, then in the early 1920's proceeded to build the cities of Naples and Marco Island into winter resorts that became wildly popular.

A chap named Carl Fisher built Miami Beach, putting his substantial fortune from the manufacture of automobile headlamps into the development. Locals literally gasped as Fisher proceeded to fill hundreds of acres of swamp with sand dredged from the bay, top it with thousands of tons of Everglade topsoil and then build hotels, golf courses, yacht clubs and polo grounds.

Fisher started his working life at age 12 selling newspapers on the railway. Sales soared after he started flashing a photo of a naked woman from underneath his jumper. This time, to draw attention to his 1920's Miami Beach development, Fisher brought in a circus elephant, imported a polo team from England, dressed young women in risqué bathing suits, and started taking pictures. Said Fisher: " We'll get the prettiest girls and put them in the goddamndest tightest and shortest bathing suits, and no stockings or swim shoes either. We'll have their pictures taken and send them all over the goddamn country!" Soon, every paper in the country was carrying pictures of suitably clad (or rather un-clad) women on the beach in Florida. All of a sudden, Florida was the place to be.

Modesty prevents me from showing the gal's, but i can show you the elephant:

slide: elephant

slide: gal's

Fisher's promotions sparked a national hysteria for Florida real estate. Six million people poured into Florida in three years. When they arrived they found a **real estate gold rush** - a **real estate gold rush** - in progress. Overflow crowds slept in parks, and pored over Sunday papers with 500 pages of real estate ads. Caravans of buses from the upper mid-west brought thousands of prospects on tours of new developments. Seven thousand five hundred real estate licenses were issued in Miami in 1925. Subdivisions sold out the day they went on the market. One office sold thirty-four million dollars worth of property in a single morning. Prices soared, and speculators rushed in. For \$100 dollars down, anyone could get in on the action, buying and selling land without ever setting foot on it. Southern Florida became the American Riviera: "a place to vacation, a place to be seen, a place to make money."

So many citizens were now pushing Florida real estate that the municipal authorities were having trouble finding staff to carry on essential services; most of the policeman, firemen and other employees had quit to do the same thing, buy and sell land. The Miami authorities resorted to

grabbing the sharecroppers from the hills of Georgia and putting them in uniform, despite the fact many, if not all, had never before worn shoes let alone some sort of authoritarian outfit. Law and order was not improved. Towns north of Florida reported a severe slump in the movie business because so many theatre-goers were leaving town to travel South. Warehouse managers even as far away as New York were reporting no space left because of all the furniture they were having to store on account of those who had sold up and travelled south to trade real estate. Said the *Indianapolis Times*: "Literally thousands of people are leaving our state in search of something for nothing in the land of oranges and speculators." (Thomas, page 198.) The Massachusetts Savings Bank Association complained that more than one hundred thousand depositors had taken their money out of the state's banks and headed to Florida to buy land.

Slide: Dow 1929, 180's

the stock market collapse did not cause the 1930's depression, it was the value of land going lower than outstanding loan balances that brought on the depression

Slide: 18 years has a good history, Chicago land value

Slide: 18 years has a good history, US building construction

the heavy black line is the Warren and Pearson 120-City-Index of building activity
the dotted line is the value of construction contracts awarded in 37 states, F.W. Dodge Corporation, 1925-45.

A stylized 18 years cycle is added in the background.

Slide: 18 years has a good history, US real estate activity

black line is measuring US real estate activity (indicator died with the death of its inventor, Roy Wenzlick.

A stylized 18 years cycle is added in the background to show what would happen if the cycle as seen then continued...

mention going to St Louis mention reading the forecasts re 1955, 1974

In years past, real estate led memorable downturns have occurred in an economy without electric light, without telephones or fax machines (or any other fast means of communication for that matter) and in conditions that would seem less than civilized to on-lookers from today's era. What's more, despite the US economy operating either with a central bank, or without one, at a time of inflation or at a time of deflation, under conditions of a government budget surplus or deficit, severe downturns (depressions in fact) had been occurring roughly every eighteen to twenty years.

74-92, 92- 2010

Current: highlight 2005 Fortune magazine

US real estate, first 144 years, divide by eighths...

Slide: Gann timing- explain

slide: Gann's 1929 forecast (take book) explain, quote march page 31, page 36 september october page 37

Now go to stex

highlight first principles

- never buy below the moving average,
- trade only with the trend
- god is rarely on your side, in fact he doesn't take sides

banks, eg **anz** - providers of credit to the real estate market - real estate cycle on show

dvn int rate sensitivity, bus cycle, r/estate

vwd int rate sensitivity, bus cycle, r/estate, sept – march highs div

other stocks highlighting cycle: **srv** serviced offices, **bol** cranes, **ugl** engineering

bhp / **rio** K wave confirmation on the break into all time highs, + 10 yr stuff

Commodity charts

Commodities, 30 year examples oil, gold, work large to small, give actual forecaster for 2009

15 years for gold, **sbm**

ethanol 98/99 of interest with high oil prices, **aae**, 15 years 1994

Uranium last price peak, \$40 in 1978, 1945 Hiroshima, 1986, Chernobyl
silex, born 1998, pdn born 1994

stocks in general, bta, re bird flu

think of the time line as a circle, not linear – ie morph into a circle

price into time, mid points working, **pen**

Indicators / forecasts

stock market:

Gann's time overbalance,
rule of 20

Gann's decadal cycle observations, highs usually in year 09, recession years one and two

economic:

fashion

bliss index

Cantillon indicator (tall buildings)

money supply

yield curve

enclosure of government granted licenses, ie measuring the speculation,

land price index

land price barometer

taxi cab licenses

emphasise 18 year pattern, r/e the most important cycle

gann's decade cycle, years in 07 July Aug high, Oct low
count off all time high, jan 2000, plus 90 months

some comments

whilst land price stays up and goes higher, things rarely change, but look out in the downturn, attitudes turn nasty:('cause remember, the next downturn will be the first in living memory for anyone under 40)

eg current Howard wage outcomes – will make downturn worse

eg current war time plundering of Iraq contracts, profiteering and US government corruption

eg current debt levels, spending patterns, - suddenly we will start to accentuate all the bad news...

as to when, well you might have to subscribe to my service for the full story

end thoughts

show sen – time pattern that is useful for trading

to 7/12 high, an emotional point, + 30, +45 from high(not big) + 30 = 75 = low
time counts (bring up circle again) as applied to 9/11

fwd, 30 months (911 days), 45 months,

now count 60 90 off 9/11, and 30 60 90 etc off London 7/7/05

(WW I lasted 60 months exactly, outbreak to truce signing
then 20 years to WWII, communism last 45 years.)

any questions