

**Welcome** to the EIS presentation, February 19th, 2008:

**Understanding Market Cycles.** Thank-you for your interest and attendance.

**Economic Indicator Services** is the world's foremost expert in business, real estate and commodity cycles. Over the years, I have found that few persons understand how the economy really functions, particularly as regards real estate and banking. I will fix that for you this evening.

This presentation will focus on the cyclical behaviour of commodities, real estate and the stock market. The presentation will first of all highlight the long wave cycle in commodity prices, then examine how the real estate market behaves, then have a look at a few timing principles applicable to the stock market. Once all of this has been covered, we can then apply the knowledge so gained to the stock market and specific stocks in particular, in order to help us dramatically improve our understanding of markets, and hopefully too our trading performance. There is no one else in the world that can show you today what you are about to have presented to you.

You may care to note that I have been presenting this material for about 10 years now. Very little of the material has changed since that time, except for an occasional update of the data.

**Phil Anderson**

Managing Director and renegade economist  
Economic Indicator Services Ltd

February 19th, 2008

Contact:

[phil@glasswings.com.au](mailto:phil@glasswings.com.au)

mobile London: 07942 271 971

mobile Australia: 0408 530 414

website **[www.businesscycles.biz](http://www.businesscycles.biz)**

**Please note:**

This presentation and all its contents and handouts are copyright Phil Anderson, Economic Indicator Services. You are expressly denied permission to photocopy, pass on, publish or distribute further this material in any way, shape or form, without my prior written consent, which, most likely, will be refused.

## Past US Recessions:

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

10 years = 120 months

15 years = 180 months

20 years = 240 months

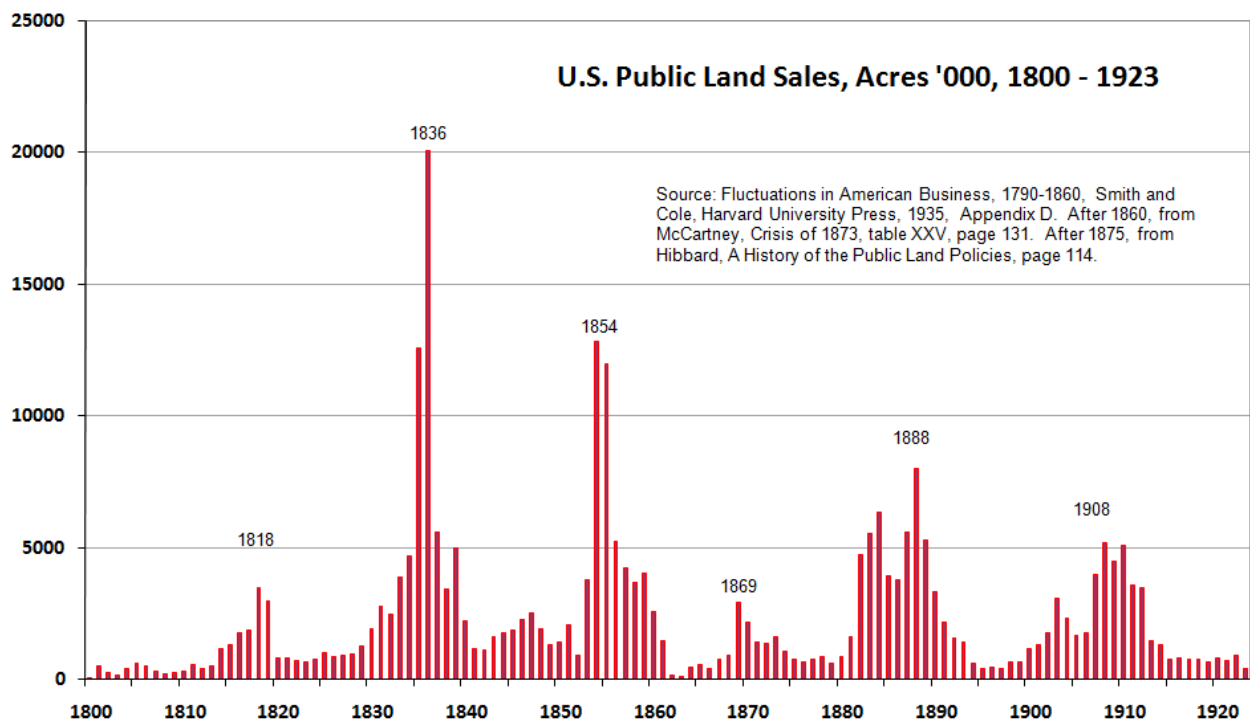
30 years = 360 months

1260 days = 180 weeks = 42 months

The US began selling off its real estate, officially and under a set legal structure, on May 10th, 1800. This makes a convenient starting point for our study of the cycles of boom and bust which followed and from which a remarkably regular pattern emerges.

In 1818 land sales peaked, followed by a downturn; in 1836 sales peaked again, ending in a depression; the next peak in 1854 was followed by a depression; the 1869 peak was also followed by a depression; likewise in 1888. The downturn following the 1908 peak was cut short by the build up to the First World War, and real estate peaked again in 1926, followed five years later by the world's worst ever depression. A construction led boom (mainly government financed) peaked in 1944, the ensuing downturn cut short by rebuilding after the destruction of the war.

In other words, for the first 144 years of real estate enclosure in the US, land sales and/or real estate construction peaked consistently every 18 or so years.



Since the Second World War, once the US economy had shrugged off the distorting effects of the war, the average 18-year cycle has reasserted itself with some vigour. The final years of the first decade of the 21<sup>st</sup> century will mark the passage of another cycle, 18 years from the trough of the previous one in 1992. So far, there is little evidence that anything has changed to prevent the repeat of yet another housing related downturn, then recession. Should history repeat itself, we can expect the trough around 2010.

## 1837 downturn, bank thefts

On page 137 of McGrane's book *The Panic of 1837*, McGrane lists some of the bank thefts perpetrated by bank officers, as reported in the newspapers of the time, and listed by him as Table I, seemingly taken from the Illinois Senate House Reports, II, 1842, pages 191 to 193. As follows:

Schuykill Bank, robbed by cashier .....	1,300,000
Manhattan Bank, robbed by Newton .....	50,000
Virginia Bank, robbed by Dabney .....	500,000
Georgia Bank, robbed by Baker .....	80,000
Frederick (Maryland) Bank, compromised by Bill Wiley .....	186,000
Norwich Railroad, by the president .....	10,000
Bank of Louisiana, by the teller .....	60,000
Bank of Orleans, by the teller .....	80,000
Canal Bank of New Orleans, by the teller. . . .	100,000
Bank of Michigan, by the officers .....	100,000
State Bank of Illinois, by town .....	90,000
Merchants' Bank of Baltimore, by clerk .....	10,000
Tennessee Bank, Nashville, by officers .....	7,000
Frankfort Bank, by the president .....	100,000
State Bank of Arkansas, by Ball .....	64,000
Twenty-three New York banks, by officers.....	1,500,000
Pennsylvania Bank, by officer, Smith.....	100,000
Western Bank, by cashier, Israel .....	15,000
Camden New Jersey Bank, by Patterson .....	13,000
Farmers' Bank (Troy), by Jones .....	10,000
Western Bank (Georgia), by Moore.....	75,000
Bank of Cape Fear (North Carolina), by cashier .....	10,000
Bank of Wooster (Ohio), by officers .....	100,000
Planters' Bank (Georgia), by officers.....	105,000
Bank of Steubenville (Ohio), by officers .....	125,000
Franklin Bank, Baltimore, by Stanberger. . .	50,000
Newbury Port Bank, by Wychoff .....	30,000
Willington Bank (Maryland), by Sherwood. . .	50,000
Gallipolis Bank (Ohio), by officers .....	20,000
Ten other Ohio banks, by officers .....	1,000,000
Six Maine banks, by officers .....	800,000
Herkimer County Bank, by clerks .....	72,000
Commercial Bank (New York), by officers (one-half the capital) .....	250,000
Forgeries of Mitchell, Smith, and numerous others .....	200,000

"This is but a portion of the amount swindled", McGrane writes. "It is impossible to ascertain the amounts lost by counterfeits, depreciation, etc. Bicknell, (Bicknell's Reporter) in the same year (1839), ascertained that counterfeits on 254 different banks were in circulation, and enumerated 1,395 descriptions of counterfeited or altered notes then supposed to be in circulation, of denominations from one to five hundred dollars."

## Bank thefts, 1991 style

Thrift / person involved.	Amount Looted, \$ (reason)	Source
Lincoln / Charlie Keating	3 billion	Binstein, page 406
Financial Corp / Knapp	2 to 3 billion, probably more	Pizzo, page 180
Centrust / David Paul.	1.7 billion (poor lending practices)	Calavita
American Diversified	1.5 billion (insider loans)	Time, June 1988
Vernon / Don Dixon, Dallas.	1.3 billion (land deals, insider loans)	Time, Washington Mthly, 1990
Sunbelt / Fast Eddie, Texas	1.2 billion	Pizzo, page 206
Silverado / N. Bush, Good, Walters	1.1 billion	Wilmsen
Bell, San Mateo, Calif.	495 million	Time, Aug 15, 1998
State Savings / Oldenburg.	416 million (land flips)	Pizzo
Empire Savings	300 million (poor land deals, land flips)	Pizzo
Broward / J. Bush (in part)	285 million (poor lending practices)	web
CreditBanc / Scott Mann	216 million	Pizzo, page 215
Nth American / Christenson	209 million (land flips, insider loans)	Pizzo, page 22
Centennial Savings / Hansen	165 million (poor lending practices)	Pizzo, page 59
Alliance Federal / Olano	150 million	Pizzo, page 60
Manning, Chicago.	117 million (after using deposits from deposit brokers to invest in questionable real estate deals.)	Pizzo, page 18
Consolidated / Ferrante	100 million (most loans went to just 15 borrowers, most of whom had ties to Ferrante, 70% of the deposits having been 'brokered'.	Pizzo, page 75

Thrift collapsed, amounts verified on the web but not via authored books

Hill Financial (Robert Corson)	2 billion,
Western Savings (Jarrett Woods, Kenneth Good)	1.7 billion,
United Savings (Charles Hurwitz)	1.6 billion,
Mainland (Adnan Koshoggi, Herman K Beebe, Mario Renda, Teamsters	500 million,
Flushing Federal	100 million
VisionBanc (Robert Corson)	63 million,

Thrift collapsed, unable to verify amount

Eureka Federal, Freedom Savings, Continental, San Jacinto Savings (Gene Phillips),

Thrifts collapsed, where no amount has ever been specified (kept secret and never made public)

Independent American (Tom Gaubert), Acadia Saving, American City, Continental Savings (Beebe), Coronado, (Renda) Emerald Empire (Renda), Farmers and Merchants (Renda), First Border (Renda), First Savings Virginia (Renda), First Savings Texas (Beebe), Heritage (Renda), and about 50 more.

### **What others have to say about the EIS service...**

"Phil Anderson's comprehensive research and trading experience has guided my introduction to the work of legendary stock trader W D Gann resulting in a quantifiable competitive advantage in trading the Australian stock market. Phil Anderson's analysis of history and insights into the business and housing cycles over the last decade have positively assisted in my corporate and life planning."

Jeff Busby

Professional Photographer , St Kilda Australia

"With little knowledge in the financial market, I first attended Phil's "Introduction to the Share Market" course in 1999 and later in 2000, the "Gann Theory" which captured my imagination. It has opened a completely new world for me and has improved my life style. I have personally come to know many of his students who have become very successful and profitable traders. Over the years, he has kept us informed and educated on past, current and future market aspects with his unique perspective and insights, always so passionate, always so unselfishly. His emails are of great interest to follow, often with such helping hands to our share trading."

M. Tse, Melbourne, Australia

"I met Phil Anderson in the late 1990's when I sat his short course on *Introduction to the Stock Market, Fundamental Analysis*. On the last day after finishing, Phil spoke to the class to let them know about another course that he only held once a year. This was his specialty and it was to do with technical analysis, long term cycles, and how to forecast future market movements.

This intrigued me because all the so called experts say that the markets are random and that it's not possible to forecast them. Well many years have passed since then and I must say that I don't think I have seen anyone who can forecast the markets like Phil Anderson.

What I was most impressed with was the fact that Phil makes his money from trading the markets, not teaching people. Also his ability to impart his knowledge to others is excellent, and his obvious commitment to his students is unquestionable.

What Phil has taught me over the years has been invaluable. I took what Phil showed me and proved it to myself that you can forecast market movements. Those with foreknowledge will profit, and that's what it is all about.

On many occasions I have experienced first-hand Phil Anderson's ability to forecast the markets with extreme accuracy. During 2006 Phil and I were going over a few things and he laid out his forecast for the SPI (Australian Market). With a good 6 months lead time he forecast the high on the SPI for the year. This forecast was extremely accurate as the SPI turned on the exact day that Phil had said and the price was just about spot on as well. Now you can't get much closer than that.

I couldn't have asked for a better teacher."

P. Scicluna

Melbourne, Australia.

"I first met Phil in 1997, well before the tech boom of the late 1990's and thus prior to the hype that engulfed the market at the time. What impressed me so much about Phil's approach to trading the market was based not on how much money you could make but rather understanding how the market reacts to news, what drives people's actions and how that translates into movements in the market. The technical understanding and approach that Phil imparts through his classes and website have been incredibly invaluable to me in trading the market. I'm not a day trader, just a family man who likes to make some money on the side and above all is enthralled by how accurate Phil's analysis and predictions of share market movements can be. It's important to remember that the techniques that EIS train you in are not about fortune telling or magic. It's about improving the odds in your favour for trading the market, understanding when it is most likely the best time to invest, hold or sell your shares. It never ceases to amaze me how I read about a buy/sell recommendation in the newspaper and think about what Phil has taught me to look for in the charts or even just how a company is reported in the news and thus only to find the share price move in the opposite direction to the recommendation of the newspaper/financial journal or even my own stockbroker! Charts of daily/weekly/monthly share prices are fact, not fiction, and when you learn to understand how to see trends, look for repeating patterns in price movement or time frames you will be amazed how some shares will behave in very similar patterns sometimes over weeks, sometimes many months but it is this understanding that narrows the odds in your favour of trading successfully & profitably.

G.D.Smyth.  
Melbourne

A copy of this evening's presentation should be viewable sometime tomorrow on the Economic Indicator Services web site, available here: (past speeches can also be viewed here)  
<http://www.businesscycles.biz/speeches.htm>

If you are interested to read up on anything about this evening's presentation, the following is suggested:

**Kondratieff waves**, you could view the second part of my 1995 speech, in Hobart:  
<http://www.businesscycles.biz/speech2.pdf>

**Real estate cycles**, read my co-Director, Fred Harrison's books:

- The power in the Land <http://www.businesscycles.biz/chartsbusiness/power1983.htm>
- The Chaos Makers <http://www.businesscycles.biz/chartsbusiness/chaos1997.htm>
- Boom Bust <http://www.businesscycles.biz/chartsbusiness/boom.htm>
- Ricardo's Law <http://www.businesscycles.biz/chartsbusiness/ricardo.htm>

In depth discussion of the US real estate chapters that we covered tonight is available here:  
<http://www.businesscycles.biz/realestateresearch1.htm>

**W.D. Gann:**

There is no free Gann stuff on the site. It is too valuable.

I have a Gann class organised for March 28 and 29, this is a Friday and Saturday. The class is not at all expensive, but done quietly and NEVER advertised to the public. If you would like further details, please email me: [phil@glasswings.com.au](mailto:phil@glasswings.com.au)

In general:

My service is subscription based, with password access to the important parts of the site. Details are on the site. Subscribers probably find the most valuable part of the service is the regular email updates about economic and market activity, quite often (if I am lucky) before events happen, as you can see here: <http://www.businesscycles.biz/businesscomm.htm>

Thank-you for your time in attending the presentation this evening.