

The Bridge

“(Dragon) Tail Wagging the Dog”

[EXCERPT]

06-26-18 - Though the primary focus of *Bridge* publications is not on China, there is enough to ‘unpack’ there that several issues are directed East - toward that consequential nation.

First and foremost is the revealing interplay between geopolitical events and economic ones. One of those involves the *40-Year Cycle of Currency Wars* that had been forecast - for most of the past decade - to come back to the life in 2013 - 2021 and take center stage in **2017 - 2021**.

Currency Wars are a very real, and serious, form of conflict. Like many other economic battles, they can easily escalate into military battles if even one simple miscalculation is made.

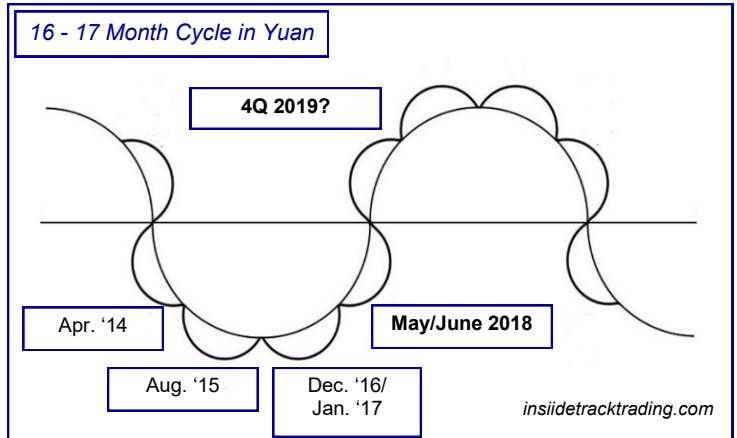
For now, that is not believed to be the case. That type of escalation, cyclically speaking, is far more likely in **2019 - 2021**.

As discussed in the preceding two *Bridges* (*Yuan Rising in the East - I & II*), the Chinese currency - the renminbi or yuan - plays a critical role in international trade, particularly with/against the US Dollar. And, according to many sources, it has been manipulated for over a decade to obtain a serious advantage.

The complaint for years, at least since the renminbi was devalued when it dislodged from its Dollar peg in 2005, was that it was undervalued and adversely impacting trade (working to China’s advantage).

Enter the Trump Administration and the initial détente between the US & China. The Chinese Yuan* surged - particularly in Dollar terms - from Jan. 2017 into Jan. 2018, coinciding with the Dollar Index’s initial sell-off. In that time, the Yuan recouped 80% of its 2014 - 2017 losses - reversing several years of declines and temporarily assuaging currency manipulation concerns.

[*Yuan is the *unit* of the renminbi, which is the *cur-*



rency. They are usually used interchangeably.]

Then the tensions began to mount. And, as those tensions ratcheted up, the Yuan’s value ratcheted down. (That coincided with a sharp sell-off in China’s equity markets, discussed later in this *Bridge*.)

It initially declined into mid-May... In the second half of May, the Yuan entered a decisive time - primarily due to its weekly *21 MAC* and *21 MARC*. As explained on May 11, 2018:

“The weekly 21 MAC has caught up to price action (after price saw a rapid surge in Dec./Jan. ’18) and is acting as support. The corresponding weekly 21 MARC is poised to enter a sharp, 8-week advance beginning next week (tied to that Dec./Jan. rally).

If the Yuan went nowhere for 4 - 5 weeks, that rising weekly 21 MARC would then become a negative factor...” -- May 11, 2018 *The Bridge*

It was the action of late-May and early-June that clarified this and signaled that a new wave of selling was in store. The Yuan initially rebounded from its mid-May low but then ran into trouble in the opening days of June.

The Bridge

“(Dragon) Tail Wagging the Dog”

[EXCERPT]

June was a month in which the Yuan needed to reignite its advance quickly due to the fact the weekly *21 MARC* would be surging throughout the month and was already poised to overtake then-current levels - flattening the prevailing weekly *21 MAC*.

[The weekly *21 MARC* is inversely related to the weekly *21 MAC*, so it can shift quickly - from being a positive influence to being a negative one, if/when it overtakes the level of current price action.]

On June 1, the Yuan completed an outside-week/2 *Close Reversal* lower as its daily trend pattern projected a drop to new lows. It also closed below its weekly *21 Low MAC* - a negative breakdown of that flattening channel - while triggering that 2 - 3 week sell signal.

From a broader perspective, the Yuan neutralized its intra-year uptrend on June 1 - removing one of the key bullish factors that was projecting a rally back to the highs.

The Yuan followed that initial signal by bouncing to weekly & monthly resistance while retesting the weekly *21 Low MAC* - that was then representing ‘support turned into resistance’.

The daily trend was still projecting a drop to new lows and the weekly *21 MARC* was beginning to surge. On June 11, the Yuan began the week by spiking right to its daily *21 High MAC* and weekly *21 Low MAC* while testing and holding its daily *LHR*. By day’s end, it was trading near unchanged and at the low of its range.

That spelled trouble on both a daily and weekly basis, which was confirmed by the action of June 12 - 15. The Yuan sold off into June 15, closed below its descending daily *21 MAC*, turned its weekly trend down, and completed another outside-week/2 *Close Reversal* lower (also making it a more powerful 2-

Step Reversal lower) - a new 2 - 3 week sell signal...

The action of June 1 and June 15 negated almost everything positive from the mid-May spike low and signaled a larger-degree correction was underway (one that could/should reach its *4th wave of lesser degree* support). *The intra-year trend concurred.*

That was soon confirmed with the sell-off in the ensuing weeks - increasing the likelihood for an overall decline to the *4th wave of lesser degree* support - the Oct. 2017 low around **1.4900**...

The Yuan could still see an intermediate peak in **August 2018** if it bottoms now (mid-year). As explained previously, **Aug. '18** is the convergence of a 10-month low-low-(high) *Cycle Progression* and a 5-month low-high-(high) *Cycle Progression*.

A low now would also still perpetuate a 16 - 17 month low-low-low-(low) *Cycle Progression* that comes into play in **May/June 2018**. Weekly cycles bottom on **June 25 - July 6**, so a spike low could stretch into July - creating a similar scenario to what took place in Dec. '16/Jan. '17.

The Yuan, however, is only one piece to the puzzle.

Taking Stock

In early-2018, the *Shanghai Composite Index* signaled a 6 - 12 month peak and reversed lower. That fulfilled a ~360-degree (both a ~1-year & ~2-year) *Cycle Progression* and forecast another sharp drop.

In a matter of weeks, China’s stocks gave back a years’ worth of gains. And that was after struggling to regain about a third of what had been lost since mid-2015.

Since its early-2016 low, the *Shanghai Comp.* was only able to recoup about 1/3 of what was lost in mid-2015 - early-2016. And then, in a mere two weeks’

The Bridge

“(Dragon) Tail Wagging the Dog”

[EXCERPT]

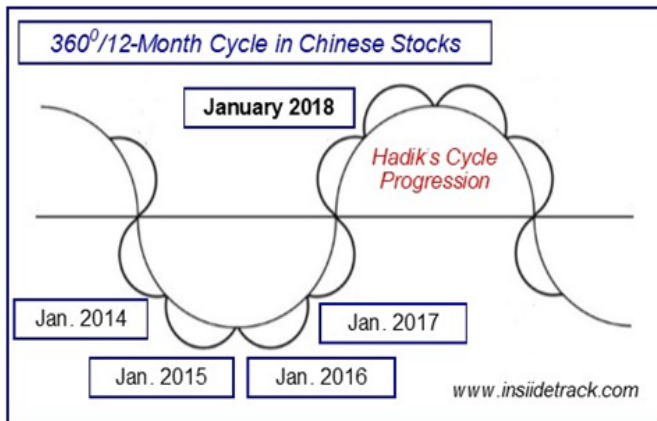
time, it plummeted back to its Jan. 2017 low. Put another way, the *Shanghai Composite* took an entire year (52 weeks) to gain ~600 points and only 2 weeks to lose all those gains.

In early-2018, the *Shanghai Comp* completed a 2-year advance of ~1,000 points - broken down into a precise, 360-degree low (Jan. '16) - low (Jan. '17) - high (**Jan. '18**) *Cycle Progression* that also includes preceding lows in Jan. '15 & Jan. '14. It then corrected ~60% of that 2-year, 105-week advance... *in ON-LY 2 weeks!*

It has since triggered another decline - taking it to its lowest level since May 2016. If/when that level is broken...[\[reserved for subscribers\]](#)...

There is a combination of multi-year cycles that could usher in a bottom in the coming month(s) or even weeks. That is reinforced by the current price levels being attacked.

A ~5-year low (Oct. '08) - low (Jun. '13) - low *Cycle Progression* as well as a little more precise ~2.5-year/31-month high (Nov. '10) - low (Jun. '13) - low (Jan. '16) - low (**July 2018**) *Cycle Progression* projects a multi-month/multi-quarter bottom, ideally in **July 2018**.



The way in which that potential bottom is formed is the most important variable. An accelerated spike down - in equities, the currency, or both - could be enough to trigger a reactive sell-off in US equities, a type of *'tail wagging the dog'* scenario.

Flash Crash? ... Or Just Flashing??

First, there were reports of a mysterious ultra-sonic weapon used against American & Canadian personnel in Cuba. That has been questioned based on multiple factors, including the human ear's inability to hear ultrasonic (some of the victims reported hearing high-pitched sounds or squeals).

One less-nefarious explanation has to do with the interplay or interference between two (normal) ultra-sonic signals. *That is still being debated.*

Then, in the last month, a similar occurrence with American personnel at the consulate in Guangzhou, China. Suddenly, the repeat offense cast greater suspicion of a sonic 'assault'. But there remains a lot of doubt and inconsistency with the descriptions of the 'attacks' and the results that have come of them.

However, it is less doubtful that Chinese maritime vessels (fishing boats) - as well as 'land'-based sources - have been temporarily blinding US pilots, over the South China Sea, with lasers. This has also been occurring on the coast of East Africa - where China just completed a naval facility in Djibouti, a few miles from an existing US facility. *China is becoming more aggressive with her tactics as time goes on.*

Major wars rarely begin out of nowhere. And rarely without a steady, often extended, escalation of tensions before reaching a breaking point. And they often surround some form of territorial dispute.

China, the US & the South China Sea all fit into these criteria - with *War Cycles* continuing to focus on **2021** for the ultimate 'flashpoint'.

The Bridge

“(Dragon) Tail Wagging the Dog”

[EXCERPT]

Apparently, there have already been dozens of precursor flash points - in Africa and the South China Sea - in 2018.

Every Dog Has Its Day

There is another canine-related parallel at work here. *It has to do with backing a dog into a corner.* The aggressor might have multiple advantages and feel emboldened as the canine backs away. The entire interaction looks decidedly one-sided.

However, there comes that point when the aggressor has nowhere left to retreat and is forced to pursue the only remaining option - a full-frontal assault with whatever resources are at its disposal. *Often that turns the tables in the blink of an eye.*

Even if all the heated rhetoric is only that - *rhetoric* - and is all part of a grand, deal-making negotiating tactic... *there is still LOTS of room for miscalculation.*

Late-2018/early-2019 completes a major 40-Year Cycle from the start of China's economic & geopoliti-

cal rise to power. **Late-2018 - 2021** times a repeated 40-Year Cycle of China-involved wars. **Late-2018** also ushers in a potentially momentous time in East vs. West competition. *Stay tuned.*

The preceding is an excerpt of *The Bridge* (June 26, 2018) - elaborating on analysis pertaining to China, the renminbi (yuan) and the Shanghai Composite equity index. The yuan triggered a convincing sell signal on June 1, projecting a sharp drop to ~1.4900 in the weeks that follow.

At the same time, the Shanghai Composite is validating the potential for an accelerated drop into mid-2018 - after precisely fulfilling monthly & yearly cycles that forecast a 6 - 12 month peak for Jan. 2018. This preceded the June 18 DJIA sell signal and June 21 NQ-100 peak - both projecting acceleration lower beginning on June 25!

Please refer to complete *INSIIDE Track Trading* publications for more specific and comprehensive analysis and/or trading strategies.



HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

All **Tech Tips** & the term **Tech Tips** are trademarks of *INSIIDE TRACK Trading*. Information is from sources believed reliable but accuracy cannot be guaranteed. Principals/employees/associates of *INSIIDE TRACK Trading* may have positions in cited contracts. No part of this publication may be re-transmitted or reproduced w/out the editor's written consent. All analysis & trade strategies are based on entire trading session (not just 'pit-session') unless otherwise specified. Trading Strategy results are based on entry & exit at the recommended levels and do not account for slippage or commission costs. Traders exiting in-the-money long option positions can exit by taking an offsetting position in underlying futures and exercising option. Readers using this information are solely responsible for their actions & invest at their own risk.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. FUTURES TRADING INVOLVES SUBSTANTIAL RISK.

Copyright 2018 *INSIIDE Track Trading Corporation*

POB 2252 NAPERVILLE IL 60567 630-637-0967 // 630-637-0971 (fax) INSIIDE@aol.com insiidetracktrading.com