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Summer Solstice and the SPX

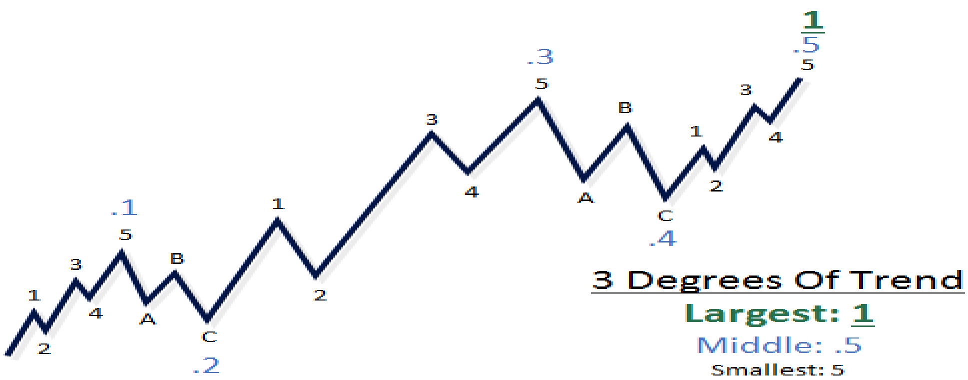
The summer solstice, also known as midsummer, the beginning of summer and the longest day of the year, occurs when the earth's rotational axis, or geographic pole on either its northern or its southern hemisphere, is most inclined toward the star that it orbits. It occurs in the Northern Hemisphere between June 20 and June 22 and in the Southern Hemisphere between December 20 and December 23 each year with the same dates in the opposite hemisphere referred to as the winter solstice. Equinoxes occur in March and September which indicate the start of spring and autumn.

Solstice is derived from the Latin words sol (sun) and sistere (to stand still) with this year occurring on the 21st June for the Summer Solstice.

Britain, perhaps best known for the pagan worship of the event at Stonehenge in Wiltshire, will purportedly have 16 hours and 38 minutes of daylight and is forecast to be the hottest summer solstice on record, with temperatures set to reach 34C versus the last high of 31.7C in 1936.

<u>So what’s this got to do with the financial markets?</u>

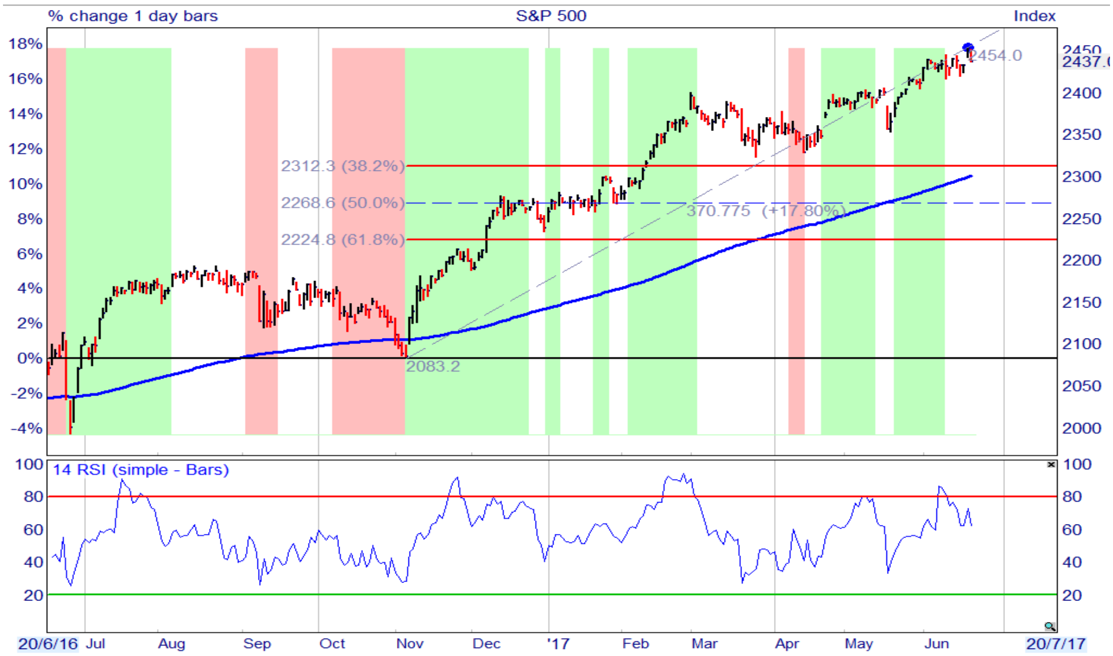
Well, just as the planets align and repeat like clockwork, the financial markets are fractal in nature, repeating the same patterns of progress and regress at every degree of time, whether it is of hourly durations or decades long. These fractal patterns are known as Elliott Waves, named after Ralph N. Elliott, a retired accountant and market observer who discovered them in 1938:



Kindly note that the three time-frames shown repeat the same pattern.

The Summer Solstice itself has a solid track record for triggering trend reversals in the markets – it's happened about 3 out of 4 times over the past 50 years, so it is worth being alert too, as is cycle analysis, where the 17.6 year cycle, and derivatives of it, connected the panics of 1929, 1987, 2000 and 2007. **The next important time within this cycle is……June 2017!**

The major US stock-indices have certainly been hot of late, extending the bull market with relentless daily new highs, as can be seen within a chart of America's top 500 stocks, the S&P 500, symbol the SPX:



On this 1-year daily data chart there is a definite 5-wave pattern from the June 2016 low, interrupted by two "*corrective waves*" which would be labelled as ABC, as per the aforementioned schematic. The lower blue-line is one of many momentum indicators that are used and shows a slowing of the rate of advance and possibly a trend reversal, as does our colour-coded panels, which has changed from ***BUY*** to *Neutral*, a sign of indecision.

The very near future will confirm whether a trend reversal, from up to down for the SPX, will coincide with this year's Summer Solstice, but just in case it is the horizontal Fibonacci ratio lines give likely initial targets for the SPX.

So, just as with the Summer Solstice, the day of maximum sunlight is the day that the days start to get darker. It may also be the case with stocks.

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