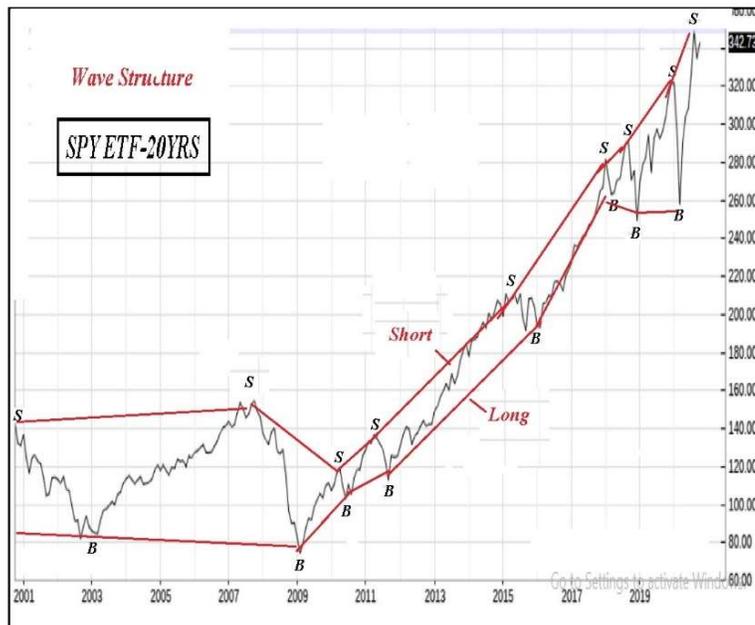
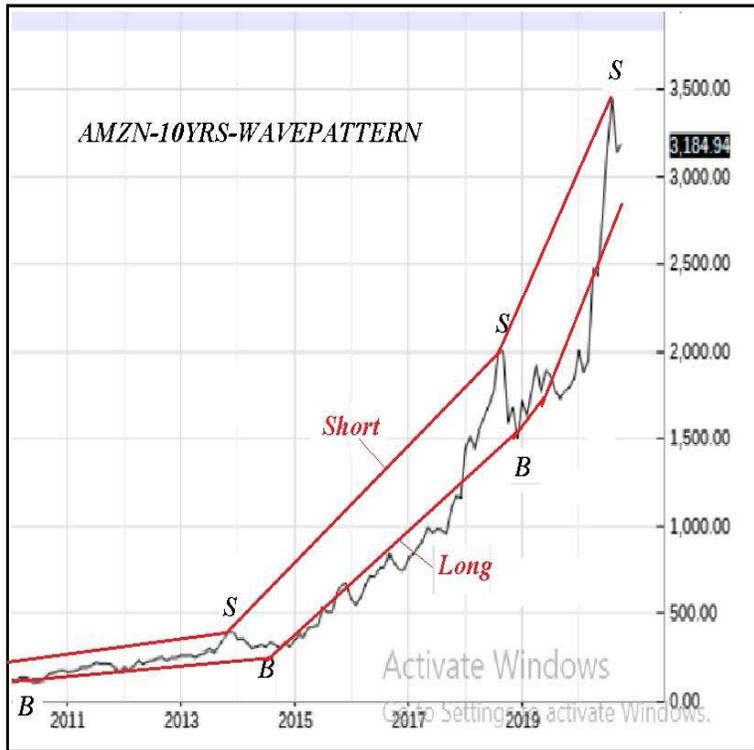


WAVE CHARACTERISTICS OF STOCK PRICES

If you look at the variability of a stock's price over a substantial number of years you will notice a wavelike pattern ranging between points noted by Buy(B) and those by Sell(S). These long term patterns continue to occur giving one the appearance of longer term waves of variable amplitude and wavelength. Each stock seems to have its own pattern. Here are three examples of such patterns as they exist for General Electric(GE), the ETF SPY , and AMZN stock when looking at longer time periods ranging from five to twenty five years.



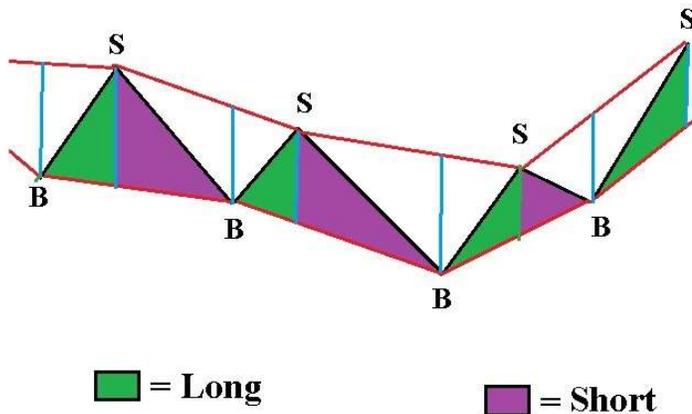


To construct such curves, one begins with raw data such as furnished by –

<https://www.barchart.com>

Next one adds buy (B) and sell (S) signals at points along the graph at three to six local maxima and minima over the entire time period. Then the B points and S points are connected separately by straight red lines forming an envelope for the stock price. A graphic representation of the procedure follows-

WAVE MODEL FOR STOCKS



One should-

(1)-Be Long when the price P lies between B and its closest following S signal. This is the upward portion of a wave.

and –

(2)-Be Short whenever the stock price P lies between S and the following point B. This is the downpart of the wave.

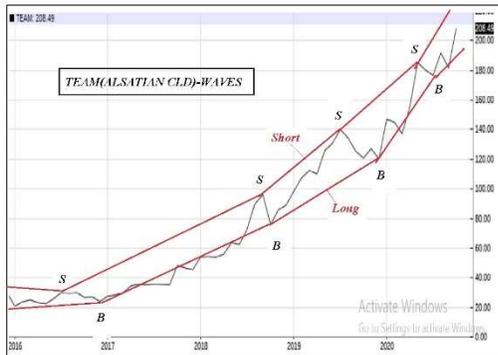
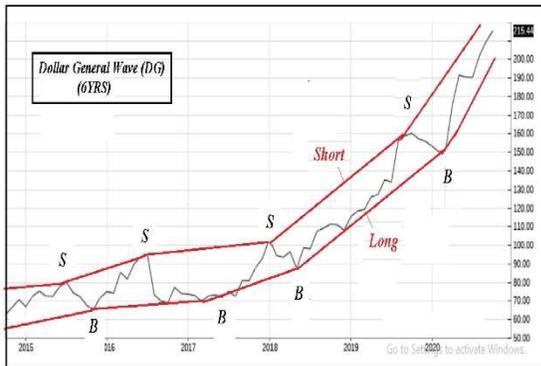
The gain will be increased whenever one acts at the earliest indication of a signal change with the smallest returns occurring just before the next turning point.

Looking at the GE graph above. We see that it has not been a good stock to hold over the long term, but good gains could have been made if it had been held long over the intervals Spring99-Fall2000, Spring2002-Fall2007, and Spring2009-Spring2016.

I made some excellent SPY returns over the time period from B right after the 2016 presidential election to the sell signal S at the beginning of 2018. A sell signal on the SPY ETF appears to be indicated at present(Oct.23,2020).

The stock of AMZN is somewhat of an anomaly indicating that a buy and hold strategy over the long run seems to work for such stocks including through its sharp upward move this year. However, applying the present B-S approach, indicates we may be in for a rough ride and one should probably no longer own AMZN at this time.

We follow with four additional stocks and their present wave patterns. Here they are-



Except for the last of these four new stocks considered all have risen a lot in the last few years suggesting we are at the end of this rise. However the last stock (TEAM) seems to still be rising rapidly meaning one is still on the rising portion of its present wave, suggesting further gains.

In addition to wave patterns for stocks and commodities, one can also cast averages into this form. For example, for the Dow Jones World Average (\$DJWO) one finds the following-



The up and down parts of the waves are clearly indicated and coincide reasonably well with the SPY pattern given above. It confirms the well-known fact that stocks in general will rise during bull markets and do the reverse during bear markets.

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 Oct.25, 2020,
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