



EXPLOITING MARKET CYCLES: THE KEY TO SUCCESSFUL INVESTING

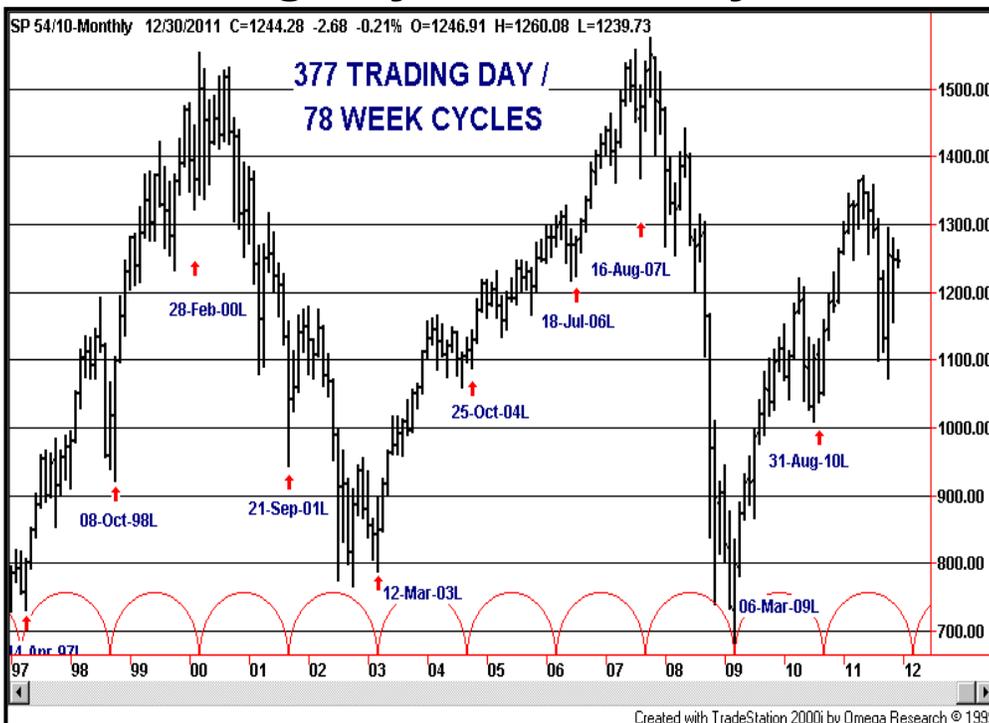
Advanced Research for Financial Professionals

How many times have you bought a stock, bond, or mutual fund – just when the fundamentals sounded great – only to see that investment go into a protracted decline? The key to any successful strategy is buy low and sell high. But a successful implementation of that strategy requires an in-depth understanding of market cycles. As steward for your money – or your clients' money – you'll find my expertise to be of unparalleled value in this regard. I have the resources, specialized knowledge, and experience to analyze the markets' complex cyclical functions and define what it means for your trading and investments.



My name is **Stan Harley**. You may have seen my work in *Barron's*, *Investors' Business Daily*, *The Los Angeles Times*, and other publications. I am also a frequent guest market analyst on radio, television, and streaming audio/video web sites. I have found that a solid understanding of market cycles is the critical factor in forecasting market movement. As editor/publisher of **The Harley Market Letter**, I have provided investment advisors, money managers, research analysts and other financial professionals with advanced technical analysis of the financial markets since 1995. *Timer Digest* has ranked me the *Stock Market Timer of the Year* and *Bond Market Timer of the Year*.

377 Trading Day / 78 Week Cycle



The most important cycle in the stock market on an intermediate time frame is shown at left. In tracing its genesis back to the September 14, 1953 low, I have found the underlying mathematical derivation for this cycle and calculated its mean at 78 weeks (377 trading days). All of the major market indices are governed by this important cyclical function – the Dow Jones Industrials, S&P 500, NASDAQ, New York Composite, Dow Transports, the Russell 2000, and a host of others.

THE HARLEY MARKET LETTER

The Harley Market Letter is a market timing advisory service on the stock, bond, and precious metals markets. My technical expertise encompasses market cycles – their derivation, real-time tracking, and exploitation for investment and trading. Subscribers to **The Harley Market Letter** gain a true insight into

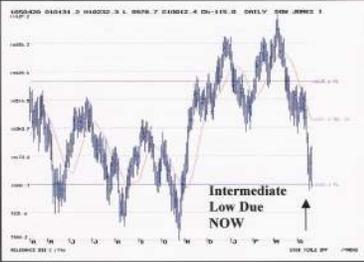
why market prices change as they do and how these harmonic oscillations - and their reversals - are tracked in *real time*. Perhaps most importantly, though, readers will learn to *anticipate* market turns rather than *react* to them and be prepared to buy or sell.



THE HARLEY MARKET LETTER
A Publication of Harley Capital Management Stan Harley, Registered Investment Advisor

April 20, 2005 Vol. 8, No. 10

Advanced Technical Analysis of the Financial Markets



Intermediate Low Due NOW

STOCK MARKET Consolidation Ending – Buying Opportunity at Hand

Out of the intra-day lows of October 25, 2004 that marked the trough in the 78.4 week / 377 trading day cycle, stock market indices surged upward into the first quarter of this year. Upon reaching their highs on March 7th, the indices then began a consolidation of those gains as investors fretted over fears of slower economic growth and the impact of rising inflation and the impact of corporate earnings. The near-waterfall decline sent stocks to new lows for the year. But despite these concerns, my technical work points to a cyclical clustering in the April 20, 2005 time period. Rising out of the expected intermediate cyclical low, equities are poised to continue their upward push throughout the rest of the spring and summer quarters.



NASDAQ Held at the 0.618 Fibonacci Retracement Level

In the October – March rally the Dow Jones Industrials Average advanced from 9,660 to 11,027 – a gain of 1,367 points or 14.2%. After breaking out above the 10,625 price octave at the rally high, the Dow then reversed and declined all the way back to its 10,000 price octave. I look for this level to be supportive here. The decline from the March 7th high is very close to a 78.6% fibonacci retracement.

The NASDAQ Composite Index – whose advance began at the August 13, 2004 low point – gained 440.8 points or slightly more than 25% at the rally high. The horizontal lines on the chart represent 0.382, 0.500, and 0.618 fibonacci retracement levels. I look for the 0.618 retracement (1,919.2) to be supportive here for this index as well.

The Harley Market Letter and E-Mail/Fax Update Service are published by Harley Capital Management, 1605 Ridgewood Drive, Camarillo, CA. 93012-4251. telephone 805-484-4258, website: www.harleymarketletter.com, e-mail sharley1@bretzson.net. Copyright © 2005. All rights reserved. No copying, reproduction, or electronic transmission may be made without written permission. All trading and investment decisions are the sole responsibility of the subscriber. Clients and principals of Harley Capital Management may have positions in the markets reviewed.

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- Price Resistance and Support Levels
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- Graphs and Indicators That Track Cyclical Functions and Price Trends in Real-Time
- Visit www.harleymarketletter.com for an in-depth discussion of my advanced technical approach to market analysis. You can also view a recent sample of my newsletter.

THE HARLEY MARKET LETTER UPDATE SERVICE

The markets move quickly, so to keep readers abreast of the latest tumultuous developments, I also publish a Bi-Weekly **UPDATE** service. The monthly newsletter goes into considerable detail on the intermediate trends and technical theory. The Bi-Weekly **UPDATE** service supplements the monthly newsletter with my near-term views and projected reversals. Financial professionals who depend on my latest up-to-the minute views on the markets' cyclical functions and current technical readings include the **UPDATE** in their subscription service. The reports are delivered by E-mail on Tuesday evenings and on weekends. I will also send out flash bulletins of major buy/sell events intra-day if I see one of a critical nature occur. You'll find this to be an important addition to your market advisory as well.



THE HARLEY MARKET LETTER
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September 23, 2005

Advanced Technical Analysis of the Financial Markets

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S&P 500 With 54 TD CYCLES



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STOCK MARKET

54 TD Low May Create Hurricane Rita Relief Rally

I have had two cycles of importance (168 TD and 54 TD) due in this time period as well as a clustering of fibonacci time relationships that, on balance, suggested to me that a cyclical turn was due right in here. In viewing the chart above, I have plotted my 54 TD cycle on the chart of the S&P 500. That cycle has expanded slightly over the last year and a half to an average of about 56 TDs – but still, it is my 54 TD cycle. 54 TDs after the 07-Jul-05, fall on September 22nd. The S&P made its intraday low this far on September 22nd. My measures of price velocity and price range are still heading southbound and not yet indicating confirmation. There could be a day or two of lag – that does happen. On a shorter-term basis, the market has been exiting out short-term lows about every 126 hours (18 TDs). 18 X 3, of course = 54. So, I suspect Sept. 22nd did, in fact, mark that cycle low point. Of particular interest here is that the market is not real "oversold" to

mark a 54 TD bottom of importance. But on the other hand, the ILL 1732-100 index (chart at the bottom of page 3) has not rolled over and is poised to push back to a new high. The S&P 500 chart on page two shows that the market

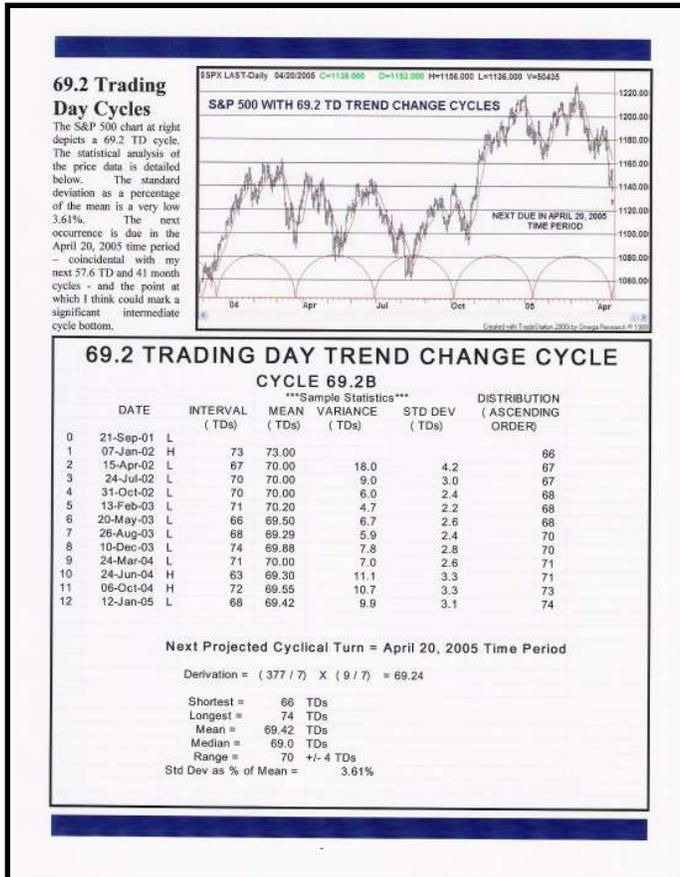
Outlook		
Stocks	Bearish	20-Sep-05
Long Term	Bearish	20-Sep-05
Bonds	Neutral	16-Sep-05
Gold	Neutral	02-Sep-05

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A Detailed Statistical Analysis of a Cycle's Past History Gives Important Clues for Future Behavior

Veteran technicians are aware that in performing cyclical analysis of the financial markets, it will often be found that the time period taken for one complete cyclical rhythm will vary from beat to beat. To

ascertain the central tendency of the cycle, I perform a statistical analysis of the data. From this analysis, I use both the mean and the median of the data to project the window of time for the next reversal point. Experience has taught me that even though a cycle has had a history of market lows, it may not necessarily produce another low at the next occurrence. The next projected cyclical turn should more-properly be viewed as a trend change reversal point. The cyclical turn is defined as the point at which the price velocity balloons in the opposite direction from the trend that preceded the reversal event. Indicators that measure price range provide the requisite confirmation.



My Knowledge and Expertise Can Help YOU

My publications are of most benefit to those financial professionals who have considerable experience in the financial markets and understand the importance that advanced technical analysis brings as a key ingredient to the investing process. I am confident you will be very pleased with my service.

THE HARLEY MARKET LETTER

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