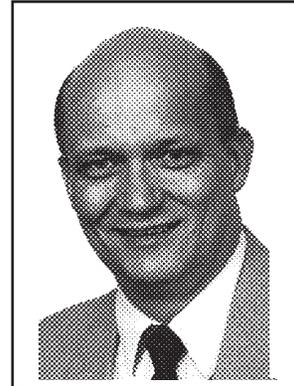
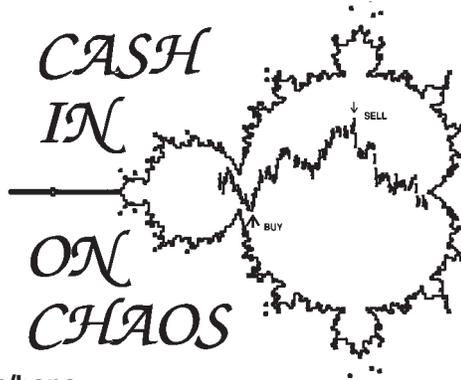


Yes,
you
can



<http://www.cashinonchaos.com/hans>
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CASH IN ON CHAOS NEWSLETTER - May 24, 2001- 2001-5

Dr. Al Larson, aka Hans Hannula, voice 303-452-5566, fax 303-457-9871, email allarson@moneytide.com

Stocks have made a strong bear market rally. Tbonds return to par . IBM rallies a bit. Interest rates plummet again. Swiss Franc rolls over. Gold decides to rally. Wheat making low. World markets mixed. Casting the 45. An AstroPhysics puzzle. Aboriginal Energy.

STOCKS

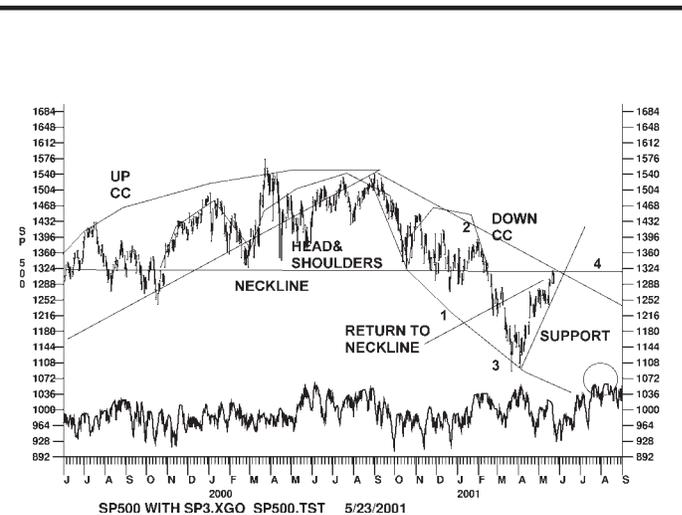
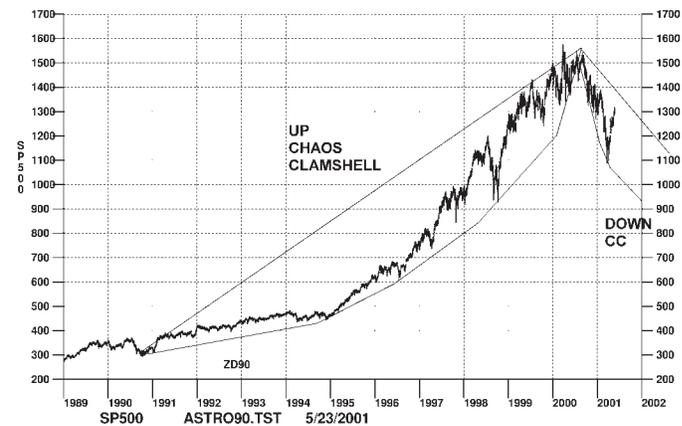
Stocks have rallied sharply off of their March low. This spirited rally is typical of bear markets. We can now expect a period of congestion before the bear market reasserts itself.

The long term chart shows the bull market Chaos Clamshell and the beginning of the bear market CC. The size of the patterns suggest that the bear market may last well into next year.

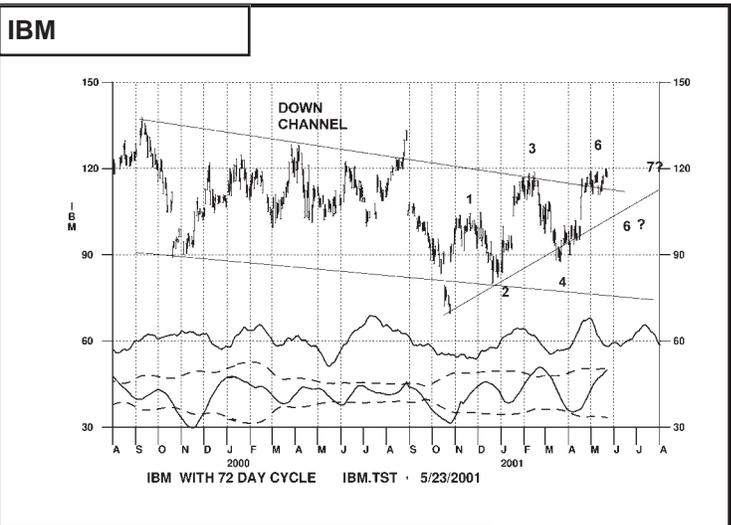
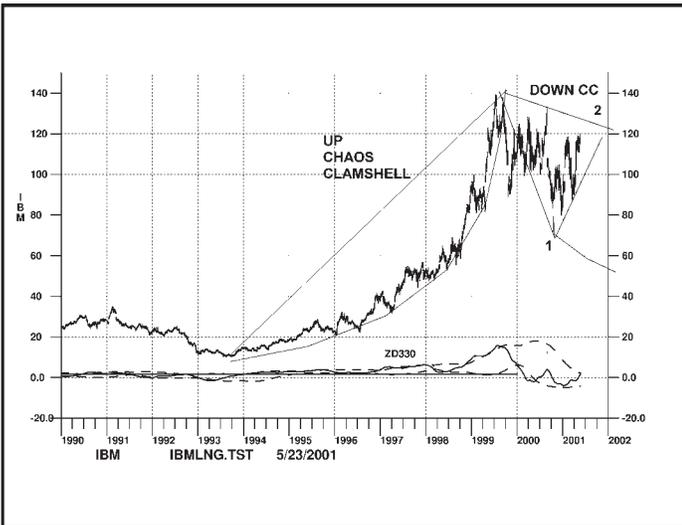
The near term chart shows the declining stocks as a down Chaos Clamshell. It appears that that down CC is in move 4. The decline is nearing the 9 month point. One of the cycles driving this decline is the Nodal cycle of 18.6 years. It will generate swings of 18.6 months. That suggests 9 more months of bear market.

As traders, we have been long during this spirited rally but we do not yet think it is time to invest in stocks. The first good rally of a bear market leads to pronouncements that the bear market is over. I read just such a pronouncement this week. What we are really seeing is a normal countertrend rally within the bear market.

The Federal Reserve has done about all it can to stimulate the economy. Dropping interest rates much more will cause severe problems for banks. Remember that the Federal Reserve is a committee of bankers. They will only help the country to the point where it brings them too much pain.



This letter is written by Al Larson, aka Hans Hannula, full time trader, PhD (Electrical and Computer Engineering), RSA, CTA. It incorporates his original scientific research into market chaos, its causes, patterns, and trading techniques. The Chaos Clamshell shown is the unclassified version of the confidential **Hannula Market Fractal**, which is taught in his **Cash In On Chaos** course. **Hot-line updates to this letter are available daily on email as Chaos Trader's Hotline and Tomorrow's Market Hotline available for \$99/Mo., billed for 3Mos.at \$297, renewed automatically.** See page seven for more details.



IBM has benefited from the bear market rally. As shown on the long term chart, it appears to be in move 2 of its down Chaos Clamshell.

The near term chart shows that IBM has rallied above the top of its down channel. Since March it has made 5 swings in what appears to be an up CC. This means that we can expect one more pullback and one more rally before IBM tops out. The energy forecast shows that that should occur in July.

For stocks or commodities not covered in this newsletter or on the hotline, you can track the cycles and trade the Chaos Clamshells using the **Trading System Toolkit**.

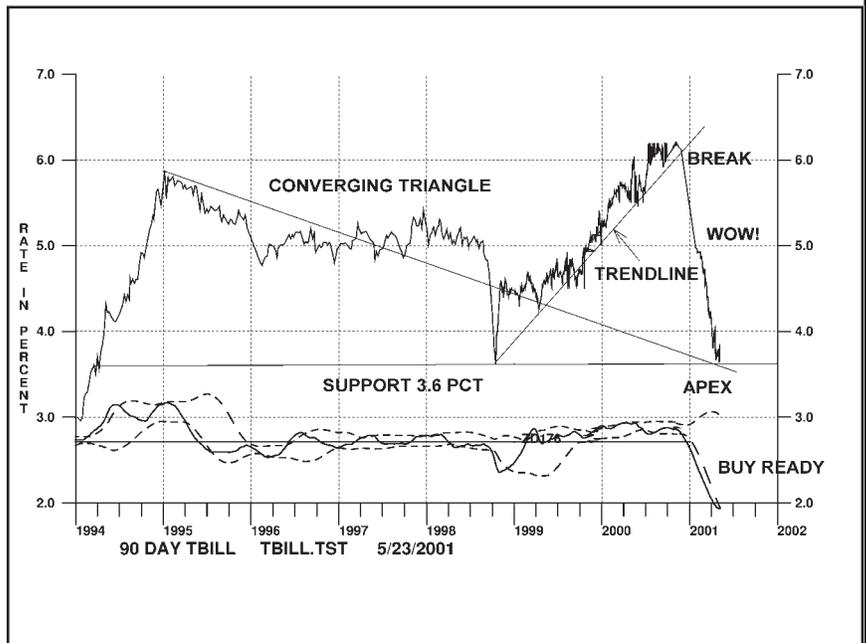
ECONOMY/RATES

The Federal Reserve has continued to lower interest rates aggressively. Never in its history has it lowered rates faster. Rates are now a full 2.5 percent lower than they were when the rate cutting began. We can now expect the Federal Reserve to claim it has done all it could and recommend that we wait to see the effect of these cuts.

The chart shows how dramatic these cuts have been. Since rates first broke the upgoing trend line, they have fallen to reach the apex of the huge converging triangle shown on the chart. This pattern suggests that the energy for further rate cuts is now at a turning point.

Under ordinary circumstances, these rate cuts could be expected to stimulate the economy. But these are not ordinary times. We are on the back side of a mania market.

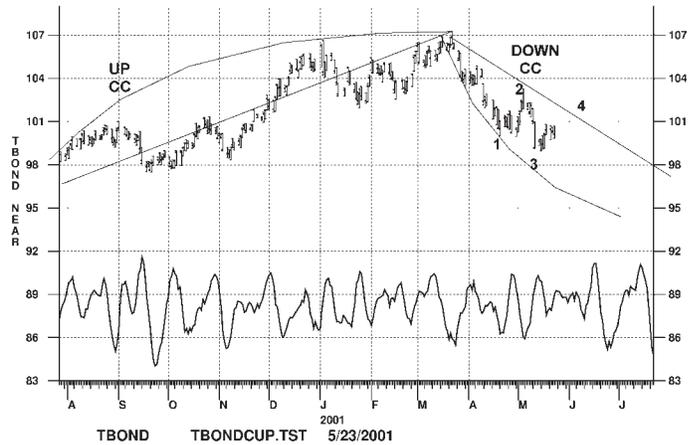
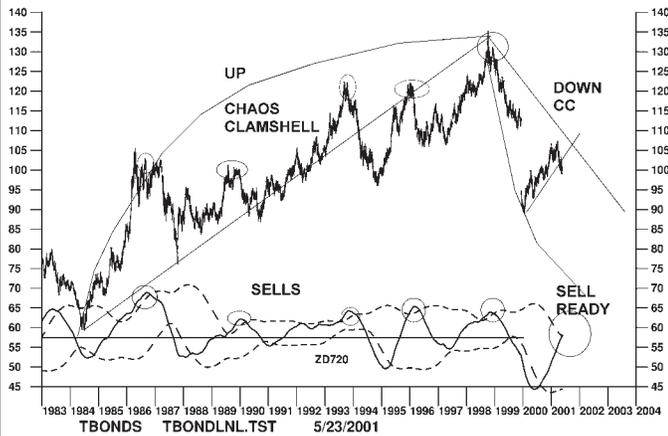
Stimulation practices have historically proven ineffective on the back side of mania markets. The Japanese government has tried numerous stimulation packages since the peak of their mania market. None of these has really worked, and all of them have been very expensive. Will we repeat that history in the US?



Failure is not the worst thing in the world. The very worst is not to try.

Unknown

TBONDS



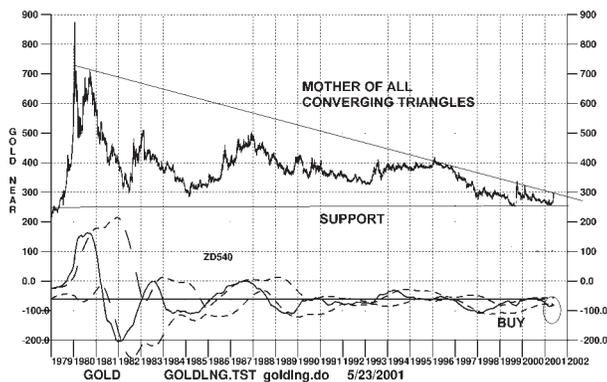
Tbonds are nearing the end of move 2 in their new long term down Chaos Clamshell. The ZD720 energy cycle has reached the sell ready level. The long term chart shows that this cycle properly called the last five significant tops in T-bonds. When that cycle turns down, we can expect bonds to decline to 90 or below.

The near term chart shows that this move 2 may have already ended. The move 3 may be the down CC shown. Within that CC, bonds are now set to rally in a move 4. That move would most likely peak in June, and be followed by a sharp decline.

The only time you can't afford to fail is the last time you try.

Charles Kettering

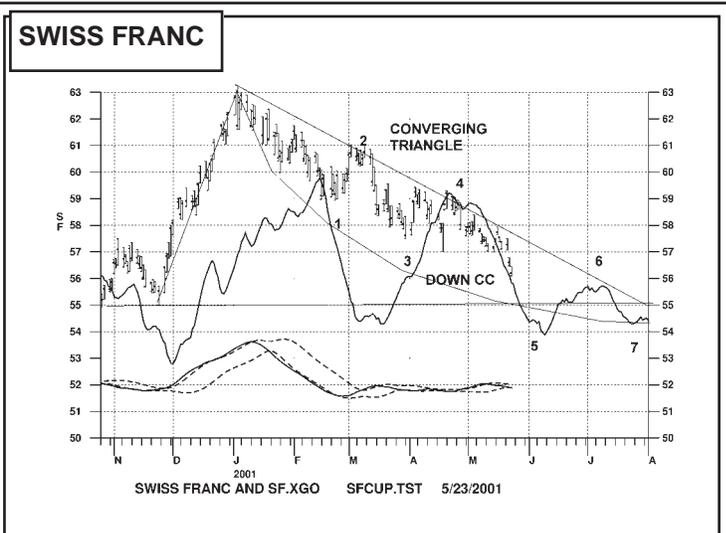
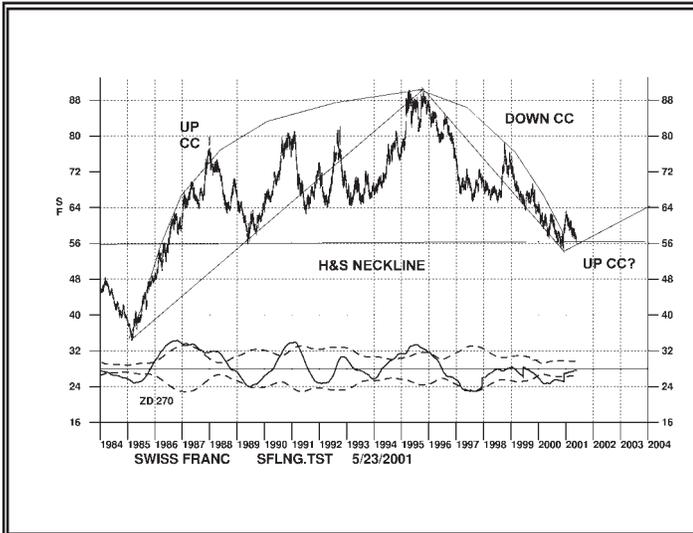
GOLD



Gold finally did it. Last month we warned that it was decision time for gold. We expected a break to the upside, and we got it.

That break up is shown very clearly on the near term chart. The converging triangle was clearly broken. We can now expect a short term pullback, probably until August low. That should be followed by more rally. But note, that the long term chart shows that the mother of all converging triangles is still intact. That pattern seems to have an uncanny ability to keep redefining and extending itself.

I still think that gold will rally. Again, the trading technique is to trail a buy stop above the market.

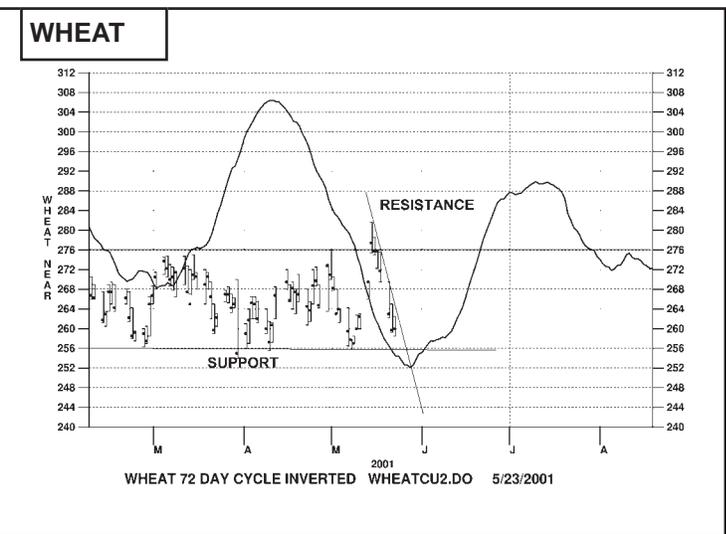
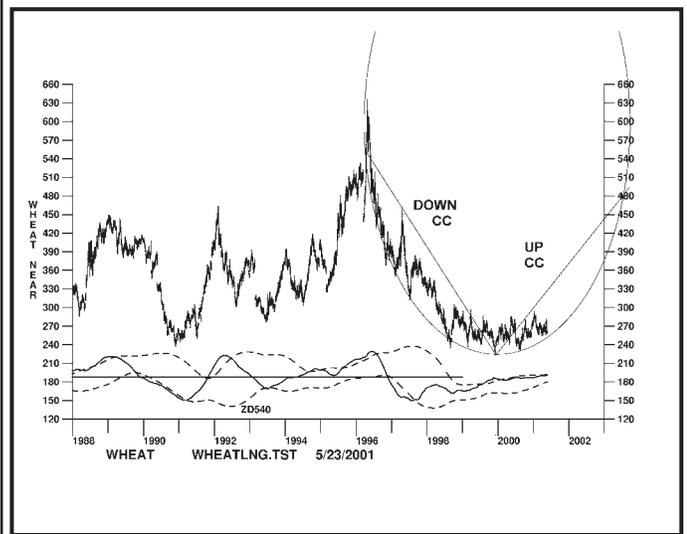


The Swiss Franc has rolled over and headed lower. The long term chart shows the down CC and the beginning of a new up CC. One can also see the left shoulder and the head in a head and shoulders pattern. The current down move looks like a move back to the neckline of that pattern.

The near term chart shows that the energy cycle has inverted. If prices follow it as it is forecast, they would complete a down Chaos Clamshell as the downleg of a large converging triangle. Traders are currently short in the Swiss Franc.

It takes courage to push yourself to places that you have never been before ...to test your limits...to break through barriers.

Unknown

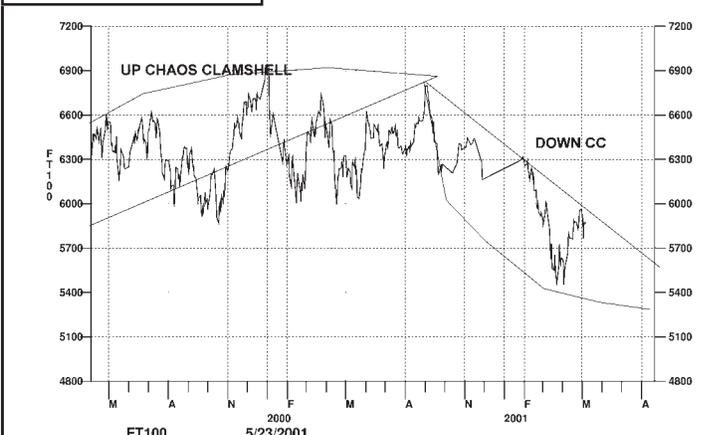
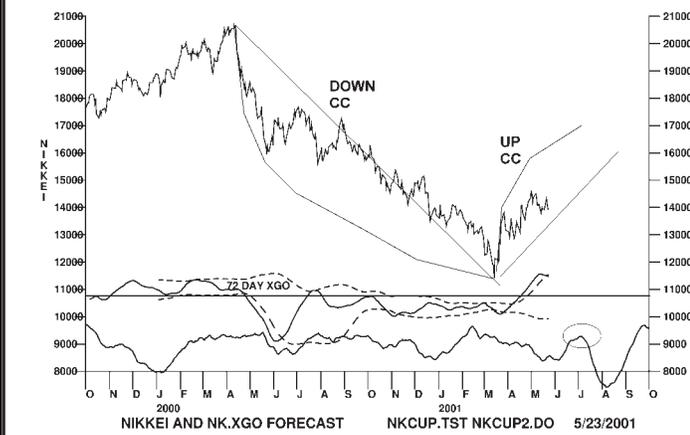


Wheat continues to form a major long term bottom. The long term chart shows a down CC and the beginnings of a new up CC. They are bounded by a large ellipse.

The near term chart shows that wheat has been stuck in a trading range. Last weeks sharp decline suggests that the energy cycle has inverted. This in turn suggests that wheat is making a low from which it will rally sharply. This rally should last approximately 45 days.

George Bayer wrote about trading wheat using Mercury, Saturn and Jupiter. You can learn to find astrocycles with the aid of the **Trader's Ephemeris** and the **Finding Astrocycles** video-**JUST \$100.**

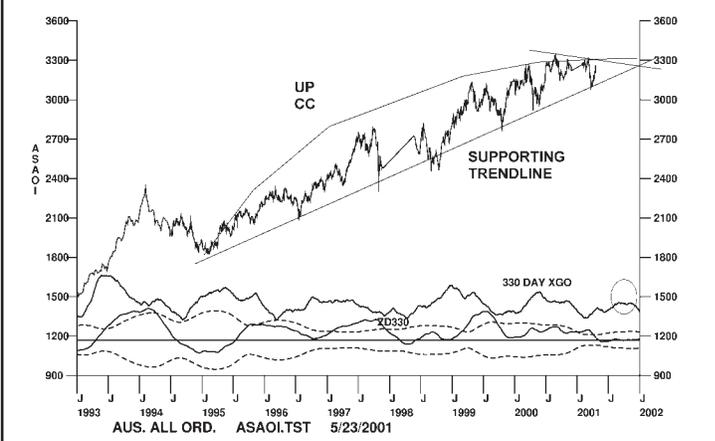
WORLD MARKETS



The Japanese market continues working higher. It appears to be completing move 4 of 7 in its new up CC.

The British market, like its American cousin, has staged a rally within its bear market. However, its rally is relatively weak, suggesting an early resumption of its bear market.

The Aussie market continues to hold above its supporting trendline. But it continues to have trouble going higher. Any break of this Death Line should be sold aggressively.



CHAOS CLASSROOM

This tutorial is a continuation of the one from last month.

WD Gann spoke of the practice of "casting the 45." By this he meant setting up the scale on a chart in such a way that a major move followed a 45 degree line.

This chart shows a major move from A to B. By adjusting the high and low prices on the chart and the starting and ending dates, I have set the chart so that a line (C) from A to B makes a 45 degree angle. This, of course, is a Gann 1x1 harmonic line.

These harmonic lines can be used to forecast future price resistance points. The rally from B has followed a 1x2 line (D). Where that line crosses the 3x1 line (E) is a time price resistance point.



ASTROPHYSICS AND CHAOS THEORY

The premise of my work in Market Astrophysics is that every market pattern has behind it a physical cause.

These physical causes can be discovered by examining particular phenomena and asking the right questions. The questions are always **Why** questions.

This chart shows a very common market phenomena. The ellipse contains a period of congestion. The questions are

1. Why did prices congest from 4/18/2001 until 5/16/2001?
2. Why is the peak of the congestion on 5/3/2001?
3. Why is the congestion level at 1254?

I am not going to answer these questions. I will tell you how to look for the answer. To look for the answer, you need to ask **Who** questions. The **Who** we are talking about are the planets. So the question becomes,

Who was doing something significant between 4/18 and 5/16, peaking on 5/3?



ENERGY

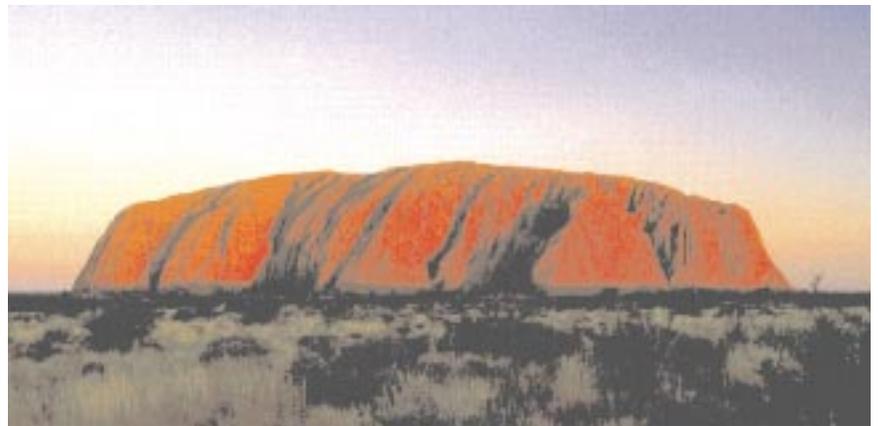
Whenever I go on vacation, I like to visit places held sacred by ancient peoples. When I went to England, I went to Stonehenge.

When I went to Australia, I went to Uluru (Ayers Rock) and Kata Juka (The Olgas). These are two large rock formations that jut out of the prairie in the Australian outback. Both of these places are sacred places of the Aborigines. The photo to the right is of Uluru.

Uluru contains several sacred Aboriginal sites. Many of these are associated with their Dreamtime creation stories. Several of these sites have been used for thousands of years for sacred rituals. There is evidence that the Aborigines have inhabited Australia for at least 40,000 years.

We visited Uluru both at sunrise and sunset. These are naturally key energy times. But they become something super spectacular when the sun hits the steep faces of Uluru. The red sandstone becomes incandescent. It seems to glow from within. It is truly awe inspiring.

Kata Juka is similarly a high energy place. I measured the energy from the rocks at both places, and found that they emitted a strong positive energy field. It is no wonder that these two formations have kept people coming back for thousands of years.



QUALITY IMPROVEMENT

Since I returned from vacation, my quality efforts have focused on network issues.

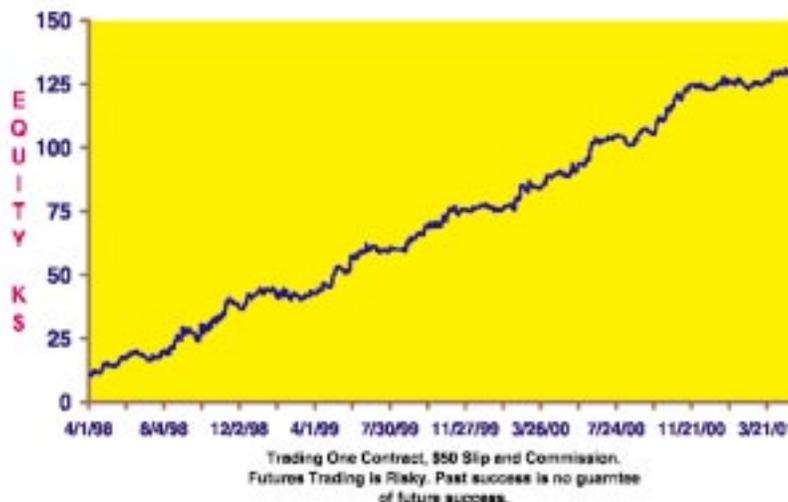
Things worked very well while I was gone, but the inanimate objects apparently objected to my taking some time off.

The first day I was back, my Ethernet switch died. Actually it became intermittent and drove me crazy for a day and then burned up, killing three network boards in PC's as it did so. It took me 2 days to rebuild the system. The day after I finished, my telecommunications provider, Quest, decided to replace one of their network switches. It happened to be the one that connects me to my server. The replacement was a disaster. The switch was out 3 different days for 15 hours, 4 hours, and 5 hours. Hopefully, they have resolved those problems.

This bit of chaos also prompted me to rewrite the software that I use to transfer files to my server during the Chaos Clinic. That new software ran perfectly last Friday.

All this points out that quality improvement is a constant battle. Just try to make things better every day.

MOONTIDE ONE-A-DAY EQUITY



PEOPLE AND HAPPENINGS

The past month was taken up with the Astro Economics Conference and our tour of Australia.

The conference was very good. Below are the speakers, from left to right, Grace Morris (the organizer), Alpee Lavoie, Norm Winski, and myself. What a team! We are deeply indebted to Richard Watkins, who arranged things in Sydney.

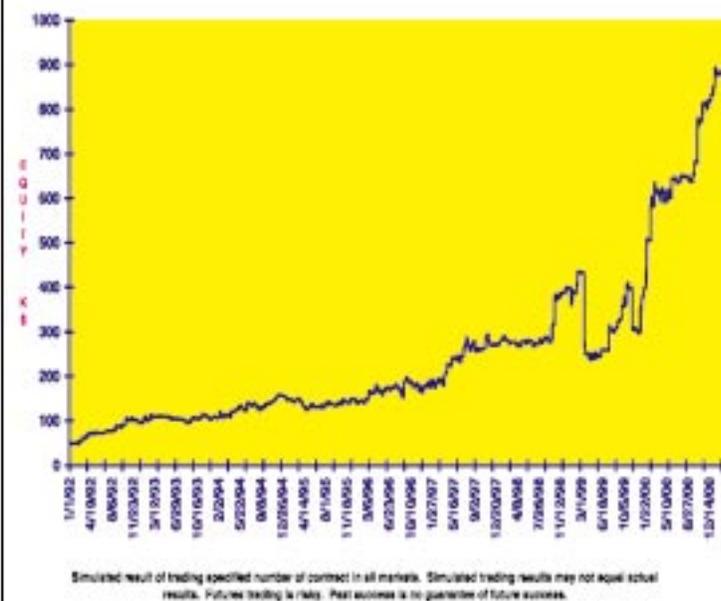
My seminar went well, and the tour was fantastic. Now it's back to work. But camping is coming soon. See you next month.



Happy Trading,

al

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 by Dr. Al Lason, Ph.D. (aka Dr. Hans Hannula)

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