

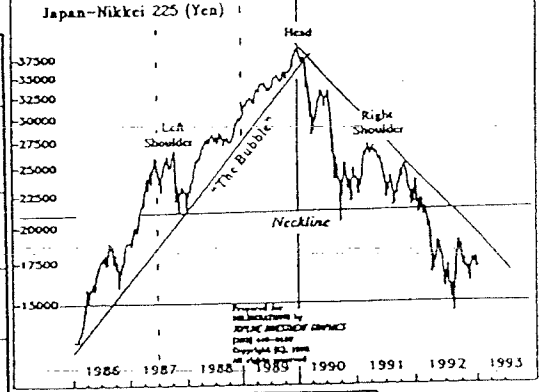
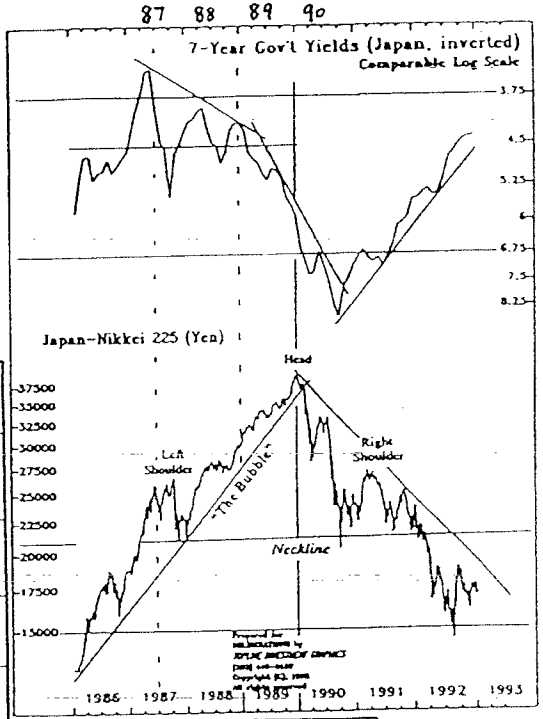
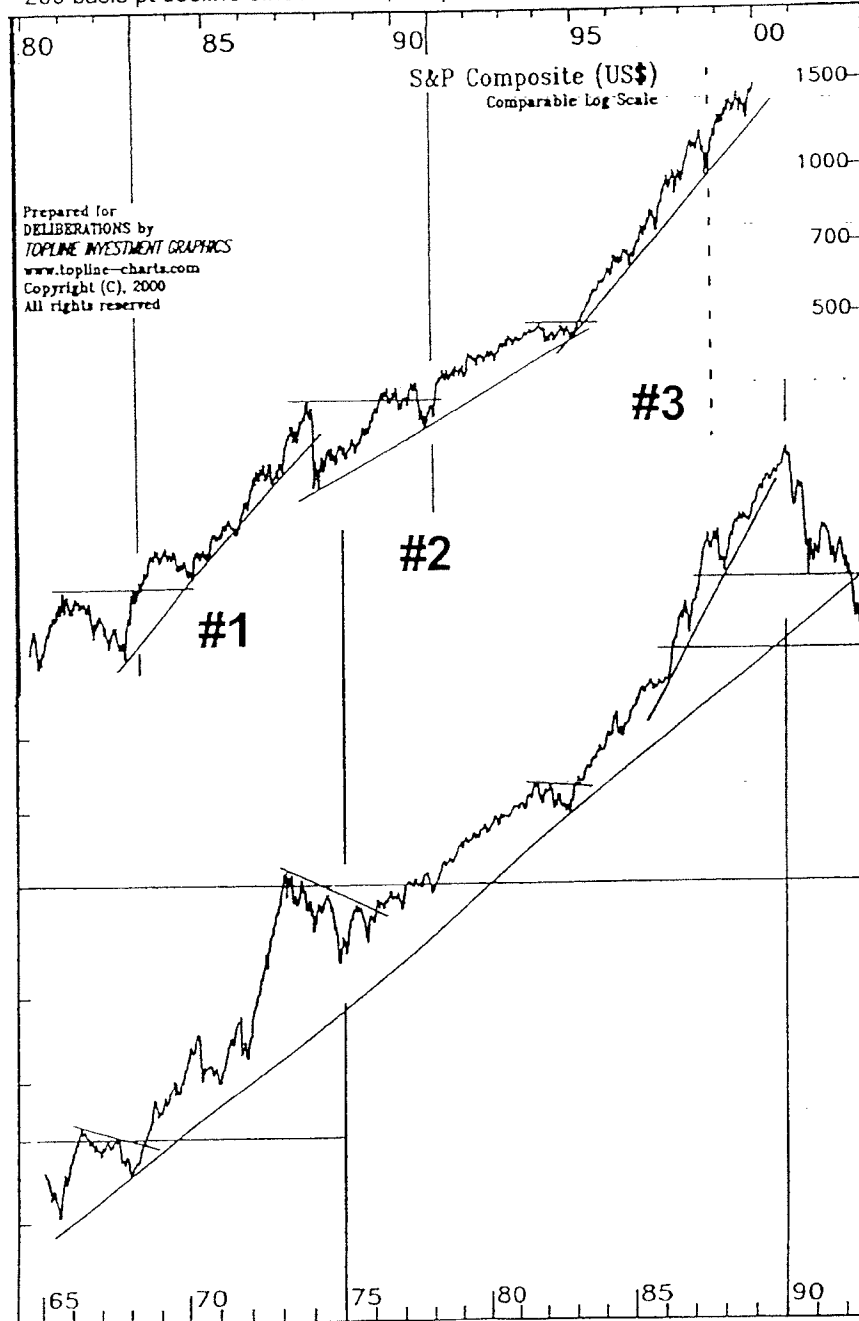
TOKYO 1965/90 AND NEW YORK 1982/01(?)

This chart is fudged – Tokyo's span of 25 years has the visual appearance of New York's 20 Years, three very different bull phase slopes, as shown.

- #1: Tokyo - 1965/73 looks like NY's 1982/87.
  - #2: Tokyo's slower paced 1974/82 looks like NY's 1987/94.
  - #3: Tokyo's "bubble run" from 1982/89 speeded up like NY's run from 1994 to date. The 1987 Crash in Tokyo looks like NY's 1998 Crash.
- New York's Y2K run up fits Tokyo's last fling of 1988/89, and could surprise us by running right through the election year, to ever crazier heights.

Tokyo was crazy at 27,000 in '87, but even crazier at the 39,000 final top. Japanese Bonds peaked (lowest yield) and fell from mid'87, with two rebounds while trending lower through 1990. Downside acceleration in late 1989 probably consummated the mating dance twixt pin and balloon.

If US Bonds surprise us with a Y2K rebound rally, retracing up to half of the 200 basis pt decline since Oct'98, the parallels become even scarier.



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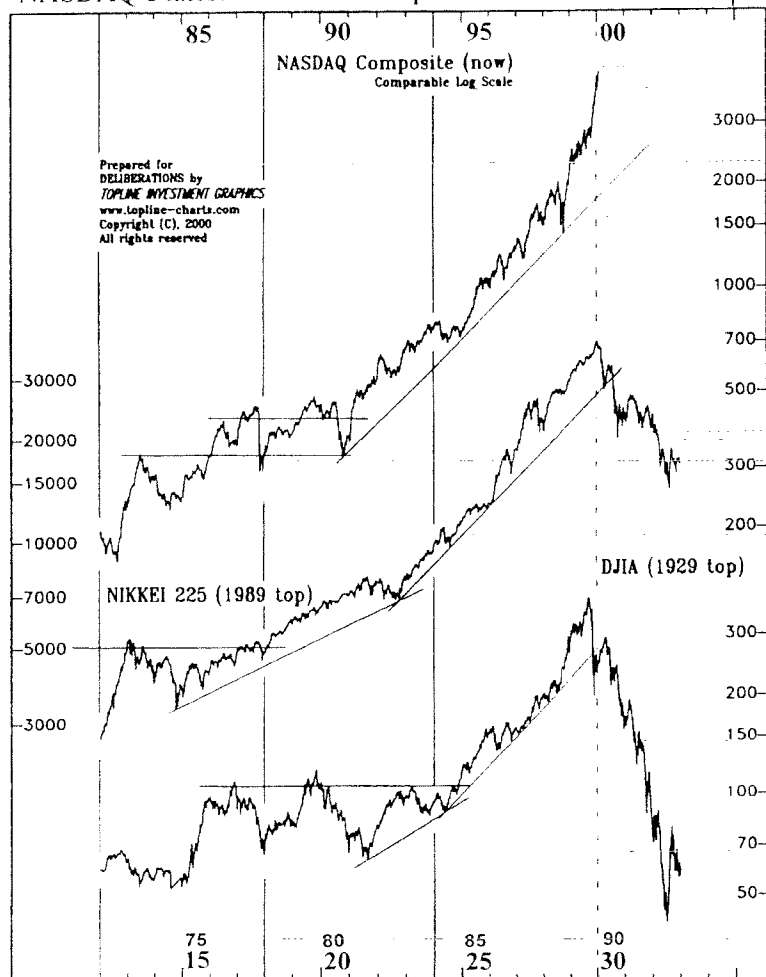
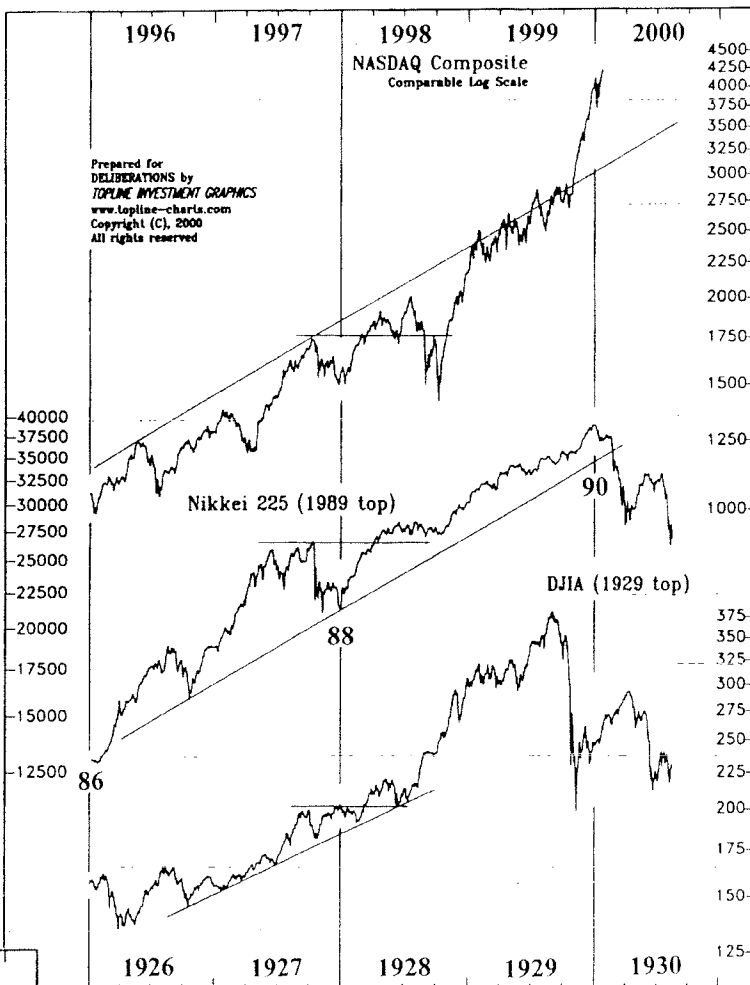
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**NY-1999, 1929, and Tokyo 1989 Comparisons**

I prepared the opposite page as a handout for a talk I gave to SIRE (Society for the Investigation of Recurring Events) in New York last week, and wanted my regular readers to have it with this issue. Working late the night before, I slept rather than read the WSJ on the flight down, and I was somewhat horrified to learn that the Wall Street Journal that day ran a huge chart right across the front page of the market section, overlaying 1999, 1929 and Tokyo in 1989. I was amazed they did it on an arithmetic scale. The chart below does it properly, on a comparable semi-log scale to enable an honest visual comparison. The NASDAQ sprint of 1990/2000 dwarfs Tokyo's 1982/89 run and the Dow's 1921/29 bull market bubble run.

The chart opposite compresses 20 years this time onto 25 years for the Tokyo cycle to illustrate three distinct trends (as noted) that culminated in that final peak. On a much shorter time span, the 1921/29 run below shows a similar characteristic, but each of the three legs ran longer and stronger than the predecessor, rather than having a slower-leg in the middle.

The chart below right was intended for the last issue but I ran out of room in that 24-page monster! It really shows just how extreme the upside blow-off by NASDAQ has been in contrast with Tokyo's "bubble-top" in 1989. Indeed it's more reminiscent of the 1979/80 blow-off in the gold price, but that one was much more dramatic with the spurt from \$300 to \$850 only taking 11 weeks...which rather dwarfs NASDAQ's latest 14wk - 63.5% sprint.



Two aspects of Tokyo's 1988/89 run stand out in my memory. Firstly, the tenacity of the run, despite a rising chorus of warning voices as 1989 progressed. The most common defense was that "they" (meaning the Bank of Japan) would not allow it to crash! As if they were really in control. Today I hear similar attributes that Greenspan wouldn't allow a NY Crash. He had 1987 at the start of his FED career, and has been cautious in his moves since.

Japan's bond market chart inset on page 4, shows the peak in Q2'87, with three declines and two rebounds on the way to the late 1989 peak. Yield levels nearly doubled by that time, but the Nikkei just kept going. New York's bond market decline from Sep'98 to date, with stocks not missing an upside beat, is a worrisome parallel this time.

