

TIMING MODELS:
LINDSAY'S
BASIC

BY ED CARLSON

George Lindsay was widely considered to be a stock guru in the 1960s and 1970s.

His market opinions often appeared in the New York Times next to other prognosticators whose names are



George circa 1960s.
Source: Lindsay family

Lindsay
was an
unintentional
iconoclast.

commonly known, yet
very few people today are
acquainted with Lindsay's
work. His unique approach

often was described
incorrectly as [cycles](#).

GOOD CALL

During [his 1981 appearance on Wall Street Week](#), Lindsay told [Louis Rukeyser](#) "The end of the bear market ... is about August 26, 1982. I think 750 to 770 is more like the range of the final low." The intra-day low of the bear market occurred Aug. 9, 1982, and the closing low came three days later at 776.92.

AND ANOTHER

One month before his death in August 1987,

Houston newsletter writer John Brown published a letter from Lindsay that said the last high will come in August 1987. On Aug. 25, the Dow started what appeared to be a normal correction. However, it morphed into one of the biggest Wall Street crashes in history, falling more than 40% during the next 39 trading days.

PUTTING IT ALL TOGETHER

Lindsay used an integrated approach. His individual models often work well in isolation, but they are meant to work together as

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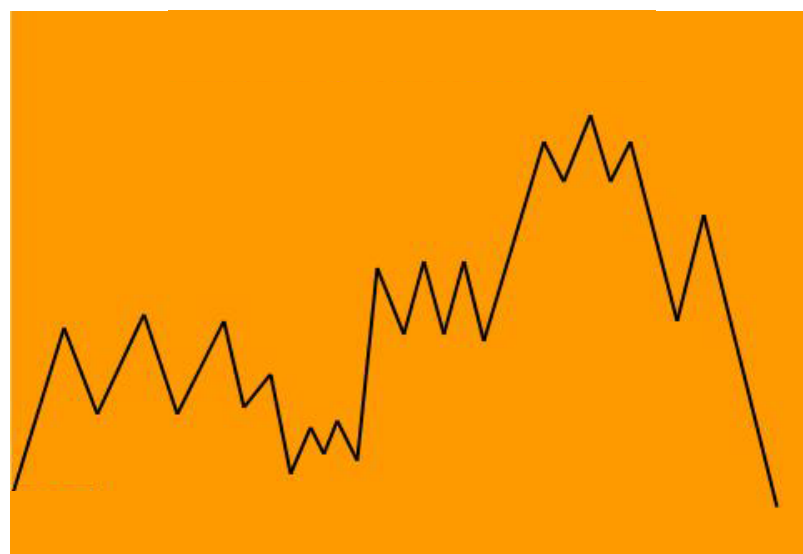
checks and balances. He has three major approaches to market timing.

KEY PATTERN

Lindsay's best-known model – the [three peaks and a domed house](#) (3PDh) – is ostensibly a method for identifying the end of a bull market. However, 3PDh is broader in scope than using it to find bull market tops. Once it has been recognized, one can trade it on the way up, too.

One can clearly see the three peaks toward the left side of Figure 1 followed by a sharp, three-wave sell-off. The domed house encompasses everything after the three-wave sell-off (middle to right side of Figure 1), including the large sell-off taking prices back to the bottom of the entire 3PDh pattern. The chief characteristic of the whole chart is that price makes rapid upside progress followed by long consolidations.

This first floor wall (the strong advance that initiates the domed house) is



Sources: Metastock

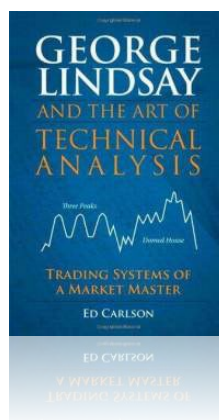
FIGURE 1: Three peaks and a domed house

followed by a five-wave reversal pattern that serves to consolidate the sharp rise. The five-wave reversal is referred to as the first floor roof. The first floor roof is followed by another sharp rise, called the second floor wall. A small head-and-shoulders pattern that resembles the cupola of a house follows the second floor wall and caps the the entire 3PDh formation. After the cupola, a decline

back to the beginning of the pattern begins, which normally will include at least one bounce (a final right shoulder) on the way down.

TIMING MODEL

Similar to the three peaks and a domed house model, the Lindsay timing model can be used by serious traders or passive investors. The goal of this model is to identify tradable tops in the markets.



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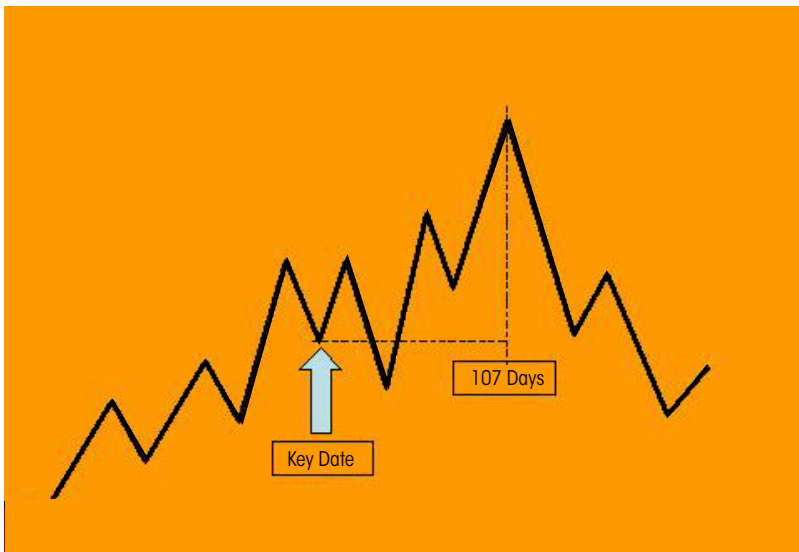


FIGURE 2: Lindsay timing model

The Lindsay timing model is unusual in that while most cycles attempt to identify time intervals between lows in price, Lindsay's approach to this particular interval uses price highs. A count of 107 calendar days from a correctly determined origin should be expected to identify a top in price. The key to the model is in understanding how to correctly identify a key range — the origin of the 107-day count. See Figure 2.

Another difference between the 107-day interval and the archetype cycle is that one should not expect a regularly recurring cycle of 107 days. These cycles are more

appropriately referred to as intervals.

The low-low-high count is used to confirm any particular 107-day interval as a probable top. Using the LLH cycle count sharpens up the 107-day count considerably by eliminating less-than-ideal 107-day counts. One begins by determining the number of days between two lows, then counting forward the same number of days to arrive at a high.

By combining the LLH count with the 107-day count, Lindsay developed a system that predicts highs in price. Similar to the 107-day count, the key to this approach lies in knowing

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which lows are used in counting.

BASIC MOVEMENTS

In this method, a long-term interval provides a target range of dates, but that range is very broad.

For more exact timing, we rely on the basic movements concept. Basic movements (basic advances and basic declines) are composed of various medium-term counts, also referred to as the standard

time spans. The counts that make up each category of time spans are not identical, but they tend to cluster together. Throughout history, virtually the same numbers keep cropping up. The basic movements method is based on this phenomenon of time spans.

Medium-term counts (counted in days) and long-term intervals (of eight, 12, and 15 years) are two classes of intervals that must be combined to make a forecast. When two counts agree closely, it increases the probabilities of a severe decline.

TIP OF THE ICEBERG

Understanding and applying the three methods leads to fascinating results. No wonder Louis Rukeyser called Lindsay “an uncannily accurate forecaster.”

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