

Nikkei, Shanghai, Dow Peaks



April 2, 2010

JAPAN

At the Nikkei low of 7000, SKGS forecast 11,000. Recently, the Nikkei fell points shy of the idealized target. This time, we've crossed it by 273 points, intra-day.

How far can the blow-offs go in the Eastern markets depends on the market, but the lags between peaks them (and all the global indices), in fact, will be narrow.

Over the last 20 years, the month of March's extreme has been a trend reverser in Japan. Considering the Yen, however, the best peak at which to exit was in December, for most.

The 10-year weekly and 2-year daily Nikkei charts that appear on page 2 illustrate the risk underneath the market, in this index which is dominated by multi-nationals and financial institutions.

This index is at the same level of risk for the next 2000 points down as the Dow.

However, this pattern, here seen as one of the global index laggards, has potential to 12,000, on a purely technical alternate scenario basis. **It's not March, and who is the venturesome genius who wishes to bet on a 5th-wave extension, anyway?**

Front-runners sell in advance of such obvious resistance levels, such as 12,000.



CHINA

After having become such an obvious leader in global equity timing (partly because of guys like me?), the question is whether this time it was a laggard.

Well, the pennant within a pennant discussed below, illustrates a dragged-out corrective phase, so that time during a bull phase was being squandered on time wasted.

By remaining in its 6-month long pennant, the Shanghai index has been a major **laggard and underperformer** in the world markets all year.

Either way, I don't believe that such the spike rally, as contemplated below, **would** touch the 2009 4th-quarter peak, anyway (**thereby remaining the laggard**).

According to the Elliott interpretation that follows the following excerpts, the referenced points along the pennant walls may now be very temporarily breached, to complete the pattern's Elliott *exigencies*.

The following excerpts reflect previous warnings when the Shanghai index chart bounced within its pennant.

From the January 10, 2010 letter:

"Indeed, this badly weakening index is just points from 3,500 and the end of wave c of c. Yes, it is THAT close to its demise."

From the March 7, 2010 letter:

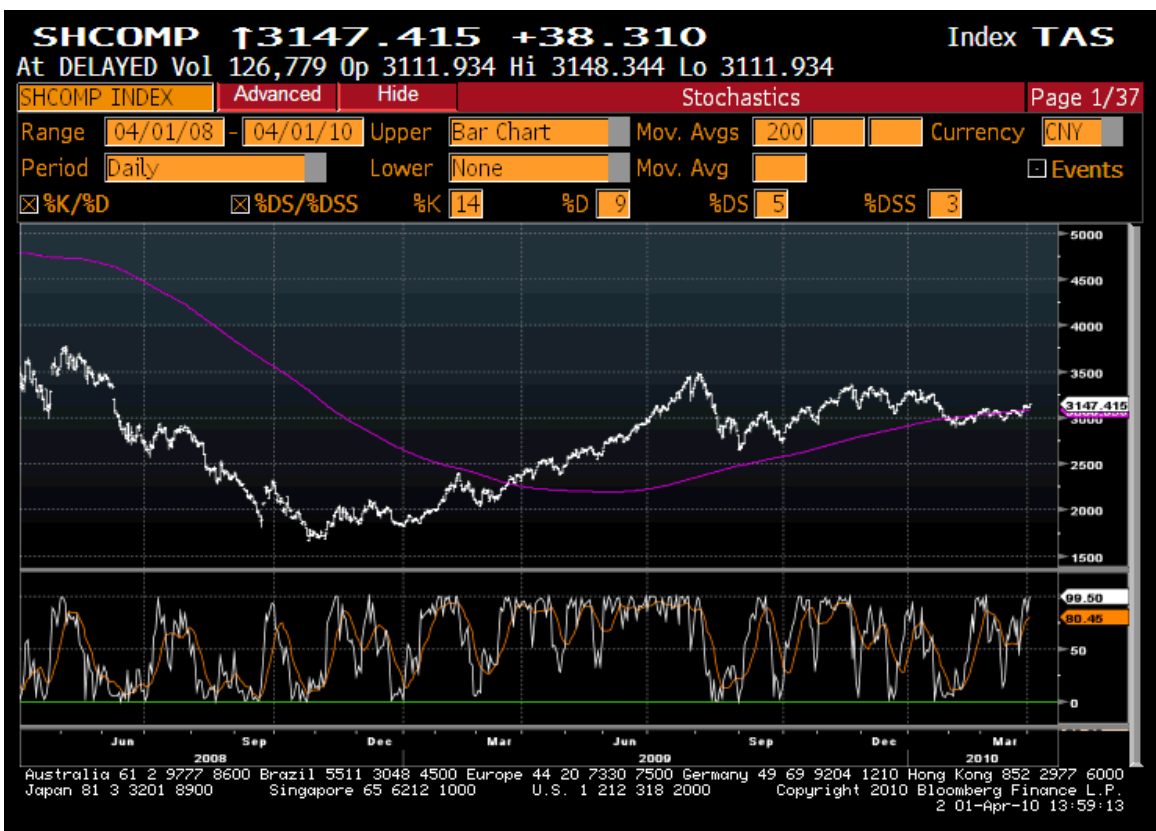
"SKGS identified the peak in China, the low of its subsequent collapse below 2000 and forecast the ensuing rally to 3500, plus or minus. So, what of the analysis expressed in the 2 paragraphs above, regarding this "forerunner index?"

The 10-year weekly and 2-year daily charts that appear on page 4 reflect a multi-month pennant (along with a subdivided pennant within).

This Elliott formation often resolves with a spike breakout, which reverses to its point of origin with **equally** sharp speed.

Without getting into the fundamental explanations, then, the conclusion is that a stab toward the Shanghai index's peak, whether it falls short or not, would reverse to present levels with equal speed.

A laggard and major risk, the Shanghai index continues to offers multiple strategic opportunities.



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