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CLOSE ENOUGH (AT THE HEART OF A GUT)

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NEW YORK:

SHORT/INTERMEDIATE TERM:

On **August 25**, right at Dow peak near 9,000, SKWC wrote (the 3rd paragraph of this letter was not initially underlined):

*“Regarding the near term, the topping process is completing as the Dow now prepares to **CRASH**. An enormous spike downward, particularly for September, may commence at any time. The Dow could lose 30% fast!*

“Last week, **SKWC** wrote: “Remember, **SKWC** has warned that inevitable economic and market **CRASHES** will bring out those who wish to divert the public’s attention to matters of war.”

“The rollover into meltdown is free to commence at any time.”

The following week, the letter’s tone softened, looking for a collapse into ‘only’ the 6,000’s for early October. Our comments have been more along the lines of a collapse being supported in the “upper 6,000’s”, which is why last week’s letter hypothesized that we may be identifying another low real-time, yet again, this week. **Oct. 5th**’s SKWC report wrote:

“Indeed, the way things are playing out, the upper 6,000’s should support the market “in early October”, now that the very guys who were bullish in 2000 are attempting heroism and warning of 6,000 in the Dow. As we’ve seen for almost 3 years, they come out of the woodwork to scare the public, right at short and intermediate term lows.”

The Dow came within 3% of touching the “upper 6,000’s” this week but bear in mind that the index is in a secular bear market, with thousands of points yet to be lost over an extended period of time (many years). Simply, SKWC believed a week ago that the newly born bears looking for 6,000 would have their heads handed to them, as it appeared evident that only a minor 5-wave market decline

remained. A reasonable measurement as to where 5 waves could take the market appeared to be anything under 7,000. 5 waves **did** in fact unfold (see daily or variable charts) before reversing to the upside 700 Dow points.

CYCLICAL BULL MARKET...NOW?

As regards the possibility of a protracted rally (cyclical, 12-18-month bull market) within a secular bear market, let us examine why it is possible:

It has been the oft-expressed view of SKWC that there would be no cyclical bull market until the Dow reached 6,000. The forecast assumed that the cyclical bull rally would be followed by a resumption of the secular bear. The prognosis was premised upon the notion that a cyclical bull would follow a 50% market CRASH.

Basis the S+P, the stock market has crashed 50%. The forecasted 90% decline in the “new economy” stocks has also occurred. Therefore, it is only in the narrower and easier to manipulate Dow Jones that the 50% decline not occurred. I must admit that that has no importance. As well, too many came out of the woodwork to make headlines by forecasting Dow 5,000 (and lower), including analysts whose trade is the bond market!

Bear in mind, too, that SKWC has cautioned bears of 2 key influences acting in favour of an approaching cyclical bull market:

It was pointed out that Japan achieved a major cyclical low just over 14,000 in 1992, rallying long and far in a cyclical bull market before resuming its secular bear trend. It is no coincidence that real estate peaked there in 1992. Real estate had ignored the first 2 years of Japan’s equity bear market as cash sought “safe haven” (go figure). So, when real estate peaked, funds flowed back to stocks, temporarily. To understand that this is the stage at which the West now finds itself, please refer to **Oct. 5th**’s real estate section.

SKWC has also been discussing in recent letters that the US November 2004 elections will soon figure into market cycles. We looked at the fact that the US market could rally for 12-18 months in advance of that event, while bearing in mind that markets have historically tended to be flat-to-down in the election year itself. Therefore, SKWC has argued, we are approaching a cyclical low. Since the inception of the bear market, SKWC’s “spidey senses” have functioned with pinpoint accuracy with respect to pursuant turning points. Right at this moment, however, it is difficult to claim to possess any gut feelings regarding the next short or intermediate term Dow peak, except to say that there exists obvious resistance at 9,000.

What can be offered here is that any Dow rally should under perform the S+P. This can be achieved by key and thus-far outperforming names coming into line with the market. Remember, like the Nikkei - and unlike the capitalization weighted S+P - the Dow is a price weighted average. That is why the Dow and Nikkei have been frowned upon, as not being the best indicators of true market activity.

THE BIG PICTURE:

The financial press has been reporting that we are witnessing the worst bear market since 1938. Their reports could have been more reader-friendly had they focused on SKDF in January 2000 (second link above). We looked for an initial 50% decline in the Dow (which the S+P has so graciously since provided us). We looked for 90% declines in the new economy stocks, too. The “yuppie” generation know-it-all’s couldn’t believe that. Reeling, they still can’t.

Regarding the underlined, re-printed paragraph above, please note recent letters that have warned that the public will be confused into believing that military events are related to the now patriotically excusable bear market. Polls do show that the American people believe that the collapse in stocks has occurred for several reasons that include Asia and the Middle East.

Meanwhile, approaching “war” is not getting in the way of any major rally. In fact, the US government will celebrate that the risks to the world have been or are being fully removed, thus not only rationalizing a major rally but also proving that the bear market has been due to military and political threats, factors that readers have long since and repeatedly been informed have nothing to do with stock market forecasting.

The best time for removing one’s enemies is when doing so serves as a distraction from a bear market. It had become all too well-known that bear markets are rarely survived by governments. Distraction from a bear market is not only good strategy for maintaining political power domestically but it also allows for the furtherance of the greater “business plan” of the government. In consideration of the preceding 3 paragraphs, you are strongly encouraged to note the key commentary from last **November 19, 2001**:

“Financial, economic, political/military: It is an old market axiom that world events follow in this order. Someone who doesn’t know or understand that isn’t even a rookie trader, let alone a market historian. A stock market will fall (financial event) to discount an economic downturn (economic event). As crisis deepens, people turn to war (political event) to vent whatever has built up and re-ignite the economy, most of all. The Western bull market is the most manipulated and false in the history of the world, right down to stalling the Dow’s bear market, even after the Nasdaq Crash. That was the real bear market as the public was invested most popularly there. The Nasdaq Crash, as I forecast in 2000, would be the death of the economic bull as that is what would hurt personal wealth the most. The SKDF forecast the peak of the Dow within 1 day in 2000 and subsequently likened its lengthy rolling over action to 1973-74. ***The delayed effect in market collapses has caused economic and financial events to “bump” into one another....the delays (or lags) being so great as to cause confluence with even the 3rd point in the sequence, political/military events. This is causing ordinary folks, and even politicians (not all, mostly Canadian), to truly believe that the unfolding stock and economic crashes are actually related to, and even caused by, the military and terrorist events. They are not!!!! Having forecast a September crash, bin Laden rally toward 10,400 for November and ensuing calamity, be aware that any future crashes may also appear to be related to political/military/terrorist events. Be certain that these are coinciding events and that one would be prudent to plan one’s financial strategies in a manner that does not wait to see if the world’s political stage gets any brighter. Smart money should remain technical and not even look at it, except from the humanitarian point of view.***”

Leading up to the peak in 2000, SKDF wrote extensively of the greatest multi-year crash to come in New York, reporting often that the rollover was very similar in form to that of 1973-74, when the “nifty fifty” played the role (though to a lesser degree) of this era’s “new economy (paradigm)” stocks. Since the onset of the Great Bear, commentaries such as the preceding paragraph have all but mapped out stock market, economic and political/military events for readers.

CONCLUSION:

It has been the author’s pleasure to prepare you for the world’s major market developments in Japanese and US stocks, the currencies and gold. It has been equally enjoyable to help investors and traders time their activities at key turning points, based on those preparations (forecasts). Regarding secular trends, only Japan (**DDOVS**, specifically) and gold are deemed positive.

Sid Klein

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