The Sid Klein Comment
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# Gold & Dow Jones Finally Invert: The Golden 'It Had To Be'

**January 6, 2008**

**NEW YORK**

**Last month's report concluded, "2008 is going to be a whopper!" A headline after this year's first session read: "Dow off to its steepest start-of-a-year point drop ever."**

**I warned that Christmas was bad and that Thanksgiving sales tipped off the smart money. I joked about how the easily manipulated business news shows ran stories of how Christmas would be saved by Europeans traveling to the US to save money on a cheap dollar (since airfare is free for those European shoppers).**

**Many times I have warned that a collapse in consumer spending leads to a Dow collapse within a month. And this is not theory. This is chartable and empirically knowable, therefore. Well, forebodings about the retailers have been among the headlines shaking the markets. When the Christmas sales numbers come out in a few months, the smart money will have dumped their shares onto the guys who watch the backward looking news shows.**

**Remember, business shows don't seek to help investors with tomorrow. They are there to sell and what sells is to play up to what people are already believing (hence, the concept of contrarianism). Ron Insana is gone (from prominent sight, that is), and is anyone out**

**there worth watching now (just a fan's thought, there)?**

## Technical:

**The following chart on page 6 clearly and unmistakably shows 5 completed waves from the 2005 2nd-quarter low. It is as unmistakable as the 5-wave subdivisions within wave 3 (the sub-divisions are bracketed). The pursuant 1-year daily chart reflects the week's decline, which is not included in the weekly chart above it (weekly charts are updated weekly).**


**Please scroll down.**

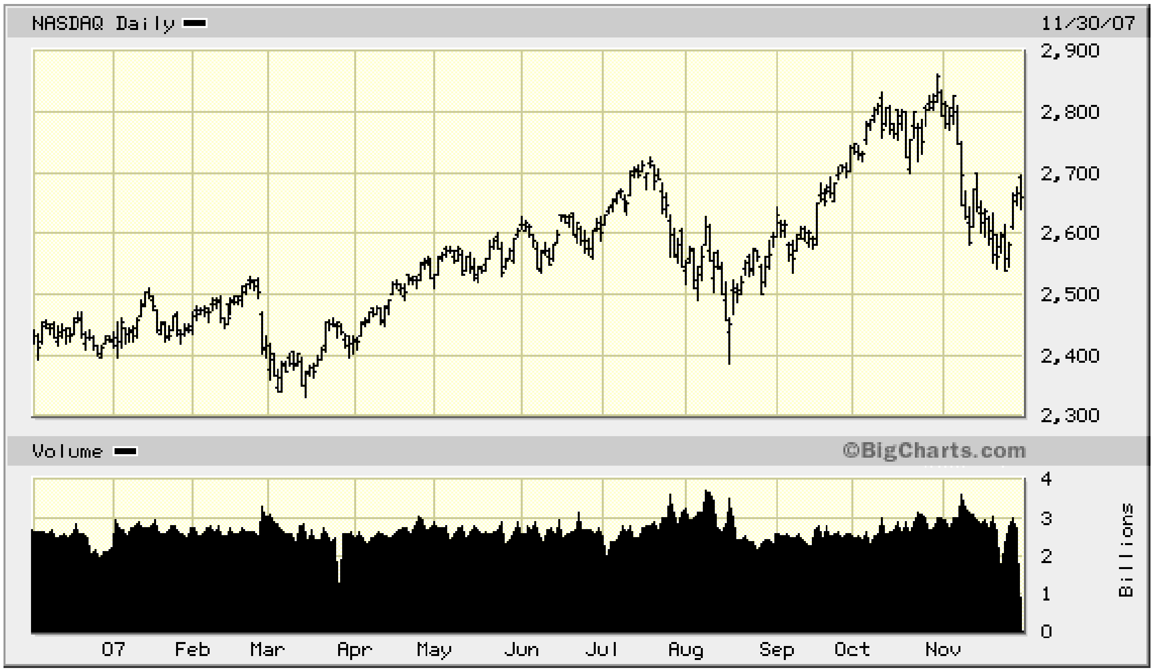

**The chart immediately above shows a deadly shoulder-head-should formation that, after running into moving average resistance, rolled back down, after having been artificially held up for yearend (window dressing and all that, which is why I recommend that industry pros take their vacations some other time and not miss the opportunities that their silly colleagues create for them).**

**From last month's report:**

**"The moving average (weekly chart) shows support to be in the Dow 11,200 area, while the 1-year daily chart that follows it illustrates 200-day moving average resistance achieved. Still, it can be surpassed with a move to 13,600, but it would change nothing, in the context of the discussion above."**

**This analysis could not have been more accurate. Therefore, we can get to 12,000 imminently, but the multiple starts and stops (downtrend sub-divisions) means that the likelihood of a decline toward 11,000 as I've contemplated before (see previous paragraph) has become that much more likely.**

**"Hitting 2700 is dangerous enough. Will they actually cut ¾ of a point?"**




**You are encouraged to revisit last month's report to review the forecasts made therein. The only chart reprinted as-is is that of the**

**Please scroll down.**

**NASDAQ which is found immediately above at the bottom of page 7. It is preceded by a facetious comment from last month that indicated that no fed news could come that would save the market, since it wasn't even in the cards anyway. By the way, the NASDAQ was down almost 100 Friday, and is a long way from 2700 now…and a long way from where it's going to be.**

## VIX:

**I have commented and maintain that this new bull market in volatility is defined by the 200-day moving average and this is most obvious by the chart immediately below.**

**By connecting the lows and by then connecting the peaks of the second and fourth quarters, an obvious and menacing triangle becomes evident. The significant upshot is that volatility will spike toward its highs in the mid-30's, which would coincide with the coming stock market debacle.**


## <u>Conclusion and strategy</u>:

**The conclusion from last month's report remains ideal:**

**"The Dow in 2008 has an appointment with 8800, and even the first quarter may well get the job done. I've learned this over the last 25 years: When the Street realizes that something is going to happen, they just make it happen and don't wait for others to sell ahead of them. Remember, the Fed has already forecast a weaker 2008. HEAR THE BELL!!! It's ringing so loud, it's drowning out the fat lady."**

**Related equity comments appear in the gold section below.**

## Asset Allocation:

- **45% gold**
- **5% silver**
- **25% Yen**
- **25% Swiss Franc**

**From the September report: "This is a wonderful time to own the Yen, gold…and silver!" I have a feeling that I will be reprinting this for some time to come.**

**Good fortune to all,**

**Sid Klein**