

TOPS EVERYWHERE?



April 8, 2010

For clarity, all graphs in this interim report are 1-year and derive from BigCharts:

KOREA (Kospi)



The chart above illustrates the kind of “minor” new high that I have been looking for in a number of markets, including the Kospi (above) and Kospi-200.

By connecting the peaks of September and January, it is plain that this index has done the least possible, leaving a completed 5-wave advance in its wake, as well. Similarly....

NEW YORK

From early February through last month, the 1-year daily S&P chart below put in place a clear 5-wave advance, which can be constituted as wave-3 of 5, with the most minor of upside squiggles still left, if anything at all.



Strategy

Also from March 7, 2010:

“I don’t believe that the Dow will get to 11,142, but I do believe that the best strategy is to play this according to time, not price. Let the month go by and benefit from premiums being crushed further, as the Dow ekes out a very minor new high.”

11,142 had represented the 200-week moving average, while also reflecting the level at which most of the market is invested. Regarding these levels in the markets, I cannot reiterate my caution more clearly

Further,.....

CROSS-CHARTS {long/short opportunities}

I have repeatedly reported that favoured cross-charts tend to bottom 3 months or so ahead of the markets' individual indices' turns.

As my favourite long/short investments bottomed in the October – December period, everything is on schedule.

VIX

From the regular March, 2010 letter:

"We bought the VIX on the day of the low, going long at 16.93."

"The stop remains a close-only of 15.75. Why not close the position, given the Dow analysis above?"

"Simply, it is dangerous to be out of any bearish theme altogether, assuming one is not invested in the recommended long/short plays, which offer superior downside leverage and safety."



The strategy above has proven accurate as we have not yet been stopped out, despite the continued new highs in the S&P.

Still, with the stop now being so close, I felt to take this opportunity to embolden those who are sitting on substantial longer term VIX trading gains.

So, if anyone wishes to ignore the stop, feel free, as long as there is a reasonable back-up plan (stop).

PRECIOUS METALS AND CURRENCIES

The most recent reports looked for a peak no later than today for the XAU. This was based on the number of days up, during quick spurts in the XAU.

Further, the upside correction has been comprised of 3-legged movements. When this is the case, it is possible, if not likely during such spurts, that the final movement switches to a 5-legged affair.

Indeed, we have had a short term 5-wave spurt upward that concluded yesterday. Still, could yet another leg kick in (see p. 5)?

Right now, gold has achieved the \$1,150 resistance level forecast in these pages and, with the general stock market ready to cave, this is certainly not the best time to invest.

However, if gold were to more closely challenge \$1,200, the XAU could work higher in a wave-c of C, as this index has so badly underperformed the Dow.

Mostly, I add this for the callers and writers-in who have suggested that my comments have been truly contrarian; evidently, lots of smart money folks are looking for a reverse-shoulder-head-shoulder breakout to the upside.

The tree usually shakes itself free from those who would otherwise too-easily profit. Such has been and remains my view, but NOT because of the need for a good tree-shaking.

That's gravy.

Please scroll to page 5.



From the April 2, 2010 report:

“Following the March 14, 2010 interim letter that focused on the precious metals and their stocks, I wrote 2 reports for Gold-Eagle, the [links to which appear immediately hereunder](#).

- [March 31, 2010](#): **GDXJ vs GDX And Gold** (junior and senior gold stocks)
- [March 24, 2010](#): **GOLD 1500**

“NB: The sole addendum to these reports pertains to ANY exit or shorting strategy: An XAU exit strategy should be executed according to TIME, not PRICE, on this occasion.

“The XAU has been among the global laggards to the Dow. Breakout blow-offs could take gold and the XAU to levels around \$1,185 and 185, respectively, if by next Thursday.”

CONCLUSION:

Long/short plays remain simple. Otherwise, everything is peaking, either for the short term, or much worse.

Sid Klein

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