

2008 GLOBAL COUNTRENDS ABOUT DONE: ARE YOU READY?



August 16, 2008

NIKKEI

The **5-year weekly** chart of the Nikkei below is something I continue to see as having hit its bottom, though capable of retesting the lows. New York havoc would be the backdrop.

The market was repelled by the obvious Nikkei 14,000 area, which also coincided with the arcane 200-week moving average indicator defining resistance there as well. More understandably, the well recognized 200-day moving average indicator was also there to repel the market. So, they were both there to “gang-up” on the Nikkei, at an obvious resistance zone.

These are ways of affirming this year’s prior analyses that the Nikkei would have some work to do in base building, due to the meaningful price damage to the index since the 2005 peak. The latter was the orthodox peak, in Elliott terms, and the price peak that followed in 2006 was actually part of a countertrend move, as so often forecast and described throughout these last couple of years.

The second chart on page 2 is a **1-year daily** Nikkei chart.



NEW YORK

The following 5-year weekly Dow chart broke just under 11,000, before reversing. I had analyzed that that could form the backdrop from which a countertrend bounce could ensue.



Indeed, after hitting plainly visible support at that level, the market has come into neckline resistance just under Dow 12,000.

On viewing the 1-year daily Dow chart that follows on page 4, in conjunction with the longer-term graph above, there is further support for the idea that, after some backing-and-filling, the Dow should work marginally higher into the lower 12,000's to complete its countertrend move of 2008.

Well, we've all but arrived.

Like the Nikkei, the market is working-off the divergence between shorter and longer-term negative momentum, only, in the US' case, it is before rolling over to under 9000, while Japan is concluding bullishly.



As interim reports tend to focus on technical analysis, we continue with a look at the VIX, to see if it is supporting the same conclusions. And the answer is, "yes."

VIX

On intuition and experience, previous forecasts of the VIX looked for lower levels. That, in turn, I argued would be consistent with the continued global countertrend forces, which would be upward for equity markets. It just doesn't *feel* that we're concluding a countertrend rally phase soon, because the action has been that lousy.

I have often reported on how the VIX's up-trend is being defined by the **200-week** moving average (MA). Its efficacy continues to be evident in the chart at the top of page 5. The 200-week MA will support the VIX just above 15, which is also neckline support. The confluence of neckline support, along with the 200-week MA should again not be ignored!

For good measure, the **1-year daily** VIX chart at the bottom of the next page lends a further hand to the same conclusion. All taken together, the Dow is not far from its 2008 countertrend peak, both in terms of time, as well as price.



U.S. TOTAL FEDERAL GOV'T DEBT

Last week, in reference to the secular debt trend illustrated below, I wondered, **"So, what does a concluding wave 5 mean???"**

Well, this little saga that I've started in SKC on the topic will continue in future reports. Such continued analysis and discussion is inspired by an intuitive Geneva money-manager, who called me about the charts below, along with their accompanying commentaries. He referred to the Kondratieff Wave (K-Wave) long-term chart that I had published, though I had never actually referred to it in K-Wave terms (Long Economic Cycle).

Therefore, in coming reports, I will discuss the history of US debt since 1933, when this Long Wave Economic Cycle in all markets began. Here, we look at its last major subdivision, which is from the 70's, as is the case for all markets.

This time, I've published a chart that goes back a little further, so as to capture the period since which time the Dollar came off of the gold standard.

Trained long-time analysts can easily see the 5-wave subdivisions since 1970 ([page 7](#)) but, for good measure, I've reprinted the Federal US debt chart that clearly illustrates the 5-wave breakdown since Beelzebub got to work for real in 2001 ([page 8](#)).

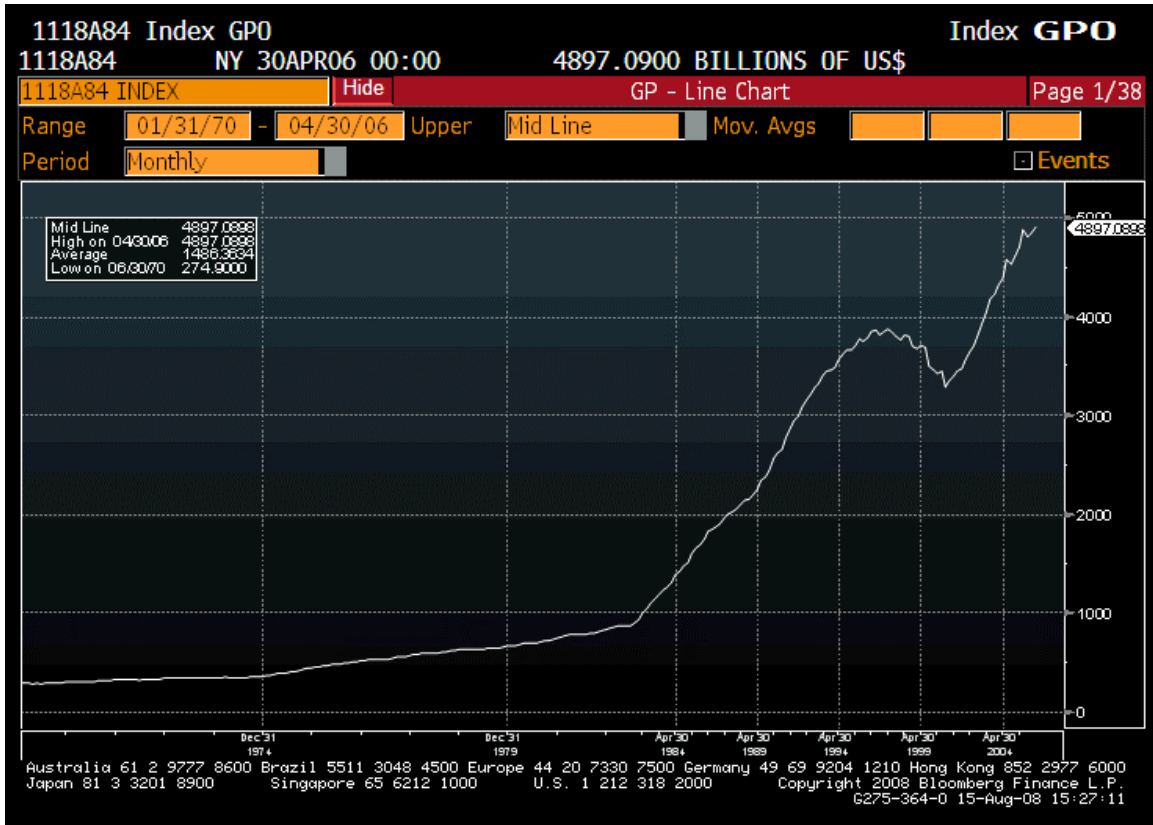
A good look at that chart (the second one on the next page) clearly shows a 5-wave extension. The significance of this, which should be taken in the context of, and as addendum to last week's commentary is stunning.

It means that the chart will truly collapse relatively quickly, when it gets going. Still, due to the nature of the chart of this financial/economic/political process, trained managers should have the opportunity to make any final adjustments, even once this dangerous period will have actually started.

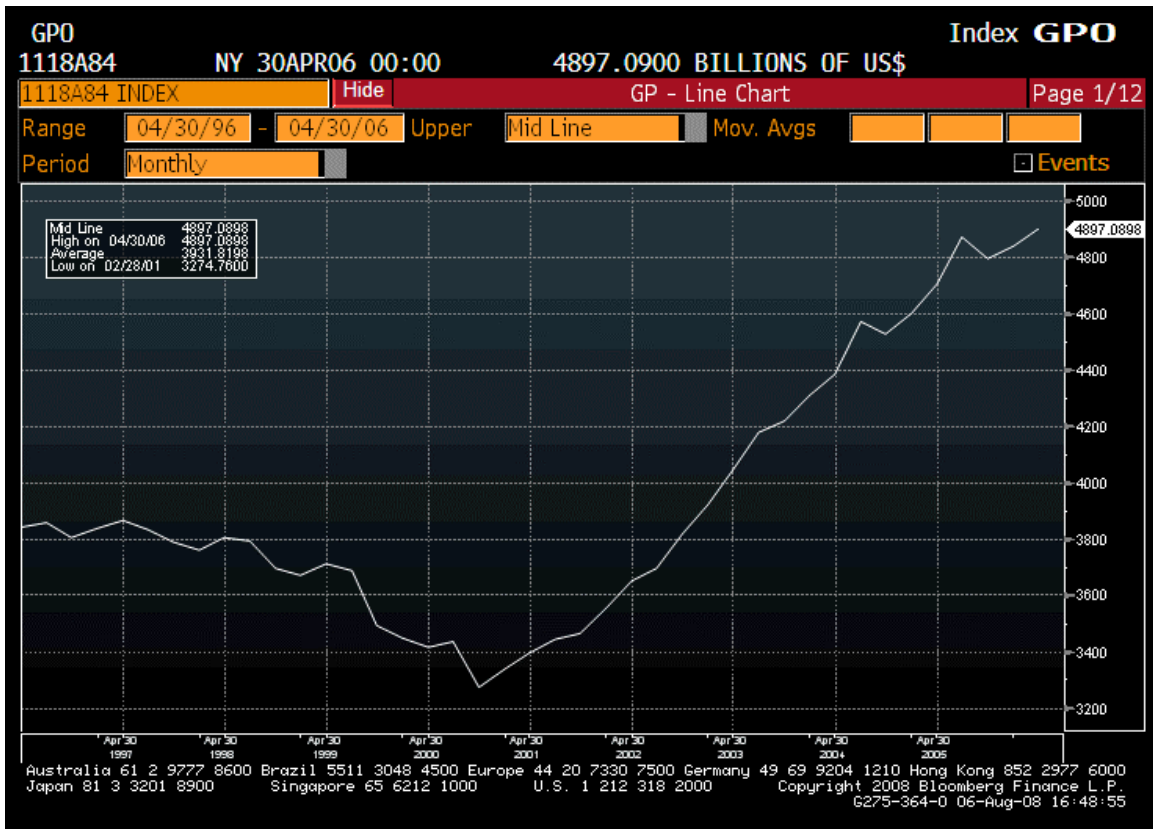
Again, to reiterate, the upshot is the world's reserve currency being printed like it is going out of style, while there is no longer any new debt being printed, because its purchase has indeed gone out of style.

Not to be vain, but as others rip off this work, remember where you read these analyses first. Why? Since I started in the securities business 26 years ago, my fascinating mentor immediately trained me

to become proficient in the K-Wave, Elliott, and what all of this would mean in terms of the cycle in which we are finding ourselves, from debt repudiation, food shortages, and war, to the whole hellacious kit and caboodle, for the noble purpose of knowing how to safeguard wealth – and actually enhance it – during these fiery times.



(Please scroll down.)



US DOLLAR

It is simple: Both the **5-year weekly** and **1-year daily** US Dollar Index charts on page x indicate overhead resistance nearby, as well as overbought stochastic indicators, all of which should coincide with the end of the 2008 global countertrend movements that were forecast at the 1st-quarter's extremes, for the period in which we now find ourselves.

I warned then that one would have plenty of time to prepare.

Are you ready?

(Please scroll down.)



Sid Klein

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