

Confidence, What Confidence?



August 26, 2009

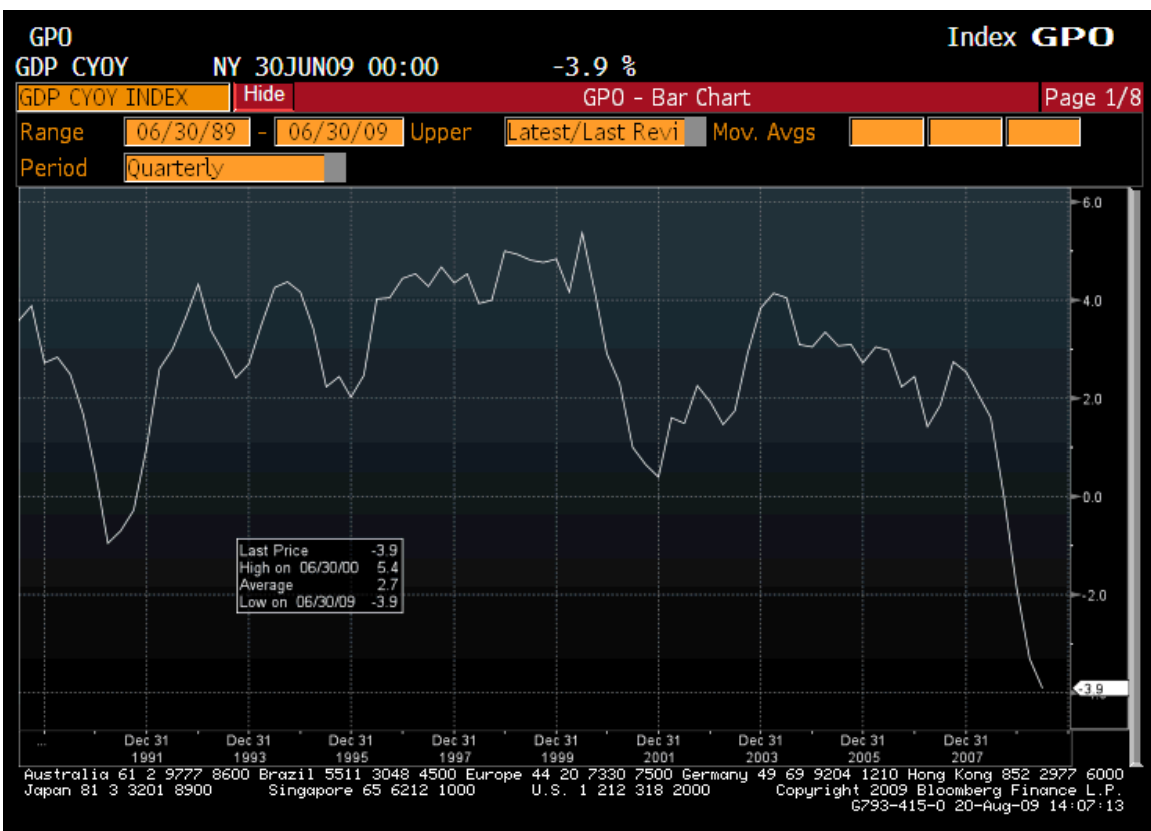
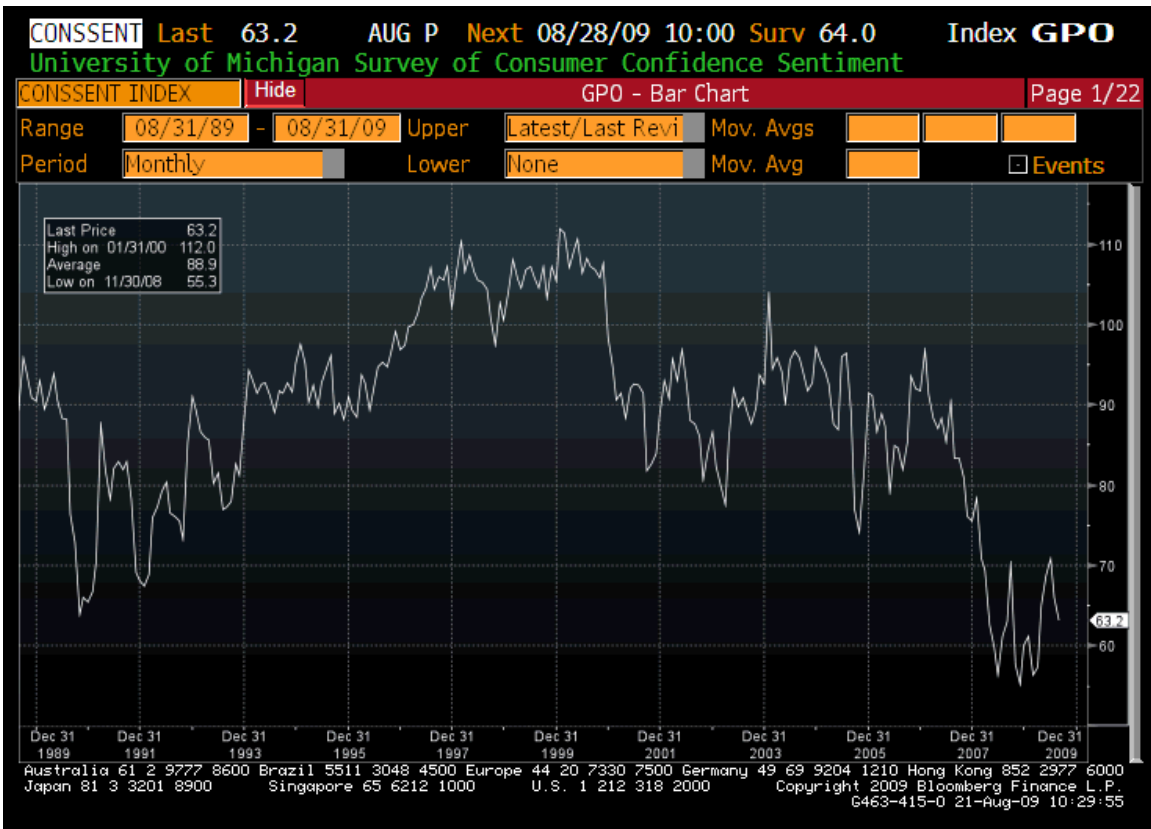
Today's interim report looks at three series of three charts, with each series including the University of Michigan Survey of Consumer Confidence Sentiment (published [monthly](#)), GDP (published [quarterly](#)) and the Dow Jones, respectively.

The first series looks at 20-year charts, while the second and third illustrate 5 and 2-year charts, respectively. The Dow charts are [monthly](#), [weekly](#) or [daily](#) graphs, depending on the duration of the chart in question.

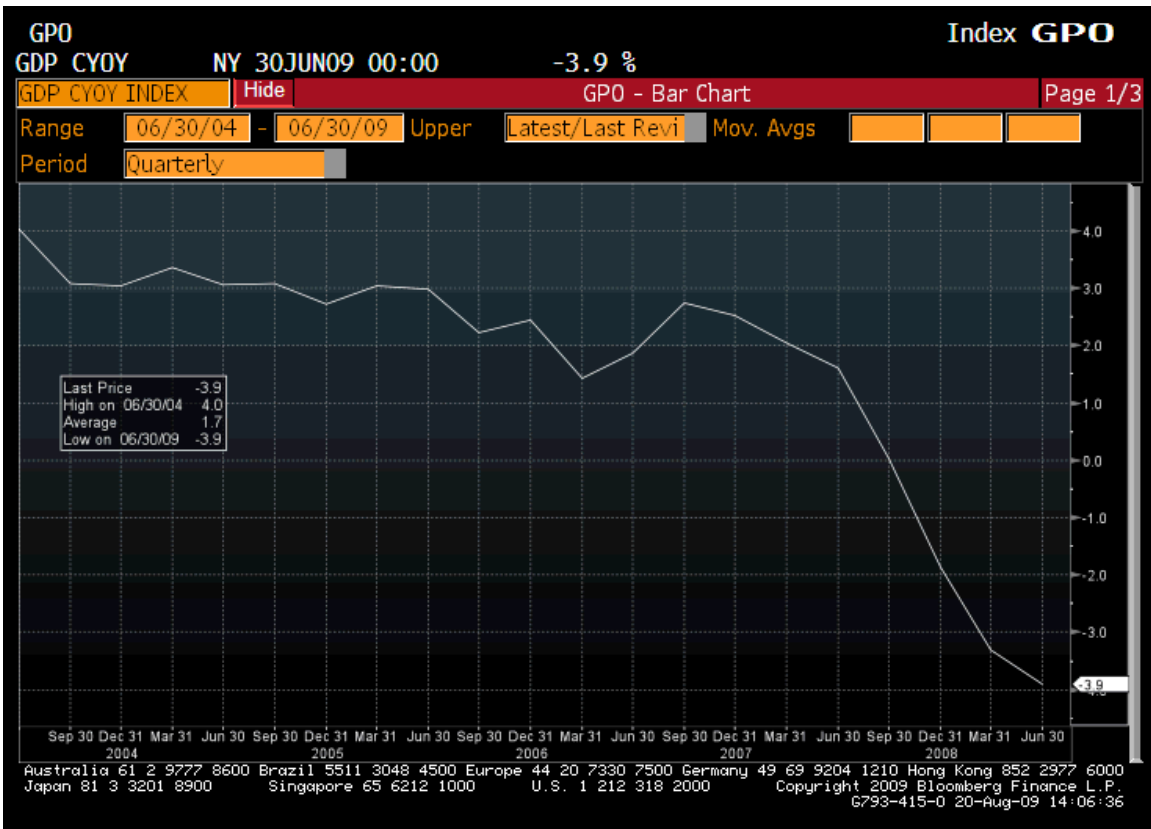
The purpose is to illustrate the undeniable correlations between the three charts, while noting the historic levels to which each have attained, as well as the all-crucial lag times between these indicators.

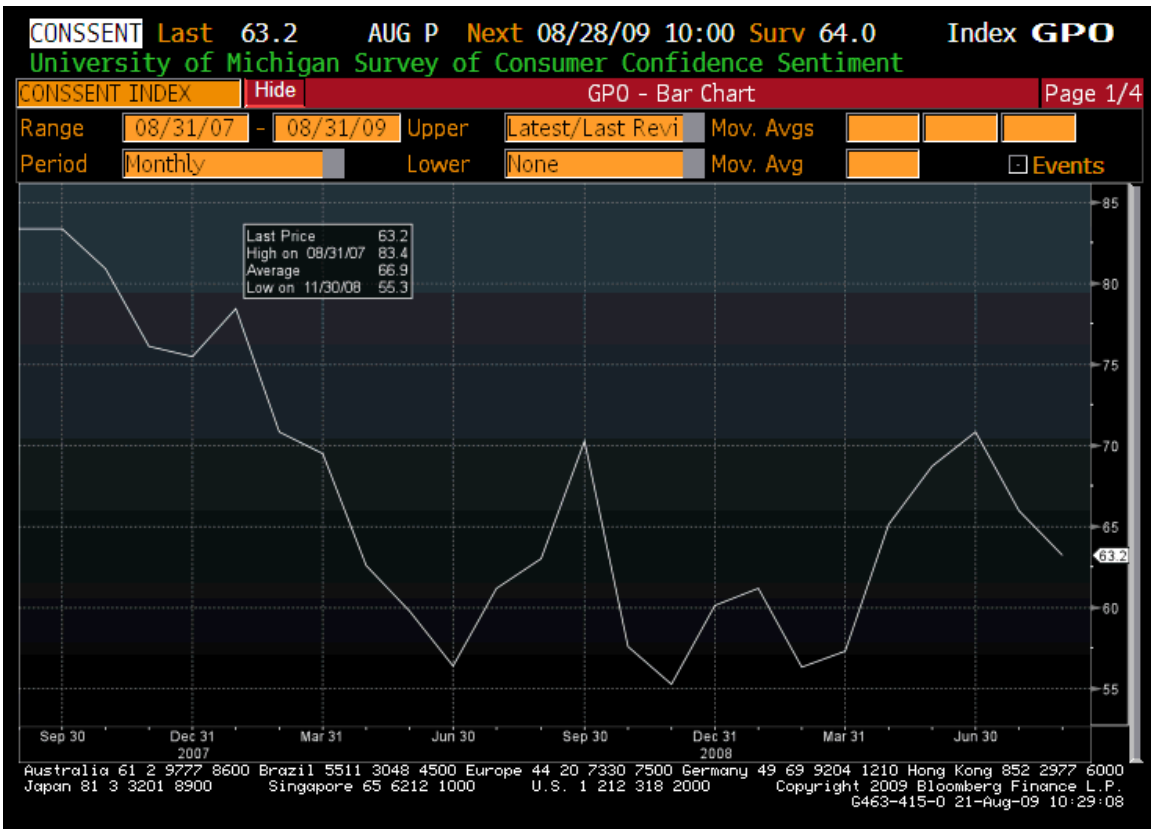
The 20-year charts immediately below show that Sentiment and GDP peaked with the Dow's 2000 summit, with the market diverging dangerously ever since. Note too that GDP (and the Dow) followed the ever-prescient Sentiment index by only weeks.

For those who care, Sentiment and GDP have made multi-decade lows! Based on Sentiment only, one could say that GDP will bounce and drag the Dow to its final squiggles up toward our early-year countertrend targets, but the Sentiment and GDP charts suggest extreme danger in being bullish, while illustrating the bearish case for [dramatic](#) new lows once the bear resumes, which it will.....in style!











Conclusion

ALL three sets of charts reflect the same reality, namely that Sentiment leads GDP slightly, while the Dow dutifully follows, with the latter yet to fully “catch down.”

The indicators also show the technical capacity for the Dow to yet achieve the early-year 10,400 target, while clearly illustrating to even a newbie that “catching down” will mean a break toward 4000, when the next phase of market damnation gets going.

And it will.
 Stay tuned.

Sid Klein

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