

MAGNITUDES: The Stanley Indicator



March 24, 2009

GLOBAL UPDATE: Continued

After yesterday's midday report, I received almost a dozen emails asking about the duration and magnitude of the rally that I foresee. I was even asked whether this meant that I felt that shorts should be closed and replaced with new strategies.

This was surprising given the several letters consistently advocating that a bottom was either already in place or forming. There was even the letter, "1931 Awaits", which referred to the post-1929 Crash's massive countertrend rally. At these perfect lows, I wrote that bull markets were abound, albeit invisible to managers who were focused on the wrong markets or investment classes.

The March 1, 2009 SKGS report title referred to what was actually going ["**Bull Markets Abound & Accelerate: (And the Path to No Stress)**"] on and the fact that cross charts had long since bottomed, underscoring the fact that managers had already missed the best prices for the sole strategies that should be their interest, discussing the lead indicators that such charts have proven and prove to be.

February 8, 2009:

“Financial markets have seen their extremes, insofar as peak negative momentum and cross relationships are concerned. Remember, I have found that the turns in the relative strengths of key markets, tend to occur a few months before the individual markets themselves in fact reverse (with peak negative momentum).”

At the perfect low (the day of the very first move up from the perfect low), I visited my friend and accountant, Stanley. I shared my bullish views with him. He replied that it appeared to him that things were really bad and that it seemed reasonable that the Dow could fall to 3,000. Granted, he had an inflection in his voice that implied a question but, still, this event was enough for me to consider the Stanley Indicator, and I shall therefore check out his sentiments at Dow 10,400.

Will I have my “Stanley Indicator?”

Again, I identified the lows in the hedge plays (cross charts), China, Japan and New York, respectively, with such being the order of investment preference.

To again make things abundantly clear: 2009 is a year of massive countertrend rally and I restate the figure of 10,400 as a target for the Dow. This intermediate rally will have lasted 6-9 months.

I reiterate that the best indices are in China and Japan, respectively. Precious metals, the Yen and Swiss Franc stand apart as long term investments.

Sid Klein

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