

# "UNDER 9000"



May 6, 2010

## DOW, VIX, GOLD & XAU

April 27, 2010 excerpt:

**"Over the past 20 years, online, and as SKDF before that, an initial failed forecast has often been followed by PRECISE timing. We examine today's market in that light."**

**"....the peak truly seems in."**

The April 21 report warned of a possible April 26 turning point. April 26 was indeed the peak in the Dow.

Again, precision was delivered after an initial failed probe (the initial short in the low 10,000's was stopped-out 200 points higher, based on subsequent reports).

Thereafter...well, the red-highlighted excerpt above says it all.

The Philly Gold & Silver index (XAU) is struggling, relative to the performance in gold. Obviously, and as forecast and discussed in recent reports written for Gold-Eagle, this is due to the general stock market.

Gold has returned to its peak and, in doing so, has achieved the highest of the alternate scenarios that I had discussed in these pages. Simply, I warned that gold could achieve \$1,150 - \$1,190, if the lower figure was breached, as the metal would temporarily benefit from upheaval.

My forecast was and remains that gold could correct for a while, getting down to the \$1,000 area. I stressed – and do so again – that investors are 100% long!

The shorter term is only of concern for other strategies, while the 100% investment in the metal relates to the 50% of all liquid wealth which one maintains. (My asset allocation model has not changed.)

Given my views on gold and the stock market, I warned that the XAU could collapse to the 120 - 140 area, which would be much to the chagrin of the super-experts. Of course, I could always be wrong, but why oh why bet on that?

Along with the 2 recent pieces written for Gold-Eagle, review of recent commentaries could be valuable, as the utter collapse of the market has begun!

Before concluding with a few timely excerpts from recent commentaries, I take this opportunity to remind that THE BEST WAY TO PROFIT FROM THE COLLAPSE IS VIA A COMBINATION OF LONG TERM PUT STRATEGIES.

The latter translates to controlled risk, along with the leverage AND peace of mind that one seeks.

As for the **VIX**, the April 14 report advised going long at the next day's open, which was just above 15. Today, the VIX crossed 40, before retreating.

Strategically, since we'll remain short the Dow (of course), we'll **sell at 40** and take a huge profit...for a second time {though this time was less (imagine that)}.

We went long the VIX and stayed long, even as the initial Dow short was stopped-out. I stayed long for strategic reasons, as it was necessary to maintain a position that benefitted from a market reversal, in case the latter occurred before I identified the peak.

SKGS performed the latter and went long the VIX at its low, as well. I am now selling, based on the same thinking that had maintained a long position, even after being "stopped" on the Dow.

In other words, the logic and recommended action is purely strategic.

April 21, 2010

**"Well, look at the charts. Are the subdivisions complete? Perhaps a tick or two are left, but there is no further advance in the cards."**

**"I have forecast and identified another peak from which volatility will spike (again), and the forecast has again been achieved, as in the past, in several letters.....again."**

**For the precise entry point and strategy:**

From the April 14, 2010 interim report:

**"Following-up on recent discussion of whether the perfect Dow peak would end around the 200-week moving average, and discussion of the fact that the public is generally invested around Dow 11,200 (the "I'll-get-out-when-I-break-even" attitude), please note that today's close nearly represented a precise .618 retracement of the Dow's 2008 collapse, along with an almost precise kiss of the 200-week MA. (.618 represents a key Fibonacci retracement level.)"**

**"The Dow's 200-week MA is at 11,133, which, for all intents and purposes is where we closed today (see 10-year weekly Dow chart immediately below)."**

**"On shorter term charts, it appears that the Dow's 5<sup>th</sup>-wave is breaking down into a 5<sup>th</sup>-wave extension subdivision. Futures traders may try to catch a spear or, as I prefer, simply use premium flush-outs to purchase long term puts (leveraged but defined risk)."**

**"You're not a bear if you're not fully short now!"**

In 2007, I repeatedly forecast that the market was heading for a collapse to "Under 9000", in 2008.

Had I written anything else, it would have been treated as being academically interesting, before being disregarded...so I picked an "acceptable" number, though even that was undoubtedly considered to be sensationalism by investors intent on losing their money.

Today, I quote the same figure, as it is something an investor can get his mind around. So, this becomes a good point to interject a quote from a fortune cookie I got for dessert a couple of days ago:

**"Many receive advice, but only the wise profit by it."**

Again from the April 27 interim report:

**We have seen the top tick, as "1931" has been completed....at last.**

**And that said it all.**

Sid Klein

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