

HUGE PROFITS TWICE MORE?



October 25, 2008

JAPAN

The Nikkei is now within 50 points of the 2003 closing and intra-day lows.

The good news about that is that it has caused some relaxation in the eruption of the non-big-cap indices versus New York, though it has only further widened the non-big-caps' out-performance versus the Nikkei.

Before every major turning point there has been outstanding news that was not being discussed by, or on the radar screen for, the ever-duped foreigners, as I would refer to them.

I refer to news and developments that would be at the centre of the coming huge turnaround and that SKC was alone in discussing and forecasting 6 – 18 months in advance. Just as there was such major news at all the prior major lows, including and especially earlier this decade, such news is brewing now.

On this occasion, I have yet to cover those fundamentals and politically motivated events. But it's a comin'. Soon. When strategic.

Immediately below is the 1-year daily Nikkei chart, while the 31-day version follows on page 3. Each illustrates the potential for a violent upswing, and certainly on the back of the positive and not yet discussed news that is coming out of Japan, *beneath the radar*.

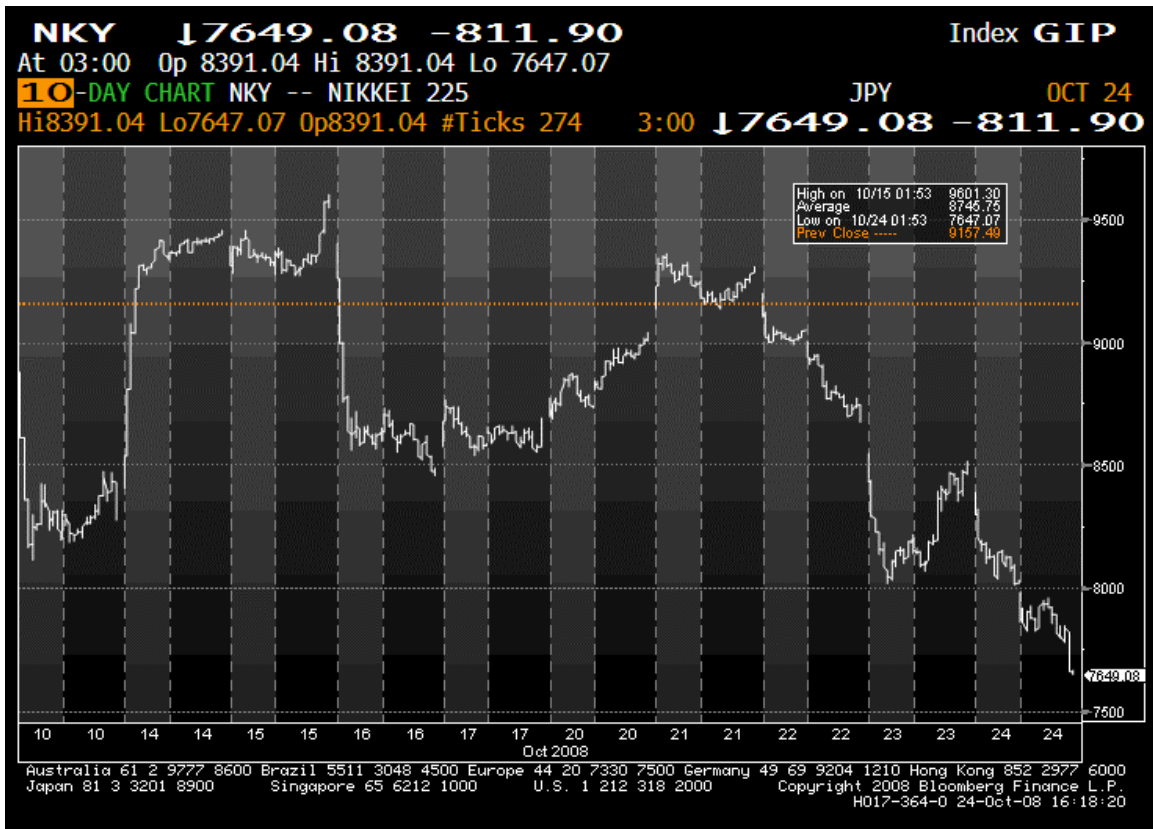


From October 4, 2008:

"The Nikkei is finding its extremes now, but that isn't the way to play Japan, given the resumption of the Yen's bull market. The best way to play is via the out-performance strategies. Why assume risk, and without enjoying the leverage that could at least come along with it?"

October 18, 2008:

"Note: Non-big-cap Japan bottomed versus the Nikkei and the Dow a year ago. Versus the Dow, non-big-cap Japan, particularly when structured and denominated in the desired currencies [(not published); (see 2nd paragraph on page 5)] has erupted in wave-3 fashion to 10-year-plus highs!"



Strategy:

Extreme opportunities are to be enjoyed in the extreme.

NEW YORK

Is groping for its own lows, which will experience a higher (?) test before the year is out.

Albeit prematurely, I had written of the perfect window for a collapse, as being that time period when everyone can stick the other guy, and without having said a word in doing so. This is what has happened.

I had discussed lame duck presidency and the desire to have the market drop, while not doing so on their watch. Politicians don't get re-elected after market debacles. How lucky that Mr. Obama can get this phase of debacle out of the way while under Republican watch. The hate monger can try to dissociate, too.

The point is that everyone can point the finger away from him or herself, as the profiteers have already filled their oil drums, private artifact museums, and Swiss bank accounts.

VIX

Immediately below is the daily VIX chart, while, like last week, the following page includes the close-only (line) chart. The line chart appears again, as it exposes the wave count more readily and is therefore easier to interpret. The 31-day chart appears on page 6 to add a further breakdown, since we are looking at something that whips around a lot.



October 18, 2008:

“However, please note the second chart on page 6. It is a close-only chart of the VIX. Easier to read and more revealing, eh? When I look at both charts, I see two things: Firstly, that the peak this week was 80 and, secondly, that subdivisions can easily take it back there and even cross intra-day to 85 (we may suppose).

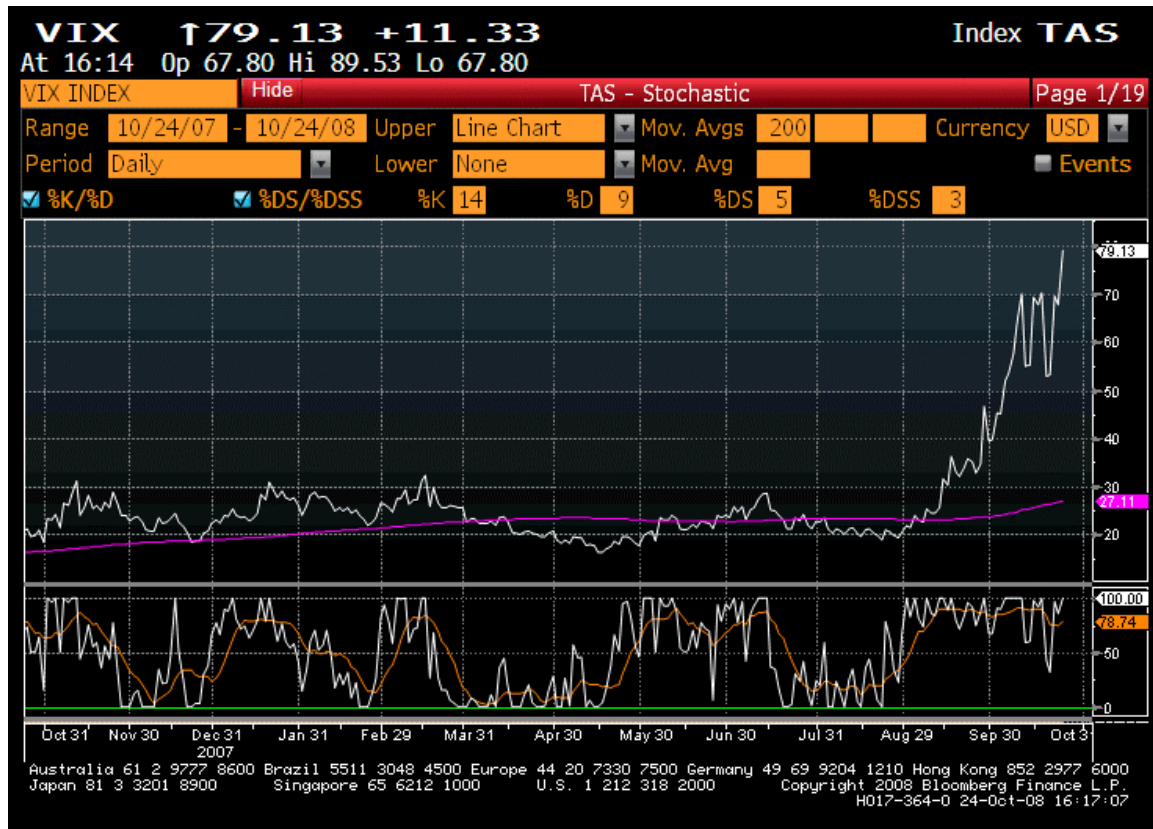
“However, when everything is taken together and - this must contemplate what must inevitably happen mathematically – consider that closing prices must be our basis (since this report cannot help with super short-term trading), with all this as our context:

“SHORT THE VIX AT 75 AND HOLD FOR EASY PROFITS THIS QUARTER, RIDING IT DOWN INTO THE THIRTIES! Gentlemen, stick in your offers.”

Nailed!

As you can see (more clearly) on the next page, the high for the VIX was just under 90. My strategy quite clearly contemplated, and took into account, my concern that the VIX would blow through 80 to 85 and reverse, but with such speed that SKC would not be able to assist in any better timing, than to advise sticking in the order to short at 75.

Therefore, seasoned traders could decide on their own if they wished to try to improve on the order execution.



Strategy:

Well, the VIX did blow through to the upside and even closed at 79. Therefore, EVERYONE following SKC’s strategy is short the VIX at 75.

To reiterate: We'll ride this short for easy profits down into the 30's. This was and is one of the easier trades yet. Even easier and more obvious than our silver trades were. (Cocky, eh?)



GOLD

"Yet again from the October 4 letter:

"We'll see whether gold crumbles in wave-c fashion, to shake the tree loose of weak holders. If so, we'll try to catch what they drop."

(From: Oct. 18)

"The red-highlighted excerpts in this section speak for themselves. So, having scaled out of gold at excellent levels, prepare to catch this pop fly in the above-discussed \$650 - \$700 zone."

Strategy:

Gold has already dropped into the \$650 - \$700 zone. I am not convinced that it has completely bottomed, though I am sufficiently confident that... (See SILVER on page 7.)



SILVER

...I should contemplate investing in silver now:

From October 18, 2008:

"I had again sought to establish a 200% long position in silver, in the \$10 - \$10.50 area. Based on gold's action, I decided to hold off, writing that there was no rush given the latter's performance.

"In other words, what is there to lose if gold is actually falling? So, we have stood aside and are waiting for what could be a monumental opportunity in both outright investment, as well as out-performance structures."

Strategy:

Particularly since we have no position in gold, and since I am not yet pulling the trigger on the planned 200% silver position (as I am waiting for something clearer in gold), given that gold has indeed already satisfied the previously forecasted buy zone, and as we have nothing in the precious metals for the first time since the first quarter of 2002, and given that silver's pattern so easily lends itself to

explosive potential to \$14 en route to \$20 and higher, and since we have had easy success to-date with the metals - and silver strategies in particular,...



GO 100% LONG SILVER.

With silver having closed a shade less than 60 cents off of the lows Friday, investors may be able to benefit from some minor backing and filling at the beginning of the week to go long.

As with the VIX, fear not.

There may be huge profits twice more.

Sid Klein

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