

VIXED



September 17, 2008

VIX

"The VIX will now pull back and create a trading range between that level to which it pulls back, and yesterday's high. It is during the unsuccessful tests of yesterday's peak - while unable to surpass that VIX level - that the US equity market will be collapsing to new lows."

The above quote from yesterday's interim report described what one should now see, given the 5-wave sequence that one may see as concluded in the VIX chart immediately below.

Bear this in mind however: Unless there is something constructive planned by the investor for the short term trading range discussed above, who cares about a 500-point range (10,600 – 11,100)? Is the major issue whether the VIX has presently peaked, or something bigger?

At the close on October 16, 1987, colleagues were running around going on about how oversold the stochastic and other indicators were. "Unprecedented" meant a can't-miss scenario. My mentor, however, whispered to me that extreme oversold readings that mean nothing

occur at a time of tidal shift, when short and **intermediate** indicators are swept aside by the larger trend and its influences.

On October 19, 1987, everyone saw that the oversold indicators were in fact indications of further collapse. A minus-10 stochastic meant that negative-25 was coming. Okay, that's my caveat. But, yes, I believe that the Dow will now bounce and, in so doing, screw the undisciplined. But focus on the big picture. Never forget it. Under 9000 in 2008. That's the bigger picture.



SILVER

From yesterday's interim report:

"Go 100% long silver in the \$10 - \$10½ range. I will consider a 200% position later on. Last year, I wrote of how one such trade in silver can make one's year. Well, SKC has pulled this off before, so let's see what happens this time.

"The hedge funds have screwed up and created a bargain. Pounce on this (their) weakness."

I don't know if I should take credit for yesterday' call. The low today (cash silver) was 10.5300, before skyrocketing to 12.1725

Someone who got the gist of the message is someone who deserves the credit. The capacity to adjust to the moment is essential for an

investor and, hopefully, my looking to eventually own a 200% position sent the correct message, as regards what this morning's focus should have been.

Anyway, after gold's \$88 romp, the simple update is that we'll see if I use the \$850 - \$900 range to scale back or not. Has everyone come to the CLEAR understanding that the eye must always be on the big picture BECAUSE A TIDAL KONDRATIEFF SHIFT HAS OCURRED, THE EFFECT AND PURPOSE OF WHICH IS TO REALLOCATE ASSETS AMONG THE PEOPLE.

Are you a patient beneficiary, or a chaser?

Anyway, in looking at yesterday's chart and considering the rally today, did you ever get the impression that those positioned with the major trend can always be bailed out?

On that note, gold hit a buy point for certain out-performance strategies. Such buy points are not everyday events, so timing a position that one can ride as part of the major trend is special.

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