

**European Stocks Have Peaked;
Dow Jones Top Before Final Blow-Off;
Nikkei Peak, Shanghai Low;
Bumpy Fork in Precious Metals' Road:
PART TWO**



April 5, 2012

NEW YORK

SUMMARY

The April 1, 2012 report explained how the title of the report would unfold according to a sequence (based on global expanding triangles), and how investors could use the sequence in determining the next bet. Using the Dow and, more importantly, the CAC 40 (France) charts, the April report's explanation becomes even clearer.

The April letter theorized a quick new Dow high to confirm the S&P. The 8-point new Dow closing high happened fast this week. Meanwhile, the CAC 40 achieved "point #5" within its expanding triangle, suggesting a rally to point #6, which could also be used to sell the Dow. This *rotation around triangle points for global timing* is now clear.

Again, this Dow top will be followed by new marginal highs later in the year at a time when Europe will be putting in a countertrend peak following the completion of the present decline there.

Also following up on Sunday's report, the Shanghai has indeed already begun to bounce as forecast, as part of a 20%-25% rally this year from the lows.

Finally, silver has indeed held \$30, but this cycle low may not yield to the explosive rally just yet due to a serious equity decline, even if the latter stops being a drag on silver at some point. As I wrote, the markets' declines could postpone the silver bull by a month.

The following **6-month Dow chart** reflects this week's marginal new high.

Please scroll down to p.2.



February 29, 2012

"European equities: Long/short London or Germany versus France (simplest and easiest intra-European strategy)."

April 1, 2012

"On **p.6**, please note the **1-year chart of the CAC 40 (France)**. This time, I simply illustrate a single and very large expanding triangle, the suggestion of which is that a break of 3350 would mark point #5. A rally back from there to ~3500 would be the point at which to short, in anticipation of the explosive collapse to form point #7.

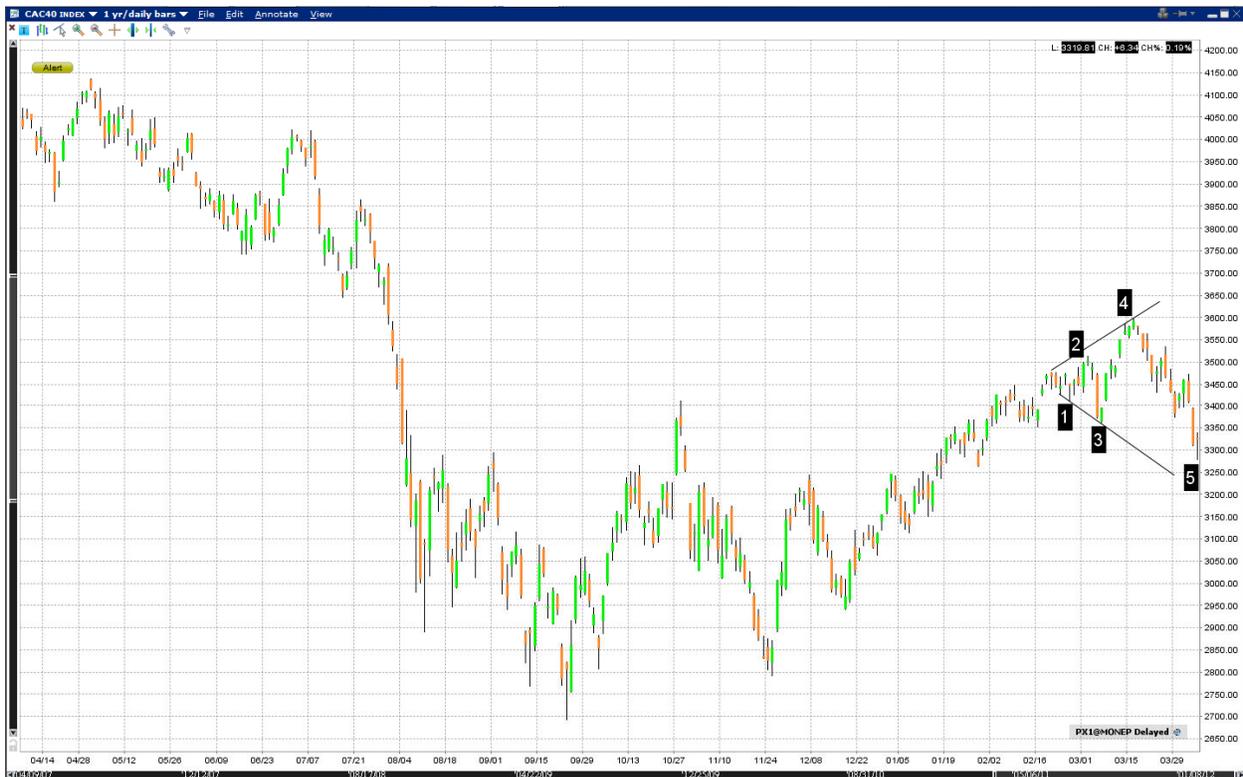
"Another way to understand the global sequence as I see it would be: The unending bad news out of Europe is ahead of New York, as the US is treated as safe haven for Westerners. Then, global contagion sets in, whether economic or financial, etc.

"The Dow will have been the last to peak, as technical divergences set in during the time period when Europe will have been forming its right shoulder later this year."

1-year CAC-40 chart (France)

Strong resistance exists at 3450, for those who have access to world markets, apart from wishing to correlate this European market to timing and strategy in New York.

Hell leading into after the French elections? Major debt problems there? - Yes!



CHINA

"Simply, it has been most valuable to be able to identify the off-cycle nature of certain indices. This has helped to identify lows in the Shanghai Composite Index as well, since its collapse from 6000.

"It may also be what is helping to identify **a low right now**, even as Westerners are fretting about China."

6-Month Shanghai Composite Index chart



PRECIOUS METALS

"...I have thus far been disappointed when anticipating a break in the co-directionality of the precious metals and US equities, with respect to which I am presently very bearish."

"However, these charts look great to me and they have shown their tendency to not participate with equities on up days, almost as though they were lining up to finally diverge in the manner that I have previously postulated (counter-trending?)."

"Finally, silver outperformed gold during the quarter just ended, by returning 2.5X the yellow metal's performance. This may well continue, as part of my prior and oft-repeated analyses of silver crossing \$50 this year."

My primary cycle low was March month-end. My outside cycle low was/is April 9. If silver (and gold) are restrained by equity markets is something that we will soon see. But nothing changes strategy.

Note the second paragraph above in this section. Silver was up during the day today, despite the Dow. The **1-year SLV-DJX** chart, which follows the **6-month SLV** graph immediately below, illustrates the bottoming and turning pattern that is implied by these comments.

SLV (iShares Silver Trust) NYSE + BATS

© StockCharts.com

5-Apr-2012 2:05pm **Open 30.57 High 30.90 Low 30.53 Last 30.74 Volume 8.6M Chg +0.41 (+1.37%) ▲**

MACD(12,26,9) -0.390, -0.334, -0.057





CURRENCIES

1-Year daily Euro Trust Currency Shares chart

Here too, we see the ever-dangerous expanding triangle unfolding, with point #5 but a single point away. The increasing volatility implied by the expanding triangle is consistent with the increasing volatility coming out of European news. (Yes, news can be volatile.)

Please scroll down to p.8.



ASSET ALLOCATION

As a percent of all liquid wealth, the best overall mix remains:

50% gold
25% Swiss Franc
25% Dollar

Sid Klein

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