

With Confidence



August 1, 2013

In response to a few questions that I've received today regarding the July 31 August report, this update is simply to encourage investor confidence in their actions.

DOW JONES

Once again, the MACD (most technicians' favoured indicator) appears above the **6-month Dow price chart** on the next page, while the slow stochastic (my own favourite) appears beneath it.

Despite today's spike up, the MACD is still in sell mode and would easily return to a sell signal, even if the Dow were to advance a like amount again from here. This is bad.

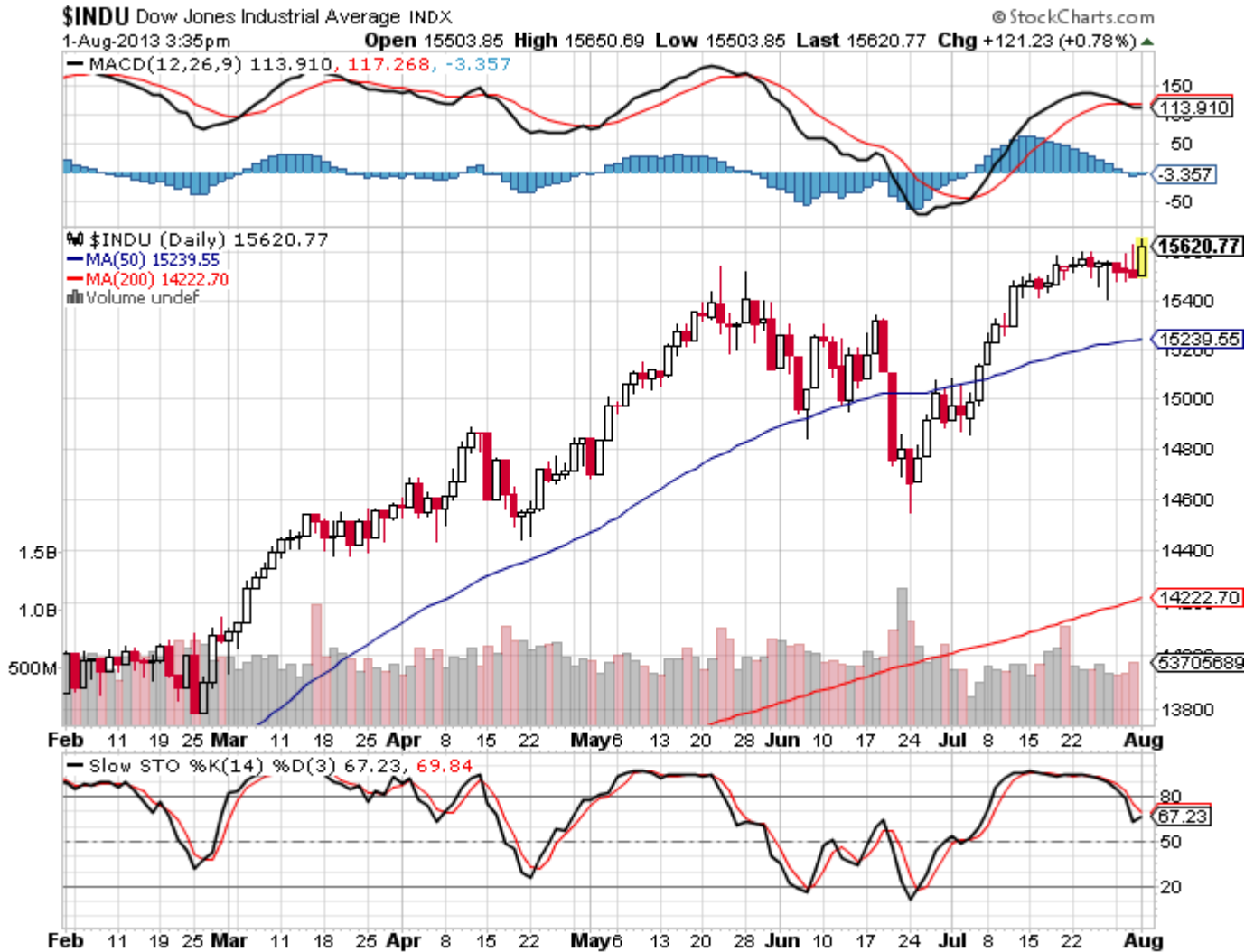
Equally, another spike up will merely confirm a sell signal divergence at last in the slow stochastic, unless the Dow were to truly blast-off from here!

Moreover, the Elliott formations (not annotated here) in the short and intermediate terms are consistent with terminal patterns.

The combination of the preceding two paragraphs spells nastiness.

So, in response to general questioning: a preferred bearish approach is a diagonal 10% - 15% out-of-the money DIA put spread, while including a straight long put component in the mix.

The latter could be December yearend options, while the spread may be comprised of regular December puts against end-of-3rd quarter options.



GOLD, SILVER

The **6-month GLD and SLV charts** follow below, respectively. The indicators are the same as those on the Dow (previous page).

The weekly charts (not shown) are either in buy mode (GLD), or readying to cross into same (SLV).

The following daily charts support my analyses, which are that the GLD has, at worst, \$3 of downside (\$30 on gold), with potential for decline lasting out to Monday, perhaps.

Meanwhile, I see the SLV's underperformance as now leaving it with an all-but-completed correction, which may continue in time, as opposed to price. Again, the post-time cycle low rally should recommence by Monday.



Please scroll to next page.



Sid Klein

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