Sid Klein Global Strategy
1001 BOUL. DE MAISONNEUVE O., BUREAU 950, MONTREAL, CANADA H3A 3C8
TEL: (514) 939-2221
e-mail: sidklein@sidklein.com
www.sidklein.com

C.O.M.E. All Ye Faithful...Unto Fear!

December 7, 2014

DOW

The well-known cycle of market emotions (COME) appears on page-2. Study of that cycle is advised before returning to the commentary here.

My interpretation of where the market is today in that cycle, however, is very different than where other analysts may assume it to be based solely on market levels.

When a market is at its peak, it stands to reason that it is also at the summit of the COME.

Such was the case in January 2000, when the Dow was even able to celebrate Bill Gates's multi-billion-dollar Y2K gag as having been just that - a government endorsed gag that imported capital into the U.S. from all over the globe.

That March, the internet bubble had hit its crescendo and everything subsequently crumbled 50%, as forecast in SKDF (Sid Klein's Daily Fax).

Considering the major economic indicators, and the Dow in inflation-adjusted terms, the market's secular peak was in 2000. So, that means that *the euphoria phase was achieved then* (see COME).

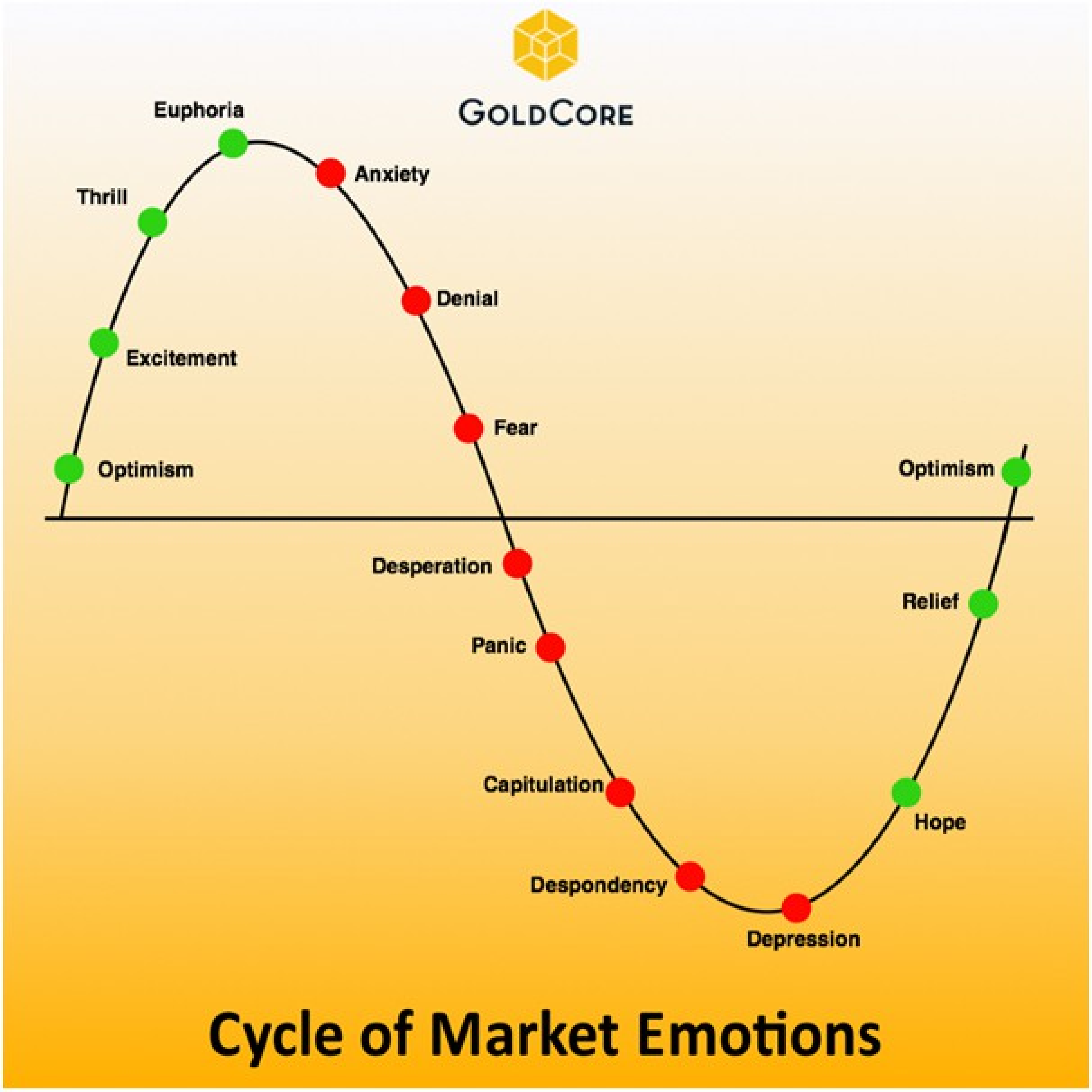
From new nominal highs in the Dow, the next 50% debacle came during the 2008 period. To put it mildly, the 2008-09 period marked *high anxiety* (see COME), which is the phase that follows euphoria.

Since then, the gargantuan printing program in the US and elsewhere) has led to utter complacency mixed with the underlying remnants of high anxiety, which has taken the form of the public trusting neither governmental efforts nor the markets, while, ironically, being fully invested in them due to a perceived and mindless sense of lack of choice. In other words, the 2009-2014 period has led to the peak of the denial phase, so to speak.

I am as certain as I can be of this interpretation of where to place the market in the context of the COME. Why? Because there is NO precedent in history for such monetary manipulation that would create such artificial index prices or market psychology.

The preceding interpretation has profound consequences, including the possibility of utter cataclysm. Why?

The latter is due to the fact that the anxiety phase would ordinarily be associated with the initial phase of a bear market (Wave-1, in Elliott Wave terminology). The denial phase would ordinarily be associated with the countertrend Wave-2 rally. Fear is associated with the accelerating Wave-3 crash. (Con't on p.3.)



THEREFORE, if the next phase in the COME is the fear-phase, the world may be looking at a cataclysmic event directly ahead to rationalize the markets finding themselves right smack in that phase which is ordinarily the 3rd chapter (Wave-3 down) in the COME {in other words, jumping right into the 3rd point in the down cycle (see COME), right from the nominal price peak}!

This is consistent with a number of technical observations.

Note the **1-year Dow chart** on page-4. Above the price chart, the widely followed MACD indicator, which is already is sell-mode - with the market at its high.

To further underscore how manipulated the market has been for years now, this phenomenon has repeatedly occurred, only to have the market sell-off, only to then subsequently rebound to new highs.

Now, please note my favourite indicator, the slow stochastic, which appears below the price chart. It is presently at a lower high, and therefore putting in a whopping negative divergence.

Therefore, it too is signaling a swift decline dead ahead. Yet, this too has occurred before, only to have such a correction be followed by a rally to new highs.

The 3rd and biggest example I can provide to demonstrate the manipulated nature of the stock market is the seemingly endless series of expanding triangles, about which I have written often in these pages.

An expanding triangle, to refresh, has 7 points, where point-6 is a lower high that precedes the collapse in point-7....if the latter is permitted to occur, as would take place in a free market.

November 2, 2014

"Finally, apart from the loftiness of the slow stochastic (below price chart), note that YET ANOTHER expanding triangle is developing in the Dow, the upshot of which is that a break below the October low would be followed by a rally to ~16,400, before an initial ~2500 point decline, as part of the new secular bear market.

"As noted in the past, there exist secular, cyclical, intermediate and short term expanding triangles, all suggestive of an artificially postponed bear market, which will only have been made dramatically worse as a result of such interventions against free markets."

As noted more than once before about the 27-year chart on page-5, point-1 was at the end of 2002. Point-2, the peak at the end of 2007. Point-3, the bottom in 2009. Point-4 is forming right now. Point-5 is the break below that low, while, by rule, point-5 would be a bounce to a lower high (9000?), before crashing altogether in point-7.

MY point is that there have been SEVERAL expanding triangles of different time degrees, and this proves that markets are not being permitted to behave according to the nature of free markets. Simply, the market has subdivided into many expanding triangles.

Taken together with the previous and similar findings regarding momentum indicators such as the MACD and slow stochastic, we have a recipe for utter disaster. Why?

Remember, the purpose of this report is to show that, despite ever-new nominal highs, the latter have merely been camouflaging the fact that the COME has actually been ***advancing within the bear cycle!***

One must understand this crucial point, if one wishes to survive this, especially in light of bail-ins (click here); once the market "catches up" to where it actually is, so to speak, it will be DRAMATICALLY lower.

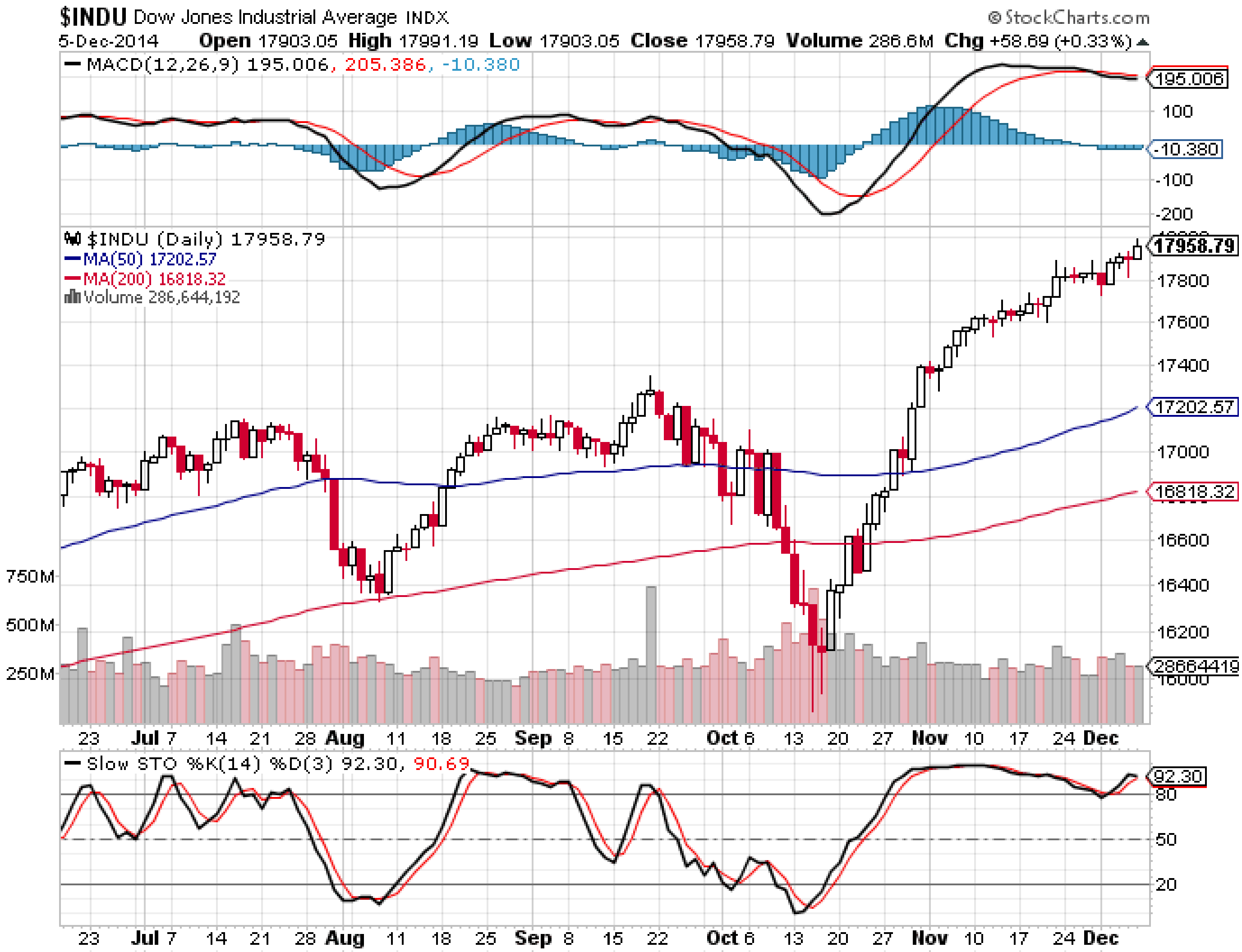
Imagine a person taking a potion that keeps him/her looking like a 30-year-old until the age of 90, once the body assumes its age all at once.

It's ugly.

That will have been the fate of the market once it is let go, to expose where we would be today had the expanding triangles been allowed to manifest the respective point-7's, concurrent with its further obscuring the truth, by overwhelming the sickliness that the momentum indicators were illustrating; the concurrence was no accident as they were manifestations of the same event.

Momentum indicators are like x-rays of one's internal organs. Again, the market will show its true appearance, just as would the potion-altered ninety-year old. The x-rays show he/she is not 30.

1-Year Dow chart



27-Year Dow chart

That said, I theorized the possibility of a blow-off to 19,500, to emulate what the Nikkei had done in 1989.

So, consistent with the foolishness to-date, the Dow could sell-off now and rally in January for a final time, to fool those who hang their hats on what January does. Again, the Fed knows what all the indicators are and, therefore, how to fool everyone. The key point for all investors to be aware of is this:

Technical analysis does work. If one identifies where the market would otherwise be if not for the manipulation (by analyzing where it would have been without the betrayal of free markets), one can see where we "really are."

Yes, the Fed's trading desk will have cost believers and investors in free markets a lot of money in the intermediate term by causing sidestepped profits.

However, such wise investors will have been rewarded, by having been positioned to profit from the shocking spikes in premiums, **as those premiums will have eclipsed what was seen in 2008.**

The U.S. has vilified the Chinese and Russians (see CURRENCIES, GOLD and SILVER sections below), to cause the latter to defend themselves for war (financial now, military later).

Therein, one will have found the recipe for the dramatic spikes in premiums - the stuff of which fortunes are made, reflecting that phase in the COME known as, **FEAR!**

NIKKEI

October 4, 2014

"When peaks are made, the chart below clearly illustrates an index that only makes slightly new highs. A line connecting the peaks, therefore, suggests little upside for someone trading the short position to fear.

"Plain and simple: This market trades asymmetrically to the Yen and we are **short the Nikkei as from 15,500. The Nikkei closed at 15,700 and positions should be closed,** despite the foregoing. Why?

"The Dollar rally may not be spent and, until it is, the Nikkei retains potential; so, there is no need for dead money, especially since potential exists to 17,000. Let's see what this index does through the remainder of the Dollar rally (specifically, the asymmetrically-trading Yen)."

November 2, 2014

"Friday's here-linked GoldCore report does a fine job in outlining the BoJ's staggering and increased printing plans and related numbers (in Yen and Dollars), to which Mr. O'Byrne refers as "going Weimar."

"It helps in understanding the excerpts above, as well as the conclusions found in the CURRENCIES section below, as regards the relationship between the currencies and the other asset classes.

"Consistent with the October 4, 2014 conclusions, Friday's shocking Nikkei shorts-destroying blast-off can easily achieve 17,000, which is all but assured as part of a 5th-wave conclusion of this most recent move, the 3rd wave of which was experienced Friday."

1-Year Nikkei chart

The October 4, 2014 excerpts on the previous page show why is was a good idea to sidestep any further rally potential in the Nikkei, while the November 2, 2014 reprint illustrates why it was a good idea to stand aside through any possible continued Nikkei rally, since the wave-count suggested a likely additional move up to conclude the advance.

Of course, these analyses mirror the Yen prognosis (below), while long term charts and prior forecasts suggest that the Nikkei has likely come up against a cement ceiling at 18,000.

Remember, as I have written so often over the past 25 years, the Nikkei, since the 1970's has put-in extremes right at yearend (related to Western tax-related buying or selling), with another extreme occurring in the March 20-30 period, relating to the Japanese yearend.

That level is of lesser importance and could be a higher low or lower high (newly commenced bull or bear phase, respectively), as the case may be, or it could mark a countertrend short term extreme. Again, it is a date of lesser importance, but it can be used.

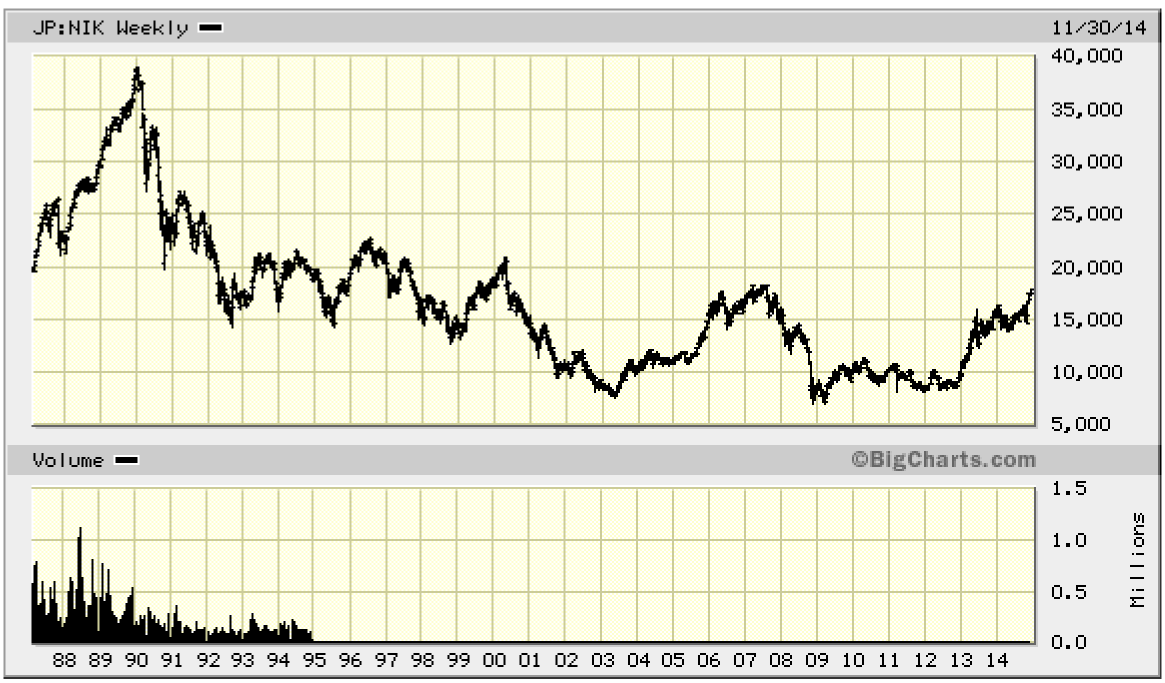
In any event, these markets are manipulated and yearend is still 3 weeks away, so a run-up spike to 20,000 is still always possible (with mirroring behavior in the YEN; please forgive the redundancy).

For my part, I always wrote and felt that 17,500 would cap this cyclical bull run, but, yes, I am influenced by what is happening in China.....

Afterthought: An arrest of this move at something under 20,000 gives the Nikkei's long term chart an interesting look.

One could then say that the Nikkei's major wave down into April of 2003 was 12.25 years, followed by a 10.75-year A-B-C-flat correction peaking now?   Just thinking out loud.....

27-Year Nikkei chart



SHANGHAI

While I have not discussed the Yuan in these reports, I have been profoundly bearish on the Chinese currency, particularly since the Japanese committed the inexcusable act of undeclared financial war, the latter having been sanctioned by, or even egged-on by the terrorist US instigator.

Japan is the US satellite in Asia and it has now long since treated and referred to the Chinese as enemies.

Despite the massive trade between Japan and China, the latter was given NO forewarning by the Japanese that Japan would undergo another and completely sneaky round of QE.

The Chinese have terrible memories of Western mistreatment, ranging from its history with the British, right up to the US's "accidental" bombing of a Chinese embassy.

Of course, there is the inexcusable slaughter and war crimes at Nanking, an event about which the Japanese offer no recognition as ever even having occurred, let alone offering any apology. The Germans have at least "apologized" for Christal Nacht and commemorate that night of mass slaughter of the Jews.

The Japanese, meanwhile, are shameless deniers who teach their children that Nanking never happened.

So, when the Chinese minister would not even recognize his Japanese counterpart at the recent G-20 summit, how much brain did it take that there would be reprisal in the currency war.

As an aside of potentially even greater concern, was Stephen Harper's threat to the Russians of Canadian military might.

It is obvious that Canada will not wage war against Russia, so we who graduated high school can understand that it was a message from the US, the Sorcerer to the Canadian Apprentice, Harper, the would-be governor of our Land in the annexed country to-be, as part of the North American perimeter, all part of the US debt default scenario which is unfolding as we speak.

So, looking at markets, what does all of this translate into, insofar as Japan and China are concerned?

The following chart illustrates a Wave-3 explosion which is incomplete. The upshot is that the Yuan will crumple, as part of these currency wars.

As for the Russians, who Stephen Harper saw fit to threaten again (alongside his support for the propagandist view of Russian politics in the Ukraine that even a former Reagan advisor denounced as an act of senseless threat of war), it has seen a year-over-year decline in the Rouble of about 25%.

At its low, the chart of the Dollar/Yuan ***looked like a copy*** of the Yen chart when I identified the latter's summit at 125 in the Yen/Dollar.

The upshot is that anyone thinking to short an equivalent of the Shanghai Composite would be wise to stand aside until at least the Chinese New Year, to see how insane it might get over there.

Meanwhile, look at the Nikkei again and ponder whether or not an acceleration over 3000 in the Shanghai Composite might have some relationship to a break over the Nikkei's 20,000 level.

While there may be some visual similarity, there is no fundamental sense in such an assumed relationship. If anything, the opposite, for the fundamental reasons cited thus far regarding the two countries.

Still, out of respect for the insanity of capital flows in asset classes, particularly where almost unidirectional currencies are concerned, one should just get out of the way. As often discussed, the latter is an asset class known for maintaining a trend beyond what chartists who follow equities often expect.

The latter comment referred to the Yuan, which trades asymmetrically to the Shanghai Composite, much as did and does the Yen to the Nikkei.

10-Year Shanghai Composite chart

LONG BONDS (TLT)

October 4, 2014

"Since the peak above 125, 120 has manifested itself as a key support or resistance level.

"My sense is that, by or at yearend, the trend will have concluded around the latter level, **allowing for the discussed migration of the fear trade to the precious metals.**

"With the age of the Dollar rally and the swirling news about rates, long positions represent misery that just isn't worth it.

"No position, as there is little from which to benefit going forward."

November 2, 2014

"SKGS identified the day of the 2012 peak, including subsequent key turning points, which included support at the 200-week MA in 2013. Of course, I did not forecast new all-time lows in rates, as I eventually stood aside ~110.

"Now, please note the ominous bearish divergence in the weekly slow stochastic, which appears below the price chart. It is coupled with a roll over from 80, which could suggest a serious bull market-concluding decline."

Following-up on the October and November excerpts above, if it ain't broke, don't fix it.

SKGS has been fortunate with bonds, and there is no reason to tamper with the no-position stance with respect to long rates, choosing instead to advise taking related short positions in the Dollar, when appropriate.

Since this is the final issue, I simply advise standing aside in deference to cash and precious metals. Period.

10-Year TLT chart (Barclays 20+ year Treasury Bond Fund):

DOLLAR

October 4, 2014

"The Dollar has come into critical long term neckline resistance and can pull back in tandem with *a euro bounce, but since the euro still has room to decline thereafter to ~118.5, even if it did bounce, the UUP may yet see 24.25 by yearend."

"In the past, Dollar strength related to rising rates stemming from a robust economy.

"Today, currency movements are caused by each government taking turns printing paper, which has a devaluing effect on fiat currencies, which, in turn, is positive for the PMs."

Regarding the excerpt above, Friday's high in the UUP (US DB US Dollar Index Bullish Fund) was 23.75, thereby leaving room to rally to 24.25 by yearend, if it wants to do so. The widely followed Dollar index (DXY) has now double-topped with its 2009 peak in the 89-90 zone (chart not shown).

Curiously, the 2009 top coincided with the bottom of the 2008 stock market debacle. Due to monetary policy, this time it is perhaps coinciding with a global equity market peak or, at least, with a low in precious metals, whereas the latter had moved in the same direction as stocks in 2008.

Again, this time is different in that sense, because printing obscures whether a currency is going up, or if others are actually going down.

Since the currencies take turns printing and going up (or down, depending on how one looks at it), all that is really happening is that currencies are being debased while prices are flying, merely camouflaged by falsified government statistics.

There is no camouflage, however, for those who buy their own groceries.

EURO

August 31, 2014

"In 2013, I had forecast that the euro would continue higher "toward 140", before reversing to ultimately flush-out under 120, before reversing yet again, all over a period of 3-years, or so.

"The event that will trigger the flush to under 120 will be Draghi firing the much-discussed bazooka that I had forecast for this period (excerpt above).

"The strong move in the Dollar is telegraphing this, at a time when the crowd has lost confidence in Draghi doing what he promised in 2012."

On the next page, the **9-year euro chart** illustrates a series of descending highs, en route to fulfilling the forecast above.

However, as Draghi prepares his 2015 bazooka (along with the continuing rounds of currency warfare by the Chinese and Japanese), the single-most important takeaway is that the PMs are an upside accident preparing to explode.

In any event, Italian debt has now been downgraded to BBB-, sinking even farther into junk territory. Germany is basically the European statistic for measuring that continent's "growth", and it is a statistic that is being repeatedly lowered.

Draghi must print and the Germans are unhappy with his power to act without their approval. Meanwhile the euro could, as a result of all this simply cease to exist.

However, it is not only Germany that is preparing to return to their national currency. Apart from the Mark, the Gilder and other currencies are being readied for comebacks.

The Lira in Italy is also readying itself for return, **which could explain why they don't care about the junk status.**

Along with expanding banking crises, the Italians and French possess more gold than anyone, other than the US and Germans. Neither wants to post their gold as collateral to receive Draghi's gifts, as the Germans would have them do.

Think about it. Isn't this all obvious? The euro's death is not a matter of if, but when.

As a Swiss banker said to me in 2005, "The euro has no chance; I have no idea how it can ever work."

It didn't and it is a question of time now. What do you think gold will do then? Where will gold and silver be by the time it is about to happen? Hmm?

9-year FXE (Euro Trust Currency Shares) **chart**

November 2, 2014

"As discussed in the Dollar section above, the euro did indeed bounce, traversing the neckline resistance at 126 that I had felt could contain the move, if it would get even that far.

"The story for the currencies, stock markets AND precious metals is that US QE is NOT the main story: *GLOBAL QE is!*

"Draghi's bazooka is warming up, while the Japanese have again shown their own weapon of fiat mass destruction.

"The currency bazookas in Europe and Japan will have replaced the US currency madness at the forefront of fiat news, keeping the stock markets up amid the propaganda that such equity loftiness is the result of economic ameliorations.

"Simply, equities are still rallying due to global printing, NOT economic strength, and this too is key to understand, in attempting to get the true lowdown on the precious metals."

YEN

8-Year FXY (Currency shares Japanese Yen Trust) **chart**

Both before and after the top at 130, I identified the Yen's secular peak at 125. I looked for a swift collapse to 113, but then recommended holding the puts I had recommended in 2012 until 110, where I recommended selling.

I wrote that this advise stemmed from basic money management trading discipline, while adding that this major move would not end until seeing the 80 level, particularly as I was extremely aware from past and successful experience of just how aggressively unidirectional the Japanese currency in particular can be.

Okay, we're here. Now what?

Let's see what the Nikkei (which trends counter to the Yen) does for its annual yearend extreme (April marked an extreme in 2003, as an example of the rare exception) and be psychologically prepared for a Yen break into the 75-80 zone, should it actually occur.

When trading the Yuan short, against which currency does one do it? Dollar? Yen?

Look at all indices and currencies with an open mind, before acting strategically to create the best possible asset mix, so as to maximize leverage and minimize risk in that context.

GOLD

I have written exhaustively of the precious metals' fundamentals, and now need only refer you to the following excerpts from the most recent SKGS report:

November 2, 2014

"Once again, the 6-month cycle kicks in at yearend, but as I noted during the summer, it is a cycle that has become well-popularized...by folks like me.

"Indeed, the summer's 6-month cycle lows occurred a month early and, given the recent price debacle, I would not be the least bit surprised to see a November-end low to conclude Wave-C of the precious metal corrections that began in 2011."

"The upshot is that one is wise to time any entries from here on a time-cycle basis and otherwise ignore price movements for any tip-offs.

"The long term movements in the currencies, rates, and, of course, equities, will have ended serving-up historic opportunities and threats (equally), of the sort that won't be forgotten by anyone alive today, regardless their age.

"For the precious metals, the initial major cycle rallies (within their new secular bull markets which began this century) ended in 2011.

"Since the decade-long rallies were Wave-1 in each metal, the next major rallies will take gold and silver to the long-since-held targets of $3,500 and $150, respectively. The Asians and Russians have GUARANTEED it, along with everyone else.

"And those targets will not have been the end of it.

"This 4th-quarter will have concluded one of the most amazing "tree-shakings" in the history of markets, as fools will *not* have rushed in....as they have everywhere except in North America.

"In doing so, they will have vindicated the oft-repeated forecast found in these pages since 2001:

"There is a transference of wealth and power from West to East, which will have included the sale **of** the West's gold **to** the East."

Regarding the comments above, November has indeed thus far marked the low and, concurrent with a strong Dollar, statistics show that traders have actually been covering shorts and adding long positions, all of which is consistent with my analyses of the **long term (10 and 9-year gold and silver charts, respectively), and the 3-year weekly and 1-year daily charts.**

So, in addition to the preceding comments, I summarize the technical comments thusly:

The long term charts of gold and silver have completed their declines, having concluded triple zig-zags, in Elliott terms. I had been early in identifying the bottom of the PMs as I had not foreseen the additional leg down; I thought that the standard zig-zag (3-legged) correction would suffice.

However, please note that, according to the Elliott Wave Principal, there can be no other leg.

Another leg would mean that the identification a new secular bull market as having begun at the beginning of the century was wrong. That is an insane consideration for more reasons than I can count, even though I have listed them most all of them over these many years.

The 3-year charts illustrate bullish divergences in the ever-meaningful weekly stochastic, which appear below the price charts. As regards the MACD which appear above the price charts, it will take little to turn them bullish.

As readers know, the slow stochastic is my favourite technical indicator; the MACD reacts far slower for forecasting purposes, but does have good value in issuing a warning, which stems from multiple divergences over an intermediate term period such as 9 months, for example.

10-Year GLD

The 1-year charts, consistent with their recent refusals to respond to Dollar strength, or the latter's incapacity to negatively influence traders (as they prepare for a very bullish 2015 in the PMs, by accelerating their short covering efforts), reflect slow stochastic that have turned down, **which is consistent with a yearend higher low.**

Most certainly, any new low would go unconfirmed by the daily stochastic as well (along with the divergent weekly stochastic in the 3-year charts); the 2 together would create an extremely bullish concoction.

Gold is even more unlikely than silver to make a new low, though any such new low in the grey metal would only be by pennies.

3-Year GLD


GLD SPDR Gold Trust Shares NYSE
©StockCharts.com
5-Dec-2014
Open 113.80 High 117.36 Low 113.74 Close 114.43 Volume 37.7M Chg +2.32 (+2.07%)
MACD(12,26,9) -2.880, -2.491, -0.388
GLD (Weekly) 114.43
MA(50) 122.30
MA(200) 144.09
Volume 37,700,452
Slow STO %K(14) %D(3) 30.14, 28.51

1-Year GLD

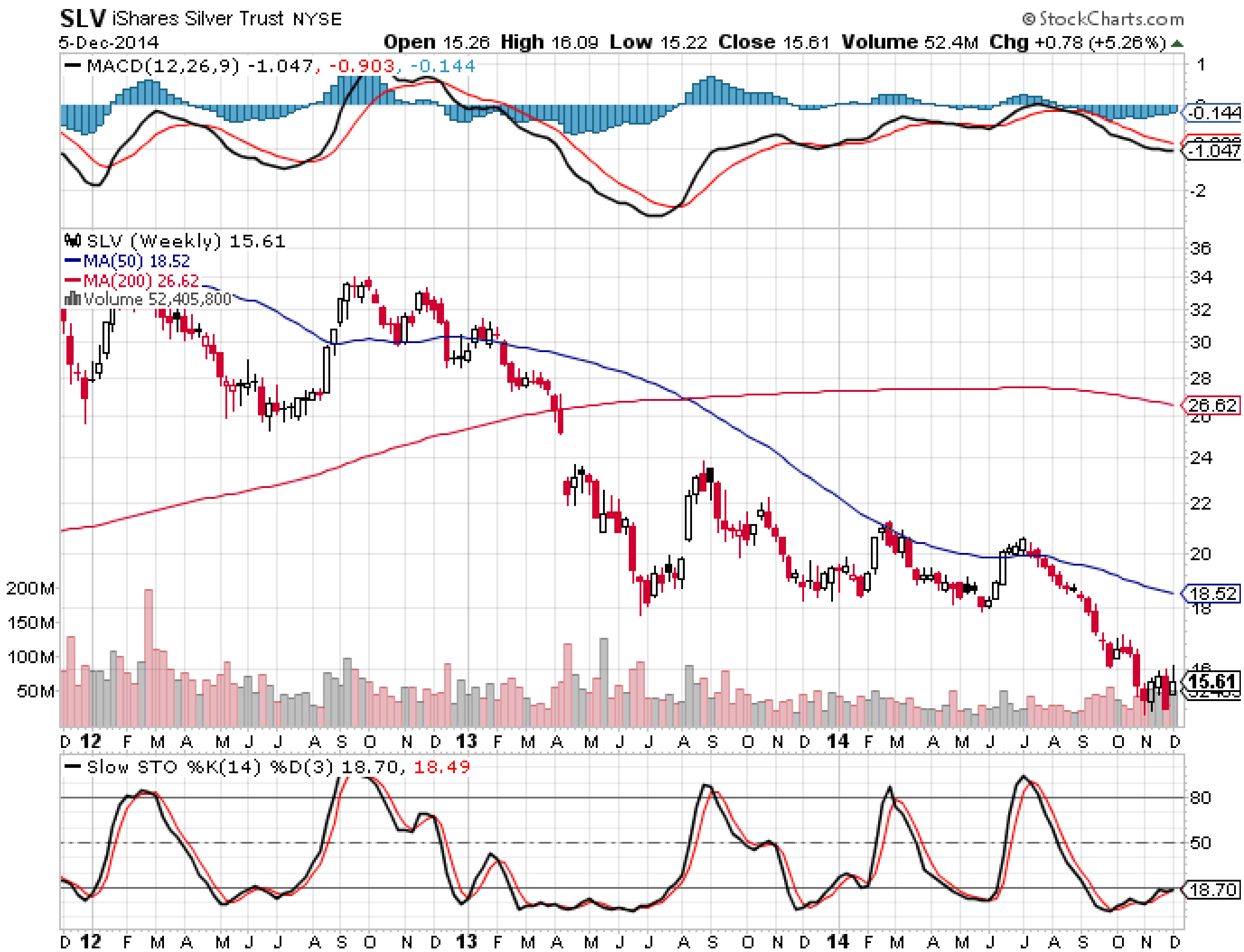
PLEASE SCROLL TO NEXT PAGE.

SILVER

9-Year SLV

PLEASE SCROLL TO NEXT PAGE.

3-Year SLV



PLEASE SCROLL TO NEXT PAGE.

1-Year SLV

Asset Allocation (remains)**:**

Gold: 20% (-5)
Silver: 30% (+5)
Dollar: dropped (-25)
Swiss Franc: 50% (+25)

I thank you all for having enjoyed SKGS and its predecessors, all the way back to Sid Klein's Daily Fax and even as far back as 1984, for those who read my daily comments when I was a stockbroker.

I sincerely hope that this final report will have served as a useful guide, as we prepare for a horrifying period in financial history, through to 2025, replete with bail-ins. Again, the latter is a shocking asset grab by the authorities for which Stephen Harper has created the legal possibility (for we in Canada), just as it presently exists in virtually all Western nations.

Still, the masses in North America don't even know what bail-ins are, as the sole example to-date occurred in Europe (Cyprus).

Own physical silver in different denominations, before its availability no longer exists to the public. **Please do not be sanguine.**

I do not seek to later say "I told you so."

I genuinely wish to help readers survive and hopefully even thrive, during the hellacious period of debt repudiation and political upheaval, which will have included the absorption of our Canadian currency and borders.

In response to financial upheaval, I dedicate myself now to the creation of structured product, so as to engineer those financial instruments that reflect my views on how to best do just that: survive and thrive.

As well, there are regulatory concerns regarding writing commentary while employed at a bank (yes, ironic).

I wish for the creation of products that are tailor-made for the period that is now upon us to be my legacy as a writer and member of the financial community (while making a ton of money doing it, true).

Again, I do sincerely thank you for having been my readers.

Sid Klein