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

Global Crash Right on 2014 - 2015 Schedule?

February 1, 2014

Summary

In the fourth quarter, I was reporting that, "Market movements are completing before giving way to 2014's true trends." So it was and is.

DOW JONES

December 1, 2013

``However, note that in the Dow analysis, I wrote of a decline that is followed by a possibly lower high in the New Year, or perhaps something that merely approximates a double-top." (Please see section-concluding charts of Dow and NASDAQ below.)

The peak was on the last day of the year. At mid-month, the Dow came within 100 points of the peak for those who missed that initial date; NASDAQ high was midmonth.

December 19, 2013

"An approximate double-top for the Dow was previously discussed, as was the ideal long term shorting opportunities for either yearend or, more likely, mid-January."

"I draw particular attention to the October 29 report, which outlines the sequence, depth and form of a **cataclysm that should get fully underway in 2014.**

"The latter report discusses, illustrates and breaks down the OMINOUS expanding triangle which has formed over the past 13 years."

The October 29, 2013 report is one of the most critical reports that SKGS or any of its eponymous predecessors ever wrote, due to its Dow section. Retransmission available.

The 25-year chart below is updated through last Friday. Study closely. You will never be so well paid or protected for your time.

October 29, 2013

"Despite tomorrow's new high in the Dow, the MACD will not attain to the level it reached in September. (This has transpired; see section-concluding chart.)

"Below, please note the **25-year Dow chart.** As often discussed, an expanding triangle is less common than others, and more dangerous as well.

"It is a pattern that has 7 points, where each point reflects a higher high than the previous one, while the lows within the pattern are lower that the preceding bottom. Such a pattern, it is easy to understand, bespeaks greater volatility.

"Point #6 is the rally that does **not** come close a new high, and it is followed by point-7, which is the pattern-concluding smash.

"In the case below, point #1 was at the end of 2002. Point-2 occurred at the end of 2007, while point #3 completed in March 2009. Point-4 is ending now.

"Point-5 will take the Dow to a level around 6000, with much of the train wreck occurring in 2014 - 2015.

"The destruction will relate to the growing materialization of hyperinflation, sovereign and major corporate defaults, and political instability (World War Three) that will ultimately manifest fully during point-7 later this decade.

"Regardless what causes it, point #6 should provide the world with "hope", as the Dow rallies from ~6000 to ~9800.

"Contemplating time, please note that point-1 took 3 years to complete, while point-2 required 5 years. Point #3 only took a bit over a year in the debacle of 2008. Point #4, now completing, will have taken about 5 years.

"The rally phases (points 2 and 4) will have each taken about 5 years, while the declining periods have taken about 1 and 3 years, respectively.

"Apart from noting the consistent Fibonacci relationships (2 preceding paragraphs), it is also worth noting that the declining periods may well be accelerating, certainly when adjusted for the depths of the movements (more points per unit of time).

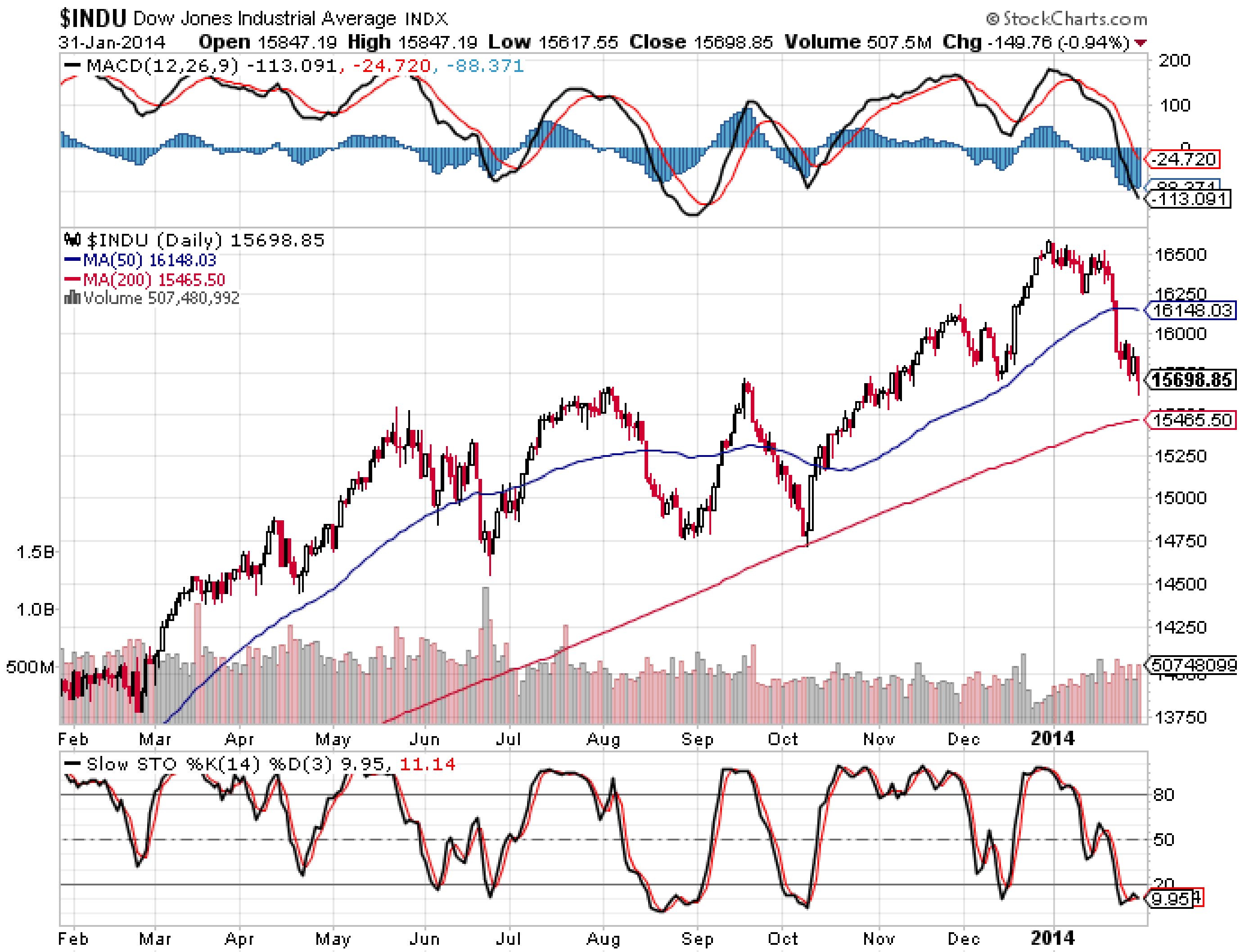
"So, if the Dow took just over a year to decline just under 8000 points, just how fast will the Dow have fallen 10,000 - 11,000 points? A year and a half?

"Anyone for deep out-of the money puts?"

Yet again, please note the critical nature of yearend periods, generally speaking.

While one may have positioned oneself with a very long term put spread, long term puts, or, simply, the opening leg of a long term put spread, one should be mindful of a possible short term low having been hit earlier in the day on Friday.

This is particularly important for a player seeking to put on the short leg of the long term put spread. Again, please revisit the excerpt in blue, from the October 29, 2013 letter, above.



In the case of all of the charts this month, the MACD appears above the price charts while the slow stochastic, my favourite indicator, appears below it.

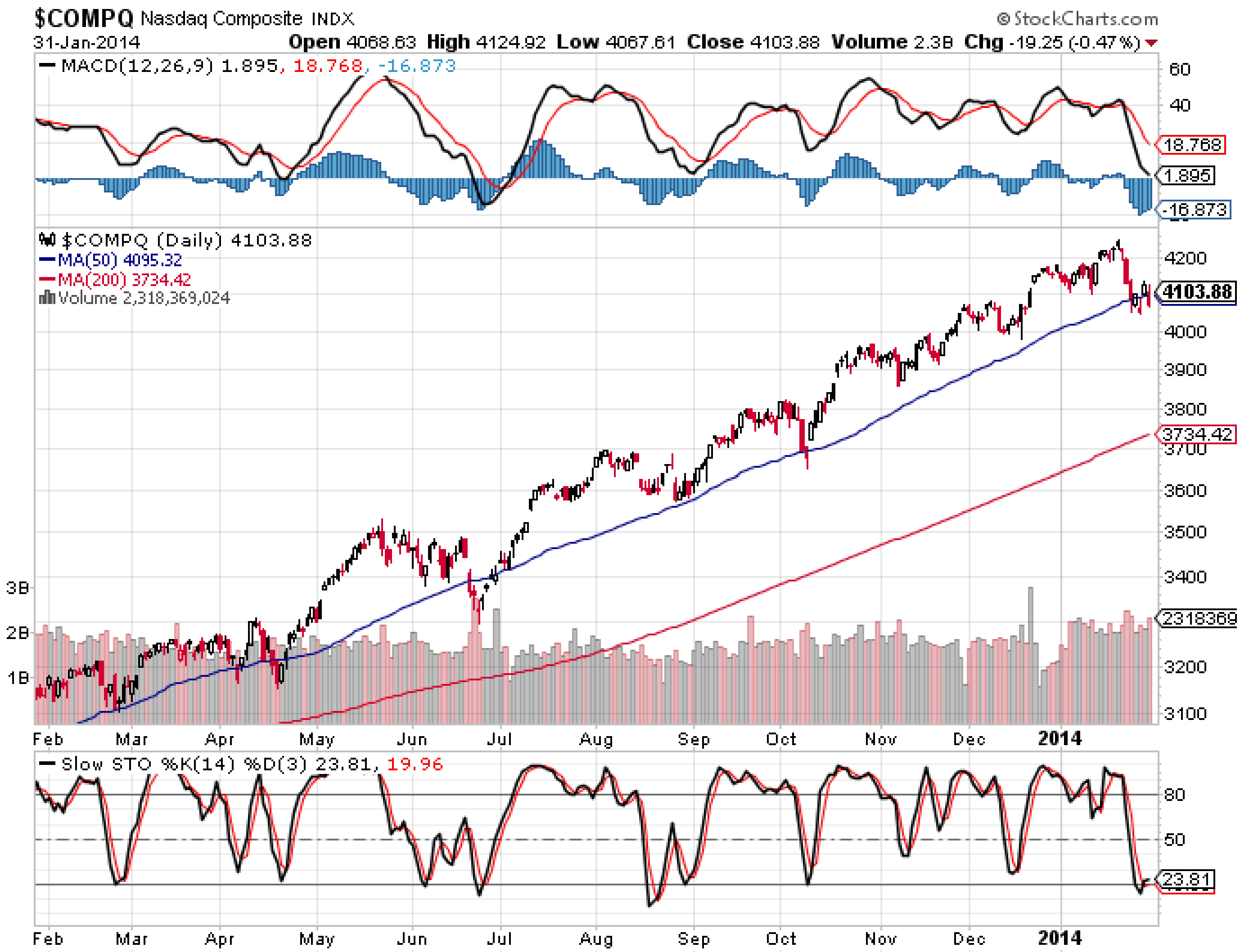
Both of these momentum indicators suggest oversold readings, though this would also be consistent with a long term and bearish trend change. Still, to play the odds would be to assume a strategy that allows for a rally from here.

Of course, what would be different, would be a failure to make a new high and stop around, say, 16,350, before resuming the decline.

In the excerpts above, I had forecast a peak for yearend, with a more likely final high at midmonth which would approximate a Dow double top. That the NASDAQ made its high at midmonth suggests that that was the orthodox peak (lower high) for the Dow.

Therefore, given the precise forecast, one may feel emboldened to not doubt the analysis to-date, and seek to capitalize on the greatest market Crash in modern history.

I wish to again stress: DEEPLY oversold readings (as evident in the MACD readings) is entirely consistent with a market in the throes of an unfolding Crash; this was the case in 1987.



VIX

Once again, the VIX failed to confirm new market highs by at least matching (if not breaking) last March's lows. As well, both the VIX's momentum indicators and its chart's lofty right shoulder at 19 are consistent with a short term top in the equity markets.

One thing is certain: it has long since been clear that any approach of the 12-level (8 times) has marked an easy entry for those purchasing premium (puts).

Further, since this countertrend indicator may also provide a trader with a peak in the stock market, timing one's put purchases according to the VIX level could have also served-up a double-play ball, by coming through with base premiums right at a perfect, or near perfect summit.

NIKKEI

October 29, 2013

"An A-B-C-D-E contracting triangle occurs in wave-4 patterns. In other words, what follows is necessarily the final move up.

"By consequence, a quick run-up of as much as 1500 points to form a double-top is very possible; even a slight decline from here below 13,900 would negate this interpretation."

The fact that this is precisely what ensued, lends credence to the view that one should heavily weight the Elliott rules applicable with respect to such patterns.

Specifically, the decline that follows the rally from the 5th ("E") point of the triangle, should return to the area of the lift-off or, in other words, in this case, the 14,500 zone.

The way the Nikkei trades, a 400-point intra-day move down, could even be a one-day event. Traders be alert Sunday (tomorrow) night. (Just tape the Super Bowl, that's all.)

The following **1-year Nikkei chart** reflects the above triangle during the August - November period.

December 19, 2013

"Separately, for a quarter-century I have been writing of an extremely long history (since the 70s) of Japan making perfect highs or lows right at our yearend, while secondary extremes occur during the March 15 - 31 period, their yearend."

SHANGHAI

October 29, 2013

"Without describing complex wave counts, this nutty off-cycle market can take **a stab at 2300 before resuming its downtrend."**

December 1, 2013

"I reiterate that a break of the 1800 - 1900 zone will fuel the precious metals stampede.

"More and more is being made of the fact that "the Chinese" are hoarding gold and that the metal will spike once the world discovers just how vast their holdings have become."

As far as the October 29 and December 1, 2013 forecasts are concerned, they came to pass, as illustrated by the **1-year Shanghai chart** at the bottom of this section.

What is more telling, whether one trades Shanghai or not, is the news concerning China's massive shadow banking system, which some believe has set the stage for a global markets' shaking catastrophe, even greater than Wall Street's chicanery of 2008.

This week, a major buyout took place of a financial institution involved in the Chinese ponzi scheme that "guarantees" loft yields on investment (their products simply go by another name).

Technically, it involved a default, since investors had to forego their interest payments. However, their principal was secured, and the calamity has been postponed.

Once it occurs, and it will, the Chinese people (private investment) will stampede into precious metals, as repeatedly described here.

Another and major bit of news was the humourus official claim that gold holdings are unchanged from 2009 levels, as mentioned last month, when 2 key charts illustrated the massive Chinese gold purchasing that has transpired.

Unofficial estimates from respectable sources have now estimated Chinese gold holdings (public) to have grown by 270% to 500% over the past 5 years. Once that is announced, the sky is the limit.

However, it is equally known that China is massively underweight gold, as a per cent of currency reserves.

In other words, it is not in their interest to release news that would skyrocket the price of what they need to continue to buy. At the same time, it is the latter fact that is most "precious" for the gold and silver bulls.

PRECIOUS METALS

The fundamentals remain screamingly bullish, though a comment is merited as regards silver's dramatic underperformance versus gold over the past month, though it is to be noted that each metal did indeed bottom right on the final day of the year, as forecast.

This week, whether the stock market was rising or falling, the PMs were moving in the opposite direction. However, the downside was predominant in equities. Therefore, concerns over the stock market, and the economy by extension, had a negative influence on silver.

Apart from trading co-directionally with gold, silver also has a similar relationship with copper, which is more tied to economic strength and inflation. However, the precious metals aspect wills out, most certainly.

The MACD indicators in the case of each metal, whether looking at the 1-year daily charts or 3-year weekly ones, are neutral. However, the slow stochastic (my favourite indicator) in the 1-year charts illustrate something different.

In the case of gold, it flashed and shows a clear sell signal and divergence, right at the virtual peak this past week. One could look at this and conclude that there is room for decline, since the stochastic is between neutral and overbought.

However, silver is virtually oversold right now, and could start upward with gold returning to neutral in the 50 area. Any break of the yearend low would create a

MASSIVE bullish divergence versus mid-November; such divergences precede major advances.

Cyclically, it makes sense to me that any move lower in silver should be completed by Thursday, and since gold has shown great strength, when considering the news background, a neutral reading is all that one requires in gold. Two to four days is more time than what is necessary for gold to achieve that from present stochastic levels.

Gold's downside potential is ~$15. According to a combination of analyses (including arcane pattern repetition recognition), silver's ideal low, apart from the inferences I draw from cyclicality, would be Thursday afternoon, around $18.04.

The weekly charts and their slow stochastic momentum indicators that follow on pages 12 and 13 illustrate:

Reconfirmation of my notion that Wednesday or Thursday should mark lows in the PMs, and that any new low in silver would enjoy massive bullish divergences against BOTH the December and June lows.

Such is the case for gold as well, though the mathematical probability for a new low in gold is much less than in silver and highly unlikely, I believe. This is yet another major driver for silver, since the latter is far more tied to gold than anything else.

Moreover, once the uptrend commences in earnest, silver enjoys a 2:1 beta. In simple terms, it rallies twice the per cent gains versus gold (same on the downside).

Following the 3-year weekly silver chart on the next page, please note the 2-year daily chart of the TLT, on page 14: the Barclay's 20+ year Treasury Bond Fund.

Much has been made of the historical finding that gold's advances have coincided with declining rates.

Since identifying the precise peak just above 126, the TLT has plummeted to almost par. Now, it has rallied ~7 points and, in doing so, has broken the vicious downtrend.

While I believe that a near term top is being made, no meaningful consolidation should take place before completing this march toward ~110, at which point the chart should finally reflect some bearish divergences.

Until then, lower rates are to be expected....and then later in the year as well, as the 114 resistance level acts as a magnet.

As we can see, the very lofty level of the TLT's slow stochastic suggests plainly that any pullback will indeed create a bearish divergence when the TLT subsequently rallies to ~110.

Lower interest rates also means a weaker USD, which further translates into higher PM prices.

On a final and general technical note, please observe what happened once the pattern powered through the 50-day moving average (blue line).

Since such action typically triggers buy stops, the march continued right through the 200-day MA, where a relaxation would be considered normal, right about now.

Expect the same from the PMs and note how this is already unfolding there. The event will be far more dynamic than what we have already seen in long rates (TLT).

CURRENCIES

Since it affects EVERY asset class, the reader may wonder why I have not yet mentioned the bad decline in emerging markets (last 3 months) and their currencies' crash this year.

Very long before anyone ever talked of a totally interconnected global marketplace, global indices would eventually come into line with their brethren elsewhere in the world. The fact that it wouldn't happen overnight allowed Westerners and, particularly Americans, to believe that there was just cause for their apparent immunity.

Be certain, no one is immune and the calamities seen this year are exactly what I have been forecasting for our market in the new year. The emerging markets have been the first, that's all. At the end of this section, a single example is given.

While the emerging market currency debacle may have gone far enough in the short term, any rally could well coincide with the next phase of Dollar decline, as previously forecast in these reports.

It is only the former's collapse that has made the Dollar look comparatively appealing. However, it is the PMs that will have been the beneficiaries, not the Dollar, which has been held up, as a purely mathematical expression of currency levels.

The **1-year Dollar Index Bullish Fund chart** follows. Again, the MACD appears above the price chart, while the slow stochastic is shown below it.

December 19, 2013

"The Dollar is performing as forecast and, again, a final train wreck would coincide with the significant lift-off in the PMs."

The forecast and analysis referred to above pertains to a 7-point expanding triangle, which necessarily ends with a hard smash.

Under this scenario, the 200-day MA immediately overhead will not be breached, and the action in the emerging markets' currencies will have been a forerunner to such action.

This makes sense, both due to the effect of the latter decline having held up the Dollar, as well as the countertrend bounce to come now exposing the Dollar's own and previously masked weakness.

The **1-year euro ETF chart** follows on page 17. As with the other charts, the MACD appears above the price chart, while the slow stochastic appears below it.

Consistent with the Dollar commentary above, the euro is approaching its 200-day MA and the 132 support level, which had been forecast in these pages, as was the euro's rally to its double-top

October 6, 2013

"For the euro (above), this could mean a decline to 132, which would be followed by a rally back to the 136 level, or even marginal new highs."

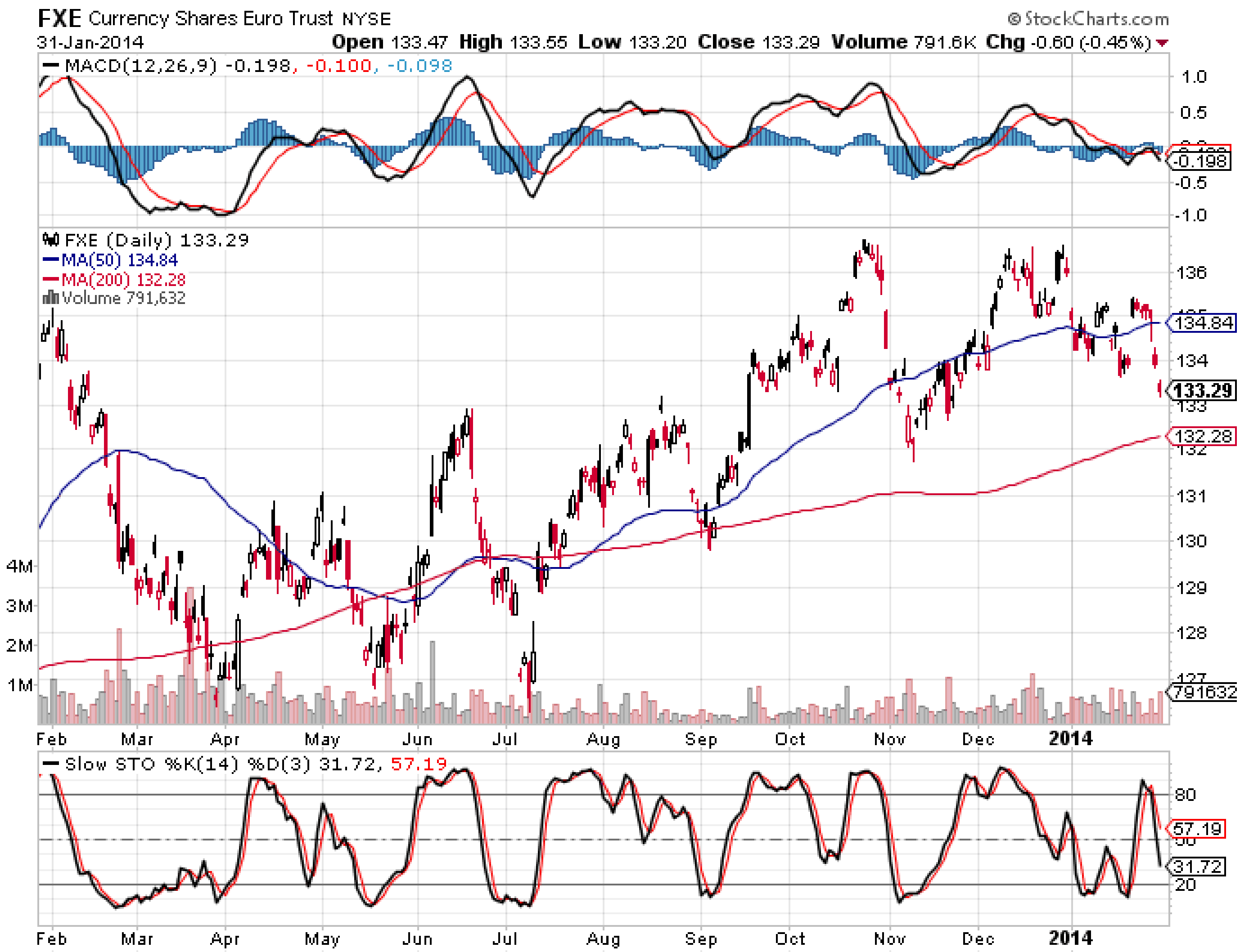
The **1-year Yen ETF chart** appears on page 18.

October 6, 2013

"The Yen (below), like the Dollar, appears to have an obvious pattern to read, I believe. Specifically, it seems to be concuding an a-b-c-d-e contracting triangle.

"This would be entirely consistent with the Dollar interpretation and lead to a **retest of the lows around 95, dead ahead.**

The forecasted decline was bang on, except that it was actually weaker than imagined. For that reason, for now, I would contain any rally forecast to the 97 area.



Please scroll down to Yen chart on page 18.

To conclude as well as take an abbreviated look at the hell that has broken loose in the emerging markets, please note the chart on the next page. It has two parts: on top is an overlay of gold, as commonly followed in USD, versus the Argentine Peso.

The bottom portion is gold priced in Argentine Pesos. Get the picture?

The vast majority of the world is debasing their currencies (except those accepting annexation, due to off-shore bank-purchased politicians, as seen in Canada and Mexico), and such charts as the one on page 19 eventually result.

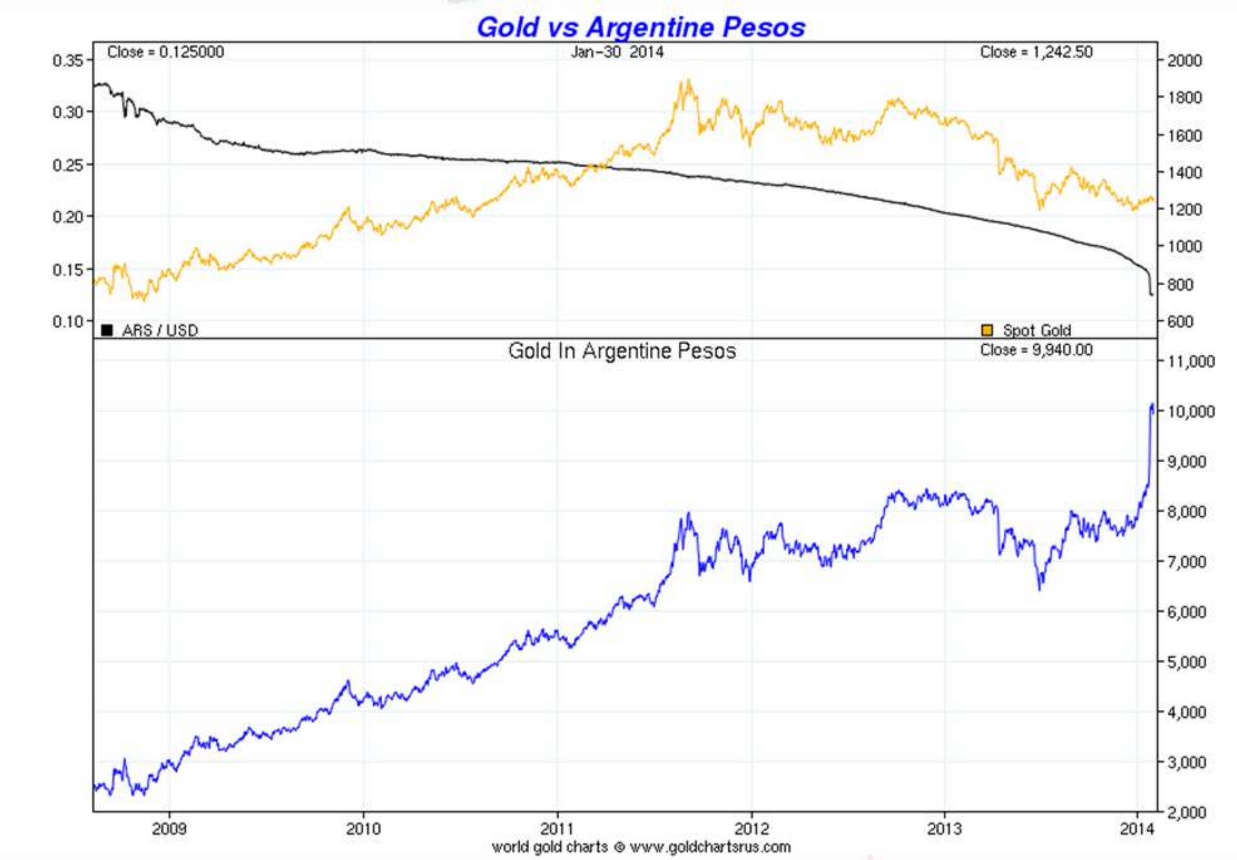
Time is the sole question. Not "if."

I have been writing and forecasting a planned cataclysm as a power grab, and we are seeing the beginnings of it.

History is unfolding before our very eyes, as the US reigns in QE just enough to choke the emerging markets, which were made dependant on the Pusherman to begin with.

New Years and end of year always mark turning points. I stressed that this year as much or more than ever, as evidenced in the New York section above, and the yearend reports regarding the PMs, Japan and New York.

Again, hang on to your hats. A perfect storm is coming. And, again, when, not if.



Sid Klein

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