Sid Klein Global Strategy
1001 BOUL. DE MAISONNEUVE O., BUREAU 950, MONTREAL, CANADA H3A 3C8
TEL: (514) 939-2221 FAX: (309) 417-0942
e-mail: sidklein@sidklein.com
www.sidklein.com

TURNING POINTS: First One Way, And Then The Other Part 2

October 15, 2013

DOW JONES

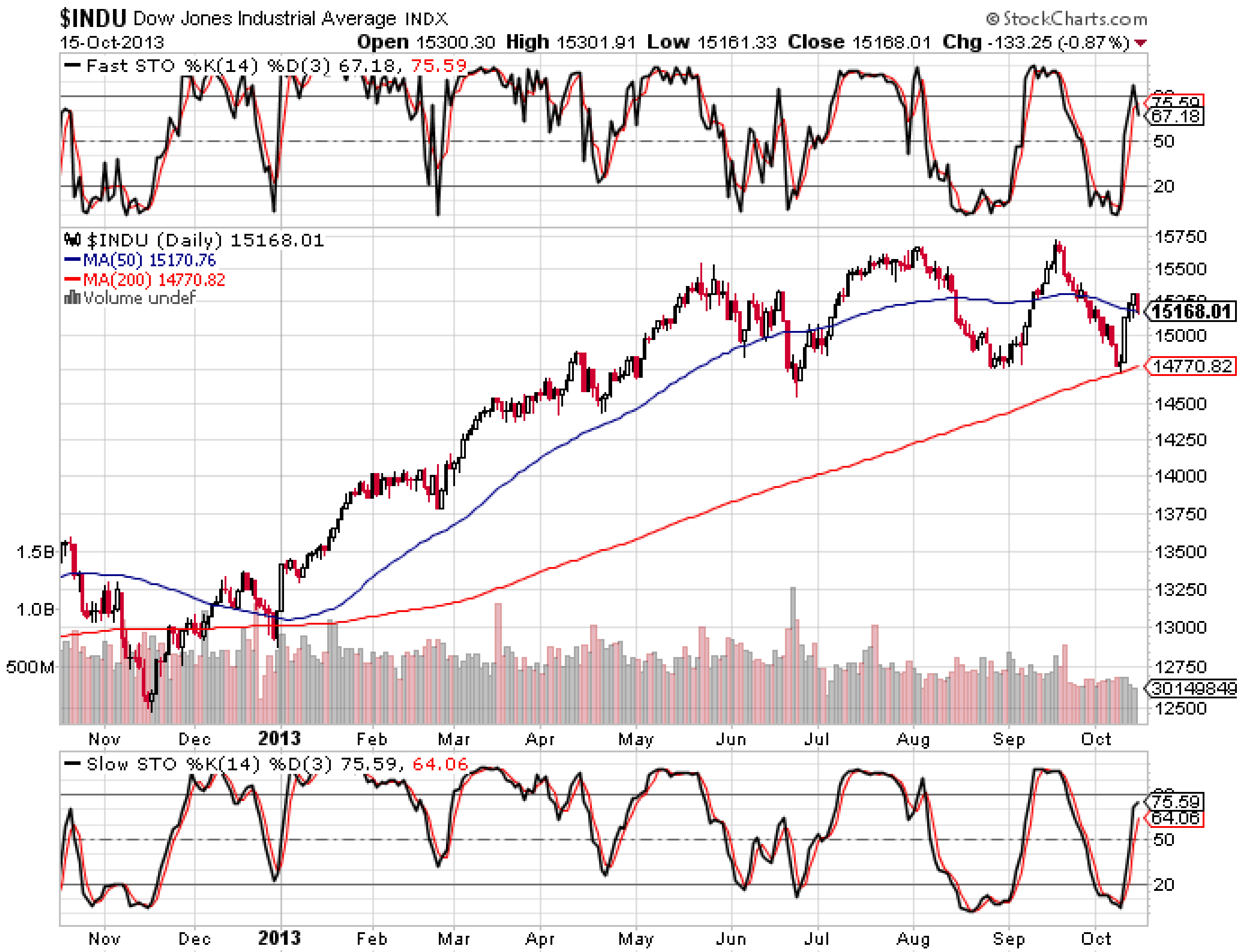
October 6, 2013

"In the case of the Dow, after some form of resolution this month to the ceiling mess, a rally would hook traders, before a decline that breaks the **200-day** moving average **(red line on chart below),** which would become resistance in countertrend rally.

"This correction should therefore be supported at the 200-day MA and 14,700. For now."

"As well, please note that the fast stochastic leads the more important slow stochastic and that, having turned down, is supportive of the conclusion on the previous page, namely, that the next decline toward Dow 14,700 should end this particular decline."

Well, 14,700 held perfectly, and the ensuing and over-excited (ho-hum short squeeze, in other words) spike rally took the form of an a-b-c countertrend rally, which may yet yield to another a-b-c formation that would take the Dow to 15,400, having already tested 15,300 on the first countertrend thrust.



The Dow is completing a nasty right shoulder, which most technichicians will have missed as having been completed, due to the right shoulder's unorthodox nature.

In other words, this October 2013's right shoulder would have followed a new Dow peak, which is something that <u>my mentor taught me is possible, 30 years ago</u> (traditional not intuitive-based analysis does not believe this).

The fast stochastic has already turned down (above price chart) and the slow stochastic (below price chart) has already rallied far enough, to be sure.

The Washington talks have held up the market (as is typical) long enough, regardless the outcome. The story is the same, in mirror image form, as regards the precious metals.

VIX

October 6, 2013

"The VIX spiked around 50% in a quick 5-wave pattern into resistance at 19.

"Option time premiums (VIX) discount market levels and the fact that the 50% advance was fast reflects the fact that traders believed in the ominous situation in Washington late and all at once.

"All of this is consistent with a topping VIX and a conclusive move down in the equity markets before a countertrend rally."

Consistent with the analyses on the previous page, the VIX has pulled back enough to support the next rally in the VIX (pullback in equities, which move asymmetrically).

Indeed, the former erupted 2.5 today, as a result of the same fear that will have found its way to the PM market.

Regarding the PMs, a new high in the VIX should correlate to the Wave-3 eruption in the PMs discussed below.

A new Dow high around 15,400 could be coupled with a final and *minor* new low in the PMs, if the former were to occur.

Please scroll to page-4 to view 1-year VIX chart.

GOLD, SILVER

Please read very carefully the excerpts from the October 6 report below.

While the analysis seemed incorrect over the past 10 days due to the market action that ensued, following the excerpts immediately below, I provide the esoteric Elliott Wave interpretation which explains how nothing has changed.

October 6, 2013

"Precious metals sites, bullion brokers and respected traders are nervous and short or even intermediate term bearish, right at this Wave-2 low. (Wave-1 peaked on the 4th-to-last trading day of August.)

"Wave-2 lows generate bearish sentiment that exceeds the negative psychology that existed at the price lows. This is basic Elliott Wave theory, and very understandable from the viewpoint of the study of market psychology, which is the aim and object of technical analysis.

"It is absolutely uncanny how the BULLS have lined up on the short or even intermediate term bearish sides! This is MAJOR news, given the Elliott Wave count!

"Starting with silver (SLV), note how the October correction declined in a CLASSIC ELLIOTT WAVE A-B-C fashion (3-leg drop), wherein each decline further subdivided into two 3-wave declines. (The second 3-legged decline began at mid-month at $22.50.)

"A second 3-wave subdivision is not essential and sometimes does not occur, but does when it is necessary to create the bearish psychology which matches or exceeds that which existed at the low (if referring to a wave-2; in this case, the low occurred at end of June).

"Further, and CLASSICALLY, the drop ended at the neckline at ~$20. For good measure, the first day of the month included the spike low. Often, and as a result of commodity fund rebalancing, the first day of the month marks a short term extreme in price, with the following few days marking a higher low, or lower high, as the case may be.

"This is why I forecast this scenario before the week began (not in print), especially since I knew that such activity would also create a bullish divergence AND buy signal (reading above 20) in the slow stochastic, my key indicator.

"Therefore, expect a run to start, with Wave-3's first important stop around $26! "

6-Month SLV and GLD charts follow pages 7 and 8, respectively.

In each case, the fast stochastic appears above the price charts, while the slow stochastic appears beneath them.

The Elliott Wave technical interpretations are the same for each metal.

In each case, from the August peak, an A-B-C Wave-2 correction is concluding now. Remember, corrections are comprised of 3-wave movements, themselves being comprised of 3-wave movements.

This is key to understand, since my wave labeling explains how silver can be so much stronger than gold, how technicians are over-estimating silver's weakness due to their gold interpretations and, finally, why the stage is actually set for a possible eruption in silver, as described in the excerpts above.

Simply, the labeling below explains how to not misconstrue gold's bearish outperformance, as regards what to expect of silver.

The initial Wave-A ended in the 3rd week of September, while Wave-B ended the 2nd-to-last day of that month, wherein Wave-B took the form of a most peculiar "a-b-c flat", again using Elliott terminology and labeling.

Within all of this, Wave-C is concluding with an "irregular A-B-C" pattern, to end Wave-2. If correct, the pattern is HIGHLY esoteric and unusual, since both B and C are uncommon formations, thereby illustrating a profoundly strange combination.

This actually makes perfect sense, since gold is what is throwing everyone off the scent, given that the unusual fundamentals are as follows:

The manipulators are doing freakish things in the gold market to drive prices lower, such as using astronomical sell orders in the futures markets that are entered AT-THE-MARKET (ATM).

If not manipulators, as everyone knows and is commonly and openly expressing these days, who would be so suicidal as to use such an order type (ATM), apart from such market "participants?"

However, there is no such manipulation possible in the silver market, since it is too small a market. Further, silver has a permanent and healthy bid underneath the market, due to the huge short interest.

Also, if that wasn't enough, India's citizenry is buying silver at record levels, due to government restrictions on gold purchases.

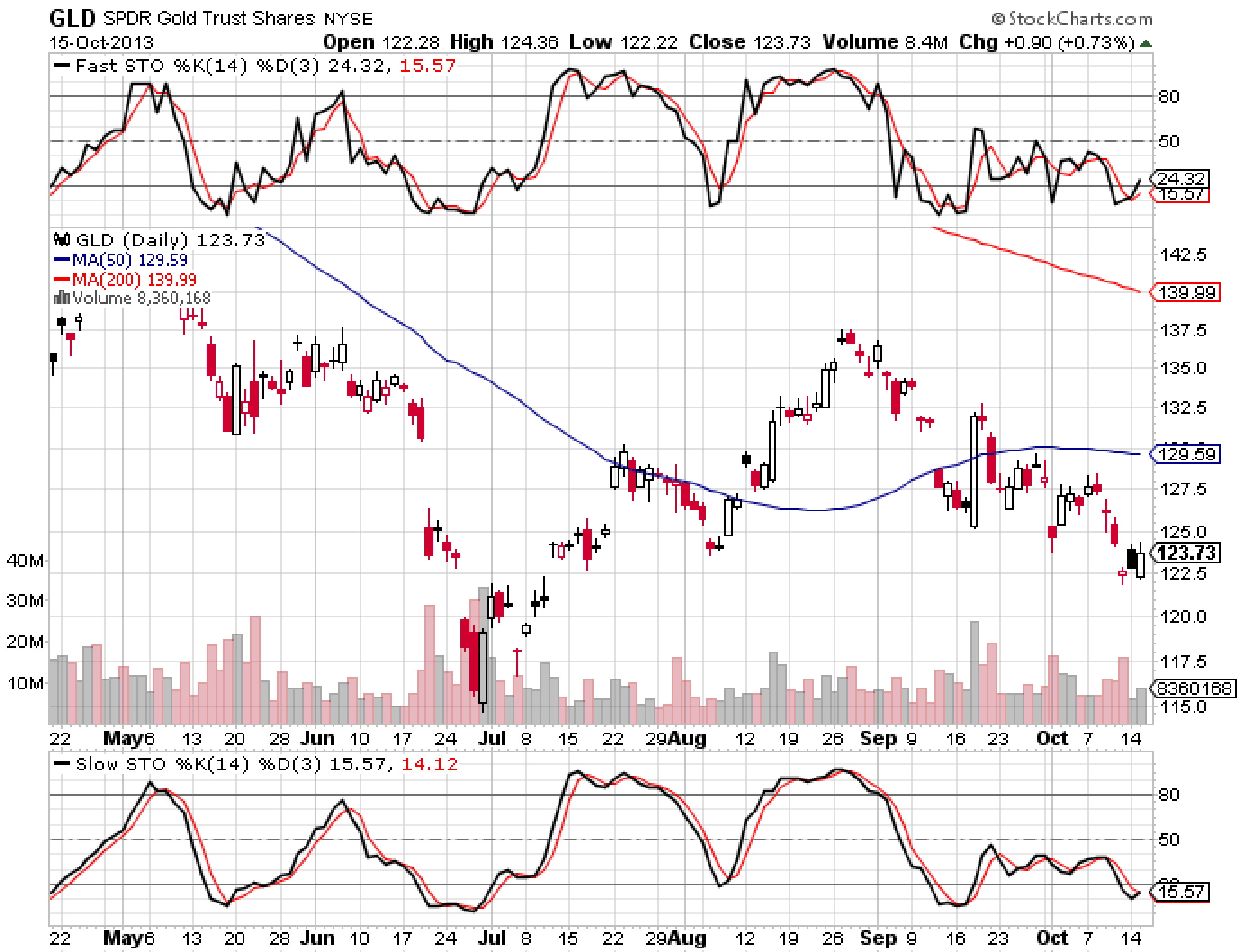
To embellish more still, gold demand coming out of India has been largely restored.

The PM eruption isn't a question of "if". Just "when."

Boy, are those who sold since April going to feel like the world's biggest idiots before all of this is over!

Please scroll down to pages-7 and 8 to view the above-referenced SLV and GLD charts.

SLV iShares Silver Trust NYSE
©StockCharts.com
15-Oct-2013
Open 20.36 High 20.73 Low 20.33 Close 20.56 Volume 8.0M Chg +0.06 (+0.29%)
Fast STO %K(14) %D(3) 37.99, 36.13
SLV (Daily) 20.56
MA(50) 21.52
MA(200) 23.81
Volume 7,973,369
Slow STO %K(14) %D(3) 36.13, 42.13



CURRENCIES

Concluding this report is the **1-year chart** of the **US Dollar Index Bullish Fund (UUP).** The fast stochastic appears above the price chart, while the slow stochastic appears below it.

October 6, 2013

"According to my analysis, the USD is suffering from an expanding triangle, which is a less common and more dangerous technical chart formation.

Such a formation has 7 points, with the 6th remaining within the triangle (not making a new high or low, as the case may be, depending on whether the triangle is within a bearish or bullish formation). Point-7 is the hard smash that concludes the pattern.

In today's case, we have just concluded point-5.

The first day of May marked point-1; mid-May formed point-2; mid-June is point-3; the July peak marks point-4, and, I believe, we have just concluded point-5.

Point #6 would end around 22 and be followed by a significant Dollar smash that will conclude this phase of weakness."

Please note that the technical interpretation reproduced above is unfolding perfectly, so there is no need to revisit the Yen and euro, which patterns are asymmetric to that of the USD (UUP).

Simply, the forecasts made on October 6th are understandably unfolding in those currencies as well, so they will simply be updated in the regular November report.

To reflect the USD interpretation above (basis the UUP), only another .2 is required to satisfy my minimum expectations for what should precede a collapse to the forecasted point-7 low.

Of course, such a Dollar smash would coincide well with a spike upward in the PMs, consistent with the illustrated wave interpretation on the previous page.

Sid Klein