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TURNING POINTS: First One Way, And Then The Other Part 3

October 29, 2013

Summary

The general theme remains: Markets are completing moves that will have given way to reversals of fortune, reflecting the true nature of the respective trends.

DOW JONES

I previously discussed an unorthodox should-head-shoulder pattern wherein the right shoulder is higher than the head; this is not a recognized pattern in technical analysis.

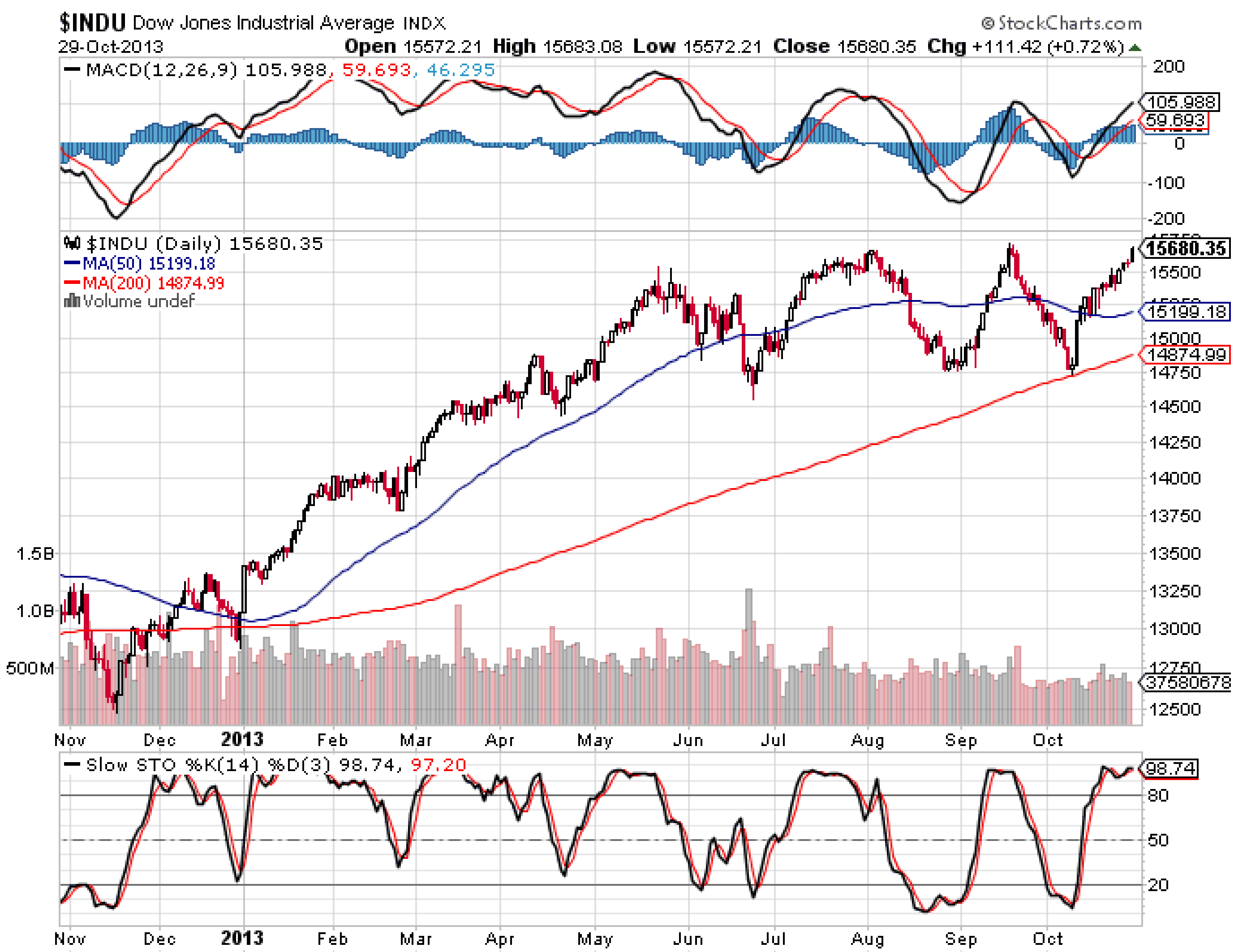
Since the head was at the beginning of August, which means that we are only points away in the Dow from that chart completing a second new high since then, that makes this interpretation still more esoteric. However, its identification is worthwhile.

Consistent with what I have repeatedly witnessed in markets, the major averages achieve similar milestones before completing highs. Therefore, once the S&P made new highs along with the NYSE and NASDAQ (not shown), I assumed that another Dow brain-tease was on the way.

As the Fed meets tomorrow (Wednesday), it would be quite typical for the stock averages to make new highs before reversing lower. The news to explain the latter would be the state of the economy and the recent big hit to consumer sentiment.

The **1-year Dow chart** on this page illustrates the widely followed MACD indicator above the price chart, along with my favourite indicator, the stochastic, beneath it. The chart confirms that we are mere points away from the September nominal all-time (whatever that means to foreign owners of US equities), which will confirm all indices.

It also shows that the October 6 report was precise in its forecast for a final short term low that would stop at the 200-day moving average at 14,700 (red line).



Despite tomorrow's new high in the Dow, the MACD will not attain to the level it reached in September.

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, 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?

According to the following analysis, the time to buy them would be yearend, for which time period of book-closing the market will have held up the averages. The **1-year Dow chart on page-2** illustrates its own expanding triangle: OMINOUS expanding triangle within expanding triangle!

August = point-1; September = point-2; October = point-3; November = point-4? December = point-5?

Does early January mark the countertrend point-6 peak at which one buys deep out of the money 1-year puts? Will the real returns be theoretical, with puts and currency barely worth the paper we get in exchange for them?

Please see the Precious Metals section, to consider the corresponding action there.

What are the correlating fundamentals for the preceding?

Well, I have already given readers the information that The Second Eagle will have commenced the Third World War in challenging the accepted medium of exchange.

The Chinese are establishing a bona fide gold-backed currency. Meanwhile they hold a ton of US debt, much earned by child labour, the product of which will have ended with in default, thanks to the international Mafia commonly known as the Americans.

The largest holder of US debt is the US government (Fed), so they will have defaulted on themselves after having traded their paper for the world's goods and services, thereby living off the backs of the world's people.

Very recently, the Chinese central bank governor wrote of the need for a de-Americanized world in which the Wall Street elite does not increasingly and again plunder the world into a financial mess for its own decadent gain, adding that pointless and self-serving wars cannot be tolerated, with acts of war requiring the blessing of the United Nations.

Who would have thunk it? The goons who are still in the holy land of Tibet emulating the long held position of the Canadian people, until we in the democracy were/are corrupted by the Wall Street-purchased establishment in Ottawa.

In any event, to lay the foundation for the war I describe above, yet another economic theory has emerged. It is based upon the notion that debt need not ever be repaid, with its sustaining power related to tax receipts.

This latest bit of financially horrific crap even trumps their previous invention, Nominal GDP Targeting.

The Americans will have rammed 100 billion dollars worth of arms down India's throat and, along with everything else (above, I touch on key aspects), the Second Eagle is preparing to covertly seize Canada (and Mexico, I strongly suspect), while giving the world the I-don't-need-you middle finger and plunge the planet into its greatest war ever, destroying more lives than anyone could have ever thought.

Buy precious metals, whistle, and only watch specialty stations.

VIX

The **1-Year VIX chart** on the next page illustrates an uptrend channel which the March, August and October lows hit perfectly.

As the VIX necessarily trends in an asymmetrical fashion to equities, note the dangerous divergence. Specifically, new highs in the stock averages did NOT include new lows in the VIX, which, again, has maintained a perfect uptrend.

Please scroll down to page-6.

NIKKEI

1-Year Nikkei chart follows on next page.

July 7, 2013

"By breaking above long term resistance at 14,000, and approaching the critical long term resistance at 17,000 (by hitting what I call "an in-between zone", where everyone is stopped or waiting for what doesn't come), the Nikkei has achieved all that one should expect, and one may again defer to the long term global equity bearishness to which I have always alluded."

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.

SHANGHAI

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

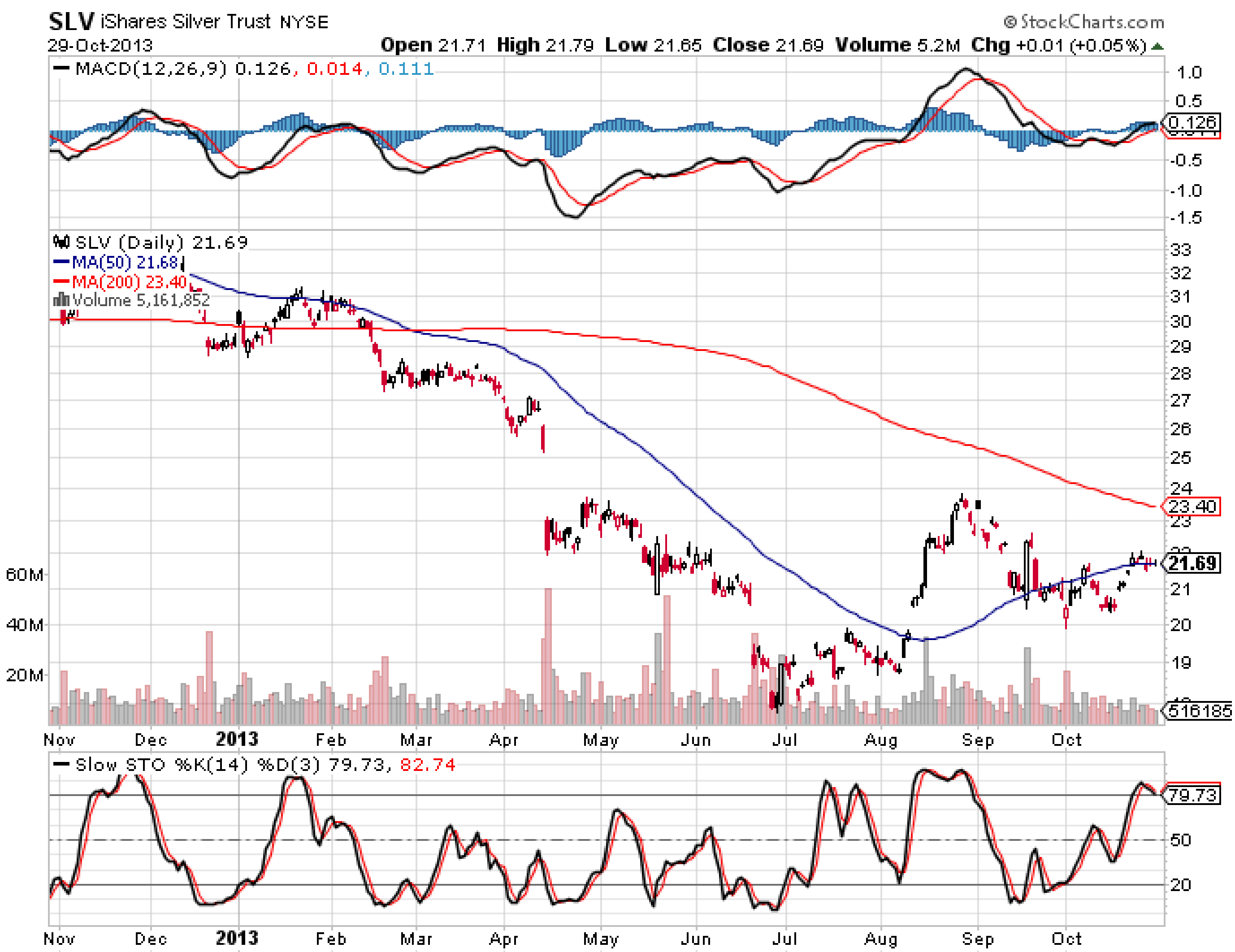
GOLD, SILVER

1-year SLV and GLD charts follow, respectively. In each case, the MACD appears above the price chart, while the slow stochastic appears beneath it. The technical interpretations are the same for each metal.

The views of the precious metals are asymmetric with those concerning equities. Simply, tomorrow could provide new short term lows, with declines of as much as $25 in gold and 50 cents in silver, before reversing higher.

Essentially, I believe that the focus will have shifted from the mindless considerations of money printing, to the economy and, ultimately inflation and, eventually, hyperinflation.

The second paragraph on page-2 says it all. I believe that tomorrow's news may well have created the turning points, described by, "First one way, and then the other."



The next targets for the SLV and GLD are 25.5 and 142, respectively.

CURRENCIES

Concluding this report are the **1-year charts** of the **US Dollar Index Bullish Fund,** the **FXE (Euro ETF),** and the **FXY (Yen ETF),** respectively. In each case, the MACD appears above the price chart, while the slow stochastic appears below it.

October 6, 2013

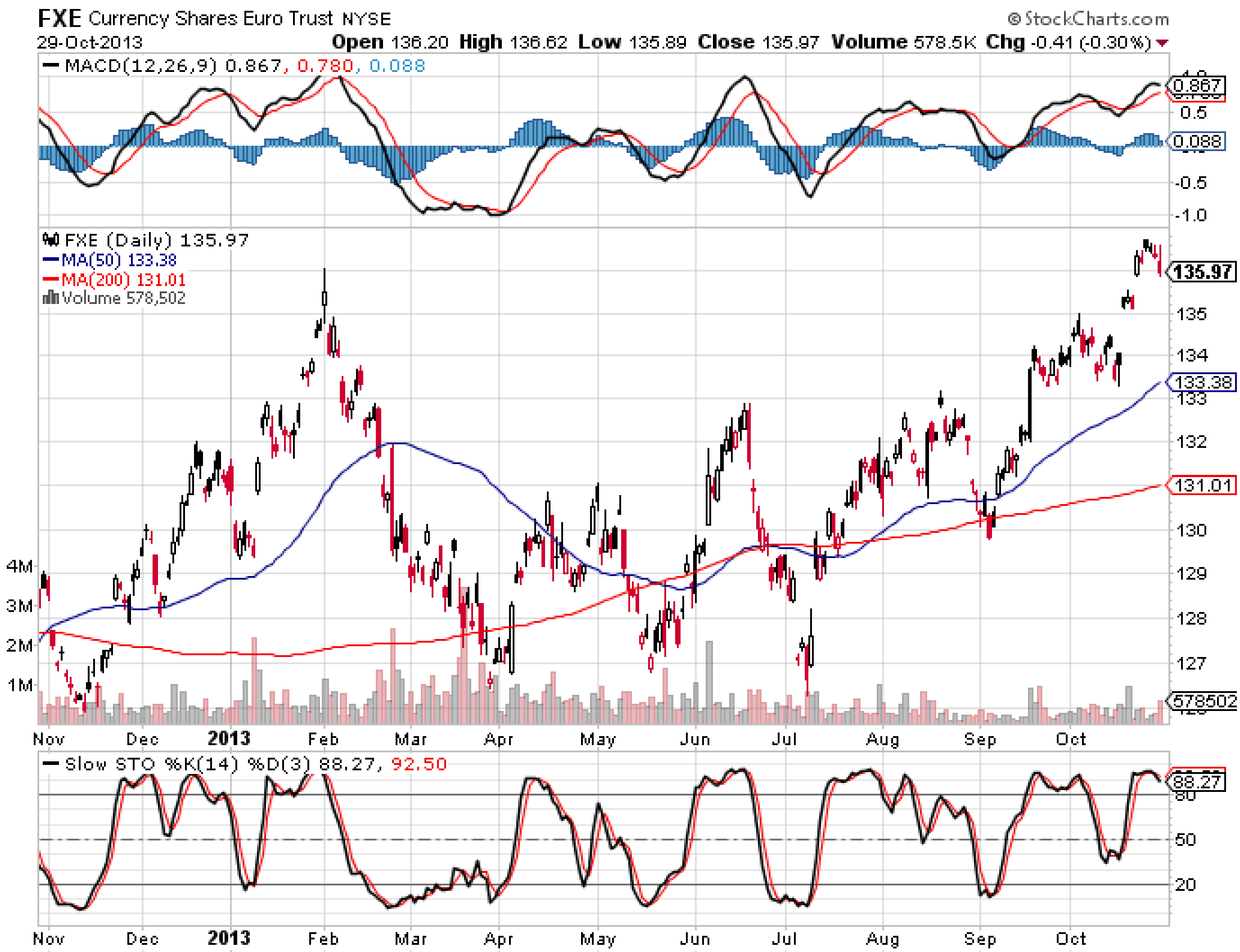
"According to my analysis, the USD is suffering from an expanding triangle, which is a less common and more dangerous technical chart formation."

The only change in my targets from 23 days ago is a slightly lower expectation for a countertrend bounce to no higher than 21.8 (as opposed to 22), before this particular move's trend-concluding smash (point-7).

October 6, 2013

"Note too that this bounce to ~22 may closely coincide time-wise with a rally in the Dow, while the Dollar smash could coincide with something more bearishly serious in stocks."

Concerning the euro on the following page, despite 132 not being achieved (correct directionality, however), the comments following the FXE chart may be described by, "so far so good."



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."

Again, the euro didn't get all the way to 132, though the analysis was correct, justifying that report's conclusion, which included a recommendation to ride my currency wave, as I called it.

Currencies were easily and by far my hottest market for the preceding 12 months, providing huge gains, in identifying cyclical extremes in the major currencies.

Please scroll down to next page for Yen chart.

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 point-7 smash in the Dollar would likely coincide with a nasty whipsaw for traders, who get killed as the Yen would subsequently rally to 105."

I suspect that there is a chance that the forecast above may not have been wrong, so much as merely delayed by a lack of volatility in the Yen; that volatility "migrated" to other currencies, including the euro.

Sid Klein