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PLUNGING GOLD CROUCHING STOCKS

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PLUNGING GOLD CROUCHING STOCKS

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OLD plunged just four days ahead of the ideal weekly scheduled target for a high but the first minimum target of 1910 was reached with gold peaking at \$1,917.90. There are always two planes of activity in markets – **TIME** and **PRICE**. Since both were not met perfectly, this is unlikely the major high long-term. However, the plunge in Gold yesterday with the rally in the stocks, send ripples of confusion through the investment infrastructure. This is largely due to the rhetoric from the Gold Fanatical Camp that constantly claim **ONLY** gold will rise and everything else will collapse into dust. The scenarios that preach do more harm to Gold than good because they turn it into an adversarial contest with just about everything else. When the real Sovereign Debt Crisis explodes, Gold and all private assets will rise. Gold may be the most internationally liquid, but it will not be the exclusive asset. If you search today “*money skirt*” all you get is modern nonsense.

During the Russian Revolution, a woman's **money skirt** was made out of thin gold wire tightly woven and then painted black to appear as normal clothing. It was the favorite method of getting Gold out of Russia. I had seen several come out during the 1980 Gold boom.



This also suggests that the likely outcome is the fact that Gold bounced off of the **NORMAL** resistance barrier rather than the **Phase Transition** target in the 2400-2600 level. Advancing that far too soon into August 2011 would have certainly raised the likelihood of a 3 year decline. Nevertheless, Gold remains in a delicate position because of this flirting with an 11 year high from the 1999 low. That still puts us on notice that a 1 to 3 year reaction to retest support is still possible pushing the final high off to line up with the **Economic Confidence Model** turn in January 2020.05. That implies the next economic **BIG** meltdown begins at the top of this wave 2015.75 as was the case with 2007.15. This possibility has by **NO MEANS** been negated and it would simply buy some time for the **Sovereign Debt Crisis**. This would become a strong likelihood if gold closes lower than last year 1427 at year-end for the last trading day of 2011.

The Yearly cyclical outlook projects turning points in 2012, 2015, 2020 and 2022 with volatility rising in 2017 and 2019 shaping up as a **PANIC CYCLE**. The Directional Change for the market will be 2016. Thus, all indicators are suggesting that the explosive blast-off for gold will come with the turn in the **Economic Confidence Model** 2015.75. When that turns down, things will get wild just as they did once we turned in 2007.15. Therefore, a year-end close **BELOW** 1427 on December 30th will warn that 2012 should provide the reaction low.

Looking at the monthly level indicates that September is still a Directional Change. November will be volatile and January is still a target as is March. Volatility will rise again starting thereafter in April and build into a crazy period for June next year appears to be shaping up as a monthly Panic Cycle. Therefore, any low in 2012 appears to be targeted to the first half.

This is the ideal **QUARTER** for it lines up as the 11th quarter from the 4th quarter low in 2008 suggesting once again we may have a temporary high. However, more importantly we are coming into the 43rd quarter from the 1999 low (5 x 8.6)(measured from the closing). The intraday perspective will make the 1st quarter next year number 43. At the very least, this warns that we are in the staging game phase. This suggests that caution is necessary. If we do accomplish a year-end closing **BELOW** 1427, this would warn we could indeed see this develop into just a 2 year decline, *but that would be measured from the highest yearly closing assuming that would be 2010*. This implies a low early next year would be sufficient. So a lot will be determined by the year-end closing.

None of this would change the broader **Sovereign Debt Crisis**. The only result would be an extension, not a negation of this fundamental. While yes it could be solved in just 30 days, it is going to take a lot more pain before such political change will take place to accomplish that solution. An extension is also implied as we head into the US Presidential elections. There may be always the political spin trying to gain the throne at the expense of the economy. So it is unlikely that any sweeping reforms will actually unfold. The Republicans would NEVER vote for a reform for Obama would get the credit and so they will

stall anything serious. This is always about how two sides jockey for position to further their own self-interest at the expense of the people. So do not expect any **Miracles on 34th Street** this year or next.

The Fed will do the precise **OPPOSITE** of what is needed. They will respond like a panicked driver on ice. Standing on the brakes only makes the car skip, but he can't get it through his head that in trying to stop the car, he is careening out of control. The Fed only looks at this frivolous idea that cheap interest rates will encourage people to borrow. That just NEVER works. Meanwhile, they wipe out the income of the elderly lowering interest rates to near zero so you then destroy the one segment of consumers who buy regardless of the direction of unemployment. Bull markets come ONLY with rising rates as demand for money rises. Lowering rates to insane levels will not help the banks, stimulate the economy as Japan has proven, and like a panicked driver on ice, they just don't get it. So don't worry. Government will ensure it will get worse before it gets better. They have an uncanny knack for such things.

1730 & 1605

The closing yesterday **BELOW** 1780 gave us another day of selling but gold held so far the 1730 number for the close. Gold crashed and burned falling to 1701 flirting dangerously with the critical daily closing support at 1730 and we are not out of the woods just yet. A close below that or perhaps a break **BELOW** 1700 and we are off to test the main critical area of support on a weekly **TIME** level at 1605 and 1612. This is a very tight range. A close below 1605 will warn we do have a correction on a sustainable basis. A closing **ABOVE** 1618 will be neutral and to stabilize gold we need a close for the week **ABOVE** 1685. These are the weekly number to watch for Friday's close. Therefore, if we hold 1685 tomorrow, we can stabilize briefly, and then things start to go nuts the week of September 5th.

CROUCHING DOW

Some people immediately assumed the antagonistic relationship between the Dow and Gold. This is just not true on a long-term basis. When everything comes unglued, both trade together. So yes, the Dow rallied yesterday when gold crashed and burned. But the Dow did not generate any buy signals. Yearly models show 2012 is going to be highly volatile and it is a **Panic Cycle** Year in the Dow. Volatility will rise starting again in 2016 into 2017 and then there will be year another **Panic Cycle** Year due in 2022. It looks like 2013 will be a turning point followed by 2016. So far, the US share market is still not suggesting a Phase Transition ahead in the next few years.

November is a **Panic Cycle** Month and high volatility appears between January and June with July next year shaping up to be a possible **Panic Cycle**. December will be an important target ahead, but this is certainly a **Directional Change** here with August. If August closes **BELOW** 11237, then we should see a retest of support, which is feathered in at 10207, 9914, 8180 initially. The key weekly support lies at 10304 on a closing basis. If that gives way, the a more pronounced decline becomes likely.

There is no indication that the long-term trend is changing. This is simply the stage of readjustment I have been warning about. A more detailed report will be provided concerning Gold, Dow, Dollar and in September world share markets.