

THE POINT OF RECOGNITION: CALAMITY



August 2, 2011

Position traders were advised to stay short, as per this letter's cyclical stance. Now, the market may have hit the "point of recognition", in Elliott terminology. Yesterday, I recommended that near term equity traders lighten their positions, but the point-of-recognition dwarfs any such point.

No technical indicators matter....nothing! It's just a financial tidal wave.

And the translation of that is that the market only sees gloom ahead. The politicians acknowledge tough waters ahead, while there is only long term calamity ahead for anything financially-related anywhere in Europe, outside Switzerland.

Long term buyers have no reason to come in, so the market's collapse (what can't go up, must fall apart).

Everything that was forecast within shooting-distance of the **Dow's** peak (albeit not the very first effort) is coming to pass, as the "1931 peak" (as I have called

it from the 2008 low, through to today) is plainly confirmed for anyone who may still doubted that. Lower lows lie ahead in the 7000 - 8,000 area.

This quarter's target for the **Dow** is 10,600. Given that we may be in a blown crisis right now (in the eye of the storm), we could be there extremely fast, with the lower **Dow** targets perhaps falling upon us in an accelerated fashion as well.

As for **gold**, the oft-forecast comment for this year was that **gold** would explode over 2000, en route to 3300.

We realized that the \$32 area was a low in **silver**, since **silver** completes its corrections all at once, based on the activity of these past 10 years. That kind of market behaviour (a spike directly to the final low area) is the only kind of market activity that "shakes the tree" well enough to dislodge some of the metal from long term investors.

We have hit the point of recognition within the Kondratieff pattern.

The **US currency** has no value, financial institutions are dysfunctional and en route to needing a lobotomy, as equity markets collapse around the world. **Gold** entering a panic phase and, reiterating previous letters, we have hit the directionality story regarding the precious metals and the **Dow**. The principle beneficiary of the change is **silver**, as one might imagine.

While it would be meaningless, the **Dow** could bump up 100 points, but now is the time to be aware that we may be in collapse toward 10,600 right now and not later in the quarter.

The precious metals, well...the sky is the limit.

Sid Klein

LEGAL NOTICE: This market letter is the work product and intellectual property of Mr. Sidney Klein. It arises out of his training and profession as an international expert on financial equities. It is a private correspondence from Mr. Klein to his subscribers. Any person who copies or otherwise disseminates this letter becomes subject to international criminal and/or civil prosecution under the Universal Copyright Convention and the Berne Convention for the Protection of Literary and Artistic Works. Nearly all countries in the world have signed both of these Conventions and have pledged to enforce them through their own legal systems. In addition, Interpol may be called upon to assist in the international enforcement of these Conventions through its processes of arrest and extradition. If you are the *recipient* of a copy of this market letter, whether through the internet or by facsimile, you should immediately report to Mr. Klein the name of the person or entity that sent it to you. Send your email to sidklein@sidklein.com.

DISCLAIMER: This market letter is intended to assist in the dissemination of information to private subscribers. The information contained herein represents Mr. Klein's best efforts in good faith to advance knowledge to his clientele, but there can be no implied guarantee as to its accuracy or completeness. The information is given as of the date appearing on this market letter, and Mr. Klein assumes no obligation to update the information or advise on further developments relating to the information provided herein. No solicitation to buy or sell securities is intended, and none should be inferred. Investments are inherently risky, but investment risk itself is a function of individual preferences. Thus any

opinions, recommendations, or judgments expressed in this market letter are of necessity abstract and general. They must be modified, accepted, or rejected by individual subscriber/investors whose risk averseness cannot be known to Mr. Klein.