

Even More of the Same



May 24, 2009

GLOBAL UPDATE: Continued

EQUITIES

The global rally in asset prices continues in our key equity and precious metals markets.

As forecast, China remains the strongest, while Japan is the next healthiest. New York is the global dog and the most likely to disappoint with respect to initial sell targets. In fact, I warned soon after the global rally began that it seemed that New York may well not make it to anywhere near earliest expectations, but may merely be dragged higher by the other markets' strength.

Recent reports have described overbought indicators as needing to be worked off, even as the advances continue. Having initially identified the lows and then correctly warned of "Acceleration", as per one report's title, this month's SKGS commentary has described the net effect of the overbought indicators within an acceleration phase as one of *stalling* the rallies' accelerations. And nothing more, really.

However, remember, these are equity rallies within massive long term bear markets. A key point and reminder is that Asia is the new world and its

outperformance of the West will become increasingly obvious, as managers try to save their jobs.

Japan, for instance, has broken out of key levels, even as investors remain transfixed on the bad news coming out of that country. Not that the news isn't bad, of course. It's just that in Japan the authorities' options and maneuverability are much greater, given that they they've got all the money. Of course, China isn't short on cash, either.

China's trend and performance has already proven it to be the best market of 2009, as forecast. Not so, with New York, where the fundamentals and financials are both bad. For now, though, global rallies are underway.

PRECIOUS METALS

This includes the precious metals. The gold chart is accelerating in the short term and the pattern is one that will certainly break out, en route to will ultimately have taken the metal to over 3000 in this cycle, on the back of intense Asian demand.

While the upslope is positive for gold, it is in a promising position in the context of the lower highs we see on the longer term chart (not shown). However, and quite predictably, the bigger winner has been and will remain silver, since the end of its correction just over \$9.00. That low marked the end of the decline, which was a correction of the entire advance this decade. Take heed of this.

The correct technical interpretation of the two metals was found in silver, since gold's superior trend and strength masked the fact of a long term correction. Upshot?

The metals are in a massive wave 3 advance, since the corrective waves 2 ended (gold at \$700 and silver at \$9.00).

CONCLUSION

This picture (above) made obvious where asset allocators and hedge players alike should have had their money as of the 4th quarter. As is all too often the case, those seeking to be more conservative have also enjoyed the greater leverage.

And considering what the leverage seekers did to the world as we knew it, this is justice, no?

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