

Nikkei, Dow, Gold **Right, Wrong, Right**



April 3, 2011

NIKKEI

In the heart of the indescribable human tragedy that Japan and the Japanese people were suffering, I wrote a report on March 13, 2011 entitled, "[Japan Will Lead \(The People Who Never Fail\).](#)"

The grace and calm of these amazing people have already proven them to be victorious, effortlessly following the rule of law.

As forecast real-time, the Nikkei did indeed hold near to the panic lows in terms of time (within 2-3 days) and subsequently rallied in such magnitude and at such speed that surpassed anything that even I could have ever imagined in the very darkest moments.

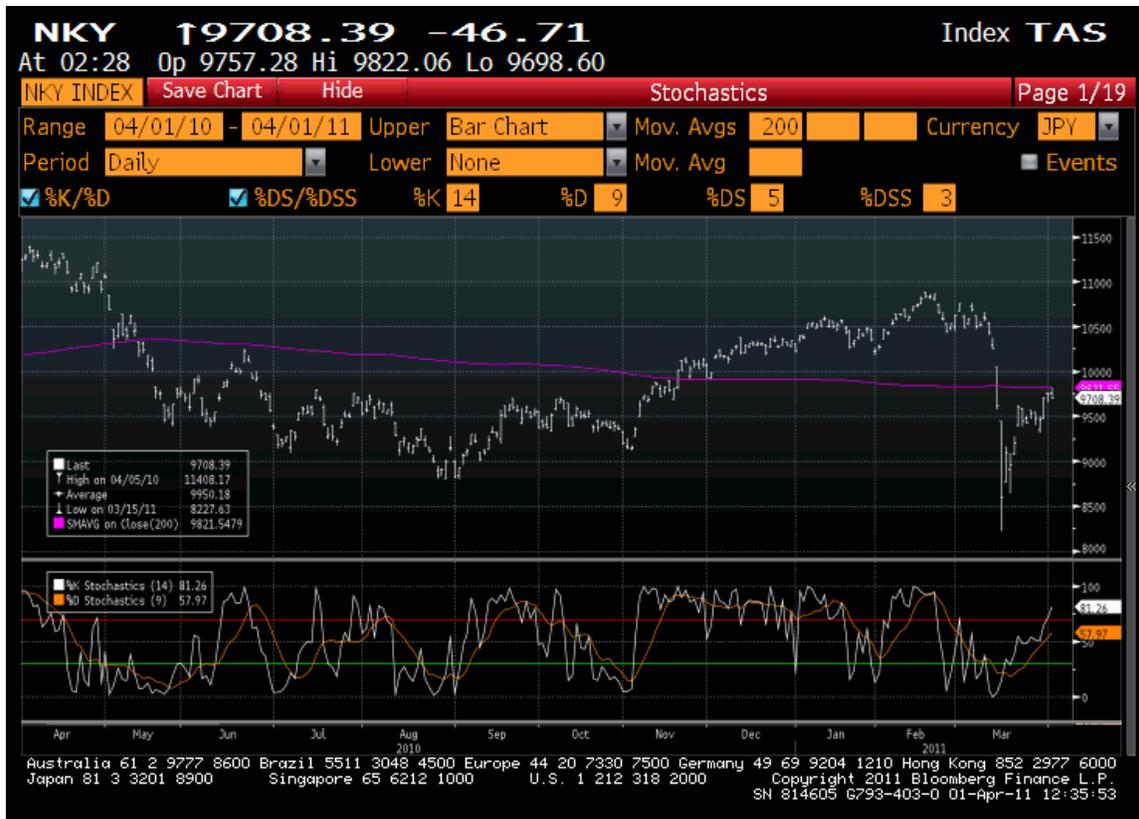
And they were dark. Macabre even.

However, the rally has retraced around 50% and has touched the *200-day moving average (MA). Therefore, I do not believe in the sustainability of this

rally, before testing the lows against a backdrop of bad news rearing its ugly head again.

In anticipation of these ups and downs, while allowing for uncertainty as regards magnitude, my position was and remains a diagonal call spread that benefits from such price action that is described above.

*The **1-year daily Nikkei chart** follows immediately below.



Further Nikkei commentary is contained in the Yen section below.

YEN

The forecasted Yen reversal ([Yen Monetization: The Fair Fight?](#)) has been as dramatic as it has been swift. As the linked article above explained, the Japanese currency would benefit from absolutely essential money creation, to deal with unacceptable and otherwise disastrous effects caused by untenable deficits.

This, I have argued since the summer, will lead to a reversal in the stock market and, in fact very sharply, AT LEAST in terms of global outperformance!

During the 4th-quarter, I plainly stated that it was time to take massive profits in the Yen and I adjusted our asset allocation model accordingly.

Now, the inverse relationship between the Yen and the Japanese stock market has been made evident by this month's activity in the two markets. Of course, while it would have happened anyway, the media will only report on relationships to the recent tragic tsunami....for now, anyway.

The **1-year daily Yen chart** clearly reflects its dramatic reversal, replete with a final flush-out and subsequent breakout over the reverse shoulder-head-shoulder pattern.



March 6, 2011

"As far as targets go, the Yen chart below should easily see 116 by summer." (The 84.26 level on the Dollar/Yen chart above translates into 118.7 on the Yen/Dollar graph that had been referenced in the March report.)

Everything has been bearing out and pointing to what has already been forecast in these pages: **Yen down, domestic Japanese stocks up** (and Nikkei too, though to a lesser extent), **JGBs (10-year bonds) down.**

December 6, 2010

"For 21 years, the exact opposite has been taking place. The US printed money, while the Japanese did not. Now, it is the Japanese who will 'create money.'"

ASSET ALLOCATION

The breakdown remains:

50% gold
25% Swiss Franc
25% US Dollar

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.