

ALERT

Everything Reconfirmed!



November 9, 2012

NEW YORK

Updating the report of 5 days ago:

DOW

The peak is reconfirmed, any possible and short lived bounce notwithstanding. A Monday short-squeeze-engineered rally toward the 13,000 is always *possible*.

VIX

Volatility has bottomed both in the cash market, as well as in the futures contracts.

Coupled with the collapses to 12,000 and 11,500 on the Dow, the gains on puts will have been staggering.

NIKKEI

This index has not even made it to the lower band of my best case upside target zone. Even the last bout of printing could not help the Nikkei go any farther. ([see YEN below.](#))

In the past, I recall identifying major lows while noting how far the Japanese were in their asset purchases, knowing full well that they are very crafty at manipulating or waiting for more affordable prices.

Here too, as in ALL markets, my oft-reiterated forecast of printing-caused sold-to-you rallies has and will have come to pass.

SHANGHAI COMPOSITE

While I forecasted strength into December, I must be open to the opposite scenario.

Instead of massive stimulus to come, smart investors will eventually figure out that the "signal or buzz phrase" in China's case may have been the promise to crack down on corruption.

[The Shanghai Composite may be rolling over to the downside](#), taking its place in this initial phase of the global equity markets' meltdowns.

Since "fighting (major) white collar crime" will have been the game-changer there, these last chunks of printing truly were for a sold-to-you rally.

The printing held the Shanghai up. I now would now cut longs by half, readying to be out altogether. There are juicier markets for disinvestment, since the Shanghai Comp is the index that fell the worst by far, in 2012.

Too many have realized that there's a reason to bet on China, given recent stimulus.

PRECIOUS METALS

As with the summary of the DXY (Dollar Index) below, breakouts do not seem to affect gold as before, confirming previous letters that the old relationships between currencies and gold are breaking down; this change is a casualty of the Currency Wars.

My forecast of co-directionality for gold and the currency is gaining momentum. Yet again, SKGS has been cleanly ahead of the media.

In any event, a possible 1-2 day pause would not break momentum, if it were occur.

CURRENCIES

Yen: The Bank of Japan may print more, when they want to purchase more stock.

That sounds like the cart before the horse, but the Japanese are great long term planners, at equity manipulation to achieve not-evident financial purposes (see NIKKEI above). A decade ago, it was about bank stock purchases.

Euro Trust: Precise top was identified in 130-131 zone. The peak was 130.51. Trends are down, with an intermediate term target of under 119. So, no change.

DXY: Breakouts do not seem to affect gold as before, confirming previous letters that the old relationships to other currencies and gold are breaking down.

CONCLUSION

The contagion has spread: US, Europe, Japan, China - it's ALL bad.

Next week could be a hum dinger for November option expiries.

[ALL major markets have rolled over....down.](#)

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