

German Court & Last Shock Before Final Top: You've Been Warned



September 10, 2012

Before moving to new highs, I felt that the Dow did indeed have a month longer left in it than initially thought and, with the move to "new highs" in equities in the short term, I am more convinced than ever that the equity indices are on their very last legs.

August 5, 2012

"Therefore, under this scenario, there would be no issue (for precious metals) regarding directional performance during Dow declines. This conclusion is based on the printing discussed today, coupled with the continued advance of the Dow.

"Printing assures outperformance, while a Dow advance provides a positive trend for gold and silver prices, even if co-directionality is the best for which the metals can hope.

"For good measure, the peak or peaking process in bonds is a major underpinning for *gold and silver* investors. US and German bonds reflect the most crowded trades in the world, and when these themes collapse, where can the money go?

"The global wealth decimation will be of EPIC proportions, and will come with shocking speed that will bring back the memories of 1987 horror, which was far worse than the ugly memories of 2008, which is about as far back as most investors' memories go."

So, at the same time that I forecast a 1-month delay in the final peak, my strong sense was that we were looking at the end of the road for the precious metals bears.

"The GVZ (gold volatility index) chart is at 3-year low levels, while the GLD is at neckline support and trading above an apex that would typically suggest an imminent explosion. Bears beware!"

July 1, 2012

"Support is at 26.25, with 26.00 also fine. The market could be stunned to discover how quickly the SLV rallies to \$39."



Of course, the chart above is from the July 1 issue....and there have indeed been eruptions in the precious metals since then.

At writing and as we head into the German constitutional court ruling, the Dow is trading at 13,300. European indices are at cloud level too.

The court's ruling will be a constitutional rejection and markets everywhere will go into temporary shock. Or the BEST CASE scenario is that their ruling applies conditions and limitations to future activities, perhaps those that would require a referendum anyway.

Whether it's the worst (flat out rejection) or best case scenario, the market will look ahead to the disintegration of the eurozone and euro in January, and, to prevent an immediate meltdown, the US Fed will immediately announce QE3 this week, something that may have otherwise been held off until December.

(A referendum will also kill the whole deal because the German people want out.)

Due to the extreme recent run-up in the PMs, there could be a selloff on the news of the court ruling, followed by a reversal higher after the Fed's actions. Or the market takes off because of currency fear. (Technical analysis is the better guide.)

Either way, gold and silver have appointments with much higher prices, as do the equity markets with oblivion.

Since I am convinced that I am writing another historic market turning points report in multiple asset classes,....

This may be good time to renew the invitation to visit the new site, <http://www.sidklein.com/investment.html>, to review commentary and charts of past major global market turning points.

Again: do you want to bet that this time I'm wrong?

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