

Unrelenting: Of Blow-offs and Flush-outs



May 15, 2013

DOW JONES, PRECIOUS METALS

There is but one saving grace for me in being wrong for a long while, and it is that it greatly increases the likelihood that I will be very right for an extended period of time.

I base this on the past experience of such symmetry, when a period of being off on the market in question was far less than today, and, today the topic is my old friends the precious metals and the Dow, each of which has gone from friend to out-and-out nemesis. Mea culpa.

At the bottom of this interim report, please find the **1-year daily charts of the Dow, the GLD and the SLV**, respectively (the slow stochastic appears beneath each chart).

In the case of the Dow, we see an unrelenting advance of that sort that I have experienced before all bull market-concluding parabolic blow-offs. (To be clear, such an advance is consistent with a parabolic conclusion that violently reverses; however, it does not suggest that a parabolic conclusion is mandatory to conclude the pattern.)

Over the past quarter-century, Tokyo, New York, Shanghai, silver, you name it, the phenomenon is the same: the end, replete with parabolic conclusion or not, includes an unrelenting advance which corrections become ever-smaller and smaller.

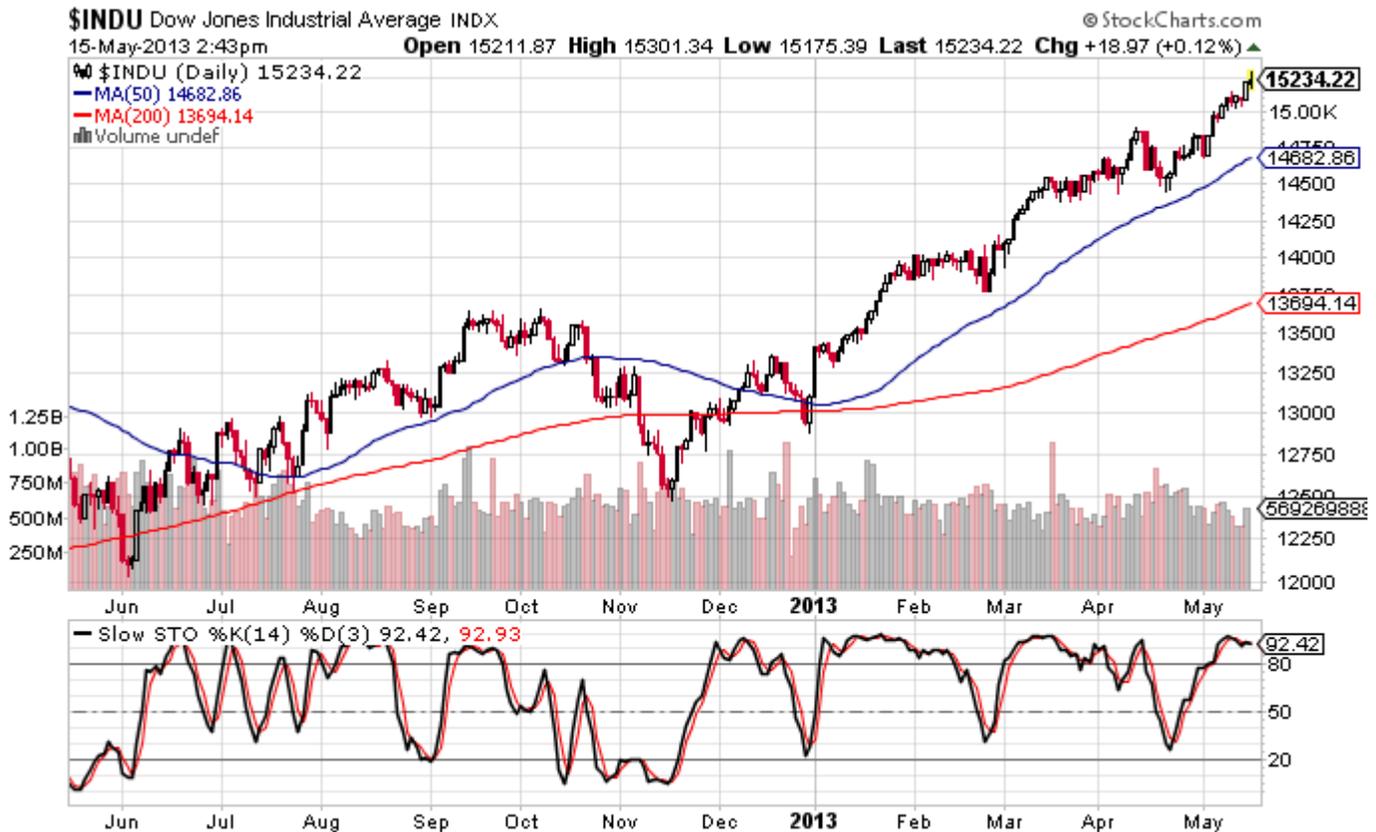
Conversely, the end of a bear phase can conclude a seemingly endless drubbing (i.e. - silver), which includes ever-smaller upward corrections, with a flush-out.

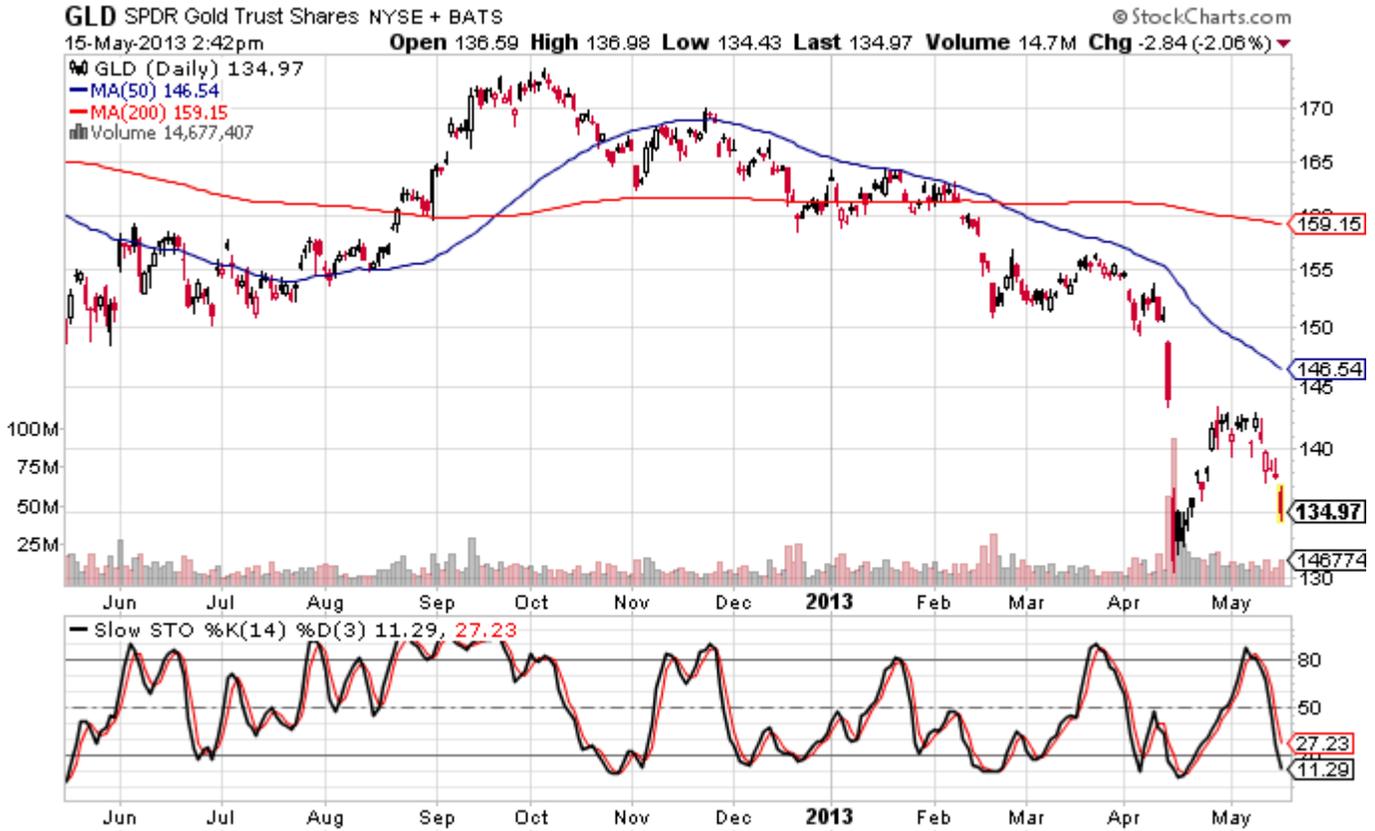
The reason for and purpose of smaller corrections within long trends is that it creates an exasperated and capitulatory psychology to not fight the trend but, rather, to finally relent: if you can't beat 'em, join 'em.

It is these last 7 words that lend themselves to the phenomena of parabolas and flush-outs.

Either way, the trends have lasted longer than thought because I misread where we were in the intermediate term cycles and, as they have aged this far, the phases for blow-offs and downside capitulations (equities and PMs, respectively) appears to be near.

So, hang on. We are witnessing history.





Sid Klein

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