Sid Klein Global Strategy
1001 BOUL. DE MAISONNEUVE O., BUREAU 950, MONTREAL, CANADA H3A 3C8 TEL: (514) 939-2221 FAX: (309) 417-0942
e-mail: sidklein@sidklein.com
www.sidklein.com

ALERT

Perfect Dow Peak Confirmed!

November 4, 2012

NEW YORK

Today, we start with the increasingly crucial technicals.

The August 5, 2012 excerpt immediately below explains the chart beneath it.

August 5, 2012

"The following 5-yearchartoftheDowJones labels the 3 major moves up since the 2009 low. Each move is subdivided by 5 waves, as indicated below. To emulate the previous two moves, there would need to be a final thrust higher into the end of the 4th quarter to complete the 3rd wave.

"NOTE: The labeling below does not reflect the rules of the Elliott Wave and is merely intended to illustrate the pattern since 2009 and how this move would end if consistent."

"The end of the year will then mark a global calamity of epicproportions, as countries exit the eurozone, an eventuality upon which this forecast is NOT dependent. There are "fiscal cliffs", Dollar-related earnings miseries for the US multi-nationals, etc."

Once again, the chart is updated, only, this time, with a small yet significant trend break (more visible on shorter term charts), which portends an initial decline to ~12,000, en route to a lower level ~500 points lower than the initial bottom, soon.

Friday's rally to just under 12,300 completed Wave-2 and is set now for a collapse, with a Dollar breakout spurring it on (see DOLLAR).

October 7, 2012

"The EFA is a Morgan Stanley index that is designed to track the world, ex-US. It is heavily weighted to Europe, though Japan does comprise 20% of the index (see NIKKEI).

"The 3-year EFA chart below illustrates a long term shoulder-head-shoulder pattern, and it may be a better initial foray into shorting world markets than the U.S."

This week, we look at a 1-year EFA chart, using the same horizontal line employed in last week's 3-year chart; I see Wave-2 as completing within a descending triangle:

Any would-be pop-up in the EFA should be shorted.

A rally subsequent to the low would come after a very negative event, causing Draghi to start up his by-and-large thus-far-only-threatened printing press.

Again regarding the Dow, when Bernanke announced QE infinity, all three guests on CNBC at the end of that Friday proclaimed that one should not fight the Fed and that one should just go along with the short term rally, regardless the bad ending that they were simultaneously forecasting.

Such reporting on the day of the PEAK aided the sold-to-you rally - as did the non-printing, which is being held back in wait, for the completions of the here-projected downside targets. Folks keep waiting for printing; same as waiting for 11,600.

I had replied that the Americans want the Europeans to print first, just as the Japanese have wanted to print after everyone else.

Both Draghi's and Bernake's major statements did not lead to the promised printing, but the threat of the printing presses has been enough to drive markets upward toward their final peaks. So,...

The reason why to get mandates to print, and not do so, relates to letting the other guy go first (to help in winning the currency wars by printing last).

However, there exists another reason: To reiterate, it created the sold-to-you rallies by the ruling class and others, to the public (with TV behind them), which, in retrospect, accelerated around the time of my forecast/analysis (I subsequently added that the spike in mutual fund selling was not a contrary indicator anymore but, rather, a leading one, due to their interests in and involvement with the mutual fund industry):

September 15, 2012

"As forecast and described so often in these pages, this rally (in the stock market) will have taken place on the back of global printing which, once commenced, will have created the 'sold-to-you-rally.'

"Long term money, smart money, will have sold through this rally. The "underweight" investors will have created a quarter-ending influx of funds, to which smart long term manipulators and ruling class investors will have distributed stock."

Last month, I reminded that my ideal maximum Dow peak of 13,750 may have been satisfied with the top at 13,656. Now, I am saying that Friday's level just under 13,300 marked the end of the countertrend rally, with levels at ~12,000 and ~11,500 below, perhaps fast.

No matter, the "QE Peak" (13,650) 100 points beneath my idealized maximum allowable level will not be broken, as I believe that I am again identifying a major turningpointinNewYork and, I suspect, themostimportantsummitever.

Conclusion

This Dow summary is derived from the CURRENCY and PRECIOUS METALS conclusions later in this report.

If the alternate scenario for the precious metals were to transpire, then such a time-based corrective phase for the metals would (with little or no net additional depreciation), in all likelihood, coincide with either a Dow pause bottom around ~12,000, or the final low for this initial decline at ~11,500.

As well, the hereunder-projected euro (FXE) descent to 119 will consistently be slightly ahead, throughout the Dow decline, to either the higher, or lower, of the projected Dow targets at ~12,000 or ~11,500.

The Dow Jones has recommenced its secular bear market, with the initial decline ending soon, which is within a disastrous period through February, followed by an approximate retest for quarter end ~March 31, 2013.

Regarding the phase following this initial decline, I reiterate my projection for a Dow 8850 level.

TLT

Pursuant to the above, in a Seeking Alpha article which was sent to readers as an interim report, I updated the monthly October letter:

October 16, 2012

"The present smash in...(TLT) (1-year chart: TLT Barclay's 20-year U.S. Bond Trust) should be over by Monday, with the TLT in the 120 area."

Pursuant to the preceding sentence, on October 18, the TLT hit its low for this move just under 120.

Conclusion

SKGS identified the perfect peak, as well as its ensuing low, which concluded the initial smash.

Now, there is resistance at ~124.20, if it can even get there, en route to a possible yearend debacle to 108, as BOTH stocks and bonds are taken out back and shot.

VIX

In a relatively short span, the VIX can rally into the 32 - 40 zone. Coupled with my Dow price targets, staggeringlyhigheroptionpricespossiblylieaheadbeforeyearend.

NIKKEI

Updating below, I see Nikkei resistance ~9300. This month's summary is otherwise unchanged.

October 7, 2012

"The rally has indeed occurred, leaving a corrective Elliott a-b-c pattern in its wake, suggesting that the decline may resume.

"However, my suspicion is that the Nikkei will rally to the upper trend-line of the 5-year chart below. The Nikkei would do so on the strength of BoJ printing, thereby creating another international "sold-to-you rally.

"In the global calamity of 2013, the Nikkei could smash to 5750 (as it tends to overshoot), upon breaking the 2008 bottom."

SHANGHAI

Updating below, I see the Shanghai Composite's resistance much closer to 2300 than 2600. Therefore, this month's summary is mostly unchanged from last month.

October 7, 2012

"As with the Nikkei, any bull move is related to currency and monetary policy manipulation.

"I believe that this low in Shanghai is coinciding with the change in leadership. I may even be underestimating the probabilities of the China-related indices' strength in terms of price; such underestimation perhaps extend the rally's duration into January.

"However, I will stick to a mid-December peak, with gains bound by 30 percent from bottom-to-top."

1-Year Shanghai

SILVER

I reprint the October 7 excerpt below, since this spike fits the description of what was forecast and should conclude Monday morning. Admittedly, I thought that the correction had ended ~31.70.

October 7, 2012

"The acceleration pattern repeatedly forecast in these pages and special reports is unfolding now, including a quick shakeout within it, as per the 1-year SLV Elliott Wave-annotated chart immediately below.

"The interpretation is a down and dirty violent shakeout that rids the market of late-coming retailers, followed by a streaking pattern that technicians don't understand since the Waves are obscured by the pattern's speed."

If I were in fact early, then it would be because of a scenario wherein the Dow collapse has begun in earnest, with the effect of pushing out the acceleration higher from rising silver lows into January - February.

Either way, at least a countertrend rally should begin shortly and, in considering why scenario #1 ought to prevail...

1. (Technically) - After Friday's close, on its weekly currency-focused show, CNBC switched the chap who was early with a bullish gold forecast the week before,

and replaced him with someone looking for 1200 on his charts (yep, THAT forecast again).

2. (Fundamentally) - We are also being revisited by the concern about pricing silver as an industrial metal during an economy-led stock market pullback.

3. (Sentiment) - Finally, I just offered an alternate scenario.

July 1, 2012

"The market could be stunned to discover how quickly the SLV rallies to $39."

The preceding remains the preferred interpretation, notwithstanding the alternate scenario on page-8.

GOLD

The 1-year gold volatility chart (GVZ) has reversed up sharply, amid this most recent spike decline. The GVZ generally trends with gold in the same direction, while first reversing higher when the metal flushes out.

After testing ridiculous levels, the GVZ has reversed sharply to the upside.

October 7, 2012

"As regards this metal's corresponding flush-out, gold could take a dirty $45 hit to get the talking heads going, and panic-out from the GLD those late-coming retailers who will have listened to them."

At critical support, the GLD's flush-out should be complete Monday, essentially mirroring the SLV's condition (discussed above).

CURRENCIES

Yen

Activity in Japanese markets indicate that their bazooka nears, as SKGS reports have often (admittedly) expressed in these pages.

October 7, 2012

"I reiterate my view that the 1-year FXY (Yen ETF) chart on page 11 could be crushed to 113.

"As often reported recently, the Japanese have no choice but to keep pace with their fellow central bankers in the printing game, due to deficits and the self-enlightened

interest of minimizing the edge that the Europeans have been enjoying with a weakening Euro."

"...where the ever-mysterious Japanese are concerned, they always do what they say, only well after they have made the intentions known. Then, westerners completely lose track and get fooled yet again."

Euro

October 7, 2012

"...In such a scenario, the Euro would collapse to under the recent lows at 120, but by a smidgen, and just enough to eradicate the bulls.

"The (bearish) news would be a re-visitation of old sorrows and the previous psychological reactions to them.

"Then, as per already existent plans in the drawer, Greece (at the minimum) will be dropped, prompting an eruption in the currency to 140."

October 16, 2012

"...hence a final push to the 130-131 area to get rid of the fickle traders."

Since the latter sentence, the FXE rallied to 130.50 the very next day, subsequently reversing to 127.44.

Having identified the perfect peak, I am emboldened in my view that the FXE will test a new low at ~119, with good support for a bounce from ~125.50 to which we are presently en route.

My conclusion (at the peak) is gaining recognition in the world of forecasters.

Conclusion

The here-projected FXE descent to 119 should be coincident with a Dow decline to either the higher or lower of the projected Dow targets at ~12,000 and ~11,500, to conclude the initial equity decline, in the latter's just recommenced secular bear market.

1-year Eurotrust chart:

Dollar

October 7, 2012

"Beware of old relationships between the Dollar and the precious metals, if not the commodities in general (note this week's smash, ex the PMs). With the advent of eternal QE, the relationships to gold and silver mean as little as the paper."

October 16, 2012

"Based on this article's views on the yen and euro, the DXY should complete this correction above 78, before a new leg toward 84."

I have explained the effect of the discounting of massive repatriation of US multi-national profits, which would only have an accelerated timetable under Romney.

This currency forecast is also gaining momentum, with my sole and obvious addition: There's big cause for pause at 82, but my previous (article) case for 85+ is presently intact.

Sid Klein

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.