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TURNING POINTS!

February 7, 2006

Nikkei: 16,720.99
*April 2003 low: 7,603.76

*- See March 31, May 3, & May 30, 2003 reports linked on homepage.

JAPAN:

Real Estate:

From the February 5, 2005 report:

"…there is a development at this time that one would be unwise to ignore.

"In typically practical, sound and intelligent Japanese planning, elderly Japanese are being supported by the government in any effort to rent condominiums in metropolitan areas, while leasing out their own homes."

"This is good news for condo developers and property management firms. This action is swift, determined, and presents a clear opportunity for investment into still-undervalued issues, who maintain condo properties in metropolitan areas."

The stock of a major condo player in the Tokyo area is up **19%,** since the above was published two days ago. Coincidence?

NEW YORK:

The following says it all!

TECHNICAL:

From the December 21, 2005 special yearend report:

"I reported earlier this month that only minor sub-divisions remained in the Dow, with a peak possibility of 11,200 during the first two weeks of the New Year."

And from the conclusion of the Dec. 4, 2005 letter (which was re-printed in the December 21, 2005 yearend report):

"As was the case at the end of 1999, by completing some minor pattern sub-divisions that could conclude around 11,200, the Dow is peaking in time for early January, against a backdrop of a number of fundamental and technical divergences. 8000 on the Index is a real possibility for the first quarter, en route to 6500 in 2006."

Most recently, from, the January 9, 2005 interim report:

"Almost six years later to the day, with the above-referenced sub-divisions to just under 11,200 complete, for all intents and purposes, the worst possible long term momentum divergence is now in place."

NIKKEI/DOW RATIO:

The February report noted that the Nikkei/Dow ratio has soared 50% from its low, and that this has staggering global asset reallocation implications. However, this relationship has peaked. The upshot is that world markets are about to decline badly, led by the Nikkei, which is where the froth of US markets has been expressed, as foreign investors piled into the Japanese big-caps, out of fear of the terrible US valuations and fundamentals.

The following is a one-year daily Nikkei/Dow ratio chart, courtesy of Bloomberg. From its low last May, this particular move, in Elliott Wave terms, peaked at the end of June. By this interpretation, a fifth-wave extension in wave three concluded at the end of the year, with the final and fifth wave being put in now, from last month's bottom.

The following chart is a weekly seven-year version of the same relationship.

Here, we can see why a move to 1.35, or so, from 1.55, would mean nothing. However, such a correction would spell bad news for world markets, as US investors would be still more inclined to dump their US shares, as their lone solace, Japanese big-cap shares, no longer soothe them.

Look at the beautiful bowling and breakout formation, while noting at the same time the extended nature of the move, as well as and the resistance it is now coming up against.

This chart (immediately below), is followed by a monthly version that goes back to 1989. There, we see that the relationship between the two indices was as high as 14! Compared to that, 1.55 is no big deal. Therefore, more than reflecting the extended intermediate term nature of the present move, the purpose of the seven-year weekly chart and its characteristics that are mentioned in the preceding paragraph, is to illustrate that a new secular bull market has begun, one which has many years and thousands of Nikkei points to go.

The bottom line, as so often forecast this decade, is that we will have the mirror image of the 1990's. In other words, the Dow will be making lower highs and lows, while the Nikkei will be making higher highs and lows. This is the true and simple interpretation and explanation of these charts.

<HELP> for explanation.
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NKY Index /INDU Index 1.5555
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2000
2001
2002
2003
2004
2005
2006
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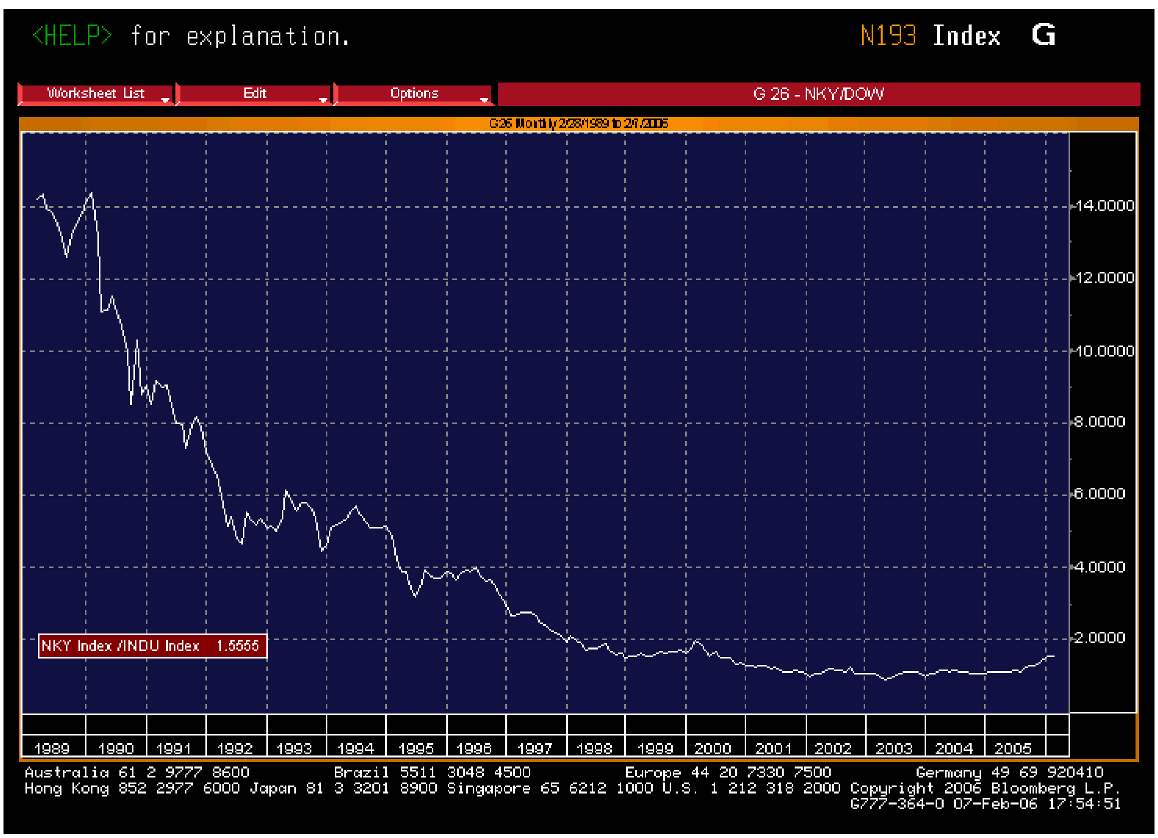

<HELP> for explanation.
N193 Index G
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2.0000
NKY Index /INDU Index 1.5555
1989
1990
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Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410
Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2006 Bloomberg L.P.
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GOLD & DOLLAR:

From two days ago:

"Since gold broke out of a contracting triangle above $440, a wave three of three for this move is completing, which should result in the entire move's completion in the $600 area, by quarter-end. Meanwhile, due to momentum, a wave wave-four correction should be contained by $540."

For four years, SKC has been globally unsurpassed in the targeting of the price of gold (please click: **Gold excerpts summary**). The above excerpt identified a peaking in wave three of three of this move and, sure enough, the metal took it on the chin today, falling over $20 an ounce, into the upper $440's area! I reiterate that this move should be contained by $440, within the context of the above blue-highlighted excerpt, of this past weekend's February report.

Super Bowl: Two days ago, this month's report wondered:

"Is it still a truism that if the AFC wins, the market is in for a bad year? If so, is Vegas calling for a bear market, or does the 4-point spread reflect concern over my prognosis for Dow 6,500 this year?"

Well, the game could not have been a more bearish indicator, for the year to come. With everyone talking about the non-offensive pass interference that was penalized in the Pittsburgh end zone, the final killer and real was the non-existent holding call that Seattle got nailed for. As opposed to being at the Pittsburgh 2-yard line and ready to take a 3-point lead, the Hawks suffered a 14-point turnaround, as the Steelers scored themselves. Pittsburgh can't play from behind and a visibly superior team lost the Super Bowl to the refs, whose performance was the worst ever in the history of the Super Bowl.

Pittsburgh was favoured by what Seattle should have been favoured by, I believe, and the result of this sham is this: The fix is now in against the bulls. The refs are mightier than the Fed, going forward. The fix has been in against the bears for two full years, when economic indicators turned bearish and the Dow peaked in foreign currency terms. By the way, for good measure, the Steelers just tied "America's Team" for the number of all-time Super Bowls victories.

The bull is firmly in the Bear's jaw to stay, as the NFL's referees have taken over the business of putting in the fix, from the Fed. The fix now points the other way.

Sid Klein

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