

THE LONGWAVE ECONOMIC AND FINANCIAL CYCLE IAN'S INVESTMENT INSIGHTS



As I had previously anticipated, The HUI Gold BUGs Index looked bullish and on Friday, September 2nd it closed the week at a new all time high of 618 points having decisively broken through the double top of 609 points.

This is very bullish and as I opined in an earlier 'Insights' the next target could be 650 points. The MACDI has confirmed the breakout and has considerable room to move before it reaches an oversold level. There may be a pause in the upwards movement in prices waiting for the top Bollinger band to move higher, because the current weekly closing price is abutting that top band.

HUI GOLD BUGS INDEX-Weekly Chart. Closing level at 618 points – Friday September 2, 2011

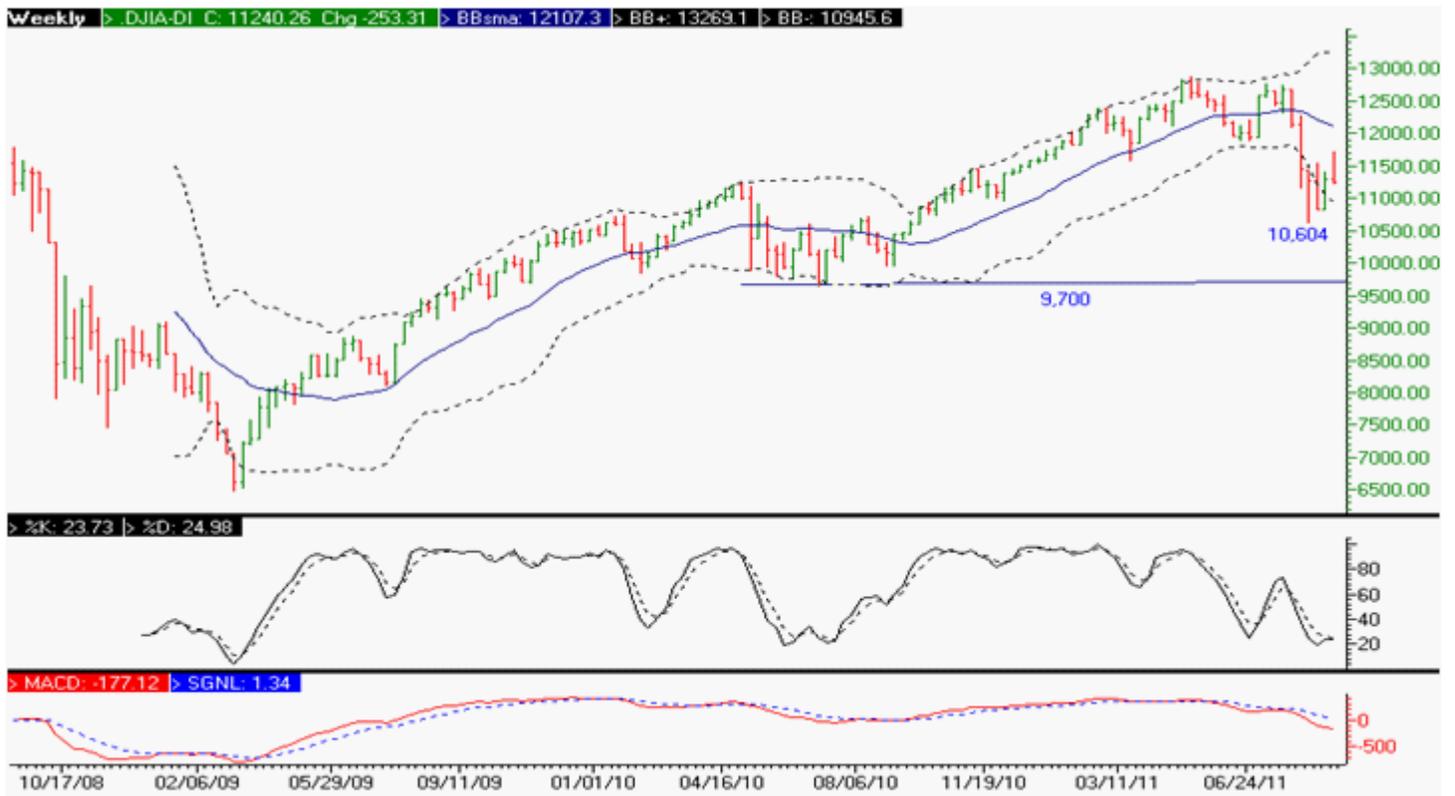


Meanwhile, the general stock market, as measured by the Dow Jones Industrial Average, appears to be beginning a new leg down. The closing level on Friday, September 2nd. of 11,240 points was 44 points below the previous week's close, while the high of last week was above the high of the previous week. This of course denotes a key point reversal to the downside and as you know I place great store in key point reversals. The next level of support on the downside is the August low of 10,604 and if that is broken there appears to be support around the 9,700 point level.

I have shown you the monthly chart of the DJIA in a previous 'Insights,' but I'd like to remind you that on that chart there was a key point reversal to the downside in May this year and the MACDI has just given a sell signal. The first level of support on the monthly chart is 9,700. Below that level there doesn't appear to be any support until the March 2009 low of 6,470 points.

I have just read Robert Prechter's latest issue of the Elliott Wave Theorist. He makes a compelling case for a cataclysmic drop in stock prices right now and continuing initially into 2012, which is the year that I believe we will see an important bottom in equity prices, perhaps Wave 3 down. Why 2012? Well, it is 80 years beyond 1932, which was the bottom of the third winter bear market, when the Dow hit 41 points; and it is 30 years beyond the 1982 bottom in stock prices, the summer stock price bottom, which heralded the great autumn stock bull market (Dow 777 points in August 1982 to 11,750 points in January 2000). These anniversaries suggest an important bottom will be reached sometime in 2012, perhaps in September.

Dow Jones Industrial Average, Weekly Chart, closing at 11,240 points on September 2, 2011



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