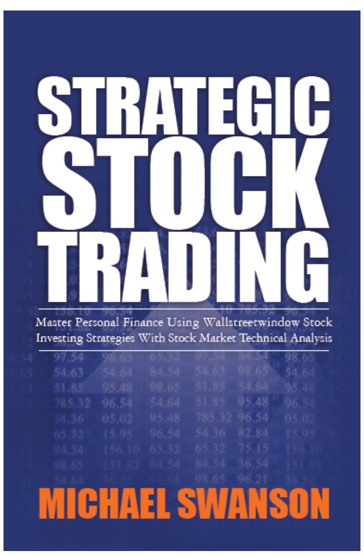
WallStreetWindow Monthly

Stock Market Barometer

Quote of the month:

"the United States can pay any debt it has because we can always print money to do that. So there is zero probability of default" - Alan Greenspan



The Most Influential Financial Newsletter Read By Over 500 Hedge Fund Managers and Thousands of Elite Investors ~ September 1, 2011

Stock Market Projection for Next 12 Months—Mike Swanson

One of the main reasons I write this monthly newsletter is so we can concentrate together on the big trends of the stock market. In this sound bite news age it is so easy to get caught up in the news story of the hour and miss the really large trends that mean the most when it comes to investing and even trading in the stock market. Too many focus on the daily market fluctuations and don't pay attention to the big things we do.

This is why back in the July issue I basically said that I was having a very difficult time finding ANY stocks that I'd want to invest in and thought at the position the market was in people would be best off not to invest in the stock market at all. For someone writing a stock market newsletter and running an advisory service that wasn't a popular thing to say to say the least. People are paying me money to give them stock picks so when I tell them to stay away from the market it doesn't make sense to some of them.

I'm glad I did though. I had no idea that August would be such a wild month for the stock market. I didn't know that we'd see the DOW fall 1,000 points in three days and then flop around like a fish out of water. But that's what happened.

Will that DOW fish be able to jump back in the pond and come back to life?

That's the question that

really matters now.

Personally I'm not as bearish on the market as some people are now, but I'm not that excited about it again either.

We saw a big dump in the market and I think we've probably seen the low of the year at this point. The idea of a stock market crash seems pretty far-fetched to me.

The reason why is that since the big drop in early August investor sentiment has gotten more bearish on the market. As the market has held up and based people have actually gotten more skeptical and worried about the stock market. According to the Investors Intelligence survey the number of people saying they are bullish on the market is 40.9% while the number of bears is at 36.6%. That's a nice swing in the bears from 23.7% two weeks ago.

This is important and a good thing from a contrarian standpoint. You know you want to buy when people are scared and sell when people are wildly optimistic. Think back to the summer of last year. Back then we saw the May flash crash and then the market went sideways until the end of August. Sentiment grew more and more bearish and once the number of bears became larger than the number of bulls the market took off and rallied for the rest of the year.

Something similar appears to be in the cards.

In my view we're likely to see the market dip one more time or at least go sideways more for a few more weeks to build a base and then start a big rally towards the end of the month that will bring more bullish action for the rest of the year.

One thing traders are going to position themselves for this month is the September 21st Federal Reserve meeting. It was going to be a one day meeting, but last week in a speech at Jackson Hole Fed Chairman Ben Bernanke said that he was going to make it a two day meeting so that the members of the committee could discuss in detail methods to try to stimulate the economy and stock market. This has prompted widespread speculation that the Fed may announce at this meeting plans for another round of quantitative easing in all but name.

On Tuesday Chicago Fed President told CNBC that "We need to do more." Minutes released from the last Fed board meeting showed that several board members want to see further money pumping.

Of course that helped fuel last year's stock market rally and an explosion in oil and gold prices, the latter which is still continuing to this day.

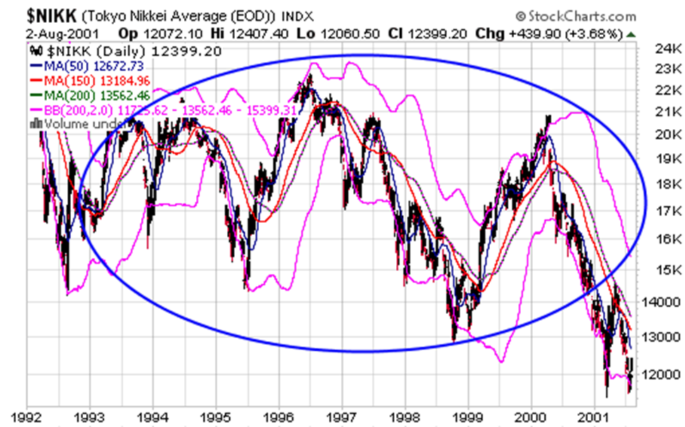
So any talk and hope of more money printing gets bulls excited about this market. And it's probably going to come.

I wouldn't call this a bull market though.

First of all I define a bull market as a market in which the long-term 150 and 200-day moving averages are rising and acting as support. With the August breakdown in the market this is no longer happening.

What is more the bull market of the past three years has been a CYCLICAL bull market within a SECULAR bear market.

When a bull market within a 10+ year long bear market ends you often get a long-drawn out sideways market that can last for years. For example this happened for years on end during the 1970's and happened over and over again in Japan during the 1990's and 2000's.



This is a chart of the Japanese Nikkei during the middle of its secular bear market in the 1990's. You can see that it spend eight years going sideways, basically going nowhere with several cyclical bull markets.

This type of action is typical for a secular bear market which we've been in since 2000. It happens over and over again and you can see it on charts of the DOW in the 1970's, 1940's, 1930's and in the 1910's.

It seems to be the same type of action we are headed for now.

So in sum I believe the bearish sentiment means that the stock market is not going to collapse here and that the tailwinds favor the bulls for the rest of this year. One could buy on the next dip or after some sideways action for a year-end rally. I plan on doing that and having some specific ideas for Power Investor members.

However, the fact that we are in a cyclical bull market that has already gone on for three years and is weakened now by this month's action – not to mention even worse action in European markets, bad economic data, and on and on – means that its long-term upside potential is very limited.

In the next six months I think the market has a good chance to rally back up to what is now long-term resistance at its upper 200-day Bollinger and maybe even make a minor new high of 1400 on the S&P 500 and then just poop out and come back down to its August lows or simply go sideways for another 6-10 months before breaking down into a full bear market or starting another bull run up to its 2007 highs. In my view a breakdown is more likely, but the charts right now can't predict anything that far out and I'm just making a projection here of what I think is likely to happen.

It would look something like the chat below.

Like I'm saying though this is an educated guess of what I think is likely. No one can predict exactly what the stock market is going to do that far out even if some people try to pretend they can with wave counts and Fibonacci numbers.

Trying to make projections based on minute by minute action is even more useless. Looking out a few weeks or months is the sweet spot for daily charts.

Charting is best for looking out a few months and then taking that projection in context of the larger big trends of the market – which is a cyclical bull market probably near its end or over even within a secular bear market that has been going on since 2000.

From a macro point of view in essence what we have is an awful economy and a Fed keeping the market afloat by printing money. One side result of such money printing operations though is inflation.

Where that shows up the most is in precious metals, which unlike the broad market has been in a secular bull market since 2002.

The gold bull market is not over despite people saying otherwise. In this weekend's Washington Post a story headlined "Investors warned about gold bubble" dominated its business section. In it an advisor from Wells Fargo was quoted as saying, "we are seeing the exact same behavior at the height of the tech bubble, housing bubble, and Japanese Nikkei bubble." The article quotes more people saying stay away from gold with one person saying anyone buying now is a "greater fool."

There is a lot of skepticism now about gold – especially since it had a big run up the past few months and it has pulled back off of its highs the past few weeks. But I see nothing to make me think it is a bubble like we saw in real estate or tech stocks. The general public is still not in gold stocks. With the recent turmoil in the markets I've had several people come up to me where I live and ask me for my take on things or to just vent and give me their opinions. All of those venting said they were holding on to their stocks and thought gold was too dangerous to buy now or just HAS to stop going up.

In my view of the markets precious metals are the only thing still clearly in a bull market. It is the only asset class, besides Treasury bonds, that is still above its long-term 150 and 200-day moving averages and those averages are acting as support. That is my definition of a bull market. In a bear market those averages act as resistance.

Even back in the Spring when silver prices went on a total tear and then had a violent pullback they fell back down to their long-term moving averages and those moving averages acted and continue to act as support.

The bull market in silver never ended despite people claiming otherwise. We are currently seeing a pullback in precious metals, but dips in metals and mining stocks are buying opportunities to buy and hold. Higher prices are in the cards in the years to come.

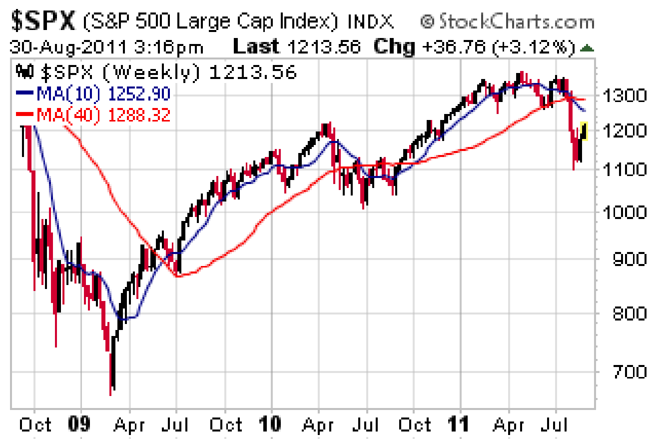
Sectors & Stocks Kevin Amos > Andy Emerson

In one month the averages went from healthy to down right awful. The averages got slammed taking everything down with it outside of a few sectors. The markets went down and cleared all supports , all long-term moving averages and fell to levels that even the bears were even surprised with. Does this change the big picture? Yes , sure it does . Now the averages are all well beneath the long-term moving averages and a good rally will only bring the stocks back towards the long-term moving averages pointing downwards. The market had been trading sideways for a few months earlier, but we didn't see this kind of top formation in the works. There were signs of the markets getting tired, but seems to always happen after a large run up for a few months. Well the stage three top has now been formed and completed in just a few months.

As we move forward the markets are in the consolidating phase and building a base in a attempt to rally back from a deep sell off. The base could take more weeks to form. The big question is "is this a buying opportunity or not? " We believe that it's a chance to play a bounce , but the odds of playing bull in the beginning of a bear market can be quite hazardous to ones account balances.

The markets volatility is still really large and the moves the time to look for possibly shorting the markets etc. Don't get caught shorting to soon. We're waiting for the averages to get well over bought again then look for poor relative strength on the bounce etc.

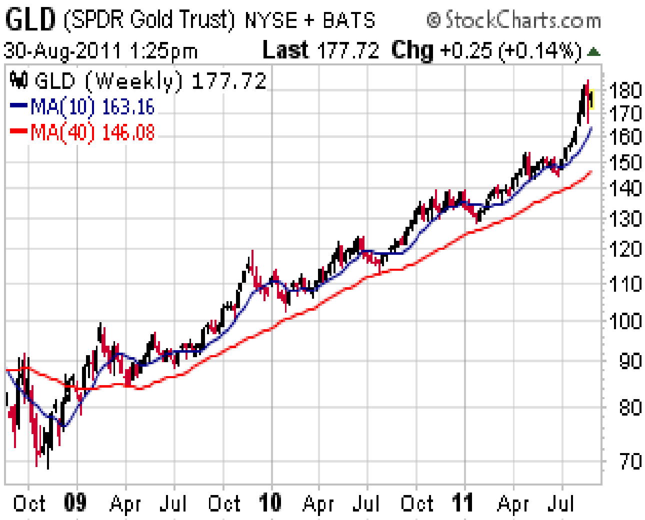
Below is a chart of the SP -500. Notice the clear breakdown beneath the long-term moving averages.



On the SP-500 above it will be

weeks before the markets rally back . The long term moving averages will be resistance on the move higher in the months to come. For the short term the 50-day moving averages will be resistance .

Below is a chart of the VIX . It appears that the VIX has topped out and will settle back down in the months to come.


GLD (SPDR Gold Trust) NYSE + BATS
©StockCharts.com
30-Aug-2011 1:25pm
Last 177.72 Chg +0.25 (+0.14%)
GLD (Weekly) 177.72
MA(10) 163.16
MA(40) 146.08
180
170
160
150
140
130
120
110
100
90
80
70
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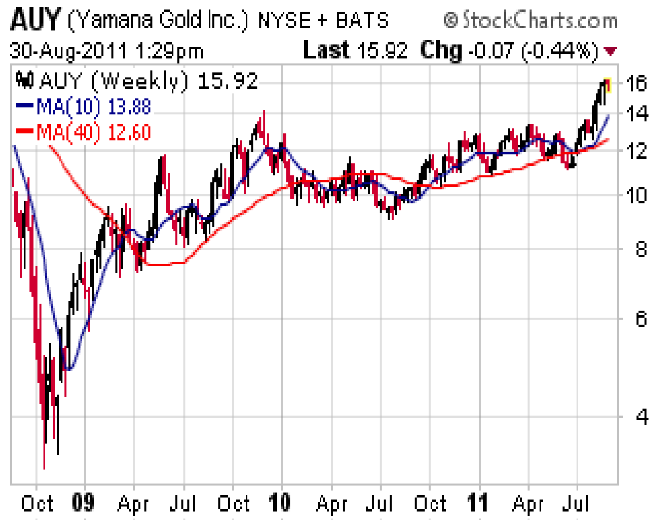
AUY (Yamana Gold Inc.) NYSE + BATS
©StockCharts.com
30-Aug-2011 1:29pm
Last 15.92 Chg -0.07 (-0.44%)
AUY (Weekly) 15.92
MA(10) 13.88
MA(40) 12.60
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14
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8
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4
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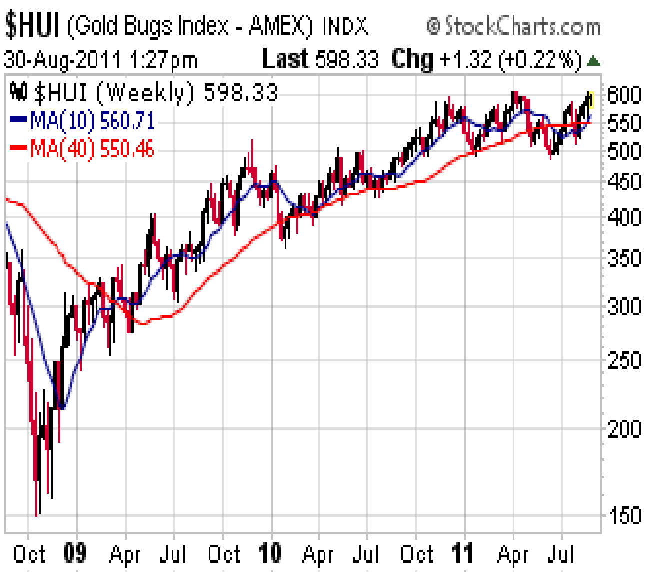
$HUI (Gold Bugs Index - AMEX) INDX
©StockCharts.com
30-Aug-2011 1:27pm
Last 598.33 Chg +1.32 (+0.22%)
$HUI (Weekly) 598.33
MA(10) 560.71
MA(40) 550.46
600
550
500
450
400
350
300
250
200
150
Oct 09 Apr Jul Oct 10 Apr Jul Oct 11 Apr Jul


ANV (Allied Nevada Gold) AMEX + BATS
©StockCharts.com
30-Aug-2011 1:30pm
Last 41.95 Chg -0.23 (-0.55%)
ANV (Weekly) 41.95
MA(10) 38.96
MA(40) 33.43
45.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
2.5
Oct 09 Apr Jul Oct 10 Apr Jul Oct 11 Apr Jul


GG (Goldcorp, Inc.) NYSE + BATS
©StockCharts.com
30-Aug-2011 1:28pm
Last 51.86 Chg -0.11 (-0.21%)
GG (Weekly) 51.86
MA(10) 50.56
MA(40) 47.94
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50
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15
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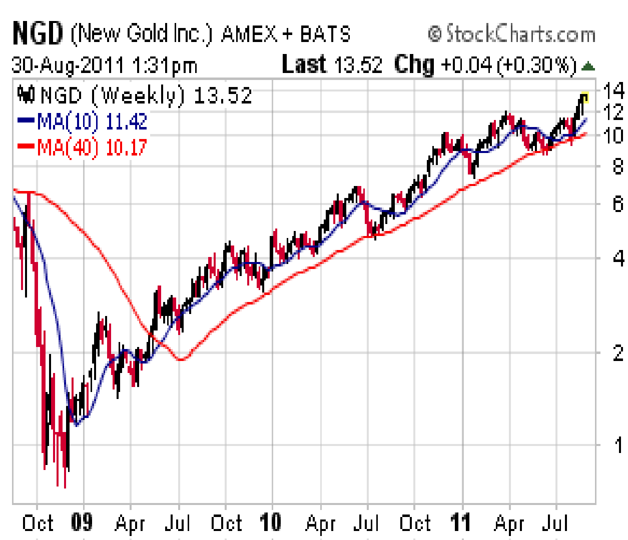
NGD (New Gold Inc.) AMEX + BATS
©StockCharts.com
30-Aug-2011 1:31pm
Last 13.52 Chg +0.04 (+0.30%)
NGD (Weekly) 13.52
MA(10) 11.42
MA(40) 10.17
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12
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8
6
4
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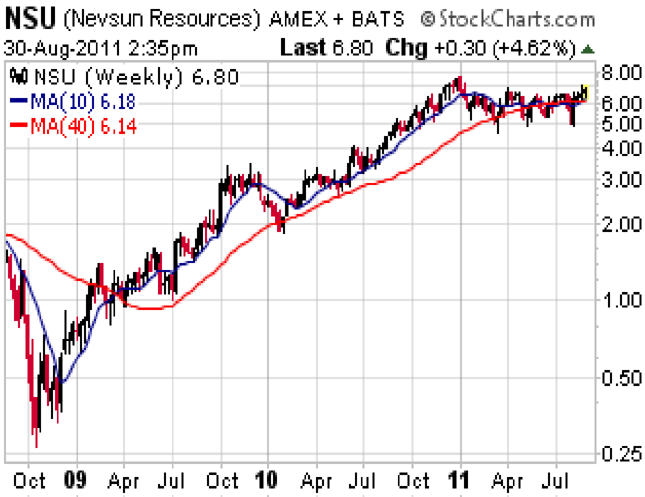
NSU (Nevsun Resources) AMEX + BATS ©StockCharts.com
30-Aug-2011 2:35pm Last 6.80 Chg +0.30 (+4.62%)
NSU (Weekly) 6.80
MA(10) 6.18
MA(40) 6.14
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2.00
1.00
0.50
0.25
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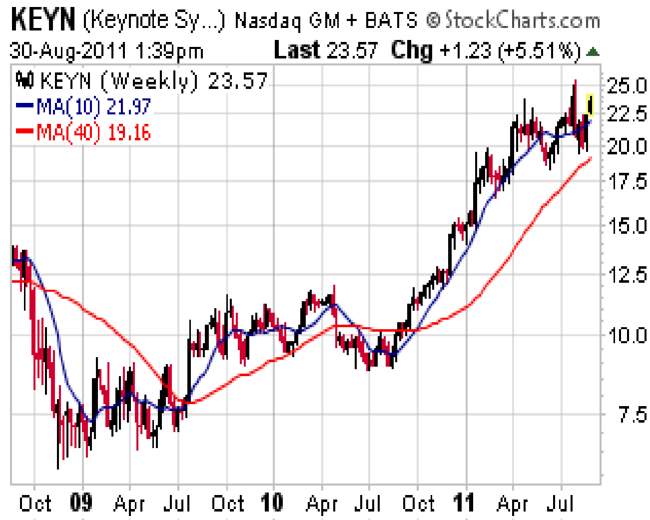
KEYN (Keynote Sy...) Nasdaq GM + BATS ©StockCharts.com
30-Aug-2011 1:39pm Last 23.57 Chg +1.23 (+5.51%)
KEYN (Weekly) 23.57
MA(10) 21.97
MA(40) 19.16
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22.5
20.0
17.5
15.0
12.5
10.0
7.5
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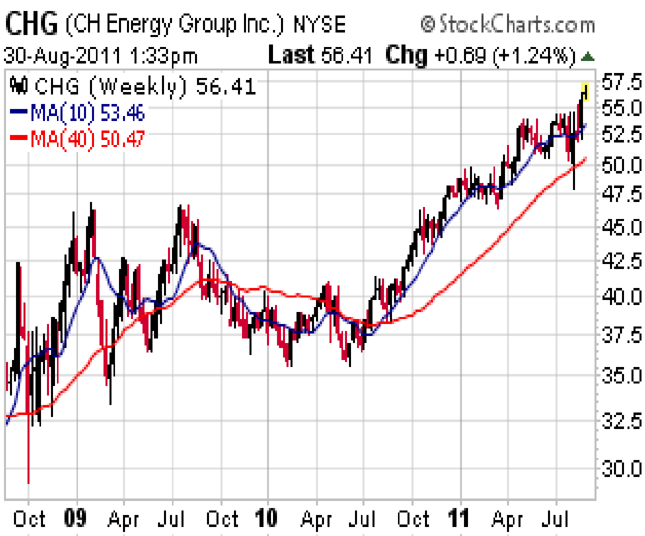
CHG (CH Energy Group Inc.) NYSE ©StockCharts.com
30-Aug-2011 1:33pm Last 56.41 Chg +0.69 (+1.24%)
CHG (Weekly) 56.41
MA(10) 53.46
MA(40) 50.47
57.5
55.0
52.5
50.0
47.5
45.0
42.5
40.0
37.5
35.0
32.5
30.0
Oct 09 Apr Jul Oct 10 Apr Jul Oct 11 Apr Jul


ZAGG (ZAGG Inc.) Nasdaq GM ©StockCharts.com
30-Aug-2011 1:39pm Last 15.42 Chg +0.53 (+3.56%)
ZAGG (Weekly) 15.42
MA(10) 14.53
MA(40) 10.41
18
14
12
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ED (Con Ed) NYSE + BATS ©StockCharts.com
30-Aug-2011 1:34pm Last 56.27 Chg +0.68 (+1.22%)
ED (Weekly) 56.27
MA(10) 53.61
MA(40) 50.87
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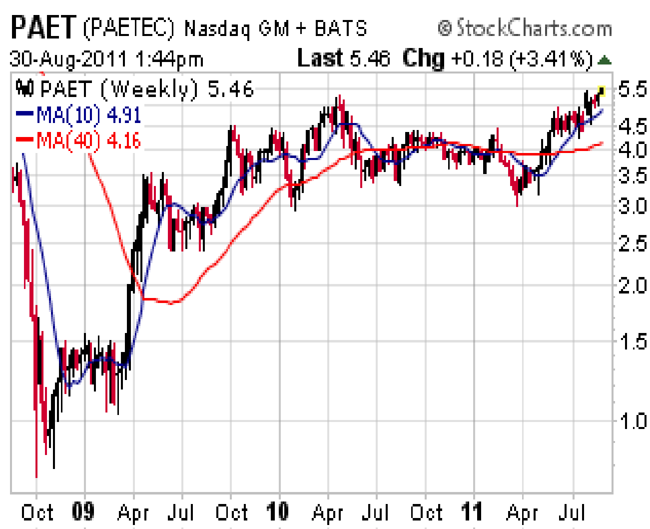
32.5
30.0
Oct 09 Apr Jul Oct 10 Apr Jul Oct 11 Apr Jul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MA(40) 4.16
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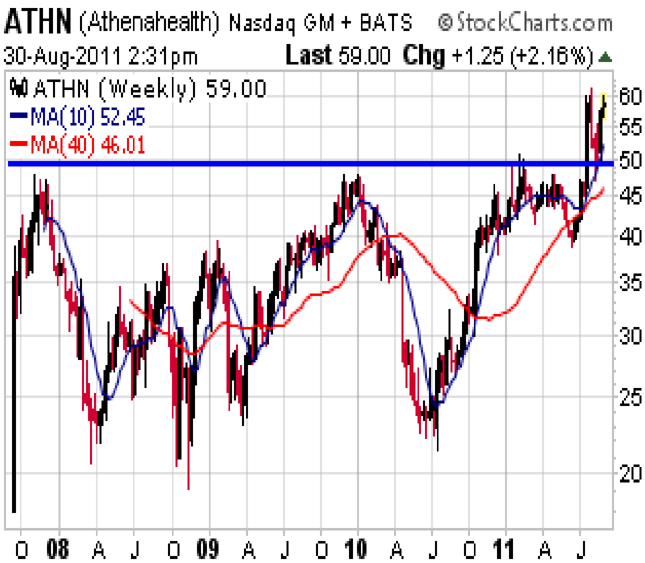
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©StockCharts.com
30-Aug-2011 2:31pm
Last 59.00 Chg +1.25 (+2.16%)
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MA(40) 46.01
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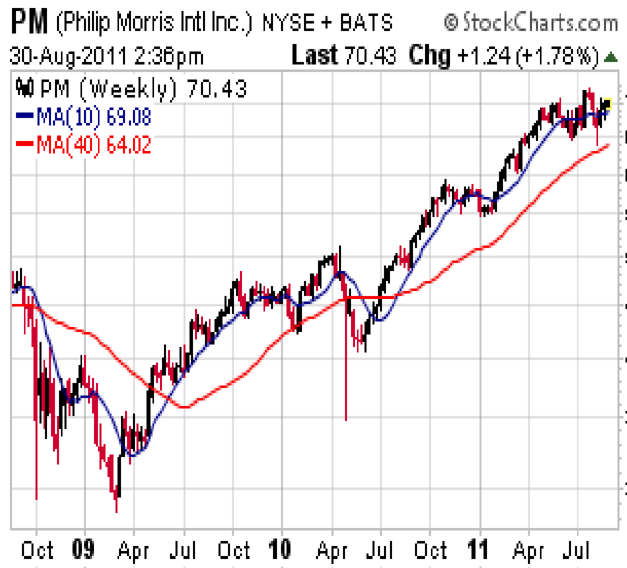
PM (Philip Morris Intl Inc.) NYSE + BATS
©StockCharts.com
30-Aug-2011 2:36pm
Last 70.43 Chg +1.24 (+1.78%)
PM (Weekly) 70.43
MA(10) 69.08
MA(40) 64.02
70 65 60 55 50 45 40 35 30
Oct 09 Apr Jul Oct 10 Apr Jul Oct 11 Apr Jul


EXK (Endeavour Silver) NYSE + BATS
©StockCharts.com
30-Aug-2011 2:32pm
Last 12.10 Chg +0.62 (+5.40%)
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MA(40) 8.87
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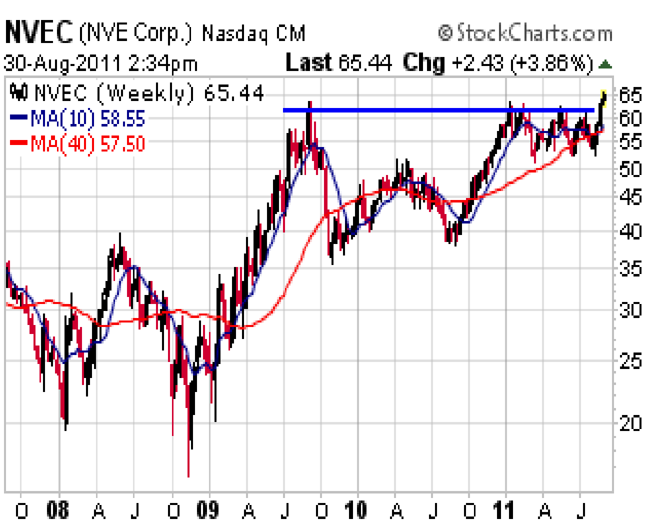
NVEC (NVE Corp.) Nasdaq CM
©StockCharts.com
30-Aug-2011 2:34pm
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MA(40) 57.50
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