# APPENDIX A

# *How to Spot Major Global Inflection Points*

*AND my SECRET indicator—the DEADLY canary in a coalmine.

I have said that the market has a habit of doing exactly the opposite of what we expect it to do. However, after a long market move, it becomes quite a bit easier to pinpoint inflection points. It is often much easier to call a bottom or top in price than it is to call one in time. Thus, even if you know a top or bottom is in place, it can take several weeks to several months for the market to reverse course. When the market makes a big reversal, its objective is to have as few people onboard as possible able to profit from the move. In light of this, even if we know that the bottom or top is in, the market will ultimately time the move to take place when we are no longer watching....when we least expect it.

### *1 – "THE CANARY IN A COALMINE"*

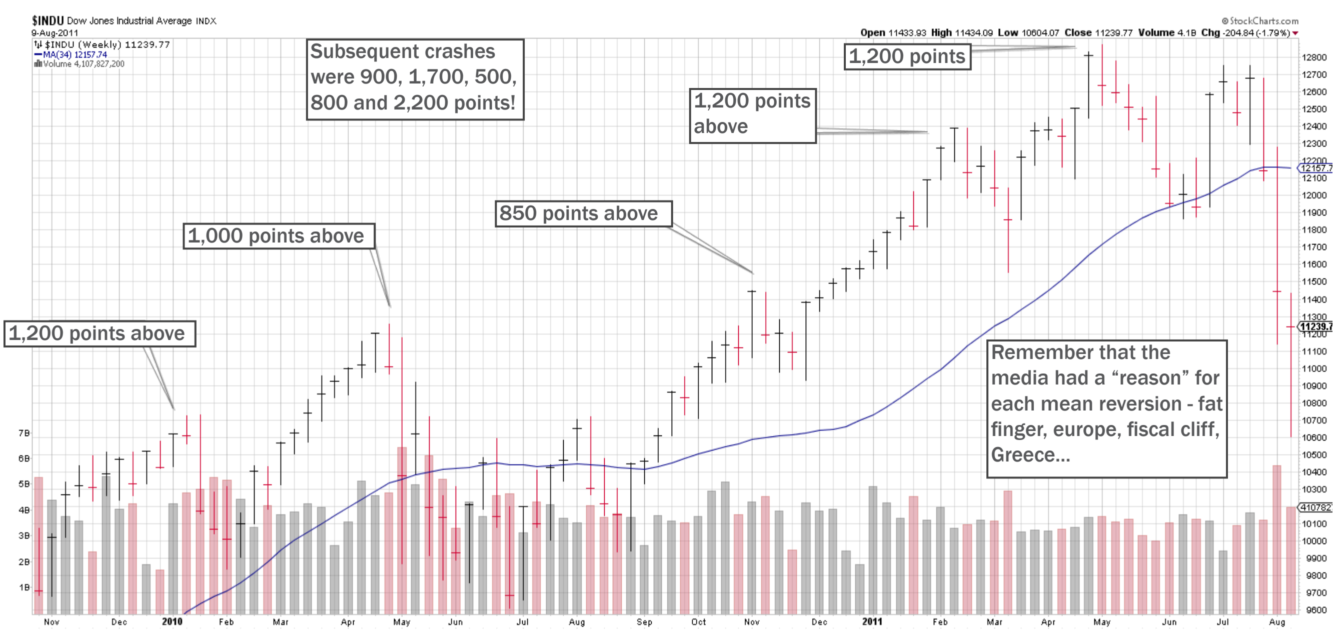
Over the years, I have noticed that my individual portfolio tends to perform horribly in the days leading up to a large market decline. Just prior to a "crash," I have noticed that even if the market continues to slowly advance, I get stopped out of position after position for a loss. It took me several years to finally realize it, but virtually *ALL* of the best performing momentum/ Superstocks start their decline *in advance* of a market decline. Since my entire portfolio can consists of such stocks, I have seen my account take a substantial beating 1-6 sessions *BEFORE* an all-out market route. The reason for this is simple. It is because the best performing stocks are held by the most experienced investors. These are the "smartest guys in the room" who are heading for the exits just hours or days before the masses. This is my "Canary in a coalmine" indicator.

As a general rule, there are typically a dozen or so momentum stocks at any point in time that are considered "in play." These of course, are the stocks that have had the largest advances and are known throughout the trading community. When you start seeing these stocks take significant hits out of the blue, it is best to begin getting defensive. There's a good chance that the rest of the market will follow suit sometime within the next 1-6 market sessions.

On the other hand, when trying to identify market bottoms, we want to see the former leading stocks setting up in solid low level bases before the general market bottoms. As the general market is in free-fall, the very best stocks often are setting up powerful reversal patterns (after already falling substantially) as they prepare to outperform when the market reverses course.

## *2 – 1,000 POINTS SIGNALING A MAJOR CRASH*

Perhaps the most reliable way to "predict" an imminent all-out market crash is to simply look at where the Dow is in relation to its 34 week moving average. *EVERY SINGLE* time it gets stretched 750-1,200 points *ABOVE* its 34 week moving average, a major crash comes out of nowhere to surprise everyone. In recent years, the media blamed each and every one of these crashes on a "Crisis" somewhere in the world. I now laugh out loud whenever the media comes up with a major "reason" for each and every mean reversion. If only the media would take a minute to learn about the dynamics of chart patterns, standard deviation, and mean reversion. If major averages get stretched from long term moving averages (34 wma in this case), they get pulled back to these averages no matter what. Stretch, reversion, stretch, reversion…rinse and repeat. Just remember that every global media crisis happens within days of the indexes reaching unsustainably overbought conditions.

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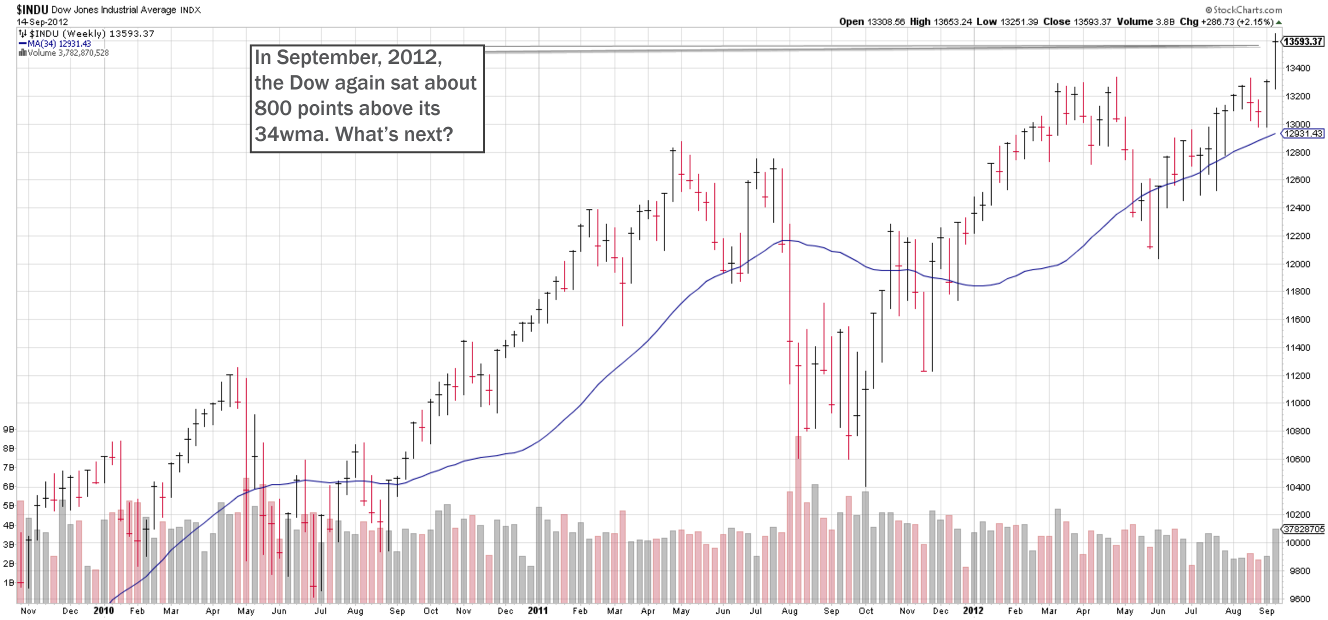



Courtesy of Stockcharts.com

## *3 – SOX SIGNAL*

Throughout my trading career, I have noticed that the semiconductor index leads the overall market. On mornings when the market is down yet the semiconductor index (SOX) is up, chances are very good that the overall market will turn around and follow the SOX. Likewise, when the SOX is down while the market is up, there's a good chance that the overall market will follow suit and turn lower.

The same principal applies over the longer term. When looking at chart patterns, I have noticed that a stretched semiconductor index signals a market reversal even if the general market is not showing any discernable reversal patterns. So, when looking for a top (or a bottom), I go straight to the semiconductor index.

## *4 – WORLD MARKETS*

Everybody" tends to analyze the S+P 500, the Dow, or the NASDAQ when trying to position for market tops and bottoms. In recent years, I have noticed that global markets such as China, India, or Brazil will signal a global market turning point even if there are no clear signs in the United States. Whenever I'm looking for a turning point, I put much more weight on an alignment in global markets than I do on U.S. markets. Since the average investor is focused almost exclusively on the Dow, S+P, and NASDAQ, I want to make sure that my attention is focused elsewhere.

## 5 – THE OTHER INDICATORS TO WATCH

In addition to the above factors, for tops and bottoms, I keep my eyes on the VIX, the Credit Suisse "fear indicator," the "NYMO," 90%+ volume into advancing and declining stocks, low 20 and 100 day put/call ratios, "ROBO" (Retail Only, Buy to Open) dumb money option indicator, large speculator positions, and the spread between "smart money" and "dumb money" confidence. Out of the hundreds of indicators, I have found these to be the most effective at predicting market turning points. I generally like to see them all hit extremes within a relatively short time frame. After hitting extremes, a market decline generally will begin sometime within the next few weeks. There are literally dozens of other such indicators that I don't feel are nearly as important as these. These indicators are beyond the scope of this book. There are many websites and books devoted entirely to such indicators. The best website by far devoted to pinpointing sentiment extremes and possible turning points is Sentimentrader.com.

## MY ORIGINAL ALERTS DISCUSSING IMPENDING INFLECTION POINTS

The following "friends and family" alerts discuss exactly what conditions I monitored prior to major market turning points. Outside of my discussion of the Global 2009 historic low, I limit the alerts to 2011 and 2012 as they are more current in the reader's memory. In my "friends and family" alerts, I generally focus on the overall market and specific sectors to the exclusion of individual stocks. On occasion, if a market is gearing up for a run, I might suggest individual stocks. I do not send out alerts at regular intervals. I have gone months without sending out an alert. At other times, when conditions dictate, I can send out several within a matter of days.

These are all unedited original emails sent to friends and family or postings in public forums. Even if my views are entirely dependent on technical indicators, I generally try to keep the discussion of them to a minimum in the spirit of simplicity for readers.

I would also add that most of my alerts were rarely proofread and were written rather quickly in a free-flowing, stream of consciousness style. By no means were these part of a formal newsletter. Again, I apologize for any mistakes in spelling, grammar, or any informalities from these original notes.

## *1 – CALLING FOR THE BIGGEST BOTTOM IN HISTORY*

This is what I saw heading into the spring of 2009. I saw an immense opportunity. At the time, I called for a 40-45% upward market reversion. I certainly could not foresee the extent of the ultimate advance.

**3/01/09**

"MAJOR MARKET/ BANK BOTTOM/ PREDICTING THE BIGGEST BOTTOM IN HISTORY (Email Subject)

Bank Stocks

Here's my investment thesis. Due to multiple indicators pointed out below, my belief is a major low will be reached by March 15th at the latest. Odds favor bottom closer to day 1 than day 15 per *Sentimentrader.* My guess is that 3-5 month return on major averages COULD be 40-45%. This of course is still within the bear market. Banks are in a very defined bullish falling wedge with positive divergence. They have led us down, so my guess is they lead us up. If this plays out, there should be several banks returning 2,3,4,500% by sometime this summer. I also continue to be married to oil. I LOVE steel as well. I sent out an email about FAS earlier which is how I will play the banks until I find some individual bank plays. I'm starting to look into RF. SFI has an interesting chart as well. Lastly, I like DDM which is the ultra Dow ETF. The Dow is the most oversold and there appear to be many individual Dow stocks setting up.

This is an interesting article written by a tax attorney on how bank profits may surge....

http://seekingalpha.com/article/123194-the-end-of-the-credit-crisis?source=article_sb_popular "

The following is an example of the kinds of indicators I look at when predicting major market inflection points. This is one of the few where I go into great detail regarding individual technical indicators. I shared them in this instance because although most were hitting historical extremes, it appeared there was a little work left to do on the downside. The included links most likely no longer work. Ultimately, the indexes had a few more days of selling and the indicators hit extremes in unison.

**3/5/09 -**

"Bottom Indicators (Subject)

10 day moving avg. put call ratio WAY too low. Should be at 1.25, now at .94 - middle of page http://stockcharts.com/def/servlet/Favorites.CServlet?obj=ID369857&cmd=show[s137347942]&disp=O

Dollar charts appear to be topped out

NDX vs. S&P outperformance is totally off the charts. S&P needs to outperform or NDX needs to crash. Very bottom of page http://stockcharts.

com/def/servlet/Favorites.CServlet?obj=ID369857&cmd=show[s147501686]&disp=O

XLE backtested prior low- bouncing off former bottom to the downside

NYSE new lows should be over 1,000 for bottom (770ish today)

Gap in the monthly chart from February to March- Needs to fill? I can't find any other unfilled gaps on monthly charts.

Daily put/call is under 1- should be 1.20 or above.

Would like to see indexes break below their bolinger bands.

Dow MACD breaking previous positive divergence

Where is the VIX spike?

BKX at bottom of channel

XBD retested previous channel and bouncing lower off the channel

Would like to see double bottom in XBD on year chart

Would like double bottom in SOXX

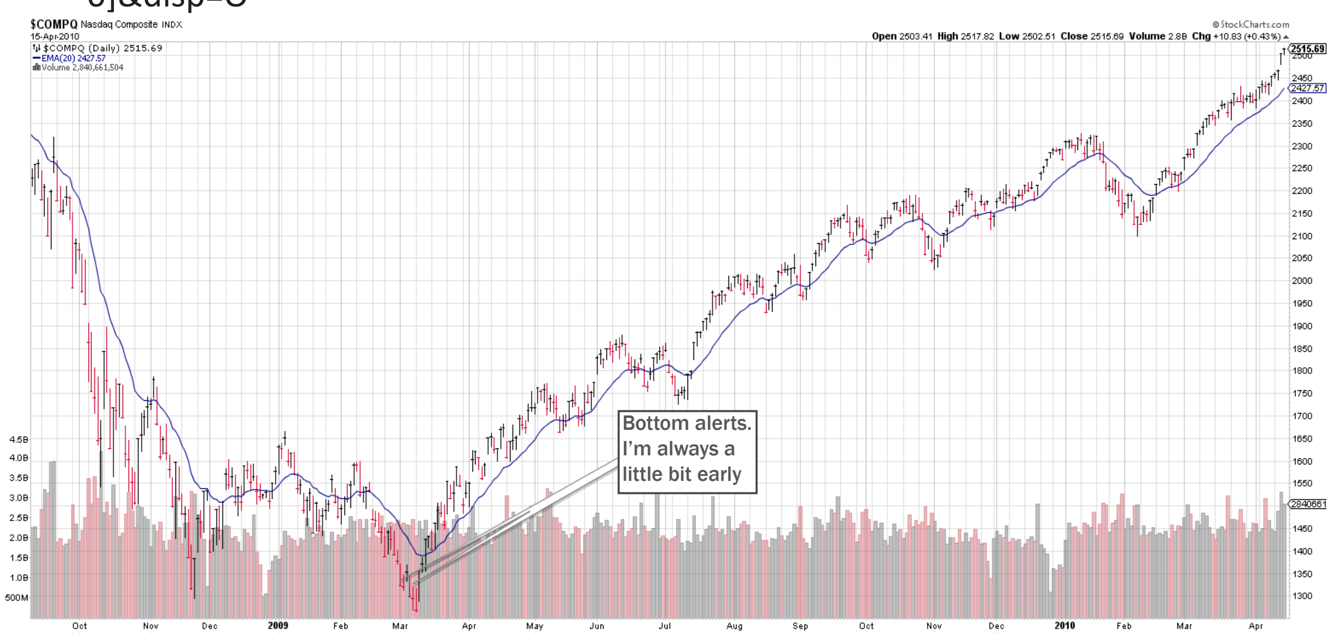
Would like double bottom in NDX

RUT retested old low, bouncing lower

SPX retested prior low, bouncing lower

NAAD MACD should hit -3,000 to -4,0000 (at -2500 now)- last chart...http://stockcharts.com/def/servlet/Favorites.CServlet?obj=ID369857&cmd=show[s157306645]&disp=O

Nasi summation MACD -200 (-100 now) 2/3rd down http://stockcharts.com/def/servlet/Favorites.CServlet?obj=ID369857&cmd=show[s129947560]&disp=O"




Courtesy of Stockcharts.com


**Courtesy of Stockcharts.com**

5 days later, within a day or two of the 2009 low, I sent this email out to point out what stocks would go ballistic during a market rally. Many/most of them ultimately offered life-changing returns within a very short period of time.

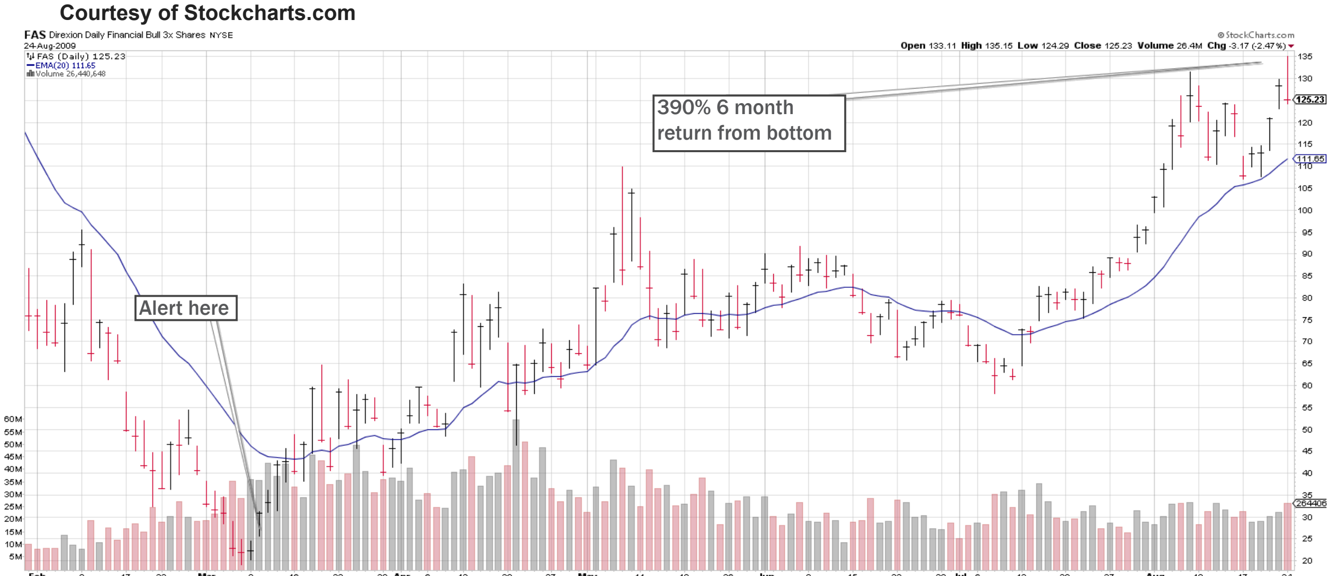
**3/10/09**

> "These are my favorites should a rally unfold. (Subject)
>
> *C($1)- new book value $4. Could be best capitalized out of big banks now. Many banks priced at 1.5 times book now.*
>
> *CENX- highly levered to aluminum. If aluminum returns to where it was 8 weeks ago, this is a 10 bagger.*
>
> *FAS- triple financials*
>
> *MTL- miner- play on the Russian market which is soaring through its 50 day moving average for first time since crash.*
>
> *LCC- Transports have more than likely put in a bottom. Highly levered to transport index.*
>
> *AMR- same as above*
>
> *KWK*
>
> *RF*
>
> *MBI- lowest price to book in entire stock market. Something like .07. If mark to market adjusted....*
>
> *TCK- I just like the chart*

No tech on this list. Tech to under-perform in my opinion whether the market goes up or down."


**Courtesy of Stockcharts.com**


**Courtesy of Stockcharts.com**

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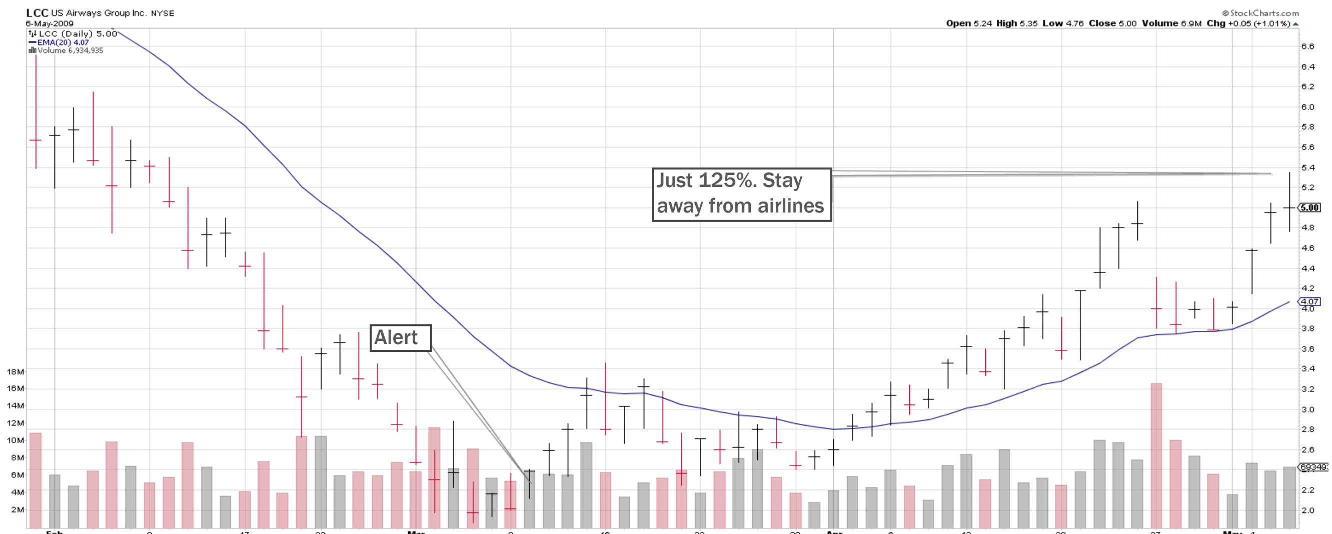


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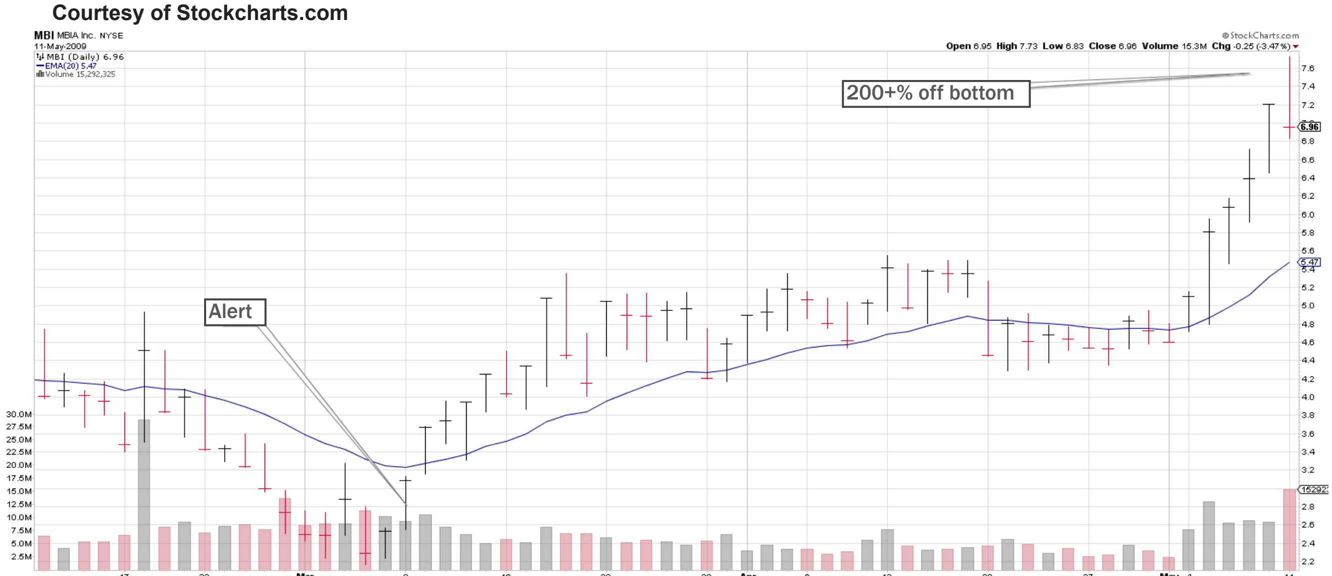


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## *CALLING THE BIG BLT: "BIN LADEN TOP"*

As the technical indicators were getting wildly stretched in the late spring of 2011, I began putting on my bearish cap. When the news of Bin Laden's death was released, I was VERY confident that reward was exhausted and market risk had shot through the roof.

### 4/29/2011

"Guys—

I have been looking at the bull market since the '09 low. The Dow has hugged the 34 week moving average most of the way up. The index reached "extremes" above the 34 week moving average on 3 occasions. Here are the deviations from the moving average and the reaction over the next few weeks.

01/2010: 1,000 points above the 34 week moving average. 800 point reversal within a couple of weeks.

04/2010 850 points above 34 wma. 1,300 point reversal w/in 2 weeks.

02/11 1150 points above 43 wma. 900 point reversal w/in 3 weeks.

Today: 1,070 points above 34 wma."

In the alert below, note how I discuss the "canary in a coalmine"—momentum stocks starting to fall across the board while general market was holding up. The Bin Laden news on this day proved to mark the *EXACT* top in the market for months to come. It was the last hurrah before a 2,300 point crash.

### 5/2/2011- BIN LADEN TOP

"BIN LADEN TOP! (Subject)

Pretty much all of the big boy momentum plays down on the day- REDF -13.5%, TZOO -5%, MOBI -21%, PLAB -5%, APKT -5.5%, SFLY -2.3%, LULU -3.8%, ARUN -4%, OPEN, NFLX, MITK barely survived.

In my experience, this type of action usually results in a pretty big pullback w/in 3-4 sessions as professional traders exit the market while big funds still have funds to put to work, thus propping up the majors.

At major lows, you want to see terrible news being bought. At tops, you want to see unbelievable news being sold. I can't think of any other news that would have the entire country rejoicing."

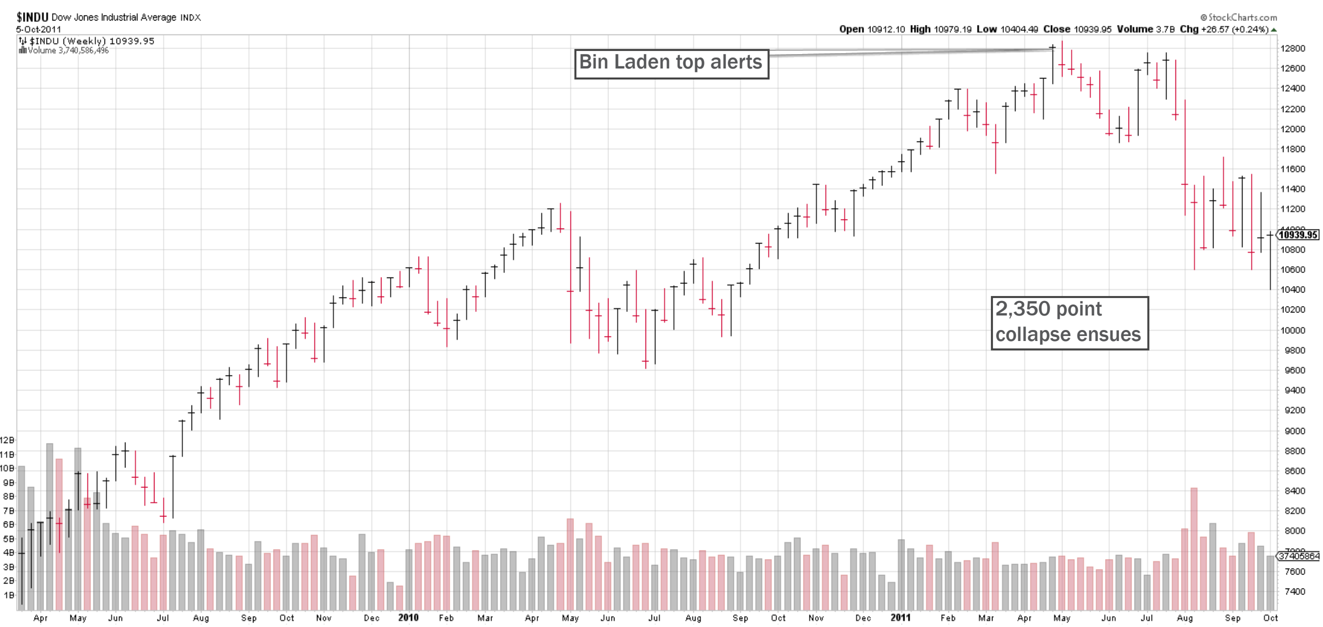
Coinciding with the Bin Laden Top was a massive reversal setup for the U.S. dollar. If you can recall, there was tremendous "death of the U.S. dollar" groupthink around this time. Everybody suddenly became an expert on what foreign currency was about to take over as the global "reserve currency." In the midst of this dollar groupthink, the dollar was signaling a powerful advance was around the corner. Remember that the dollar is inversely correlated with stock markets. This fit in precisely with my Bin Laden Top premise.

### 5/2/2011

"4/26/11- U.S. dollar public opinion- 18.8%. That's the lowest as far as the chart goes back. This level is outside of lower Bollinger Band which has marked dollar turning points in the past.

IMO, this presents a major inflection point for the Dollar and for the markets."


Courtesy of Stockcharts.com




Courtesy of Stockcharts.com

### *WHAT I SAW IN THE HOURS LEADING UP TO THE 1,900 POINT "FISCAL CLIFF" OF 2011*

The following is what I saw heading into the big crash of 2011 aka "The Fiscal Cliff of 2011." Notice the canary in a coalmine indicator. I got pretty passionate in a couple of these. I pleaded to stay in cash. These alerts were written the day before a 10-day 1,900 point crash.

**7/26/2011**

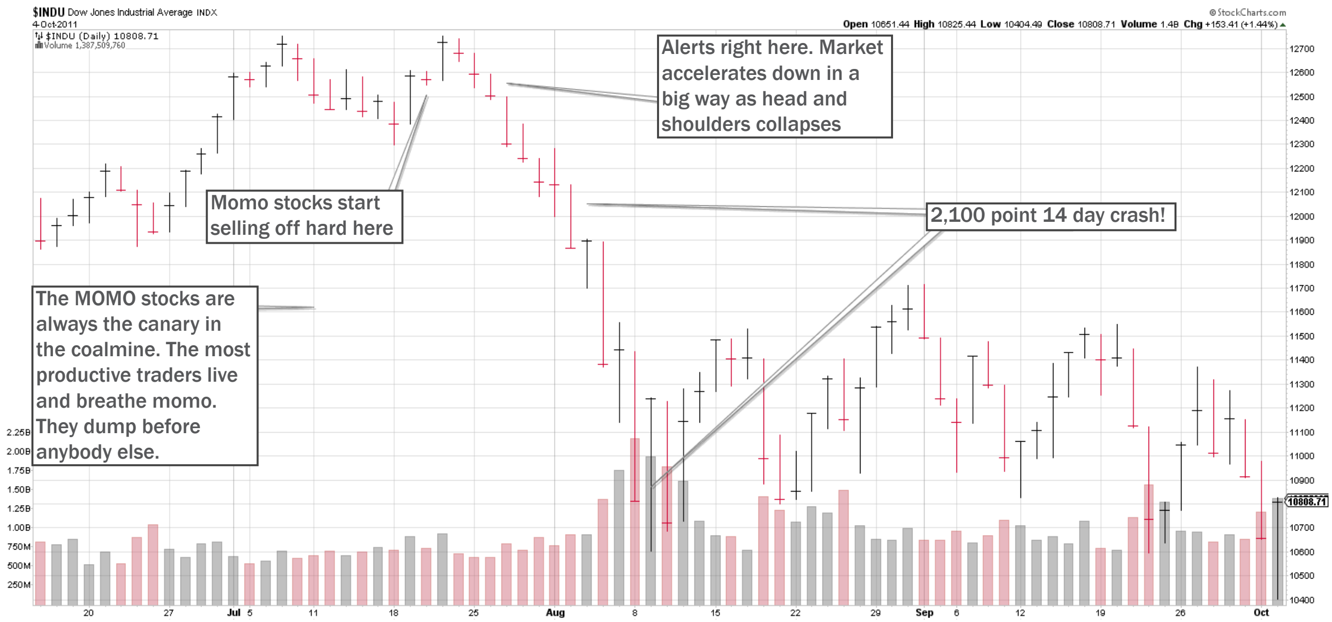
> "I have been busy w/ a couple new business ventures, thus I haven't been involved in the market too much of late. However, I have seen 4 separate headlines in the past 2 days commenting on how the debt ceiling debate has absolutely no bearing on the stock market. Why the stock market will continue to be strong in the face of this gridlock…Saying how "strong" the market is in the face of the chaos. I think this is a set-up.
>
> I have seen leading indicators- TZOO, NFLX, CVV, REDF, SIFY, MITK, X, STLD (all of the leading indicator commodity stocks with the exception of rare elements- MCP, REE etc…all start to fall. Usually these leading indicator "momo" stocks fall 2-6 sessions before the market drops substantially. I think it all started about 4 sessions ago.
>
> There are a couple of stocks that I really like here. However, all of the above is the type of crap that results in a 3 hour market drop of 1,000 points or more (aka the "flash crash"). I am heading to Laos and am hoping the Nasdaq can break out to the upside so we can have a 1,000 point breakout over the next 6 months.
>
> In the meantime, I would be VERY hesitant to recommend "buy and hold" for those looking for +20% annual returns."

**7/26/2011**

> "Yes, everybody is saying that stocks are "safe" in light of the chaos.
>
> From a long term perspective, there is still a HUGE;... let me reiterate… MASSIVE weekly and monthly head and shoulders pattern on all of the indices- IWM, RUT, SPX, DJIA etc. etc...IF, IF, iF this starts breaking down, we see a MASSIVE drop.On the bullish side, we are at the cusp of a multi-year cup and handle, which would lead to a HUGE breakout to the upside.W/ the leading indicators selling off.....HARD.... These momo stocks are not just selling off a little bit, but selling off SUBSTANTIALLY, I am not willing to bet on the long side just yet.There is *ABSOLUTELY ZERO, ZILCH, NADA, NONE, NO* reason to be long or short here.If you get long, the market will crash. If you get short, the market will skyrocket.I think the best course of action is to wait on the sidelines, be entertained by *CNBC, CNN, Barron's* etc. and invest your hard earned money in a month or two- whether its at 1000 SPX or 1500 SPX..."

## 7/26/2011

> "And don't forget about the "BLT" top that I have been talking about since the first trading day of May. It still stands."



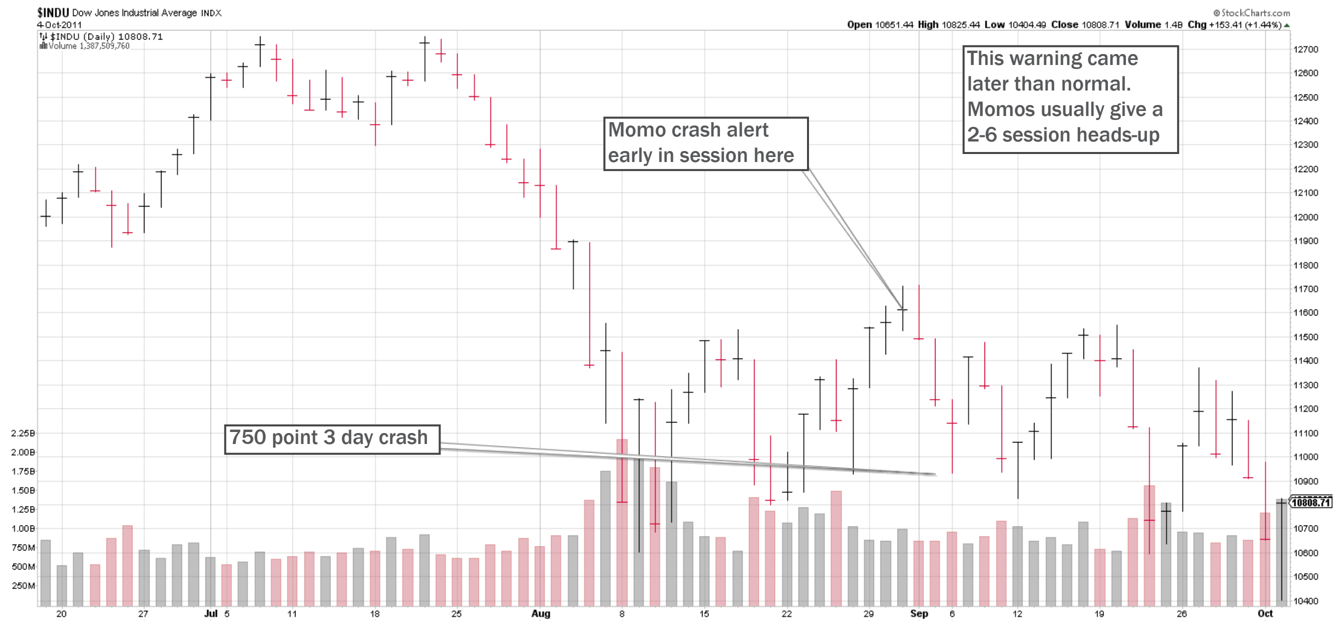

Courtesy of Stockcharts.com

## *ANOTHER "CANARY" TRIGGER THE DAY BEFORE THE 750 POINT SELLOFF*

This alert was written the day before a 750 point 3 day drop. Although not expressed in words, the implication was watch out, I hear the birds in the coalmine.

> "From my "momo watch list" today:
>
> JVA -14%
>
> CVV -10%
>
> VHC -6%
>
> OPEN -4%
>
> TZOO -2%
>
> IDCC -2.5%
>
> MCP -1.5%
>
> LULU -1%
>
> NFLX -1%"

*This was particularly troubling as it was on an up day in the market.




Courtesy of Stockcharts.com

## *MULTIPLE CANARY IN A COALMINE ALERTS BACK TO BACK BEFORE 1,100 CRASH*

These 4 alerts were in the few days leading up to a 1,100 point 10 day crash.

### 9/16/2011

"My super-oversold watchlist always surges leading out of a market collapse. Here's my watchlist:

PCX -10%

FRO -4.5%

TEX -4%

MTL -3%

BAS -3.5%

TZOO same old same old

Then I could go on about the horrendous performance of the momo's: CVV, MITK, NFLX, OPEN etc"

### 9/19/2011

"I commented about my watchlist being down big on Friday. More of the same today.

MTL -6%

FRO -6%

PCX -4%

TBSI -10%

TEX -4%

BAS -5%"

**9/20/2011**

"MAJOR WARNING GUYS.

We haven't seen anything like this since July 17th (ish). This is actually much worse than the day when I said "market collapse w/in 2-4 sessions." (There was a) **Total collapse in all things momo today on a fairly flat day in the markets.** I'm not putting money into puts, but be high alert over the next 6 trading sessions.

MCP -22%

REDF -11%

JVA -10%

NFLX -9%

TZOO -13%

DTLK -9%

VHC -8%

IDCC -6%

LNKD -6%

STMP -5%

OPEN -4%

LULU -3%

PANL -5%

MITK -3%

RESOURCES

PCX -9%

MTL -5%

FCX -4%

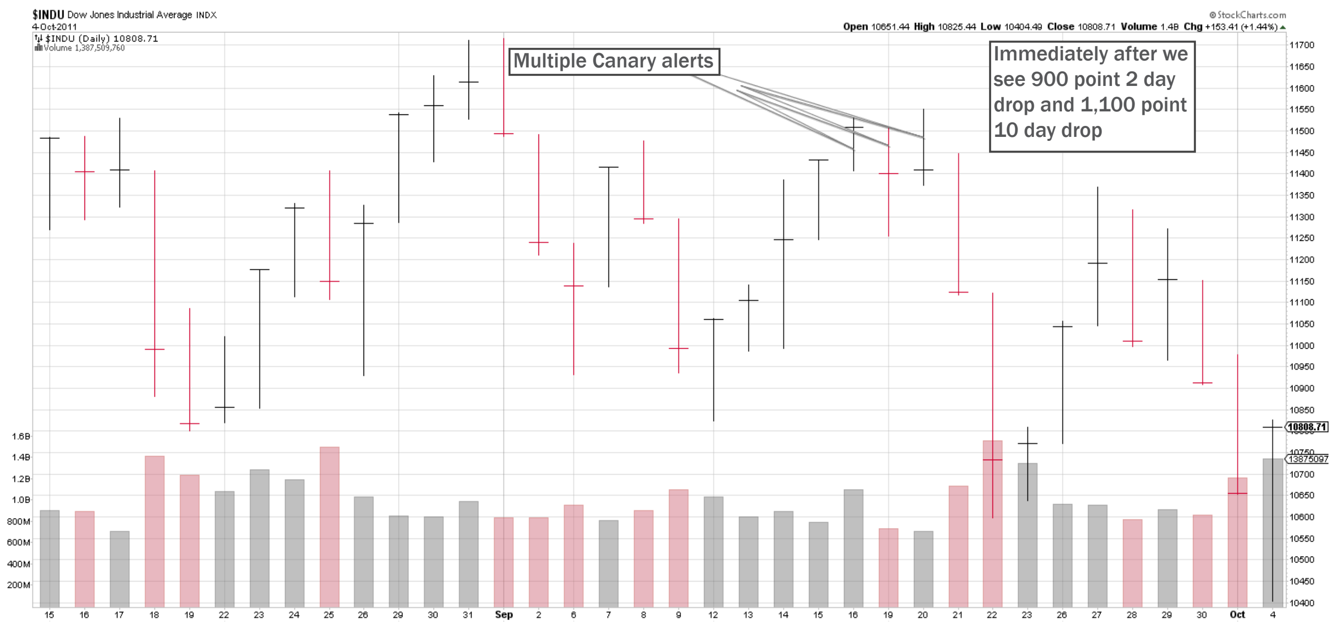
X -3%

AKS -3%

……too many to list"

**9/20/2011**

> "If history is any guide, after a total collapse of "trading vehicles," we should see a flat/up day tomorrow and possibly Thursday. If history repeats (as it continually has in my trading career), we could see some sort of meltdown starting Thursday, Friday, or Monday."




Courtesy of Stockcharts.com

## *CANARY AND HEAD AND SHOULDERS PATTERNS EMERGING BEFORE MAY EUROPEAN CRISIS*

These were my alerts just prior to yet another European crisis in May of 2012. Remember that the SOX tends to make its move before the overall market.

**5/03/2012**

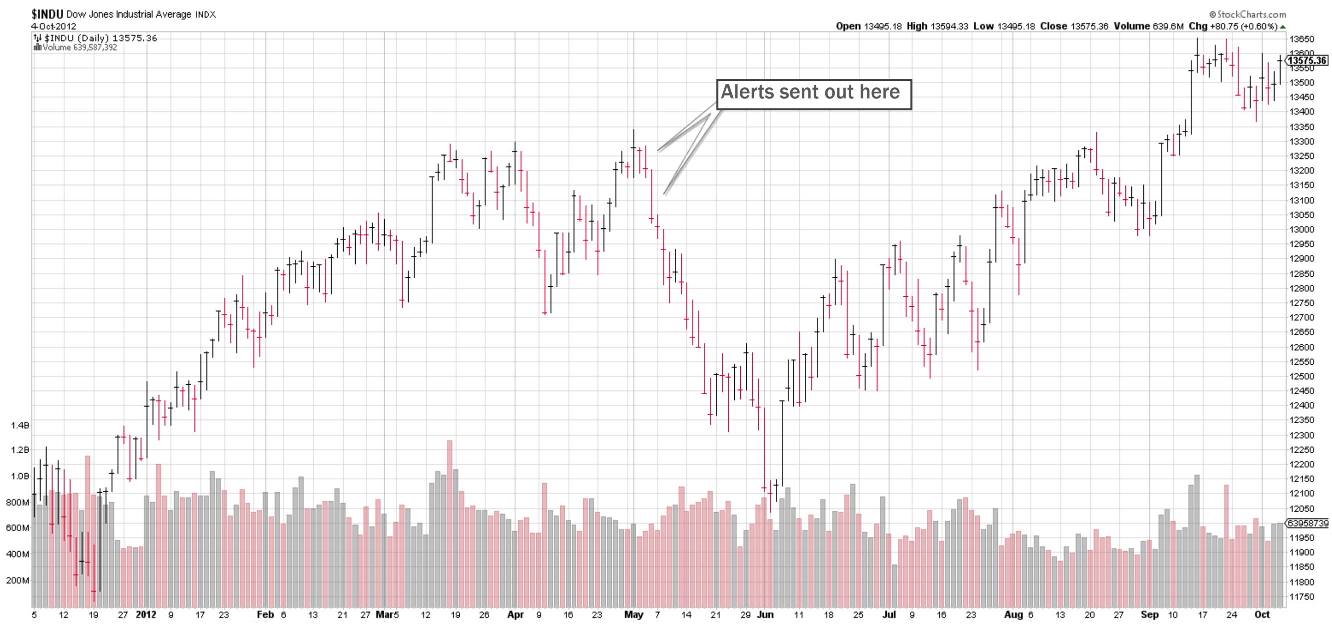
> "I haven't been watching the market, so not sure if this is making the rounds or not. Be aware of pretty clear Head and Shoulders patterns starting to break down in key indices such as RUT (small caps) and SOX (semiconductors). I have to keep reminding myself that the Fed always gets what they want. And I keep hearing QE3 being discussed in Fed minutes. There's only one way their/Obama's wishes can come to fruition (market collapse to get public on board for QE). Back to work for me…"

**5/5/2012**

> "We had SOX and RUT setting up in H+S (Head and Shoulders) pattern. Now

S+P will most likely open below its 13 wma on Monday which has been the bull staircase since the crossover in November. The market is toast. Not sure how dramatic the decline will be, but I would take long walks in the park and perhaps pull out old Nintendo NES from the attic over the next 1-2 weeks as H+S patterns happen so quickly, they are usually only evident in hindsight.

The early signal has been several key stocks getting whacked 30%,40%,50% over the past few sessions. (Canary in Coalmine) As always, will it (crash) happen? The heck if I know. But in the rare event when the indicators line up, its best to shift focus *IMMEDIATELY* to those things that truly matter in life and take a market vacation."




Courtesy of Stockcharts.com

## *THE LIGHT THAT I SAW WHILE "CHAOS" ENSUED IN EUROPE*

PREPARING FOR A MAJOR BOTTOM WHILE WALL STREET PANICS

As the mass-media speculated that the EU "catastrophe" was about to take down the rest of the world, as CNBC had its first-ever Sunday evening emergency broadcast ("Markets in Turmoil"), and as a Goldman Sachs alumnus circulated his Armageddon article, I was preparing for an imminent birth of the next mini-bull market.

**5/21/2012**

"WPRT looks like it might have a V shaped bottom w/ an 80% move in the next 1-2 months. IBD stocks that get sold off hard tend to have enormous rallies after a market bottom.

Always buy the stocks that have severely sold off in a well-defined channel coming out of a bottom. Stocks that have held up well vastly *under-perform* going forward (contrary to conventional Wall Street teachings)."

**5/30/2012**

"The more I look at the dollar, treasuries, and Euro charts, the more convinced I become that they could trigger a "Black Swan" rally event simply from funds pouring out of the safe havens of the dollar and treasuries. (General market) stock charts don't signal such an event, but given the dynamics of treasuries and the dollar, money flow would simply overwhelm the stock market."

**5/31/2012**

"Humans can only panic for so long. There is a definite point at which worrying starts to slowly demoralize us and kill us and at that point we say "I don't give a FU*K anymore." We then go on living our lives and ignore all the BS being thrown at us by the media.

I think we may have reached that point yesterday and today."

**5/31/2012**

"CRB (commodity index) waterfall pattern looks to be at completion. Anything commodity related could see a serious snapback. (Commodities roared going forward)

The S+P weekly SLO STO's (Slow stochastics) have been this oversold 8 times in the past 12 years.

03/2001- 20% 3 week rally

09/2001- 22% 6 week rally

05/2002- 5% 1 week rally

03/2003- Start of major bull market

06/2007- 18% 6 week rally

01/2008- 10% 2 week rally

05/2008- 9% 2 week rally

03/2009- 25% 4 week rally"

**6/04/2012**

As nobody believed my thesis that a major buying opportunity was at hand, I got a little emotional:

"For years to come, they'll be talking about the Sunday night CNBC special, "Markets in Turmoil" marking the exact low at Dow 11,985.

They will say that it was so obvious; that the dollar was about to collapse due to China and Japan (transitioning from the dollar as trading currency).

They will say that the Treasury bubble was so obvious as it was extended outside of its multi-decade channel.

They will say it was so obvious as QE3 -or at least trader's anticipation of it- was only 3 weeks away.

They will say it was so obvious after world markets had *ALREADY* traded down 13 weeks in a row.

They will say it was so obvious as world commodities were in the final stages of an impulsive waterfall decline.

They will say it was so obvious because an ECB/EU announcement regarding Greece and Spain was imminent.

They will look at P/C ratios, weekly stochastics, media obsession w/ a crash, smart/dumb $ ratio, % of stocks under 50 dma (87%), Naz summation index….and say a mega rally was so obvious.

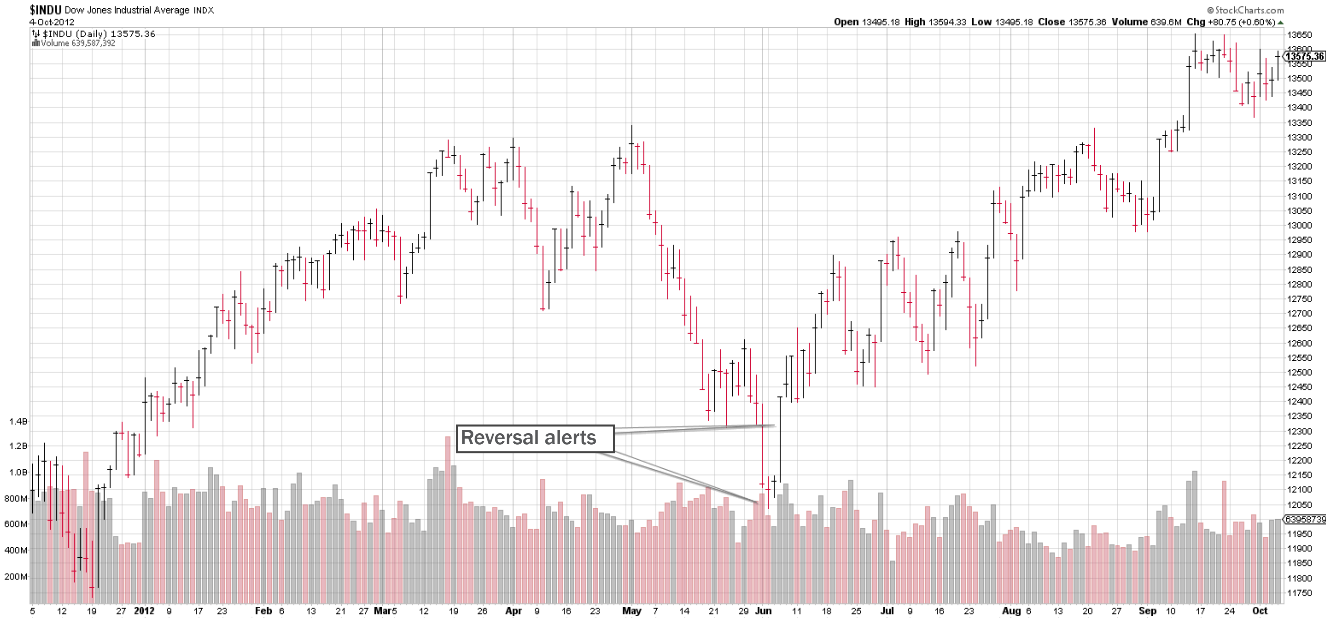
They will say "Man 2008 really fu%ked with my perspective.

They will say it was so obvious because the Prez, Ben, and Tim needed to jack the market up prior to their re-election party."

**6/05/2012**

To really drive the point home about just how pessimistic EVERYBODY was, I re-posted this simple 5 liner. Some of these guys have been in the business for decades and it still blows my mind that they still become swayed by groupthink in light of high probability reversal patterns and technical indicator extremes.

1. "Richard Russell: "the bear market goes on. I'm afraid it has a long way to go."
2. Gary Shilling: "S&P 800"
3. Muhammad El-Erian: "Investors should be concerned with the return of their money and not just the return on their money."
4. FT(Financial Times): "Europe needs its "Lehman Moment."
5. Der Spiegel: Big Investors Don't Know Where to Put Their Cash."




Courtesy of Stockcharts.com

### *MY 2012 GLOBAL FACE-RIP PART DEUX*

Just after the major June bottom in the markets, I sent out this email which was part 2 of my 2012 annual forecast ("Global Face-Ripping Stock Smorgasborg")

**6/13/2012**

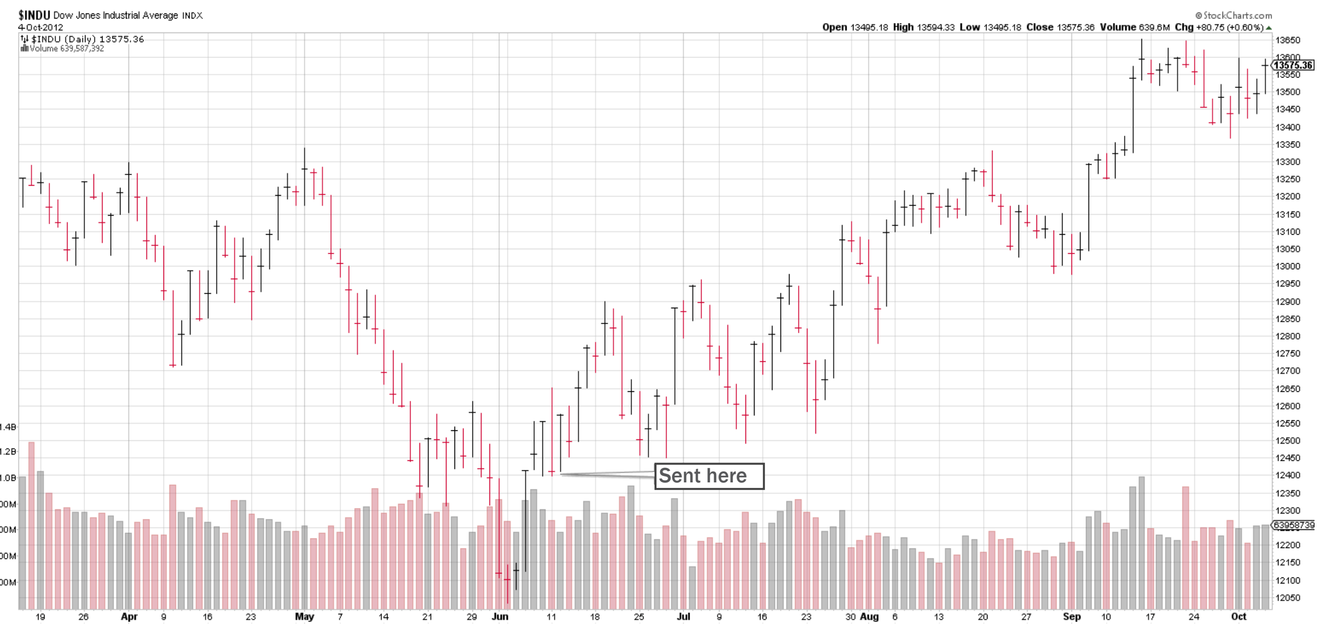
This was the follow-up to my 2012 forecast for a "Global Face-Ripping Rally." For my 2012 forecast, please see annual forecasts in Appendix B.

> "GLOBAL FACE-RIP PART DEUX (Email Subject)
>
> Hi guys-
>
> This evening I was asked about my thoughts on my bearish email(s) sent 3 weeks ago. Well, it appears quite a few things have changed since then. In the interim, many longer-term oscillators have gotten REALLY oversold. To be brief, here are the biggest factors for a possible huge global rally starting sometime in the near future.
>
> 1,2,3,4,and 5) Parabolic move in treasuries. The first chart below (not pictured) shows the entire treasury bull market since 1980. Bull markets end with a parabolic move ABOVE the upper channel on panic buying. This is exactly what we witnessed 2 weeks ago. Because of the vertical parabolic nature of the move outside of the 30+ year channel, it is my belief that this is the EXACT END to the 30 year bull market in bonds. This has immense ramifications. Outside of rising mortgage rates etc., there should be a FLOOD of money out of treasuries into stocks.

6) Several world markets bottoming in unison similar to late December (actually Jan. 2) when I sent out my first “Global Face-Rip” email. Spain, Greece, Brazil have most likely bottomed. India is forming a multi-year very bullish double bottom.

7) Outside of ‘08, crude oil is more oversold (several indicators) than it has been in many years. It should surge out of oversold readings soon resulting in a huge surge in the most highly levered oil markets such as Russia and Brazil.

8) Commodities (CRB-Chart #2) have been this rsi oversold twice in the past decade. Each time lead to a massive multi-year bull market.




Courtesy of Stockcharts.com

9) We are seeing extremes in sentiment. The Bespoke financial panic news headline indicator triggered 2 weeks ago w/ the number of financial panic news headlines hitting an extreme seen only before prior major market bottoms. Additionally, for the first time I can remember, the average newsletter recommendation is 40% short (unfortunately I don’t have the link). This is *VERY* rare. As I intentionally do not read any financial headlines (I actually try to near inflection points), I have no idea what is going on in Europe, but it seems like there is blood in the streets. Cap it all off with the CNBC special “Market in Turmoil” spectacular on the 3rd when Dow Futures reached 11,980 and you have an extreme sentiment trifecta.

10) As for NG, it looks good down here for a long term investor. Dumb money rebound players are mostly out.

This may not be the start of a massive bull market, but I see a snapback at a minimum.

Don’t forget that a) Obama needs to be re-elected and b) bearish dollar groupthink should ensue soon w/ China/Japan dumping it for trade, and c) QE3 wildcard."

### *WHAT GLOBAL MARKET COULD SURGE 500% POST BOND BUBBLE?*

I sent out this alert as a long-term call on the rebound of Greece. Within nine weeks, Greece rallied 50% higher. That's nice, but my call is a long-term multi-year mean reversion play. I mention First Solar (FSLR) and the solar sector as well. Although FSLR has performed well to date, the solar sector continues to languish. At the end, I reiterate my stance that I don't know why the U.S. will bother holding an election in 2012.

**8/15/2012**

"What market could surge 500% post bond bubble? (Email subject)

A quick update:

-As you probably know the 32 year global bond bubble popped this past week in dramatic fashion.

-30-year Treasuries touched the upper trendline 6 times over the past 32 years. Afterwards, the average Dow Jones 12 mo. return was 50%.

-FSLR did in fact break out on its monthly chart- it is up 50% w/in 2 weeks. The solar sector theme I spoke of has officially begun.

-Resource-based emerging markets began their run.

-Steel has begun its run (but I'm not nearly as bullish anymore).

-The gold mining stocks have followed plan and significantly outperformed gold.

-Coals have been pretty lethargic. The smaller guys should rally big time over the next year once the downtrend line is broken.

-Greece should significantly outperform all global markets over the next 1-2 years based on the chart alone. It has 2 mammoth monthly reversal hammer candles in May and June w/ the 2nd candle undercutting the 1st and reversing dramatically. These graphically illustrate massive capitulation. The monthly chart has strong monthly positive divergence and has completed 5 waves down as well. From today's close at 621, Greece should hit 1451 w/ relative ease w/in 12 months on mean reversion alone. There's also a likelihood it hits 2938 w/in 1-2 years- a return of some 500%.

-And if you're one of those media followers who need a "fundamental reason" to invest. Well,Greece is now trading at 1989 levels. Greek GDP in 1989 was $73 Billion. Today's GDP- $300 Billion. Price makes news. As Greece's market rises, the media will focus on improving GDP figures. Their yoy GDP hit -8% 3 quarters ago and has been trending higher. When GDP growth hits 0% over the next year or so, the market could be double or triple its current price.

-The shipping sector is highly correlated w/Greece. The Baltic Dry Index/ S+P 500 ratio is at an all-time low. It has nowhere to go but up.

-The popping of the 32 year interest rate bear market is the largest hidden global stimulus in history. Trillions will flow out of bonds looking for a new home.

-I'm actually not bullish at all in the short term here. This is a BIG macro theme that should play out over the next 1-3 years.

-In the meantime, tell me how bad unemployment is, how bad housing is, how Europe is finished, tell me about the U.S. fiscal cliff. All of these media themes are essential to keeping main street (dumb money) out of the market. Most of the biggest market advances in history have climbed the proverbial "wall of worry".

-And as I've been saying since December, I don't even know why they are going to bother having the election. No, I'm not a Dem."


Courtesy of Stockcharts.com

### *AND TO SHOW THAT CHARTS ARE NOT JUST FOR STOCKS…THE 2012 ELECTION*

I include this alert to show that all markets are based on human emotion. Whether we are dealing with charts of stocks, bonds, or elections, it makes no difference. I sent this out on October 10 as the general public believed that Mitt Romney was taking the lead leading up to the election. My chart said otherwise. Unfortunately, I can no longer locate a chart displaying public opinion leading up to the 2012 election.

**10/07/2012**

> "The Election Chart (Subject)
>
> I know I said no more market updates, but this is pure entertainment. Fun stuff. I just saw some headlines about Romney taking the lead. So I thought I'd look at the charts. This is pretty cool. A chart is a 100% reflection of human emotion, human nature, human behavior etc….Since the beginning of time, human emotion has repeated in 100% predictable patterns. The election is 100% emotion.
>
> The chart of the election is a textbook "breakout" chart (for Obama) on exponential volume as it broke out of its 2 year base. Look at the 2 year base between 50% and 60% (Obama's odds of winning). Look at the volume when the chart breaks out above the 60% threshold.
>
> We are now seeing a textbook re-test of the breakout pivot point which just so happens to coincide with the lower Bollinger Band. If true to form, the chart should see a very high volume reversal to the upside within a couple/few days. If it traded much below 60%, I would sell my momentum stock (Obama) and put on my Romney cap. Until then, it's a very bullish pattern. Unfortunately, (Obama) shareholders have to sell at 100."

# HOW TO SPOT MAJOR COMMODITY TOPS AND BOTTOMS

### *INDICATORS SHOWING MAJOR TOP IN SILVER IN 2011*

While the world was piling into silver due to massive "devaluation" groupthink regarding the U.S. dollar, I saw a *GIANT* bubble that was about to burst at any moment. I saw that big money was going to be made by those betting *against* Silver. Below were my thoughts about what I saw technically, and ultimately how big the debacle would be.

**4/21/2011**

"BTW-

Silver closed 51% above its 200 dma in April of 2004. It went from $8.50 to $5.45 in the next month.

Silver closed 68% above its 200 dma in May of 2006. It went from $15.21 to $9.48 in one month.

Silver closed 47% above its 200 dma in late March of 2008. It went from $21.44 to $16.06 in one month and to $8.40 in six months…

Today's close? 68% above its 200 dma. Tomorrow's open? Close to 70%.

When the dollar has its inevitable, yet seemingly impossible 10% (upside) retrace, we will truly see "shock and awe" when it comes to silver as well as other commodities. I even saw that Cramer yelled buy, buy, buy SLV 2 nights ago while it sat 65% above its 200 day.

Now, we just have to wait for Goldman to put Silver on its "conviction buy" list when it hits $50…. 4 weeks after their "recommendation"? $30.

**4/21/2011**

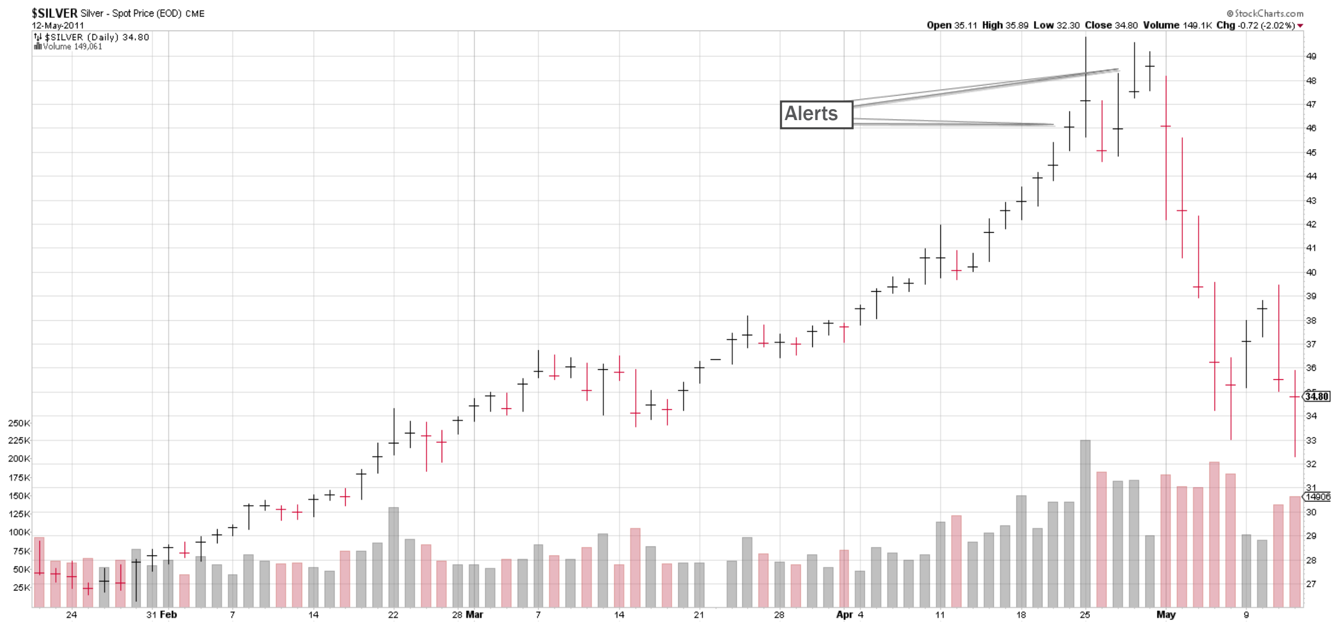
"I just hung out at SLV message board. Two words- utter pandemonium.

SLV closed today (around $46) at a record 72% above its 200 day moving average at $27.

Going back to 2002, all prior instances above 50% touched the 200 day moving average within one month."

**4/28/2011**

> "More silver stats:Silver- closed 75% above its 200 dma. (It) hit 82.4% earlier this week. (Previous parabolic moves popped in a big way at 47,51, and 72%)Here's one I find really interesting. SLV avg. weekly volume is 120 million. Previous record weekly volume was 350 million. W/ one session left, this week is on pace for 850-875 million. But here's the kicker- W/ that MASSIVE volume, SLV is only up 3.79% (for the week). I suspect SLV will close the week just about at $47."




Courtesy of Stockcharts.com

## *GENERATIONAL BOTTOM CALL FOR OIL*

In February of 2009, there was literally a "sea" of excess oil on the market. There were tankers literally parked all over the world with millions and millions of barrels of oil that nobody wanted. Analysts were calling for a return to $15-$20 a barrel oil. I saw a large opportunity. Here is exactly what I saw then. Unfortunately, the links no longer apply.

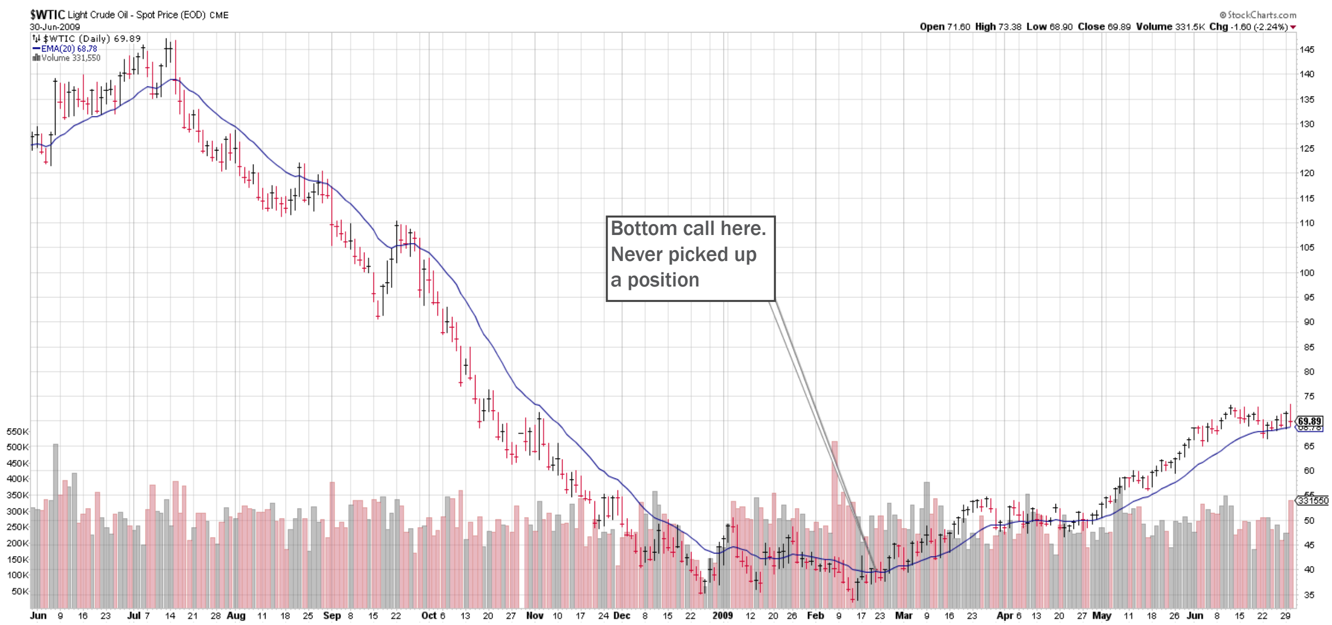
**2/22/09**

> "Subject: UCO/Oil bottom?Clues to a possible major oil bottom last week.
>
> -Blowoff top for DTO (oil inverse) on weekly chart.
>
> -Contango bubble may have popped?
>
> -Bullish hammer on USO weekly chart http://www.fxwords.com/b/bullish-hammer-candlestick.html
>
> -Oil monthly chart down 8 months in a row. My guess is if USO breaksFebruary's monthly high in March, USO projects to 35 to 40.

-If oil rallies, a world stock rally would probably ensue. RSX would most likely be most highly levered market (doesn't make much sense since economies are imploding.... but charts are charts)

-Oil charts - see page 10 http://stockcharts.com/def/servlet/Favorites. CServlet?obj=ID369857&cmd=s how[s122127438]&disp=O

-Possible double top for dollar which moves inversely w/ oil -USO weekly volume would have been an all-time record if not for the shortened trading week. Here is a very interesting post from the UCO board... "There is virtually no contango between the just expired March contract and the April contract. The March contract expired yesterday at 39.48 and the April contract ended at 40.03, roughly a 1.4% contango spread.Last month this was very different. The February contract which expired on Jan 20th ended at 38.74 while the March contract ended at 40.84, roughly a 5.4% contango spread. Additionally, through the month of February, there was a steady 6-8 dollar differential between the front month (March contract) and the April contract...which was roughly 15-20% contango spread.




Courtesy of Stockcharts.com

As UCO now holds the May contract, should contango come back into play and the front month contract (April contract) hold its ground at 39-40 per barrel, we could see a 15-20% rise in the May contract to be more in line with the sperad between front month and next month out during February. This would mean a 30-40% rise in UCO price, without the front month contract moving anywhere.

Summary: There are ways to benefit from Contango. One of those ways is to own UCO just after contract expiration on the hopes that the Contango effect broadens without the front month moving. I believe UCO will be at 8.00-8.10 by end of week, a 25% increase this week. I don't believe the front month will rise much over $40 during the period"

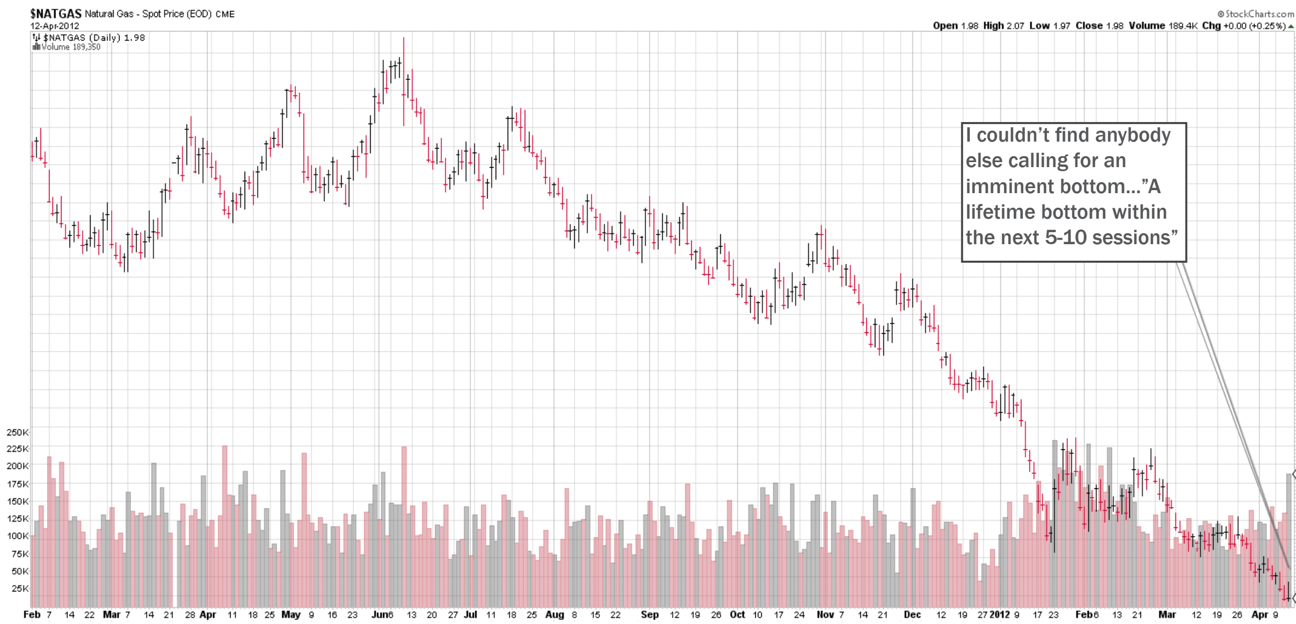
## *NATURAL GAS LIFETIME BOTTOM—THE IMPENDING NATGAS SUPERCYCLE*

*I had to cut some sections of these emails out due to excessive length.

**4/05/2012**

"Biggest bull thrust we'll ever witness starts w/in days (Email Subject)

Buenos Aires 4/05/12




Courtesy of Stockcharts.com

I now take a brief hiatus from what has literally been a non-stop journey entailing hundreds of hours of bus travel throughout S. America. Over the past 2-3 years, if memory serves me correctly, I think I've recommended a natural gas trade on 2-3 occasions. Well, I'm now recommending a natural gas *INVESTMENT.*

-The charts are telling me that we will witness a simply breathtaking natural gas rally commencing ***w/in the next 5-10 trading sessions*** which will be unlike any typical general market or commodity rally we've seen in recent memory.

-The current natural gas pattern is what we might call a bullish descending longer-term wedge on declining volume. I have witnessed and traded many similar patterns in the past. The upside explosion can be historic.

-As far as my charts go back (12 years),natural gas has traded above its monthly bollinger band 5 times. After each upward bollinger band piercing, there has been a very powerful reversal back w/in the bands. We have now violated the lower monthly bollinger bands for the VERY FIRST time AND have stayed below the band for 5 MONTHS IN A ROW! The band is now at 2.12. On a long-term basis,natural gas is more oversold by any measure (rsi, slow sto, roc (just about there)) than it has ever been in its history. Once re-entered (The Bollinger Band) on a monthly basis, after 5 month stretch outside, the longer term reversal will be the most violent we've ever witnessed. Btw- the bands are simply a measure of standard deviation- most things in life eventually revert to the mean over time.

-The Natural gas continuous contract is in the process of completing its Elliott Wave fifth wave down from last summer. Once completed, 5th wave reversals are very powerful short term moves in the opposite direction.

-Rig count/supply was 1650 when natural gas was probing $14 in '08. As of this afternoon, rig closures have taken that number down to 647. Going forward, there will be an HISTORIC demand/supply dislocation that will cause prices to literally skyrocket virtually overnight. Simply put, demand has increased over 10% since '08 while potential supply is down what 60+%.

-Producer's marginal cost is in the $6 per bcf range just to BREAK EVEN. The CASH COST for a very small percentage of the lowest cost producers in the industry is around $1.85. Assuming natural gas is TOTALLY FREE to them, it costs them $1.85 per bcf to pay employees, pay shipping costs to customers, variable overhead etc. Well, in the past week, Henry Hub spot prices have probed the $1.85 level on 2 occasions.....

-If you monitor the natural gas forums and sites, the dominant theme is that ABSOLUTELY nobody will come w/in 10 feet of a natural gas etf. If they are bullish on natural gas (not many), they are piling into natural gas or coal producing stocks. For many, many reasons, during extreme price spikes, the producers tend to follow the underlying commodity to a much, much, much lesser extent. Natural gas has more or less a market negative beta. Thus if it falls, the stock market tends to rise. If gas rises, the market tends to fall....and thus the producers tend to fall, stay flat, or at best increase slightly (much of this has to do w/ very long-term forward contracts which limit downside and upside dramatically).

-In 2002, many investors anticipated a natural gas rebound. They piled into mega producers such as CHK. While the stock market languished, the producers went nowhere. Let's just say that natural gas budged slightly..... Ever so slightly....up 600% w/in a few months.

-DO NOT read any article relating to natural gas oversupply. There is TREMENDOUS oversupply at the moment. Did you guys closely follow the oil market in 2009 when there was SO MUCH supply vs. ZERO demand.... so much so that every hedge fund was storing oil on their rented tanker off the coast of Singapore? In the midst of this, I sent an email to (name confidential) in March of 2009 telling him to forward my oil charts to his readers. The charts indicated a HUGE rally during perhaps the biggest oil oversupply in history....you simply couldn't give oil away at $40. In the next 6 weeks, oil traded from roughly $40 a barrel to the mid $70's while there was NO DEMAND AND literally a sea of supply. And yes, he sent that email out.

-Such a potential rally REQUIRES an historically oversold market. Natty closed at $2.09 today. Thus, the further natty trades down...... **($2, $1.90, or even $1.80**), the tighter the rubber band becomes, and the larger the rebound rally becomes.

-Its coming in a BIG, BIG way. Next Monday, Tuesday, Wednesday, Thursday, Friday or the following Monday, Tuesday, Wednesday, **Thursday (this was the day),** or Friday. It will catch the world entirely off guard. It will be so fierce that the millions of people waiting to enter on the sidelines will have no opportunity to re-enter until its too late. Traders will not buy a stock or etf that is up 20-25% in a single day (this didn't happen - just a relentless, steady climb). They will simply miss 90% of the move like everyone else. There are a handful of producers, end users, hedge funds, I-banks, and institutions that own 95% of the forward contracts at the moment. They will not sell until the 4's,5's, and 6's or higher. The S/D dynamics of such a situation could take the spot market to those levels w/in weeks or a couple months.

-And over the next 1-2 years, the forward curve WILL reach and exceed old highs. You can do the math. The market's main job is to ensure that everybody remains on the sidelines (w/ the exception of a dozen billionaires who slowly accumulate during the panic) during massive runs. It is my opinion that the market is sending a very clear signal that next few weeks will not be an exception.

-One more tidbit... and going back over the course of history, the oil to natural gas ratio is 6-10. It closed at an ALL-TIME high today of 49.45. I bet my life that it will trade again w/in its long-term historic bands. Do the math. And what if oil spikes???

-Lastly, don't forget that the U.S. will soon begin massively exporting natural gas worldwide into markets (most of the world) that pay $14-$16 per bcf in the free market.

-A massive sea change will soon be underway. And 99.999999999% of the world has no idea.

Cheers,

Jesse"

**4/6/12**

"Just received from a friend who is a natural gas executive at a large regional player in the SE:

"Our natural gas traders believe we are going lower. All the means

Of storage are 100% full. Warm spring means no demand.

I'm hoping for a natural gas play later in the summer. Hope for a hurricane and a European winter!"

I've heard very similar comments over the past month from others in the know w/in the industry.

Against all odds, I stand by my email."

**4/09/12-**

"My last gas email – this is a doozy (subject)

-There is more natural gas in storage than any other time in history. Record setting oversupply.

-The only way to get rid of this oversupply is to see substantially lower prices going forward.

-There is now 900 BILLION more cubic feet in storage than last year!!!

-There has only been ONE other time in HISTORY w/ such a demand-supply imbalance.

-ONE other time when gas in storage deviated this much from the 5 year average.

-What happens when there is such an imbalance? Producers do whatever they can to fix the situation by whatever means necessary. What happens otherwise? Their shareholders simply fire them and replace them w/ a team that can simply cut production by a meager 10% to raise prices 100% to give shareholders (aka "the boss") a fat return.

-When was the ONLY other time when demand and supply were this imbalanced? History runs in cycles and repeats itself over and over again. The only other time there was such a scare regarding oversupply and capacity limits?

-Well.....How about this? *EXACTLY* 10 years ago. *EXACTLY* 1 decade ago.

-What happened to the natural gas price during the following 3 months? 125% upward mean reversion.

-What happened to the natural gas price during the following year? You won't believe this. Nothing short of a 561% return. Yes.

-The smart money (institutions/hedge funds) do their buying based on the monthly chart. Well, going back to 1999, the lowest monthly close was at 2.13 in 2002. The price bottomed while supplies continued to increase for a couple months.

-Do you know what the monthly close was last month? You guessed it! Ever heard of a *MASSIVE* multi-year, decade-long double bottom? Here is the potential outcome- contrary to "expert financial analyst forecasts" the world over, we could see a MASSIVE multi, multi year rally exceeding old highs by an enormous percentage. Think about the implications.....especially from $2 natural gas.

-Can you find anyone else in the *ENTIRE* world who is predicting a rally from current levels?

-The guy below is the biggest bull in the natural gas arena....and he is predicting a 25% DECLINE from current levels before we turn around! Even Gartman threw in the towel today. All of the bulls are calling for a re-test of $1.80 for crying out loud. Usually you have all of the bulls or all of the bears on the same side of the boat, but not the bulls and bears sitting side by side!

-For many, many reasons, the crude oil to natural gas ratio has always traded between 6-10 for as long as the 2 commodities have traded publicly. The current pattern has gone parabolic and/or has entered a waterfall decline depending on your perspective. The one thing I can promise in this email is that over time, there will be a mean reversion back into the historic range (I could write a separate email on this). So....if oil eventually trades to $200, $250,$500, $1,000 (peak oil?) and the ratio reverts to the historical range.... well, you can do the math. Mind boggling.

But then again, everybody who makes 7 or 8 figures along w/ every single person who has the charisma to appear on financial television every few weeks is predicting further declines into the lowest inflation-adjusted levels in the history of the commodity. Maybe you'll see Jesse on tv in 5 years at $100 natural gas calling for $200. If that's the case, sell all you can.....and then some:)"

**4/16/12**

A reply to the alert above:

"Being the only natgas bull in the universe, I looked far and wide today for somebody....anybody to comfort me in my loneliness. Anybody who can see from my vantage point. I couldn't find a single bullish article… Anywhere. I think we have all been around long enough to remember the significant articles we read in the past at major market tops and bottoms.

(Media called for) "QCOM to 1,000. AAPL to 1,000. Oil back to $10. Silver to $100. Dow 30,000, Dow 1,000" etc....

Here is what I found:

1)-4/13/12 -Natural gas bottom nowhere in sight....."there's going to be a price shock -- where these caverns fill up so quickly that there's nowhere else to store this gas, so you're dumping it on the cash market. You could see the market collapse down to all time lows...$1" - Senior Analyst RJO futures.

http://www.bnn.ca/News/2012/4/13/Natural-gas-bottom-nowhere-in-sight.aspx

2) 4/12/12 "SIMPLE ECONOMICS SAY THE PRICE SHOULD BE CLOSE TO $0"

http://seekingalpha.com/article/493521-natural-gas-why-prices-are-headed-lower-and-how-to-profit?source=yahoo

3) 4/12/12- GOLDMAN SACHS downgrades natural gas....no rebound till 2013.

http://blogs.wsj.com/marketbeat/2012/04/12/goldman-sachs-natural-gas-prices-wont-rebound-until-2013/

4) 4/13/12 - Morgan Stanley downgrades natural gas (no link)

“Morgan Stanley this week revised down its 2012 price forecast for natgas to $2.40/mmBtu from $2.70/mmBtu…stemming largely from continued warmer-than-normal weather. Through the summer, Apr-Oct, we see gas prices averaging $2.20/mmBtu”

4) 4/16/12- UNG going to $10

http://seekingalpha.com/article/501231-sub-10-ung-is-coming-to-a-market-near-you?source=yahoo

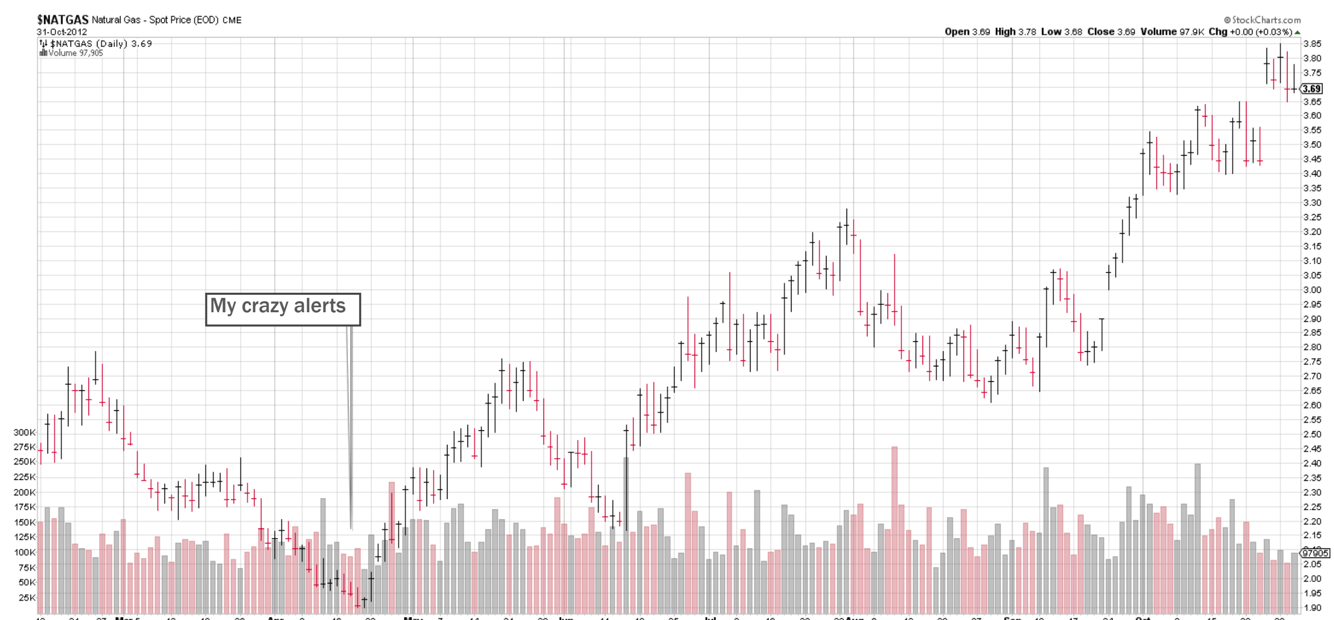
5) 4/12/12 “Face-Ripping trade of century” author throws in towel

http://allstarcharts.com/the-natural-gas-crash-revisited/

6) I posted a link last week about the most bullish guy I could find calling for a massive ng rally. YET, he’s bearish. Calling for $12 UNG in the short term. I can’t find the link at the moment.

7) I posted another link 2 weeks ago about a guy calling for a rally, but saying we need a 15-30% single day crash in order to do so.

The stage is set.”




**Courtesy of Stockcharts.com**

# APPENDIX B

# *My Annual Global Market Forecasts 2010-2012*

A glimpse into my thought processes heading into new calendar years. My annual calls are meant to be for entertainment purposes only. They are my best guess for what may play out in worldwide markets. As you might expect, it is quite difficult, if not impossible to generate a reliable forecast for the following 12 months. But for laughs, I try anyway...

## *MY 2012 GLOBAL MARKET FORECAST: "EXPLOSIVE FACE-RIPPING WORLDWIDE STOCK SMORGASBORD" (GOLDMAN CALLS FOR UP TO 25% S+P DECLINE)*

*Note—includes summary of 2011 forecast (for 2011, Goldman called for 25% S+P advance led by bank stocks).

I posted the wildly bullish forecast below as Wall Street strategists predicted the lowest return in seven years: http://www.bloomberg.com/news/2012-01-03/smallest-s-p-500-gain-since-05-seen-by-strategists-after-u-s-beats-world.html

I was wrong about a few of the points, but all in all, things have turned out pretty well to date.

**01/02/2012**

> "My2012 market prediction- an explosive, face-ripping, worldwide market smorgasbord (Email subject)
>
> I also posted this (without charts) at http://explosiveface-rippingstocksmorgasbord.blogspot.com/
>
> As many of you know, I have been moderately market bearish over the past 2 years. Quite frankly, the environment for traders and investors has been crap for quite some time now. One year ago, I sent out my "market forecast" for 2011 based almost entirely on The Royal Bank of Scotland's own forecast. I have learned to take their forecasts very seriously ever since June 6/18/2008 when the research team from Royal Bank of Scotland (RBS) warned investors to "get ready for a full fledged crash in global stocks and credit markets over the next three months." Global markets immediately crashed w/ the S&P going from 1350 to 850 in the next 4 months.

Anyway, I sent this out (one year ago-my 2011 forecast): ".....as of this morning, The Royal Bank of Scotland has advised clients to take out protection against the risk of a sovereign default by China as one of its top trades for 2011." *Having been on the ground in China for close to 3 months now, my belief continues to be that China is priced for perfection for many years to come. Any missteps will be reflected in the market(s) in an exaggerated fashion.* China is forecasted to grow at 10% per annum for years to come. As the article states, any hiccup (such as 5% growth) will take markets down by 25%."The result of such a hard landing (+5% growth) would be a 20pc fall in global commodity prices, a 100 basis point widening of spreads on emerging market debt, a 25pc fall in Asian bourses, a fall in the growth in emerging Asia by 2.6 percentage points, with a risk that toxic politics could make matters much worse....Albert Edwards from Societe General said the OECDs leading indicators are signalling a "downturn" for Asias big five (Japan, Korea, China, India, and Indonesia). The China indicator composed by Beijing's National Bureau of Statistics has fallen almost as far as it did at the onset of the 2008 crash."

(Back to 2012)- The day I sent that 2011 note out, the Shanghai index closed at 2857.18. As fate would have it, 2 sessions ago, the index hit 2134.32....a fall of 25.3%! It is my contention that the low of 3 sessions ago in China will be the low going forward (the index just recently tested this low in September of 2012) and perhaps its low for the rest of our lifetimes! I have now spent much of the past 2 years in China, and the real estate situation is simply dire. Imagine walking around ANY CITY in China at night and literally seeing *MILLIONS* of empty condos with no lights on. I don't know what will happen to Chinese real estate but the charts are telling me that the Shanghai Index has *BOTTOMED* and may never look back. (I was very close in price but a little off in the timing of the low).

(For 2012) I see a possible giant transition taking place right this second throughout worldwide markets. As you will see in the charts below, I see:

1. An imminent end to the 30 year bull market in 30 year U.S. treasuries resulting in a flood of capital into worldwide equity markets.

2. An imminent bottom in worldwide equity markets- especially China, India, Vietnam etc. out of severely oversold levels.

3. The Dow Jones 13 week exponential moving average (ema) just crossed above the 43 week ema (a rare occurrence) signaling a bull run. Prior instances have resulted in *short-term thrusts upwards of 30%+.*

4. According to Oppenheimer (see below), 2011 was THE MOST VOLATILE year on record going back to 1950. There were huge drops in March, June, September, October, and November...not to mention a "once in a lifetime" mega-drop in August. The individual investor has simply given up in frustration. After periods of extreme volatility, markets go up...a lot.

5. The "Ted Spread" (measure of credit risk in the economy) has topped out. Its rsi (14) of over 81 is higher than at any other time during the crisis

of the past 4 years. This extremely overbought rsi indicates an imminent fall in the "Ted Spread" resulting in money flowing out of the safety of bonds and into more risky assets- stocks.

6. The American market flat performance in 2011 masks an *ALL-OUT* worldwide market crash in 2011. Much of Europe is down 50% from its highs, Cyprus is down 72%, Vietnam is down 50% (VNM), China is down 33% from its highs this year, India is down 45%, Russia is down 30%, Brazil is down 28%, Copper is down 28%, Japan down 25%, biotech index down 33% from its highs, networking index down 28%...... and basically every sector in the U.S. market is down big time. If you look at every sector in the States, it is literally impossible to figure out how the S&P, Dow, Nasdaq etc. finished the year flat. Put simply, 2011 was an *ALL-OUT MAJOR MARKET DEBACLE WORLDWIDE.* A once in a lifetime worldwide market decline. My friends, we are due for a worldwide market reversion higher!

7. Goldman Sachs. I will never understand how Goldman Sachs will forever be allowed legally to purposely mislead investors. It is what it is. At the end of 2010, the indexes surged over 20% resulting in an end of year weekly rsi (14) in extremely overbought territory above 70...a level consistently leading to significant market declines or crashes. SO.... I've seen it over and over and over w/ Goldman (as with many other houses), as they upgrade at unsustainably overbought levels and downgrade at unsustainably oversold levels. Anyway, their forecast for 2011 was for a 25% S&P surge LEAD BY........ BANKING STOCKS!!!!! Just take a second to look at some banking stocks over the past year! This brings us to 2012. What is Goldman's forecast??? Any guesses???

8 "Our 3-month, 6-month, and 12-month forecasts are 1150, 1200, and 1250"!! And how about this: ***"We estimate the S&P 500 could fall by 25% to 900 in an adverse scenario in which the Euro collapses." Wow!*** By the way, the average portfolio manager predicted a 17% S&P return heading into 2011. A USA today poll of individual investors was right at about 17% as I recall. Euphoria at very overbought levels is a recipe for disaster. Things got so out of control that I bought index puts for the first time in my career in February.

9 The U.S. market has survived! It has survived *EVERYTHING* in 2011. The most volatile year in history. The entirety of Europe collapsed in spectacular fashion (already priced in), S&P downgraded U.S. debt, dismal GDP figures, depression-level consumer confidence numbers, lackluster earnings, riots in the UK, Tunisia, Greece, Syria, Israel, Egypt, Libya, the occupy Wall Street movement in the U.S., possible warfare with Iran, bursting of the world's biggest property bubble in China, municipal debt crisis in China, the collapse of MF Global, the uproar against quant trading, the runaway debt crisis in the U.S., ...the worldwide debt bubble etc. etc. etc.... Guess what? The U.S. markets survived everything. What happens if we get any good news? Anything. We get a *HUGE* market surge.

10. There have been 97 negative earnings pre-announcements issued by

S&P 500 corporations for the fourth quarter, compared to 26 positive pre-announcements, resulting in a negative-to-positive ratio of 3.7. That's the highest in 10 years, according to Thomson Reuters data. The earnings bar is now set much lower. These pre-announcements came in early, meaning estimates have been coming down across the board in every industry. This now sets the stage for some significant "beats" for those firms who meet or exceed their initial guidance set at the start of the quarter.

11. The U.S. market is a complete and total wasteland. The leading sectors like banks, solar (down 80%!), shipping(down 50%), and coal (down 50%) have simply been devastated. They have priced in a total collapse of the worldwide economy. The good news is that from a sector-down approach, I see dozens and dozens of setups within these sectors suggesting a massive rally in many of the individual stocks. I see many "cash cows" trading at absurd Buffet-esque discounts. Take coal company ACI for example. 3% dividend, $38 enterprise value, $2.90 EPS run-rate in Q1 2012, profitability booked well into the future through forward contracts....all for $14.50 per share. I haven't done enough work on solar yet, but the charts suggest a big turn for several of these firms in the coming year. For example, lottery ticket solar firm HSOL w/ $3.50 in cash, backed by a multi-billion dollar Korean company is trading at $0.98. $33 FSLR, is projected to earn $6 in 2013, RDN w/ a book value of $8.50, highly leveraged to a housing rebound (yes, it is coming) trading at $2.34. I have dozens of companies like these on my radar. I see many potential 100-600% "rebound plays" this year (my coal, solar, shipping thesis turned out to be wrong).

12. Industry reports are suggesting a surge in some leading indicator consumer and industrial activity. Sales of new cars have been surging very late in the year. TSM (Taiwan Semiconductor) is the big boy in the semiconductor space (the leading of all leading indicators in my opinion). I just received this note from CSFB the other day: "Taiwan foundries opening up order spigot. We analyzed the equipment orders made by Taiwan chip makers in Taiwan public filings. Orders from TSMC & UMC in 4Q11 have increased to $2.63bb (up 421% q/q from just $504mm in3Q11). The order levels are higher than the $1.62bb average levels in 1H11. With sales of ultra-laptops surging in the second half of 2012 combined with the intro of revolutionary TOUCH SCREEN Windows 8, we could see a huge computer upgrade cycle setting up a second half technology bonanza.

13. Presidential Cycle. The average 3rd year return for the presidential cycle is 17% while year 4 is around 10%. Its my guess that the market over the next 12 months will combine year 3 and year 4. I have spent 80% of my time outside of the U.S. over the past 3 years and 2 themes consistently emerge whenever I meet somebody. 1) Obama, Obama, Obama! (Similar to Tebow mania) and 2) "The U.S. is no good anymore....it has collapsed, right?" There is/will be a worldwide push for Obama to remain president of the United States. Unlike any other president in my lifetime, he is almost universally loved outside of the U.S. As always, big money the world over will want to preserve the status quo by making conditions conducive for his

re-election, jobs will be created, markets will surge, everyone will be happy, and Obama will win in a landslide (and no, I am not a democrat nor an Obama supporter). By the way, Intrade and other markets are forecasting only a 52.5% chance of his re-election. I don't think that figure will stay there for very long. The other point is that the world has totally given up on the U.S.. Everyone I meet abroad thinks that the United States is in a terminal state of decline. It is precisely when you see this kind of universal dour sentiment that the U.S. (or any company/country etc.) comes back swinging and surprises everyone in a *BIG* way.

14. The U.S. real estate collapse is over. *Period*. Nationwide U.S. real estate futures are slowly starting to reflect this-http://www.recharts.com/cme.html. Banking stocks and indexes will surge when the data show that prices are no longer falling. If prices start climbing (at all), we could see an all-out market moon-shot.

15. Professional traders are totally out of the market. During my career, there have always been at least 30-40 stocks at any point in time that are "in play." There are virtually none at the moment. Well, there are a small handful, but they are nothing like what we are used to "playing" in good markets. The "momo stocks" of 2011 have all been completely decimated. TZOO, GMCR, OPEN, REDF, MITK, MCP, NFLX, VHC, JVA, SFLY etc. have been absolutely crushed reflecting a depression scenario. Should we enter a less volatile, uptrending market in 2012, professional traders will return en masse pushing the next generation of "momo stocks" through the roof similar to the 2003-2006 momentum heyday.

16. Lastly, I can't find any other commentators or traders looking for a huge market surge this year. Being an ultra-contrarian investor, this single fact alone makes me even more confident that 2012could be the "Big One."

Bottom line, I see a possible once in a generation market move this year with scores of individual stocks making "multi-bagger" moves over the course of the year. Everybody has an outlook for the stock market. For the reasons stated, I just feel particularly bullish this year. Unfortunately, market outlooks are wrong more often than not. According to Steven Kiel at Arquitos Capital, "If you want to keep yourself in check, head on over to this BusinessWeek article from December 20, 2007. Some very talented analysts, some of whom I really respect, put out their end of the year 2008 stock market predictions. William Greiner, Tobias Levkovich, Jason Trennert, Bernie Schaeffer, Leo Grohowski, Thomas MacManus, and David Bianco all are included. Their S&P 500 predictions ranged from 1520 to 1700." Do you all remember S&P 666?:)

The charts below show the mega bullish crossover for the Dow (happening in other indices as well), a mega-bullish 4 year cup and handle formation for the Nasdaq, the bottoming formation in the Indian market, descending bullish channel for coal stocks, descending bullish channel for networking stocks (NWX), the same pattern for the Nikkei, a chart showing natural gas closing on Friday at its cheapest level (relative to oil) in its history.

This will prove to be its lowest monthly close (I was off by 3 months) in our lifetimes w/ future 1-3 year returns of 100-800%, a bullish emerging markets formation, a chart of 2011 being the most volatile year ever, a chart of 30 year treasuries hitting their long term 30 year upper channel (I was a little early here on the bottom), a chart of the TED spread, charts of the Shanghai index, a chart of the solar index (TAN), Oil services index (OIH) and its bullish descending channel, a chart of the agricultural index (GKX) suggesting a possible 100%+ move over the next year or so, and a long term commodity chart."

### 01/03/2012

"There are literally hundreds and hundreds of former "high flyers" in every sector coming off of low bases.

FSLR, IGPG, DRYS, EXM, CREE, BTU, DANG, PEIX, BAC, AUMN, WFR, GMXR, SSRI, OSG, HSOL, SOL, SMSI, AA, MTL, RDN, CENX, anything oil related....

I've never seen so many longer-term, multi-bagger setups in all my years trading.

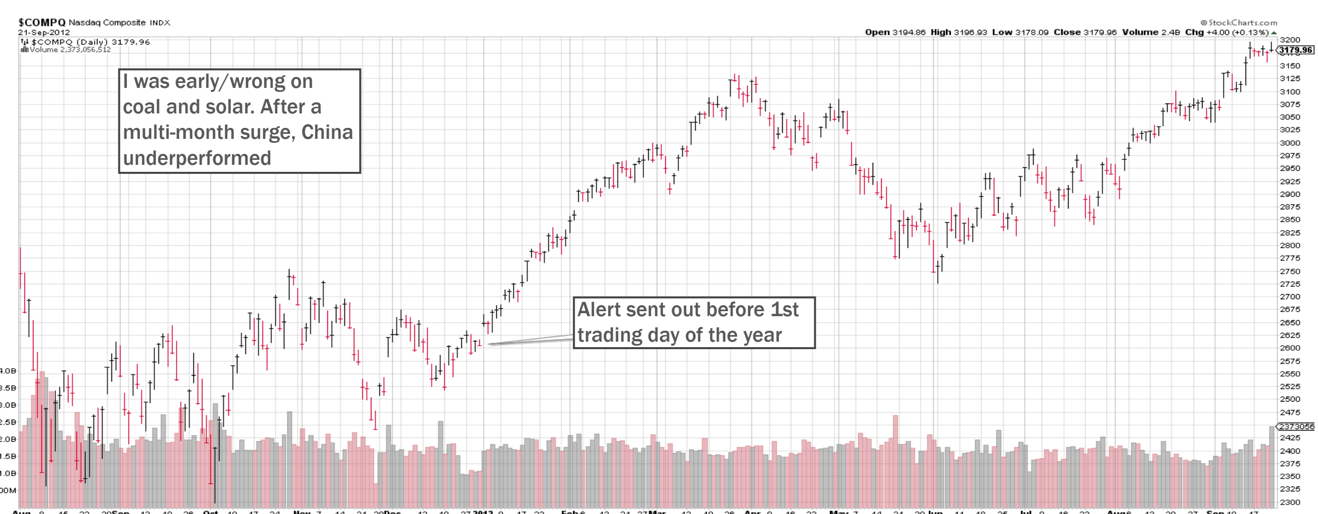
Bill O'Neil's pants are wet. There are classic IBD setups all over the place.

This is the year we've been unpatiently waiting for since 2006. Astute traders are going to make a *BOATLOAD* of money this year. There will be no pullback."

### 01/03/2012

And just to show that I am not always making friends. In response to the comment above:

"'There will be no pullback.'" WTF? Are we traders or psychics? There is *NO WAY* to know what the markets will do. No one knows, *NO ONE*."




Courtesy of Stockcharts.com

## *MY MARKET CALL FOR 2010 – "DO ABSOLUTELY NOTHING"*

*My 2011 market call was summarized in 2012 forecast.

This was my forecast heading into 2010. Just days before a 900 point drop and a few months before the now infamous 1,800 point "Fat-Finger Flash Crash" of 2010.

**1/3/2010**

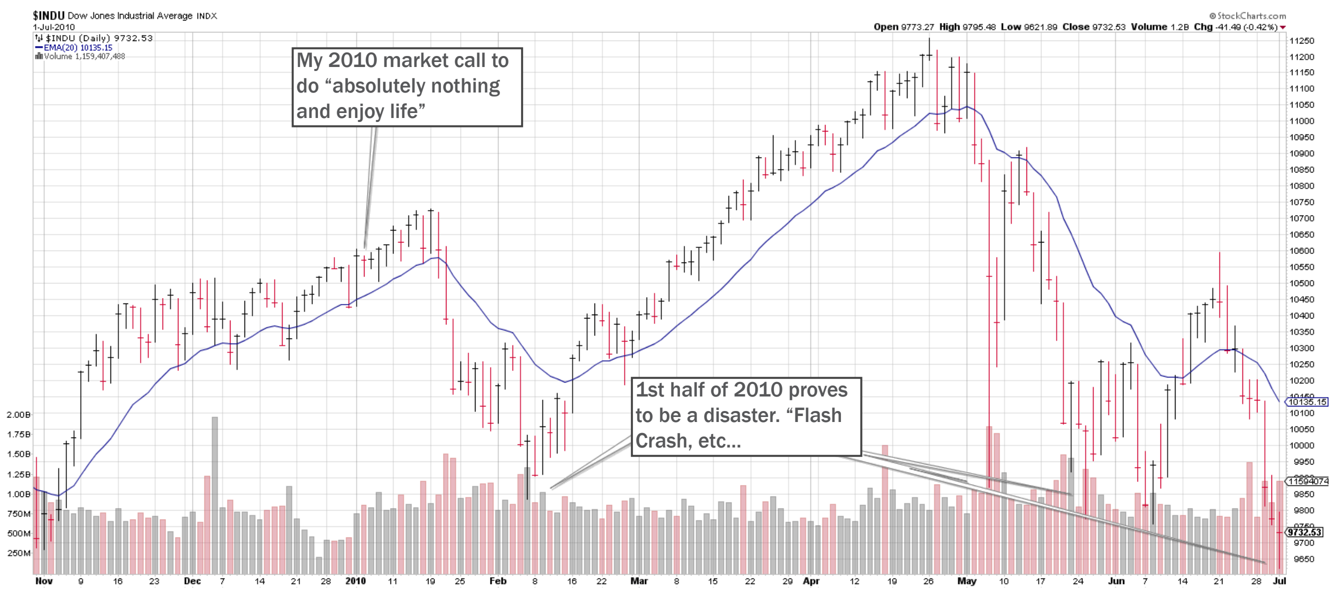
"My 2010 investment forecast – comments on the U.S. dollar (email subject)

Again, I find myself on Bangkok time on a Sunday morning:) One last thought regarding the status of the U.S. dollar as an "investment" in 2010. Everywhere I look, I see articles and commentary on the imminent collapse of the U.S. dollar due to quantitative easing/massive fiat currency expansion and our parabolic debt explosion. While abroad, I saw Time and Newsweek covers (sometimes the covers are different in foreign nations) about the "demise of the U.S. dollar." That was precisely when I started to become bullish on the U.S. dollar. I follow about 15 excellent technicians on stockcharts.com And one- Matt Frailey has been spot on over the long run regarding the U.S. dollar (and the general market as well). Like many successful investors, his timing isn't always exact, but he gets the major movements most of the time. Rather than listen to the talking head group-think and financial journalists, I choose to follow chartists who have proven themselves to me over time..........If I was pressed to recommend any investments for 2010, I would recommend doing absolutely nothing……So, from my vantage point, as we enter a new decade, my recommendation is to invest in yourself, enjoy life a little bit more, perhaps expose yourself a bit more to foreign travel to gain perspective, perhaps quit your job and pursue your passions, appreciate those around you a little bit more, and make a conscious effort to enjoy each and every moment.

Here's to a great 2010!"

*Remember that the U.S. Dollar is highly inversely correlated with the stock market.


Courtesy of Stockcharts.com




Courtesy of Stockcharts.com