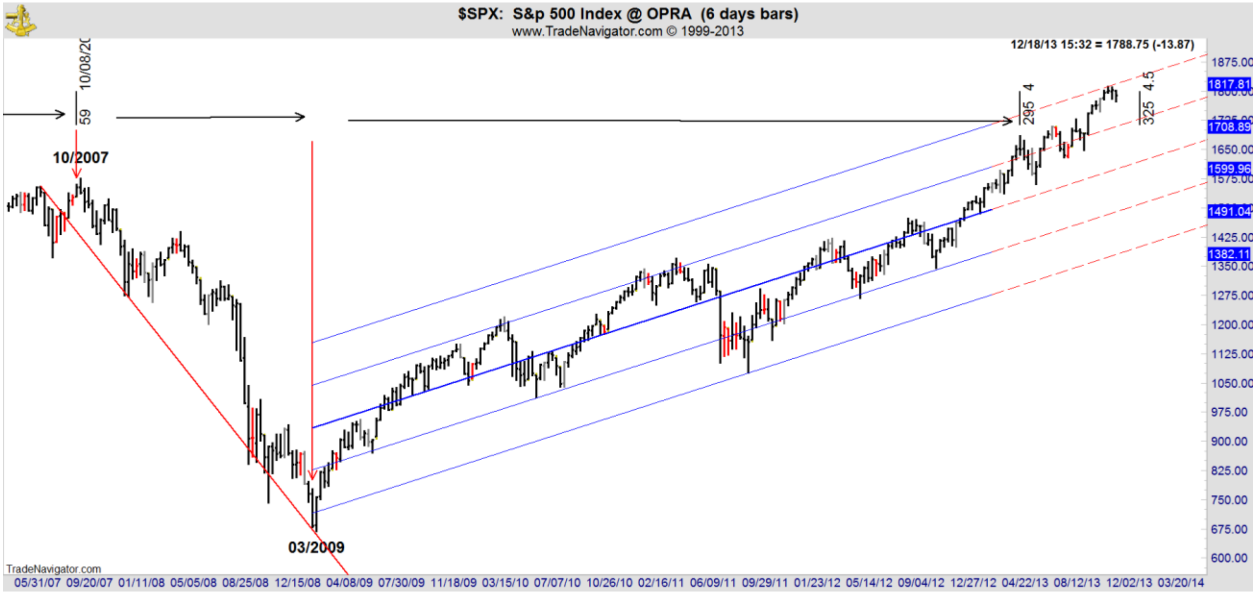
Long Term Trend Charts-16 December 2013

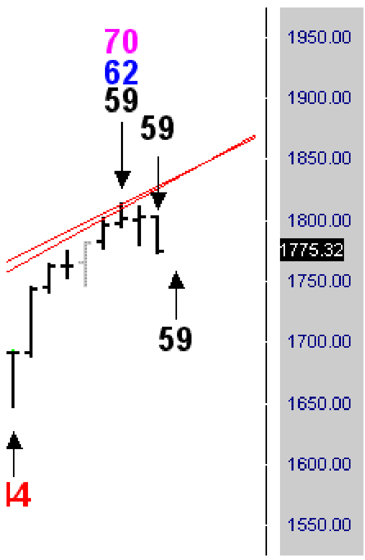
S&P

On the 6 day chart the trend is UP
On the 12 day chart the trend is UP
On the 24 day chart the trend is UP



This is the Danielcode 6 day timing chart which shows this market strictly observing its DC trading channel as it has since 03/2009. What has changed however is that for the first time since the 2009 low, this market full of bullish exuberance has made it to its 2XSD DC trading channel after being constrained to the 1SD channel on the upside since that historic low.

If you have been attending the DC webinars you may recall that in previous commentary on these extraordinary market defining channels, a trip to the 2SD channel usually foretells an equal trip to the other side of the channel and the dramatic dip to the low side on 10/2011 carried omens for this prophecy which has now been fulfilled. So what now?



Our 4th Seal charts have been laying out the expiring DC time cycles for months and we had a cluster of time cycles expiring on the DC "week" comprised of 6 trading days ending 12/02/2013, and the red line on the chart at right forecast where time and price would be squared a major precursor to trend change.

We have also been showing expiring time cycles and price at the 4th Seal line on the stronger 24 day charts, to which we can now add the expiration of the 2013 September contract in the S&P Futures. Contract expirations are a common point for trend changes to occur which adds some piquancy to the immediate outlook. Within the context of the 6 day timing chart, a trend change would require sufficient downside price action to unhinge the 1SD upper line from historic price levels back in 04/2010 and 05/2011, and that's a way off yet. But within this imprimatur, let's take a look at what a mere correction within the trend would involve. The highest probability is a return to the mean whilst the probabilities of continued escalation at existing trend are low. Very few markets can maintain the 2SD line for long, but even a return to the mean whilst maintaining the upward trend would take this market down to about 1600, a drop of over 200 points from present prices, and that's the highest probability right now.

Moving to the next time chart we look at our 12 day timing chart which has also ruled the S&P since the 2009 low. Again you see the symmetry with which this market has observed the DC trading channel. Perfectly perfect in fact. And we see the same imperatives. Price at the red line being the 4th Seal which calculates the points at which time and price are "Squared" and an expiring 59 time cycle, the dominant DC number for tops in this market. These time cycles have an allowable variance of +/- 1 period so I certainly like this setup for a correction to the mean, presently near 1600 the same as the 6 day chart.

For those of you not familiar with the Danielcode lexicon the word "Seal" is interchangeable with "Degrees". Price is the 1st Degree of charts; Time the 2nd Degree of charts; Volume which used to be important but has lost value as markets have fragmented across different trading platforms is the 3rd Degree of charts whilst the 4th Degree is an Angle. Properly constructed the 4th Seal is a very special Angle which foretells the points in future space where "Time and Price are Squared". That is a forward looking juxtaposition of these drivers of market turns and where time and price are squared, a turn is almost inevitable.

GOLD

On the 6 day chart the trend is DOWN
On the 12 day chart the trend is DOWN
On the 24 day chart the trend is DOWN

Gold is now happily tracking down its new downward sloping Danielcode trading channel. Take a minute to observe Gold topping at 09/2011 almost exactly at the 3XSD upper channel boundary. This was a blow off of rare proportions, but again for those who have followed the DC webinars, particularly those on DC trade channels (see under Videos above) Newton's Laws of Motion tells us that all actions have an equal and opposite reaction so in the fullness of time, the minimum correction for Gold was to the 3XSD downside channel which was reached in 01/2013. Then the new downward channel took over:

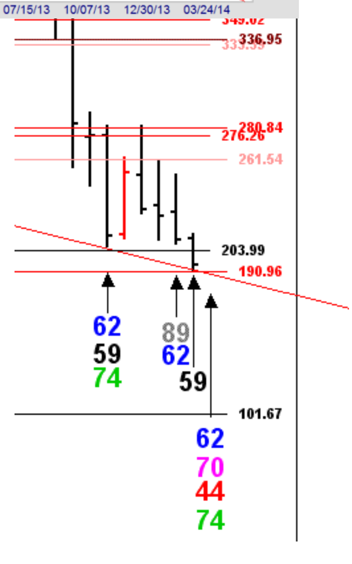
There are a number of things that you can learn from the 6 day chart. Firstly, note how after support at the 3XSD downside line was lost the fall accelerated, and secondly note how the break above the 2XSD upside line on 10/2012 foretold the reaction to the 2XSD downside line made on 07/2015.

We can take a closer look at the accuracy of this move by climbing through the DC numbers to more accurately map this tumble from $1923 to $1179 a thumping $744 off the all time high. The chart below sets the Standard Deviation at 2.148 a valid DC number and you can see just how neat the 2XSD reaction was. The forecasting abolity of these DC trade channels is uncanny. They should be the first piece of analysis you do on any chart.

Our 4th Seal analysis for the $HUI index which is an index of 25 unhedged Gold Miners and an interesting proxy for the Gold Futures is at 4th Seal support as shown at the chart at right and our anlysis suggests that at least an intermediate low for $HUI is at hand. This from the 12/03 update:

"***Update on 12/03/13 09:26:33 PM EST***

The $HUI is now approaching a major price point in its decline as it is getting closer to the 74.2 retracement at 190.96 of the 2011 swing high to the 2000 swing low. This is a major price level at 4th seal support in the face of an important 59 cycle. The number 74.2 has been ruling the $HUI for the better part of the last decade so we are on extreme high alert for a major turn in this market."



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