

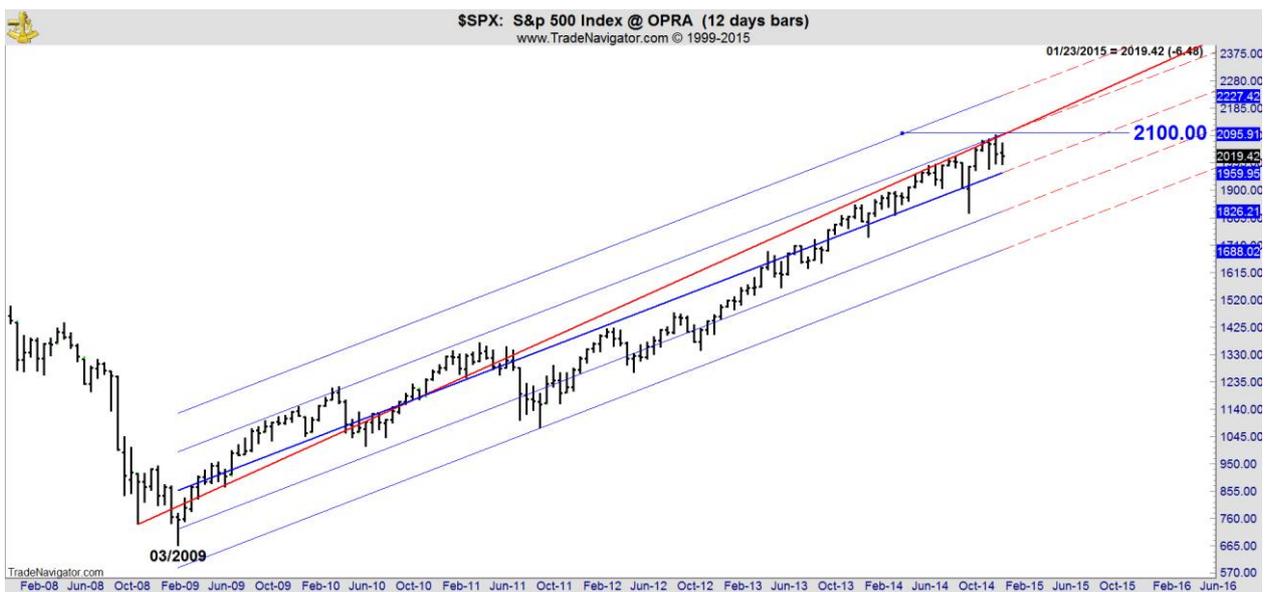
Long Term Trend Charts-19 January 2015

S&P

On the 6 day chart the trend is UP but now with 2 conditional sell signals
 On the 12 day chart the trend is UP but now with 2 conditional sell signals
 On the 24 day chart the trend is UP. There is a conditional sell signal forming



Since about March 2014 we have been looking for this market to achieve 2100 with December as the nominated month for that to occur. We achieved 2093.55 in the week ending 12/29/2014 which is not too bad for a 9 month forecast. The two red lines on this chart are long term 4th and 5th Seal time and price forecasts, one of which together with the 1XSD upper band of the Danielcode trading channel is controlling upside in this market.



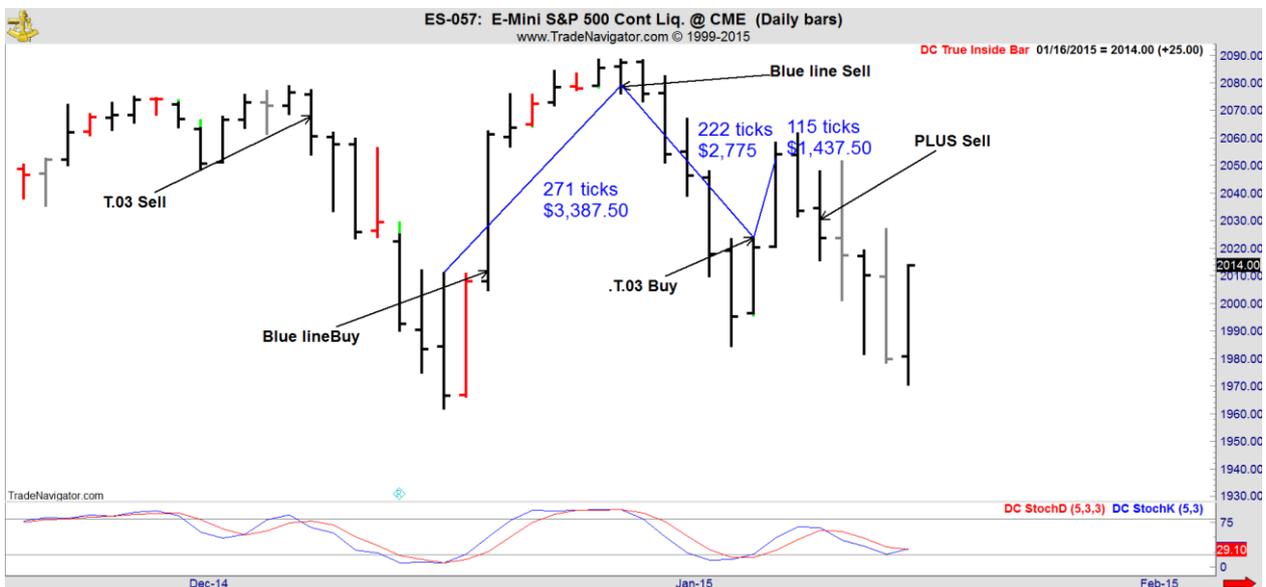
The 12 day chart continues to highlight the amazing symmetry of this index since its crash low in 2009. The standard DC trading channel continues to define all aspects of this important market. When you consider that a Nobel Prize was awarded to the folks who came up with the concept of Random Walk Theory which basically states that future market moves are random and therefore not forecastable, one is forced to the conclusion at the very least that they were not cognisant with

Danielcode theory!! A simple tool like the Danielcode trading channel, properly constructed has continuously defined this market's limits for almost 6 years now.



The 6 day chart shows the S&P Index happily tracking its median on the DC trading channel. Trend remains up and this market is certainly comfortable cruising along this highway. The major concern is the almost complete lack of volatility highlighted by the continuous support at the 1XSD lower channel since the 2XSD pullback in July 2011. Healthy markets correct periodically to cement support and the lack of sufficient volatility to force a decent correction is a negative rather than the virtue that most suppose.

Still there is adequate volatility for some great trading from the DC trade signals.



DC time cycles and 4th Seal lines are available from the 4th Seal market coverage for those who need more detailed analysis.

GOLD

On the 6 day chart the trend is UP

On the 12 day chart the trend is DOWN but now with 1 conditional Buy signal

On the 24 day chart the trend is DOWN but this market is in the process of building a conditional Buy signal

We followed Gold quite closely in our webinars leading up to the Christmas break so we were looking for a turn at the 62 day DC cycle shown on the following charts.

The 24 day chart shows the retracement into the 62 time cycle which traditionally marks bottoms in markets and the attainment of the 62.5% DC retracement in price which is the alternate to the more usual 59% retracement.

I am always suspicious of markets that choose the 62.5% retracement as it is close to the Fib number at 61.8% so beloved by the great unwashed. I view turns at the 62.5% mark with a degree of suspicion, but nonetheless we did get the turn at our expected DC time cycle which may give bulls some hope.

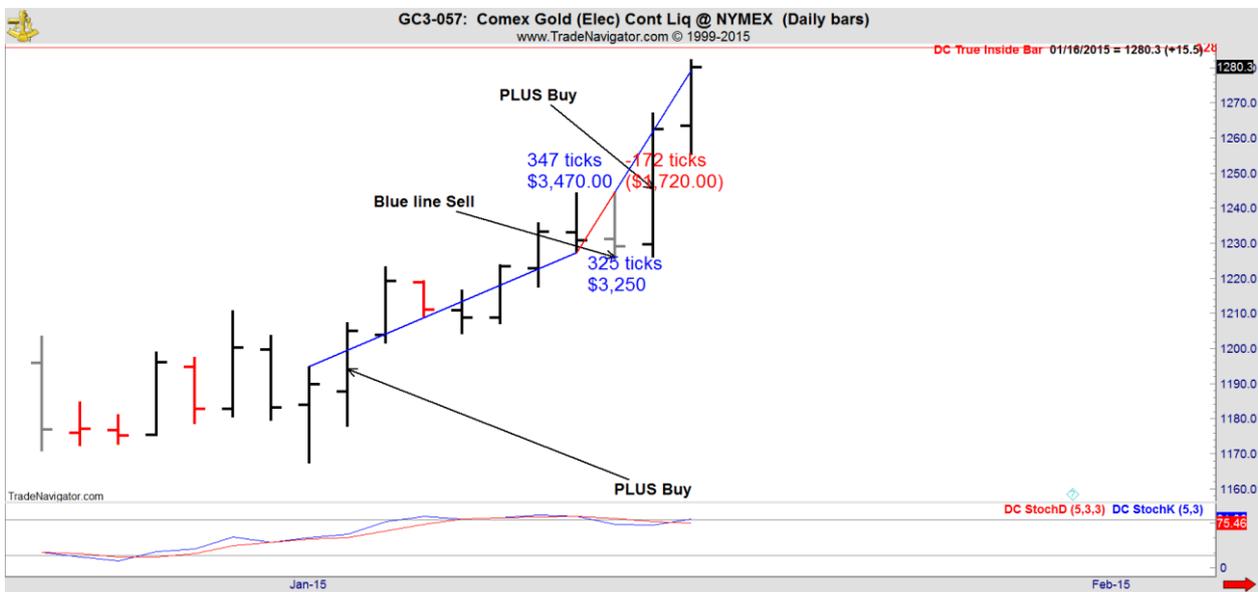


The 12 day Gold chart above adds credibility to the turn by combining a 5th Seal line with both the 62.5% retracement and the major DC 62 time cycle. The 1XSD downward sloping upper band will soon provide resistance for Gold to overcome.



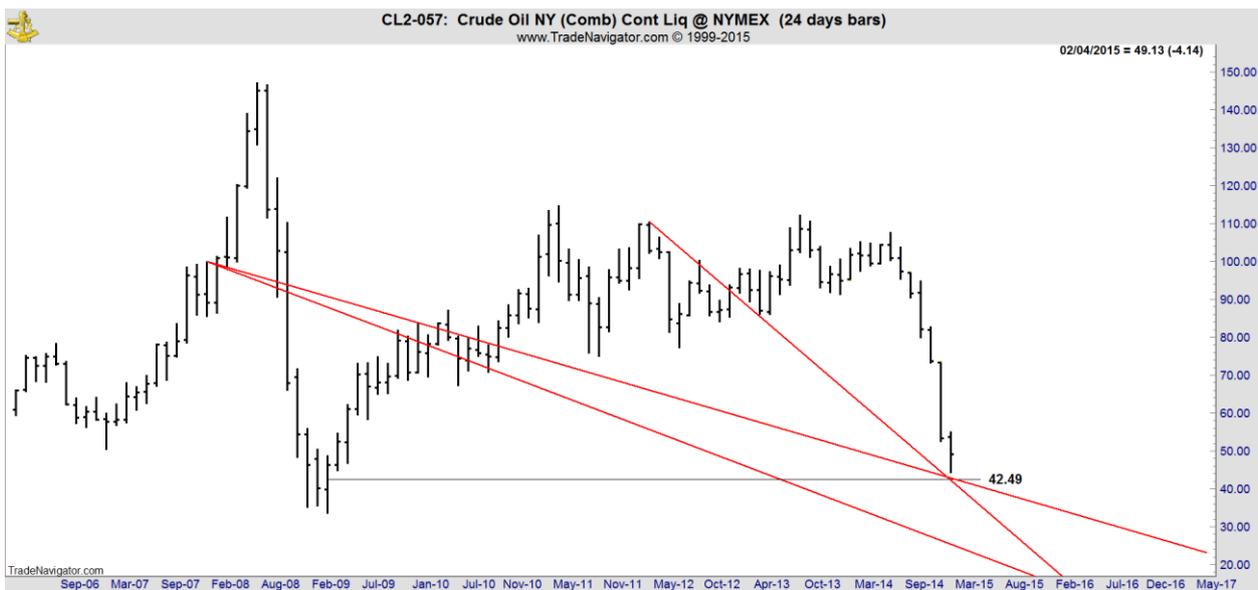
The 6 day chart above has captured every important turn in Gold for the past years, and now shows the expected rally gaining strength as it approaches resistance overhead. Once the 4th/5th Seal resistance is overcome this market will target the old highs at 1346.

In the meantime the PLUS signals have already returned \$5000 per 1 contract with 2 nice PLUS signals and a failed Blue line trade as shown below. I am not convinced that the Gold story reflects anything more than Gold bugs hopes and dreams but I do know that Gold is a fine trading vehicle!



Crude Oil

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



Crude's downward spiral has been followed in our recent webinars and it looks like the famous DC black line support at 42.49 will provide at least a temporary halt. Here we have the 89% DC retracement together with two 4th/5th Seal lines intersecting in close proximity.

Whilst the drop in prices at the pump is being hailed as great news for consumers, a longer term view shows that 2004 heralded a decade of plateau prices with the mad escalation from the lower 2XSD line in January 1999 to a dramatic overshoot of the upper 2XSD line in the blowoff top of July 2008. This is the very picture of supply cartels manipulating prices with impunity, the only antedote to which as we are seeing now is real competition.

In the same way that Newton's Law forecasts the rush to the 2008 2XSD top as an equal and opposite reaction to the 1998 low, we can seriously contemplate Crude Oil reaching down to the \$26 range on some future occasion.



\$AUD-USD

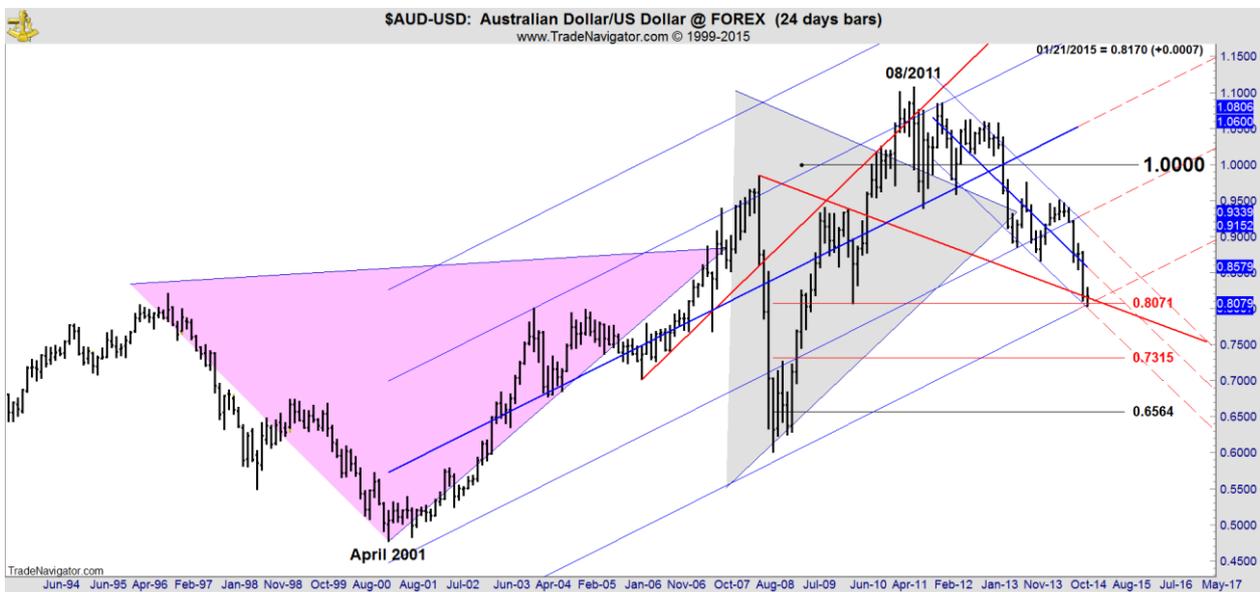
On the 6 day chart the trend is DOWN
 On the 12 day chart the trend is DOWN
 On the 24 day chart the trend is DOWN

Below is the 24 day chart of Aussie-USD, one of the sillier charts in our compendium. The 1.0000 line is the point of parity of the AUD with USD. All of the massive run up from 2001 is popularly ascribed by commentators and witch doctors as being attributable to Australia's record mining boom. This of course required massive amounts of capital inflows largely denominated in USD and this is the antithesis of AUD strength. In fact it's the contrary. With the vast majority of mining exports being also denominated in USD why would we have a decade long bull run? The best answer is that as a capital constrained country, Australia is always a net borrower to which can be added a series of gaffes by successive Labour governments from 2008-2013 shown in the pink triangle. The big plunge to November 2008 is the GFC which for Australia at least was neither Global nor a Crisis, but in the usual panicked reaction the then government aided by the Australian Reserve Bank managed to splash \$48 Billion of tax payers hard earned on a boogie man that never touched these shores.

Even this enormous sum wilts against the host of other poorly thought out "feel good" initiatives so beloved by socialist rulers everywhere. How one can seriously contemplate the Aussie at or above parity with the mighty USD is a fantasy that wholly escapes me. But it did happen and endured for 31 months, all thanks to the relatively high yields on Aussie Bonds, which even now are a whopping 300 points above comparable economies.

None of this should be taken as unfair criticism of Ms Gillard or Mr Rudd and their fellow travellers. The new incumbents, the very blue Liberals of Tony Abbott seem to be continuing a long line of nonsensical policies and profligate spending. For our US friends, please understand that I live in Australia for now and this hemisphere as students of geography will know, is upside down where all the norms are reversed. Hence the two major political parties are Labour and Liberal. The Liberals equate roughly to your Republican party and their colour is blue. Labour are the descendants of British trade union roots and as befits their socialist credo their colour is red. An upside down world indeed!!

From our chart below you can see that this pullback has found support at the Danielcode 59% retracement and at the 5th Seal line from the August 2008 top. Australia's Reserve Bank is jawboning for a further reduction targeting 75c but as always the relatively high Bond rates are mitigating against that whilst an ongoing bubble in house prices with the IMF declaring Australian housing as the most expensive in the world constrains any immediate reduction in official interest rates. Best guess from here is a rally towards 84c followed by further declines.



DX-US Dollar Index

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



Order and some sense of reality is being restored with the USD rally from its 2008 lows. This is another market that we have been following in our bi-monthly webinars and those that follow my thoughts have been rewarded by seeing the DC retracement at 89.57 recognised and now seeing DX on target at the next DC number of 93 with recognition of the 4th Seal line which stopped the 01/16 bar on this chart.

Email Terry at Support@thedanielcode.com to arrange a free trial of any of our products.

