Long Term Trend Charts-21 May 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

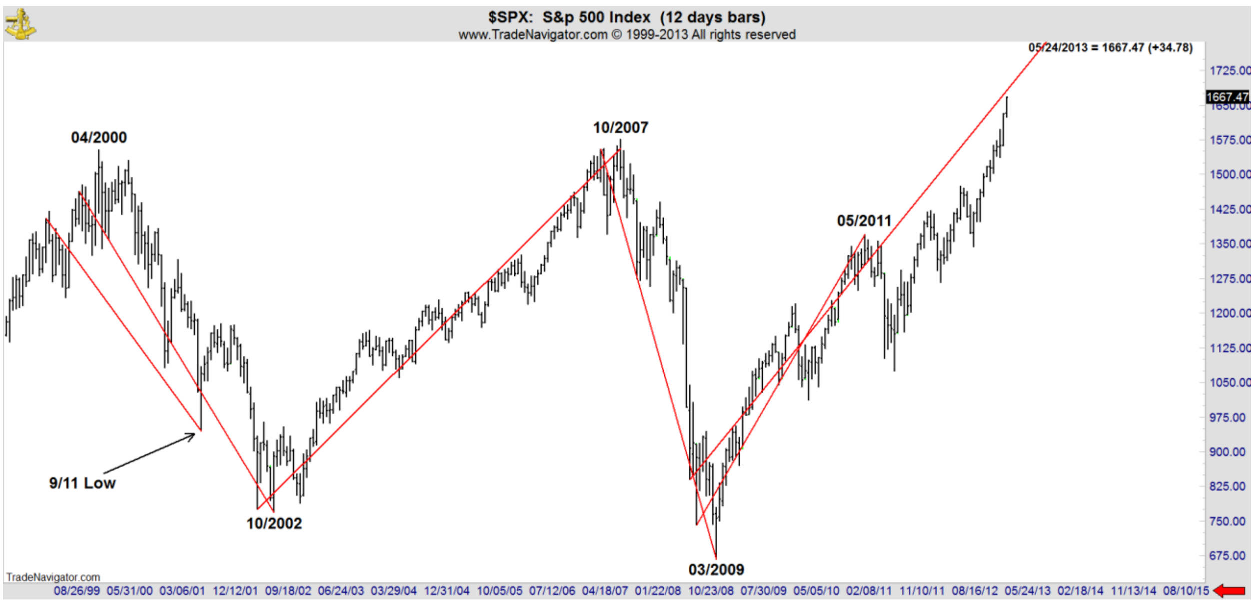
I have had a few months in the spelling paddock as a result of a cervical disk injury which has dramatically reduced my output, but thanks to the marvels of modern medicine and some seriously large injections into my spine, I am back in full training mode. To those who enjoy my discourses and the Long Term Trend Charts I furnish my apologies.

The current historic Bull market in US Equities is now over 3.5 years long and it seems like an age since I called the March 2009 low to the day and a few ticks, for which see my article "**The Number of the Beast**" under the "Articles" tab above or at http://www.financialsensearchive.com/fsu/editorials/danielcode/2009/0320.html

Further back still and now for some, heading into the mists of time is the drama "irrational exuberance" and the 2000 Dotcom high; the 911 tragedy; the making of the 2002 low in a dark and dismal time; the forced and laboured recovery as Governor Greenspan spruiked the markets to force the 2007 top, radically fuelled by the great Sub Prime property games, and the subsequent inevitable indigestion for many market players as the unavoidable correction into the March 2009 low unfolded with considerable collateral damage.

All this and much more are recorded, remembered and recalled in the Long Term Trend Charts.

To bring you up to date on this living history and place the current US Equities market in context, I offer The 4th Seal or 4th Degree Danielcode 12 day chart below:



For those of a more recent familiarity with the Danielcode, we are, as you should be, obsessed with Time and market turns, and this leads to our using charts created from 6 day and 12 day bars as our primary timing charts. If you are interested in the proper method of calculating market time, you can read about it in my two “Master Class” articles: “Master Class I- It’s about Time” and “Master Class II-Timing Gold”, both under the Articles tab above or at http://www.financialsensearchive.com/fsu/editorials/danielcode/2009/0515.html and http://www.financialsensearchive.com/fsu/editorials/danielcode/2009/0605.html .

The 4th Seal-A Glimpse of the Future

The picture at right is that of our Patron Saint Daniel, or rather Michelangelo’s interpretation of him as painted on the ceiling of the Sistine Chapel in the Vatican, Rome.

The importance of Daniel to the modern world and to traders is beyond compare. In an age of trivia, gimmicks and toys where tech creators are lauded as modern day saints, it is well to remember that Daniel calculated the length of the solar year accurate to about 2 hours a year, way back in 640BC whilst paradoxically the effective ruler of the great Persian Empire and as a slave of the Medes in Babylon. Some guy!!

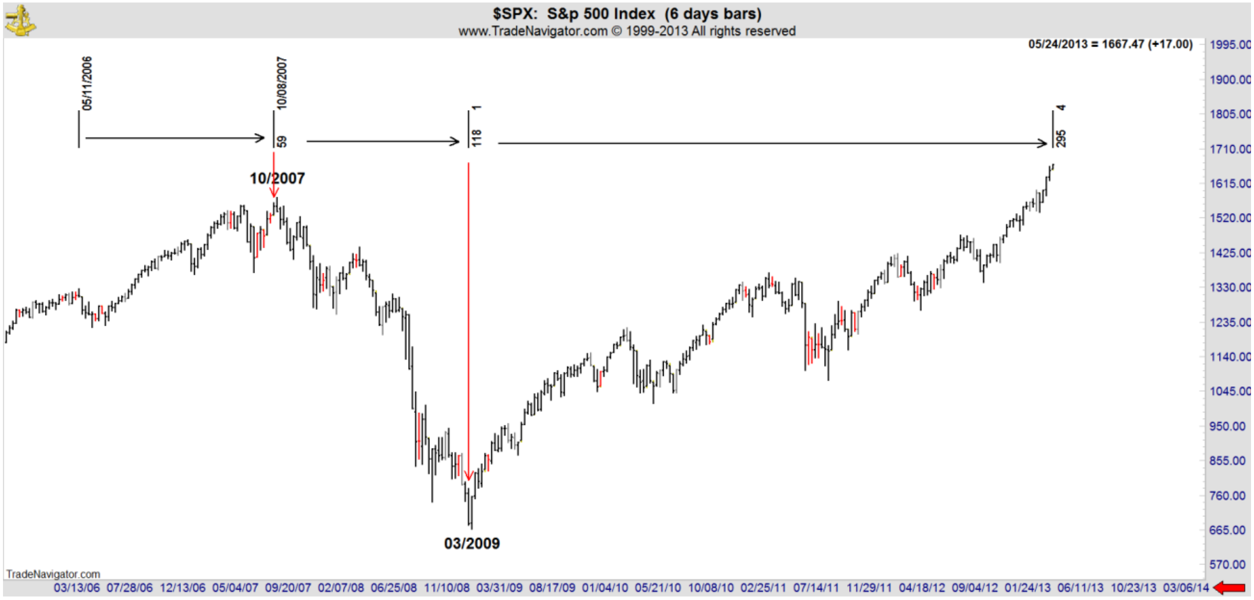
From the secret code hidden in the Book of Daniel (recall his always at risk status as a Jew and a captive in a foreign land, which is why this, the greatest discovery of the universe had to be concealed and written in code) comes the gift of the Danielcode time and price fractals and much, much more.

And from his secret code comes the astonishing 4th Seal or 4th Degree of markets which are the red lines you see on the chart above. As you see, almost every important and indeed intermediate turn in all markets is forecast months and sometimes years in advance by this astonishing tool. The 4th Seal was the basis of my now historic call of the 2009 low.

When we look at trading charts we are seeing 4 separate degrees of market information. The 1st Degree is the vertical or Price axis; the 2nd is the horizontal or Time axis; the 3rd Degree is Volume, once a vital confirmatory tool for market analysts but now sadly degraded by private desks, order matching, dark pools and other inanities, touted always as of benefit to liquidity, market efficiency etc which is simply another code; this time for the never ending race for brokers, exchanges and other semi monopolists to be rent seeking or in more common jargon to extract more from you to add to their coffers. Such always are the ways of the world!!

The 4th Degree, which gnostics sometimes refer to as The 4th Seal and its near cousin the 5th Seal are Angles. This little understood treasure has of course elements of both the 1st and 2nd Degree in its DNA. There are many angles. You see them every day in trend lines, trading channels and other man created studies. But none approach the utility and magnificence of the 4th Degree which unlike all other angles follows the imprecation of King Solomon in Ecclesiastes: Ecc 1:9 “The thing that hath been, it *is that* which shall be; and that which is done *is* that which shall be done: and *there is* no new *thing* under the sun” to forecast what is to be. It will not be clear to you that all of these red lines have stringent and immutable rules that make them so very different to anything you have seen before. That it has been hiding in plain sight for 26 centuries simply makes its allure more powerful.

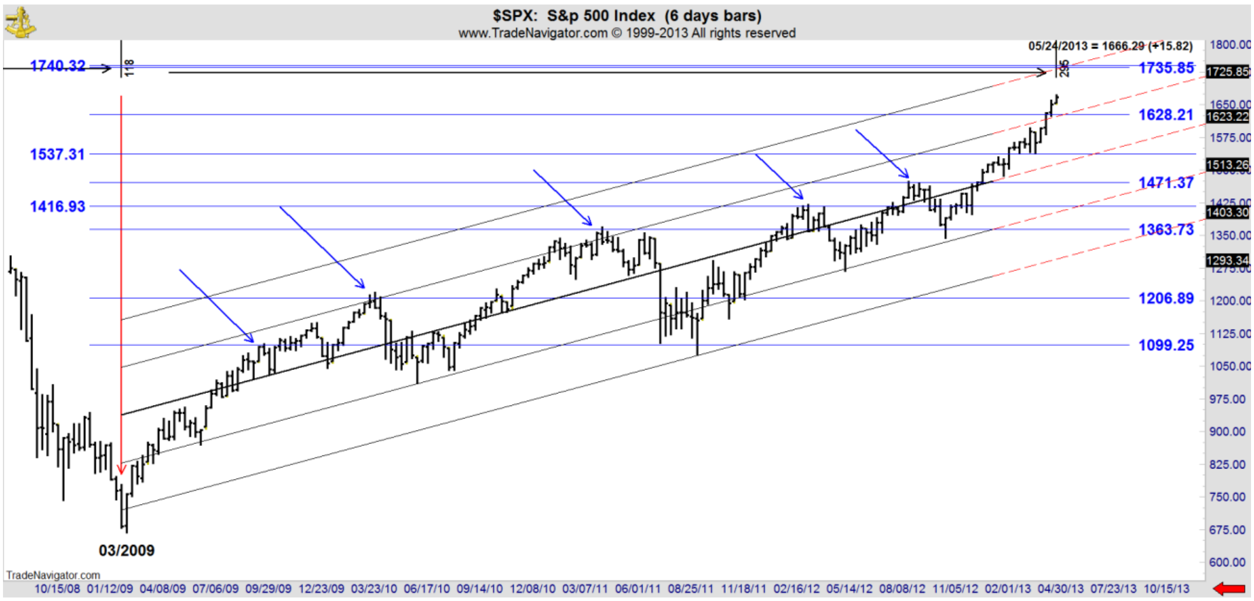
And we are now very close to a 4th Seal line which may mark the top of the present rally. I should perhaps temper my adulation for the 4th Seal by saying there are a number of these angles that appear on all charts and, markets being inherent time shifters may at any juncture prefer the 6 day charts to the 12 and 24 day charts, which is why we too will now become time shifters and change our focus to our primary timing tool, the DC 6 day chart.



The dominant 59 DC time cycle gave us the 2007 closing bar high and the 2009 closing bar low and has been silent in recent cycles as it seems to be reserved for the major turns but it is scheduled to complete its next iteration on 05/24 with our usual variance of +/- 1 period due to the rules creating this study. This cycle coming from the important high before the high accords with the promise that "it shall be for time, times and an half", and running out the dominant 59 DC cycle from the March 2009 low we got a minor high, an important high that lead to a 20 period correction, a nothing and another intermediate high that was followed by a 6 period correction.

On the 6 day chart below, the trend is also up. For those of you who still believe in Random Walk, Enid Blyton, Rip Van Winkle, Elliott Wave and other children's bed time fantasies, note the incredibly controlled and symetrical shapes created by this major index since the 2009 low. The first two highs came nicely at 1SD on this Danielcode trading channel. Three lows have been made at the lower 1SD and the only complex low at 10/2011 came precisely at the 2SD line where a violation would have signalled a trend change.

Note that each of the DC price targets has elicited a degree of target recognition and a correction ranging from 1 to 8 DC "weeks". Nore also that this market has only managed 2 closes above the 1SD angle and both were promptly followed by multi week corrections.



Those with more prescient intellect will note that every one of the DC targets (blue horizontal lines) identified with a blue arrow has been met with a degree of exactitude for a chart on this time series. Of course, our daily and weekly charts mark these points to a matter of ticks not points, but regardless, the blow through the 1628 target is an impressive display of raw momentum.

The closes above both the major and minor DC trading channels running almost parallel now, the looming expiration of a DC 59 time cycle, the now chronically overbought state of this market and the proximity of an important 4th Seal angle combine to suggest that at least an interim top is near. Expect a resolution to this phase of the rally in the 6 day period ending 05/24 +/- 1 period, likely near the 1735 DC target.

The important thing to remember in long trending market such as the S& P which has now been trending continuously upwards since March 2009 is that it will require an event of some magnitude to stop and reverse this trend. I know that it is always a quest to find the final trend changing high but the reality is that there have been endless calls for a high to be made in this market whilst we at the Danielcode have continually maintained that the trend is up since we called the low in March 2009.

When we are dealing with a market that is within an established trading range, the opportunity to call intermediate highs is promising and is marked by the Danielcode retracements and DC time cycles as refined by the 4th Seal and its close cousin the 5th Seal. To see shorter iterations of these marvels at work I suggest that you look at our 4th Seal page at the Danielcode website , and if you have not already done so feel free to ask Terry at Support for a free trial. These are the tools that enabled me to call the September 2012 high to a few ticks and to the day some eleven months before it occurred. Once we are out into new highs we are relying on slightly different time and price targets and the reality is that very determined trends such as we have encountered now for the last four years in this market will only be reversed finally by a proper break in its existing trend channel. W D Gann, he who enlightened brokers to the ability to sell rubbish to their clients for substantial fees, averred that the safest point to enter a trade was at the first counter trend. Modern futures markets argue against this proposition but no doubt for those who serioiusy want to short these equity markets, they need to see that one standard deviation trend line on these charts broken in a proper way and the start of a down trend commence.

Finally a sombre warning for would be forecasters from my fellow admirer of Daniel's genius, no less an icon of mathematics than Sir Isaac Newton, the Father of modern Science, who declared the Book of Daniel the most important in the Bible as "amongst the old Prophets, *Daniel* is most distinct in order of time, and easiest to be understood: and therefore in those things which relate to the last times, he must be made the key to the rest." And this important quote is Newton's take on interpreters:

"The folly of Interpreters has been, to foretell times and things, by this Prophecy, as if God designed to make them Prophets. By this rashness they have not only exposed themselves, but brought the Prophecy also into contempt. The design of God was much otherwise. He gave this and the Prophecies of the Old Testaments, not to gratify men's curiosities by enabling them to foreknow things, but that after they were fulfilled they might be interpreted by the event; and his own Providence, not the Interpreters, be then manifested thereby to the world. For the event of things predicted many ages before, will then be a convincing argument that the world is governed by providence."

We whole heartedly concur and carry this warning on every page of our 4th Seal anlysis.

For the long range thinkers, our final thoughts on S&P reproduce our seriously long term trend chart with its Danielcode trading channel which has been running since 1974. This chart argues for an important top from 2143 to 2176 between April 2015 and February 2016, so much more fun and games before those lofty heights are reached. The major 1SD near 1770 or thereabouts must be the next major target and can be achieved either on a bar high or on the bar's close a la 2007.

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

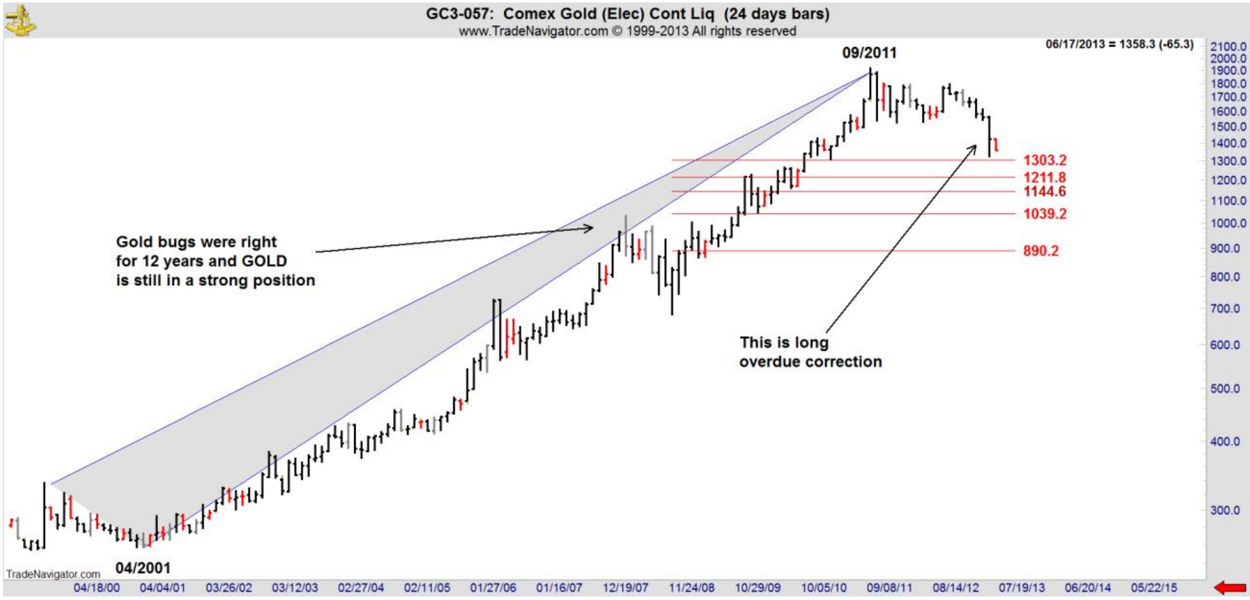
Waterfalls are always a fun affair in markets as the question on everyone's lips is "What caused the Gold crash"?

When commenting on gold markets it is always wise to preface your remarks with the following comments:

a) Gold remains in an incredibly strong position.
b) Some of my best friends are gold bugs

I make these comments to avoid the wrath of that strange breed of people who believe that Gold is not a commodity; will not trade as a commodity, and will never mean revert. The great crash of 2013 puts the lie to all these assertions but we are surely indebted to our gold bug friends who continue to buy this market at every opportunity. In fairness we should say that they have been correct for a very long time as this Bull market in gold commenced in 2001, and may even still be in force, though perhaps that is not so visible in the shorter times frames. Below is the 24 day chart of gold to simply emphasise what a strong position Gold remains in.

The immediate cause in the current collapse in the gold price is a masterful stroke that runs quite contrary to the endless pages of commentary that have been written about it. As you will see from the six day chart above the three pushes up in gold from its 2011 high set up a massive conjunction of stop loss orders and once those stops were triggered the waterfall that followed was simply an effect of market trading. It’s hard to get this message through to folks but for every long in the paper market there needs be a corresponding short. And the stops have to go somewhere!!



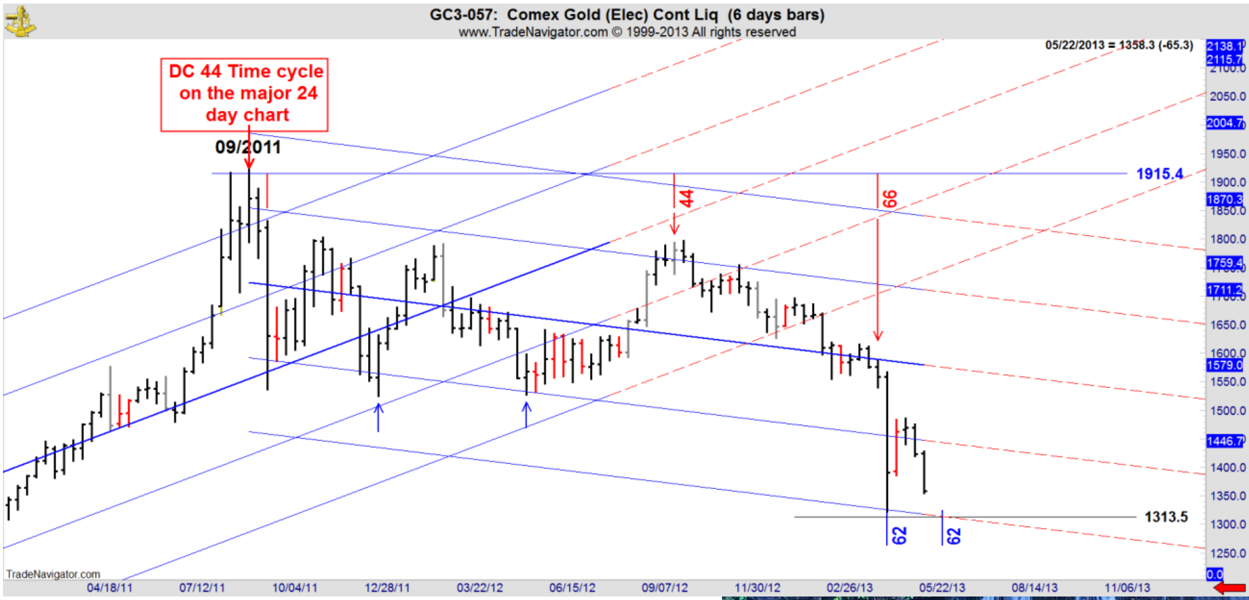
Gold, as you know, has provided an endless supply of fodder for blog and opinion writer with now a well developed and documented conspiracy theory that all corrections in gold are caused by improper intervention with the paper market and the latest offerings after the April correction have reached mania portions with the rush to argue that the Comex gold market and other derivative markets should simply be ignored and that the physical price of gold is all that matters. For those you were long in this market after September 2012 this is akin to those many documentaries we see of pilots refusing to believe their intruments. Many fatal air crashes are caused by the simple fact that the instruments are showing one thing and the pilot doesn’t believe it and fails to react.

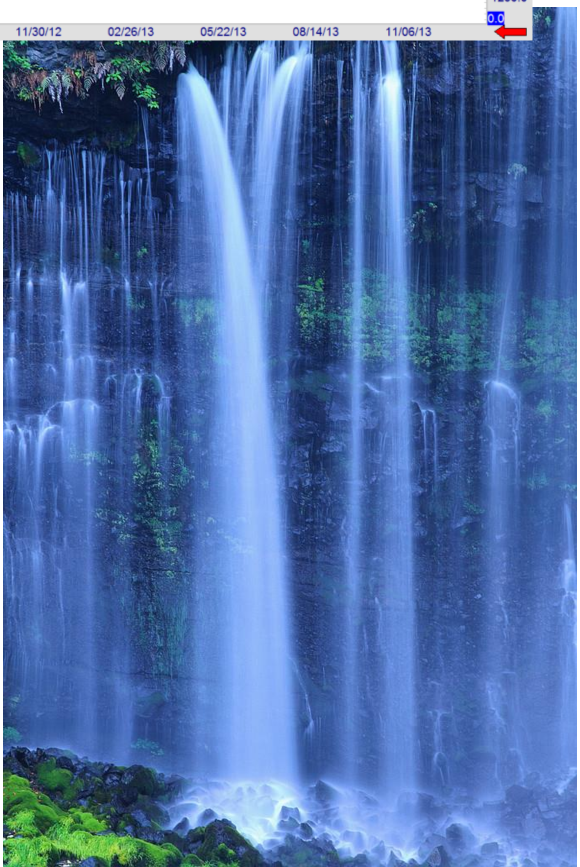
Being a perma Bull and not being aware of market forces is akin to this symptom. The truth of gold markets is rather more prosaic. The endless argument that there is simply not enough gold to deliver the gold shorts in the so called paper market which largely refers to ETF and Futures markets is very unlikely to be true, although these days one never quite knows what happens in the muddy waters of dark pools and other off market transactions. However, what you can be assured of is that the futures market, run by Comex, is properly balanced and regulated. The argument that there is not enough gold for the shorts to settle completely ignores the proposition that for every long in a futures market there is a corresponding short and that if you net off all of the longs and the shorts there should be no net difference and contracts are supported by initial margin and enforced by the exchanges so that not only is there initial trading margin but maintainance margins are ridigdly enforced.

To add to the simplicity of this proposition it is a specific condition of the gold futures markets that contracts may be settled in cash. It seems a bit naughty to destroy such a great conspiracy story but the reality is that gold is a commodity and trades as a commodity and despite it having had an historic bull run it still responds to the laws of buying and selling and stop placement. For the guys who set up the April sell off, it has been an absolute boon and the claims that JP Morgan’s Gold vaults were almost emptied after the big sell off is not confirmation of any shortage in gold but simply the mechanisms of the supply being delivered and that is how things should be. The fact that those vaults rapidly filled up with physical gold after the corrective move is just one more indication that the guys who sold above $1800 have been buying back at $1300 or so, to give themselves somewhere near a $500 per contract wind fall. With the futures worth $100 per point, you can do the math. Well played!!

To those who are even more assidious, I answered questions from one of my students at the September 2011 Danielcode Tutorial in Colorado Springs by saying yes, I thought this Bull market in Gold was over and that a major correction would ensue. I must say that as the market wound its way sideways from September 2011 until the break in April 2013, there was very muted gratitude from those people who were the recipients of that advice, but the acclaim rose to a roar in the last few weeks as they saw their strategic decicions to lighten their physical holdings of gold vindicated. Better come to the next tutorial if you want to know these things. Sure saved the tutorial folks a lot of angst. And money!!

Looking at the updated six day gold chart below we can see how this market has been running down a standard DC trading channel since December 2011. It's adherence to the channel and submission to the DC time cycle signals is precision for the gnostics and amazement to the rest. And this is what the Danielcode does. It is an enforcer of market logic. That ***Daniel*** wrote these rules in 640BC is the astonishing part.





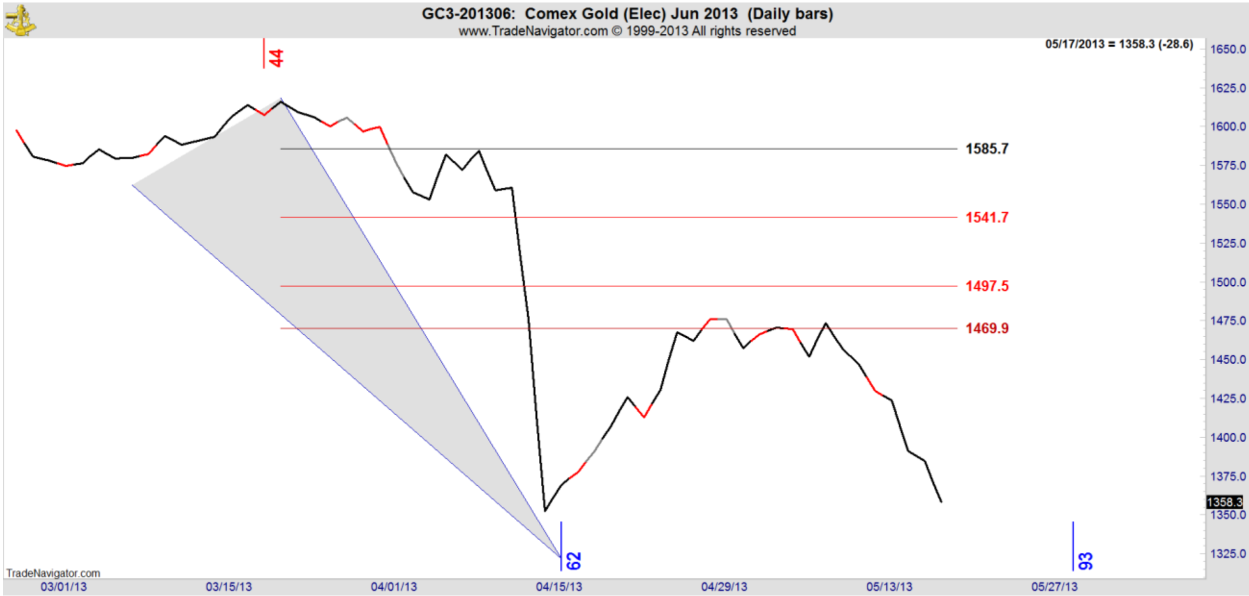
Gold is not the most technically perfect market that we trade, in fact quite the opposite. The love of Gold as a trading market by amateurs tends to see it overshoot its boundaries at significant points but what should be clear to you is the dominant 44 gold cycle that occurred in October 2012 which subsequently led to the April 2013 sell off. Interestingly the crash in gold was an emotional event and as sometimes happens it did not find its Danielcode number at the bottom of that waterfall. This leads us to the belief that the down move is not yet complete and that a further move will now ensue which will start to pick up its proper Danielcode numbers again. For those of you who wish to see the Danielcode numbers in more detail they are available twice a week at this website.

Our 4th Seal view of this maket at present is available at its tab on www.thedanielcode.com .

We had a DC 44 time cycle causing the top on the 24 day chart being ***Times and an half***, as promised, running from the 04/2001 low which started this historic Bull market. For those who are not aware of the importance of the DC 44 time cycle in gold, I suggest you read my article ‘Master Classs II – Timing Gold’, available under the Articles tab at this website. We now await gold on the six day chart reaching a its next 44 cycle shortly. You can see all the details and get more current updates at the 4th Seal page here.

The long term charts diminish the amplitude and violence of this fast move down so here for a more dramatic exposition is the daily Gold chart:

Waterfalls…..WOW!!



So fear not my friends. Gold is still trading as usual and providing jolly good sport, but this time the Bears got the lolly, not the Bulls. And really that’s all that has changed.

PS: Since writing Gold had a large day up. This from Members Forum:

Some wild swings last night is PM especially silver. But an eye trained by Needham will notice that silver fell through the floor and touched exact 5th seal support on the daily chart before reversing hard in the other direction.

PM's are in a 59 and 62 cycle this week and tested the bottom as the 4th seal update last week suggested. Looking at the daily chart silver had a 44 and 62 scheduled for today Monday and that was all that 5th seal line needed to create the wild swing. I'm sure we will read all kinds of explanations for today's move in the MSM but it isn't until you accept that God has a hand in markets that you begin to understand what really happens. Amazing, stunning, incredible and maybe unbelievable but at the same time very true and also humbling.-Frank, Belgium

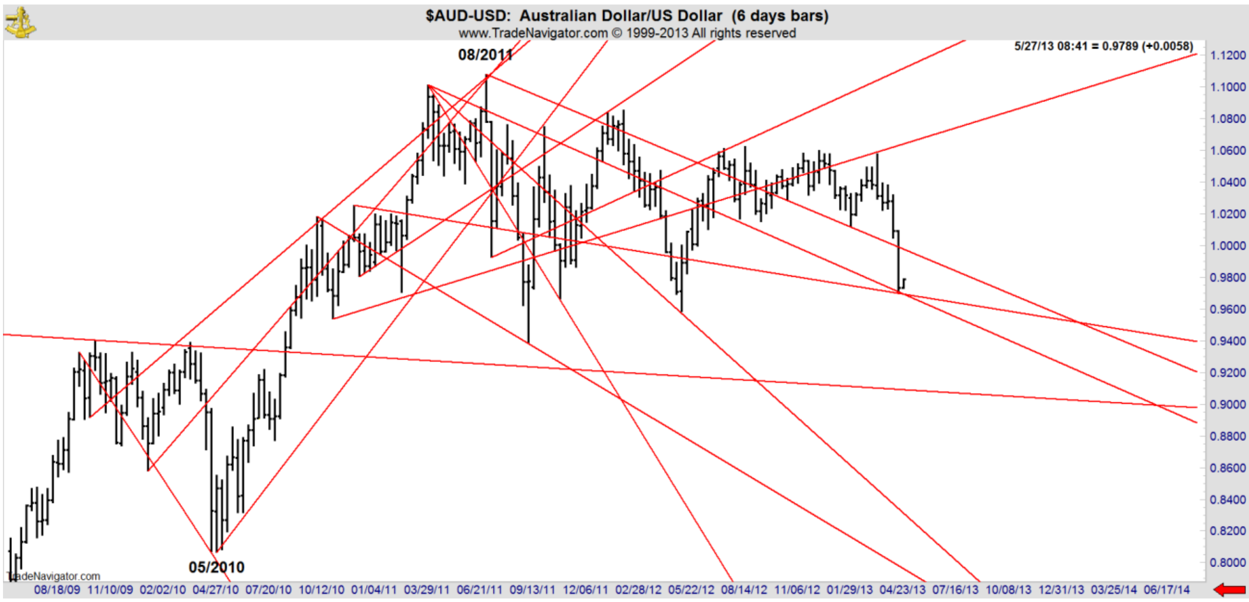
AUD-USD-Dance of The 4th Seal

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

The trend in the AUD-USD pair continues to be down. At the beginning of the year I published an article in FOREX Journal called “The Words that Dare not be Spoke.” Those who read that article will be aware that my prediction for 2013 was that of a great contrarian, which is often a wise move. In that article I postulated that the contrarian view would see the AUS-USD pair weakening substantially this year and you would be ready for that move on a timely basis.

As it happened the AUS-USD has fallen from 1.08 in August 2011, ie a premium of 8% to the mighty US dollar to todays closing price of 97.31 giving us in the lands down under, some relief from the absurd position where the currency of a constantly capital deficient country in medium stages of development is worth more on the exchange rates than that of the greatest economy in the world.

The six day chart of AUD-USD below, is a miracle of 4th Seal and 5th Seal recognition as every turn of this market has been forecast well in advanced by these remarkable tools. What looks like a cat's cradle to some is in fact the most accurate forecasting tool ever invented. It is uncanny in its ability to forecast important market turns weeks, months and sometimes years in advance.

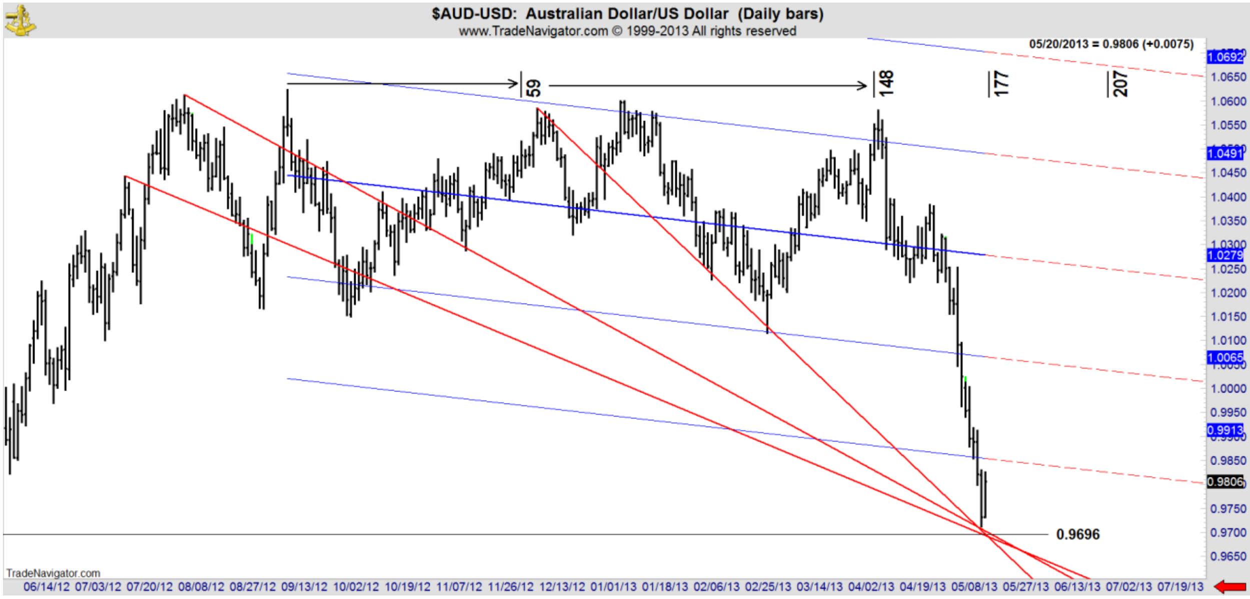


We have long maintained that markets are rational, orderly, and sometimes predicable. Whilst this tool is less than perfect and is capable of different interpretations, its essential validity has been a real boon to the forecasting of major market turns. We hasten to stress that the 4th Degree set ups are not to be traded in anticipation but require a valid DC entry signal to trigger the reversal. They also require a valid DC time cycle in conjunction.

This little introduction may imply something more than the charts show as in reality AUS-USD has been within the same trading rate at 108 to 93.87 since October 2011, and the question now becomes does this 10 month consolidation continue with more sideways action or "is it different this time"? Much like gold, the longer term charts of the AUS continue to keep it in a very strong position so there is not yet anything to get too excited about, but there are some interesting observations to be made from the daily chart which is in full scale retreat and has dropped past the 2 SD of its downward sloping trading channel.

As usual the DC 59 time cycle dominant for tops started the rout. Remember that these cycles are "For Time, times and an half" in accordance with ***Daniel's*** exposition. Those with sharp eyesite will note that it has found its low today exactly at one of its 5th degree lines on the red line chart. I suggest that you keep an eye on this now volatile currency.

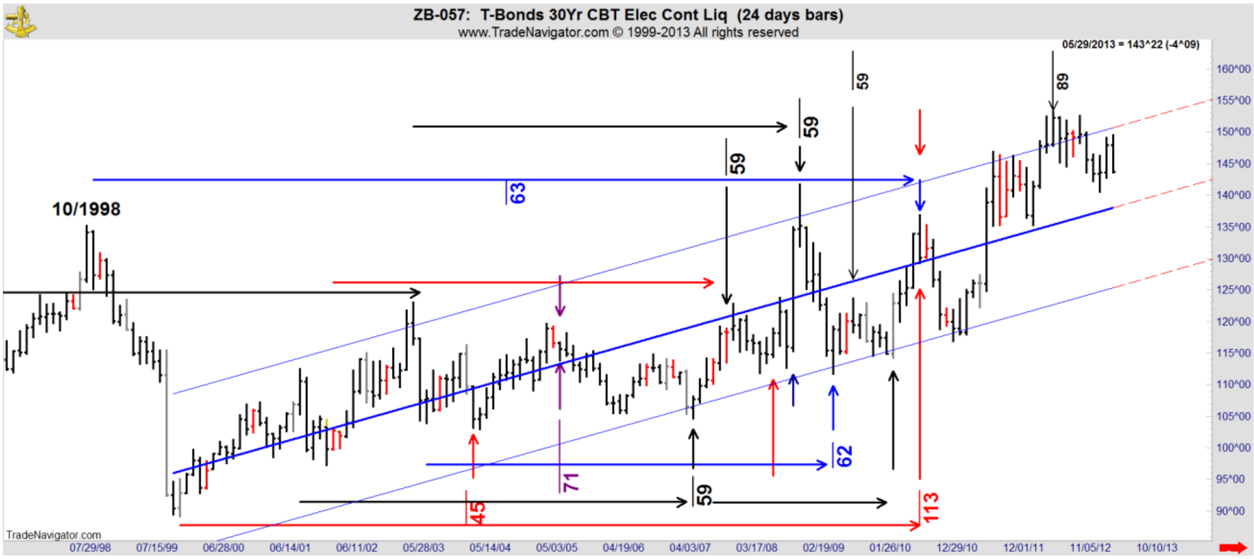
The final chart for AUD-USD below shows the Aussie being stopped for today at least, just above its DC Black line and near a clutch of invalid 4th and 5th Degree lines. They are technically invalid as we don't have a DC time cycle expiring in this market and although the strength of these indicators is really in the longer term charts for which they were designed, they are still most useful knowledge even in this time series. AUD is of coures very oversold so we expect a rally now to be followed by further downside.



US T Bonds

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

Bill Gross says he sees bubbles everywhere. No argument from our friend the 24 day chart below!!

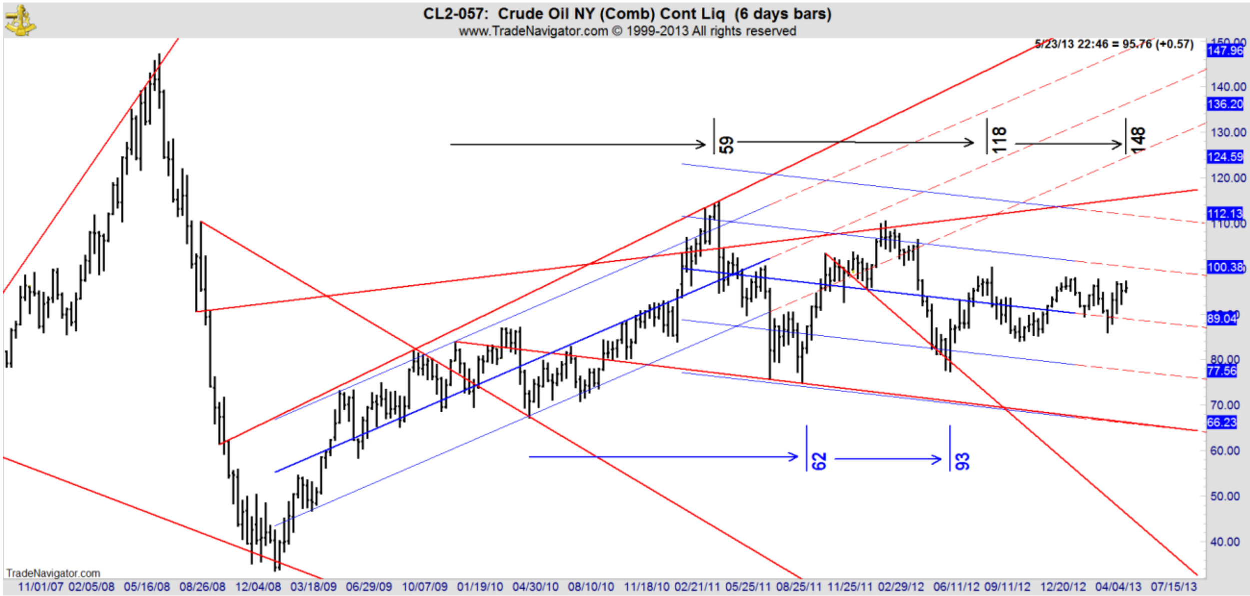


Crude Oil

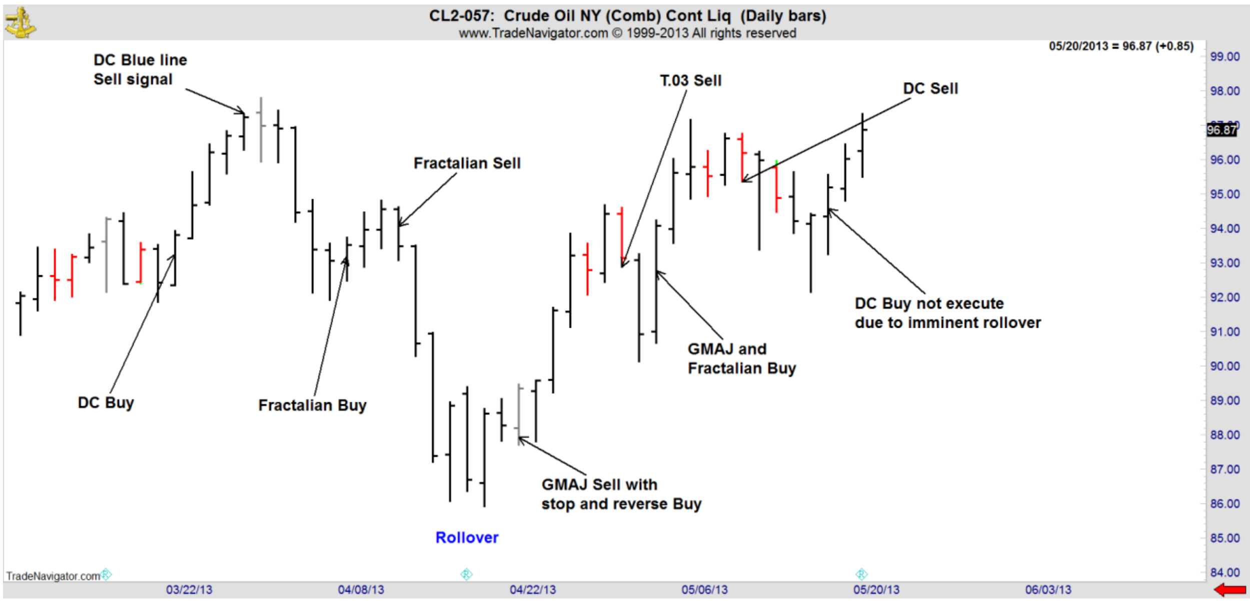
On the 6 day chart the trend is DOWN but now with 2 conditional Buy signals
On the 12 day chart the trend is UP
On the 24 day chart the trend is DOWN

Mixed trend signals which reflect this market has been consolidating on the 24 day chart for over a year. But that doesn't mean there haven't been some great trades.

The first thing you should do with your charts each day is update a properly constructed DC trading channel, for details see Constructing and Reading the Danielcode Trading Channels 2012.10.04 under the videos tab above. Sometimes markets get into a narrow range where even if you correctly execute every signal, the results are not rewarding. The DC trading channels will show you this and much, much more.



Here's a selection from the daily signals. Don't miss many!!

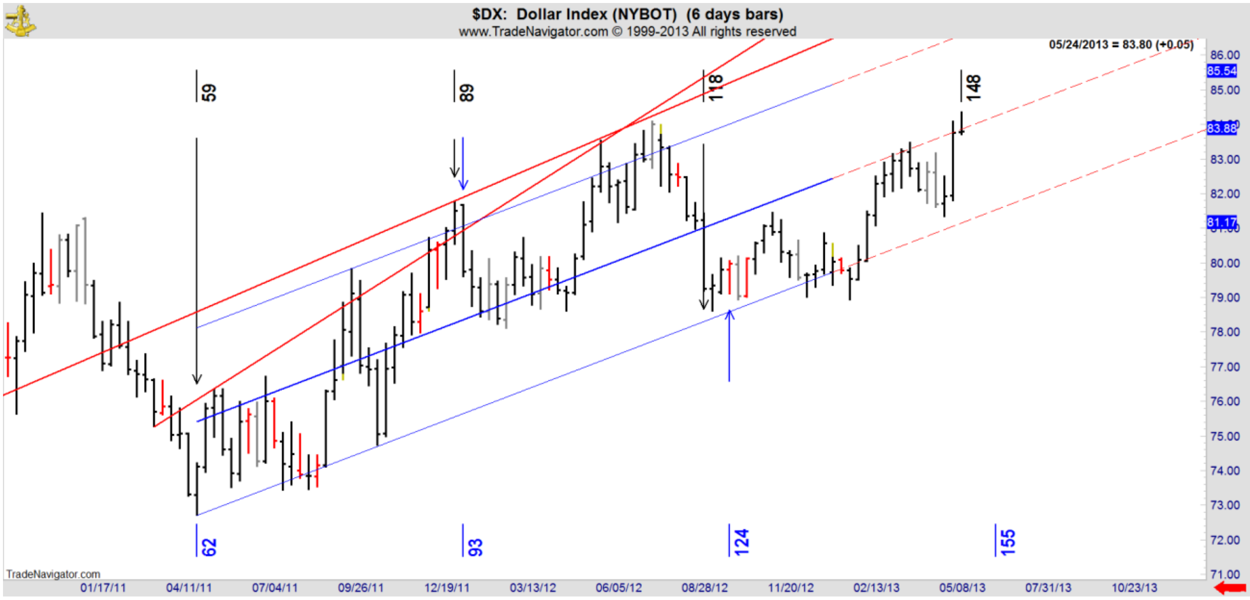


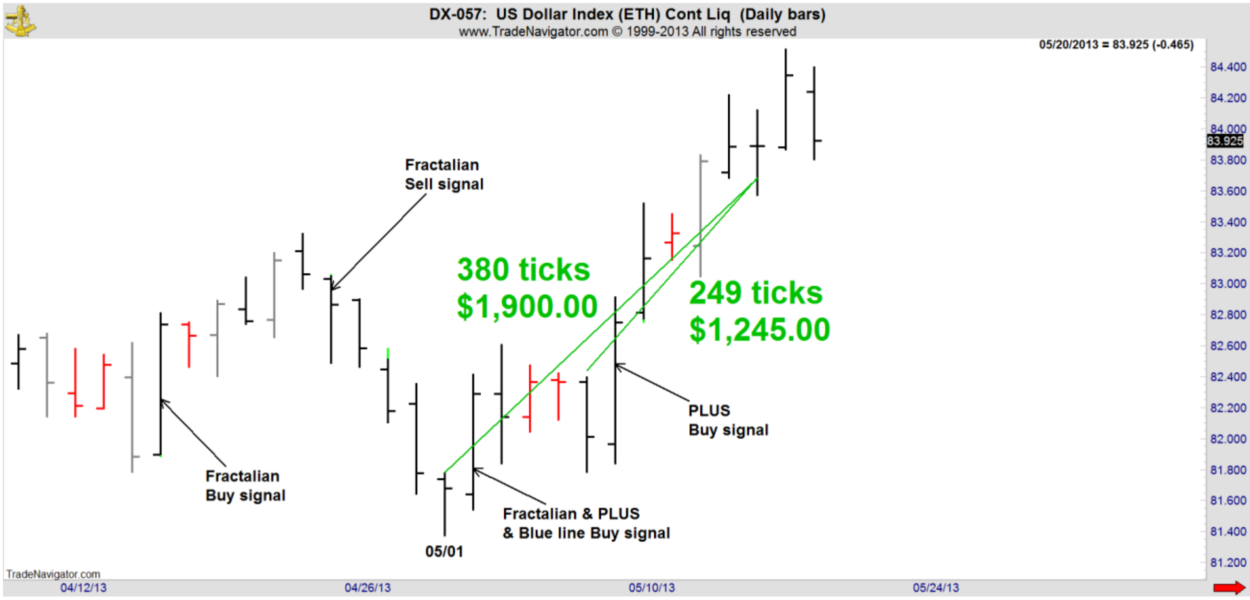
$DX-US Dollar Index

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

Trend on the six day chart is up as it has been since the period ended 02/21. Interestingly, the support came in a series of Danielcode time cycles both 59 and 62 which worked from September 2012 onward.

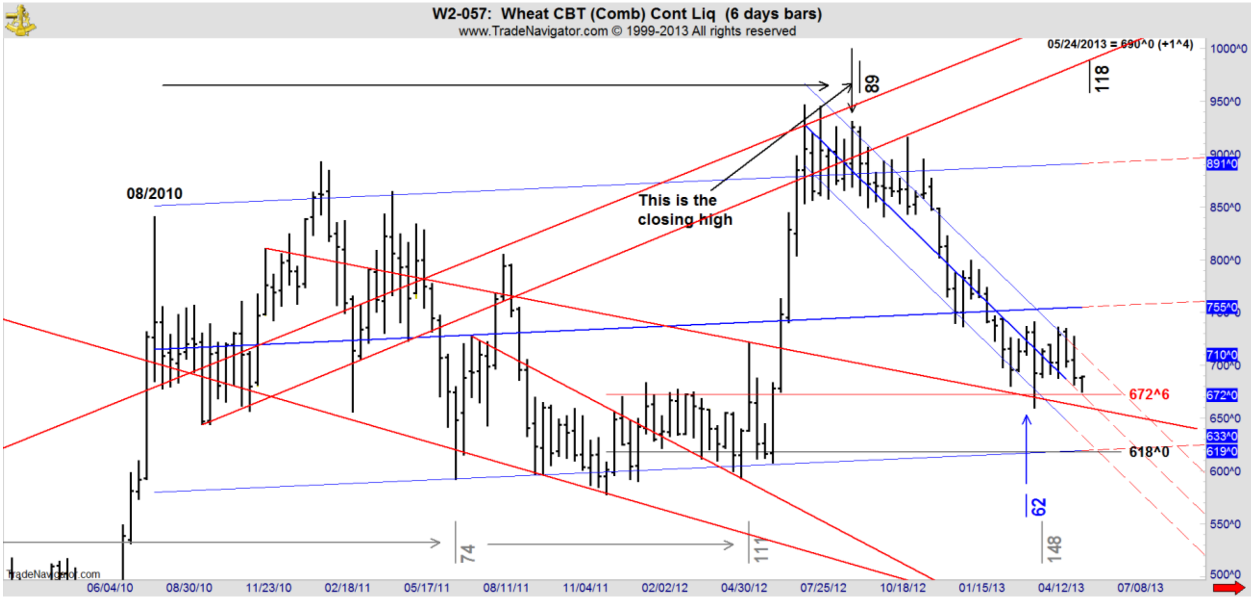
The major trading channel on the chart which runs from May 2011 is still intact and The daily chart below shows the DC blue line buy signal from our PLUS suite of signals issued for 05/02 and another DC buy signal also from the PLUS suite of signals issued for 05/09. That trade is now worth some part of about $1900 per 1 DX contract and another $1200 for the second signal. DX is the best of all trading markets with low margin and big tick value. The blue line trade was obvious and should have been apparent to all of you. For those who would like more guidance on when it is safe to hold these trades for longer periods, there are videos at this website which explain the strength of the blue line trades, in particular.





Wheat

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 UP, but now with 3 conditional Buy signals



Wheat has been in the same broad range since 2010.

On the six day chart wheat has been in a down trend since Oct 2012. This chart contains some 4th and 5th Degree lines and also some DC time cycles. You can see that this market has conformed almost perfectly to the 4th and 5th Seal forecast as to price and time. I caution those of you who are interested in this amazing tool that the 4th and 5th Degree lines are like magnets to many markets and they are primarily support and resistance, but when coupled with a valid expiring DC timecycle we have the phenomenon we refer to as "Time and Price Squared", and at these points a turn is almost inevitable.

For those of you interested in market forecasting, you can learn much more about it at the 4th Seal tab at this website where various markets have their 4th and 5th Seal charts published with expiring DC time cycles usually twice weekly but always when there is any change. If you have not already done so, please feel free to ask Terry at support@thedanielcode.com for a free trial of any of our products, to which you are most welcome.

And this wraps it up for this long term trend chart commentary.

21 May 2013