Transcript of Glenn Neely Interview

"GOLD'S BULL MARKET IS OVER – NEW, MULTI-YEAR BEAR MARKET HAS BEGUN"

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Interviewer: Hello, everyone. This is Bud Fox from www.GreedandMoney.com. Today, I have the privilege to speak with Glenn Neely, the expert in NEoWave, as well as Neely River Theory here with me. Glenn, recently you have seen a lot of chaos and panic in the gold market recently, haven't you?

Glenn Neely: Yes. It has been pretty interesting. I've been expecting a decline, but when it happens as fast as it does, it's always shocking.

Interviewer: Yes. In fact, Monday was the worst gold loss percentage-wise in the last 30 years. The standard deviation for gold loss was 4.5.

Glenn Neely: That's way out of whack.

Interviewer: It was breathtaking.

Glenn Neely: I've been actually warning for quite a while. I've been warning that the patterns that were forming in gold are so large that I couldn't even use daily charts to figure out what was going on.

It almost required only monthly and six-month charts, and occasionally weekly charts. Anything lower than that was basically useless because, with the larger pattern, you have to focus on longer timeframes to see the pattern and figure out what's going on and identify the end.

I was very concerned about the size of this gold pattern. If you look at the six-month chart, that's my super-long-term count going back to 1996. It shows what appears to be a very complicated series of corrections from the 1980 high that didn't finish until late 2005. From there, there's a very clear upward expanding pattern, which would be either a terminal or expanding triangle. Based on the large evidence, it's probably a terminal pattern, which means it's impulsive, but it's a special kind of impulsiveness where each leg is corrective.

You can clearly see on this chart that Wave 1 is three legs and Wave 2 is one. Wave 3 looks like it may be five segments, but there's no extended wave or alternations, so that means that's the corrective route. Wave 4 overlaps Wave 2, which is only allowed in such patterns. Wave 5 is just a big corrective mess, which is probably a triple-three combination pattern.

I've been warning customers for a long time that I thought the high of $1,900 in 2011 was probably the top. I said there was a chance we might go comfortably higher a little bit, but I kept repeating that most likely was the end of the pattern and that it would finish at a lower high.

That has been my primary focus for quite some time now. Then all of a sudden out of the blue, gold just collapsed. It has dropped about $300 in just a few days. Under Wave Theory, that's what I call a confirmation process. It's a NEoWave concept that I talk about in my book *Mastering Elliott Waves.*

When you do your homework and do Wave analysis correctly, the market will produce a certain kind of behavior after a pattern to confirm that your previous assessment and analysis were correct. We needed to see a drop in the gold market bigger and faster than anything we've seen during Wave 5, which I think started way back in 2008 or early 2009. That has been accomplished. That's the first stage of confirmation.

A lot of people think, "This big sell-off in gold is probably done. All the weak ends have been shaken out. The banks and all these people have been holding. It was just overly subscribed and invested in. It's just temporary. We're eventually going to go higher."

Wave Theory says completely the opposite. This confirmation event indicates that Wave 5 is finished. Of course, Wave 5 is the end of an even bigger pattern. After this first decline, we might bounce for a little while, and maybe even bounce quite a bit. It could bounce as much as $150 off this current low, but then we need the next stage of confirmation. It won't be confirming the end of Wave 5. It will be confirming the end of the entire pattern that started at the low in 2005.

Unfortunately for anybody long on gold, this requires that we're going to drop below $1,000 sometime potentially this year. We're talking about another catastrophic decline in the price of gold to levels that people currently cannot imagine.

Interviewer: You're saying that what we have seen on Friday and this Monday is just an appetizer. We're going to actually see the main course later in the year.

Glenn Neely: That's right. This is just the beginning. It's similar to the crash in 2008. We had a really huge decline in January. People thought it was just temporary. Then we had another big decline going into the summer. They started to get a little more afraid. Then we had the really scary event in late 2008 and early 2009.

This is just the first shock of what should be a multi-year, and for sure a multi-month, decline in gold of almost unprecedented magnitude. There has been nothing like it since the high in 1980. This is the beginning of what should be one of the largest, fastest declines in Gold in history. It's completely the opposite of what people would expect.

Interviewer: That's right. All the bobbleheads on those financial channels were saying this is a buying opportunity if you're long term. Of course, they used a lot of technical analysis to say the trend is still up, if you look at the long-term chart.

Glenn Neely: There's probably a lot more fundamental analysis than technical.

Interviewer: That's right. They don't use Wave Theory, NEoWave, or Neely River Theory type of technology to decide whether this is true or not.

Glenn Neely: When you're analyzing psychology, one of the scariest things you can get is a big market decline that does not get people bearish. That's one of the scariest things you can experience, because it means this is the very beginning of the bear market.

If everybody got extremely concerned and super bearish and pessimistic all of a sudden, that's probably the low. That has not been the case. It has just been, "Oh my god! What's happening? Why did this happen? That's just temporary. Everything is going to get back to normal."

People don’t understand that we’re not in the kind of financial world we were 200 or 100 years ago. When the Federal Reserve was formed, it created a new kind of financial system that people apparently don’t quite understand.

It’s not the old world where you have $100 in gold and you give it to a bank to save for you in their safe. That bank in the old world could then give you a receipt for that $100, but then behind your back, if they wanted to, create another receipt and double the amount of money that they supposedly have.

Even though they still only have $100 in gold, they could pretend they had $200 in gold by giving another receipt to somebody else and use that to buy things. In a fractional reserve banking system and what’s called a Mandrake Principle, the Federal Reserve and all banks can only lend money if there is demand to borrow. They don’t just print money and spend it on their own. That’s not allowed and not the way it works.

The money that is in the system gets there through the actual request to borrow money. The money doesn’t exist before the request, and then it does exist once the request occurs.

Our whole system for the last 100 years has been built on this growing request for credit and growing economic-industrial complex and businesses all needing money and borrowing it from banks. That borrowing process created the money.

What we’re experiencing now is the end of that credit explosion that has been going on for at least 100 years since the Fed was formed.

They were formed in 1913, I think. That means it has been exactly 100 years.

That whole process is coming to an end, according to the gold structure. We're actually going to start the reverse of that, which would be a credit implosion. As you go through a credit implosion, it means more people are paying off debt, which is partly due to the fact that the majority of Americans are getting older. As people get older, they tend to get into less debt and want to pay off debt. They don't like being in debt. They can't afford to have too much debt based on a limited income as they retire. All this debt starts to disappear.

As the debt gets paid off, that money just goes away. It's like it never existed. As it goes away, less money or value is in circulation, which means every dollar becomes worth more. As each dollar becomes worth more, everything else denominated in dollars starts to go down, including gold, real estate and everything else.

That is what I think is happening now. This big drop in the Gold market is the first signal that finally the credit expansion has finally come to an end and that we're now going to go through a credit contraction, which should last for probably a few decades.

Interviewer: What you're saying is actually very scary. Besides the stock markets that broke all-time highs in S&P as well as Dow nominally, you're saying that this latent pressure that we saw in 2008 is actually just the beginning. With the Gold market crashing, it's actually going to get a lot worse. Is that correct?

Glenn Neely: Gold is one of the best standards, because gold is an indestructible element and its supply is basically constant. It's one of the only constants in the world, so it’s a very good measure to use against everything else. Based on gold versus the dollar, it indicates that the peak of the credit expansion occurred in 2011.

We’ve been consolidating. The whole reason the Fed is doing the things they’re doing is because they’re trying to avoid this credit implosion. They’re trying to spend as much money as the U.S. government will allow. The U.S. government will borrow as much money as they can spend in the borrower market, wherever they can spend it in a way that it creates this growing credit base.

They’ve been doing this to try to avoid the deflation that I’m sure they know is coming. Unfortunately, this deflation pressure is larger and more powerful than the Fed itself. Even though they’ve helped to delay it for quite some time, I think that they’ve reached the point where they no longer can stop it.

The big crash in Gold we saw this week is an indication that that game is now over and that the whole world will be going through a credit implosion. I don’t think it’s necessarily scary or bad. It’s only bad for probably mostly the super-rich. It sounds very strange, but the super-rich would be the people who own real estate, companies, stock, and everything that’s tangible, such as art, gold and all the different possessions.

The average guy doesn’t have much of that stuff and will actually dramatically benefit from this process. If you have a certain income level and a certain amount of savings that’s not very large or invested in things that are likely to decline, you’re likely to actually benefit. Your buying power will increase over time.

The average American will probably not be that hurt by this, unless they have a lot of debt. The problems will occur if you're in debt. If you're not in debt, it could actually be a great period for you. You'll see an increase in your buying power. Your income may stay the same, but the buying power would increase, so your standard of living could increase as long as you still have a job.

It's going to be a very strange world, in my opinion, for the next three, four or five years, almost an upside-down world where things will happen that we've never imagined or experienced, and has never occurred in the United States for at least 80 to 90 years. Most people's lives have never experienced what we're probably getting ready to go through.

Interviewer: It's really hard to imagine that when you say that. I remember the trading in 2008. Everybody was talking about how much things declined. Gold didn't come out of the year as well as real estate and stock market.

With Gold potentially taking some kind of form, you say this is a beginning, and then later, after some kind of bump, it really starts going down. That means we're going to see something that's even worse than 2008? That's just really hard to imagine because 2008 was so bad in some ways. People say that if they don't get bailed out that the money market will be gone.

Glenn Neely: I'm not sure exactly. I think that the decline in 2007 and 2009 was actually decreasing value. Things were actually declining in value due to excessive over-speculation.

If we're going to go through deflation, it means that the decline does not actually a decrease in value at all. It's just an increase in the value of the dollar. There's nothing actually potentially changing in true value, just in the numbers that represent that value.

Your house could theoretically be sold. The house could theoretically buy just as much stuff as it could at the top. Instead of having a house go from $200,000 to $100,000 because there were too many people buying, too much overinvestment, or too little money put down, and you have this big crash in realty like we had in 2007, 2008, and 2009, this could be just that the numerical value of the house is declining, but so is everything else, so it doesn't have any real impact on the small guy.

I really do think that the real impact will be on those who are heavily in debt and those who own lots of things and may be overly invested in too much of anything except holding cash. Cash will probably be the best place to have your money for the next few years, and it'll be almost like an investment.

Having cash will be like the trade where that cash could increase in true buying power and everything else will decrease in buying power. It will decrease in America in relation to cash, so cash could be the only real trade potentially.

That's a weird world because all I've been taught is that you don't want to keep your money in cash because cash deteriorates in value, so you want to have it invested in stuff. This could be the first time in nearly 100 years that the investment is holding cash.

Interviewer: You're saying that potentially the monetary value of real estate and the stock market actually might not go down as low from 2008. It's just that in terms of the real value it's declining due to the deflationary pressures. Is that correct?

Glenn Neely: The dollar would be going up in value. Let's say the dollar increases 100%. That means everything else would decrease 50% in relation to the dollar. It doesn't mean that it's not going to buy any more or any less. If you just held dollars, then you would double your wealth. If you held everything else, you would maintain your wealth. That would make the dollar the trade.

The only people who will be hurt are those who actually own things that they have a lot of debt on. If you buy a house for $100,000 and your loan is $90,000, and that house drops to $50,000 in dollar terms, you still owe $90,000. Your debt has actually gone up almost 50%. That's the problem that I see coming, only for those who are heavily in debt or heavily invested with margin and speculation. People who own most of their house or own it outright, owns cars outright and don't have credit card debt aren't going to be hurt at all.

It's a very different world. Being in debt and leveraging and speculating has been the way most people have made most of their money for most of the last 100 years. That's going to all change for the next 5 or 10 years, where it will be exactly the opposite. That group will now get hurt, and those who don't participate in all that will actually do okay.

Interviewer: You don't really see any potential social unrest.

Glenn Neely: I'm not sure.

Interviewer: Some hedge fund money actually is valued in gold. Some hedge fund managers recommend their clients to value their investment in gold over the real dollar, so basically gold has been a hot thing for people to have. That's why you see all those gold stocks everywhere in the neighborhoods.

Glenn Neely: TV shows and everything.

Interviewer: Exactly. A lot of people are basically waiting for gold to go up. When this reverses, perhaps a crash happens. Don't you think that's going to create some kind of social unrest to the world?

Glenn Neely: Social unrest is more the result of poor people or the lower class not doing well, not having jobs, and not having money. In this case we're talking about the rich suffering and not the poor. Rich people normally don't riot, so I don't really see that as being an issue.

There will be some people, more the middle class, that might have investments in stock and gold that are losing money and value, but the poorest will probably actually do the best from this situation, based on probabilities. It's going to be a very strange world that we've never experienced before.

Once the stock market tops and we start the next phase of the bear market probably sometime later this year, then yes. It'll be a reflection of social unrest more than the actual decline in true value of stocks and decline in true value of anything else. It will reflect some kind of social unrest. I'm not sure to what degree it can occur.

I'm speaking more from a financial standpoint that the damage will occur mostly with the super-rich. I think you're going to see a massive fall in the richness of the world's richest people because of what's going to happen. The Bill Gates and Warren Buffets of the world might see their wealth drop 20%, 30%, 40%, or 50% over the next three to five years.

Interviewer: It's very much like a big wealth equalizer that everybody wants. Everybody says that there's a huge disparity between the rich and the poor.

Glenn Neely: Right. That actually might start to change.

Interviewer: I see. The rich tend to get richer because they'll be able to use their creditability to borrow more money and be more able to use their leverage while the poor people don't have enough credit.

Glenn Neely: Right. This will be exactly the opposite where I think the poor will benefit from doing nothing. The rich will get hurt from all of their over-extensions, over-expansion and over-credit obligations and investments. This will be a very strange thing. Obviously some people who don't like to risk are going to love this period.

Interviewer: Sure. Glenn could you share a little bit of how to trade gold from this point on? I'm sure a lot of listeners or readers would like to get a piece of action, even if this is a very volatile commodity. You sent out an email today. I thought that was really interesting because of how volatile gold has been. Would you like to share some of that?

Glenn Neely: This is the monthly chart. On the monthly chart the drop down from the large, really long-term chart you can see I have a red dash line where I was predicting what's going to happen. For the most part, gold didn't rally as much as I was expecting. Almost 50% of what was predicted was doing what I expected. It is dropping very quickly.

Based on the Wave structure, there shouldn't be any support until we get to that trim line which means we're going to drop almost $1,000, at least $1,100, but probably $1,000 below. I wouldn't be surprised if it happens this year.

I just can't imagine what that's going to do to the gold bars and to all the people who have been investing in the gold GLDs and futures market. We're going to have probably some really major news event where somebody's going to be the poster child of DXF and the gold markets. They're going to go bankrupt. Some fund managers are going to go bankrupt with some hedge funds. Somebody's going to have a real disaster over this situation.

I don't know exactly how it's going to pan out but for gold to drop $600, $700 or $800 in less than year, there will be some major hurt in some of those firms. Again that's going to affect the rich because the poor don't invest in these kinds of things. This is where the rich people are going to get hurt. That's going to be first event.

Then you should get a huge bounce off of that drop down to around $1,000. It could bounce $200, $300 or $400. Then after that we should start heading lower again.

Over the next few years, we should easily get down to at least $800 and maybe even $600. We're talking about gold dropping almost to one-third of this high value over the next three, four or five years. That's quite an implosion.

Interviewer: It sounds like a lot of people aren't going to see a lot of money. That's why it's going to be intensifying with broker firms getting out of gold.

Glenn Neely: You have to realize this isn't based on what I fear, think or speculate on based on fundamentals or anything. This is strictly based on the conclusion that we've finished the five-Wave move. The market has now done that confirmation process of that five-Wave move by coming to an end by having a $300 drop in just a few days.

That pretty much confirms Wave 5 is over. If Wave 5 is over, then the whole five-Wave move is over. If the whole five-Wave move is over, we have to change the whole thing, which means we're going down to $600, $700 or $800 in the next few years.

That's pretty much what's implied by structure. It's not necessarily what I believe. It's just what the structure tells me is going to happen.

Interviewer: Sure. I'm not an expert in Wave theory, but wouldn't this be some kind of second Wave for the next few decades?

Glenn Neely: Based on what I think is going on and based on the bigger picture – and this is going back 100 years in Wave structure for Gold – it looks like this is Wave 5 of the almost 100-year dance in the price of Gold.

Based on that, the minimum down-sizing would be about $400, but I'm not sure how many years it would take to get there. It should be less than it took to get to the high. It would be probably somewhere in the area of four or five years that we could theoretically get close to $400 or $500.

After that it could even go lower. It could even go back toward the $200 or $300 level, maybe even lower. I don't know exactly. This is a major change. This possibly could be the result if you have heard of that bit coin phenomenon that's taking place. It's an online sort of banking system.

This could be the result of the whole world over time maybe moving away from this cartel-based fractional reserve banking system and slowly removing ourselves from an inflationary fractionary banking system and more into a stable virtual currency instead of it being Gold.

It could be Gold-based somehow, and I'm not sure how, but it could be getting to a stable virtual currency or a stable real currency instead of a fractional reserve currency.

That could be the reason Gold would just keep going down and down because in relation to the dollar or other things that it's compared to. It would just keep increasing in value because we would not have a fractured reserve banking system any more. It's possible.

I'm not sure exactly how this is going to pan out, but I'm virtually positive that the Gold market has peaked, that we're going to be in a bear market for three, four or five years minimum and that the downsize target minimum is way below $1,000.

Interviewer: That goes back to the question that I asked a few minutes ago. How would you recommend the trader capitalize on this possibility?

Glenn Neely: I don't do generalized kinds of predictions because the problem is anything that we would say and record right now, by the time something changes in the market and I change my mind, they're not going to know that I changed my mind and that I got out, lowered my stock or whatever.

There's no way to generalize a strategy here. If you're heavily in debt, the best strategy is to get out of debt as quickly as you can and to make sure that you're not finding yourself owing way more money than something is numerically valued at because if you go only by contract, that number is a specific numerical number.

That number doesn't change based on the dollar change in its value. You don't want to get caught owing $100,000 on a house that's now valued at $50,000. Even though the true purchasable value might be the same, the numbers have all changed because the dollar has gone up in value so much. My best advice would be just to get out of debt.

Interviewer: Sure. This is a day chart here it looks like.

Glenn Neely: No. It's a weekly chart. You can see how complicated it is. This is a massively detailed chart. It makes it hard to do any specific forecasting on a timeframe this large. I zoomed in on this decline of the high.

If you look right below the X where the number five is, there's a quick drop right below $1,600 and a little bounce and then a violent collapse the last couple of weeks. Those are I think Waves 1, 2 and 3, and then a new bear market.

Now we're going to get a pretty big bounce of $100 or maybe $150 or $200 over the next few weeks. I'm not sure exactly. Then from there we'll head down toward the $1,000 level sometime in the not-too-distant future. It could be just a few months from now or less.

Interviewer: You think the fifth Wave is going to be longer in this scenario.

Glenn Neely: Probably. Based on what I'm seeing so far, behaviorally the next drop starting from a much higher point than we are is likely to be bigger. In fact, this will be even scarier, but then it's going to bounce back up to where we are right now again. That will give us probably a violent spike below $1,000, then a $400 or $500 bounce off the low and convincing people that everything's fine, the worst is over and we're going to go back into a bull market in Gold. Remember, any time there's an environment of suspiciousness or doubt, it's always associated with an expanding environment.

The fact that the Gold market has dropped so much so fast – and I've heard so many people say, "It was just a fluke; it's just overinvestment" – there's a lot of doubt that this is the start of any serious new bear market. I haven't heard much talk about that at all.

That suggestion of almost denial and disbelief is a sign that we're in the same environment because if we were in a third Wave extension or first Wave extension pattern, people would believe the downtrend is the true trend, but the fact that they're doubting it means that the worst is still yet to come.

Interviewer: That makes sense because if it goes any lower, people are really going to be losing their power. There are a lot of people panicking about money already.

Glenn Neely: Yes. I wouldn't be surprised if we make one more new low, but we're probably going to get a really big bounce one time to the tune of $100 or $150 before they finally say, "The worst is over. It's time to get back in."

Interviewer: Of course. It's best to prescribe to your service and get firsthand knowledge Monday, Wednesday and Friday. You'll keep us up-to-date.

Glenn Neely: I appreciate it. I hope this interview helps listeners. It will be very interesting the next few months. Get ready!

Interviewer: Thank you very much. Have a good day, everyone.

Glenn Neely: Thank you.