Discussing 4 Market Forecasts: Euro, Gold, T-Notes, the S&P

An Interview with Ike Iossif & Glenn Neely

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Introduction: Welcome to “Market Views With Ike Iossif and Friends,” the show that not only reveals and analyzes the inside story of today’s marketing news but also uncovers the areas where investors can make money right now. “Market Views With Ike Iossif and Friends” is being brought to you by Aegean Capital Group.

Ike Iossif: Welcome, and good morning. I’m Ike Iossif, your host for “Market Views.” My guest is my good friend, Mr. Glenn Neely. Hi, Glenn. How are you?

Glenn Neely: Hi, Ike. I’m doing pretty well.

Ike Iossif: Glenn, first of all, congratulations for being the number-one market timer.

Glenn Neely: Appreciate it.

Ike Iossif: I thought today was the perfect time to do an interview for two reasons. One is you had predicted and you were expecting the upleg that we got since the June low for the S&P. The second reason is now that we got this upleg, I’m getting conflicting remarks from other people. Others think this is the end of the upleg. Others think this is the beginning of a new leg up. I’m curious to hear your thoughts, and we don’t have to start with the S&P. We can go in the order that you sent me the charts and get to the S&P.

Glenn Neely: Typically we start with the Euro and work our way to the S&P. This Euro chart was done back in July. I only do these every quarter.

They're updated infrequently, because the data is produced from a monthly high to low, so things don't change very much until you have a few months to add on.

You can see on the update that I'm showing a prediction (with the red dashed line) that the Euro is bottoming. Of course, this was done in the environment in which the Euro was going to collapse and the European Union was going to die and all that news.

This prediction was indicating that the Euro should start to rally, and rally pretty significantly for an extended period of time, for quite a few months, and so far that's what's happening. The rally has been going on since about late July.

Since just a few weeks after the update was done, we've had an almost perpetual and consistent rally in the Euro. Just in the last day or so, it has started to accelerate upward. I think it's going to continue, and my forecast will continue to pan out over a period of time. I'll be updating this forecast in October.

Ike Iossif: Then let's move to the next chart.

Glenn Neely: I want to mention one thing. A lot of people would look at this and think maybe the Euro is the contracting triangle, but under Wave theory, for a contracting triangle to make sense, the waves have to differ in the direction of the trend. You can't have them all about the same going down, all about the same and going up.

This is what I call a "NEoWave diametric pattern" – a pattern that contains seven segments instead of the typical five that you have in a triangle. The difference is that the patterns tend to be more similar in time. If they turn out to be extremely similar in time and price, then it can move on to being what I call a "symmetrical." It becomes a nine-legged correction.

Right now I can't be sure if it's going to be just seven legs, or it might eventually evolve into nine, but the evidence currently suggests the rally will continue for quite a while, ending up around maybe 1.4 over the next year or so.

Moving on to the Gold market, this remains one of the touchier scenarios. As you know, this forecast was done in July, so it's a couple of months old. On the monthly chart, I was looking for the market to rally some, and I think that's what we're going through right now.

You can see the red dash line on the number 5, showing it moved back up to the highs that we had about six months ago of near 1,800, so I'm thinking that's still a probable outcome.

The big question is, "Is my long-term count right?" I think we've had enough years of hyper-bullishness for Gold, enough TV advertisements to buy gold without the Gold market actually making new highs, enough of the government going into increasingly large amounts of debt and so forth. I think that if the Gold market really were going to go higher, it would have gone higher a long time ago.

The fact that this market dealt with all the bad news without going higher, and actually declining until just recently, makes me think the uptrend may be over and we're just working on finishing that uptrend, which fits into this area that it could be the end of almost a 100-year advance in Gold. If so, that means once this rally is over, it should stay probably below the all-time high.

Probably past the election sometime, all this will come to an end and Gold could start collapsing. Why specifically that would happen, I'm not sure. Maybe the U.S. government will actually start to get serious about debt reduction and having expenses. Maybe other countries will stop lending us money and we'll be forced to become more frugal.

Whatever it is, this would imply a very large decline in the price of Gold and obviously some kind of deflationary period. We could see Gold drop to $1,000 and maybe almost in half over the next years. It would be a very severe change in the trend in Gold, which probably also indicates a very severe change in lots of other markets.

Ike Iossif: Glenn, let's talk about T-Notes.

Glenn Neely: The T-Note market chart was done in July. This calculation is probably correct, but it's one of the least confirmed structures of all the markets that I follow and one of the most bizarre. It's part of a pattern that's been going on for over 20 years. There has been no truly confirmed wave structure for almost 20 years in the T-Note market, so I have to guess and use my experience in behavior and other things to come up with these scenarios.

This served me pretty well for the last few years. It suggests that interest rates are getting close to topping, even though the uptrend is not finished. It may have peaked, but the uptrend is not finished. Once it's over, we would see a pretty dramatic and swift change in circumstances.

This red channeling that you see is what I call a "terminal pattern." One of the requirements of those kinds of patterns is, once they're finished, they need to be retraced substantially very fast.

We could see 80% or 90% retraced into this whole pattern that's in red in about one-fourth to one-half of the time. Maybe within a year or less, we could see interest rates go from 1.5% all the way back up to close to 4%.

That's the kind of danger that is looming, but the timing is difficult because we have a long time before we reach the 214 line, so the market could go down to it, touch and go back up, go down to it, touch and go back up and play with this for quite a while. I don't know exactly when it's going to finish, but once it does, then the move toward 4% should be very fast.

Ike Iossif: Now let's go on to the next chart, the S&P.

Glenn Neely: You can see on this chart, again, this has been two months ago. As you stated earlier, I've been bullish on the stock market for a while. I think I promised your customers some time back that as we move further away from the center of the rally, or the pattern that began in 2009's low, that predictability and clarity would improve continuously.

Part of that has been evident because of my rankings with *Timer Digest*, but it's also evident from the wave counts becoming more stable, and my ability to predict is more precise. That should continue as we get closer to the end of this pattern.

You can see the red dashed line drawing, which is showing the move back above the old highs is continuing to be achieved. Did we just achieve that recently?

Ike Iossif: You can say that.

Glenn Neely: We just exceeded the highs of early this year. Was it today?

Ike: It was today.

Glenn Neely: We've made substantial progress, and that chart is in line with what just is happening now. The big unknown is how much larger this E-Wave is going to get, if it is an E-Wave. The clarity should improve quite a bit for a while, and I would think that because of this it might be a good idea for us to talk again in the future a little sooner than we normally do, just because this could all come to an end in the next few months.

The election is going to be a pivotal event. The market is likely to top right before or right after the election. I don't know if it's going to structurally finish right around that time, but I think the peak is going to occur somewhere around that time, and then the market may play around near the highs for a while. Eventually this pattern should end, and it should not go above the highs of 2007.

A new bear market should begin soon afterward, probably followed sometime later (since markets anticipate the future) by increasingly negative national or international economic (or fundamental) news.

I sort of feel sorry for whoever wins the next presidential election because they're probably not going to be too happy about the way things are going, but then it could be one of the best buying opportunities for the next 10 or 20 years.

Ike Iossif: Is there anything else you'd like to add?

Glenn Neely: I did send you a short-term Daily chart if you want to take a quick look at that.

Ike Iossif: Yes, of course.

Glenn Neely: You can see on that chart that there's a black dot that shows the conclusion of the previous decline. Immediately after that black dot is a violent rally, which I think was the start of this new uptrend.

You can see sort of a strange, expanding triangle. A lot of people would not look at that and think that's an expanding pattern, but under Wave theory, the expansion is determined by the waves, behavior and direction of the trend, so the only thing you need is for

Wave C to be longer than Wave A and Wave E could be longer than Wave C, and that's what we have here.

The other thing you need is alternation between Waves B and D. In this case, Wave B is more complicated, time-consuming and very severe in relation to Wave A, and Wave B is milder, quicker and less complicated, so that's the alternation that's required.

After the top that we had for Wave E a few weeks back, this down action was warning me that most likely that E-Wave was not the end of a pattern but that it was being followed by an X-Wave correction. We were going to get another rally, so that's why I stayed bullish during this period.

This spike up that we see now should be Wave A of the next A-B-C pattern. Based on the time of the first one, the second one should take at least a month. It could take as much as almost two months, so it's probably going to be going up and sideways for one or two months, which fits right in with the election timeframe. That's where I think we're going to make the final top for this year.

Ike Iossif: Thank you. Have a great weekend.

Glenn Neely: Thanks. I appreciate it.