Transcript of Interview with Glenn Neely and Ike Iossif
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Gold "bugs" vs. deflationists: Will there be upheaval in 2014?

Announcer: Welcome to MarketViews with Ike Iossif and Friends. The show not only reveals and analyzes the inside story on today's market news but also uncovers the areas where investors can make money right now.

Ike Iossif: Welcome, and good morning. I'm Ike Iossif, your host for MarketViews. The guest is my very good friend, Mr. Glenn Neely. Hi, Glenn. How are you?

Glenn Neely: Hi, Ike. How's it going? It's been a while.

Ike Iossif: Yes, it has been. Glenn, I'm glad we get to talk to people about the Gold market because, from your analysis, right now we could be seeing a turning point. Correct?

Glenn Neely: I think the big turning point was back in February 2013. Before we get going, I want to congratulate you on being the Gold Timer of the Year for *Timer Digest* for 2013 and 2012. Maybe you should be telling me what's going on!

Ike Iossif: Thank you, Glenn. I appreciate it. You and I have known each other long enough to know that I value your opinion quite a bit. Today it's your turn. You're going to tell us what you think about the Gold market.

Glenn Neely: The pattern that began the downturn that we've been in now for about a year started in February or March 2013. It has been an expanding pattern for quite a while.

The really interesting development lately is that if you look on the short-term chart, and we'll focus on the short-term first, the expanding triangle that started from around $1,600 around March 2013 appears to have its own expanding triangle for Wave E. You see the bigger expansion in the dark trend lines and the smaller expansion with the dashed trend lines. Then you'll see the forecast with the red dashed line. That's what I think is coming next. A significant part of expanding patterns is the very last leg. If it happens the way I'm expecting, we're looking at a pretty big selloff in Gold going into mid or late this year, possibly breaking $1,000. That's a pretty significant change of circumstances.

Ike Iossif: However, if that was to happen, afterward, as I understand it, you would expect a pretty powerful rally. Correct?

Glenn Neely: A pretty big balance is likely to take place afterward. Maybe we drop below $1,000 sometime this year, and then we bounce $200 or $300 and hang around for a while. I'm not sure how big it will be.

The problem with the bigger picture is you look on the longer term chart and you'll see that a drop to $1,000 would, for the first time since the peak, break what I think is a 2-4 trend line or a 2-4 channel for a pattern that started sometime in 2005.

If that happens, that will be the initial confirmation that the entire pattern from 2005 to the high is over. Then under NEoWave, everything requires confirmation.

If you have a 5-wave move, then right after Wave 5, it needs to retrace all of Wave 5 faster than Wave 5 took to form, to confirm that the previous analysis was correct.

A lot of times when you see people do analysis when you have a 5-wave move and then the market meanders down after Wave 5, goes sideways, takes its time, and does nothing eventful, there's no way that analysis is correct.

It is required that when one pattern finishes, you start the new trend with what I could say is a bang. It's a real quick countertrend move all of a sudden, indicating the old trend is over and the new trend has started.

You can see on the long-term chart, the Gold market has been dropping in relation to the slowness of the rally from 2008 to the high. It has been dropping pretty fast. To continue that confirmation, we need to get down to about $1,000 and reset 2-4 trend line sometime probably this year. The sooner, the better. I think that will finally start to confirm that we did have a 5-wave move. It was a terminal 5-wave move, which is very bearish long term. This has profound long-term implications for the US stock market, for the US economy, for the value of the dollar and all kinds of things.

Ike Iossif: Do you have any other thoughts on Gold?

Glenn Neely: The one reality of this event is most likely this is saying we're going to go through a pretty significant period of deflation for the US, which means the US dollar is going to continue to rise in value. Almost everything else denominated in dollars will begin to decline or continue to decline.

This is part of the reason why I think we've been seeing real estate prices declining off the highs in 2006. Many other things have not been moving up and have been sideways or down in value for a long period of time. I think that's going to continue and probably accelerate over the next 6 to 12 months.

It's going to really cause some significant disruptions in the US economy. Exactly how, I don't know. The last time this happened was about 80 or 90 years ago, so I'm not very familiar with all the things to look for. I do think it will have a pretty significant impact on the economy. I'm not sure if it's good or bad. It will be a very disruptive event.

Ike Iossif: Let me play devil's advocate for a second. What kind of price action would have to take place in order for you to reevaluate and say, "This is not doing what I thought it was going to do."

Glenn Neely: It's simple. If you look on the chart, you'll see a small D-wave right above $1,400 in August 2013. If you go down from that high, there's a drop down to about $1,250 and then a bounce to about $1,350. That bounce to $1,350, if that's exceeded, this whole scenario falls apart.

Ike Iossif: Okay. Let's turn our attention to equities. I have one question, Glenn. I've talked to lots of people, and one common comment that I have been getting for the last couple of months is that when it comes to trading short-term equities, it has been difficult. It's been my experience that when trading becomes difficult in the short term, usually that's the start of a transitionary period. Do you have any thoughts on this?

Glenn Neely: From my personal experience and from my customers' experience, it hasn't been a very difficult last few months of trading the S&P.

From being in the business for over 30 years, I can say that what I think takes place is that we have smaller trends occurring over daily charts and weekly charts. That's obviously being created by shorter-term traders.

The really big traders, the billion-dollar and multibillion-dollar funds, are not really involved in day-to-day things with the market. They wait for the public to be extremely excited or extremely pessimistic about what's going on. They wait through all these shorter-term trends.

When you get to extremes, that's when it starts to get the attention of these big traders, big investors and big funds. They begin to exit or enter positions, and it's that transition or movement of large amounts of money in and out that causes very disruptive wave patterns and volatility, which then impacts shorter-term trades quite dramatically.

One thing I've learned over the last 30 years is that when you start getting close to more significant turns in the market, you actually have to ratchet up the timeframes you're following and quit following intraday and daily charts and move to weekly and monthly timeframes – so your stops are bigger and your positions are smaller – to enable you to catch these major turns.

If you're using shorter-term charts and positions, you're just going to be constantly blown out all the time.

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

Glenn Neely: No. I appreciate it. Once again, congratulations on all your high rankings in the latest *Timer Digest*. Good job.

Ike Iossif: Same thing to you, Glenn. Congratulations on your *Timer Digest* rankings as well. Thank you.

Glenn Neely: Thanks a lot.