TRANSCRIPT:

Interview with Glenn Neely,
Trading Advisor and Founder of NEoWave, Inc.
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Gold's Bear market may end late 2016/early 2017. New highs possible in S&P before U.S. presidential election.

INTRODUCTION:

Wave patterns suggest – but do not confirm – that Gold's Bear market may be ending. How should you prepare? In this timely interview with Ike Iossif, Glenn Neely explains his current perspective on the Gold market.

Plus, hear these two experts reminisce about Glenn Neely's extraordinary prediction for a "decline in September due to a catastrophic event" during an interview recorded in July 2001 – just weeks before the September 11 terrorist attacks.

Also in this interview, Mr. Neely explains why he is expecting new highs in the S&P – despite the fact that most traders and investors don't expect the market to immediately recover from its current decline.

TRANSCRIPT:

Ike Iossif: Today, I would like to welcome my guest and my very good friend, Mr. Glenn Neely. Hi Glenn. How are you?

Glenn Neely: Doing good. First time we've talked this year, I think.

Ike Iossif: Yes, you are right. Because I follow your work closely, I know you have a couple of views about Gold and the S&P that, at the moment, go against what most people expect. And what I want to point out before we talk about your thoughts on these two markets is that I have been following your work for over 20 years. You have made some of the most remarkable calls. For those people who do not remember, I would like to remind them of the most riveting interview I have ever done – that was in July 2001 when Glenn said, and I am quoting this word for word, that "we are going to have a wonderful decline in September due to a catastrophic event." And then, we all know what happened on September 11, 2001.

Glenn Neely: Right. That was a weird situation, because Wave structure was telling me something really bad was going to happen, but I had no idea what that bad thing was going to be.

Ike Iossif: Let me stop you. How could anyone know? The amazing part is that Wave structure did warn you about it, and you told us about this in our interview in July 2001.

Glenn Neely: Right.

Ike Iossif: Glenn, you were the first one to call the Bear market in Gold...

Glenn Neely: I think I called it right after the top.

Ike Iossif: Absolutely. And you had remained Bearish until very recently. We are curious to hear your thoughts right now with regards to Gold. Are you turning Bullish?

Glenn Neely: Well, I haven't turned Bullish but I'm not really Bearish anymore. I'm neutral for perhaps the next year. If you look on the chart, it is showing back-and-forth and back-and-forth in the same range for the next year or so. That's because the magnitude and speed of the rally we had in February was really outside the realm of what should have happened if we were going to continue the Bear market.

Ike Iossif: I agree.

Glenn Neely: And the size of that and speed of that move has overwhelmed every rally we've seen for the last almost two years. That suggests a new pattern under Wave theory has started. It doesn't mean the pattern, the decline is over, but it means that we've now started a rally of a larger degree than any rally we've seen for at least two years and that takes time to unwind. You don't just instantly finish a pattern just because it rallies a lot. There is always a time element involved in NEoWave.

Now, the high that we saw in February theoretically could be the high of this corrective rally, but it can't be the end because the previous pattern took at least a year and a half, if not two years. It's not exactly clear which month the start of Wave C began, which is the C Wave low on the chart. But it took at least a year and a half, and a pattern of a similar degree would have to take at least a third of that time. So we're looking for at least six months or more before this pattern that started off the low can be over, no matter if it makes new highs or not. The probabilities are that it's going to, I just don't know exactly the structure of the rally. I just think it's generally dangerous now to be short-goaled for any long period of time. It shows on the chart we might drop as much as $100 from current levels but if we rally, it'd be about $250, so we have a lot of downside to go before we even get back to last year's low.

So that rally is starting to suggest that the bottom may be in, even though the pattern is not finished. So the most important thing to notice is that, what you could call the crash or violent sell-off off the high around 1700 down to 1200, that was a very fast $500 decline in just a few months. That now relates to the decline for Wave C by almost exactly 61%. Now under NEoWave, a 61% relationship between two declines in which both declines appear corrective is the makings of a contracting triangle.

Now most of the time, a B Wave will retrace more than 61% of Wave A, but if it doesn't it produces what I call reverse alternation. And that is when the D Wave will be bigger than the B Wave but the patterns' declining phases will still contract while the rallying phases will actually technically expand, but the whole thing can by contained within contracting trend lines. So you see the big contracting trend line across the high and the low. And of course the lower one is my guess of what it's going to look like, and the upper one is a little closer to reality, but it's still a guess.

But if it happens like this, we would have the elements of a contracting triangle where the down moves keep getting smaller, but the up moves are getting bigger, which creates that reverse alternation. But overall, it would still be a contracting triangle, and it would probably consolidate between about $1300 and $1100 for the next year before the Bear market is actually over. I'm still not totally positive, but this is what it's starting to look like.

Ike Iossif: Okay. Unless you want to add something else on Gold, I would like to move on to the S&P, because you also have a different view than most people.

Glenn Neely: Until the Gold market clears up a little more, I would rather just keep this as my general outlook. I think no matter what the bigger picture is, we are going to be going sideways or up for at least six months and then I may have a better idea three to six months from now.

Ike Iossif: Now, looking at the chart that you have sent me for the S&P, it looks like you're waiting, you're expecting a rally to new highs in the S&P.

Glenn Neely: Right.

Ike Iossif: Most people don't expect the market to be able to recover from this decline and not only recover, but to rise to new highs.

Glenn Neely: Yeah, I know. I have to say, there is a big difference between the way that I do analysis – especially the way I do Wave analysis – and a lot of other people. My analysis is not based on what I personally feel is going to happen. It's based on following a very rigid set of rules. A lot of times, following those rules produces counts that make me uncomfortable, and I have to say this count makes me uncomfortable because it doesn't feel right. But that is what the Wave structure has implied for six months or more, I think right after the crash in August, which I anticipated the day before it happened. I am not sure if you remember that, but...

Ike Iossif: Yes, I agree.

Glenn Neely: It was the Friday before the crash on Monday that I told everyone to get out and go short and then WHAM, it all happened that Monday. But that crash was the beginning of at least a sideways to down period for six months and I said almost right away that that is what needed to happen at a very minimum. And I gave three scenarios. I gave a best-case scenario, which is the one you see in the attached chart. I gave a most-likely scenario, and I gave a worst-case scenario. The worst-case scenario was removed from the possibilities within a week or two. The most likely was removed after we rallied all the way back to where the little tiny B Wave is.

It rallied too much to allow for a massive sell-off. So the two more Bearish counts were dropped within a few weeks of releasing them, and the best case scenario is the only one that survived. As it stands right now, it is possible we'll break below the lows of this year by a little bit, it doesn't have to be a lot. But we still need more time. It could be another two, three or four months before the X Wave is allowed to finish. But unfortunately all the action since the crash in August is pretty much structurally screaming that this is just a correction.

How do I know that? Any time you have a real trend, the first move not only should be violent but it shouldn't be retraced more than about 61%. So we had the violent drop in August, which told me we were starting a new pattern because it was the most violent we'd seen in a really long time, but it's been retraced about 95%. So for that reason, I know this can't be the beginning of a new trend. It's technically not possible. So that means we have to be in a correction. It doesn't matter how deep the correction gets, but it has to be a correction and I think eventually we have to retrace the whole thing. And that's just what structure tells me. It's uncomfortable to say it, but I have to go with what it tells me even though I don't like it. That's what it looks like.

Ike Iossif: Glenn, anything else you would like to add?

Glenn Neely: This makes sense within the context of what is happening with the U.S. presidential election cycle. It's typical for markets to rally into an election period, especially a presidential election period. So I suspect somehow or another, things may appear – at least economically or superficially – they may appear like they are getting better. The stock market, the economy, and maybe economic data may improve going in to the election period. After elections, markets typically will decline for about two years before things start to get better again. So the current conditions may fit fairly well with the U.S. presidential election cycle.

Ike Iossif: Glenn, thank you. Have a great day.

Glenn Neely: Thanks, Ike.

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