Glenn Neely's Wave Analysis and Predictions for Four Markets: The S&P, Gold, Euro, and Notes

An Interview with Ike Iossif, Aegean Capital Group, and Glenn Neely, NEoWave, Inc.

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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 on today's market 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 evening. I am Ike Iossif, your host for "Market Views," with my very good friend, Mr. Glenn Neely. Hi, Glenn. How are you?

Glenn Neely: I'm doing well. It'll be the first time we talk about market forecasts in a while.

Ike Iossif: I'm really looking forward to hearing what you have to say.

Glenn Neely: Our last interview we did together was more just a general discussion. I've been avoiding doing forecasting because Wave theory just hasn't been in a position to allow me to do it, but it's starting to get a little clearer for all four markets that I follow. I thought, "Maybe it's time to go over some of the patterns that are taking place now."

Ike Iossif: Let's start off with the Euro.

Glenn Neely: I'd like to start with this first. The count that I've been working with for quite a while is what's called an expanding triangle. It started back in early

2011. This is the most recent daily forecasting chart. It shows an expanding pattern. It's very mild, but it is there. You can see the A, B, C, D, E, going down to the low. You can see that it follows standard Elliott Wave criteria.

If you look at the D Wave, you can see it alternates quite significantly with the long, boring, drawn-out B Wave. They do share some price territory, which is called *overlap*. Wave C is longer than Wave A, and Wave E is longer than Wave C. It meets all the criteria of an expanding pattern.

This is more of a NEoWave discovery than part of Elliott Wave, but you'll notice that after the lowest point on the chart, the recovery is denoted by a green line. The green line is the exact rate of descent of the E Wave going down, but it has reversed and is now going up.

You can see that the recovery is going slower than the decline. That's what should happen after an expanding triangle. It's one of the exceptions or strange phenomenon under Wave theory. It's part of the NEoWave rule base.

When an expanding pattern finishes, the reaction afterward should be slower than the last leg of the pattern. In almost all other situations the reaction should be faster. In this case, the fact that it's going slower helps to reinforce the idea that an expanding triangle did finish.

I expect that since we're reaching the minimum required time for the recovery, which is the vertical blue line on the right, once we pass that there's a pretty good chance that the Euro will start to rally faster and stronger than it has in the past. That's what I'm looking for, and that's what the red-dashed line is predicting.

Ike Iossif: Then we have the Gold market, right?

Glenn Neely: That's right. Gold has been generally following my expectations for a while now. You can see that red-dashed line drawn on the chart. That was drawn before the decline began around early March, where the small X Wave is.

That decline has been almost the amount of price that I expected. So far it has also bottomed around the time expected. The first phase of this second ABC is either finished or just about finished. We'll probably get a multi-month rally in Gold back toward the highs that we saw in March, and then followed by another selloff.

Once all that is done, which has been going on since last August, the odds start to increase once again that Gold is going to start another advance. This is not in line with what I originally had talked about some time back after we had that really big 400-point drop in Gold last year. The huge drop in Gold that happened off the highest high was a signal that, most likely, the bull market was over. As the market went sideways for a long time into December and really didn't do much, that warned me that the bull market wasn't over. We were just in a correction of the advance.

We're still in that same correction. Once it's finished, I think Gold is going to start another advance. I think that will be the final advance in Gold, but we could be moving up for quite a while, which is disturbing because it does suggest the possibility of inflation. If it's not inflation, then it's incredible demand for precious metals.

Ike Iossif: Let's talk about Notes.

Glenn Neely: The T-note market has been following my forecast almost exactly. The red-dashed line on the chart was drawn right after Wave 3, in red, finished. You can see that the behavior in Notes has done almost exactly what I was expecting, which was plotted about four or five months ago. I think the current decline is a five-Wave move for Wave C of Wave 4 in red.

We're getting very close to finishing that pattern. Sometime in April we could finish Wave 4 and start one final advance in the T-note market, which means lower interest rates, putting interest rates possibly at the lowest point in history, maybe 1.4% to 1.6% on the 10-year cash yield, which I think will shock a lot of people. I'm sure most people are probably thinking we've already gone as low as we can go. Ike, you probably have a better perspective on that than I do. What's your opinion on that?

Ike Iossif: I think it's quite possible. If we were to get a dislocation coming from Europe, then I can see yields falling to these levels. I think the possibility of a dislocation from Europe over the next six to nine months is quite high.

Glenn Neely: Do you feel that most people think this is going to happen, or do you think it's an unexpected event?

Ike Iossif: I think most people believe that yields have reached their bottoms.

Glenn Neely: That's my opinion too. This could be a surprise to a lot of people who are preparing for interest rates to go up. Normally as interest rates stagnate and go lower and lower it's a sign of slowing economic activity and not much demand for money. I don't think it's a good sign for the economy. What do you think?

Ike Iossif: I think you're right. In fact, right now we are in a very interesting time window over the next three months. Over the last three months, the leading microeconomic indicators were showing deterioration, while the coincident indicators were showing strength. Now we have moved into the time window where the coincident indicators have to start proving the leading indicators correct. That happens three out of every four times.

Therefore, over the next three months we should see deterioration in the economic climate, according to what the leading indicators predicted three months earlier. We have to wait and see.

Glenn Neely: It’s a little unusual this close to an election if things just start deteriorating like that. That obviously wouldn’t be good for the current administration.

Ike Iossif: You could have two quarters of slow growth, like the first and second, and then better growth in the third and fourth.

Glenn Neely: From my experience, the lead-up during an election year is when things just keep getting better. There’s typically no deterioration during that period, so it would be unusual.

Ike Iossif: It could be one of those times where the leading indicators are proven wrong, but that only happens one out of every four times. It could be that one.

Glenn Neely: Because of the increasing instability of the financial world, maybe this is one of those times when the Fed and the government just can’t quite manage the situation the way they normally have in the past.

Ike: Let’s move on to the last chart, which is the S&P.

Glenn Neely: This has been the most difficult market to predict over the last few years. It’s just beginning to get clearer. We still have a ways to go. You can see on the chart I have this red-dashed line suggesting that the current rally, which has been non-stop corrective since last year’s low, is nearing an end. We might go through a decent correction, which is in line with the indicators you just mentioned, which are suggesting a downturn for a while, and then another upturn into the end of the year right after the elections.

The bull market run that has been going on since 2009 might finally be finishing either at the end of this year or early next year right after the elections are over.

If this chart analysis is correct, that red square in the middle is the center of the formation that began at the 2009 low. That would be the point where structure was the least identifiable, tradable, and predictable.

The further away we get from that, the more predictable the market is going to get. It had been slowly getting better through late last year. It has been getting comfortably better since then.

If we get a nice decline in the next couple of months, my ability to predict markets and my confidence level will dramatically increase for the first time in probably three years. That's when I think we're going to finally enter into a very tradable environment on the stock market, which under Wave theory hasn't happened since early 2009.

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

Glenn Neely: That's about it, Ike.

Ike Iossif: Glenn, thank you. It was great talking to you, as always.

Glenn Neely: Thanks a lot!

About Glenn Neely and NEoWave, Inc.

Glenn Neely, internationally regarded as a premier Elliott Wave analyst, has devoted nearly 30 years to refining, mastering, and advancing the concepts of Wave theory to make it scientific, objective, and logical. Glenn Neely's now-famous NEoWave technology is a precise, step-by-step assessment of market structure, which leads to more accurate Wave analysis, as well as low-risk investing and trading with demonstrated returns. Analysts, investors, and traders worldwide trust NEoWave's Trading and Forecasting services for market forecasting and wise trading advice on the S&P, Euro, T-Notes, and Gold markets. Learn more about Glenn Neely and NEoWave, Inc. at http://www.NEoWave.com.

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