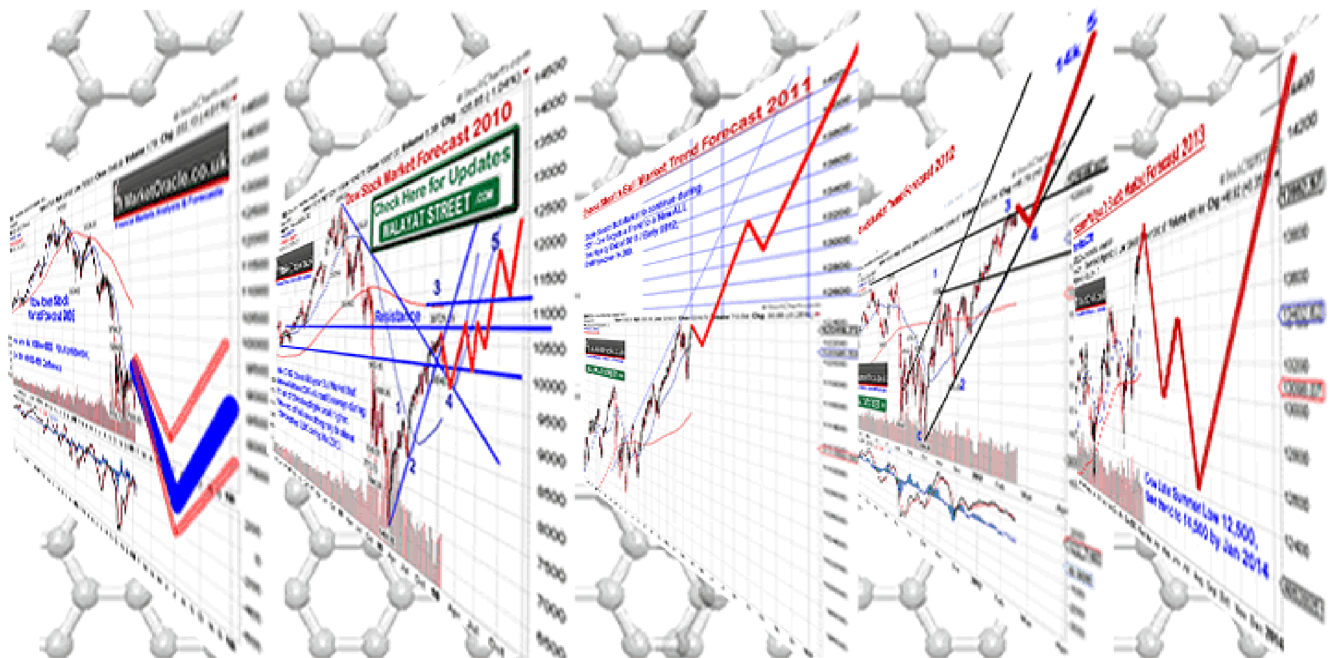
The Stocks Stealth Bull Market 2013 and Beyond

Governmental Money Printing Inflation and Multiple Technological Revolutions are Driving the Exponential Stock Market Mega-trend



2009 2010 2011 2012 2013

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Financial Markets Analysis & Forecasts

by Nadeem Walayat

WALAYAT STREET .com

Feb 2013

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Market Oracle Ltd (http://www.marketoracle.co.uk)

In the history of Mankind, this IS the best time ever to be alive.

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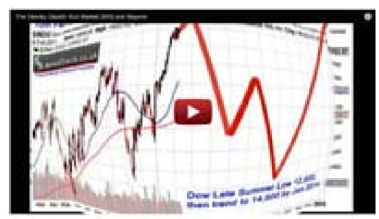
INTRODUCTION

This ebook continues the stocks stealth bull market series that began in March 2009 encompassing several hundred articles and two ebook's - The Inflation Mega-trend of January 2010 and the Stocks Stealth Bull Market Update 2011 of March 2011.

This ebook is written in 3 parts.

1. Approx 20% of this ebook summarises the forecast trend expectations for the stocks stealth bull market during the past 4 years.
2. Approx 30% of this ebook seeks to arrive at a detailed trend forecast for the Dow Jones Industrial Averages stock market index into early 2014 (over 11 months), which given its time critical nature was made available to the Market Oracle readers and newsletter subscribers on the 10th of February 2013.
3. The third part encompasses approx 50% of this ebook that seeks to explain Investing & trading strategies and risk management, and discusses the exponential technological mega-trend and emerging revolutions that are likely to play out over the coming 20 years.



Whilst this analysis attempts to accurately project a road map trend for the Dow for the whole of 2013, however readers should ensure that they also read my regular in-depth updates on market trend expectations (approximately every 2-3 months) which are emailed out (FREE) and posted at walayatstreet.com, also ensure to subscribe to our youtube channel for video versions and educational material.

Readers can add their comments on this ebook analysis at the end of a condensed web published article - http://www.marketoracle.co.uk/Article27334.html

Your stocks stealth bull market investing and trading analyst.

Nadeem Walayat
12th Feb 2012

Part 1

Why a Stocks Stealth Bull Market?

The reason why the bull market in stocks remains a STEALTH bull market is because it has been missed by most as those that follow the prevailing doom and gloom in the mainstream broadcast press will be under the impression that we must have been in a severe bear market, instead the reality has been the exact opposite, a severe bull market has been underway for 4 years now that the mainstream press has all but missed if not actively been implying the opposite, be it the latest diatribe that suggested the markets would collapse following Obama's re-election, or the prospects for eurogeddon for the whole of 2011 AND 2012.

This reinforces a fundamental point that whilst the mainstream press collectively remains blind to bull trends underway then those trends are likely to continue. Conversely when the mainstream press is actively seen as being bullish on an asset class then invariably the time has come to SELL.

The failure rate for financial market and commodity traders has remained at a consistently high 90% for many decades, this despite all of the advances in information technology and the flood of new learning materials that is churned out annually, therefore why is it that 90% of traders still lose ?

In my opinion, 90% of traders are destined to lose because they are in fact learning from / listening to the 90% of losing traders that preceded them who following wipe out in the markets have gone on to focus on writing about market price action and methodology with an even greater concentration observed to occur in the mainstream financial press as account busted traders / investors turn failure to trade into full time media careers and thus perpetuate a continuous cycle of failing traders guiding new traders towards similar failure.

This explains why those in the mainstream financial press can literally miss WHOLE Bull and Bear markets despite trends that end up spanning many, many years. They can be recognised by their rhetoric such as the perpetual end of the trend is coming mantra that is based on fundamentally flawed understanding of what actually moves markets, which is why they failed to succeed in trading in the first place.

Given that 90% of trader fail, it can be assumed that that at least 90% of those that provide financial commentary are failed traders that spend their time writing about the act of trading rather than ever engaging in actual trading which culminates in the big name media whores who we see prancing around between make up rooms and TV Studio's, and usually regurgitating what other failed traders have already commentated upon or make such weak statements that they can be easily applied to virtually any outcome i.e. that the market will definitely fall, but then again it may definitely rise. The media whores are well practiced in applying such phraseology that ensures that they can always claim success for publicity purposes whatever the actual outcome is, as viewers are left to perceive whatever they want to in the media whore sales men's commentary based on their own pre-existing market bias. The mainstream financial media is more than eager to push the selectively edited past commentary that results in nothing more than blatant misleading advertisements masquerading as market commentary. Stop for a moment and dissect what the latest utterance of a media whore actually is and you will soon realise the game of deception that is being played in an attempt to hook the trading public towards ultimately purchasing a product or service.

In actual fact perhaps as little as 1% of the material floating out there is produced by successful traders because successful traders are primarily going to be focused on trading rather than writing about trading or marketing trading services, with probably having only enough spare time to write a couple of books during their whole lifetime which compares against the book factories that can churn out several titles per year that virtually ensures that at least 95% of your trading book shelf is packed full of garbage, totally useless, and you know it!

Still it could be worse, academic economists inhabit a zone that is based purely on mumbo jumbo that is guaranteed to result in unforeseen outcomes, for academic economists tend to be the second greatest media whores just a step down from politicians, who exist purely to give off the air of authority and certainty as though economics is a science when in reality it is pseudo science more akin to the art of psychologically managing the general populations expectations via economic propaganda than in determining any sense of probable economic outcomes and consequences. Economic theories are just that theories that have been modeled on selective editing of past economic data for political purposes which every trader should know (failing or successful) is just over optimised back fitting onto selective past trends that proves totally worthless going forward.

2009 - Birth of the Stocks Stealth Bull Market

For stock market Investors and traders there were two key events during 2009.

1. The Stocks Bear Market Bottom of early March 2009 (Dow 6470).
2. The birth of the Stocks Stealth Bull Market that saw many indices soar by more than 60% over the next 9 months of the year.

The primary purpose of analysis is to generate market scenario's that have a high probability of success for the primary purpose of monetizing on these trends that are usually contrary to the consensus view.

In this regard the stock market bottom of early March fulfilled this as the whole subsequent rally was referred to by the majority of analysts across the board as a bear market rally to SELL into, virtually every correction had been followed by calls that the market had put in its final top and a break of bear market lows was imminent. The most notable crescendo of the crash calls were made during the October correction when widespread commentary spread forth of an imminent crash that AGAIN FAILED to materialise. Instead 2009 turned out to be the buying opportunity of the decade as I repeatedly flagged during the year.

[Dow Jones Stock Market Forecast 2009](#) - 20th Jan 2009

Dow Jones Mid 2009 Low 6600 - 70% Confidence; End 2009 at 8,600 (During December 2009) - 65% Confidence

Chart courtesy of [StockCharts.com](#)

Stealth Bull Market Follows Stocks Bear Market Bottom at Dow 6,470 - 14th March 2009

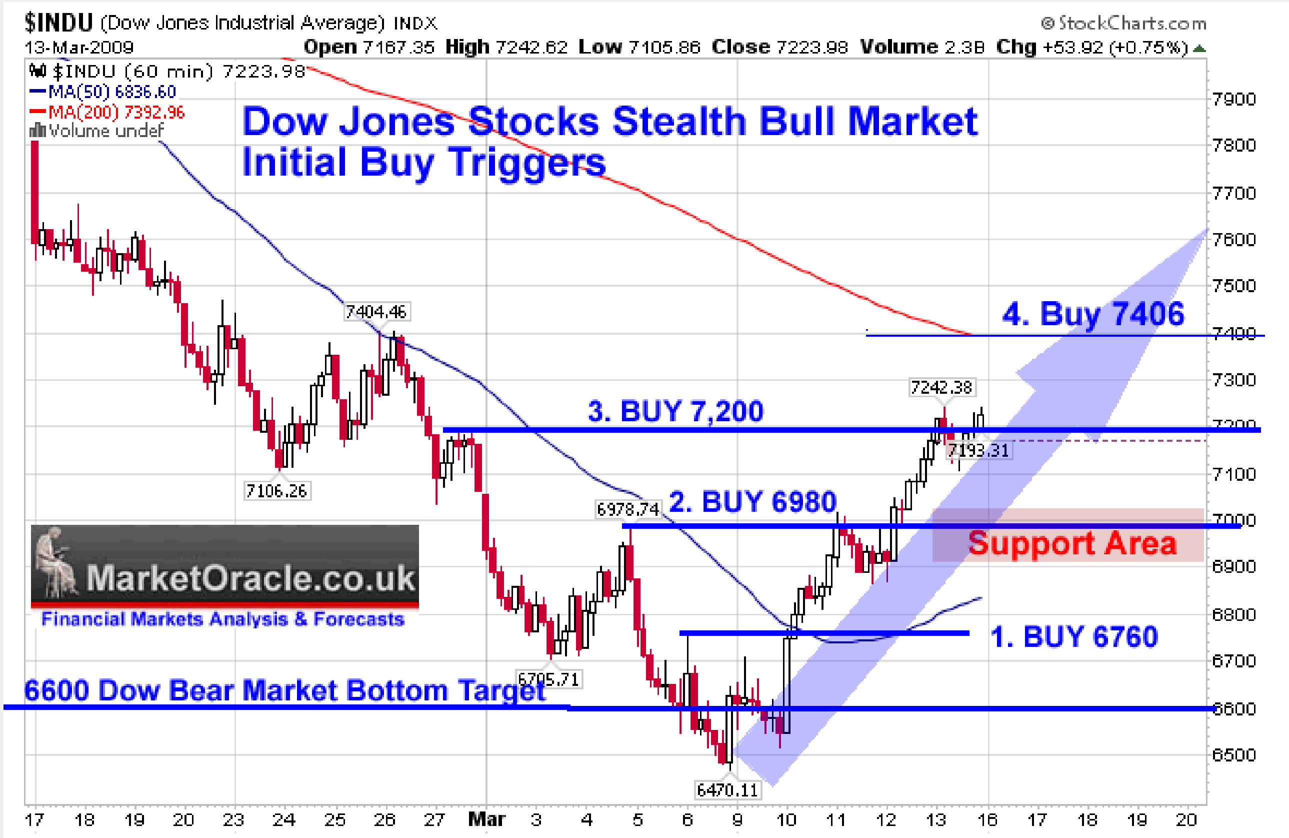


Chart courtesy of StockCharts.com

Now watch ! How this STEALTH bull market will consistently be recognised as just a bear market rally to sell into and NOT to accumulate into. All the way from 6,600 to 7,600 to 8,600 and even beyond, the move will be missed by most as consistently bearish rhetoric and data will ensure only the smart money accumulates, for the small investor has now become Conditioned to the Bear Market Rallies of 20% and subsequently plunges to fresh lows. Many, many months from now, with stocks up 30%, investors will then WAIT for THE BIG CORRECTION, THE RE-TEST to buy into the apparent BULL Market , Well these investors will still be waiting as stocks pass the 50% advance mark, AGAIN only those that will have profited are the hedge funds and fund investors (Smart Money) WHO HAVE BEEN ACCUMULATING , as I elaborate upon next.

In Summary - We have in all probability seen THE stocks bear market bottom at 6470, which is evident in the fact that few are taking the current rally seriously instead viewing it as an opportunity to SELL INTO , Which is exactly what the market manipulators and smart money desires. They do not want the small investors carrying heavy losses of the past 18 months to accumulate here, No they want the not so smart money to SELL into the rally so that more can accumulated at near rock bottom prices! Therefore watch for much more continuous commentary of HOW this is BEAR MARKET RALLY THAT IS TO BE SOLD INTO as the Stealth Bull Market gathers steam.

[Stealth Stocks Bull Market, Sell in May and Go Away?](#) - 26th April 2009

Conclusion - Immediate term conflicting analysis, will there be a continuing rally into early May or not ? Clearly early week will be weak and a lot now depends on whether the support of 7,800 holds, the 280 point gap between the last close and support should give the market plenty of swine flu room to breath, it is a tough call but after that early week wobble, I would go with a continuation into early May to set up for the main move which is for the significant correction that targets a decline of about 14% or Dow 7,500 from 8750. If 7800 fails early week that implies Dow 7,100. So just as the herd is starting to pile in the smart money will be positioning for a significant correction and importantly the move will be TRADEABLE, none of these 1 or 2 day falls that have suckered the bears in during the rally, but for a sustained down trend though swine flu may bring this forward to the start of the week. Note this is an interim update, my in depth analysis will attempt to more accurately map out the Dow swings of several months so make sure your subscribed to my always FREE newsletter to get this on the day of publication.

Vicious Stocks Stealth Bull Market Eats the Bears Alive!, What's Next? - 23rd July 2009

Chart courtesy of StockCharts.com

CONCLUSION - My earlier fears about a bull trap appear to be unfounded, the stock chart is talking that we are in a stocks bull market, and is suggestive of a trend higher towards a 2009 target of between 9750 and 10,000, with a high probability that we may get there before the end of October!. Key danger areas for this scenario are a. for the trend line to contain corrections, and b. that 8080, MUST HOLD.

The Crumbliest Flakiest Stocks Bull Market Never Tasted Before - 7th Sept 09

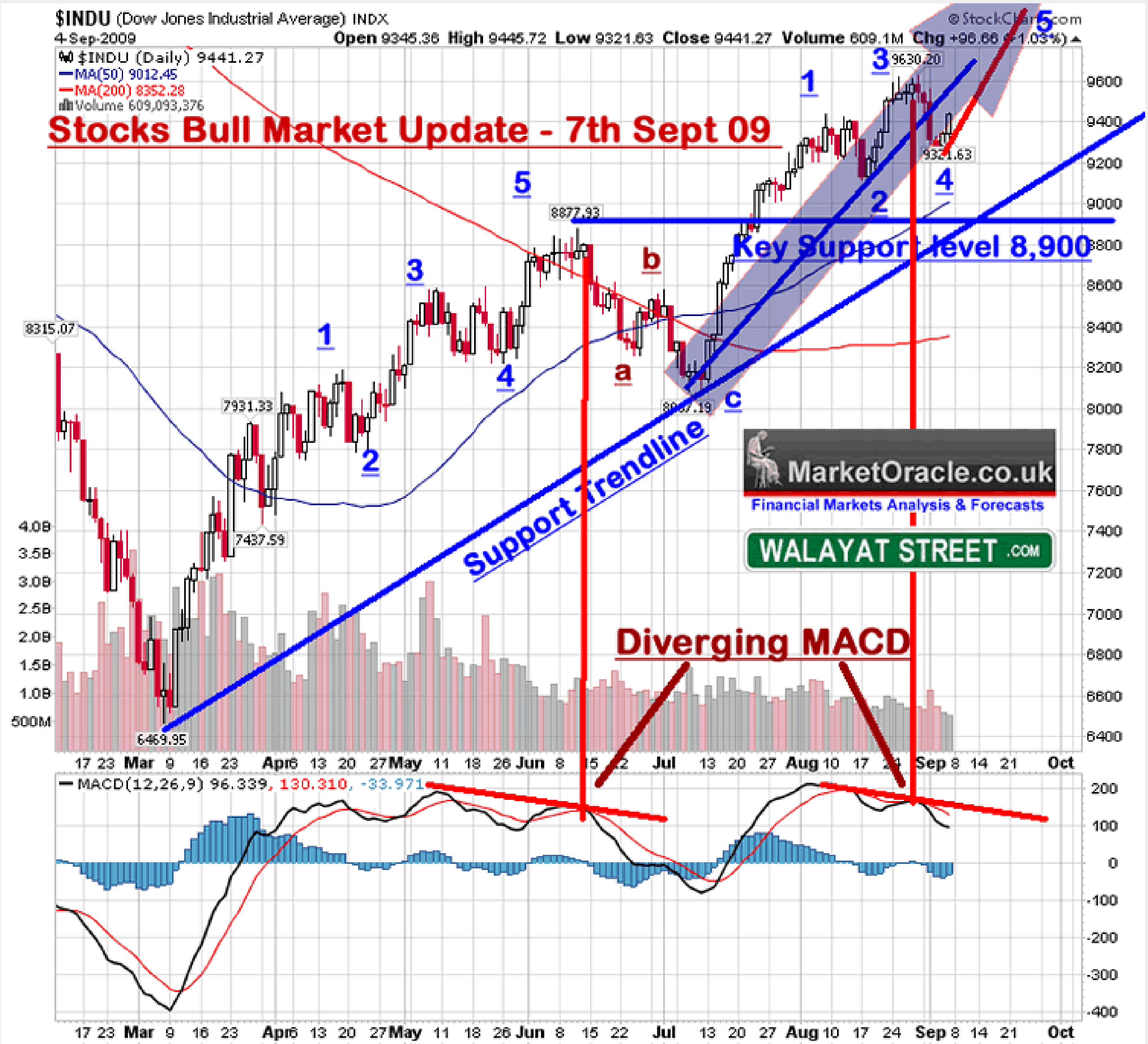


Chart courtesy of StockCharts.com

The target for the termination of the current phase of the bull market rally was between 9750 and 10,000. As mentioned above, I am not expecting an easy ride for the fifth wave as clearly it is an obvious pattern to interpret following waves 1,2,3,4. What does this mean ? Well wave 3 is screaming weakness, so that suggests a weak push higher rather than something that resembles wave 1.

Stocks Bull Market Correction Continues, U.S. Dollar Bears Running Out of Time? - 4th Oct 09

Stocks Bull Market Forecast Update Into Year End - 2nd Nov 09

There is nothing to suggest at this point in time that the stocks bull market is over which means that that corrections are for accumulating into, the overall trend is for stocks is to continue climbing a wall of worry whilst investors are scared by the vocal crash is coming crowd that will continue to re-write history to always be right in hindsight to again come out with more crash calls over the next few months as the Dow chart of the 1930's gets it's start / end date manipulated again so as to fit fresh crash calls.

The stocks bull market that has raged since the March low has fulfilled the original objective for a 50% advance, therefore upside for the next two months looks limited with greater risk of downside in the coming weeks though pending a break of the major support trendline which implies a rally in the immediate future. All in all this is suggestive of a downtrend towards 9,400 into Mid November with a year end rally to back above 10,000 targeting a rally high in the region of 10,350 to 10,500 during December.

Stock Market Santa Rally and Election Weapons of Mass Deception - 13th Dec 09

My concluding thought, we get the santa rally to a new 2009 high for the Dow into the last few days of December and then the market starts the significant correction.

2010 - Bull Market Consolidates and Targets Dow 12,000

2010 was the year for stocks to consolidate their gains of 2009, which again repeatedly gave the bears plenty of rope to hang themselves with. During 2010 I published 4 in depth stock market analysis and concluding forecast trends -

1.... 02 Feb 2010 - [Stocks Stealth Bull Market Trend Forecast For 2010](#) - The Inflation Mega-Trend Ebook Page 82 ([FREE DOWNLOAD](#))

> *Dow 10,067 - Stocks Multi-year Bull Market that bottomed in March 2009 will trend Sideways during first half of 2010 attempting to break higher. The second half will see a strong rally to above 12,000 targeting 12,500 during late 2010.*

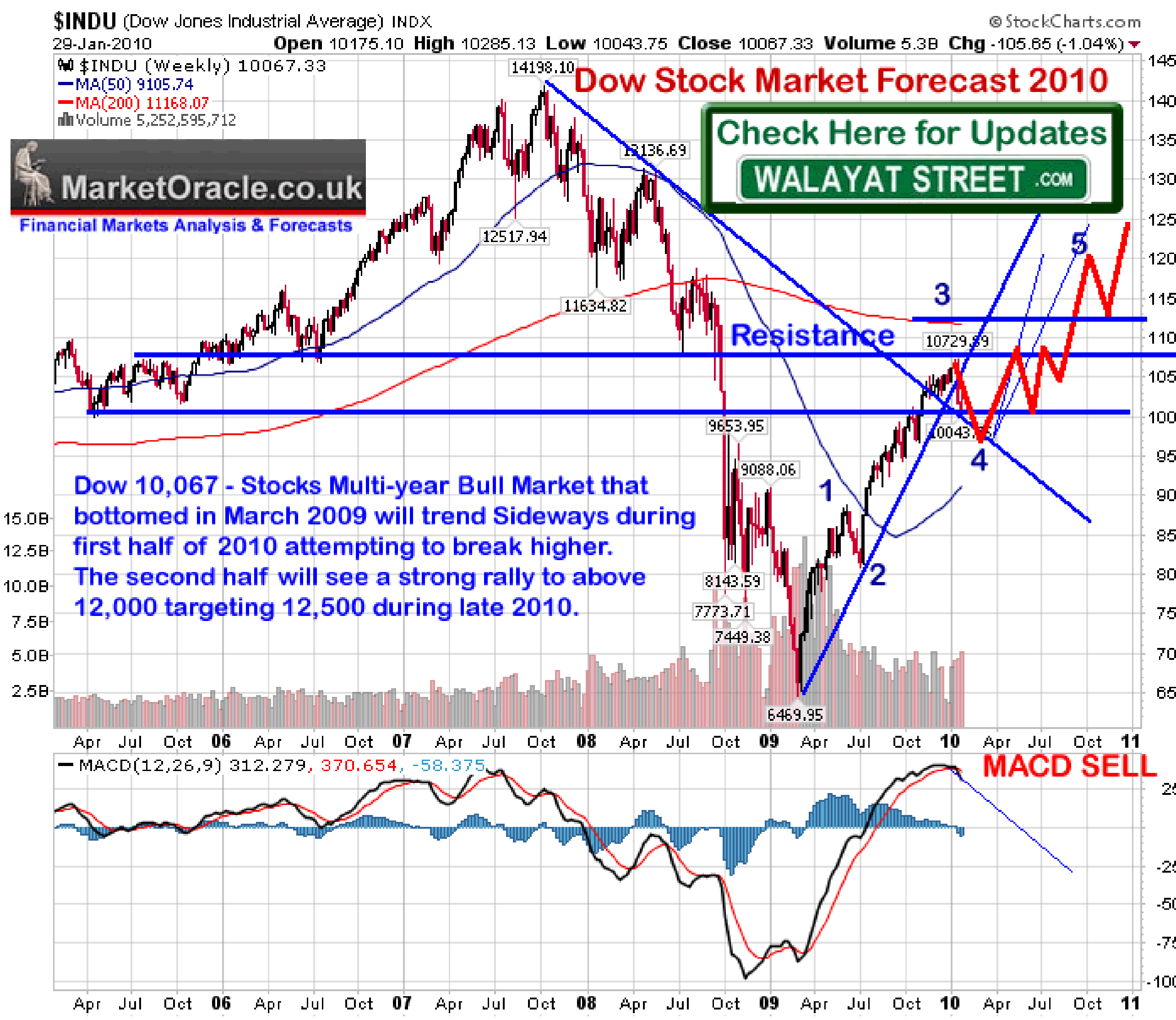


Chart courtesy of [StockCharts.com](#)

2... 23 Mar 2010 - Stocks Stealth Bull Market Trend Forecast Into May 2010

Dow (DJIA) March to May Stock Market Trend Forecast Conclusion - Therefore my specific conclusion is for a continuation of the uptrend into early to mid May, achieving the 12,000 target during this time period, also allowing for a correction during April.

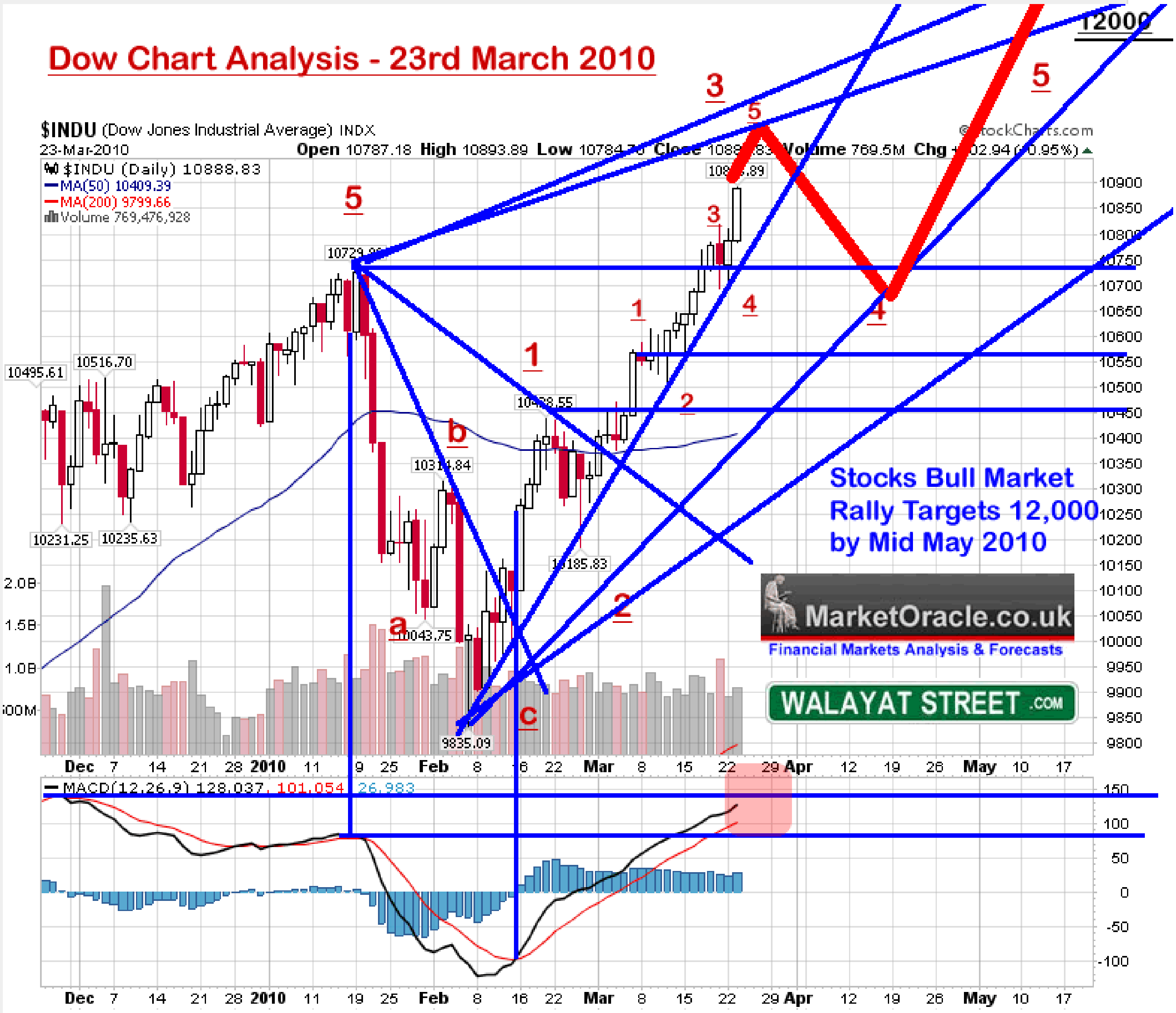


Chart courtesy of StockCharts.com

3... 16 May 2010 - Stocks Bull Market Hits Eurozone Debt Crisis Brick Wall, Forecast Into July 2010

This correction could last for several months and may extend all the way into early October, which suggests that the next 2 months are going to see an ABC correction to be followed by a sideways price action between the extremes of 10,900 to 9,800 and so despite continuing wild gyrations I would not be surprised if the Dow is little changed from its last closing price of 10,620 in 2 months time (16th July 2010). Expectations remain for the bull market to resume its trend towards a target of between 12k to 12.5k by late 2010 after the tumultuous trading period over the next few weeks. I have tried to illustrate a more precise Dow forecast projection in the below graph, reality will probably end up being far more volatile.

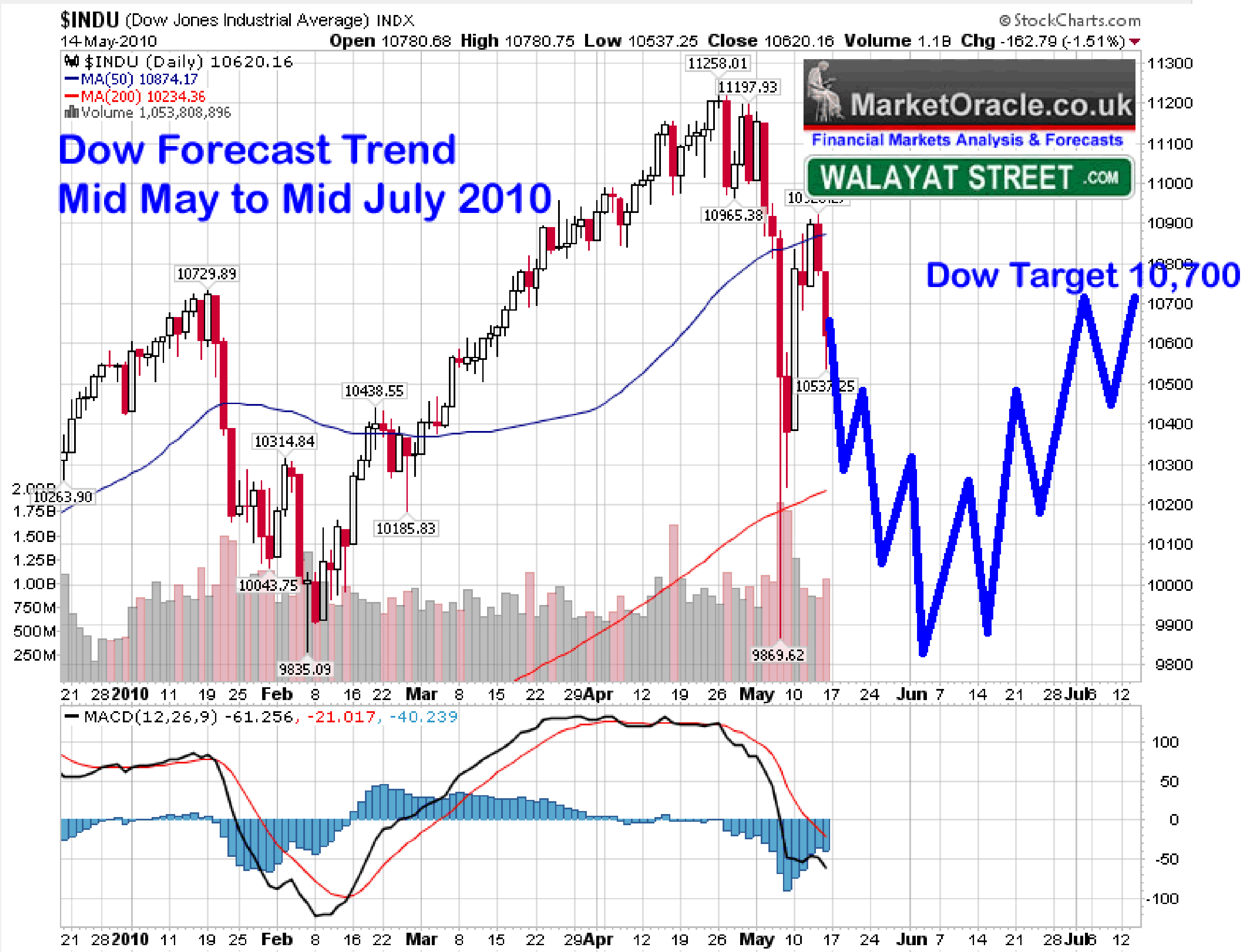


Chart courtesy of StockCharts.com

4... 18 Oct 2010 - [Stocks Stealth Bull Market Dow Trend Forecast into Jan 2011]

STOCK MARKET FORECAST FINAL CONCLUSION

Everything appears to be in synch! All of the above (and linked) analysis together lead me to the following trend conclusion for the stock market as measured by the DJIA30 index - The Stock market is heading for an imminent correction which means it may not be able to reach resistance at 11,250 before correcting which targets a trend to 10,700-10,500 by mid November, that I expect to resolve in an uptrend into January 2011 that targets Dow 12,000 as illustrated by the below graph, and therefore confirms the original forecast target for the Dow as of January 2010. Also an interim analysis for 2011 suggests that the Bull run could continue into May/June 2011.

Chart courtesy of [StockCharts.com]

2011 - Setting a Target of Dow 14,200

With the bull market completing its 2nd year, expectations turned to when the Dow would break to a new all time high of 14,164, and thus a target of 14,200 was set.

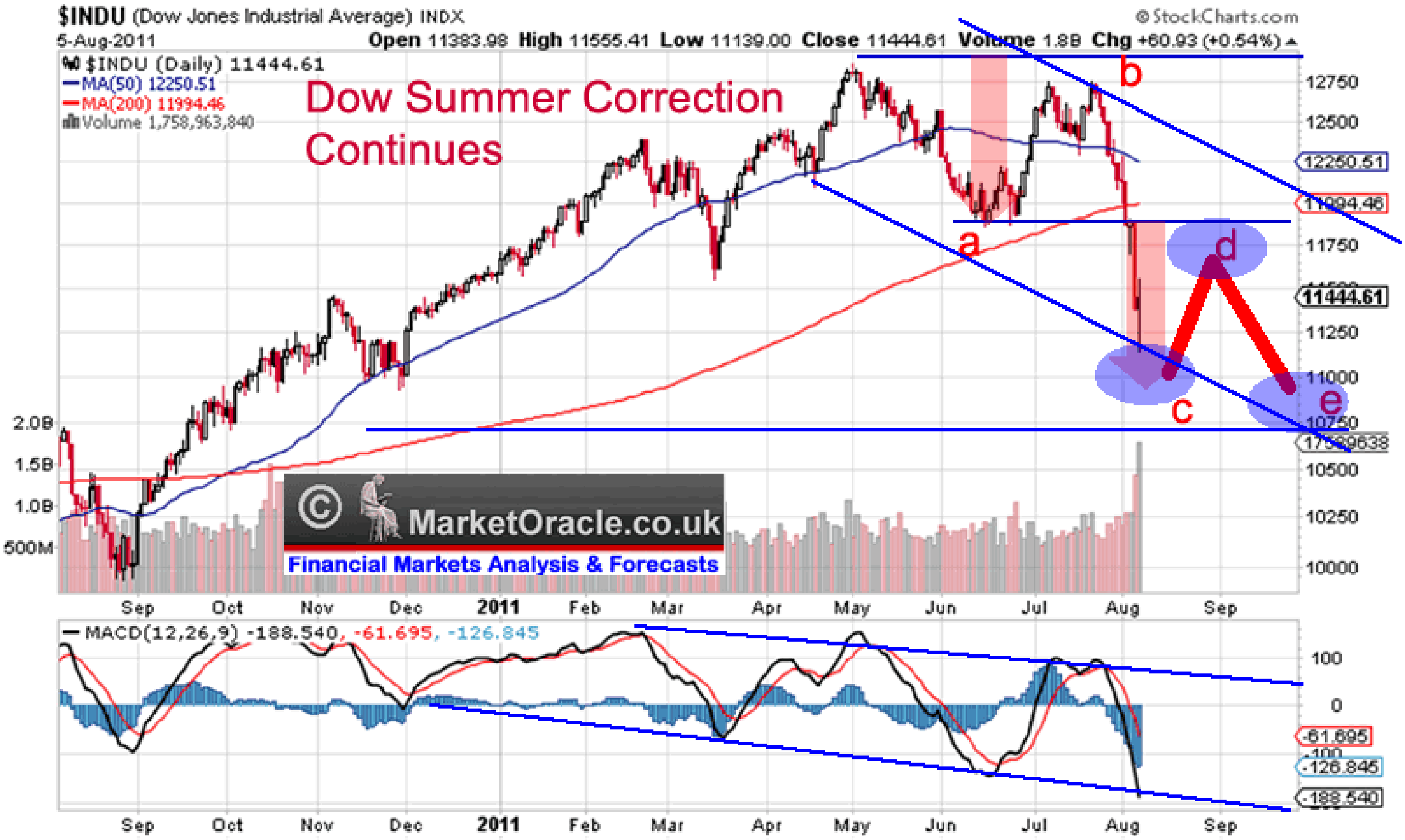
31st March 2013 - Stocks Stealth Bull Market Trend Forecast 2011

> The big picture is that of the stock market targeting a trend towards a new all time high either by very late 2011 or early 2012 i.e. a break of Dow 14,200 which would represent a gain of more than 15% on the last close (12,320) or nearly 2000 points.

> Breaking the forecast trend down suggests a short trading range into late April, with the main trend of a rally into late August / Early Sept 2011 in the region of 13,400, followed by a further brief correction into early October before the rally to a new all time Dow high by end 2011 / early 2012, as illustrated by the below forecast trend graph.

Chart courtesy of StockCharts.com

[7th August 2011 - Stock Markets Panic Crash Continuing, Is the Stealth Bull Market Over?]



Conclusion

Clearly the stock markets remain immersed in panic mode so not in any state to make a new bull market high any time soon, I see the likes of Dr Doom Marc Faber, AFTER the event claiming that stocks are in a bear market as of 2nd of May 2011 and won't make a new high. WRONG. The only question mark is how long will the current volatility extend before the bull market in stocks RESUMES. That is not clear, the stock market is oversold and set to bounce, but after the bounce it could make another lower low. It is not clear, which is fine because the market is not always predictable. My best guess is for an imminent bounce to resolve in a retest of the lows, stocks historically tend to make major lows in September and October.

The Bottom Line - The stocks bull market is not over, the current correction extends to about 11%. Therefore I have an on going opportunity to accumulate target stocks and will likely get another bite at the cherry after a bounce and plunge into Sept/Oct, after which the future prospects for stocks for the balance of the year will become much clearer.

27th Oct 2011 - Stocks Stealth Bull Market Pounds the Crash is Coming Bears with Euro-zone Hammer

> Bull Market Uses Euro-zone Sledge Hammer

> The stock market correction bottomed in early October at Dow 10,404, at the time the mood was extremely bearish, even going so far as infecting the mainstream press such as the BBC who let 'traders' wonder into their news studious.

> "know the stock market is finished.".... yeah, certainly looks finished, up about 11% since he spoke barely a month ago. youtube.com

2012 - Dow Still Targeting Dow 14,000

Going into 2012 expectations where for an early year rally towards 14,000 before the stock market under went a serious correction. Therefore the strategy flagged ahead of the start of the year was to distribute into the early year rally, and then accumulate following the mid-year correction as the bull market resumed.

21st Feb 2012 - Stock Market Trend Scenario Forecast Conclusion

> The stock market appears to be targeting a trend towards Dow 14k by early May 2012. The immediate trend implies a relatively mild correction is imminent that targets the support trendline of Dow 12,650, which if breached would target a deeper retracement towards Dow 12,300. As things stand the most probable outcome is for a correction towards 12,500. Whilst the big picture is that of a continuing trend higher to Dow 14k at which point the Dow can be expected to experience significant resistance as it approaches a new all time high the subsequent trend for which will become much clearer by that time but which currently implies a significant correction is likely during May which matches both the seasonal tendency (sell in may and go away) as well as likely approaching the finale to the Greek Tragedy (markets act before the event) namely exit from the euro-zone and a deepening Euro-zone recession. This supports the very long-term technical analysis which currently implies it will take some time for the Dow to break and hold to a new all time high.

BOTTOM LINE - Short-term correction followed by Uptrend to Dow 14,000 by Late April / Early May 2012. So the crash is always coming crowd will be wrong for a few more months.

My strategy - I have already cut my net long exposure to the stock market from about 38% of assets (Dec 18th) to 18% today (as I said I would in December), and will likely continue to cut towards about 12% by late April / Early May as it does look like its going to get a lot tougher for stocks from then onwards, after all we are now in a maturing 3 year bull market.

Now watch the bears continue to turn bullish over the next few months as small investors start to pile in just as the market puts in a significant peak.

16th June 2012 - Greece Election Eurogeddon Stock Market Trend Analysis and Forecast

Stock Market Trend Forecast Conclusion
This analysis is resolving towards a picture that is not as bullish as I thought it would be given that we have already had a correction, and are in a rally going into eurogeddon. However nor is it as dire as it could also have been.

The key point is that the long waited for Greek Tragedy has finally arrived which will result in much dissipation of uncertainty as I wrote in Feb 2012 -

A significant correction is likely during May which matches both the seasonal tendency (sell in may and go away) as well as likely approaching the finale to the Greek Tragedy (markets act before the event) namely exit from the euro-zone and a deepening Euro-zone recession. This supports the very long-term technical analysis which currently implies it will take some time for the Dow to break and hold to a new all time high.

The big picture remains exactly as above in that it will take the Dow some time to break and hold onto new all time highs.

In terms of a forecast trend, this analysis resolves towards an imminent trend to test and possible break of the recent low of 12,035. How far will the break go ? It could trade all the way down to 11,700, but given that the Dow put in a double top, probability favours a double bottom. The bottom it puts in should be firm enough to propel the Dow towards the upper end of the range as the below trend forecast graph concludes:

Chart courtesy of StockCharts.com

My strategy - I see a couple of range trading opportunities over the next month or so. However, I am not seeing any real reason to start accumulating much stock in terms of long term investments, perhaps lift my holding to 10% of assets (net long) on the next sell off, because there is no clear evidence that the stock market looks set to break out of this trading range so it's not appealing in terms of risk vs reward. I will wait to see whether the stock market shows relative strength or weakness against this forecast trend. A stronger market will encourage me to accumulate.

Part 2: Formulating a Stock Market Forecast

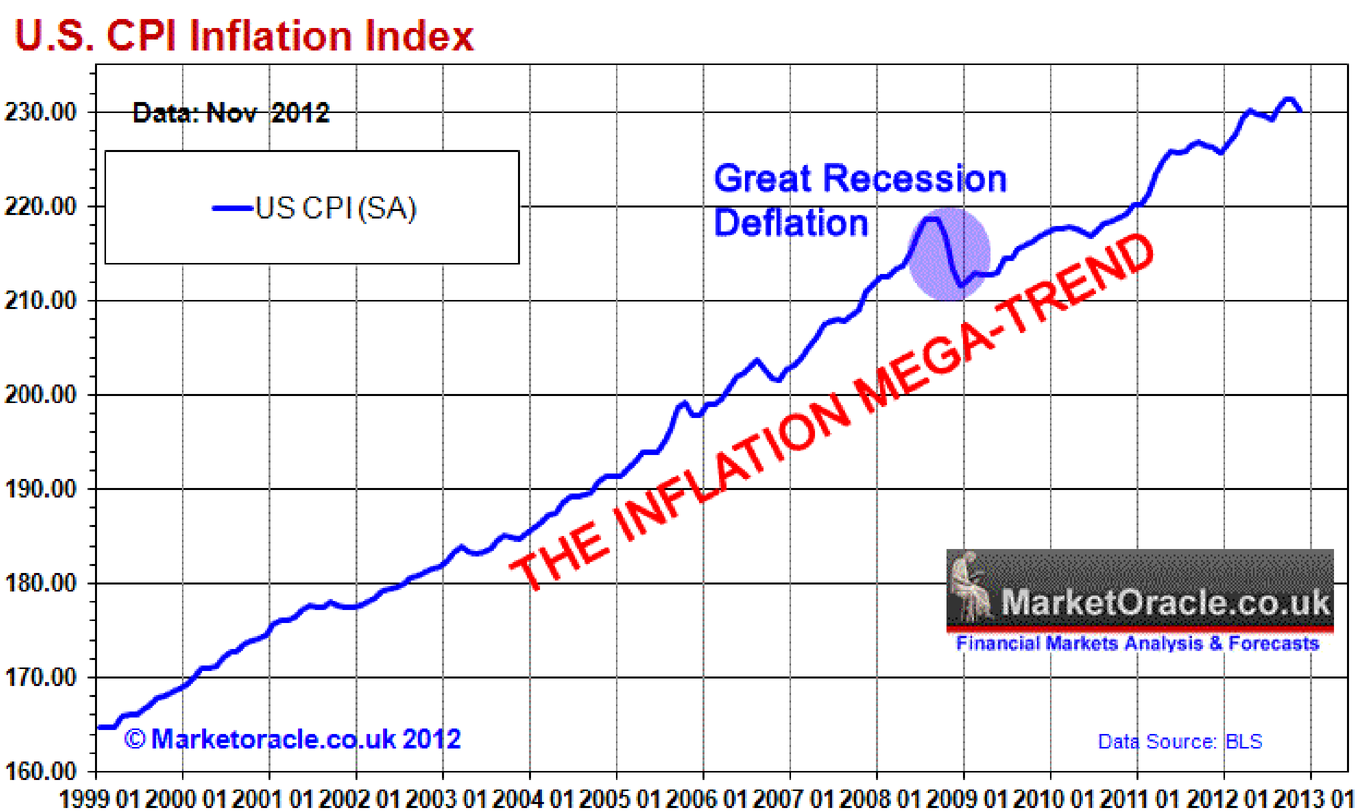
Fundamental Inflationary Background

The fundamental background remains of ever expanding waves of highly inflationary central bank money printing liquidity that washes over all markets. Deflationists such as Krugman and his disciples bang on and on about deflation, about destruction of demand that will result in deflation, about debt deleveraging that will result in deflation. What the deflationists remain blind to is the fact that the central banks such as the Fed, and the Bank of England have been stuffing every orifice of the deleveraging banks with free money, the US alone has stuffed its banks with over $2 trillion of support which results in artificial profits as the banks risks / debts have been systematically transferred to the central banks balance sheets. Which is WHY FALLING DEMAND and FALLING WAGES are NOT resulting in Deflation! because in totality there HAS BEEN NO DEBT DELEVERAGING, TOTAL DEBT IN FACT CONTINUES TO EXPAND as central banks MONETIZE GOVERNMENT DEBT and in some cases EXPOENENTIALLY. And not only that but money printing AKA QE is far worse for an economy than Debt money (bank created credit) because it REALLY has just been conjured out of thin air with no economic activity to justify its creation.

This is why prices WILL rise, ALL prices including asset prices because of central bank QE which should not just be seen as free money for the banks but direct deliberate debasement of the currency. Unlike bank credit It WILL NEVER be destroyed instead feeds the Inflation Mega-trend which I termed in March 2009 as QE really being Quantitative Inflation. I know this may be getting rather complicated, so if you want to understand only one thing, know this that money printing by central banks is highly inflationary, highly corrosive to the purchasing power of a currency, which is why despite all of the academic reasons why we 'should' have deflation in reality we have INFLATION.

The Exponential Inflation Mega-trend

The US and every other nation is emerged in what is an exponential inflation mega-trend which the below graph clearly illustrates that even on the official CPI inflation measure (which tends to under report real inflation), that the US is no different to any other country which contrary to the delusional deflation propaganda is instead immersed in what has always been an exponential inflation mega-trend where vested interests have instead been blindly regurgitating the threats of deflation ever since the Great Recession of the 2008-2009, which the graph clearly illustrates amounted to nothing more than a mere blip or as I warned of at the time as being a mere deflationary ripple on the surface of an ocean of Inflation.



The Inflation Mega-trend Ebook of Jan 2010 (FREE DOWNLOAD) re-iterated that asset prices tend to be LEVERAGED to Inflation, which is precisely the trends that have subsequently transpired from stocks to commodities such as Gold and as I have been flagging during 2012 I expect to transpire for US and other housing markets so it does not really matter if actual inflation is far higher than official inflation which means it is not necessary to focus on alternative inflation measures if one acknowledges that asset prices tend to be leveraged to official inflation data that go through the stages of being over sold or over bought against inflation due to the impact of investor sentiment.

Again note that the Inflation Mega-trend is EXPONENTIAL, and no matter how loudly the delusional deflationistas scream for always imminent DEFLATION, it is just NOT going to happen, if anything government actions i.e. QE4Ever is going to result in the ratcheting higher of the the Inflation Mega-trend going forward.

Frankly, I just do not understand why so many people that purport to be experts on the financial markets can remain so blind to what is blatantly so obvious. The only logical conclusion is that they never put their own money on the line and thus never face the financial consequences (PAIN) of being wrong, for had they followed their advice such as betting against a near 4 year bull market then they would have already bankrupted themselves several times over, but instead merrily go around spouting what amounts to nothing more than verbal diarrhoea. Fortunately for them I don't see it as my job to expose the abysmal record of media whores who tend to spend more time in front of TV camera's than trading screens.

Money Printing QE-4-EVER

The US Fed's efforts to put a floor under the US economy so that the banks stop being bankrupt, QE3 which started at $40 billion per month as an escalation of the policy for the transference of bad loans / defective mortgages from the bankers and onto the tax payers by way of the electronic money printing presses. This was added to in December 2012 by the Fed announcing it would also buy £45 billion of US Treasury bonds per month as it monetize's / effectively cancels US debt in a similar manner to that which the UK is engaged in as illustrated by the below graphic (Bank of England Cancels Britain's Debt)

Briefly, QQE amounts to the Fed returning the interest received on the US Treasury Bond it holds back to the US Treasury, which effectively means that debt has been cancelled (effectively, not actually) and therefore the US over time will effectively have a falling Debt to GDP ratio whilst the actual Debt to GDP Ratio suggests otherwise. This is what I termed 6 months ago as the Quantum of Quantitative Easing the price for which is INFLATION as the Fed is effectively funding virtually the whole US budget deficit by printing money for nothing.

Many commentators in the mainstream press such as in the FT stated that QE3 it is deemed to fail, and others question how can this spark an housing bull market.

However, academics and journalists, who are not exposed to market forces fail to comprehend that market trends are made at the margins, for instance the difference between a recession or economic boom is little more than 3% of GDP, which is marginal to total GDP but has a far greater impact on all aspects of life. Where the markets are concerned marginal impacts have a far greater effect on market trends because of the fact that most people are only ever aware of these tips of the Ice-bergs, i.e. all of the statistics that tend to get bandied about are mere tips of the financial ice-berg that is the $1 Quadrillion derivatives markets ($1000 trillion), which is why the reaction of asset prices is leveraged to Inflation that is the consequences of perpetual money printing in all its form no matter whether its called QE3, or Open Market Operations, or Loans to the banks, or government debt printing (bonds), all of these actions are Inflationary, and it is marginal changes in the Inflation rate that is leveraged by the derivatives market Ice-bergs that sets trends in motion that act to feed upon themselves all the way to the NEXT bubble stage.

Another factor to consider is speculators from individuals to the mega-investment banks see what the Fed is doing and are attempting to discount future market action to this ongoing policy of market manipulation by the Fed, by reacting far beyond that of the nominal amount of $85 billion per month suggests, which is one of the reasons why the stock market is rising as the trend feeds on itself.

How Can the Stock Markets Keep Going Higher .....?

Over the past 3 years the question that I most often get asked is how can the stock market go up when we are in a recession, depression, debt crisis etc....

My quick answer is because they will keep printing money, which causes inflation and inflation is the stealth theft of wealth and purchasing power of a system that has its basis in fraud. If the person is still listening then I explain that the whole system which includes the stock and other markets is fraudulent. We do not live under capitalism we live under a fraudulent money printing bankster system. The politicians are in the back pockets of the bankster elite.

Every component of our economic system is corrupt and geared towards funneling wealth towards the elite, and all I attempt to do is to try and ride on the coat tales of the elites dark pools of capital as they manipulate the markets as I stated right at the beginning of the stocks stealth bull market in March 2009 - Stealth Bull Market Follows Stocks Bear Market Bottom at Dow 6,470

***The markets ARE manipulated**, once you as a small investor come to agree with this statement then you can take the necessary steps to prevent yourself from being wiped out by ALWAYS keeping this in mind that Manipulated markets WANT you to act in a certain manner at certain times, they want you to buy into the latter stages of a bubble as the manipulators distribute, and the market manipulators want you to SELL into Market Bottoms and early bull rallies when the manipulators are accumulating.*

One of the primary reasons why stocks will rise is because the system is corrupt, the markets are manipulated. The regulators and the politicians are corrupt, which is why the banks were bailed out, privatised profits and nationalised losses, why we have zero interest rates, why the government prints money (debt / QE / Loans) and the mugs are ordinary tax payers. You pay the price for systemic corruption, you pay for the bailouts whilst the bankster's collect bonuses on fictitious profits. You pay for the regulators who operate a revolving door with the bankster institutions, it is not by accident that the regulators were snoring whilst the banks were committing fraud. You pay for the politicians who after leaving office go work for bankster's.

You pay for the fraud as it manifests itself in exponential inflation. We are all slaves and 99% are not even aware of their slave status!

The politicians need the bankster / elite money to get elected.

The politicians know that their term in office is limited i.e. they could be voted out at the next election so as soon as they get elected they start working on what they will do when they get voted out so work towards that goal by favouring the elite in their policies, which is why the tax payer bailed out banks have NOT been nationalised. We the tax payers OWN the big banks but have NO control over them! That is FRAUD! THE ELITE OWN THE POLITICIANS OF ALL PARTIES!

Which is one of the reasons why academics keep getting it wrong, keep banging their heads on the deflation brick wall because they cannot comprehend how fraudulent the system truly is. It is beyond the parameters of their universe because they are PARTY to the FRAUD! They are PAID vested interests to help keep the tax payers effectively sedated for if they truly understood the truth of the fraudulent money printing debt slavery system then there would be a revolution. There would be no more trips for the likes of Prince Harry to go off on an safari to Afghanistan to kill brown people etc....

The apparatus of the state exists to perpetuate the fraud. The intelligence agencies exist to perpetuate the fraud. The whole public sector exists to perpetuate the fraud. The state schools exist to perpetuate the fraud to churn out docile debt slaves to work for there elite master's. Don't take my word for it, analyse how you as tax payers work ever harder for ever decreasing disposable incomes, where you are forced to fill the gap with debt, i.e. you are forced to become a debt slave. This is not by accident this is as a consequence of from cradle to grave conditioning.

Virtually All government produced economic statistics are fraudulent - Of course real inflation is far higher than official CPI inflation, I know that and so do you when you do your weekly shops! For instance, I estimate current real UK inflation to be at 4% against official CPI of 2.7%. That may not sound like much of a difference but compound it over a decade or so and that explains why your rising (if your lucky) wages are unable to buy the same amount of goods in the shops let alone more. That's the point about the inflation theft it is meant to be STEALTH.

The same goes for all other major economic statistics that Economists tend to ecstatically convulse over - Take GDP, the government SPENDS to inflate GDP without any real productive output, not worth even 1/10th of the amount spent, and it is this that causes inflation because government activity consumes resources without generating productive activity. Spending billions or even trillions as with the case of the Iraq War, sending thousands of troops over seas to kill brown people may boost domestic GDP via the military industrial complex, but it is not productive activity which is why it causes INFLATION.

The government seeks to consume all productive wealth created by the private sector on highly propagandised unproductive activities such as wars, bureaucracy, creating a benefits hand-outs voting class, the NHS and on and on...

This is despite all of the technological innovation of the past 40 years, ordinary people today have to work far harder then their predecessors did for a similar quality of life, instead technological innovation should have resulted in a majority leisure life-style by now, after all that was the forecast from the early 1980's that technology would so boost human productivity that it will mean that we will all only need to work about 10 hours a week by now and spend the rest of the week enjoying ourselves in leisure activities. What these forecasters forgot was that the thieving scum bags on Capital Hill and at Westminister would steal virtually all of the gains in productivity and transfer it to vested interests and the elite.

The bottom line is that governments need the money printing fraud that politicians justify the expansion of through the public sector election bribes and reinforced by wars without end as George Orwell so eloquently put it -

The war is not meant to be won, it is meant to be continuous. Hierarchical society is only possible on the basis of poverty and ignorance. This new version is the past and no different past can ever have existed. In principle the war effort is always planned to keep society on the brink of starvation. The war is waged by the ruling group against its own subjects and its object is not the victory over either Eurasia or East Asia, but to keep the very structure of society intact

So the governments will continue to print debt and money to buy votes and make wars to justify their existence and expansion the consequences of which is for ever expanding taxes and the inflation stealth theft of wealth and purchasing power of earnings. Unfortunately most people remain sedated as they swallow the propaganda from vested interests across the mainstream media and broader hollywood programming, as they load themselves up with debt and then become focused on working for the elite to to service the debt for the rest of their lives as each election they put their mark against the party who offers them the biggest bribes (some of their own money back). So yes, assets that are not so easily printed will continue to leverage themselves to the money printing inflation fraud that will continue to exist whilst big spending governments exist (as a high % of GDP).

Corporations Create Wealth, Government's Consume Wealth

The bottom line is this that wealth can only be created by means of competitive productive activity, the greater the competition the more productive the activity. Whilst for governments the objective is to expand uncompetitive unproductive activities i.e. the public sector that seeks to consume all of the wealth produced by an economy.

The most extreme manifestation of this is the military that we have all so successfully been brainwashed to embrace as hero's to look upto as they go around playing drone wars or flying apache gun ships. Note that military activity is the greatest wealth destroyer mankind has ever created, far surpassing government bureaucracy, for all empires are ultimately destroyed through military over stretch, that is why the empires of past such as the Roman and British Empire's collapsed as the military destroyed more wealth than the private sector was able to create. For empires such as the Soviet Union was even more crippled because their productive capacity came from keeping virtually the entire population as slave workers, even that was not enough to prevent military meltdown as the military industrial complex sought to consume all of Soviet Unions productive capacity that resulted in its destruction.

So we have wealth destroyers - the Military, Wealth wasters - the Public Sector and the Wealth creators competitive private corporations (not to be confused with monopolies or bailed out banks). Therefore if you want to increase your wealth then you need to be exposed to the competitive wealth creators, selecting sectors and individual stocks that are most geared towards wealth creation such as Tek Stocks, commodities, and other innovators.

The bottom line is that the wealth creators cloth, feed, and entertain us. Without whom we would be where the Russian people were during the 1980's, the Chinese people were during the 1970's and the British people were in the late 17th century before the most potent force that mankind has ever invented emerged - Competitive Capitalism! Something that the British governments successfully nurtured that resulted in Britain being able to finance the largest empire in history. That during the 20th century successive British governments have sought to corrupt with increasing socialism that translates into getting something for nothing, that has led to today's position where Britain has let itself become a small Island adrift in the Atlantic ocean that amounts to nothing more than being a giant air-craft carrier for the United States Military Empire.

Clearly Capitalism is more than just an human idea, it is a force of nature, for it has its roots in the ultimate form of competition which is evolution, survival of the fittest, stress literally breeds innovation, competitive life seeks to spread to every corner of the globe. It should be the governments job to nurture competitive capitalism not subvert it with socialism that seeks to reward incompetence, seeks to bailout the bankrupt, seeks to avoid cleansing of malinvestments from an economy. Big government IS the reason why we are ALL suffering today! Why we have Inflation! For without big government socialism then we would have DEFLATION as innovation results in FALLING prices, but instead we have EXPONENTIAL INFLATION as a consequence of the FRAUD that is the Government ! 6 MILLION PEOPLE in BRITAIN are PARTY to the FRAUD! (public sector works). A further 8 MILLION PEOPLE who could work are instead kept sedated on benefits, wasting their whole lives away. THAT IS THE REASON FOR OUR ECONOMIC CRISIS. You want to see the mother of all economic booms ? Scrap the public sector and cut the benefits and see what happens to the economy! But no greedy lazy, good for nothing fraud perpetuating politician is ever going to go down that route instead all they will ever do is grow the size of the state, all the way towards bankruptcy.

In Summary

- The Competitive Private Sector Creates Wealth and Deflation (Falling Prices)
- The Uncompetitive Public Sector Consumes Wealth and Creates Inflation
- The Government left to its own devices will seek to consume all of the wealth in an economy i.e. bankruptcy, that is most likely to manifest itself as an hyperinflation panic event.

Next I will explain why despite everything I have said above, we are NOT doomed!

You Want to Know the Future of Innovation?

Look to the past.

The water and steam engine revolutions of centuries past show the direction for future innovation will be in levers and motors for future machines, only that these machines will be on the nano scale. Therefore that is the direction that investors need to research for greatest leverage to future competitive wealth creating technologies such as nano-technology. Levers and motors are the building blocks for nano-machines, and nano-machines will become self-replicating that will seek to change the whole world, just as the internet has. The wealth that this will create will be exponentially greater than all of the wealth that has been created to date, as an example the nano-tech world will be as we today look back at the pre-personal computer world of less than 40 years ago.

When we watch a 1970's movie we automatically wonder at how bare their existence was, where's the mobile phone, where are all of the computing devices ? That is how we will see today 30 years from now ! And thus the wealth this creates 'should' be more than enough to be able to feed the wealth consuming monster that is big government.

Then armed with nano processing devices that are exponentially more powerful than today's super computers we will begin to answer the really big questions!

Such as - What is Life ?

Not some babbling's contained within ancient scripture written to control the masses towards an elites agenda. But what IS life at its very core. To know the answer to that we will CREATE life and I am not talking about today's technology of genetic engineering but creating life right from its very first spark! Which is important because it opens up the possibilities of creating life that is completely alien to that which exists on earth today i.e. life that is metallic rather than organic.

The past decade has already revealed what organic life is and how it began but lacks the technology to experience its actual creation. However 30 years from now, we will likely find that high school children will be able to CREATE LIFE as part of their science projects!

Again What is life?

Simply, Life is energy!

The transformation of energy as per the laws of physics - 4 billion years ago proton gradients drove the conversion of carbon dioxide into organic molecules and the rest is as they say history. A recent BBC programme "Wonders of Life" illustrated the process in an excellent non technical manner, which may still be available on BBC iplayer.

Future technologies will result in an exponential increase in human productivity because we will be able to re-create what took 4 billion years in a matter of days or even hours, which will set the scene for the yet to be named new sciences and spark the next technological revolution after nano-tech, one that will be centred around creating life from the ground up, right from the first spark and thus giving it properties not found in nature today.

So the debt deflation collapse merchants that keep their eye on the likes of the government debt statistics will remain waiting for an always imminent collapse for what will seem like an eternity.

Again it is important you understand the overall big picture of one of exponential inflation as a consequence of government money printing fraud and the technological human productivity boosting mega-trends brought to competitive markets around which asset price booms and busts oscillate ever higher.

Survival of the Fittest

Therefore investors need to protect themselves from Government wealth consumption (taxes) and inflation (loss of purchasing power) by channeling their wealth into assets that are leveraged to wealth creating innovation (technology stocks) and are tax efficient such as ISA's in the UK.

Have Central Bankers Saved the World?

The, US, UK and Japan to name the biggest money printers have averted financial armageddon collapse that so many books have been written over the past 5 years to proclaim as being imminent. This is why there has not and will not be deflation. So yes technically, and fraudulently (debasing currencies) central banks have saved the world. A controversial and bitter statement to make but it is also true. Something that many analysts cannot get their heads around as they wait for financial armageddon to play out in an always imminent bear market to resume. I say to them that the data you are looking at is 4 years old ! Your stuck in a time warp that is BLIND to what central bankers have done and are flagging will continue to do until economic growth returns to trend regardless of the inflationary consequences.

An example of central bankers saving the world is the fact that the euro-zone has NOT collapsed, even bankrupt Greece is still IN the euro-zone. Even I got that one wrong! Which means that we are collectively underestimating how far central banks will go. I still believe that something has got to give in the euro-zone because the current status quo is unsustainable but which is now clearly set against central bank actions.

The bottom line is central banker actions to save the world economy has its consequence in the debasement of all currencies which means ongoing INFLATION. Therefore this continues to confirm my point of view that central banks, regardless of what they state in public, have instead in practice long since abandoned inflation targeting.

Now there is one big problem with that which government's and central banks have been engaged in (QE- money printing to buy bonds), and that is what lies at the end of this road which is WAR as so much of government debt will have been monetized that investors lose confidence in holding bonds, which means that the government no longer has access to foreign currency or gold to buy imports, because they can buy bonds but only foreign investors can give them currency to buy imports in exchange for bonds. This is what drives countries into war of conquests for land, wealth (gold) and resources. As an example, and contrary to most academic history books, this is what was the primary driver for Nazi Germany's wars of conquest as the German state tried to stay one step ahead of bankruptcy that demanded ever escalating grabs for territory and resources as Germany systematically stole the wealth of each country they conquered to finance the war-fare state through theft of each countries assets and through taxation.

Therefore at some point, unless the money printing trends are reversed then there will be wars that will make Iraq look like a picnic.

The Self Fulfilling Prophecy

The central banks are playing the game of the self fulfilling prophecy which is to inflate asset prices that act to inflate the economy that acts as a constant feed back loop which is lubricated with central bank liquidity which is why the stock market tends to LEAD economies because stock market trends DRIVE the economy (to a variable degree). We can call the mechanisms at work many things such as Confidence, but I think the underlying psychological driver is more leaning towards a mixture of GREED and FEAR. Greed and Fear amongst stock market investors not to miss out on further gains, greed and fear amongst would be home owners not to miss out on the chance to buy property before house prices rise.

Businesses act to feed on these psychological influences by position themselves to profit from the TRENDS before their competitors do.

This explains why the perma-crowd that concentrate on bad economic statistics are always looking in the WRONG place, they need to look at the stock charts that on average are up by well over 100%!

So the stock market is up over 100% and is TRENDING higher over a FOUR YEAR TREND, which has acted as self fulfilling prophecy that will feed on itself all the way to the next bubble peak as more and more realise that they are missing out on what will probably turn out to be one the greatest bull markets in history which ignites the wealth effect amongst investors and speculators to go out and consume more. And what holds true for the stock market also holds true for other asset markets that individual actors are exposed to, namely the housing markets.

The bottom line is that central banks and governments understand that Confidence which is really GREED and FEAR are one of the primary driving forces for economies, just as important as for instance the Inflation mega-trend, which itself is a driver for the FEAR component, i.e. FEAR of loss of purchasing power encourages investors to take risks and consumers to SPEND savings.

Greed and Fear rip apart academic models of what should happen, which is why academics can only get it right by CHANCE, i.e. not even a 50/50 probability of getting it right due to the fact that they are always staring in the rear view mirror!

This also confirms that stock markets ARE manipulated by GOVERNMENTS and their central banks to UNLIMITED degree. This is not really news for I am sure you have all heard of the plunge protection team. But I suspect the degree of manipulation is to a far greater extent than just preventing market crashes. They want to push stocks and other assets higher i.e. INFLATE ASSET PRICES to beyond PREVIOUS Highs because that will induce much FEAR and GREED amongst all of the participants in an economy. People will start ignoring the FEAR of investing losses and instead increasingly act on the FEAR and GREED of missing out on a further 100% advance.

Existing Stock Market Trend Expectations to be Tested

That the stock market (DJIA) is converging towards my long-standing target as of March 2011 (Stocks Stealth Bull Market Ebook) of 14,200. Which implies a high probability for an imminent significant market correction.

Therefore with the Dow continuing to gyrate around the psychologically important 14k level this is an opportune time for this detailed analysis to test the depth and breadth of a probable impending stock market correction.

Perception of a Stocks Bull Market

How should investors perceive a stocks bull market?

It is not how many so called analysts state which is in terms of looking for the final juncture.

No, the only way one is going to profit from the stocks bull market is by perceiving it in terms of buying opportunities which is that the greater the deviation from the high then the greater the buying opportunity being presented. Conversely the stronger the bull run underway the less of a buying opportunity presented and the greater the probability of a correction. This is contrary to the psychology of virtually everything you are exposed to in terms of the financial press which is bullish at market tops and bearish at market bottoms.

You may still ask when will the bull market end ?

My simple answer is the end comes when the fools who have been bearish all along turn BULLISH!

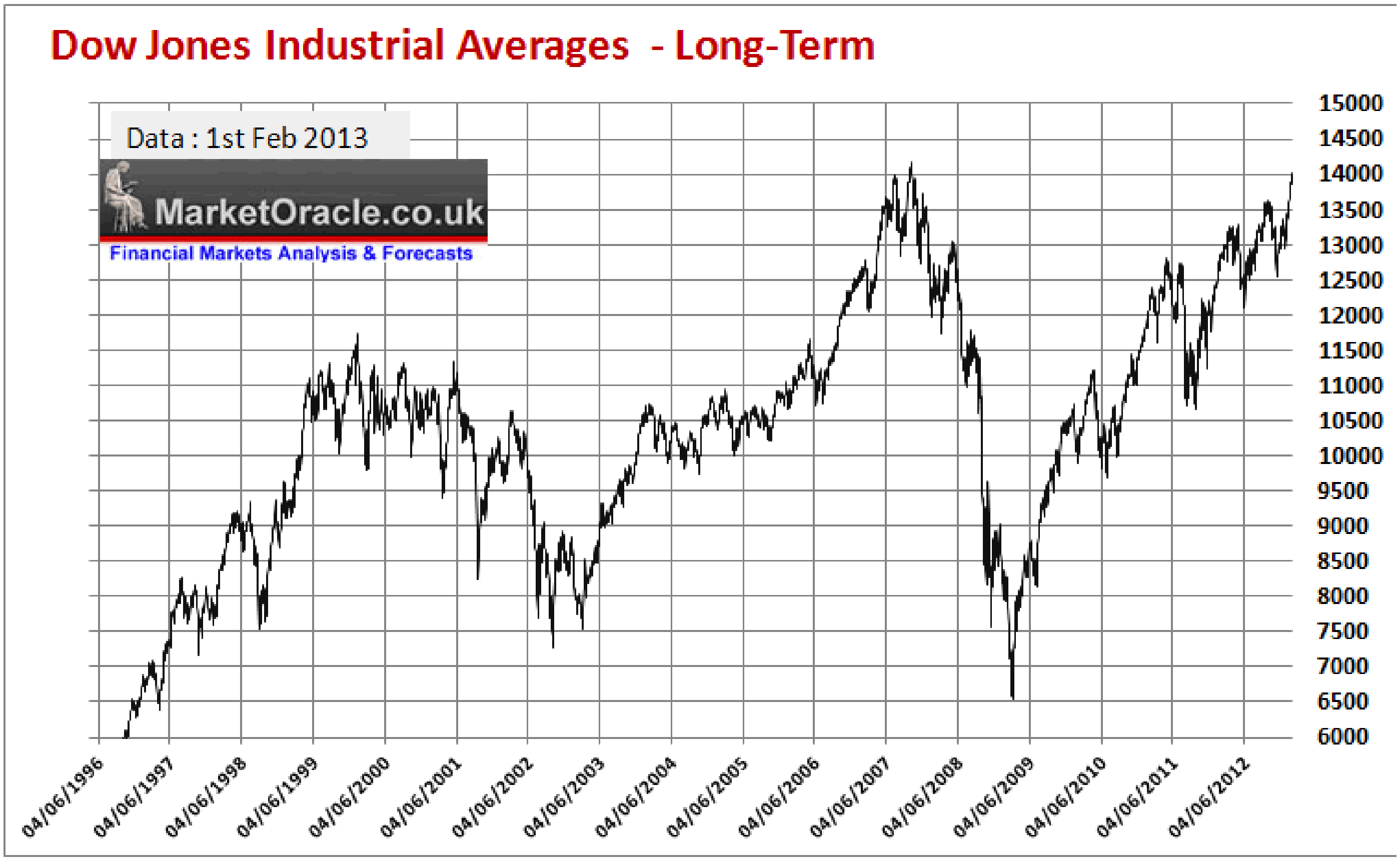
The end comes when everyone is talking stocks, buying garbage stocks as they did in the run up to the dot com bubble peak.

When the end comes, it will make itself known many months if not near a year in advance!

Stock Market Broadening Top Pattern Meets the Inflation Mega-trend

The Dow having recently successfully breached the psychologically important 14k, an event that has triggered the mainstream media to busily dig out long-term charts for analysis that show that the market is approaching a multi-year high that is coupled with dubious concluding implications.

What do you see when you look at the long-term Dow Chart?



The consensus view as illustrated by popular market commentators such as Harry Dent is that the price action resembles that of an broadening stock market megaphone pattern which implies that a severe bear market is imminent as illustrated by Harry's recent article - [Harry Dent: Stock Market Roller Coasters and Bear Megaphones.]

Looking at the same chart through my own perception which is born out of pain and gain rather than academia or journalism, I see two key things, first a series of clearly defined trending bull and bear markets that collectively comprise a high volatility trading range, so the stock market has been exhibiting high volatility.

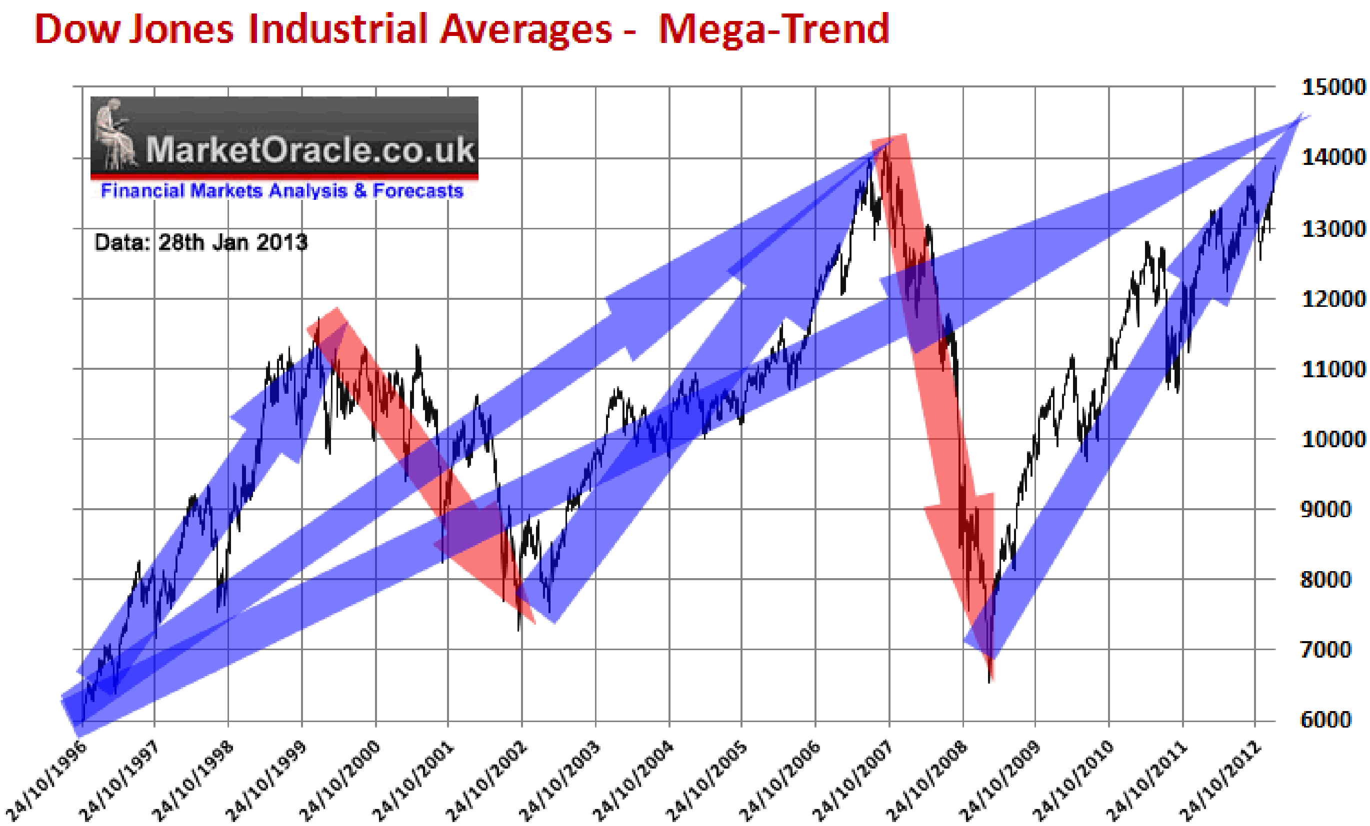


Chart courtesy of StockCharts.com

And secondly an 15 year exponential inflation and technologically wealth creating coiled spring that is ultimately being primed to propel the stock market to the next higher equilibrium level, just as occurred during previous similar periods such as the 1930's and 1970's.

Whilst I don't see it as my job to analyse the performance of other market analysts. However, as we have convergence of interests here in which respect Harry Dent forecasts that the stock market rally will fizzle out during January and the stock market will likely crash by 30% to 50% (see Bloomberg video).

Only one problem - The video's dated 31st Dec 2011 and the forecasts are for 2012!

"I think the S&P 500 Is going to go down 30% to 50% in 2012 alone and I don't think that will be the bottom. This is going to be a replay of 2008 to early 2009 over the next year or two.".... Harry Dent - 31st Dec 2011.

The message of this analysis is that of building upward inflationary pressure that stocks are leveraged to, and that increased volatility has made the stock market less susceptible to speculative interest, i.e. the stock market is perceived as being far more risky as investors viewing the market today perceive it in terms of the preceding 2 peaks and the subsequent deep troughs, then if it had slowly trended from 6000 to 14000 during the past 15 years, which fits the bill for a stealth bull market that is likely to stealthily break to and build on new highs.

At this point the market has one of two possibilities -

1. Remain within the trading range (plus/ minus a few hundred points) and target a severe bear market.

2. Break the last high and target a new sustained bull market rally far beyond of that which can be perceived at this point in time.

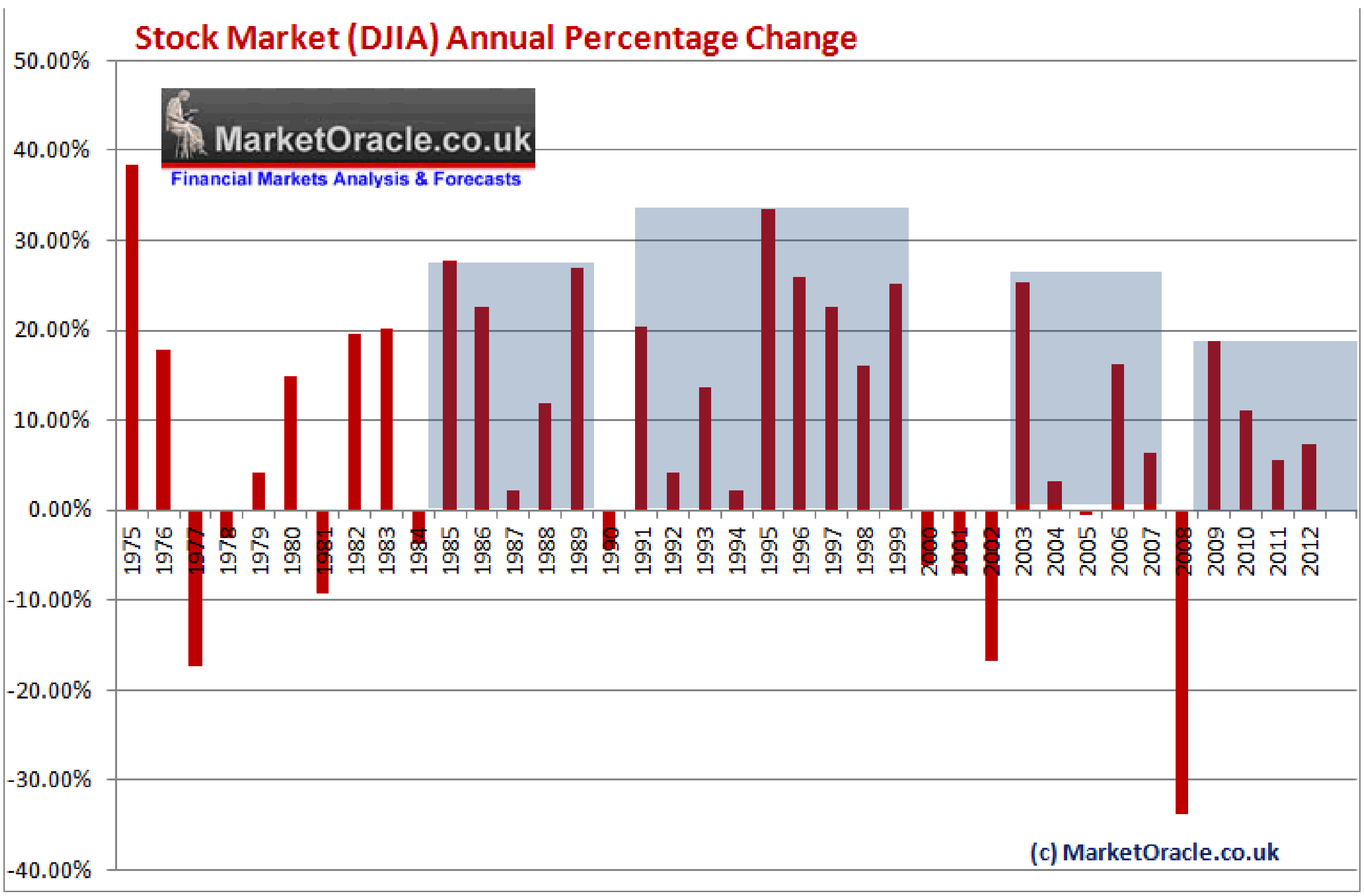
In my opinion the 2nd outcome is by far the most probable as a consequence of time, i.e. the longer the sideways trend then the greater the probability for a breakout inline with the expectations born of an exponential inflationary mega-trend and dissipation of speculative interest due to perceived uncertainty inherent in the mega-trend price pattern i.e. the price pattern of the past 15 years is inherently UNSTABLE - This instability breeds STABILITY ! Because the more certain a trend is the LESS likely is it to transpire.

Instead as in my chart above shows that if the Dow had trended in a smooth trend to 14k then that would be inherently UNSTABLE for a speculative markets because most of the people CANNOT be right most of the time!

The bottom line is that you do not want to see very stable price patterns for the stock or any other speculative market. You want the pattern to be marginal, to be near 50/50, because most people tend to opt for what is the easiest to perceive, much as everyone experiences gravity that pulls everything down to the ground, but instead what everyone fails to comprehend (including scientists) is that gravity is pushing everything away from everything else which is THE universal mega-trend - INFLATION and not just that but that the Inflation Mega-trend is EXPONENTIAL!

This also explains why academic economists will always get it wrong because they always perceive their data in terms of smooth certainty i.e. that the economy will grow by 2% this year, 2.5% next, 3% third year, or as the Bank of England often repeats that Inflation will converge to 2% in 2 years time - Which NEVER HAPPENS! Because they have no concept of how trends actually work, if they did they would realise that the smooth certainty of their implied forecasts virtually guarantees that it will FAIL. Instead seek to evaluate the most extreme probabilities of outcomes to arrive at the most probable and not the smooth curve fits. The same holds true for trading, the more extreme the price action the more valuable it is in terms of profit - See the real secrets for successful trading.

Stocks Annual Percentage Change



Despite a 4 year bull run, the stock market when compared to preceding bull markets is clearly not over extended, at worst this graph suggests that the Dow on an annual closing basis has at least a further 10% to run, that is as a worst case. So there is no sign on this graph for an end to the stocks stealth bull market during 2013.

Stock Market Elliott Wave Theory Analysis - Semper Terminus

The near 4 year old stocks stealth bull market has punched through resistance at Dow 14,000 and S&P 1500 for the first time since October 2007, with the recent Dow close at 14,009 and the S&P at 1513. What happened to the final fifth wave peak? According to the most ardent or rather vocal adherents of Elliott Wave Theory the stock market should have peaked over 3 years ago ! Sept - Oct 2009, then again peaked several times during 2010, then some more times in 2011, how many final peaks were there in 2012?, and as for January and February? Yeah you guessed it a series of final peaks!

As Elliott Wave Theory is highly seductive in nature in that it gives analysts over confidence in future projections, therefore it is important that I share an excerpt from the March 2011 [Stocks Stealth Bull Market]() Ebook ahead of my interpretation of the current wave patterns.

There are no hard and fast rules, no tenants, no absolutes that the price must obey as per theory, because in the real world the price action is the master not theoretically what the price action should do which is why over zealot proponents of elliott wave theory have missed the whole stocks bull market, instead of which the theory is just that, a theory, so should bend or even break in the face of real time price action and not engage in the exercise of ever expanding hindsight based pattern fixing.

The Dangers of Being Seduced by Elliott Wave Theory

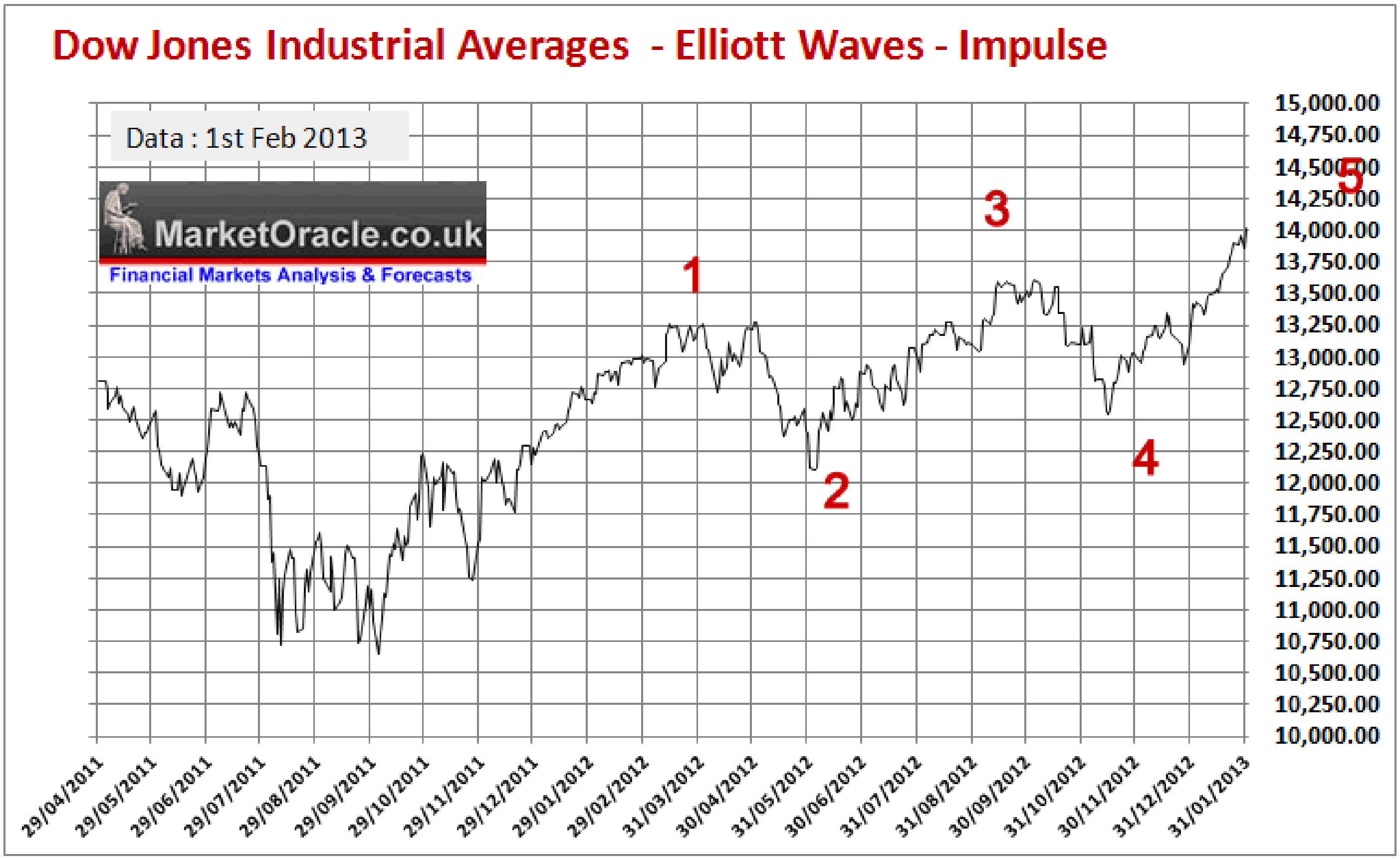
Now, despite my interpretation of Elliot Wave analysis having proved highly accurate both before and since the March 2009 low and the above also very convincing on where the Dow could trend during 2011. However, before you start thinking that EWT maybe the 'holy grail' of analysis, take note that EWT Analysis on its own is just ONE component, and therefore one should not let oneself become seduced by what is highly seductive in the ease to which multiple junctures can be extended into the far distant future, which is how the highly public self professed Elliott Wave Gurus like it to be seen to be, though many of whom have apparently missed THE WHOLE STOCKS BULL MARKET as they continue to call one of the greatest bull markets in history a Bear Market rally and thus suffer from a case of permanent amnesia! which should send anyone's alarm bells ringing! Therefore Elliott Wave Theory, whilst continuing to strongly imply a bull run is expected to continue into end of 2011, however on it's own, in the long-run it is NOT going to be more accurate than a coin toss! The conclusions no matter how convincing of ANY single Component tool NEED to be confirmed by other fundamental and Technical analysis so as to arrive at a probable final conclusion rather than that which is perpetuated by EWT fanatics that have long since left reality behind them as evidenced by the fact that they still put their names to the worthless banner of a stocks "Bear Market Rally" that is anything but, under any rational measure.

Therefore despite EWT being a useful tool, I am ALWAYS on guard against being seduced by EWT as it is extremely easy to back fit onto what has already happened to imply something highly probable is about to take place when the complete opposite may be true. So yes, whilst it's implications can get the adrenaline pumping and one eager to hit the TRADE button! I do have to take deep breaths and remember that there are NO short cuts! NO matter how enticing it appears, on its own EWT in the long-run WILL NOT be more accurate than COIN TOSS !

So, always keep in your mind that the EWT component Equates to a Coin Toss Over the Long-run and you won't become seduced and end up missing whole bull markets as MANY so called MASTER ELLIOTTITIONS have proceed to do ! Because they believe their own hype, much as gannophiles have been seduced by the master price time squares that is yet again another example of coin flip analysis elevated to 'holy grail' high priesthood status so as to perpetuate myths along the same lines that religious myths of so called revelations are perpetuated to fit in hindsight any subsequent event! When in reality EWT's true purpose should be to skew ones perception of the price action thus enabling an unbiased and always skeptical analysts to interpret price action from another perspective as part of a broader whole, even this will not guarantee success because analysis and trading boils down to probabilities and NOT certainties of outcome.

Elliott Wave Theory - Impulse Waves

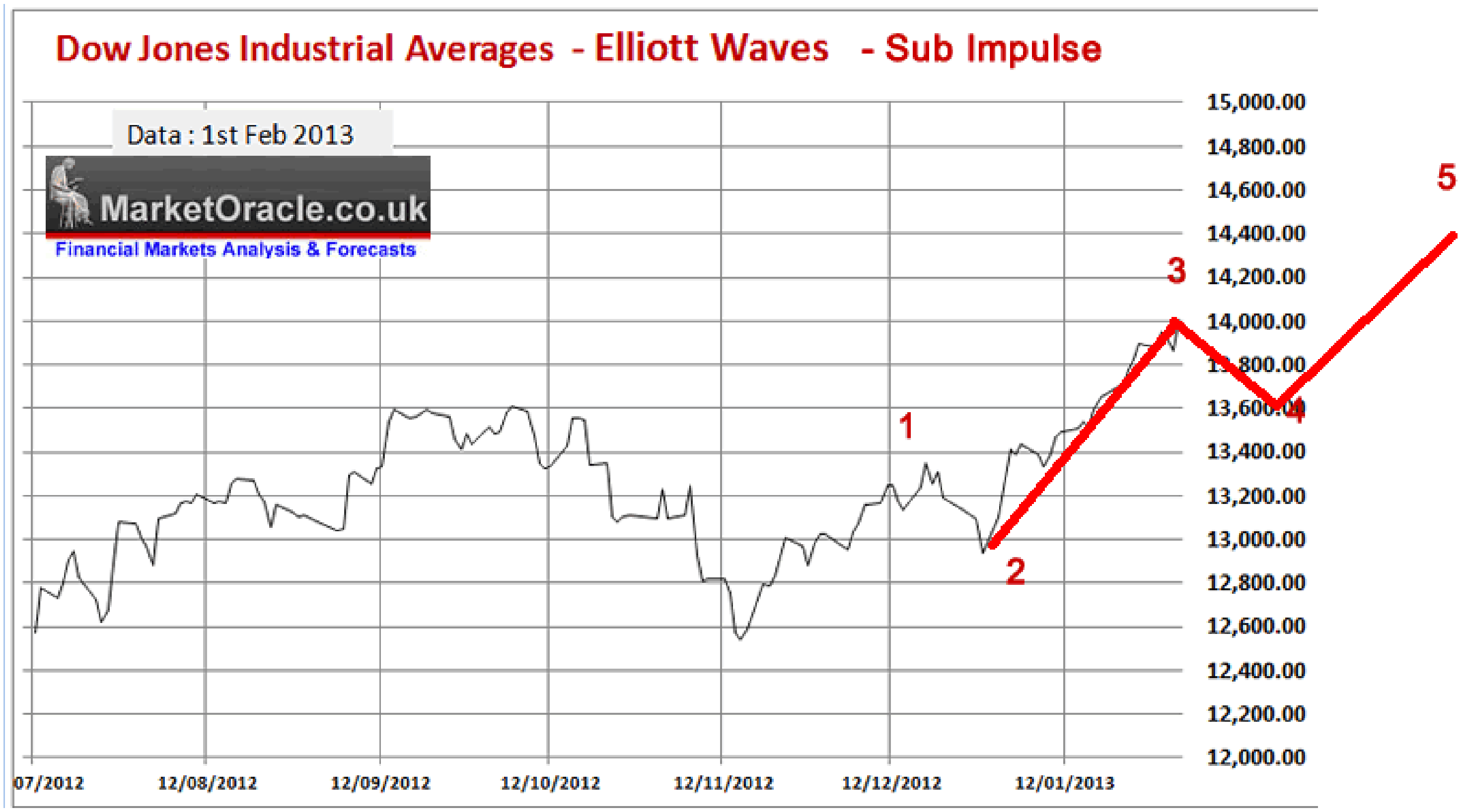
The impulse trend elliott wave pattern chart suggests that the stock market is converging towards a 5th wave peak. Given the length of Impulse waves 1 and 3 this implies a peak between Mid March and Mid May 2013. With this trend targeting a range of Dow 14,300 to 14,500.



The implications are clear that following a 5th wave peak (unless it morphs into a 7th wave extension, with elliott wave you never know until after the fact!) That the stock market looks set to have a significant correction that is likely to exceed the size of Wave 2 and wave 4 corrections, i.e. more than 1000 Points, suggesting an ultimate decline of approx 1,500 off of the Peak. So a 14,500 peak would imply 13000.

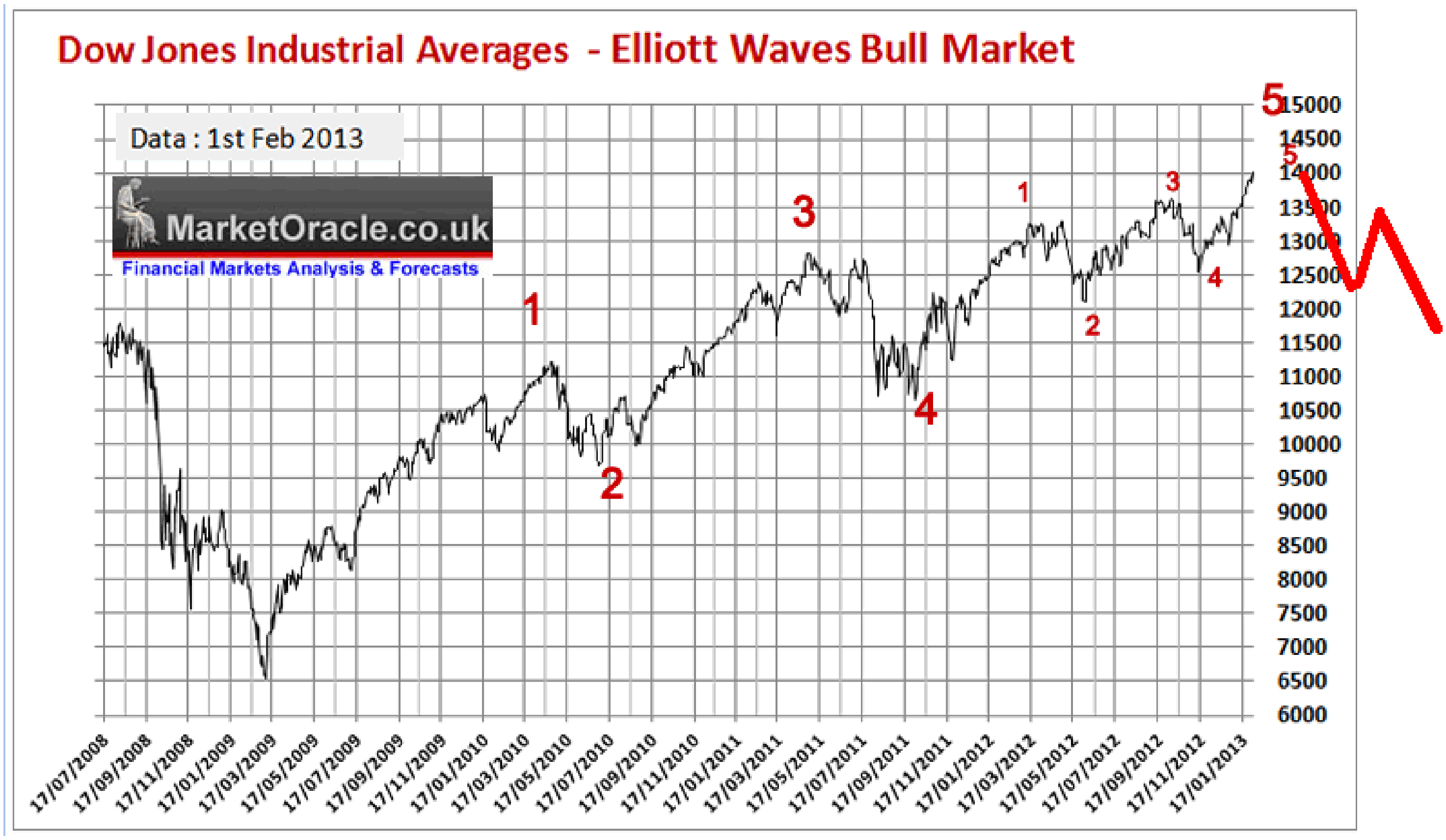
Elliott Waves - Sub Impulse

Zooming in implies we are in sub impulse wave 3 that should end imminently. However the more important implication is for a bullish trend towards 14,300 to 14,500 by Mid to late March 2013.



Elliott Waves - The Bull Market

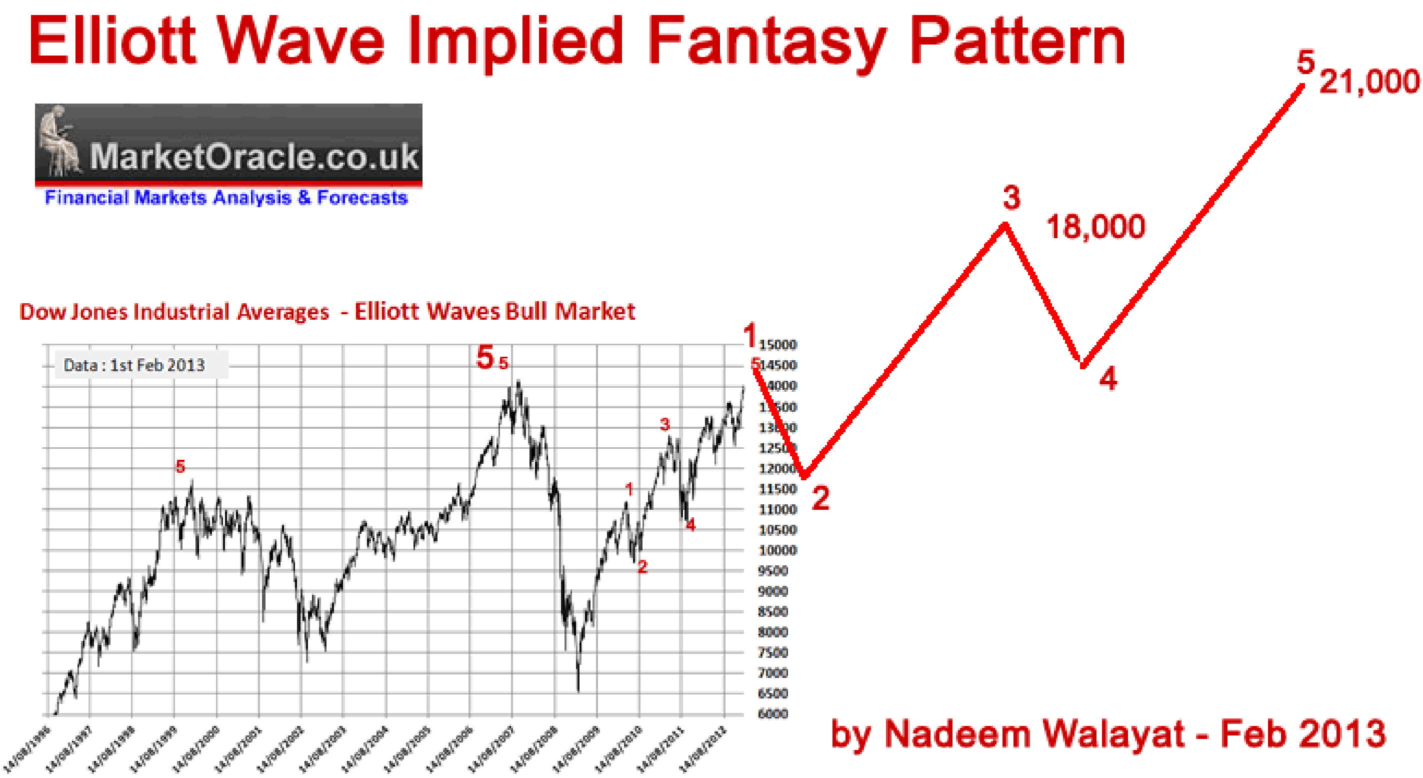
Zooming way out of the chart shows that our five wave pattern is actually part of a larger 5 wave pattern that is also set to terminate, i.e. a 5th of a 5th. This acts to increase the order of magnitude for the subsequent correction for now it implies that this years stock market high will subsequently seek to correct the whole bull market trend from the March 2009 low. Again using the size of Wave 2 and Wave 4 as a minimum guide this suggests a decline of at least 2,000 points during a multi-month correction. In reality the implied correction could extend as far as 3000 points, i.e. to just below Impulse 2.



Elliott Wave Conclusion - The wave patterns appear pretty clear in that they do portent for a significant stock market correction this year on termination of the current rally that will at the very least retrace the WHOLE of the current rally, that's back down to BELOW 12,500 and probably extend to below 12,000.

Elliot Wave Implied Fantasy Pattern

On the basis of the probable simple pattern being for a 5th of a 5th, then this analysis further concludes that the termination point for the 5th of a 5th is a Larger Wave 1 and therefore implies a further 2 Larger Impulse waves 3 and 5 as the following graph illustrates -



Now don't take this as a forecast because it is way beyond what probability analysis can ever give confidence to, instead treat it as an indication that whilst stocks into mid year may look sickly in the broader context the move would be very healthy by setting the stage for the stocks bull market's next multi-year bull run.

Remember that the over-riding driver is the Inflation mega-trend to which stocks are leveraged, and the risk that the world constantly faces is not one of deflation but one of out of control inflation both as a consequence of rampant government money printing and as a consequences of any breakdown in our systems. For instance the crisis in Greece contrary to the economic academics did not result in deflation, instead it resulted in Inflation, because economic collapse results in the destruction of productive capacity, which results in the state forced to print money to pay the increasing number of unemployed workers.

Stock Market Psychology and Investor Sentiment

Market sentiment is usually in synch with the mainstream media, which at this point in time should suggest that it should be at its most bullish in the face of the ongoing swing towards NEW All Time highs for indices such as the Dow.

The psychological influences that investors tend to be exposed to is illustrated by how so called analysts tend to commentate on market trends which tends to be bearish AFTER the market has already fallen and Bullish AFTER the market has risen.

i.e. many of the commentators who are so bullish today could easily be found to have been vehemently bearish towards the END of virtually every major correction for the duration of this stocks bull market.

So without analysing the analysts, I am pretty certain that after leaving the perma-bears aside that investor sentiment will be at a bullish extreme, which requires a contrary trend to dissipate such sentiment.

In terms forecasting trend, this suggests that the market has been in the process of hooking more investors towards the extremity of price action before it pulls the rug from under their feet. Technically this implies the market is priming itself for an opportune moment for a significant correction. which implies risk management is in order i.e. distribute portfolios further into this rally or hedge (my preference is for hedging because, in my opinion dividend income is the most important long-term driver for both income and stock price growth).

In terms of the big picture the stocks stealth bull market will continue to accumulate more and more investors towards rally peaks as rising stock prices results in ever increasing investor sentiment which will confound the perma-bears who will always see high investor sentiment as a sign of the FINAL TOP, but what they are blind to is the fact that NEW HIGHs WILL Mean NEW Higher levels of Investor sentiment, which to them will always be a sign of extremes, but in reality it is just a manifestation of TREND. The bull market is not an oscillator it is a Trend that is converging towards a state of extreme over valuation, which is when the actual top will take place, when? I will let you know when probably a year in advance, but not likely in 2013.

Stock Market Technical Analysis

Stock Market Volatility - VIX

Recent stock market volatility has been nudging multi-year lows that implies a great deal of investor complacency out there.

The VIX coupled with the actual immediate trend is clearly distributive as it can be directly compared against the Sept-Oct distribution that was accompanied with rising volatility from the Mid Sept low. This does suggest that a correction is imminent and given extremely low volatility the correction will likely be very significant in both time and price.

Another point to consider low volatility translates into cheap options!

Chart courtesy of StockCharts.com

MACD

Just as the VIX is has been at multi-year lows so has the MACD been at multi-year highs. The MACD has already crossed which is an advance sell signal. Therefore the MACD is clearly warning of at least an imminent regular Impulse correction.

Price Patterns

Apart from the broadening top pattern that I have already covered earlier. I do not see any thing else of any significance.

SEASONAL ANALYSIS

The current trend is contrary to the seasonal tendency for the stock market to fall from early January into mid March, which suggests an inverse probability i.e. a rise into Mid March would imply a fall into Mid May, before a volatile summer resets the seasonal pattern back inline for expectations for a rally during the last 2-3 months of the year. The smoothed trend for the stock market would be for a rally into early June, sideways into Mid October and then a rally into year end.

This at least points towards an end year rally, whilst probability favours an inverse pattern into a Mid May low and then another low between August and October.

TREND ANALYSIS

The current rally has hit or even marginally breached the resistance line along the highs. This is putting the rally under intense pressure that warrants an imminent correction of sorts to dissipate this trend pressure. Whilst upside appears limited the stock market has plenty of support under it that is more than capable of slowing a decent which implies a very choppy correction is likely with major support converging at 12,800 by mid April.

In summary the Dow is trading in a strong upward sloping trend channel that is likely to contain 90% of the price action during the year.

SUPPORT / RESISTANCE

Resistance lies at the all time high of 14,164 that it hit on 9th Oct 2007, that is on par with my long-term target of 14,200. Therefore the Dow IS now at Significant resistance that requires a sizeable correction to overcome. A String of support levels range all the way to 12,500, which if fails would target 12,000.

PRICE TARGETS

The immediate target is a high in the range of 14,100 to 14,200. The Dow has already traded to 14,022, so a high is imminent. A correction targets 13,600, then 13,000, then 12,500 and finally 12,000.

Formulating a Stock Market Forecast

- The stocks bull market is not showing any signs of ending during 2013.
- That the stock market is targeting to trade at a new all time high this year.
- The stocks bull market should end the year higher than where it started (13,104)
- The stock market is expected to under go a severe correction that is most probably timed to reach its juncture late Summer.
- The stock market can expect to trend towards a new bull market high by year end / early 2014.

STOCK MARKET FORECAST FINAL CONCLUSION

The stock market wants to trade at a new all time high (14,164) and is fighting hard to do so against strong technical resistance that call for an increasingly severe correction. Therefore I am timing the correction to begin after the New All time high, though in reality it could take place at anytime. The quality of the correction will likely be severe and extend for several months into late Summer that would set the scene for an strong end of year rally that will likely carry the Stock market to a new all time high. At this point the analysis resolves to a new high of around 14,500.

In summary this analysis concludes in a detailed trend forecast for the Dow to target a correction into Late Summer of 12,500 to be followed by a strong trend to a new all time high of 14,500 probably during Early January 2014, as illustrated by the below graph.

Risk to the Forecast

That the rally following the significant correction needs more time to complete, i.e. the 14,500 target is achieved later during 2014.

Peering into the Mists of Time

If you have actually read the whole of this analysis (rather than just skipping to the conclusion) then the message you will get is one of an ongoing stocks bull market that like a coiled spring is prepping itself to propel the stock market to levels that cannot be imagined today I.e. my Elliott Wave and broadening top analysis gives strong indications for longer-term expectations. For instance, I can easily see the Dow trade at 20,000 during 2017, so expect plenty more Stocks Stealth Bull Market ebook's to follow.

Part 3

The Real Secrets of Successful Trading,

Multiple Technological Revolutions

Simple Stock Market Investing Strategy

My investing strategy for the duration of the bull market has been fairly simple as I have repeated countless times over the years, which is that the greater the deviation from the bull market high then the greater the buying opportunity presented. See the Stocks Stealth Bull Market 2011 ebook (Free Download) for further examples of how one should perceive price action during multi-year trends. Conversely the stronger the bull run underway the less of a buying opportunity presented and the greater the probability for a correction.

Thus my fairly simple strategy is to accumulate during corrections, and distribute during bull runs that break to new highs. In terms of impact on my stocks portfolio, this has meant that my portfolio's net long position tends to oscillate as illustrated by 2012 going from a peak of 40% invested to a trough of about 8% invested as illustrated by articles posted during the year before the event (see archive).

Similarly ahead this years an anticipated severe correction it would be wise to distribute, hedge portfolios. To what degree depends on your personal risk profile, for me it would be to distribute / hedge and reduce the net long position by at least 50% of my current stocks portfolio as of 10th Feb 2013 during the ongoing rally.

Know Your Risk of Ruin

Get Your Risk Right

The real secret to successful investing is in managing risk. You know when your portfolio risk is too high because your portfolio will always be on your mind. That was where I was back in December 2012 with 40% invested in stocks. So for me I know 40% is too high risk. Conversely over the subsequent rally into late April (as I flagged my intentions December onwards) I reduced my exposure to a low of 8%. Which I know for me was too low a risk as it manifested itself in losing interest in analysis of the stock market. In terms of my risk profile, I am geared towards a risk comfort zone of between 15% and 22% exposure to the stock market.

This illustrates a fundamental point in that as an investor you HAVE to KNOW your risk profile, because otherwise you will not be able to function in the market. If the risk is too high and regardless of all of your rules and procedures it will impact on your decision making process. Similarly too low a risk and you will miss significant market moves because you will become disinterested in the market.

Therefore as a guide a 20/80 split between high risk and low risk assets is a useful starting point in attempting to gauge ones risk profile. Stocks and commodities are very high risk, fixed bonds, savings, and the property you live in are low risk.

Some assets are generally classed by the investment community as medium risk such as buy to let properties, and floating bonds, however in my experience they don't really behave that way, i.e. at times they are either low risk or at other times high risk as we have seen with the sovereign bond markets during 2012 and the crash in the housing markets that buy to let investors tend to be leveraged to.

So medium risk assets are assets who's risk in reality oscillates over time between high and low i.e. today's low risk UK Gilts, could easily become high risk in just a matter of months.

Know Your Risk of Ruin

Continuing on the theme of risk, have you ever estimated your risk of ruin ? i.e. where you lose virtually everything you own, i.e. over 90% of your total accumulated wealth

Examples in order of least risk of total ruin -

- Your most valuable personal possessions are stolen.
- Your high risk stock market portfolio value collapses.
- Your low risk portfolio value collapses.
- If you lose your primary sources of income and become reliant on state benefits.
- If the banks go bankrupt and you lose all of your savings and your private pension.
- If your house burns down and the insurance company refuses to pay out or worse you have no insurance.
- If the land your house is built on becomes worthless due to economic and environmental issues i.e. the city you live in is dieing, or you live on an edge of a cliff that is eroding.

The older you are then the LOWER should be your risk of ruin as the last thing you want to do is for instance start again at the age of 40!

To alleviate the risk of ruin:

a. spread your wealth across asset classes.
b. decrease or eliminate any debt you hold.

Central Banks and Governments Do not Understand the Risk of Ruin!

This illustrates the problem at the core of our economic crisis in that the governments and central banks and bailed out banks do not understand their risk of ruin because those that enact the policies do not face any consequences for their actions, such as rampant money printing. They have no concept of the fact that they have INCREASED the risk of TOTAL ECONOMIC COLLAPSE i.e. an Hyperinflation panic event. If they traded the markets and understood risk then they would never have started QE let alone be at QE4, because the consequences of the risk of ruin far outweighs the gains! If I had to quantify the global risk of ruin I would put it at about 10%. Which may not sound high but it is a lot because the consequences of hyperinflation would be total economic collapse which lies at the very root of our economic problem in that those that put policies into action or commentate upon them have NO CONCEPT of the RISK of RUIN.

Personally I can estimate my risk of total ruin at about 1%, but the problem is that whether we like it or not, everyone's risk of ruin has to be in addition to the governments risk of ruin of 10%, i.e. in line with the consequences of government action's that have elevated the risk for total economic collapse that would most likely manifest itself as hyperinflation panic events.

Note that this global risk of ruin makes itself manifest in the real economy. It is not a question that the risk of hyperinflation is 10% and so as long as hyperinflation does not happen it is just a number to ignore. No, the risk has a price attached to it, for want of a better word it is a premium that everyone has to pay to carry this increased risk of ruin and that premium is the inability of wages / pensions, revenues, and net savings interest rates to keep pace with inflation, and the higher the risk of ruin goes then the higher the premium becomes for carrying the risk.

So, factor in a systemic risk of ruin of about 10% in addition to your personal risk of ruin. Your goal should be to reduce your risk of ruin as you grow older. I.e. for someone who is 20 a risk of ruin of 50% (40% personal and 10% systemic) is fine, whereas for someone who is 40 it would not be so easily survivable. The time to fail is when you are young when you have plenty of time to learn and start again. In fact you should expect to completely fail at least once in your early life as it will afford you an excellent learning opportunity that no colleges or universities can ever replicate.

As I am in my 40's, my commentary and analysis will tend to be skewed towards reducing risk, which is why I hardly ever write on more risky illiquid markets such as completely avoiding small cap stocks as the risk of ruin is far too high despite the obvious potential they represent.

Trading and the Risk of Ruin

In terms of trading and investing the risk of ruin implies that traders should CUT their open positions (net long or short) BOTH when their portfolio increases in size due to profits AND after their portfolio suffers losses. The worst mistake traders can make is to increase trading frequency when one is on a losing streak, instead the trader needs to do the exact opposite due to the reduced probability for profits as your ratio of profit to loss trades diminishes.

Furthermore every trader must have a mechanism to cease trading. For me that would be a max draw drown of more than 20% of an trading account, following such events all positions are closed and the account is analysed in-depth to see what went wrong and solutions implemented before trading can recommence.

As an example, even a great trader will be lucky to have much more than a 60% probability for a winning trade.

So if a trader risked 1% of their account per trade then they would reach their max draw down in 20 trades (20%), their risk of ruin would be virtually zero given a 60/40 probability.

Whereas if the same trader risked 10% of their account per trade, their risk of ruin would be about 45% (2 trades 60/40 to 20%).

Risking 5% of account per trade, the risk of ruin would be about 20% (4 trades 60/40 to 20%).

For a 30% account drawn drawn limit the risk of ruin is -

- 1% Per trade - 30% - Risk of Ruin is near 0%
- 5% Per trade - 30% - Risk of Ruin is 9%
- 10% Per trade - 30% - Risk of Ruin is 30%

Leverage

The worst way to invest for the long-term is by using leverage, after all we have seen what leverage did for the banks, it bankrupted virtually ALL of them. The maximum risk must always be limited to 100% of the amount invested. This also means SHORTING stocks is far more riskier than going LONG stocks because the maximum risk for going long with-out leverage is always 100%. Whereas the maximum risk for going SHORT is theoretically INFINITE because the stock price can more than double. So you need to full appreciate that it is far more riskier to short stocks then to buy stocks.

Debt and the Risk of Ruin

In life I meet many people who have no concept of their risk of ruin, but instead are fully aware of for instance the equity in their property. For example I recently met someone who discussed with me the fact that they were contemplating releasing £100k of equity in their property on top of a £200k existing mortgage so that they could extend their property against a value of approx £350k.

However, what the person clearly failed to comprehend was that the more debt one accumulates then their risk of ruin becomes exponentially greater, because the debt becomes exponentially harder to service out of marginal income, i.e. a graph of debt to income would be logarithmic in terms of the risk of ruin. In this example the first £10k of mortgage debt would have a infinitely smaller risk of ruin then an extra £10k would have (£200k +£10k). That extra £10k could be the tipping point that results in the loss of their property, never mind if they went ahead and borrowed an extra £100k. The whole debt crisis in terms of impact in home owners has it's basis in the failure for individuals to be conscious of their risk of ruin as they fell for the equity release sales pitches form the mortgage banks. This is precisely how the big banks blew-up, because they ignored their risk of ruin because they were too interested in hiding losses (mark to market) to bank bonuses on the basis of fictitious profits.

If you want to have near zero risk of ruin then have no debt.

Debt is Slavery

Debt IS from cradle to grave slavery. Not just for individuals but whole nations are turned into debt slaves by corrupt politicians whose ONLY objective is to bribe voters with borrowed money to get elected.

The consequences of bribing voters with borrowed money is INFLATION. After all there is no free lunch, the price paid for printing debt is loss of purchasing power for ALL fiat currencies.

As an example today's pound in your pocket on the basis of RPI is only worth 40% of what it was 25 years ago.

Which means that on average the same types of goods and services cost 2.5X more today then they did in 1987.

The people of all western nations, even those that personally do not have any debt are still debt slaves because they pay for the consequences of government money and debt printing fraud that buy votes through deficit government spending to finance public sector jobs, services and benefits that the country has no money to purchase and as a consequence of the election cycle these deficits are in perpetuity i.e. the politicians ALWAYS need to bribe the electorate which means that contrary to the PROPAGANDA that silver tongued politicians are so expert in publishing the DEBT IS NEVER REPAID. instead it will expand EXPOENTNIALLY IN PERPETITY

Today we hear a lot of discussion in the mainstream propaganda media of a currency war. Know this that there IS NO CURRENCY WAR, as I have voiced for well over 5 years now and as illustrated by the Inflation Mega-trend ebook of Jan 2010. If there is a war than it is one of INFLATION and theft of purchasing power because ALL CURENCIES are in a state of perpetual free fall against one another.

To limit ones exposure to debt slavery one needs to immunise one self form the Debt system which is by NOT BORROWING MONEY! This is easier said then done because we are literally bombarded with propaganda that seeks to brainwash us into becoming debt slaves.

- Do not use credit cards if you are unable to pay off the whole balance each month.
- Do no buy anything with debt money, especially junk chinese consumer goods which amount to nothing more than the transfer of Jobs from the West to the East.
- If you have any assets purchased with debt money then liquidate / sell them and pay down the debt because these assets will likely quickly lose their value over time i.e. such as car.

Yes, I fully understand it is difficult to counter cradle to grave brainwashing to become debt slaves, but do the sums and you will see you will end up spending approx 1/3rd of your working life servicing your debts. You have effectively given away 1/3rd of your working life to the bankster elite. And this is not a casual relationship with your debt master, but one of constantly finding yourself anxious if you are unable to meet the strict deadlines for servicing debt repayments that your debt master imposes you, including to make you homeless so to effectively have lost EVERYTHING you have worked hard for your whole life.

You only have a limited amount of time, i.e. say 45 years max of productive working life, do you want to give up 15 years for a garage full of chinese junk?

The bottom line is if you can't afford it don't buy it!

Mortgages - Debt Till Death literally!

How can I buy a house without borrowing money?

Mortgages are one of the few forms of debt that most people can entertain taking on due to the utility involved. I.e. borrowing money to a buy a home to live in can have a greater utility then renting a similar property. Add to that inflation over time acts to push the price of the house higher whilst eroding the value of all debt set against it then this is one of the few instances where debt can be used towards a beneficial outcome, as along as self discipline is exercised in ensuring that the debt burden is well within ones means to service the interest charged and repayment schedule.

Additionally at the end of the mortgage term you will be left with an asset that should have increased at a rate greater than that of inflation because it is far easier to print money then it is to build houses. Whilst renting for say 25 years will result in NO asset.

However as illustrated earlier many people make the mistake of viewing their properties in terms of equity, when they should be viewing them in terms of utility cost.

Another mistake many people make is to re-mortgage and increase the size of their debt, they convince themselves that they are doing the right thing because they are transferring their high interest credit card debt to their lower interest rate mortgages. But what this actually means is that they have fallen into the debt trap which means that they will never pay off their mortgage instead the mortgage will keep growing and growing until they are eventually unable to service it.

Another point to consider is that there is a risk to buying a property, which is that whilst house prices over the long-run will outpace inflation. However in the short-term it is far more risky due to house prices volatility. Of course the best time to buy property is after a bust and conversely the worst time is towards the end of a boom, when everyone is gripped by house price mania.

Also understand this that mortgage debt is still debt slavery. Unless you are cartful they can still take everything away from you because you don't actually own the property until the debt has been fully repaid. So your primary focus should be to PAY DOWN THE DEBT and not view you property in terms of an ATM.

Business Debt - Borrowing money to invest in assets that generate income that is more than able to service the debt is one of the few ways to actually beat the bankster's at their own game. Because the debt will be repaid out of revenues generated.

Stoozing - Another way to profit from the bankster's is via stoozing, which is to borrow money at or near 0% on balance transfer credit cards and then deposit these these funds into savings accounts. Admittedly since the financial crisis this has not been possible since the savings rates have cratered and many cards charge fees of 3-4%. But 5 years ago, many people including myself were earning as much as £5,000 per annum at the expense of the bankster's by borrowing at 0% (no fees) and depositing in 5%+ paying savings accounts. At the present time the best offers are from 0% spending cards, where one can set aside an amount equivalent to the spending accumulated on the card into savings accounts earning between 2% and 3%.

Debt Conclusion

So the debt picture is not black and white because there is clearly bad debt such as credit cards and there is what many people term as "good" debt such as mortgages.

However, in my honest opinion, all debt is bad debt. Because through the mechanism of debt slavery, you do still give up part of your working life to the bankster's, which is coupled with the increased RISK OF RUIN.

So the primary focus for all those in debt should be to eliminate ALL debt. So forget what the media talking heads say because in reality there is NO GOOD DEBT.

Why I Love Bear Markets

In my opinion the best way to cope with bear markets is to hedge your portfolios rather than liquidating them in totality, because as an long-term investor you will always want your portfolio to be skewed towards the long-side, its just the degree to how long you are that changes in line with the state of the current market where you manage net long exposure. Remember that the stock market oscillates around an exponentially rising mega-trend. The greatest risks that you are likely to experience even during a bear market are when you are NET SHORT, because bear markets are corrections against the exponential mega-trend, which means by the time your portfolio is net short the bear market will likely already have fully run its course.

The WORST thing to do is to sell out near bear market bottoms. Therefore the primary strategy is to avoid the worst case scenario of liquidating your portfolio near market bottoms, which means to instead accumulate stocks the further they drop! Because history repeatedly illustrates that the stock market tends to recover far more strongly from bear market bottoms than anyone can ever imagine at the time. Just as took place following the March 2009 stock market bottom.

Investors should also beware that media bearishness tends to be at an extreme near market bottoms, i.e. if you listened to the media then you would be under the impression that the bear market has not even run half way, which is one of the primary reasons why investors are too scared to invest near bear market bottoms as virtually everything they read and see is screaming at them NOT TO BUY!

The strategy is simple and is very similar to that of how to invest in a bull market and that is that the further a general stock market index such as the Dow is from it's all time high then the greater the buying opportunity it is presenting. Yes towards the end of the last bear market the Dow did fall from 9000 to 6,670, so if one bought at 9000 one may imagine that they bought too early, but the future is UNCERTAIN, which is why one has strategies in place to accumulate and distribute into positions. Off course many investors today at Dow 14,000 would have loved to have bought the Dow a few months early at 9,000 even if it subsequently had another 2000+ points to drop!

The bottom line is that ALL Bear Markets are BUYING OPPORTUNITIES, The greater the decline then the greater the buying opportunity being presented. Don't try and time market bottoms, instead follow simple rules for accumulating into falling stock markets, after all the greatest buying opportunity in history was when the Dow hit 40! And I am certain that at that time the prevailing consensus opinion was that it was going to 20!

You may ask what if I bought early?

What if I bought at say Dow 200?

We'll What is 14000 divided by 200 ?
What is 14000 divided by the 1929, 386 peak?

That is your answer of how to cope with bear markets. Remember the maximum risk for going long is always 100%, whereas for Shorting it is infinite!

Imagine what has happened to all of the perma-bears who shorted the Dow at anytime during the 1930's. Now imagine what is going to happen to today's perma-bears (if they actually put their money where their mouth is).

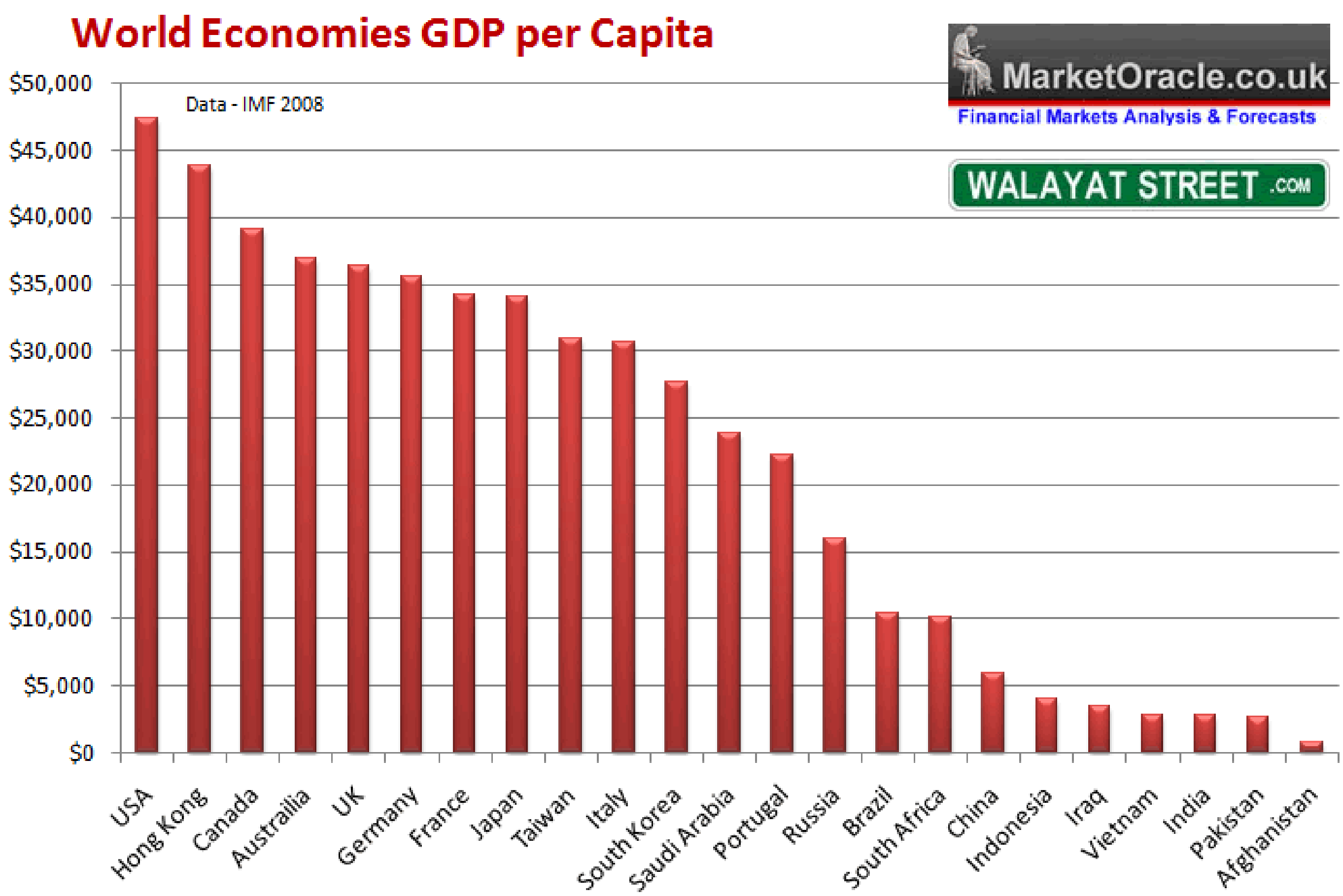
As a stock market bull, I LOVE bear markets because they allow me to accumulate stocks at deep discounts for the long-run. Know this that the ONLY way you are going to grow your wealth is by being INVESTED, not sat on the sidelines waiting to invest!

Is the West About to Accelerate Away From the Rest?

Many academics such as Niall Ferguson have been publishing books and broadcasting TV series promoting the rise of China and the threat it poses to a decaying West whereas in my opinion far from the west being in decline it has yet to even peak. That coupled with the probability that China rather than presenting a threat to the west, is likely approaching significant hurdles to future growth as evidenced by the fact that academics such as Niall Ferguson are making TV programmes for mass media audiences, much as the tek stocks were becoming all the rage in the mainstream media just before they went bust.

China Development Facts

The jist of my argument is that there is nothing extraordinary in the development taking place in China which the following graph illustrates is that all China is doing is playing catchup to the West and it is Western technologies that are driving this rate of development, the ONLY input from China has been cheap chinese labour, nothing else as the primary driver is in the convergence of GDP's between all nations where the greatest potential for economic gains on a percentage basis is from those that lag furthest behind and for that we look to the likes of China, Indonesia, India and a long string of other sub GDP $10k per capita nations around the world as originally stated in the Inflation Mega-trend ebook of Jan 2010.



Furthermore my long standing expectations remain for China to hit an economic road block at around 50% of the West's GDP that will either force it to further change to emulate the West or collapse in spectacular style.

The West Wins by Outsourcing of Old Industries to the East

The development of China and other emerging markets has so far been a net win scenario for the West for in a time of rising energy costs the have proceeded too in many cases cap energy consumption and in some cases (Europe) start to reduce the consumption of fossil fuels. This has been achieved by effectively relocating heavy industries to the likes of China and increasingly India and Brazil who have played scant regard to the long term environmental consequences of producing cheap junk to sell to the West, the environmental costs of which have NOT been factored into the goods being sold to the west but that countries such as China will pay an increasingly heavy price for as a consequence of the destruction of their environment. None of this is really news for I mentioned it over 3 years ago in the Inflation Mega-trend Ebook (Free Download) as some of the major hurdles that China faces.

At some point even China's corrupt and mostly blind to its peoples suffering communist party will come to the realisation that destroying the environment is tantamount to destroying China's economic future and conclude that they too need to start offshoring junk production to probably newly industrialising countries such as Burma and large swaths of Africa.

Western Unemployment

The argument put forward is that western jobs are being offshored to the likes of China and India at wage rates that the West cannot compete against. However the picture is not black and white, in reality 90% of the jobs offshored would not have been able to be financed in the West as a consequence of cost of production including environmental regulations. But perhaps 5-10% of the higher end jobs offshored such as in accountancy and programming could have been retained in the West.

The key to unemployment as a consequence of offshoring of old industries to China is that the western economies are ready for and already immersed in several emerging industrial revolutions some that you are already familiar with such as the internet with its low running costs and low investment structure is ideally suited for small businesses rather than larger highly industrialised manufacturing plants that are populated all over China.

So the West is primed as a function of having a large pool of existing un or underemployed workers available coupled with the entrepreneurial spirit to profit from several emerging industrial revolutions.

However there is another economic price for buying cheap Chinese junk and that price is in loss of currency i.e. money is flowing out of western nations to China, the consequences of which is inflation. China in response to currency inflows engages in currency manipulation to maintain exchange rates so that it can continue to sell cheap chinese goods to the west. Thus this acts to force up the rate of unemployment due to the constant leakage of foreign currency reserves to countries such as China which then buys Western debt and assets to offset the outflow of currency which makes western countries lazy, i.e. it appears to the masses that they can get something for nothing which is deficit spending as China in part supports it's economic consequences by buying western debt.

The bottom line is this - EDUCATION + FREEDOM OF EXPRESSION + ENTRENEURP SPIRIT, are the primary requirements for prosperity. not just for the next decade but the whole century. In which respect many emerging competing nations such as China and India are seriously lacking and will not be able to compete.

Instead the strategy for the likes of China, a system that is devoid of the freedom of expression is to hack and steal western innovations and then seek to churn out junk versions by the container load which has remained the unofficial policy of the Chinese state for several decades now that many western nations have so far been ignoring, however at some point the West will seek to act against Chinese state hacking through collective action.

The Real Threats to the West

The real threat to the west is not China, or even the ever present debt mountains, no conversely the real threat to the West is FEAR of the State, Fear of Litigation and Lack of Education.

Fear of Litigation

We are already there in terms of Fear of Litigation in the United States and the UK with class action law suits being all the rage, and giant highly litigious cockroach corporations that seek to stifle freedom of expression.

Fear of litigation hits innovation amongst ALL businesses which is why they fail to grow once reaching a certain size as by then they have a wide enough user base and public profile for the cockroaches to start to emerge and systematically target them to make a fast buck.

Even small companies can fall victim to the cockroaches, for instance a small business startup using something as simple as a free image off of the internet on their website can open up themselves up to extortion that can amount to as much as 50X the original licensing fee from the likes of for instance Getty Images that despite having FREE use of the internet resulting in huge commercial gain has no sense of its responsibility as it seeks to extort funds form individuals and small business. The solution here off course would be to ONLY use your own images, but it illustrates how easily small and large business can be crippled by litigation vampires.

So the west really needs to get a grip on the out of control litigation culture which is a far greater threat to the west's future prosperity than anything China can do, for it continuously reigns in the growth of small companies as the larger they become the more legal issues they will face slowing down their pace of growth and innovation so that the exponential growth curves they were once on in most cases tend to fast evaporate.

The bottom line is this lawyers are WORSE than Bankster's! One day we, the public may recognise this and force corrupt politicians to do something about it before we enter a permanent depression! Off course most politicians ARE themselves silver tongued lawyers so it will be an up hill battle against these leeches on society.

Fear of the State

There is a negative consequence of new technologies and that it gives the state and its minions ever more ways of invading our privacy and attempting to control our behaviour, all under ever changing banners of fear of x,y,z for instance in the UK it was fear from the IRA, giving the likes of special branch special powers.

Today's all prevailing fear banner is that from Islamofacist terrorism.

The western governments WANT terrorism they WANT something that the populations can become fearful of and there is nothing better than a war without end, the current situation is straight out of 1984 and V for Vendetta, the government uses its propaganda tools to its fullest extent from the mainstream media using magnifying glasses on the smallest of incidence, to the mainstream media broadcasting highly polished propaganda pieces such as the TV series Homeland.

All serve the governments fear agenda that seeks to dismantle your civil liberties and make your fearful of the state and its capabilities

The bottom line is when we ALL become enemies of the state, it is at that stage when every major action you take one has to be second guessed as to what are the consequences in terms of state sanctions, maybe we are already there given the occupy and other freedom movements lashing out in all directions but not in the right direction which is that the STATE apparatus is the enemy that seeks to invade and control our lives to ever greater extent.

The only way the west can prosper to the extent it has done in the past is if the State Fears the people and NOT the People Fears the State.

Mediocre Education

The problem with state education is that it's primary objective is to churn out docile debt slaves who will do the bidding of their elite masters. Schooling right form primary to Universities is flawed because children are taught by academics who have NO REAL EXPERIENCE. Instead theory piled on theory piled on even more theory of junk subjects is programmed into children who are then left to face a life time consequences of not having a clue of the real world.

At the end of the road Universities churn out barely employable graduates with junk degrees that employers then have to RE-TRAIN at great expense.

The answer is clearly for LESS University education and MORE Vocational education.

The answer is clearly for teaching of practical subjects such as a greater focus on Design and Technology.

The answer is clearly to teach financial education something that does not exist in any form in Britain's state schooling.

The answer is clearly to teach entrepreneurship through PRACTICE and NOT theoretical business studies. I.e. ALL secondary school children should be coached in entrepreneurship by being given a small amount of capital to set up their own school based businesses. 12 to 16 IS the age to light the spark of entrepreneurship, because by the time one gets to the 20's it's just too late! If you have not already setup a business by the age of 20 then it is highly likely that you never will.

Summary

The West needs to cap the legal parasites that prevent companies from growing and maturing into giants such as Google, Apple, and Microsoft.

We need to undo the damage done with all of the laws passed under the false flag of terrorism so that the people retain the fundamental driver for innovation which is Freedom of Though and Expression. Else it will not be China that passes us on the way up, but we pass China on the path towards totalitarianism as the trend we are on today may result in a China (without changing much from the present) being more free than the West.

We need to urgently address the flaws in our state education system that churns out unemployable graduates with junk degrees. We need to financially educate children and plant the seeds for future entrepreneurship.

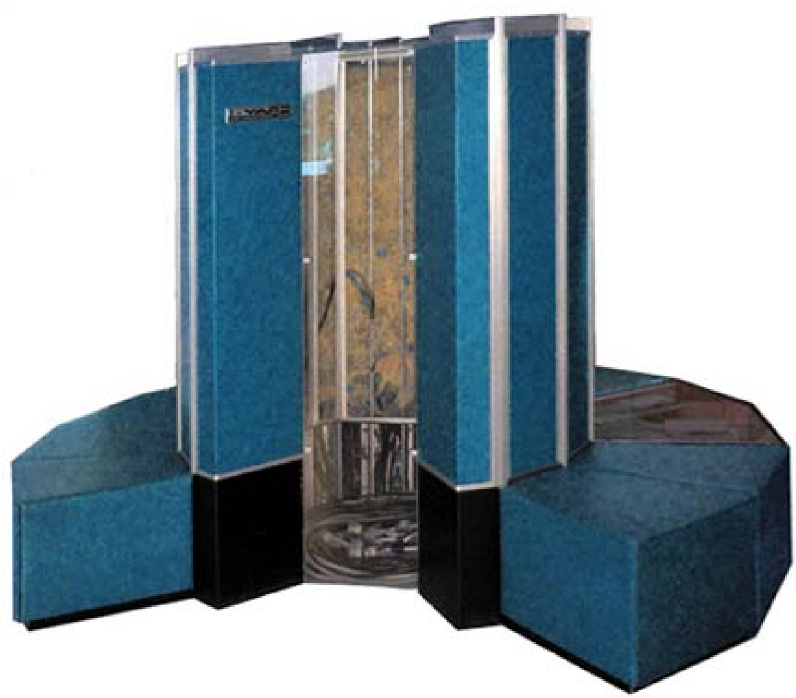
These are the real dangers that could stop the future unfolding of technological advancement trends, something akin to soviet era bankrupt states with the masses beaten down into submission.

The Danger of a New Dark Age

The bottom line is that the United States is the glue that holds the modern world together, without it civilisation would decay and the doom mongers would be able to claim victory, however fall of the west does not translate into a rise of the east instead it would herald a new dark age that would extend for several decades, off course if your an Afghani villager at the receiving end of US drone strike missiles or US death squads massacring whole families then you may find a new dark age appealing, unless you realise that this is all part of the big picture of control of the peoples in the west by fear of what others could do them, which needs the US and other western governments to keep prodding the populations around the world with missiles and bombs so as to anger them into creating instance of retaliation that the politicians in the west then utilise to implement further controls on domestic populations, therein lies the real danger of a self induced trend towards a New Dark Age.

Quantum Leap in Human Productivity

The technological human productivity boosting mega-trend brought to competitive markets around which asset prices such as the stock prices oscillate ever higher in cycles of sentiment driven booms and busts is the second primary driver for the exponential stock market mega-trend (the first being inflationary government money printing fraud).



You may say that new technology also means that many large corporations will also eventually go bust as their business models goes up in smoke, the most recent example of this is the Kodak bankruptcy of 2012.

However, general stock market indices such as the Dow regularly relegate old dieing industries from the indices and incorporate fast growing new industries which is why the stock indices growth rate exponentially outpaces inflation over the long-run as it is skewed towards breaking to new highs. In the case of Kodak, it was kicked out of the Dow in 2004 long before it filed for bankruptcy last year (2012) and replaced by the emerging telecom giant Verizon so that Kodak's subsequent stock price collapse towards zero has had no bearing on the Dow.

Therefore TECHNOLOGY is a VERY important driver for the stock market's exponential trend that goes hand in hand with INFLATION.

What today takes the like's of Apple, Microsoft and Siemens to achieve and market, 20 to 30 years from now that level of productivity will be in the hands of ordinary people to replicate from their own bedroom's or garages. Just as today's high end desktops allow many to achieve today what would have required an army of workers 20-30 years ago to perform, the continuing impact of technological advancement amounts to a quantum leap on human productivity that is exponential.

For instance I remember being in awe of the Cray series of super computers not just because they looked as though they were straight out of a sci-fi movie with an $8 million price tag and performance that was at an eye watering 80 Mflops which left my $100 ZX81 standing in the dust.

However compare this to my current $4,000 custom system that operates at 37 Gflops, which is 460X faster than the fastest super computer of some 33 years ago! Off course it does not even register on the radar when compared against today's supercomputer's but in 20 years time, today's super power computers will be sat not just on our desks but more probably in our pockets, and you can you only imagine to what extent individual human productivity will have been boosted in directions we cannot even imagine today.

For instance keyboards may be too limiting so in the not too distant future we will probably be hardwiring ourselves directly to our machines, already augmented reality equipment is offering up possibilities with Google's Glass just around the corner.

At some point there will be a blurring between man and machine that will act as a feedback loop to the rate of exponential innovation in every direction, as ultimately life achieves its primary goal which is to spread and evolve in all directions which ultimately means beyond this planet as the essence of what is life - self replicating DNA seeks to spread throughout not just our solar system but the entire galaxy and beyond.

Thirty years ago when I had my own first REAL personal computer as opposed to the pseudo computers such as cartridges for the Atari games consoles, or the barely usable kit computers of the late 1970's with their switches and flashing diodes.

The ZX81 powered by the Z80a micro processor was capable of performing 65,000 instructions per second, and had an extension memory pack attached of 16megabytes with software storage on cassette tapes.

The key point of the ZX81 as opposed to the cray super computer of the time was that at just cost £50, which means it was affordable to the masses!

Whilst only medium to large corporations and institutions could afford a Cray1 super computer, every working family could afford a ZX81 home personal computer and with it programming took off in the UK, so the people of Britain have a lot to be grateful for to Sir Clive Sinclair for starting the whole ball rolling in the UK, as the Apple series were out of reach to most and especially teens, which many other companies tried to emulate the success off during the 1980's.

Learning to program is the key for the future, as all computers during the 1980's came with in built programming languages. Programming was just as natural an activity is games playing or word processing is today. If you had a computer in the early 1980's than MOST users WOULD learn programming.

So programming was natural and went hand in hand with analysis. The same analytic techniques that can be applied towards determining for any solution in real life.

This quantum leap in the UK and many other western nations did NOT take place in schools, colleges or universities, instead this took place in peoples homes as state education is ALWAYS several years behind the curve. For instance what people are taught in Universities with regards computing, even today is several years out of date!. I recall in the mid 1980's being taught pascal on batch processing mini-computers when what I was learning at home was C on a personal computer. In terms of inter networking the colleges and universities did not have a clue, instead at home I was running my own Bulletin Board Service (BBS) on Fido Net which was more than a decade old precursor to the world wide web version of the internet. Whilst it might have taken 5 days to send an email, still it was a distributed FREE network not under any entities control.

The bottom line is this - You cannot learn cutting edge computer technology in colleges and universities. You will be luckily if what you learn is less than 3 years out of date, which is why schools, colleges and universities can only produce workers and not entrepreneurs or innovators who invariably are school or university drop-outs because they soon realise that what they are being taught is pretty much worthless in terms of seizing the moment.

Back to the beginning, whilst computers had built in programming language's such as BASIC, programmers across the UK could soon make the ZX81 do far more than it was designed to do via the natural progression to wanting more power over the computer which was to be achieved via machine code assembly language, which is something that we never even hear of today but which is the closest to that which computers actually operate, and that is the primary key which is to strip away what has been placed between you the programmer and the machine. Whilst operating system's make ever more powerful machines easier to use. However, the bloated systems damp down processing power and restrict what you can do so that most people are not even aware of actually how powerful today's computers really are. Again you need to fully realise that you already literally have a super computer sat on your desk that you need to fully learn how to harness the power of. Most of the tasks you use your PC for only scratch the surface of what it is capable of.

So in 1981 the Cray1 Super Computer operating at 80 mega flops costing $8 million was 31,000 more powerful than my ZX81. Now compare this against my today's high end 3SX custom desk top system that operates at 37glops!, which is 460X as powerful as the Cray1 which translates into being 14 million times as powerful as the ZX81, though off course before techies out there start writing in, I fully understand that parallel processing of the Z80A chip would mean that today's computer would be far less powerful in comparison, but then again it would take about half a million ZX81's in parallel to equal my desktop and 500,000 is about the total number of ZX81's that Sinclair ever manufactured.

What this example illustrates is that today's technology is infinitely greater in processing capability than that of 30 years ago and that the trend in technological advancement as best exemplified by Moores law for a doubling of transistor count on chips every 2 years which converts into processing power doubling every 18 months.

Don't believe the experts who every so often proclaim that processor technology is reaching it's limit and performance on single chips can no longer continue to increase at such a rapid pace, each time innovation provides a solution for continuing the trend such as multi-core parallel processors. And going hand in hand with increasing in processing power has gone the cost and speed of data storage where today we install terabyte drives in our desktops when 20 years ago it was megabytes (1/1000th) with main memories of between 6 and 20gigabytes, about 13 years from now high end desktop computers ($4,000 in today's money) will tend to have at least a couple of terabytes of direct memory and over a quadrillion bytes of fast storage, or 1000 times the storage and memory of today's high end pc's.

Today's fastest super computers such as the US Dept of Energy's Titan computer performs at 20 peta flops which puts it about 270,000 times more powerful than my desktop, but this processing power will also be shrunk down in both size and PRICE to sit on every ones desk or even in their pockets in less than 20 years time, then what for human productivity when we will have such processing power at our disposal to branch out in EVERY direction. We will all be able to perform complex models of simulations of virtually anything and then program our mini factories in our garages to manifest the simulated models.

Forget multi-million dollar labs to genetically engineer new life forms, instead we will be able to do this in our homes.

Forget multi-billion dollar factories, instead we will have factories that will produce most of what we want in our own garages.

This technology is not some distant pipe dream, but is already here today. We can use it today!

You want to setup a biotech lab? You can have one today for less than $10k!

The great divide of the future will not be between the rich and the poor but between those that use the new technologies as innovators i.e. tomorrows programmers as opposed to being just consumers.

You have to decide today, do you want to be a consumer or an innovator because it is not a question of money but of how one uses existing technology, in this respect one of the greatest dangers the West faces is not an external threat from the likes of China, but from brain numbing industries such as the Games industry and the likes of Twitter, which is why I do not Tweet. That results in people in their most productive years getting sucked into games cultures and social media resulting in wasting years on a mind numbing blur of activity, when they could have literally created anything.

Instead of children playing games they should be making games!

Protect your children's future development today, throw out the games consoles. Now there is nothing wrong with playing games if they act as a stepping stone towards immersing oneself in programming such as the online virtual worlds allow one to do.

Exponential Technological Development

Note that this is Not the 1930's, The Rate of Technological Development is Increasing Exponentially

Many of the arguments you hear in today's mainstream press and blogosfear is how the world faces a 1930's type future, i.e. severe economic depression, which in reality some 4 years on from the financial crash has failed to materialise in reality. That is because we are NOT LIVING IN THE 1930's ! We are living in the 2010's. If one took a time machine back to the 1930's one would be struck by the fact how slowly things changed in everyday life from year to year. This is because the rate of technological advancement is increasing each year exponentially whilst the potential burdens of increasing population's is on average only increasing by a couple of percent a year.

The one indicator that best illustrates the rate of technological advancement that the west is at the cutting edge of is Moores law that the transistor count on chips doubles every 2 years.

The smartphone in your pocket is more powerful than the super computers of 30 years ago, and where do you think the smartphone equivalent of 20 years from now will be ? It won't be in your hand, it will be floating around your bloodstream repairing and augmenting your bodies various functions with all of the benefits for the enhancement to human productivity, imagine the possibilities if you had photographic memory recall!

Again, I need to reiterate the fact that today we have become so used to the rapid pace of change that we tend to miss technological revolutions that are literally taking place right under our very noses. The most recent of which are the tablet Pc's and what they represent in terms exponential jumps in human productivity and learning that is happening right now!

There is clearly a competing tug of war taking place between smartphone's and tablet PC's as once separate technologies are clearly on a trend towards convergence.

Multiple Technological Revolutions

Multiple technological revolutions are set to drive the Innovation mega-trend component of the stocks exponential growth mega-trend where the over-riding theme is one of smaller and smarter. Whilst my focus is on the investing and consumer element, however all of these emerging technologies can be and are being used by the military and the state security apparatus to control and wage war. For instance today we are witnessing the drone war taking place across many third world countries. In the not too distant future we will be see literally swarms of smaller and smarter drones flying above western cities, which illustrates the price that we will pay for technological advancement in terms of the erosion of freedom and civil liberties.

Computers - Now

Moores law continues to play out as processing power continues to double almost every 18months, which translates into computing devices 20 years from now being about 16,000 times as powerful as today's same cost device. Therefore increasing computing processing power (as well as memory / storage) continues to boost worker productivity that more than offsets the costs of mistakes made by governments and the huge amounts of wasted on unproductive public sectors as well as acting to feed all of the other emerging technical revolutions that rely on increases in processing power.

Powerful cheap processors will be in everything, today's desktop processing power will have shrunk all the way to chip level which will allow us to interact in a truly digital world i.e. instead of using desktop and smartphone's we will access most of our data from the cloud wherever we are on a myriad of surfaces including walls and holographic projections.

Furthermore at some point over the next 20 years powerful processors will become so cheap that they will form parts of literally disposable devices, the most obvious of which would be disposable digital newspapers, web-site readers. Virtually every of today's throw away devices will become intelligent.

Artificial Intelligence - 2020.

We have so far not even scratched the surface of what AI could deliver. To see what lies in our future we can refer to nature and to sci-fi movies. Many breakthroughs lie ahead before AI becomes a reality because at the present time even our most sophisticated multi-million dollar robots are far dumber than a single cockroach.

Once the break through's in AI follows in terms of self-learning neural net works, we will see AI impact every aspect of our lives long before we arrive at thinking robots. The first to go will be the call centres and help desks as much of their operations will be replicated by increasingly more sophisticated AI expert systems over the coming decade which would have the effect of putting much of India's call centre business out of operation. The holy grail is an AI that thinks as we do, and as many sci-fi writers have stated, AI's will only be as smart as humans for only a moment before they become several orders of magnitude smarter, still that is in the far distant future, probably at least 30 years away if not a lot longer.

In the immediate future as mentioned above manned call centre's will disappear during the next 10 years, and similarly many shops will start to feature more self service intelligent tills and fewer sales staff.

At the high end of the AI market we will eventually start to see whole high cost expert professions being put out of business such as doctors as their knowledge is learned by sophisticated neural networks such as miniature versions of IBM's Watson.

Robots - 2033

The work force of the future will comprise ever more sophisticated robots because robot literally means work. Robots will take up many of the manual, laborious work that our cities demand is performed on a daily basis, freeing up first the peoples of the west and then much of the rest to focus on more productive activities, and as AI becomes more advanced so will the robots in their tasks and responsibilities to a point in the distant future (over 50 years from now), when we will have to face the consequences of our relationship with machines that may have become smarter than us. Will Asimov's rule be enough to save us?

Robots also offer a possible solution to the ageing population crisis, in that increasingly more intelligent and capable robots will be able to help the elderly to continue to live independently.

However as mentioned earlier the development of robots is highly correlated with the development of low cost neural net chip's, which is at least 15 years away. What is already happening and likely to continue to accelerate is the use of robotic limbs by disabled peoples.

The Internet

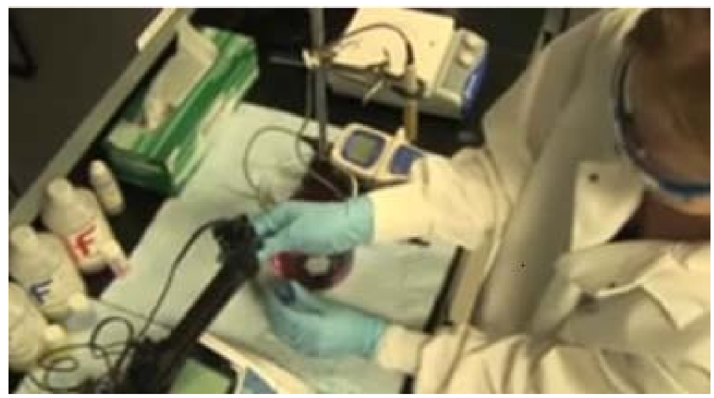
The internet has revolutionised our work, education and leisure over the past 20 years. The next 20 years are going to be just as revolutionary as bandwidth expands exponentially as the West's old copper wires continue to be replaced with fibre optics that can carry a million times more information.

The internet so far has been in terms of the flow of information and social interaction. The next 20 years will see the internet increasingly become hard wired which will especially benefit businesses as it will literally allow small businesses to rent factory machines online. Just as today we have server space being rented out to website owners, in the not too distant future factory machines will be being rented out and operated online by small businesses, and the scope of this hard wiring of commercial machinery is near infinite as virtually any piece of sophisticated hardware can be thus operated including the means of transportation from road, rail and planes.

In terms of the greatest impact to human productivity the industrialisation of the internet will probably amount to the single factor that results in greatest leap in human productivity over the next 10 years as businesses truly plug themselves into the internet which so far has been mostly a consumer and leisure tool.

The internet also illustrates how backward our state education systems are as they are only now, some 15 years after most of us started to browse the internet starting to capitalise on some of its huge educational potential.

Bio-Tech - Individual's DNA Mapping, Home Bio-tech labs 2016



Enormous mega-trend inducing milestones have been completed over the past 10 years.

None more so than the mapping of the human genome (2002), and the technologies applied to its achievement have expanded exponentially in what used to take a year to do 10 years ago in terms of DNA mapping now takes less than a day and at infinitely less cost just as super computers were once the realm of giant corporations and government institutions so is bio-tek technology falling into the price range of virtually anyone to pursue with literally millions of labs set to sprout up across the western world.

The code for All life is increasingly being converted into data that anyone can have access to and utilise. Many may be alarmed about the potential dangers of such an outcome but this genie cannot be put back into the bottle and will have to play out just as every other technology man has ever invented has played out in the market place.

Whilst the dangers maybe huge, the potential benefits are even greater, as anything will be possible, from cure's for diseases such as cancer to possibly even the cure to ageing! And it is increasingly likely that many of the future discoveries will not be made in expensive big pharma or government funded labs, but in small independant bio-tech startups.

So yes, whilst there may be scare stories and governments will try and repeat their control over the computing industry which at one point even had the prospects of a US chip going into every computer that allowed the government access to all computer data.

Today bio-tech to most people is an unknown quantity unlike for instance computers. However it won't be long until biotech has just as great an impact on our daily lives as smartphone's have today.

The future is biotech and all of its consequences are just around the corner, 10 years from now we will be well immersed in an bio-tek information network as we order gene components from amazon to help construct tailored life forms.

Off course academia will fight hard to keep control with much scare mongering propaganda pumped out, just as the military industrial complex does to justify its annual $1 trillion cost as they entice conflict and threats around the world to scare tax payers to continuing to pay for the global military industrial complexes.

The bottom line is this - Humans experimenting with DNA amounts to the speeding up of evolution and that which survives in environmental competition gets incorporated into future generations of organisms and that which does not gets s discarded, just as takes place in evolution by natural selection.

The impact of the bio-tek revolution will be many fold and in directions that we cannot even imagine today. In this respect humans at the preset time are doing huge damage to the planet as evidence by the fact that thousands of specifies are becoming extinct each year as a consequence of the global human boot print.

Our wider understanding of the importance of the evolution generated DNA code is bringing on a new appreciation for the importance of ALL life and is slowly resulting in a change in our behaviours in every respect, because today most of us living in cities have little appreciation for the consequences of the loss of species through our collective actions on the planet in terms of pollution.

Off course the military will seek many applications probably along the lines of living drones.

Health and Ageing - 2025

We all want to live longer and healthier lives, and we all appear to be waiting for the magic pills which the pharmaceutical companies are busy engaged in producing that will increasingly come on stream from weight loss pills that actually work, to the get healthy pills as well as cures for many of today's diseases that will push the envelope for a average healthy life expectancy to beyond 100 years, and this is before we start to augment our bodies with machines such as nano-bot's.

The fall in the cost for DNA sequencing will mean everyone will have their genetic codes read which will reveal to the doctors the risks for any diseases so that preventative measures can be taken. Similarly any failing organs will be grown from our own cells so that our bodies accept them.

Further into the future, I can imagine 30 years from now we will be seeing healthy people start to augment their bodies with devices including robotic limbs that outperform their natural limbs.

Healthcare Diagnostic Revolution Could be Imminent - 2013

Today in the UK NHS GP's are fighting over control of the £80 billion annual NHS commissioning budget for patient services. However, I can see that it won't be long before GP's mostly become redundant in the diagnosis process as infinitely far more effective monitoring machinery takes over the role they play with diagnostic labs and consultants filling any gaps left behind.

The technology to achieve this already exists today in the form of smartphone linked devices that could in minute by minute monitoring of our bodies and perform software analysis of the resulting data. All it takes is the political will to make the change from GP doctor surgeries to devices linked via the internet uploading the status of patients everyday with hospitals automatically arranging diagnostic consultations and treatments, completely bypassing the middle men, the GP's which can insert a delay in diagnoses of several weeks to several months, with the added risk of ms-diagnoses a mistake that a hospital consultant is far less likely to make.

Augmented Reality - 2013

This is literally just around the corner. It won't be too long before we will be ditching our smartphone's for smart glasses that super impose information on objects in the real world both general, local, and personal. Add to that the ability to record and playback and our glasses will act as precision memories that just like today's smartphone's that we will soon come to heavily rely upon and wonder how we got by without our Augmented reality glasses.

As the technology develops the glasses will give way to contact lenses and will be able to respond to our thoughts rather than voice commands.

I know when a technology is going to be a huge success because I already want it before it is even released. In which respect augmented reality is literally just around the corner as illustrated by Google Glass which is due to be released towards the end of this year with a price tag of $1,500. Specs are vague but from what I have gathered it will take photos and record and playback video.

E-Paper - 2016

What is E-paper? Probably thin sheets of flexible plastic that can display text and images, even movies along the lines of today's e-readers but far cheaper to mass produce and eventually as disposable as today's newspapers are. E-paper literally would be revolutionary in applications from small post-it notes to literally whole sides of buildings. It literally heralds a revolution in all aspects of flexible materials such as clothing.

Home use 3D Printers - 2013 - Waste Recycling 3D Printers - 2017.

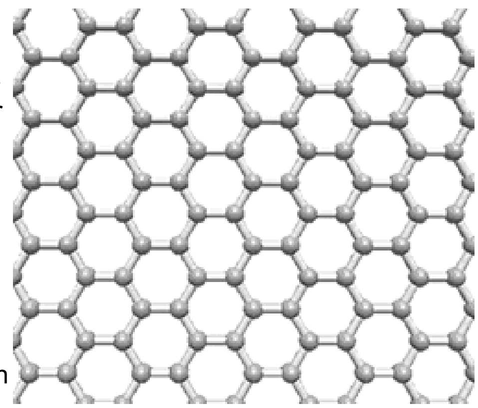
The media is all a buzz with 3d printers as the next big technological revolution as prices tumble to below £1,500 for the most basic models. You hear much about the next industrial revolution being people setting up factories in their garages to print off downloaded digital designs of whatever the market demands.

Whilst, I can clearly see some use for 3d printers by DIY enthusiasts who instead of using wood, metal and plastics use 3D printing for their one off projects. However, I cannot imagine ever buying products made by 3d printers sold on amazon or ebay as the quality even by the higher end £20,000 3d printers appears inferior to far cheaper to produce factory equivalents. So either 3D printing needs many, many more years to develop or as I suspect it is going to replicate 3D TV's in never living up to the hype that surrounds it today.

So I just do not see 3d printers being a significant player in the next technological revolution as it will likely be superceded by far more superior technology such as nano-tech due to the cost of materials involved i.e. approx £60 for 1kg of plastic. Instead in a few years time I will probably pick up for a cheap 3d printer to use as a DIY tool for household repairs.

However there is a possibility that 3d printers could take off if the 3d printers are able to utilise the plastic bottles that we all throw out in the trash virtually every day. That would completely shift the economics of the home 3d printer debate if printers are developed that are able to use household waste as materials at low energy consumption rates along the lines of a TV or desktop PC rather than of a microwave.

Graphene - 2017



The wonder super strong and super light carbon material discovered less than 10 years ago is X100 stronger the steel and more conductive then copper has all the ingredients to revolutionise many industries from construction, to computing and to the manufacture of virtually every product we use on a daily basis into stronger and lighter equivalents.

Nano Technology - 2023

Don't confuse nano-tech with the use of nano for various products such as the ipod nano, simply put 1 nano is 1 millionth of a millimetre in length.

Nano technology is building machines and structure on the nano-scale. The nano-tech revolution is still some time away in terms of nano machines, perhaps as long as 10 years as it will require cheap super strong and thin materials such as Graphene to construct the nano machines and structures from, but when it does come it will change the world, the applications are near endless as these miniature factories will literally be programmed to do anything from floating around our bloodstream's repairing age related damage to manufacturing in intricate detail anything we choose in our very homes, making virtually all factories redundant.

Home Fitness - 2017

I can imagine a world were we take a pill that compels us to exercise, amongst the fitness freaks and body building there are already a string of caffeine based (legal) stimulants out there that help in the quest to get and stay fit.

Investing Bottom line

Of all of the above technologies the two that I deem to offer the best probability for huge profits in terms of investing over the coming decade are Graphene and Bio-tech due to the nature of these industries that grant immense profitability to patent holders as costs for the production of for the likes of graphene is set to tumble to 1/1000 that of today's cost. Whilst the industrialisation of the internet will result in huge productivity gains, however it will be difficult to profit from its drivers due to competition. The best bets here are probably existing internet infrastructure building firms. E-Paper is also promising but there are likely to be many competing technologies until one wins out so it does not offer the same opportunity in terms of potential profit.

Eventually I can see nano-tech taking off as a consequence of cheap graphene material and we will come to see ourselves living in the Graphene Age, a world populated with graphene nano-machines. ADD Bio-tech to the equation and I can imagine super strong and super light Graphene based life-forms emerging that will literally change the nature of our planet

In terms of which stocks to pick, well history shows that the most profitable companies are not the inventors of technologies but those that are better able to market them to consumers, for instance Apple, Google and Microsoft have invented NOTHING, they took what someone else had already developed and improved on it and released the products into the market with a great deal of marketing spin. So hunting for those obscure small cap tek stocks may not prove profitable as others effectively steal future technological developments from them.

Similarly many of the emerging technologies such as Graphene are materials that will benefit existing businesses with large R&D departments to further develop existing products, such as Intel and other chip makers making processors out of Graphene instead of silicon.

Readers looking for me to name stocks will be disappointed, but I never give small cap stock picks for two reasons -

1. Small cap stock picks can move the price, and I do not want to be associated with such activity which is rampant on the internet as it amounts to nothing more than abuse of the reader.

2. Small cap stocks are extreme high risk. When I invest, I understand the risk that I am taking on, whilst as a reader you will have your own perception of the risk being presented which will likely be different to mine, and that it is not quantifiable 'WHEN' the payback will actually take place i.e. when dealing with new technologies such as nano-tech it could be anywhere from 3 years to 23 years!

However, some such as augmented reality I can conclude appears imminent i.e. 2013/2014 will likely witness the start of an augmented technological revolution which in the first instance will be along the lines of Google's Glass, which given this Tek giants track record is likely to prove highly successful. This is a case of Google beating its competitors such as Apple and Microsoft, which means both Apple and Microsoft will soon be announcing their own augmented reality glasses.

How to Profit from The Next Technological Revolutions

Educate Yourselves

As your reading an investment orientated ebook you would assume that the place to look to profit from the next series of industrial revolutions is by investing in companies exposed to such technologies such as identifying companies that are going to SUPPLY the equipment for home labs and production infrastructure that could become the next mega-corporations in ten years time.

However, if you really want to truly profit from the next series of technological revolutions, including investing in companies then you need to immerse yourselves fully into these technologies for it is only then that you will truly understand what it is that your seeking to invest in and thus increase the probability for successful investing by having a better understanding of when to enter and when to exit, otherwise you will just be investing blind.

As an example virtually everyone knew that the 1990's dot com bubble was going to burst, but some knew better than others, i.e. those that actually understood that the technology of 2000 could never deliver what many of the companies were promising to deliver at that time.

Personally, the primary technologies that I am seeking to immerse myself in are for the industrialisation of the internet, bio-tech and artificial intelligence. We all have thoughts in mind of how if only we had certain small gadgets that we could make our lives far easier, more competitive in work and play, and as we meet our own needs, we can look towards the possibilities of problems solved having a wider commercial appeal.

If your thinking of setting up your own business in the future, then the time to educate yourself is NOW and get a several years head start on your future competitors.

Internet Industrialisation

The next 10 years is going to increasingly see consumer and more importantly business devices become hard wired to the internet which will result in quantum leaps in human productivity. It is up to you to learn the potential avenues that will soon start to become available from the rental of factory machines for production of goods, to existing professions such as doctors making use of intelligent machines such as diagnostic tools such as MRI machines. The scope for application for the industrialisation of the internet is literally endless as are the machines that businesses use each day.

Artificial Intelligence

Artificial intelligence goes hand in hand with programming, where it's most relevant manifestation is in neural network applications that can be applied to any task. In terms of personal application clearly I would apply such technology towards learning chart patterns.

AI will be a major home use industry as people will seek to augment their own intelligence with artificial intelligence that take up the burden of processing the increasingly vast amounts of data that the information age tends to produce. As an example of practical applications - we all have our PC's jam packed full of un-indexed photos and videos that we never get around to cataloging, instead a relatively simple AI application could automatically identify and catalog all of the videos and images we take.

Another useful AI function would be to act as augmented memories by logging and cataloging a whole host of our daily activities including voice and images and video so that we can refer to them at a later date again via an easily interpretable AI interface. We already have the precursor to this with our smartphone's that act as memories as they contain voice, video and images that we record each day, again it is a matter of intelligently automatically processing all of this data into an easily accessible system.

Another AI increase in productivity will in self drive cars which has already been in development for over a decade that will allow us to use our rush hour traffic queues productively.

The bottom line is that we will start to see generic AI applications emerge that we will be able to tailor to our own personal requirements starting with PC's and then moving onto smart phones. It also means those involved in jobs such as call centres will soon start to be replaced by far more efficient AI expert systems.

Robots

Going hand in hand with AI will be robots that will increasingly be able to do mundane tasks around our homes and our work places. Though this is still well over a decade away before capabilities and costs are at a level where we start having robot workers around the house.

Your Own Bio-Tec Lab

This revolution is IMMINENT, many reading this ebook will over the the next few years set-up their own home bio-tech lab's.

The starting point is in producing our own variety of plants that are generically engineered to fulfill specific niches for our gardens. The point is that out of this soup of hundreds of thousands if not millions of small bio-tek labs will emerge many bio-tech giants.

Your garage will become the laboratory of today and the factory of the future.

Over the past 30 years many of today's internet and computer software / hardware giants started up form very humble beginnings in peoples garages and bedrooms such as Apple, Microsoft, Google etc.

This trend of home grown business taking over the world is about to take an exponential leap forward as laboratories and manufacturing factories will not be located thousand of miles away in China but right in peoples garages as the next phase of the West's multiple technological revolutions takes place over the coming decades.

So instead of asking me which tek stock to buy, its time to clear your garage of all that junk (sell it on ebay) and prepare yourselves to join in a series of technological advances, and who' knows one of you reading this may be the spark that lit the fuse on the next mega-corporation.

The Home Solar Energy Revolution

People in the UK and much of the rest of the western world have been busy during recent years installing solar panels on their roofs to benefit from free energy and feed back tariffs, unfortunately much of the technology that has been deployed is more than 30 years old.

Instead emerging solar technologies relying on graphene and nano technology are likely to make much of today's installs quickly obsolete as we move from panels that are typically about 12% efficient in converting sunlight into energy to not only what will be more efficient but come as paints rather than fixed panels. I.e. you could paint whole sides of your home and roof to become a giant solar collector rather than fix heavy panels to suitable area's of your roof.

This would prove to be far cheaper to produce and install and generate many times more electricity thus making homes even in the sunless UK into mini power station's that export most of what they generate back to the national grid and solve the global energy crisis.

What's more these solar paints will appear no different to any of today's external paints in use to day, perhaps even transparent so we will have all of the gains without paying any price in terms of impact on the look of our properties.

So first prepare for energy self reliance from nano-tech solar paints for sides of houses to transparent films for windows, and then seek to set-up businesses to profit from marketing the products to to others in what will amount to a solar energy paint's gold rush as all of today's solar installations are ripped out and replaced with far more efficient nano-technology.

The bottom line is that in my strong opinion the likes of Niall Ferguson are wrong on China and the West, the consequences of which are that most people will completely miss the soon to unfold mega-trends until they sit up a decade form now and wonder " Why the hell didn't I invest in graphene 10 years ago!"

The answer is always that you are constantly being bombarded with mainstream media slush who's purpose is to keep you sedated all the way to the clash of civilisations, and I don't mean East vs West but rather Humanity vs Machine Intelligence.

Augmented Reality

As covered earlier, the first mass market practical augmented reality product is due to arrive this year (2013). This offers the possibility for acting as a replacement for many of the functions of a smartphone whilst opening up infinitely more productivity increasing possibilities.

Google is a giant and where google goes soon its fellow giant competitors such as Samsung, Apple and Microsoft will also follow.

As is usually the case the first versions will be primitive and not live up to the media hype in terms of the heads up display, so perhaps it would be better to wait for Google Glass v2 that I expect to come out towards the end of 2014.

Any drawbacks to Google Glass? In one word - ADVERTISING - Take annoying web browser advertising pop ups and then have them pop up in front your eyes as you browse shops, walk down the street. Then there are the issues still to be resolved around distracting pedestrians AND drivers!

Graphene

It's still early days to see how ordinary people will be able to make use this super strong and super conductive material especially given its current high price. However, we all already have easy access to graphene from our graphite pencils. We can draw out graphene sheets from graphite pencils by simply drawing with pencils then using sellotape to pull layers of graphene sheets away. And then continue to using strips of sellotape on the sellotaped sample to make the graphene layers thinner and thinner.

The Bottom Line

That you are only going to have a high probability of success of profiting from the emerging technologies both in terms of investing in companies and profiting form your own business activities as well as boosting your personal day to day productivity if you have a deep practical personal understanding of these technologies otherwise you are just going to playing pin the tail on the donkey in terms of picking stocks and likely to be sucked into media marketing hypes rather that which is actually likely to prove profitable. Similarly you will find your business out competed by others who have taken advantage of the productivity gains that new technologies will represent.

Stock Market Crash Investing Lessons

The Great Stock Market Crash of 1987 saw the Dow crash by 508 points, 22% in a single days trading that still echo's through time just as the 1929 Great Crash (10% drop) echo's to make their presence felt each October that acts to reinforce the seasonal tendency for Octobers to be a negative month for stocks.

The Great Crash of 1987 destroyed investor confidence that had been built up to fever pitch during the preceding 5 year long bull market. Investors were at that point ripe to be suckered into expectations for a replay of the 1930's Great Depression and stock market collapse scenario that is always bubbling away, waiting to strike AFTER each crash, to claim that financial armageddon has finally arrived.

Unfortunately for terrified investors who mistakenly fell for the doom mantra would have not only missed out on the greatest bull market in history but possibly seen their wealth disappear during the subsequent 12 years as they bet against it, only to finally to realise too late that the perma bear mantra was wrong as they eventually succumbed to the euphoria of the final stages of the dot com bubble, but then to once more be wiped out on the subsequent crash that the doom merchants would claim to have forewarned off when the truth is that the doom mantra would have bankrupted all many times over during the preceding decade.

What is the Lesson of not just 1987 Crash but ALL Crashes and Bear markets?

The facts are if you had BOUGHT on the day following the crash of 1987 you would have made a return of 666% by now (13343 / 1740) or 26% per year BEFORE dividends, which is set against an average Inflation rate of 3%, and same holds true for if you had invested at any point following the 1929 crash!

- Dow 1929 Peak 381
- Down 1932 Bottom 41

Today's Dow 14,000. What is 14,000 divided by 381 ? What is 14,00 divided by 41 ?

What are the trend trajectories off either the 1929 bull market high or the 1932, 1987 low ? Where do the trend trajectories imply the Dow will be in 5,10, 20, 40, 80 years time ? Significantly Higher or lower ? If there is a constant battle between Deflation and Inflation then why is this not reflected in the general stock market indices such as the Dow? It is because as I have explained at length over the past 4 years in well over 100 articles and several ebook's that the general stock market indices are locked into an inflationary exponential growth spiral, as corporate revenues and earnings (profits) are leveraged to rising commodity and consumer prices (fuelled by perpetual money printing currency debasement) AKA the INFLATION MEGA-TREND (ebook free download), trends of which are further enhanced by expanding profit margins as a consequence of increasing worker productivity as technological advances are taking place exponentially, for instance today's smartphone has more processing power than the whole United States had 50 years ago! And the technological advances over the next 50 years will be exponentially greater! i.e. In about 30 years a computing device on your person will have more processing power than that of the entire United States today! Think about that for a moment. You may argue that companies go bust thus this cannot be be so ? Yes, companies do go bust, but they get thrown out of the general stock market indices long before they disappear into history and replaced by EARNINGS GROWING companies, a fact that apparently fails to register in the consciousness of deflationistas' who place theory and models of what SHOULD happen over the REAL world of experience what actually takes place in investor portfolios. The bottom line is that there is no battle between deflation and inflation because deflation only exists in the minds of ivory tower academics or other vested interests that are paid to pump out economic propaganda to keep populations sedated as to the consequences of the ever present Inflation Mega-trend, where anything less than 2% annual compounding of official inflation (that is significantly lower than the real rate of inflation that people experience) is deemed to be bad therefore supportive of the fiat currency money printing system that all governments are engaged in utilising to enable then to spend monies they do not have by conjuring money out of thin air to buy votes.

And the same holds true for most western developed general stock market indices. Now before you play pick and mix with indices, know that my analysis is focused primarily on the Dow and FTSE where the trend for these can be extrapolated to other general stock indices such as the S&P 500 and not sectors which new technologies can make redundant.

Knowing these facts gives one a head start on most investors that let themselves get caught up by the media hype and sales pitches of perma doom merchants. Contrary to the vague utterances of media whores, whose commentary with the benefit of hindsight can be interpreted towards any outcome, the reality is that significant investments can only be entered into on under the basis of firm conviction's of rewards far out weighing the potential risks, i.e. to invest when stocks are cheap where the risk is that stocks could get cheaper - March 2009 - Stealth Bull Market Follows Stocks Bear Market Bottom at Dow 6,470). Subsequent price action spanning many months and even years does effect risk vs reward which is what investors should be focused upon, and not the media whores or perma-fools of whatever persuasion.

Trading the Great Crash of 1987

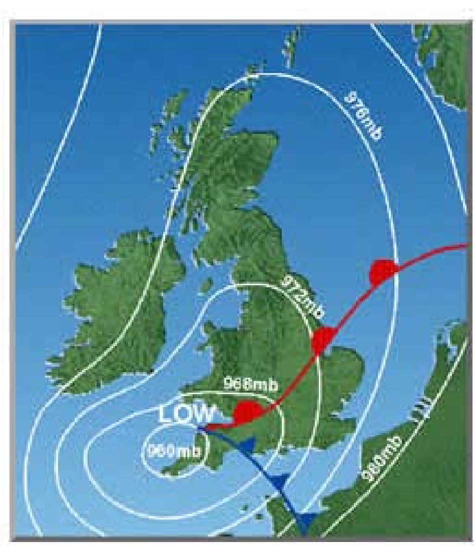
In 1987 the stock futures markets were in the infancy, where markets such as that for the Dow Jones index not formerly in existence. The only way a small time trader such as myself could gain exposure to such markets was via the likes of IG Index, spread book maker, which offered the facility of trading the futures markets at an affordable level of risk.

The key elements were - a. Small position sizes of as little as £2 per point, b. all of the commission was included in the spread between the buying and selling price and c. IG offered guaranteed stop losses, so that the risk was absolutely controlled, at a little extra cost included in the spread. Stop losses are a critical element of successful trading, as you have to know when you are wrong and the best way is for the market to tell you that you are wrong by stopping you out of your position.

Pre- 1987 Crash - The Great Storm Hits Southern England !

Thursday 15th October - Michael Fish is a Weather Man

I remember watching Michael Fish the BBC weatherman late Thursday night, he said. *"Earlier on today, apparently, a woman rang the BBC and said she heard there was a hurricane on the way; well, if you're watching, don't worry, there isn't."* Well that statement has haunted the Mr Fish ever since and is a good lasting memory imprint from 1987.



My analysis had expected an up day and therefore the initial position was for the Dow to rally, this was stopped out with a loss of £165. Later in the session I took a chart trigger to go long again which I closed out with a profit of £100, so I ended the day with a small loss of £65. However the earlier downtrend had weakened the Dow and risked a break below the Sept 07 low.

With the winds buffeting the house, some 180 miles north of central london, I eventually decided that tomorrow would be a strong down day for the FTSE given the brewing storm, both weather and financial.

Friday 16th October - The Hurricane Hit Southern England

The News reporting was full of the devastation in the South of England with power cuts in many areas. Also much of the city failed to report to work and hence the UK financial markets were not fully operational.

I called IG index up, half expecting no one to pick up and was pleasantly surprised that they were open for business ! Whilst I waited for the Dow Jones to make up its mind on whether it wants to break the Sept low, I shorted the FTSE twice during the day with the expectation that the unexpected storm would drive stock markets lower, and exited prior to the close with two profit trades of £305 and £30.

I was alarmed by the sell off in the Dow which closed Friday sharply lower, not only decidedly breaking the September low, but the downtrend appeared to be accelerating.

I spent the whole of Friday and Saturday contemplating the change in market behaviour and it slowly dawned on me by Sunday that the market was going to crash ! Being isolated from market commentators, I was not aware of the reasons of why it should crash rather that the Market's character had changed.

I was kicking myself for closing the two short FTSE positions by Fridays close! For I concluded that if it was now obvious to me, a newbie to trading that the stock market was going to crash on Monday then it must be obvious to everyone else in the world ! I.e. the experienced futures and stock traders ? Therefore the futures would discount the crash and therefore how can I make any money by shorting the market on Monday's open?

Anyway after resigning myself to more or less having missed the boat, I had decided that I would see if its worth shorting the market on the open, hopefully the futures will not be discounting too much of a drop, may be a hundred points from the spot indices would still enable me to profit from the anticipated stock market crash.

Monday October 19th, 1987 - Stock Market Crash - Pay Day !

Tell me Why I Like Black Mondays

I saw the FTSE open sharply lower, down about 100 points, I sighed and called IG Index and asked for the futures prices, expecting bad news that the futures would be discounting drops of several hundred points for both the FTSE and Dow, but they were NOT ! They were discounting barely a 50 point drop from the spot indices which meant that the market was NOT expecting a stock market crash! I immediately sold the Dow Short at 2247 and the FTSE Short at 2147.

Mid-day (UK Time)- I called the broker and moved the stop losses to lock in profits, which with IG Index means freeing the money for use in further positions. The FTSE was down over 200 points by now with little difference between spot and futures prices so I shorted the FTSE some more at a price of 2047.

2.40pm - Wall Street opens - Well tries to open but the stocks are not opening due to the volume of selling therefore for a while the Dow Jones index is giving a false price of only having fallen a few points, the lull before the storm ? I give IG a ring to find what prices they are offering with a view to shorting some more.:

"Hi could you give me a price for November Dow Please ?"

"Yes Sir, It is trading at 2045"

"Good, I would like to sell to open £5 at 2045, with a 50 point stop"

" You want to sell ?"

"Yes Sell", maybe he thought I was already too heavily short ? Perhaps people were to scared to short the Dow ? I don't know, but the impression I got was of surprise.on the other end of a line.

So that was my fourth short opened for the day at 2045, meanwhile the actual Dow Jones spot indication was down only 50 points at about 2,200 due to slow opening of individual stocks against the actual futures nearly 150 points lower !

7.40pm - The Dow is now down about 300 points,having rallied from about 340 down about 10 minutes earlier. Having watched the market for the last 5 hours, I get the feel that its gearing up for another bout of selling towards being 400 down, so wanting to sell more I give IG Index a call.

"Hi, can you give me a price for November Dow please".

"Mr Walayat, we are only accepting orders to CLOSE "

Damn !!! On a £10 per point I could have made another grand on the target of 400 down by the close.

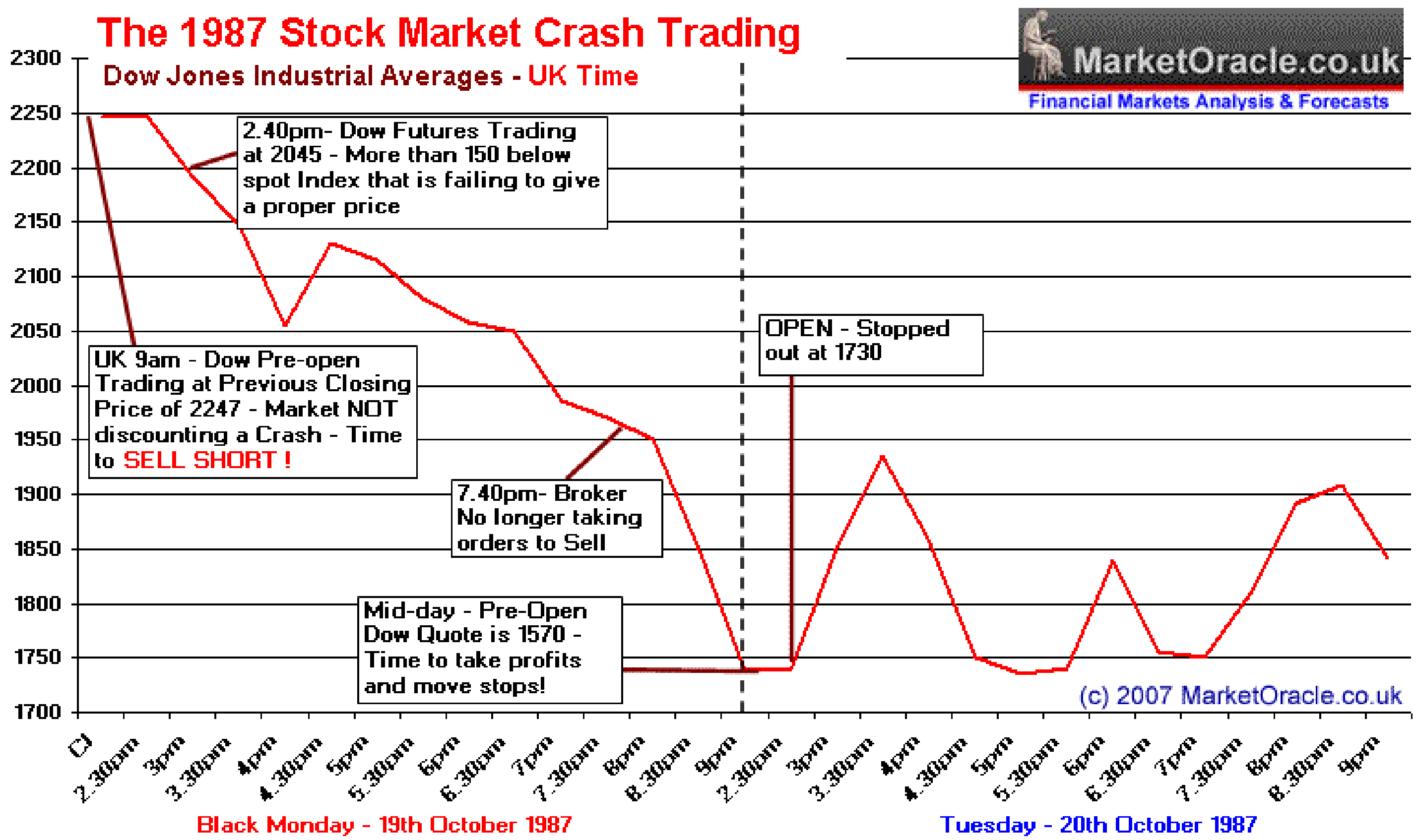
8pm - The Dow is hovering around 300 points down with an hour to go, this is nail biting time! - I can't stand this as I cannot sell short any more and and I do not want to liquidate, so I go out out for a drive and return when the US markets have closed at 9pm.

9pm - BBC 9'0 Clock News - Dow Jones closes down 508 points at 1739 !!! cough, cough splutter, 508 , FIVE HUNDRED AND EIGHT POINTS !!

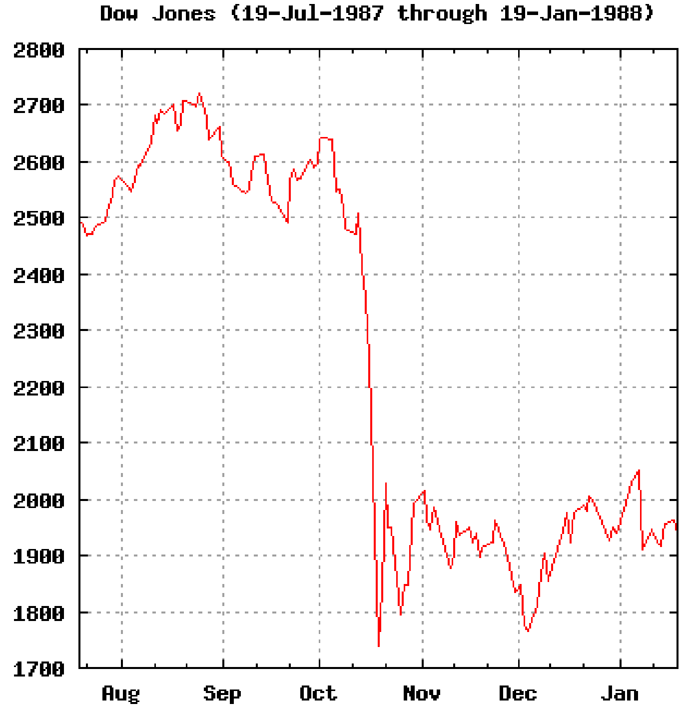
Wow ! I am rich ! rich, RICH - How much ? £14,000 at least ! From an account balance of £700 to £14000 in one day ! Okay in today's money £14,000 is not a lot to shout about, but to a 19 year old in 1987, £14,000 was an enormous amount of money especially as it was made in one day ! As an example I could have bought a terraced house in the street for about £14,000!

Now what to do next ? No time or inclination for sleep, I need to work out what to do tomorrow as clearly the FTSE is going to open sharply lower! This looks like a complete and utter collapse of the financial system - 508 points down ! Not in my wildest imagination could I see the Dow Jones closing down 508 points, this crash is bigger than that of 1929! Which was about 10%, not 22% in one day!

I decide to close the positions tomorrow during the morning, I have made the paper profits and now to lock them in.



Tuesday 20th October 1987 - Big Bounce Day



The FTSE opens sharply lower and trades down by over 200 points by mid-day. Having watched the market trend lower, and having withheld on my decision to liquidate any of the positions thus far, I am absolutely exhausted by now due to not having slept in over 24 hours and actually starting to get dizzy so I give the broker a call to get some prices with the aim of liquidating all of the positions whilst I am still mentally able to do so without starting to hallucinate figment price action!

IG is giving me a quote of 1720 for the FTSE and 1570 for the Dow 30. These are excellent prices, so I decide to close the larger Dow position at 1570. And move the stops on the other three positions. I set the FTSE position stops at 1790 and 1800, and the remaining Dow short position stop at 1730, i.e. just below last nights close, and 160 points above the current futures price.

Wall Street Opens Sharply Higher and I am stopped out of all positions. Exhausted, I was off to bed.

The Outcome

In financial terms, I made a profit of about £12,300 virtually overnight. In EGO terms the increase was much larger!, I was off floating into fantasy land of becoming a millionaire by the time I hit 20 !

Following the stock market crash speculation was rife that some of the financial institutions may go bust , worried that my new found wealth my evaporate I withdrew more than 50% of the funds on account on the 23rd of October 1987.

An Historic Marker is SET

Of all that has come to pass during the subsequent 25 years of my trading life, one major advantage I have had that many traders have not is a clear marker against which to compare methodology and trading psychology. It may not have always been clear with so many holy grails of trading and analysis floating out there, but I have always had the option of referring back to what I KNOW with CERTAINTY that actually works.

Proof

Okay so you have read my account of trading the 1987 Crash and are now probably wondering, how about some proof? Well in that regard see the scan of the 1987 contract statement from IG Index -http://www.marketoracle.co.uk/images/IG_Index_October_87_statement.jpg

The Real Secrets of Successful Trading

For at least the past 5 years I have wanted to write a book on the real secrets of successful trading but have never found the time to get around to doing so. However I have alluded to where the secret lies many times, in articles and more specifically in comments. The most notable of which is suggesting those wanting to learn the real secret of successful trading should watch the early 1980's film Excalibur, for the seed for their own light bulb moment.

The Excalibur movie is the 1980's replay of the King Arthur myth focused on the hunt for the holy grail, (I think I first watched this movie in 1983). That should perk your interest because most traders very early on in their trading careers are convinced and easily seduced by the search for the holy grail of trading, even more so today where the internet is full of a multitude of competing holy grails out to hook traders into handing over huge sums of money for the privileged for learning.

However, I have had several advantages over today's traders in my early years such as there was no internet, no smart phones, and the local library shelves bare of trading books so there was nothing to pollute my understanding of markets and trading unlike the case today where traders of all abilities can easily find themselves drowning in an ocean of various holy churches of Technical Analysis of tools, methodologies and theories. Neither was I immersed in a reinforcing trading culture as many today find themselves at the heart of the worlds major financial market trading cities such as London, New York and Chicago. Instead, I found myself trading in the back waters of far distant from the centres of the financial world, a blank canvas with no access to the consensus view of how one should trade or interpret markets.

The movie Excalibur planted the seed that germinated into an important element involved in the development of my trading methodology that ultimately was able to even beat the Great Crash of 1987 that claimed many traders in its midst's. Not because I was somehow special but because I literally traded in a bubble that was filled with the likes of Excalibur and Chaos Theory, and NOT TA, and as long as I remained in that isolated bubble I was immune to the effects of the holy Churches of TA whose missionaries are always eager to seek conversion of others for a fee on promises of untold riches, that in my opinion amounts to nothing more than a sales industry geared towards selling what does not actually work as I illustrated earlier.

Excalibur Light Bulb Moment - The Real Secret of Successful Trading

What is the message from the arthurian myth, what is the message of Excalibur?

Grail Figure: What is the secret of the Grail? Who does it serve? Perceval: You, my lord. Grail Figure: Who am I? Perceval: You are my lord and king. You are Arthur. Grail Figure: Have you found the secret that I have lost? Perceval: Yes. You and the land are one.

Do you understand ? Maybe you need to watch the movie to understand that YOU are the Grail!

I am tempted to diverge here and extend the scope of this light bulb moment far beyond the realms of trading, but you are probably not ready for that so will stick to trading. Now you understand what 90% of traders fail to understand during a lifetime of trading, as they remain on a constant hunt for the holy grail of trading where it seems to be a search for ever more complexity as being the answer, when instead the exact opposite is true, as Perceval discovered during his quest, the answer exists within you and not anywhere else!

If you want to succeed in trading then pick the simplest tools such as basic trend analysis, use hand drawn charts and practice its application in a real-time trading environment and not only will you start to make money but it will literally become easier over time as you become expert in its application, as you reinforce your brain with the successful patterns of behaviour in interpreting the market price action. All with the added bonus that you need not worry yourself about latest great theory or technical tool that is about to be published.

Pick one market and monitor / trade that market only.

Use hand drawn charts to get close to the price, draw open high,low,close graphs for the daily, weekly and monthly charts and you will learn more about the markets you are trading then from any book or trading course.

The Real Secrets of Successful Trading

1. That you don't need to know ANY Technical Analysis to Trade

2. That you don't need to read ANY Trading Book to Learn to Trade. Do not invest yourself in Trading theory, for KNOWLEDGE is not the goal of trading! It does not matter if you ever heard of Gann or Elliott that will only seek to confuse and corrupt how you think and act. The only thing that matters is that you are able to grow your trading account!

3. To focus on trading Only ONE market.

4. To learn to imprint the price action into your mind through concentrated practice, anything that gets in the way of this process will NOT help you trade i.e. the hundreds of technical indicators because you are supposed to be trading the PRICE, and NOT the indicator! So when the indicator says one thing and the Price says something different then you will be CONFUSED, so forget ALL trading indicators and focus on just the Price.

5. The Holy Grail of Trading is YOU. Not any theory or tool or trading service - But How YOU REACT to Price Movements in REAL TIME.

6. Money Management is a Critical Real Secret to Successful Trading - Using Stops, Limits and Moving them in your FAVOUR as prices move in real-time. Your sole objective is to bank profits and let losses be stopped out short. If you have any doubts about a trade then you EXIT. It is not rocket science it is trading with determination of Gain vs Loss, Plus vs Minus, nothing more!

Market Forecasts

At about this point you are probably asking what about the forecasts?

Forecasting plays little role in trading, a shocker perhaps? But the reality is that one needs to concentrate on the current price and react to it, therefore one needs to stop second guessing the market by telling it what it should be doing which is what a forecast effectively is.

However, it is not as black and white to say that one does not forecast when when reacts to price movements in real time. For every trade entered into is on the basis of a positive outcome i.e. you are forecasting that your trade will generate a potential profit (limit) against a potential risk (stop). So in reality ALL trades are entered into on the basis of a forecast, its just that the forecast is not on the basis of analysis as positions have room to breath as stops and limits are adjusted or positions liquidated on the basis of doubt in response to subsequent price action.

Chaos Theory - Trading Market Fractals

What you have just read goes against the grain of a whole industry built around the forecasting of the financial markets, both in terms of trading and investing as well as publishing. Anyone who has put some serious time into studying chaos theory will soon realise that forecasting is not possible to the extent where there will be enough consistency for long-term profits.

I first came across the chaos theory in the early 1980's and was eager to replicate the remarkably simple code required to generate such complex and beautiful patterns such as the Julia and Mandelbrot sets. This obsession and fascination has stayed with me since, and existed long before I became aware of the financial markets. It is probably the primary reason why I trade the way I do more than anything else, as in the early years all I understood was how to react to markets as per what chaos theory had imprinted within me, I could not imagine forecasting the markets until becoming fully aware of technical analysis. Specifically elliott wave theory and Gann Analysis both of which exhibited characteristics that were found within chaos theory i.e. fractals, but are as far as I am concerned red herrings, as the Excalibur light bulb moment illustrates and chaos theory reinforces of what elliott wave theory and gann and all other technical analysis are in terms of the holy grail of market analysis and forecasting.

Today Chaos theory goes by many names, such as the 'Black Swan Events', which was coined by Nasem Taleb in his book, which I have yet to get around to reading!, but from what I have garnered it is a copy of aspects of chaos theory. Which fulfills this ages role in a more perhaps subdued manner that does not take the leap fully towards becoming a reactive mind and hence is more palatable to the technical analysis communities.

The greatest example of chaos theory at work is the butterfly effect, which I am sure you have all heard of so I won't repeat. But what it implies is that order only appears to exist even in the mega-trends such as the planetary cycles that have existed for billions of years, however in reality even that cycle could be knocked out by a minor event that took place far earlier than when the system actually breaks part. Where the markets are concerned there is no effective predictable strategy, and those theories such as elliott wave theory if used as a predictive tool are highly dangerous. Yes any tool even what is perceived as a predictive tool can be used as a reactive tool. The solution here if not overly complex is to literally have multiple counts that basically suggest any number of possible outcomes. where the tendency is to lean towards the solution that most closely resembles price movements in real time, i.e. basically reacting to price movements in a highly complex and unnecessary manner.

We have witnessed chaos theory in work in the ongoing banking crisis which has effectively tipped the worlds system into a new era which means that the rules of what worked during the credit boom no longer apply. Our butterfly effect was clearly when the markets were liberated from regulation in the UK this probably dates back to the 1986 big bang, so the instability in the systems have been allowed to grow unnoticed until they reached a tipping point when literally the banking system fell over the edge of a cliff.

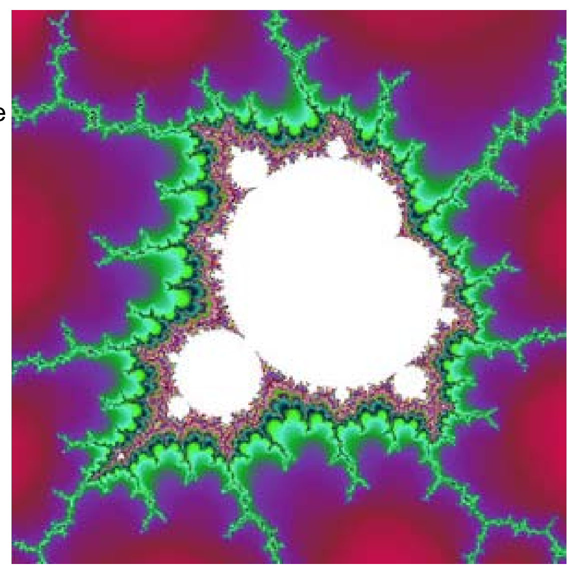
The goal of forecasts is to -

a. Identify and run with the trends for as long as they persist.
b. To identify the tipping points that literally change everything regardless of the fundamentals for the butterfly effect insures that the actual instability had entered the system long before the system fails to react to 'fundamentals'. It is this that enables me to realise turning points despite the weight of fundamental and technical evidence suggesting the opposite to be true at that time i.e. today's UK and US housing bull markets as of early this year that I have yet to write up because there is scant evidence in data that they actually exist, hence embryonic bull markets.

Why then Forecast if it's of little use in Trading ?

Whilst forecasting may not play a conscious role in trading, however that is not so for investing, where investments have their basis on accumulating into mega-trend scenarios such as the Inflation Mega-trend, Peak Oil, Demographics, Food crisis etc.

Analysis and forecast acts as a road maps against which to gauge an unfolding scenarios strength or weakness so as to know whether to distribute or accumulate into when for instance when a bull market is overbought or oversold. This is something that I have highlighted countless times to readers of my forecasts but I don't think people generally take notice of what am I saying in this respect that the forecast is not as important as what the market does relative to the forecast, as this gives an ongoing indicator of market strength or weakness against a snapshot of preceding perception of what the market should do.

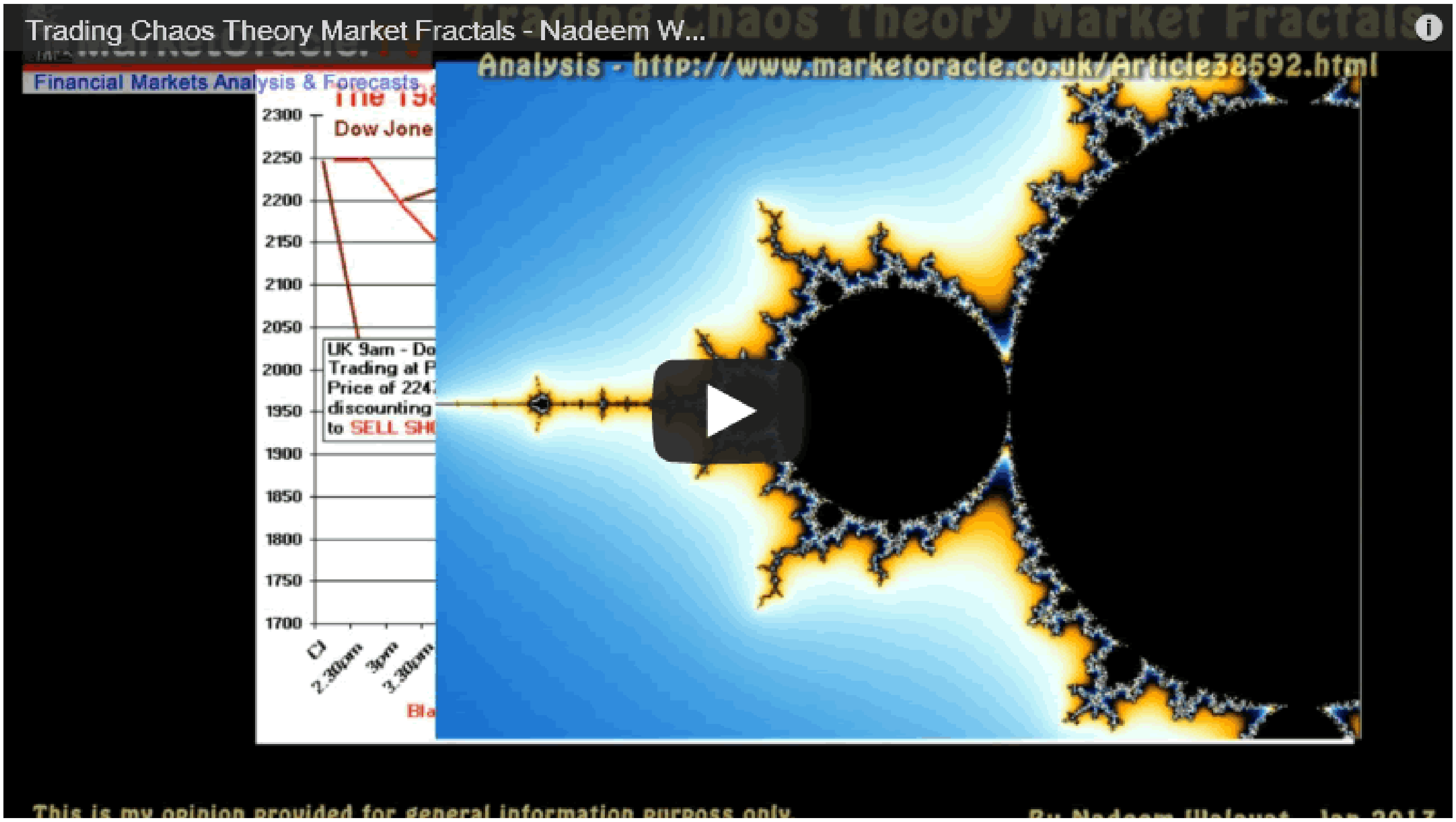


If you are having trouble grasping the concept of reacting to price movements then I suggest get a few books on chaos theory, and perhaps also get some freely available chaos programs that draw the mandelbrot and julia sets, and then you will start to realise the way systems actually behave and thus change the way you perceive markets.

In a continuation of my series on how to interpret and trade the Financial Markets (as opposed to forecast), specifically building upon [Stock Market Crash Investing Lessons and the Real Secrets of Successful Trading] that summarised the key elements of trading in terms of reacting to price movements in real time.

However, I will not not seek to reinvent the wheel by explaining what chaos theory is and its developmental history. So if you do not know anything about chaos theory then you best browse the internet first for chaos theory and fractals or better still read one of the many books published on the subject. In terms of suggesting a book, I can only refer to the last book I read on this subject which was well over 20 years ago - James Gleicks *"Chaos: Making a New Science"*. Fortunately you only really need one good book to get a solid grounding in chaos theory i.e. it is not necessarily to stuff your bookshelf full of books on chaos theory and fractals.

Another suggestion would be to play around with the Mandelbrot and Julia sets for which many websites have sprung up over the years that enable one to experience what fractals are without having to buy or write programs to generate them which is even possible with the likes of Excel,or take a look at the video version of this article.



Are Elliott Wave's Chaos Theory?

Whilst there are many elements to chaos theory, my focus that grew out of studying the Julia and Mandelbrot sets was fractals. In that clearly the stock and other market price action resembles fractal structures as the same structure appears to repeat on ALL time frames. At the time it seemed that Elliott Wave and Chaos theory were very similar of not the same thing, in that Elliott Waves are the fractals for market price action that appear to on ALL time frames as discovered in the 1930's by RN Elliott which was decades before Mandelbrot appeared on the scene.

However on spending many, many years going down this path I concluded that Elliott Waves and Chaos Theory are NOT the same. Elliott Wave theory is something ELSE, yes, it resembles Chaos Theory i.e. Fractals, but it is not Chaos theory Fractals.

Again they look very similar but in a way Chaos Theory is Elliott Waves without having to know the WAVES! That may sound confusing but that is actually how it is. In Chaos Theory all one would know is What is Impulse and What is Corrective, and that is it! None of the 5th of the 5th of the 5th or ABC or the rest matter, just Impulse or Corrective. Which is probably what many experienced elliotticians eventually conclude without ever having ventured into chaos theory that at the end of the day the only thing that matters is Impulse or Corrective and not What Elliott Wave implies i.e. that Stocks 1987 peak was the final 5th of the 5th of the 5th and then so were each of the subsequent bull market peaks right into the present days bull market.

Fractal Theory

In a way Chaos Theory should really have been called Fractal Theory, because rather than chaos i.e. randomness it actually implies order and structure, and that structure is found in fractals.

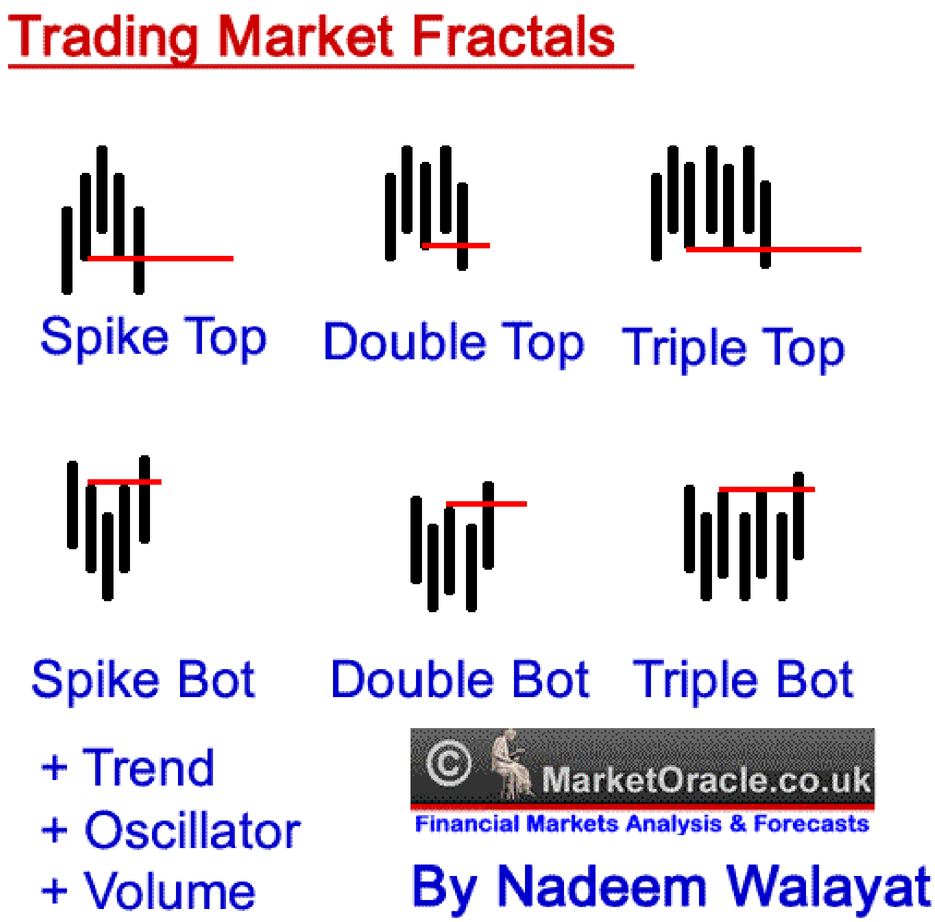
The point about Fractals is that they give you a window into probabilities for price action on ALL market levels, i.e. hourly, daily, weekly, monthly, even yearly. I.e. fractals are akin to flexible pattern recognition, simple patterns that repeat and result in high probabilities given certain conditions which in themselves are flexible, so it unlike traditional chart patterns such as Head and Shoulders, the interpretation of market fractals is dependant upon changing conditions, such as trend, cycles, and volume.

What are Market Fractals ?

Simply put Market fractals are trend changes. A trend change is either a reversal of the Impulse trend or an end of the Corrective trend on ANY time frame.

Fractal Patterns

Fractal patterns are not complicated, you already know the more common ones, such as spike, double and triple tops and bottoms that occur on ALL time frames, what you don't know or have not studied are the conditions that increase their probabilities for particular markets at particular points in time, such as volume, preceding trend, and momentum oscillators (I use the MACD) once you factor these into the equation amongst your TRIGGER (Fractal) increases in probability exponentially, as it reduces the instances of its occurrence. Still it does requires HARD WORK for the market one trades to identify the current TRIGGERS (Fractals), especially when one starts going down the path of fractals of fractals i.e. in this example, a double top plus double top fractal.



Trading Fractals

It all boils down to practice, knowing current fractal patterns and having them engrained in your mind, and then you WAIT for the FRACTAL TRIGGERS, and REACT in real time, just as as you trade traditional price patterns such as double and triple tops as identified in real time. Fractal triggers are not limited to Bar charts, as you can use other types of charts, my preference is for swing charts as illustrated in "How to Trade Commodities" by WD Gann (not to confuse with the rest of his work which in my opinion is a red herring).

Once you understand that Chaos Theory comprises fractals that give a high probability of an outcome given x, y,z condition then one starts to see fractals EVERYWHERE, for fractals ARE Nature. It is how our universe is constructed on every level, we are living in an unfolding fractal universe, nothing is fixed, everything is in motion, if you understand this then you will now know more truth than anything you will find in any ancient superstition.

The bottom line is this, that there is no black or white, no holy grail, everything has its basis in how we interpret the world around us is be it markets or the wider environment, fractals appear to offer the best window into a better interpretation of the world in our time, until the next innovation comes along.

About the Author

Born in 1968 in the city of Rotherham, UK. Nadeem Walayat became one of the original computer geek's of the late 1970's before the term was applied to computer enthusiasts, owning his first computer a ZX80 in 1980 and soon thereafter set up his first software company in 1983 at the age of 15, writing machine code utilities for the Dragon 32 computer under the company name of Pegasus Software Services, which he later changed to Walayat Software and Network Systems (Walsoft).

Nadeem went on to discover the financial markets during 1985 and began trading the stock market in 1986, having discovered the means to trade commodity futures and more importantly stock indices such as the Dow Jones via spread bet trading in late 1986 thus triggering a 25+ year trading career which has seen many highs and lows including having beaten the 1987 Stock Market Crash.

Apart from being an active trader, Nadeem continued his professional development and worked as a corporate accountant for 15 years until 2008, as well as remaining an active programmer for more than 30 years, hopping from programming language to programming language as information technologies have evolved.

By 2005, Nadeem's 20 year trading experience and 30 year programming experience afforded him the opportunity to develop the Market Oracle website with the primary objective of freely sharing his analysis, trading ideas and methodologies, which has gone on to become one Britain's most popular totally Free quality resource for economic & financial markets analysis and debate on the internet that continues to constantly evolve towards becoming one of the worlds key quality free financial market analysis hubs.

He currently resides in Sheffield, England with his wife, three children , and remains fully focused on trading and sharing of his analysis as a firmly private person who shuns the media spot light. His most recent analysis can be viewed at walayatstreet.com

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