

## SEPTEMBER 2016 ISSUE

Charts Speak Louder Than Words!  
 Read notes above each chart to get a  
 feel of where each asset type is headed.

This month we are pleased to provide this new newsletter format. It contains more analysis, forecasts and is more visual based for easy understanding of what is happening across all asset classes. Charts Speak Louder Than Words!

The first image shows two cycles, the blue cycle is the stock market cycle that shows which sectors typically outperform during specific times of bull and bear markets in stocks. Here you will see that during the late stages of a bull market the safe haven plays become the preferred choice for investors – Energy and Precious Metals which is what we have seen of late.

Typically, the stock market tops before the economic (business) yellow cycle. Why? Because savvy investors can see earnings starting to slow thus share prices will fall as investors see weakness in companies. The highly educated market participants start selling shares before the masses realize what is happening. The stock market usually moves 6-12 months before the economic cycle.



## S&P 500 Monthly Chart – 7-8 Year Cycle

The SP500 index (US Stock Market) has not yet exited its up trend. It can be argued that the stock market is either in a stage 3 topping phase based on the fact that leading indicators and fundamental data show broad market weakness.

The major trend line on the chart below has been broken. Our INNER-Market Analysis tell us to be sitting in cash and to get ready to short the market. We can profit from falling prices while the vast majority of individuals see their life savings (long term investments) get cut in half.

We do fear a global economic collapse is possible which we talk about in our [ETF Trading Newsletter – TheGoldAndOilGuy](#). Recently we started trading some commodities like JO (Coffee ETF) and are looking at other commodities like natural gas as another long term play. On the other hand, we have done exceptionally good trading small/mid cap stocks like VUZI for quick explosive gains. This stock jumped up over 11% in less than two days with our [Stock Trading Newsletter](#).



## S&P 500 Quarterly Chart – BIGGER PICTURE

This chart provides a great perspective on the overall market trend and price patterns. This is the 70-year historical chart. I hope something like this unfolds. Fingers crossed to a nominal 12 month correction/bear market. This will build a new base for the next super cycle.

At this point in time we feel a much larger correction is likely to happen because of all the financial engineering and corruption that has taken place, but knowing what the market could do (super cycle) is important as it eliminates a market bias and conviction of what we feel the next major trend will be. We follow the market as trading and investors, not tell it where it should move next.

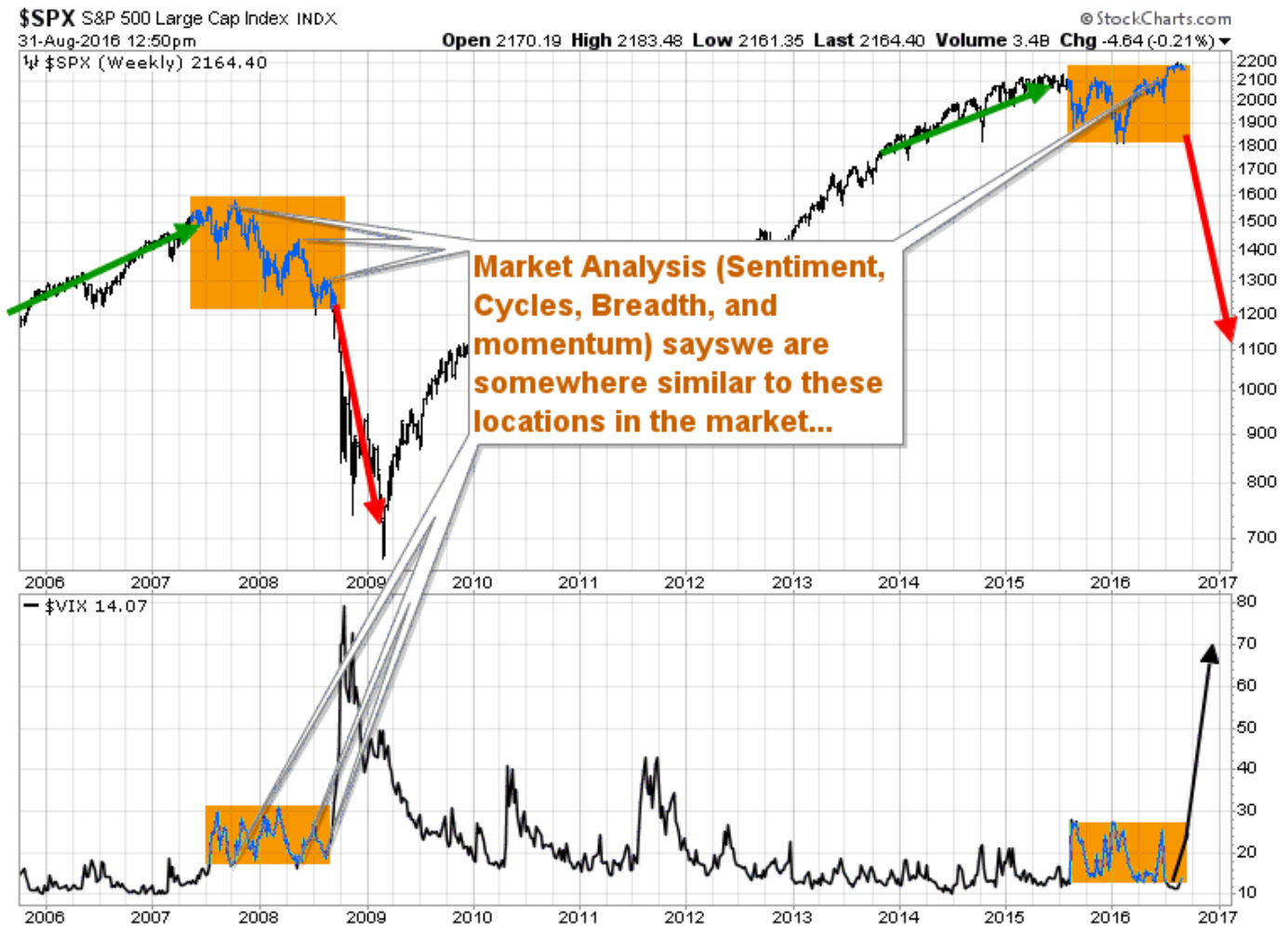
US Dollar has broken above its upper resistance trend line. We could see the dollar substantially rise in the next few months based on the BREXIT and flow of scared money into the Dollar.



## SP500 and Fear Index Paint a Negative Picture

The VIX index suggests fear is low, complacency is high, and with the SP500 becoming vulnerable to a stock market correction do to weakening market breadth (fewer stocks supporting the rally) you should be mentally prepared for a new bear market to emerge in large cap stocks.

In the chart below, we have placed the VIX index on the bottom of the chart. While overall market breadth weakens, a change in the VIX level provides an early warning sign of potential danger.



## Large Cap Stocks VS Bonds Signal Market Top

Here is a chart that we have followed for years. The important areas to look at are the red boxes where the price of bonds start a new uptrend by breaking above the dotted black line. Everytime this has happened in the past a bear market soon followed.

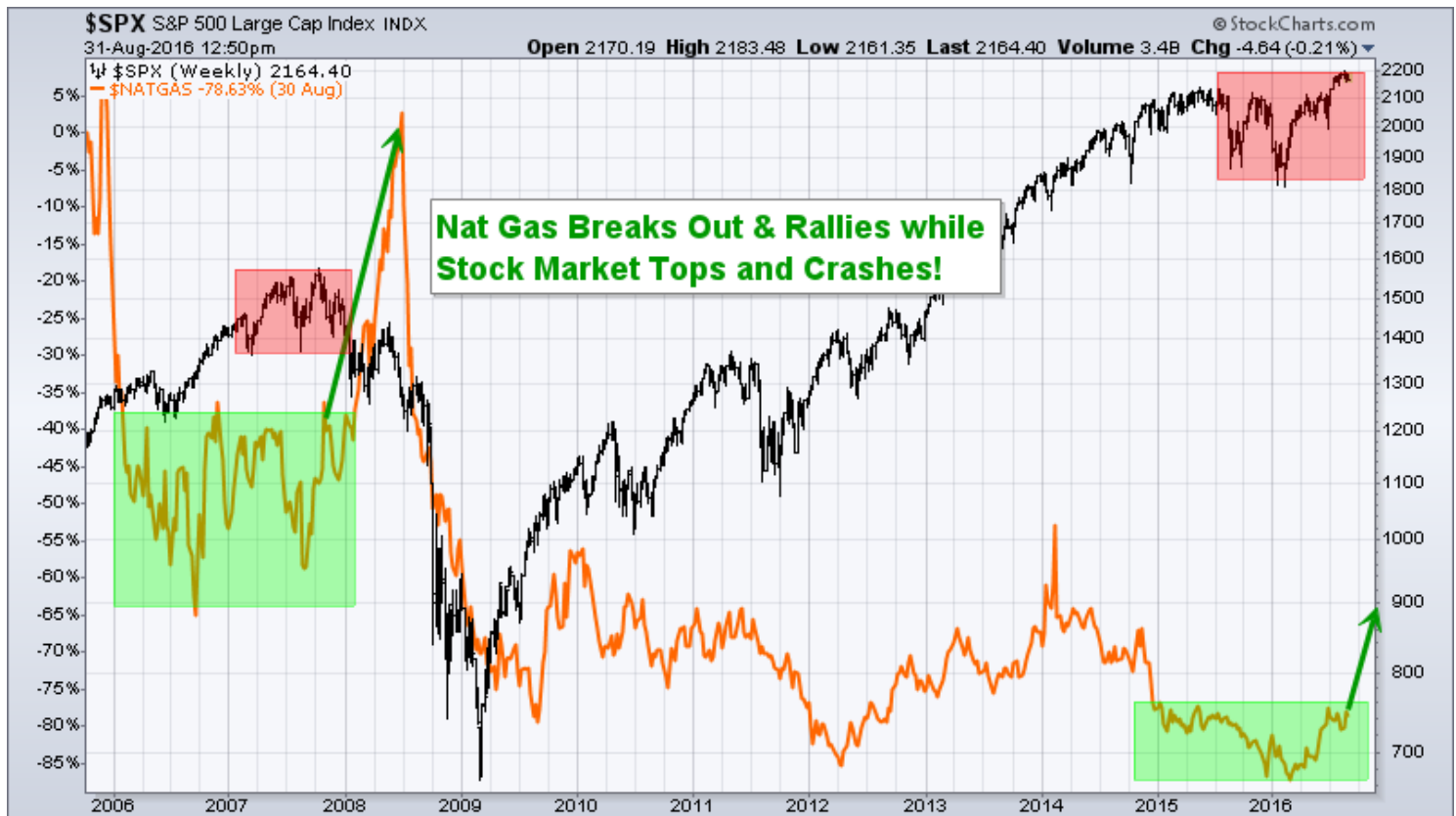
Smart money/institutions/hedge funds are secretly funneling into bonds and out of equities in order to avoid the next major sell off in stocks to preserve capital.



## Physical Assets Become Safe Havens

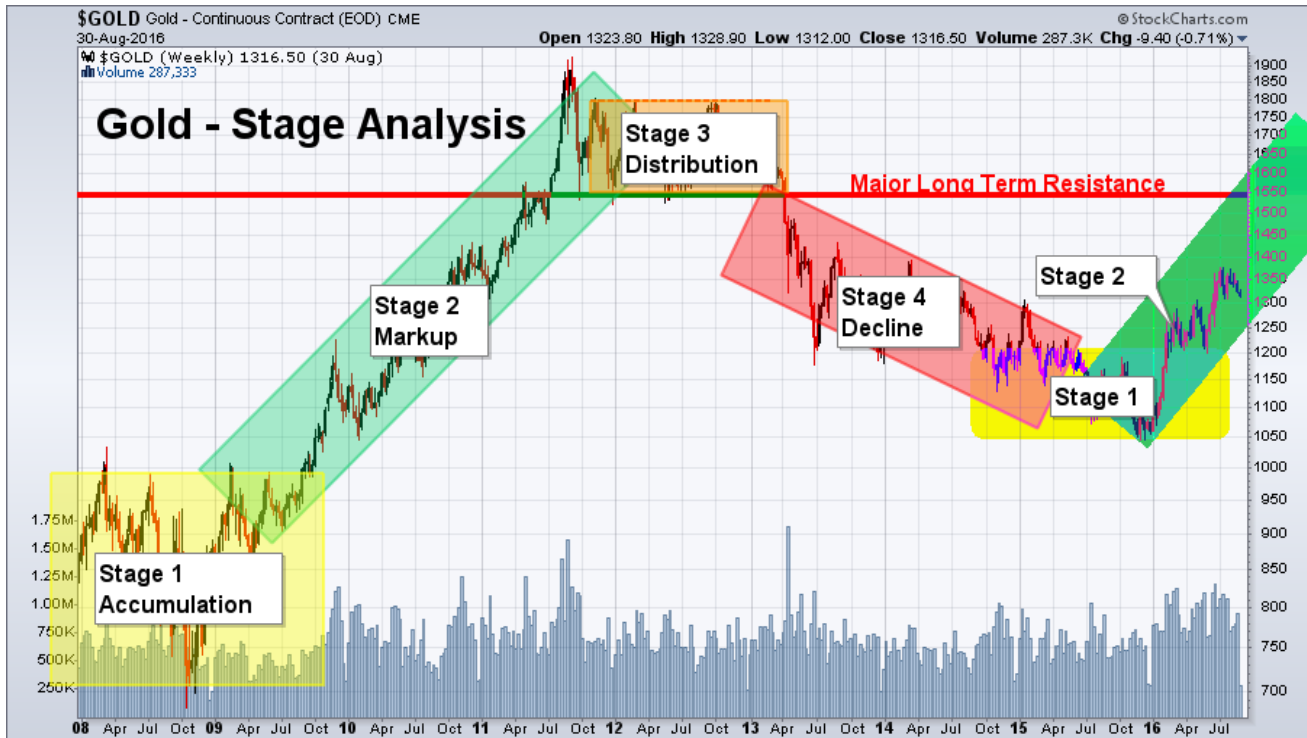
Chart below you can see how natural gas has performed during the last staged of a bull market in stocks. Typically, commodities outperform the stock market during the last stages of a bull market and early stages of a bear market.

Natural gas looks to to have formed a stage 1 basing pattern and is building up energy for a breaking and rally.



## Precious Metals Are Strong and Will get Stronger

Charts below show you the new bull market in gold along with silver and mining stocks. Overall, they have posted strong rallies and should continue to rocket higher, but in the near term we have a pullback/correction taking place before the next run higher.



## Gold Mining Stocks Hit Resistance and Correct



### INNER-Investor Monthly Conclusion:

In short, most of the major asset types (stocks, bonds, precious metals, commodities) are going through a major trend change. These major trend changes take time months and some cases years to fully reverse.

During times like this trading and investing is slow and its tough to generate substantial gains. The good news is that many of these major reversals are starting to complete and opportunities are starting to popup on the radar.

Sincerely,  
Chris Vermeulen

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