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Intra-Week *ALERT* for Wednesday – Jan. 8, 2020

"The 90/10 Rule, Weekly & Monthly Extremes and Gold"

Gold has gone through a textbook, parabolic surge - another perfect manifestation of the *90/10 Rule of Cycles* (where 80 - 90% of a price move occurs during the final 10 - 20% of a cycle).

In this case, that refers to an intermediate move stemming from when Gold bottomed in mid-Nov. while fulfilling multiple factors that made it a likely '4th' wave low prior to a '5th' wave advance.

[This particular wave count only refers to the 5-wave advance stemming from the Sept. '18 low and does NOT indicate a final multi-year or even multi-quarter peak in Gold. It doesn't even guarantee a multi-month peak, although that is a possibility.]

While surging into the convergence of a 36-week low (Dec. 11 - 15, '17) - low (Aug. 18 - 22, '18) - low (Apr. 22 - 26, '19) - high (**Jan. 6 - 10, '20**) *Cycle Progression* as well as an ~18-week/~4-month low-high-(high) *Cycle Progression* - on **Jan. 6 - 10** - Gold & Silver attacked their weekly *LHRs* on Dec. 27, reinforcing that a blow-off top should take hold in the following 2 - 3 weeks.

Silver held that weekly *LHR* while Gold closed above it, reinforcing the unfolding acceleration that would likely yield a final surge. Both also generated weekly trend signals that identified **Jan. 6 - 10** as a prime candidate for an intermediate peak. Neither was yet done…

As the month of January began, Gold had one more extreme which - if tested and held - would reinforce the likelihood for a higher magnitude peak in the ensuing 2 - 3 months (**March 2020**??). Its monthly *LHR* (extreme upside target for **Jan. '20**) aligned at **1604.9/GCG**. - an extreme target generated from the Nov. '19 low (**1453.1/GCG**) and Dec. '19 high (**1529.0/GCG**).

As Iranian missiles rained down on Iraqi/US military bases last night, Gold spiked up to this extreme target and then quickly reversed lower. At least on a multi-week basis, that is a likely peak.

This reveals some important (add'l) clues regarding **Jan. - March '20** even as cycles in other markets could corroborate (and could even identify when future 'events' could unfold & roil various markets)…

STOCK INDICES repeated their ~30 & ~60-degree/day cycle pattern, spiking sharply lower in the opening days of the new month BUT not turning their intra-month or daily trends down. Most indexes spiked down to rising daily *21 MAC*s and daily *HLS* levels before reversing higher.

The Nasdaq 100 already turned its intra-month trend up but the Dow & S+P 500 would need to generate daily closes above **28,872/DJIA** & **3263.5/ESH** (and **10,994/DJTA**) to turn their respective intra-month trends up and project additional upside into mid-month.

Contrasting that are expectations for at least a 1 - 2 month peak in **Jan. 2020** - fulfilling a ~16-month low (Oct. '14) - low (Jan. '16) - low (May '17) - high (Sept. '18) - high (**Jan. 2020**) AND an ~8-month low (Jan. '16) - low (Sept. '16) - low (May '17) - high (Jan. '18) - high (Sept. '18) - high (May '19) - high (**Jan. 2020**) *Cycle Progression*.

If that high stretches into the second half of **Jan. '20**, it would also mimic how 2018 began - the latest phase of the *2-Year Cycle*. In that case (and several prior instances on a two-year interval), it led to a sharp sell-off into **early-Feb**. That *2-Year Cycle* provided great clarity in Sept./Oct. '18, including this analysis:

9-26-18 - *"One of the most consistent cycles in equity markets is an approximate 2-Year Cycle (accounting for similar consistency in a corresponding 4-Year Cycle and even 8-Year Cycle).*

This 2-Year Cycle has multiple facets, including the timing of related moves at a ~24-month interval. This is more likely when the market has been in a similar trend for several years.

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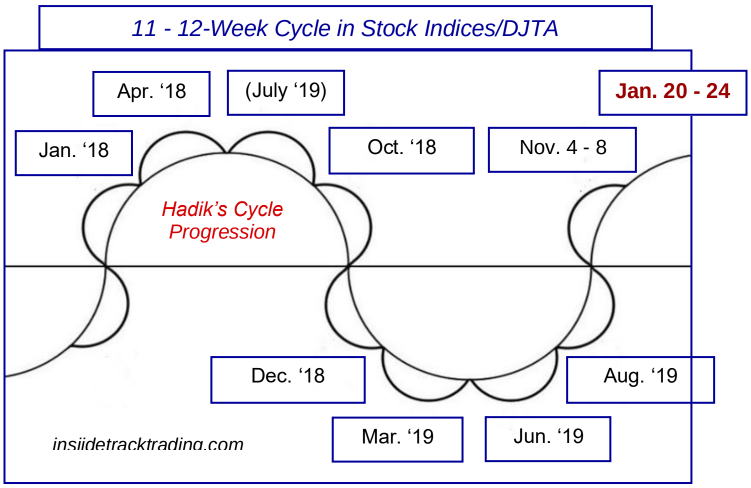

In many instances, those similar moves will be on progressively higher or lower degrees (magnitudes) due to the progression of higher and lower magnitude waves.

A perfect example involved the following sequence on a 2-year interval:

*- A moderate sell-off that bottomed on **Feb. 3 - 12**, 2014 (~1250/DJIA points or about a 7.5% decline).*

*- A sell-off of one larger degree that bottomed on **Feb. 3 - 12**, 2016 (~2500/DJIA points or about a 14% decline)*

*- A sell-off of one larger degree that bottomed on **Feb. 3 - 12**, 2018 (~3250/DJIA points or about a 12% decline).*

*Previously, the DJIA also had a decline of 900 points or 8.3% that bottomed on **Feb. 3 - 12**, 2010."*

*Could the pattern repeat in **Jan./Feb. 2020**?* At least one other cycle lends some credence to this scenario. It is the 11 - 12 week cycle that has governed action in the DJ Transports throughout the past two years, beginning with that Jan. '18 peak.

The next cycle in that sequence (illustrated on this page) is expected to be a subsequent high and comes into play on **Jan. 20 - 24** (**Jan. 27 - 31**, at the latest) - when another 1 - 2 month peak is expected.

There are other (general) similarities to early-2018. 2017 was an up year, interrupted by a multi-week sell-off in Aug. '17. *2019 was similar*.

In 2017, that uptrend resumed and carried stocks higher into Jan. 15 - 26, '18 before undergoing a sharp, 2 - 4 week drop into early-Feb. '18.

In **2019/2020**, stocks resumed their uptrend after fulfilling late-Aug. '19 cycle lows and could extend a final peak into the second half of **January '20**… before experiencing a quick, sharp drop into **early-Feb. '20**.

Since a January peak could come at any time (it would *ideally* wait until later in the month, but does not have to), it is important to know where key short-term trends would provide related warnings.

In the case of the intra-month trends, the Indexes are considered positive (since that is their prevailing trend) until daily closes below **28,418/DJIA**, **3206.0/ESH** & **8723/NQH** (and **10,745/DJTA**).

BONDS & NOTES spiked up to weekly resistance levels and reversed lower, reinforcing the potential for a new sell-off after a quick, sharp rally. (Bonds & Notes would need to close above their early-Dec. highs - **160-13/USH** & **130-04/TYH** - to alter that).

While doing that, Bonds failed to close above **158-11/USH** - leaving them in a daily downtrend and reinforcing the likelihood for a new decline to begin after **Jan. 7**. It would take daily closes below **155-05/USH** & **128-05/TYH** to turn the intra-month trends down and confirm this scenario.

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1 - 4 week traders could have been holding the remaining half of long positions in March 10-Year Notes futures (from ~128-16) and should have exited these at 129-19/TYH - when the 19/32 trailing stop was triggered - w/avg. gains of about $1,050/contract.

The other 1/2 should have been exited at 129-10/TYH w/avg. gains of about $800/contract, resulting in an overall avg. gain of $925/contract for the entire position.

The **DOLLAR INDEX** has rallied since fulfilling analysis for a sell-off from late-Nov. into late-Dec. - the latest phase of a ~50-week low-low-low-(low) *Cycle Progression* and a corroborating low-low-low-(low) *Cycle Progression* connecting intermediate lows set in late-June, late-Aug. & late-Oct.

That was forecast to spur a rebound into **Jan. 6 - 10** - the latest phase of a 14-week high-low-low-high-(high) *Cycle Progression* and a developing ~6-week low-high-(high) *Cycle Progression*. The Dollar has done that but turned its intra-month trend up in the process.

That could ultimately spur additional upside, but only if the daily trend can also turn up. It would take a daily close above **97.04/DXH** to accomplish that. The Dollar Index has rallied right to weekly & monthly resistance, as well as its weekly *LHR* (**97.05/DXH**), so tomorrow could be a decisive day.

The **Euro** has sold off since rallying to within a few ticks of its **1.1300/ECH** intermediate upside target, retesting its weekly trend reversal point (**1.1291/ECH**) as it fulfilled cycles projecting a peak on **Dec. 30/31**.

It has turned its daily & intra-month trends down while closing below its daily *21 MAC* - a channel that could turn down in the coming days now that the inversely-correlated daily *21 MARC* will surge for 5 trading days.

All in all, this could spur an overall decline into **Jan. 20 - 24** and back down to major support near **1.0950/EC**.

The **Yen** fulfilled the potential for a rally into **Jan. 6 - 10** - the latest phase of an 18 - 19 week cycle that should produce an intermediate peak. It spiked higher into **Jan. 8** without turning its intra-month trend up, reinforcing this scenario. It sold off sharply and turned its intra-month trend down, on today's close, corroborating that.

1 - 4 week traders could have exited short March Dollar Index futures positions last week at 96.67 w/avg. gains of about $500/contract.

BITCOIN turned its daily trend up on Jan. 6, confirming the Dec. 18 low as (at least) a 1 - 2 month bottom. That low fulfilled a 52-week/1-year/360-degree high - low - (low) *Cycle Progression* connecting major turning points at the same time of year in mid-Dec. 2017 & 2018.

At the time, it fulfilled multiple weekly *HLS* levels surrounding **6400/BTC** and some corroborating daily *HLS* levels, ushering in a likely intermediate bottom. Since it just missed reaching the ideal entry point - to re-enter new long positions - Bitcoin needed to reverse its daily trend up before it could trigger a contingent strategy. That is now the case…

1 - 2 month traders can look to enter Bitcoin long positions at 7590 down to 7140 and risk (exit on) a daily close below 6850/BTC.

GOLD & SILVER surged into **Jan. 6 - 10**, perpetuating multiple weekly *Cycle Progressions* and setting the stage for an intermediate peak (see opening comments). It would take daily closes below **1519.7/GCG** & **17.83/SIH** to turn the intra-month trends down and validate that scenario.

1 - 4 week traders could have exited the second half of long positions in Feb. Comex Gold futures w/avg. gains of about $4,500/contract - resulting in an overall avg. gain of about $4,225/contract for the entire long position.

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The **XAU** fulfilled its weekly trend buy signal (generated in mid-Oct.) by surging to new multi-year highs and the highest level since Aug. '16 - into **Dec. 31/Jan. 2**. It attacked its weekly & monthly *LHRs* while fulfilling upside targets at **105.71 - 107.14/XAU**.

It set its highest close at the upper end of that target range and spiked to within 2.0 points of **110.0** - a 1 - 2 year upside objective dating back to 2018. As a result, a multi-week peak was expected to take hold. *That was quickly confirmed last week*.

It is possible that peak fulfilled projections for a '5th' wave advance (stemming from its Sept. '18 low) into **early-2020**. Like Gold, the XAU traced out a textbook Elliott Wave formation with the Oct. low representing the '4th' wave low of an overall 5-wave advance.

The XAU's recent '4th' wave decline almost perfectly matched the magnitude of the previous '2nd' wave decline - providing additional corroboration to this wave interpretation since those two corrective waves are often of similar magnitude.

[Feb. - May '19 decline ('2nd' wave) from 80.76 to 65.85 = drop of **14.91** points. Aug.. - Oct '19 decline ('4th' wave) from 102.29 to 86.84 = drop of **15.41** points.]

Those two corrective wave lows - 65.85 & 86.84/XAU - also created a clear-cut 3 - 6 month (and wave-related) *LLH* projection at **107.83/XAU**. (86.84 - 65.85 = 20.99 / 86.84 low + additional 20.99 = **107.83/XAU**.)

That coincided with the primary Elliott Wave upside objective ('5th' wave = '1st' wave magnitude, projecting a peak around **107.01/XAU**) and was reinforced by weekly & monthly *LHR*s hit in late-Dec. and the overall ~**110.0/XAU** objective for this advance from Sept. '18.

All of that synergy, in such a tight range, helped pinpoint the XAU peak at **108.35**, with its highest daily close at **107.17/XAU**. It reversed lower - again leading Gold - and quickly turned its daily trend down. It reinforced that today, by turning its intra-month trend down.

The early-Jan. peak was/is expected to trigger a pullback into **mid-Jan**. - 90 degrees/3 months from the mid-Oct. '19 low. **~98.00/XAU** is 2 - 4 week support and could be tested as part of this correction. It would still take substantial work to confirm that the '5th' wave peak is intact, with one of the earliest signs being (if it occurred) a weekly close below **98.10/XAU**.

SOYBEANS, **CORN** & **WHEAT** pulled back with Wheat setting a short-term low on **Jan. 6** - the latest phases of both a 12-day & 24-day low-low-(??) *Cycle Progression*. All three avoided turning their intra-month trends down while pulling back to daily *21 MAC* support. As a result, rallies to new highs are still possible.

1 - 4 week traders can enter long positions in March Soybean futures at current levels and average into these down to 938.5. Exit on an intraday drop below 931.5 or a daily close below 937.5/WH.

1 - 4 week traders can enter long positions in March Wheat futures at current levels and average into these down to 546.0. Exit on an intraday drop below 538.0 or a daily close below 545.0/WH.

CRUDE OIL, **UNLEADED GAS** & **HEATING OIL** spiked higher and reversed lower without turning their intra-month trends up. Crude surged right to its weekly & monthly resistance, during the week after attacking its weekly *LHR*, and quickly sold off.

They have turned their intra-month trends down but Crude and Unleaded Gas cannot turn their daily trends down until **Jan. 10** at the earliest (trigger points not yet established). Heating Oil already turned its daily trend down, confirming an intermediate peak.

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NATURAL GAS needs a daily close above **2.188/NGG** to turn its intra-month trend up and give a very preliminary sign of an intermediate low taking hold.

Longer-term traders, hedgers and investors can begin phasing into long positions at current levels (and averaging in if it trades lower).

COTTON spiked to new highs but would not turn its intra-month trend up until a daily close above **70.10/ CTH**. Until that occurs, the chance for a multi-week correction remains high.

COFFEE continues to correct, reinforcing the potential for a drop into **mid-Jan**. by turning its daily & intra-month trends down.

SUGAR briefly spiked to new highs but would now need to close above **13.76/SBH** to turn the intra-month trend up and project any additional gains. Conversely, a daily close below **13.10/SBH** is needed to turn the intra-month trend down and project further selling.

1 - 4 week traders could have exited all long positions (entered at an avg. of 12.36/SBH) last week with an overall avg. gain of about $1,050/contract for the entire position.

LIVE CATTLE is slowly rolling over (downward) after fulfilling its 2 - 3 month upside objective at **126.50 - 127.80/LCG**. It would not turn negative, however, until a daily close below **123.80/LCG**.

LEAN HOGS completed a 2 - 3 day reactive sell-off after attacking their weekly *HLS* on Jan. 3. They would not turn their daily or intra-month trends down, however, until a daily close below **67.55/LHG**. Until that occurs, congestion remains in force and could spur a rally back to recent highs.

Please refer to the Jan. 4, 2020 ***Weekly Re-Lay*** for more detailed analysis & trading strategies on all covered markets.

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