Email 28 for 2012. Notes and links / Mr Market's next move.

Now we have seen how useful it can be to count time in degrees of a circle, monthly, the bigger picture at least. We've also seen how Gann used these counts to produce a rough guide for the year ahead. Copying this, we have ourselves actually tracked the May high and October low for this year.

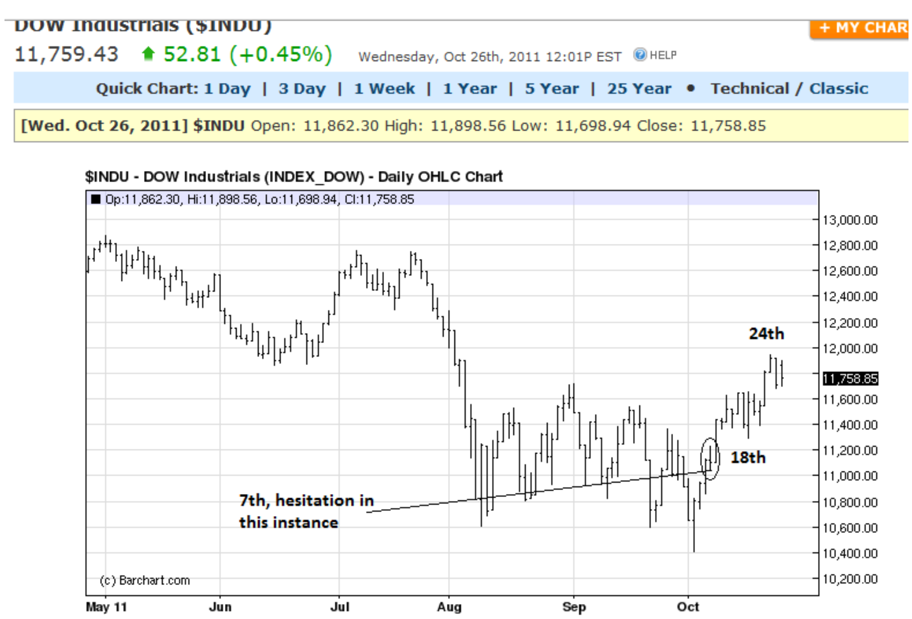
It is my opinion that US markets will continue up from here. We can rightly expect a recovery after the recent down moves, which came right on time I might add, the recovery should run 150 degrees (days) till March 4, 2012, plus or minus a week. Minus one week on that combines with Feb 24, 2012, a key date to watch. This date will see a reasonable change in trend. This may also end up the high for 2012, as there are a number of difficult aspects aligning for August 2012, (August 23rd in fact, so there is a nice piece of symmetry with February) plus the further 60 degree next movement of the Jupiter / Saturn cycle. (5 years) We will go thru this in the forecasting class for 2012.

If you did not know how I came to those dates, and want to know, you need to do our Gann course. We did actually run through some of this in the Feb class:

http://www.businesscycles.biz/classes.htm Feb 5th, 2011, annual forecasting day.

The US market is likely to move back up quite quickly as the down move was not earnings related. I highlighted this probability in email #17, page 4.

On the smaller timeframes, the daily charts, I hope that you are starting to see how markets move between the monthly Gann dates, and that it is these dates that call the shorter-term highs and lows, the changes in trend and market hesitations.



The dates we can calculate way in advance; are they to be highs or lows this is always the question.

Such time frames apply to everything actually. Note the Libyan events recently, being 60 years after the 1951 independence, 100 years since Ottoman rule, (they ruled the area from 1551 to 1911, being 360 years), Gaddafi ruled 42 years (6 cycles of 7).

We might note that the Libyans presented the newly formed US federal government with its very first foreign policy crisis between 1803 and 1806, as the Barbary Coast pirates continually attacked Western shipping. The crisis culminated in a US bombardment of Darnah, where the new 15 star US flag was eventually raised over the fortress in Darnah harbor. It is from this battle that the term star spangled banner arose. With a few additional stars, the US was again bombing Libya *exactly* 180 years later. Further emotion between these two nations can again be expected in 2015/16.

And we move on. For the remainder of the year, a real battle between the European debt issues and US company earnings. Record US corporate earnings will win out in my view, eventually. Do keep note, important banks are never permitted to fail:

David Wessel, *In fed we trust* (2010), page 22, noted:

" …'The failure of Lehman brothers should have and could have been avoided', said Lorenzo Bini Smaghi, a university of Chicago Ph. D. and a member of the European Central bank's executive board. In private, Jean-Claude Trichet, Bernanke's counterpart of the ECB said the same thing. Another ECB banker a few weeks later confided: 'We don't let banks fail. We don't even let dry cleaners fail. It never occurred to us that the Americans would let Lehman fail."

The Europeans will *not* allow a bank to fail, Greece will *not* be permitted to fail, and taxpayer money *will* be used to bail them out. It is just that European policy moves slowly, especially the French side. I know a lot about that: trying to herd Frenchmen is like trying to herd cats. Not only that, you have to supply a good lunch where endless discussion occurs, where usually an agreement takes place not to agree on anything. But I digress

Anyway, a few links with this email, #28, in mind:
In case you missed it, financial versus economic news:
http://www.barchart.com/headlines/story.php?id=1809547

In the UK:
http://www.bloomberg.com/news/2011-10-21/inter-ikea-has-billions-to-fund-u-k-homebuilding-expansion.html

Now read that article and tell me the real estate cycle isn’t turning.

"...attracted by prospects of falling land prices and forced sales..."
"Landprop doesn't need to borrow because of all the cash its parent generates..."

Falling land prices are good for the economy, except of course when banks created too much credit against this value at the top of the cycle. Which is actually the cause of the cycle. The Australian government in particular did everything possible to stop this from happening, the deflation of land values, urged on by the big banks of course. This was possible since Australia entered the downturn well after the US and UK. This behavior will stop a recession turning into a depression, but it also delays, then extends the downturn, which is what is happening in Australia presently, mining areas excepted. There is no escaping the law of rent. It will pass as China once again picks up steam.

In Australia:
http://www.smh.com.au/business/investment-set-to-balloon-to-60b-despite-european-crisis-20111023-1meds.html

As for the banks in the Australian region, estimated to report profits of $175 billion in the next two weeks:
http://www.smh.com.au/business/big-banks-to-bring-home-175bn-bacon-20111023-1mef0.html

These are big numbers for a small population. House prices are NOT going to crash there anytime soon, though they are unlikely to rise much either presently.