JULY 2016 ISSUE

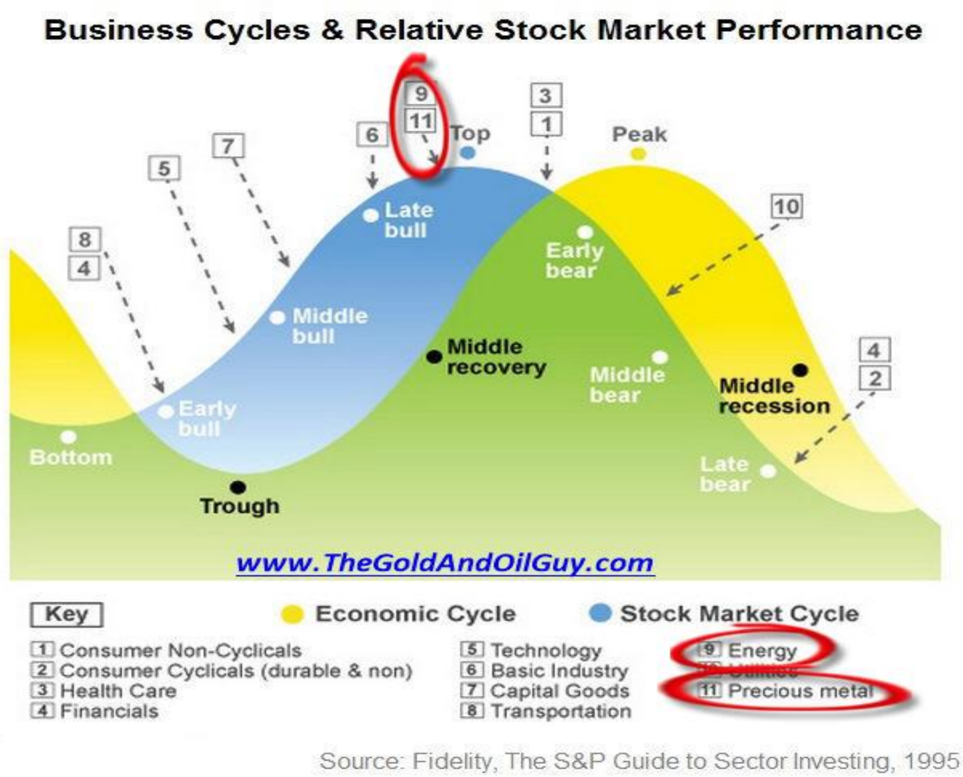
This report is similar to that of the FED minutes.
Only minor changes take place each month.

Here is this month's report on the current state of the financial markets and economic cycle.

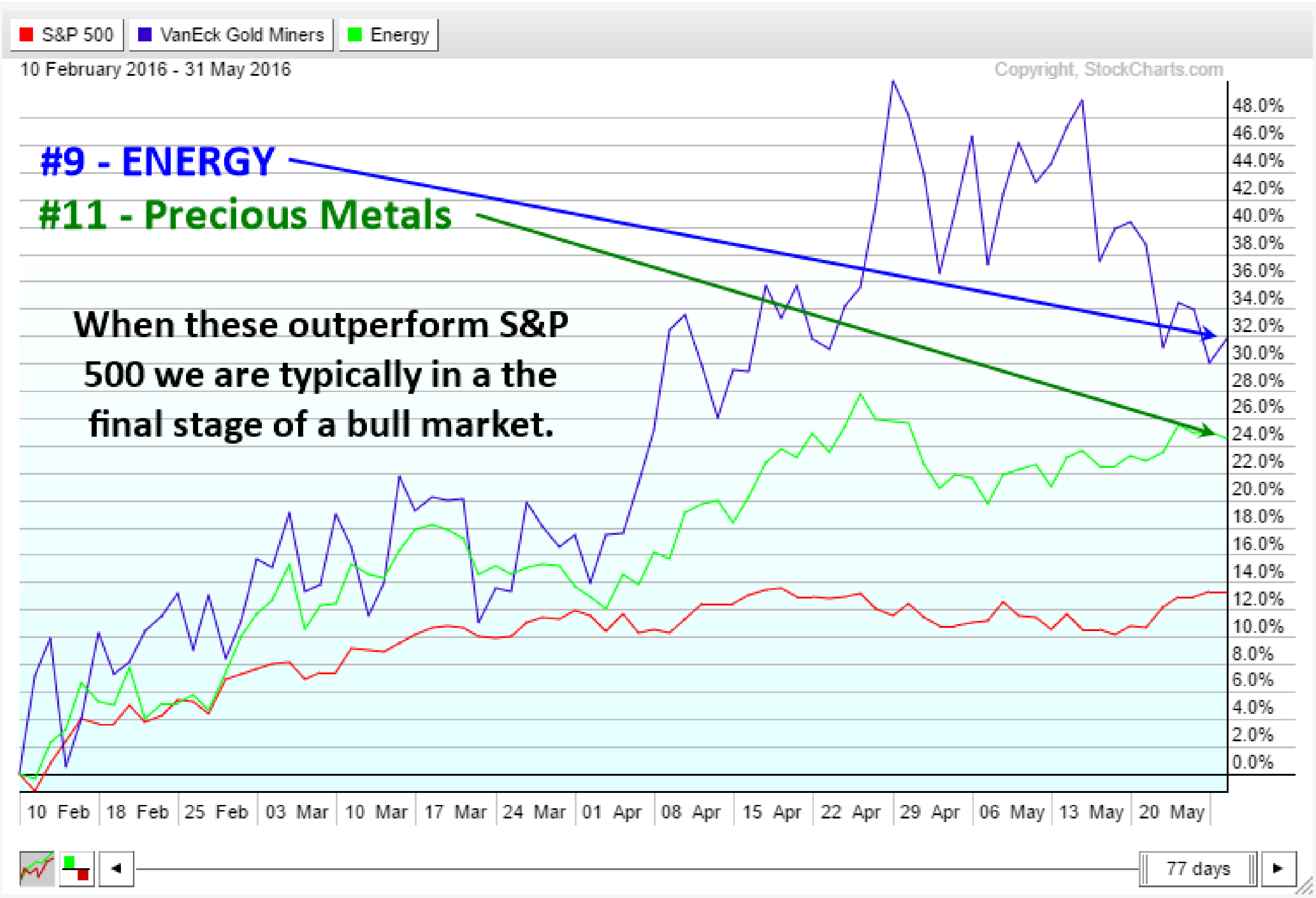
The charts below we think will help you see where the US stock market and economic cycles appear to be.

The first image shows two cycles, the blue one is the stock market cycle and which sectors typically outperform during specific times within the cycle. 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.

Typically, the stock market tops before the economic (business) cycle does. Why? Because investors can see sales starting to slow and that earnings will start to weaken and thus share prices will fall as investors start selling their shares. The highly educated market participants start selling shares before the masses see that the economy is weakening. The stock market usually moves 3-9 months before the economic cycle.



Stock Market Topping According to Sector Analysis



My Wave Count – My Educated Guess

When we look for wave counts or legs in the market we like to use more than just price. We look into things deeper and use the market internals, volume flows, and overall market sentiment during those times. In order for us to count them as a major wave/leg they must all be screaming extreme FEAR by market participants.

Fear is much easier to read and time than greed. So based on waves of fear and I can plot my 5 key waves in the market. By doing this, I feel it provides a more accurate reading of significant highs and lows for our analysis.

See analysis below for a visual… BUT REMEMBER:

Our Wave Count Based On Emotions & Price

In short, the current market analysis, in our opinion, is very bearish and this could actually be the ultimate last opportunity to get short the market near the highs before US large cap stocks dive into a full blown bear market in the next 3-5 months.

The market is trying VERY hard to convince us that it wants to go higher as it flirts with the recent highs for its second time in the past 8 months. We know it is doing its job because so many traders and investors are changing their tune from bearish to SUPER BULLISH.

We don’t see it that way JUST yet, but it could happen as the market can do and will do whatever it wants. But at this point all our analysis (much more than what you see here) points to substantially lower prices over the next year.

S&P 500 Monthly Chart – 7 Year Cycle

The SP500 index (US Stock Market) has now officially exited its up trend. It can be argued that the stock market is either in a stage 3 topping phase or a stage 4 decline. **Either way, it's not good for** buy and hold investors.

The major trend line on the chart below has been broken in a big way. 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 are losing money.

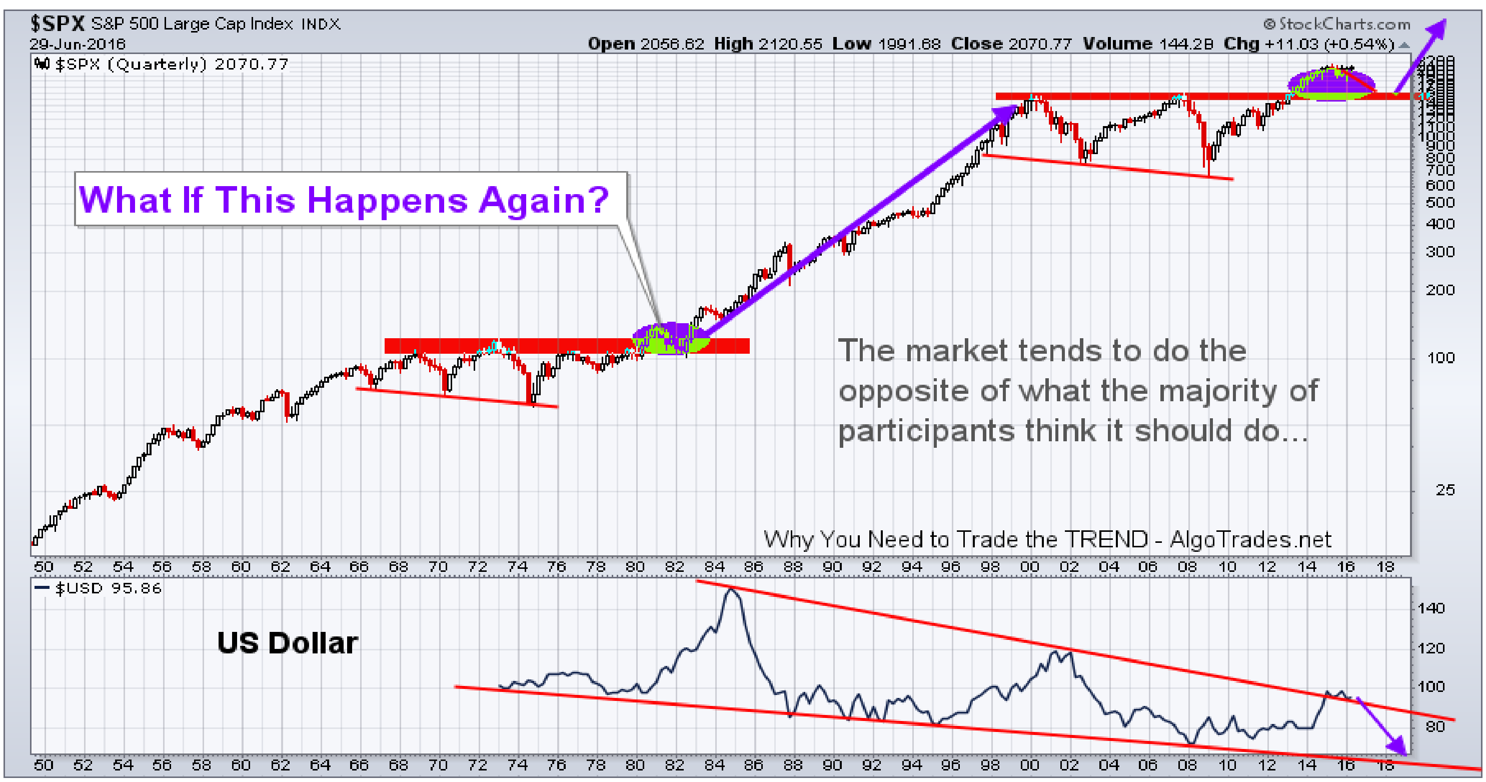
We do fear a global economic collapse is possible which we talk about in our [ETF Trading Newsletter – TheGoldAndOilGuy]. Recently we started investing in funds that will rise as the stock market falls in value. We profited nicely from falling prices in Sept with the EPV and SH inverse ETFs. If you need help with this be sure to check out our daily market video analysis and ETF trades [here].

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, but knowing what the market could do is important to eliminate a market bias and conviction of what we feel the next major trend will be. We follow the market 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. But that could be countered with selling it Trump becomes the next president as many investors globally fear he will tear the country apart. It's going to be an exciting second half of 2016!



The Fear Index & Big Trend Analysis

The VIX index has been trading at low levels for a few years. This suggests that fear is low, complacency is high, and that SP500 is becoming vulnerable to a stock market correction.

In the chart below, we have placed the VIX index above the stocks trading above the 200 day moving average. As the number of stocks trading above the 200 day moving average falls it's telling us that fewer stocks are moving up in value while the broad market climbs. This is bearish.

This provides a great visual of how falling markets correlate with investor fears. While overall market breadth remains strong, a change in the VIX often provides an early warning sign of potential danger.

The Fear Index & Big Trend Analysis

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 followed.

Smart money is flowing into bonds and out of equites in order to avoid the next major sell off in stocks to preserve capital.

INNER-Investor Monthly Conclusion:

A while back we wrote a post called "The Collapse of Global Trade". This detailed article and charts clearly paints a picture of just how week the global economy is. In fact, depending how you look at it, it's weaker than it was in 2008 when the last bear market started.

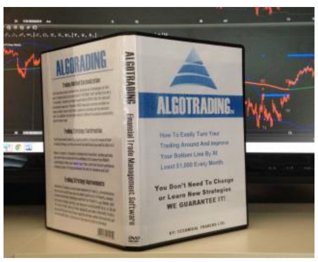
The stock market typically falls 3-7 times faster than it rises, which means we can make more money, and make it faster during a falling market than a rising market. Now that the up trend has started to flatten and turn down we should be building a net short position in stocks and be long the safe havens like metals and bonds.

Sincerely,

Chris Vermeulen

If someone passed this newsletter on to you via email you can subscribe to it by going here: http://www.algotrades.net/monthly-investor-report/

OTHER TRADING EDUCATIONAL MATERIALS



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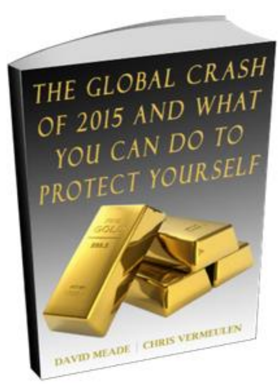

A Sudden Collapse In Equities Is On The Way!

It is more critical than ever in our history to hedge against an economic collapse, especially this year.

Seven experts from around the world agree with this impending collapse and you will have a once-in-a-lifetime opportunity to profit from chaos. Digital Book Download: Click Here