May 7, 2012 subscriber email attachment.

This email is a week and a half late, which I am really annoyed about; it is also a bit of a ramble. Hopefully it makes some sense by the end. So much to say, it's been tough to get out the prior week.

First, an important date for the year, this year, is between April 27 and May 4. One of the mid-points of the seasons as well. We can expect a number of changes of trend from after May 4. More underneath. First, a bit of a ramble about current events, good news first, then after that, the downside risks, then to the charts and timing.

A reduction of the interest rate in Australia this week, one half of one percent. Back in early March this was noted on the site:

http://www.businesscycles.biz/businesseconomica.htm

"

The yield curve slight inversion after the bonds having dropped, infers that the RBA is exceedingly unlikely to lift rates in Australia in 2012. Pressure will be to reduce them, most likely, if the inversion persists."

Have a look at the graph there. The Reserve Bank could not let that yield inversion persist for long; the Bank is not trying to, and has no reason to be attempting to slow down the Australian economy; probably the reverse. The Bank has plenty of room here to support Australian land values still further over the year, by dropping rates again if it has to. You can bet Australian trading banks will be 'slow' to pass on the reduction, adding yet more to their bottom line…

It's of note that two large US banks, JP Morgan Chase and Wells Fargo issued statements suggesting they believe the housing market 'was nearing a bottom as US homeowners took advantage of record-low interest rates to refinance mortgages'. I'll put the link in to the supporting article for that, though it is not that important to follow in this instance:

http://www.cnbc.com/id/46883527/Improving_Housing_Market_Driving_Economy_Jamie_Dimon

Of course this could easily be political talk too, but I think US stock market levels support this conclusion. Dimon goes on to say the usual belief: "No one can forecast the economy with certainty…". On that, you have Gann's financial timetable in your hands with which to measure the accuracy of this statement, or not: http://www.businesscycles.biz/classes.htm and scroll down to that May 12, 2009 session. This describes the cycle like no other; for the bigger picture overview at least. Going well, again, since 2009.

The turning of the cycle, all to do with land value, and credit; US banks are continuing 2012 with profit growth. Last month Wells Fargo (mentioned above) reported a 13% rise in net income to a record $4.3 billion first quarter profit.

http://www.bloomberg.com/news/2012-05-02/wells-fargo-s-market-share-of-u-s-mortgages-tops-33-.html

This, a record quarterly profit, after all the events of 2009! Soon, once the balance sheet rebuilding and deleveraging process is finished, all the banks will start lending again, and then the credit creation process will start again in earnest. Not to mention the huge profits in bond trading that likely will continue, as the Fed just keeps on printing those US dollar bills:

http://www.ft.com/cms/s/0/cf35868c-8a2f-11e1-93c9-00144feab49a.html#axzz1tuUWDvwA

"*Bond trading surge boosts Wall Street banks*". I'd say we're getting back to normal as far as bank behavior is concerned aren't we? Something I keep close to my chest, but have explained to long time Gann followers – to do with Gann's financial timetable – the North node goes back into Scorpio in October. Historically, this is the part of the 18.6 cycle when the US economy is back to 'normal', after the economic downturn heralded as the North node enters Aquarius. (The economy, not the stock market.) We cover this most times, indirectly, in the Feb forecasting classes each year. Will this pattern continue? Who knows? It's been good since 1800 at least, so far.

On the topic of the Fed, you may not read all the links above, make sure you DO read this one:

http://online.wsj.com/article/SB10001424052702304356604577343430113336486.html

"*How the Fed favors the 1%*". As good an article as you can get in a paper; all about the expansion of credit. Jane and Joe Average make no effort to understand this process, hence the Fed counterfeiting, which is what it really is, is easily concealed. The Fed can inflate as fast as it cares to print money. There are only two things to do when this is happening; buy stocks, buy land, or buy both. Currency inflation is being deliberately engineered here; you won't see this effect until the credit deleveraging is finished.

Finally on the subject of banks, things can't be too bad; large numbers of banks are teaming up to bid on the assets the Fed bought at the depth of the recession back in 2008 and 2009, this one the so called Maiden Lane III portfolio:

http://www.ft.com/cms/s/0/6f2459ee-8d59-11e1-b8b2-00144feab49a.html#axzz1tuUWDvwA

There is a pdf of the same story, here:

http://www.ilghirlandaio.com/ftp/telpress/2012042401852502575.PDF

Reminds me of the 1974 description, page 270 of *Secret Life*: "The business of unloading and buying distressed properties…"

Wealth funds around the world are continuing their buy-up of what they see as opportunities currently: The Qatari fund continues its buying into luxury goods; the Chinese government continues to pour its surplus into its own CIC sovereign wealth fund. These types of funds, as we get into the peak of the next real estate boom and if, as usual, the funds see a transfer of management into the hands of those who have never before experienced a real estate cycle (as those who saw this current one start to retire), well you know the likely story from there. Wealth funds are just one more addition to the mix that seems to come about as real estate cycles pass from the low and into the next cycle. Something always comes up to make this happen.

The lows are more difficult than at other times in the cycle to work out what is happening. I found this was always the case at the real estate cycle low points, every one that I studied. Despite this, I do try to have a look what's taking place around the world to help with this. I do that by having a look at what the 'you and me's' of this world are doing… Accordingly, I note the following around the world:

-The Panama Canal is adding a third lane with wider, deeper and longer locks. This is indicating the shipping industry is outgrowing the now 100 year-old canal: a huge construction project here. Also, a great summary of how strategic this area is, have a look at this video, *The Panama Deception*;

http://www.informationclearinghouse.info/article4078.htm and you will see the strategic control the West exercises over key locations.

-Tech start-ups continue apace; have a look at this link as an example:

http://tech.fortune.cnn.com/2012/05/01/nicira-network-virtualization/

"*Nicira wants to reinvent routing*" There is so much work in the US coming from the tech area. I did not hear this program myself, but sources let me know that Radio National did interviews last week with 2 academics who argue that the present technological 'revolution' will create so many jobs in the US that within 10 years there will be more manufacturing jobs in the USA than in China. I agree with this outlook. I doubt I have ever seen a more bullish US scenario looking forward.

The other thing I noticed since last year, the psychological importance of what happened a year ago this week; the taking out of bin Laden. Whilst I can't measure this scientifically, since May of last year, has anyone else noticed a marked increase in confidence in the US? Or am I imagining things? A marked change in the whole psyche of the nation seems to have developed; very slowly at first after the event, but quite clear now in my view. Note too, the spate of reports released to mark the one year anniversary of the raid to get him. This is why Gann always said watch anniversary dates, being 360 degrees in days in this instance.

Continuing what I note around the world:

-in China, it's even harder to know what is going on of course. Again, scientific it isn't, but I note a continuing increase in films being watched. The stats - if they can be believed - are showing large rises in box-office takings in China (huge rises in fact) and an ongoing increase in the number of cinemas being built. This is a reliable sign of a rising middle class with rising disposable income wanting to be entertained. We take this for granted now, but I can tell you, having myself been in China for over 9 weeks way back in 1986, cinemas, movies, shopping malls and everything else, they had none of this back then, so generations of people have been experiencing this for the first time. Funny story there…

…Starting 1910, but right up to about 1930 really, saw a real boom in the UK, London especially, of building (the new) 'picture theatres'. People had seen nothing like it before; silent movies at first, but then later, 'talkies' and were treated to thick carpets, beveled mirrors, softly shaded lights, velvet tip-up seats and free afternoon teas. The State soon felt compelled, however, to appoint 'guardians of the public morals'; not only to control the subject matter of some of the films, but also how they were being watched. Said the papers of the time: "What young people might be up to whilst they watched a film hardly bore thinking about, especially if they found one of those armless seats which seemed deliberately designed to facilitate the goings-on". Eventually some London cinemas appointed 'decency supervisors' to control activities, some theatres raised the lighting, others arranged for full lighting to be switched on without warning from time to time. Cinemas that chose to show the films in full light, however, saw very low patronage…

Anyway, back to China, people will vote with their feet and in my view at least, there is enormous scope yet for growth of many more things in China. Notably, motor vehicle sales are seeing huge increases in sales; Audi is seeing demand rise, so too all German manufacturers, General motors and the local makers too. China focused investment funds are springing up everywhere and the Chinese Premier has made it plain he wants to double trade with central and Eastern European nations and is also pledging loans to help with investment in these regions. The EU itself is fully encouraging its own pension funds to invest in EU infrastructure. Some EU governments put the euro figure needed to renew EU infrastructure assets at 2 trillion Euros. This is one small way out of the debt morass; building bridges, roads and trains to support jobs and of course, land value for the infrastructure owners.

-despite the so called double dip recession in the UK, the FT reports that UK manufacturers are more profitable now than they have ever been in the past 25 years. Yes, economic uncertainty here will ensure they continue to build reserves but once things improve further, this infers a lot of spending power eventually.

I want to point out again, all nations that allow the rent to be collected in a private capacity, rather than collected as communal revenue, see the same problems arise. If reports are to be believed, unrest in Saudi Arabia is also stemming from the increasing number of undeveloped plots of land all across Saudi cities, plots owned by senior princes hoarding the land in expectation of further price rises. This is depriving others of affordable homes and seeing rising discontent of the masses. The king is pledging half a million new homes as a social investment package. Familiar story; a housing shortage whilst more and more plots of land stay idle…

Back in the UK, some research group has come out and suggested wealth in the UK will not return to pre-recession levels until 2019, as households hold back recovery, suggesting the main drag on recovery will be house prices:

http://www.telegraph.co.uk/finance/economics/9244263/Debt-laden-households-to-delay-recovery-until-2019-warns-NIESR.html

It's not the forecast that's relevant here, focus on the presumption that such researchers totally believe that house price *rises* are necessary before there can be any meaningful recovery of the economy. I hope you are all seeing this. This prevailing mentality ensures a repeat of the past boom and bust once again. Getting the timing right is the hard part. In the US at least, recovery seems to be in progress. Note the money flowing there, seemingly inexhaustible, from Russia's stolen commodity wealth:

http://imcmsimages.mediacorp.sg/CMSFileserver/documents/006/PDF/20120415/1504NYC040.pdf

"*In America, land grab by Russians*". I noted in my study of land history and the US 18 year cycles, there was always something, some event at the bottom of the cycle, that kicked things off again into the next cycle, be it energy related, technological, and / or a continuing commodities boom that saw prodigious wealth plowed back into real estate. Here we have it again.

We see it here as well:

http://www.nytimes.com/2011/05/27/world/americas/27brazil.html?pagewanted=all

"*Chinese interest in farmland makes Brazil uneasy*"

And here:

http://epaper.koreatimes.com/pdffile/la/20120418/20120418n004.pdf

"*Caribbean is awash in Chinese money*"

And check this one out too;

http://www.thesundaytimes.co.uk/sto/news/uk_news/scotland/

"*Highlands falls to Viking billionaire*" as reported by the UK *Sunday Times*, May 5, 2012, where Anders Povlson, owner of *Bestseller*, a large Danish fashion house, is quietly buying up Scottish estates and currently has 130,000 acres to his name. (Scottish land outside of the main cities is owned by only twelve families, most of them English Lords, so his actions have not gone unnoticed. *The Times* makes it hard to get at such articles unless subscribed; this one is well worth a read if you can get it.)

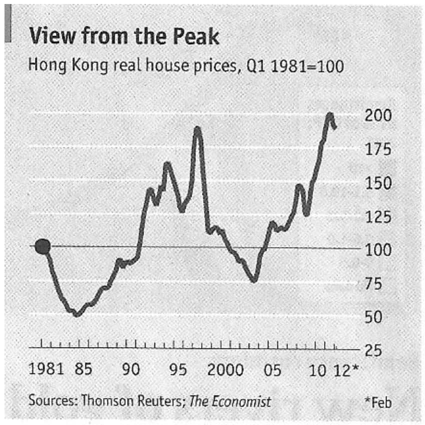
The commodities owners and producers around the world are not stupid; you can see they are taking their company's surplus production wealth and putting it into land value. And we, the community, are giving it away. I showed in *Secret Life* the actions of those entrepreneurs / investors that survived through the various cycles, how they took the surplus cash-flow from their businesses and bought land, lots of it, the most successful being the Astor family who bought up land outside New York in anticipation of its growth. How this will play out in the coming few years I have no idea. History tells us though that such actions generate the next real estate cycle. This is something that has always seemed to go on quietly at real estate low points. Note it is a process the so called 'common man' is not involved in; so it cannot be a top of the market phenomenon. Those doing the buying at the moment, they don't tell anyone about it. What we are seeing here at the moment is surplus wealth going into the only area it can, land, again in an area heavily protected by a government granted secure property right. In both the UK and US, farmland owners have the added (unbelievable) benefit of collecting not only the rent, but the agricultural subsidy as well. US, UK and European citizens are taxed at an additional 1 billion dollars a day to support this subsidy. These land buyers know high commodity prices won't last forever; it seems to me though, and to the buyers, they also know 'they ain't making any more land'.

This will not be permitted to change unless substantially more people take in interest in such goings-on and less interest in their bread, circuses and football. Here is an example: this week, in the UK, the Prime Minister hit the hustings in anticipation of council elections; a new proposal, to have mayors directly elected by the people. Actively supported by all Tories. At the same time, there are proposals before the House for an elected House of Lords, driven by the Liberal Democrats, one of their long-standing ideals. Discussion and support from the Tories; non-existent. This shows you where real power lay; in the control of the rent of land. (A very close second is the banking establishment, who, these days control much of the rent anyway.) "Next week's referendum on elected mayors is a once-in-a-generation chance to change the way our country is run" said Cameron. On the Lords: "Constitutional change was not his biggest priority."

[An aside: I just loved seeing Rupert in the dock last month, here in the UK. By his own account he freely admitted he 'never asks for favors from politicians, does not give orders to his editors, and has very little charisma'. You can read for yourself everything that says otherwise, whilst no one seemed to point out Murdoch's latest non-executive director appointment to News Corp, being Jose Aznar, former Spanish PM, 1996 to 2004. Fox Espana launched in 2002, fully supported by the Spanish government of the time.]

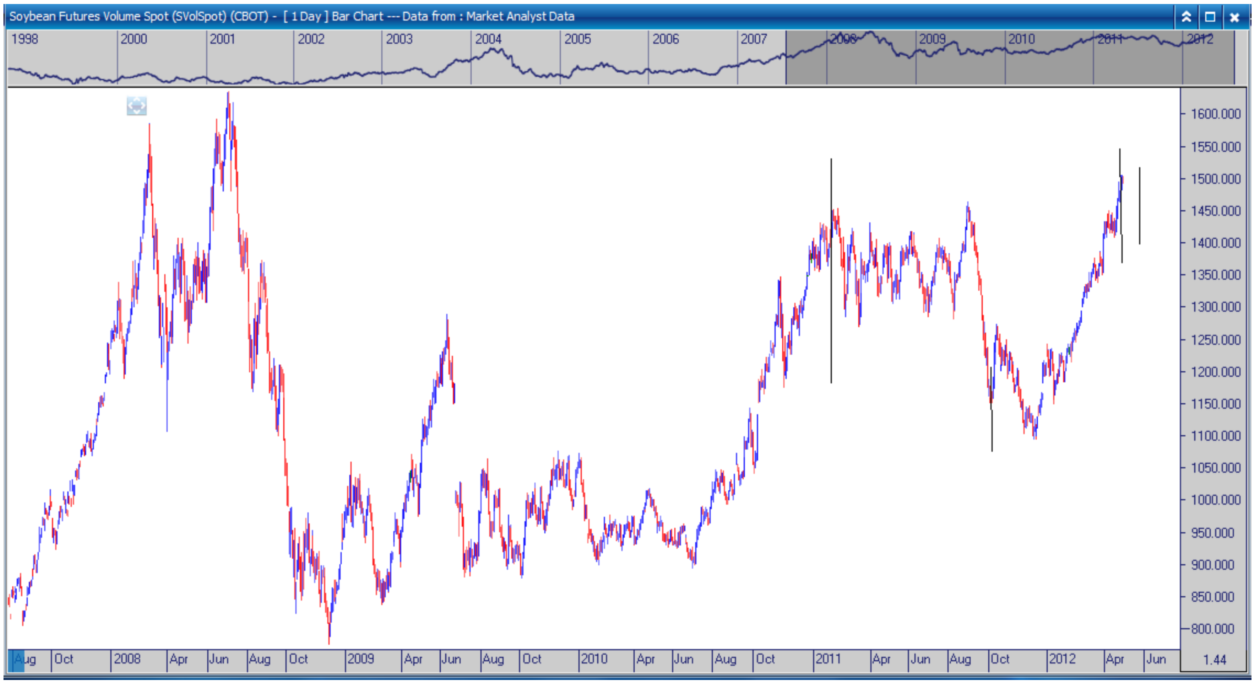
Now for the downside risks:

A more significant slowdown China is one, obviously. Here is a chart of Hong Kong property prices, ex *The Economist*, April 28th, 2012, page 66:



The lows seen here look to be 1985 and 2003, 18 years apart. The top, 1997, forward 18 years, to 2015. I have spoken of this before, in just about all classes, timing in with the next US mid cycle slowdown, around 2016. One to watch here. The Australian stock market looks like it is trying very hard to price this in already. Note how we hit the mid-point on an important seasonal date. Strong resistance now.

I mentioned at the very start, these past two weeks, April 27 to May 4, very important dates this year for change in trend. These came, in part, from the beans / grains markets.



For beans, a new 30 year cycle started February of 2011. As pointed out in the Feb 2012 forecasting class, this gives a number of dates to watch, going forward, being end Sept 2011, the end of April, 2012, first week June, 2012, then August 2013 and July of 2014, when for 2014 all time new high prices in beans can be expected. I tried to have a look at direction as well in that class, (Feb 2012 class) but looks like there is an inversion, the end of April 2012 is seeing highs. So expect now to have a 30 to 35 day run down in beans to the first week June. We will have to wait and see. Beans are due for a pause in price presently. And when 'fears of food inflation' reports surface in newspapers, a top of some sort is often in place already.

It also indicates more world tension and protest. High food prices bring revolution in areas where the government in charge cannot feed its people. The Tunisian fruit vendor took his actions the month before that Feb 2011 high in world food prices.

This is always a danger. In China, the richest 70 delegates of the People's Congress (wonderful '1984' oxymoron that one) are now worth 90 billion US dollars between them.

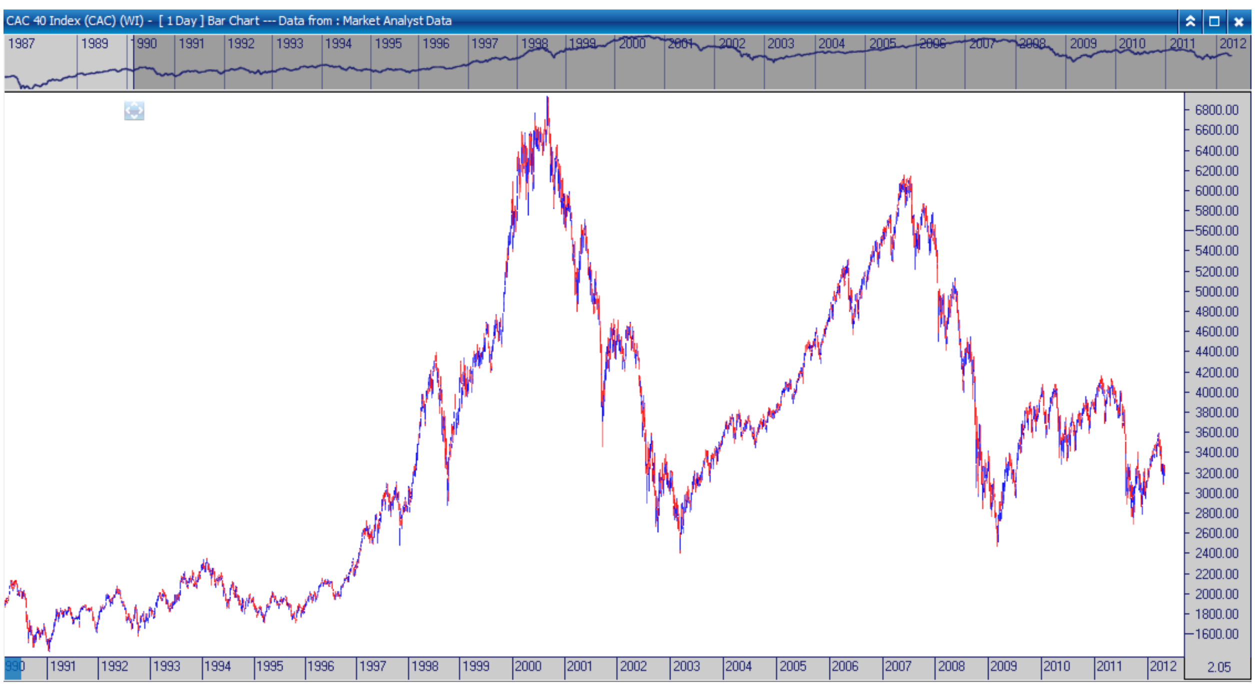
http://imcmsimages.mediacorp.sg/CMSFileserver/documents/006/PDF/20120415/1504NYP031.pdf

"*Friends at the top open doors to deals*". We are getting more and more lopsided here; you don't really want to see a marked slowdown in China. A commodity price collapse is also a real risk to the world. This is what I think will happen at the peak of the *next* real estate cycle though, after 2024. No wonder some Chinese go to any length to get their money out of China and into secure property rights that would not be stolen by revolution or by their own government. (Follow the Bo Xilai story for example.)

I am seeing worrying trends in Germany too, in the Bavarian state even more. Huge wealth is being generated in and around Munich and Stuttgart. Wealth beyond belief really. Sources there tell me that to buy a house now, anywhere in Munich, you need a 10,000 Euro cash payment to secure the deal over and above the agreed accepted price, to be accepted. On weekends, swathes of German youth are drinking themselves to hospital oblivion, deliberately, as part of the new weekend thing to do. New and more alcoholic drinks are touted at bars, more and more money being spent, and ever increasing lavish parties. Such things have a habit of coming to an end, eventually. Such binges never end well.

So, for all this, we have to watch stock markets, and where the lows end up. So far, we are leaving the prior real estate low behind, in text book fashion, seeing US markets making higher lows on seemingly worse economic news. For now though, watch for pressure to build for an overbalance to the downside, into October stock market lows. The economic news around the world can be expected to worsen further, after May 4th. 52 days later, June 24th will also be important to watch events. Expect the US market to make a low at the June solstice. All I am doing here, is looking at planetary formations from 1932, and projecting forward, 80 years. I am not looking for collapse, so don't get carried away here, but we are overdue a retrace. Things can never repeat exactly, and with all the QE going on, China, Brazil and India developing and all the tech stuff happening, i-pads, i-phones and i-pods, we will never get an exact repetition like 1932. But we still watch the market lows and where they end up:

The French index looks like this (anemic like Australia's, and there isn't really that far further it can fall):



The German index (stronger recovery like in the US):

The Spanish index:

Showing the market is pricing in worse to come yet for Spain.

We will have to wait and see whether corporate profits are enough to outweigh the declining political and economic outlook around the EU.

Through it all, if trading stocks, it is imperative not to guess for the trades. For Gann style breakouts, it is less frequent trading in this sort of environment. It happens from time to time. Trades are there though. This one, JIN, using the break into 52 week highs, then the space existing between the lows retracing to stay above past tops, Gann's three day rule into what I call Gann dates, to trade.

It looked like this when it came to my attention:

Actual trade going on there on JIN. Still looks okay, lower volume on the retraces; still yet to have three days in a row down (lower top lower bottom bars).

I did also notice, for the 52 week new highs, throughout April, a recovery of financial and property unit stocks – recovery back into 52 week highs at least:

New 52 Week Highs

Symbol	Company	New High	Old High	Last Price*
AAA	BETACASH ETF UNITS	50.160	50.140	50.160
AIA	AUCK AIRPT FPO NZ	2.040	2.000	2.040
AIX	AUST INFRA UNT/ORD	2.370	2.340	2.290
AMH	AMCIL FPO	0.740	0.735	0.740
APE	AP EAGERS FPO	14.550	14.300	14.300
API	AUST PHARM FPO	0.375	0.355	0.370
AUQ	ALARA RES FPO	0.420	0.410	0.410
BUG	BUD GINGER FPO	0.210	0.180	0.210
BWP	BWP TRUST ORD UNITS	1.895	1.890	1.885
CCL	CC AMATIL FPO	12.610	12.560	12.600
CMIPC	CMI PREF.CL.A	0.920	0.915	0.920
CMJ	CONS MEDIA FPO	3.240	3.200	3.240
CPA	COMMOFFICE ORD UNIT	1.035	1.030	1.020
CRZ	CARSALES FPO	5.710	5.680	5.700
DML	DISCOV MET FPO	1.705	1.685	1.700
DXRPA	DXS RENTS RENTS	100.100	99.980	100.031
DXS	DEXUS PROP STAPLED	0.945	0.925	0.940
EDS	EVRYDAY MS FPO	0.046	0.045	0.046
EEG	EMPIRE ENE FPO	0.295	0.290	0.295
EPX	ETHANEPIPE STAPLED	2.160	2.150	2.150
FSA	FSA GROUP FPO	0.345	0.330	0.345
FUN	FUNTASTIC FPO	0.220	0.175	0.220
GMPPA	GOOD PLUS STEPUP PF	92.500	92.000	92.500
GOZNA	GROWTHPRO NEW	2.050	2.020	2.050
IEFDA	IEF RE ENT STAPLED D	0.040	0.039	0.040
IGB	ISHUBSTRE ETF UNITS	101.490	101.480	101.490
IOFDA	INVESTA STAPLED D	2.700	2.670	2.680
IVC	INVOCARE FPO	8.330	8.220	8.310
LPT	LARTECH FPO	0.075	0.067	0.075

11:18 PM
19/04/2012

Added to that list, MFF and MFG. These are not recommendations to watch, merely that property trust stocks are working off accumulation at lows. Hardly the stuff of an Australian property crash to come. Until October 2012 though, the short side of the market is the better play now.

Finally, a couple of oddments:

London west-end was in lock down April 27; some nutter bolted a gas cylinder to himself and threatened a detonation I believe. 90 days prior to the Games opening ceremony I noted. Big security issues to come. Very little was reported in the UK papers, once again. There is some agreement going on about this here presently, in my view.

Aussie Rules; seems to be a season where it is taking longer than most to settle into a pattern. I think the same could be said of US markets. This appears consistent with years ending in 2 within the decade. Familiar names in the football list tho, currently topping the charts as per the numbers; West Coast, Carlton, Essendon, Adelaide, Sydney. We are, however, about to see the pattern develop, both in the AFL, and markets.

And to France; great article about children and schools, to which I can muchly associate; when asked about their day at school, French school children really can recite, in detail, their luncheon excursion. Great article there. The French have found what works in education I feel.

http://www.independent.co.uk/life-style/food-and-drink/features/why-french-children-are-happy-eaters-7712217.html

"*Why French children are happy eaters*".

In sum:

-The seasonal date of May 4 will bring a change of trend in all markets. This date for 2012 is more important than usual. What I am suggesting, is that after May 4 we will see a change in investor mood as regards the stock market, pressure will be stronger to the downside.

-Beans to see a retrace now, certainly for 30 days, whether this is a longer term top, remains to be seen.

-I think we have seen the highs in US stock markets. Expect 52 days down into June 24, then a retrace, then the low for the year in October.

-Anticipate EU economic news to deteriorate after May 4. I think the EU - or more particularly the banks within the EU - is almost ready to cope with Greece leaving the Euro. It would not surprise me to see this as the news that finally gives markets a shake out. This news will not see markets collapse, it is news that much money is waiting on the sidelines to see happen. So it's a 'known known' you might say. Western stock markets really need a shakeout this year, if they are going to have a solid up-move after October of 2012.

-Hawks to win the next 7 in a row…

I hope that wasn't too much of a ramble.

Phil, May 7, 2012.