

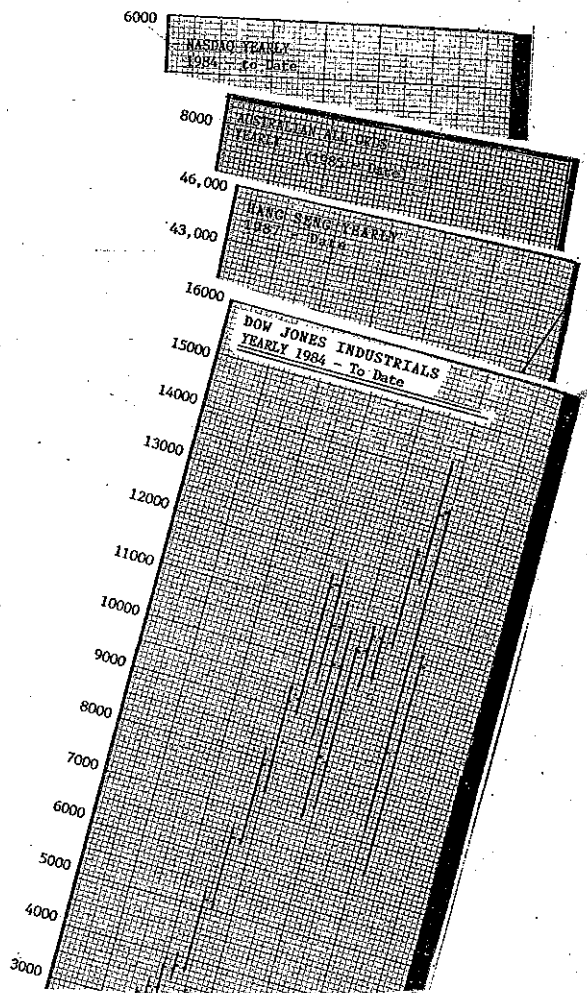
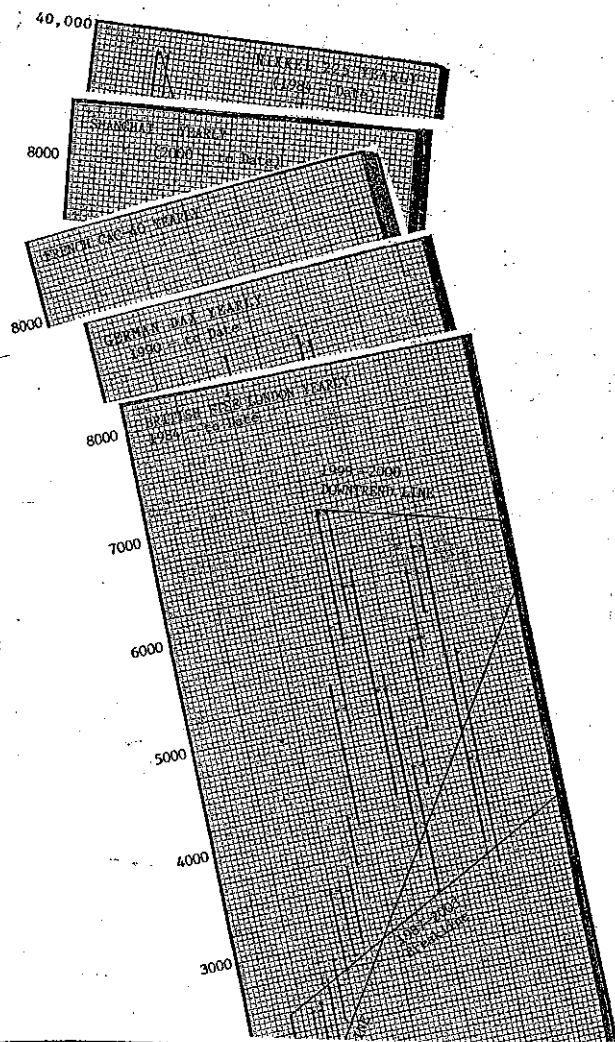
Armstrong Economics

阿姆斯特朗 经济

Forecasting the World

WORLD SHARE MARKET OUTLOOK & THE GRAND UNIFIED THEORY

Martin A. Armstrong
Former Chairman of Princeton Economics International, Ltd.



By: Martin A. Armstrong Copyright All Rights Reserved August 15th, 2010
Please Register For Special Updates At ArmstrongEconomics.COM

Please send comments by mail to:

Please REGISTER for Special Updates

Martin A. Armstrong
FCP Fort Dix Camp
#12518-050
PO Box 2000
Fort Dix, NJ 08640

ArmstrongEconomics.COM

Copyright Martin A. Armstrong All Rights Reserved

This Report may be forwarded as you like without charge to individuals or governments around the world. It is provided as a Public Service at this time without cost because of the critical facts that we now faced economically. The contents and designs of the systems are in fact copyrighted.

A C K N O W L E D G E M E N T S

I would like to thank all the former employees, associates, sources, and contacts for their ongoing support and efforts to contribute to the writings I have been able to continue through their great efforts. I would also like to thank those who have looked after not just myself, but my family, and shown them support and kindness.

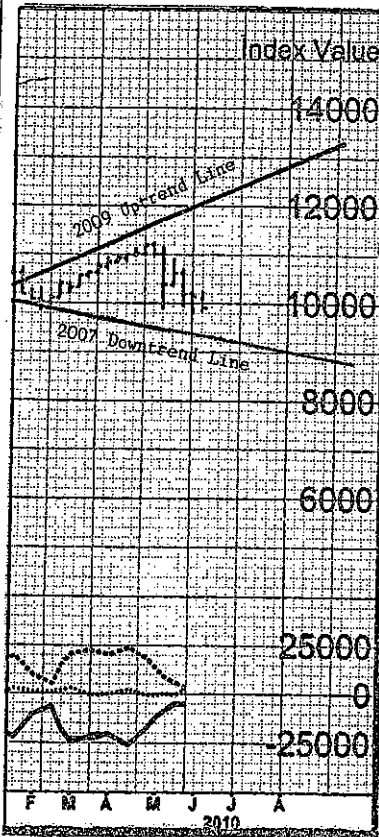
The purpose of these reports is to broaden the understanding that is so vital to our personal survival. Government cannot save us, and will only assist the very economic disaster we face. This is a Sovereign Debt Crisis that threatens our core survival. There is no plan to ever pay off debts. The majority of debt increase is paying interest perpetually to roll over without any long-term plan. What you see in Greece and in the States, we have run out of other people's money. The socialists keep pointing to the rich. But to fund the deficits, we need to borrow now from foreign lands. We ran out of money domestically and to support the current system like Greece, we need foreign capital. But all governments are facing the same crisis and we are on the verge of another widespread government default. Adam Smith warned in his Wealth of Nations that in 1776, no government paid off their debt and had always defaulted. We will have no choice either.

There is no hope that politicians will save us, for they only form committees to investigate after the shit-hits-the-fan. They will NOT risk their career for a future problem that may hit on someone else's watch. There was a politician and an average man standing on top of the Sears' Tower when a gust of wind blew them off. The average man being a realistic-pessimist, immediately sees he is about to die and begins praying. The politicians, the ultimate optimist, can be heard saying "Well so far so good!" as he passes the 4th floor.

At Princeton Economics, our mission was simply to gather global data and to bring that together to create the world's largest and most comprehensive computer system and model that would monitor the world capital flows. By creating that model, all the fallacies of market and economic theories were revealed. The world is far more dynamic and every change even in a distant land can alter the course of the global economy. Just as has been shown with the turmoil in Greece, a CONTAGION takes place and now capital begins to look around at all countries. We can no more comprehend the future but looking only at domestic issues today than we can do so in every other area, such as disease and the spread of flu.

We live in a NEW DYNAMIC GLOBAL ECONOMY where capital rushes around fleeing political changes and taxes just as it is attracted by prosperity. All the people who migrated to the United States in the 19th and 20th Centuries, came for the same reasons as those still coming from Mexico - jobs and prosperity. In the 19th Century, America was said to have so much wealth, its streets were paved in gold. We must now look to both the past and the entire world to understand where we now are today,

Dow Jones Industrial Index
Weekly - CASH



Martin A. Armstrong
Former Chairman of Princeton Economics International, Ltd.

The Dow Jones Industrials (CASH) is showing that the big **TURNING-POINT** will be August. Thereafter, it appears that the opposite trend should unfold into Oct/Nov. The primary support lies at 9400 level and a monthly closing beneath 9675 will warn that the downtrend would become severe, but not new lows.

There are two primary resolutions. There is the crowd that is calling for the Dow to collapse and a Great Depression as was the 1930s. We must understand that all of the world defaulted on their debts with few exceptions (Britain called for a suspension of debt payments) France was the last nation to cling to the gold standard even after the US devalued the dollar under Roosevelt. The dollar rose because it was GOLD. Once Roosevelt confiscated gold, he introduced inflation and that sent stocks up between 1932 and 1937.

Therefore, if the Depression were to repeat, the Doomsday Boys got it wrong! Capital flight was to the dollar because it was GOLD! That's it! Therefore, it is GOLD, not the dollar, that would soar in price!

In the book I am rushing to get done, I go over also forgotten Depressions of the 1340s and the Financial Crisis of 1557 to 1647. This was the period of a series of sovereign debt defaults from Spain and France. In fact, it was so bad, France could not borrow a dime in 1574.

Short-term, there is a potential for the Dow to make a low in early June and then rally into August with the traditional drop in the Sept/Oct time frame. However, making new lows beyond the week of June 14th, will warn of a August low. A key week appears to be the week of August 2nd.

By: Martin A. Armstrong Copyright All Rights Reserved June 9th, 2010
Please Register For Special Updates At ArmstrongEconomics.COM

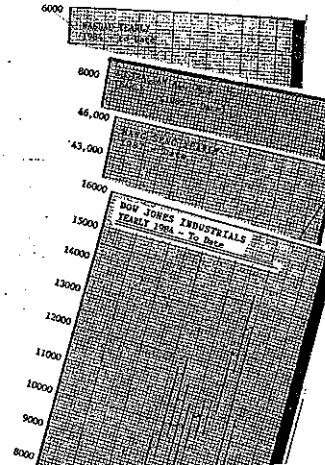
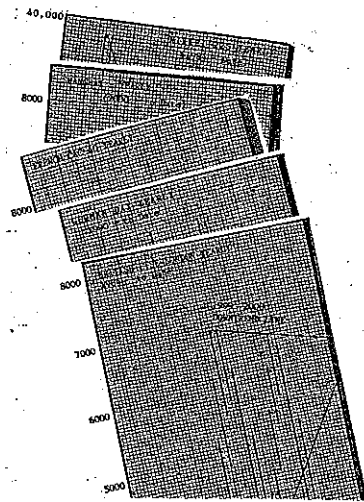
SPECIAL UPDATE REPORTS BY EMAIL

Because of the dramatic increase in volatility, a **SPECIAL UPDATE REPORT** has been created on a specific market outlook. As we head into the economic storm of **Sovereign Debt Crisis** that is brewing around the world, it is going to be critical to be able to address key events on a more timely basis. Everyone is invited to sign up for this **FREE** service at:

ArmstrongEconomics.COM

This will cover the world markets and economies. Please sign up as soon as possible. The event horizon is coming in rapidly. We need to stay vigilant to survive the years ahead for government will only form committees **AFTER-THE-FACT** to investigate why something happened. They will **NEVER** take steps to prevent an obvious economic crisis. We are on our own. The best course of survival is to stay **INFORMED** and to understand the nature of what is taking place since no one should ever follow anyone blindly. This is all about educating what is the new reality.

WORLD SHARE MARKET OUTLOOK & THE GRAND UNIFIED THEORY



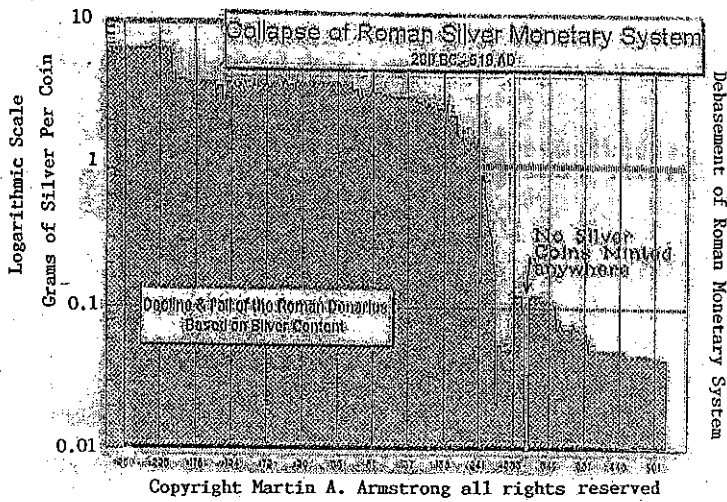
By: Martin A. Armstrong

Former Chairman of Princeton Economics International, Ltd.
and the Foundation For The Study of Cycles

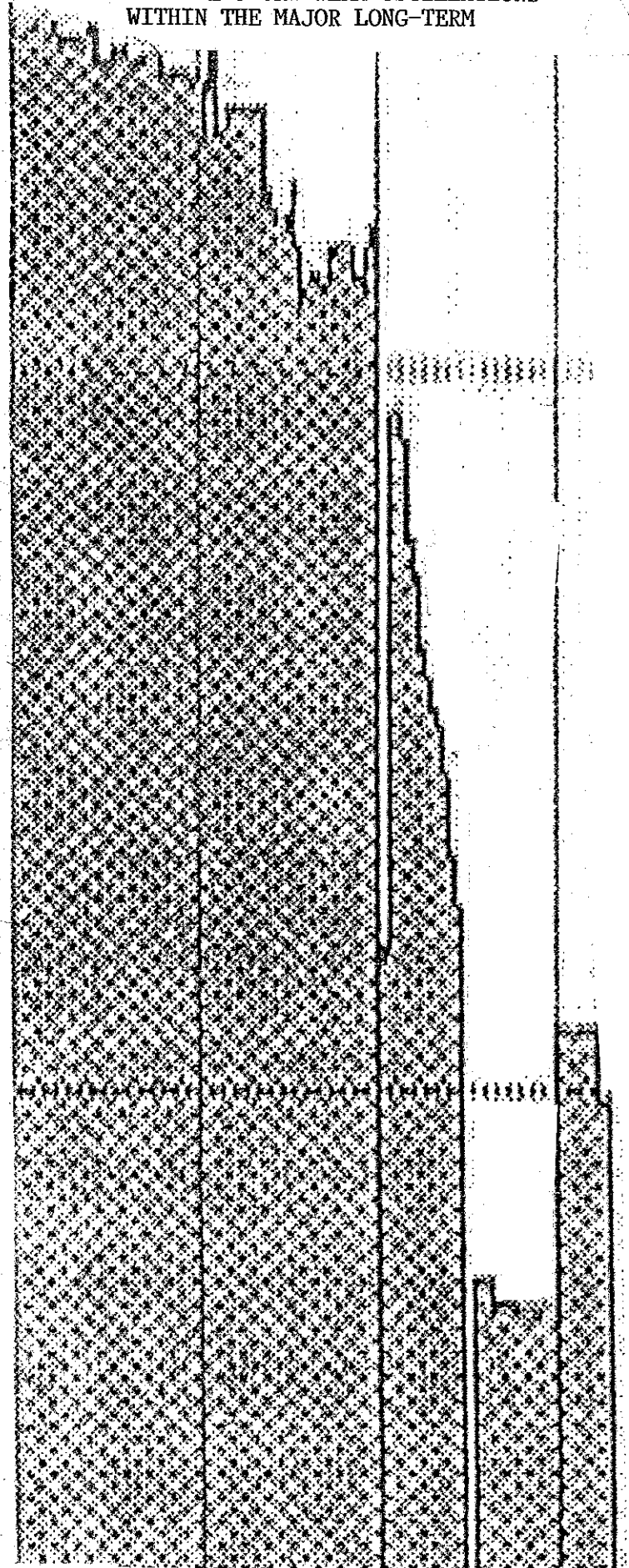
EVERY NOW AND AGAIN there comes a point in time where the Free Markets finally make up their mind. Of course, the Marxist-Socialist fight to the death with the idea of Free Markets. Or should I say, with our lives and posterity to sustain their desire for power. For you see, they dispute the idea of Free Markets since acknowledging that they exist means their very tyrannical notions of regulating and economics by force will fail at the end of the day. For the one thing about FREE MARKETS, is that this is merely a label for something else - PRACTICAL ECONOMICS. By that I mean that no matter how hard we try to regulate the economy, we cannot. For you cannot compel the economic behavior of man in a collective manner to do what is simply impractical. You cannot diminish profits to the point there are none after taxes and expect companies to survive. Just as we all have a hard-wired animalistic side that comes to the surface in moments of danger that is the need to self-survive, the economy is also hard-wired to do the same thing.

When you step back from isolated events, such as the Great Depression, if you look at the details you begin to see between the lines this natural hard-wiring of self survival. The work force was still 40% agrarian. This was the tail-end of the great Industrial Revolution. The invention of the combustion-engine and the development of the automobile, soon led to trucks, buses, and tractors, not to mention airplanes. It was this development combined with the Dust Bowl that wiped out agrarian jobs driving unemployment to 25%.

If it had not been for these inventions, there would be no modern economy as we know it today. There is a hard-wiring that forces in an amazing way evolution by necessity. A look at just about every event will reveal subtle changes that enable the next generation wave to unfold. There is some collective instinct or consciousness that emerges from the vast interconnections of so many individuals who act in a mob manner that becomes predictable, while the individual still retains the full capacity to move counter-trend to the majority collective behavior: i.e. Free Will.



NOTICE THE SHORT-TERM OSCILLATIONS
WITHIN THE MAJOR LONG-TERM



The one thing about Princeton Economics was that absolutely NOBODY had a bigger data base on every country around the globe both in modern and ancient times. When you are too close to a subject because you lack the historical view, you cannot see the forest because you are dealing with just trees. In putting everything together globally from the inception of civilization, what emerges is a recurring pattern of causes and effects that allows you to see the big picture.

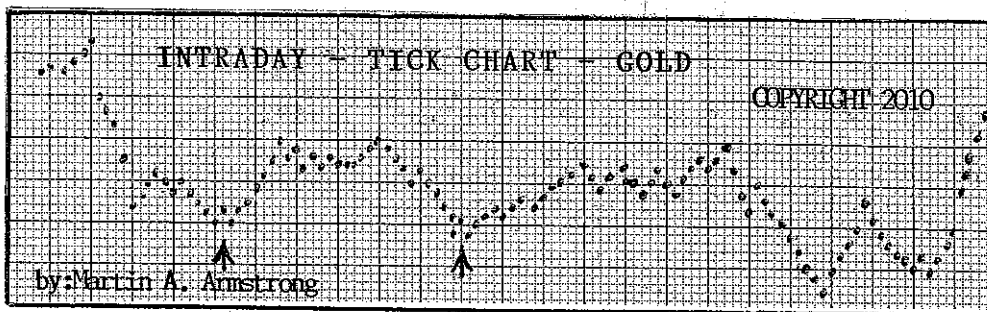
I have illustrated this chart of the collapse of the Roman Monetary System on many occasions. We are looking at a period of almost 1,000 years. When we look at this perspective, we can easily see what I have called the **WATERFALL EFFECT**. However, if you zoom-in, you find short-term trends with the timing intervals the same as they are today in any market. Bull markets are longer drawn-out affairs and when a bear-market comes like the Great Depression, it hits in 2-3 years. At this macro level, there is no A-B-C type of Elliot Wave. The various market analysis trends DO work more short-term, but not long-term. This is the same result in physics where the laws that deal with our world do NOT apply at the quantum level driving the search for the Grand Unified Theory. Understanding the difference between the MACRO and MICRO is critical. To an ant, we are macro. To the universe, we are just an ant.

Comprehending the hard-wiring and the distinction between MACRO & MICRO opens the door yielding a glimpse of a deeply coded complexity that is fascinating. If we follow the silver thread that binds all events to each other, we can see this is the collapse of SOCIALISM that has become tyranny taking liberty while pretending to care about life.

G

RAND UNIFIED THEORY in physics is the joining of macro and micro (quantum) level of activity within which a single set of rules or laws can be obtained. No one has been able to achieve that goal. However, long before there were screens and computers, the way one dealt with the markets intraday was a paper tape. I was certainly one of the last in the country to have one. The company was TransLux. Computer screens had arrived and price quotes now

just flashed on the screen. At first, there were no intraday charts. I had to rely on my own method of intraday tick-by-tick trading and charting. Plotting each and every tick revealed a host of complex interactions on a wide variety that somehow normal charts did not capture, including volume of each tick.



When charting actually each and every tick from the paper tape, patterns would emerge in how highs and lows would form. The two arrows show what I called the "W" BOTTOM that rarely managed to be the final low for the session. The major tick formations were extreme "V" type of formation for the lows and an upside-down inverted "V" for the tops.

During the 1980s, I taught charting and trading around the world at special weekend seminars. Of course, those VIDEO tapes we use to sell have all been just seized by the government. So much for one's First Amendment rights to publish or the people's First Amendment rights to access such material. Alan Cohen of Goldman Sacks will not return any such materials. All my original research on this level of price activity has also been seized. Why? Who knows. It had not a single thing to do with anything. But judges no longer defend the people or the constitution, just the government with very few exceptions that are a dieing breed.

The importance of these early charts in my career is that this is what began to expose to deeply-seated complexity in market and economic behavior. It was a

FRACTAL CONSTRUCTION. In other words, the patterns that would emerge on the intraday level would migrate and manifest on the daily level. This would then migrate to the weekly and monthly levels as well. Not every pattern, just major abrupt movements.

In reality, looking at the intraday charts a pattern would emerge where several days would suddenly crash for the close. This might happen three times within two weeks before this migrated to the next level. What was happening was that the tiny intraday patterns were revealing a lack of confidence so that traders would bailout for the close preferring not to hold long positions overnight. Sure enough, that lack of confidence began to express itself on the next higher level in time. It was just that the same uneasy feeling that drove the intraday trader to panic, spreads like a flu infecting a greater number of people.

By looking into ancient history, the same patterns would emerge as they do today. The passions of man never change throughout the centuries. Where physics was beating its head against a brick wall in search of the GRAND UNIFIED THEORY, in economics, it was revealed by studying all levels of activity from intraday to plotting centuries. Once you see the same patterns on all levels, then the light goes on and you can see for

The patterns that emerge within the intraday level migrate to each higher time level as the general feeling causing the move (CONFIDENCE=Bullish)(UNCERTAINTY=Bearish) begins to spread like a flu infecting more and more people gathering steam. This is the real mechanism behind all movement. During the 1987 Crash, fund managers sold NOT based upon fundamentals NOR upon some news event. Many sold because the Dow had just crashed 500 points (the biggest in history at that point) and there WAS NO NEWS AT ALL! People assumed SOMEONE knew something and it was really bad. The LACK of confidence creates CAUTION and that is when one does NOT understanding why the market just crashed, the prudent thing is to sell and get out.

Those who follow the fundamentals as if they really matter, get all caught up in their own myopic world. Sometimes the fundamental news is bullish but the stocks still go down. Then you will hear that the market was disappointed because they were expecting better news. So you can twist and turn every news event to explain the event and that is just SPIN. It does more serious damage because people get confused and in fact believe the bullshit.

Right now, cash levels in banks and corporations are a bit over \$2 trillion. The banks are not lending and the corps are not hiring nor investing. WHY? The plain truth is the United States is perhaps the worst possible country to do business in because there are no rules, and we have government by arbitrary action.

What do I mean? Some will say I am being un-patriotic. Patriotism is for the Brown Shirts of Hitler's day. The United States is suffering from the plain and real ECONOMIC-SCHIZOPHRENIA! I used this term at seminars to explain why capital flees the USA. The tax rate in America is unstable, and as long as that remains, it is more prudent for capital to move offshore. How can one build factories and hire people when the laws keep changing? You construct a plant based upon a model that reflects a 20% tax rate. Now, taxes jump by 40%. Suddenly, the budget is now shot. There is no way for a company to invest long-term when the taxes go up and down like a yo-yo.

A business cannot function with the tax rate constantly moving up and down. Now we have the states in crisis. New York proposed taxing hedge funds. They immediately said they would move to Connecticut. New York backed-off. This is the whole problem. We use the tax code because politicians seek to maintain power at the expense of the very people they pretend to be so concerned about.

Banks and corporations are holding on to their cash because nobody knows what the hell is going on and government has lost all credibility. If you have to count your fingers after shaking hands with Uncle Sam, it's just not worth doing business here.

It use to be prestigious to be listed on the NY Stock Exchange. Foreign companies dreamed of such listings. In 2000, NYC had nearly 60% of the global IPO market. Today, it now less than 5%. Foreign companies are no longer interested in being listed in New York because of the insane SEC and the Justice Department prosecutions. They attack everyone but the NY Investment Bankers. The Goldman Sachs case was the biggest joke of all time. It settled because nobody wanted a public trial and the charges were as thin as ice in April. It was a pretense to pretend Goldman was not above the law. It merely illustrates why foreign capital will never be treated fairly in NY courts when the complaint is against the NY banks.

The lack of a RULE OF LAW, which also includes tax law, is the undoing of the United States. The instability this is now causing can be seen in the rising cash levels and that means the decline in VELOCITY. We are in the final stages of a complete and very serious meltdown. Congress is afraid to spend because of so much has been spent, yet Obama cannot see the forest for the trees. His penchant to simply raise taxes has scared the hell out of capital and this shows there is no endless revenue source. The prisons are filling up with tax cases where even \$60,000 in 1099s omitted are getting people 1 year in federal prison.

The political morass is leaving no prospect of honest reform. The elections have been reduced to merely the choice between two evils. Unless some third party emerges with solid reform, the lights are soon going to go out.

Convicted mogul slams U.S. jails

MONTREAL — Disgraced media baron Conrad Black, just released from federal prison, has written a screed against the U.S. justice system.

Insisting he "would never dream of committing a crime in a thousand years," the Canadian said American lockups are full of the "grossly oversentenced."

Black spent more than two years in prison after he and his associates were convicted of stealing \$3.5 million from the

Hollinger media firm.

He's been released on bond while he appeals.

In a column for Toronto's National Post, he took aim at the "failure of the U.S. war on drugs, with absurd sentences."

"I had the opportunity to see why the United States has six to 12 times as many incarcerated people as other prosperous democracies," he wrote.

News Wire Services

The Supreme Court has just struck down the so called "Honest Service" criminal statute as unconstitutional. Both Conrad Black and Jeffrey Skilling were convicted of such crimes that are no longer crimes. Instead of the press telling the people the truth, they still have to characterize Mr. Black as the "[d]isgraced media baron."

It would be nice to see just once an American media mogul start doing what the First Amendment intended. To stop always supporting whatever tyranny the government comes up with and start defending the old Constitution. There are journalists who would love to tell the truth, but the publishers won't let them.

This article on Conrad Black seeks still to attack him because they do not like what he has to say. Freedom of the Press was suppose to protect the people from the abuse of tyranny. Instead, far too often the press just supports the government and never questions what they do. They take your rights and are the primary reason why manufacture left the United States, but no one will tell the truth. They paint corporations as greedy and only interested in the cheapest labor. But labor is not the big ticket. You need not just skill, you need a reasonable tax rate that is not unstable.

One major insurance company has been shipping its back-office offshore. The cost of an employee in the United States at \$50,000, works out to \$125,000 with the taxes (federal-state-local) plus benefits and possible further taxation of benefits.

If you ask the vast majority of consumers would they spend \$1,000 for a product made in America because of taxation at every level when the same product can be sold for \$500, they will pick the latter. The American auto industry opened the door to foreign cars when unions viewed their power was supreme at the expense of product quality. They destroyed their own jobs by the confrontation over their labor.

The consumer is the ultimate judge. A corporation will not leave if there is a profit margin to be had and stability. The cost of setting up offshore is not cheap. It is the stability economically that cannot simply be ignored. When taxes rise and fall like the markets on a short-term basis, you undermine the foundation of economic stability. This is a standard mistake consistently made by ALL governments.

Rome called this flight SUBURBIUM. As taxes rose in Rome, people and industry fled. Just as the hedge funds threatened to leave New York, this is the SAME identical pattern that takes place ALWAYS and without exception! Government refuses to learn that they rule by consent of the people. When they become arrogant and believe their own bullshit, they are in the final throes of political suicide. California is imploding. The United States will follow the same course because it is too arrogant to stop and look at the long-term nonsense that has arisen from the stupidity of its actions. The people DESERVE a HONEST government. They DESERVE to have a FUTURE. That is what has been stolen under the pretense of SOCIALISM.

When we just look at the world economy and simply compare the stock market performance, there is a serious lag that jumps out at you when looking at the European markets DAX, CAC40 and FTSE, against those in Asia and America including Australia. We do not see the significant rallies into 2007 with isolated spike highs. Instead, the major highs for the most part on average remain as those of the last cycle 1999-2000.

One must ask, what is going on with Europe? The most significant problem has been the systemic high taxation with substantial regulation that has institutionalized Marx that is deeply embedded within the entire economy.

Europe has had a strong Euro currency, but its share market performance simply has not reflected what should have been a real positive capital inflow period. The one big reality that I have always learned, is the markets are always right, and what refuses to rally when it should, is an indication of a serious structural flaw that will lead to the opposite outcome.

There appears to be shaping up for the 2011.45 turning point, a potential major shift in trend. The fact that the share markets of Europe did not rally, warns that the taxation is far too high and confidence on the part of capital does not exist. There are deeply rooted concerns that lie beneath the surface.

The VAT Tax adds a Byzantine complex of tax collection at every level that is great for creating government jobs, and does little to actually contribute to the long-term economic growth. A retail sales tax would be much cheaper and far more practical, but then you would not be taxing corporations as much.

I was called in to attend a board meeting of Acetel in Germany on an urgent basis. I flew there with our German partner. At the board meeting, Princeton was appointed as advisor to their pension fund and then the chairman and the majority resigned. It was like being summoned to a suicide party.

What happened was that the company asked for permission to lay-off a chunk of its work force. The government had to approve, which they did. However, at the last minute, the

government ordered they could NOT pick and choose. They had to make the offer to every employee. At the time, they had to offer about 125,000DM to voluntarily give up your job.

The government was concerned purely with socialism, while ignoring PRACTICAL ECONOMICS. The result, everyone who knew they could then find a new job, grabbed the money and ran. The people that stayed, were the worst of the lot, who were the very people the firm wanted to get rid of. Princeton Economics was requested to attend the board meeting because the board felt that branch would soon go bankrupt and the only asset worth saving was the pension fund.

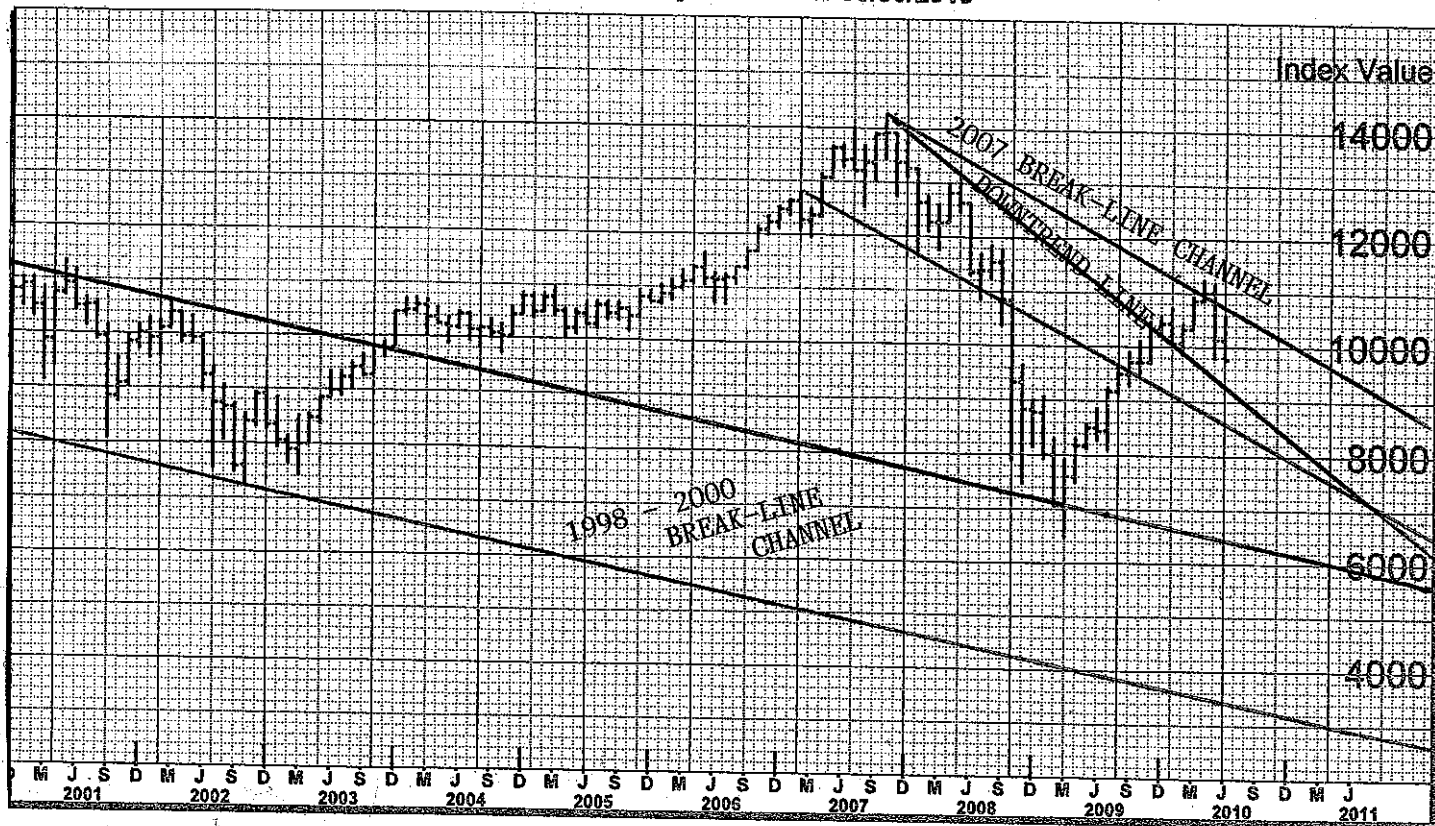
This is just the tip of the iceberg when I speak of the travails of socialism down that path that has brought us to where we are today. IT IS SIMPLY NOT PRACTICAL AND THAT IS THE PROBLEM.

Just as you cannot possibly regulate pre-marital sex, you cannot ever create regulation that goes against common sense. This is not about left v right. Both sides are dangerous for both ignore the core PRACTICAL ECONOMIC consequences.

The greatest problem with socialism is the cost of administering it is killing us. You hire government employees with a lower skill-set than the private sector, and then you promise them pensions that are simply not realistic. I would bet you could hire someone to collect your trash at a small fraction of what the government taxes you for.

The charts do not lie. Something is seriously wrong in the divergence that is reflected in the stock markets of Europe. Even when we look at Japan, the future can't possibly get any worse. Where Spain became the greatest spender in history causing their nation to collapse from being the richest in Europe with the American gold, the Japanese have shown how NOT to manage an economy. At the peak in 1989, Nippon Life invited me over. They were going to hedge a \$1 trillion portfolio. They the government stepped in and said NO! They thought if they hedged, the market would decline. They lost a fortune because of that government intervention that has led to the worse economic decline perhaps next to Rome. We are on the edge of major change.

DOW JONES INDUSTRIALS
Monthly Cash as of 06/30/2010



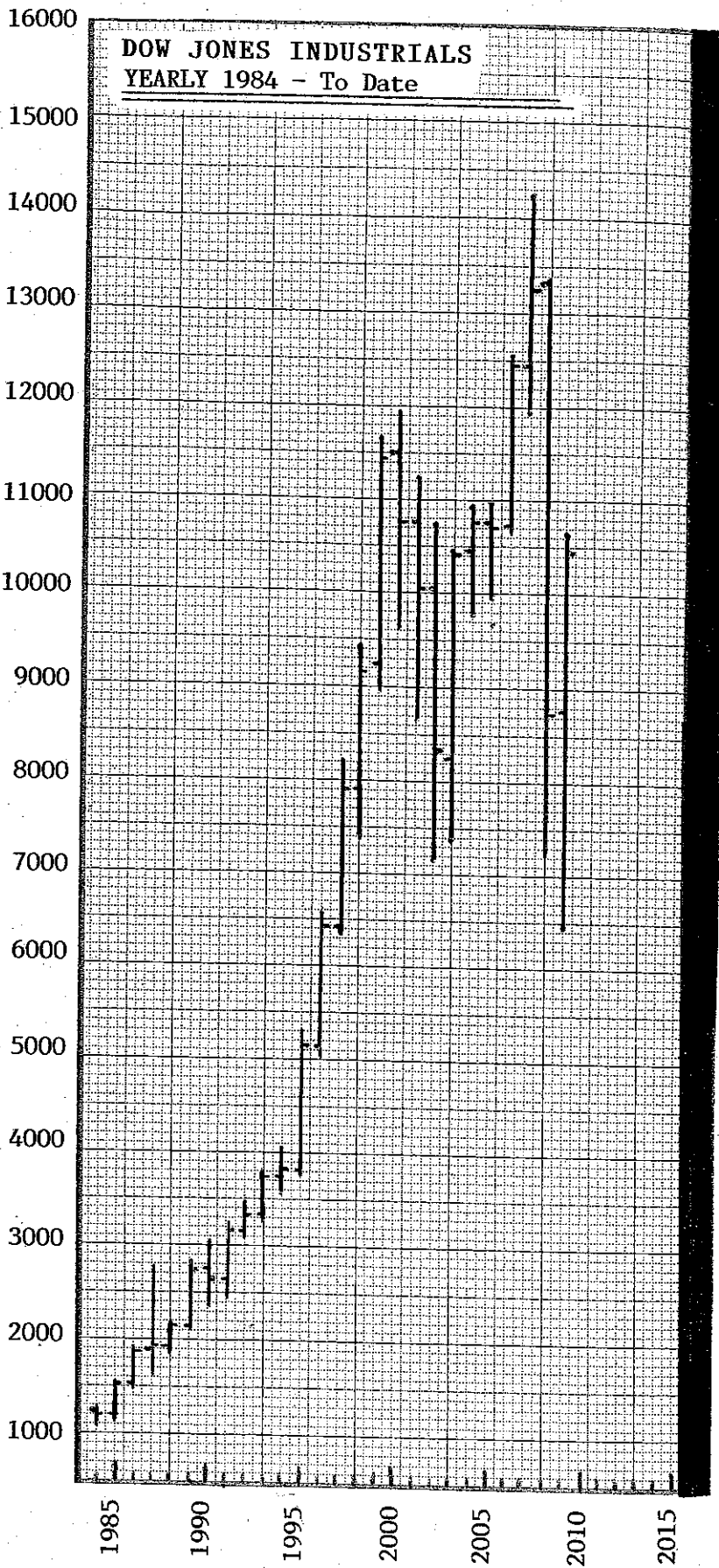
To understand the language of the FREE MARKETS, you have to be objective and above all impartial. In the early 1980s, I had lunch in Geneva with one of the heads of a major Swiss bank. I asked told him we were going to open our first office at that time in Europe. I asked him what name to use. He asked me to name one European analyst. I could not. I was embarrassed for I thought it would be taken as a typical arrogant American. He said don't worry. For there were none worth knowing. He told me the reason everyone was relying on our firm was because we were impartial. The Brit had always defended the pound. The Frenchman the franc, and the German the mark. He told me to keep the Princeton name because being American, I didn't care if the dollar rose or fell. It was just business.

There can't be any preconceived ideas about depressions or booms. There is no right nor wrong that needs to be vindicated. To read the markets in a neutral manner, you have to let them do the talking. There are technical views as well as cyclical views. Turning-points are the key. The markets will speak clearly and they are never, ever wrong. Those who blame the loss of their home value on Wall Street fail to realize the real estate peak was carved in stone for 2007 anyway.

Wall Street followed the trend. They were part of it. But they did not create a trend out of nothing. They contributed to the volatility, but even derivatives were at the heart of Tulipmania 1634-1637. That was a futures market trading options. Derivatives even existed in ancient times. It was a high long in the making - 51.6 years to be precise.

Above is a monthly chart of the Dow. The lowest monthly closing took place in February 2009 holding the 1998-2000 Break-Line Channel from the last cycle that produced the Long-Term Capital Management Crisis. From the technical perspective, this was where support on the extreme should form. The extreme support lies at the bottom of that channel, which back then was 4000. We then rallied rallied after a perfect 17.2 month decline (8.6x2) for 13 months into April where the Pi Turning point was due. We did not close above the 2007 Break-Line Channel. Even if the Dow fell into June 2011, it looks like technical support will remain at the 7400 area by then - NO NEW LOWS. August is still a turning-point in TIME. The weeks are 8/2 and 8/30. There appears to be an opposite trend into November, a reaction into January, and a move thereafter going into June 2011. But the key, is global correlation.

**DOW JONES INDUSTRIALS
YEARLY OUTLOOK**



The Dow Jones Industrials fell quite sharply from the 2007 high into the low in March 2009 17.2 months on the mark/ It has subsequently rallied into the the PI CYCLE target during April to establish the high for what appears to be most likely for 2010.

The closing for 2008 was bearish, and that led the way into the March 2009 low. That low now appears likely to be it for this decline. Yet, 2009 failed to generate a BUY SIGNAL at year end and that is what has left us in a vulnerable position for a retest of the 2009 low.

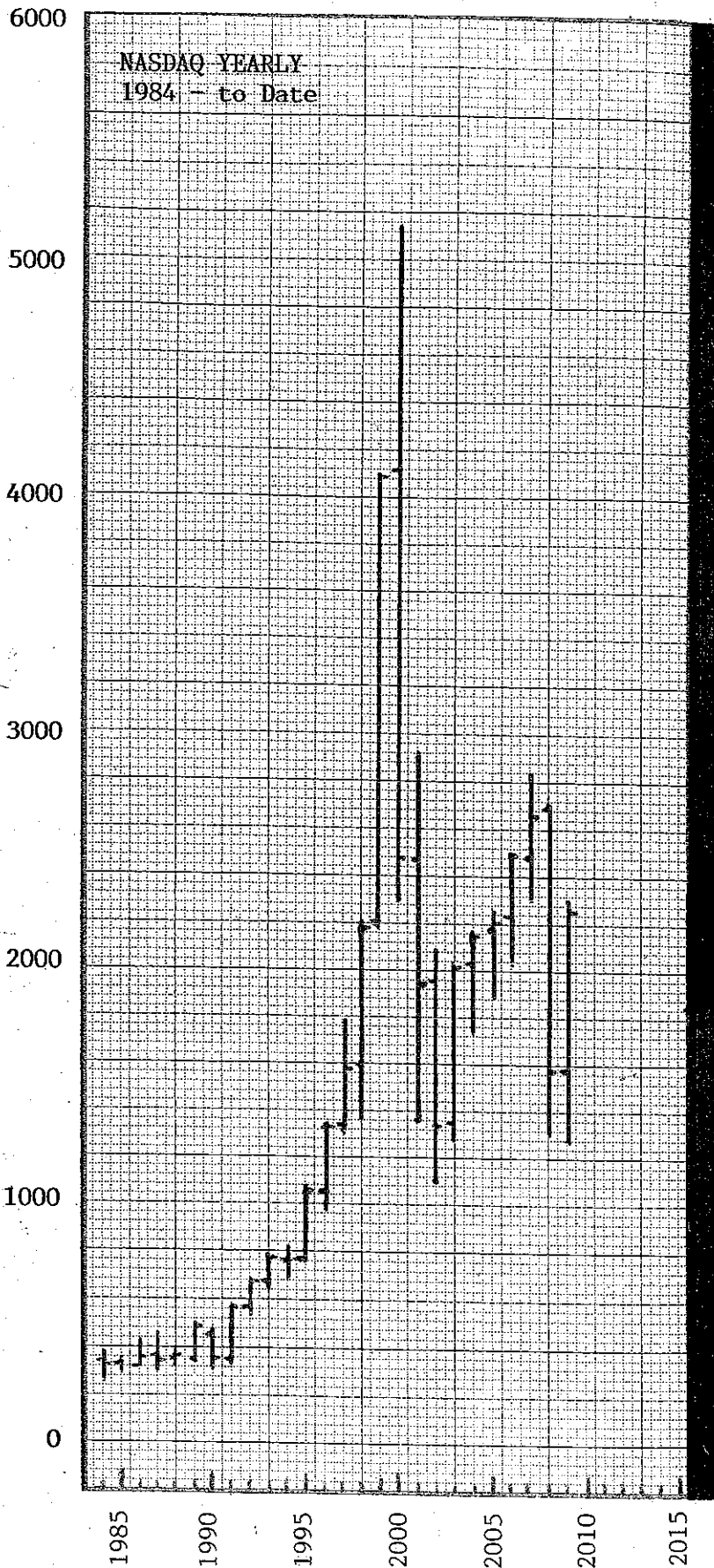
The major YEARLY BEARISH REVERSAL: remains at 7180. So unless we see a year-end closing BELOW that number, the 2009 low is likely to hold. A closing below 9961 will also signal a decline into 2011. To signal a reversal of fortune and a continued rally, requires a year-end closing above 11,000, which does not appear likely.

The major MONTHLY BEARISH REVERSAL lies at 6936. The lowest monthly closing took place in February 2009 at 7062. So although we penetrated this number on an intraday basis, it held on the close. It is this number that would warn of a real meltdown. We could retest this area if we at least see a monthly close beneath 9645.

Certainly a decline into 2011 will get everyone very bearish. They will most likely begin to short and bailout. What appears to be in the cards, will be a shift from public to private asset class and that is going to be very, very confusing.

Only a low the last week of August would warn we could flip to the upside. This is NOT going to be a walk in the park. The markets are going to be very volatile and we have to pay close attention to the outcome of the Sept/Oct time period. We are preparing to make a very important directional change.

NASDAQ YEARLY OUTLOOK



The NASDAQ high of course remains 2000. Despite the fact that there was a huge spike high and a spectacular crash into into 2002 bottoming with the Economic Confidence Model, what is amazing, is there has been NO YEARLY BEARISH REVERSAL executed. That stood at 1194, while the 2002 low was 1108.49 intraday, the lowest annual closing was 1335.51. This means that we are still within a position that warns that the Fat Lady Did Not Sing. Hence, as nuts as that sounds, there is always room for just one more new high perhaps going into 2016.

The major long-term support lies at 975. There remains a possibility that a new low may be seen in 2011. If that low unfolds, it should then penetrate the 2002 low or at least form a double bottom with a low just above or below 1108. If we see that formation with a closing back above 1194 for year-end 2011, we should be on our way to new highs for 2016.

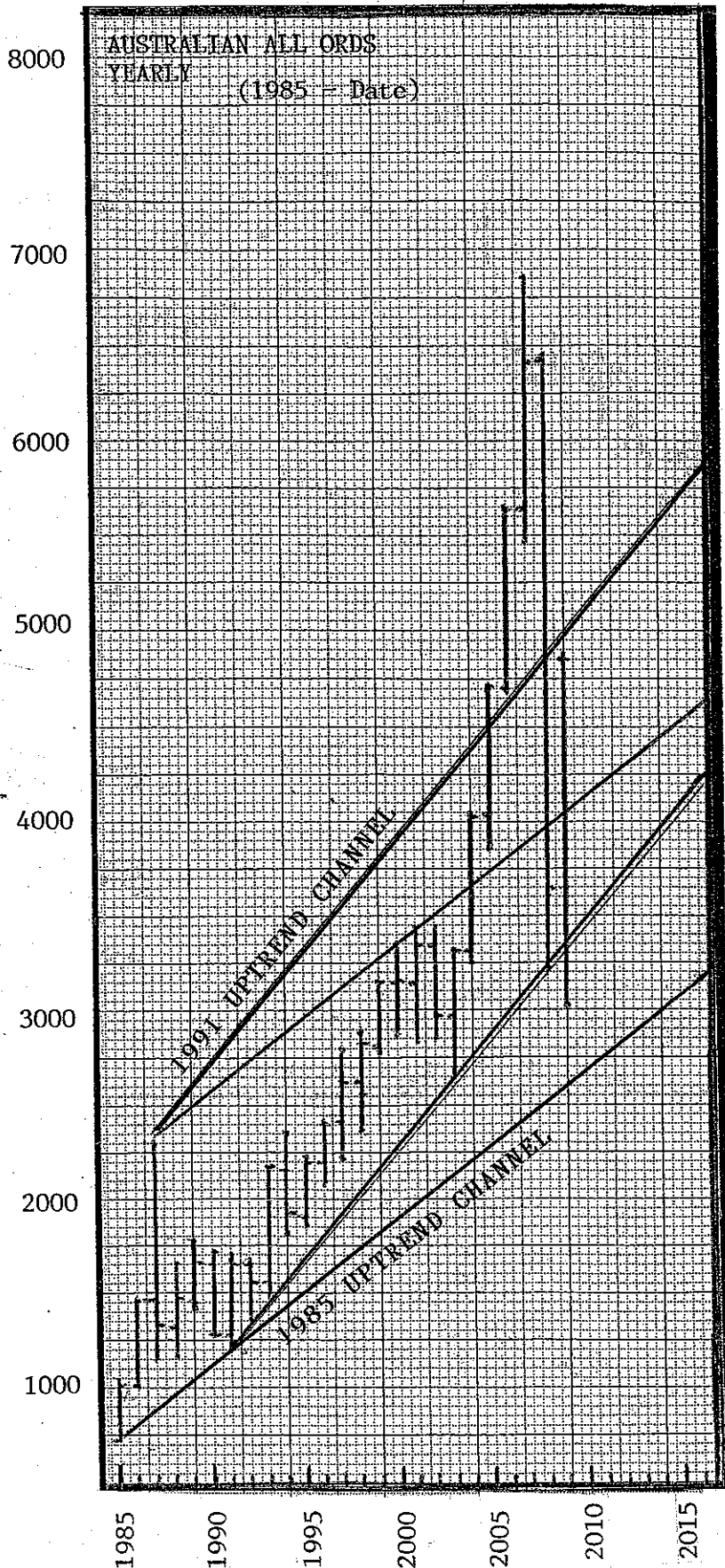
The NASDAQ peaked in April 2010 with the PI CYCLE and a monthly close below 2024 should signal that further decline is possible. A year-end close for 2010 beneath 1888.9 will signal the we should see a decline into 2011.

The primary overhead monthly closing resistance stands at 4209. A month-end close above this level is what is needed to signal a breakout to the upside.

It certainly appears that 2011 offers the potential for a change in trend at last. The key to watch is the possible flip in the focus of public to private asset class investment. This certainly appears to be where this shift should begin. The big wave will of course emerge in 2016.

NASDAQ represents more of a domestic shift in asset class. So we must keep this index in mind that reveals a subtle difference compared to the Dow Jones Industrials. The surge into 2000 for the internet, was correct. Just premature.

**AUSTRALIAN ALL ORDS
YEARLY OUTLOOK**



The Australian All Ords bottomed nicely with the Economic Confidence Model in 1985 and through it all, it then peaked intraday in November 2007 with October remaining as the highest monthly closing. This market has not been peaking or bottoming precisely to the day, which tends to suggest it is not the object of capital concentration as has been the case in Japan. We must still pay close attention, for when the All Ords does start to line-up precisely, foreign capital will begin to concentrate.

The major MONTHLY BEARISH REVERSALS lie at 3227 and 3027. So far we have seen the lowest monthly closing at 3296.9 in February 2009. Therefore, we have NO major long-term sell signal at this time.

The major annual support lies at 3265-2840. ONLY an annual closing below 3265 will warn of weakness into the next year, whereas a closing at year-end under 2840 would be bearish.

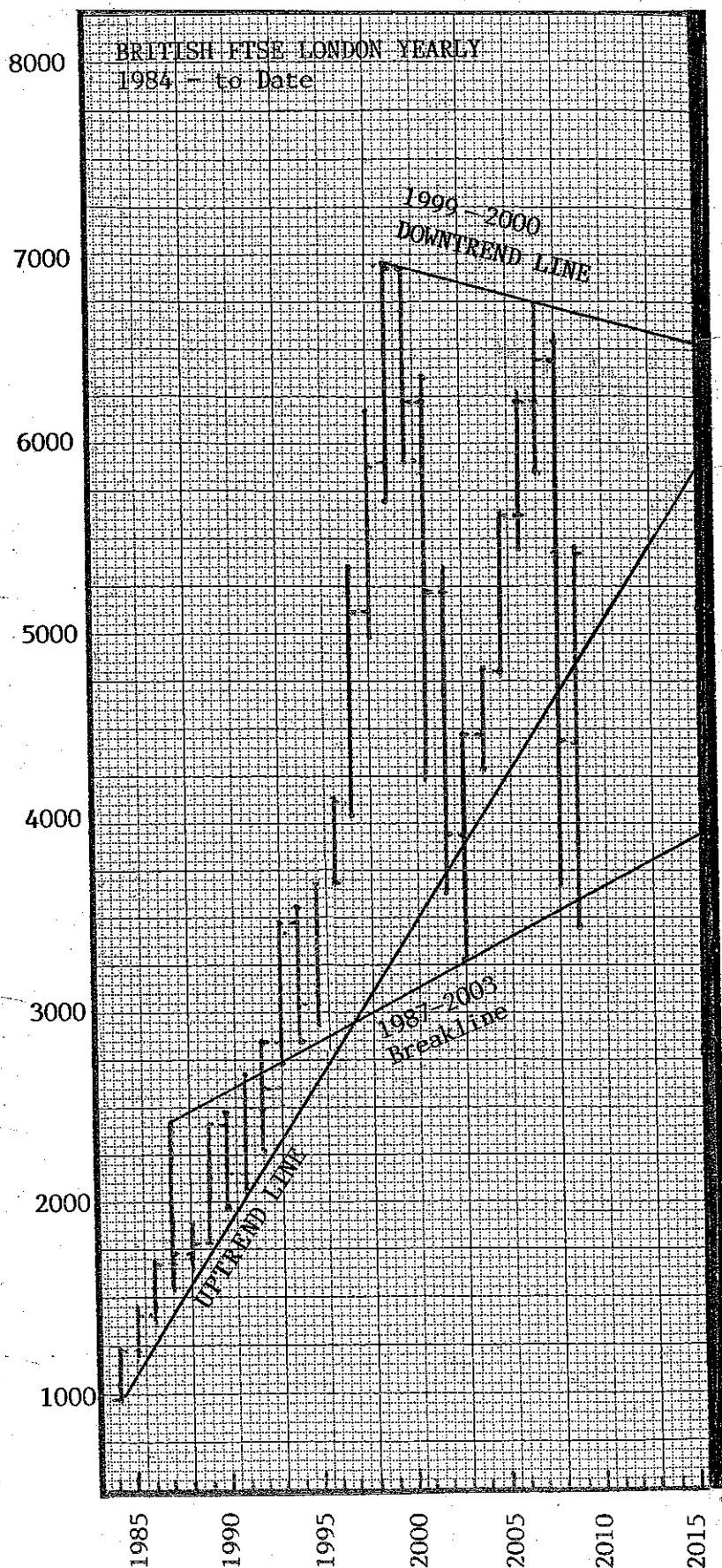
The technical support lies at the 1985 Uptrend Channel and the resistance stands at the top of the 1991 Uptrend Channel. These are the technical keys support zones.

The current year has resistance at 5485 level with initial resistance that begins at 4720 area. The key technical support lies at 3875. It does appear that a year-end closing BELOW 4700 for 2010, will suggest that further weakness is likely into 2011.

For this DECADE, the major support remains at 2665. That is the real big critical support that does not appear to be in danger of giving way.

The yearly timing models still look like a major breakout will appear in 2011 going into 2016. This appears to be both a shift toward not merely gold, but a period where private assets will then out-perform public assets. The Government of Australia & New Zealand will not be exempt from the death of socialism.

LONDON FTSE - YEARLY



The London FTSE Index shows a very distinct pattern. Here we have the major high in December 1999 at 6950.6, whereas the rally into July 2007, reached only 6754.1. From a cyclical perspective, the high remains with the previous cycle and this requires some careful review. Yet, the annual BEARISH REVERSAL remains at 3612 and that has held since 1999. The low into 2003 fell intraday to 3277, but it held 3612 on a closing basis.

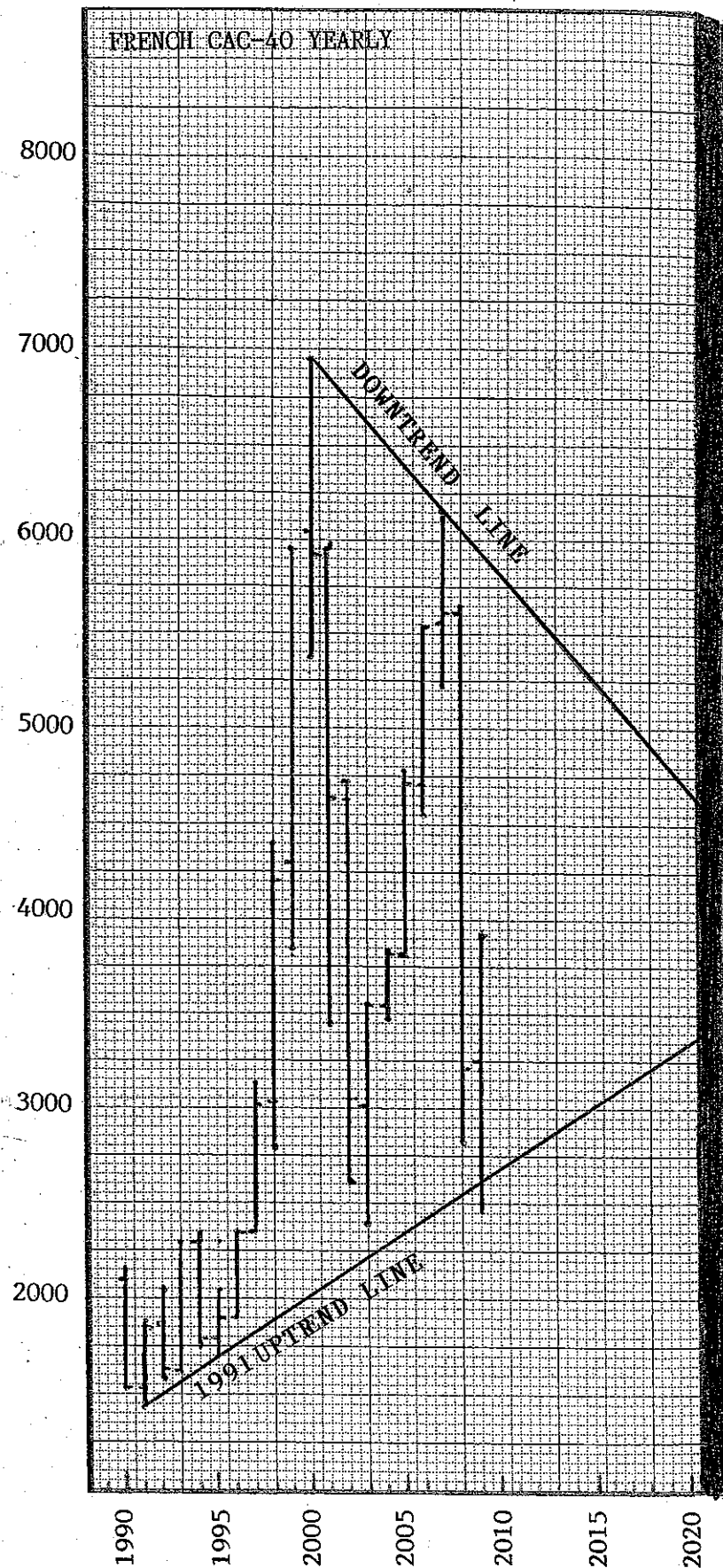
The British market remains well out of sync with the major HOT money. There is an opportunity for a 2011.45 line-up that would suggest that Britain could survive into new highs for 2016. This would be implied if we see a low (even a double low) in June 2011.

Neither the FTSE nor the DAX have any isolated bubble top. At least the French CAC-40 has a 2000 high where the 2007 high is about 10% lower. The DAX just made a new high and the FTSE was very close to the 1999 high. Therefore, the European stock indexes suggest that there may yet be a MAJOR separation between private and public assets. The fate of the Euro is also impacting the overall future of European share indexes.

The major MONTHLY BEARISH REVERSAL lies at 3432. This is what must be then broken with a monthly close beneath this area to signal a breakdown in the FTSE. The intraday low after the July 2007 high came in 20 months during March 2009 at 3460.7. Only a monthly closing back above 6105 will suggest that a breakout to the upside is likely.

The rally following the March 2009 low moved into a high for the Pi Cycle target of April 2010, reaching 5833.7. On our yearly indicators, coming out of the 2003 low, the FTSE was bullish until it turned neutral with the 2007 annual close. Resistance for year-end closing in 2010 will stand at 5365. A close BELOW this will warn we may retest support in 2011. We need a close ABOVE this level to signal a rally. At best, there is no such indication of a break to new lows under that of 2003. The final high may yet be 2015.75.

**FRENCH CAC-40
YEARLY OUTLOOK**



The French CAC-40 failed to make a new high in 2007 and remained about 10% below its 2000 high. Obviously, the CAC has lagged behind the DAX and even the FTSE. Nevertheless, there still appears to be a turning point forming for 2011.

The CAC-40 has the potential to make a new low at or near the 2003 low at 2401.5. A year-end closing below 3800 for 2010 will warn that such a possibility exists.

If the CAC40 were to finish a low in 2011, this would most likely be followed by new high into 2016. Again, this suggests at least a breakdown in the Euro and/or a rising debt crisis.

The 4560 level will be a pivot in 2011. Remaining beneath this area will leave it as resistance. Monthly closing support will remain at the 2880 area that has held so far. The CAC40 has been unable to close back above 4000 so far this year. This is a very weak indicator for 2011.

January in the CAC40 was the Pi Cycle specifically tied to this market. The CAC40 reached 4088.18 in January and that has been the high for the year intraday so far. A monthly close below 3395 will signal a decline is likely in the months thereafter.

The critical number to watch on a year-end basis will be 3063. If we see a 2010 closing below this level, then this will signal a serious new low in 2011. If we can achieve a low during June precisely of very close to the Economic Model, then this will be a perfect setup for a bull market into 2015.75.

A review of this market next January will be important as to what we should expect not just in 2011, but thereafter going into the 2015.75 target. Where, how, and when this market arrives in June 2011, will be a leading indicator for many other markets as well, not the least of which, will be both gold and of course the Euro.

GERMAN DAX YEARLY OUTLOOK

The DAX made a new intraday high in July 2007 at 8151.57 just slightly above the 2000 high in March that year at the 8136.16 level. This strongly suggests that we should indeed see new highs in the years ahead.

2011 appears to be a turning point and thus if we see a consolidation low next year, this should set the stage for a rally into 2015.75. It appears that this turning point may produce a very strong rally with the market at least doubling the 2011 low on the minimum with a strong possibility of a rally reaching a 5 fold advance (500%).

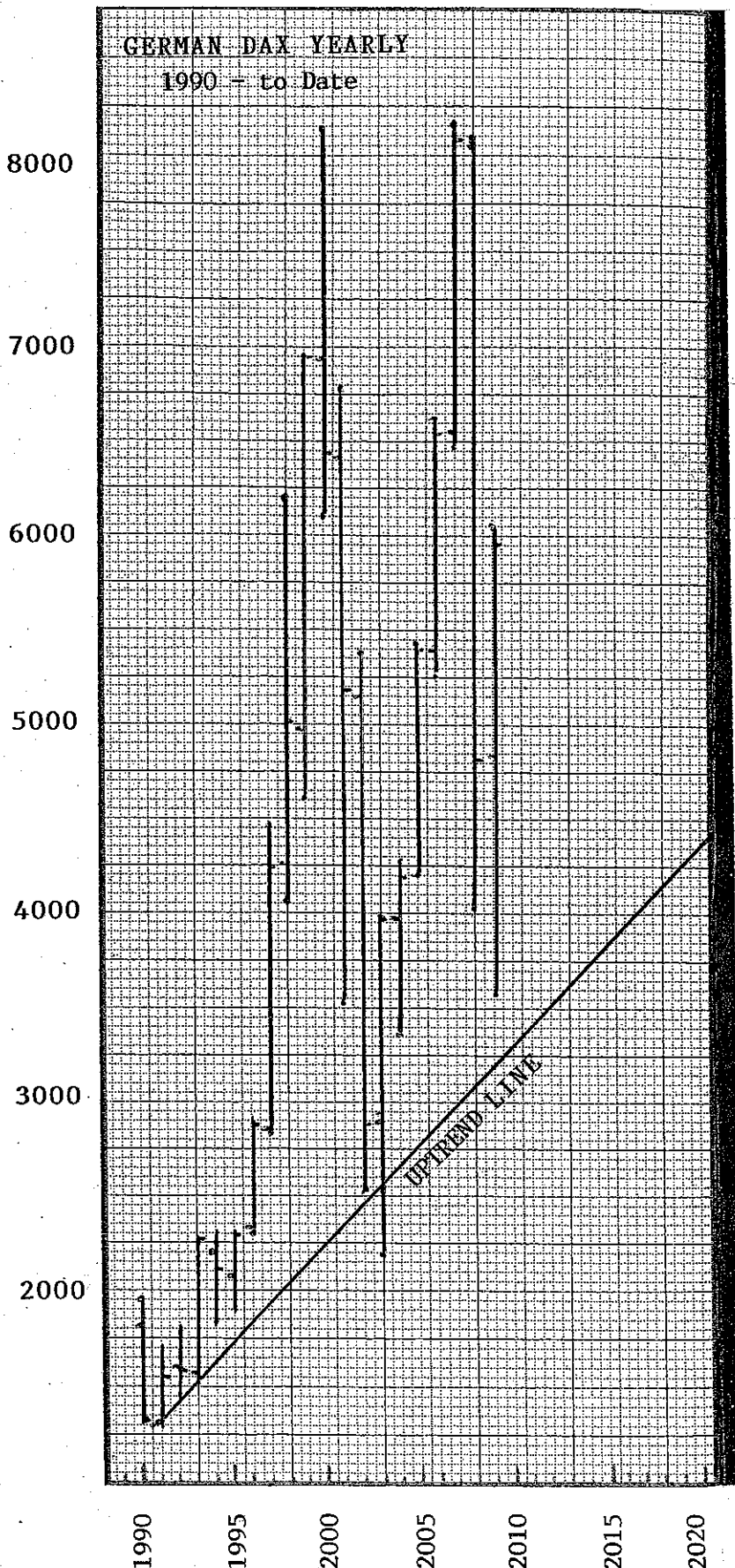
This still suggests a decoupling that may unfold between private and public assets. This implies we are going to go into a real crisis from the debt mode perspective.

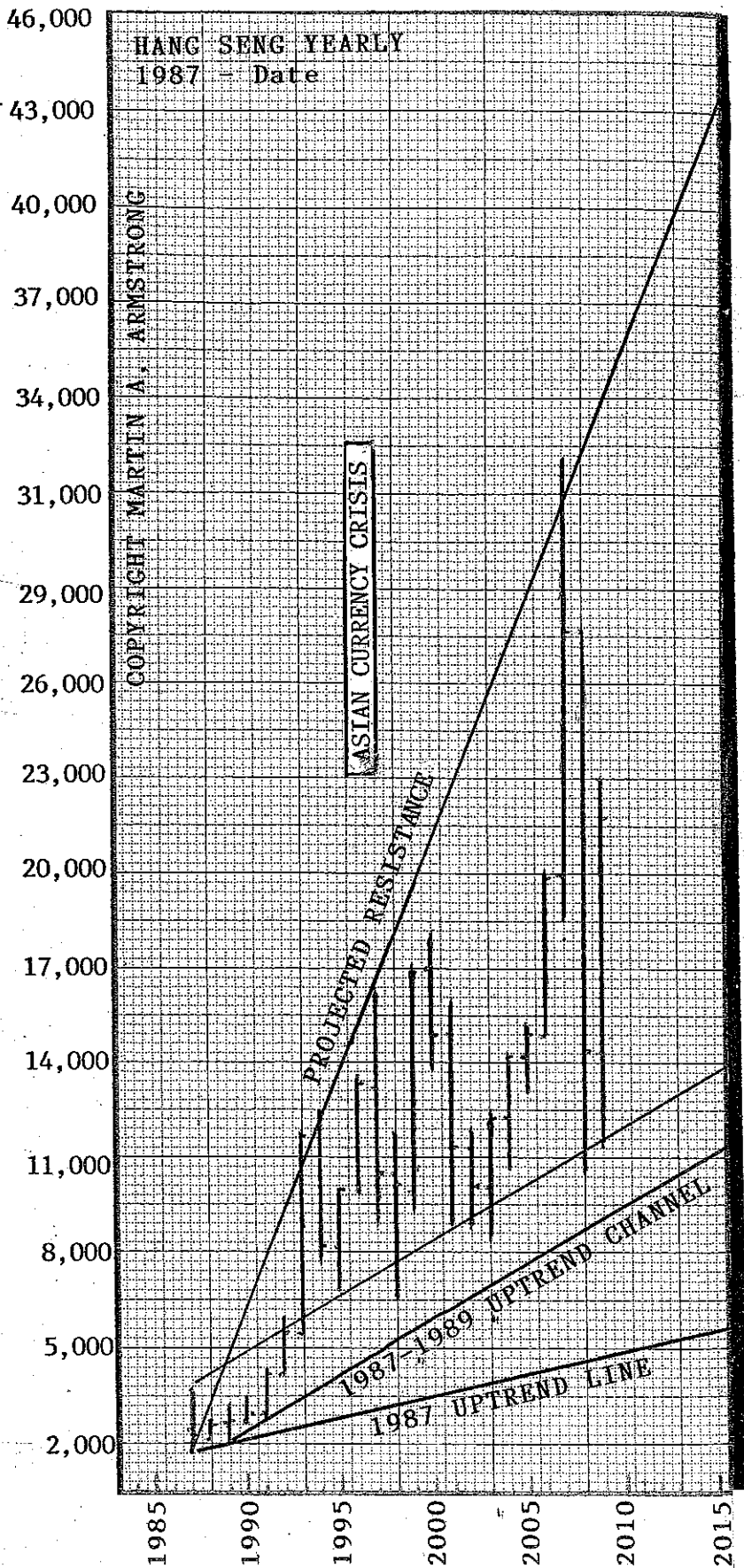
The major support lies at 3615 and 2519. Only annual closing beneath both of these numbers would suggest a collapse. As long as these hold on an annual close, the more likely course of action will be to explode to the upside with a decline in the purchasing power of the currency. This may also imply a serious problem in the Euro itself.

The MONTHLY BEARISH REVERSALS lie at 3752 and 2188. Clearly, this held in 2009 Crash with the lowest closing in February 3843.74. The BULLISH MONTHLY REVERSAL stands at 6554 and 7100. This is the immediate monthly closing overhead resistance. Therefore, we are still in a consolidation mode more than anything else right now.

A year-end closing BELOW 6437 will keep the DAX in this consolidation mode. A closing BELOW 5465 will imply we will see a retest of support in 2011. Yet, we are likely to hold the UPTREND LINE on this Yearly Chart. A annual closing ABOVE 8200 will signal a breakout to the upside.

The DAX looks long-term like it will perhaps test the 15-16000 area at least going into 2015.75.





HANG SENG YEARLY OUTLOOK

The Hong Kong Hang Seng has always been a different animal from Japan. The yearly chart of the Hang Seng reflects quite clearly the movement of capital. Hong Kong was our headquarters. Our main office there was on the 21st Floor of CitiBank Plaza. It was a spectacular view that incorporated more than just the landscape. Hong Kong was the modern day Constantinople. The Crossroads between Asia and the West.

The Yearly chart of the Hang Seng reflects the shift in capital flows and how capital migrates from one HOT market to the next. You will notice that here we DO NOT see a bubble top as we did in Japan for 1989. In fact, what you see after the 1987 Crash, is merely a sideways trading pattern into 1989. The real bull market begin quietly in 1990 with the peak in Japan.

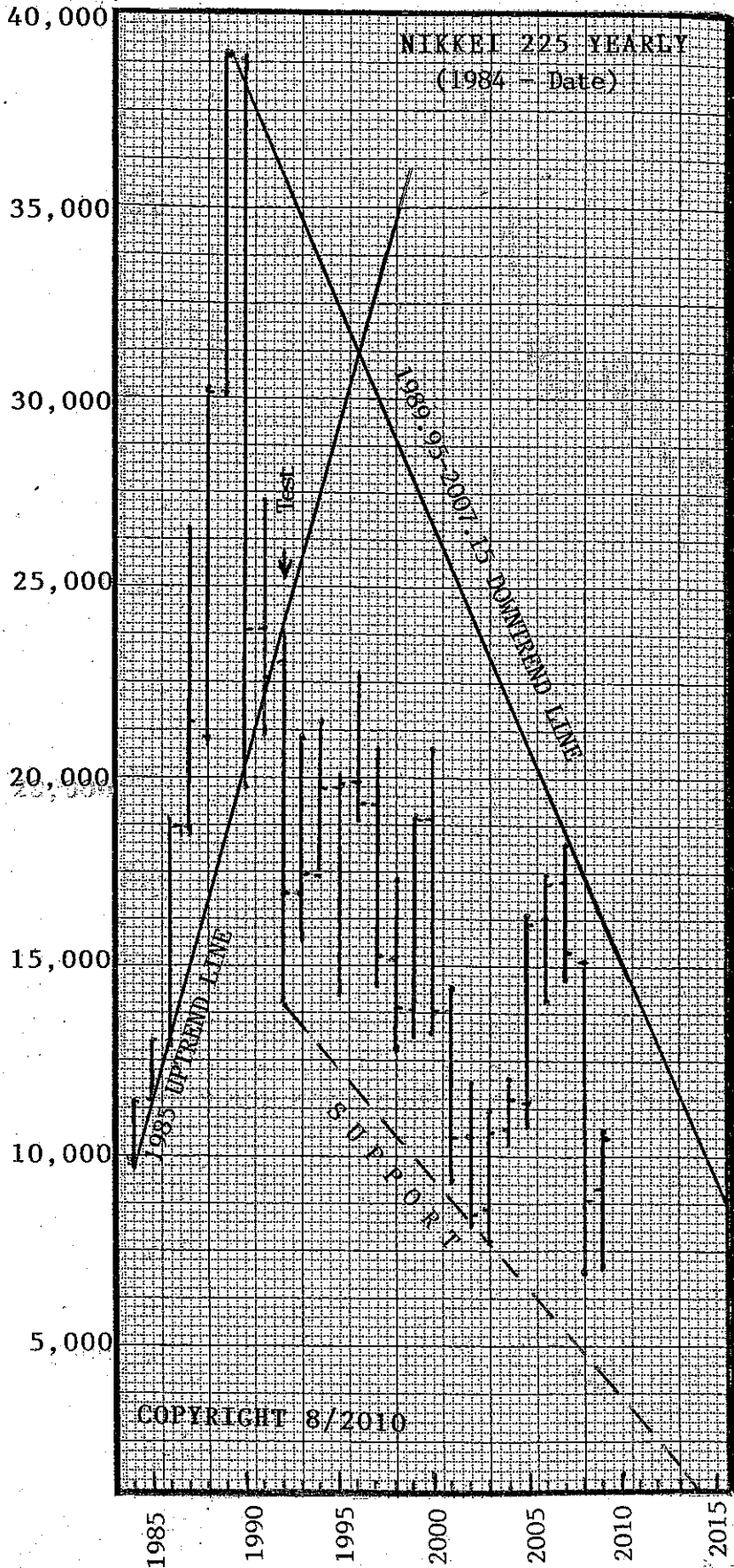
Hong Kong then kicks into high gear. For 17.2 years we then rally into the big high for 2007. Clearly, as capital began to leave Japan, it moves into SouthEast Asia that included Hong Kong.

The migration of capital from Japan became manifest through Asia. In 1997, it became the Asian Currency Crisis for the currencies rose sharply reflecting the huge capital inflows. This is when I was invited to Beijing to meet with the new rising economic power - the Central Bank of China. What you will see is that the capital inflow created a spike high in 1997 with a crash that moved from the August high at 16,820.3 down for 12 months into August 1998, bottoming at 6,544.79. This was a sharp sell-off, and it clearly reflected the shift in capital that now turned back to Europe for the coming EURO.

However, the short duration of the crash being only 12 months, reflected the fact that this was just a correction and not a major change in trend. For what would rise on the horizon was China. Again we have 16 month drop from 2007 but the BEARISH MONTHLY REVERSAL is 17370. ONLY

a monthly closing BELOW 17370 will warn of a continued drop into what may develop as a 17.2 month drop into June 2011.45. If we were to see a perfect low at that time right to the day, this will be the biggest confirmation that the next rally into 2015.75 will be a major high and a shift in capital from West to East. The major support lies at 10,600.

JAPAN
NIKKEI 225 YEARLY OUTLOOK



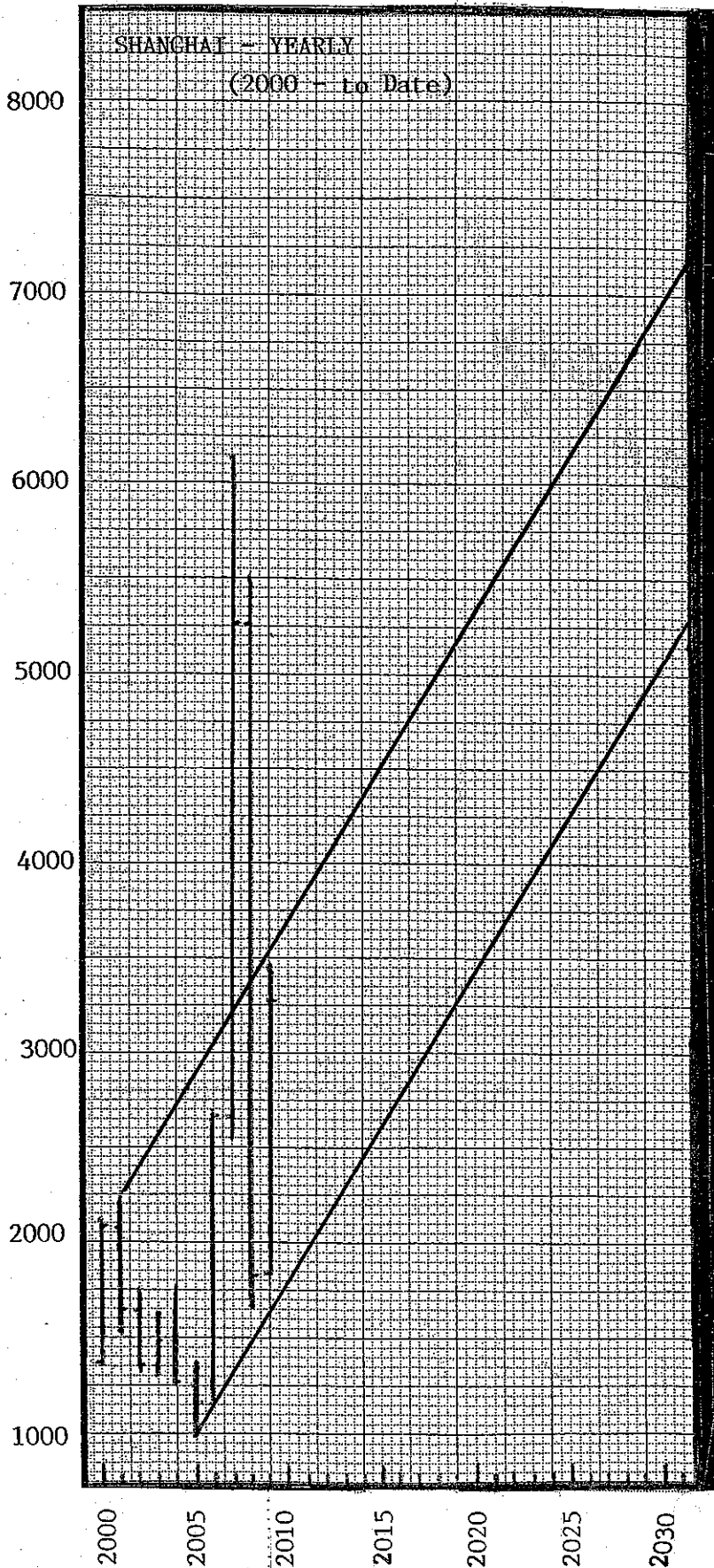
The Japanese Nikkei 225 shows a very interesting pattern. The Bubble Top formed in December 1989 right in line with the Economic Confidence Model 1989.95 and then fell bottoming on the low of the following 8.6 year cycle in 2002 on an annual closing basis with the intraday low in 2003, reaching 7603 followed by a rally peaking at 18300 precisely on the February 2007 peak on the model.

In the crash that followed 2007, the Nikkei then penetrated the 2002/3 low dropping to 6994 in 2008. The real disturbing element here is that the Nikkei peaked 1989.95 at 28,957, and then we ended up with a HIGH on 17.2 years later to the precise day 2007.15. This is a very bad omen for the future of Japan. By creating a high 17.2 years after the Bubble Top, warns that we may see an extended bear market and that suggest there could be a massive exodus of capital from Japan as it now turns toward net higher taxes to deal with one of the worse debt ratios in the major economies.

The yen remains strong due to the ongoing capital contraction, and given the fact that only the yen and the US dollar are major alternatives to the Euro where SIZE in cash can be parked. This is contributing to the deflation in Japan because of a rising yen. The next primary target will be June 2011. This is where new lows can be seen in the Nikkei with the potential for the final low 21.5 years from the 1989.95 high. A YEAR-END closing BELOW 8197 in the Nikkei for 2010, will signal the final collapse is here and may reach at worst just slightly below 5,000.

We may see significant pressure in the public debt issue for Japan and that is what will finally reverse this market as the yen falls and domestic cash then swings back to private assets for security. It has been a long-time coming. Nonetheless, it does appear that the end is near for the Nikkei if we close 2010 BELOW 8197 at year-end.

SHANGHAI YEARLY OUTLOOK



After reviewing the data of this market, there appears to be no exception to timing intervals that line up with the rest of the world. This is very interesting for it illustrates that time is definitively universal no matter what country we look at or what century. We are all still human and we cannot be ever separated from our passions.

For our old clients, the MONTHLY BEARISH REVERSAL generated from the high in 2007 lies at 1633. The crash in 2008 fell to 1664.93 holding that critical level of support. ONLY a monthly closing beneath 1633 would warn of a drop to then test the 1080-1100 level.

Shanghai fell back into the Uptrend Channel from the 2005 low, and then the rally back into 2009, retested the top of that channel. There has been very high volatility, but there is no major long-term sell signal achieved in this market. The development of yuan funds of stocks will help open this market to real global absorption of capital. CHINA could still emerge as the savior of big capitalism as the West has to learn the same hard lessons that Marxism does not world and socialism is communism, trying to be just a little-bit pregnant.

The major technical support lies at 1307. ONLY a year-end closing beneath this area would point to new lows for the following year. Otherwise, support begins at the 2500 level. A close under this area for 2010 would warn of a drop into next year.

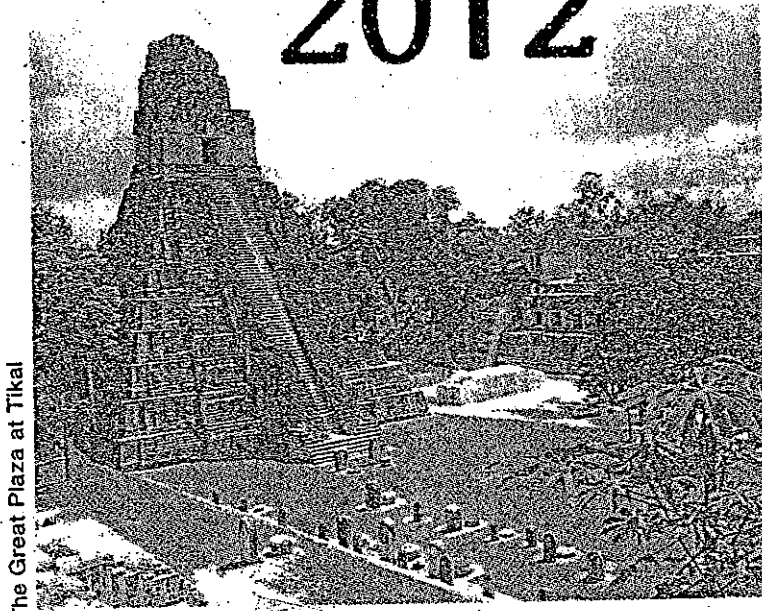
Additional support lies at 1820 area, then followed by 1633, 1307 and then the major low of 2005 at 998.28. A major collapse does not appear in the cards as yet. It still appears that the Shanghai market will survive and may in fact become a leading major indicator between 2011 and 2016.

Armstrong Economics™

Supernatural sideroads

Troubled times

2012



The Great Plaza at Tikal

The Mayan End of the World

December 21st, 2012

Martin A. Armstrong
former Chairman of Princeton Economics International, Ltd.

Copyright Martin A. Armstrong All Rights Reserved

THE TRUTH BEHIND THE MAYAN CALENDAR & 2012

A Special Report has been underway to test the validity of this Mayan 2012 forecast that has sparked books and TV shows. This is an objective authority on the subject, not hype. This report will expose BOTH the falsity as well as the TRUTH behind this coming date for the end of the Mayan Calendar on December 21st, 2012. What lies at the core of the Mayan Calendar is one of the most remarkable and profound cyclical studies conducted historically. We may in fact be headed into the high for this **Global Warming** trend. It is also curious that 2012 will be the next target for the reversal of the poles on the earth whereas the last such event took place on earth 780,000 years ago. The poles flip regularly every 11 years on the sun and 2012 is the next target there as well. Some scientists have contributed data regarding the shifts in the poles going back 160 million years. This also allows us to back test the Mayan cycle of 5,126 years or so in conjunction with the Precession of the Equinox that has its only cycle of 25,800. While this may not be predicting the End of the World, it is predicting a change in trend. Sign up for notice of this report's publication.

ArmstrongEconomics.COM