



Harry's Take

July 16, 2020

Urgent Message: Stocks Finally Showing Clearer Signs of a Top... THE Top!

A lot has happened in the last week. The most recent event is that the Shanghai Composite just saw a 4.5% drop overnight after a 20% mini-bubble spike since just June 15—in just one month! That sort of reversal is a bad sign. China had a daddy-bear bubble spike into late 2007, a momma-bear one into late 2015, and now is in a baby surge, also a sign of weakening.

The leading Nasdaq had a negative reversal on Monday, making a record high and then closing lower. That's rare, and two such readings came just before the 2000 peak and first tech bubble crash.

The dumb money confidence is nearing dramatic highs again, as happened in early June.

But here's an indicator that is also rare and more ominous from my view. The volatility index for the Nasdaq is called VXN; it's like the VIX for the S&P 500. VXN has been rising in the late stage of this rally rather than

falling—and this has not been the case for the VIX. Normally, both of these indices rise when stocks fall, and then fall typically faster than stocks rise.

Nasdaq 100 Volatility Index Up into Rally Instead of Down: Bad Sign!



Source: 'Fear' is rising in the stock-market and so is 'dumb money' confidence as tech stocks reach an inflection point. By: Mark DeCambre

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In this case, it means the larger futures traders, representing the smarter money, are seeing more volatility ahead—they see a major reversal here for the leading Nasdaq 100, which is the only major index making new highs, including globally!

Hence, this is potentially THE top—and we won't get that second wave up into the election. This rebound rally has already lasted near 4 months, more than the 3-month rally after the first 2000 crash and less than the 5-month one after the first 1929 crash.

The broader picture on this indicator is looking like it did just before the early 2000 top and first tech crash. I'll have more on that early next week. [Andy Pancholi](#) also has a broad turn point for stocks, gold, currencies, and oil next week: July 21–23.

Here's an update on the key Nasdaq 100 final channel trend I have been tracking for many weeks. It now looks like a throw-over rally that could reverse downward soon. It would only take a break of the bottom trend line at 10,150–10,300 in the next few weeks, depending on when it occurs, to confirm this topping pattern.

Nasdaq 100 Top in Process: Over-Throw More Likely Than Break-Out!



Source: Yahoo! Finance

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Gold has been in a sideways potential topping pattern, as has occurred twice before, and the situation for gold is also looking more like a throw over before a decline, but that is less clear than the stock patterns and indicators here.

Special Note: Because of these potentially ominous patterns, I am going to release the August *H.S. Dent Forecast* early next week, so be on the lookout for that!

I will give a more comprehensive update on this imminent-looking stock top and look at how this global bubble started with Japan and is ending with China.... It's an important issue.

Harry

Got a question or comment? You can reach us at info@hsdent.com.