



Harry's Take

August 6, 2020

The Nasdaq Is Moving More Timidly Toward a Top While Other Indices Catch Up

This rally to new highs on the Nasdaq is more out of touch than ever with the actual economy, which today is at its worst since early 1933. It's just that central banks and governments printed enough money and put out enough fiscal stimulus to temporarily offset the drastic downturn from the virus.

So that is leadership now? Just print enough money out of thin air and borrow endlessly to stave off a downturn no matter what? Is that what Reagan and Thatcher did in the early 1980s in the last deep crisis? NO! Or Roosevelt in the Great Depression? Yes, a bit, but only after the debt and financial asset bubble had done most of its great deleveraging work.

Now that the Nasdaq has reached the new highs and ridiculous levels amidst this deep crisis that I forecast in the May issue, other indices are running to catch up, as they have simply been less crazy. Silver is in a maniacal rally to catch up with gold and is still 48% off its highs (in 2011), while gold makes new ones. Gold is roughly 100% overvalued compared with the commodity and precious metals complex it is a part of—just as stocks were 120% overvalued from my Spending Wave at the February top. Both suck, but gold now has some upside potential, as it rallied

several months after the 2007 stock peak in hopes of hyperinflation from money printing.... That won't happen, period!

Insanity builds on insanity... and I still get emails saying I just don't understand the "new reality." No this is the new **unreality**... period! Anyone who has studied history objectively could not miss the "bubble logic" that always comes at a major top like this....

***"We're in a new plateau of prosperity"* was the quote from leading economist Irving Fisher in 1929.**

I just had an email from a subscriber in Australia whose friends were telling him I'm an idiot for not understanding the real estate bubble there.

My response?

"My exhaustive study of history gives me the right to call you an 'idiot' today. You will have the right to call me that if there is no significant bubble burst by late 2022!"

Gold has surged, with little resistance at its old high of \$1,921-\$1,934 once it broke the strongest resistance at the \$1,800-\$1,820 level, as I forecast once that was penetrated. Gold has continued to surge but looks like it needs to pull back before making broader new highs. Andy Pancholi just featured gold in his August newsletter issue, with targets of around \$2,200-\$2,250 and \$2,400 ahead. I favor the \$2,200-\$2,250 level in the coming months. I will comment on gold more after seeing where it goes in the next week or two.

Nasdaq 100 Top Still in Process, Final Channel Holds: 11,500 by 8/14?



Source: Yahoo! Finance

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Stocks are clearer here. The final channel for the leading Nasdaq 100 (NDX) has continued to churn upward, but more slowly. I have been projecting that it could go as high as 11,500 into mid-August before peaking, but after a throw-over rally in July, it might not even make it there.

In this scenario, the S&P 500 could retest its February high, still a divergence from the Nasdaq. Other indices, like the Dow Russell 2000 Small-Cap, do not even come close, a second major divergence.

I still think this rally, from all of the technical indicators in my August issue, is very likely peaking in this time frame, so we'll see a crash into the election....

That will change things! Will Donald run (not for election, but from the election) if he sees this?

Harry

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