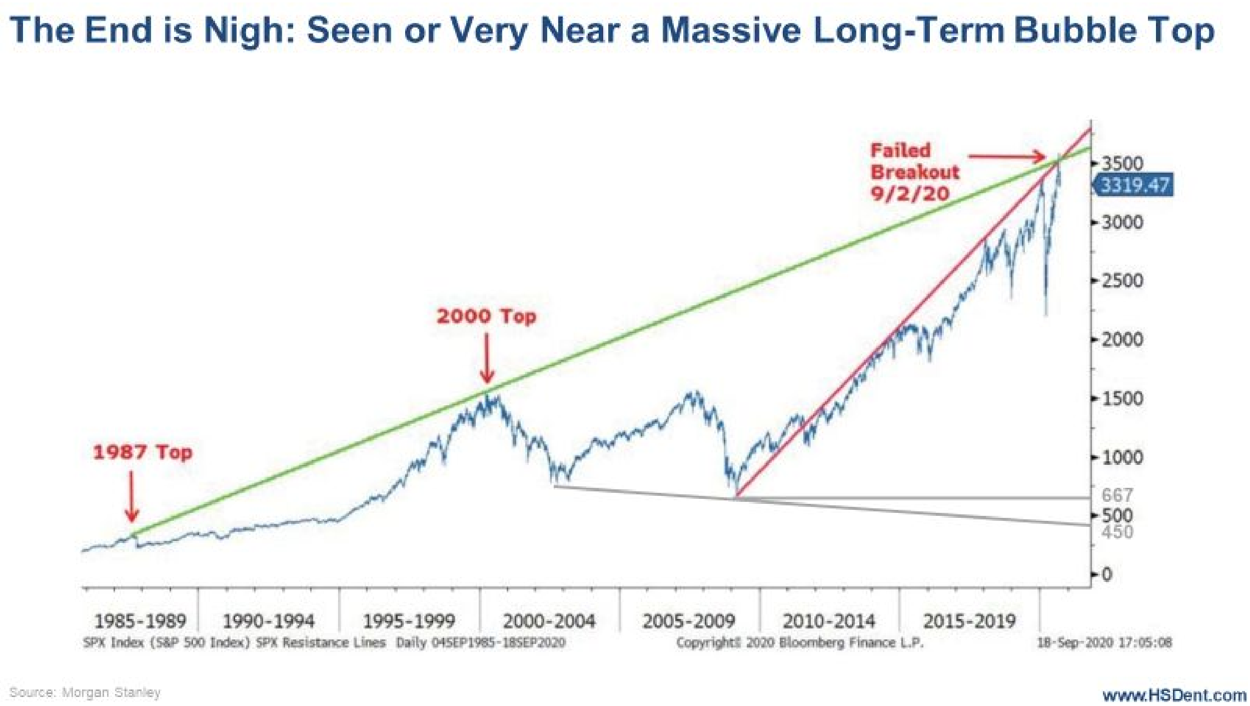
Harry's Take

October 6, 2020

This Bubble Is Running Out of Hot Air: The Perfect Chart

I came across this chart recently, and it was the perfect chart without getting too complicated. It encompasses the entire Fall economic season bubble boom since the early 1980s, which has gotten more bubbly as it progresses, as all bubbles do. This chart shows the final bubble thrust stemming from the unprecedented QE added to the economy since early 2009, which is echoed by my exponential Nasdaq top trend-line chart….

And it progresses in 5 waves in a classic Elliott Wave pattern.



The first green top trend line goes through the major highs in 1987, the wave 1 top; continues through the 2007 wave 3 peak; and now, goes through to wave 5. This 5th wave very likely either peaked on September 2 at 3,588 on the S&P 500 and 12,439 on the Nasdaq 100, or it will peak near the election, if it makes one more slight new high.

The second red top trend line follows even more exponentially through the 2015, 2018, and early 2019 tops, in this final orgasmic bubble rally that's been increasingly exponential since early 2009.

The convergence of these two very-strong, very-clear top trend lines right NOW creates a potentially perfect topping pattern in a bubble that otherwise has been highly unpredictable and has extended beyond any in history, due to unprecedented and exponentially higher levels of artificial stimulus.

We just had a classic throw-over top for these two lines, and it's possible we could see one more stab at that, a bit higher. But everything here points to a major high on September 2 or very soon—and the election is the best timing for that.

Is this guaranteed to be the top? Of course not, and especially not in this market on crack. But **it doesn't get any better than this** as a time to protect your capital and position it to actually make modest gains in the highest-quality bonds (or to make stronger gains by going short on major stock indices), at a time when most will experience only "the crash of a lifetime" and not have the resources left to take advantage of "the sale of a lifetime" on financial assets, by around late 2022 or so.

At the bottom, the two black lines show my two targets for a long-term low around late 2022. The minimum target is 667, the intraday low on the S&P for the 4^{th}-wave bottom in early 2009; the more likely target is near 450 (5,000 on the Dow), from the bottom trend line through the lows in late 2002 and early 2009.

For our readers in Australia and New Zealand, I plan to launch The Dent Strategic Sector Fund in your area by late October. To find out more and get on the list to stay up to date, go to www.dentsectorfund.com. Everyone should consider getting on this list, as we intend to bring this fund to North America within the next year if possible. Look for an announcement in the next day or two of my introductory presentation on this fund, on the evening of October 15 in the U.S. and the morning of the 16^{th} in Australia.

Harry

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