

Markets, Bottoms and Dow-Gold Intersection

By [The Mogambo Guru](#)

05/20/10 Tampa, Florida – Chartoftheday.com sent me, this week, a chart of the Dow Jones Industrial Average adjusted for inflation, going back to 1925, which was before I was born, believe it or not, which means it was a long time ago.

The way they have drawn support and resistance lines (a straight line to connect the market highs and another line to connect the lows) rising so that 500 on the Dow in 1925 is equivalent to 5,000 today, forms a channel which indicates that the Dow is (checking my watch for accuracy) right now in the middle of the channel, and heading down, with about 5,000 on the Dow as being the bottom (support line) of the channel, which would indicate, if there is anything to this cycle theory stuff, that there's a huge drop ahead for the index! Oops!

On the other hand, if the chart is already inflation-adjusted, then I would have thought that the resistance and support lines would be, you know, sort of parallel to the x-axis, but they aren't; they slope upward, which seems odd since I never heard of the nominal Dow beating inflation over the long-term. Hmmm! Inflation-adjusted?

Anyway, this probably only underscores how I can't seem to get the grasp of charts, or numbers, or even simple things like how to tell, for instance, when the cute new intern says, "Eew! You're creepy and old! Go away!" whether she is being serious, or just being coy, like the siren-like vixen she is, betrayed by her smoldering eyes wherein I see the unmistakable white-hot message, "I want you, Hot Mogambo Stud (HMS)!"

Well, it turns out I was wrong about her and her lying eyes, but charts don't lie; it looks like the Dow is in for a nasty, nasty drop, and is still way, way, way above the coming bottom of about 5,000, which is where Richard Russell of *The Dow Theory Letter* says that gold and the Dow will cross, as I remember.

And speaking of bottoms, I forgot to tell you that the intern – the one who thinks I am so creepy – twitched her bottom at me as she stormed off! I know it sounds weird! But it twitched! It was as if to say, "I want you to give my cute little butt a squeeze, like testing for ripeness in a tomato, Handsome Love God Mogambo (HLGM)!" even though she denied it, and she denied wanting to have her butt squeezed, although she admitted to liking tomatoes!

"Aha!" I said triumphantly. "Game, set, match! Case closed, young temptress! Begone!"

Now that we have disposed of that particular point of interest, the other point of interest on the chart is that the long bear market from 1966-1982, which, I say without fear of contradiction because there is nobody here that has the guts or enough firepower to tell me I'm wrong about anything, was stopped in its bear tracks by the passage of new legislation by Congress in 1982,

which authorized IRAs and various other tax-advantaged retirement plans, so that soon, and ever since, everybody in the whole place started having part of their incomes taken out, tax free, and invested in the stock market, which resulted in money literally pouring into the stock market, week after week, month after month, year after year, more and more and more in a gigantic stock market bubble, continuing to inflate in a huge bull market that lasted to the year 2000.

Of course, the Reagan tax cuts and monstrous new deficit-spending helped get the boom started, too, and then, of course, the loathsome Alan Greenspan was made chairman of the Federal Reserve in 1987 to make sure that money was being continuously created to feed this insanity.

The point is not what a bunch of idiots we were, and still are, or how the Federal Reserve is a loathsome monster that is more corrupt than the Congress that created it in 1913, and then aided and abetted by corrupt Congresses ever since.

No, the point is, being as pithy as I can, that “We’re Freaking Doomed (WFD)!” The good news is that this is good for gold because those selling out early in a falling stock market, and those selling out early from a falling bond market, and those selling out of all overvalued assets in falling asset markets, are going to look around and wonder, “What do I do with all of this money?”

And that is when gold and silver will soar, which will one day, years and years from now, be your chance to sell astronomically high then after buying ridiculously low now, which is, as they say, how successful investing is done.

And with simplicity like that, how can you not say, with a big ol’ smile, “Whee! This investing stuff is easy!”?