THE SURVIVAL OF THE FITTEST.

When Will The Bear Market End?
The Epic Battle Between Gold & Silver

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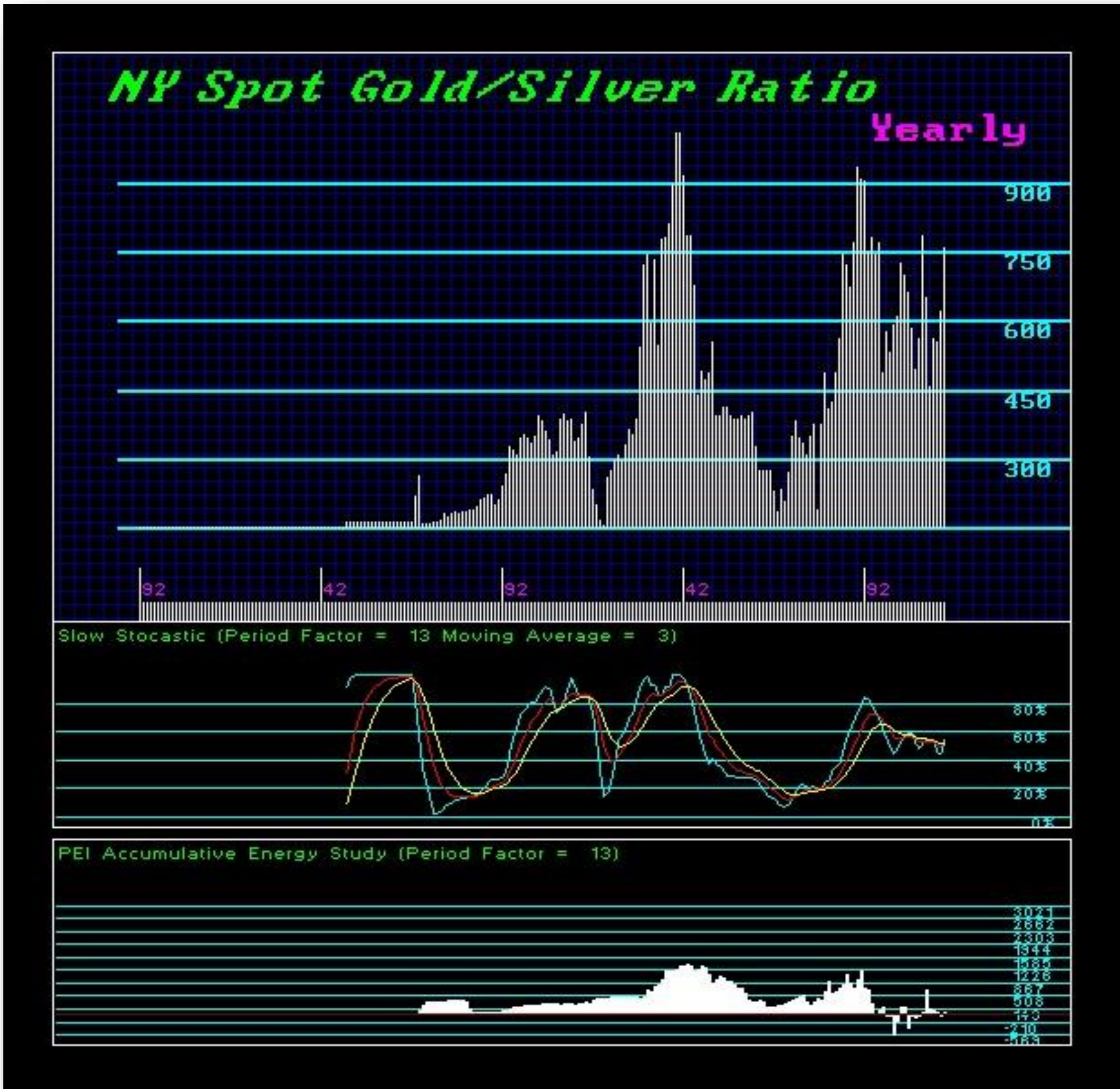
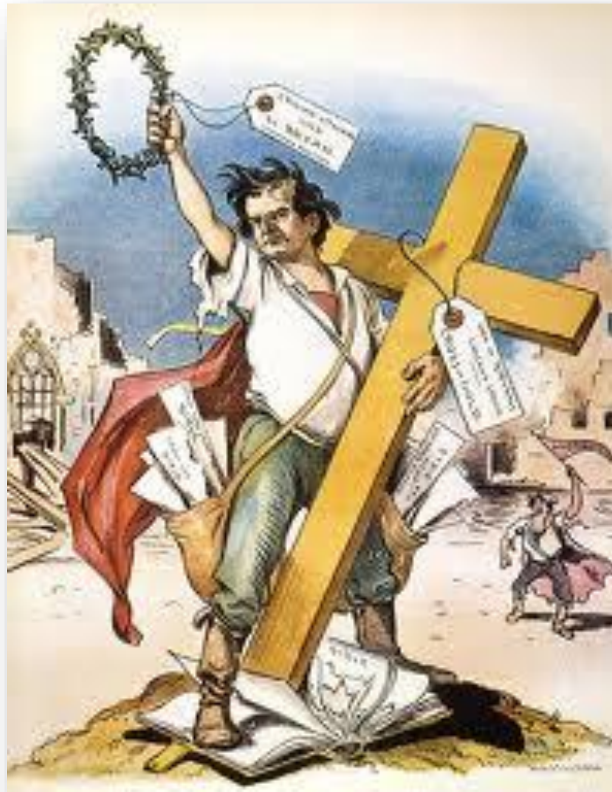
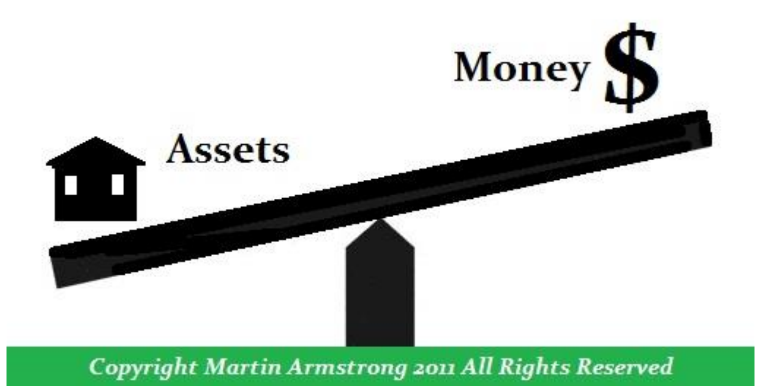


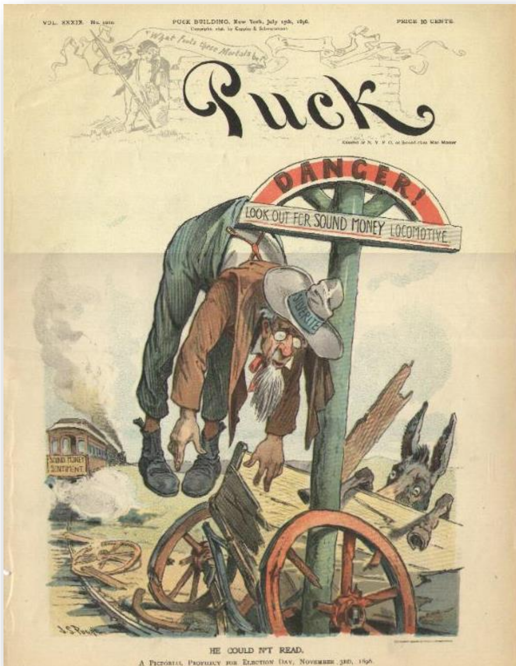
The silver–gold ratio has been highly volatile depending upon discoveries over time. Despite the claims of precious metal promoters, it has always been an epic battle between silver and gold. Yet as we approach the final low for the metals, the majority must be wrong in order to send a market careening in the opposite direction. It may seem that silver is cheap in comparison to gold, but is that really the case? Pictured here is the silver to gold ratio back to 1792. While the precious metal promoters always sell silver,



claiming it should be 16:1, the truth has always been that the ratio established by the **Silver Democrats** during the 19th Century was a lobbying effort that overvalued silver relative to gold, which nearly bankrupted the nation. The **Silver Democrats** were fiercely against austerity, which back then was the gold standard. William Jennings Bryan's famous speech that government should not crucify man upon a cross of gold was indeed this same epic battle with austerity that has torn Europe part.

The notorious **Sherman Silver Purchase Act** of July 14, 1890 required that the Treasury buy silver from the miners to increase the money supply. As deflation expanded, a rising trend of complaints emerged from farmers and





miners who could no longer pay their loans. Indeed, this is the exact same crisis in Europe. As nations joined the euro, their past debts were converted to euros, and then the euro doubled in value. Suddenly, in real terms, they owed twice as much. The same trend emerged at this point in time as money rose in purchasing power with deflation against assets, which also increased the past debt of the farmers and miners. Their argument was to the **Free Silver Movement**, intended to increase the money supply to rebalance the system between assets and debts, which would allow them to repay their past debts.

Farmers had tremendous debts that they could not pay off due to deflation that lowered the price of commodities and increased the purchasing power of money. This is always the classic crisis between money and assets, which are on opposite sides if the equation. Like the Organization of the Petroleum Exporting Countries (OPEC) in recent months, as oil declined, they increase production to try to receive the same amount of revenue they once obtained at high oil prices. Farmers and miners also entered an overproduction phase for the same reasons, causing them to lobby government to pass the **Sherman Silver Purchase Act** in order to boost the economy and cause inflation, allowing them to pay their debts with cheaper dollars.

Mining companies unearthed vast quantities of silver from western mines. This truly resulted in a tremendous oversupply of silver that naturally drove down the price to below their cost of production. They were effectively out of business without government price supports. The miners lobbied fiercely, arguing that deflation was caused by the demonetization of silver and they needed government to increase the demand to save their industry. The miners

Grover Cleveland (1837–1908)
only President of United States to serve two non consecutive terms (1885–1889 and 1893–1897)

"At times like the present, when the evils of unsound finance threaten us, the speculator may anticipate a harvest gathered from the misfortune of others, the capitalist may protect himself by hoarding or may even find profit in the fluctuations of values; but the wage earner – the first to be injured by a depreciated currency – is practically defenseless. He relies for work upon the ventures of confident and contented capital. This failing him, his condition is without alleviation, for he can neither prey on the misfortunes of others nor hoard his labour."

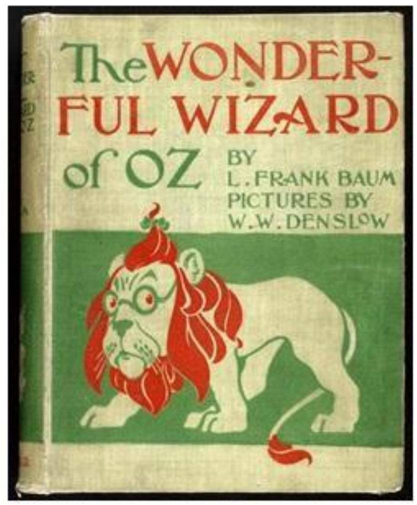
succeeded in getting government to coin silver at 16:1 to gold, but the free market saw silver collapse from that level in 1873 to 30:1 by the Panic of 1893.

As a result of this and other legislation enactments in 1890, this epic battle between gold and silver interests burst into the forefront with the **Panic of 1893**. This economic collapse was the culmination of unsound finance created by the **Silver Democrats** who tried to fight the global trend as silver collapsed from 16:1 to 30:1.

With the USA trying to artificially hold silver at 16:1 while it was trading from 20:1 to 30:1 outside the USA, Europeans took their silver and exchanged it for gold in America. Gold poured out of the USA and the stupidity of the entire era was that Greenbacks, even of the Civil War period, all were redeemable in gold. Silver was exchanged for gold or paper that was redeemable in gold, and the collapse of the official gold reserves nearly bankrupted the country.

This was the famous gold loan organized by J.P. Morgan to bailout the country. Bankers purchased bonds to resell, and made a handsome profit. The focus in the press became how much the bankers made, rather than the financial crisis. To this day, nobody seems to understand that as a currency rises, assets must fall and the same is true in reverse. It is always the epic battle between austerity and inflation mixed with uninformed claims that money must be a store of value, without comprehending that translates into deflation. Currently, we are awaiting the final decline in the metals for what is taking place is still this epic battle between austerity and inflation. Precisely as the **Silver Democrats** failed to grasp that they could not dictate the value of silver to the rest of the world, we have the same crisis emerging with the clash between austerity in Europe and stimulation in the United States.

Lyman Frank Baum (1856–1919)



First Edition 1900

In fact, the epic battle between silver and gold is what *The Wizard of Oz* is based on. Author L. Frank Baum (1856–1919) was a keen observer of the Coxley Army and led the first protest against the unemployment and deflation during the **Panic of 1893**. Baum used this overall model for the foundation of his classic work published in 1900 – *The Wonderful Wizard of Oz*. The Scarecrow was the American farmer, the Tin Man represented the industrial worker, and the Cowardly Lion represented William Jennings Bryan, leader of the **Silver Democrats**, who advocated raising the price of silver relative to gold to create more money (inflation). *The Wonderful Wizard of Oz*

was the first American book to recast the politics of the era into a novel. This was the era of the great confrontation between gold and silver, as money is represented in the novel right down to the color of the bricks that form the Yellow Brick Road, which of course is symbolic of the gold standard.

Jocob S. Coxley (1854-1951)

Coxley's Army Marched on Washington

Of course, *The Wonderful Wizard of Oz* served as the model for Ann Rand (1905–1982) who also used the concept of a story to relay political ideas. She achieved fame with her 1943 novel *The Fountainhead*, which was followed by the 1957 best seller (yet highly criticized by the press) *Atlas Shrugged*. In addition, *The Wonderful Wizard of Oz*, the essence of Keynesian economics, was born in the movement of Coxley's Army. Thus, this obscure businessman set in motion profound political influences that are no longer associated with *The Wonderful Wizard of Oz*, a story today that is far-removed from the monetary crisis of the 1890s.

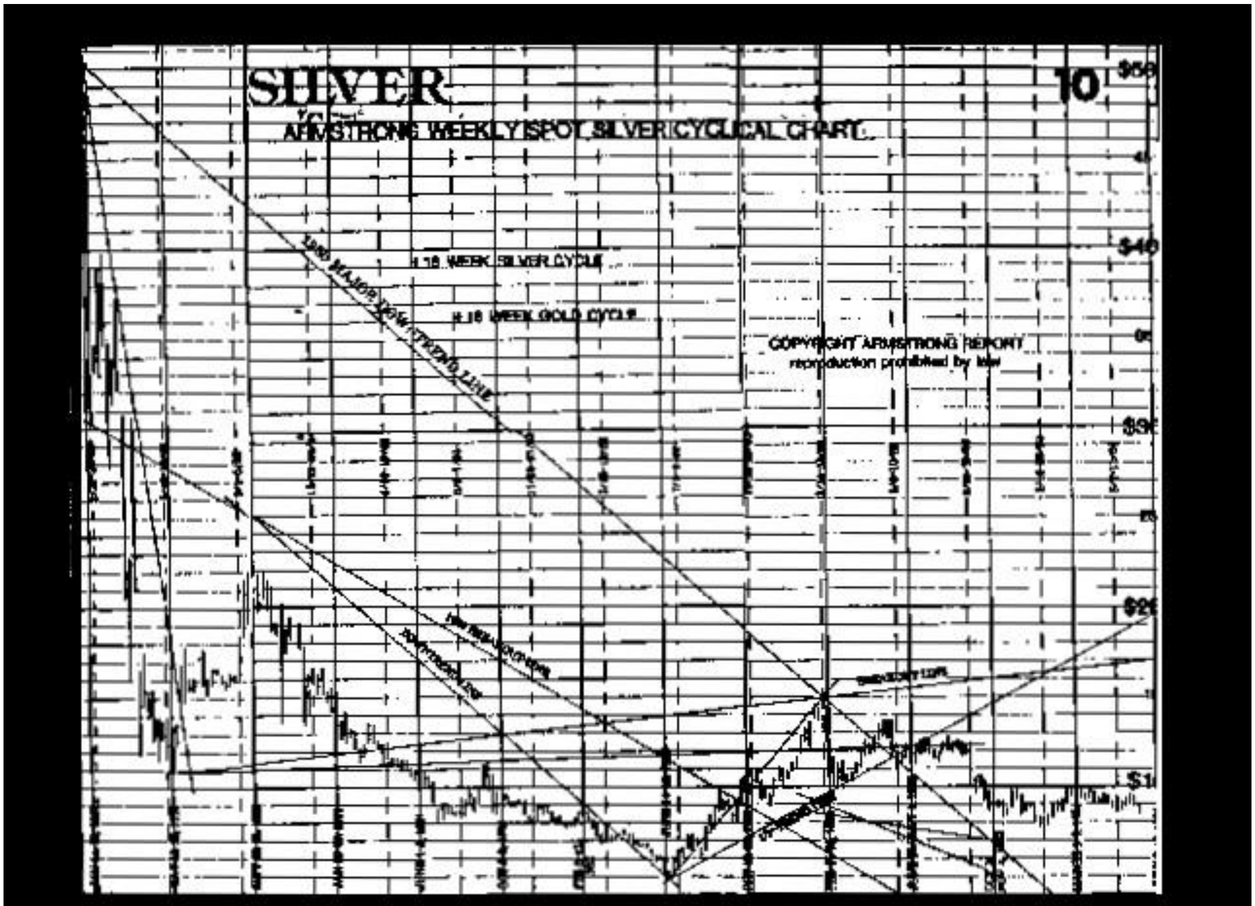
Coxley's Army had a tremendous political influence, although he did not receive credit for his ideas. This was an early mobilization of the unemployed. Keep in mind that in 1870, about 70% of the civil work force was in agriculture.

Therefore, unemployment from the Industrial Revolution was still in the minority during recessions. Therefore, the Coxley Army also supported the growing trend that advocated abandoning the gold standard.

Consequently, the austerity of the period fueled the rise of Marxism. We are entering an era of tremendous risk for political change and this is something we must take into account. Additionally, moving into periods of war, silver declines in value even against nickel for it has little use as a tool to manufacture weapons. The silver-gold ratio fluctuated wildly over modern years. It rose to over 100 in 1941 for World War II and the 5-cent coin was replaced with silver, which was less important than nickel. We will have turning points in 2016, 2018, and 2021 in the silver-gold ratio, which we must pay attention to as we move into the final lows.

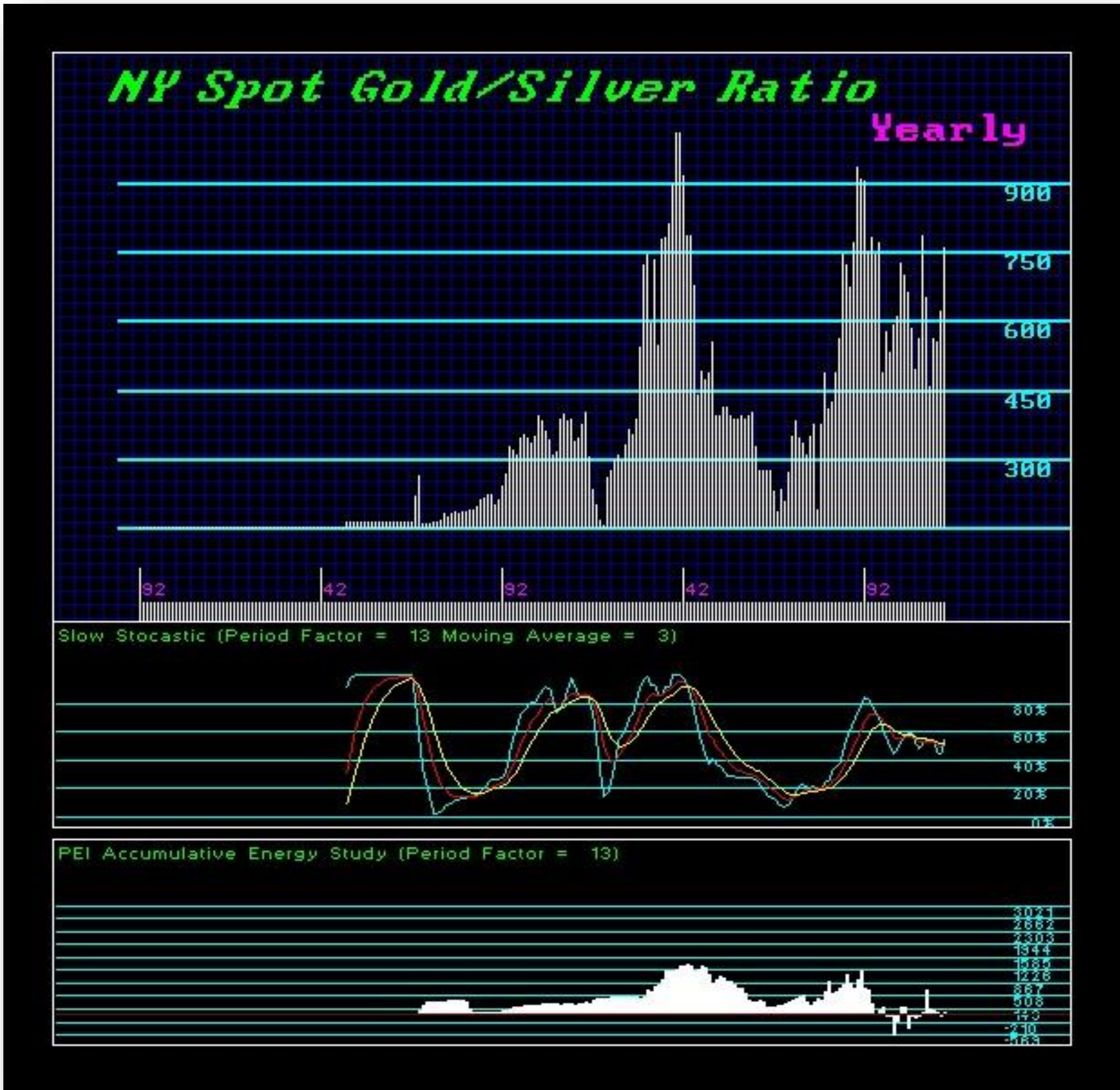
The silver-gold ratio rose for 11 years after 1980 when it bottomed at 16.51:1. During those 11 years, the ratio rallied up to 103.13:1. The ratio declined for 20 years into the low at 31.53 in 2011 when gold and silver peaked. We have not yet elected a Yearly Bullish Reversal on this ratio. An annual closing above 63.66:1 will warn of another move up to test the 100:1 level. The major resistance stands at 109-110 going into 2016. The major support lies at the 25:1 area.

II. Targeting the Final Low



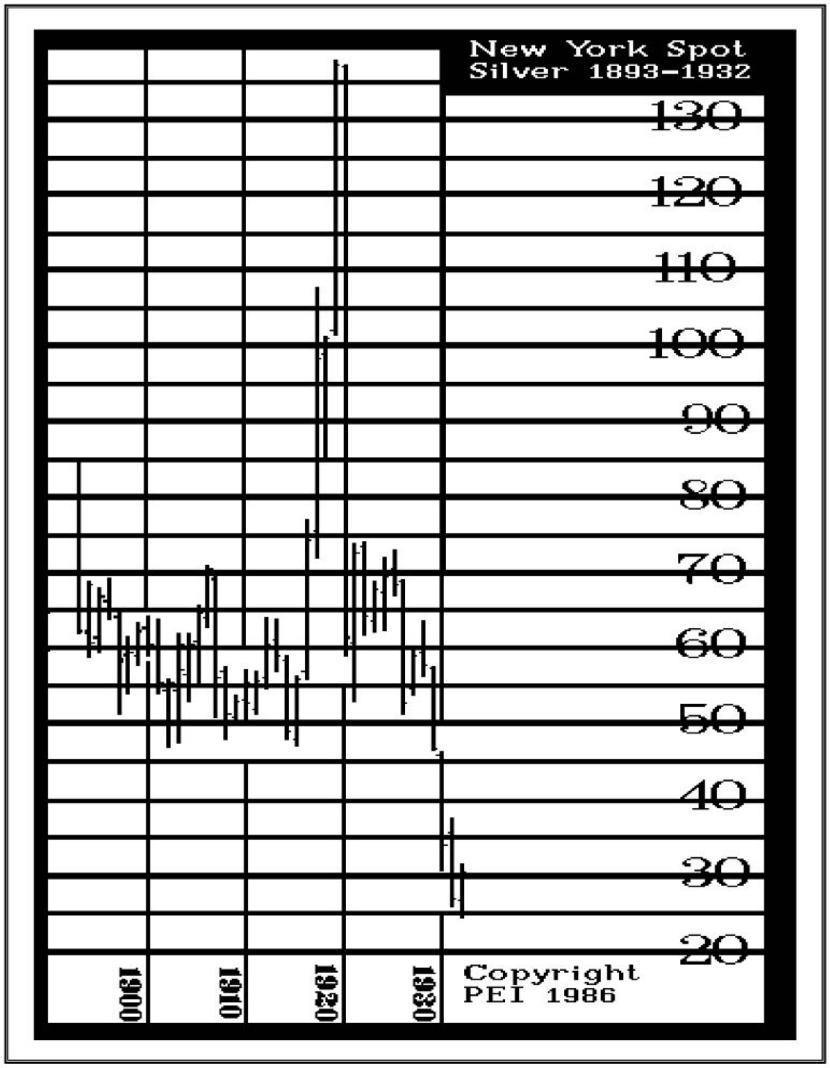
Gold & Silver Cycle Inversion

The convergence of the gold and silver weekly cycle is quite fascinating since they managed to pick the 1980 high and the 1999 low. TIME is always independent of price and the proof of that was how gold and silver interacted with the Benchmark Cycles. The metals made highs on their respective cycles moving into the 1980 high. Then, the same Benchmark Cycles in TIME inverted and began to produce lows. This clearly confirmed that the markets were entering a bearish phase. As we approach the final lows on this cyclical turning point there are two very important aspects we must keep in mind. The epic battle between deflation (austerity) and inflation is on our



doorstep once again. What people fail to grasp is that we are more likely than not going to see a thrust upward in the silver-gold ratio as we establish the final low.

When we look at the silver-gold ratio, the major resistance stands at 7806 and 8843 on our yearly models. Last year (2014) saw the year-end closing at 7590. At the August 24 low, this ratio reached 8161. If we see a 2015 closing above 7806, then we should see a spike upward for early 2016 and this would tend to imply that perhaps this is the final low for the metals.



The aspect most likely to create confusion remains the insistence that the dollar will crash. These people are married to antiquated ideas with zero comprehension of history, no less the world economy. The U.S. has a large debt of $18 trillion and that is all they focus on. This is nothing in the total scheme of the global economy, which has about $160 trillion in debt. They cannot understand how this is **NOT ENOUGH** debt for the entire world to park capital when weaker economies begin to default. The dollar is the **ONLY** place for big money to park, so this constant harping about the dollar crashing and gold soaring is totally wrong with a very myopic view of the world. A declining dollar would **HELP** corporate profits and create a boom; **ONLY** a rising dollar will create deflation and economic crisis for while the USA may have an $18 trillion debt, emerging markets have borrowed $9 trillion denominated in dollars. A rising dollar will create the Sovereign Debt Crisis and this is why precisely the IMF and everyone else have been begging the Federal Reserve not to raise interest rates. They are asking the USA to sacrifice its domestic policy objectives in place of international policy and the Sovereign Debt Crisis.

Looking at the above chart on silver illustrates just how wrong these people are. The commodities peaked in 1919 with World War I and the commodity boom, and they then declined with **INFLATION** during the Roaring Twenties. Real Estate peaked in 1927 during the Florida Land Bubble. Capital then shifted to stocks moving into 1929, and interest rates rose from 1927 to 1929. Indeed, the Fed engaged in a secret meeting in 1927 and lowered U.S. rates in an attempt to deflect capital flows to return to Europe because of the looming debt crisis there.

Secret Meetings of the Central Bankers Germany - USA - Britain - France

On July 1, 1927, Montagu Norman of Britain was accompanied by Hjalmar Schacht, head of the German Reichsbank. They were joined by Charles Rist, governor of the Banque de France. All three went into conference with Benjamin Strong to discuss the weak reserve position of the Bank of England and the capital flight from Europe to America. It was hoped that lowering US interest rates would deflect the capital inflows from Europe.

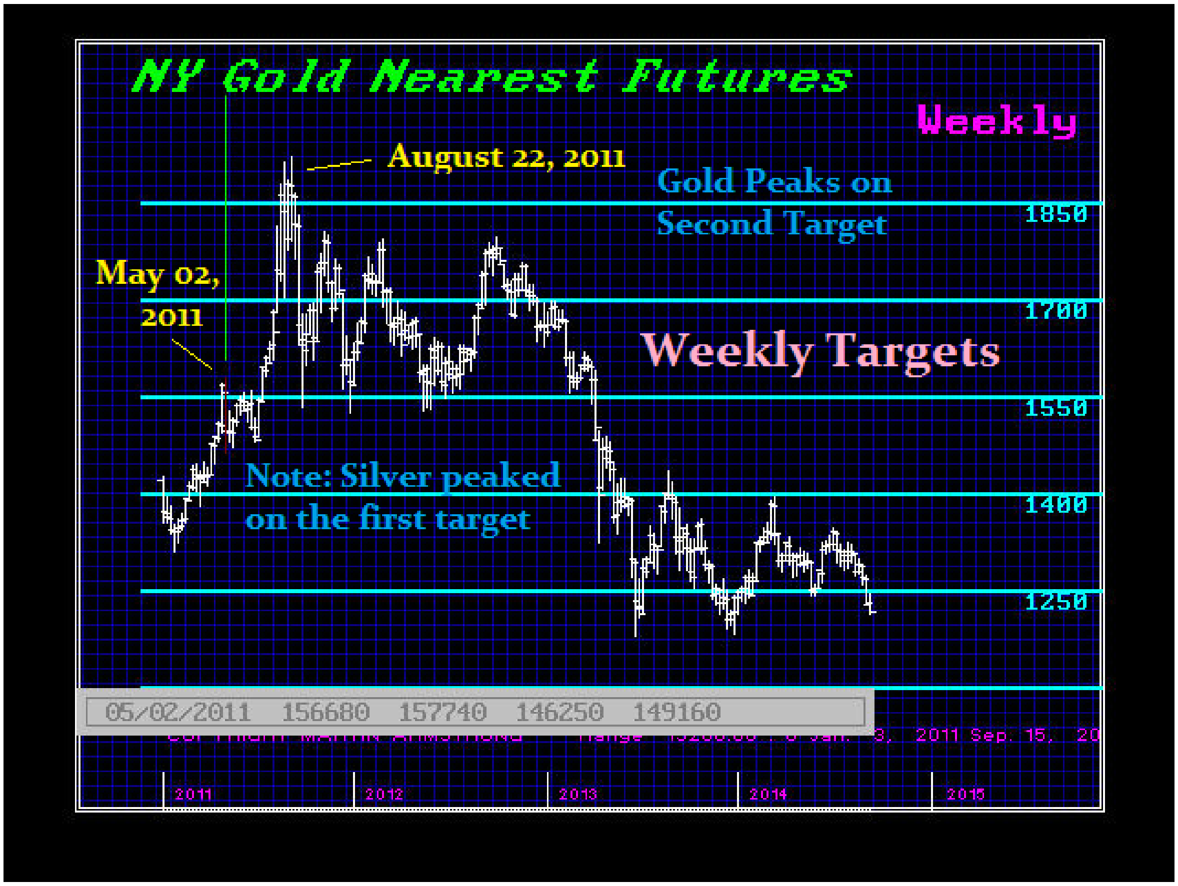
Silver declined into 1932 where it made its final low **WITH** the stock market as only then did capital begin to shift back into private assets as the Sovereign Debt Crisis of 1931 unfolded. This is what we must understand. Those who constantly tell people to run to gold when stocks decline misrepresent the past just to sell gold. If you do not understand the trend, do not buy anything.

Therefore, as we approach the final low, we should expect this to be set in motion by a strong dollar. We should also realize that the silver-gold ratio should be rising into such a final low. With these trends in motion, only then do we see a confirmation of the final decline unfolding.

How the metals function with respect to our **Benchmark Cycle** remains extremely important. The **Benchmark Cycles** are Transverse Waves that remain static or fixed, which we call an Empirical Cycle that does not fluctuate like that of a sound wave in terms of **TIME**. These two **Benchmark Cycles** of a fixed frequency are 16 weeks in gold and 18 weeks in silver. These two related commodities enter an intricate dance with each other, playing a very important critical role that reveals the future.

These two **Benchmark Cycles** come will come into play during the last week of November and the first week of December, followed by the last week of

March and the first week of April. We may see the second set provide the final low for the metals.



Comprehending how these two **Benchmark Cycles** interact allows us to determine the trend at play and provides tremendous insight into the ratio between these two precious metals. As we can see from the chart above for the 2011 high, silver peaked first on the **Benchmark Cycle.** However, gold peaked distinctly with the second **Benchmark Cycle** of its duration.

Is this a coincidence? Perhaps. But these are Empirical Cycles that are fixed in duration that picked the high in 1980, the 1985 low, the 1999 low, and even showed the stark contrast of how they worked in 2011. Due to these factors, we have a higher probability that when these **Benchmark Cycles** come into play, we should have a shot at seeing the final lows unfold.

Benchmarks

GOLD	SILVER
20110110	20110131
20110502	20110606
20110822	20111010
20111212	
20120402	20120213
20120723	20120618
20121112	20121022
20130304	20130225
20130624	20130701
20131014	20131104
20140203	20140310
20140526	20140714
20140915	20141117
20150105	20150323
20150427	20150727
20150817	
20151207	20151130
20160328	20160404
20160718	

Often in analysis, one side unfolds in the mirror reflection on the opposite side. Therefore, since in 2011 gold and silver did not peak at the same time, we may see this same divergence forming the lows. Consequently, there is a serious risk that we could see record highs on this silver-gold ratio if it were to close above 8843 at the end of 2015. Therefore, caution is warranted.

Reviewing the events of 2011 is important. While gold and silver have peaked precisely with these benchmarks in 1980, thereby confirming the end of a major bull market for 19 years, when we examine the 2011 high we have a different perspective. Gold reached its intraday high the week of September 5, 2011. The target week on gold was actually two weeks prior on August 22, 2011 where gold exceeded $1900 for the first time. However, on a daily basis, the highest closing was precisely Monday, August 22, 2011 on the Benchmark. Therefore, that intraday high was exceeded by $8 on the week of September 5 and on Tuesday, September 6, but August 22 remained the highest closing. The fact that the intraday high extended beyond the Benchmark, even though it was unable to exceed that level on a closing basis, still warned that we were dealing with a **TEMPORARY** high within a broader long-term trend. This does noty rule out even a drop to test the first Yearly Bearish Reversal at $680 and silver dropping to at least $12.

In the case of silver, this is where we begin to see the interesting interplay between the two commodities. Here we see an interesting disparity for the 2011 high, which was a real warning that an important temporary high was forming. In this case, silver peaked the week of April 25, 2011, one week prior to the Gold Benchmark target week of May 2, 2011. While gold rallied to new highs moving into August, silver staged only a retest reaction of its April high, warning that the rally was indeed over. The inability of silver to match gold as it did in 1980 was a forewarning of two aspects. First, this would not be a major high, as was the case in 1980. Secondly, this was an incredibly important indication that the rally was **OVER** after 12 years, despite the yelling and screaming of the gold promoters.

The **Benchmark Cycles** in silver in 2011 were the weeks of June 6 and October 10. The first produced an intermediate sideways trend that was four weeks from the initial low on May 12, 2011. The second target was two weeks from the first panic low on September 26, 2011. They were already turning toward a cycle inversion that was closer to producing lows than highs, further warning that a change in trend was underway.

III. Reversals


NY Silver Nearest Futures
Price Targets
Mon., Nov. 30, 2015
Uptrend.... 0
Downtrend.. 0
Line #1....-32513
Line #2.... 168649
Line #3.... 115261
Line #4.... 70331
Line #5.... 38200
3400
2900
2400
1900
11/30/2015 0 0 0 0
2010
2011
2012
2013
2014
2015
2016
2017
2018


NY Silver Nearest Futures
Price Targets
Mon., Apr. 4, 2016
Uptrend.... 0
Downtrend.. 0
Line #1....-56789
Line #2.... 166800
Line #3.... 113411
Line #4.... 54546
Line #5.... 3700
3400
2900
2400
1900
04/04/2016 0 0 0 0
2010
2011
2012
2013
2014
2015
2016
2017
2018

If we look at the gold-silver ratio, the targets for the week of November 30, 2015 are 55.84, 79.05, 86.04 and 113.64. By March 28, 2016, these targets will be 55.73, 80.43, 85.93, and 119.45. If these two markets reach their first Yearly Bearish Reversals $680.00 and $8.40 respectively at the same time, then the ratio would reach 80.95. The middle-ground technical target for this ratio remains 80.43. The Yearly Bullish Reversals are 67.05, 78.06, and 88.44.

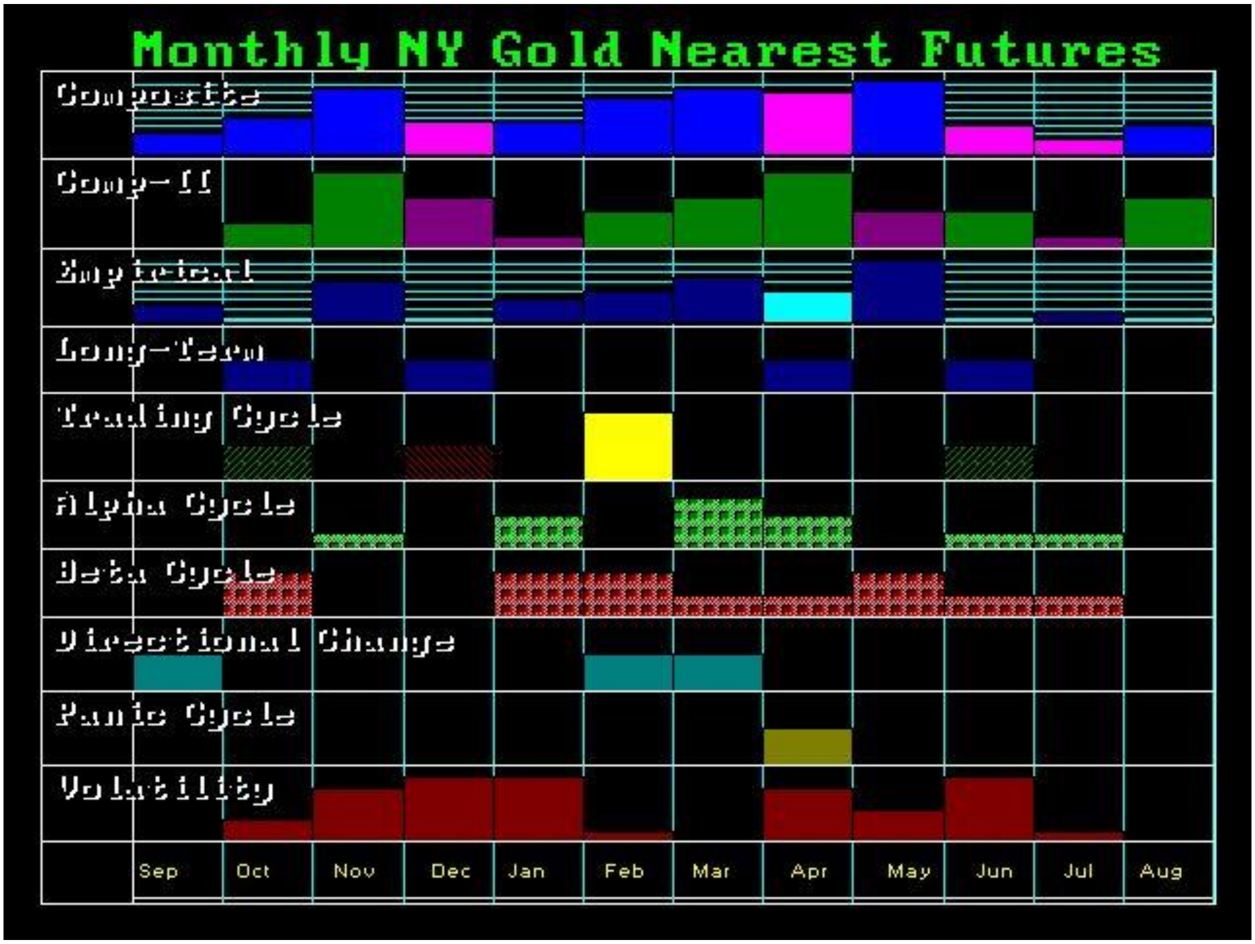
When we look at gold in dollars, we can see that the recent collapse into the week of July 20 that fell to 1072 shook the markets but supported the Uptrend Line from 2006. A closing for 2015 below 1184 will keep gold in a bearish position for 2016, warning that the final low may not come until the second **Benchmark Cycle** convergence. The monthly level oscillators are also still in a bearish position.

When we look at gold in terms of a basket of currencies, the high in 2011 formed the week of September 5, 2011 on that Friday, September 9. In the euro, the high was Friday, September 9, which was also the highest closing.

However, in Japanese yen, the intraday high was Tuesday, September 6, which was also the highest closing. We see the same pattern with the intraday high on September 6 in British pounds, which also established the highest closing.

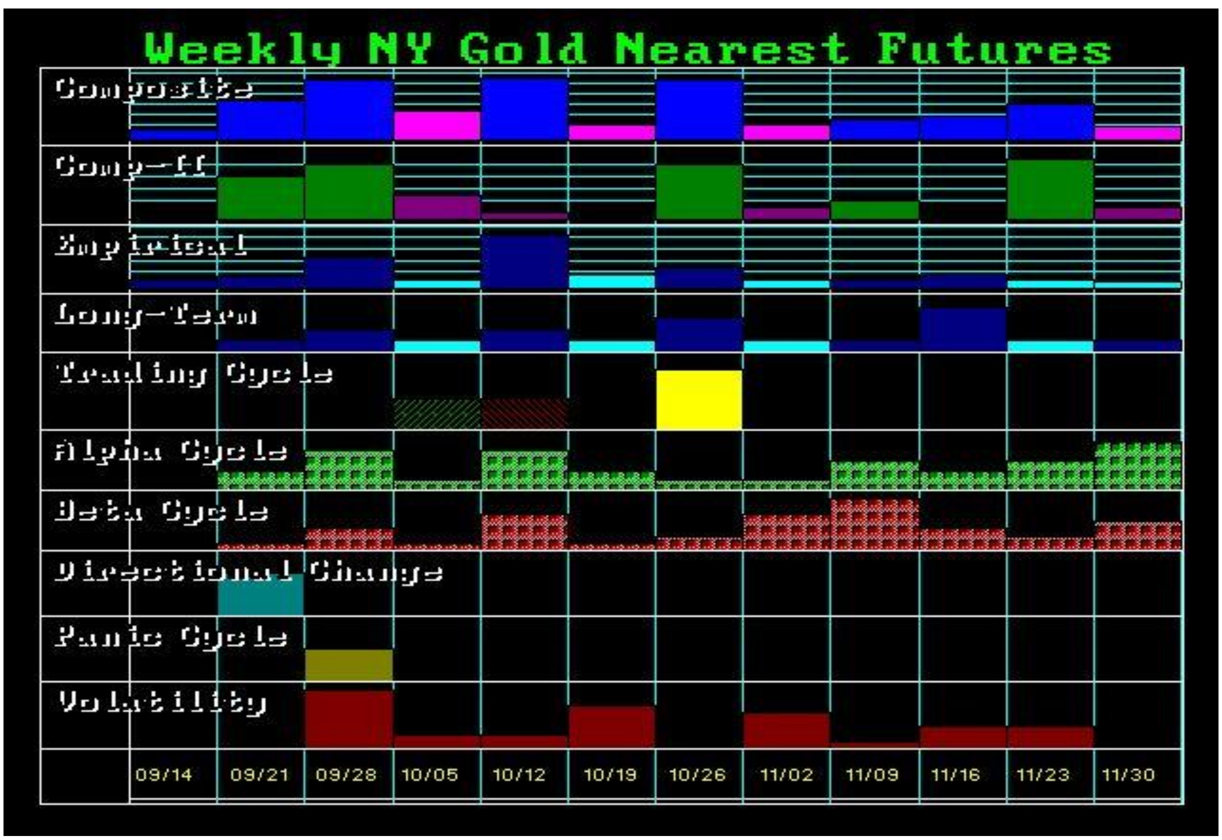
When we look at gold in A$, the highest closing was on the Gold Benchmark – Monday, August 22, 2011. Here we have three thrusts upward with the next high on Tuesday, September 6 at 1832.90, but the third spike took place due to the currency on September 22, 2011, reaching 1833.19. In the Canadian dollar, gold made its highest closing in the Benchmark of August 22, 2011 with the second thrust up to establish the intraday high on Tuesday September 6, 2011.

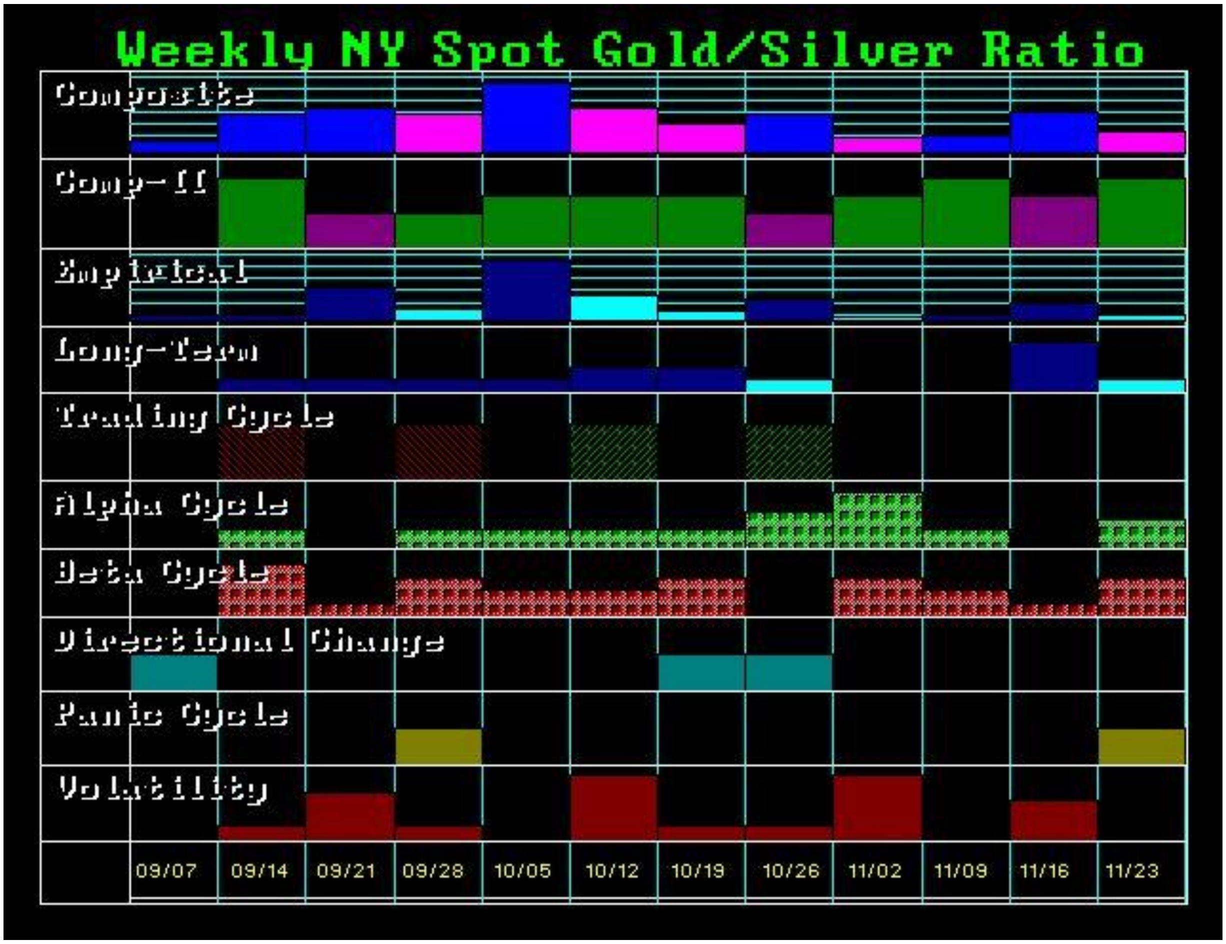
IV. Forecast Arrays



From a timing perspective, we see interestingly enough how the computer is targeting both November and March, which just so happen to be the **Benchmark Cycle** convergences. Notice that volatility should begin to rise following the turn in the Economic Confidence Model — 2015.75. September is a Directional Change that will not appear again until February/March of 2016. The Panic Cycle is targeting next April. If that is the final low, we should see a sharp that is a typically significant short-covering, which would fulfill the Panic Cycle to the upside.


NY Gold Nearest Futures
Weekly
1437
1375
1312
1250
1187
1125
1062
M J J A S O N D J F M A M J J A S O N D J F M A M J J A S S O N D J F M
PEI Accumulative Energy Study (Period Factor = 13)
3871
2391
911
-569
-2049


Weekly NY Gold Nearest Futures
Composite
Comp-II
Empirical
Long-Term
Trading Cycle
Alpha Cycle
Beta Cycle
Directional Change
Panic Cycle
Volatility
09/14
09/21
09/28
10/05
10/12
10/19
10/26
11/02
11/09
11/16
11/23
11/30

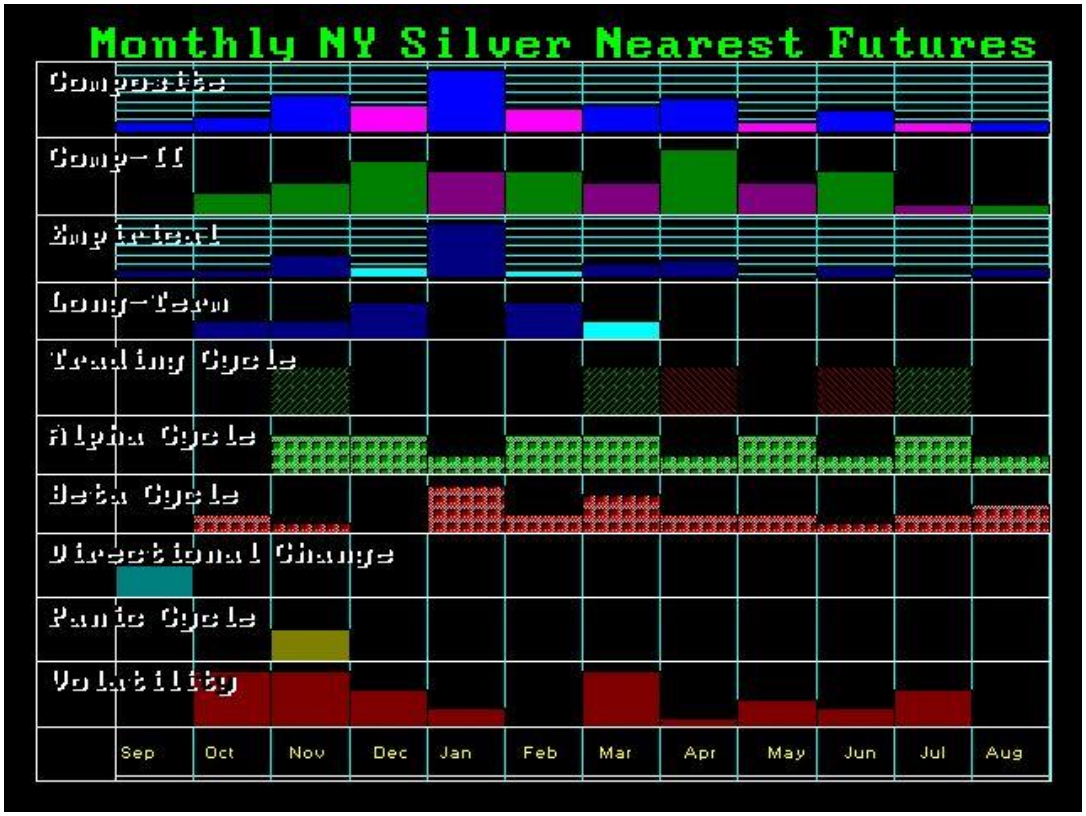


Turning to the weekly level, we can see that gold is still well above the bottom of the trading channel. It appears likely that new lows lie ahead and gold should fall below $1000 before the low is in place. We can see that there should be a shift in trend, also lining up with the Economic Confidence Model.

The silver-gold ratio curiously shows a turning point lining up with the Economic Confidence Model. This will start to rise again at the end of November. This aligns also with the **Benchmark Cycles**.

When we look at silver, here too we have fallen right to initial long-term support. A break of the last low will warn that we may indeed see a panic to the downside and silver could even fall all the way to the key support on our Yearly Models, which lies at the $8.40 level. If gold were to test the 1980 high of $875 and silver went all the way to test the Yearly Bearish Reversals, then we would see the silver-gold ratio exceed the 100:1 level.

Making a new record high on the silver-gold ratio would undoubtedly confirm the historic low. So pay attention to the ratio, as well as the price. Caution should exist with silver for it may not be as cheap as it appears.


Monthly NY Silver Nearest Futures
Composite
Comp-II
Empirical
Long-Term
Trading Cycle
Alpha Cycle
Beta Cycle
Directional Change
Panic Cycle
Volatility
Sep
Oct
Nov
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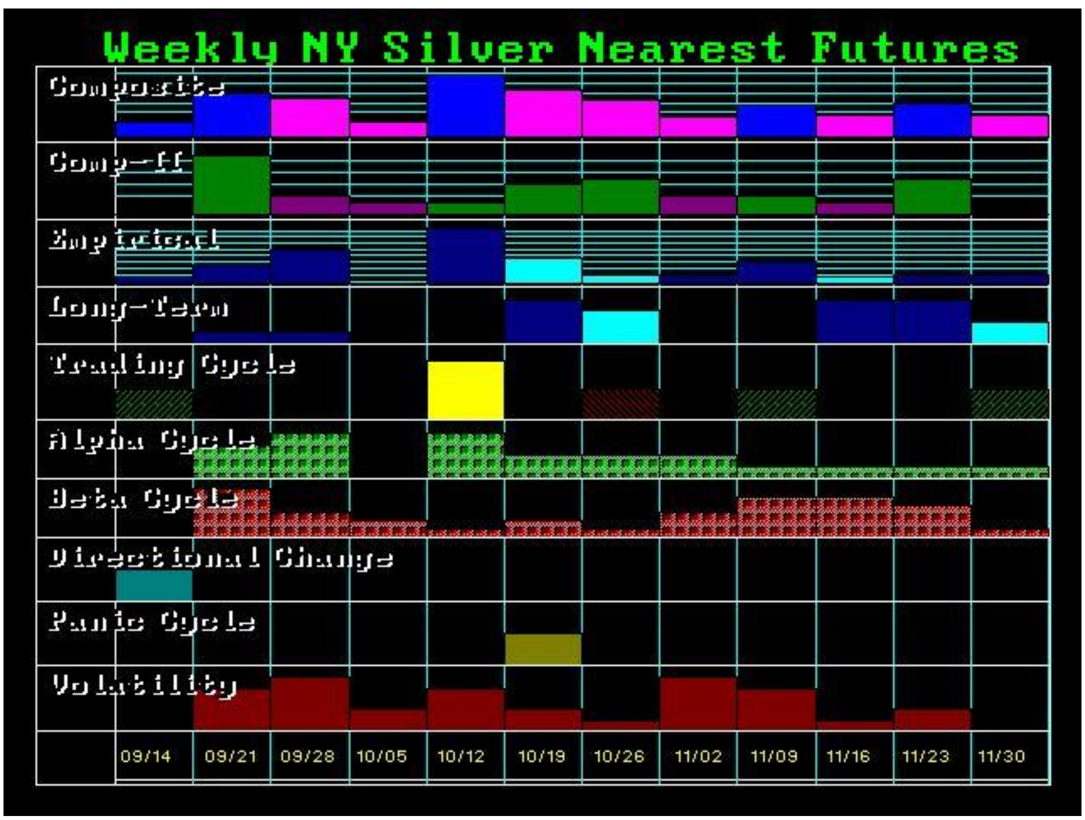
Weekly NY Silver Nearest Futures
Composite
Comp-II
Empirical
Long-Term
Trading Cycle
Alpha Cycle
Beta Cycle
Directional Change
Panic Cycle
Volatility
09/14
09/21
09/28
10/05
10/12
10/19
10/26
11/02
11/09
11/16
11/23
11/30

V. Socrates' Market Analysis

Gold

MONTHLY REVERSAL SYSTEM

At this time, the Major Monthly Bearish Reversal is 104220. Therefore, only a monthly closing below 104220 will signal that an immediate downtrend could become more serious in the near-term. When we look at the Major level, our Monthly Bearish Reversal resides at 68100, with additional reversals at 108480, 107440, 88050 and 85960. It should be noted that one key reversal appears to be very important: a monthly closing beneath 104220 may signal that a serious sell-off is likely to follow thereafter.

Looking at our Reversal System, we show that the Major Monthly Bullish Reversals stand at 117440, 122450, 128650 and 133040. Our model also highlights Monthly Bullish Reversals above the market at 134870, 175400 and 175500. Accordingly, a monthly closing above 117440 will signal that an immediate uptrend should unfold thereafter.

Monthly Reversals

Major Bullish: 117440 122450 128650 133040 134870 175400 175500
Major Bearish: 108480 107440 104220 88050 85960 68100

WEEKLY REVERSAL SYSTEM

At this time, the Major Weekly Bearish Reversals are 108480 and 107520. Therefore, only a weekly closing below 108480 will signal that an immediate downtrend could become more dramatic in the near-term. Our model suggests that the Major Weekly Bearish Reversals are at 107440, 106180 and 94430, with additional reversals at 100160 and 90480. It should be noted that one key reversal appears to be very important: a weekly closing beneath 107520 may signal that a serious sell-off is likely to follow thereafter.

Looking at the long-term level of our Reversal System, the Major Weekly Bullish Reversals are 118760, 120570, 120900 and 130780. Our model also highlights Weekly Bullish Reversals above the market at 131580 and 132310. Accordingly, only a weekly closing above 118760 will signal that an immediate uptrend should unfold thereafter.

Weekly Reversals

Major Bullish: 118760 120570 120900 130780 131580 132310
Major Bearish: 108480 107520 107440 106180 100160 94430 90480

Silver

MONTHLY REVERSAL SYSTEM

At this time, the Major Monthly Bearish Reversal is 121350. Thereupon, only a monthly closing below 121350 will signal that an immediate downtrend could become more serious in the near-term. On a short-term basis, our Minor Monthly Bearish Reversal resides at 141550, with additional reversals at 134950, 124350, 121600 and 84000. Hence, only a monthly closing below 84000 will signal that an immediate downtrend should unfold thereafter.

Our reversal system states that the Major Monthly Bullish Reversals exist at 157150, 174050, 177750 and 216300. Our model also highlights Monthly Bullish Reversals above the market at 293500, 313650, 324850 followed by 498200. Therefore, only a monthly closing above 157150 will signal that an immediate uptrend should unfold thereafter.

MONTHLY REVERSALS

Major Bullish: 157150 174050 177750 216300 293500 313650 324850

Major Bearish: 141550 134950 124350 121600 121350 84000

WEEKLY REVERSAL SYSTEM

At this time, the Major Weekly Bearish Reversal is 124350. Hence, only a weekly closing below 124350 will signal that an immediate downtrend could become more dramatic in the near-term. According to our model, the Major Weekly Bearish Reversals are 141250, 140450, 139300 and 118900, with additional reversals at 136800, 133400, 127250 and 125100. It should be noted that one key reversal appears to be very important: a weekly closing beneath 124350 may signal that a serious sell-off is likely to follow thereafter.

According to our Reversal System model, the Major Weekly Bullish Reversals stand at 149900, 153900, 157150 and 169050. Our model also highlights Weekly Bullish Reversal stands at 176550. Hence, only a weekly closing above 149900 will signal that an immediate uptrend should unfold thereafter.

Weekly Reversals

Major Bullish: 149900 153900 157150 169050 176550
Major Bearish: 141250 140450 139300 136800 133400 127250 125100 124350 118900