



# The King Report

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“Independent View of the News”

US stocks cratered on Thursday because an increasingly number of investors and traders realize that central bank and sovereign intervention has lost its mojo and global recession beckons.

Severe technical damage occurred on Thursday. **A crystal clear, unambiguous Dow Theory Sell Signal was triggered yesterday.** Some technical analysts proclaimed a Dow Theory Sell in July. Critics retorted that the January low had to be violated to trigger a sell signal. The lowest DJIA close since October confirms the earlier breakdown in the DJTA, which made its lowest close since October in July.



DJIA with **126-day MA**, **252-day MA** and **350-day MA** (long-term trend indicator)

The S&P 500 Index closed at 2035.73, breaching the important 2040 support/ lower trading band and generating a weekly sell signal from most technical indicators.

NASDAQ closed at its lowest level since April. The QQQs, which represent the big-cap OTC favorites (The Five Horsemen), cratered 2.7%. This indicates that **hedge funds, traders and investors that congregated in these stocks for safety and momentum are in animated dump mode.**

On Thursday, the PBoC for the second consecutive session intervened with a massive injection of funds. The Shanghai Composite tumbled 3.42%. A critical mass of investors and traders heard this tolling bell.

While most of The Street and the financial media obsess and agonize over a possible de minis Fed hike rate in September, **the far bigger issue is the increasing impotence of official intervention.** Perhaps this notion is too horrible to contemplate for most investors and conditioned traders.

Precious metals soared on Thursday as stocks tanked. **The nascent trend of buying precious and selling stocks on the yin/yang of a deteriorating global economy and more central bank intervention is gaining gravitas.** If this dynamic continues, escape velocity will eventually be attained.

The US index of leading economic indicators decreased 0.2 percent in July. +0.2% was expected.

**Allianz's El-Erian says Fed missed earlier chance to hike rates:** CNBC [Ya think?!]

As we write, the Caixin China Manufacturing PMI declined to 47.1 in August, **the lowest reading since March 2009.** 48.2 was expected. SPU's tumbled 10 handles on the report, to a loss of 7.20.

**Today** is expiry and a summer Friday at the end of vacation season. The stock market is experiencing an extremely rare event – an expiry debacle. Instead of the usual suspects manipulating stocks to the upside and ‘gammaing to death’ call option, SPU and stock shorts, traders that are long stocks or short puts are getting ‘gammed to death’ on the downside. **There is no telling where the downside will end due to today’s expiry.** The odds of a Fed rate hike in September collapsed to 12%; but stocks tanked anyway.

Remember all the experts and fin media types that advised people to ignore the DJIA ‘Death Cross’ last week? How about all the people that have disregarded the commodity, EM & credit collapse?

As we have stated often, **numerous bells ring at tops but few heed the tolling.**

The inculcated late rally to front run the expected Monday rally could be usurped by a late dump from trapped longs and traders that are short puts. Expected economic data: Markit US Manuf. PMI 53.9

**An S&P 500 Index close significantly below 2000 would trigger long-term sell signals. This would suggest that the secular bull market that commenced in March 2009 has ended. If this occurs, only a manic rally before yearend could signal that the bull trend has resumed.**



**S&P 500 Index with 126-day MA, 252-day MA and 350-day MA (Important support, 2018.52)**

**A bear market in stocks is the coup de grâce for central bankers that have bet their careers and life work on financial repression generating economic growth via stock inflation. This scheme is predicated on stock appreciation GREATLY offsetting the destruction of interest income.**

Bernanke told Congress that rising stock prices were a sign of QE success. A few months ago, Mario Draghi chided retirees and savers that eventually stock price inflation would benefit them.

**If there is no stock market appreciation, the entire rationalization for financial repression is destroyed. If a bear market for stocks develops during financial repression, the economic consequences should be dire. It would then be time to get long pitchforks and torches.**

**NB: Any model or metric or indicator that relies on Fed policy is now inoperative because the Fed's easy credit has lost its mojo. Eschewing this development will keep beaucoup investors in stocks and prompt beaucoup experts to aver that stocks are a 'great buy.'**

### **The Great China Ponzi—An Economic And Financial Trainwreck Which Will Rattle The World**

*China is a crude dictatorship. But their grasp of the fundamentals of economic law and sound finance cannot even be described as negligible; it's non-existent... **the 25 year growth boom in China is just a giant, credit-driven Ponzi.** Any fool can run a central bank printing press until it glows white hot...*

*There are no credible institutions of contract law and bankruptcy. There is not even minimally honest corporate financial reporting and no restraints at all on the propensity of China's newly affluent masses to gamble in real estate, stocks, commodity financing schemes, dodgy private lending clubs, chain letters and endless similar get rich quick schemes...*

*Wall Street sees none of this, however, and for a reason dripping with irony. Namely, **since the ascension of Alan Greenspan to the Fed in 1987, the epicenter of world capitalism—that is, the money and capital markets of Wall Street—has fallen prey to a regime of monetary central planning. Price discovery in the financial auction markets has been supplanted by price administration decreed by the twelve mortals who comprise the FOMC. A monetary politburo, if you will.***

<http://davidstockmanscontracorner.com/the-great-china-ponzi-an-economic-and-financial-trainwreck-which-will-rattle-the-world/>

### **Alexis Tsipras to resign and call September [20<sup>th</sup>] snap election**

*Embattled prime minister is set to stand down after Greece's secures €13bn bail-out cash*

<http://www.telegraph.co.uk/finance/economics/11814487/Greece-live-Alexis-Tsipras-to-resign-and-call-September-snap-election.html>

### **Tin Market Gets Squeezed After Trader Amasses Dominant Position** [Corrupt or inept regulators?]

*One unidentified company held 50 percent to 79 percent of tin stockpiles and short-dated positions*

<http://www.bloomberg.com/news/articles/2015-08-20/tin-market-gets-squeezed-after-trader-amasses-dominant-position>

If there wasn't enough global turmoil to contemplate, the two Koreas are shooting at each other.

### **South Korea says it exchanged fire with North Korea at border**

*The Pentagon is monitoring the escalating tension closely, Cmdr. William Urban, a Defense Department spokesman, told CNN's Brian Todd... <http://www.cnn.com/2015/08/20/asia/koreas-tensions/>*

China Xinhua News @XHNews: **DPRK top leader Kim Jong Un orders frontline army to enter a state of war from 5 p.m. Friday**