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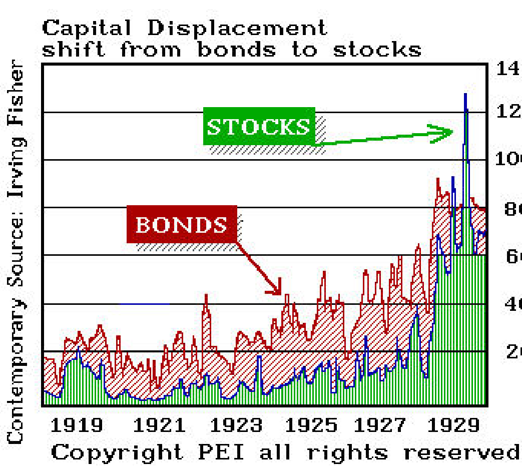
ARE THE CAPITAL FLOWS SHIFTING CREATING BULL MARKETS IN USA?

The lift in gold finally breaking above the December high as well as the strength in the Dow is starting to indicate that the capital flows are indeed shifting. Gold still has to get through the November high at $1807.30, but technical resistance stands at $1872 and nothing has changed on the Sovereign Debt Crisis suggesting that the real meltdown when it hits the USA is not likely until after 2015.75. The major high in gold still appears in the $5,000 level minimum but not until 2017. The cycles near-term are still mixed showing a choppy trend oscillating every two months into September where the big turning point lies for this year. The worse possible pattern would be to exceed last year's high, fail, and then we could crash, rebuild support, and then rally into 2017. Volatility is very high building year after year. This is just not going to be smooth sailing trend for most markets.

Today, we need a closing to remain above the December high of 1769.40. Next week, 1779 will be a pivot point so this can become resistance and support. **Directional Changes** were due here in February giving us this move to the upside, but another is due in March. These back-to-back **Directional Changes** are warning about volatility, confusion, and choppy markets.

Likewise, the Dow Jones Industrials have been pressing higher and the low interest rates are starting to cause real capital to seek high yielding stocks. We need to see the Dow close February **ABOVE** 12929 to suggest further upside into March. The Monthly Bullish to watch at 12842 and 13340. These are the main number to watch for any breakout to the upside. Only a closing **BELOW** 11820 would signal a retest of support ahead.

Europe is unlikely to solve any problems and the US Presidential elections have brought any hope of reform to a screeching halt. Nobody will ever do anything important at this time so the global trends in motion are simply on autopilot. There is nothing to suggest that the meltdown will be immediate. This Sovereign Debt Crisis has been brewing since 1955. These things typically unfold from the peripheral economies moving backward into the core economy. This is usually the pattern because capital within the core economy was attracted outward. During the Great Depression, the **Sovereign Debt Crisis** was so bad because the banks sold the debt in small denominations to the general public. Foreign debt was listed on the New York Stock Exchange and collapsed.



We are always looking a capital shifts between sectors. The rise in the Dow compared to world indices is suggesting a similar shift is starting in capital flows that took place in 1927. We can see that toward the tail-end of the bull market in 1929, **ONLY** then did investment in stocks exceed debt. The smart money begins to smell a rat. This causes capital to shift into all tangible investments and that includes both gold and equities.