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FINANCIAL FREEDOM & WAVES 618 WEEKLY NEWSLETTER

Inverted Yield Curve— It's Significance

Amongst the most confusing and misunderstood principles is the Yield Curve. Like always, Wall Street make everything as confusing as possible so the average person has no clue how to interpret data and so know its significance. The curve is simply a series of data points which connect the Maturity of a Bond (IOU) to the Yield or Interest rate received on that bond.

Yield is inversely proportional to price– thus as the bond price increases the yield decreases (and vice versa). Whichever bond increases and decreases in value, whether in the primary or secondary markets , essentially depicts the shape of the curve.

On the charts, page 3, you can see a "normal yield curve" and the shape of an inverted curve. Typically banks would borrow on the Short end and lend out on long end (long term 30 year mortgages for example—"low risk") thus capturing the difference in spread and making money. However, as the curve flattens/inverts obviously banks would lose money doing this so they literally invert what they are doing to capture that spread—i.e they now borrow on LONG end and LEND on short end. Short term lending leads to incredibly high risk investments for the banks desperate to stay in the game.

Inversions are no doubt a marker and predictor of economic uncertainty and recession. In the last two economic downturns (Post tech Boom and GFC) - the bond curve inverted around 18-24 months prior to the Stock Market peeks in 2000 and 2007 respectively (see Page 3)

As of current time the yield curve is likely heading towards inversion. I suspect inversion early 2019. Slow growth in Europe is widening credit spreads between USA and Europe causing dollar flight into USA thus strengthening the US Dollar (DXY). This inverts the curve forcing banks, as mentioned, to pursue very high risk investments to still make money. High risk leads to more and more speculative investments leading to the final bubble popping.

Because of this, one can postulate, we are still POSSIBLY 12-24 months away from economic chaos —of course it could happen sooner—but one can see that even in the eyes of deteriorating economic data such as in Emerging Markets that Stock prices, specifically in USA, continue to go higher.

It did the same in 2000 and 2007 and we are heading towards a similar situation now –albeit a much larger recession/more likely Depression will be the effect.

So keep an eye on the Yield Curve (and the DXY) —it will show you the light moving forward and keep you one step ahead of the game….

Nas

HIGHLIGHTS

Crypto Newsdesk– Nas vs Waves 618

As we wait for Bitcoin to show its hand, its clear that there is increasing frustration in the BTC price amongst market participants.

An an old saying in Wall street goes —” First we tire them out, then we shake them out”

At current time of writing there is a very unconvincing rally underhead for Bitcoin and I have literally no conviction for BTC moving ahead with full vigor. I expect a turn around at a maximum price of $7400 maybe even as early as the bank holiday weekend. I expect the next low around September 21st.

The count is very difficult but likely a WXYXZ count with an alternate count of an ABCDE triangle for the X wave—either way the price is going down.

Altcoins have lower to go and some targets I postulate are lower single digits for NEO, 16 cents for XRP, ETH to at least $160 and a possible LTC price of $30.

I expect a sell off soon alongside a larger stock market correction of 20% within a few months.

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Bitcoin is currently at a pivotal point whereby it is pushing against the boundaries of the downward trend. As discussed in my last YouTube video and also in the last newsletter, the descending pitchfork is providing resistance at around 7500. At present I see no reason to be bullish as no bearish markers have been overcome with the downward sloping pitchfork holding strong thus far. Bitcoin looks like it could roll over at any moment but I would be waiting for 7500 before shorting to get a good Risk:Reward ratio. If 7500 isn’t hit, then I will be waiting for a break of 5900 for the next opportunity to short as I would expect a sharp move down from a break of that technical level.

Ethereum, as with many of the Altcoins, has already retraced significantly and cannot even look at the 78.6% Fibonacci retracement of the whole move up for support as this has already been breached. The most fitting Pitchfork that I could plot was the Schiff Pitchfork on the logarithmic scale (1st pivot on 13th January, 2nd pivot on 5th February and 3rd pivot on 17th February). The pivots mark the W and X wave of the WXY pattern, with the Y wave yet to finish. A preliminary target is displayed at 126 with this equating to wave W being equal to wave Y (though distorted on the diagram due to the logarithmic scale). With Bitcoin also showing signs of weakness it would be prudent to be bearish, though a buying opportunity does not look too far away. Any break of the upper warning line of the pitchfork would obviously change this outlook, creating a bullish picture.

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“Risk Management is the secret bullet for traders”

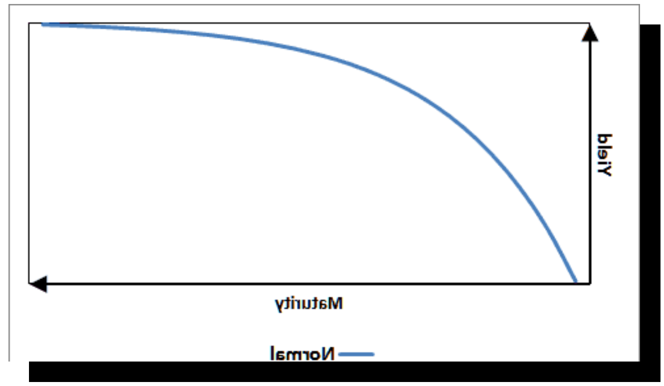
Ignorance is not bliss

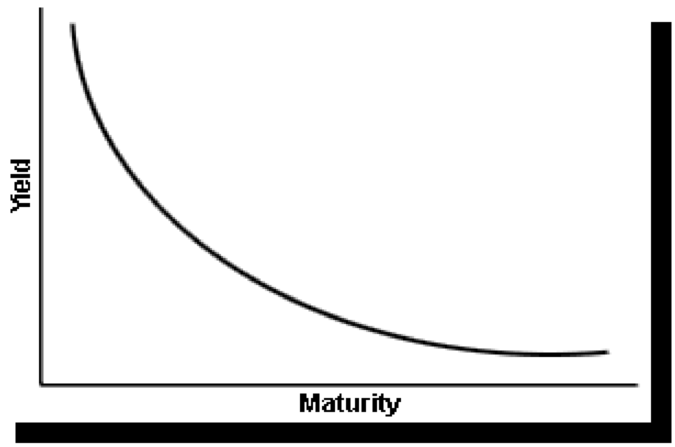
'You don't know what you don't know' - At first it sounds like a simple and futile statement, however it's amazing to see how many people overlook this concept, which is often a reason for failure.

There is no curriculum for Technical Analysis taught at school/college/university and as a result there is a general lack of understanding of the extent of the knowledge required. It is for this reason that people new to technical analysis start trading far too soon. It is also the reason that traders will blame a technical analysis tool rather than themselves for any failure and as a result fail to ask themselves the vital question, 'Am I applying this strategy correctly?'.

Consequently this then leads to what is known as a 'Beginners Cycle'. New ideas are sought, tried, failed and disregarded again and again.

It is only with the help of a good mentor that you can have an idea of the journey that lies ahead to recognise the degree of knowledge required before placing your first trade. Though every trader's career is preceded by losses before consistent gains are established, by having a mentor you will considerably reduce the time, energy and despair along the journey to become a profitable trader.   Waves 618





Normal Yield Curve vs Inverted Curve

Inversion relative to Recession

Educational Technical Analysis Series—Lesson Two—OBV

On balance Volume or OBV for short, is a very intriguing indicator used to determine price movements in the market. It was one of Wyckoff's favorite indicators that he used alongside Relative Strength . Of course it is derived from volume, the factor behind all price action, and essentially calculates the cumulative volume by adding the previous days net seller/buyers volume total.

Because of this, the numbers viewed are typically very high –as it is literally the addition and subtraction of the previous days action (whether long/short) added on a cumulative basis.

The stock market is nothing more than supply demand for an asset class so this is the perfect indicator to determine this. It is essentially a barometer of net buyers and sellers and is therefore showing us supply and demand of stock.

Now not all asset classes have realistic volume as such, so this tool is best used in Stocks as well as Cryptocurrency where the volume amongst the more larger, more liquid is fairly accurate.

It can give us and idea of Accumulation and Distribution of an asset class. Much like RSI and MACD, we need to look for signs of hidden/normal divergences in price and indictor value.

Usually I would use OBV to determine weakness of a trend towards an uptrend whereby the OBV diverges from price– i.e higher highs in price and lower highs in OBV reading—thus indicating more net buyers of stock hence accumulation and indicating a possible up move is starting—see chart of ETHUSD—it was clear buyers were stepping up during the last Altcoin season.

This is of course the case for accumulation at bottoms of down trends too (Lower lows in price nad high lows in OBV reading).

OBV works best on higher term time frames like the 6H chart or 1D— larger players trade of larger time frames—so once the signal is given , one should use shorter time frames for better timed entries.

Whilst one can also look for hidden divergences around the middle of a trend—I typically only use it at top and bottom of trends to determine the change. For me volume will always be the most important indicator to analyse the markets and any indicator derived from this like OBV or VPVR etc. is worth experimenting with.

Another tool to your arsenal…

Nas

QUOTE OF THE WEEK: "The more I practice, the luckier I get"

Chart Of The Week—DXY

As uncertainty intensifies surrounding the Dollar a move to the downside seems ever more likely. Having rallied since the start of the 2018, the Dollar now looks to be ready to trend down over the next few weeks both from a technical and a fundamental perspective.

With the US posing sanctions as well as ongoing trade wars in particular with China, there is no doubt that the Dollar will be subjected to price discovery and looking to find a new level of value over the next few weeks. The positive news regarding the trade deal between the US and Mexico offered some temporary relief for the Dollar, however such media coverage looks to serve as a means of creating liquidity for the Smart Money's shorts rather than for continued strength in the Dollar.

The roll over of the quarterly US Dollar Index Futures contracts on 17th September may also be providing further volatility to pave the way for this new trend.

Depicted we can see that price has been following the Modified Schiff pitchfork very nicely on the weekly timeframe with the median line, upper median line and upper warning line all providing support/ resistance. That said the upper median line now appears to be offering good resistance which coincides with the completion of an Elliott wave 4 (expanded flat), having retraced 61.8% of wave 3.

The bullish scenario will be looking for a Fibonacci retracement to take a long position, as it appears that a 5 wave up on the daily chart has been completed. Most typically at the 61.8% retracement, though the bears will consider this 5 wave impulse to be the C wave of an expanded flat.

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Long term I feel the DXY could hit 116.

This certainly ties into my fundamental thesis of a stronger dollar inverting the yield curve.

Short term the DXY may retrace a slight amount to possibly the 93 handle after which point it will continue its march higher towards the three digit level.

After this I see a severe collapse in the DXY to 60 and possibly to the Dollar as the world's reserve currency.

I see a solution with a blockchain based monetary system coming within the next decade and likely the fiat system as we know it will change dramatically.

No, this is not conjecture, but a real possibility. Taking down the Dollar will take down the world.

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Microsoft

As the stock markets appear massively overbought and being in the 10th year of expansion of this economic cycle, a potential shorting opportunity is often sought. Let us not forget the famous saying surrounding equities; 'up in the elevator, down in the escalator'. A stock market crash will not wait around for no man and so close monitoring of the charts is required at these times. Microsoft along with other stocks appear this week to look like they have topped out and be due for a major crash. Don't be fooled by media manipulation trying to fool the common investor to create liquidity for those large operators looking to short. This week CNBC reported that Warren Buffet had recently added further Apple stocks to his portfolio, which is as plain as daylight to me as nothing but nonsense as man of his caliber knows much better than to buy during all time highs.

Looking at the chart we can see depicted the Elliott Wave count on the weekly time frame, starting from the end of the financial crisis recession in 2009. As mentioned in the picture there are regular Fibonacci ratios between the waves with wave 5 having just completed a 4.236 Fibonacci extension of wave 1.

We can also see the larger pitchfork also providing resistance at the upper warning line and the smaller pitchfork being on the brink of being breached as price currently hugs the lower warning line. A breach of this smaller pitchfork lower warning line is certainly something I will be closely looking out for, offering a potential opportunity to add to a short position. Following a breach of this line the next level of support would be at the upper median line of the larger pitchfork, offering a place for profit taking for those shorter timeframe traders.

That said, if Microsoft has topped here, it would be reasonable to expect a minimum retracement to the 38.2% Fibonacci retracement of the entire move up from 2009, which would bring us to $75.

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10 LAWS OF ENGAGEMENET SERIES

Law 2 —ROLE MODELS

I'm very lucky to have been blessed with good role models my whole life— whether through education or those I have seeked. Role models are vital to the pursuit of success as we all need barometers or a standard to go off.

Role models/mentors are there to be followed, respected and eventually emulated. My two trading mentors will always be Anton Kreil and Ray Dalio and for day trading, Trader Dante.

I have watched, read and listened to every word Ray and Anton have uttered and they have opened my eyes more to the game of trading then anyone else. To this day I still replay their famous videos from yesteryear. We need people to follow as its impossible to know we are on the right path without seeing it from someone who has "been there and done that". Follow people you like, respect and can emulate. Dalio, incredibly, is less well known then Alan Sugar but im not surprised! Forget the herd mentality.

Outside of the markets— my role models are Richard Branson, Schwarzenegger and Muhammad Ali.

Those in the know just know.

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Disclaimers

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