

Armstrong Economics™

An Outlook For The Land Downunder



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A\$ = US\$2

Comments & Information Please Send by Mail

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ACKNOWLEDGEMENTS

I would like to thank all the former employees, associates, sources, and contacts for their continued support and efforts to contribute to the writings I have been able to continue through their great efforts. I would also like to thank those who have looked after not just myself, but my family, and shown them support and kindness.

Everything we at Princeton Economics that was our mission to gather information and bring together the most widely covered global economic perspective, has been a effort that is now bringing us to that fateful crossroads in history. There are those who are trapped by the past and cannot see the dynamic evolution that causes history to repeat, but like lightning, never quite precisely the same way twice. In 1914, Britain reached its peak as the center of the global economy. It passed that torch to the United States who by 1929 became the leading world economy who was also a CREDITOR nation just as China is today. There will be no 1930s style depression, for the cards are nowhere near the same. Yet China will become the leading world economy by 2016, and then suffer its 1929. The West is doomed and it will collapse from its own debt. We borrow with no intent of ever paying off the debt, and somehow both Congress and the majority ignore this fact just as they had ignored the problems in mortgages that violated common sense.

No matter what country you live in, it is the duty that falls upon the shoulders of every reader to do what you can to get reality to manifest. Feel free to send this report to every government, friend, and member of the press around the world. If we do not get the debate started, we stand no chance of saving the future for ourselves and our posterity. We can reach that next never in political-economic evolution only through the hard work of everyone. For this reason, this is provided as a free service.

There is a NEW DATABASE that will be used for special updates provided exclusively to those who register. I want to thank you all once more for your support and for your contribution to try to help society survive the coming storm.

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GOVERNMENT TO GET POLITICAL CHANGE MOVING**

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This Report may be forwarded as you like without charge to individuals or governments around the world. It is provided as a Public Service at this time without cost because of the critical facts that we now faced economically. The contents and designs of the systems are in fact copyrighted. At a future date, a new edition of the 1986 *The Greatest Bull Market In History* will be released and a new book will soon be published on the model itself - *The Geometry of Time*. It is vital that we do not forget this is a world economy and the arrogance that any nation can dictate to the world is just insanity. Every nation effects all others no different than if one nation were to pour all its toxic waste into the ocean. Everything is interlinked and solutions are never isolated events.

Thank You For Your Support

I would like to thank so many people for their continued support. What we face in the years ahead is not going to be easy. There will be NO Great Depression as there was in the 1930s. In fact, where America was bankrupt in 1896 and Britain was the center of the world economy reaching its zenith by 1914, its fall from grace eliminating the title "Great" passed the torch to America and by 1929, the USA had become the largest economy in the world measured both by productive capacity as well as by the standard of its gold reserves. What took place in 34.4 years (4 x 8.6), is once again unfolding from 1989 as the torch is now passed from America to China.

We are on the verge of such a profound economic fall from grace, that we are flying too close to the flames and we may crash and burn through the turmoil of civil unrest. I cannot stress enough that we must understand the nature of the problem before we can comprehend the solution for the future. I would like to think we can make a difference. But to do so, it will take take many in ALL nations to DEMAND that political change is addressed BEFORE the next crisis.

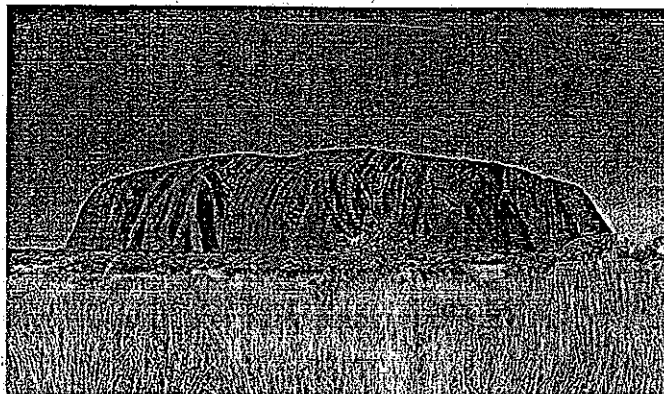
Since politicians act in their own self-interest, we are most likely doomed. To get them to do something BEFORE the crisis, is not realistic. Nevertheless, all we can do, is kick up our heels and DEMAND change, even though they will ignore the people. We are in such a economic crisis, it is likely that even Obama may be a one term president. The status quo, is not what it use to be.

There are people in various governments around the globe who can see the crisis coming. I remain in contact with them and pray that they will be able to gather the support within government before it is beyond all hope. Each of us is charged with a duty to try our best to save our own future and that of our children. I have been working very hard to explain the full scope of the problem and the solutions we must embrace to be released in a book format.

Please register at ArmstrongEconomics.COM. I will be providing some special reports to those who register.

With each event, the solutions that emerge are merely a restoration of errors that are seen as setting in motion the previous crisis. There is so much that has to be restructured, to address it all and how it truly works requires a book. It is almost done.

An Outlook For The Land Downunder



By: Martin A. Armstrong

Former Chairman of Princeton Economics International, Ltd.
and the Foundation For The Study of Cycles

AYERS ROCK in the middle of Australia is truly one of the natural wonders of the world. While Australia was a place I wanted to retire to, its natural beauty is complimented by its isolation. Australia suffered its economic crisis during the 1980s, as did New Zealand. Those changes back then have separated Australia from both the United States and Europe. It still has debt, but it is in no way as bad as that of the USA, Europe, or Japan. Rich in natural resources and close to the flame that will soon displace the United States as the leading world economy, China, Australia is starting to gleam like a diamond on the surface of a desert. While Canada and Australia look positioned far better than the United States or Europe going into 2015, it still appears that the isolation of Australia will shield it from the economic chaos in the West better than that of Canada, and it should benefit from the massive capital migration to China that will continue into 2015.

There is still a wealth of analysts who see only a Depression ahead because that is what took place in the 1930s. They fail to realize that the US was a creditor to the world and the European debt defaults went to the people because the banks had sold this foreign debt in small denominations to the American public. When the defaults came in 1931 from Europe and China, the average person was wiped out even those who had never invested in stocks. That government default wiped-out the capital formation in the U.S. and that is what made the depression as bad as it had been.

Just as Britain was at its peak in 1914 and lost its status as the world leading economy to the USA by 1929, the same passing of the torch is taking place between America and China. It took one Pi Cycle of 31.4 years from 1896 when the USA had to be bailed out by Britain through J.P. Morgan to 1927 when America tried deflecting capital back to Europe to prevent what became the 1931 Debt and Currency Crisis. In just 34.4 years (4x 8.6) from 1896, we come to 1933 when political change swept the world with Mao, Hitler and FDR all coming to power. If China just did the same time schedule it would be 2020 and 2023.

Annex Table 31. General government net debt interest payments

Per cent of nominal GDP

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	3.1	2.5	3.6	3.7	3.1	2.5	2.0	1.9	1.7	1.6	1.6	1.4	1.3	1.1	1.0	1.1	1.2	1.3	1.3	1.3
Austria	2.8	3.1	2.9	3.3	3.4	3.2	3.1	2.9	2.8	2.7	2.5	2.4	2.2	2.2	2.2	2.0	2.0	2.2	2.7	2.8
Belgium	10.3	10.1	8.8	8.4	8.0	7.3	7.0	6.5	6.3	6.1	5.4	5.0	4.6	4.1	3.8	3.7	3.6	3.6	3.6	3.6
Canada	5.3	5.3	5.2	5.7	5.3	4.8	4.8	4.3	3.1	2.9	2.6	1.8	1.6	1.0	0.7	0.6	0.2	0.8	0.6	0.6
Czech Republic	..	..	..	0.3	0.5	0.4	0.5	0.5	0.2	0.4	0.3	0.5	0.7	0.7	0.7	0.7	0.7	1.0	1.2	1.3
Denmark	3.6	3.9	3.6	3.5	3.2	2.9	2.6	2.4	2.1	1.8	1.7	1.5	1.2	0.9	0.6	0.4	0.0	0.0	0.1	0.1
Finland	-2.0	-0.4	1.0	0.8	1.4	1.8	1.6	1.4	0.9	0.5	0.0	-0.1	-0.1	-0.2	-0.4	-0.6	-0.7	-0.5	-0.5	-0.5
France	2.5	2.8	2.9	3.0	3.2	3.1	3.0	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.4	2.5	2.6	2.9	2.7	2.9
Germany	2.4	2.5	2.5	2.9	2.9	2.9	2.9	2.7	2.7	2.6	2.5	2.6	2.5	2.4	2.4	2.4	2.3	2.3	2.5	2.7
Greece	10.0	11.0	12.1	10.9	10.3	8.3	7.6	6.8	6.7	6.0	5.2	4.7	4.6	4.4	4.2	4.2	4.3	4.5	4.7	4.7
Hungary	4.0	3.7	5.9	8.1	7.4	7.2	5.9	4.6	3.9	3.6	3.7	4.0	3.9	3.7	3.7	3.7	3.9	3.9	3.7	3.7
Iceland	1.1	1.4	1.5	1.5	1.4	1.1	1.0	0.9	0.7	0.5	0.3	0.6	0.3	-0.4	-0.7	-0.9	-0.5	8.8	8.4	7.5
Ireland	5.8	5.4	5.0	4.4	3.7	3.1	2.8	1.9	1.5	1.0	0.9	1.0	0.9	0.8	0.8	0.7	-0.3	0.5	1.3	2.4
Italy	11.7	12.1	10.6	10.7	10.8	8.8	7.8	6.4	6.1	6.0	5.4	5.0	4.7	4.5	4.5	4.7	4.9	4.9	4.9	5.0
Japan	1.2	1.2	1.2	1.3	1.3	1.3	1.5	1.5	1.5	1.4	1.4	1.3	1.2	0.8	0.6	0.6	0.8	0.9	1.1	1.5
Korea	-0.6	-0.5	-0.5	-0.6	-0.7	-0.9	-1.2	-1.0	-1.2	-0.9	-0.9	-0.8	-1.0	-1.0	-1.2	-1.5	-1.5	-1.2	-1.1	-1.1
Luxembourg	-2.3	-1.9	-1.6	-1.4	-1.1	-1.0	-1.0	-0.9	-1.2	-1.3	-1.1	-0.9	-0.7	-0.6	-0.7	-0.6	-0.6	-0.6	-0.6	-0.6
Netherlands	4.4	4.4	4.2	4.4	4.4	4.2	4.0	3.6	2.9	2.4	2.2	2.0	1.9	1.8	1.6	1.5	1.8	1.8	1.9	1.9
New Zealand	2.9	2.3	1.2	1.4	0.7	0.9	0.7	0.2	0.4	0.0	0.0	-0.1	-0.4	-0.6	-1.7	-1.0	-1.2	-0.9	-0.8	-0.4
Norway	-3.1	-2.6	-2.0	-1.7	-1.7	-1.5	-1.2	-1.6	-1.8	-2.0	-2.3	-2.2	-2.2	-2.1	-2.3	-3.2	-3.8	-2.6	-2.4	-2.3
Poland	..	..	..	5.1	4.2	3.8	3.7	2.4	2.5	2.7	2.1	2.4	2.5	2.2	2.0	2.0	2.0	2.1	2.3	2.5
Portugal	7.9	7.2	6.1	5.8	5.0	3.9	3.2	3.0	3.1	3.0	2.9	2.8	2.7	2.6	2.8	2.9	3.0	2.8	3.0	3.4
Slovak Republic	..	..	..	1.1	0.6	0.7	1.2	1.5	1.9	2.2	2.8	1.2	0.5	-0.2	-0.1	-0.1	0.0	-0.1	0.2	0.4
Spain	3.4	4.5	4.4	4.7	4.7	4.2	3.8	3.3	2.9	2.6	2.4	2.1	1.8	1.6	1.3	1.1	1.0	1.1	1.1	1.1
Sweden	0.7	1.2	2.1	2.4	2.8	3.1	2.6	2.5	2.2	1.8	2.1	1.3	1.0	1.0	0.8	0.7	0.5	0.0	-0.5	-0.5
Switzerland	0.6	0.7	0.8	0.8	0.8	0.9	0.9	1.1	1.0	0.9	1.0	1.0	1.0	0.9	0.7	0.6	0.5	0.5	0.5	0.5
United Kingdom	2.4	2.4	2.6	3.1	3.1	3.2	3.0	2.5	2.4	2.0	1.7	1.7	1.7	1.7	1.9	1.8	2.0	2.4	2.8	3.5
United States	3.5	3.4	3.4	3.5	3.4	3.2	3.1	2.7	2.5	2.2	2.0	1.8	1.8	1.8	1.8	1.9	1.8	1.6	1.9	2.3
Euro area	4.6	4.9	4.7	4.9	4.9	4.4	4.2	3.7	3.5	3.3	3.1	2.9	2.8	2.7	2.6	2.6	2.6	2.7	2.8	2.9
Total OECD	3.3	3.3	3.3	3.5	3.4	3.2	3.0	2.7	2.5	2.3	2.1	2.0	1.8	1.8	1.7	1.7	1.7	1.7	1.9	2.2

Note: In the case of Ireland and New Zealand where data on net interest payments are not available, net property income paid is used as a proxy. For Denmark, net interest payments include dividends received. For further information, see OECD Economic Outlook Sources and Methods (<http://www.oecd.org/eco/sources-and-methods>).

Source: OECD Economic Outlook 86 database.

Those who have been in this game for many years, will recall the economic crisis that was exploding during the 1980's. Many of the most extreme socialist countries were falling apart. Their debts could no longer be supported and their interest rates were skyrocketing. Among those nations was New Zealand, Australia and the Scandinavian nations.

What I have provided (thanks to research by James Evans), is the OECD outlook for net debt interest payments as a per cent of GDP. Look closely at this table and you will notice the progressive decline in interest expenditure as a total per cent.

Australia is by far not the brightest bulb in the box. Nevertheless, it has shown great improvement since the 1980s. Likewise, the same trend is developing in New Zealand and both nations appear to be a bright spot on the horizon.

Australia has long been regarded as a gold source. It is true that Australia will be linked in the minds of many as a gold play. However, Australia has much more to offer besides just gold. Yet, as gold rallies into the years ahead, this will cause many to key in on Australia and its currency.

The primary reason Australia looks so promising is because it has been striving to reach a better fiscal management than Europe or the USA. As the rest of the world goes crazy on debt, Australia will at least look to be safe haven in the years ahead.

I had always hoped I could donate a model to Australia that would make it a real leader among nations. Australia had gone into the 1970-1980s with a very high Marxist view that was causing it to stagnate. That said, the reversal of fortune I was looking at for decade into the future, showed promise that if Australia played its cards right, it just could grab the spotlight and the USA falls into its period of self-flagellation as it attacks its own people in a thirst for money. Every nation in its final stages turns on its own people. This will cause capital flight just as the Jews began to flee Germany.

Australia could become the Mecca for the financial business. Australia could now attract hedge funds from UK and USA and its location to China can send New York into a third world country.

As wild as it may sound, the A\$ appears destined to test the \$2 level against the US dollar. That forecast is as bold as the one we made back in 1980 that the British pound was headed to a collapse to test par by 1985 when it was trading at about \$2.40. I remember doing a TV show with Walter Bressert back then that was FNN, the forerunner to MSNBC today. When I gave that forecast, the commentator looked at me as if it was a joke. When she turned to Walter and asked what he thought of that, Walt just said the computer model was not something he would bet against. Now that time has come for the same type of bold forecast concerning the A\$. To all those who use to wonder why I always paid such close attention to the land downunder, this forecast is something the model made a very long-time ago, but it was just not time to put it out there. That time has now arrived.

Australia appears to be the place of the future. Like a fine wine, it has taken some time to mature. Look well toward investing in the Land Downunder. It has agricultural, mines and a close proximity to China.

Even when we look into the future for the All Ordinaries (Share Market), the 2009 low unfolded on a perfect 17.2 year retest of the low in line with the 1982 low. This strongly suggests that as long as the 2009 low holds, then we have a reasonable prospect that the next important high will be with the turning point on the Economic Confidence Model come in 2015.75.

The first real target resistance will be at the 10,000-12,000 level for 2015. Again, we see that exceeding that level would bring the All Ords into a target potential of in fact the next major resistance area at 18,000.

Even when we look at wheat, another big important commodity in Western Australia, the decline of 21.5 months from the February 2008 high into October 2009, appears to be a major low. The swing in price has been tremendous. The drop from 11.95 to 2.46 is incredible from a pure percentage drop.

Even when we look at gold, copper, silver and nickel, Australia will have a lot to still drive these markets for some time to come. In all reality, even Australia real estate may prove to be a reasonable investment for the foreign investor due entirely to the currency appreciation.

Market Outlook

Australian Dollar

The Australian Dollar is still within a broad overall bull market. The first real opportunity for a possible high will be 2012. Making new highs in the A\$ beyond 2012 will point to possible target in 2014/2015 and 2018. Believe it or not, the A\$ could actually test the US\$2 level as crazy as that may sound.

The minimum target resistance in the A\$ will stand at the \$1.20 level for 2012. This will be the true critical area of overhead resistance. Once the A\$ exceeds this area, then we could be in store for a very dramatic rise. This will be a combination of natural resources and its location being close to China to take advantage of the future.

The A\$ has rallied from its 2001 low at 47.74 into the high in 2008 in July at 97.70. This has been a significant 7 year bull market. The 2008 closing shifted the upward momentum to neutral. The primary support still lies at 55, and only a monthly closing below this area will signal that the 2008 high will hold for a while.

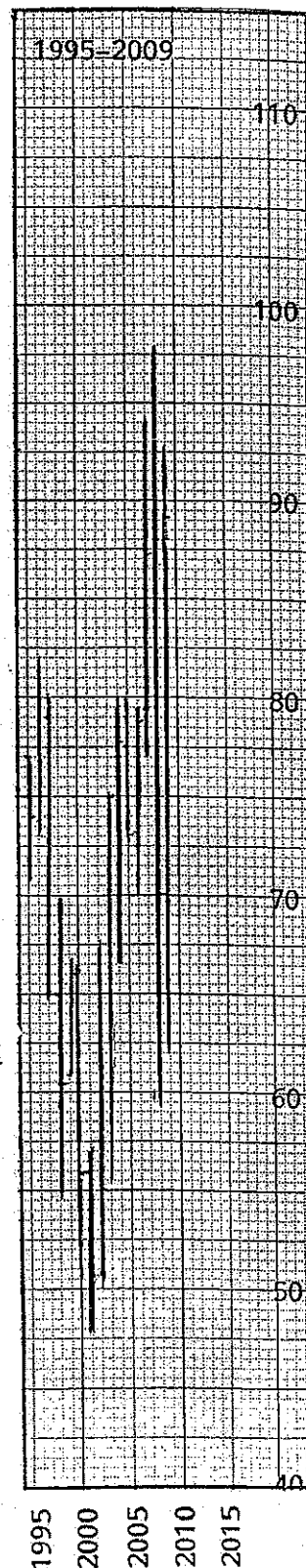
So far, the low established in the instant decline from the 2008 high took place in just 3 months and change - a Pi Cycle. This was very sharp, but also short lived. This gives some support to the fact that we may be dealing yet with just a reaction. Only a monthly closing beneath the 63.70 level will warn that a bear market is likely thereafter.

While volatility remains historically high for all the currencies, the A\$ has the benefit of being a natural resource producing nation that also is a huge plus for those looking at gold. Australian gold stocks will eventually develop the TWIN Bull Market whereas the gold will be rising with the A\$.

The initial support to watch lies at 80. We closed 2009 at 89.17 on the nearest futures and this was a strong come-back for year end. By far, this closing was certainly yielding no bear market indication.

The resistance for 2010 will form at 94 with support at 80 and 77, with long-term support down at 72. In fact, this level at 80 should be a good indicator of the tone of the market going into even 2011.

YEARLY
NEAREST FUTURES



The year-end closing above 89 was a strong signal that the A\$ is still capable of new highs. This was actually the highest yearly closing since the April 2nd, 2001 low. If we see a monthly closing above the 2009 high of 97.70, then there is a real possibility that the A\$ could rally to reach the 110-120 level by 2011-2012.

Clearly, those who are use to hedging the A\$ on rallies, should start to be a bit more cautious this time. The price advance could turn out to be much stronger than many suspect. Although the decline from the 2008 high was big on a percentage basis, the Yearly sell signal would have been produced only on a year-end closing below 56. The mere closing above 80 for year-end, overcame the negative implications of 2008.

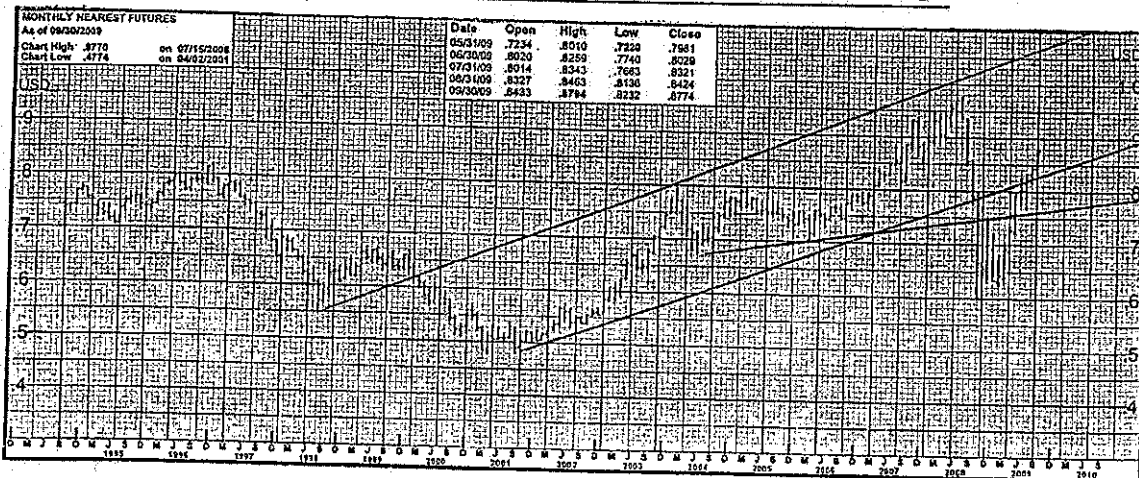
The initial technical resistance in 2010 will stand at the 105-110 scaling upward for the year between these two points. A real breakout will take place exceeding this technical resistance level on a monthly closing basis.

The cyclical targets seem to be July 2010. There appears to be a period thereafter going into as late as February of 2011. There should be a rather important change in trend in the summer of 2011. If this were a spike high, then there may be a 17 month decline thereafter. On the other hand, a low in the summer of 2011 around June, would suggest the precise opposite with a sharp rally into the following 17 month period. That could actually result if the A\$ rises to the 150 level.

If Australia would shed its Marxist policies and thinking, it would be capable to becoming the next Switzerland of old. But the union labor movement in Australia was very militant. There is a lot of work that needs to be done, but it is possible. If China indeed becomes the next global economy after the decline and fall of the United States, Australia will be in the perfect position to rise to the occasion.

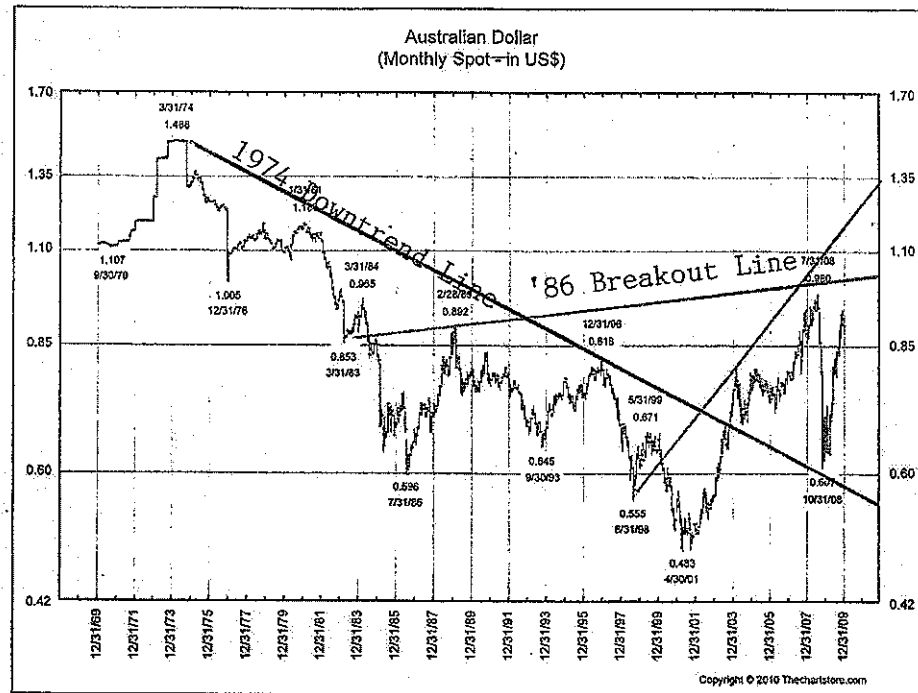
The technical area of support in 2010 should scale upward from 80 to about 85 as we draw closer toward the end of the new year. The major support will be in the 75-77 area. ONLY a monthly closing below 77 will signal a retest of support before new highs unfold.

IMM AUSTRALIAN DOLLAR NEAREST FUTURES MONTHLY



Market Outlook

Market Outlook



THE LONG-TERM OUTLOOK FOR THE A\$

The long-term outlook for the A\$ may sound a bit shocking, but in all reality, we are looking at exceeding the 1974 high going into the next cycle high on the Economic Confidence Model in 2015.75. That means the A\$ should rise to exceed at least the \$1.48 level against the US\$. In fact, we may see the A\$ make a good effort to test US\$2 by that time!

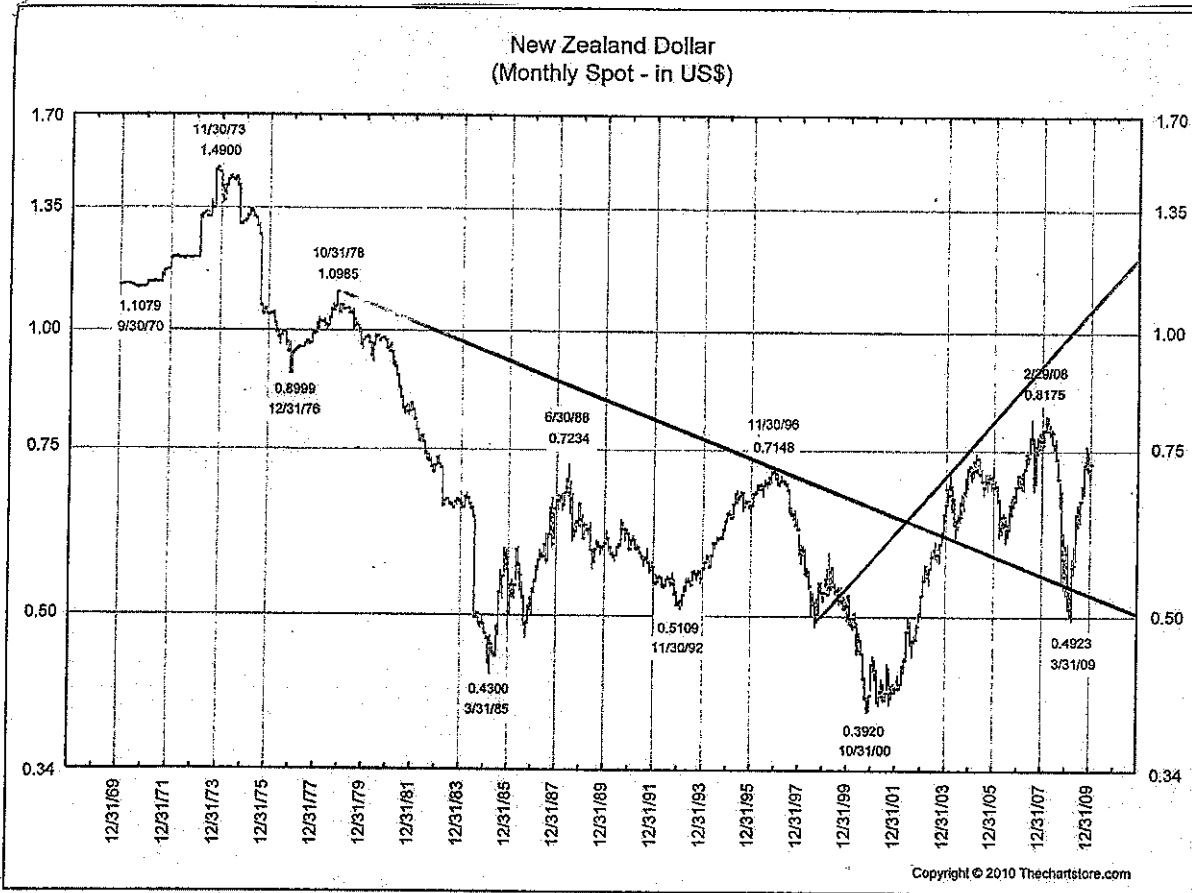
From an investment perspective, Australia should do exceptionally well as China moves into the number one global economy for 2016. The debt crisis in Australia is not as bad as Europe or the United States. Still, it should prove to survive better than either Europe or America. From a global investment perspective, Australia looks like the place to be for those interested in natural resources and even agriculture. There is also good beef production as well as wheat production in Australia that extends beyond the mining sector.

From the 1974 high, the low came 26 years later on a closing basis in 2000 with the intraday low forming on April 30th, 2001. We should see an initial high in 2012 with the possible extension going into the 2017-18 period. That means, if there is a consolidation into 2016, we should then see a rush of capital into Australia on the downside of the next wave going into a low in late 2019.

Technically, the A\$ breakout above the 1974 Downtrend Line and the sharp 3 month decline into late 2008 proved to be only a retest of that technical support suggesting that there is in fact long-term change in trend and exceeding the July 2008 high, will warn of a breakout. 2007 actually produced an annual buy signal. The next will be at \$1.20. A year-end close above that level will signal all time record highs are on their way.

As crazy as this sounds, Australia will be the brightest spot in the West. Its full prospective glory will begin to shine just as it became the next spot for the British after the American Revolution. Australia looks to be the next real market to gather capital as did Japan going into 1989.

New Zealand Dollar
(Monthly Spot - in US\$)



NEW ZEALAND DOLLAR OUTLOOK

New Zealand paid heavily for its extreme Marxist agenda back in 1985. Nevertheless, the long-term view for New Zealand has brightened on the long term horizon. The surge of foreign investment we were looking for going into the early 1990s, unfolded as the currency rallied into 1996. Thereafter, the final collapse into October 2000, completed 27 year bear market from a late November high in 1973.

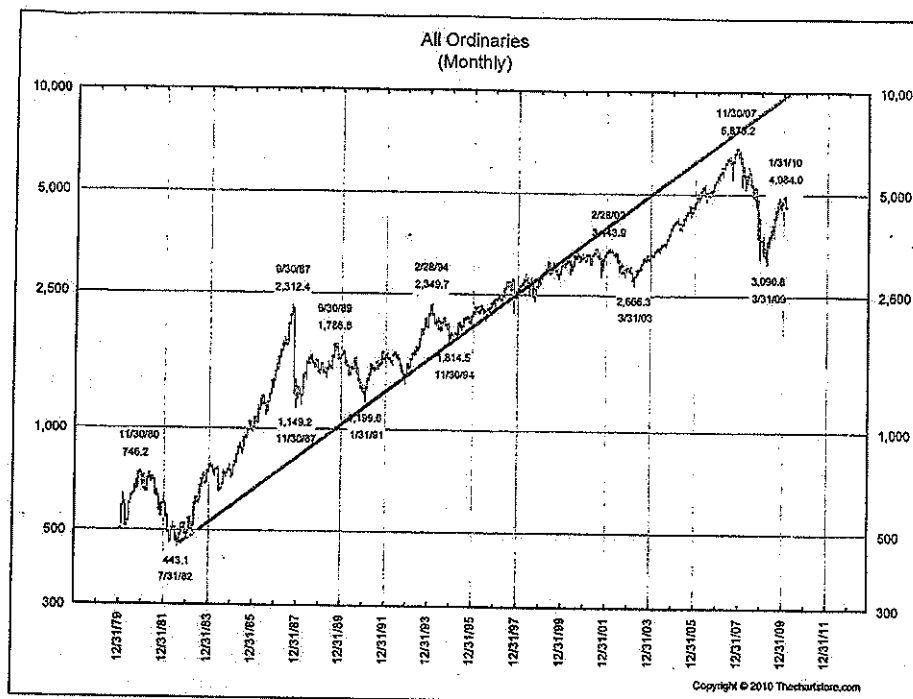
The year-end closing for 2009 was short-term bullish. Once we see an annual closing above the 98 cent level, this will signal that a move will unfold with a test of initially \$1.20-1.25 level with long-term resistance standing at \$1.35. Here also, it appears that the prospect for exceeding the 1973 high of \$1.49 is exceptionally good. Looking out into the 2015-16 time period, there is a realistic chance that this currency will test the \$1.75 area against the US dollar.

It certainly appears that New Zealand will follow Australia closely in the years ahead and attract capital fleeing from the economic chaos that is inevitable both in the USA and Europe. As much as I would like to see Britain get its act together and completely restructure that could once more capture the limelight in the world of capital, the prospects of the UK actually listening are not great.

For this reason, New Zealand looks to be a target of capital flow when the shit-hits-the-fan as they say economically. Look well to the New Zealand. Pay close attention to opportunities in that nation. It is going to surprise many.

Market Outlook

Market Outlook



THE AUSTRALIAN ALL ORDINARIES

The Australian share market made a nice run from its 1982 low reaching a high in 2007 on a 25.8 year cycle. The decline from the 2007 high was a perfect 17.2 months. This is high probability that the major low is in place.

The ideal high for the All Ords should arrive in 2015/2016. This index is actually capable of doubling in price value giving us a target on the distant horizon to test the 20,000 level. Again, Australia went through hell in the 1980s. It appears that its time to shine will be still on the horizon.

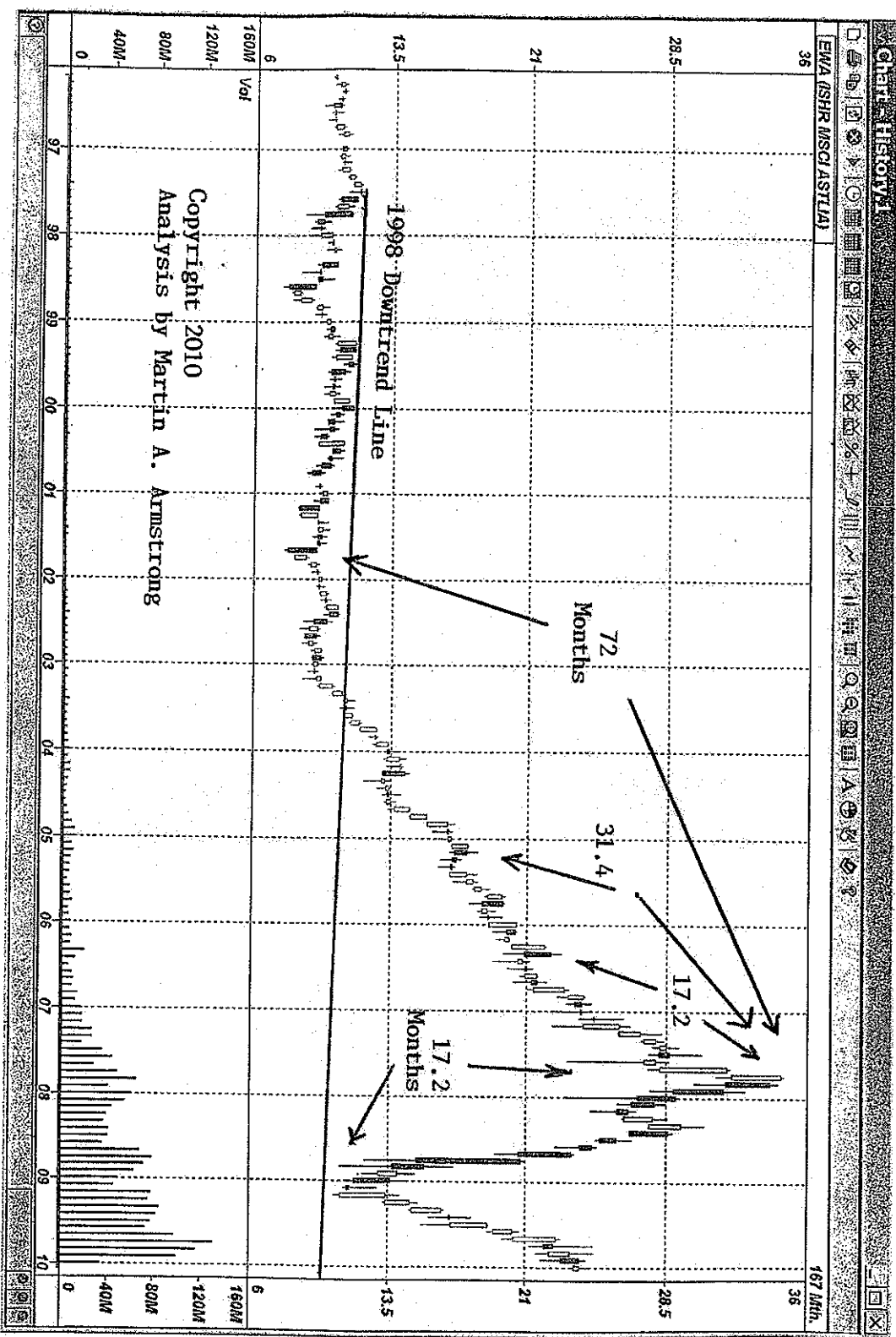
The decline managed to hold the 1998 Downtrend Line on the monthly chart level. The high in 2007 lined up with three timing elements, 72 months from the 2001 final low, 31.4 months from the early 2005 high, and 17.2 months from the spike high in 2006.

While the volatility has been rather large, nevertheless, it appears that there will be another retest of the 2009 low, but as long as that holds, we should be looking at a decent rally mainly between 2011 and 2015/16.

Even when we look at the Chinese Yuan, the low was formed in 1994 with the Economic Confidence Model. Here too, we find this currency pointing higher into at least 2011, with the final high perhaps as late as 2032. This shows a strong correlation with the Australian share market, suggesting that the economic boom of China will be linked on a regional basis to Australia.

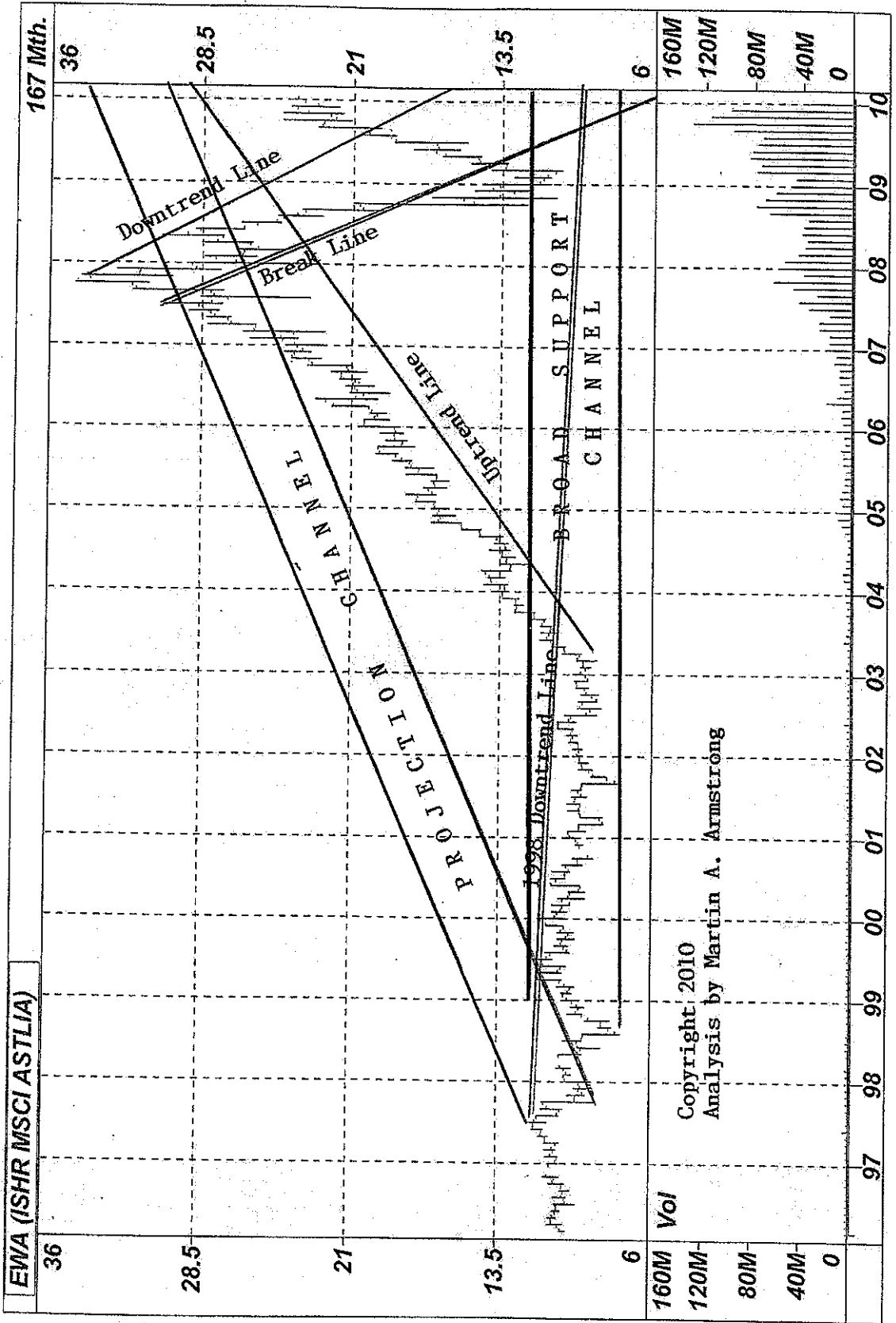
It is time to start seriously reviewing Australia for the long term investment prospect. This will have a good impact both on the industry prospective as well as the bonus for the currency appreciation for foreign investors.

Market Outlook

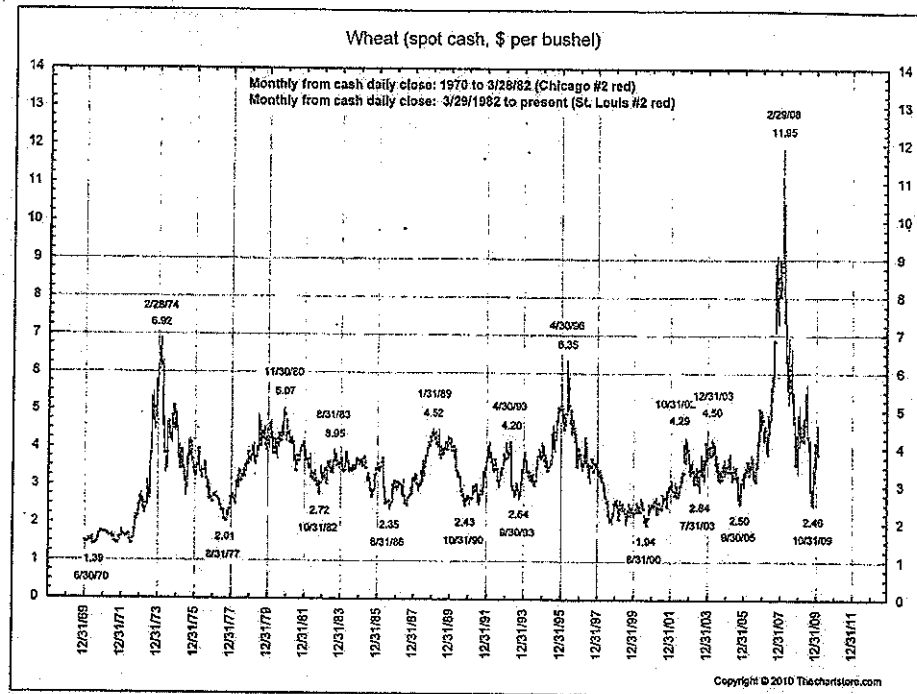


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Market Outlook



Market Outlook



OUTLOOK FOR CHICAGO WHEAT

Wheat has remained highly volatile for a very long time. The broader resistance band is \$6-7 with the broader support at \$3.50-4.00. The Chicago Wheat fell for 19 months from the February 2008 high. On the spot cash, there is a decline of 21.5 months. Overall, the low does not appear to be in place just yet as of the close of March. We may yet see a continued decline into the seasonal August low time frame.

The primary support in 2010 lies at 410 and 365 followed by the extreme support at 290. A break below 410 will warn that there could be a pick-up in the downward momentum. The initial support lies at the 450 level. A weekly closing below this area would then point to a test of the 410 area.

From a yearly perspective, a closing above 450 at year-end will signal that Wheat has stabilized. The 448 level is also a key area to watch for a monthly closing basis. A monthly closing beneath this area will also warn of a further decline.

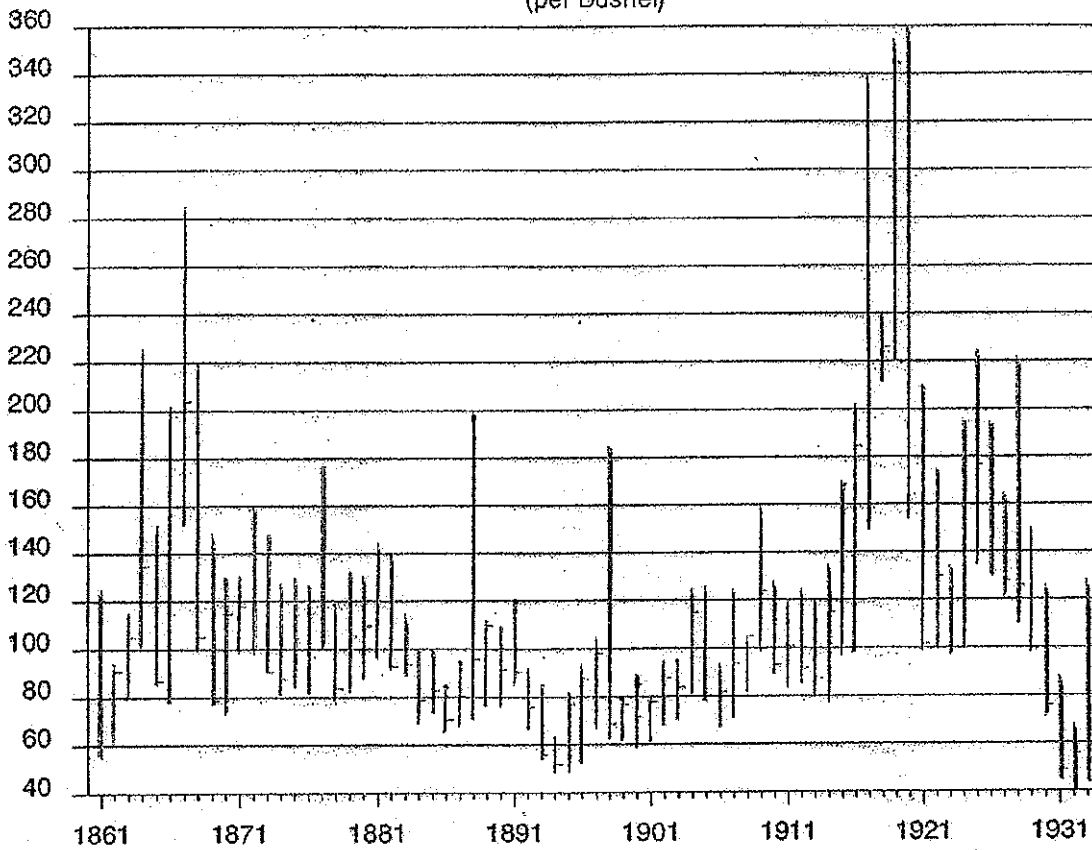
From a timing perspective, we do have a key target coming into play here in April. If we penetrate the 2009 low intraday but close back above 450 for month end, then that low could hold. Otherwise, there will be the risk of a further decline into an August low.

The key monthly target in time to watch are April, June, August/September 2010. There appears to be rather large volatility coming in the September time horizon.

There appears to be a major high due not on the next 8.6 year cycle, but the one thereafter in 2024.35. That is where we may see extreme new highs in the \$20-36 level, assuming there is even a US\$

U.S. WHEAT PRICES

(per Bushel)

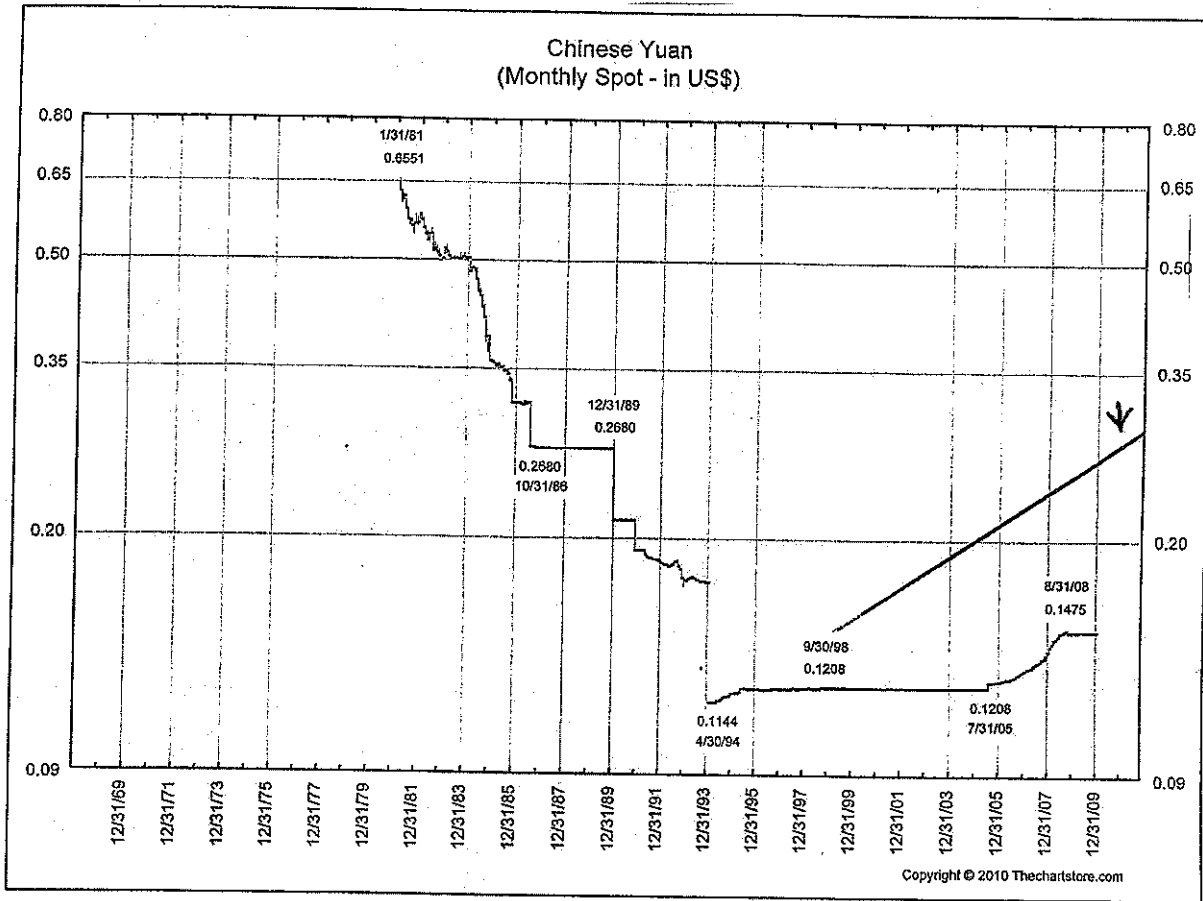


around by that time. There will also be a major high in 2032. It is hard to project which will be the real high in terms of true value rather than nominal currency measurements. That will require getting my hands on a computer to correlate all the various currencies and world trends to solve that problem.

I have illustrated the annual chart of Wheat back to 1861 to show and important point. You will notice that the broad-band or trading range was largely \$2 to 40¢. There are some spikes above that level reaching \$2.85 in 1867 and \$3.60 in 1920. The important point is to compare this chart to the previous monthly chart covering 1970 to date. The broad-band of trading here is the \$2-\$5 level with a couple of spikes in 1974 and 1996 reaching above \$6. The new spike high in 2008 is not dissimilar to the spike going into 1920.

That 1920 high at \$3.60 is the key trading-band support currently. In other words, we are about to make another thrust upward into a new trading band where the \$6-7 level should become the floor. This is how commodities ratchet themselves higher that some call inflation. What is actually taking place, there is a very broad trading range that becomes the normal volatile swing between the peaks and the lows. The commodity will bounce off the floor and ceiling of this range until it starts to finally expand the trading ranges. This is what took place in 2008. We must endure the crash, but this will be short-lived and holding the top of the previous trading range \$3.60, will signal we are preparing for a punch to the next level. Once we exceed \$6, the new range will start to form.

Market Outlook



AN OUTLOOK FOR THE CHINESE YUAN

Normally, I would not include China and Australia in the same outlook. however, China should become the number one economy globally by 2016. In this case, we are looking at the capital flowing from Europe and America toward Asia. In part, the excessive regulation that will no doubt get it all wrong, will send capital and the financial industry eastward. This is likely creating Shanghai as the up-and-coming financial capitol of the world.

The Yuan bottomed in 1994 of April 30th. It was forced higher slightly on September 30th, 1998 in the midst of the Long-Term Capital Management debacle. It was forced higher again of July 31st, 2005 and once more on August 31st, 2008. It appears headed for another readjustment higher in 2011. However, from a long-term perspective, this currency may yet double in value by 2016.

So far, the Yuan has tracked the Economic Confidence Model amazingly since 1981. It fell into 1985 and then collapse precisely in line with the bubble top in Japan - 1989.95. The currency then fell into the low on that model due in 1994. It rallied into the 1998 turning point and is point to both 2011 and 2016 as very key targets in time.

The long-term bullish view on the yuan fits nicely with the view for Australia and New Zealand. Just as New York stole the financial thunder from London going into 1929, history is about to repeat. There is far too much infighting in Congress to stop the decline and fall of the USA.

Market Outlook