

January 31, 2012 -- The final days of January saw the Dow down four out of the last five trading sessions. The sheer size of this still-forming top is scary. I think this top will be followed by a phenomenon known as the Kondratief bear cycle, a cycle that can endure for as long as 20 years. The other name for it is the nuclear winter, a rare and dangerous phenomenon that can last for a generation.

As we end the month it is notable that *Lowry's* Selling Pressure Index (supply) is still substantially above their Buying Power Index (demand).

Joe Granville's on-balance-volume statistics remain bearish, and Joe warns of years or bearish markets ahead.

In fact, Joe's OBV figures are so negative that I called Joe on the phone today to ask him if his figures were for real. He told me that he expects the Dow to fall 4,000 points from here when this top breaks down. And no, Joe was not kidding.

Because the Dow was down on four days out of five sessions last week a corrective rally may be expected this week, but watch the volume. Whether volume increases on a rally tells us a lot about the strength or weakness of the market.

From the fundamental side, the **yield on the Dow** is down to a mini 2.52%, meaning that the Dow is way overpriced and way overvalued. Remember, the essence of Dow Theory is VALUES.

TODAY'S MARKET ACTION:

My **PTI** was up 2 at 6363. The moving average at 6328, so my **PTI is bullish by 35.**

The **Dow** was down 20.81 to 12632.91.

Transports were down 2.83 to 5319.14.

Utilities were up 2.28 to 448.84.

NASDAQ was up 1.90 to 2813.84.

S&P 500 was down 0.61 to 1312.40.

March crude was down 0.39 to 98.39.

Total **Volume** on the NYSE and associated exchanges was **4.1 bn.**

There were 1758 **advances** and 1249 **declines** on the NYSE.

There were 206 new **highs** and 12 new **lows**.

Bonds: Yield on the **10 year T-note** was 1.79. Yield on the **long T-bond** was 2.93 Yield of the **91 day T-bill** was 0.061%.

Dollar Index was up 0.14 at 79.30. **Euro** was down 0.40 at 130.86. **Yen** was up 0.20 at 131.34. Currency Prices as of 1 PM Pacific Time.

February gold was up 6.00 to 1740.40. **February silver** was down 0.25 to 33.26.

My Most Active Stocks Index was up 1 at 275.

The **Big Money Breadth Index** was down 2 at 972.

GDX was unchanged at 56.46.

HUI was down 1.55 to 541.23.

CRB Commodity Index was down 1.60 at 312.31.

The **VIX** was up 0.04 to 19.44.

Permanent Portfolio Fund (PRPFX) was down 0.12 at 48.66 (previous day closing). YTD Return: 5.58%.

Late Notes -- The Dow closed down today, a fantastic six down days out of the last seven sessions. Is the market telling us something? I think it is, and it's not pretty. Gold closed up again, \$6 higher today.

As Admiral Yamamoto said prior to the attack on Pearl Harbor, "I feel we have awakened a sleeping giant."

Have a hilarious 2012,

Russell

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