

PROBABLE SEQUENCE OF THE K-WAVE

WEB BUZZ 2010.06.14

The K-Wave is a long economic cycle that occurs as follows:

Spring - new growth

Summer - growth accelerates

Fall - cycle tops and starts to decline

Winter - slow to no growth and many economic problems

The following are conditions for the winter cycle as outlined in David Knox Barker's book The K-Wave with our notes.

1. *"Global Stock Markets Enter Extended Bear Markets"*
In our mind, this commenced in 2000; others say 2007.
2. *"Trends During Winter: Stocks Down, Bonds Up, Commodities Down"*
All three are taking place now.
3. *"Interest Rate Spike In Early Winter Then Decline Throughout"*
Decline is taking place now.
4. *"Economic Growth Slow or Negative During Much of Winter"*
This is taking place now.
5. *"Commercial and Residential Real Estate Prices Fall"*
Both are taking place now.
6. *"Bankruptcies Accelerate and High Debt Eliminated by Bankruptcy"*
Bankruptcies are accelerating presently.
7. *"Social Upheaval and Society Becomes Negative"*
This seems to be underway with much more to follow.
8. *"Banking System Shaken and New One Introduced"*
The problems with the banks are in no way over. We believe it has only begun.
9. *"Free Market System Blamed and Socialist Solutions Offered"*

This is going on now in spades. Hopefully, the final result will be libertarian in nature.

10. *"National Fascist Political Tendencies"*

This is increasing now, but eventually will be discarded - we hope.

11. *"Debt Level Very Low After Defaults and Bankruptcy"*

This is yet to come.

12. *"Trade Conflict Worsen"*

This is starting to happen now.

13. *"View of the Future at a Low Ebb"*

There is not yet a consensus.

14. *"New Work Ethics Develop Since Jobs are Scarce"*

It must happen if we are to be competitive.

15. *"Greed is Purged from the System"*

Maybe for a while; human nature does not change much.

16. *"Real Estate Prices Find a Bottom"*

This is several years away.

17. *"There is a Clean Economic Slate to Build On"*

This is several years plus away.

18. *"Investors are Very Conservative and Risk Averse"*

This is most certainly becoming true.

19. *"Interest Rates and Prices Bottom"*

This will happen later.

20. *"A New Economy Begins to Emerge"*

This will happen later.

21. *"Stock Markets Reach Bottom and Begin New Bull Markets"*

This is years away.