



CASSANDRA'S CURSE.

By Joe Average.

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**“Cassandra cried and cursed the unhappy hour,
Foretold our fate, but, by the god’s decree,
All heard, and no one believed the prophecy.”**

(Aeneid 2.323, Dryden Translation).

Cassandra was the daughter of King Priam, ruler of Troy during the Trojan War. Legend has it she was a beautiful woman with long, flowing hair who caught the eye of the handsome god Apollo. His lust aroused, Apollo appeared to her and promised to bestow upon her the **gift of prophecy** in return for her sexual favours.

Cassandra cleverly agreed to his offer but, upon receiving the gift of prophecy, reneged on the agreement and refused to let Apollo have his way with her. Outraged, Apollo sought retribution. He begged Cassandra for one last kiss to which she agreed. Then, when his lips closed on hers, Apollo spat into her mouth so releasing a curse.

Cassandra’s curse was that her gift of prophecy allowed her to see into the future and predict events that were yet to happen...however, although she always prophesied the truth, she was never to be believed or listened to. Her punishment and torment was to be ridiculed, ignored and dismissed as being a raving lunatic.

History tells how Cassandra warned at the birth of Paris that this child would bring “great ruin” to the city of Troy (which he subsequently did when he abducted the legendary Helen). She predicted the tragic end to the Trojan War even before it began, and was ignored when she frantically tried to convince Troy’s citizens that the Trojan Horse was a ruse that would destroy them all at the hands of the rampaging Greeks.

Cassandra’s final prophecy was to foretell her own death in Greece where she and Greek hero Agamemnon were both beheaded by his wife upon their return from the Trojan War.

“Cassandra” Not a Dirty Word.

It seems of late that as the current bubbles in real estate, the stock market, emerging markets, commodities and easy credit, etc all get evermore “long in the tooth”, any analyst or writer who dares to urge caution or moderation is **cried down disparagingly as being “a Cassandra”,** like “the boy who cried wolf” when there wasn’t one at all.

While center stage is, for the moment, under the control of the Wall Street money merchants, the accommodative Central Banks, those advisors and agents profiting handsomely from the enormous liquidity being poured into the various “hot markets”, and the “talking heads” in the media, **heaven help any “Cassandra” who dares to suggest that the party may end anytime soon!**

Fortunately, there are still a few individuals who have the insight and fortitude to stand apart from the herd, who can cut through and ignore all the hubris and misinformation around them, and who are prepared to take a contrarian stand where they see trouble ahead.

These individuals are not the slightest bit offended at being called “Cassandras”. On the contrary, they are quite happy to wear the title. They understand that “Cassandra’s curse” was not that she was a liar, or stupid or delusional. Rather, her curse was that she could see the future where others could not or would not.

One such high profile individual is Robert Prechter of Elliott Wave International.

In his latest Elliott Wave Theorist (March 21, 2006) he zeroes in on a recent development that will no doubt have him labelled by some as another Cassandra. He writes:

“The Approaching Crash.

The U.S. stock market has continued to climb almost mystically, defying sentiment extremes, momentum divergences, cycles and completed wave patterns on a short term basis. Likewise, the Saudi index had been advancing relentlessly as if on a mission. Yet the SASE index just lost 28 percent of its value in 2 ½ weeks.

...Fundamentally, oil had been trading near all-time highs.”

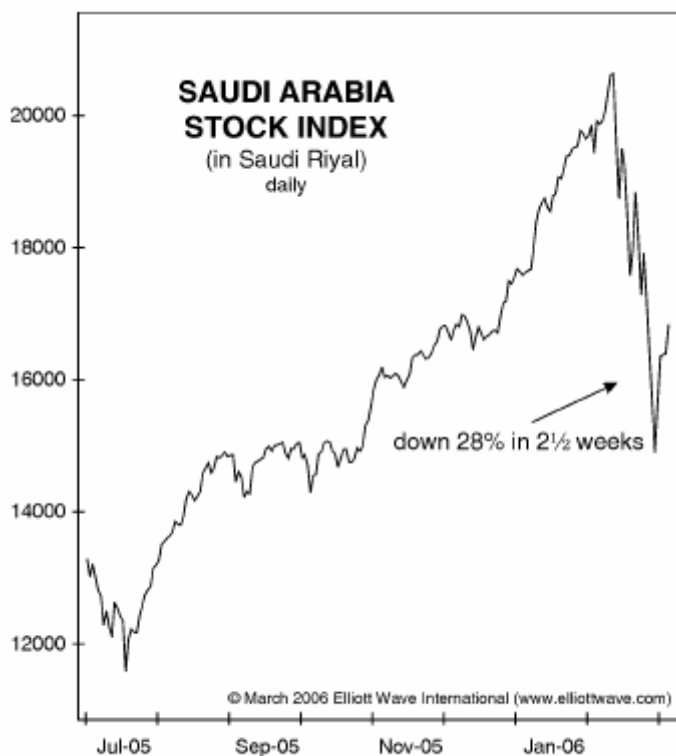


Figure 3

Graph courtesy Elliott Wave International www.elliottwave.com

This year the U.S. stock market is shaping up to drop at least as fast. Generally when stocks levitate into a market cycle, they make up for it by crashing. In 1929, stocks rose for 2.5 years into the 2.7-year cycle. Then they lost 50 percent of their value in 2 ½ months. In 1987, stocks rose for 3.1 years into the 3.3-year cycle. Then they lost 40 percent of their value in 7 weeks.

If stocks are peaking about now, they will probably reverse much like the Saudi market index did. If they hold up all summer, they will more likely reverse even more severely, as they did in 1929 and 1987. But given that the bear market is of Grand Supercycle degree, the largest in nearly 300 years, the coming drop should dwarf both of those crashes.

...Take a look at Figure 7. This is the Dubai Financial stock index. It has lost 53% of its value just since November. This is equivalent to waking up in mid-July to see the Dow in the 5000s. The Abu Dhabi stock index is also falling hard. No one today imagines anything like this will happen to U.S. stocks. But I am certain that it will happen when the next bear market kicks off. In other words, our outlook for the U.S. is happening *now* in other parts of the world.



Figure 7

Graph courtesy Elliott Wave International www.elliottwave.com

This Average Joe confesses to not possessing any powers of prophecy at all. All he does is hope for the best, but tries to keep an eye out for any sudden catastrophic event that might unexpectedly appear out of nowhere to blind-side him. He likes to think that by doing so he is keeping an open mind, and is not merely being “a Cassandra”,

All the best, Joe.
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