

The Sentinel Financial Report

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THE YEAR AHEAD

We will spend this issue making our usual forecasts for the upcoming year as well as reflecting on our forecasts for 2011.

Readers know how much time we spend discussing our social cycle model. The model is important to us since we like to balance our technical analysis with a less esoteric component consisting of human action. Many of our thoughts on the social cycle model are based on von Mises' work, *Human Action*, as well as, what was for the editor an influential book from 10 years ago, *The Fourth Turning*. Followers of Austrian economics know how important human action is in an economy—nothing happens in an economy without human action. Our Economic Law #4 suggests that market participants act in their best interests in order to satisfy the interests of others—this is human action. The book, *The Fourth Turning*, is probably not well-known. This book discusses historical cycles with respect to generational theory. Another contribution to our social cycle model comes from the emerging field of Socionomics which uses social mood to make assessments about cycles in things like fashion, movies, politics. We use these sources and our own experiences to build a social cycle model allowing us to construct a probabilistic forecast of economic and financial activity. The social cycle model is also prominently featured in *Escaping Oz: Protecting your wealth during the financial crisis*.

Our social cycle model has conservatism and discord as its current centerpieces. Since the inception of this publication we have called for a new conservatism on the part of the public particularly in matters involving money. A year ago, in the 2011 forecast issue, our centerpiece of conservatism was affirmed when “austerity” was



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