



**GOLD - SILVER - HUI
DEC 01, 2009**

GOLD

Gold Overview

Price Movement:

	11/13/2009 US\$/oz	11/30/2009 US\$/oz	Change %	Previous Forecast	Accuracy
Price	1116.1	1181.1	5.82%	UP	✓

Forecast

Short Term (within 15 days): DOWN – some volatility

Long Term: UP – large move expected

Trade Recommendation: Stay long

Gold Trading Performance

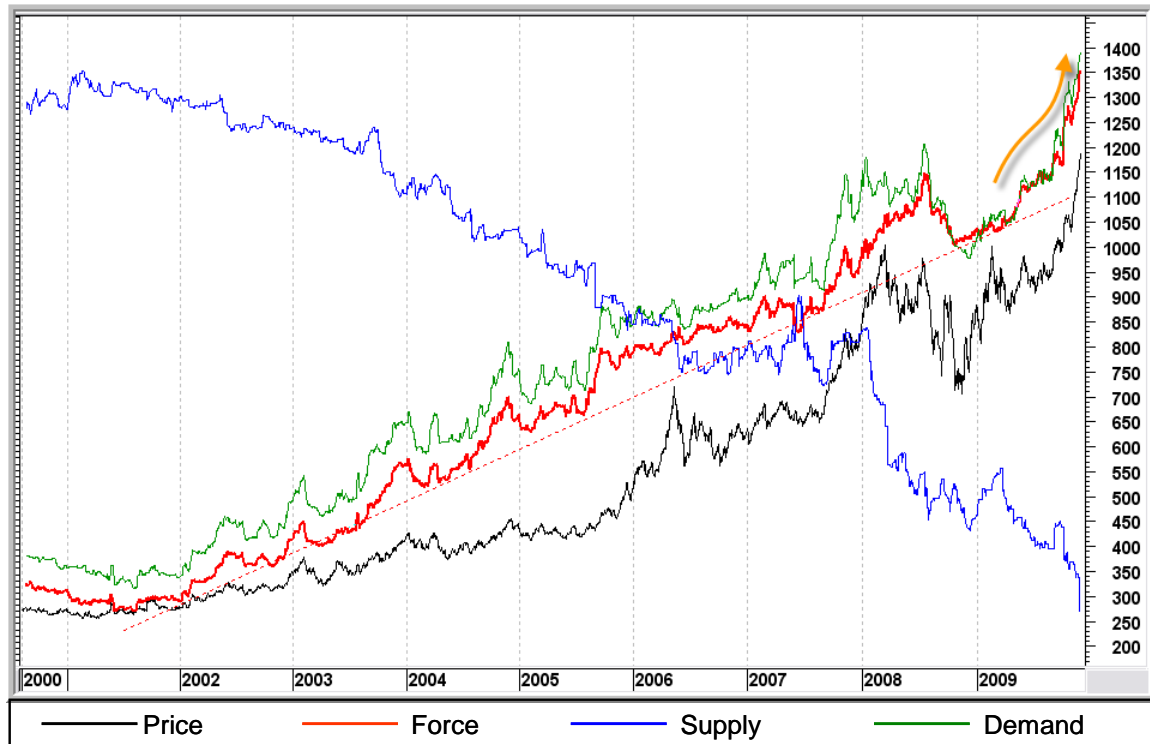
GOLD TRADE SUMMARY (30-40% OF PORTFOLIO)							
Trade	Commodity	Date	Type	Entry Price	Price	Exit Date	Gain
1	Gold	4/9/2009	LONG	\$879	\$1,181	OPEN	34.4%

LONG TERM GOLD HOLDING SUMMARY (60-70% OF PORTFOLIO)							
Trade	Commodity	Date	Type	Entry Price	Price	Exit Date	Gain
1	Gold	11/2/2008	LONG	\$730	\$1,181	OPEN	61.8%

Note: Long Term Gold Holding is a core position of bullion that should be held until the ultimate end of the bull market.

The Gold Trading position should consist of suitable gold related instruments, such as ETF's, futures etc., which lend themselves to the convenience of short term trading.

Figure 1 - MARKET FORCE ANALYSIS - GOLD



Gold Comments

The MFA chart in figure 1 shows that supply fell and demand rose very dramatically. The force is going vertical which typically indicates an approaching pull-back. The new ERA analysis shown in figure 3 demonstrates that gold is considerably below its equilibrium price and the DFE indicates the gold price has a long way to go before an intermediate top is reached. However, in the near term of the next few days we see weakness. In figure 2 there is a divergence between the two oscillators ERA and OSC1. This presents a dilemma but we have chosen to favor ERA because OSC1 looks as if it will rollover as indicated by the blue arrow to become synchronized with the ERA again. This leads us to the conclusion that there is some short term weakness in gold in the next few days before a strong rally higher. The maximum downside is likely to be around \$1130/oz. We are recommending to stay long but to sell the GDX trading position (an alert was sent by email to Premium subscribers on 11/29/09 recommending selling GDX). The upside potential for gold outweighs the potential gain of a possible downside move.

There is an increasing trend of Central Banks buying gold. CB's do not really care at what price they buy gold because they print money at no cost. Their main concern is to be able to purchase gold while their fiat is still accepted as payment. The writing is on the wall that some think soon it will not be!

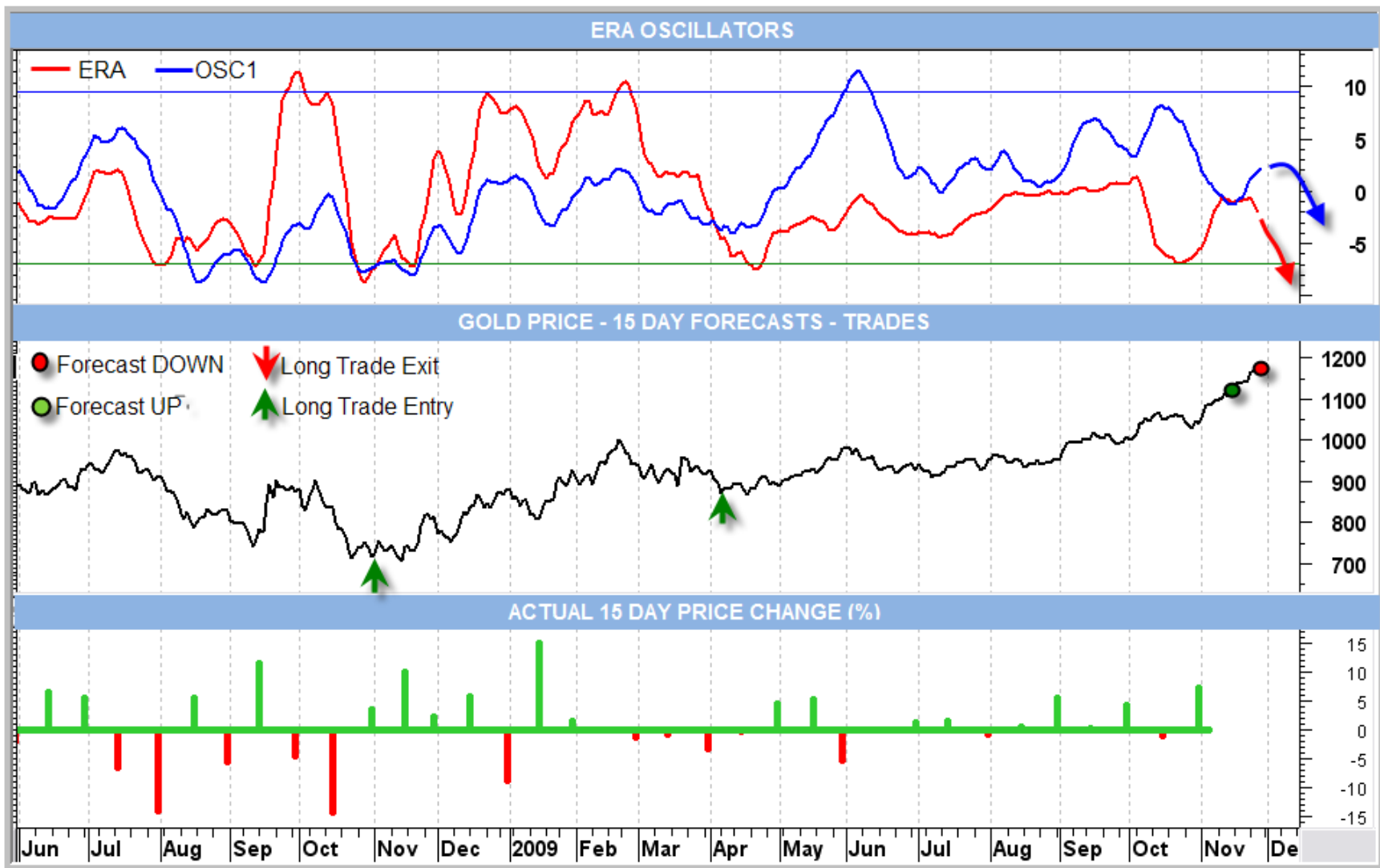


Figure 2 - ERA ANALYSIS - GOLD

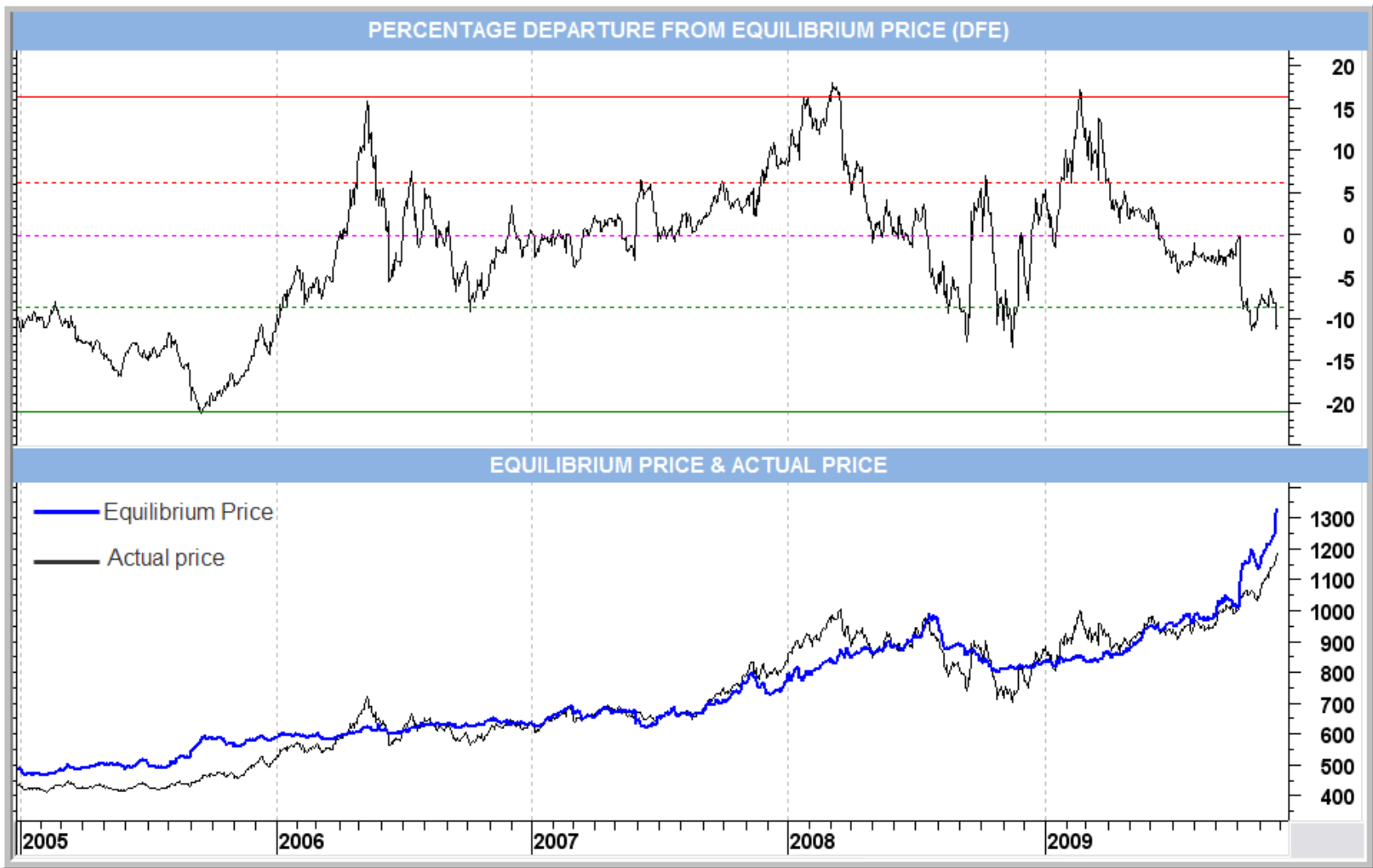


Figure 3 - EQUILIBRIUM & ACTUAL PRICE

SILVER

Silver Overview

Price Movement:

	11/13/2009 US\$/oz	11/30/2009 US\$/oz	Change %	Previous Forecast	Accuracy
Price	17.37	18.5	6.51%	UP	✓

Forecast

Short Term (within 15 days): DOWN – some volatility

Long Term: UP – large move expected

Trade Recommendation: Stay long

Silver Trading Performance

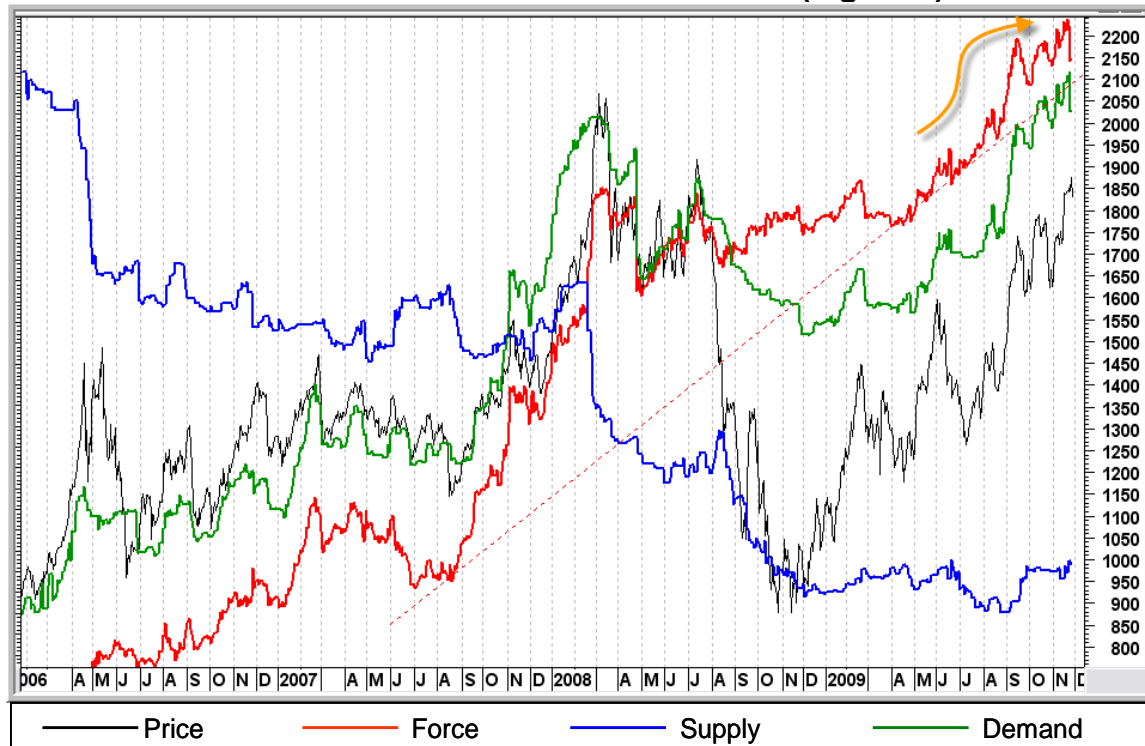
SILVER TRADE SUMMARY (30-40% OF PORTFOLIO)							
Trade	Commodity	Date	Type	Entry Price	Price	Exit Date	Gain
1	Silver	4/9/2009	LONG	\$12.33	\$18.50	OPEN	50.0%

LONG TERM SILVER HOLDING SUMMARY (60-70% OF PORTFOLIO)							
Trade	Commodity	Date	Type	Entry Price	Price	Exit Date	Gain
1	Silver	11/16/2008	LONG	\$9.33	\$18.50	OPEN	98.3%

Note: Long Term Silver Holding is a core position of bullion that should be held until the ultimate end of the bull market.

The Silver Trading position should consist of suitable silver related instruments, such as ETF, futures etc., which lend themselves to the convenience of short term trading.

MARKET FORCE ANALYSIS - SILVER (Figure 4)



Silver Comments

In figure 4 it can be seen that the force dropped precipitously due to a drop in demand and increase in supply. This will lead to price weakness in the near term. The long term trend of a rising force is intact so after a pullback in the next few days silver is likely to enter a strong upleg.

In figure 6 the price of silver is shown to be approaching equilibrium. However, as can be seen from the DFE the actual silver price typically gets significantly above the equilibrium price by as much as 30% before an intermediate top is reached. The ERA in figure 5 is reaching its upper limit and is indicating a pullback in silver. The OSC1 is at a relatively low level in its dynamic range so the indications are the pullback will be small with silver going as low as \$17.65/oz. As the arrows indicate the call may be a little early and silver may rise for a day or two before falling.

We are not recommending any trading action in silver but we suggest selling the GDX trading position. After a minor pullback and volatility we see silver moving much higher.

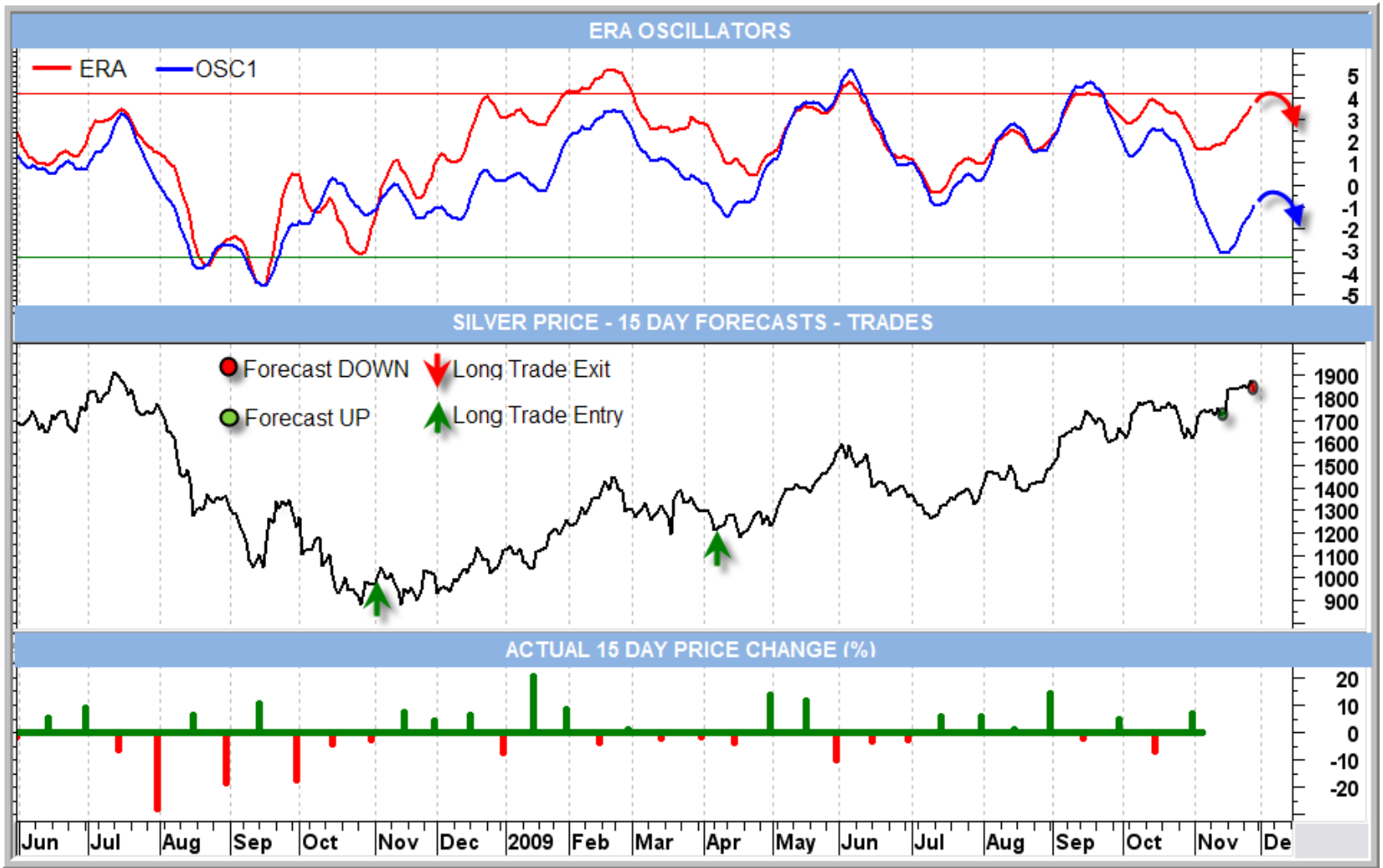


Figure 5 - ERA ANALYSIS - SILVER



Figure 6 - EQUILIBRIUM & ACTUAL PRICE

Mining Stocks – HUI Analysis

Price movement:

	11/13/2009	11/30/2009	Change %	Previous Forecast	Accuracy
HUI	460.5	474.68	3.08%	UP	✓
GDX	49.78	51.11	2.67%	UP	✓
GDXJ	25.43	27.22	7.04%	UP	✓

Forecast

Short Term (within 15 days): DOWN – some volatility

Long Term: UP – large move expected

Trade Recommendation: Sell GDX position.

Gold Trading Performance

GDX TRADE SUMMARY							
Trade	Commodity	Date	Type	Entry Price	Price	Exit Date	Gain
1	GDX	4/9/2009	LONG	\$33.32	\$50.82	11/29/2009	52.5%

Comments

In Figure 7 the PE is only 40% or so from the bottom support of the long term trend channel so the HUI has a long way to go before an intermediate top is reached which is coherent with our analysis of gold and silver. However, when examining Figure 8 we see the PE is peaking out as it has 4 times since May. This signals a short term trading opportunity. We sent an e-mail alert to Premium subscribers on 11/29/09 to sell the GDX trading position. We expect to be able to re-enter at a lower level. In fact we expect to recommend not re-entering GDX but to purchase the new Junior Mining ETF, GDXJ as this appears to be able to offer better leverage to the precious metals than the GDX.

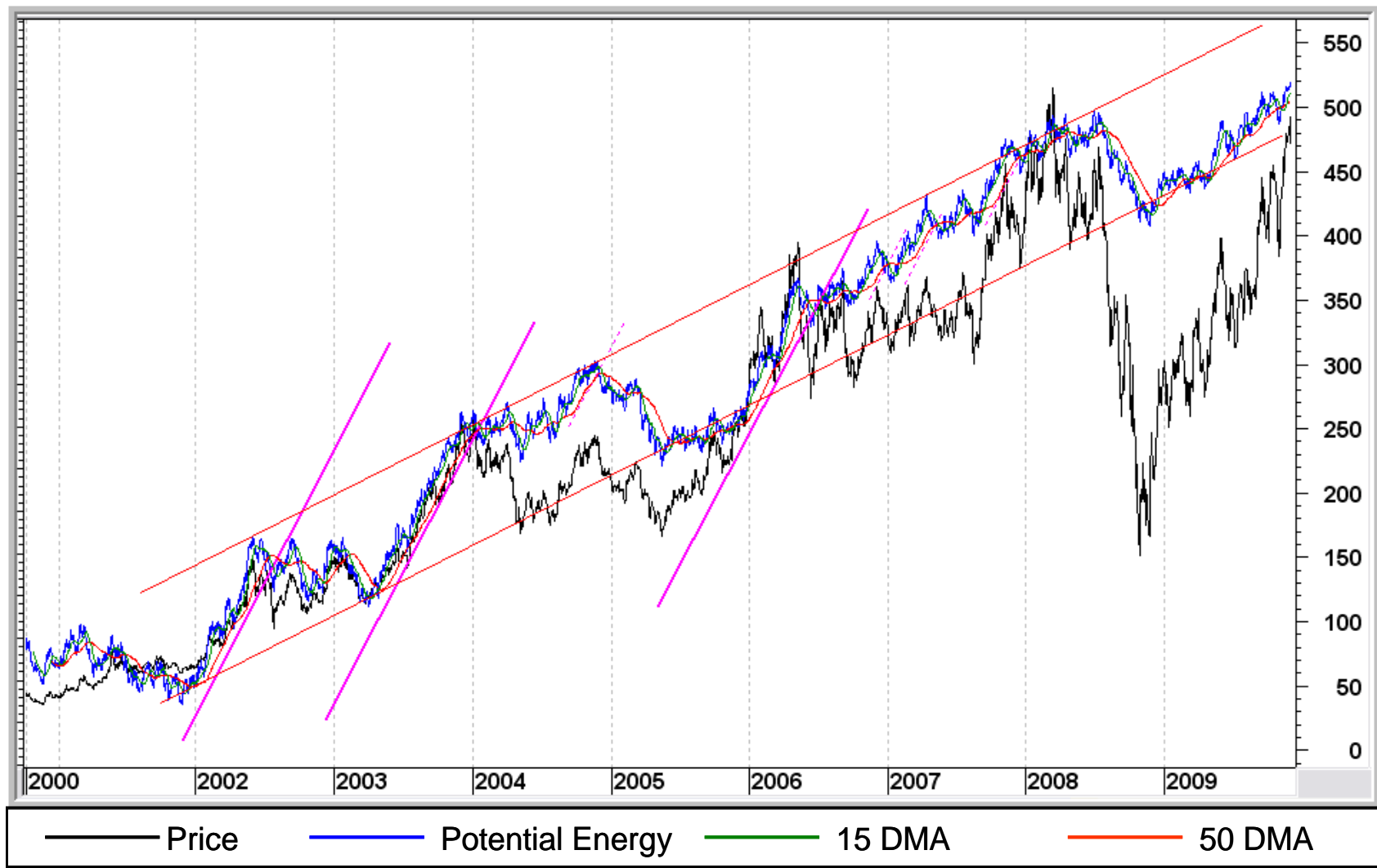


Figure 7: Potential Energy Analysis of HUI



Figure 8: Potential Energy Analysis of HUI – ZOOM-IN

What is Potential Energy?

When we look at any security we only look at the **closing price**. My hypothesis was that the intraday data that we throw away must have useful information about the interaction between buyers and sellers. If a stock is going to have a good bull run we would expect it to open near to its lows of the day and close near to its highs. This would be high potential energy. If a stock is going to have a sustained bear market we would expect it to open near its highs each day and close near its lows. This would be high negative potential energy. So this is what potential energy indicates: how well is the stock performing intraday with respect to its potential.

Potential Energy (PE) Applied to the HUI

Figure 7 shows the PE (blue line) for the HUI (black line). The 50 DMA of the PE is also shown in red and the 15 DMA in green.

There appear to be some astonishing properties of the analysis:

- All major uplegs have the same slope (shown by bold pink line)
- The minor uplegs have the same slope as the major ones (shown by dashed pink lines)
- The major tops and bottoms in PE (corresponding to HUI tops and bottoms) lie in an ascending trend channel over the entire bull market
- A bull trend is confirmed by the blue line being above the green which is in turn above the red
- A bear trend is confirmed by the blue line being below the green which is in turn below the red.

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