



Highlights in this issue.

- Market developments of the week – The gold price fell to the \$1,105 region and the \$ continues to rise. We do expect the gold price to de-coupling from the \$. There is a chance that gold could drop another 10% and shares 10 – 20%, before the market embarks on its next bull phase.
- **The \$ rally, will it end the Bull Market for Gold & Silver?**
- The Technical picture on gold and gold shares – HUI & Juniors.

Week in Review

December 18th 2009

The gold price sagged in the face of a rally in the \$, now up nearly 5% from its lows. In other currency's prices the gold price is rising. This is the start of a de-coupling of the gold price from currencies in general and should be happening as the world realizes the gold price is not just about the \$ but about the global money scene. With the \$ now at \$1.4387: €1 we expect it to move stronger against the €. The gold price could drop another 10% at worst with shares falling 10 to 20%.



No more news from the I.M.F. but more announcements on further sales are still expected.

Long-term ETF investors [primarily U.S. based are now small sellers of gold. It is pure bullion and coin buyers of all varieties that are keeping the gold price up at the moment. COMEX is growing shy of the risks and lowering their exposure to the gold price.

The market will remain volatile! We stick to our "Trailing Stop" policy to protect against the downside and emphasize that we are living in the days of very high volatility.

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Forecast Matrix

Market	See T.A. Below for more details	Short-Term [next week]	Mid-Term [3 – 6+ Months]
Gold [spot price]	Support: Resistance: Action:	\$1,100 area, \$1,050/\$1,075, \$1k \$1,140-\$1,150, \$1,200-\$1,225 Neutral, Bounce	\$1,300+
Metal Stocks [HUI]	Support: Resistance: Action:	-444, 425, 390-400 460-470, 495-500, 515-525 Neutral, Bounce	Bullish (525+)
US Dollar [US \$ Index]	Support: Resistance: Action:	74.50, 70-71 77.50, 80 area, 82.5-83 Upside Bias	Bearish 70-72

Gold COT Report

Gold COT Report - Futures & Options Combined						
Large Speculators			Commercial		Total	
Long	Short	Spreading	Long	Short	Long	Short
293,475	28,700	158,456	157,106	468,759	609,037	655,914
Change from Prior Reporting Period						
-11,757	-4,115	7,258	-12,541	-23,834	-17,040	-20,691
Traders						
225	74	125	49	60	321	218
Small Speculators						
Long	Short	Open Interest				
85,613	38,736	694,650		-		
-5,736	-2,084	-22,775				
non reportable positions			Change from the previous reporting period			

COT Gold Report - Positions as of **Tuesday, December 08, 2009**

[Web Link: Latest COT Report Online](#)

COMEX traders showed a big retreat from their positions in the week ending the 8th December as the gold price turned down and the \$ turned up. We believe that it was their activity that took the gold price down with little resistance being offered by long-term investors in gold. It was the one-way nature of the market that helped the gold price to weaken so dramatically down from \$1,215 to \$1,105.

All of this was on the back of the rally in the \$, which has not rallied that far. After all a 5% rally in the \$ is not a trend breaker? However, it was the hope behind that rally and the hope that it will continue that had traders riding the gold price down and the \$ up. As for long-term investors in gold, they have no issue with a falling gold price, it simply provides them with more stock when they decide the gold price provides a good entry point.

The net speculative long position fell to 1,001.94 down from 1,038.25 a fall of 36.32 tonnes.

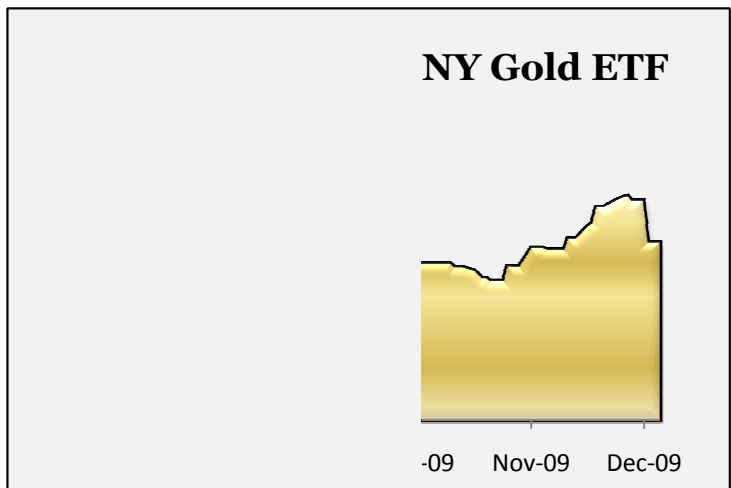
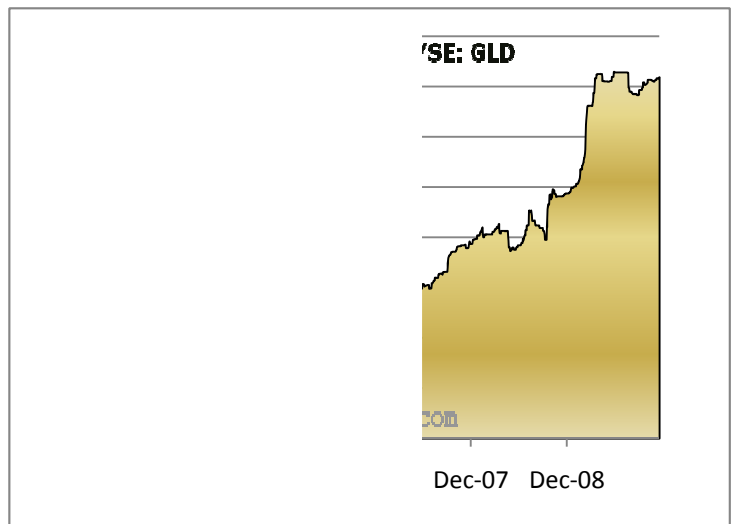
Gold ETF's

The holdings of the WGC sponsored Exchange Traded Funds and Barclays Gold Trust continued to be cautious and sell or to just stand on the sidelines in the face of the consolidation of the gold price. Their combined holdings fell 16.24 tonnes to 1,393.89 tonnes. Then as the gold price fell, in came a buyer of a net 2.86 tonnes from the States.

As the bulk of these holding are U.S. based, we don't expect a change of pattern in these holdings unless some dramatic U.S. based negative news hits the fan. The news of the Gulf States new currency is likely to have that effect once this news and its ramifications are understood. Then we expect them to come back to the market as buyers. Should selling continue it will be small amounts only.

It is important to understand that European and other foreign gold investors in for the long haul prefer bullion itself. It makes sense to keep your gold out of the reach of a system that is facing and has faced so many problems.

It is also noteworthy that European Banks are loathe to host U.S. bank accounts that come to them now. This speaks volumes regarding the non-U.S. view of gold.



Gold Bullion Fund Update:

We at Gold and Silver Forecaster have satisfied ourselves that the fund is viable and should find it well supported. We are forming the “Ultimate Gold Fund” now and will launch as soon as this formation is complete. City and Westminster in London [Corporate Advisors] are moving forward at speed now. Once they have completed the Prospectus we will forward it to you with all the details of the fund and how it will combat potential ‘confiscation of gold’ in the future. We will also inform you of all the reputable institutions involved in ensuring that the fund is transparent, audited, unleveraged where no bullion certificates will be loaned. Our objective is to provide you with a safe structure in which to hold your gold in Switzerland out of the reach of banks or governments. We will ensure that it is a ‘vanilla’ [simple] entity holding your gold as you want with the ability to redeem your gold at will, provided you do not have the foot of government on your neck to make you do so!



We invite Subscribers to contact us and who would like to buy their gold through our Bullion Certificates issued by the Fund against gold held in a vault in Switzerland. Please confirm the

amounts you envisage holding through this fund. Please e-mail us at: fund@goldforecaster.com for more detail and with your intended gold investment figure. Of course, this will still be subject to your approval of the final fund and its details.

Central Bank Sales

As of the 18th December 2009

Central Bank Gold Agreement		2009 - 2014				
Selling Signatories	Remaining Announced Sales 2009-2014	Year 1 Sales				
E.C.B.	0					
Germany	0 [see note]					
France	51					
Netherlands	0					
Portugal	100.3					
Switzerland	0					
Austria	52.6					
Sweden	4.2					
Spain	0					
Belgium	0					
Not Identified		0.25				
Total announced Sales	205.35					
China						
Russia	0	45.56				
Greece	0					
Venezuela	0					
India	0	200				
Sri Lanka	0	10				
Mauritius	0	2				
Total Purchases outside the Agreement	0	257.56				

Notes to table:

- 1) This now includes the unannounced sales.
- 2) We have excluded the unannounced sales from the totals as to retain accurate levels of decline in announced sales.
- 3) Germany's sales are for coins, which we do not regard as part of the announced sales for the purposes of this report.
- 4) The remaining sales for individual countries will be corrected once the three monthly figures are available. The total is the most accurate figure, but will then be adjusted too.

In the week ending 11th December 2009, the gold and gold receivables (asset item 1) increased by €1million in gold and gold receivables (asset item 1) reflecting the purchase of gold coin (consistent with the Central Bank Gold Agreement that came into effect on 27 September 2009) by one Eurosystem central bank. This was approximately 0.04 of a tonne.

This week's purchase was again a small housekeeping exercise and not part of anything more significant. We continue to maintain our belief that the signatories to the Third Central Bank Gold Agreement have ceased selling, leaving Eastern central banks still buyers.

The \$ rally, will it end the Bull Market for Gold & Silver?

It has become clear to us that the media and so many institutional analysts are going to keep talking the \$ up despite the lack of fundamental reasons. We feel that you will benefit most from a look at what lies ahead for the \$ and its fundamentals and what could take it higher, if it does rise.

A Rally is due?

The main reason a rally in the \$ is being promoted is because it is due for a rally. The same is being touted for the Pound Sterling. It is certainly true that a price never moves in a straight line. It is also true that investors, buyer and seller must see trade around all levels to ensure they are balanced and accept price levels as convincing. When the market sees a price 'spike' you can be sure that sellers will turn up to bring it down. The only time it stays there is when buyers and sellers feel that that price is justified by them both. However, please note that the price of the \$ is the main fulcrum of the currency world, a currency, unlike a share that is traded by an exchange. So its price doesn't move by buyers dominating one day and sellers the next. It stays in balance most of the time. That is why its fall from \$1.23 to \$1.51: €1 has been gradual. If it rises it is because of a distinct reason similar to a change of tide. So the concept of 'just a rally', will not end the bull market for gold .

Is the € is worth more than the \$?

When the \$ rises, gold traders on COMEX sell gold in such a related manner as to try to establish a direct link between the € and gold. Silver follows. Of late we have seen that relationship broken. As the gold price has risen it has also risen in the €, thus de-coupling from the \$. But the actions of short-term traders keep returning to the day to day moves of the \$ against the €, perpetuating the belief that when the \$ rises against the €, the gold price falls.

When the € was first issued it was roughly a 1:1 relationship to the U.S. \$. It is now \$1.465: €1 this is a rise in the € of 46.5%. In that time gold has gone from \$275 to \$1,120 and increase of 400%. Do we now expect the gold price to move in line with the €? Why should it?

The Eurozone and the U.S. are at similar levels of development their economies are moving in a similar path. The \$ and the € are paper currencies are of a similar structure and reliant on similarly driven central banks. They have the same economic and currency goals. They are relatively inter-dependent. What will ail the one will ail the other. Hence the rise of one against the other is similar to a race where one runner is slightly ahead of the other. They are in the same race and the performance of one is not detrimental to the other. But the gold price is in an entirely different race, going a different way moved by different drivers. We believe that this \$; € and \$: Gold ratio will fall away over time, just as in the past the oil: gold price fell away

Surplus holders will keep it high?

Of far greater pertinence is the attitude of \$ surplus holders to the \$. These are caught in a cleft stick, knowing that if they sold their \$ surpluses that they would inflict losses in these holdings on themselves in the process of undermining not just the U.S. but the global economy. But each of these surplus holders in a different position regarding the \$. All of them are caught in the cleft stick, but in this they will react in different ways: -

1. O.P.E.C. oil producers are dependent on the States for the security of their sovereignty. The House of Saud dare not reject the \$ oil price or they will lose the physical protection of the U.S. as will all those Western and Northern countries of the Persian Gulf. So they can only influence the \$ oil price through supply influence to ameliorate the state of the \$. However, this may be changing as we now hear the news of a new Gulf currency that may be used to price oil in. If this does happen, then a major nail will have been driven into the coffin of the \$ as the global reserve currency.

2. Russia needs to maximize oil income to keep itself economically sound. So it will accept the Yuan from China but won't reject the \$ payments from other countries. It is diversifying reserves as far as it can without damaging the \$ exchange rate [such as into gold] and would love to jettison the \$, but for the sake of the value of its reserves and the stability of the world's currency markets, including the Ruble market, it won't. As one Treasury Official said, the \$ may be our currency, but it's your problem.
3. China is stuck with around \$3 trillion in its reserves, firmly snared in the \$ trap. It is unhappy with this and is diversifying as far as it can [including into gold]. Its unshakeable answer is to peg the Yuan to the \$ and reap the benefits of sucking the manufacturing out of the States and selling it cheap goods, which are the first to be bought in a recovery. It is therefore turning the disadvantage into an advantage that is bleeding the U.S. of its strength. By doing this, the advantage of a weakening \$ to the States is neutralized. In the last few days, we have also seen that a strengthening \$ is matched by a weakening Yuan. President Obama's visit to China simply demonstrated that the Chinese were not prepared to budge on this. However, the Chinese did concede that they would not dump their dollars on the market. This would cause such disarray globally that the \$ would collapse, but so may the global economy.
4. Other nations, will attempt to absorb the weakening \$ and where this is hurting them too much, will attempt competitive devaluations to keep some stability in their exchange rate with the \$, where their trade levels with the States require it. €-dependent countries will move with the €.

Overall the world will accept the \$ and to some extent diversify into gold to "counter the swings in the \$".

Will a recovery spark \$ strength?

When the U.S. was at its strongest economically it drew in imports from the rest of the world particularly China and the cheaper producing nations. Consumers in the States are more aware than ever of the buying power of the \$ in their shops. As their disposable income rises they will spend it on the cheaper goods that provide the same needs as the more expensive, usually home produced equivalent. It will only be when the States imposes tariffs on Chinese goods that this will change. At the moment this is unlikely. If it does happen, expect similar barriers to be set up for U.S. goods entering China. With China extending its economic self-sufficiency by the day, its vulnerability to restraints on exports is lowering alongside it too.

So we do believe that as the U.S. recovery accelerates, imports will grow rapidly and so will its Trade deficit, thus undermining the exchange rate of the \$ on international foreign exchanges still further.

Will Gold De-Couple from the \$?

We have seen it do so many times and so expect it to do so not just again but eventually to be weaned off this relationship as short-term traders are made to suffer because of holding to it.

With the global economy struggling to recover and with so many dangers lying ahead, each one of them threatening uncertainty, instability and with international tensions growing, it is clear to most that the gold price is rising against all of these worries. It is not rising because of a falling \$. It will not fall, except short-term, against a rising \$. It would therefore be wrong to isolate the \$ as the reason why the gold price either rises or falls, but it will continue to be the reason why the media in general records such rises and falls. This is because it is easy and story-worthy to do so.

The impact on the Gold price of a \$ Rally or Fall

Subscribers only

As has been the case of late, when long-term large investors remain on the sidelines, COMEX traders hold sway over the market. These will not move away from the day-to-day moves of the \$ against the € and move the gold price accordingly. It is not until their losses force a change, will that change.

When long-term investors enter the market in volume, short-term traders will likely follow them upwards, but then revert to this day-to-day \$: € guidance.

We believe that short-term traders are not driven by any cause except to maximize profits, so will only change as this pattern proves unprofitable. This will happen when a new major structural change fractures the apparent 'stability' we now see.

For instance as the \$ rally takes the \$ higher [before large sellers appear to sell into this strength] the gold price could drop to the lower \$1,000 area in theory and technically. But once the big buyers see the volumes they want, appear on the market and take it away, the gold price will rise likely triggered by the resumption of \$ weakness. So large investors will swoop down when they are ready and then disappear to wait again. Traders will then see more profits on the rise and take it up, until they are the only ones with too long a position, then they will let it slide until big investors re-establish a new bottom.

Once the gaps below \$1,200 are filled in this way, expect new highs on the gold price to be reached, each one being relatively higher than the last. The developments in the currency world are sufficient to ensure the gold will continue on its upward trend.

Oil Markets

The oil price has returned to above the \$70 level a level that O.P.E.C. wants. Perhaps there is more incentive to reduce supplies when it can be seen that it is forcing down the price. Even Russia will accept that. Oil producers the world over want to see \$70 or more, but not less.

We still maintain as we have done most of this year that the oil price will hold around \$70 and not rise much from there except perhaps when the oil price briefly 'spikes' up or down. Producers will then react and adjust supplies to bring it down or up to that level again.

Repeat: - The market is relatively stable and continues to reflect the global economy quite well. It is holding and stumbling and a huge amount needs to be done before the upward pressure on the oil price is to happen. There is little need to manage supply to hold prices at this level at the moment.



Please note that the oil price has little to no effect on the price of gold at present.

From the gold to oil ratio technical perspective:

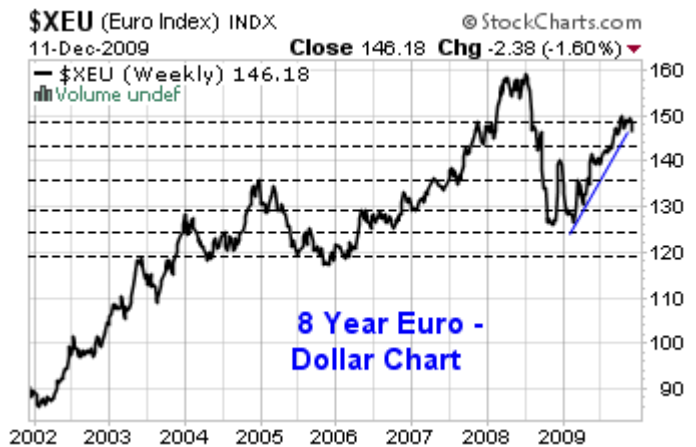
Oil's high ratio advantage over gold has faded as it has come down to around 15. Gold is becoming increasingly favorable but we remain in neutral territory from long-term perspectives. With oil moving to higher levels, we are seeing gold having to keep pace with oil to sustain the ratio levels, expect more 1:1 moves as we go forward for the short-term and then a possible outpacing by gold as its momentum increases once \$1,200-\$1,300 is breached.

U.S. Dollar



Now standing at \$1.4336: €1, the rally from \$1.51: €1 is a $\pm 5\%$ rally to date. It is being touted as a beginning of a change in trend, but as we said in

the above piece, this is not a share price that is true to Technical analysis criteria, but a reflection of so many unrelated forces each one contributing something to the price. There are many forces out there that want the \$ rally or at least for it to hold steady. Yes, the States will gain enormously if the \$ falls. It is doing nothing to increase its value, nor is likely too and is letting it find its own way. However, on balance there is a greater weight to the sell side than to the buy side and that is the overall trend.



We repeat that an economic recovery in the States will lead to rising Trade Deficits, which undermine the \$ persistently. This is now accepted internationally and will do until the grip of the \$ on the world economy is broken. The man who fell off the 50-storey building said it all as he passed the 12th floor, when he said, "So far, so good".



We accept the probability of a \$ rally continuing, but we do believe, as we are now seeing, that the gold price will de-couple from the \$ as it reflects a bigger picture than the U.S. \$ situation. As the Balance of economic power changes gold will respond, but not only to the seeming conclusion to come, but to the slow swing we are presently experiencing and as it happens.

The introduction next year of a "Gulf" currency, based on a basket of currencies will be a major blow to the dominance of the U.S. \$, particularly if it is used as a 'petro-currency' and replace the \$.

Technical Update:

Short-term (0-3 months): Repeating, US Dollar Index has broken support and now targeting 74-75 and then the 70-72 area. This is triggering the next leg higher in gold, strong resistance now in 77-78 in the Index - any rallies are likely to be short-lived, find heavy resistance. Upside bias in the short-term after the downtrend channel has been breached, oversold conditions lifting.

Repeating last week: Downside risks on the Dollar have grown with the technical breakdown – *although general sentiment is quite negative short-term, a contrarian may be a bit worried about this and be aware of a possible push higher next week.* But from a technical standpoint we are now looking for a retest of the Dollar lows in the coming months. This will send gold significantly higher: \$1,100-\$1,200.

Mid-term (3-6+ months): US Dollar index is looking to retest the lows from early 2008 around 70-



71; will be a key battle ground. Would be expected that the Dollar finds a short to mid-term support at these levels before breaking down which will ignite the next leg higher in gold to \$1,500-\$2,000 and likely higher.

Global Currencies & Gold

€ business has received a 3.8% improvement against U.S. business with the \$ rally, but this is unlikely to have a material effect on Trade flows. It will take an over 10%+ move to do that. Business in Europe is starting to recover well. In Europe, history does not have to repeat itself too much for Europe to respond to the changing situation. But it too is seeing its manufacturing base diminish and move eastwards. The same sapping of economic power is taking place there, but with a lesser impact due to the more Socialist system. Trade there is not a 'free' as it is in the States.



So while the shift in economic power from the West to the East overshadows the \$: € exchange rate this last week saw attempts to lower the gold price in line with a rising \$. But it didn't happen and gold is holding ground in the \$1,120 area. In itself this is significant, because it means it is rising in all currencies except the U.S. \$. This is a de-coupling of the gold price from the \$ in effect and certainly against all other currencies.

The "Gulfo"?

The Arab states of the Gulf region have agreed to launch a single currency modeled on the €, which targets a pan-Arab monetary union. **"The Gulf monetary union pact has come into effect,"** said Kuwait's finance minister, Mustafa al-Shamali. Such a departure from the U.S. \$ as the oil currency is a very major signal to the currency world that the \$ may lose its value far quicker than most envisaged! For the Sunni Arab States on the West and North of the Persian Gulf will see a huge increase in their influence in the global foreign exchange and capital markets, they also stand to displace the U.S. \$ as the pricing currency for oil contracts. Between them they have 40% of the world's proven oil reserves, and financial muscle nearly that of China. Saudi Arabia, Kuwait, Bahrain, and Qatar are to launch the first phase next year, creating a Gulf Monetary Council that will evolve quickly into a full-fledged central bank.

The Gulf currency nicknamed the **"Gulfo"** [surely not!] will be linked to a global exchange basket of the currencies. Eventually, it may ultimately float as a regional reserve currency. The Gulf currency will be dominated by Saudi Arabia. The risk is that other countries will feel like satellites. Monetary policy will inevitably be set for Riyadh's needs. This will embrace the same faults of the Eurozone where economically powerful nations drain the poorer performers of capital [see Greece now].

But the Gulf States are not dependent on their internal economic performance as on getting value for their oil. A decaying \$ is not the place to save your surpluses and this currency will remove much of the \$' bad influence on their savings and income. Through this currency, their income better reflects that of global oil income. After all why should world oil payments have to come through the \$?

This means that to keep the value of the current \$ holdings diversification into other currencies is a must. If the \$ must be converted to any other currency including the "Gulfo", the \$ will fall heavily in foreign exchanges in the next year and more. What is important to realize is that markets discount such news and act ahead of its impact. This is a major nail in the coffin of the U.S. \$ being the global reserve currency. It could not be more gold positive as we will now see in the next years to come.

Gold: U.S. Dollar Spot Price

Resistances: \$1,200-\$1,300
Supports: \$1,140-\$1,150,
\$1,075, \$1,100, \$1025/\$1035,
\$1,000-\$1,008, \$970-\$975,
\$960-\$965
 Next Week: Repeating:
\$1,200+ Gold Breakout
Watch – Upside Bias, Strong
support on pullbacks.

Short and Mid-Term:

Update: Gold sold off quickly but found levels of good buying before ending the week near some terrific support (\$1,100-1,110). At minimum, expect the gold price to have a strong bounce from the \$1,100 support area with the \$1,140-\$1,150 as a strong initial resistance level.

Overbought conditions have rolled over and a deeper consolidation is possible before the next rise, but should a strong reversal occur in the next few weeks and \$1,200 is taken out, we could quickly see another run higher to \$1,300 or higher.

Short-term odds favor a consolidation period either above the \$1,100 area or in the \$1,020/\$1,035 - \$1,050 area as the bottom, support zone with some sideways action for several weeks before moving higher once again. But the market has many triggers to keep the price moving higher so we deem any pullbacks in the short-term as excellent entry, averaging down periods.



Repeating last issues -- Next week will be telling but expect the pressure to be downwards on the price, perhaps the pullback will continue to accelerate and quickly find its reversal bottom, \$1,075-\$1,100 area looking like terrific support!

Repeating: Gold's run to \$1,200 hit resistance and saw one of the largest intra-day swing moves in quite some time. It occurred in light trading during holiday trading after the Dubai news sinking gold within an hour by some \$50 before it found buyers, short-covering giving it a powerful boost into the close. This shows gold's resilience and Friday's action is forecasting a *short-term spike in volatility in the coming days, weeks!*

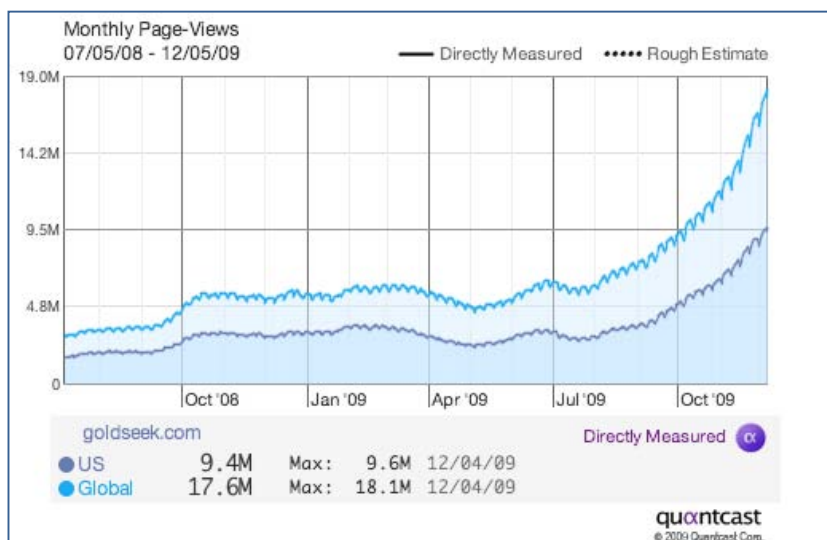
\$1,200 area is going to be the first difficult technical resistance, but a break appears to take gold a \$100 or more higher from those levels. Upside bias remains with terrific support on pullbacks. \$1,140 area is first big support followed by \$1,075.

Repeating: Gold advanced aggressively after the FOMC announcement and a reversal off of technical support (\$1,025), **gold is in breakout mode and upside bias is quite strong with current bullish momentum levels.**

There is strong support on a consolidation around \$1,075 – a break through \$1,100-\$1,110 could extend this run another \$50-100... or more. New record highs should attract more interest (momentum) before finding the next pullback.

This leg of the gold bull market is rising very steadily and powerfully – good support on pullbacks is to be expected going forward. \$1,200-\$1,300/\$1,400 is our next big upside targets with terrific support in the \$1,000-\$1,1075 zone.

On a bit of a side note, yet highly related to the gold sector, I am the proprietor of the second most highly visited gold website in the world (www.GoldSeek.com). The amount of traffic to the website over the past several weeks has been quickly rising; a proper representation one would expect to see in a gold breakout mode. Meaning there is significantly more, and *aggressively growing*, interest in the gold sector. Such interest in gold is now at a record high, so far in this gold bull market.



Repeating:

On the next run higher, \$1,018-\$1,020 then \$1,032/\$1,035 is the significant barriers to overcome. But once we close above this level, buying should accelerate gold higher. \$1,075-\$1,100 is the next upside target – we expect this level to be achieved in the coming by year's end... possibly even higher (\$1,200-\$1,300)!

Repeating: Gold has returned right back to the \$1,000 mark. Momentum remains quite – it appears a break ABOVE \$1,000 has a very good chance here, but a few minor pullbacks before it punches higher may be needed. Shorts have come in heavy and despite the strong close, there are some sizeable downside risks until we can clear

\$1,008 and then \$1,032/\$1,035 on a close – our prior record high. Upside triggers include a strong momentum, mainstream media coverage on gold, US Dollar breakdown – among other key drivers mentioned above. Upside bias remains but tightening stop losses is prudent as the breakout is still a bit premature to call a success! Gold will shoot significantly higher for \$1,100 then \$1,200-\$1,300 but the prior record needs to be cleared out, which would ignite short-covering and general momentum buying. Gold is set up for a very wild next week or two!

Very strong support around \$1,000, \$985 then \$960-\$975 and around \$950, pullbacks -- if they occur – are terrific opportunities. The market looks prime to run. Watch the US Dollar / Euro as well. A close above \$1,035 should ignite \$1,200-\$1,300 rally, gold stocks should make significant gains on such a move. Accumulation has been high of late and pretends to a Gold \$1,000 breakout in the September to December timeframe. In the advent of a breakout failure, it could offset the breakout by another 4-6 months and take gold back down to the \$900 area once again, this appears to be a minor probability at this time. A new higher range for gold is going to be established from where it will sets it sights on \$1,600-\$1,700 then \$2,000 gold in the year+ ahead!

Repeating (Spring 2009):

Gold's return path to \$1,000 plus. I believe this best summarizes what we are going through over the coming several weeks (days?). More likely than not, the path to \$1,000+ gold will continue to be one that is *volatile*, with

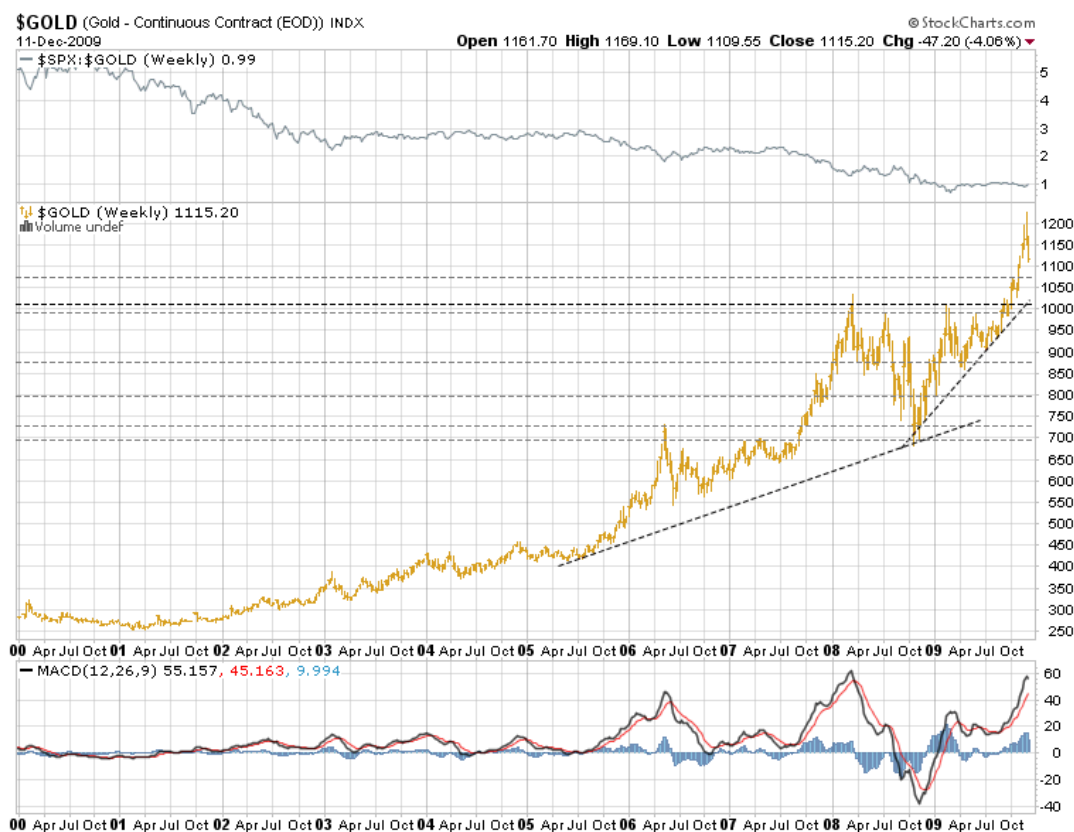
strong buying interest on pullbacks. The question now is as we approach the series of resistances at \$1,000 an ounce, will gold be able to break through and stage a major rally to new record levels, or will this barrier be too strong to support the new market price levels?

With general equity markets starting to fall again, it could dampen the same fuel it is providing gold – with safe haven capital

flowing in, some capital is flowing out to enter into other distressed markets as well – but circumstances remain so desperate the fundamentals of the gold market dictates a much higher price... yet that may be months away still. Therefore pullbacks remain gifts and a sudden collapse in major markets, in say a magnitude of 10%+, losses could spill over and pull gold back down temporarily.

Yet the path to 1,000 \$ gold is on its way, and it is likely to be tested sooner than later based off recent events.

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We are witnessing once in a century, or perhaps longer, financial event where gold and silver offer the only real protection. The U.S. treasury debt market may eventually succumb to this crisis as well at which time gold and silver would move to levels difficult to imagine today as it returns to its true historical attribute as currency.

There are a few things we now know for certain going forward:

- Historic volatility will now be a major component going forward! This is a strong indicator of uncertainty and instability.
- Technical supports and resistance levels remain important but lose significance as we experience peak fear and panic levels. The market's energy can turn on a dime as fear can come and go very quickly.
- Gold's luster as a safe haven asset has now returned and will continue to attract further capital seeking shelter on a historic level.
- Pullbacks are certainly going to exhibit strong investment demand and sharp rallies will see traders book quick profits looking for sharp corrections to enhance potential profits.
- We are now in the next evolution of the gold bull market phase. Time to use pullback opportunities as. . .

Pullbacks are gifts to investors in this environment!

Gold Stocks: HUI

Resistances: 460-470 area, 495-500, 515-525

Supports: 439-444, 425 area, 390-400, 365, 375-385, 350-355, 335-340, 300 area

Short-Term: Neutral – downside bias, strong support below

Short-Term: Gold mining equities appear to be a better value than the metal itself at this time with the ratio back to 0.40 and the miners finding good valuation with \$1,000+ gold – this pullback is unlikely to pull the gold stocks too much lower unless the general markets begin desenigrating and then the threat is there to (at least initially) take mining equities lower. Despite the weaker gold price over the past trading sessions, the mining stocks have held up quite well with many juniors continuing to burst higher – expect similar capital inflows to continue with a \$1,000+ gold price.

Strong support around 440 then again in the 400-420 zone, this appears a great time to accumulate and shift positions to market leaders who may have suffered quick pullbacks.

Repeating: \$1,200+ gold pulled the mining stocks up near record highs, reaching our short-



term upside projection at 515-525. The pullback underway is likely to be quick and find good support, the low to mid-400's is excellent support and should be looked at as buying opportunities. The 515-525 upside remains significant resistance which could take several weeks to be retested, a period of consolidation appears underway but *no gaurantees!*

Repeating, Gold's breakout to new record highs continues to pull the relatively weak gold miners, but the reversal was strong and gains were big!

The retest of 500 looks to be occurring here, upside potential to 500-525 looks probable with \$1,200+ gold in the short-term. Expect some quick movements to the up and downside – volatility remains at very high levels. Miners continue to lag the metal, a bit of a warning or lack of conviction here but also reduces the risk of gold stocks relative to the metal. Support is very strong in the low 400's, any pullbacks would be deemed excellent buying opportunities in this current gold environment.

Repeating -- Strong support around 400. Pullbacks look like great opportunities as gold's strength has outpaced the rise in the miners. Uptrend channel looks quite strong over the short-term.

Investing in Gold Equities:

(Spring 2009) What to look for? It is in my opinion that producers, near-term and selective, advance-staged exploration stocks are the place to be – ones that do not have burdening cash commitments that they cannot fund. Pure exploration stocks that are not well financed are going to face severe challenges going forward. I would suggest that exploration companies that have less than a year's worth of cash on hand are good candidates for potential M&A's, or acquisition among other weak juniors and investors in these stocks are unlikely to see good results come out of this credit crunch. Be selective, very selective and be aware that things could get worse before they get better. But accumulating quality investments at 10 or 20 cents on the dollar is possible right now. Within the 3-6+ months, there should be a major rally in these mining stocks with tremendous gains coming for the top elite part of the sector. Meaning out of the several thousand mining investments out there, only the top few hundred are expected to do well.

As we see in gold, as quick pullbacks occur, panic selling combined with forced liquidation (fund redemptions, margin selling, etc) are exaggerating this move lower. The seasonally weak market is getting pounded by liquidity seeking sellers who are selling into a weak bid market. This has pushed prices way beyond their means creating an opportunity not presented very often in a bull market. This is the time to pounce on these bargain prices as the reversal is likely to be very quick in the coming weeks/months.

Repeating -- Although some more short-term downside risks persist, this provides those building positions an excellent opportunity to shift investment capital into **quality mining plays as they will be the first to benefit on the eventual upturn.** *Opportunity costs should be re-evaluated at this time with many quality mining equities providing excellent valuations!* In the small cap part of the portfolio, **ANV, TLR, GORO and TMM.v** are highly favorable investment choices at this time! Mid to long-term investors will soon find these levels to be an excellent bargain even with the potential to pullback slightly further.

This pullback could reach the 285 support area which should likely lead to a quick snap back towards 325-350+ in the coming weeks. This may also be an opportunistic time for speculators to consider some longer-term call options, although volatility will add significant premiums at this time. Investors will likely look back later this year into early 2009 and be stunned at the opportunity this market is presenting right now. For those with investments in this sector, I would find it very difficult to justify selling into such weakness with such market valuations. I would rather move around positions if some terrific opportunities exist to do so, otherwise holding tight for the time being appears to be the most prudent.

From a mid to long-term perspective, **these are excellent price levels for many mining equities!**
Buyer's market and long-term investments at these levels have a terrific risk/reward level not seen in years.

Long -Term: This is a good time to take a look at our long-term gold stock index chart to place fall's 2008 pullback into proper perspective and our next upside targets (see above):

Portfolio

Gold Forecaster Portfolio				
Symbol	Entry Price	Current Price	Return	
AU	39.79	42.04	6%	Long-Term Buy
FCX	45.7	76.81	68%	Long-Term Buy
GFI	16.94	13.84	-18%	Strong Long-Term Buy
GG	30.92	39.85	29%	Strong Long-Term Buy
GOLD	17.21	80.79	369%	Strong Long-Term Buy
HMY	12.52	10.19	-19%	Hold
NG	11.07	5.51	-50%	Hold
ANV	5.43	12.61	132%	<i>Strong Long-Term Buy</i>
Juniors & Exploration Stocks				
Symbol	Entry Price	Current Price	Return	
CI.v	0.4	New Buy		Buy under .35
GORO	1.2	10.03	736%	\$10+ Short-term target
HGC.v	0.3	0.34	13%	New Buy-Near Term 20k Gold Prod.
NEV.v	0.05	0.14	180%	New Buy--Gold Exploration Nev.
OOO.v	0.3	0.56	87%	\$0.75-1 Term Target (0-6 months)
MXOM	0.35	0.49	40%	New Buy-Mexico Gold Prod.
TLR	0.68	1.23	81%	Buy Pullbacks: \$1.5-2+ Target
TMM.v	0.75	1.31	75%	\$1.50-2 ST Target

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