Welcome
Gold (& mkts) Charts R Us
subscribers via e-mail

FOR YOUR EYES ONLY
DO NOT FORWARD

UNAUTHORIZED DISCLOSURE NOTICE

-Gold (& mkts) Charts R Us-

Welcome to *GCRU* #381 on January 6, 2010 (in its 8th year).

--TRADING UPDATE – In spite of its year-end setback, 2009 was another champagne & chocolates year for gold bullion, which ended the year at $1,096.20 with a whopping **24.8%** gain! More impressively, as *Reuters* notes: "**Gold prices sealed their biggest yearly gain in three decades, rising for an unprecedented ninth consecutive year**." As a result, *GCRU* members who have followed our 30% minimum, or 50% recommended gold & gold share portfolio allocation levels have not only offset the punishing losses inflicted by the financial crisis, but also seen a *significant* increase in their wealth ☺. •••• Bullion has stabilized after forcefully re-testing its August uptrend line, & now, bolstered by a new higher low & high in price, has launched a cautious rally towards $1142.50 intermediate resistance. Action in the euro (shorterm oversold) & US$ (shorterm overbought) confirms the potential for a *rebound* in gold bullion, but we await credible technical evidence that current gold strength will be sustainable. Volume remains weak (as measured by Feb gold futures & GLD) & will require more time to ramp up to levels required to push bullion *meaningfully* higher – which suggests any initial attempt to breach $1142.50 resistance may not be successful. However, the gold chart has scope to test $1142.50 & pullback to build the right shoulder of a *yet-to-be-confirmed* 4-week bullish reverse H&S base without breaking crucial August uptrend line support. If this scenario plays out, and a R/H&S base is validated, via a determined rise above $1142.50 neckline resistance, we could see gold bullion trading at or above recent record highs within a matter of weeks. If not, and bullion's August uptrend line (now $1085.00) is clearly violated to the downside (on a closing basis), gold would flip back to defensive & likely dip to touch the $1041.40 measured target of its Nov-Dec H&S top. Just below this level lies $1002.55-$1045.55 "concrete floor" support defined by the 61.8% & 76.4% Fibonacci retracement levels of the August through November gold rally-leg, & $1022.00 neckline support of bullion's massive March 2008-Oct 2009 R/H&S base. •••• Sovereign debt is the biggest threat in 2010. Per our Nov 24 warning of a potential bond market breakdown, traders lightened up when the 2-Year US T-Note broke below 108.10, with a final exit no lower than 107.10. If *not* seen, buy or switch 2-year govt bonds/bills to 90-day or the *shortest* term available -- as the short end will suffer the least in the case of a bond market crack or interest rate hikes. And/or gradually reallocate bond funds into non-US$ commodity, food, energy stocks &/or physical assets. •••• The gold

shares have improved since two weeks ago, holding or rising above recent lows, which has allowed *Spinner* lines to recuperate & develop hesitant base action. Stock market strength is also providing warm winds for the gold shares, which, as top R/S shares are hinting (ELD-T, LSG-T, RBI-T, etc) *may* outperform bullion in the early stages of this base attempt. •••• Bullish Consensus folks rank gold at 78 (up 4 from 2-wks ago). The US$ at 45 (down 6). B/C say gold's: "Signals are neutral/bullish short-term. The intermediate trend is neutral." •••• The US$ bear market rebound is still with us, but is projected to be short-lived & offers a potential *last chance* opportunity to exit or hedge dollar based assets &/or switch to foreign currencies (ie, A-$, Cad-$, Swiss Franc, Euro, Norwegian Kroner). The weekly $-Index chart gives a possible 80.60-83.50 rebound target (basis Mar futures), but as the US$ is veering towards a major collapse we wouldn't be overly fussy about exit levels. In all instances & where practically possible, exit or reduce your $ exposure to **zero** on a break below 74.60. •••• Gold is up $3.60 in Europe this AM. The US$-Index is up 15 cents. •••• Per today's password – *questing* – gold appears to be in a reloading stage. But these are early days & bullion still faces heavy overhead resistance. So, continue to dip toes back into the water on upside breakouts & some under-mkt orders at chart support. Just bear in mind the mkt is technically fragile, so buy/sell/buy/sell with close stops is the safest way to play it, or day trade without stops. •••• Gold luck from ***Uncle Harry*** & sidekick Paul. •••• If it's Wednesday, it's *Gold (& Mkts) Charts R Us.*

Note: we will no longer include *SGS* or the *SGS A/D line* in *GCRU* as both charts can be viewed daily via our website. Go to the *GCRU* welcome page & click: "View *Schultz Gold Index*."

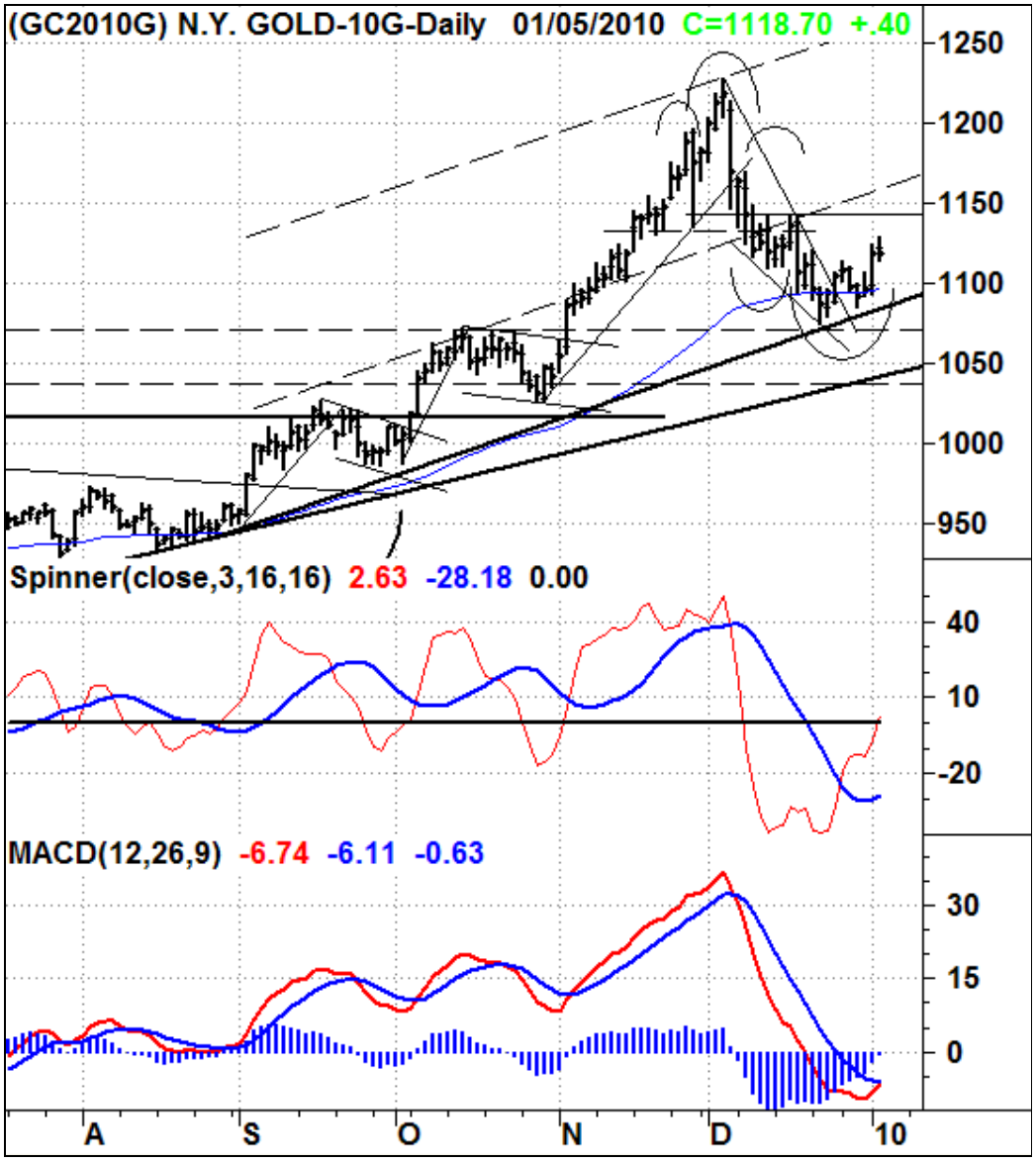
IN THIS ISSUE

••Our Abbreviations:

1dc = 1-day close (the share price must close above or below the indicated price level, before our recommendation is activated).
2dc = 2-day close (consecutive).
AU = gold.
Betwn = between.
BL = Bottom Line.
B/O = breakout.
Bot = bought.
CAD$ = Canadian dollar.
Confirming Line.
H&S= Head & Shoulders.
IMO = In My Opinion.
L/O/C= Line On Close.
LT = Long Term.
MT = Medium Term.
Neg = Negative.
N/L = neckline.
PDT = Power Down Trend (shorterm downtrend).
P/F = Portfolio.
P/O = Price Objective.
PUT = Power Up Trend (shorterm uptrend).
Recom = Recommended.
R/S = Relative Strength.
S/C/O = Stop Close Only.
S/T = Shorterm.
Sym/tri = symmetrical triangle.
Tgt = Target.
TPS = Trailing Profit Stop.
T/R = Trading Range.
T/V = Trend Investor.
UNCH = unchanged.
Vol = Volume.
Wk = week.
Ystdy = yesterday.

GOLD

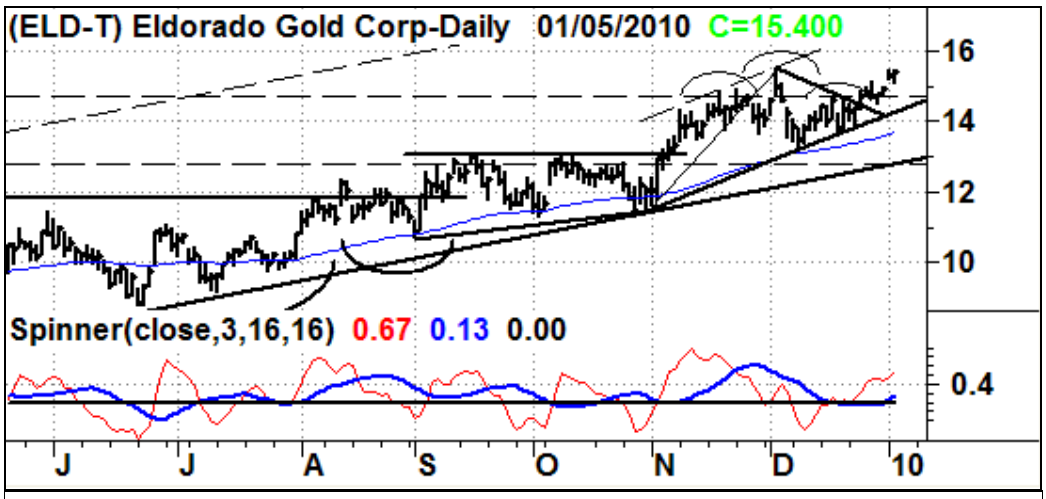
Comex gold <u>Feb</u> futures – <u>daily</u> – 6 month view



Comex gold Feb 2010 futures – 480 min – 7wk view

Comex gold Feb 2010 futures Cx - 480-min tick chart (all sessions):		
Open trades:	**Short at:** **Stop:** **Profit targets:**	Initial (S/S) entry price: 1143.40 (Dec-08-09). Some exited via 1110.50-stop profit stop ☺. S/T: 1142.50-stop. M/T: 1-dc over 1142.50. 1042.40 &/or 1036.80 &/or *tight* trail stop downside. Some took profit at mkt ☺.
New Recom:	If out, hedgers/gamblers sell short Feb bit at mkt (mini Cx only); stop: exit, or cover ½ at 1142.50-stop, ½ after 1-dc over 1142.50; take ½ profit at 1078.60 &/or trail stop downside. Sell short more after 1-dc below 1078.60. Or, spec buy Feb after 1-dc (must be decisive) over 1142.50; stop: 1085.50-stop; sell ½ at 1224.90 &/or trail stop strength. Some bought core longs at 1093.20 & 1071.50. If out, buy Feb (or April?) for core longs if dips to 1055.60 & 1036.80; stop: 1-dc below 995.80.	
Comment:	Nov-Dec H&S top morphing into possible 4-week reverse H&S base, with 1142.50 neckline. Spinner rounding out to neutral/-bullish. March 2008-Oct 2009 reverse H&S; $1,313 upside target.	

GOLD SHARES



Eldorado Gold (Toronto: ELD-T); gold: CAD$:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 13.30 (Nov-05-09). Traders re-bought at 14.73. S/T: 1-dc below 12.80. M/T: 2-dc below 12.80. 16.70 &/or 17.50 &/or 18.25. Some took profit at 15.40 ☺.
New Recom:	If out, buy at mkt & if dips to 14.70; stop: 1-dc below 12.80.	
Comment:	Prior H&S top <u>voided</u> via Dec peak sym/triangle & upside breakout; 16.70 measured target. Spinner confirming line in new positive cycle above zero line. Needs more volume to underpin. Bullish!	

Iamgold Corp (NYSE: IAG; Canada: IMG-T); gold: US$:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 4.25 (Nov-26-08). Traders re-bought core longs at 15.42. S/T: 1-dc 12.70. M/T: 2-dc below 12.70. 18.90 &/or 21.00 &/or 23.40.
New Recom:	If out, nibble buy after 1-dc over 16.30; stop: 1-dc below 12.70.	
Comment:	Dec peak bull wedge & hesitant upside breakout; 21.00 target. Spinner in upside cross with (thick) confirming line in growing positive hook. Encouraging but has yet to regain former vigor.	

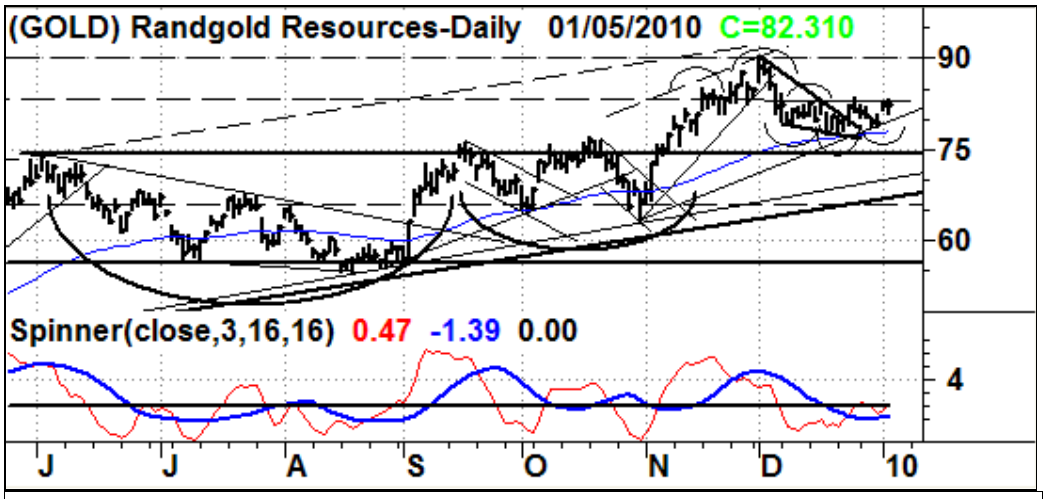
Jaguar Mining (Canada: JAG-T); gold: CAD$:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 8.65 (May-20-09). S/T: 1-dc below 9.60. M/T: 2-dc below 9.60. 13.40 &/or 14.75 &/or 16.15 &/or 17.50.
New Recom:	If out, spec buy at mkt & if dips to 11.90; stop: 1-dc below 9.60. All buy again big after 1-dc over 13.40; stop: 1-dc below 10.70.	
Comment:	Break above Dec downtrend line reduces risk of Nov-Dec H&S top. Spinner rounding out to neutral/bullish. Poss Sept-Dec cup&handle; 17.50 estimated target. Positioning for new burst of strength.	

Lake Shore Gold (Canada: LSG-T); gold: CAD$:

Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 3.50 (Nov-02-09) S/T: 1-dc below 3.28. M/T: 2-dc below 3.28. 4.38 &/or 4.90 &/or 5.35.
New Recom:	All buy big after 1-dc over 4.23; stop: 1-dc below 3.40.	
Comment:	Rise to complete would-be Nov-Jan reverse H&S; 4.90 upside target. Spinner requires little upside in price to trigger major bull cue. Likely leader if general gold share strength returns.	

Osisko Mining (Canada: OSK-T); gold: CAD$:

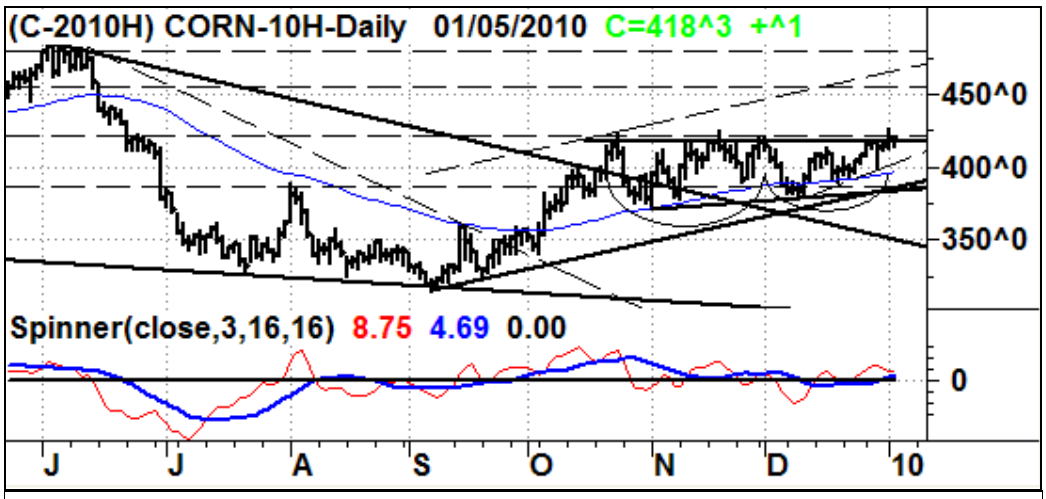
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 5.90 (May-13-09). S/T: 1-dc below 7.45. M/T: 2-dc below 7.45. 9.10 &/or 9.75 &/or 10.50 &/or 11.20 &/or 12.45.
New Recom:	If out, spec buy at mkt & if dips to 8.30; stop: 1-dc below 7.45. All buy again big after 1-dc over 9.15.	
Comment:	Dec peak sym/triangle & upside breakout; 9.75 target. Spinner in positive cross & positioned to confirm sustained strength in price. Sept-Jan consolidation morphing into possible cup&handle. June 2007-Sept 2009 reverse H&S base; 12.45 target. Recharging.	



Randgold Resources (Nasdaq: GOLD); gold: US$:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 40.24 (Dec-10-08). S/T: 1-dc below 65.90. M/T: 2-dc below 65.90. 90.30 &/or 96.30 &/or 103.90.
New Recom:	All buy after 1-dc over 83.15: stop: 1-dc below 69.90.	
Comment:	Dec peak bull wedge (90.30 target) underpinned via 4-week reverse H&S. Spinner warming to bullish. June-Nov cup&handle base; 96.30 upside target. Bulls gaining confidence.	

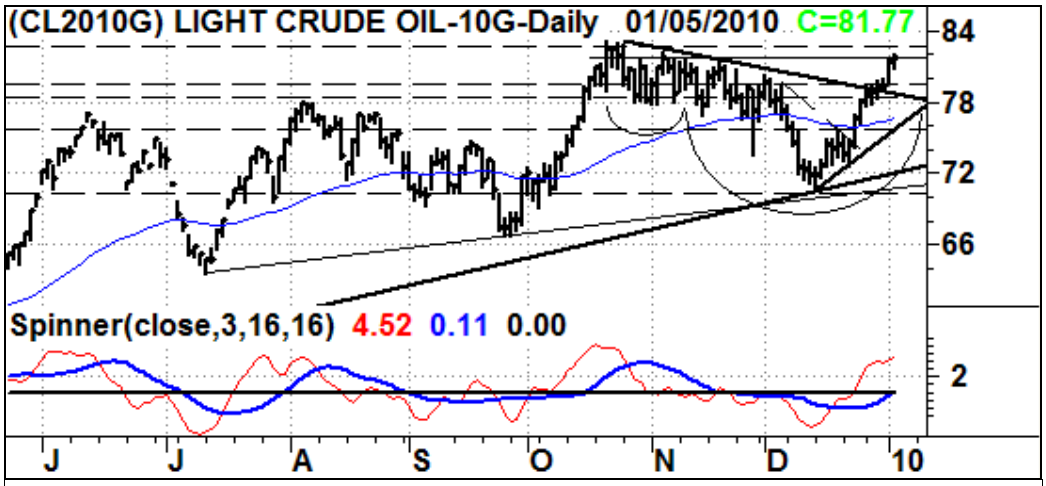
Red Back Mining (Toronto: RBI-T); gold: CAD-$:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 6.76 (Dec-11-08). Traders re-bought at 16.58. S/T: 1-dc below 12.90. M/T: 2-dc below 12.90. 17.70 &/or 18.90 &/or 20.20.
New Recom:	If out, buy at mkt & more aggressively if dips to 16.20 & 15.80; stop: 1-dc below 12.90.	
Comment:	Prior H&S top risk <u>voided</u> via high volume gap-up break above 14.64-16.20 consolidation range. Spinner in positive cross & placed to confirm sustained strength in price. Buy!	

FUTURES

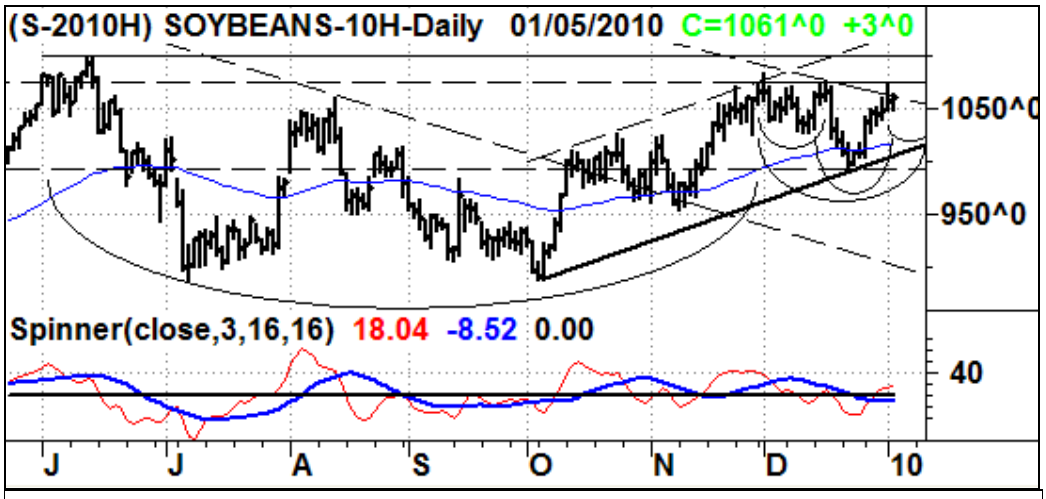


Corn Mar 2010 futures – daily chart:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Traders bought at 418.20 (Jan-04-10). Exit, or sell ½ at 386.25-stop, ½ after 1-dc below 386.25. 453.30 &or 479.50 &/or trail stop upside.
New Recom:	If out, buy Mar after 1-dc over 421.00; stop: exit, or sell ½ at 386.25-stop, ½ after 1-dc below 386.25.	
Comment:	Oct-Jan bullish ascending triangle & *tentative* upside breakout; 453.30 measured target (basis L/O/C). Spinner hesitant. Volume supporting price. Promising, but has yet to convince.	

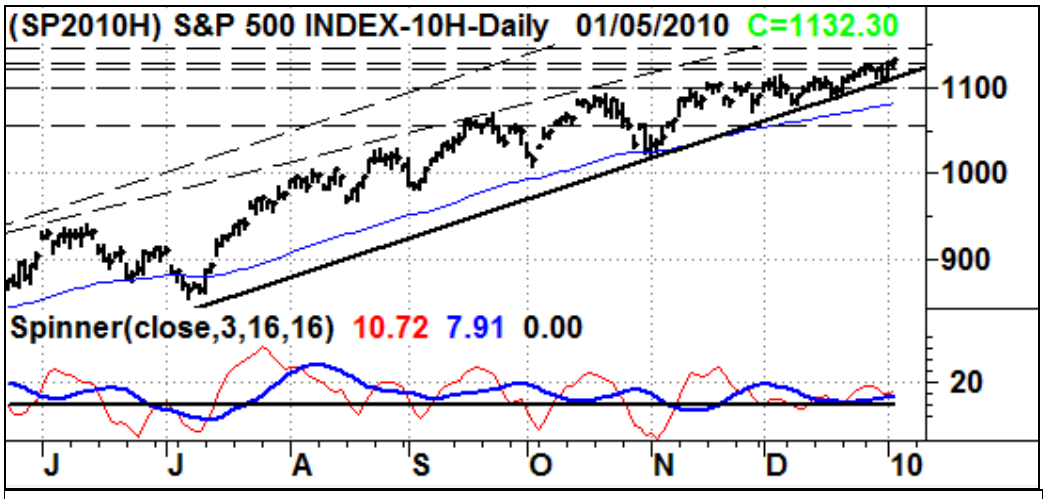
Cotton Mar 2010 futures – daily chart:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 65.55 (Oct-13-09). S/T: 72.80-stop. 81.20 &/or 84.40. Some took profit at mkt ☺.
New Recom:	If long, bank full profits at mkt. If out, *wait* to buy strength after next reaction low &/or buy after 1-dc over 76.50; stop: 72.80-stop.	
Comment:	Sharp downside reversal & break below Sept uptrend line support. Spinner fading on zero line; opens window for extended corrective decline. Shaky. Don't give fat profits back to the mkt.	



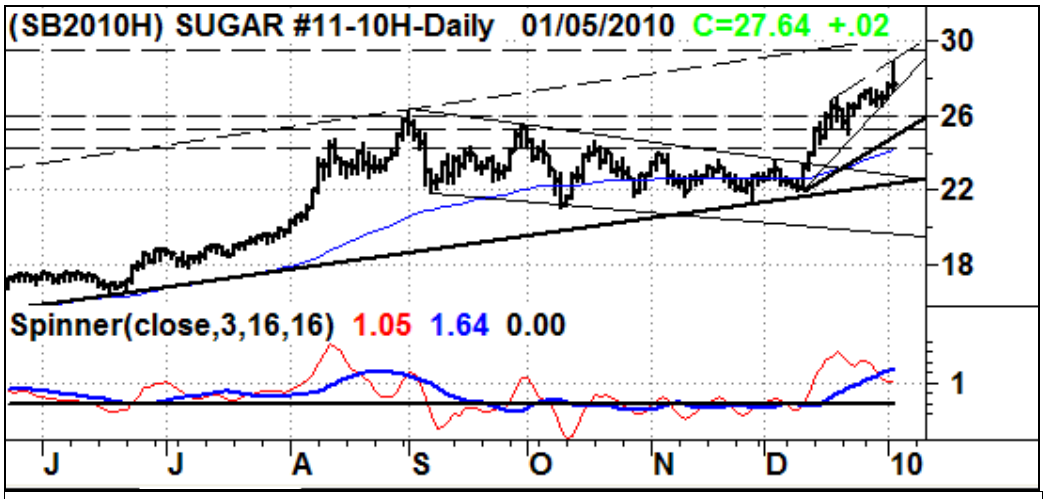
Crude Oil NY Feb 2010 futures – daily chart:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 73.60 (Dec-16-09). Traders re-bought at 76.67. S/T: 75.70-stop. M/T: 1-dc below 75.70. Traders took ½ profit at 77.60 ☺. If long, take 2nd ½ profit at mkt &/or *tight* trail stop strength.
New Recom:	Spec buy Feb if dips to 79.40 &/or 78.30; stop: exit, or sell ½ at 75.70-stop, ½ after 1-dc below 75.70; take profit at 86.90 &/or 89.50 &/or 92.00. Or, buy after 1-dc over 82.70; stop: 78.30-stop.	
Comment:	Surge rise & break above Oct downtrend line. Spinner faltering; hints price may consolidate shorterm &/or dip to build possible right shoulder of Oct-Jan reverse H&S development.	



Soybeans Mar 2010 futures – daily chart:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Exited Jan longs at breakeven or better. Basis Mar: 991.50-stop. Basis Mar: 1146.00 &/or 1180.00 &/or 1216.00.
New Recom:	Buy Mar after 1-dc over 1074.00; stop: 991.50-stop. Buy again after 1-dc over 1100.00.	
Comment:	Sharp reversal & rise to re-test top resistance of June-Jan cup &-handle; 1250 target (basis L/O/C). Spinner warming to bullish, but can't exclude mini dip to build right shoulder of 5-week R/H&S.	



S&P500 Index March 2010 futures – daily chart:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 1108.60 (Dec-14-09). Traders re-bought at 1113.60. ST: 1098.90-stop. 1143.90 &/or 1167.90 &/or 1194.80 &/or 1224.30.
New Recom:	If out, buy Mar bit at mkt & if dips to 1119.80; stop: 1090.90-stop. Or, gamblers sell short Mar after 1-dc below 1090.90; stop: 1126.50-stop; take ½ profit at 1053.50, & trail stop rest.	
Comment:	Reinforced break above Nov-Dec peak resistance. Spinner in refreshed bull mode. Bulls dominate, but keep stops tight.	



Sugar <u>March</u> 2010 futures – <u>daily</u> chart:

Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 24.96 (Dec-16-09). S/T: 24.20-stop. M/T: 1-dc below 24.20. 29.40 &/or 30.90 &/or 32.50. Some took profit at 27.80 ☺.
New Recom:	If out, wait to buy strength after next reaction low &/or gamblers only buy Mar bit if dips to 26.00 & 25.20; exit, or sell ½ at 24.20-stop, ½ after 1-dc below 24.20.	
Comment:	Risk of shorterm bearish upwedge. Spinner in extended downside cross. Negative Jan 5 intraday reversal. Strength after next dip expected to offer safer buy point.	

US$ Index <u>Mar</u> 2010 futures-<u>daily</u> chart:

Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 76.63 (Dec-08-09). Traders re-bought Mar at 77.60. 1-dc below 76.40. 79.40 &/or 80.60 &/or 81.80.
New Recom:	If out, spec buy Mar at mkt; stop: 1-dc below 76.40. And/or buy after 1-dc over 78.70.	
Comment:	Seemingly healthy dip to consolidate Dec rally-leg <u>vs</u> tentative downturn in Spinner (thick) confirming line. Possible bull flag.	

Jan-06-10

OPEN POSITIONS & NEW RECOMMENDATIONS RECAP

Sectors	Symbol	Trade recommendation	Long Short	Entry Date	Initial Entry Price	Traders re-bot/-sold at	Last Closing Price	Trailing Stoploss	Target #1	Target #2	Target #3
Gold shares											
Eldorado Gold	ELD-T	If out, buy at mkt & if dips to 14.70; stop: 1-dc below 12.80.	L	Nov-05-09	13.30	14.73	15.40	1-dc U/12.80 2-dc U/12.80	Hit ☺ at 15.40	16.70	17.50
Franco Nevada	FNV-T	If out, nibble buy at mkt & if dips to 27.65; stop: 1-dc below 25.50. All buy again big after 1-dc over 31.00.	L	Sep-16-09	30.99	28.50	28.74	1-dc U/25.50 2-dc U/25.50	35.60	38.50	41.40
Goldcorp	G-T	If out, spec buy after 1-dc over 43.40; stop: 1-dc below 38.90.	L	Nov-05-08	25.00		42.75	1-dc U/38.90 2-dc U/38.90	50.40	52.90	55.90
Iamgold Corp	IAG	If out, nibble buy after 1-dc over 16.30; stop: 1-dc below 12.70.	L	Nov-26-08	4.25	15.42	15.85	1-dc U/12.70 2-dc U/12.70	18.90	21.00	23.40
Jaguar Mining	JAG-T	If out, spec buy at mkt & if dips to 11.90; stop: 1-dc below 9.60. All buy again big after 1-dc over 13.40; stop: 1-dc below 10.70.	L	May-20-09	8.65		12.33	1-dc U/9.60 2-dc U/9.60	13.40	14.75	16.15
Kirkland Lake Gold	KGI-T	If out, spec buy after 1-dc over 9.60; stop: 1-dc below 7.80. All buy again big after 1-dc over 10.80.	L	Dec-09-09	9.56	8.60	8.79	1-dc U/7.20 2-dc U/7.20	13.80	15.50	17.25
Lake Shore Gold	LSG-T	All buy big after 1-dc over 4.23; stop: 1-dc below 3.40.	L	Nov-02-09	3.50		4.12	1-dc U/3.28 2-dc U/3.28	4.38	4.90	5.35
Osisko Mining	OSK-T	If out, spec buy at mkt & if dips to 8.30; stop: 1-dc below 7.45. All buy again big after 1-dc over 9.15.	L	May-13-09	5.90		8.53	1-dc U/7.45 2-dc U/7.45	9.10	9.75	10.50

Jan-06-10

OPEN POSITIONS & NEW RECOMMENDATIONS RECAP

Sectors	Symbol	Trade recommendation	Long Short	Entry Date	Initial Entry Price	Traders re-bot/-sold at	Last Closing Price	Trailing Stoploss	Target #1	Target #2	Target #3
Gold Shares											
Randgold Res.	GOLD	All buy after 1-dc over 83.15: stop: 1-dc below 69.90.	L	Dec-10-08	40.24		82.31	1-dc U/65.90 2-dc U/65.90	90.30	96.30	103.90
Red Back Mng	RBI-T	If out, buy at mkt & more aggressively if dips to 16.20 & 15.80; stop: 1-dc below 12.90.	L	Dec-11-08	6.76	16.58	16.58	1-dc U/12.90 2-dc U/12.90	17.70	18.90	20.20
Royal Gold	RGLD	If out, spec buy after 1-dc over 50.10; stop: 1-dc below 42.60.	L	Mar-20-09	45.37		47.87	1-dc U/42.60 2-dc U/42.60	55.18	57.80	64.40
Futures											
Coffee	KC H0	Traders exited via 136.80-stop &/or 136.80 stoploss ☹. Re-buy Mar after 1-dc over 1-dc over 149.40; stop: exit, or sell ½ at 136.80-stop, ½ after 1-dc below 136.80; take profit at 155.90 &/or 162.60.					141.00	136.80-stop 1-dc U/136.80 (Basis Mar)	155.90	162.60	169.30
Corn	C H0	If out, buy Mar after 1-dc over 421.00; stop: exit, or sell ½ at 386.25-stop, ½ after 1-dc below 386.25.	L	Jan-04-10	418.20		418.30	386.25-stop 1-dc U/386.25 (Basis Mar)	453.30 (Basis Mar)	479.50 (Basis Mar)	Or trail stop upside

Jan-06-10

OPEN POSITIONS & NEW RECOMMENDATIONS RECAP

Sectors	Symbol	Trade recommendation	Long Short	Entry Date	Initial Entry Price	Traders re-bot/-sold at	Last Closing Price	Trailing Stoploss	Target #1	Target #2	Target #3
Futures											
Cotton	CTH0	If long, bank full profits at mkt. If out, wait to buy strength after next reaction low &/or buy after 1-dc over 76.50; stop: 72.80-stop.	L	Oct-13-09	65,55		73.12	72.80-stop (Basis Mar)	Some took profit at mkt ☺	81.20	84.40
Crude oil	CLG0	If long, take 2nd ½ profit at mkt &/or tight trail stop strength. Spec buy Feb if dips to 79.40 &/or 78.30; stop: exit, or sell ½ at 75.70-stop, ½ after 1-dc below 75.70; take profit at 86.90 &/or 89.50 &/or 92.00. Or, buy after 1-dc over 82.70; stop: 78.30-stop.	L	Dec-16-09	73.60	76.67	81.77	75.70-stop 1-dc U/75.70 (Basis Feb)	Took 1/2 profit at 77.60 ☺	86.90 (Basis Feb)	89.50 (Basis Feb)
Gold	GCF0	If out, hedgers/gamblers sell short Feb bit at mkt (mini Cx only); stop: exit, or cover ½ at 1142.50-stop, ½ after 1-dc over 1142.50; take ½ profit at 1078.60 &/or trail stop downside. Sell short more after 1-dc below 1078.60.Or, spec buy Feb after 1-dc (must be decisive) over 1142.50; stop: 1085.50-stop; sell ½ at 1224.90 &/or trail stop strength. Continued on next page.....	S	Dec-08-09	1143.40		1118.70	1142.50-stop 1-dc over 1142.50 (Basis Feb)	Some took profit at mkt ☺	1078.60	1042.40

Jan-06-10

OPEN POSITIONS & NEW RECOMMENDATIONS RECAP

Sectors	Symbol	Trade recommendation	Long Short	Entry Date	Initial Entry Price	Traders re-bot/-sold at	Last Closing Price	Trailing Stoploss	Target #1	Target #2	Target #3
Futures											
Gold	GCF0	.....Continued from prior page: Some bought core longs at 1093.20 & 1071.50. If out, buy Feb (or April?) for core longs if dips to 1055.60 & 1036.80; stop: 1-dc below 995.80.	S	Dec-08-09	1143.40		1118.70	1142.50-stop 1-dc O/1142.50 (Basis Feb)	Some took profit at mkt ☺	1078.60	1042.40
Soybeans	S H0	Exited Jan longs at breakeven or better. Buy Mar after 1-dc over 1074.00; stop: 991.50-stop. Buy again after 1-dc over 1100.00.					1061.00	991.50-stop (Basis Mar)	1146.00 (Basis Mar)	1180.00 (Basis Mar)	1216.00 (Basis Mar)
S&P500	SPH0	If out, buy Mar bit at mkt & if dips to 1119.80; stop: 1090.90-stop. Or, gamblers sell short Mar after 1-dc below 1090.90; stop: 1126.50-stop; take ½ profit at 1053.50, & trail stop rest.	L	Dec-14-09	1108.60	1113.60	1132.30	1098.90-stop (Basis Mar)	1143.90	1167.90	1194.80
Sugar	SBH0	If out, wait to buy strength after next reaction low &/or gamblers only buy Mar bit if dips to 26.00 & 25.20; exit, or sell ½ at 24.20-stop, ½ after 1-dc below 24.20.	L	Dec-16-09	24.96		27.64	24.20-stop 1-dc U/24.20 (Basis Mar)	Some took profit at 27.80 ☺	29.40	30.90

Jan-06-10

OPEN POSITIONS & NEW RECOMMENDATIONS RECAP

Sectors	Symbol	Trade recommendation	Long Short	Entry Date	Initial Entry Price	Traders re-bot/-sold at	Last Closing Price	Trailing Stoploss	Target #1	Target #2	Target #3
Futures											
US$-Index	DXH0	If out, spec buy Mar at mkt; stop: 1-dc below 76.40. And/or buy after 1-dc over 78.70.	L	Dec-08-09	76.63	77.60	77.85	1-dc U/76.40 (Basis Mar)	79.40	80.60	81.80

EDITORIAL SECTION – •••• Marc Faber says "**Gold is cheap to buy at $1,100**." From *CommodityOnline.com*: " 'Gold remains the best bet as a currency because the yellow metal **supply** is extremely limited,' Faber said. '**Gold at the current price of $1,110 per ounce is less expensive than when it was sold for less than $300 per ounce a few years back**.' Faber explained that the gold price should be treated in the same way that a company's stock is treated by investors. '**A company's stock could be less expensive at $100 than when it was selling for $10, because earnings growth has outpaced the appreciation of the shares and therefore its P/E has declined, gold could be cheaper at the current price than when it was at less than $300 because of the explosion of foreign exchange reserves in the world, zero interest rates, the huge debt overhang, and the expectation of further money printing**,' According to Faber, global reserves of gold have grown from about $1 trillion in 1995 to over $7 trillion. 'Therefore, the share of gold in the world's official reserves has declined from 32.7% in 1989 to a current record low of 10.3%,' he said. 'Now, just consider what the impact would be if China were to increase its gold holdings from presently less than 2% of its $2.2 trillion reserves to 6% or 10%. Each 1% increase in gold weighting would mean gold purchases of more than $20 billion, or nearly 600 tonnes'." Forget the gold bubble talk (a la Nouriel Roubini). Gold may be considered as a "barbarous relic" to the statists & the uninformed, but it's a proven store of value & the only true safe haven to combat monetary inflation. •••• **US unemployment funds going absolutely broke**. *MSNBC* reports: "The recession's jobless toll is draining unemployment-compensation funds so fast that according to federal projections, **40 state programs will go broke within two years** and need $90 billion in loans to keep issuing the benefit checks." And this when the worst of the financial crisis is still to come ☹. •••• **In 2010, demand for US fixed income has to increase elevenfold... or else**. If someone asks you what mainly happened in 2009, the answer is simple - two things. There was a huge credit and liquidity crunch, and then there was Quantitative Easing (QE), pens Tyler Durden at *ZeroHedge.com*. "The latter is the Fed's equivalent of band-aiding a zombied corpse, better known as the US economy. *It worked for a while, but now the zombie is about to go back into critical, followed by comatose, and lastly, undead (and 401-K depleting) condition*. Accounting for securities purchased by the Fed, which effectively made the market in the Treasurys, the agency and MBS arenas, but also served to 'drain duration' from the broader US$ fixed income market, the stunning result is that **net issuance in 2009 was only $200 billion**. Take a second to digest that. And while you are lamenting the death of private debt markets, here is precisely what the Fed, the Treasury, and all bank CEOs are doing their best to keep hidden: in 2010, the total estimated *net issuance* across all US$ denominated fixed income classes is expected to increase by

27%, from $1.75 trillion to $2.22 trillion. The culprit: Treasury issuance to keep funding an *impossible* budget. **Out of the $2.22 trillion in expected 2010 issuance, $200 billion will be absorbed by the Fed while QE continues through March. Then the US is on its own: $2.06 trillion will have to find non-Fed originating demand. To sum up: $200 billion in 2009; $2.1 trillion in 2010.** *Good luck.*" The Fed will not abandon the govt who have shown they don't have the will or the means to reign in unsustainable deficits. Thus, QE will continue indefinitely until what has become the world's largest ever Ponzi scheme collapses, not due to a lack of print-at-demand fiat funds, but a sudden collapsing of confidence. Run-away inflation cum hyperinflation will surely be the result. •••• **Treasury removes cap for Fannie and Freddie aid**. The govt has handed its ATM card to beleaguered mortgage giants Fannie Mae and Freddie Mac, according to the *Associated Press*. "**The Treasury Dept said it removed the $400 billion financial cap on the money it will provide to keep the companies afloat**. Already, taxpayers have shelled out $111 billion to the pair, and a senior Treasury official said losses are not expected to exceed the govt's estimate this summer of $170 billion over 10 years. **By making the change before year-end, Treasury sidestepped the need for an OK from a bailout-weary Congress**. The news followed an announcement that the CEOs of Fannie and Freddie could get paid as much as $6 million for 2009, despite the companies' dismal performances this year." The Fed can't fix Fannie or Freddy but can't let a major derivative player die because, as the Lehman's collapse demonstrated, it risks triggering a chain of cross-defaults that could topple the entire financial system. So-called financial "caps" will be raised or removed as events require. •••• The US ended 2009 with 140 failed banks, a massive jump from 2008 when only 25 banks failed, & just 3 in 2007. We fear & forecast the financial crisis will reach a "breaking point" in 2010 & that this year's tally of bank closures will triple that of 2009. •••• **2010: Walking away will gain cachet**. Why bother? That's the question more underwater homeowners are asking themselves about their mortgage, comments Rolfe Winkler at *Reuters*. "Trapped in the abyss of negative equity, more will decide to quit paying. About a quarter of all mortgages in the US are on houses that are worth less than the unpaid balance of the mortgage. For 2.2 million, the property is worth less than **half** the mortgage balance. Those folks are called "homeowners," but "homeborrowers" would be more accurate. All they own is an obligation to whatever entity services their mortgage. They're essentially **renters** paying above-rental-market prices. As more underwater homeowners realize there's no hope to regain their equity, more will cut their losses. The reduction of liabilities brings immediate debt relief and often a lower cash outlay - on rent - for comparable housing. The financial shot in the arm should outweigh the stigma of foreclosure. **Until now, borrower *guilt* has helped protect bank**

balance sheets. That is likely to change. If it does [which it will], the next chapter of the financial crisis could be a painful one." Negative equity, tighter credit, ballooning inventory, looming resets for Option ARM loans, rising unemployment, depression, & now "walkaways". Housing continues to slide into a seemingly bottomless economic pit. •••• **Adjusted for inflation, stock's bad run is worse for wear**. Despite its 2009 rebound, the Dow Jones Industrial Average stands [approx] at just 10520.10, no higher than in 1999, comments the *WSJ*. "*And that is without counting consumer-price inflation*. ***In 1999 dollars, the Dow is only at about 8200 and would have to rise another 28% or so to return to 1999 levels***. *Thornburg Investment Management* calculate what they call 'real-real' returns, adjusting stock performance not only for inflation but also for real-world drags such as taxes and fees. Nominally, a dollar invested in the stocks of the S&P's 500-stock index at the end of 1978 had blossomed to $22.88 at the end of 2008, including dividends, a sweet gain even after the 2008 meltdown. But **once estimates of inflation, taxes and costs are removed, he figures, the investment was worth just $3.76**." The ruinous effects of inflation are the consequence of flawed govt & Central Bank policies, which is not something Wall Street media will share with you. The above figures may be shocking but they are insignificant when compared to the destructive inflationary forces bubbling below today's economic landscape. •••• **GATA sues Fed to disclose gold market intervention records**. Congratulations to our friends at the *Gold Anti-Trust Action Committee* (GATA) for their lawsuit against the Federal Reserve, seeking disclosure of the Central Bank's records of its surreptitious market intervention to suppress the monetary metal's price. "**The Fed has claimed that its gold swap records involve 'trade secrets,' exempt from disclosure under the US Freedom of Information Act. These interventions powerfully influence not only gold's price but the prices of govt bonds and currencies, as well as interest rates generally and the value of all capital and labor in the world**," GATA correctly said. "**There is no more important issue in the world economy than gold price suppression**." An Int'l press release about the suit is available at: http://www.gata.org/node/8193 •••• **The dangers of a crack-up boom**, by Ludwig Von Mises: "*The first stage of the inflationary process may last for many years. While it lasts, the prices of many goods and services are not yet adjusted to the altered money relation. There are still people in the country [at this stage] who have not yet become aware of the fact that they are confronted with a price revolution which will finally result in a considerable rise of all prices, although the extent of this rise will not be the same in the various commodities and services. These people still believe that prices one day will drop. Waiting for this day, they restrict their purchases and concomitantly increase their cash holdings. As long as such ideas are still held by public opinion, it is not yet too late for the govt to*

abandon its inflationary policy. But then, finally, the masses wake up. ***They become suddenly aware of the fact that inflation was/is a deliberate policy and will go on endlessly. A breakdown occurs. The crack-up boom appears. Everybody is anxious to swap his money against 'real' goods, no matter whether he needs them or not, no matter how much money he has to pay for them. Within a very short time, within a few weeks or even days, the things which were used as money are no longer used as a medium of exchange. They become scrap paper. Nobody wants to give away anything against them***." Mises rightly concludes that inflation is a policy that cannot last. "***If a thing has to be used as a medium of exchange, public opinion must not believe that the quantity of this thing will increase beyond all bounds***." Here lies the danger of Quantitative Easing, which is eroding Central Bank & govt credibility, & the $'s status as a store of value, and, because it is the world's reserve currency, the very basis of the global monetary system. If the next crack-up boom is "universal," it will lay waste to financial, political & social structures, & chaos will surely follow. Do U own enough gold? **•••• Central Banks keen to stock up on gold**. The *European Central Bank* (ECB) decision to **downsize** its annual gold sale in 2009 to 155 tonnes is expected to further boost yellow metal prices in 2010. The ECB has sold 400-500 tonnes annually the last 10 years, reports *TheHinduBusinessLine.com*. "Of late, there is a growing tendency among Central Banks of many countries to hold a major portion of their reserves in gold. The emergence of new net buyers is expected to add strength to the bullish trend in the metal. The US govt holds 8,133 tonnes of gold, the Euro Zone 10,800 tonnes and the IMF about 3,000 tonnes. Govts across the world own close to 30,000 tonnes. **While the ECB has a high gold reserve, many *emerging* economies have very low stocks or no gold at all**. Official sector activity will be a key metric to watch in 2010." Central Bank gold buying underpins the yellow metal's crucial role in stabilizing the global monetary system. Where Central Banks lead, others will follow, which will mean higher gold prices regardless of what the dollar does.

****

"When the Government fears the People, that is Liberty. When the People fear the Government, that is Tyranny." - Thomas Jefferson

•••• NOTE: all payments for *HSL* or *GCRU* services should be made payable to **FERC Ltd**.

•••• Quoting *GCRU* is permitted provided *GCRU* name, website address & subscription price are given. Same as *HSL*.

Fax subscribers please note this week's password to access ***Schultz Gold Index*** & ***Schultz Gold Share Advance/Decline Line*** charts daily via our website is: *questing*.

•Subscribers can obtain free online chart updates for all gold shs in *GCRU* via: www.bigcharts.com. To view Canadian stks the following prefix must be used before the symbol: CA: (ie, to view Agnico Eagle (Toronto) you must use CA:AEM).

•**Note:** U should NOT feel our recommended prices are set in concrete. If mkts suddenly feel hot or cold to U, or dramatic news occurs, U can buy or sell, or stop at slightly higher or slightly lower prices. It also hinges on your experience level. Some people can use our prices as guides & know when they can take bigger risks.

Spinner: Spinner is an in-house momentum indicator (not always shown on charts). Momentum indicators use the rate of change in price to determine predominant energy flows. Spinner trading signals are generated when the faster (red) timing line crosses above or below the slower (blue) confirming line. Upside crosses in the lower range of positive territory offer the most reliable signals for longs; downside crosses in the top range of negative territory for shorts. Avoid trading against the timing line, ie, buying/selling if the timing line is in corrective mode (against direction of trade) unless the confirming line is positioning for a new 'confirming cycle'. It's important to always be aware of location, direction & cycling phase of the confirming line. Spinner signals are more effective in trending mkt's than in trading ranges where indicators such as Stochastics & Williams %R should be used.

•**A**ustralian mkts are 1 day ahead of US time.

•All charts created with *TradeStation* by Omega Research 2000.

Gold (& mkts) Charts R Us is published weekly. You may sign up for 3-mos at €213 ($316), 6-mos at €416 ($618), 9-mos at €608 ($903) or 12-mos €789 ($1,172).

E-mail: info@hsletter.com

- DISCLAIMER -

Due to the electronic nature of e-mails, there is a risk that the information contained in this message has been modified. Consequently *HSL, HSL Jr* or *Gold (& mkts) Charts R Us* can accept no responsibility or liability as to the completeness or accuracy of the information. Whilst efforts are made to safeguard messages and attachments, *HSL*, *HSL Jr* or *Gold (& mkts) Charts R Us* cannot guarantee that messages or attachments are virus free, do not contain malicious code or are compatible with your electronic systems and does not accept liability in respect of viruses, malicious code or any related problems that you may experience. Information in *HSL*, *HSL Jr* or *Gold (& mkts) Charts R Us* is for general information only & is not intended to be relied upon by individual readers in making specific investment decisions. Appropriate independent advice should be obtained before making any such decisions. *HSL*, *HSL Jr* or *Gold (& mkts) Charts R Us* do not guarantee or assure that readers will make money, or accept liability for any loss suffered by readers as a result of any such decision. Futures and share trading involves risk and is not for all investors. Past performance is NOT indicative of future results. Trading involves risk and should be pursued with risk capital only!