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-Gold (& mkts) Charts R Us-

Welcome to *GCRU* #382 on January 13, 2010 (in its 8th year).

--TRADING SUMMARY – Last Friday's dismal US payroll figures severely dented the alleged resilience of recent US$ strength, which, as we have warned, is nothing more than a carry-trade short-covering squeeze cum 'dead-rat' bounce. In tune with last week's technical outlook, gold bullion dipped to complete the right shoulder of a bullish reverse H&S, which was validated Monday via a break above the $1144.00 neckline resistance (basis April futures) -- before being *slammed* in Tuesday's market via a Anti-Gold Cabal selling attack ☹. If the bears prevail, a determined break below bullion's Aug uptrend line (now $1100.00) & nearby Dec lows would open the downside for a re-test of more significant $993.00-1032.50 under-market support (basis April). Conversely, if the bears are overthrown, bullion's R/H&S offers a *theoretical* $1213.25 interim profit-taking/sell target, at which point logical chart behavior suggests bullion would hesitate briefly to 'recharge' before any significant incursion into new record territory. •••• Bullish Consensus list gold at 81 (up 3 from 2-wks ago). The US$ at 43 (down 2). B/C say gold's outlook is: "Bearish/neutral today, neutral/bullish thereafter." •••• Bullishly, several top Relative/Strength gold shares have rallied to new highs on rising volume (notably JAG-T & RBI-T ☺), which foretells higher prices ahead -- as does a jagged 22-month reverse H&S base development in the weekly HUI Gold Bugs index, with an 480 neckline area & 800 theoretical upside target! •••• *Spinner* lines continue to improve with base action in (blue) confirming lines taking hold in both the weekly & daily charts. •••• For those wishing to refresh or further their understanding of technical analysis, we again recommend U read the chartist "bible:" *Technical Analysis of Stock Trends*, by Robert D Edwards & John Magee. This book can be purchased via Amazon.com. •••• Gold is up $5.60 in Europe this AM. The US$-Index down 30 cents. •••• We're adding a silver stock this week at members' request; Silver Wheaton (NYSE: SLW; TSX: SLW). •••• Per today's password -- *climbing* -- bullion & the gold shares are *gradually* rising, albeit via a thorny saw-tooth march. Bullion's late sell off on Tuesday appears to be stabilizing in Europe this AM, but will require more time to build an obvious & reliable reaction low. So, continue to trade with a ***shorterm*** outlook, happy to "scalp" a few points, & *not* (yet) looking to position in new trends. Newcomers &/or those who plan to get 1/3 of their assets into gold & haven't yet done so, should buy some anticipation longs at today's pullback prices just in case lower lows

don't materialize. •••• A warily gold bullish goodbye from ***Uncle Harry*** & Paul. •••• If it's Wednesday, it's *Gold (& Mkts) Charts R Us.*

PS: Apologies for todays late posting due to computer/technical problems ☹.

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).
Bot = bought.
CAD$ = Canadian dollar.
H&S= Head & Shoulder.
L/O/C= Line On Close.
L/T = Long Term.
M/T = Medium Term.
N/L = neckline.
P/F = Portfolio.
P/O = Price Objective.
Recom = Recommended.
R/H&S = Reverse Head & Shoulder.
R/S = Relative Strength.
S/T = Shorterm.
Sym/tri = symmetrical triangle.
Tgt = Target.
Unch = unchanged.
Vol = Volume.
Wk = week.
Ystdy = yesterday.

GOLD

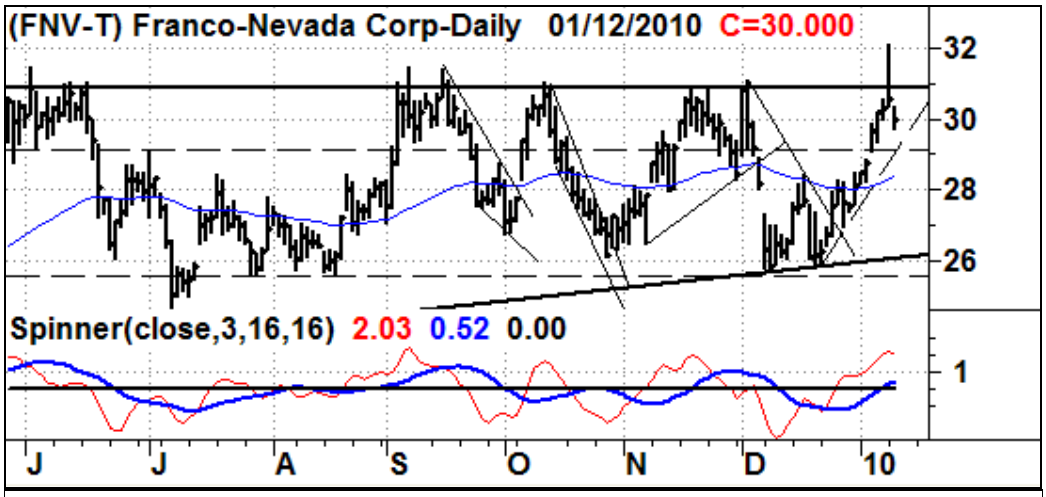
Comex gold <u>Feb</u> futures – <u>daily</u> – 6 month view

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

Comex gold April 2010 futures Cx - 480-min tick chart (all sessions):		
Open trades:	**Long at:**	Exited short sales via 1142.50 stoploss ☹. Traders then bought Feb at 1151.40.
	Stop:	Basis Feb: 1094.50-stop. Basis April: S/T: 1105.50-stop (if buy on upside breakout). M/T: 1-dc below 1082.50.
	Profit targets:	Basis Feb: 1192.80 &/or 1224.90. Basis April: 1213.25 &/or 1246.50 &/or 1280.50 &/or 1313.00.
New Recom:	All buy April after 1-dc over 1159.10; stop: 1105.50-stop. Or, hedgers sell short April after 1-dc below 1082.50; stop: 1112.75-stop; cover ½ at 1012.75 &/or tight trail stop downside.	
Comment:	Tuesday's aggressive setback destabilizes but doesn't yet void bullions Dec-Jan reverse H&S base, with $1213.25 upside measured target. Spinner in strengthening base mode (see daily chart). March 2008-Oct 2009 reverse H&S; $1,313 upside target. Requires a high volume close above $1159.10 to get back on track.	

GOLD SHARES

Eldorado Gold (Toronto: ELD-T; NYSE: EGO); gold: CAD$:		
Open trades:	**Long at:**	Initial entry price: 13.30 (Nov-05-09). Traders re-bought at 15.48.
	Stop:	S/T: 1-dc below 12.80. M/T: 2-dc below 12.80.
	Profit targets:	16.70 &/or 17.50 &/or 18.25.
New Recom:	If out, spec buy if dips to 14.65; stop: 1-dc below 12.80. And/or buy after 1-dc over 15.60.	
Comment:	Dec peak sym/triangle; 16.70 initial upside target. Spinner backfilling in mid zone of positive territory; hints price may dip to re-test Oct uptrend line support. Good R/S. Progressing.	



Franco-Nevada (Toronto: FNV-T); gold/platinum/oil/gas: CAD$:

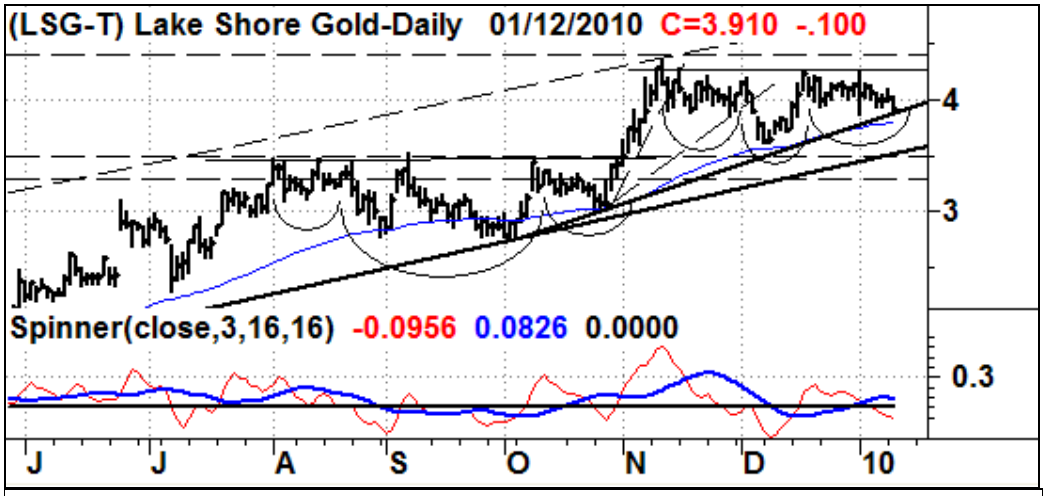
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 30.99 (Sept-16-09). Traders re-bought at 29.16. S/T: 1-dc below 25.50. M/T: 2-dc below 25.50. 35.60 &/or 38.50 &/or 41.40.
New Recom:	If out, spec buy if dips to 29.10; stop: 1-dc below 25.50. All buy again big after 1-dc (must be decisive) over 31.00.	
Comment:	Fleeting test stab above top resistance of 1-year bullish flat top triangle; 38.50 upside target. Spinner (thick) confirming line in new positive cycle above zero line. Another dummy run, or?	

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 at 16.93. S/T: 1-dc 13.70. M/T: 2-dc below 12.70. 18.90 &/or 21.00 &/or 23.40.
New Recom:	If, out, spec buy if dips to 15.75; stop: 1-dc below 13.70. All buy again after 1-dc over 17.10.	
Comment:	Dec peak bull wedge (21.00 target) bolstered via 3½-week flat top triangle & upside breakout. Spinner in growing base/bull mode. Possible 5-week reverse H&S pattern. Seemingly on the mend.	

Jaguar Mining (Canada: JAG-T; NYSE: JAG); gold: CAD$:

Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 8.65 (May-20-09). Traders re-bought at 12.41 & 13.68. S/T: 1-dc below 10.70. M/T: 2-dc below 9.60. 14.75 &/or 16.15 &/or 17.50. Some took profit at 13.40 ☺.
New Recom:	If out, spec buy at mkt & if dips to 12.65 & 12.20; stop: 1-dc below 10.70. And/or buy after 1-dc over 13.68.	
Comment:	Surge break above Sept-Jan cup&handle; 17.50 potential upside target. Spinner (thick) confirming line in new positive rotation above zero line. Best shorterm potential.	

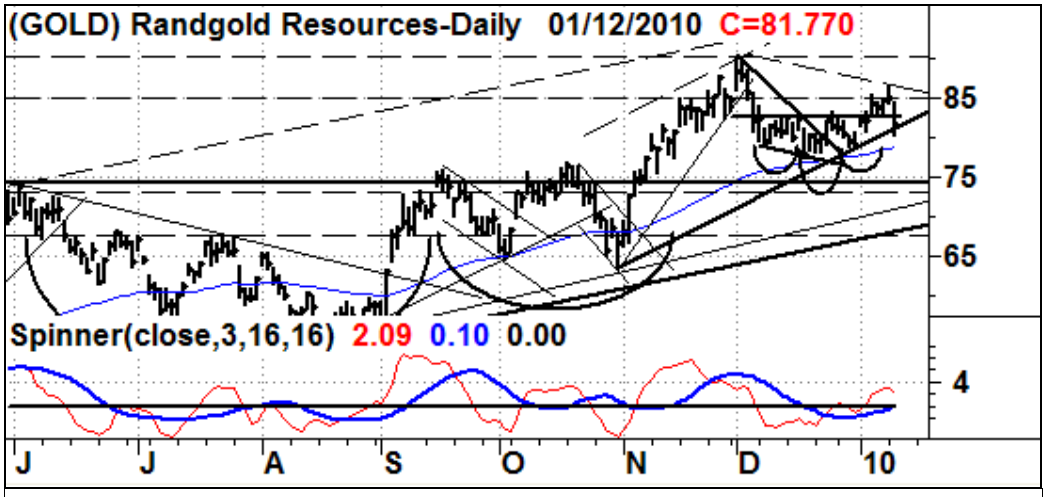


Lake Shore Gold (Canada: LSG-T); gold: CAD$:

Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 3.50 (Nov-02-09) S/T: 1-dc below 3.48. M/T: 2-dc below 3.28. 4.38 &/or 4.90 &/or 5.35.
New Recom:	If out, gamblers nibble buy at mkt; stop: 1-dc below 3.48. All buy again big after 1-dc over 4.23.	
Comment:	Extending right shoulder of Nov-Jan reverse H&S; 4.90 upside target. Spinner in crosscurrent mode with (thick) confirming line rolling over to neutral. Need quick break above 4.23 to bolster.	

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

Open trades:	**Long at:**	Initial entry price: 5.90 (May-13-09). Traders re-bought at 8.57 & 8.30.
	Stop:	S/T: 1-dc below 7.45. M/T: 2-dc below 7.45.
	Profit targets:	9.10 &/or 9.75 &/or 10.50 &/or 11.20 &/or 12.45.
New Recom:	If out, gamblers nibble buy at mkt; stop: 1-dc below 7.45. All buy again big after 1-dc over 9.15.	
Comment:	Expanding hesitant Sept-Jan cup&handle pattern; 12.45 theoretical upside target. Spinner vacillating in lower zone of positive territory with little upside in price needed to trigger a major bull cue. A breach of 9.15 is the next barrier for aggressive buying.	

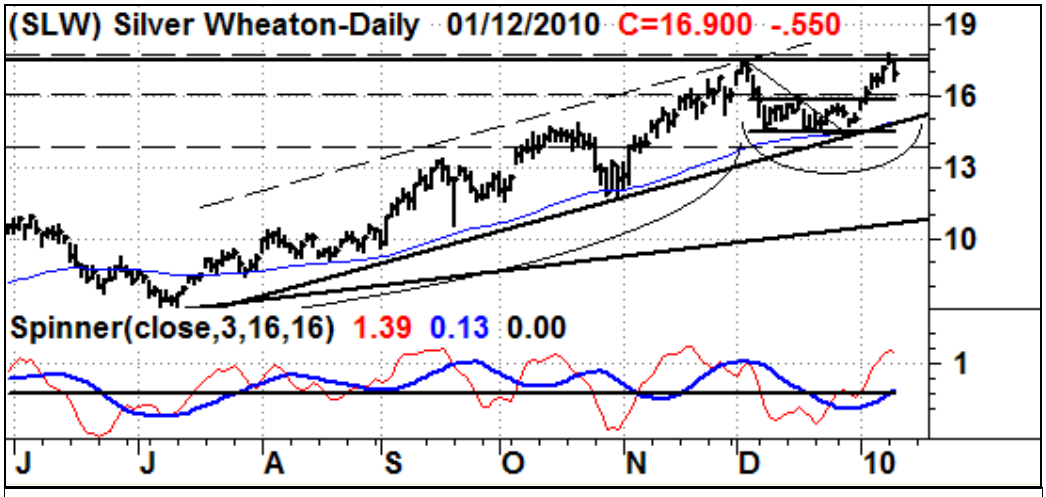


Randgold Resources (Nasdaq: GOLD; LSE: RRS); gold: US$:

Open trades:	**Long at:**	Initial entry price: 40.24 (Dec-10-08). Traders re-bought at 84.32.
	Stop:	S/T: 1-dc below 72.80. M/T: 2-dc below 67.60.
	Profit targets:	90.30 &/or 96.30 &/or 103.90.
New Recom:	If out, gamblers buy at mkt; stop: 1-dc below 72.80. All buy again after 1-dc over 85.00.	
Comment:	June-Nov cup&handle base; 96.30 target. Price setback to test Oct uptrend line & top support of 4½-week R/H&S. Temp hiccup, or?	

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 16.80. S/T: 1-dc below 13.90. M/T: 2-dc below 12.90. 18.90 &/or 20.20. Some took profit at 17.70 ☺.
New Recom:	If out, spec buy if dips to 16.75 & 16.05; stop: 1-dc below 13.90. And/or buy after 1-dc over 18.15.	
Comment:	Reinforced break above Nov-Jan consolidation range. Spinner (thin) timing line easing at recent overbought extremes; gives tip for mini setback in price. Volume+. Aggressive buy on dips.	



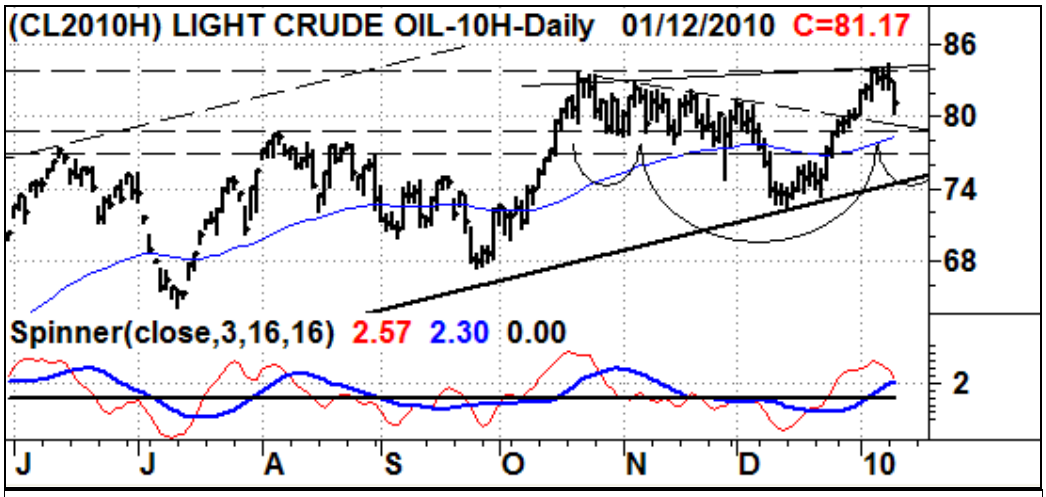
Silver Wheaton (NYSE: SLW; Toronto: SLW); gold: US$:

Open trades:	**Long at:** **Stop:** **Profit targets:**	Traders not in yet. 1-dc below 13.80. 19.90 (if buy low) &/or 21.70 &/or 23.50.
New Recom:	Spec buy if dips to 16.05; stop: 1-dc below 13.80. And/or buy after 1-dc over 17.60.	
Comment:	4-week consolidation & surge upside breakout. Spinner shorterm overbought; hints at short-lived price dip only. Expanding possible right shoulder of 2-year reverse H&S base.	

FUTURES

Coffee <u>Mar</u> 2010 futures – <u>daily</u> chart:

Open trades:	**Long at:** **Stop:** **Profit targets:**	Traders not in yet. Exit, or sell ½ at 136.80-stop, ½ after 1-dc below 136.80. 155.90 &/or 162.60 &/or 169.30 &/or 176.50.
New Recom:	Buy Mar after 1-dc over 149.40 (gamblers buy bit at 149.40-stop); stop: exit, or sell ½ at 136.80-stop, ½ after 1-dc below 136.80.	
Comment:	Rising to expand (complete?) possible June-Jan cup&handle base; 176.50 upside measured target. Spinner in positive cross with (thick) confirming line rounding out to neutral. Loading mode.	

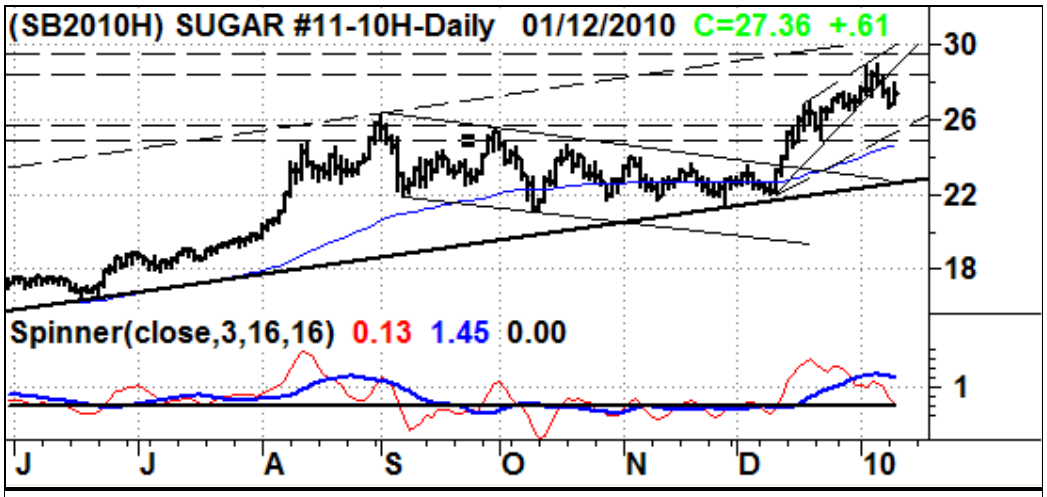


Crude Oil NY Mar 2010 futures – daily chart:

Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 73.60 (Dec-16-09). Traders re-bought Feb at 83.18. Basis Feb: 77.20-stop. Basis Mar: 76.80-stop. Basis Feb: 86.90. Basis Mar: 87.75 &/or 90.80 &/or 93.90.
New Recom:	If out, gamblers only buy Mar at mkt & if dips to 79.30 (mini Cx); stop: 76.80-stop. And/or buy Mar after 1-dc over 83.80; stop: 78.75-stop.	
Comment:	Spinner mixed. May build right shoulder of Oct-Jan reverse 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 1132.00. ST: 1099.00-stop. 1167.90 &/or 1194.80 &/or 1224.30. Some took profit at 1143.90 ☺.
New Recom:	If out, spec buy Mar at mkt (mini Cx only); stop: 1099.00-stop. Buy more after 1-dc over 1142.50. Or, sell short Mar after 1-dc below 1099.00; stop: 1126.50-stop; take ½ profit at 1053.50.	
Comment:	Continued strength above Nov-Dec resistance. Spinner a weary bull. Bank, or lock-in gains via tight trailing profit stops. Tenuous.	



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: 24.80-stop. M/T: 1-dc below 24.80. 29.40 &/or 30.90 &/or 32.50.
New Recom:	If out, wait to buy Mar after a reaction low that clearly holds on or above 25.60; exit, or sell ½ at 24.80-stop, ½ after 1-dc below 24.80. And/or nibble buy after 1-dc over 28.40; stop: 26.20-stop.	
Comment:	Dec bear wedge & breakdown. Spinner (thick) confirming line rolling over to negative; increases chances for a significant corrective decline. Needs more time to develop/confirm.	

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 77.94. 1-dc below 76.60. 79.40 &/or 80.60 &/or 81.80.
New Recom:	If out, buy Mar after 1-dc over 78.60. Sell, or sell short Mar bit after 1-dc below 76.60; stop: 1-dc over 78.60.	
Comment:	Extending frail bull flag from Dec high. Spinner (thick) confirming line in negative downturn. Nearing logical downside limits <u>if</u> *shorterm* higher highs to develop. Under pressure.	

Jan-13-10

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, spec buy if dips to 14.65; stop: 1-dc below 12.80. And/or buy after 1-dc over 15.60.	L	Nov-05-09	13.30	15.48	15.18	1-dc U/12.80 2-dc U/12.80	16.70	17.50	18.25
Franco Nevada	FNV-T	If out, spec buy if dips to 29.10; stop: 1-dc below 25.50. All buy again big after 1-dc (must be decisive) over 31.00.	L	Sep-16-09	30.99	29.16	30.00	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 44.00; stop: 1-dc below 38.90.	L	Nov-05-08	25.00	43.80	42.54	1-dc U/38.90 2-dc U/38.90	50.40	52.90	55.90
Iamgold Corp	IAG	If, out, spec buy if dips to 15.75; stop: 1-dc below 13.70. All buy again after 1-dc over 17.10.	L	Nov-26-08	4.25	16.93	16.41	1-dc U/13.70 2-dc U/12.70	18.90	21.00	23.40
Jaguar Mining	JAG-T	If out, spec buy at mkt & if dips to 12.65 & 12.20; stop: 1-dc below 10.70. And/or buy after 1-dc over 13.68.	L	May-20-09	8.65	12.41 13.68	13.29	1-dc U/10.70 2-dc U/9.60	Hit at 13.40 ☺	14.75	16.15
Kirkland Lake Gold	KGI-T	If out, spec buy after 1-dc over 9.30; stop: 1-dc below 7.80. All buy again big after 1-dc over 10.80.	L	Dec-09-09	9.56		8.55	1-dc U/7.80 2-dc U/7.20	13.80	15.50	17.25
Lake Shore Gold	LSG-T	If out, gamblers nibble buy at mkt; stop: 1-dc below 3.48. All buy again big after 1-dc over 4.23.	L	Nov-02-09	3.50		3.91	1-dc U/3.48 2-dc U/3.28	4.38	4.90	5.35

Jan-13-10

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											
Osisko Mining	OSK-T	If out, gamblers nibble buy at mkt; stop: 1-dc below 7.45. All buy again big after 1-dc over 9.15.	L	May-13-09	5.90	8.57 8.30	8.25	1-dc U/7.45 2-dc U/7.45	9.10	9.75	10.50
Randgold Res.	GOLD	If out, gamblers buy at mkt; stop: 1-dc below 72.80. All buy again after 1-dc over 85.00.	L	Dec-10-08	40.24	84.32	81.77	1-dc U/72.80 2-dc U/67.60	90.30	96.80	103.90
Red Back Mng	RBI-T	If out, spec buy if dips to 16.75 & 16.05; stop: 1-dc below 13.90. And/or buy after 1-dc over 18.15.	L	Dec-11-08	6.76	16.80	17.50	1-dc U/13.90 2-dc U/12.90	Hit at 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		48.44	1-dc U/42.60 2-dc U/42.60	55.18	57.80	64.40
Silver Wheaton	SLW	Spec buy if dips to 16.05; stop: 1-dc below 13.80. And/or buy after 1-dc over 17.60.					16.90	1-dc U/13.80	19.90 (if buy low)	21.70	23.50
Futures											
Coffee	KC H0	Buy Mar after 1-dc over 149.40 (gamblers buy bit at 149.40-stop); stop: exit, or sell ½ at 136.80-stop, ½ after 1-dc below 136.80.					143.10	136.80-stop 1-dc U/136.80 (Basis Mar)	155.90	162.60	169.30

Jan-13-10

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											
Corn	C H0	Traders exited or lightened up via 386.25-stop stoploss ☹ (in overnight electronic trading). If still long exit at mkt &/or on any rebound towards 395.00. No new trade recommendation.									
Cotton	CTH0	Traders banked full profits at mkt ☺. Wait to re-buy Mar after next reaction low &/or spec buy after 1-dc over 76.50; stop: 72.80-stop.					72.79	72.80-stop (Basis Mar)	81.20	84.40	
Crude oil	CLH0	If out, gamblers only buy Mar at mkt & if dips to 79.30 (mini Cx); stop: 76.80-stop. And/or buy Mar after 1-dc over 83.80; stop: 78.75-stop.	L	Dec-16-09	73.60	83.18	81.17	76.80-stop (Basis Mar) 77.20-stop (Basis Feb)	87.75 (Basis Mar) 86.90 (Feb)	90.80 (Basis Mar)	(93.90) (Basis Mar)
Gold	GCJ0	Exited short sales via 1142.50 stoploss ☹. Traders then bought Feb at 1151.40. All buy April after 1-dc over 1159.10; stop: 1105.50-stop. Or, hedgers sell short April after 1-dc below 1082.50; stop: 1112.75-stop; cover ½ at 1012.75 &/or tight trail stop downside.	L	Jan-11-10	1151.40		1130.80	1105.50-stop (if buy April on upside breakout) 1094.50-stop (Basis Feb)	1213.25 (Basis April) 1192.80 (Basis Feb)	1246.50 (Basis April) 1224.90 (Basis Feb)	1280.50 (Basis April)

Jan-13-10

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											
Soybeans	S H0	Prior trade recommendation cancelled.									
S&P500	SPH0	If out, spec buy Mar at mkt (mini Cx only); stop: 1099.00-stop. Buy more after 1-dc over 1142.50. Or, sell short Mar after 1-dc below 1099.00; stop: 1126.50-stop; take ½ profit at 1053.50.	L	Dec-14-09	1108.60	1132.00	1133.90	1099.00-stop (Basis Mar)	Hit at 1143.90 ☺	1167.90	1194.80
Sugar	SBH0	If out, wait to buy Mar after a reaction low that clearly holds on or above 25.60; exit, or sell ½ at 24.80-stop, ½ after 1-dc below 24.80. And/or nibble buy after 1-dc over 28.40; stop: 26.20-stop.	L	Dec-16-09	24.96		27.36	24.80-stop 1-dc U/24.80 (Basis Mar)	29.40	30.90	32.50
US$-Index	DXH0	If out, buy Mar after 1-dc over 78.60. Sell, or sell short Mar bit after 1-dc below 76.60; stop: 1-dc over 78.60.	L	Dec-08-09	76.63	77.94	77.12	1-dc U/76.60 (Basis Mar)	79.40	80.60	81.80

EDITORIAL SECTION – •••• **Your legal right to redeem your Money Market account has been denied**! The primary purpose of Money Markets is to provide virtually instantaneous access to a portfolio of practically risk-free investment alternatives, pens Tyler Durden at *ZeroHedge.com*. "**A typical investor in a Money Market seeks minute investment risk, no volatility, and <u>instantaneous</u> *liquidity, or redeemability***. Yet new regulations proposed by the administration, and specifically by the ever-incompetent Securities and Exchange Commission, seek to pull one of these core pillars from the foundation of the entire Money Market industry, by changing the primary assumptions of the key Money Market Rule 2a-7. A key proposal in the overhaul of Money Market regulation suggests that Money Market fund managers will have the option to '**<u>suspend redemptions</u> to allow for the orderly liquidation of fund assets**'." Noting that Money Market funds account for nearly 40% of all investment company assets, TD rightly fears "The next time there is a market crash, and you try to withdraw what you thought was 'absolutely' safe money, a back office person will get back to you saying, '**Sorry - your money is now frozen. Bank runs have become illegal**.' This is precisely the regulation now proposed by the administration. In essence, the entire US capital market is now a hedge fund, where even presumably the safest investment tranche can be locked out from within your control when the ubiquitous 'extraordinary circumstances' arise." Benny the Bug is shutting the exits. Anticipating disruption or possible bank runs in the supposedly risk-free $3.3 trillion money market industry, govt is changing the rules to disburden their obligations. *HSL & GCRU* urged U to get out of MM funds long ago. •••• **US public pensions face a $2,000 billion deficit**. "The US public pension system faces a higher-than-expected shortfall of more than $2,000 billion that will increase pressure on many states' strained finances [think technically bankrupt] and crimp economic growth," Orin Kramer, chairman of the New Jersey's pension fund told the *Financial Times*. "State and local govts are correctly perceived to be in <u>serious</u> difficulty. If you factor in the reality of these unfunded promises, their deficits will rise exponentially." Many more "Ponzi" schemes cum financial corpses are waiting to be uncovered by the financial meltdown, and when their trickery & deception are exposed, all hell will break loose. •••• **Bad news for the stock market: retail investors are flooding back**. Retail investors are continuing to pile into equities at record levels according to new figures from the UK *Investment Management Association*. "In November, they bought a net £2.4 billion of unit trusts and OEICs, putting inflows on course to reach record levels for 2009 as a whole, easily surpassing the previous all time high of £17.7 billion achieved in 2000 [just prior to the dotcom crash], reports the UK *Telegraph*. "The reason this could be interpreted as bad news for the stock market is that retail investors are invariably late to the party. When the

private investor starts, lemming-like, piling into equities you basically know it's all over." Today's markets are controlled by invisible hands that are not serving the interests of private investors. Having pumped stocks up to unfounded levels with taxpayer funds, it looks like the same fat cat manipulators may soon be ready to sell. Conveniently for govt, with a supposed end to Quantitative Easing in sight, a stock market sell off would drive funds into the bond market at a moment of *great* need. •••• **Billions and billions**: The next time you hear a politician use the word 'billion' in a casual manner, think about whether you want the 'politicians' spending your tax money. A billion is a difficult number to comprehend, but one advertising agency did a good job of putting that figure into some perspective in one of its releases. A). A billion seconds ago it was 1959. B). A billion minutes ago, the year was 1 A.D. & Christ was a babe. C). **A billion dollars ago was only 8 hours and 20 minutes ago, at the rate the US govt is spending it**. (Anon). •••• **Who soaked up the US Treasury auctions**? "Foreign investors, US households and the Federal Reserve are the most aggressive purchasers of Treasury debt in recent quarters," notes Rob Parenteau of the *Richebacher Letter*. "Most of the purchases of US Treasuries came from **foreign** official investors, namely foreign Central Banks. During the year ending in Q3 2009, the US current account deficit shrank to $465 billion. That represents $465 billion of foreign net saving that could be used to purchase US assets, yet we find **foreign central banks purchased $546 billion in Treasuries, which means they absorbed nearly a *third* of the net issuance**. We believe this increased foreign exposure to Treasuries in part reflects a recycling of proceeds from sales of agency and govt-sponsored enterprises (GSEs) to the Fed. As the Fed purchased $809 billion of agency and GSE debt (on a trailing four-quarter average) through 2009 Q3, $282 billion of that total was acquired from foreign investors, of which $197 billion was bought off the balance sheet of foreign Central Banks. In other words, **over a third of foreign Central Bank Treasury purchases are likely to have been financed with dollars that the Fed provided**. Remove the Fed from the picture, as is currently planned by the end of Q1 2010, and placing all the new Treasury issuance in 2010 may not be such a cakewalk as it appeared to be in 2009." This isn't news to us, but the more the Fed's dirty tricks are exposed, the more difficulty they will have holding things together. •••• **US state tax revenue drops the most since 1963**. "US state tax collections fell the most in 46 years in the first three quarters of 2009 as the recession shrank revenue from sources including personal income," the *Nelson A. Rockefeller Institute of Government* said. "2010 is going to be very difficult for the US states and the *next* year is likely to be significantly worse." Conclusion: punitive tax hikes to offset falling revenues will further stifle investment & economic growth. •••• **GLD default looming**. "*In an open manner, no longer hidden*

from view, the COMEX is settling gold long futures contracts with Street Tracks GLD shares. Investors in GLD shares should be horrified at shareholder contamination," opines Jim Willie of GoldenJackass.com. "Clearly, the COMEX does not have much gold bullion, yet it operates formally as an exchange to sell gold, and to create a market for gold price discovery. ***Some appropriately call this new redemption development a silent COMEX default, and correctly so. It is the early chapter of a COMEX default****.*" In time, continues JW, "*The Street Tracks GLD (run by State Street, with JP Morgan as custodian) will be exposed as totally corrupt. They are using GLD shares openly now to cover COMEX short futures contracts. They are likely providing GLD bullion to London to satisfy futures contract delivery demands. Evidence painted a picture after London gold delivery stresses occurred at the same time as vast deletions from the GLD bar list. Eventually my expectation is for* ***GLD shares to sell at a 40% discount to the gold price as the lack of gold inventory is revealed****. Then later, after lawsuits, the GLD might easily sell at an 80% discount. Finally the climax could be prosecution for fraud and investors will be given 20 or 40 cents per dollar versus gold. The trouble for hapless unsuspecting investors is they did not read the prospectus, which permits such misuse of GLD shares*." The extent of gold derivative abuse will become reality via an "explosion." If U have placed your faith & funds in potentially hazardous schemes such as GLD, you are playing financial Russian roulette. •••• US regulators seized Horizon Bank last Friday, making it the first FDIC insured institution to fail this year. •••• **Britain faces new debt crisis as Pimco jumps ship**. Fears that Gordon Brown has left Britain on the brink of -bankruptcy intensified last week as investors withdrew from backing the Treasury's soaring debt, according to the UK's *Daily Express*. "US-based investment group Pimco, one of the world's leading bond houses, said it will sell its UK govt gilts this year. It will be a hammer blow to the Treasury's attempt to raise up to £200 billion of govt borrowing amid the deficit crisis. Experts fear the debt will damage Britain's international credit rating, leading to concerns that investors will simply not be prepared to risk putting money into shoring up the govt. It could mean the country effectively going bankrupt, with the govt being forced to plead for aid from the International Monetary Fund." As we've explained, the UK can circumvent a formal default by ramping up the printing presses to whittle its debt away via currency devaluation. The biggest risk comes from the countries that don't have control over the printing presses (eg: Greece, Italy, Portugal, Ireland, Spain, etc). •••• "When politics are used to allocate resources, the resources all end up being allocated to politics" ~ PJ O'Rourke. •••• **401k/IRA screw job coming**? The US Treasury and Labor Departments are seeking ways to promote the *conversion* of 401(k) savings and Individual Retirement Accounts into annuities or other steady payment streams, according to

Assistant Labor Secretary Phyllis C. Borzi and Deputy Assistant Treasury Secretary Mark Iwry, who are spearheading the effort. Commenting on the above news, Karl Denninger of The Market-Ticker says: "Let me tell you what this is - it is an attempt to prevent the *collapse* of the Treasury market! Forcing people into Treasuries as an 'annuity' is exactly what Social Security allegedly is. Except that Treasury stole the money that was collected in FICA (Federal Insurance Contributions Act) taxes and spent it! They'll do that here too – you're going to 'invest' in Treasuries which of course are effectively a CALL option on the future *taxing ability* of the govt. I have no quarrel with the govt mandating that you have a choice in your IRA or 401k account to buy short-duration Treasuries - much like the 'G' fund that government and civil-service workers have. But - '**choices**' **have a funny way of turning into mandates, and this looks to me like a raw admission that Treasury knows it will not be able to sell its debt in the open market - so they will effectively tax you by forcing your 'retirement' money to buy them**!" Karl notes the associated risk of this strategy is that govt may "Promote or simply not stand in the way of another stock market crash as a means of '***herding'*** your money into Treasuries - so they can blow it - all under the guise of being allegedly 'safe'." A potential 401-K fund grab offers a stark warning of what may happen as all govts struggle to meet their liabilities. The monetary system is so broken and the stakes so high that **any** action will be considered justifiable when used to plug ever-widening debt gaps.

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

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