# Welcome
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# -Gold (& mkts) Charts R Us-

***Welcome*** to *GCRU* #383 on January 20, 2010 (in its 8th year).

**--TRADING SUMMARY –** •••• Gold bullion is bloodied but unbowed, with last Tuesday's selling attack, & subsequent bursts of heavy selling during New York trading repeatedly countered in the Int'l markets, as physical buyers slowly adapt to recent record gold prices. As we've seen many times before, major players (including a growing number of Central Banks that now have good reasons to *defend* gold) appear to have drawn battle lines in the sand, with the bears defending the $1148.50-1,160 level, while the bulls are camped in the $1087.50-1,100 area. Within this battle zone a secondary combat line is defined by the $1,119.80 neckline of a mini 10-day H&S top, which, if breached to the downside, would likely trigger a re-test of recent Dec $1076.50 lows. So, watch this level carefully, ready to exit, lighten up &/or open new hedge/short sale positions. •••• A lot of the commotion in the gold markets is linked to the US$, which rebounded sharply off the 50% Fibonacci retracement level of its Nov rally-leg, but has yet to rise above Dec downtrend line resistance (now 78.30) to reassert any *shorterm* bullish intentions. If the $ slips below $76.60 (basis the March $-Index) we'll exit our longs, & do some preemptive short selling, with much more on a slide below $74.50. •••• Silver, which has yet to revisit its March 2008 high, looks set to play catch-up via a 22-month bullish reverse H&S pattern in the weekly chart. A dynamic close over 19.35 is required to open a potential catapult move towards the 28.00 *theoretical* upside target (basis March futures – L/O/C). •••• A survey of analysts confirms the incentives to buy precious metals remain high. The consensus price of 2010 gold is $1,225/oz, up 26% from $972 in 2009, while silver is seen rising 15% to $16.90/oz from $14.70. Don't neglect palladium in your trading portfolio, which is projected to reap the biggest gains this year, rising 40% to $370/troy ounce from $264 in 2009. Likewise, platinum is expected to average $1,442/oz, a 20% gain from $1,200 in 2009. Some palladium & platinum stocks to monitor & buy on dips include, Anglo Platinum (SoAfr: AMS), Impala Platinum (So.Afr: IMP; NQB (Adr): IMPUY), Lonmin (So.Afr: LON; London: LMI), Stillwater Mining (NYSE: SWC), North American Palladium (AMEX: PAL, Toronto: PDL). •••• Worryingly for the gold shares (which would suffer in the initial stages of a stock market sell off) the S&P is trailing lower support of a bearish rising wedge (drawn from the Oct 2009 high), which, via its converging trend lines typifies a market that is growing progressively weaker in a technical sense (ie, fading interest/buying power). The expected conclusion to rising wedges, which

are characteristic of bear market rallies, is a break down. However, short sellers beware, as rising wedges occasionally peter out via sideways consolidations before moving directly to new highs. And such an outcome may serve Wall Street interests more than a typical & potentially unchecked retracement of all of the ground gained within the wedge itself (ie, down towards 1021 basis March S&P futures). •••• The A-$ & Cad-$ show impressive *Relative Strength* in the face of the US$ rebound, which underpins our strategy to play the commodity/reflation trade. IE, both Oz & Cad are major exporters of raw materials & precious metals, & their currency valuations have, & are expected to maintain a high correlation with rising commodity prices. Both the A-$ & Cad-$ are verging on upside chart breakouts & would become buys after 1-day closes over 93.00 & 98.00 respectively (basis March futures). For those who don't have access to the futures/forex markets, non-leveraged A-$ & Cad-$ trades can be made via forex ETFs such as FXA & FXC. •••• Bullish Consensus list gold at 82 (up 1 from last week). The US$ at 46 (up 3). B/C say gold: "Signals are neutral/bullish today & for the intermediate trend." •••• Gold is down $9.00 in early European trading. The US$-Index is up 44 cents. A weak start to the day. •••• Today's password – *nervestest* – sums up the situation as usual. IE, faltering strength in gold bullion, the stock market, & many of the big cap gold shares hints at evaporating confidence & risks pulling down the top R/S gold shares, but technically it's too early to throw in the towel. So we must wait, & sweat it out in anticipation that a generalized bottoming, turn-around process will emerge to provide a better footing for the gold sector as a whole. Toppy action in *Spinner* (thick) confirming lines warns against buying short-term dip action, so this week it would be prudent to buy on upside breakouts only – not yet going overboard just in case a stock market decline shuts the door on a *shorterm* bull trap. Most of all don't go stopless in today's gold market, as we are at/close to major support levels, below which sharp slides could follow. •••• Good luck to us all. Fond regards from ***Uncle Harry*** & Paul. •••• If it's Wednesday, it's *Gold (& Mkts) Charts R Us.*

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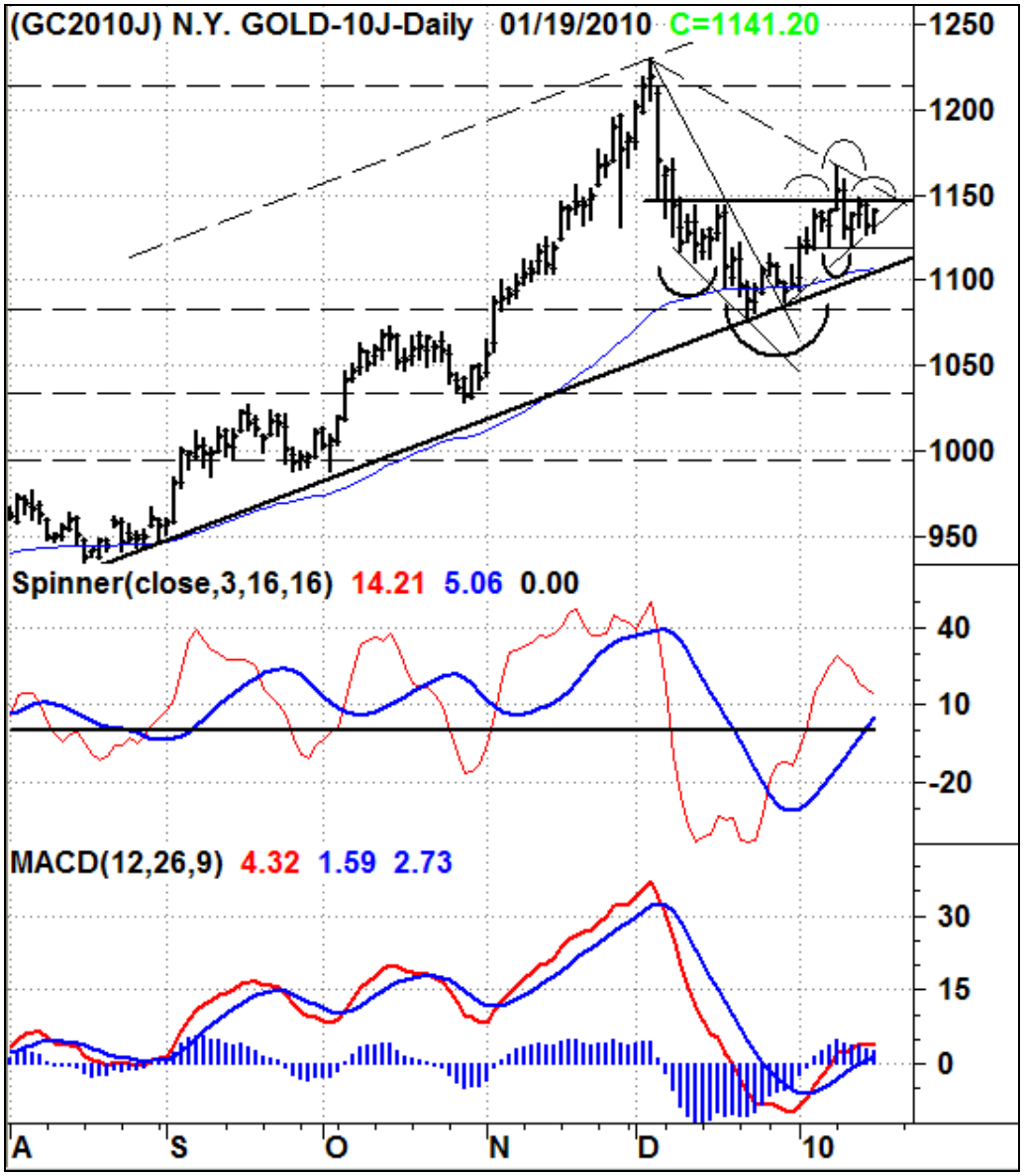
## ••Our Abbreviations:

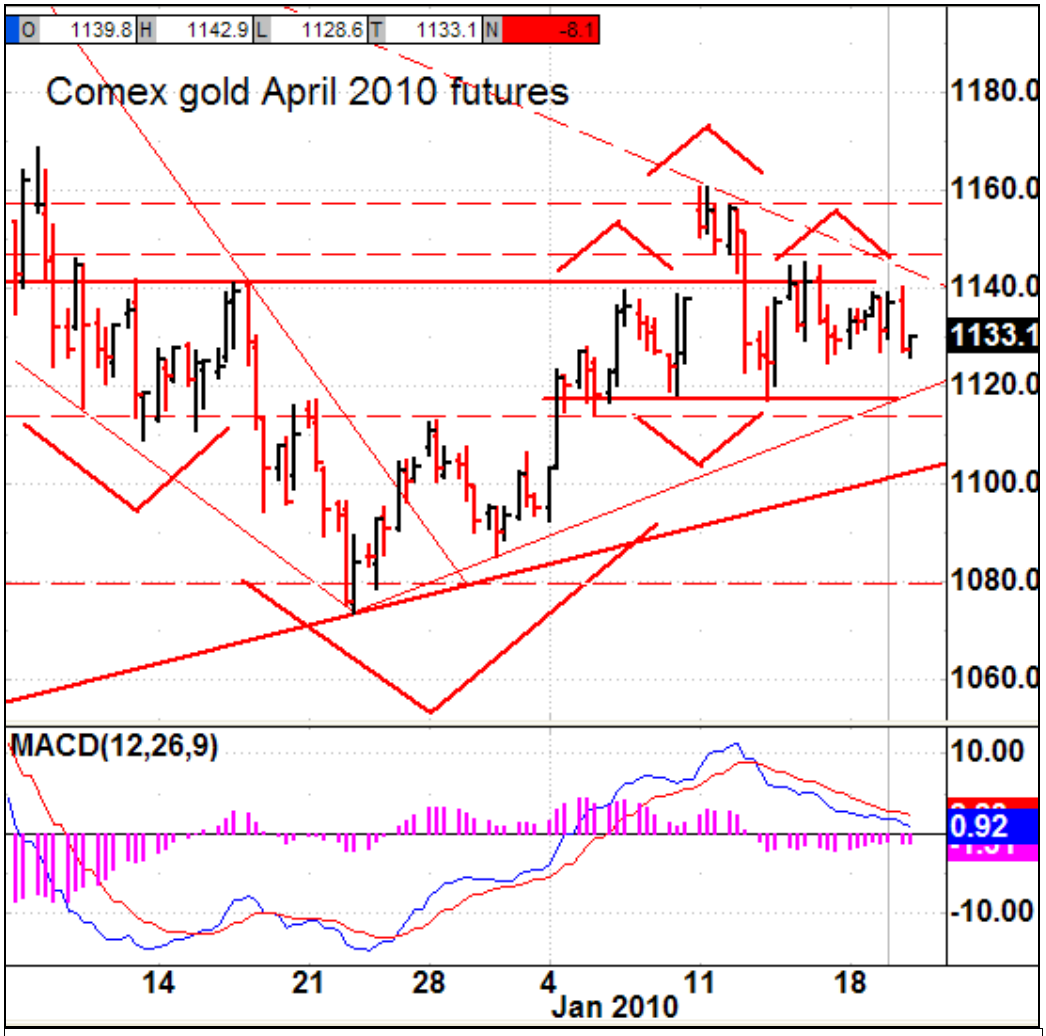
1dc = 1-day close (the share price must close above or below the indicated price level, before our recommendation is activated).
2dc = 2-day close (consecutive).
Bot = bought.
CAD$ = Canadian dollar.
H&S= Head & Shoulder.
L/O/C= Line On Close.
L/T = Long Term.
M/T = Medium Term.
N/L = neckline.
P/F = 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



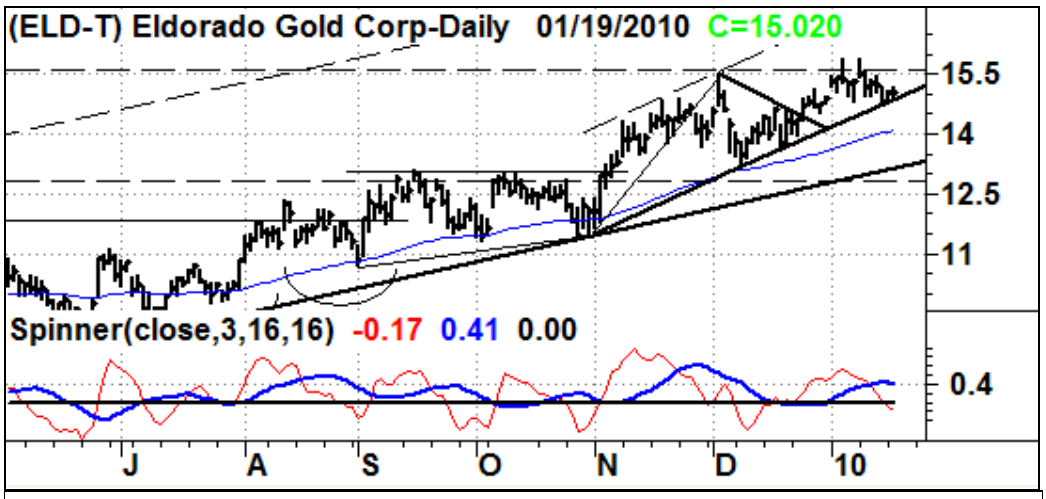
# Comex gold April 2010 futures – 480 min – 7wk view



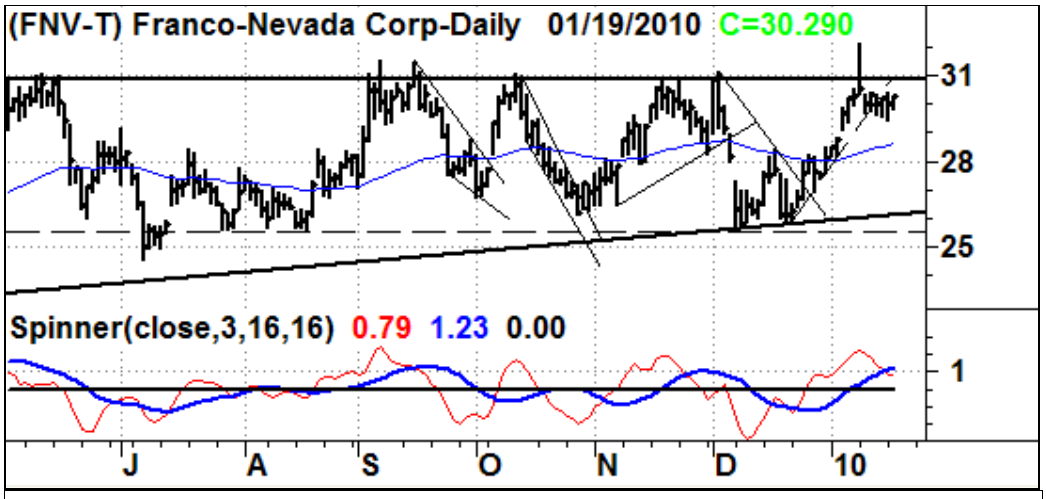

**Comex gold April** 2010 futures Cx - 480-min tick chart (all sessions):

| | | |
|---|---|---|
| **Open trades:** | **Long at:**<br>**Stop:**<br><br><br><br>**Profit targets:** | Initial entry price: 1151.40 (Jan-11-10).<br>Basis Feb: S/T: 1114.60-stop. M/T: 1-dc below 1114.60.<br>Basis April: S/T: 1-dc below 1116.40. M/T: 1-dc below 1082.50.<br>Basis Feb: 1192.80 (Feb futures expire Jan 28).<br>Basis April: 1213.25 &/or 1246.50 &/or 1280.50 &/or 1313.00. |
| **New Recom:** | If out, spec buy April after 1-dc over 1148.50; stop: 1116.40-stop. All re-buy after 1-dc (decisive) over 1160.00.<br>Or, gamblers/hedgers sell short April bit after 1-dc below 1116.40; stop: 1148.50-stop; cover ½ at 1042.50 &/or tight trail stop downside. Sell short more after a determined break below 1082.50. | |
| **Comment:** | Dec-Jan reverse H&S vs risk of 10-day H&S top, with $1119.40 neckline cum breakdown point. Spinner neutral to bullish. March 2008-Oct 2009 reverse H&S; $1313 upside target. Aggressive slide possible if breaks Aug 2009 uptrend line support (now $1105.00). | |

# GOLD SHARES



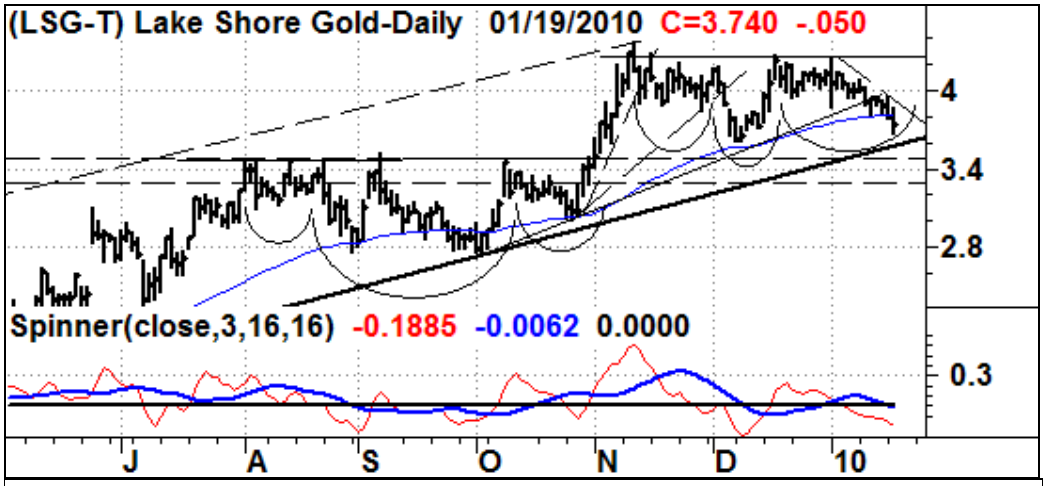

| **Eldorado Gold** (Toronto: ELD-T; NYSE: EGO); gold: CAD$: | | |
|---|---|---|
| **Open trades:** | **Long at:**<br>**Stop:**<br>**Profit targets:** | Initial entry price: 13.30 (Nov-05-09).<br>S/T: 1-dc below 12.80. M/T: 2-dc below 12.80.<br>16.70 &/or 17.50 &/or 18.25. |
| **New Recom:** | If long, bank any worthwhile profits at mkt. If out, wait to buy strength after a dip that clearly holds above Oct 2008 uptrend line support (now 13.15). And/or buy after 1-dc over 15.60; stop: 1-dc below 12.80. | |
| **Comment:** | Dec peak sym/triangle; 16.70 upside target. Spinner in negative cross with (thick) confirming line rolling over to neutral; warns against buying shorterm dip action. Won't go far without volume. | |




| **Franco-Nevada** (Toronto: FNV-T); gold/platinum/oil/gas: CAD$: | | |
|---|---|---|
| **Open trades:** | **Long at:**<br>**Stop:**<br>**Profit targets:** | Initial entry price: 30.99 (Sept-16-09).<br>S/T: 1-dc below 25.50. M/T: 2-dc below 25.50.<br>35.60 &/or 38.50 &/or 41.40. |
| **New Recom:** | All buy big after 1-dc over 31.00; stop: 1-dc below 25.50. | |
| **Comment:** | Balking below 30.90 upper boundary (brick wall!) resistance of 1-year flat top triangle; 38.50 upside target. Spinner backfilling; hints additional price consolidation possible. Buy on upside breakout only to avoid becoming embroiled in new setback. | |


| **Iamgold Corp** (NYSE: IAG; Canada: IMG-T); gold: US$: | | |
|---|---|---|
| **Open trades:** | **Long at:**<br>**Stop:**<br>**Profit targets:** | Initial entry price: 4.25 (Nov-26-08).<br>S/T: 1-dc 13.70. M/T: 2-dc below 12.70.<br>18.90 &/or 21.00 &/or 23.40. |
| **New Recom:** | All buy after 1-dc over 17.10; stop: 1-dc below 13.70. | |
| **Comment:** | Dec peak bull wedge; 21.00 theoretical upside target. Spinner a crosscurrent bull. Expanding possible right shoulder of 6-week reverse H&S base. Structured base action but has yet to convince. | |

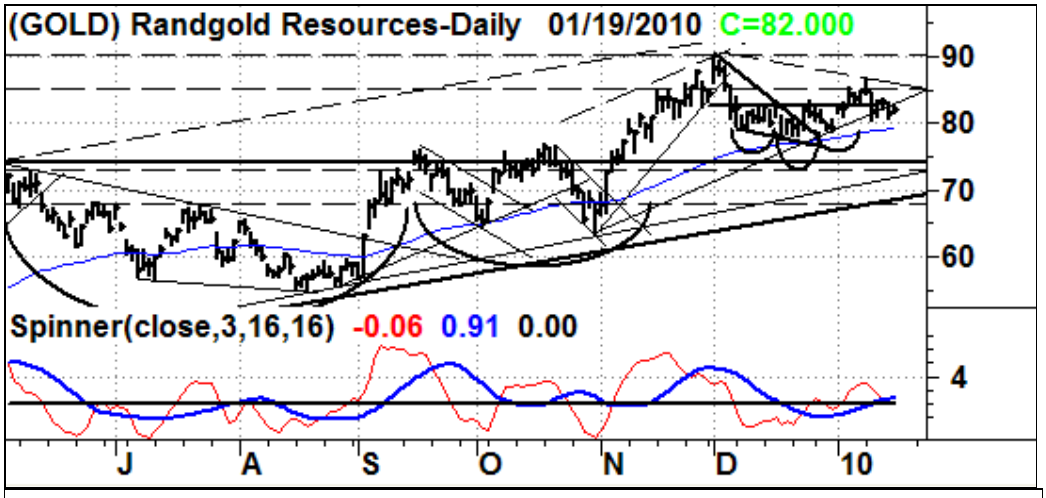

| **Jaguar Mining** (Canada: JAG-T; NYSE: JAG); gold: CAD$: | | |
|---|---|---|
| **Open trades:** | **Long at:**<br><br>**Stop:**<br>**Profit targets:** | Initial entry price: 8.65 (May-20-09).<br>Traders re-bought at 13.43 & 12.65 & 12.20.<br>S/T: 1-dc below 9.90. M/T: 2-dc below 9.90.<br>14.75 &/or 16.15 &/or 17.50. |
| **New Recom:** | If long, lighten up at mkt &/or on a rebound *towards* 12.60. If out, wait to buy after a dip that holds above Dec 2008 uptrend line (now 10.25). And/or buy after 1-dc over 13.68; stop: 1-dc below 10.90. | |
| **Comment:** | Technical outlook destabilized via Tuesday's sell off on rising volume. Prefer reduce exposure/lighten up at mkt & lower stop to 9.90 on core holdings, to hopefully ride out shorterm instability. | |




| **Lake Shore Gold** (Canada: LSG-T); gold: CAD$: | | |
|---|---|---|
| **Open trades:** | **Long at:**<br><br>**Stop:**<br>**Profit targets:** | Initial entry price: 3.50 (Nov-02-09)<br>Gamblers re-bought bit at 3.90.<br>S/T: 1-dc below 3.48. M/T: 2-dc below 3.28.<br>4.38 &/or 4.90 &/or 5.35. |
| **New Recom:** | If out, wait to buy strength after next reaction low &/or buy after 1-dc over 4.23; stop: 1-dc below 3.48. | |
| **Comment:** | Nov-Jan reverse H&S morphing into sideways trade with lower bearing. Spinner in negative rotation below zero line. Must hold March 2009 uptrend line (now 3.55) to keep higher hopes alive. | |


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

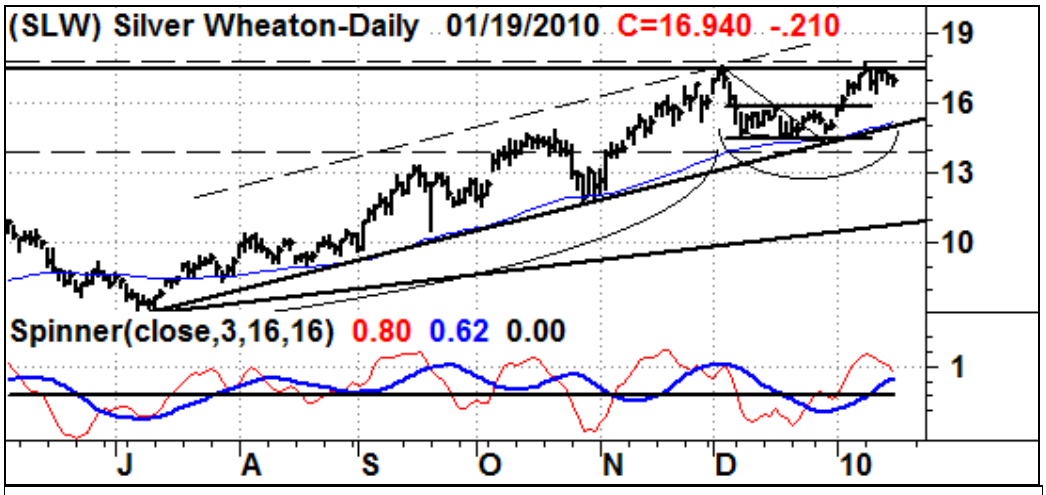
| | | |
|---|---|---|
| **Open trades:** | **Long at:** | Initial entry price: 5.90 (May-13-09).<br>Gamblers re-bought at 8.40. |
| | **Stop:** | S/T: 1-dc below 7.90. M/T: 2-dc below 7.45. |
| | **Profit targets:** | 9.10 &/or 9.75 &/or 10.50 &/or 11.20 &/or 12.45. |
| **New Recom:** | All buy again big after 1-dc over 9.15; stop: 1-dc below 7.90. | |
| **Comment:** | Rising to complete would-be right shoulder of Sept-Jan cup&handle; 12.45 upside target. Spinner placed to confirm sustained strength in price. Good intentions but fighting growing gold share headwinds. | |




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

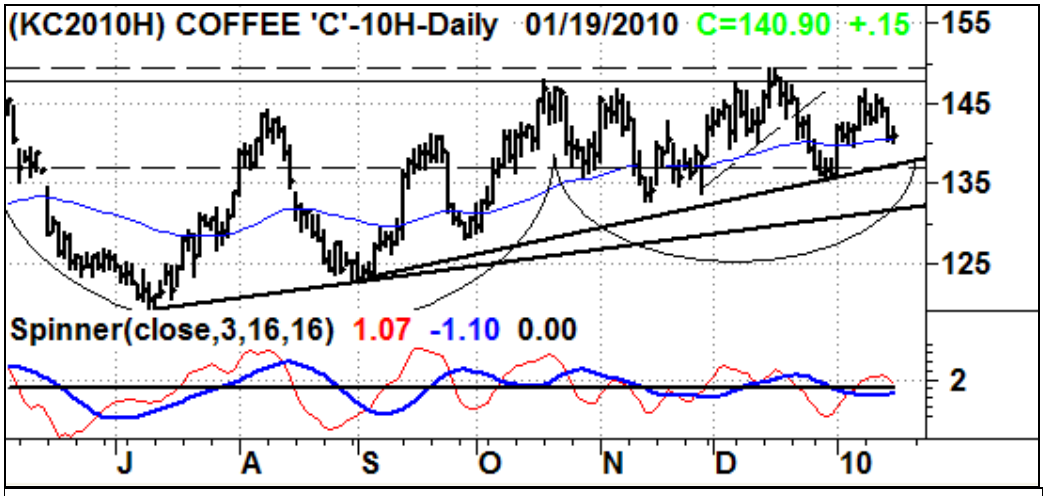
| | | |
|---|---|---|
| **Open trades:** | **Long at:** | Initial entry price: 40.24 (Dec-10-08).<br>Gamblers re-bought at 83.00. |
| | **Stop:** | S/T: 1-dc below 72.80. M/T: 2-dc below 67.60. |
| | **Profit targets:** | 90.30 &/or 96.30 &/or 103.90. |
| **New Recom:** | All buy again after 1-dc over 85.00; stop: 1-dc below 72.80. | |
| **Comment:** | Unconfirmed break below Oct uptrend line. June-Nov cup&handle base; 96.30 upside measured target. Spinner mixed. Can't exclude a second & deeper down-leg from Dec high. Shaky. | |


| **Red Back Mining** (Toronto: RBI-T); gold: CAD-$: | | |
|---|---|---|
| **Open trades:** | **Long at:**<br><br>**Stop:**<br>**Profit targets:** | Initial entry price: 6.76 (Dec-11-08).<br>Traders re-bought at 18.40.<br>S/T: 1-dc below 14.30. M/T: 2-dc below 12.90.<br>18.90 &/or 20.20 &/or 21.80. |
| **New Recom:** | If out, spec buy if dips to 16.75 & 16.05; stop: 1-dc below 14.30. | |
| **Comment:** | Price dip & rise above top support of Nov-Jan consolidation range. Spinner easing from crosscurrent mode to bullish. Volume bullish (rising with price, falling on setbacks). Confirmed leader! | |

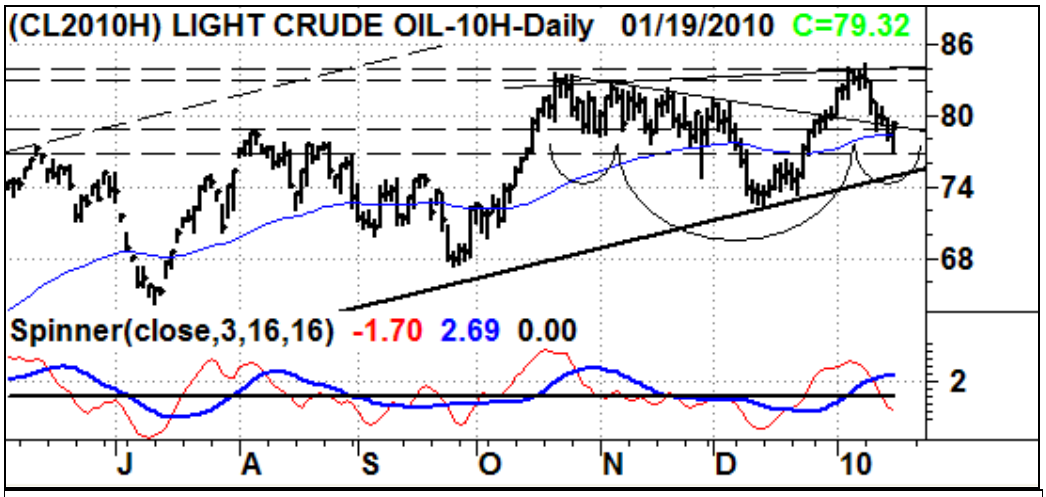



| **Silver Wheaton** (NYSE: SLW; Toronto: SLW); gold: US$: | | |
|---|---|---|
| **Open trades:** | **Long at:**<br>**Stop:**<br>**Profit targets:** | Traders not in yet.<br>1-dc below 13.80.<br>19.90 (if buy low) &/or 21.70 &/or 23.50. |
| **New Recom:** | Wait to buy strength after a reaction low that holds above July 2009 uptrend line support (now 15.10). And/or buy after 1-dc over 17.60; stop: 1-dc below 13.80. | |
| **Comment:** | Converging neckline resistance of 2-year reverse H&S base vs July 2009 uptrend line support. Spinner in negative hook; hints deeper corrective dip possible. Aggressive buy on upside breakout. | |

# FUTURES




| **Coffee Mar 2010 futures – daily chart**: | | |
|---|---|---|
| **Open trades:** | **Long at:** | Traders not in yet. |
| | **Stop:** | Exit, or sell ½ at 136.80-stop, ½ after 1-dc below 136.80. |
| | **Profit targets:** | 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:** | Expanding possible June-Jan flat top triangle cum cup&handle base; 176.50 conditional upside target. Spinner basing but (thick) confirming line has yet to make an obvious upturn. Simmering. | |




| Crude Oil NY Mar 2010 futures – daily chart: | | |
|---|---|---|
| **Open trades:** | **Long at:** | Traders exited Feb longs via 77.20-stop stoploss/profit stop. Gamblers re-bought (March mini Cx) at 79.30 (Jan-13-10). |
| | **Stop:** | Basis Mar: 76.80-stop. |
| | **Profit targets:** | Basis Mar: 82.90 &/or 87.75 &/or 90.80. |
| **New Recom:** | If out, spec buy after 1-dc over 79.30; stop: 76.80-stop. | |
| **Comment:** | Jan 19 bullish 1-day reversal. Spinner faltering. Must hold/rise from here if Oct-Jan reverse H&S to complete. Tread lightly. | |


| S&P500 Index March 2010 futures – daily chart: | | |
|---|---|---|
| **Open trades:** | **Long at:** | Initial entry price: 1108.60 (Dec-14-09). Traders re-bought at 1134.00 & 1145.20. |
| | **Stop:** | ST: 1118.40-stop. |
| | **Profit targets:** | 1167.90 &/or 1194.80 &/or 1224.30. |
| **New Recom:** | If out, spec buy Mar after 1-dc over 1146.50; stop: 1118.40-stop. Or, sell short Mar after 1-dc below 1118.40; stop: 1146.50-stop; take ½ profit at 1053.50. | |
| **Comment:** | Positive price momentum faltering on March 2009 uptrend line cum lower support of Oct peak bull wedge; 1021.00 theoretical downside target. Spinner neutral. Continues to defy gravity. | |


| **Sugar March 2010 futures – daily chart**: | | |
|---|---|---|
| **Open trades:** | **Long at:**<br><br>**Stop:**<br>**Profit targets:** | Initial entry price: 24.96 (Dec-16-09).<br>Traders re-bought bit at 28.98.<br>S/T: 26.25-stop. M/T: 1-dc below 26.25.<br>29.40 &/or 30.90 &/or 32.50. |
| **New Recom:** | If out, spec buy Mar at mkt & if dips to 28.20; stop: exit, or sell ½ at 26.25-stop, ½ after 1-dc below 26.25. | |
| **Comment:** | Prior bear wedge risk voided via break to new closing high. Spinner in positive hook but has yet to confirm reliability of strength in price. Impressive! | |


| **US$ Index Mar 2010 futures-daily chart:** | | |
|---|---|---|
| **Open trades:** | **Long at:**<br>**Stop:**<br>**Profit targets:** | Initial entry price: 76.63 (Dec-08-09).<br>1-dc below 76.60.<br>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 after 1-dc below 76.60; stop: 1-dc over 78.60. | |
| **Comment:** | Rebound on 50% retracement level of Dec rally-leg. Spinner neutral/bearish. Unconfirmed Dec peak bull flag. Go with flow. | |

Jan-20-10

# 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 long, bank any worthwhile profits at mkt. If out, wait to buy strength after a dip that clearly holds above Oct 2008 uptrend line support (now 13.15). And/or buy after 1-dc over 15.60; stop: 1-dc below 12.80. | L | Nov-05-09 | 13.30 | | 15.02 | 1-dc U/12.80<br>2-dc U/12.80 | 16.70 | 17.50 | 18.25 |
| Franco Nevada | FNV-T | All buy big after 1-dc over 31.00; stop: 1-dc below 25.50. | L | Sep-16-09 | 30.99 | | 30.29 | 1-dc U/25.50<br>2-dc U/25.50 | 35.60 | 38.50 | 41.40 |
| Goldcorp | G-T | If heavily exposed, lighten up at mkt. If out, spec buy after 1-dc over 44.00; stop: 1-dc below 38.90. Sharp slide poss if breaks 38.75 neckline support of 4½-month jagged H&S top. | L | Nov-05-08 | 25.00 | | 41.60 | 38.75-stop<br>1-dc U/38.75 | 50.40 | 52.90 | 55.90 |
| Iamgold Corp | IAG | All buy after 1-dc over 17.10; stop: 1-dc below 13.70. | L | Nov-26-08 | 4.25 | | 16.49 | 1-dc U/13.70<br>2-dc U/12.70 | 18.90 | 21.00 | 23.40 |
| Jaguar Mining | JAG-T | If long, lighten up at mkt &/or on a rebound towards 12.60. If out, wait to buy after a dip that holds above Dec 2008 uptrend line (now 10.25). And/or buy after 1-dc over 13.68; stop: 1-dc below 10.90. | L | May-20-09 | 8.65 | 13.43<br>12.65<br>12.20 | 11.92 | 1-dc U/9.90<br>2-dc U/9.90 | 14.75 | 16.15 | 17.50 |

Jan-20-10

# 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** | | | | | | | | | | | |
| Kirkland Lake Gold | KGI-T | If out, spec buy after 1-dc over 9.30; stop: 1-dc below 7.80. | L | Dec-09-09 | 9.56 | | 8.00 | 1-dc U/7.80<br>2-dc U/7.20 | 13.80 | 15.50 | 17.25 |
| Lake Shore Gold | LSG-T | If out, wait to buy strength after next reaction low &/or buy after 1-dc over 4.23; stop: 1-dc below 3.48. | L | Nov-02-09 | 3.50 | 3.90 | 3.74 | 1-dc U/3.48<br>2-dc U/3.28 | 4.38 | 4.90 | 5.35 |
| Osisko Mining | OSK-T | All buy again big after 1-dc over 9.15; stop: 1-dc below 7.90. | L | May-13-09 | 5.90 | 8.40 | 8.65 | 1-dc U/7.90<br>2-dc U/7.45 | 9.10 | 9.75 | 10.50 |
| Randgold Res. | GOLD | All buy again after 1-dc over 85.00; stop: 1-dc below 72.80. | L | Dec-10-08 | 40.24 | 83.00 | 82.00 | 1-dc U/72.80<br>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 14.30. | L | Dec-11-08 | 6.76 | 18.40 | 18.40 | 1-dc U/14.30<br>2-dc U/12.90 | 18.90 | 20.20 | 21.80 |
| Royal Gold | RGLD | If out, spec buy after 1-dc over 50.10; stop: 1-dc below 44.60. | L | Mar-20-09 | 45.37 | | 47.68 | 1-dc U/44.60<br>2-dc U/42.60 | 55.18 | 57.80 | 64.40 |
| Silver Wheaton | SLW | Wait to buy strength after a reaction low that holds above July 2009 uptrend line support (now 15.10). And/or buy after 1-dc over 17.60; stop: 1-dc below 13.80. | | | | | 16.94 | 1-dc U/13.80 | 19.90 (if buy low) | 21.70 | 23.50 |

Jan-20-10

# 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** | | | | | | | | | | | |
| 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. | | | | | 140.90 | 136.80-stop 1-dc U/136.80 (Basis Mar) | 155.90 | 162.60 | 169.30 |
| Cotton | CTH0 | Gamblers sell short Mar at mkt; stop: 74.60-stop; cover ½ at 68.60, & tight trail stop rest. | | | | | 71.64 | 74.60-stop (Basis Mar) | 68.60 (Basis Mar) | Trail stop rest | |
| Crude oil | CLH0 | If out, spec buy after 1-dc over 79.30; stop: 76.80-stop. | L | Jan-13-10 | | 79.30 | 79.32 | 76.80-stop (Basis Mar) | 82.90 (Basis Mar) | 87.75 (Basis Mar) | 90.80 (Basis Mar) |
| Gold | GCJ0 | If out, spec buy April after 1-dc over 1148.50; stop: 1116.40-stop. All re-buy after 1-dc (decisive) over 1160.00. Or, gamblers/hedgers sell short April bit after 1-dc below 1116.40; stop: 1148.50-stop; cover ½ at 1042.50 &/or tight trail stop downside. Sell short more after a determined break below 1082.50. | L | Jan-11-10 | 1151.40 | | 1141.20 | 1116.40-stop 1-dc U/1082.50 (Basis April) 1114.60-stop (Basis Feb) | 1213.25 (Basis April) 1192.80 (Basis Feb) | 1246.50 (Basis April) | 1280.50 (Basis April) |

Jan-20-10

# 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** | | | | | | | | | | | |
| S&P500 | SPH0 | If out, spec buy Mar after 1-dc over 1146.50; stop: 1118.40-stop. Or, sell short Mar after 1-dc below 1118.40; stop: 1146.50-stop; take ½ profit at 1053.50. | L | Dec-14-09 | 1108.60 | 1134.00<br>1145.20 | 1145.70 | 1118.40-stop (Basis Mar) | 1167.90 | 1194.80 | 1224.30 |
| Sugar | SBH0 | If out, spec buy Mar at mkt & if dips to 28.20; stop: exit, or sell ½ at 26.25-stop, ½ after 1-dc below 26.25. | L | Dec-16-09 | 24.96 | 28.98 | 28.98 | 26.25-stop 1-dc U/26.25 (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 after 1-dc below 76.60; stop: 1-dc over 78.60. | L | Dec-08-09 | 76.63 | | 77.65 | 1-dc U/76.60 (Basis Mar) | 79.40 | 80.60 | 81.80 |

EDITORIAL SECTION – •••• **Will China buy the remaining 203 tonnes of gold from the IMF**? Bullion experts recommend that China should go in for the IMF gold buy in this new year, otherwise its ambitious task to mop up **10,000** tonnes of gold reserves in the next 10 years may be difficult to achieve, comments *CommodityOnline*. "The Chinese Central Bank People's Bank Of China (PBOC) now holds record amounts of US dollars. But the gold holding of the PBOC is at a paltry 1.8%. 'Currently, **the gold reserves with the PBOC are the lowest for any Central Bank holdings**, **taking into account the booming Chinese economy**. So, it would be prudent if China buys IMF gold as early as possible before some other countries, maybe India again, jumps into the fray to grab more gold from the IMF,' says Jong-Yoon Chai, a bullion analyst based in Beijing." China was pipped at the ($1,045) post by India on the last IMF gold purchase, so they will be more likely to compromise on the second 'chance.' China's goal to accumulate a further 10,000 tonnes of gold also implies that under-$1,000 yellow metal gold prices are a thing of the past. •••• **The ultimate shell game**. "In the current hodgepodge of abstract finance, it is easy to get lost in the numbers and lose sight of the forest for the trees", says Tyler Durden of *ZeroHedge.com*. "Which is why we provide the ultimate simplification: In calendar (not fiscal) 2009, the US grew its budget deficit by $1.47 trillion. In the same time, the Federal Reserve grew its securities holdings from $500 billion to $1.85 trillion, a $1.34 trillion increase. Keeping it simple: **91% of the budget deficit increase in 2009, under the authority of President Obama, was funded by the… United States**." Does anyone still think hyperinflation is impossible? •••• **Liquidating firms claim billions in US stimulus**. The US govt has provided more than $1 trillion of support to financial companies in a bid to keep credit flowing to the US economy. But a new law may give billions of dollars to bankrupt financial companies that will never make another loan, reveals *Reuters*. "Instead of allowing lenders to keep credit flowing, these **subsidies could mainly help hedge funds that buy distressed debt and equity**. This past week, for instance, Washington Mutual and subprime lender Downey Financial Corp, both bankrupt, said the new law will allow them to apply for an estimated $2.75 billion combined in tax refunds. Part of the money paid out as 2010 refunds is expected to be recouped in the next few years when businesses turn a profit and begin paying taxes again. But **some of the companies that plan to seek a refund will never pay tax, because they have no future**." Stimulus for bankrupt companies, & help for hedge funds to buy equity! Such madness proves govt will only succeed in making a bad situation worse. •••• The following anonymous letter was published by old friend Richard Russell (*DowTheoryLetters.com)*: "The fiat money game is destined to end because domestic and international confidence in the dollar will fail as the world realizes that the dollar, regardless of proclamations from the US govt to the

contrary, is on a path towards worthlessness. However, the US will try to keep the confidence game going as long as possible to gain time to reduce its debt obligations by payment with cheap dollars. About the time a currency collapse appears imminent, the US will have reduced its debt to hopefully manageable proportions or amortized it completely with inflated dollars. The price of gold will have soared to new highs. Currently, if the US Treasury were to back the total of US dollars in circulation worldwide with its 261.5 million ounces of gold, that gold would be priced at $3,530 an ounce. However, if gold were to reach $5,000 an ounce, and with circulating currency at 923 billion (www.shadowstats), that would seem a propitious time to announce a new monetary policy. **At $5000 gold the Treasury's gold would be valued at more the 1.4 times the existing dollars in circulation**. The US could then proclaim that it would redeem these dollars at the market price of gold, whatever that might be. That would still leave the Treasury with approximately 384 billion dollars in gold if the market price were $5000 an ounce. This strategy, if brought to a successful conclusion, would leave the US solvent, debt free, and on a solid gold standard monetary system. With America once again standing behind the dollar as 'good as gold,' a renaissance of recovery would come roaring back in the US and throughout the world." This echoes our own analysis, but we don't believe the present govt is capable, or willing to pay the political price of reducing its debt obligations sufficiently to avoid a currency collapse -- which risks igniting global disorder & possible military conflict. If however, the world does muddle through, & a revitalized gold standard opens the road for sustainable growth, don't look for recovery to "come *roaring* back" overnight, because confidence, once lost, is *extremely long & hard* to regain. •••• **Chinese gold production explodes**. The world gold association predicts that global gold production in 2009 exceeded 2,500 tonnes, a mere 3½% higher than 2008. This is the first *rise* in world gold production in 9 years. China's 310 tonnes represent an output jump of over 10%. In its usual focused manner, China is acting to secure the gold necessary to underpin its future prosperity. •••• **America must cut spending to save its AAA rating, warns Fitch**. Fitch Ratings has issued the starkest warning to date that the US will lose its AAA credit rating unless it acts to bring the budget deficit under control, citing a spiral in debt service costs and dependence on foreign lenders, reports the UK *Telegraph*. "Fitch expects the combined US state and federal debt to reach 94% of GDP next year, up from 57% at the end of 2007. **Federal debt interest costs will reach 13% of revenues, meaning that an eighth of all taxes will go to service debt**. Most fiscal experts view this level as dangerously close to the point of no return for debt dynamics. Stephen Lewis, of *Monument Securities*, said **a US downgrade would rip the anchor from the global system and pose a grave risk to stability**. '**This would set off tremors, making *all* dollar assets less secure. You**

**could argue that the reason why the rating agencies have not *already* downgraded the US and Britain is that they fear the consequences for the global economy if they pull the trigger**,' he said." A downgrade of US debt is highly unlikely, unless to "officially" lock the barn door *after* the horse has bolted. Expect more huff & puff but the rating agencies will never be allowed to tell the total truth about America's finances. •••• US regulators closed down three small banks in Illinois, Minnesota & Utah last Friday, raising this year's total to 4. •••• **The current commercial real estate downturn will overshadow all of the others**. From *Bloomberg*: " 'It won't be a typical part of a cycle where we're down for two or three years and things recover,' says Laub, 70, whose New York firm, Kenneth D. Laub & Co., says it has handled more than $40 billion of real estate transactions since its inception in 1969. 'It will be longer than we've gone through before.' As in past slumps, the weak US economy is curbing demand for commercial space, increasing vacancies and causing rents and property values to fall. **The key difference today is the explosion in debt financing and related derivatives that fueled a run-up in commercial real estate prices in the 2000s**, Laub says. That's left property owners struggling to make mortgage payments. The overhang of debt will delay any recovery, he says. '**It's not a supply-demand thing; it's an over-leveraged condition**.' Laub expects a wave of restructurings by troubled commercial borrowers as hundreds of billions of dollars of loans come due annually during the next few years. Laub concludes that **commercial real estate may still be recovering a decade from now**." Delinquencies are snowballing for construction loans & office mortgages. Typically the most exposed sector, the US commercial real estate bust is on the verge of bringing down hundreds of small & regional banks. Per *HSL*, sell short Regional Bank Holdrs (NYSE: Arca: RKH) after 1-dc below 72.50; stop: 1-dc over 81.10. •••• "*The US govt's finances not only are out of control, but the actual deficit is not containable. Put into perspective, if the govt were to raise taxes so as to seize 100% of all wages, salaries and corporate profits, it still would be showing an annual deficit*," John Williams (*ShadowStats.com*). •••• **Britain's recession is the steepest for 88 years**. Britain's economy fell last year at the sharpest rate since 1921, despite hopes that it had finally emerged from recession in the last three months of the year, reports the UK's *TimesOnline.com*. "The National Institute of Economic and Social Research said last Friday that its latest estimate showed that UK GDP rose by a modest 0.3% in the final three months of 2009 compared with the third quarter. That means that, **for the year as a whole, the UK economy contracted by 4.8%, a bigger fall than in any year of the Great Depression and the biggest contraction for 88 years**." For many, tomorrow's world will be one of soup kitchens and hunger marches. •••• **Central Banks leading new gold rush**. The latest interim update to the

GFMS Gold Survey 2009, reports that: "On a quarterly basis, the official sector became a net purchaser of gold during the second quarter of 2009 and has remained so since. The survey estimates net sales from the sector were down 90% in 2009 compared to 2008." There are still a large number of Central Banks, funds & other deep pocket players who haven't fully understood or yet felt the *urgency* to become aggressive gold buyers. •••• The reason for the Euro's recent sell off is the huge propaganda over Greece, according to buddy Jim Sinclair (Amex: TRE). "Conversely the mirror image is a stronger US$. The Crimex [Comex] is taking full advantage of that currency relationship and has sold paper gold down." Quoting from *TheGoldReport.com*, Jim notes that when questioned about the threat to the euro because of Greece's problems, European Central Bank (ECB) President Trichet pointed out that "Greece's Gross Domestic Product (GDP) is a mere 2.5%–3% of the euro zone GDP. **In California, which has its own set of severe fiscal challenges, the magnitude of the problem is far larger (California's GDP is over 12% of US GDP**). He went on to stress that euro zone budget deficits currently amount to about 6.5%–7% in the aggregate, compared to 12% in the US." As Jim warns, "The Western world is broken, & there are very few days left before the CONFIDENCE element is strung out to dry." The blatant lies & misinformation being used to divert investor's attention from the crux of the crisis may delay, but cannot & will not prevent the consequences.

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

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