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-Gold (& mkts) Charts R Us-

Welcome to *GCRU* #384 on January 27, 2010 (in its 8th year).

--TRADING SUMMARY – •••• Plenty of action in the markets since last week. Unfortunately, very little was gold positive ☹. Global stock markets are breaking/have broken crucial March 2009 uptrend line support, which is pressuring the gold shares, as confirmed by uninviting top developments in many of the majors (Agnico Eagle, Barrick, Goldcorp, Kinross Gold, Newmont Mining, etc). Coupled with stock market weakness, the US$ has bounced back to re-challenge its Dec high, with a weekly close above 79.20 (basis the $ continuation chart) projected to open a new & *significant* up-leg towards the 81.85-83.65 area. US$ "strength," as warned last week, was mirrored via a break below $1,119.80 neckline support of a 11-day H&S top in gold bullion, causing some *GCRU* shares to fall, & putting many of them in danger of hitting our stoploss levels. So, traders hopefully heeded our advice to exit, lighten up &/or sell short in expectation of a bullion dip to re-test its Dec lows, or lower. If the US$-Index does see a weekly close over 79.20, realize that bullion could pullback to re-test the $1,000 neckline support of its March 2008-Sept 2009 reverse H&S base. • What would it take to reverse the current uncertain outlook to dependably gold bullish? A 2-dc over $1,152.80 in gold (basis April futures), accompanied by a 2-dc below 76.60 basis the (March) $-Index. •••• Bullish Consensus rank gold at 76 (down 6 from last week). The US$ at 50 (up 4). B/C say gold: "Signals are neutral/bullish today. The intermediate trend is neutral/bearish." •••• A potential effect of continued US$ strength will be the shorterm unwinding of leverage by dollar-carry traders, which will reduce liquidity & further destabilize the stock & commodity markets, which, over recent months have been highly correlated with losses on the dollar. •••• Another 5 US banks hit the wall last Friday, raising the January 2010 total to 9. •••• Gold is down $2.60 in Europe this AM. The US$-Index is up 10 cents. Both marginal but not encouraging. •••• The gold market is still -- *digesting* – (today's password) its recent overbought condition. Additional corrections, if seen, are expected to be relatively short-lived & hold above the $1,000 level, but they would be devastating price wise to shares. Consequently, with bullion testing cliff edge support of its Dec lows (a bullion breakdown in overnight trading could have U waking up to *sharply* lower gold share prices), the gold outlook has flipped from favorable to shorterm neutral/negative, & points in the direction of a continued consolidation cum lengthy base building process, rather than immediate & significant strength in bullion or the gold shares.

So, (if not already done so) traders must *preemptively* act to hedge their gold share exposure/sell short, &/or sell down to sleep-at-night levels to prevent any loss from turning into uncontrolled red ink, at which point, psychologically, it becomes a lot harder to sell. It's never pleasant to trim sails/book a loss but it makes more sense than riding out the potential pain & frustration of a setback for no gain, not knowing if your gold stock(s) will actively participate in the next cycle of strength. • Basis the current market outlook, we consider 50% of trading capital (with a minimum of 30% in cash &/or remaining gold share exposure fully hedged) vs 50% of core/physical positions held, offers a prudent mix. •••• Come what may, hang on to your physical gold holdings, regardless of attempts to pry them out of your hands! •••• Bye from Euroland hopping ***Uncle Harry***, & helper Paul. •••• If it's Wednesday, it's *Gold (& Mkts) Charts R Us.*

IN THIS ISSUE

Coffee (futures)	13
Cotton (futures)	14
Crude oil (NYMEX)	14
Editorial Section	21
Eldorado Gold (Tor & NYSE)	7
Franco Nevada (Tor)	8
Gold daily (NY)	5
Gold tick chart (NY)	6
Goldcorp (NYSE & Tor)	12
Iamgold (NYSE & Tor)	8
Jaguar Mining (Tor)	9
Kirkland Lake Gold (Tor)	18
Lake Shore Gold (Tor)	9
Osisko Mining (Tor)	10
Randgold (Nasdaq)	10
Red Back (Tor)	11
Royal Gold (Nasdaq)	19
S&P500 (CBOT)	15
Silver Wheaton (NYSE/Tor)	11
Sugar (futures)	15
US$-Index	16

••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.

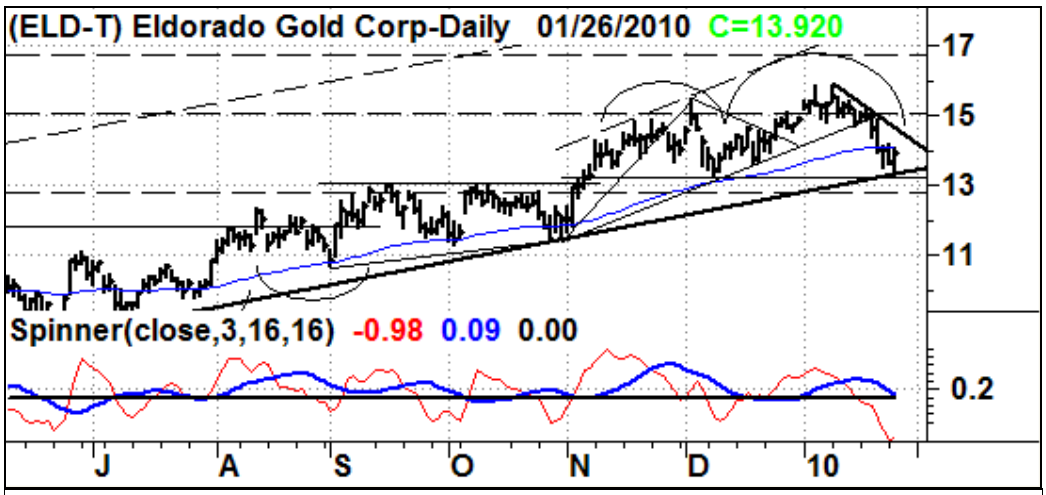
GOLD

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

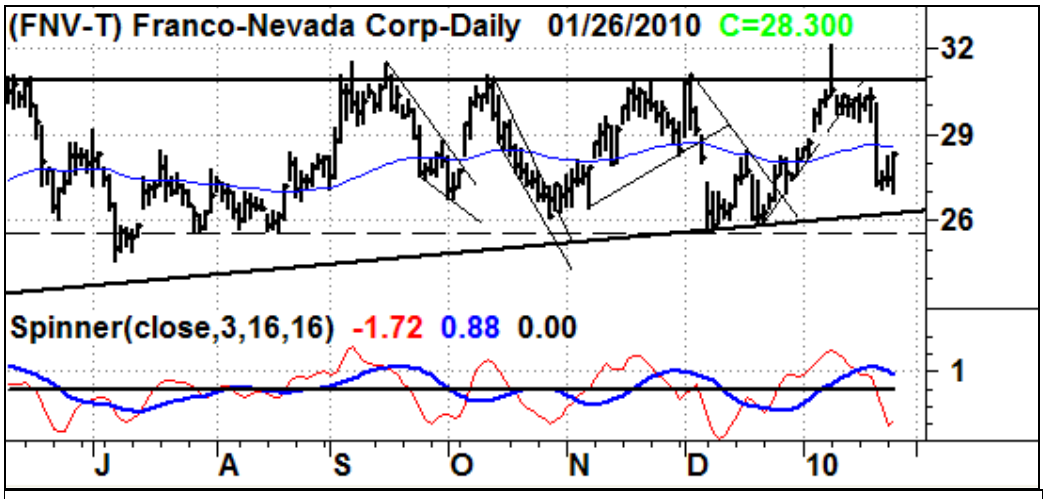
Comex gold <u>April</u> 2010 futures – 480 min – 7wk view

Comex gold <u>April</u> 2010 futures Cx - 480-min tick chart (<u>all</u> sessions):		
Open trades:	**<u>Long at</u>:** **Stop:** **Profit targets:**	Initial entry price: 1151.40 (Jan-11-10). Traders exited Feb longs via 1114.60-stoploss, &/or exited or lightened up April longs via 1116.40 stoploss ☹. Basis April: M/T: 1-dc below 1082.50. Basis April: 1213.25 &/or 1246.50 &/or 1280.50.
New Recom:	--If out, gamblers buy April after 2-dc (or high volume break) above Dec 3 downtrend line (now 1133.50); stop: 1082.50-stop. All re-buy after 2-dc over 1152.80. --Gamblers/<u>hedgers</u> sold short April at 1113.60. If <u>out</u>, hedgers sell short at mkt; stop: 1-dc over Dec 3 downtrend line (now 1133.50); cover ½ at 1042.50 &/or tight trail stop downside. Sell short more after 1-dc below 1082.50.	
Comment:	Broke major Aug 2009 uptrend line support on rising volume. Spinner hints at short-lived price rebounds only. Uncertain Dec-Jan double bottom. Lights will go out if breaks $1087.00 (closing) support of Dec low. <u>Caution</u>.	

GOLD SHARES



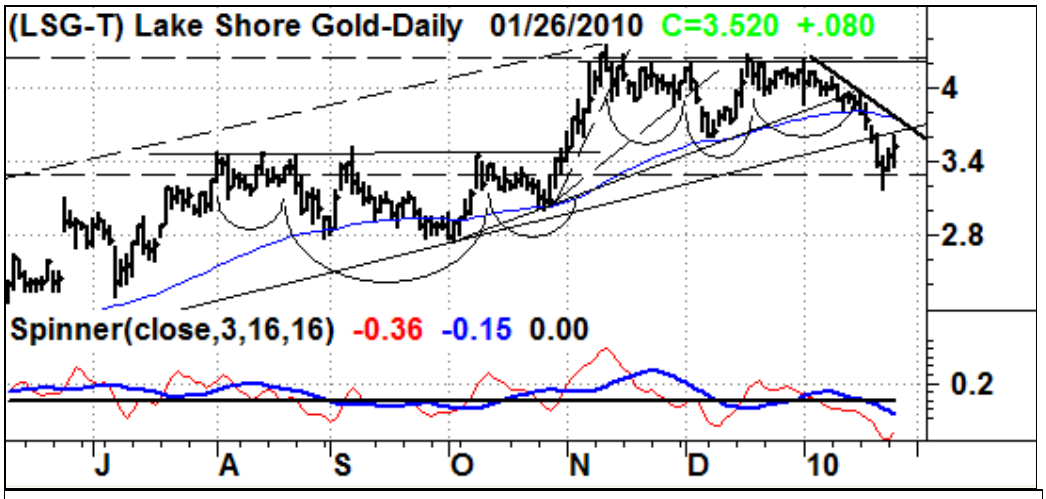
Eldorado Gold (Toronto: ELD-T; NYSE: EGO); gold: CAD$:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 13.30 (Nov-05-09). S/T: 12.80-stop. M/T: 1-dc below 12.80. 16.70 &/or 17.50 &/or 18.25.
New Recom:	Traders banked any worthwhile profits at mkt. If out, wait to buy strength after a dip that clearly holds above Oct 2008 uptrend line support (now 13.30). And/or spec buy after 1-dc over 15.10; stop: 1-dc below 12.80.	
Comment:	Broke Oct uptrend line support on rising volume. Spinner shorterm oversold, but requires obvious base action in (thick) confirming line to underpin reliability of any strength. May re-bound to build right shoulder of Nov-Jan H&S top. Traders should be out or fully hedged if breaks 12.80.	



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). S/T: 25.50-stop. M/T: 1-dc below 25.50. 35.60 &/or 38.50 &/or 41.40.
New Recom:	If long, lighten up at mkt &/or into any strength *towards* 29.30. If out, wait for more obvious base action to develop &/or all buy big after 1-dc over 31.00; stop: 1-dc below 25.50.	
Comment:	Sharp setback within 1-year consolidation range cum flat top triangle; 38.50 upside target. Spinner fading in weekly <u>&</u> daily chart. Traders should be out or fully hedged if breaks 25.50.	

Iamgold Corp (NYSE: IAG; Canada: IMG-T); gold: US$:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 4.25 (Nov-26-08). Exit or hedge at mkt. 18.90 &/or 21.00 &/or 23.40.
New Recom:	If long, exit or hedge at mkt. All re-buy after 1-dc over 17.10; stop: 1-dc below 13.70.	
Comment:	Bearish counter-trend break below 6-week reverse H&S. Tentative break below major Nov 2008 uptrend line, on rising volume. Too weak to justify even gambler longs.	

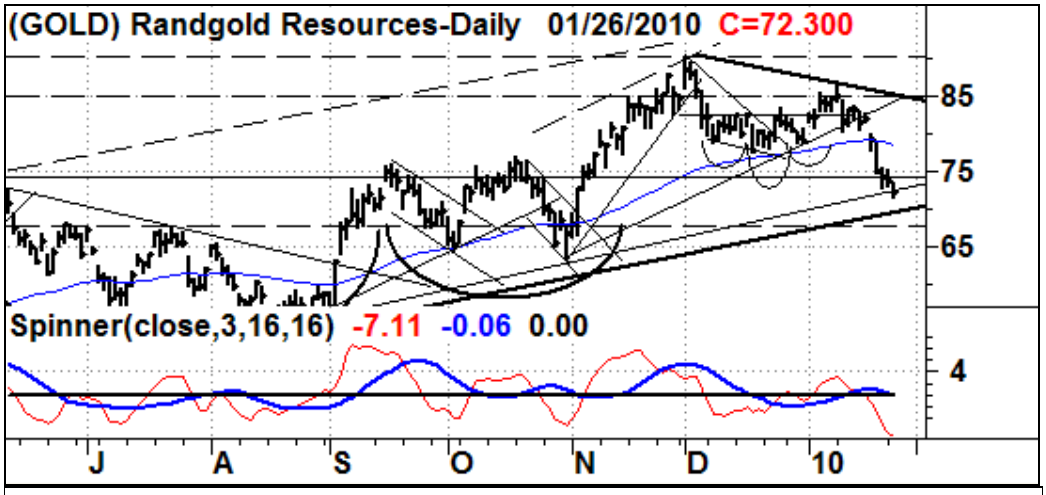
Jaguar Mining (Canada: JAG-T; NYSE: JAG); gold: CAD$:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 8.65 (May-20-09). S/T: 9.90-stop. M/T: 1-dc below 9.90. 14.75 &/or 16.15 &/or 17.50.
New Recom:	Traders lightened up at mkt. If out, wait to buy after a reaction low that clearly holds above 10.50 &/or buy after 1-dc over 13.68; stop: 1-dc below 11.20.	
Comment:	Prior cup&handle voided via destructive pullback in price. Spinner (thick) confirming line in negative hook. Technical focus back on Dec 2008 uptrend line (now 10.38); bullish above; defensive below.	



Lake Shore Gold (Canada: LSG-T); gold: CAD$:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 3.50 (Nov-02-09). Some exited or lightened up via 3.48 stoploss ☹. M/T: 1-dc below 3.28. 4.38 &/or 4.90 &/or 5.35.
New Recom:	If out, wait to buy Spinner confirmed strength &/or buy after 1-dc over 4.23; stop: 1-dc below 3.48.	
Comment:	Broke crucial March 2009 uptrend line support. Spinner in negative rotation below zero line; opens window for deeper corrective decline. Prefer exit & re-buy after deeper dip &/or upside breakout.	

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

Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 5.90 (May-13-09). S/T: 7.75-stop. M/T: 1-dc below 7.75. 9.10 &/or 9.75 &/or 10.50 &/or 11.20 &/or 12.45.
New Recom:	If long, lighten up &/or hedge at mkt. All re-buy after 1-dc over 9.15; stop: 1-dc below 7.90.	
Comment:	Broke pivotal Nov 2008 uptrend line support. Spinner verging on negative cycle below zero line; raises odds for (significantly?) lower lows in price. Fading risk/reward.	



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

Open trades:	**Long at:** **Stop:** **Profit targets:**	Entry price: 40.24 (Dec-10-08). Traders exited or lightened up via 72.80 stoploss/profit stop. M/T: 1-dc below 67.60. 90.30 &/or 96.30 &/or 103.90.
New Recom:	If out, wait to buy obvious base action &/or all buy after 1-dc over Dec 1 downtrend line (now 84.50); stop: 1-dc below 72.80.	
Comment:	Gap break down on rising volume. Spinner warns lower price lows probable, ie: may not hold Oct 2008 uptrend line support (now 69.40). Sell down to core longs &/or hedge accordingly.	

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 16.75. S/T: 1-dc below 14.30. M/T: 2-dc below 12.90. 18.90 &/or 20.20 &/or 21.80.
New Recom:	If out, wait for Spinner confirmed base action to develop &/or buy after 1-dc over 18.40; stop: 1-dc below 14.30.	
Comment:	Dip & rebound on top support of Nov-Jan consolidation range. Spinner (thick) confirming line faltering at recent overbought extremes. Xlnt R/S but all boats likely to sink if general gold share weakness continues. Reduce to gambler/core longs only.	

Silver Wheaton (NYSE: SLW; Toronto: SLW-T); 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:	Wait to buy strength after a reaction low that holds on or above Nov 2008 uptrend line support (now 10.95). And/or buy after 1-dc over 17.60; stop: 1-dc below 13.80.	
Comment:	Broke below June 2009 uptrend line support. May dip to expand larger right shoulder of 2-year reverse H&S base. Spinner in negative hook. Negative winds prevail. Let it recuperate.	

CLOSED POSITIONS

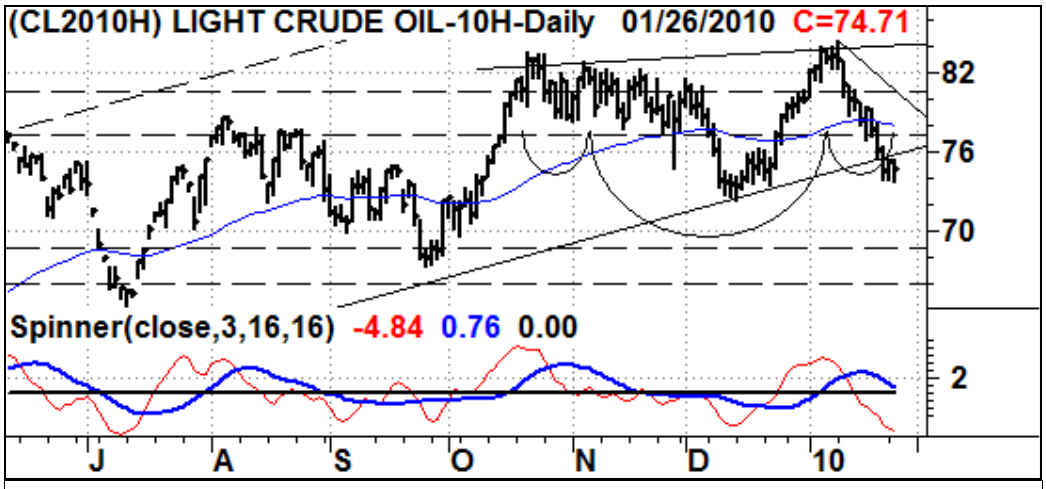
Goldcorp (Toronto: G-T; NYSE: GG); gold: CAD$:		
Open trades:	**Long at:**	Initial entry price: 25.00 (Nov-05-08). Traders exited via 38.75 stoploss/profit stop.
	Stop:	If still long, exit at mkt &/or into any strength *towards* 40.40.
New Recom:	No new buy recommendation.	
Comment:	Traders exited via 38.75 stoploss/profit stop. Sept-Jan H&S top & tentative breakdown. Will need time to reverse negative outlook & build convincing base action. We will thus temporarily remove G-T from *GCRU* next week.	

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 136.60-stop, ½ after 1-dc below 136.60. 155.90 &/or 162.60 &/or 169.30 &/or 176.50.
New Recom:	Gamblers only nibble buy Mar after 1-dc over 140.90; stop: exit, or sell ½ at 136.60-stop, ½ after 1-dc below 136.60. All buy after 1-dc over 149.40.	
Comment:	June-Jan flat top triangle cum cup&handle base; 176.50 provisional upside target. Spinner (thick) confirming line rounding out to bullish & placed to confirm sustained strength in price. Don't push it.	

Cotton Mar 2010 futures – daily chart:		
Open trades:	**Short at:** **Stop:** **Profit targets:**	Gamblers sold short Mar at 71.64 (Jan-20-10). 72.60-stop. Cover ½ at 68.60 &/or tight trail stop downside.
New Recom:	If sold short, cover ½ at 68.60 &/or tight trail stop downside. If out, no new trade recommendation this week.	
Comment:	Nov-Jan bearish H&S top & breakdown. Spinner weak (both plotlines down trending below zero). Re-test of Mar 2009 uptrend line support within reach.	



Crude Oil NY Mar 2010 futures – daily chart:		
Open trades:	**None:** **Stop:** **Profit targets:**	Gamblers exited Mar longs via 76.80-stop stoploss ☹. Basis Mar: 80.40-stop (if sell short). Basis Mar: cover ½ at 68.60, ½ at 65.80.
New Recom:	Gamblers sell short Mar at mkt (mini Cx only) &/or if rebounds to 77.10; stop: 80.40-stop; cover ½ at 68.60, ½ at 65.80.	
Comment:	Tentative break below Mar 2009 uptrend line support. Spinner predominantly bearish, but oversold condition in (thin) timing line hints mini price rebound probable. US$ direction crucial here.	

S&P500 Index <u>March</u> 2010 futures – <u>daily</u> chart:

Open trades:	**Short at:** **Stop:** **Profit targets:**	Exited Mar longs via 1118.40-stop stoploss/-profit stop. Traders then sold short at 1111.10. 1134.20-stop. 1076.00 &/or 1053.50 &/or 1028.00 &/or 996.50.
New Recom:	If out, sell short Mar bit at mkt & if rallies to 1095.80 & 1108.50; stop: 1134.20-stop.	
Comment:	Oct 2009 upwedge & breakdown; 1028 downside measured target (basis L/O/C). Spinner bearish but shorterm oversold; hints snap-back price rally possible/probable.	

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). Traders re-bought bit at 28.97. S/T: 27.90-stop. M/T: 1-dc below 27.90. 30.90 &/or 32.50 &/or 34.30. Some took profit at 29.40 ☺.
New Recom:	If out, no new buy recommendation this week.	
Comment:	Break to new closing high <u>vs</u> shorterm upwedge from Jan 5 high. Spinner in positive cross/hesitant bull mode. Technical spotlight on support of Dec 2009 uptrend line support (now 28.60).	

US$ Index Mar 2010 futures-daily chart:		
Open trades:	**Long at:**	Initial entry price: 76.63 (Dec-08-09). Traders re-bought Mar at 78.61.
	Stop:	1-dc below 76.60.
	Profit targets:	79.40 &/or 80.60 &/or 81.80.
New Recom:	If out, buy Mar big after 2-dc (or 2nd consecutive) close over 78.60. Sell, or sell short Mar after 1-dc below 76.60; stop: 1-dc over 78.60.	
Comment:	Dec peak bull flag & bullish upside breakout. Spinner easing from neutral to bullish. Requires a weekly close over 79.20 to open the next significant up-leg towards the 81.85-83.65 area. Verging.	

Jan-27-10

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	Traders banked any worthwhile profits at mkt. If out, wait to buy strength after a dip that clearly holds above Oct 2008 uptrend line support (now 13.30). And/or spec buy after 1-dc over 15.10; stop:1-dc below 12.80.	L	Nov-05-09	13.30		13.92	12.80-stop 1-dc U/12.80	16.70	17.50	18.25
Franco Nevada	FNV-T	If long, lighten up at mkt &/or into any strength towards 29.30. If out, wait for more obvious base action to develop &/or all buy big after 1-dc over 31.00; stop: 1-dc below 25.50.	L	Sep-16-09	30.99		28.30	25.50-stop 1-dc U/25.50	35.60	38.50	41.40
Goldcorp	G-T	Traders exited via 38.75 stoploss/profit stop. Sept-Jan H&S top & tentative breakdown. Will need time to reverse negative outlook & build convincing base action. We will thus temporarily remove G-T from GCRU next week.					38.73				
Iamgold Corp	IAG	If long, exit or hedge at mkt. All re-buy after 1-dc over 17.10; stop: 1-dc below 13.70.	L	Nov-26-08	4.25		14.03	Exit or hedge at mkt	18.90	21.00	23.40

Jan-27-10

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											
Jaguar Mining	JAG-T	Traders lightened up at mkt. If out, wait to buy after a reaction low that clearly holds above 10.50 &/or buy after 1-dc over 13.68; stop: 1-dc below 11.20.	L	May-20-09	8.65		11.10	9.90-stop 1-dc U/9.90	14.75	16.15	17.50
Kirkland Lake Gold	KGI-T	Some exited or lightened up via 7.80 stoploss ☹. If long, exit at mkt &/or into any strength towards 8.50, with final exit no lower than 1-dc below 7.20.	L	Dec-09-09	9.56		7.49	1-dc U/7.20	13.80	15.50	17.25
Lake Shore Gold	LSG-T	Some exited or lightened up via 3.48 stoploss ☹. If out, wait to buy Spinner confirmed strength &/or buy after 1-dc over 4.23; stop: 1-dc below 3.48.	L	Nov-02-09	3.50		3.52	1-dc U/3.28	4.38	4.90	5.35
Osisko Mining	OSK-T	If long, lighten up &/or hedge at mkt. All re-buy after 1-dc over 9.15; stop: 1-dc below 7.90.	L	May-13-09	5.90		8.09	7.75-stop 1-dc U/7.75	9.10	9.75	10.50
Randgold Res.	GOLD	Traders exited or lightened up via 72.80 stoploss/profit stop. If out, wait to buy obvious base action &/or all buy after 1-dc over Dec 1 downtrend line (now 84.50); stop: 1-dc below 72.80.	L	Dec-10-08	40.24		72.30	1-dc U/67.60	90.30	96.30	103.90

Jan-27-10

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											
Red Back Mng	RBI-T	If out, wait for Spinner confirmed base action to develop &/or buy after 1-dc over 18.40; stop: 1-dc below 14.30.	L	Dec-11-08	6.76	16.75	17.12	1-dc U/14.30 2-dc U/12.90	18.90	20.20	21.80
Royal Gold	RGLD	Some exited or lightened up via 44.60 stoploss ☹. Broke major Oct 2008 uptrend line support. If long, exit, or hedge at mkt &/or on any strength towards 46.70. Requires obvious base action, or a determined close over 50.10 to justify new buying.	L	Mar-20-09	45.37		43.87	1-dc U/42.60	55.18	57.80	64.40
Silver Wheaton	SLW	Wait to buy strength after a reaction low that holds on or above Nov 2008 uptrend line support (now 10.95). And/or buy after 1-dc over 17.60; stop: 1-dc below 13.80.					14.38	1-dc U/13.80	19.90 (if buy low)	21.70	23.50
Futures											
Coffee	KC H0	Gamblers only nibble buy Mar after 1-dc over 140.90; stop: exit, or sell ½ at 136.60-stop, ½ after 1-dc below 136.60. All buy after 1-dc over 149.40.					138.25	136.60-stop 1-dc U/136.60 (Basis Mar)	155.90	162.60	169.30
Cotton	CTH0	If sold short, cover ½ at 68.60 &/or tight trail stop downside. If out, no new trade recommendation this week.	S	Jan-2-10	71.64		69.82	72.60-stop (Basis Mar)	68.60 (Basis Mar)	Trail stop rest	

Jan-27-10

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											
Crude oil	CLH0	Gamblers exited Mar longs via 76.80-stop stoploss ☹. Gamblers sell short Mar at mkt (mini Cx only) &/or if rebounds to 77.10; stop: 80.40-stop; cover ½ at 68.60, ½ at 65.80.					74.71	80.40-stop (Basis Mar) (if sell short)	68.60 (Basis Mar)	65.80 (Basis Mar)	
Gold	GCJ0	If out, gamblers buy April after 2-dc (or high volume break) above Dec 3 downtrend line (now 1133.50); stop: 1082.50-stop. All re-buy after 2-dc over 1152.80. 68:69. Gamblers/hedgers sold short April at 1113.60. If out, hedgers sell short at mkt; stop: 1-dc over Dec 3 downtrend line (now 1133.50); cover ½ at 1042.50 &/or tight trail stop downside. Sell short more after 1-dc below 1082.50.	L	Jan-11-10	1151.40		1099.50	1-dc U/1082.50 (Basis April)	1213.25 (Basis April)	1246.50 (Basis April)	1280.50 (Basis April)
S&P500	SPH0	If out, sell short Mar bit at mkt & if rallies to 1095.80 & 1108.50; stop: 1134.20-stop.	S	Jan-21-10	1111.10		1087.20	1134.20-stop (Basis Mar)	1076.00 (Basis Mar)	1053.50 (Basis Mar)	1028.00 (Basis Mar)
Sugar	SBH0	Traders re-bought bit at 28.97. If out, no new buy recommendation this week.	L	Dec-16-09	24.96	28.97	29.30	27.90-stop 1-dc U/27.90	Hit at 29.40 ☺	30.90	32.50
US$-Index	DXH0	If out, buy Mar big after 2-dc (or 2nd consecutive) close 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	78.61	78.61	1-dc U/76.60 (Basis Mar)	79.40	80.60	81.80

•••• **2010 fear phase**. Overall, according to Bob Janjuah of the *Royal Bank of Scotland*, "It all comes down to the debate between **voluntary austerity** (the core Eurozone route, which means deflation and wage declines, but which means bond yields and the currency do not meltdown/debase) vs **involuntary austerity** (which is the route *currently* being followed by the fiscal and monetary authorities in the US, UK, parts of peripheral Europe, and Japan. IE, unsustainable debt paths, no (as yet) credible exit policy, monetisation and debasement). In the involuntary austerity world, our **policymakers will keep taking risks until they break the back of the camel (the market), at which point bond yields and currencies go into a tailspin, causing massive pain in these domestic economies and which ultimately will then mean a much longer period of forced austerity** (higher taxes, higher savings, etc)." Mid 2010 (Q2-3) is when BJ expects the next fear phase to develop: "The key drivers will be panic around unsustainable debt paths vs ongoing private sector de-leveraging & a lack of sustainable final demand ex-govt largesse, the collapse in policymaker credibility, ratings events, and a significant spike higher in bond yields in the UK, US and Japan. This will likely be accompanied by severe weakness in the currencies of these nations (US$ 1.80 vs Euro, UK Pound sub-parity vs Euro) as well as raw global FEAR and a major sell-off in the credit and equity markets." There is little hope for "voluntary austerity" from political bodies beholden to the very system they would have to get tough with, to reform the system. Consequently, govt's refusal to effectively combat the consequences of the financial crisis is paving the way for an *even greater* shock. •••• **Morgan Stanley ignores calls for restraint and doles out £8.8 billion to bankers**, reports the *UK Daily Mail*. "The salary and bonus pot at the bailed-out US firm jumped 31% to £8.8 billion last year (about $14.4 billion), despite turning a profit of only £705 million (about $1.15 billion) in 2009, it revealed last week. **An astonishing 62% of revenues were set aside for pay - the highest level in at least a dozen years**." And this when the Bank of England Governor Mervyn King is warning: "The patience of UK households is likely to be sorely tried….and families must steel themselves for years of hardship. They will see their **standard of living** fall as salary freezes and rising inflation eat into incomes." Is there any way short of a pitchfork revolution to quell the abuse of today's financial elite? •••• **Even borrowers with "good" credit pose risks**. Within the next couple of years, probably somewhere between 10 million and 20 million US homeowners will owe more on their homes, than their homes are worth, estimates *CalculatedRiskBlog.com*. "**One of the greatest fears for lenders (and investors in mortgage backed securities) is that it will become**

socially acceptable for upside down middle class Americans to walk away from their homes. If every upside down homeowner resorted to 'jingle mail' (mailing the keys to the lender), the losses for the lenders could be staggering. Assuming a 15% total price decline, and a 50% average loss per mortgage, the losses for lenders and investors would be about $1 trillion. Assuming a 30% price decline, the losses would be over $2 trillion. **Not every upside down homeowner will use jingle mail, but if prices drop 30%, the losses might well exceed $1 trillion (far in excess of the $70 to $80 billion in losses reported so far)**." As the trend for house values continuing to fall below outstanding mortgages increases, the number of homeowners voluntarily defaulting on their loans will accelerate, further pressuring the beleaguered banks. •••• "For the first time in almost 40 years (since the ending of US$ convertibility to gold in 1971), **the interests of the world's Central Banks and individual investors, once again, converge on gold**: value is no longer guaranteed by the US$ as an international reserve currency and, as long as the latter has no globally recognized successor, gold remains the only asset capable of maintaining this value," comments the highly recommended European based think-tank *Leap2020.eu*. However, if the gold price has benefited from the global crisis & the structural collapse of the United States, continue *Leap2020*, "It is not the result of any market move towards greater transparency and less manipulation by the US Fed and its major supporters. **The three main tools used in an attempt to *prevent* any return of gold to the center of the int'l monetary system are still in place**, that is: 1). The development of a "paper gold market" swamping the physical gold market in a sea of fictitious contracts, which are essentially pledges on gold which in reality doesn't exist (or is repeatedly used for different contracts). 2). The falsifying of the levels of actual physical gold reserves, especially those of the United States, which have not been subject to independent audit for decades. 3). The communication [propaganda] tactic, via major economic and financial media, of systematically suggesting that investment in gold is out of date, being an irrelevant 'barbarous relic'." Why then is the gold price rising today? "It is the overturning of a factor essential to world order, due to the growing impact of the systemic crisis and the entry into the phase of worldwide geopolitical dislocation: **the US Fed no longer has the means to battle against the old enemy of US$ hegemony which gold represents**." The Fed may have one knee on the ground, but don't underestimate the determination of their "whatever it takes" policy. The gold market is minute compared to the trillions of dollars being shunted around. However, we believe the Fed's biggest concern isn't to permanently "cap" the gold price, but to slow the yellow metal's rise, lest a gold "melt-up" trigger an uncontrolled crash across all other asset classes. •••• **Option ARMs resets will deliver a death blow to the housing sector**. There are no specific

numbers on how many option ARM loans there are, according to *CNBC.com*, "But analysts estimate that as many as 1.3 million borrowers took out $389 billion in option ARMs in 2004 and 2005 alone. Many of those option ARM loans have already re-adjusted to higher payments, but more are on the way. **Some 88% of Option ARMs originated between 2004 and 2007 are going to adjust higher between now and 2012. Those option ARM borrowers could see their housing bills go up as much as 63%**, according to Fitch ratings." That's grim enough but, "If the Fed [is forced to] increases rates in the months ahead to fight inflation, rates tied to option ARM indexes will rise further—causing more payments to adjust up even sooner." Get ready for another round of mortgage defaults and home foreclosures. This isn't a new issue, but it's about to unleash a fury that few are prepared for, out of the eye of the hurricane. •••• **UK borrowing hits new record for December**. Britain borrowed £15.7 billion to balance the books last month, the highest December figure on record, as two-and-a-half years of financial crisis and recession took its toll on the public finances, reports the UK *Guardian*. "Despite some signs that the pace of decline may be easing, the **govt's net borrowing stood at £120 billion in the first nine months of the financial year, almost double the total for the same period in 2008-09**." The world has been drawn into a synchronized financial crisis, but don't assume recovery rates will be the same. The US & UK were, & remain the epicenter of the debacle. •••• **US stock market rigging**. Hat tip to friend Chris Powell of *Gata.org* who says Canada's Business News Network gave nine minutes on its 'Trading Day' program to Charles Biderman, CEO of *Trim Tabs Investment Research*, to discuss the evidence that the US govt is surreptitiously goosing the US stock market. "With futures and derivatives, Biderman remarked, it would require the govt, working through one or two big investment houses (can you think of the prime suspects?), to spend only a few billion dollars a month to leverage the stock market upward -- a tiny fraction of the money the govt has been creating to bail out everybody else." The key observation Biderman makes is: "**Who would trust the market if they realized govt was the *sole* buyer**." Govt is rigging the stock market but there is a limit to their power, as previous stock market crashes have proved. So, the key question is will govt be able to hold things together long enough to entice enough under-invested money managers/funds/investors back into the market, or, when the music stops, will they be looking for somewhere to sit!? For the *moment*, we are betting on govt. •••• Russia's Central Bank added 800,000 troy ounces to its gold reserves in Dec, its biggest one month increase *ever* -- which raised their total gold holdings to 20,500,000 troy ounces. As the old Wall Street adage says, "Don't fight the Fed." The same applies for Central Banks (ie: don't fight, but follow the smart money into gold). •••• **Big Banks have already figured out the loophole in Obama's new rules**. Big banks have

already begun poking holes in Obama's new rules—holes they expect their banks to pass through basically unchanged, reports *BusinessInsider.com*. "The president promised to work with Congress to ensure that no bank or financial institution that contains a bank will own, invest in or sponsor a hedge fund or a private equity fund, or proprietary trading operations unrelated to serving customers, for its own profit. But sources at three banks tell us that they are already finding ways to own, invest in and sponsor hedge funds and private equity funds. Even proprietary trading seems safe. A person familiar with the operations of one big Wall Street bank said it expects that **new regulation will affect less than 1% of its overall business**. **The key phrase is "operations unrelated to serving customers." The banks plan to claim that much of the business in which it engages is related in one way or another to serving customers**. Even proprietary trading, for instance, can become related to customer service if it is done through internal hedge funds in which some outside clients are permitted to invest." Obama's finger wagging at banks is playing the public for fools. He passed up the opportunity to meaningfully reform the banking industry when he bestowed the responsibility of dealing with the credit crisis on the same people that caused it. Until the corrupt "heart" is ripped out of this beast, the "body" will continue to function.

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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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