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-Gold (& mkts) Charts R Us-

Welcome to *GCRU* #385 on February 4, 2010 (in its 8th year).

--TRADING SUMMARY – •••• The gold outlook is *mixed* with bullion developing a fragile (Dec-Jan) double bottom on lower support of a 2-month downward bearing descending triangle. Plus a bullish 2-week down wedge with upside breakout. Bullion's technical rebound (Mon/Tues) occurred on reasonable volume, but may be due to a US$ setback towards neckline support of a bullish Sept 2009-Jan 2010 reverse H&S base, with 82.60 theoretical upside target. So, don't allow longer-term gold fundamentals to override your shorterm trading judgment. IE, the US$-Index is technically bullish (while it trades above its Dec uptrend line – now 77.60), & if it continues to rally, U should buy &/or hedge exposure not only to bullion & the gold shares, but also the non-$ currencies &/or commodity & other reflation themes that are particularly vulnerable to dollar strength. When the US$ rally ends, be it in 1-week or 1-month from now, gold's cyclical bull market *will* reassert itself & we'll be ready to load-up aggressively at correction lows. But, in the meantime we must act defensively to protect our trading capital, because the dominance of a few major players & their manipulative high frequency computer based trading systems regularly "massages" directional swings far beyond all chart logic. The 3 gold indexes, *Schultz Gold Index*, HUI, & XAU show weak relative strength compared to bullion, & offer little encouragement with a joint collapse below Nov 2008 uptrend line support, voiding the possibility of shorterm bull wedge developments. If we see a *high volume* rise above bullion's nearby Dec downtrend line (now $1126.00) it would turn things bullish (& offer a signal to *start* unwinding our short-sale/hedge trades), but be cautious going into the $1126-1152.80 resistance area, as a setback is probable on the first test. Only above this resistance band would the Dec correction be definitively behind us. If not, gold breaking $1082.50 would flash a new alert & hedging should be increased, as it would open the trap door on the 6th down leg of a potential 7th down leg from bullion's Dec high -- and another blood-letting decline in the gold shares. •••• Shorterm momentum indicators are at or bouncing from oversold extremes in the stock markets, but active sell signals in the weekly charts suggest any rebounds will be limited both in terms of price and time. Monitor the financial sector closely as it's been the main beneficiary of govt stimulus, and as the illusion of FASB fantasy earning evaporates, so could the main (only?) pillar behind the stock market. Whatever the case, the easy money has been made. •••• Bullish Consensus list gold at 78 (up 2 from last

week). The US$ at 52 (up 2). B/C say gold: "Signals are bullish/neutral short-term. The intermediate trend is neutral/bearish." •••• Pay no heed to the widely misreported comment from George Soros that a gold bubble is about to burst. As Peter Cooper of *SeekingAlpha* rightly notes, "Soros merely pointed out that credit-induced asset price inflation causes moves from one asset class to another until it reaches gold as the 'ultimate bubble' or the last of the bubbles. Soros did not say that we are nearing that position with gold around $1,080. What he did create was a buying opportunity, presumably for funds controlled by himself." •••• A reminder to Hslm's that *HSL676* (Jr edition) was posted last Sunday. It's full of analysis & must read articles/revelations, as well as several short sale recommendations to hopefully hedge/benefit from the current stock market decline. •••• Gold is up $1.40 in Europe this AM. The US$-Index down 18 cents. •••• If gold's -- *upliftry* -- (today's password) gains credibility via a break above its Dec downtrend line, **OK to start buying** the gold shares (& bullion too) on breaks above similar downtrend line resistances (as outlined herein). However, until bullion sees a rise above $1152.50, treat any new trades with *caution*, as they may be limited to oversold bounces rather than new & lasting trend developments. •••• May the gold Force be with us. Fond regards from ***Uncle Harry***, & Paul. •••• If it's Wednesday, it's *Gold (& Mkts) Charts R Us.*

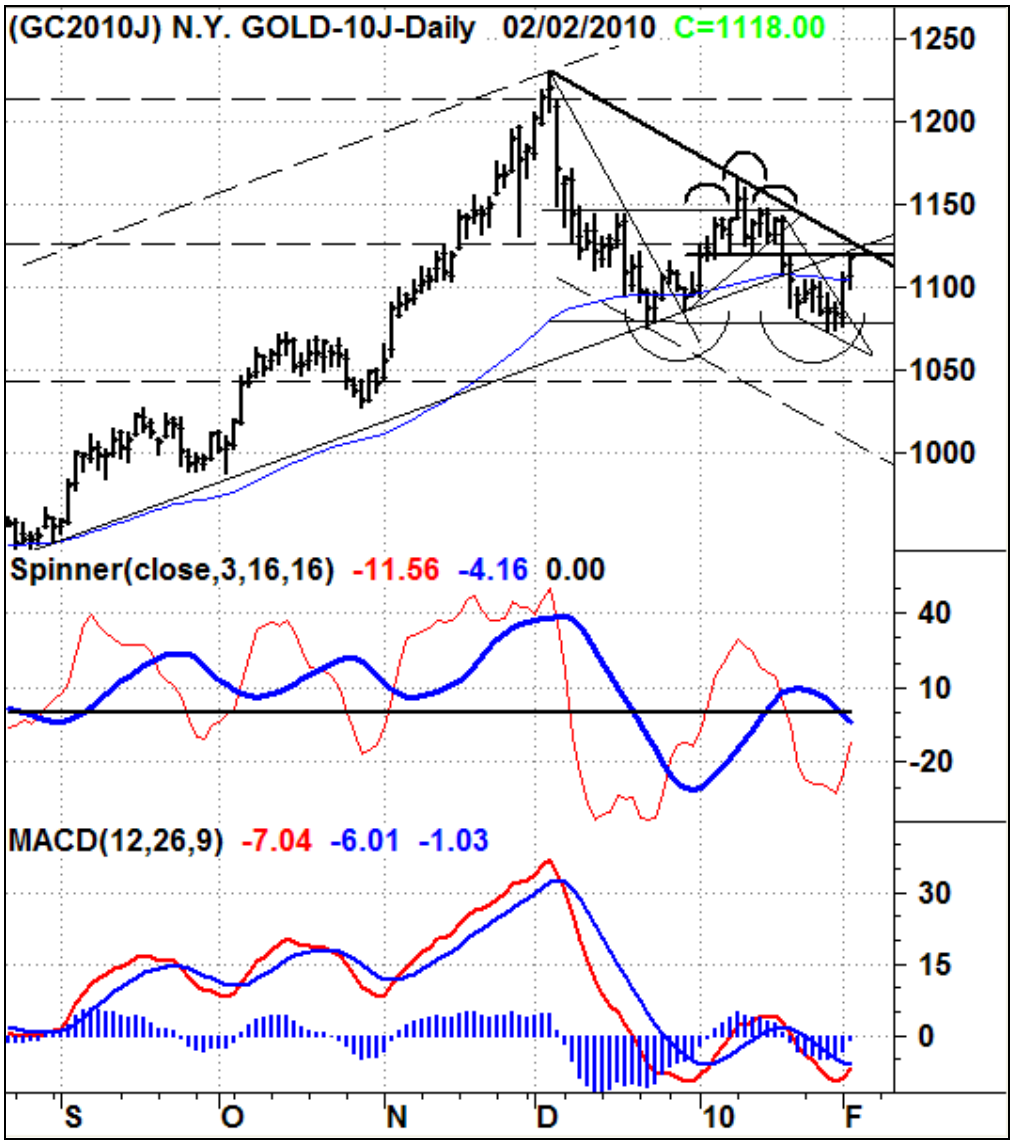
IN THIS ISSUE

••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

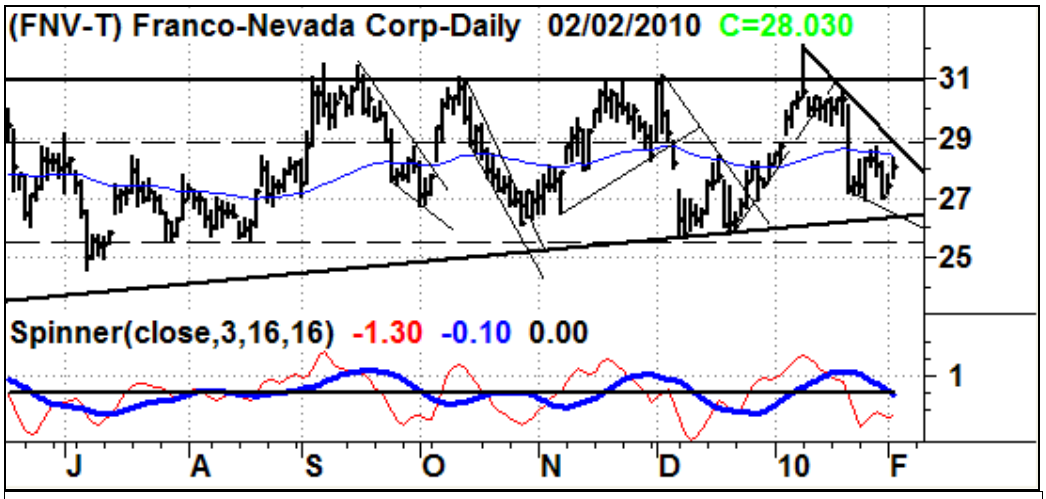


Comex gold April 2010 futures – 480 min – 7wk view

Comex gold April 2010 futures Cx - 480-min tick chart (all sessions):		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 1151.40 (Jan-11-10). M/T: 1-dc below 1082.50. 1213.25 &/or 1246.50 &/or 1280.50.
New Recom:	If out, buy April after 2-dc (or dynamic break) above Dec 3 downtrend line (now 1126.00); stop: 1082.50-stop. All re-buy after 2-dc over 1152.50. Gamblers/hedgers are short at 1113.60 &/or sold short Apr at 1094.50; stop: 1-dc over Dec 3 downtrend line (now 1126.00); cover ½ at 1042.50 &/or tight trail stop downside. Sell short again after 1-dc below 1082.50.	
Comment:	Tentative Dec-Jan double bottom vs Dec downtrend line resistance. 2-week down wedge & upside breakout; $1142.90 measured target. Spinner (thick) confirming line in persistent downtrend (daily & weekly chart); suggests additional backfilling possible before sustainable upside to develop.	

GOLD SHARES

Eldorado Gold (Toronto: ELD-T; NYSE: EGO); gold: CAD$:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Traders hedged or exited trading positions with small loss via 12.80 stoploss ☹. 12.25-stop (if re-buy). 16.70 (if re-buy low) &/or 17.50 &/or 18.25.
New Recom:	Spec buy bit after 1-dc over Jan downtrend line (now 14.10); stop: 12.25-stop. Buy more after 1-dc over 15.10.	
Comment:	Break below & rebound to touch prior Oct 2008 uptrend line (now new resistance). Risk of Nov-Jan H&S top vs uncertain 2-month reverse H&S. Spinner faltering at oversold extremes; hints at short-lived price bounce only. Inconclusive.	



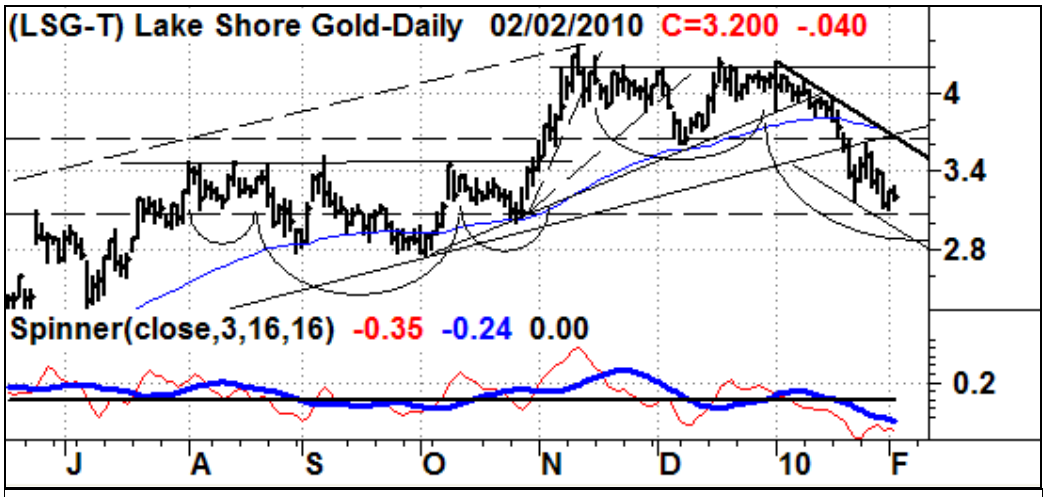
Franco-Nevada (Toronto: FNV-T); gold/platinum/oil/gas: CAD$:

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:	Traders lightened up at mkt. If out, wait for convincing base action to develop &/or buy after 1-dc over 28.80; stop: 25.50-stop.	
Comment:	Wavering in lower zone of 1-year flat top triangle; 38.50 possible upside target. Spinner in crosscurrent bear mode; hints additional backfilling possible. Poss bull wedge. Buy on upside breakout only.	

Iamgold Corp (NYSE: IAG; Canada: IMG-T); gold: US$:

Open trades:	**Long at:** **Stop:** **Profit targets:**	Traders exited or hedged at mkt. S/T: 12.70-stop. 18.90 &/or 20.65 &/or 22.45.
New Recom:	If out, spec buy (or cover hedges) after 1-dc over Dec downtrend line (now 15.90); stop: 12.70-stop.	
Comment:	Break below Nov 2008 uptrend line vs Dec peak bull wedge. Spinner in conflict. Strength after a new higher low &/or a forceful break above Dec downtrend line required to offer a safer buy point.	

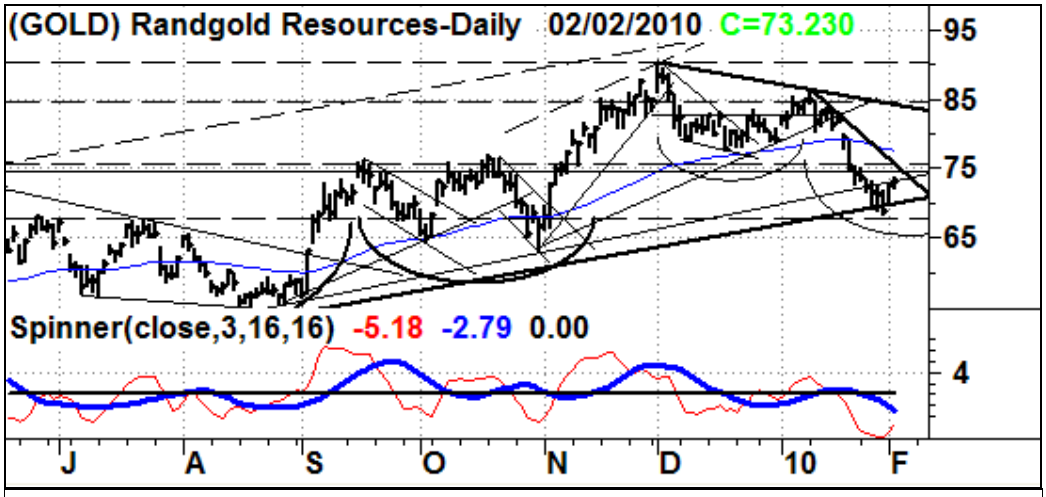
Jaguar Mining (Canada: JAG-T; NYSE: JAG); gold: CAD$:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 8.65 (May-20-09). S/T: 9.90-stop. M/T: 1-dc below 9.90. 14.75 &/or 16.15 &/or 17.50.
New Recom:	If out, spec buy after 1-dc over Jan downtrend line (now 12.00); stop: 9.90-stop.	
Comment:	Tentative stabilization on Dec 2008 uptrend line support. Requires an obvious upturn in Spinner (thick) confirming line to underpin any strength in price. Falling volume unconstructive. Frail.	



Lake Shore Gold (Canada: LSG-T); gold: CAD$:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Exited trading positions with small loss via 3.28 stoploss ☹. S/T: 3.05-stop. M/T: 1-dc below 3.05 (if re-buy). 4.38 (if re-buy low) &/or 4.90 &/or 5.35.
New Recom:	Spec buy after 1-dc over Jan downtrend line (now 3.65); stop: 3.05-stop.	
Comment:	Slight bullish divergence in Spinner (higher low vs lower low in price); hints negative price momentum easing. May rise to build head of Nov-Feb reverse H&S. Need break above Jan downtrend line (now 3.65) to start healing process. Let it confirm.	

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

Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 5.90 (May-13-09). S/T: 7.58-stop. M/T: 1-dc below 7.58. 9.10 &/or 9.75 &/or 10.50 &/or 11.20 &/or 12.45.
New Recom:	Traders lightened up &/or hedged at mkt. Risk buy bit (or cover hedges) after 1-dc over 8.75; stop: 7.58-stop. All buy again after 1-dc over 9.15.	
Comment:	Spinner in corrective bear mode. May rise to complete Sept-Feb cup&handle cum bullish flat top triangle. Requires more & consistent volume. Xlnt R/S. Aggressive buy on upside breakout.	

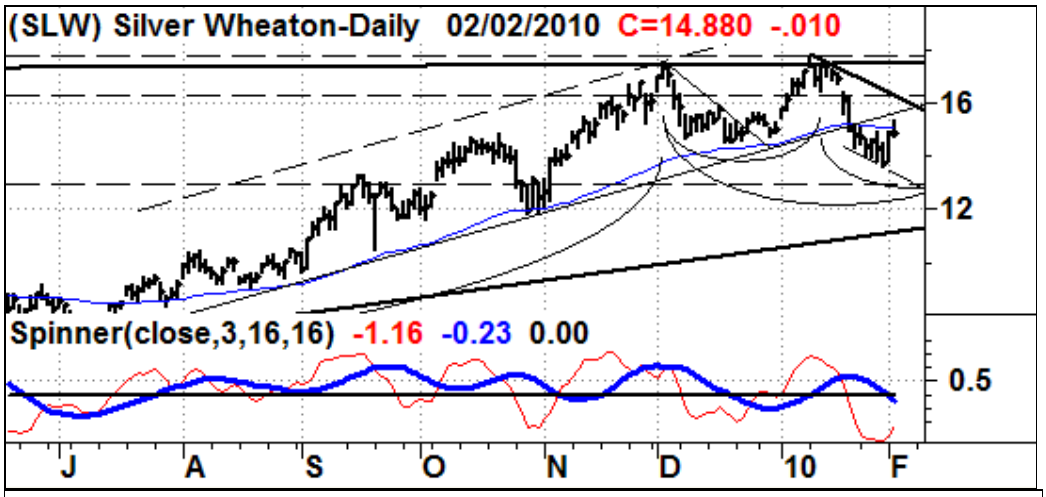


Randgold Resources (Nasdaq: GOLD; London: RRS); gold: US$:

Open trades:	**Long at:** **Stop:** **Profit targets:**	Entry price: 40.24 (Dec-10-08). M/T: 1-dc below 67.60. 90.30 &/or 96.30 &/or 103.90.
New Recom:	If out, nibble buy bit after 1-dc over Jan downtrend line (now 75.40); stop: 67.60-stop.	
Comment:	Timid rebound on Oct 2008 uptrend line support. Spinner in oversold bear mode. Uncertain Dec-Feb reverse H&S formation. Needs time to develop more persuasive/reliable base action.	

Red Back Mining (Toronto: RBI-T); gold: CAD-$:

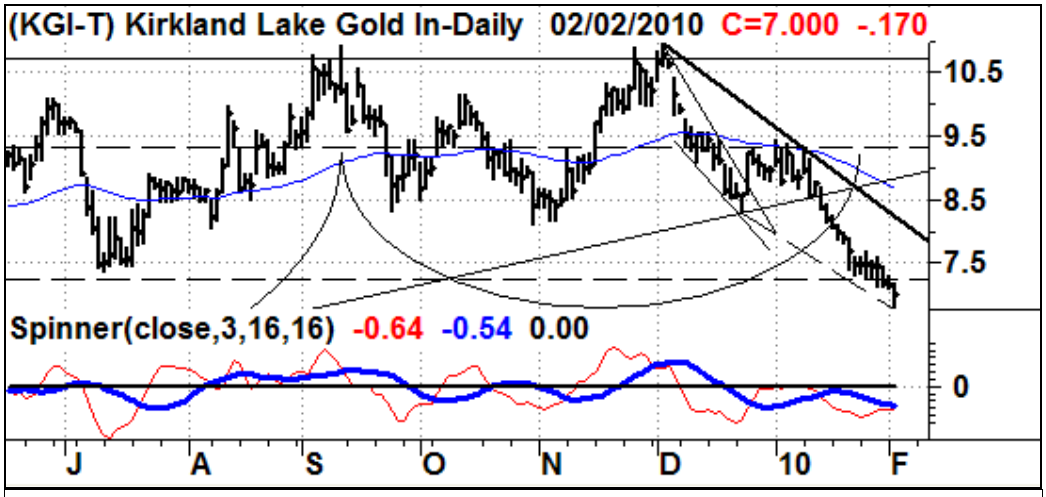
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 6.76 (Dec-11-08). S/T: 1-dc below 14.30. M/T: 2-dc below 12.90. 18.90 &/or 20.20 &/or 21.80.
New Recom:	Traders sold down to gambler/core longs at mkt. If out, spec buy after 1-dc over 18.40; stop: 14.30-stop.	
Comment:	9-day bull flag & gap-up breakout on rising volume. Top R/S. Spinner mixed & will require more time to re-position & confirm strength in price. Bullish omen for general gold share strength?	



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

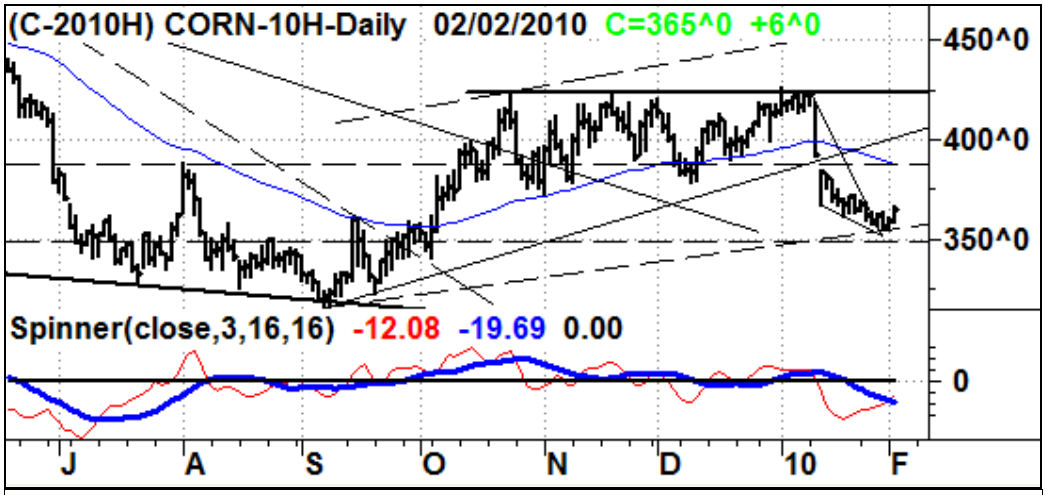
Open trades:	**Long at:** **Stop:** **Profit targets:**	Traders not in yet. 12.90-stop. 19.90 (if buy low) &/or 21.70 &/or 23.50.
New Recom:	Spec buy after 1-dc over Jan downtrend line (now 16.20); stop: 12.90-stop. All buy again big after 1-dc over 17.60.	
Comment:	Expanding possible head of Dec-Feb reverse H&S cum right shoulder of larger 2-year R/H&S base, with 17.30 combined upside breakout point. Spinner shorterm oversold. Has yet to convince.	

CLOSED POSITIONS



Kirkland Lake Gold (Canada: KGI-T); gold: CAD$:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Traders exited via 7.20 stoploss ☹. None. None.
New Recom:	Traders exited via 7.20 stoploss ☹. No new buy recommendation.	
Comment:	Broke to new 9½-month low on bearish/rising volume. Will need time to repair technical damage & absorb/chew through important overhead supply/resistance. We will thus temporarily remove KGI-T from *GCRU* next week.	

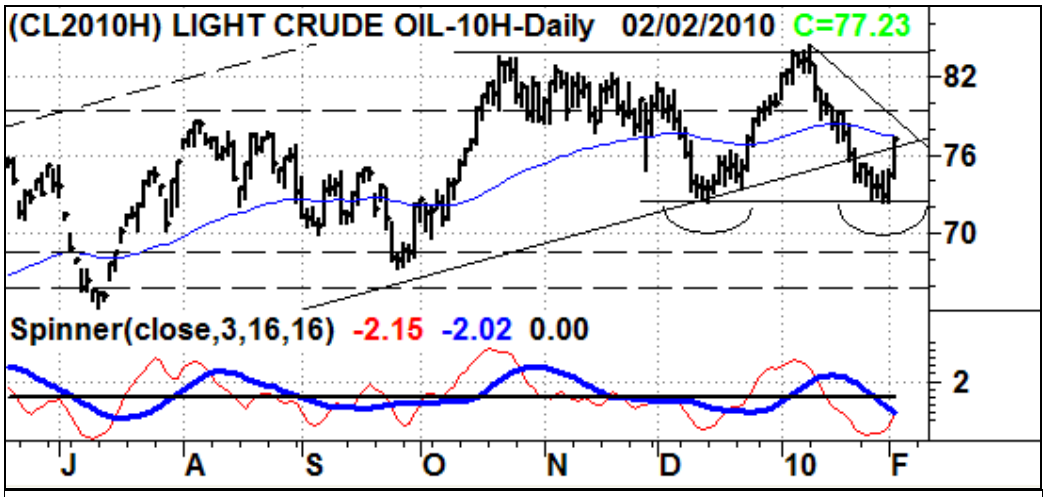
FUTURES



Corn Mar 2010 futures – daily chart:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Traders not in yet. 349.50-stop Sell ½ at 387.20 &/or trail stop strength.
New Recom:	Gamblers/bottom fishers *only* buy bit at mkt; stop: 349.50.00-stop; sell ½ at 387.20 &/or trail stop strength.	
Comment:	Jan peak bull wedge & growing upside breakout. Spinner in positive cross but (thick) confirming line has yet to make an obvious upturn. Looking to catch a shorterm reversal & build longs *only* if the trade moves in our favor. Tread lightly.	

Cotton Mar 2010 futures – daily chart:

Open trades:	**Short at:** **Stop:** **Profit targets:**	Initial entry price 71.64 (Jan-20-10). Cover at mkt. Bank 2nd ½ profit at mkt. Some took ½ profit at 68.60 ☺.
New Recom:	If sold short, bank remaining profits at mkt ☺.	
Comment:	Sharp break above Jan downtrend line resistance in electronic/-overnight trading (now trading at 70.60 as we write). Spinner rounding out to neutral. Prefer bank 2nd ½ short sale profits at mkt.	

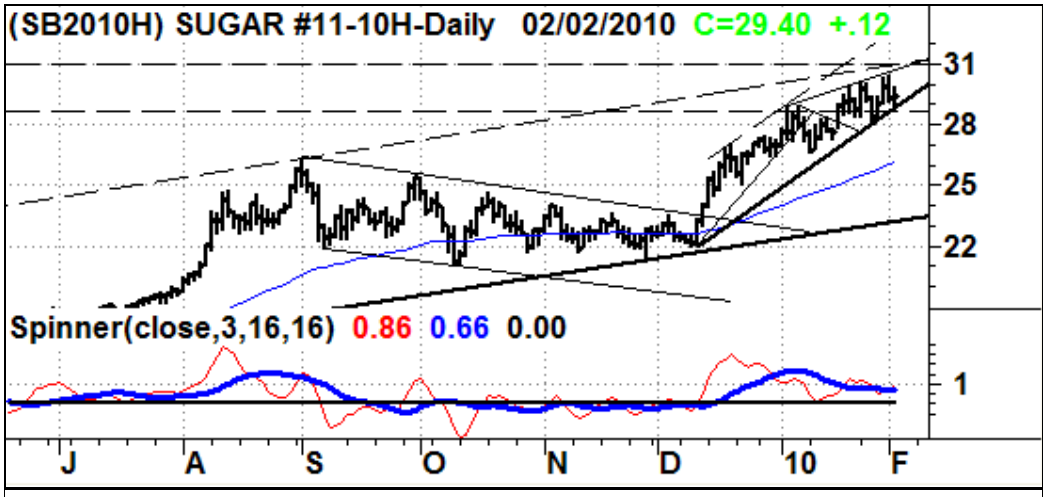


Crude Oil NY Mar 2010 futures – daily chart:

Open trades:	**Short:** **Stop:** **Profit targets:**	Gamblers sold short bit at 74.69 &/or 77.10. Basis Mar: 80.40-stop (if sold short). Basis Mar: cover ½ at 68.60, ½ at 65.80.
New Recom:	If short, lighten up at mkt &/or on any setback towards 75.00. If out, no new trade recommendation this week.	
Comment:	Break below Mar 2009 uptrend line offset via Dec-Feb double bottom & aggressive upside reversal. Spinner weekly sell signal still active, but shorterm price action becoming too bullish to justify short sales. Lighten up &/or jump to sidelines.	

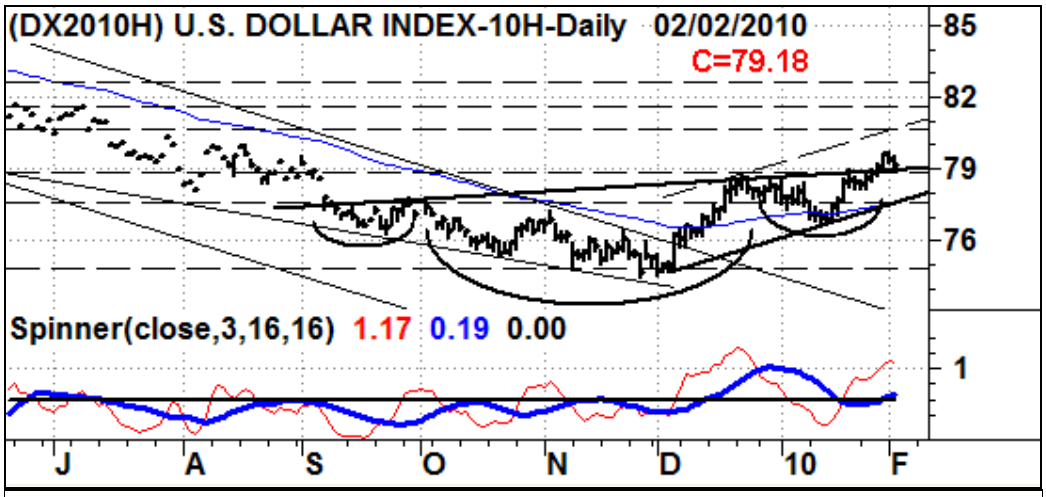
S&P500 Index <u>March</u> 2010 futures – <u>daily</u> chart:

Open trades:	**Short at:** **Stop:** **Profit targets:**	Initial entry price 1111.10 (Jan-21-10). Traders re-sold short at 1087.40 & 1095.80. S/T: 1124-00-stop. M/T: 1-dc over 1124.00. 1053.50 &/or 1028.00 &/or 996.50. Some took partial profit at 1076.00 ☺.
New Recom:	If out, sell short Mar bit at mkt; stop: exit, or stoploss ½ at 1124.00, ½ after 1-dc over 1124.00.	
Comment:	Oct 2009 bear wedge; 1028 downside target (basis L/O/C). Re-bound to build possible right shoulder of Nov-Feb H&S top.	



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: 28.60-stop. M/T: 1-dc below 28.60. 30.90 &/or 32.50 &/or 34.30.
New Recom:	If out, wait to buy strength after next significant pullback.	
Comment:	Negative bear wedge look. Dec uptrend line lowered to include recent low. Growing bearish divergence in Spinner; hints price setback brewing. Use tight trailing stops to <u>lock-in</u> any profits.	



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

Open trades:	**Long at:**	Initial entry price: 76.63 (Dec-08-09). Nice profit. Traders re-bought Mar at 79.10.
	Stop:	1-dc below 76.60.
	Profit targets:	80.60 &/or 81.60 &/or 82.80. Some took profit at 79.40 ☺.
New Recom:	If out, buy Mar at mkt & if dips to 78.80; take profits at 80.60 &/or 81.60 &/or 82.80. Sell, or sell short Mar after 1-dc below Dec uptrend line (now 77.55); stop: 1-dc over 79.10.	
Comment:	Surge break above & classic setback to test neckline support of Sept-Jan reverse H&S base; 82.60 upside measured target. Spinner++. Bear mkt rallies are frequently short but vicious.	

Feb-03-10

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 hedged or exited trading positions with small loss via 12.80 stoploss ☹. Spec buy bit after 1-dc over Jan downtrend line (now 14.10); stop: 12.25-stop. Buy more after 1-dc over 15.10.					13.43	12.25-stop	16.70	17.50	18.25
Franco Nevada	FNV-T	Traders lightened up at mkt. If out, wait for convincing base action to develop &/or buy after 1-dc over 28.80; stop: 25.50-stop.	L	Sep-16-09	30.99		28.03	25.50-stop 1-dc U/25.50	35.60	38.50	41.40
Iamgold Corp	IAG	Traders exited or hedged at mkt. If out, spec buy (or cover hedges) after 1-dc over Dec downtrend line (now 15.90); stop: 12.70-stop.					14.62	12.70-stop	18.90	20.65	22.45
Jaguar Mining	JAG-T	If out, spec buy after 1-dc over Jan downtrend line (now 12.00); stop: 9.90-stop.	L	May-20-09	8.65		10.90	9.90-stop 1-dc U/9.90	14.75	16.15	17.50
Kirkland Lake Gold	KGI-T	Traders exited via 7.20 stoploss ☹. No new buy recommendation.					7.00				
Lake Shore Gold	LSG-T	Exited trading positions with small loss via 3.28 stoploss ☹. Spec buy after 1-dc over Jan downtrend line (now 3.65); stop: 3.05-stop.					3.20	3.05-stop 1-dc U/3.05	4.38	4.90	5.35

Feb-03-10

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	Traders lightened up &/or hedged at mkt. Risk buy bit (or cover hedges) after 1-dc over 8.75; stop: 7.58-stop. All buy again after 1-dc over 9.15.	L	May-13-09	5.90		8.55	7.58-stop 1-dc U/7.58	9.10	9.75	10.50
Randgold Res.	GOLD	If out, nibble buy bit after 1-dc over Jan downtrend line (now 75.40); stop: 67.60-stop.	L	Dec-10-08	40.24		73.23	1-dc U/67.60	90.30	96.30	103.90
Red Back Mng	RBI-T	Traders sold down to gambler/core longs at mkt. If out, spec buy after 1-dc over 18.40; stop: 14.30-stop.	L	Dec-11-08	6.76		18.27	1-dc U/14.30 2-dc U/12.90	18.90	20.20	21.80
Royal Gold	RGLD	Traders exited or hedged at mkt. Oct-Jan H&S top vs uncertain Dec peak bull wedge. If out spec buy (or cover hedges) after 1-dc over Dec downtrend line (now 48.00); stop: 40.90-stop.					43.76	1-dc U/42.00	55.18	57.80	64.40
Silver Wheaton	SLW	Spec buy after 1-dc over Jan downtrend line (now 16.20); stop: 12.90-stop. All buy again big after 1-dc over 17.60.					14.88	12.90-stop	19.90 (if buy low)	21.70	23.50
Futures											
Coffee	KC H0	Broke Sept uptrend line on rising volume. Prior trade recommendation cancelled.					135.05				

Feb-03-10

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	Gamblers/bottom fishers only buy bit at mkt; stop: 349.50-stop; sell ½ at 387.20 &/or trail stop strength.					365.00	349.50-stop	387.20	Trail stop rest	
Cotton	CTH0	If sold short, bank remaining profits at mkt ☺.	Short	Jan-20-10	71.64		69.26	Cover at mkt	Hit at 68.60 ☺		
Crude oil	CLH0	If short, lighten up at mkt &/or on any setback towards 75.00. If out, no new trade recommendation this week.	S	Jan-27-10	74.69 77.10		77.23	80.40-stop (Basis Mar) (if sold short)	68.60 (Basis Mar)	65.80 (Basis Mar)	
Gold	GCJ0	If out, buy April after 2-dc (or dynamic break) above Dec 3 downtrend line (now 1126.00); stop: 1082.50-stop. All re-buy after 2-dc over 1152.50. Gamblers/hedgers are short at 1113.60 &/or sold short Apr at 1094.50; stop: 1-dc over Dec 3 downtrend line (now 1126.00); cover ½ at 1042.50 &/or tight trail stop downside. Sell short again after 1-dc below 1082.50.	L	Jan-11-10	1151.40		1118.00	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; stop: exit, or stoploss ½ at 1124.00, ½ after 1-dc over 1124.00.	S	Jan-21-10	1111.10	1087.40 1095.80	1097.20	1124.00-stop 1-dc O/1124.00 (Basis Mar)	Hit at 1076.00 ☺	1053.50 (Basis Mar)	1028.00 (Basis Mar)
Sugar	SBH0	If out, wait to buy strength after next significant pullback.	L	Dec-16-09	24.96		29.40	28.60-stop 1-dc U/28.60 (Basis Mar)	30.90	32.50	34.30

Feb-03-10

OPEN POSITIONS & NEW RECOMMENDATIONS RECAP

Sectors	Symbol	Trade recommendation	Long Short	Entry Date	Initial Entry Price	Traders re-bot/-sold at	Last Closing Price	Trailing Stoploss	Target #1	Target #2	Target #3
Futures											
US$-Index	DXH0	If out, buy Mar at mkt & if dips to 78.80; take profits at 80.60 &/or 81.60 &/or 82.80. Sell, or sell short Mar after 1-dc below Dec uptrend line (now 77.55); stop: 1-dc over 79.10.	L	Dec-08-09	76.63	79.10	79.18	1-dc U/76.60 (Basis Mar)	Hit at 79.40 ☺	80.60	81.60

Welcome to the editorial section of *GCRU*
-Selected revelations we think you need to see -

•••• **Sovereign debt default threatens world**. Respected *UBS* economist George Magnus says sovereign debt default now presents a grave risk to the global economy. From *MoneyNews.com*: " 'The sustainability of sovereign debt hangs heavily over bond markets and the prospects for economic and financial stability,' Magnus points out. Since 2007, budget deficits have soared, particularly in Iceland, Ireland, the US, Japan, the UK and Spain, '**There is no peacetime precedent for the current speed and scale of public debt accumulation and it is difficult to assess the *social* tolerance for high debt levels and for the pain of protracted fiscal restraint**,' he wrote. 'In several EU (European Union) member states, the threshold has already been breached. The specter of sovereign default, therefore, has returned to the rich world.' Countries don't have to refuse to pay all their loans to enter default, Magnus says. 'It can mean some type of moratorium on interest payments and the restructuring of loan terms,' he wrote. Default also can occur through inflation, currency depreciation and capital controls, he says. 'Seen in this light, a few **countries in eastern and western Europe may already be technically at risk of default**'." The markets are still behaving as if the uncontainable cost of bailing out the bankrupt banking industry can be absorbed by Western govts. That view will soon be debunked. •••• **Senate approves $1.9 trillion increase in federal borrowing limit**. The measure puts the US govt on track for a national debt of $14.3 trillion — more than $45,000 for every man, woman and child in the United States! •••• **Gold is not in a bubble but undervalued**. When gold took off in the seventies, it too was considered in a bubble. It was not, says John Ing of *MaisonPlacements.com*. "The US$ had collapsed, money supply grew at double digit levels and the CRB future index, which is a predictor of future inflation, soared. In the seventies the average income was $17,000 and consumer debt was at $10 billion. The savings rate was then at a comfortable 12%. Today the US$ too has collapsed, money supply continues to grow at double digit levels and commodities are up some 29%. Today, the average income of the American family is $28,000, but consumer debt stands at a whopping $13.8 trillion and the savings rate is a modest 4%. Gold? Gold went up in the seventies from $35 an ounce to $850 an ounce amid rising interesting rates. Also any change in interest rates will cause gold to move up as speculators reverse the huge carry trade and dump their so-called borrowed cheap dollars en masse. Finally, unlike the seventies, the US balance sheet is in far worse shape with the tide of red ink surpassing that created after World War II. **As long as the US monetary and fiscal policies remain debt-based, fuelling future inflation, gold's bull market run has only just begun**." Major bull markets end on excessive euphoria,

recklessness, & parabolic price rises that attract "everybody" into the last leg of the boom. Bullishly, gold is still "climbing a wall of worry." •••• China's gold output jumped 11.34% to a record 313.98 tonnes in 2009, the *China Gold Association* said last week, securing the country's position as the world's largest producer of the yellow metal. •••• **Suspending Money Market redemptions is now legal**. Money Market Funds now have the ability to suspend redemptions, courtesy of the 4-1 vote just passed by the SEC, reports *ZeroHedge.com*. "This explains the negative rate on bills: at this point, should there be another meltdown, money market investors will not, **repeat not**, be able to withdraw their money purely on the whim of Mary Schapiro. As the SEC noted: '**We understand that suspending redemptions may impose hardship on investors who rely on their ability to redeem shares.'** Too bad investors' hardship considerations ended up being completely irrelevant." The oldest trick in the book when you are losing a game is to move the goal posts. The insiders know what's coming down the road & are erecting "crash barriers" in preparation. For US readers: holding some assets/your *physical* gold outside of the US would be prudent in case of unannounced exchange controls. •••• **Gold and the US$ moved higher together between Oct 2008 and March 2009, while global stock markets lost almost half their value** to reach multi-year lows, comments the *TheBullionDesk.com*. "But if a stronger $ triggers a more meaningful sell-off in equities, we feel it will not be long before investors move out of equities and into gold - leading to another instance where the $ and gold rise in tandem." Where else to protect yourself than gold? •••• **The Fannie and Freddie black hole**. On Jan 12, *Amherst Securities* published a study on the estimated losses Fannie and Freddie will absorb as foreclosures flow through the credit loss pipeline in the coming years, comments Dan Amoss of the *DailyReckoning.com*. "Using a database of 29 million active prime mortgages from First American CoreLogic, Amherst estimates that the GSEs [govt-sponsored enterprises] will ultimately suffer **$448 billion in cumulative credit losses.** If Amherst is accurate in its projections -- which I expect, given the quality and independence of its research -- **then Fannie and Freddie have built allowances to cover a mere 21% ($96 billion divided by $448 billion) of the losses they'll ultimately have to absorb from the housing bubble**. The elimination of limits on the Treasury's capital infusion into Fannie and Freddie is a de facto nationalization. We'll see a gradual transformation of these hollow zombies into new branches of govt." Unlimited govt guarantees temporarily hide risk, continues DA, but "that results in foolish capital allocation throughout the economy. This game can last until the activity *collapses under its own weight* (like housing in 2007), or until the govt itself runs out of financing options at affordable interest rates." Making more debt available to bankrupt entities solves nothing. It simply guarantees ever-larger losses. •••• **January's chilling**

effect on stocks. History suggests a weak January performance is a worrisome sign for the rest of the year, according to data from *Ned Davis Research* on early-year performance from 1900 through 2009. "In years when the Dow has risen in the first month of the year, the median rise for the rest of the year is 10.4%. In years when the Dow has fallen, the median rise for the next 11 months is just 0.28%," reports the *WSJ*. •••• **California Teachers Pension Fund $42.6 billion short**. The California State Teachers Retirement System, the second biggest US public pension, will need to *ask taxpayers for more money* after investment losses left it underfunded by $42.6 billion, according to *Bloomberg*. "The pension's unfunded liability, the difference between assets and anticipated future costs, almost doubled from $22.5 billion in June 2008, according to a report Chief Executive Officer Jack Ehnes will deliver to the board Feb 5. CalSTRS, as the $156 billion pension fund is known, lost 25% in the fiscal year ended June 30, led by a 43% decline in its real estate portfolio and a 27.6% drop in private equity. The California Public Employees Retirement System, the largest public pension in the US, with $202 billion in assets, lost 23% in its fiscal year and also had to increase how much local govts must pay to finance retirement benefits. Ehnes said the fund would have to earn more than 20%, more than twice as much as it says is feasible, in each of the next five years to make up the gap without higher taxpayer subsidy." Despite conservative investing rules, pension funds risked retirement benefits at the Wall Street casino, and lost. Retirees are going to be *very* angry. They don't have 20 years for the market to revert to the mean. •••• The govt's response to the financial meltdown has made it more likely America will face a *deeper* crisis in the future, an independent watchdog at the Treasury Department warned. From the *Associated Press*: "The problems that led to the last crisis have not yet been addressed, and in some cases have grown worse," says Neil Barofsky, the special inspector general for the Troubled Asset Relief Program, or TARP. "**Even if TARP saved our financial system from driving off a cliff back in 2008, absent meaningful reform, we are still driving on the same winding mountain road, but this time in a *faster* car**," Barofsky wrote. Lasting change & recovery won't come via govt's foolish policies manipulated by the 'in' crowd. Free market forces, though imperfect, must be allowed to discipline the reckless & reward the deserving. •••• The FDIC closed six more banks last Friday, bringing 2010 closures to a total of 15. •••• **Central Banks are setting the stage for the next big move in gold**. Gold is quickly moving into the hands of those who are unwilling to gamble on fiat currencies or bonds as a store of value, observes *Sprott Asset Management*. "**The new owners of gold are unconcerned with its lack of yield but instead are focused on its historic ability to preserve wealth and its unquestionable value**. Given the difficulty we have valuing paper money, it becomes extremely difficult to

come up with a reasoned price target for gold. Today's gold market is significantly different from the gold market of the 1970s for two reasons: 1). Central Banks are more likely to be buyers of gold today and 2). They clearly have little ability to dramatically raise interest rates [to quell forthcoming inflation] with the massive increases in govt issued debt. Thus, it is easy to envision a similar twenty-five fold increase in the gold price that was seen between 1970 and 1980, which would result in a gold price today above $6,000 per ounce. We expect the often quoted '1980 inflation adjusted high' of approximately $2,200 to be achieved in short order. **These targets may well prove to be irrelevant, however, as the quality of our lives will be more greatly impacted by the continued evolution of our money and how the general public chooses to value it, or not**." Gold will protect your wealth, but during dire economic times people cannot expect to be untouched if unrest occurs. Be ready to take various steps to protect you and your loved ones.

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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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