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

Welcome to *GCRU* #386 on February 10, 2010 (in its 8th year).

--TRADING SUMMARY – •••• Since last week, the combination of resurgent US dollar strength & stock market weakness has pushed gold & a growing number of the gold shares below important technical/chart support, potentially clearing the way for a more protracted consolidation phase of last years August to December up leg. It's important to realize that the ***big*** movers and shakers in the gold market (hedge funds & Central Banks, etc) are professional traders who don't chase run-away upside price action &/or buy gold when widely watched momentum indicators such as MACD are topping or down trending from overbought extremes, seen especially in the weekly charts, as they are today. Instead, they look to scoop up bargains at *deeply* discounted prices, when overly margined or emotionally drained buy&hold types throw in the "bloodied" towel. Much to the despondency of these sellers, it's usually at that very moment, sensing "capitulation," that the more sophisticated monied/short sellers start to take profits (buy to cover) &/or do fresh buying, which frequently triggers a sustainable reaction low cum self-feeding upside draft, as higher prices cause ever-more bargain hunters to step in from the sidelines. The point being, irrespective of longterm gold fundamentals, there's a lot more to gain from tracking the money flows of the big "elephant" players (who, for the *shorterm* favor the US$ over gold), & to either avoid the gold market. Or temporarily jump in behind them (long or short), rather than to stand obstinately in the their path! •••• The downside measured target & importance of bullion's January H&S top has been achieved & absorbed by the larger December downtrend channel development. Therefore, & to keep it simple, unless structured & persuasive base action develops, the December downtrend line (now $1115.20) is the only thing that matters, ie: gold will remain defensive/bearish below, & *start* to turn bullish on a rise above. Everything else is noise. •••• Bullish Consensus rank gold at 74 (down 4 from last week). The US$ at 55 (up 3). B/C say gold's "shorterm momentum oscillators are neutral/bullish today, & neural/bearish thereafter." Encouragingly, our friends at *LeMetropoleCafe.com* note that the last time Bullish Consensus for gold fell to 70% (as it did last Friday), "was on April 6th last year, which marked the climax for the late winter sell-off." •••• Today's password -- *huntingbuylevel* -- is self-explanatory, but whether that buy level comes at lower or higher levels has yet to be determined. Until a new bull trend clearly develops, the prudent way to handle new buys is via a "baby steps" strategy, ie, buy a mini size holding

each time a mini buy signal is triggered. This tactic will quickly trip us into more aggressive long positions if *sustained* market strength develops, but will limit our exposure in the case of a new shorterm downturn. For the same reason, adopt a "scalper" attitude, preferring to bank profits at the nearest mini, logical target rather than risk exiting via stoploss orders. This clearly isn't a favorable climate to put our hard earned gains at risk, so sit back, happy to be hedged or underweight, & enjoy this moment of emotional relief while it lasts! •••• Gold is up $1.50 in early European trading today. The US$-Index is down 10 cents. The snakes & ladders game continues. •••• Fond regards, from wave-counting Captain Harry in the wheelhouse, & deck mate Paul. •••• If it's Wednesday, it's *Gold (& Mkts) Charts R Us.*

•••• ***PS***: Each new phase of gold market strength sees a new group of leading gold shares emerge. The following gold/mineral stocks show better resilience & more impressive base action than some of the shares we are currently following, & will be added to *GCRU* if the following buy levels are hit: Northern Dynasty Minerals (NDM-T); buy after 2-dc over 9.70; stop: 1-dc below 7.80. Paramount Gold & Silver (PZG-T); buy after 2-dc over 2.00; stop: 1-dc below 1.60. Richmont Mines (RIC-T); buy after 2-dc over 4.70; stop: 1-dc below 3.80.

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.

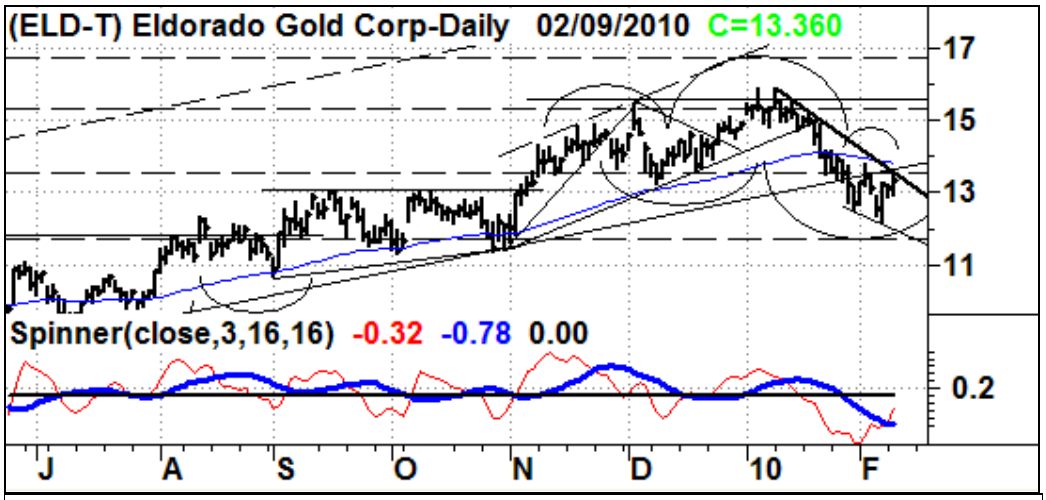
GOLD

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

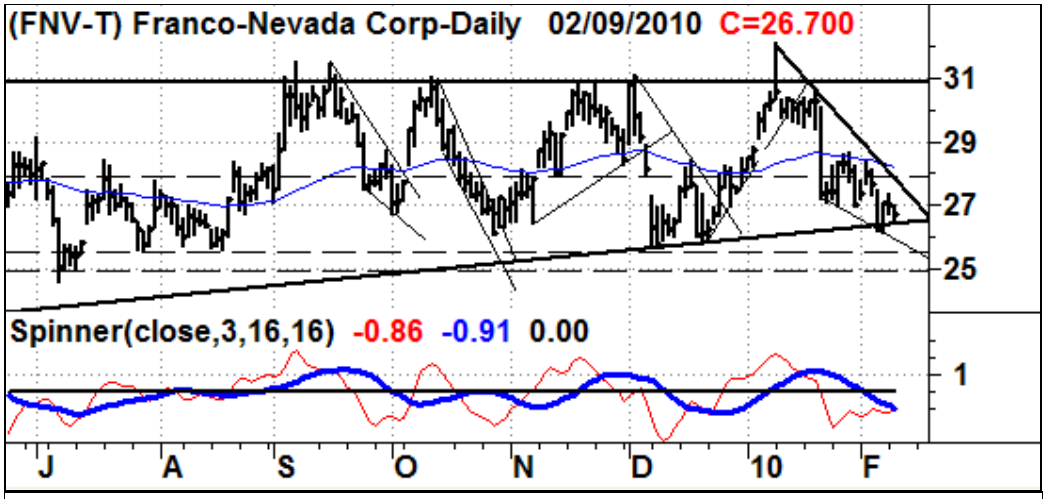
Comex gold April 2010 futures – 480 min – 7wk view

Comex gold April 2010 futures Cx - 480-min tick chart (all sessions):		
Open trades:	**Short at:**	Exited longs via 1082.50 stoploss ☹. Gamblers/-hedgers are short at 1113.60 & 1094.50 &/or re-sold short Apr at 1063.00.
	Stop:	1-dc over Dec 3 downtrend line (now 1115.20) if sold/sell short.
	Profit targets:	1042.50 (if sold short at higher levels) &/or 1010.60 &/or tight trail stop downside.
New Recom:	If out, gamblers/hedgers sell short Apr at mkt & if rallies to 1094.80; stop: 1-dc over Dec 3 downtrend line (now 1115.20); cover ½ at 1042.50 &/or 1010.60. Buy Apr after 2-dc (or dynamic break) above Dec 3 downtrend line (now 1115.20); stop: exit, or sell ½ at 1042.50-stop, ½ after 1-dc below 1042.50; sell ½ at 1213.25, & trail stop rest.	
Comment:	Prior Dec-Jan double bottom voided via collapse breakdown to new closing lows. Spinner (thick) confirming line in determined downtrend; hints shorterm price rebounds only. Dec downtrend line says all; bearish/defensive below, bullish above.	

GOLD SHARES



Eldorado Gold (Toronto: ELD-T; NYSE: EGO); gold: CAD$:		
Open trades:	**Long at:** **Stop:** **Profit targets:**	Traders are out &/or have hedged core longs. 1-dc below 11.70 (if re-buy). 15.30 (if re-buy low) &/or 16.70 &/or 17.50.
New Recom:	Spec buy (or cover hedges) after 2-dc over Jan downtrend line (now 13.55); stop: 1-dc below 11.70.	
Comment:	Nov-Feb H&S top vs uncertain 2-month reverse H&S cum Dec peak bull wedge. Spinner in positive cross but (thick) confirming line has yet to develop obvious base action. Nearby overhead supply/resistance likely to hinder initial upside reversal attempts.	

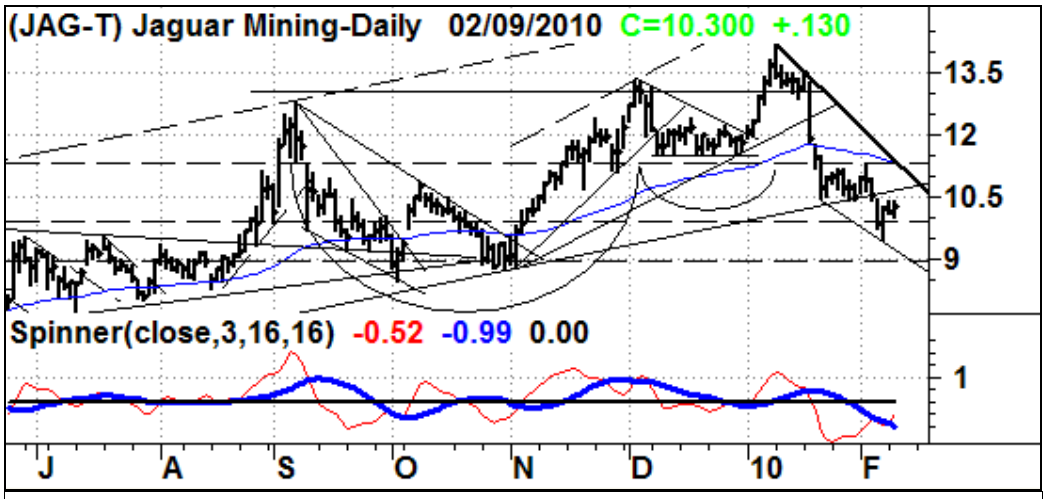


Franco-Nevada (Toronto: FNV-T); gold/platinum/oil/gas: CAD$:

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 out, spec buy (or cover hedges) after 2-dc over Jan downtrend line resistance (now 27.90); stop: 1-dc below 24.90.	
Comment:	Negative momentum easing above lower support of 1-year flat top triangle; 38.50 theoretical upside target. Possible Jan peak bull wedge. Requires a positive hook in Spinner (thick) confirming line to confirm the reliability of any strength.	

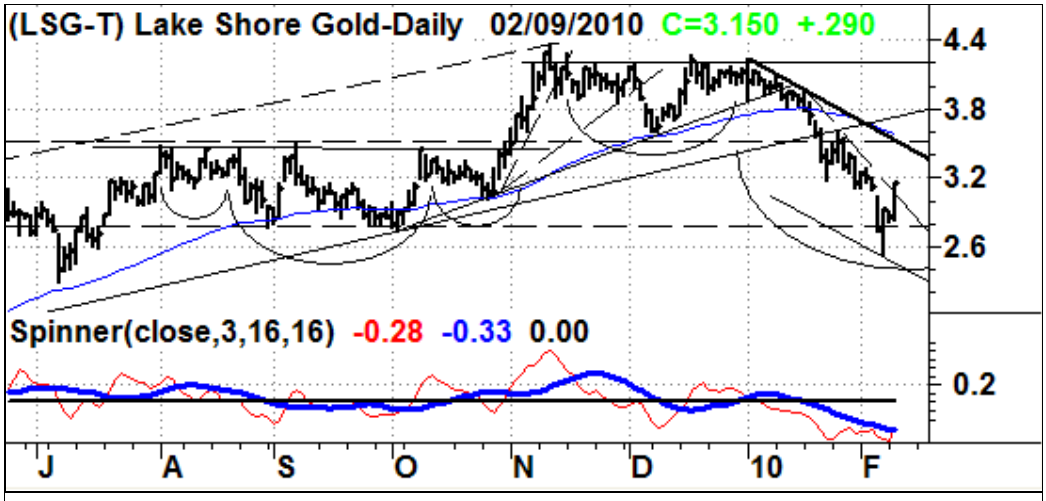
Iamgold Corp (NYSE: IAG; Canada: IMG-T); gold: US$:

Open trades:	**Long at:** **Stop:** **Profit targets:**	Traders are out &/or have hedged core longs. 1-dc below 11.90 (if re-buy). 18.90 &/or 20.65 &/or 22.45.
New Recom:	If out, spec buy (or cover hedges) after 2-dc over Dec downtrend line resistance (now: 15.20); stop: 1-dc below 11.90.	
Comment:	Dec peak bullish down wedge vs break below Nov 2008 uptrend line support. Spinner in tentative upside cross. Need convincing break above Dec downtrend line to justify new toehold buying.	



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

Open trades:	**Long at:**	Initial entry price: 8.65 (May-20-09). Some exited or lightened up via 9.90-stop stoploss/-profit stop.
	Stop:	M/T: 1-dc below 9.90.
	Profit targets:	13.55 (if re-buy low) &/or 14.75 &/or 16.15.
New Recom:	If out, spec buy (or cover hedges) after 2-dc over Jan downtrend line (now 11.30); stop: 1-dc below 8.95.	
Comment:	Broke Dec 2008 uptrend line support on rising volume. Spinner in tentative positive cross but signals as yet inconclusive. Needs time to regroup & build reliable base action. Watch & wait.	

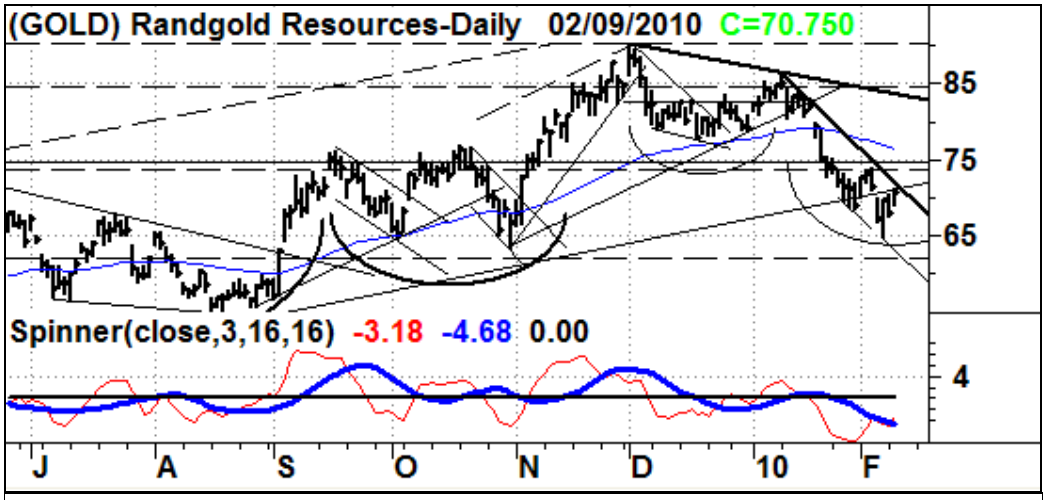


Lake Shore Gold (Canada: LSG-T); gold: CAD$:

Open trades:	**Long at:**	Traders are out &/or have hedged core longs.
	Stop:	1-dc below 2.80 (if re-buy).
	Profit targets:	4.38 (if re-buy low) &/or 4.90 &/or 5.35.
New Recom:	Spec buy (or cover hedges) after 2-dc over Jan downtrend line (now 3.50); stop: 1-dc below 2.80.	
Comment:	Feb 5 bullish 1-day reversal on rising volume. Possible 3-month reverse H&S. Spinner easing at recent oversold extremes. Need quick rise above 3.50 to avoid worrisome 10-month H&S top risk.	

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:	Spec buy (or cover hedges) after 2-dc over 8.75; stop: 1-dc below 7.58. All buy again after 1-dc over 9.15.	
Comment:	Expanding 5-month would-be bullish ascending triangle; 11.20 theoretical upside target. Spinner easing from neutral to bullish. Good intentions but has yet to prove. Buy on upside breakouts only.	

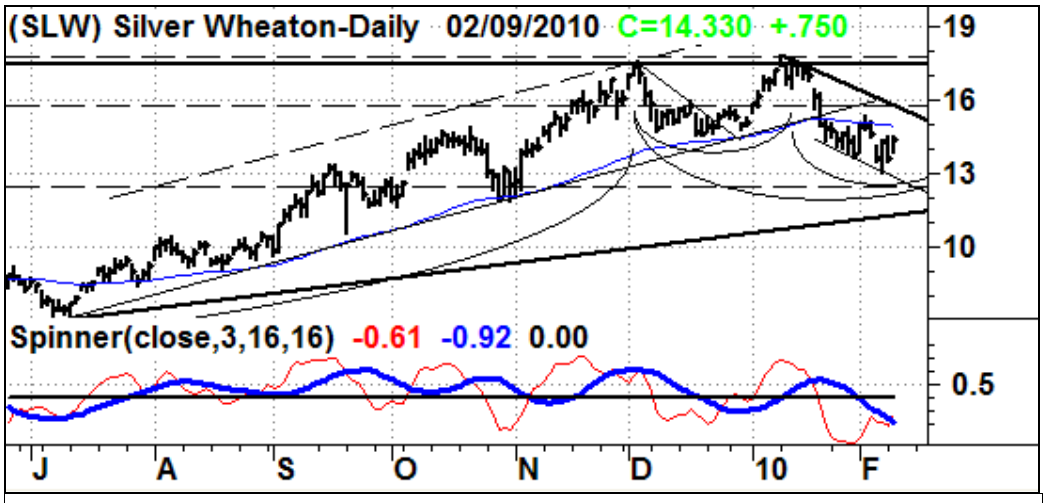


Randgold Resources (Nasdaq: GOLD; London: RRS); gold: US$:

Open trades:	**Long at:** **Stop:** **Profit targets:**	Traders exited &/or hedged core longs after 1-dc below 67.60 stoploss/profit stop. 1-dc below 61.90 (if re-buy low). 90.30 &/or 96.30 &/or 103.90.
New Recom:	Spec buy (or cover hedges) after 2-dc over 75.50; stop: 1-dc below 61.90.	
Comment:	Negative break below Oct 2008 uptrend line support. Spinner slackening but has yet to develop a convincing bull cue/upside cross. Uncertain Dec-Feb reverse H&S.	

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

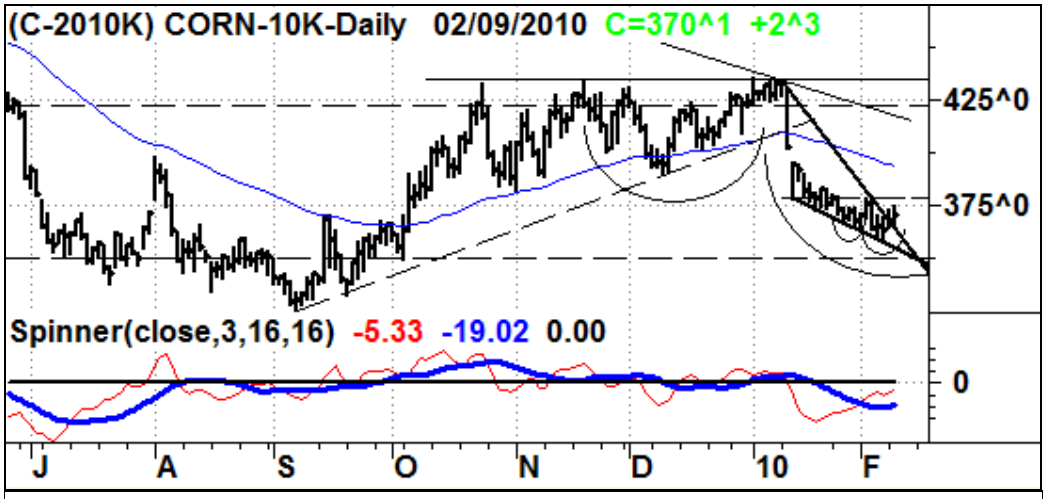
Open trades:	**Long at:** **Stop:** **Profit targets:**	Initial entry price: 6.76 (Dec-11-08). S/T: 1-dc below 14.30. M/T: 2-dc below 12.90. 18.90 &/or 20.20 &/or 21.80.
New Recom:	If out, spec buy after 2-dc over 18.40; stop: 1-dc below 14.30.	
Comment:	Prior bull flag & upside breakout morphing into 4-week reverse H&S. Spinner in positive cross/hook above zero line & positioned to confirm sustained strength in price. Fighting general headwinds.	



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

Open trades:	**Long at:** **Stop:** **Profit targets:**	Traders not in yet. 1-dc below 12.40. 19.90 (if buy low) &/or 21.70 &/or 23.50.
New Recom:	Spec buy after 2-dc over Jan downtrend line (now 15.70); stop: 1-dc below 12.40. All buy again big after 1-dc over 17.60.	
Comment:	Tentative Dec-Feb reverse H&S cum right shoulder of larger 2-year R/H&S base. Requires a dynamic upturn in Spinner (thick) confirming line to validate the sustainability of any base attempt.	

FUTURES

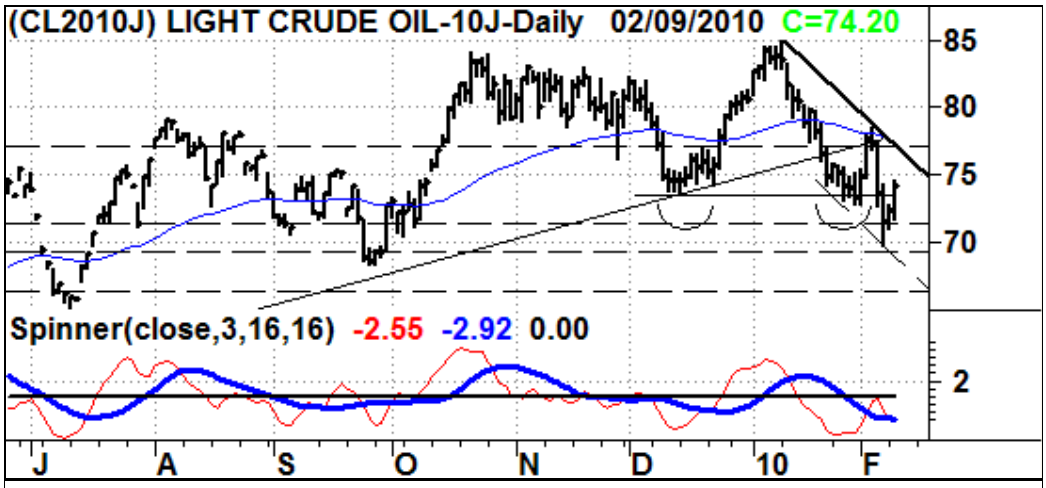


Corn <u>May</u> 2010 futures – <u>daily</u> chart:

Open trades:	**None:**	Gamblers/bottom fishers exited March via 349.50-stop stoploss with mini loss ☹.
	Stop:	Basis <u>May</u>: exit, or sell ½ at 349.50-stop, ½ after 1-dc below 349.50.
	Profit targets:	Basis <u>May</u>: sell ½ at 421.20, & trail stop rest.
New Recom:	Gamblers/bottom fishers *only* buy <u>May</u> bit after 1-dc over 378.10; stop: exit, or sell ½ at 349.50-stop, ½ after 1-dc below 349.50.	
Comment:	Extended June peak bull wedge & upside breakout; 435.00 upside measured target. Spinner in positive cross with (thick) confirming line rounding out to bullish. Toehold positioning only.	

Cotton <u>May</u> 2010 futures – <u>daily</u> chart:

Open trades:	**None:** **Stop:** **Profit targets:**	Traders not in yet. Exit, or sell ½ at 67.90, ½ after 1-dc below 67.90. 75.80 &/or 78.40 &/or 80.80.
New Recom:	Spec buy <u>May</u> at mkt & if dips to 71.10; stop: exit, or sell ½ at 67.90, ½ after 1-dc below 67.90.	
Comment:	Surge break above Jan downtrend channel on impressive/rising volume. Spinner in positive cross with (thick) confirming line rounding out to neutral.	

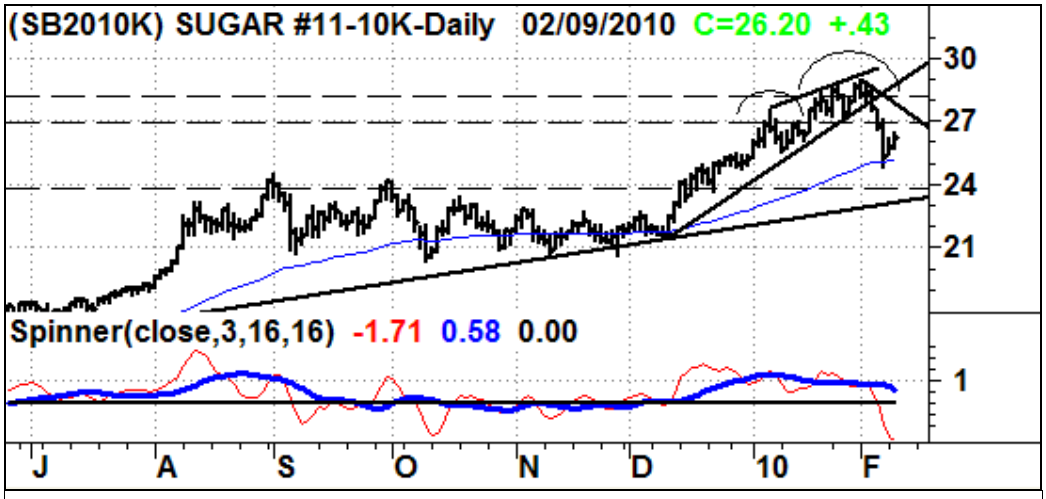


Crude Oil NY <u>April</u> 2010 futures – <u>daily</u> chart:

Open trades:	**Short:** **Stop:** **Profit targets:**	Initial entry price: (Avg.) 75.89 (Jan-11-10). Basis <u>Mar</u>: 76.50-stop (if sold short). Basis <u>Apr</u>: 1-dc over 77.05 (if sell short). Basis <u>Mar</u>: cover ½ at 68.60, ½ at 65.80. Basis <u>Apr</u>: cover ½ at 69.10, ½ at 66.20.
New Recom:	If out, gamblers sell short <u>April</u> (mini Cx only) at mkt; cover ½ at 69.10 &/or 66.20. Buy <u>April</u> (or cover shorts) after 1-dc over Jan downtrend line (now 77.05); stop: 1-dc below 71.20.	
Comment:	Prior Dec-Jan double bottom (now new resistance) <u>voided</u> via fickle rebound & bearish collapse breakdown to new closing lows.	

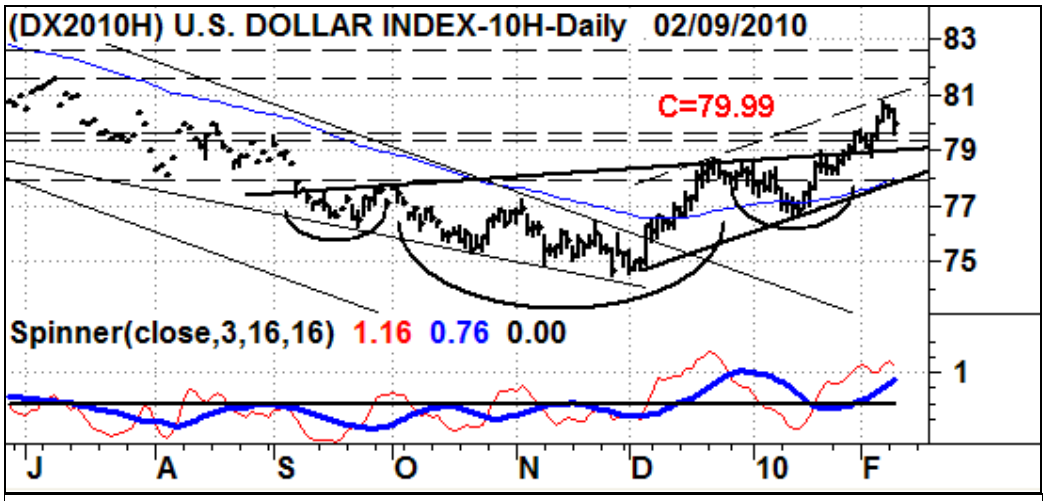
S&P500 Index <u>March</u> 2010 futures – <u>daily</u> chart:

Open trades:	**Short at:** **Stop:** **Profit targets:**	Initial entry price 1111.10 (Jan-21-10). Traders re-sold short at 1097.40. S/T: 1087.50-stop. M/T 1-dc over 1087.50. 1028.00 &/or 996.50. Some took P/P at 1053.50☺
New Recom:	If out, sell short <u>Mar</u> bit at mkt &/or if rallies to 1071.50; stop: exit, or stoploss ½ at 1087.50-stop, ½ after 1-dc over 1087.50.	
Comment:	Bearish combo of 3-month H&S top & Oct 2009 bear wedge; 1028 initial downside target. Spinner hints mini price rebound possible. Shorterm focus on resistance of Jan downtrend line.	



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

Open trades:	**None:** **Stop:** **Profit targets:**	Exited March longs via 28.60 stoploss/profit stop. Basis <u>May</u>: 28.10-stop (if sell short). Basis <u>May</u>: cover ½ at 23.80, & trail stop rest.
New Recom:	Gamblers/active traders only sell short <u>May</u> bit at mkt & if rallies to 26.90; stop: 28.10-stop; cover ½ at 23.80, & tight trail stop rest.	
Comment:	Jan bear wedge & breakdown. Risk of 5-week H&S top. Spinner in growing negative cross (weekly <u>&</u> daily charts); hints deeper consolidation probable.	



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

Open trades:	**Long at:**	Initial entry price: 76.63 (Dec-08-09). ☺ Traders re-bought Mar at 79.14.
	Stop:	1-dc below 77.90.
	Profit targets:	81.60 &/or 82.80. Some took profit at 80.60 ☺.
New Recom:	If out, buy Mar bit at mkt & if dips to 79.30; take profits at 81.60 &/or 82.80. Sell, or sell short Mar after 1-dc below Dec uptrend line (now 77.90); stop: 1-dc over 79.60.	
Comment:	Sept-Jan reverse H&S base; 82.80 upside target. Spinner bullish but faltering at recent overbought extremes; raises odds for shorterm corrective decline. Mini dip then higher?	

Feb-09-10

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	Spec buy (or cover hedges) after 2-dc over Jan downtrend line(now 13.55); stop: 1-dc below 11.70.					13.36	1-dc U/11.70 (If re-buy)	15.30 (If re-buy low)	16.70	17.50
Franco Nevada	FNV-T	If out, spec buy (or cover hedges) after 2-dc over Jan downtrend line resistance (now 27.90); stop: 1-dc below 24.90.	L	Sep-16-09	30.99		26.70	25.50-stop 1-dc U/25.50	35.60	38.50	41.40
Iamgold Corp	IAG	If out, spec buy (or cover hedges) after 2-dc over Dec downtrend line resistance (now: 15.20); stop: 1-dc below 11.90.					14.11	1-dc U/11.90 (If re-buy)	18.90	20.65	22.45
Jaguar Mining	JAG-T	If out, spec buy (or cover hedges) after 2-dc over Jan downtrend line (now 11.30); stop: 1-dc below 8.95.	L	May-20-09	8.65		10.30	1-dc U/9.90	13.55 (If re-buy low)	14.75	16.15
Lake Shore Gold	LSG-T	Spec buy (or cover hedges) after 2-dc over Jan downtrend line (now 3.50); stop: 1-dc below 2.80.					3.15	1-dc U/2.80 (If re-buy)	4.38 (If re-buy low)	4.90	5.35
Osisko Mining	OSK-T	Spec buy (or cover hedges) after 2-dc over 8.75; stop: 1-dc below 7.58. All buy again after 1-dc over 9.15.	L	May-13-09	5.90		8.45	7.58-stop 1-dc U/7.58	9.10	9.75	10.50
Randgold Res.	GOLD	Spec buy (or cover hedges) after 2-dc over 75.50; stop: 1-dc below 61.90.					70.75	1-dc U/61.90 (If re-buy)	90.30	96.30	103.90
Red Back Mng	RBI-T	If out, spec buy after 2-dc over 18.40; stop: 1-dc below 14.30.	L	Dec-11-08	6.76		17.99	1-dc U/14.30 2-dc U/12.90	18.90	20.20	21.80

Feb-09-10

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											
Royal Gold	RGLD	Spec buy (or cover hedges) after 2-dc over Dec downtrend line (now 47.00); stop: 39.70-stop.					43.70	1-dc U/39.70 (If re-buy low)	55.18	57.80	64.40
Silver Wheaton	SLW	Spec buy after 2-dc over Jan downtrend line (now 15.70); stop: 1-dc below 12.40. All buy again big after 1-dc over 17.60.					14.33	1-dc U/12.40	19.90 (if buy low)	21.70	23.50
Futures											
Corn	C K0	Gamblers/bottom fishers exited March via 349.50-stop stoploss with mini loss ☹. Gamblers/bottom fishers only buy May bit after 1-dc over 378.10; stop: exit, or sell ½ at 349.50-stop, ½ after 1-dc below 349.50.					370.10	349.50-stop 1-dc U/349.50	421.20	Trail stop rest	
Cotton	CT K0	Spec buy May at mkt & if dips to 71.10; stop: exit, or sell ½ at 67.90, ½ after 1-dc below 67.90.					72.98	69.70-stop 1-dc U/69.70	75.80	78.40	80.80
Crude oil	CLJ0	If out, gamblers sell short April (mini Cx only) at mkt; cover ½ at 69.10 &/or 66.20. Buy April (or cover shorts) after 1-dc over Jan downtrend line (now 77.05); stop: 1-dc below 71.20.	S	Jan-11-10	75.89 (Avg price)		74.20	1-dc O/77.05 (Basis Apr) 76.50-stop (Basis Mar)	69.10 (Basis Apr) 68.60 (Basis Mar)	66.20 (Basis Apr) 65.80 (Basis Mar)	

Feb-09-10

OPEN POSITIONS & NEW RECOMMENDATIONS RECAP

Sectors	Symbol	Trade recommendation	Long Short	Entry Date	Initial Entry Price	Traders re-bot/-sold at	Last Closing Price	Trailing Stoploss	Target #1	Target #2	Target #3
Futures											
Gold	GCJ0	Exited longs via 1082.50 stoploss ☹. Gamblers/hedgers are short at 1113.60 & 1094.50 &/or re-sold short Apr at 1063.00. If out, gamblers/hedgers sell short Apr at mkt & if rallies to 1094.80; stop: 1-dc over Dec 3 downtrend line (now 1115.20); cover ½ at 1042.50 &/or 1010.60. Buy Apr after 2-dc (or dynamic break) above Dec 3 downtrend line (now 1115.20); stop: exit, or sell ½ at 1042.50-stop, ½ after 1-dc below 1042.50; sell ½ at 1213.25, & trail stop rest.	S	Jan-20-10	1113.60	1063.00	1077.20	1-dc O/1115.20 (Basis April)	1042.50 (If sold short April at higher levels)	1010.60 (Basis April)	Trail stop rest
S&P500	SPH0	If out, sell short Mar bit at mkt &/or if rallies to 1071.50; stop: exit, or stoploss ½ at 1087.50-stop, ½ after 1-dc over 1087.50.	S	Jan-21-10	1111.10	1097.40	1066.20	1087.50-stop 1-dc O/1087.50 (Basis Mar)	Hit at 1053.50 ☺	1028.00 (Basis Mar)	996.50 (Basis Mar)
Sugar	SBK0	Exited March longs via 28.60 stoploss/profit stop. Gamblers/active traders only sell short May bit at mkt & if rallies to 26.90; stop: 28.10-stop; cover ½ at 23.80, & tight trail stop rest.					26.20	28.10-stop (Basis May)	23.80 (Basis May)	Trail stop rest	

Feb-09-10

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 bit at mkt & if dips to 79.30; take profits at 81.60 &/or 82.80. Sell, or sell short Mar after 1-dc below Dec uptrend line (now 77.90); stop: 1-dc over 79.60.	L	Dec-08-09	76.63	79.14	79.99	1-dc U/77.90 (Basis Mar)	Hit at 80.60 ☺	81.60	82.80

•••• **Banks shouldn't be allowed to operate as hedge funds**. " 'The federal safety net for commercial banks should protect depositors, not speculators,' former Fed Chairman Paul Volcker told Senators last Tuesday, urging them to pass the so-called Volcker Rule that would ban banks from trading for profit and that would restrict the size of the biggest banks," writes Rex Nutting at *MarketWatch.com*. " 'Banks must not be allowed to reap the benefits of successful speculation while handing taxpayers the costs of failure,' Volcker said. 'Instead, commercial banks covered by the federal safety net should be restricted to the profitable businesses of traditional banks: operating the payment system, providing credit, helping customers manage their money. **In addition to the handful of commercial banks whose risks are taxpayer-subsidized, there are *thousands* of other hedge funds, private equity firms and other institutions that do not have taxpayer protection, yet are actively competing in capital markets**,' Volcker noted. '**They are, and should be, free to trade, to innovate, to invest -- and to <u>fail</u>**. What we plainly need are authority and methods to minimize the occurrence of those failures that threaten the basic fabric of financial markets,' Volcker said. 'The essential need is to guard against excessive leverage and to insist upon adequate capital and liquidity'." We wish Paul Volker well. However, the Lehman collapse, which helped to expose a "black hole" (estimated by the BIS to be $592 trillion) of toxic derivative debt -- that could not be filled, literally, by all the money in the world -- has <u>already</u> pushed the financial system past the point of no return. •••• "**It's a no brainer to sell short US Treasuries**," Nassim Nicholas Taleb, author of "The Black Swan" said at a conference in Moscow last week. "Every single human being should have that trade." Taleb said "Investors should bet on a rise in long-term US Treasury <u>yields</u>, which move inversely to prices, as long as Bernanke and White House economic adviser Lawrence Summers are in office." We agree. Selling short T-Bonds will become a multi-year trend/trade triggered via a break below 25-year uptrend line support (now at 111^10). Understand that T-bond <u>yields</u> could easily reach 20% down the road. •••• **Greek Ouzo crisis escalates into global margin call as confidence ebbs**. For the third time in 18 months the global financial system risks spinning out of control unless political leaders take immediate and radical action, says Ambrose Evans-Pritchard of the UK *Telegraph*. "Flow data shows an abrupt withdrawal of German and Asian capital from Club Med debt markets. Barclays Capital says the net external liabilities of Greece are 87% of GDP, or €208bn (£182bn). Spain is worse at 91% (€950bn), and Portugal worse yet at 108% (€177bn); Ireland is 68% (€123bn), Italy is 23%, (€347bn). Add East Europe's bubble and foreign debts top €2 trillion. The EU's refusal to offer Greece anything beyond stern

words and a one-month deadline for harsher austerity - while admirable in one sense - is to misjudge how fast confidence is ebbing. Greece's drama has already metastasised into a wider systemic crisis. **The world risks a replay of the Lehman collapse if this runs unchecked, this time involving sovereign dominoes**." The biggest danger, as AEP points out, is "This Ouzo crisis is coming to a head just as tougher bank rules cause German lenders to restrict loans, and it touches on the most neuralgic issue of our day: that govts themselves are running low. **Britain, France, Japan, and the US are all vulnerable. All must retrench**." Greece lacks the means to deal with its debt issues on its own, so Europe must act quickly lest a chain reaction breakdown of confidence in sovereign debt triggers a new down leg in the global financial crisis. Events like this highlight that in reality govts have no "real plan," & have made no significant progress in containing the effects of the financial fallout. They are like little boys sticking their fingers in a dam. No sooner has one leak been plugged, than another appears. How long before the "dam" collapses? •••• A must listen *King World News* radio interview with John Williams of S*hadowStats.com* can be found at the following link: http://www.kingworldnews.com/kingworldnews/Broadcast/Entries/2010/2/6_John_Williams.html We strongly respect John's views, & the interview covers many key topics, including the growing US depression, the monetization of US dollar debt, insolvency in the banking system, & the risk of hyperinflation. •••• **Central Bankers will increasingly prefer gold reserves over the paper reserves created by other countries**. "Without gold reserves, pursuit of a national currency policy that is (according to their preference) generally strong OR generally weak is made less expedient either way because the health of the Central Bank's balance sheet is subordinated to the quality of its **foreign** paper reserves, which are themselves subordinated to the particular monetary policies being pursued by those foreign govts," comments Randy Strauss at *USAGold.com*. "Generally this structure of foreign paper reserves offers only the option for national monetary weakness built upon other international weaknesses, and worst of all it exposes the national monetary balance sheet to pro-cyclical systemic failure — a domino whose fate is written largely in the hand of its neighbors. **When you understand how it is economically (and therefore politically) undesirable for other major currencies to appreciate against their peer currencies (which is exactly what would happen to any currency replacing the dollar's reserve status), you will subsequently know why gold will continue to emerge as the de facto solution to the international reserve question**." In reply to detractor's comments that any attempts to shift away from the dollar would destroy the value of Central Banks' portfolios, Randy says: "It is an error in thought or judgment to believe that a 'destruction' of the dollar portion of the portfolio would

proportionately destroy the portfolio as a whole. Bear in mind that **the gold price is not a simple one-to-one inverse relationship with the dollar. There is a great leverage lurking in there**, but it has been largely *masked* by the artificial abundance of paper gold that weighs down upon the equilibrium price. So even without radical changes to the quantity of physical holdings, a simple expansion in gold value will more than compensate the average portfolio of the Central Banks against the destruction of the dollar component." More so than Western govts & Central Banks, the Chinese understand that all fiat currencies are in a synchronized "race to the bottom," & are actively buying gold (& other energy & commodity supplies around the world) to hedge their $ liabilities. Besides providing a hedge against dollar weakness, China's gold reserves will also boost the attractiveness of the yuan & its potential to supplant the dollar as the global reserve currency. •••• "*The first panacea for a mismanaged nation is inflation of the currency; the second is war. Both bring a temporary prosperity; both bring a permanent ruin. But both are the last refuge of political and economic opportunists.*" - Ernest Hemingway. •••• **Another huge bailout is starting, this time for the Social Security system**. A report from the Congressional Budget Office shows that for the first time in 25 years, Social Security is taking in less in taxes than it is spending on benefits, reports *CNNMoney.com*. "Instead of helping to finance the rest of the govt, as it has done for decades, our nation's biggest social program needs help from the Treasury to keep benefit checks from bouncing -- in other words, a taxpayer bailout." Analyzing data from the latest nonpartisan Congressional Budget Office report, *CNNMoney* estimates Social Security will be $28 billion in the hole this fiscal year, which ends Sept. 30. "The current Social Security cash deficits aren't all that big, given that Social Security is a $700 billion program this year, and that the govt expects to borrow about $1.5 trillion in fiscal 2010 to cover its other obligations. But this year's Social Security cash shortfall is a watershed event. Until this year, Social Security was a problem for the future. Now it's a problem for the present." Fuzzy govt accounting tricks that didn't pose a problem during flush economic times are now being put to the test as the unfolding financial crisis enters a new, & even more brutal stage. •••• **The PIGS (Portugal, Ireland, Greece, and Spain) may be in trouble, but so is America**, as Erik Nilsson, senior economist at *Scotia Capital* observes: "Let me get this straight: investors are getting out of the euro zone (2010 deficit/GDP 6.7%; debt/GDP 88%, according to the OECD (Organization for Economic Co-operation & Development) because of its poor fiscal situation and flocking to the US (10.7% and 92%, respectively)." Can U guess which currency the current Euroland smear campaign is benefiting in the forex markets? •••• **Bullion-ETF shrinkage good for the sector**. "As with most 'analysis' of precious metals by mainstream talking-heads,

Reuters totally misunderstood the dynamics at work when it recently reported that the holdings of the largest (so-called) bullion-ETF's shrank significantly in January," comments Jeff Nielson of *BullionBullsCanada.com.* "Redemptions in these so-called bullion-ETFs are great news for the precious metals sector - and those investors holding *real* gold and silver. First of all, since the bullion in these ETF's is *already* included in global inventories **even if every unit was liquidated, inventories cannot rise**. Instead, as the holdings of GLD and SLV shrink, then global inventories will shrink along with them. How else can the crooked bookkeepers who compile these numbers react? No 'new' bullion enters the market, while a source of inventory *declines*. Thus, all that happens when there are redemptions for these ETF's is that some of the phony, banker-paper [gold] is removed from the market - reducing the amount of dilution. However, it gets better still. There is a very good probability that many/most of those liquidating their ETF holdings are using the proceeds to buy *real bullion*. That means there is a double 'hit' to the phony inventory numbers of the cabal with each unit redeemed from these funds." Leverage is a double edged sword. As more investors dump paper gold for the ultimate safety of physical gold, the unwinding of derivative gold trades will expose insufficient gold backing, & lead to enforced cash delivery. Only then will basic supply & demand fundamentals see the real price of gold overwhelm the "virtual" paper & manipulated gold price.

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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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