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Gold Charts R Us

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Gold Charts R Us

●●●● GCRU #482 on February 15th, 2012 (in its 11th year)

***** ALERT *****

ELD.TO hit our stop loss today as it closed 2dc below \$13.50. Sell at mkt for an average loss of 7%.

We've cashed in on some profits last year on our original position. We then held the rest and were buying on the dips. ELD.TO didn't rise with the seniors nor with the junior gold miners, it simply declined on its own.

Even though we didn't sell ELD.TO earlier when it was weaker, our indicators were showing extreme oversold conditions, which is why we continued adding to our open positions. As of this moment, ELD.TO has broken below its major intermediate support and our indicators are showing it has room to decline further.

It's best to be on the sidelines.

A SIGN OF THE TIMES

Gold and silver have slipped down since reaching their highs last Thursday, but they're both holding firm. It's not just gold and silver... the other metals, their shares, the resources and currencies are also dipping down this week after having a great start to the New Year.

The U.S. stock market is holding on to its highs. But with volatility threatening

to jump up, it's showing some vulnerability, while the U.S. dollar rose today.

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The markets have been moving to the news of the day and this is still the case. We talked about this very thing with our dear friend, Chuck Butler at last weekend's great Money Show in Orlando. It's not normal to have the markets so closely tied to the noise of the day, but its happening.

In this world we live in, **it just reflects the sign of the times.** Greece's on again, off again bailout process is one big item moving the markets. But the Eurozone is also troubling as Moody's downgraded six countries, joining the other rating agencies.

Plus, the **Bank of England started more bond purchases, while Japan surprised many with their announcement today to expand their asset purchase program.** The U.S. is most likely close behind, especially with Bernanke's latest comments about his disappointment in the growth of the economy, yet the dollar rose... because the Pound, Euro and the Yen all declined.

This also pressured the gold price. But when you see Obama's \$3.8 trillion budget proposal to Congress, along with everything else, you know that **holding gold is a good thing. No bubble here.** Demand is simply too strong for the right reason.

Then of course, don't forget the growing tensions between Iran and Israel, and the heated geo-political spots around the world, and as you know a good defense is the best offense.

In fact, the risk factor has become such a market mover that we believe the more correlations we see that help identify this, the better we can time the markets.

The comparison between senior gold stocks to junior gold shares is one telling ratio. The ***chart below shows*** their ETFs compared and you can see on the top left the soaring ratio during the second half of last year. **This clearly showed that senior shares are a better bet during high global uncertainty.**

Investors want the least risky item, and in this case, seniors are less risky than juniors.

“Your strategy has been perfect re gold trading, taking profits as they rise, but holding some & adding when appropriate. Most gold investors are wrongly locked into buy-&-hold or sell-when-scared. Many buy high and sell low. And of course most are not letting the charts tell them what to do—which U help them to do...”-- HARRY SCHULTZ ON GCRU

Then came the breath of fresh air with the New Year, and the junior shares clearly outperformed as the ratio declined from a high area. When investors feel confident with the economy, they tend to take on more risk.

This now says that the **trend still favors the seniors and the indicator has room to rise**. Plus, the right side of the chart shows that senior gold stocks are at a low area compared to the S&P500. The ratio is at a support for gold shares while its indicator is rising. We'll see what happens but for now gold shares have potential.

One gold dealer told us he continually sees when the gold price declines China tends to buy gold, the U.S. tends to sell and India tends to disappear. We like China's approach.

GOLD SHARES & THE STOCK MARKET: SENIORS READY TO RISE

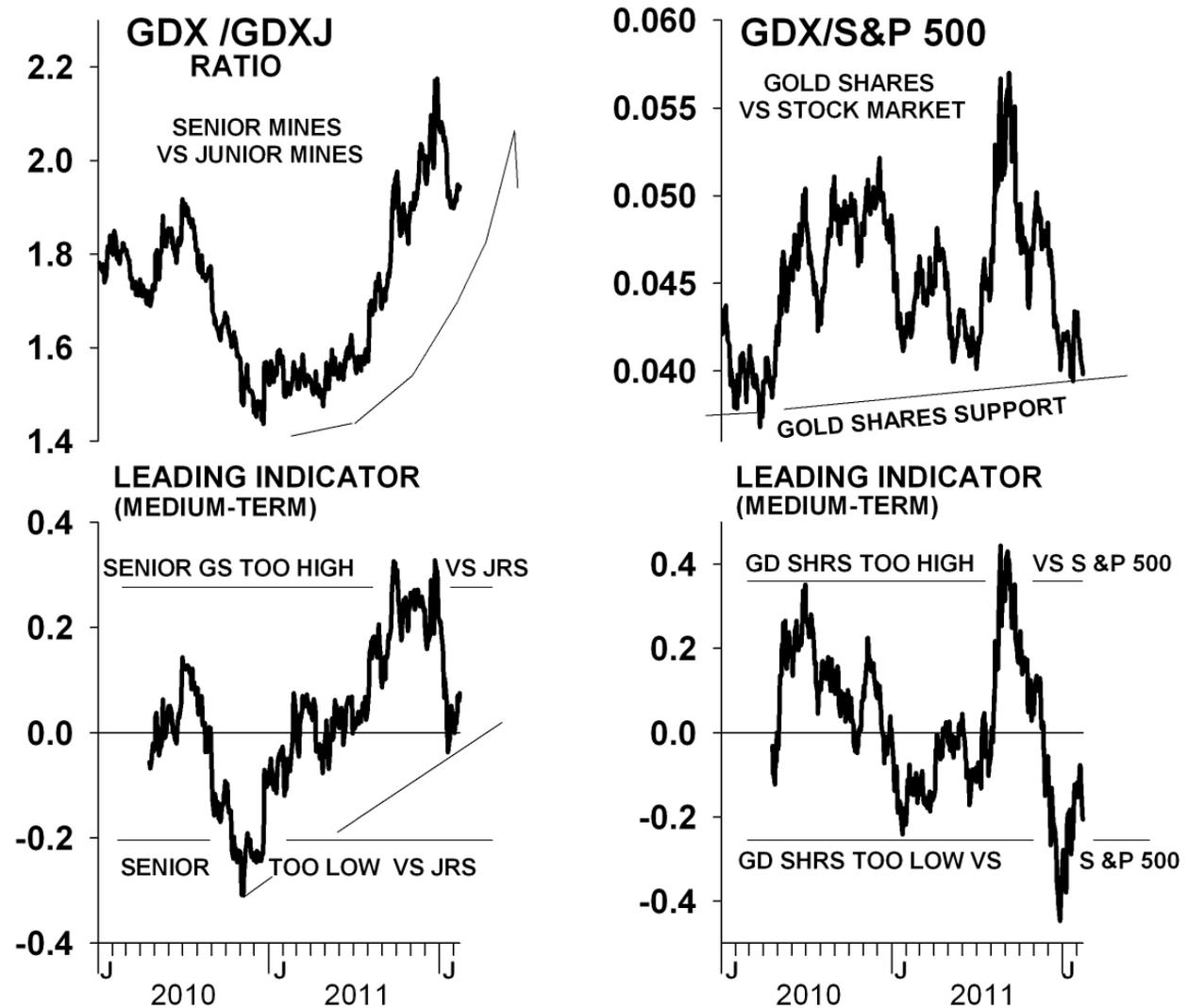


CHART TALK

Gold is consolidating its 7 week bullish rise. It's been rising fast and strong, up 14%, breaking above important resistance levels, showing us impressive strength. **Despite recent weakness, gold continues to hold above its 25 and 75 day MAs, and it's basing at the bottom side of its Dec uptrend, all signs of solid strength.**

Gold's Relative Strength Index (RSI) has taken a dive from the low 80s a couple of weeks ago (where it's considered overbought), to below 50 today (below 30 is considered oversold). Gold's RSI has room to continue declining but despite its easy fall, the gold price continues to hold above important bullish trends.

This tells us strength is behind the move, gold is bold and we should continue staying with the trend.

Spinner continues to decline, past its MT MA, showing us weakness. However, gold is holding strong, and if it continues to stay above \$1695 we'll see a strong gold price and a continued rise in the ST and MT. Keep your gold position.

Silver is also very strong.

It has found support at \$32 but continues to resist at its 65 day MA, at the \$34 level. Silver must break above \$34 and then above its Apr downtrend line near \$37, to see a confirmed trend reversal and renewed strength that would fuel a rise to test its old highs

Silver's RSI has also plunged from overbought levels and its declining swiftly, nearing oversold levels while Silver holds above its ST support at \$32.



Bottom line, silver looks strong. It's been holding clearly above its 75 day MA and it's poised to test its Apr downtrend line near the \$37 level. As long as silver holds above \$32, we'll likely see it gain strength and continue on its rise.

As you can see on the *Silver/Gold Ratio*, silver has found support at a 2 year long uptrend and it's bouncing up.

This is telling us that **silver's weakness versus gold is coming to an end.** We'll likely start to see silver strengthen more than gold. This means that silver is poised to outperform gold in the upcoming months.

The markets have been consolidating as well.

The stock market has been rising nonstop since Oct and continues looking strong despite indicators showing overbought signs everywhere.

The S&P 500 continues to look strong and it'll remain strong in the ST above 1310. However, **it's due for a correction, as we've been suggesting.** We had recommended shorting the S&P 500 and still believe there's some money to be made on the downside.

If you're short, keep your position, if you sold when our stop loss was hit, stay out until we see the S&P500 give us a clearer indication of a break to the downside. The rising wedge with a downside target of 1260 is still valid as the S&P500 has been unable to clearly break outside the wedge. The Volatile Index (VIX), which moves opposite to the S&P500, actually broke above its downside wedge, showing us that it's poised to rise.

Moreover, unless we see renewed strength that could continue fueling the stock market, we're more likely to see a correction in the ST than a continued rise.

Junior and some intermediate gold shares have come down from their recent highs. They've leveled off a bit, removing some of the excess from their bullish rise. A sharp rebound rise in junior gold miners was due, but it may be complete now.

As soon as the stock market reached extreme overbought levels and speculation of a decline hit the market, the junior and intermediate gold miners that were performing fell.

At this moment it looks like seniors are poised to outperform the juniors. Keep your senior gold share positions. We'll be looking to buy more when the opportunity presents itself.

Our Senior Positions are Holding Strong

We're keeping a couple of intermediate to senior gold miners (G.TO, GOLD, GFI).

All of which are solid gold mines and we believe should perform well in the ST and MT.

G.TO continues to hold above its year + uptrend above 45. It's also now holding above a smaller uptrend since Dec. However, G.TO did break below its 25 day MA and has declined for 5 straight days, which is a sign of weakness. It has reached the bottom side of its Bollinger Band and its RSI is within the 30 level, near oversold. Spinner continues to decline but its downside is limited. Keep your positions and buy more below C\$45. Keep your stops at 2dc below C\$44.

GOLD has also held its ground and is very strong above \$110, its 75 day MA. It's also formed an upside trend within its major uptrend since Dec. Keep the second half of your position and sell at \$120. Keep your stops at 2dc below 96.

GFI continues to resist below the middle of the upchannel. It has strong resistance below \$17. However, despite weakness, it continues to hold firmly above its 75 day MA. Sell all at \$17 and keep stops at 2dc below \$14.75.

We're still holding a small position in GDXJ but it hasn't continued to rise as we would've liked. However, its reaching oversold levels quickly and we'll likely see a bounce in the ST. Sell the rest on a bounce at the 30 level or higher. Keep stops at 2dc below 25.

So, what does this tell us?

- 1) Sell ELD.TO at the best price possible.
- 2) Should be out of junior gold miners and in senior gold stocks
- 3) Keep your gold and silver.

PS. Remember that next week we'll have our edition on Thursday, February 23rd as opposed to our regular Wednesday...

●●●● Golden regards from *the Adens...* Pamela, Mary Anne, and Omar

●●●● If it's Wednesday, it's *Gold Charts R Us*

OPEN POSITIONS

| Symbol | Trade Update &/or Current Position | Status (L=Long, S= Short, O= Out) | Initial Entry Date | Initial Entry Price | Traders re-bot/ sold at | Last Closing Price | Trailing Stoploss | Target #1 | Target #2 |
|---------------------------------|--|--|-----------------------|---------------------------|---|--------------------------|-----------------------|--------------|--------------|
| GOLD & SILVER SHARES | | | | | | | | | |
| ELD.TO | Sell at the best price. | L | Aug-31-11 | 19.55 | 18, 17.30, 17.50, 17.30, 15 & 13.90. | 13.02 | 2dc below 13 | 16.00 | 18.50 |
| G.TO | Keep your positions. Buy more below 44. | L | Dec-22-11 | 45.65 | | 45.43 | 2dc below 44. | 50.00 | 53.00 |
| GDXJ | Sell the rest at 30. | L | Nov-30-11 | 29.40 | | 27.65 | 2dc below 25 | 30.00 | 35.00 |
| GFI | Sell the rest at 17. (Sold half at 17.15 for a 11% gain on Dec-7-11). | L | Nov-20-11 | 15.40 | 15.40 | 16.42 | 2dc below 14.75 | 17.00 | 18.50 |
| GOLD | Sell the rest at 120. | L | Nov-30-11 | 105.50 | | 112.27 | 2dc below | 120.00 | |
| CEF | Looking to buy. Wait for a dip that holds above 20 to buy. | O | | | | 23.20 | | | |
| FUTURES | | | | | | | | | |
| Gold GCG12 | Keep your positions. Sell a fourth of your position at 1800. | L | Oct-18-11 | 1655.60 | 1710, 1750, 1725, 1600 & 1525 | 1717.70 | 3dc below 1650 | 1800.00 | 1900.00 |
| Crude CLF12 | Broke above 5+ wk downchannel but continues to resist below the Nov highs. Stay on the sidelines for now. | O | | | | 98.41 | | | |
| Silver SIH12 | Keep your position. Sell another fourth of your position at 36. | L | Sept-28-11 | 29.65 | 29, 29.95, 31, 28.75 | 33.348 | 2dc below 27 | 36.00 | 40.00 |
| S&P SPH12 | Gamblers sold short at 1315 but got stopped out on Friday after a 2dc above 1320. If you did not cover your shorts on Monday as per our stop loss, keep your positions. If out, stay out for now. | S | Jan-26-11 | 1320.00 | | 1344.70 | 2dc above 1365 | 1300.00 | 1260.00 |
| US Dollar DXH12 | Rose on Euro weakness. Held above 78. Stay our for now. | O | Jan-10-11 | | | 79.69 | | | |

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Spinner: Spinner is an in-house momentum indicator (not always shown on charts). Momentum indicators use the rate of change in price to determine predominant energy flows. Spinner trading signals are generated when the faster timing line crosses above or below the slower confirming line. Upside crosses in the lower range of positive territory offer the most reliable signals for longs; downside crosses in the top range of negative territory for shorts. Avoid trading against the timing line, ie, buying/selling if the timing line is in corrective mode (against direction of trade) unless the confirming line is positioning for a new 'confirming cycle'. It's important to always be aware of location, direction & cycling phase of the confirming line. Spinner signals are more effective in trending mkt's than in trading ranges where indicators such as Stochastics & Williams %R should be used.

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| 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 |
| LOC | line on close |
| LT | long term |
| MT | medium term |
| NL | neckline |
| PF | portfolio |
| PO | price objective |
| Recom | recommended |
| RH&S | reverse head & shoulder |
| RS | relative strength |
| ST | short term |
| Sym/tri | symmetrical triangle |
| Tgt | target |
| Unch | unchanged |
| Vol | volume |
| Wk | week |
| Ystdy | yesterday |
| C | close |