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

**Welcome** to GCRU #389 on March 3, 2010 (in its 9<sup>th</sup> year). •••• Cheery gold action this week with bullion developing a *crucial* higher reaction low & high above top support of its December bull wedge, with a \$1229.00 upside measured target. The major gold share indexes (SGI, HUI, XAU) are rising to join the party via a L/O/C break above similar bullish down wedges, & key momentum indicators in their weekly charts are now rounding out to neutral/bullish. Even our proprietary gold share *Advance/Decline* line has broken above its December down trend line, which tells us that the majority of the gold shares are now onboard, & in the process of testing or breaking above intermediate resistance. Volume is mixed and suggests that traders are still reticent to jump in too deeply, but that condition is improving as individual reversals gain reliability. To add a cherry on the cake, a general upturn in *Spinner* lines suggests this upside reversal is for real, & the pain of the Dec correction (barring totally unexpected surprises) is behind us ☺. •••• The longer the US\$-Index dithers below nearby 81.00 resistance the greater the chances for a setback to re-test its December uptrend line support (now 79.10). Conversely, the Euro looks set for a knee-jerk rally towards resistance of its Dec down trend line (1.3890). These currency pullbacks are *against trend*, but “should” offer a low risk/reward entry level for scalpers looking to bank quick profits. If the \$-Index closes below 80.20 (basis March Cx) recent US\$ hedgers would do better to jump to the sidelines *just-in-case* a pullback morphs into something more lasting. •••• The S&P has broken above a 5-week reverse H&S pattern, with a 1153.30 upside target (based on L/O/C). Despite the general consensus that global stock markets are “running on empty” & overdue for a big correction (having retraced 50% of the Oct 2007 decline), this upside breakout has technically voided the larger Nov-Feb H&S top, & *theoretically* paves the way for new shortterm highs. •••• Bullish Consensus on gold was at 78 yesterday (up 5 from last week). The US\$ was 56 (down 1). B/C say “Gold signals are bullish/neutral today, the intermediate trend in neutral/bullish.” IE, gold will likely consolidate Tuesday’s breakout before moving higher. •••• The UK Pound is in free-fall but any pullbacks *towards* the 1.5400 level should offer a good entry point for new shorts, with stops no higher than 1-dc over 1.5610. • New higher lows have bolstered the technical outlook in the A-\$ and Cad-\$, but both face significant cloud cover between 90.70-92.65, & 96.00-97.80 respectively. • Forex traders note the AUD/NZD cross has broken above top resistance of a massive 13-month irregular reverse H&S base, with

137.70 *theoretical* upside target. • The Yen has broken above its November downtrend line & is a spec buy at mkt & on dips to 111.30 (basis March), for a run towards 116.00 initial upside target. •••• The state-backed Royal Bank of Scotland has paid its investment bankers £1.3 billion in bonuses for making just £1 billion in profit last year! We are truly surprised that such madness hasn't provoked greater public outrage. •••• Per today's password, the gold market is – *revving up* – and the usual tactics apply at what appears to be the beginning of a major turning point cum upside reversal. IE, we should all become *more aggressive* traders, seeking to load up sizable positions in the early stages of the trend. If/when new & *Spinner* confirmed reaction lows create *higher* chart support, be ready to buy again on new upside breakouts, whilst raising the stoploss on the bulk of your recent longs to breakeven. This will leave U with a “risk free” core holding to hopefully ride the trend, & new positions for trading. From then on, keep milking the “cash cow” via our buy/sell/buy/sell strategy on trading positions, repeatedly banking profits at measured targets &/or below shortterm resistances, with a plan to buy them back on dips, or higher, after confirming a new bullish chart pattern. Core positions will generally take care of themselves in the early stages of the trend, but don't neglect to raise profit stops as new medium term reaction lows dictate. •••• The gold outlook is clearly **bullish**, but to cover all eventualities, a break below the \$1088 level would put \$1045 in the crosshairs with the risk of a sharp correction in the gold shares. •••• Gold is down \$1.50 in early European trading today. The US\$-Index is down 14 cents. A meek start to the day. •••• Best wishes from **Uncle Harry**, & co-pilot Paul. •••• If it's Wednesday, it's *Gold (& Mkts) Charts R Us*.

**PS:** We've added 2 new gold share recommendations this week. See pages 10 & 12.

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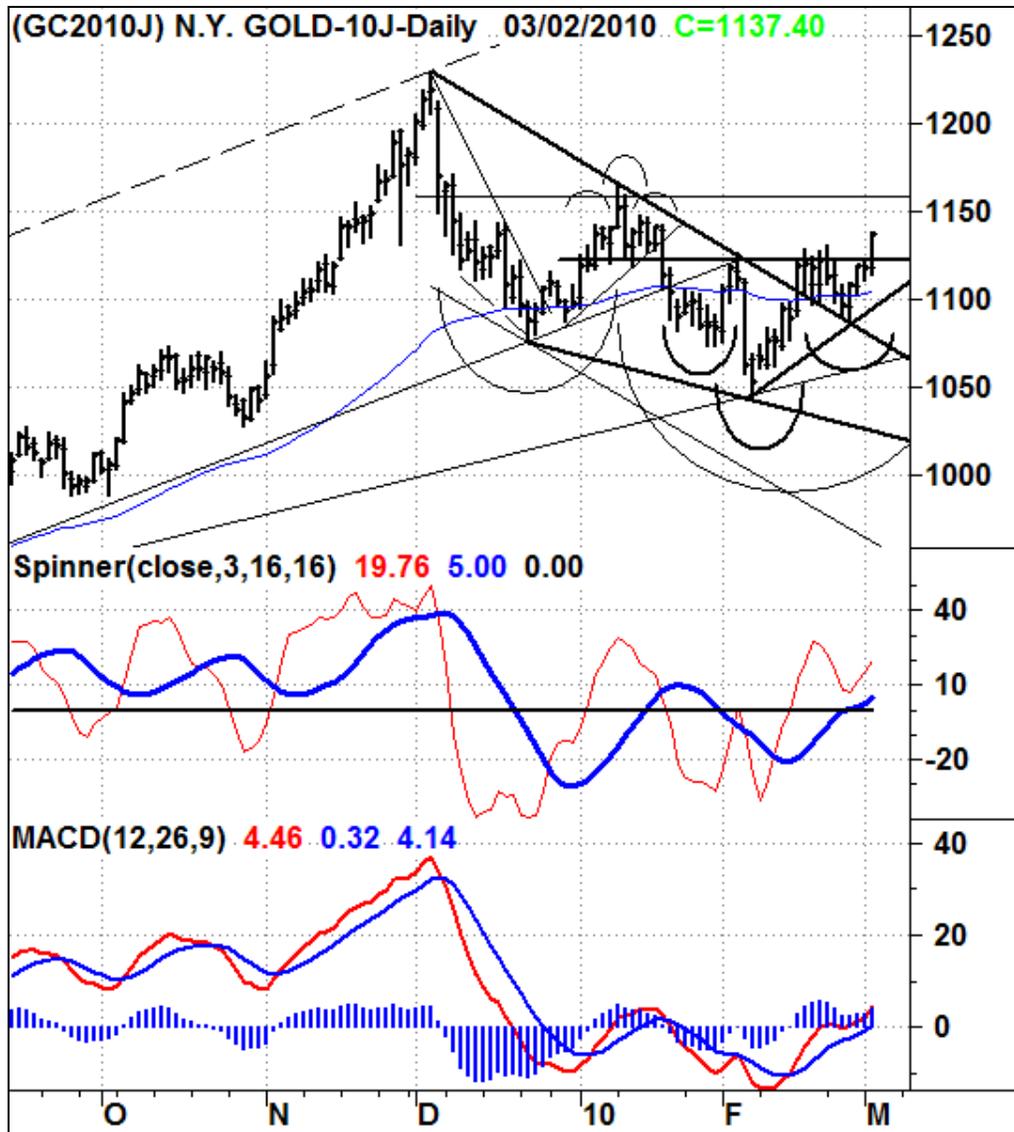
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## ••Our Abbreviations:

1dc = 1-day close (the share price must close above or below the indicated price level, before our recommendation is activated).  
2dc = 2-day close (consecutive).  
Bot = bought.  
CAD\$ = Canadian dollar.  
H&S = Head & Shoulder.  
L/O/C = Line On Close.  
L/T = Long Term.  
M/T = Medium Term.  
N/L = neckline.  
P/F = Portfolio.  
P/O = Price Objective.  
Recom = Recommended.  
R/H&S = Reverse Head & Shoulder.  
R/S = Relative Strength.  
S/T = Shortterm.  
Sym/tri = symmetrical triangle.  
Tgt = Target.  
Unch = unchanged.  
Vol = Volume.  
Wk = week.  
Ystdy = yesterday.

# GOLD

## Comex gold April futures – daily – 6 month view



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



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

<b>Open trades:</b>	<b>Long at:</b> <b>Stop:</b> <b>Profit targets:</b>	Initial entry price: 1119.80 (Feb-16-10). Traders re-bought Apr at 1137.40. S/T: 1076.70-stop. M/T: 1-dc below 1076.70. Sell bits at 1158.50 &/or 1185.50 &/or 1209.80.
<b>New Recom:</b>	If out, buy Apr at mkt & if dips to 1120.10; stop: exit, or sell ½ at 1076.70-stop, ½ after 1-dc below 1076.70; take partial profits at 1158.50 &/or 1185.50 &/or 1209.80. Requires a 2-dc below Feb uptrend line support (now 1101.20) to justify new short sale/hedge positions; stop: 30 points above your entry level; cover ½ at 1044.50 &/or trail stop downside.	
<b>Comment:</b>	Dec peak bull wedge (\$1229.00 target) reinforced via 6-week reverse H&S & upside breakout; 1209.80 measured target. Spinner (thick) confirming line in positive rotation above zero line (daily chart); raises odds for continued strength in price. Spotlight back on March 2008-Sept 2009 R/H&S; \$1,323 theoretical target.	

## GOLD SHARES



**Eldorado Gold** (Toronto: ELD-T; NYSE: EGO); gold: CAD\$:

<b>Open trades:</b>	<b>Long at:</b>	Initial entry price: 13.31 (Feb-12-10).
	<b>Stop:</b>	S/T: 11.70-stop. M/T: 1-dc below 11.70.
	<b>Profit targets:</b>	15.30 &/or 16.70 &/or 17.50.
<b>New Recom:</b>	If out, spec buy at mkt; stop: 1-dc below 11.70. All buy again after 1-dc over 13.80.	
<b>Comment:</b>	Double bottom & rebound above Oct 2008 uptrend line. Jan peak bull wedge; 15.53 upside target. Spinner in refreshed bull mode & placed to confirm sustained strength in price. Requires a dynamic rise above 13.80 to conclusively void Nov-Mar H&S top risk.	



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

<b>Open trades:</b>	<b>Long at:</b>	Initial entry price: 14.90 (Feb-17-10).
	<b>Stop:</b>	S/T: 12.20-stop. M/T: 1-dc below 12.20.
	<b>Profit targets:</b>	17.80 &/or 19.30 &/or 21.00.
<b>New Recom:</b>	If out, spec buy at mkt & if dips to 14.70; stop: 1-dc below 12.20. All buy again after 1-dc over 15.40.	
<b>Comment:</b>	New higher low above Nov 2008 uptrend line support. Dec peak bull wedge; 21.00 upside target. Spinner on brink of major bull cue. A determined close over 15.40 would remove any doubts.	



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

<b>Open trades:</b>	<b>Long at:</b>	Initial entry price: 3.31 (Feb-17-10).
	<b>Stop:</b>	S/T: 2.48-stop. M/T: 1-dc below 2.48.
	<b>Profit targets:</b>	4.38 &/or 4.90 &/or 5.35.
<b>New Recom:</b>	If out, nibble buy at mkt; stop: 1-dc below 2.48. All buy again after 1-dc over 3.50; stop: 1-dc below 2.78.	
<b>Comment:</b>	Potential higher reaction low. Spinner in positive hook with (thick) confirming line verging on new positive cycle above zero line. Unconfirmed Nov-Feb reverse H&S. Good intentions.	



**Northern Dynasty Minerals** (Canada: NDM-T; NYSE: NAK);  
 copper/gold/molybdenum; CAD\$:

<b>Open trades:</b>	<b>Long at:</b>	Initial entry price: 9.52 (Feb-17-10). Traders re-bought at 10.12.
	<b>Stop:</b>	S/T: 8.30-stop. M/T: 1-dc below 8.30.
	<b>Profit targets:</b>	10.60 &/or 11.90 &/or 13.30.
<b>New Recom:</b>	If out, buy at mkt & if dips to 9.65; stop: 1-dc below 8.30	
<b>Comment:</b>	Budding break above neckline resistance of Mar 2009-Feb 2010 reverse H&S base; 13.30 upside target. Spinner positive in weekly & daily chart. Needs volume to complete an otherwise bullish picture.	



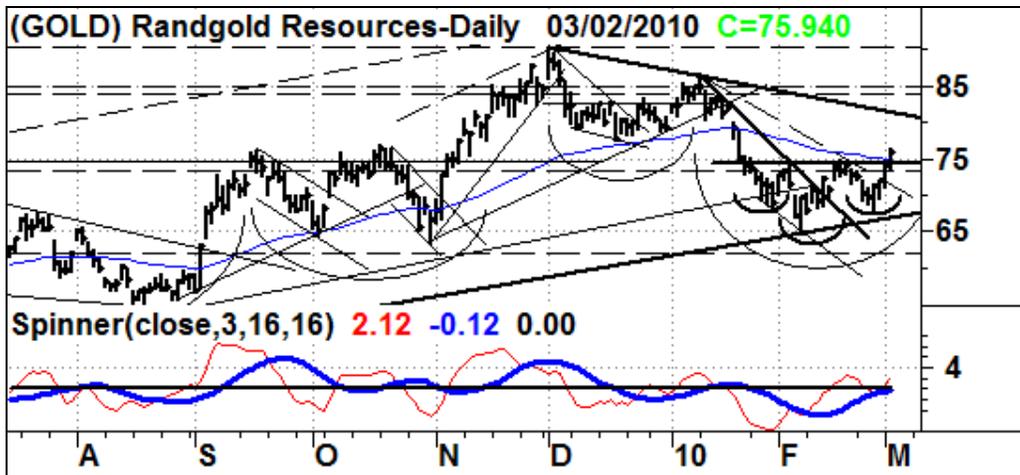
**Osisko Mining** (Canada: OSK-T); gold: CAD\$:

<b>Open trades:</b>	<b>Long at:</b>	Initial entry price: 5.90 (May-13-09).
	<b>Stop:</b>	S/T: 7.58-stop. M/T: 1-dc below 7.58.
	<b>Profit targets:</b>	9.10 &/or 9.75 &/or 10.50 &/or 11.20 &/or 12.45.
<b>New Recom:</b>	If out, spec buy at 9.15-stop; stop: 1-dc below 7.58. All buy again big after 1-dc over 9.15.	
<b>Comment:</b>	Positive pressure building within Sept-Feb bullish ascending triangle; 11.20 upside target. Spinner in re-energized bull mode. Sharp rally projected on break above 9.15. Not one to miss!	



**Paramount Gold & Silver (Canada: PZG-T); gold/silver: CAD\$:**

<b>Open trades:</b>	<b>Long at:</b> <b>Stop:</b> <b>Profit targets:</b>	Traders not in yet. S/T: 1.48-stop. M/T: 1-dc below 1.48. 2.20 &/or 2.50 &/or 2.80.
<b>New Recom:</b>	Spec buy at mkt & more aggressively if dips to 1.85 & 1.75; stop: 1-dc below 1.48.	
<b>Comment:</b>	Surge break above Jan downtrend line on rising volume. Spinner bull cue. Would-be May 2009-Mar 2010 reverse H&S pattern; 2.80 provisional upside target. On the boil.	



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

<b>Open trades:</b>	<b>Long at:</b> <b>Stop:</b> <b>Profit targets:</b>	Initial entry price: 74.42 (Feb-17-10). Traders re-bought at 75.94. S/T: 61.90-stop. M/T: 1-dc below 61.90. 83.85 &/or 90.30 &/or 96.30.
<b>New Recom:</b>	If out, spec buy at mkt & if dips to 73.20; stop: 1-dc below 61.90.	
<b>Comment:</b>	Bullish break above Jan-Feb reverse H&S; 83.85 potential upside target. Spinner in strengthening bull/buy mode. Volume supporting price. Re-test of Dec downtrend line within reach.	



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

<b>Open trades:</b>	<b>Long at:</b>	Initial entry price: 6.76 (Dec-11-08). Traders re-bought at 19.75.
	<b>Stop:</b>	S/T: 17.20-stop. M/T: 1-dc below 17.20.
	<b>Profit targets:</b>	22.90 &/or 24.80. Some took profit at 20.90 ☺.
<b>New Recom:</b>	If out, spec buy if dips to 20.30 & 19.50; stop: 1-dc below 17.20.	
<b>Comment:</b>	Gap-up rise on bullish volume. Hit 21.00 upside target of Jan-Feb reverse H&S. Spinner bullish. Technical focus on Oct uptrend channel while we wait for a new & significant chart pattern to materialize. A taste of sector wide strength to come?	



**Royal Gold (Nasdaq: RGLD); gold: US\$:**

<b>Open trades:</b>	<b>Long at:</b>	Traders bought (or covered hedges) at 45.46.
	<b>Stop:</b>	S/T: 39.70-stop. M/T: 1-dc below 39.70.
	<b>Profit targets:</b>	54.60 &/or 57.80 &/or 64.40 &/or 69.90.
<b>New Recom:</b>	If out, spec buy at mkt & if dips to 45.10; stop: 1-dc below 39.70.	
<b>Comment:</b>	Broke above Nov downtrend line resistance on rising volume. Spinner in new positive rotation above zero line; gives tip for continued strength in price. Finally on the mend.	



**Semafo Inc** (Toronto: SMF-T) gold: Cad\$:

<b>Open trades:</b>	<b>Long at:</b>	Traders not in yet.
	<b>Stop:</b>	S/T: 3.95-stop. M/T: 1-dc below 3.95.
	<b>Profit targets:</b>	5.80 &/or 6.32 &/or 6.90.
<b>New Recom:</b>	Spec buy at mkt & if dips to 4.70; stop: 1-dc below 3.95. Buy again after 1-dc over 5.10.	
<b>Comment:</b>	Challenging upper resistance of Nov-Mar bullish ascending triangle 6.32 initial upside target. Spinner confirming strength in price. Looks ready to pop. Make sure U are onboard!	

# FUTURES



**Coffee May 2010 futures – daily chart:**

<b>Open trades:</b>	<b>Long at:</b>	Traders not in yet.
	<b>Stop:</b>	128.80-stop.
	<b>Profit targets:</b>	141.80 &/or 144.80 &/or 147.80.
<b>New Recom:</b>	Spec buy May at 134.60-stop; stop: 128.80-stop; sell bits at 141.80 &/or 144.80 &/or 147.80. Buy more after 2-dc over 134.60.	
<b>Comment:</b>	Expanding possible Jan peak bullish down wedge; 148.70 upside target. Spinner in strengthening base mode, with little upside in price required to trigger major bull cue. Bottom fishing.	



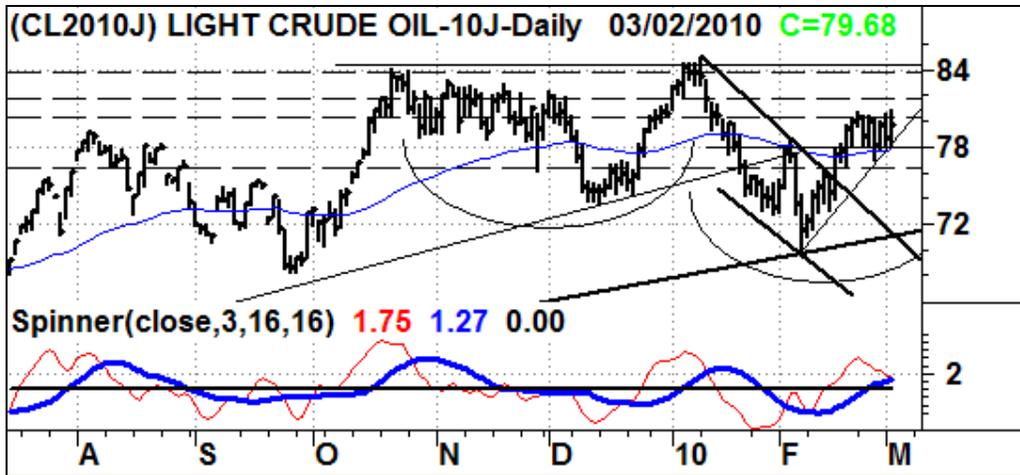
**Corn May 2010 futures – daily chart:**

<b>Open trades:</b>	<b>Long at:</b>	Initial entry price: 379.00 (Feb-16-10). Traders re-bought at 378.30.
	<b>Stop:</b>	Exit, or sell ½ at 357.50-stop, ½ after 1-dc below 357.50.
	<b>Profit targets:</b>	Sell ½ at 421.20, & trail stop rest.
<b>New Recom:</b>	If out, spec buy May after 1-dc over 389.10; stop: exit, or sell ½ at 357.50-stop, ½ after 1-dc below 357.50.	
<b>Comment:</b>	Hesitant break above Jan-Feb reverse H&S; 401.10 initial upside target. Spinner a crosscurrent bull; gives tip for mini corrective dips only. Jan peak bull wedge; 435.00 target. Lacks vitality.	



**Cotton May 2010 futures – daily chart:**

<b>Open trades:</b>	<b>Long at:</b>	Most traders took remaining profits at mkt ☺.
	<b>Stop:</b>	If still long exit at mkt.
	<b>Profit targets:</b>	To be defined. Some took profit at 80.80 ☺.
<b>New Recom:</b>	Most traders took remaining profits at mkt ☺. If still long exit at mkt. If out, wait to buy after next meaningful dip.	
<b>Comment:</b>	Spinner faltering in extreme overbought territory; raises odds for significant setback in price. Strength after next dip projected to offer a low risk buying opportunity. Let it cool off.	



**Crude Oil NY April 2010 futures – daily chart:**

<b>Open trades:</b>	<b>Long:</b> <b>Stop:</b> <b>Profit targets:</b>	Initial entry price: 77.42 (Feb-16-10). S/T: 76.30-stop. M/T: 1-dc below 76.30. 81.80 &/or 83.70 &/or 87.40.
<b>New Recom:</b>	If out, spec buy Apr after 1-dc over 80.30; stop: 76.30-stop.	
<b>Comment:</b>	8-day trading range cum mini consolidation zone. Spinner easing from bullish to neutral. Possible Oct-Feb reverse H&S. Need a quick rise from here otherwise shortterm strength in doubt.	



**S&P500 Index March 2010 futures – daily chart:**

<b>Open trades:</b>	<b>Long at:</b> <b>Stop:</b> <b>Profit targets:</b>	Traders bought Mar at 1114.60. S/T: 1091.40-stop. M/T: 1-dc below 1091.40. 1145.20 &/or 1153.30.
<b>New Recom:</b>	If out, spec buy Mar at mkt; sell ½ at 1145.20. Sell, or gamblers sell short Mar after 1-dc below Feb uptrend line support (now 1091.40); stop: 1-dc over 1114.60.	
<b>Comment:</b>	Un-tested break above Jan-Mar reverse H&S; 1153.30 upside target (basis L/O/C). Spinner bull cue. Re-test of Jan high doable.	



**Sugar May 2010 futures – daily chart:**

<b>Open trades:</b>	<b>None:</b> <b>Stop:</b> <b>Profit targets:</b>	Traders took remaining profit at 22.10 ☺. To be determined. To be determined.
<b>New Recom:</b>	Traders took remaining profit at 22.10 ☺. If out, no new trade recom this week.	
<b>Comment:</b>	Hit 22.10 downside measured target of Jan-Feb H&S top. Mar 3 bullish 1-day reversal. Spinner lines easing at oversold extremes but at minimum require a positive cross to justify new buying.	



**US\$ Index Mar 2010 futures-daily chart:**

<b>Open trades:</b>	<b>Long at:</b> <b>Stop:</b> <b>Profit targets:</b>	Initial entry price: 76.63 (Dec-08-09). ☺ 1-dc below 80.20. 81.60 (if bought low) &/or 82.80 &/or 83.70.
<b>New Recom:</b>	Buy after 1-dc over 81.10; sell ½ at 83.70. Sell, or scalpers sell short after 1-dc below 80.20; stop: 1-dc over 81.60; cover ½ at 79.10.	
<b>Comment:</b>	Stalling below 81.00 nearby resistance. Spinner weak (both plotlines down trending); warns against buying dip action. Odds growing for re-test of Dec uptrend line support (now 79.10).	

Mar-03-10

## OPEN POSITIONS &amp; 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
<b>Gold shares</b>											
Eldorado Gold	ELD-T	If out, spec buy at mkt; stop: 1-dc below 11.70. All buy again after 1-dc over 13.80.	L	Feb-12-10	13.31		13.49	11.70-stop 1-dc U/11.70	15.30	16.70	17.50
Franco Nevada	FNV-T	Traders re-bought at 28.24. If out spec buy at mkt; stop: 1-dc below 24.90.	L	Sep-16-09	30.99	28.24	28.24	24.90-stop 1-dc U/24.90	32.90	35.60	38.50
Imgold Corp	IAG	If out, spec buy at mkt & if dips to 14.70; stop: 1-dc below 12.20. All buy again after 1-dc over 15.40.	L	Feb-17-10	14.90		15.21	12.20-stop 1-dc U/12.20	17.80	19.30	21.00
Jaguar Mining	JAG-T	If out, spec buy (or cover hedges) at mkt &/or if dips to 10.20; stop: 1-dc below 8.95. All buy again after 1-dc over 10.80.	L	May-20-09	8.65		10.58	8.95-stop 1-dc U/8.95	13.55	14.75	16.15
Lake Shore Gold	LSG-T	If out, nibble buy at mkt; stop: 1-dc below 2.48. All buy again after 1-dc over 3.50; stop: 1-dc below 2.78.	L	Feb-17-10	3.31		3.16	2.48-stop 1-dc U/2.48	4.38	4.90	5.35
Northern Dynasty Minerals	NDM-T	If out, buy at mkt & if dips to 9.65; stop: 1-dc below 8.30	L	Feb-17-10	9.52	10.12	10.17	8.30-stop 1-dc U/8.30	10.60	11.90	13.30
Osisko Mining	OSK-T	If out, spec buy at 9.15-stop; stop: 1-dc below 7.58. All buy again big after 1-dc over 9.15.	L	May-13-09	5.90		8.88	7.58-stop 1-dc U/7.58	9.10	9.75	10.50

Mar-03-10

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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
<b>Gold Shares</b>											
Paramount Gold & Silver	PZG-T	Spec buy at mkt & more aggressively if dips to 1.85 & 1.75; stop: 1-dc below 1.48.					1.93	1.48-stop 1-dc U/1.48	2.20	2.50	2.80
Randgold Res.	GOLD	If out, spec buy at mkt & if dips to 73.20; stop: 1-dc below 61.90.	L	Feb-17-10	74.42	75.94	75.94	61.90-stop 1-dc U/61.90	83.85	90.30	96.30
Red Back Mng	RBI -T	If out, spec buy if dips to 20.30 & 19.50; stop: 1-dc below 17.20.	L	Dec-11-08	6.76	19.75	21.96	17.20-stop 1-dc U/17.20	Hit at 20.90 ☺	22.90	24.80
Royal Gold	RGLD	If out, spec buy at mkt & if dips to 45.10; stop: 1-dc below 39.70.	L	Mar-01-10	45.46		46.86	39.70-stop 1-dc U/39.70	54.60	57.80	64.40
Silver Wheaton	SLW	If out, spec buy after 1-dc over 15.75; stop: 1-dc below 12.40.	L	Feb-17-10	15.84		15.39	12.40-stop 1-dc U/12.40	19.90	21.70	23.50
Semafo Inc	SMF-T	Spec buy at mkt & if dips to 4.70; stop: 1-dc below 3.95. Buy again after 1-dc over 5.10.					5.00	3.95-stop 1-dc U/3.95	5.80	6.32	6.90
<b>Futures</b>											
Coffee	KC KO	Spec buy May at 134.60-stop; stop: 128.80-stop; sell bits at 141.80 &/or 144.80 &/or 147.80. Buy more after 2-dc over 134.60.					132.30	128.80-stop	141.80	144.80	147.80

Mar-03-10

## OPEN POSITIONS &amp; 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
<b>Futures</b>											
Corn	C KO	If out, spec buy May after 1-dc over 389.10; stop: exit, or sell ½ at 357.50-stop, ½ after 1-dc below 357.50.	L	Feb-16-10	379.00	378.30	381.20	357.50-stop 1-dc U/357.50	Sell 1/2 at 421.20	Trail stop rest	
Cotton	CT KO	Most traders took remaining profits at mkt ☺. If still long exit at mkt. If out, wait to buy after next meaningful dip.					81.85		Hit at 80.80 ☺		
Crude oil	CLJO	If out, spec buy Apr after 1-dc over 80.30; stop: 76.30-stop.	L	Feb-16-10	77.42		79.68	76.30-stop 1-dc U/76.30	81.80	83.70	87.40
Gold	GCJO	See page 6	L	Feb-16-10	1119.80	1137.40	1137.40	1076.70-stop 1-dc U/1076.70	1158.50	1185.50	1209.80
S&P500	SPHO	If out, spec buy Mar at mkt; sell ½ at 1145.20. Sell, or gamblers sell short Mar after 1-dc below Feb uptrend line support (now 1091.40); stop: 1-dc over 1114.60.	L	Mar-01-10	1114.60		1117.40	1091.40-stop 1-dc U/1091.40	1145.20	1153.30	
Sugar	SBKO	Traders took remaining profit at 22.10 ☺. If out, no new trade recom this week.					22.64		Hit at 22.10 ☺		
US\$-Index	DXHO	Buy after 1-dc over 81.10; sell ½ at 83.70. Sell, or scalpers sell short after 1-dc below 80.20; stop: 1-dc over 81.60; cover ½ at 79.10.	L	Dec-08-09	76.63		80.57	1-dc U/80.20	81.60	82.80	83.70

••• **FDIC Report: “We were broke & getting broker.”** The number of distressed banks in the US surged to 702 in Q4 2009, the highest level in sixteen years, according to a new report from the Federal Deposit Insurance Corp. “702 troubled banks is bad, and far worse than 552 last quarter,” comments *The Market Ticker*. “But the \$20.9 billion loss in the deposit fund, after losing \$8.2 billion last quarter, is beyond bad. Remember that the Deposit Insurance Fund **went negative last quarter**. Now it has lost **another** \$20.9 billion. What does the FDIC say? ‘The agency hopes to make up that loss through advance payments by banks of \$45 billion in fees.’ There’s that ‘hope’ word again. Once the banks have *prepaid* your fees, what happens if the losses continue? The FDIC can’t collect the same fee more than once, right? That’s what I thought. ‘Each account is insured to at least \$250,000 through 12/31/2013 - *so long as we can continue to borrow money from Treasury to pay you.*’ They leave that last part of the sentence out, of course.” The FDIC is in uncharted waters, with no map or compass. If mark-to-market accounting were in force they would *already* be shipwrecked & lying on the ocean floor. ••• **The run on Greece is here:** “We previously wrote about the possibility of a bank run in Greece,” comments Tyler Durden at *ZeroHedge*, “following unsubstantiated reports that Greek citizens don’t trust the Greek financial system anymore, courtesy of the whole bailout and GDP reporting fraud. The rumor was not only just confirmed but also quantified: *Dow Jones* reports that in the past three months Greeks have moved about €8 billion out of local banks ‘fearing a possible new tax on bank accounts, increased govt scrutiny on assets and a run on the banks if Athens is forced to turn to the International Monetary Fund.’ This represents **over a quarter of the money held by private banks in the country**. This also represents about €400 billion in total money leaving the system courtesy of fractional reserve banking and the money multiplier.” In another comment on Greece TD says: “If you will recall a mere 15 months back, **the one factor that truly exacerbated the pre and post-Lehman fiasco, both domestically and globally, was investors’ loss of confidence in the system: first in the deposit custodians and then in money markets themselves**. As the financial system is never, by definition, prepared for massive fund flows in the outward-bound direction, this is the greatest nightmare of any regulator or any Central Bank. If indeed the money rush out of Greece has commenced, then it is too late to save the country, no matter what the politicians will say: the only voice that matters is that of the depositor, and what is being said is the polar opposite of the claims of those who continue lying and telling us that everything is fine.” Expectations of devaluation can become quickly self-fulfilling. Will the next step of this massive capital-flight *panic* trigger the mother of all bank runs?

If not, it probably can't be far away. .... **Bank Of England leaves backdoor open for more Quantitative Easing (QE).** From the *NYT*: “The Bank of England may have to restart its asset-buying [QE] program if the economic outlook worsens, and things are not looking good in the euro zone, Governor Mervyn King warned last week. Economic data since the Bank's decision to halt its 11-month-old program has been mostly *dire*, with unemployment rising again and retail sales falling sharply, calling into question just how durable any recovery will be.” The economic situation is going to get a *lot* worse before it gets better, and history has shown that once a govt starts down the money-printing road (which dilutes/devalues a currency by increasing its supply) it's almost impossible to turn back. If the truth were known, the UK's QE program was probably never stopped. .... **We don't see the EU falling apart, it's California you need to worry about.** From *BusinessInsider*: “Jamie Dimon spoke last week at JP Morgan's annual investor conference. ‘Greece itself would not be an issue for this company, nor would any other country,’ he said. ‘We don't really foresee the European Union coming apart. California, on the other hand, could pose a problem.’ The state is huge. ‘There could be contagion’ if the state were to have problems servicing its debts, Dimon warned.” • According to *Panamalaw.org* there are 10 states in the US that are insolvent & expected to file for bankruptcy in the near future (2010): “California, Arizona, Florida, Illinois, Michigan, Nevada, New Jersey, Oregon, Rhode Island and Wisconsin. These 10 states account for over one third of the US population. **Think of it as more than 33% of the US going bankrupt.**” We mustn't deny there are *serious* problems in Euroland, but the US & UK are, & have always been the main “fault lines” of the derivative crisis. .... **The ultimate wealth preserver: physical gold.** All the countries of the major trading currencies the dollar, euro, pound and yen have major economic problems that can only be resolved by massive money printing, pens Egon von Greyerz for *The Daily Reckoning*. “This is why it is a futile game to try to predict which currency will be the weakest out of the above four. They will all weaken substantially but not at the same time. Therefore, we will have **incredible volatility in currency markets in the next few years** whilst speculators lose their shirts jumping from one currency to the next. There will be very few winners in that game....As many paper currencies become virtually worthless in the next few years, gold will continue to do what it has done for 6,000 years. It will *maintain its purchasing power* and therefore appreciate substantially against all paper currencies. The recent correction in gold is the weak hands getting out of speculative positions in the paper gold market. **There has been virtually no selling in the physical market.**” EVG notes the excellent *ShadowStats.com site*, which analyzes govt statistics on a true basis (taking out all adjustments, revisions and other manipulations) estimates the gold high in 1980 of \$850 in today's terms is \$6,400, and

comments: “Govts have suppressed the gold price in the last 30 years by both overt operations (official gold sales) and covert operations (manipulations in the paper gold market and unofficial sales). Central banks have now stopped official sales and China, India, Russia and many other countries are major buyers. Production is falling steadily and investment demand is soaring. **With the fundamentals so much in gold’s favor, it should have no problem to reach the 1980 inflation-adjusted high of \$6,400. With inflation or hyperinflation, gold will go a lot higher than that.**” Govts are drowning in debt with only two feasible options: they default & risk a harsh & lasting deflationary depression, or they continue to “print” & risk a very high inflation. •••• **Head of IMF proposes new reserve currency.** Dominique Strauss-Kahn, the head of the International Monetary Fund, suggested last Friday the organization might one day be called on to provide countries with a global reserve currency that would serve as an alternative to the US dollar, reports the *Associated Press*. “ ‘That day has not yet come, but I think it is intellectually healthy to explore these kind of ideas now,’ he said in a speech on the future mandate of the 186-nation Washington-based lending organization. Strauss-Kahn said such an asset could be similar to but distinctly different from the IMF’s special drawing rights, or SDRs, the accounting unit that countries use to hold funds within the IMF.” So he is saying there is no logic in replacing something unless it is broken. There is logic in discarding the dollar so that it can be aggressively devalued as a desired means of extinguishing debt. Too bad if it wipes out the wealth of the middle class in the process ☹. •••• **European banks need to roll over €1 trillion (£877 billion) of debt over the next two years at a much higher cost and in direct competition with hungry sovereign states,** according to a report by Morgan Stanley. From the UK *Telegraph*: “Roughly €560 billion of EU bank debt matures in 2010 and €540 billion in 2011. The banks will have to roll over loans at a time when unprecedented bond issuance by governments worldwide risks saturating the debt markets. European states alone must raise €1.6 trillion this year. **‘The debt burden that prompted the financial crisis has not fallen; rather, we are witnessing a dramatic transfer of private-sector debt on to the public sector.’** Worries about Europe’s second-tier banks help explain why Berlin is warming to plans for a €25 billion rescue for Greece. Germany’s regulator BaFin has warned that €522 billion of **German bank exposure to state bonds in Portugal, Italy, Ireland, Greece and Spain may pose a systemic risk if contagion causes ‘collective difficulties of the PIIGS states’.**” The whole Western world is infected with toxic derivative swill. The PIIGS are simply the most vulnerable, & provide an easy debut for a much larger financial mafia plan to attack & profit from the collapse of all sovereign debt. •••• **Ben Bernanke “wants inflation.”** It’s the reaction to the potential deflation that gets to the inflation, according to Peter Boockvar,

equity strategist at Miller Tabak. From *Yahoo Finance*: “ ‘The more deflationary type steps we see, the more money printing that will go on around the world that will set us up for that inflation. **More deflation will eventually get us more inflation.**’ It may seem somewhat convoluted logic, but Boockvar's point is that **global policymakers will do anything and everything to fight deflation**, most definitely including Fed chairman Ben Bernanke. Recalling the Fed cut rates to zero in December 2008 amid fears of a systemic financial meltdown, **the only reason the fed funds rate remains so low is because Bernanke ‘wants inflation,’ Boockvar says. ‘If he didn't, he wouldn't have rates at zero.’**” Bernanke, like his political masters, is addicted to easy money & inflation (it bails them out of debt). It’s their *source of power* & ticket to re-election. **••• China has confirmed its intention to purchase 191.3 tons of gold from the International Monetary Fund** at an open auction, according to *Finmarket* news agency. “Chinese officials have confirmed previous announcements from IMF experts and said that the purchasing of 191 tons of gold would not exert negative influence on the world market,” the agency reports. Just two days prior to this announcement an unnamed China Gold Association official stated that China had no intention of buying IMF gold! Conclusion: ignore the noise and stay focused on gold *price action* which never lies.

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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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