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

Welcome to *GCRU* #390 on March 10, 2010 (in its 9th year). •••• A mixed week in the gold market, which saw bullion fail to hold/gain the type of strength typically associated with the joint upside breakout from its Dec peak bull wedge, & 6-week reverse H&S. No doubt the absence of meaningful downside in the US\$, despite its continued rounding top pattern, has caused many nervous gold traders to bank shortterm profits, or at least delay buying new longs. The gold shares were a bit more positive, but recent base & breakout action lacks the underpinning of significant volume increases. The bullish L/O/C breakouts in the HUI & XAU gold share indexes are overshadowed by the risk of 6-month H&S tops. But encouragingly, the *Schultz Gold Index* (which is designed to reflect the action of top *Relative Strength* gold shares, & to provide us with *early* buy signals) has already risen to void a comparable risk. *Spinner* lines are in crosscurrent bull mode, with the occasional sign of fatigue apparent in (thick) confirming lines. Consequently, there's no clear-cut chart conclusion this week, but the gold market appears to be in a classic correction format (ie, the odds favor shortterm weakness, but not a trend change). Using the HUI index as a general barometer of gold *share* strength: if this correction stops above the Feb uptrend line (now 392), the mkt will be a buy. If it breaks below, *start* running for the hills or sidelines. •••• Metals market analyst Ted Butler says the fact that gold has come so far up from recent lows, & that JP Morgan Chase is *not* adding contracts on the short side, which is a profound development, suggests there's room for gold to go a lot higher. Click <HERE> to hear Butler's comments in an interview with Eric King of King World News. •••• The UK's FTSE stock market index has broken to a new shortterm high, to support the lead upside breakout we signaled in the Swiss mkt index 2-weeks ago. Other major mkts now challenging January resistance include the Canadian TSE, the Belgium BEL20, the Nasdaq Comp, & S&P500. Stock markets have been rising in face of general disbelief, but this would quickly change (and blow warm winds over the gold shares) if January resistance is forcefully violated, as investors will start to believe there's more upside. •••• Banks may be unwittingly selling fake tungsten gold bars. Go see: <http://www.youtube.com/watch?v=ZKczs-7BFRI> •••• Semafo & Northern Dynasty Mining, which are both *recent* additions to *GCRU*, were among the best performing gold shares this week. Don't assume that all golds will rise with the same velocity, as the differences between them are huge, & the relationships between the leaders & the followers regularly change. So, use this potential turning point to offload

any sluggish gold's & invest in the *new* winners. Ego has absolutely no place in trading. So, don't get burned or *waste time & funds* holding under-performers by not being able to admit tactical/timing "errors." ●●● Bullish Consensus rank gold at 75 (down 3 from last week). The US\$ was 53 (down 3). B/C say gold's momentum signals are: "neutral/bearish short-term. The intermediate trend is neutral/bullish." ●●● For advice on currencies, see '*Back to the Futures*' in last Sunday's *HSL667*. ●●● A recent study by *GoldMoney.com* reveals that from "2000 through 2009, gold rose an average 10.1% a year versus the Swiss franc (which turned in the best of the bad showings by the currencies studied) to 14.9% against the US dollar (a middling performer) to 20.0% for the Sri Lankan rupee (the worst in show)." Gold's gains compare with an inflation-adjusted *loss* on the S&P for the last decade, including dividends, of minus 15% or -1.6% on an annualized basis. Aren't U glad to be aboard the golden ark! ●●● Gold is up \$3.50 in European trading this AM, after *bullishly* recuperating all but \$1.50 of yesterday's \$15.60 intraday fall. The \$ is up 10 cents. ●●● Steer a middle course this week, betting that logical support zones will hold. Be ready to buy more of the best chart-action stocks on dips. Or, to buy breakouts to new highs that may occur, to avoid missing the next surge. The gold market is shrouded in worry, but a *wallofworry* (today's password) is often the handmaiden of up trending markets! ●●● Golden regards from your dedicated gold alchemist ***Uncle Harry***, & Paul.

●●● If it's Wednesday, it's *Gold (& Mkts) Charts R Us*.

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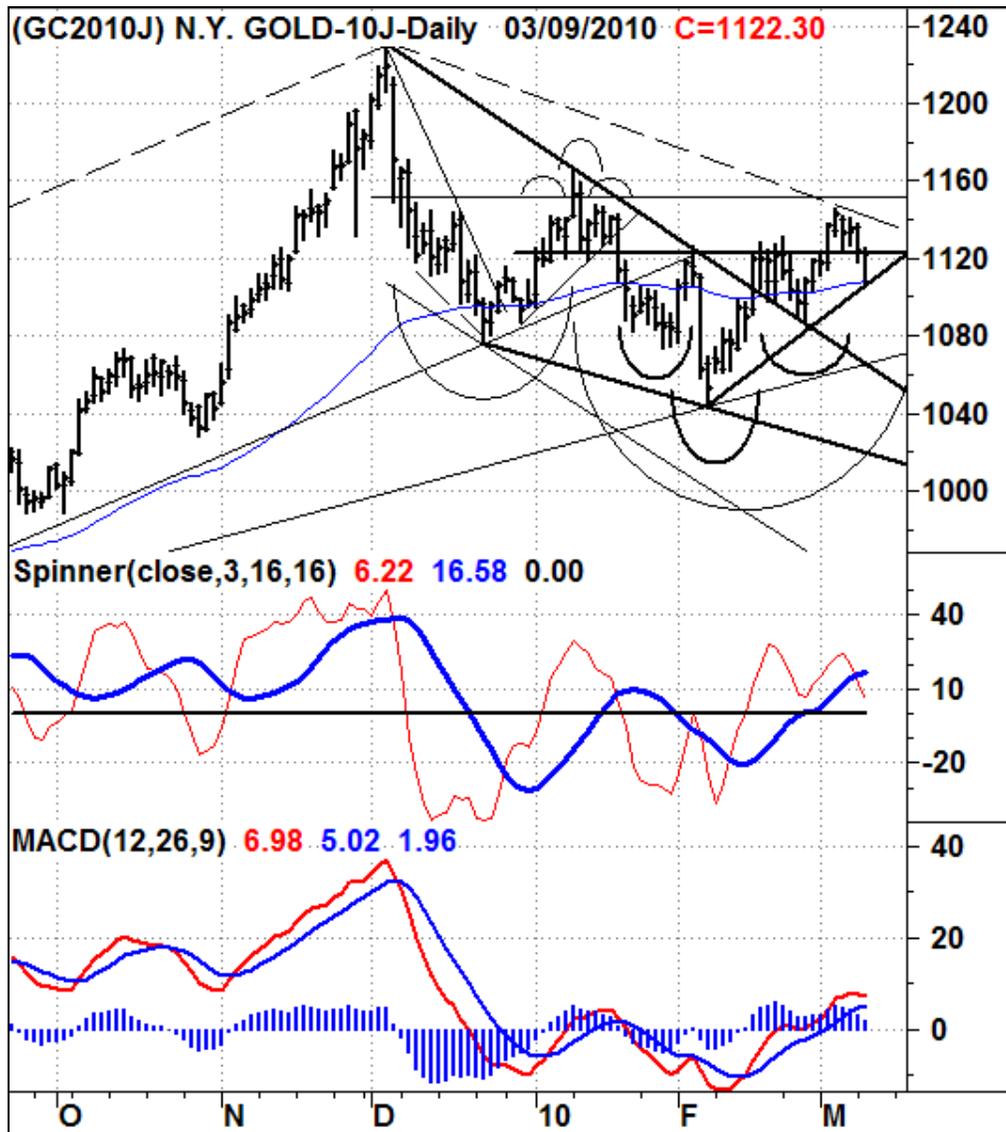
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••Our Abbreviations:

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



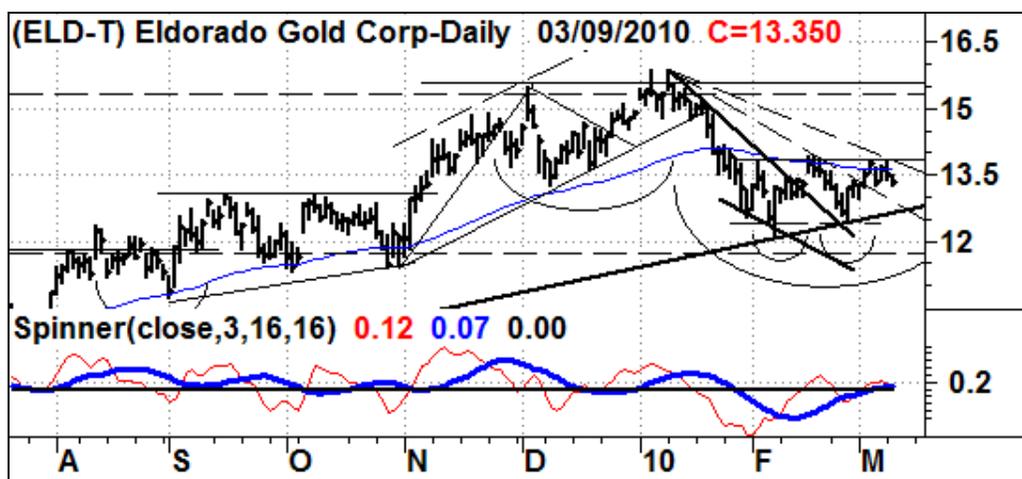
Comex gold April 2010 futures – 480 min – 7wk view



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

Open trades:	Long at: Stop: Profit targets:	Initial entry price: 1119.80 (Feb-16-10). Traders re-bought Apr at 1134.50 & 1120.10. S/T: 1076.70-stop. M/T: 1-dc below 1076.70. 1158.50 &/or 1185.50 (if bot low) &/or 1209.80.
New Recom:	If out, spec buy Apr (or June?) at mkt &/or all buy again after 1-dc over 1143.30; stop: exit, or sell ½ at 1076.70-stop, ½ after 1-dc below 1076.70; take ½ profit at 1209.80, & trail stop remainder. Requires a 2-dc below 1098.20 to justify new <u>hedge</u> positions/short sales; stop: 30 points above your entry level; cover ½ at 1044.50 &/or trail stop downside.	
Comment:	Sharp dip to test upper support of Jan-Mar reverse H&S; 1209.80 initial upside target. Slight bearish divergence in Spinner (new lower high vs higher high in price); hints additional consolidation possible. Dec peak bull wedge (\$1229.00 target) underpins larger March 2008-Sept 2009 R/H&S; \$1,323 upside target. Protracted but potentially healthy reversal development.	

GOLD SHARES



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

Open trades:	Long at:	Initial entry price: 13.31 (Feb-12-10). Traders re-bought at 13.64.
	Stop:	S/T: 11.70-stop. M/T: 1-dc below 11.70.
	Profit targets:	15.30 &/or 16.70 &/or 17.50.
New Recom:	If out, wait to buy strength after next dip &/or all buy again after 1-dc over 13.80; stop: 1-dc below 11.70.	
Comment:	Feb double bottom morphing into possible 5-week flat top triangle cum head of Dec-Mar reverse H&S pattern. Spinner in faltering bull mode. 3 rd bullish fan line in place from Jan high. Expectant.	



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

Open trades:	Long at:	Initial entry price: 14.90 (Feb-17-10). Traders re-bought at 15.42 &/or 15.54.
	Stop:	S/T: 12.20-stop. M/T: 1-dc below 12.20.
	Profit targets:	17.80 &/or 19.30 &/or 19.95.
New Recom:	If out, buy after 1-dc over 15.72; stop: 1-dc below 12.20.	
Comment:	Dec peak bull wedge; 21.00 upside target. Spinner rolling over to neutral; warns against buying shortterm dip action. Expanding uncertain head of Dec-Mar reverse H&S. Creeping higher.	



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

Open trades:	Long at:	Initial entry price: 3.31 (Feb-17-10). Traders re-bought at 3.20.
	Stop:	S/T: 2.48-stop. M/T: 1-dc below 2.48.
	Profit targets:	4.38 &/or 4.90 &/or 5.35.
New Recom:	If out, buy after 1-dc above Jan 4 downtrend line resistance (now 3.28); stop: 1-dc below 2.48.	
Comment:	Pullback to test closing support of Feb lows. Spinner in persistent negative cross; hints lower price lows possible. Disappointing R/S. Sharply up from here or prefer to get out. On probation.	



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

Open trades:	Long at:	Initial entry price: 9.52 (Feb-17-10). Traders re-bought at 10.24 & 9.65.
	Stop:	S/T: 8.30-stop. M/T: 1-dc below 8.30.
	Profit targets:	10.60 &/or 11.90 &/or 13.30.
New Recom:	All buy again (big) after 1-dc over 10.20; stop: 1-dc below 8.30.	
Comment:	Held break above Mar 2009-Feb 2010 reverse H&S base; 13.30 measured target. Volume +. Spinner in new lower high with (thick) confirming line easing to neutral; raises odds for further sideways consolidation &/or mini price dip before next burst of strength.	



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

Open trades:	Long at:	Initial entry price: 5.90 (May-13-09).
	Stop:	S/T: 7.58-stop. M/T: 1-dc below 7.58.
	Profit targets:	9.10 &/or 9.75 &/or 10.50 &/or 11.20 &/or 12.45.
New Recom:	If out, spec buy at 9.15-stop; stop: 1-dc below 7.58. All buy again big after 1-dc over 9.15.	
Comment:	Balking below top resistance of Sept-Mar bullish ascending triangle; 11.20 upside target. Spinner struggling to hold positive ground. Irresolute, but we still favor an upside breakout. Don't push it.	



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

Open trades:	Long at:	Traders bought bit at 1.97 & 1.85 & 1.75.
	Stop:	S/T: 1.48-stop. M/T: 1-dc below 1.48.
	Profit targets:	2.20 &/or 2.50 &/or 2.80.
New Recom:	If out, wait to buy strength after current reaction low &/or buy after 1-dc over 2.00; stop: 1-dc below 1.60.	
Comment:	Expanding right shoulder of May 2009-Mar 2010 reverse H&S pattern; 2.80 upside target. Volume supporting price. Spinner a corrective bull. Seemingly positioning for a sustained rise.	



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

Open trades:	Long at:	Initial entry price: 74.42 (Feb-17-10). Traders re-bought at 76.81.
	Stop:	S/T: 61.90-stop. M/T: 1-dc below 61.90.
	Profit targets:	83.85 &/or 90.30 &/or 96.30.
New Recom:	If out, spec buy at mkt; stop: 1-dc below 61.90. Buy more after 1-dc (must be decisive) above Dec downtrend line (now 80.68).	
Comment:	Healthy dip to test neckline support of Jan-Feb reverse H&S; 83.85 upside target. Spinner in negative hook; hints at short-lived price dips only. Tentative Dec-Mar reverse H&S. Gaining confidence.	



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

Open trades:	Long at:	Initial entry price: 6.76 (Dec-11-08). Traders re-bought at 20.30.
	Stop:	S/T: 17.20-stop. M/T: 1-dc below 17.20.
	Profit targets:	22.90 &/or 24.80.
New Recom:	If out, gamblers buy bit at mkt & if dips to 19.50; stop: 1-dc below 17.20.	
Comment:	Spinner in sharp downturn with (thick) confirming line rolling over to neutral; hints at deeper corrective decline within Oct uptrend channel. Needs to work off recent overbought condition.	



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

Open trades:	Long at:	Initial entry price: 45.46 (March-01-10). Traders re-bought at 47.21.
	Stop:	S/T: 39.70-stop. M/T: 1-dc below 39.70.
	Profit targets:	54.60 &/or 57.80 &/or 64.40 &/or 69.90.
New Recom:	If out, wait to buy strength after next dip &/or buy after 1-dc over 46.90; stop: 1-dc below 39.70.	
Comment:	Mini dip towards new support of Dec down trend line. Building possible head of Dec-Mar reverse H&S. Spinner predominantly bullish, but additional consolidation/backfilling possible.	



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

Open trades:	Long at:	Traders bought at 5.00 & 5.23.
	Stop:	S/T: 4.18-stop. M/T: 1-dc below 4.18.
	Profit targets:	5.80 &/or 6.32 &/or 6.90.
New Recom:	If out, buy at mkt & if dips to 5.10 & 4.90; stop: 1-dc below 4.18.	
Comment:	Bullish break above top resistance of Nov-Mar flat top triangle; 6.32 upside measured target. Spinner up trending & supporting strength in price. Best shortterm potential.	

FUTURES



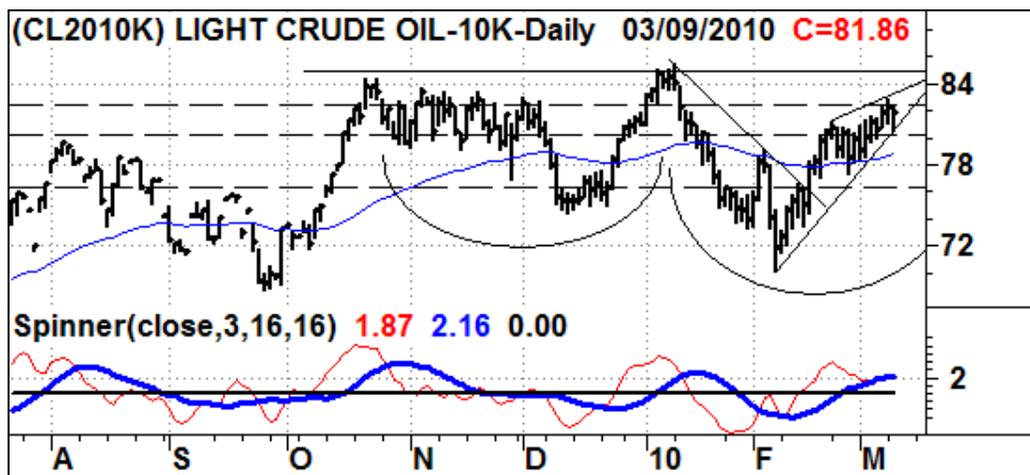
Coffee May 2010 futures – daily chart:

Open trades:	Long at:	Traders not in yet.
	Stop:	128.80-stop.
	Profit targets:	141.80 &/or 144.80 &/or 147.80.
New Recom:	Spec buy May after 1-dc over 133.60; stop: 128.80-stop; sell bits at 141.80 &/or 144.80 &/or 147.80.	
Comment:	Unconfirmed break above Jan peak bull wedge; 148.70 theoretical upside target. Spinner placed to confirm sustained strength in price. Has yet to convince.	



Corn May 2010 futures – daily chart:

Open trades:	Long at: Stop: Profit targets:	Initial entry price: 379.00 (Feb-16-10). S/T: 357.50-stop. M/T: 1-dc below 357.50. Sell ½ at 421.20, & trail stop rest.
New Recom:	If long, lighten up at mkt. If out, buy May after 1-dc over 386.50; stop: exit, or sell ½ at 357.50-stop, ½ after 1-dc below 357.50.	
Comment:	Destructive pullback & close at Tuesday's lows. <u>Must</u> hold Sept 2009 uptrend line support (now 365.50) if <i>shortterm</i> higher highs to develop. Losing shine. Merits gambler longs only.	



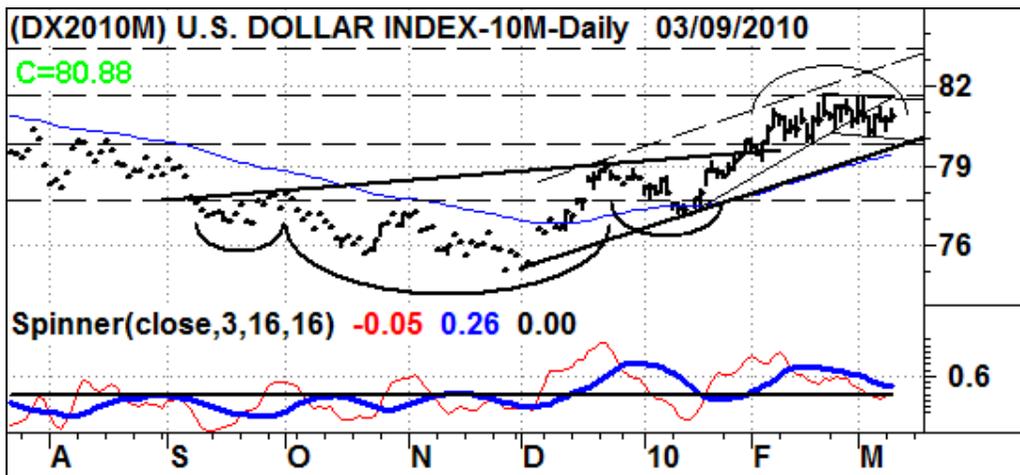
Crude Oil NY May 2010 futures – daily chart:

Open trades:	Long: Stop: Profit targets:	Initial entry price: 77.42 (Feb-16-10). Traders re-bought Apr at 80.87. Basis Apr: 79.60-stop. Basis Apr: take full profit at 83.70. Some took profit at 81.80 ☺.
New Recom:	If out, wait to buy after the next significant dip &/or spec buy <u>May</u> after 1-dc over 82.40; sell ½ at 88.70. Sell, or gamblers sell short May at 79.80-stop; stop: 1-dc over 82.40; cover ½ at 76.30.	
Comment:	Faltering below resistance of Oct-Jan peaks. Worrisome bear wedge from Feb low. Spinner in negative hook/cross. Sharp slide possible <u>if</u> breaks Feb uptrend line support (now 80.80). Prudence.	



S&P500 Index June 2010 futures – daily chart:

Open trades:	Long at:	1114.60 (Mar-01-10). Traders bot Mar at 1117.30.
	Stop:	Take full profit in Mar Cx at mkt.
	Profit targets:	Basis June: sell ½ at 1174.00, & trail stop rest.
New Recom:	Gamblers only buy June (mini Cx) if dips to 1119.50 &/or 1105.00; stop: 1-dc below 1084.50; sell ½ at 1174.00, & trail stop rest. And/or buy after 2-dc over 1145.10.	
Comment:	Risk of (shorterm?) Jan peak double top. Spinner bullish. Prefer bank full profit at mkt & re-buy after a dip, or an upside breakout.	



US\$ Index June 2010 futures-daily chart:

Open trades:	Short at:	Exited Mar longs via 80.20 stoploss/profit stop. Scalpers then sold short at 80.02.
	Stop:	Basis Mar: 1-dc over 81.40 (if sold short). Basis June: 1-dc over 81.60.
	Profit targets:	Basis Mar: cover ½ at 78.50 (if sold short). Basis June: cover ½ at 77.60, & trail stop rest.
New Recom:	If out, sell short June after 1-dc below 79.70; cover ½ at 77.60, & trail stop rest. Buy June (or cover shorts) after 1-dc over 81.60; stop: 1-dc under 79.70; sell ½ at 83.40 &/or trail stop strength.	
Comment:	1-month rounding top vs mini bull flag & support of Dec uptrend line (now 79.70). Spinner down trending. Will soon reveal.	

Mar-10-10

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	If out, wait to buy strength after next dip &/or all buy again after 1-dc over 13.80; stop: 1-dc below 11.70.	L	Feb-12-10	13.31	13.64	13.35	11.70-stop 1-dc U/11.70	15.30	16.70	17.50
Franco Nevada	FNV-T	Traders re-bought at 28.45. If out, spec buy after 1-dc over 28.40; stop: 1-dc below 24.90.	L	Sep-16-09	30.99	28.45	27.87	24.90-stop 1-dc U/24.90	32.90	35.60	38.50
Imgold Corp	IAG	If out, buy after 1-dc over 15.72; stop: 1-dc below 12.20.	L	Feb-17-10	14.90	15.42 15.54	14.91	12.20-stop 1-dc U/12.20	17.80	19.30	19.95
Jaguar Mining	JAG-T	Traders re-bought (or covered hedges) at 10.70 &/or 10.84. If out, spec buy after 1-dc over 10.90; stop: 1-dc below 8.95.	L	May-20-09	8.65	10.70 10.84	10.69	8.95-stop 1-dc U/8.95	13.55	14.75	16.15
Lake Shore Gold	LSG-T	If out, buy after 1-dc above Jan 4 downtrend line resistance (now 3.28); stop: 1-dc below 2.48.	L	Feb-17-10	3.31	3.20	2.79	2.48-stop 1-dc U/2.48	4.38	4.90	5.35
Northern Dynasty Minerals	NDM-T	All buy again (big) after 1-dc over 10.20; stop: 1-dc below 8.30.	L	Feb-17-10	9.52	10.24 9.65	9.87	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		8.62	7.58-stop 1-dc U/7.58	9.10	9.75	10.50

Mar-10-10

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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
Gold Shares											
Paramount Gold & Silver	PZG-T	If out, wait to buy strength after current reaction low &/or buy after 1-dc over 2.00; stop: 1-dc below 1.60.	L	Mar-03-10	1.97	1.85 1.75	1.80	1.48-stop 1-dc U/1.48	2.20	2.50	2.80
Randgold Res.	GOLD	If out, spec buy at mkt; stop: 1-dc below 61.90. Buy more after 1-dc (must be decisive) above Dec downtrend line (now 80.68).	L	Feb-17-10	74.42	76.81	75.67	61.90-stop 1-dc U/61.90	83.85	90.30	96.30
Red Back Mng	RBI -T	If out, gamblers buy bit at mkt & if dips to 19.50; stop: 1-dc below 17.20.	L	Dec-11-08	6.76	20.30	20.35	17.20-stop 1-dc U/17.20	22.90	24.80	
Royal Gold	RGLD	If out, wait to buy strength after next dip &/or buy after 1-dc over 46.90; stop: 1-dc below 39.70.	L	Mar-01-10	45.46	47.21	46.04	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		15.38	12.40-stop 1-dc U/12.40	19.90	21.70	23.50
Semafo Inc	SMF-T	If out, buy at mkt & if dips to 5.10 & 4.90; stop: 1-dc below 4.18.	L	Mar-03-10	5.00	5.23	5.34	4.18-stop 1-dc U/4.18	5.80	6.32	6.90
Futures											
Coffee	KC KO	Spec buy May after 1-dc over 133.60; stop: 128.80-stop; sell bits at 141.80 &/or 144.80 &/or 147.80.					132.75	128.80-stop	141.80	144.80	147.80

Mar-10-10

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 KO	If long, lighten up at mkt. If out, buy May after 1-dc over 386.50; stop: exit, or sell ½ at 357.50-stop, ½ after 1-dc below 357.50.	L	Feb-16-10	379.00		369.00	357.50-stop 1-dc U/357.50	Sell 1/2 at 421.20	Trail stop rest	
Crude oil	CLKO	If out, wait to buy after the next significant dip &/or spec buy May after 1-dc over 82.40; sell ½ at 88.70. Sell, or gamblers sell short May at 79.80-stop; stop: 1-dc over 82.40; cover ½ at 76.30.	L	Feb-16-10	77.42	80.87	81.86	79.60-stop (Basis Apr)	Hit at 81.80 ☺	Take full profit at 83.70 (Basis Apr)	
Gold	GCJO	See page 6.	L	Feb-16-10	1119.80	1134.50 1120.10	1122.30	1076.70-stop 1-dc U/1076.70	1158.50	1185.50	1209.80
S&P500	SPMO	Gamblers only buy June (mini Cx) if dips to 1119.50 &/or 1105.00; stop: 1-dc below 1084.50; sell ½ at 1174.00, & trail stop rest. And/or buy after 2-dc over 1145.10.	L	Mar-01-10	1114.60	1117.30	1135.80	Take full profit at mkt			
US\$-Index	DXMO	If out, sell short June after 1-dc below 79.70; cover ½ at 77.60, & trail stop rest. Buy June (or cover shorts) after 1-dc over 81.60; stop: 1-dc under 79.70; sell ½ at 83.40 &/or trail stop strength.	S	Mar-03-10	80.02		80.88	1-dc O/81.40 (Basis Mar) 1-dc O/81.60 (Basis June)	78.50 (Basis Mar) 77.60 (Basis June)	Trail stop rest	

•••• **Greece's fiscal crisis: aren't we throwing stones from glass houses?**

“When I look at the Greek fiscal crisis I have to ask myself: are any of us in any better fiscal shape?” comments an unnamed author at *SeekingAlpha.com*. “Greece’s debt versus GDP sits at a shade over 125% versus the USA’s near 100% ratio. Japan takes the cake at a 200% debt load versus GDP! My point here is the Greeks are not in that much worse shape than any other westernized economy. **The reason the Greek crisis is so rapidly intensifying is they don't have a separate currency (unlike US, UK, Japan) that they can devalue in order to help inflate out of their debt.** This, as a result, has increased the perception of the general risk that Greece could possibly default. The result of this has made it very costly for Greece to sell bonds in order to fund itself. **Japan would be toast right now if they were in the same situation with a currency like the euro that they couldn't manipulate.** In a nutshell, Greece is too small to fit into the ‘too big to fail camp’ and is being held hostage by the uninflatable euro. Folks, let’s face it; the sad reality here is we are all a bunch of ‘Greek’s’.” In the same way that wars have been launched to divert people’s attention from political failings & wrecked economies, the financial crisis in Greece is being overplayed to avert investor’s attentions away from more powerful nations with exactly the same problems. •••• The respected *Gartman Letter* commented last Thursday: “An oil producer in the Middle East is converting about 200,000 BPD of oil sales into gold bullion - **this offtake would equal about 6% of annual gold production.**” The flight of sophisticated money into gold is accelerating. •••• **More individual consumers file for bankruptcy protection.** The so-called economic recovery has not slowed consumer bankruptcy filings. They surged 14% in February compared with a year earlier, according to the American Bankruptcy Institute (ABI). “Last year, there were 1.47 million bankruptcy filings, up 32% from 2008. Chapter 7 filings rose 41% in 2009, while Chapter 13 filings were up just 12%. The bankruptcy rate has risen each year since a stricter bankruptcy law took effect in 2005. ‘We are already on a faster pace in 2010 than we were a year ago,’ says Samuel Gerdano, ABI executive director. ‘Consumer filings will likely surpass 1.5 million filings this year’.” Stock markets are rising on an ocean of Central Bank liquidity while the real world economy is dying. When this bubble inflation of stock values bursts, real world economic news will drag the stock markets down once again. •••• **China ready to end dollar peg.** From the UK Telegraph: “The head of China’s central bank has given the strongest signal yet that the country will move away from pegging its currency to the dollar. Zhou Xiaochuan, governor of the People’s Bank of China, said that the days of the ‘special yuan’ policy were numbered. He described the dollar peg as a ‘temporary’ response to the global financial

crisis, but gave no timescale for any change in policy. The currency has been pegged at about 6.83 yuan per dollar since July 2008.” China has long feared US dollar devaluation, and is preparing to abandon the dollar peg to avoid the crippling economic & political effects of US dollar priced (commodity) inflation. Not to mention a US govt \$ devaluation. •••• **Countries compete to weaken their currencies.** Once upon a time, nations took pride in their strong currencies, seeing them as symbols of economic and political power, comments *The Economist*. “Nowadays it seems as if the foreign-exchange markets are home to a bunch of Charles Atlas’s 97-pound weaklings, all of them *eager* to have sand kicked in their faces. **Is there any sign that politicians and Central Bankers are upset by these depreciations? None at all.** Mervyn King, governor of the Bank of England, seems to welcome sterling’s weakness as a boost to exporters. European politicians, such as Christine Lagarde, the French finance minister, have revealed their pleasure at the euro’s recent decline for similar reasons. The American authorities, while parroting their belief in a strong dollar, have done **nothing** to shore it up, neither raising interest rates nor cutting the fiscal deficit nor intervening in the markets. Nor has there been much sign of rejoicing in those countries whose currencies have tended to strengthen. The Swiss have intervened to hold down the franc. And Japan’s latest finance minister, Naoto Kan, has called for a weaker yen. To some, the lesson of all this is clear. **If all the issuers of paper money want to see their currencies depreciate, then the only answer is to own an asset that central banks cannot debase—namely, gold.**” With all the monetization that’s already taken place, and *must* continue to ward off a deflationary collapse, inflating away unserviceable govt debt seems to be the weapon of choice. •••• **Gold grab continues.** The Russian Central Bank increased its gold holdings by 800,000 ozs (approx. 22 tons), or 4.1%, to 20.5 million ounces (approx. 582 tons), reports *Truthingold.blogspot*. “This represents roughly 5% of Russia’s foreign reserves. Typical Central Bank gold holdings globally are around 10% of reserves. When the world was on the gold standard, Central Banks held 40% of their reserves in gold. Russia’s gold holdings have increased 57% since Jan 2007 and 22% from a year ago. There is no doubt that Russia is seeking to rapidly accumulate gold.” Gold is becoming the currency of choice as Central Banks lose faith in all fiat currencies, not just the dollar. Why gold? Because it is the only currency that doesn’t have any counter party risk. It can’t default. Even if Central Banks prefer fiat, they now see the fiat Ponzi scheme is ending. •••• **American’s reliance on government is at all-time high.** Without record levels of welfare, unemployment and other govt benefits as well as tax cuts last year, the income of US households would have plunged by an astonishing \$723 billion - more than four times the record \$167 billion drop reported last month by the Commerce Department, says the *Washington Times*. “Moreover, for the first time since

the Great Depression, Americans took **more aid from the govt than they paid in taxes**. ‘Govt support was critical in keeping the economy, particularly consumer spending, from completely collapsing during the crisis,’ said Harm Bandholz, an economist at Unicredit Markets. He said he is concerned that so much of **the economic rebound is a result of govt spending [& welfare] rather than a revival of private income and jobs**. That situation is unsustainable, he said, because the govt has had to *borrow massively* to prop up the economy and cannot continue that binge for long.” A growing reliance on welfare will diminish self-reliance, create dangerous dependencies, and open the door for greater govt controls ☹. **Sovereign nations can go bust just like companies**, according to Bill Gross of Pimco. “Government bailouts and guarantees such as those evidenced and envisioned in Dubai and Greece, as well as those for the last 18 months with banks and large industrial corporations across the globe, suggest a more homogeneous “unicredit” type of bond market. **If core sovereigns such as the US, Germany, UK, and Japan “absorb” more and more credit risk, then the credit spreads and yields of these sovereigns should look more and more like the markets that they guarantee**. The Kings, in other words, in the process of increasingly shedding their clothes, begin to look more and more like their subjects. Kings and serfs begin to share the same castle.” Translation: the status of sovereign debt no longer provides an impregnable “suit of amour.” Any entity can default in the new ‘unibond’ market. **US dollar money supply is under-reported**. There has been an unprecedented amount of deposit currency created by the Fed over the past two years, observes James Turk of the *Free Gold Money Report*. “The Federal Reserve reports M1 to be \$1,716 billion as of February 15th. When deposit currency created by the Federal Reserve is added to the traditional definition of M1, M1 after adjustment is actually 170% higher at \$2,918 billion. **Its annual growth increases to 29.5%, nearly 3-times the rate reported by the Fed and more importantly, is an annual rate of growth in the quantity of dollar currency that is approaching hyperinflationary levels**. This restatement of M1 explains why crude oil is back at \$80 per barrel; copper is \$3.25 per pound; and commodity prices in the main are rising in the face of weak economic conditions. The US dollar is being inflated. Unless the Federal Reserve changes course, the US is headed for a deposit currency hyperinflation like those that plagued much of Latin America in the 1980s and 1990s.” Hyperinflation is often the result of increasing the production of unbacked fiat currency to a point where all confidence in money is lost. Only physical gold & silver will protect U against the resulting & *ruinous loss of purchasing power*. **Just how dangerous is California’s budget crisis?** Extremely dangerous, reports the *Huffington Post*. “Five-year credit default swaps tied to California’s debt, which are a key measure of the market’s belief in the likelihood of default,

are actually trading at 100 basis points above those of Kazakhstan. In other words, the market believes a developing country of just 15.7 million people is actually less likely to default on its debt than California, which makes up the eighth-largest economy in the world.” Something’s got to give & soon -- it may just be the dollar!

“When the Government fears the People, that is Liberty. When the People fear the Government, that is Tyranny.” - Thomas Jefferson

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