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

Welcome to GCRU #402 on June 9, 2010 (in its 9th year). •••• The usual suspects clobbered gold bullion last Thursday. But, their plans backfired on Friday as the euro broke 1.2100 support, & tumbled to a new 14-month low against the dollar – further fanning the flames of the European sovereign debt fire & the *demand for gold* as a refuge from risk. Technically, Friday's rebound created a bullish 1-day upside reversal (on volume) that was reinforced by Monday's pop above the May downtrend line cum top boundary resistance of a 15-day sym/triangle, with \$1308.00 upside measured target. Spinner lines have yet to turn fully bullish, which suggests we may see some hesitation around the current \$1250 level, but judging by Tuesday's probe above, it may be short-lived. In all cases, bullion must hold its March uptrend line (now \$1189.00) if consolidation is to remain relatively "painless," and new significant near term record highs are to materialize. •••• The US\$'s break above 87.50 tipped the balance for more aggressive hedging in the commodity currencies, ie: AUD, CAD & NZD. There's no obvious explanation for this weakness, other than the money-mad "wolf pack" appears to be circling its next profit "kill." Traders who are exposed to the commodity currencies, but underweight the yellow metal, should immediately switch & boost their gold holdings (physical gold & gold shares combined) to our recommended 50% of their total portfolio. The "less fortunate," who already hold 50% gold (☺), will just have to confront the incomprehensible volatility in today's currency markets, and protect themselves as best they can. Even if we believe gold will win the day as fiat currencies go down in flames, *diversification is essential* so that one sector, or one unexpected event (think confiscation, or?) can't sink your portfolio. As a safeguard, the first hint of a dependable rebound/upside reversal in the commod currencies would come after a 2-dc over recent downtrend lines from April/May highs, and should therefore be used as a signal to lighten-up &/or close out hedge positions. •••• Production of South Africa's Krugerrand, the world's most popular gold coin, jumped to a new 25-year high (300,000 ounces/week). Ounce by ounce, the available supplies of physical gold are disappearing into the pockets of panicked investors. •••• A reminder to *Hslm's* that haven't already done so to download last Sunday's *HSL*. Need we say that it's full of "golden" nuggets! As the following extract explains, we've reverted back to US\$ billing for *HSL* & *GCRU*, as our strategy to base our subscription prices on the euro, has been shot down by the collapse of the euro currency: *Currency wars are vicious—which we warned about, & now we've been caught in the red-ink crossfire. So, we're reverting to the old US-\$ based*

*system (for the time being), which isn't ideal either, but at least not a disaster (yet). PS: if U have euro-denominated bonds, better sell & switch into a stronger currency. Ditto euro deposits. Even euro-denominated stocks must be re-evaluated as to the effect of the euro currency meltdown—which seems likely to fall further & will likely take ages to recover, if it can. ●●● US Federal debt topped an unofficial \$13 trillion milestone last week, rising from \$12 to \$13 trillion in just 107-days, the second shortest trillion-dollar rise in history -- and a clear indication that the debt crisis is now out of control. ●●● The failed European bailout package has left politicians with egg on their faces and scrambling for a new backstop. The amazing new spin line from the European Central Bank president Claude Trichet is that “the euro is keeping its value in remarkable fashion,” and remains a “credible” currency. Bloomberg conveniently report: “The euro’s 21% tumble from last year’s high has left the currency above the average level since its creation in 1999 and stronger than its predecessor, the deutsche mark. It also remains higher than the close of \$1.1837 on Jan. 4, 1999, the first Monday of trading after its introduction, and stronger than the \$1.1842 monthly average since inception.” Comparative values are obviously being lowered to match the new 1.1800 euro line being drawn in the sand. Trichet knows the real question isn't whether the euro will weaken over time -- as all debtor nations seek to debase their currencies -- but how it will weaken. An orderly decline, yes. A collapse, no. ●●● Bullish Consensus list gold at 74% (unchanged from last week). The US\$ at 71 (up 3). B/C's gold outlook is the same as last week, ie: “neutral/bullish today & intermediate term.” ●●● From the (June 8) UK *Telegraph*: “In a survey of US hedge fund managers in July 2009, *Moonraker Commodities Fund* found that 20 out of 22 were buying gold to protect their personal wealth for fear that the quantitative easing programmes being seen in the Anglo-Saxon economies would eventually result in a bout of excessive inflation.” Gold is today what it has always been, a refuge of freedom & safety in times of financial chaos. ●●● Apologies for the typo in last week's password mail. Per our intro copy, the correct P/W should have been ‘*duel* (not dual!) *in the sun.*’ ●●● Your replies to our offer to cover silver were a unanimous... ‘Yes’! So, we'll cover it weekly from now on, with a chart. We've also added a new silver share, Pan American Silver (Nasdaq: PAAS; TSX: PAA). Silver's daily chart is building a bullish cup&handle base with a 24.25 upside target – but the real “catapult” move is seen in the weekly chart via a 27-month reverse H&S, with a 27.00 theoretical target! Respected precious metals analyst Ted Butler says silver's recent takedown was the usual Comex paper manipulation trick to accommodate the dominant commercial shorts – not only to provide them with an opportunity to buy back short positions, but also to get long as many*

contracts as they can. Ted, who is now very bullish on silver, provides some interesting analysis in his weekly interview with Eric King, at *KingWorldNews.com*. ●●● UK/Int'l investors take note: two mega bullish metal share charts in the London market are Fresnillo Plc (mostly silver & gold & zinc) (LSE: FRES), and Petropavlovsk PLC (LSE: POG). FRES is a buy at mkt; stop: 760; for 1140 upside sell/profit target. POG is a buy after 2-dc over 1300; stop: 1080; for 1750 target. ●●● With gold probing new all-time highs, today's password – *flyhigh* – is self-explanatory. The only “fly in the soup” is the stock market, which, in spite of a sick chart *may* be stabilizing, as last Friday's new closing low didn't trigger panic selling (and Tuesday's session formed a bullish 1-day upside reversal). Nonetheless, if a new fear wave hits, the gold shares *will* suffer initially from blanket selling, & because margin calls force investors to sell stocks where they have a profit to raise cash. Unlike past sell-offs however, we project the gold shares will bounce back almost immediately as safe-haven values, & potentially dissociate themselves from any general stock market decline. So, keep stops relatively loose for the moment (within logical chart limits), to avoid being kicked out on a “freak” dip. ●●● If bullion climbs decisively into new record territory (in US\$ terms) it will sound alarm bells around the globe, & signal a overall *lack of faith* in govt, world economies, & fiat currencies. We could be witnessing the first seeds of the gold price breaking free, and the final days of the Anti-Gold Cartel! ●●● Gold is down \$7.60 in Europe this AM, consolidating Tuesday's gains. The US\$ is down 40 cents. ●●● A cheery gold outlook, and cheery goodbye from **Uncle Harry**, & Paul. ●●● If it's Wednesday, it's *Gold (& Mkts) Charts R Us*.

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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 Aug futures – daily – 8 month view



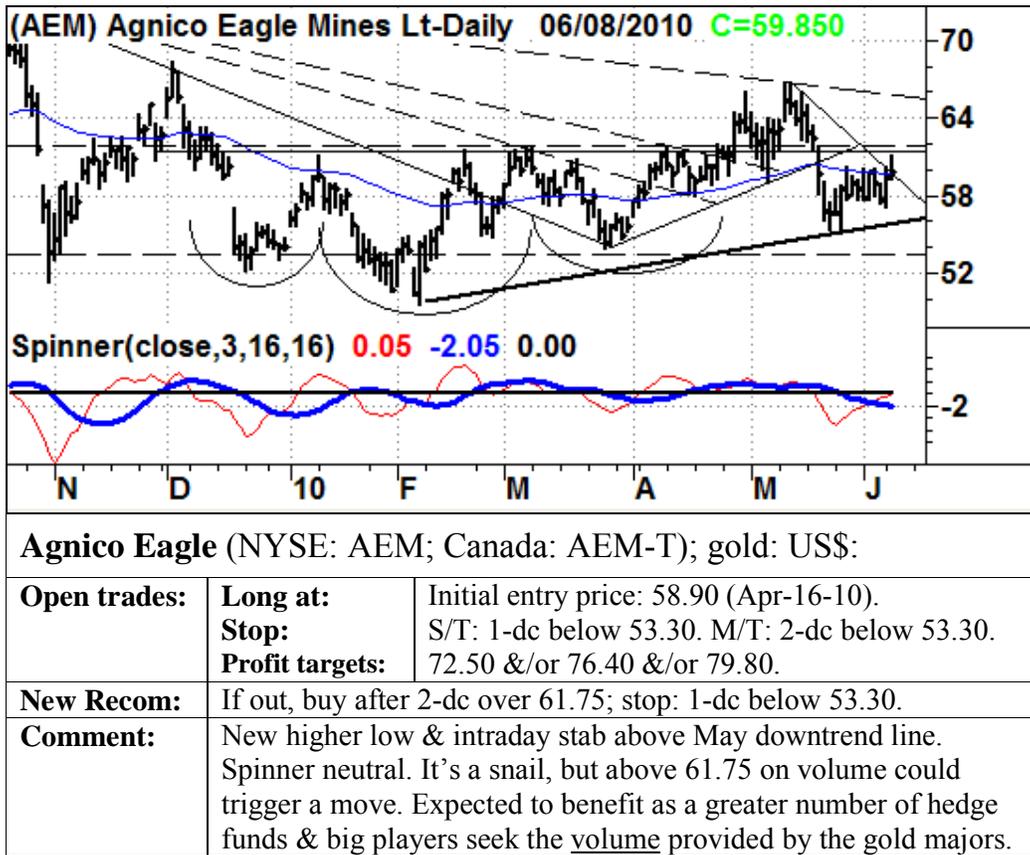
Comex gold Aug 2010 futures – 480 min – 7wk view



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

Open trades:	Long at: Stop: Profit targets:	Initial entry price: 1206.50 (May-20-10). Gamblers re-bought Aug at 1227.70 & 1214.50. S/T: 1182.50-stop. M/T: 1-dc below 1161.50. Basis Aug: 1292.00 &/or 1330.00 &/or 1368.00. Some took profit at 1246.50 ☺.
New Recom:	If out, spec buy Aug at mkt & if dips to 1222.60; stop: 1182.50-stop. <u>All</u> buy again after 2-dc (or dynamic rise/close) over 1246.50. Requires a determined break below March uptrend line support (now 1189.00 basis <u>daily</u> chart) to justify new short sales; stop: 30 points above your entry level; cover ½ at 1125.80.	
Comment:	Surge break above 15-day sym/triangle, on volume. Probing resistance of May peak, and major neckline resistance of Dec-June irregular cup&handle (see <u>daily</u> chart), with \$1425.00 upside target. Spinner in budding upturn. Is the “dam” about to burst?	

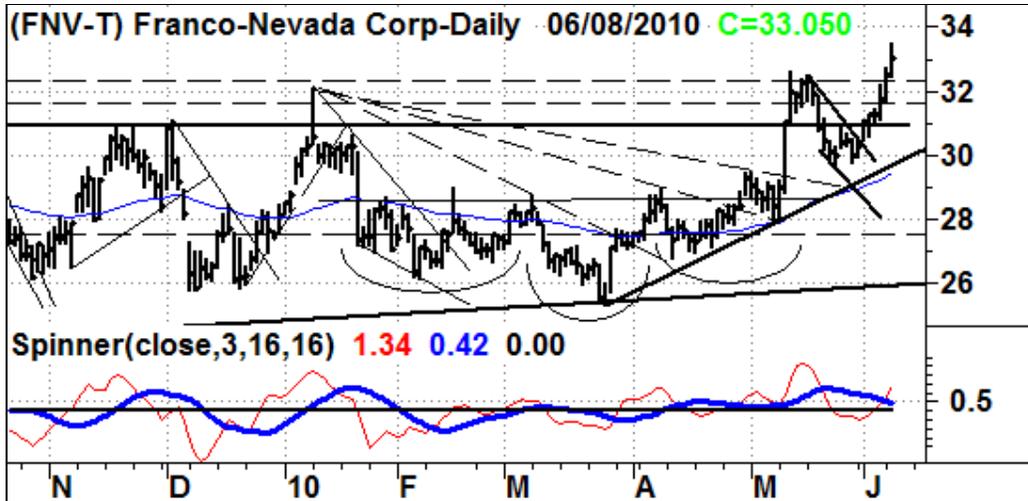
GOLD SHARES





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

Open trades:	Long at:	Initial entry price: 13.31 (Feb-12-10). Gamblers re-bought bit at 18.70.
	Stop:	S/T: 1-dc below 14.40. M/T: 2-dc below 14.40.
	Profit targets:	19.25 &/or 20.30 &/or 21.50.
New Recom:	If out, spec buy at mkt &/or more aggressively if dips to 17.70 & 17.05; stop: 1-dc below 14.40.	
Comment:	May peak bull flag & upside breakout cum possible halfway marker of March rally leg. Spinner verging on new positive cross. Dec-May consolidation range; 19.25 nearby target. Enthusiastic!	



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

Open trades:	Long at:	Initial entry price: 30.99 (Sept-16-09). Gamblers re-bought at 31.27; others at 33.05.
	Stop:	S/T: 1-dc below 27.40. M/T: 2-dc below 27.40.
	Profit targets:	35.60 &/or 38.50. Some took profit at 32.50 ☺.
New Recom:	If out, spec buy at mkt & if dips to 32.30 & 31.60 & 30.90; stop: 1-dc below 27.40.	
Comment:	Surge rise to reinforce break above 14-month bullish ascending triangle; 38.50 upside target. Spinner plus. <u>X</u> Int shorterterm potential.	



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

Open trades:	Long at:	Initial entry price: 14.90 (Feb-17-10).
	Stop:	S/T: 1-dc below 14.20. M/T: 2-dc below 14.20.
	Profit targets:	20.95 &/or 22.65 &/or 24.30.
New Recom:	If out, spec buy after 2-dc (or decisive rise/close) over 18.10; stop: 1-dc below 14.20.	
Comment:	Higher reaction low underpinned via June 7 bullish 1-day outside reversal. Spinner & price playing catch-up with the general gold share market. Will gain confidence above 18.10.	



New Gold (Amex: NGD; Canada: NGD-T); gold: US\$:

Open trades:	Long at:	Initial entry price: 4.79 (Apr-05-10).
	Stop:	S/T: 1-dc below 4.80. M/T: 2-dc below 4.80.
	Profit targets:	7.15 &/or 7.90 &/or 8.70.
New Recom:	If out, nibble buy at mkt & if dips to 6.10 & 5.80; stop: 1-dc below 4.80.	
Comment:	New closing high on rising volume. Spinner rounding out from crosscurrent mode to bullish. Buy aggressively on dips.	



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

Open trades:	Long at:	Initial entry price: 5.90 (May-13-09). Traders re-bought at 10.89.
	Stop:	S/T: 1-dc below 9.10. M/T: 2-dc below 9.10.
	Profit targets:	12.20 &/or 12.90 &/or 13.60 &/or 14.45.
New Recom:	If out, spec buy at mkt &/or if dips to 10.50; stop: 1-dc below 9.10.	
Comment:	Prior H&S top threat <u>voided</u> via break above left & right shoulder peaks. Spinner in budding positive cross. June 8 negative downside reversal gives tip for mini price dip only. Front-runner.	



Pan American Silver (Nasdaq: PAAS; Canada: PAA-T); silver: US\$:

Open trades:	None:	Traders not in yet.
	Stop:	S/T: 22.40-stop. M/T: 1-dc below 22.40.
	Profit targets:	29.30 &/or 31.60 &/or 33.80.
New Recom:	Spec buy at mkt & if dips to 24.90; stop: 1-dc below 22.40.	
Comment:	Tentative stab above May downtrend line cum potential cup of 6-month cup & handle; with 27.90 breakout point & 33.80 upside target. Spinner in hopeful positive cross. Toehold positioning.	



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

Open trades:	Long at:	Initial entry price: 74.42 (Feb-17-10). Gamblers re-bought at 85.10.
	Stop:	S/T: 1-dc below 74.40. M/T: 2-dc below 74.40.
	Profit targets:	96.30 &/or 102.50 &/or 108.90.
New Recom:	If out, spec buy at mkt; stop: 1-dc below 74.40. All buy again big after 2-dc (or dynamic rise/close) over 90.90.	
Comment:	Finding feet above top support of Dec-May reverse H&S; 102.50 upside target. Spinner neutral. One of this week's top buys.	



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

Open trades:	Long at:	Initial entry price: 6.76 (Dec-11-08).
	Stop:	S/T: 1-dc below 22.40. M/T: 2-dc below 22.40.
	Profit targets:	30.90 &/or 33.60 &/or 36.40.
New Recom:	If out, spec buy at mkt &/or if dips to 27.10 & 26.30; stop: 1-dc below 22.40.	
Comment:	Broke above left & right shoulder resistance to void former H&S top risk (note that counter-trend rises above H&S tops often develop into sharp & sustained rally legs). Possesses great energy.	



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

Open trades:	Long at:	Initial entry price: 45.46 (Mar-01-10).
	Stop:	S/T: 1-dc below 43.60. M/T: 2-dc below 43.60.
	Profit targets:	54.60 (if bot low) &/or 57.65 &/or 61.15.
New Recom:	If out, buy after 2-dc over 52.50; stop: 1-dc below 43.60.	
Comment:	Expanding choppy 47.26-52.34 trading range (basis L/O/C). Spinner mixed but little strength in price needed to trigger new bull cue. Volume+. Wait for profit train to leave station.	



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

Open trades:	Long at:	Initial entry price: 5.00 (Mar-03-10).
	Stop:	S/T: 1-dc below 5.90. M/T: 2-dc below 5.90.
	Profit targets:	8.10 &/or 8.90 &/or 9.80.
New Recom:	If out, spec buy at mkt &/or if dips to 7.45 & 7.15 & 6.90; stop: 1-dc below 5.90.	
Comment:	Bullish break to new closing high. Spinner neutral plus. All dips within Sept 2009 uptrend channel providing profitable & short-lived buying opportunities. Puissant.	



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

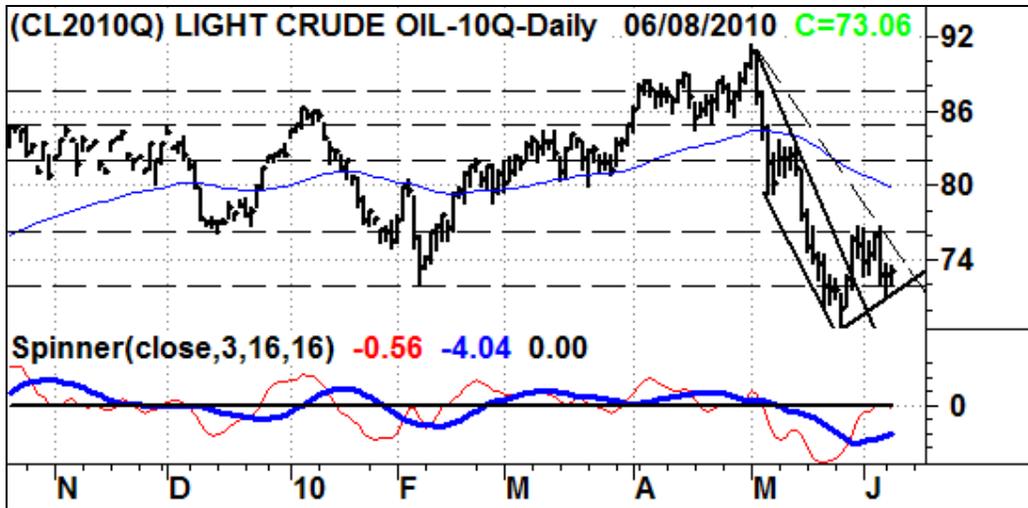
Open trades:	Long at:	Initial entry price: 15.84 (Feb-17-10).
	Stop:	S/T: 1-dc below 15.80. M/T: 2-dc below 15.80.
	Profit targets:	21.70 &/or 23.50 &/or 25.30.
New Recom:	If out, spec buy at mkt; stop: 1-dc below 15.80. Buy more after 2-dc over 19.80.	
Comment:	New higher low & break above May downtrend line <u>vs</u> now improbable H&S top. Spinner on brink of positive cross. Silver & silver shares appear to be positioning for a major upside move.	

FUTURES



Cotton July 2010 futures – daily chart:

Open trades:	Short at:	Traders sold short July at 79.00 (June-02-10).
	Stop:	Exit/cover July shorts <u>at mkt.</u>
	Profit targets:	None.
New Recom:	Exit/cover July shorts <u>at mkt.</u>	
Comment:	June 7 bullish 1-day upside reversal & subsequent follow through on high volume (now trading at 79.90 as we write) too bullish to justify short sales. The rebound <i>may</i> fade below 80.00 neckline resistance of Feb-May H&S top, but we prefer to exit at breakeven (+/-) & see how this bounce plays out.	



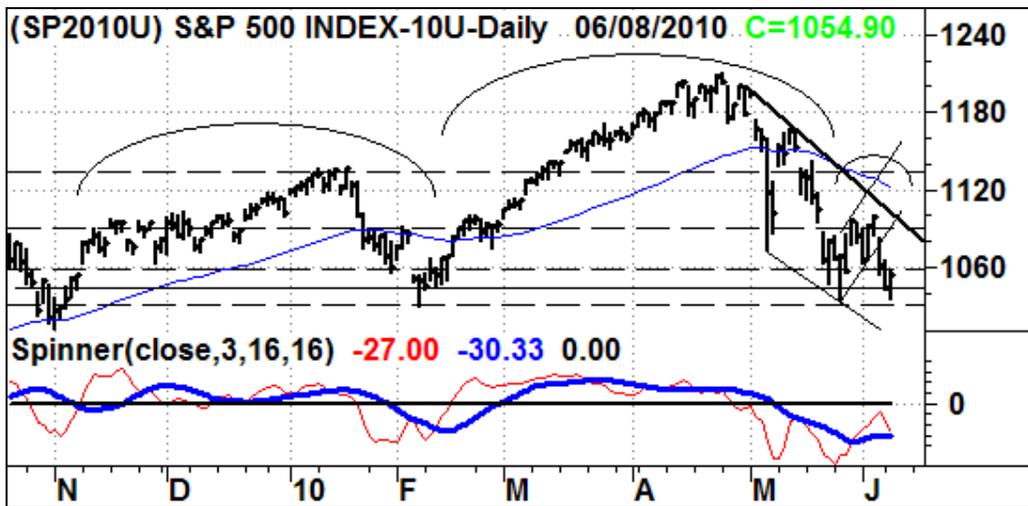
Crude Oil NY Aug 2010 futures – daily chart:

Open trades:	None:	Exited 2 nd ½ of July longs at breakeven.
	Stop:	71.90-stop.
	Profit target:	81.90 &/or 84.75 &/or 87.45.
New Recom:	Vegas gamblers only buy Aug bit after 1-dc over 76.20; stop: 71.90-stop (use mini Cx to offset wider stops); sell bit at 81.90.	
Comment:	June 7 bullish 1-day upside reversal. Spinner (thick) confirming line hooking to bullish; hints negative momentum dissipating. Requires a close over 76.20 to confirm any positive intentions.	



Silver Sept 2010 futures – daily chart:

Open trades:	None:	Traders not in yet.
	Stop:	16.95-stop.
	Profit targets:	20.75 &/or 21.90 &/or 23.10 &/or 24.25.
New Recom:	Spec buy Sept at mkt; stop: 16.90-stop.	
Comment:	<i>Impressive</i> June 7 outside reversal on rising volume, & break above May bull wedge; 19.86 wedge target. Expanding possible handle of Dec-June cup & handle; 24.25 theoretical upside target.	



S&P500 Index Sept 2010 futures – daily chart:

Open trades:	None:	Exited June gambler longs via 1069.50 or 1048.50 stoploss ☹.
	Stop:	1029.80-stop.
	Profit targets:	Sell ½ at 1090.30, & trail stop rest.
New Recom:	<u>Vegas gamblers</u> buy Sept at mkt (mini Cx only); stop: 1029.80-stop; sell ½ at 1090.30, & tight trail stop rest. Sell short Sept after 1-dc below 1029.80; stop: 1059.80-stop; cover ½ at 982.50.	
Comment:	Dead rat bounce & dip to re-test neckline support of 7-month H&S top. June 8 bullish upside reversal. Staring into an abyss, but....	



US\$ Index Sept 2010 futures-daily chart:

Open trades:	Long at:	82.54 (Apr-28-10). Traders re-bot June at 88.46.
	Stop:	Basis June: 85.20-stop. Basis Sept: 85.60-stop.
	Profit targets:	Basis June: 91.60. Some took profit at 88.70 ☺. Basis Sept: 91.90 &/or 93.70.
New Recom:	If out, spec buy Sept at mkt &/or if dips to 87.60; stop: 85.60-stop; sell ½ at 91.90, & trail stop rest. Sell short Sept after 2-dc below 85.60; stop: 1-dc over 87.60; cover bit at 83.10.	
Comment:	11-day bullish ascending triangle & upside breakout, on volume. Spinner a crosscurrent bull. Bullish but shortterm overbought.	

June-09-10

OPEN POSITIONS & NEW RECOMMENDATIONS RECAP

Sectors	Symbol	Trade recommendation	Long Short	Initial Entry Date	Initial Entry Price	Traders re-bot/-sold at	Last Closing Price	Trailing Stoploss	Target #1	Target #2	Target #3
Gold shares											
Agnico Eagle Mines	AEM	If out, buy after 2-dc over 61.75; stop: 1-dc below 53.30.	L	Apr-16-10	58.90		59.85	1-dc U/53.30 2-dc U/53.30	72.50	76.40	79.80
Eldorado Gold	ELD-T	If out, spec buy at mkt &/or more aggressively if dips to 17.70 & 17.05; stop: 1-dc below 14.40.	L	Feb-12-10	13.31	18.70	18.70	1-dc U/14.40 2-dc U/14.40	19.25	20.30	21.50
Franco Nevada	FNV-T	If out, spec buy at mkt & if dips to 32.30 & 31.60 & 30.90; stop: 1-dc below 27.40.	L	Sep-16-09	30.99	31.27 33.05	33.05	1-dc U/27.40 2-dc U/27.40	Hit at 32.50 ☺	35.60	38.50
Iamgold Corp	IAG	If out, spec buy after 2-dc (or decisive rise/close) over 18.10; stop: 1-dc below 14.20.	L	Feb-17-10	14.90		17.30	1-dc U/14.20 2-dc U/14.20	20.95	22.65	24.30
Lake Shore Gold	LSG-T	If out, spec buy after 1-dc over 3.45; stop: 1-dc below 2.70. Per last week, we'll give LSG-T one more week to prove its worth, or exit at mkt.	L	Feb-17-10	3.31		3.11	1-dc U/2.70	4.38	4.90	5.35
New Gold	NGD	If out, nibble buy at mkt & if dips to 6.10 & 5.80; stop: 1-dc below 4.80.	L	Apr-05-10	4.79		6.60	1-dc U/4.80 2-dc U/4.80	7.15	7.90	8.70
Osisko Mining	OSK-T	If out, spec buy at mkt &/or if dips to 10.50; stop: 1-dc below 9.10.	L	May-13-09	5.90	10.89	10.89	1-dc U/9.10 2-dc U/9.10	12.20	12.90	13.60
Pan American Silver	PAAS	Spec buy at mkt & if dips to 24.90; stop: 1-dc below 22.40.					25.24	22.40-stop 1-dc U/22.40	29.30	31.60	33.80

June-09-10

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Sectors	Symbol	Trade recommendation	Long Short	Initial Entry Date	Initial Entry Price	Traders re-bot/-sold at	Last Closing Price	Trailing Stoploss	Target #1	Target #2	Target #3
Gold Shares											
Randgold Res.	GOLD	If out, spec buy at mkt; stop: 1-dc below 74.40. All buy again big after 2-dc (or dynamic rise/close) over 90.90.	L	Feb-17-10	74.42	85.10	86.73	1-dc U/74.40 2-dc U/74.40	96.30	102.50	108.90
Red Back Mng	RBI-T	If out, spec buy at mkt &/or if dips to 27.10 & 26.30; stop: 1-dc below 22.40.	L	Dec-11-08	6.76		28.00	1-dc U/22.40 2-dc U/22.40	30.90	33.60	36.40
Royal Gold	RGLD	If out, buy after 2-dc over 52.50; stop: 1-dc below 43.60.	L	Mar-01-10	45.46		50.99	1-dc U/43.60 2-dc U/43.60	54.60	57.65	61.15
Semafo Inc	SMF-T	If out, spec buy at mkt &/or if dips to 7.45 & 7.15 & 6.90; stop: 1-dc below 5.90.	L	Mar-03-10	5.00		7.68	1-dc U/5.90 2-dc U/5.90	8.10	8.90	9.80
Silver Wheaton	SLW	If out, spec buy at mkt; stop: 1-dc below 15.80. Buy more after 2-dc over 19.80.	L	Feb-17-10	15.84		19.18	1-dc U/15.80 2-dc U/15.80	21.70	23.50	25.30
Futures											
Cotton	CT NO	Exit/cover July shorts <u>at mkt</u> .	S	June-02-10	79.00		78.32	Exit/cover July shorts <u>at mkt</u>			
Crude oil	CLQO	Vegas gamblers only buy Aug bit after 1-dc over 76.20; stop: 71.90-stop (use mini Cx to offset wider stops); sell bit at 81.90.					73.06	Exited 2nd ½ of July longs at breakeven.	81.90 (Basis Aug)	84.75 (Basis Aug)	87.45 (Basis Aug)

June-09-10

OPEN POSITIONS & NEW RECOMMENDATIONS RECAP

Sectors	Symbol	Trade recommendation	Long Short	Initial Entry Date	Initial Entry Price	Traders re-bot/-sold at	Last Closing Price	Trailing Stoploss	Target #1	Target #2	Target #3
Futures											
Gold	GC Q0	See page 7.	L	May-20-10	1206.50	1227.70 1214.50	1245.60	1182.50-stop 1-dc U/1161.50	Hit at 1246.50 ☺	1292.00	1330.00
Silver	SI U0	Spec buy Sept at mkt; stop: 16.90-stop.					18.52	16.95-stop	20.75	21.90	23.10
SP500	SP U0	Exited June gambler longs via 1069.50 or 1048.50 stoploss ☹. Vegas gamblers buy Sept bit at mkt (mini Cx only); stop: 1029.80-stop; sell ½ at 1090.30, & tight trail stop rest. Sell short Sept after 1-dc below 1029.80; stop: 1059.80-stop; cover ½ at 982.50.					1054.90	1029.80-stop	Sell 1/2 at 1090.30	Trail stop rest	
US\$-Index	DX U0	If out, spec buy Sept at mkt &/or if dips to 87.60; stop: 85.60-stop; sell ½ at 91.90, & trail stop rest. Sell short Sept after 2-dc below 85.60; stop: 1-dc over 87.60; cover bit at 83.10.	L	Apr-28-10	82.54	88.46	88.94	85.20-stop (Basis June) 85.60-stop (Basis Sept)	91.60 (Basis June) 91.90 (Basis Sept)	93.70 (Basis Sept)	

•••• “**US inflation to approach Zimbabwe level.**” The US economy will enter “hyperinflation” approaching the levels in Zimbabwe because the Federal Reserve will be reluctant to raise interest rates, says Marc Faber of the *Gloom, Boom & Doom* report. “Prices may increase at rates ‘close to’ Zimbabwe’s gains, Faber said in an interview with *Bloomberg Television* in Hong Kong. Zimbabwe’s inflation rate reached 231 million percent in July, the last annual rate published by the statistics office. **‘I am 100% sure that the US will go into hyperinflation.** The problem with govt debt growing so much is that when the time comes and the Fed should increase interest rates, they will be very reluctant to do so and so inflation will start to accelerate,’ Faber said. The global economy won’t return to the ‘prosperity’ of 2006 and 2007 even as it rebounds from a recession. **‘Equities in the US won’t fall to new lows, helped by increased money supply,’** he said. Still, global stocks are ‘rather overbought’ and are ‘not cheap,’ Faber added.” If hyperinflation takes hold, stock markets & commodities would benefit as investors dump fiat currencies for tangible assets of any kind. Nominal prices would rise even if value in real terms was declining. Better that than holding cash & have its purchasing power melt like an ice cube in the sun! •••• “**Why Europe is now cheering for its own demise.**” The London *Telegraph's* Evans-Pritchard has uncovered what may be two loopholes in the recent \$1 trillion European bailout agreement, reports Tyler Durden at ZeroHedge. “*‘Markets have been rattled by reports in the German media that the Greek rescue deal contains two secret clauses. The package will be ‘immediately and irrevocably cancelled’ if it is found to breach the EU Treaty’s ‘no bail-out’ clause, either in a ruling by the European court or the constitutional courts of any eurozone state. The second clause said that if any country finds it cannot raise funding for the rescue at interest rates below the 5% charge agreed for Greece, it may opt out of the bail-out.’* The second clause is particularly troubling: since most European countries will soon see massive hits to their GDP, resulting in inevitable spikes in borrowing costs. This becomes yet another example of a game theory arrangement where the benefit to the first defector is far greater than any downside, with the last to defect left holding the bag on what would basically become a bailout of all of Europe. Many have wondered how arguably intelligent people could come up with a rescue package of Greece in which Greece itself is supposed to contribute to its own bailout. Now we know that this was the ploy all along. The second Portugal, Spain and Italy are dragged under by the vigilantes, their participation in the \$1 trillion bailout ends. And when that happens, the full cost of the bailout will be borne by none other than the ‘richest’ member of the IMF, the United States. **Obviously, the incentive to blow up one’s borrowing costs in this arrangement are huge, now that**

both Germany and the US have no choice but to bail out each and every dropping domino. Which is why we are confident that in the very short term we will see credit spreads of the PIIGS blowing out yet again, and in the medium-term, some diligent reporter will get an anonymous tip that the biggest buyers of Spanish CDS are Santander and BBVA, the biggest buyers of Italy CDS are UniCredit and Intesa SanPaolo, the biggest buyers of UK CDS is Barclays, etc. **The bottom line is that all of Europe is now incentivized to blow itself up.**” CDS and destructive neo-capitalism is the new norm. The world’s financial system is slowly imploding. ••• **“South African gold output falls hard.”** The South African Chamber of Mines reported the country's first quarter gold production fell 15% quarter-on-quarter, extending the downward slide in output, report *MiningMX*. “The latest gold output data shows no signs of arresting the fall in production. South Africa produced 43,927.8kg of gold in the first three months of 2010, which is 15% less than the December quarter and 12.4% down on the same period a year ago.” There’s only a tiny & nearly fixed amount of gold that can be mined on the planet. That’s what gives the yellow metal intrinsic value, & makes it “precious.” ••• The ‘reimbursement’ of General Motors’ loans clearly illustrates the complicity between major businesses, the media and the govt, to create the impression of a pseudo-recovery, states the highly recommended subscription service, LEAP.2020.eu. “On 04/21/2010, the new boss of General Motors, Ed Whitacre, announced via the *WSJ* that his company was doing so much better that it was able to reimburse \$5.8 billion to the US Treasury. Immediately, the US press and govt trumpeted the news to show the efficiency of the Obama administration’s policies proving, without doubt, that the recovery was underway. In Europe, the media simply cut & pasted the press releases, adding to the text the obligatory tirade on the ‘amazing capacity of the US economy to bounce back.’ General Motors even launched a video clip to hammer home the message. Sadly, the truth is very different because GM forgot to specify that it was only a secondary loan compared to the principal one of \$49.6 billion of which reimbursement is as likely as ‘pigs might fly.’ And, moreover, GM made this reimbursement using another Federal loan: of which the Treasury is certainly well aware since it was involved in the story of this famous reimbursement. So, the news about GM reimbursing the US people, as proof of the recovery, is an outright lie. However, it has been widely publicized in the United States and beyond, serving to feed the illusion.” The crisis grows stronger whilst govt trickery and band-aid “solutions” hide its true magnitude. When the illusion tears apart, it will become clear that the media & our political masters took a conscious decision to side with the oligarchy at the expense of the people. ••• The *WSJ* highlights one of the worst facets of the unemployment crisis, “Nearly half of the unemployed -- 45.9%, or 7 million people - have been out of work for more than six months, the highest

proportion since the Labor Department started tracking the statistic in **1948**. Overall, seven million Americans have been looking for work for 27 weeks or more, and most of them—4.7 million—have been out of work for a year or more.” Mass unemployment will soon be normal and permanent. It will plunge a generation into confusion, frustration and hardship. Its negative effects will challenge our way of life, & alter the character of our society for years to come – if not forever. **“UK investors use gold coins as tax dodge.”** British investors are scrambling to buy sovereigns and Britannia gold coins in an attempt to use a tax loophole to avoid paying more Capital Gains Tax (CGT), reports the (May 29) *FT*. *“Gold Core*, a London-based gold coins and small bars dealer, said it was selling sovereigns and Britannias ‘in the thousands.’ The vast majority of the buying is related to CGT. **The move comes as the govt plans to raise CGT for items such as second homes and shares to rates ‘similar or close to those applied to income,’ suggesting a rise from the current 18% rate to nearer 40 or 50%.** The tax increase is likely to come into force next April, but could be introduced on June 22 alongside the govt’s planned emergency Budget. UK-minted bullion coins are exempt from CGT as they are considered legal tender. Some investors are choosing to buy gold coins instead of other assets that would incur CGT. Revenue & Customs says ‘sovereigns minted in 1837 and later years and Britannia gold coins are currency but, like all sterling currency, are exempt.’ Coins that are currency but not sterling, such as South African krugerrands, are subject to CGT, the Revenue says.” Attractive tax loopholes may not last for long. Technically bankrupt govts are tightening the noose in the form of new, & ever-tougher tax terms & conditions. **“Meat grinder stock market likely to last another 6 to 8-years.”** Global debt issues and investor fear have the US mired in a “meat grinder” stock market that will likely last another six to eight years, according to economist David Rosenberg. From *CNBC.com*: “Debt-cleansing cycles generally last six to seven years and the current run is in about its second year. Global economies are trying to shed debt, with varying levels of success as several European countries run the risk of defaults and uncertainty grows over the effect debt will have on the US. At the same time, broad cycles of low market returns and wild stock swings usually last 16 to 18 years, and this is the 10th year of those conditions. Neither trend, if kept intact, would bode well for stock prices. ‘It will not be a straight line down but the fundamental trend line is down as far as US equity prices are concerned, and racked with intense volatility,’ Rosenberg said. **‘Look at what has happened just this cycle—the worst stock market since 1937 followed by the best stock market since 1932 followed by the worst May for the Dow since 1940,’ Rosenberg said. ‘There’s a word for this type of market. It’s called a meat grinder. No return for a decade and yet plenty of sleepless nights on this roller-coaster ride’.**” Rosenberg is correct. And not just for stock

markets. Investors in all markets (currencies, commodities, bonds) are reeling like ships on a storm-tossed sea. How long before gold is recognized as the ultimate port of safe-haven? Not long, dear reader, not long.

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

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