

ChartWorks

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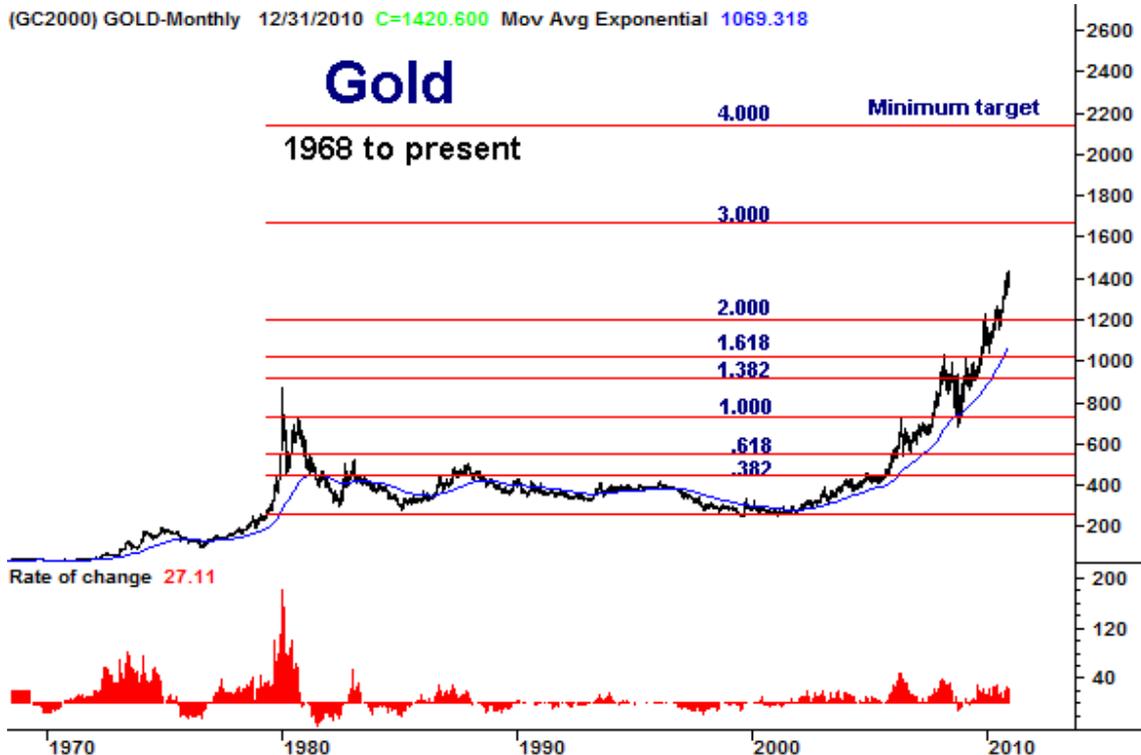
January 4, 2011

Technical observations of RossClark@shaw.ca

Gold – Correction Zone Now; Bubble Later

During the past few years we have presented the chart of the 27-year base in gold (1980 through 2007) and its comparison to the multi-year consolidations and breakouts in numerous other markets over the past decades (*Nikkei '68, Silver '73, Sugar '74, Gold '78, Dow '83, Crude Oil '04, Copper '05 and Wheat '07*). The rate of change in the current rally has not even entered the exponential phase seen in those correlated markets. The minimum target of \$2155 is three times the height of the base; however this could easily become merely a level for a shakeout as seen at \$425 in 1979 or the Dow at 2700 in 1987.

One of the closest correlations places it similar to gold of August 1979; a period where the US Dollar was testing a previous support, the equity markets were buoyant and gold was completing a five-week consolidation around \$300. The speed of the action is roughly one half of that seen at that time. Ideally, the \$2155+ target will be achieved this spring with an outside possibility that it will be delayed into the next seasonal rally coming out of August. The 34-day exponential moving average (\$1383) and the 55-day Bollinger Band (\$1324) are the two best supports. The moving average has been tested regularly, but a kiss of the lower band is overdue. Ideally, it will occur with RSI(14) readings below 50 in both gold and silver .



(GC2000) GC2000-Daily 12/31/2010 C=1420.600 Bollinger low 1323.908 Mov Avg Exponential 1383.180

Gold

2007 to 2010



(*DXY) US DOLLAR INDEX-Daily 12/31/2010 C=79.040

US Dollar Index



Bollinger low 1154.700 (\$SPX) S&P 500-Daily 12/31/2010 C=1257.640

S&P 500



(GC2000) GC2000-Daily 11/25/1980 C=628.000 Bollinger low 601.002 Mov Avg Exponential 628.798

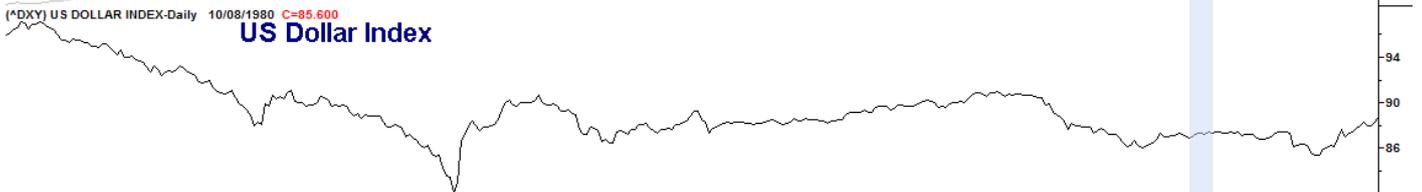
Gold

1978 to 1979



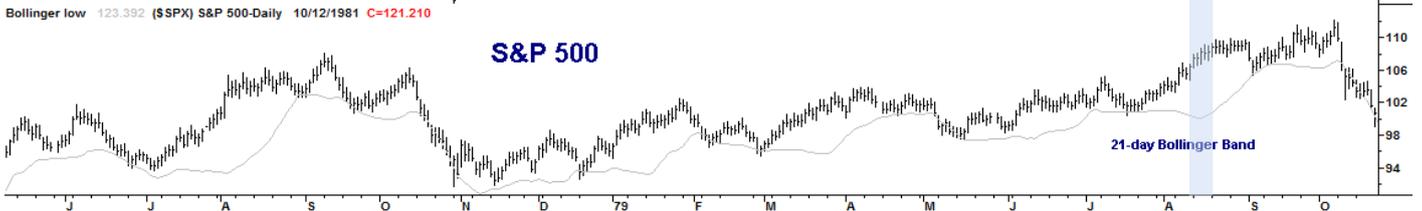
(*DXY) US DOLLAR INDEX-Daily 10/08/1980 C=85.600

US Dollar Index



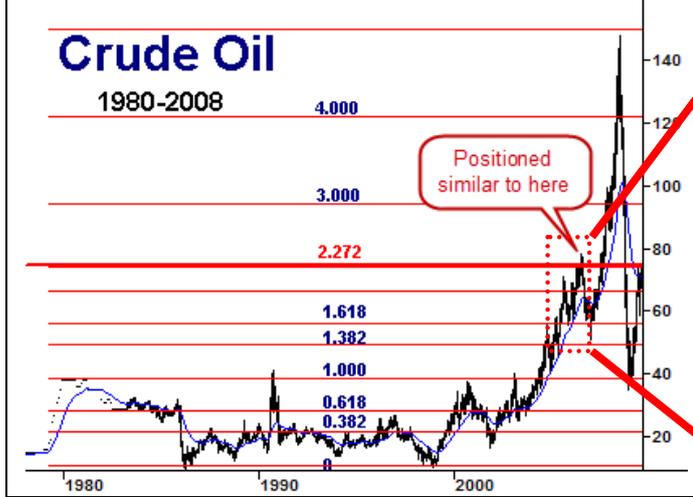
Bollinger low 123.392 (\$SPX) S&P 500-Daily 10/12/1981 C=121.210

S&P 500



Charts from October 11th report







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