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Technical observations of
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A Pullback in the Dollar Should Provide Buoyancy Elsewhere

We would expect to see buoyancy in most markets as the U.S. Dollar (79.73) gives back some of its gains achieved since the November lows. Targeted support is the 89-day exponential moving average (77.97) and 34-day Bollinger Band (77.43).

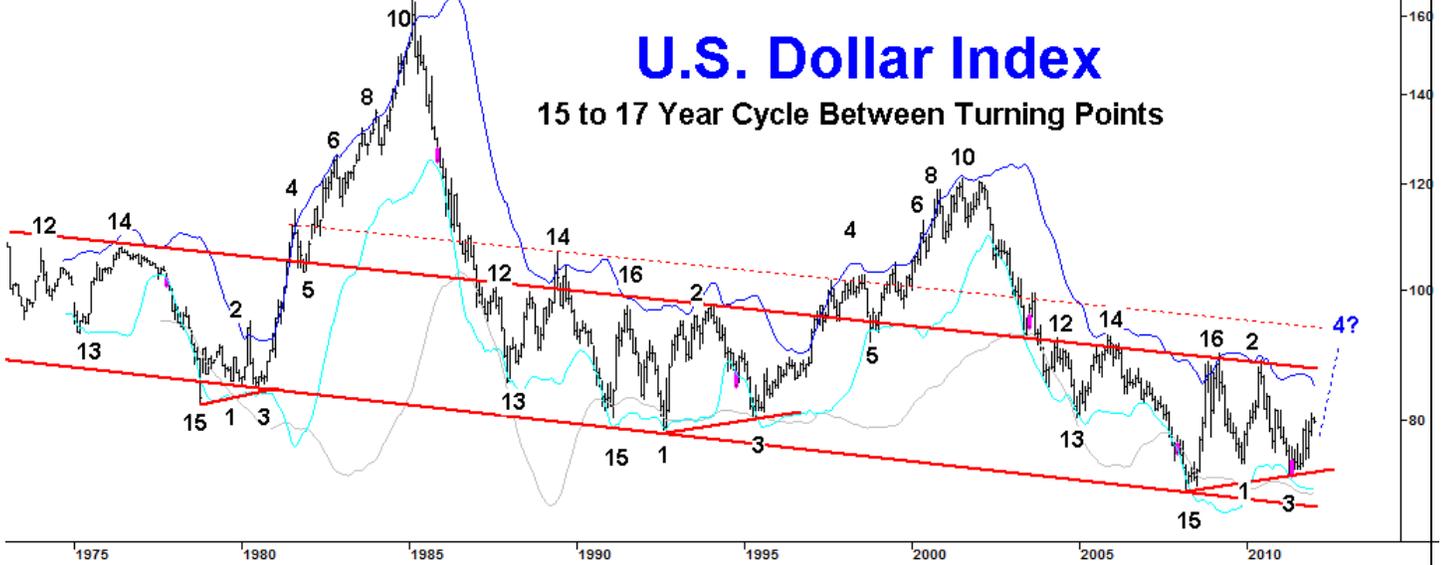
Independent of this, gold has managed to produce oversold Springboard alerts in the past two weeks and appears ready to stage a rally back to a minimum of \$1650-\$1670 within the next few weeks, with an optimum target of \$1720.



(*DXY) US DOLLAR INDEX-Monthly 01/31/2012 C=79.760 Bollinger low 70.448 TD Sequen BuySetup Boll hi 84.578 Bollinger low 71.020

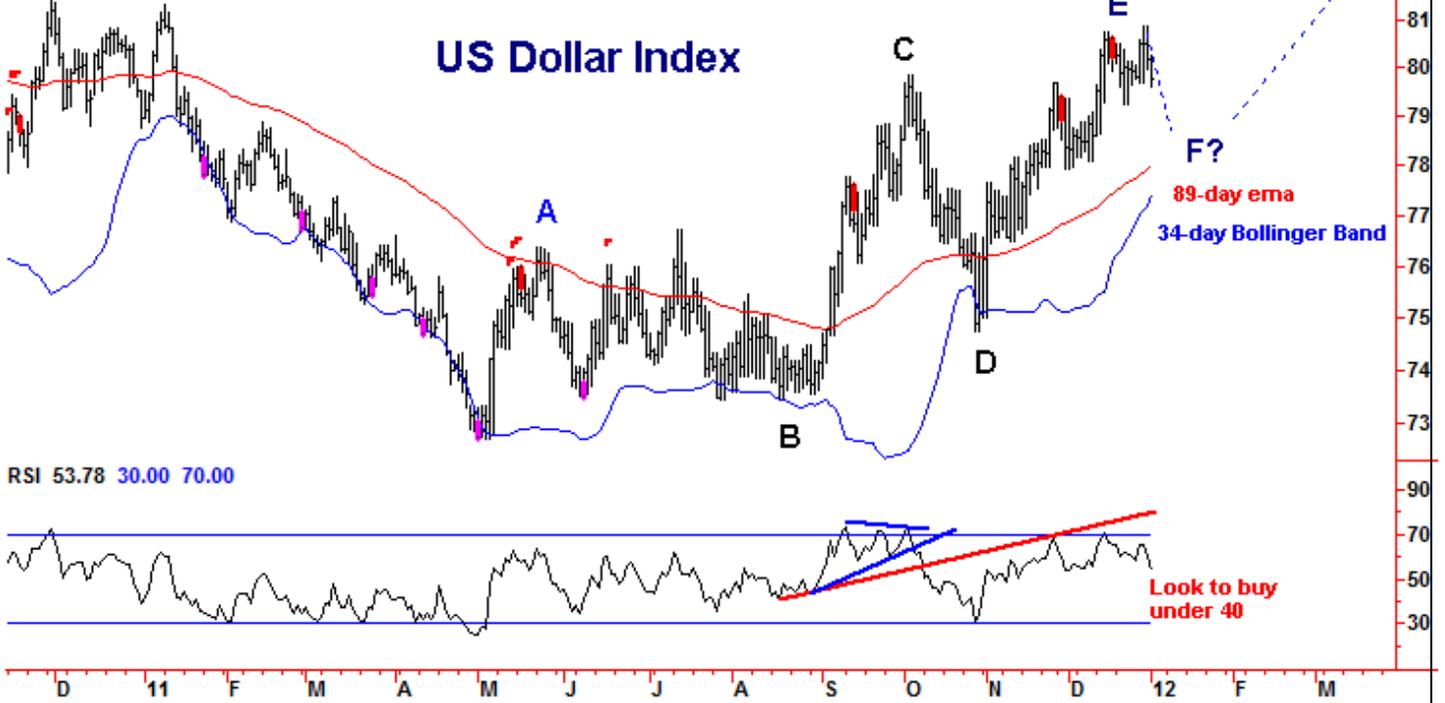
U.S. Dollar Index

15 to 17 Year Cycle Between Turning Points



(*DXY) US DOLLAR INDEX-Daily 01/03/2012 C=79.760 CCI-EX IV Bollinger low 77.428 SnapSum Short CCI-CAP-II CCI-CAP

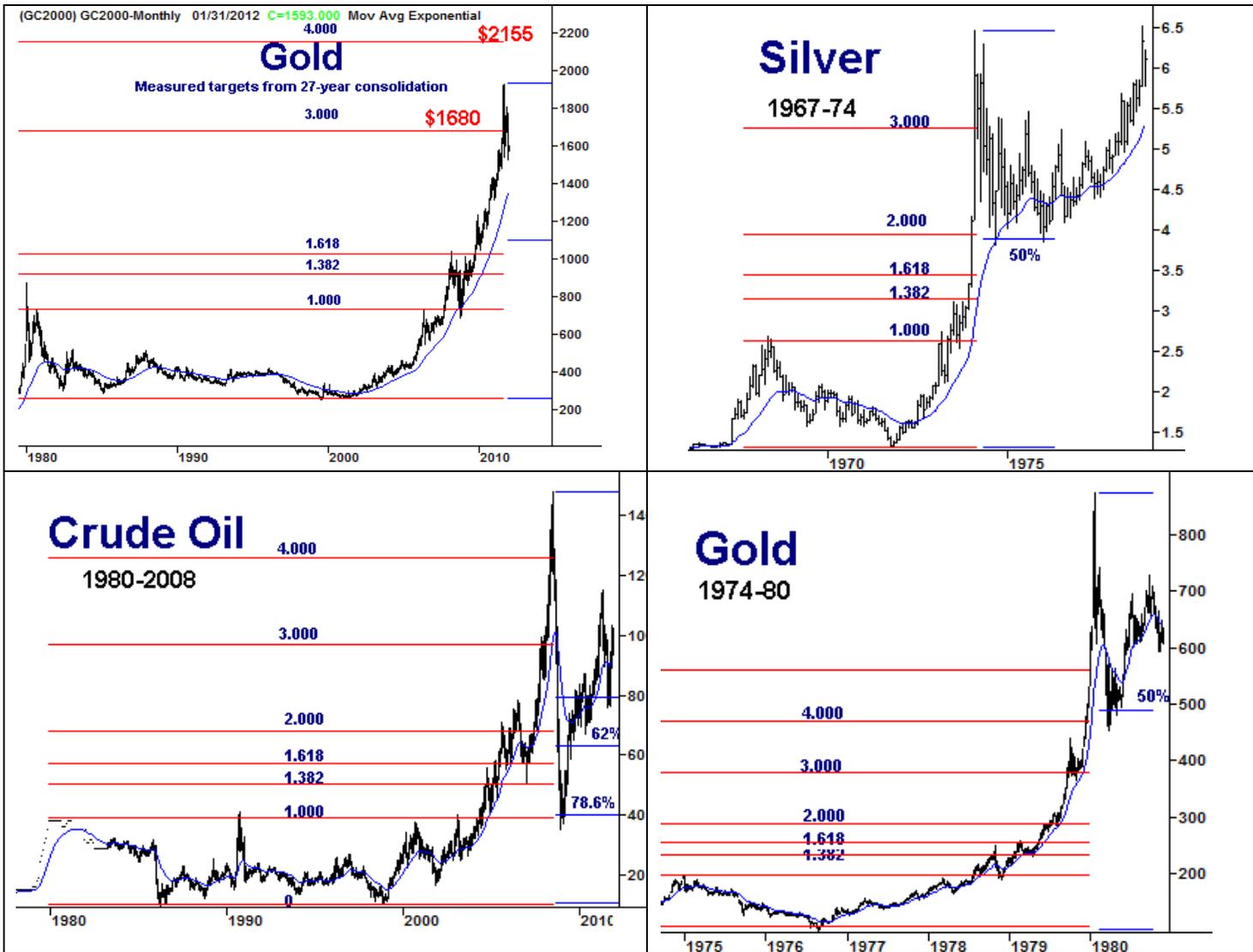
US Dollar Index



The bigger picture suggests that after a January-February high gold prices should experience a significant correction.

The 2007 breakout through \$730 in gold has resulted in a move of two and a half times the height of the twenty-seven year consolidation (\$730-\$253). If the current rally from the \$1523 low on December 29th now holds above the December 15th low of \$1562 then there is the possibility of prices extending to \$2155, three times the height of the base. However, a failure here would likely result in either a 50% correction from the 2008 low of \$680 (\$1280) or from the 2001 low of \$253 (\$1090).

The following charts display the price action of other markets that have made multi-year breakouts.





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