

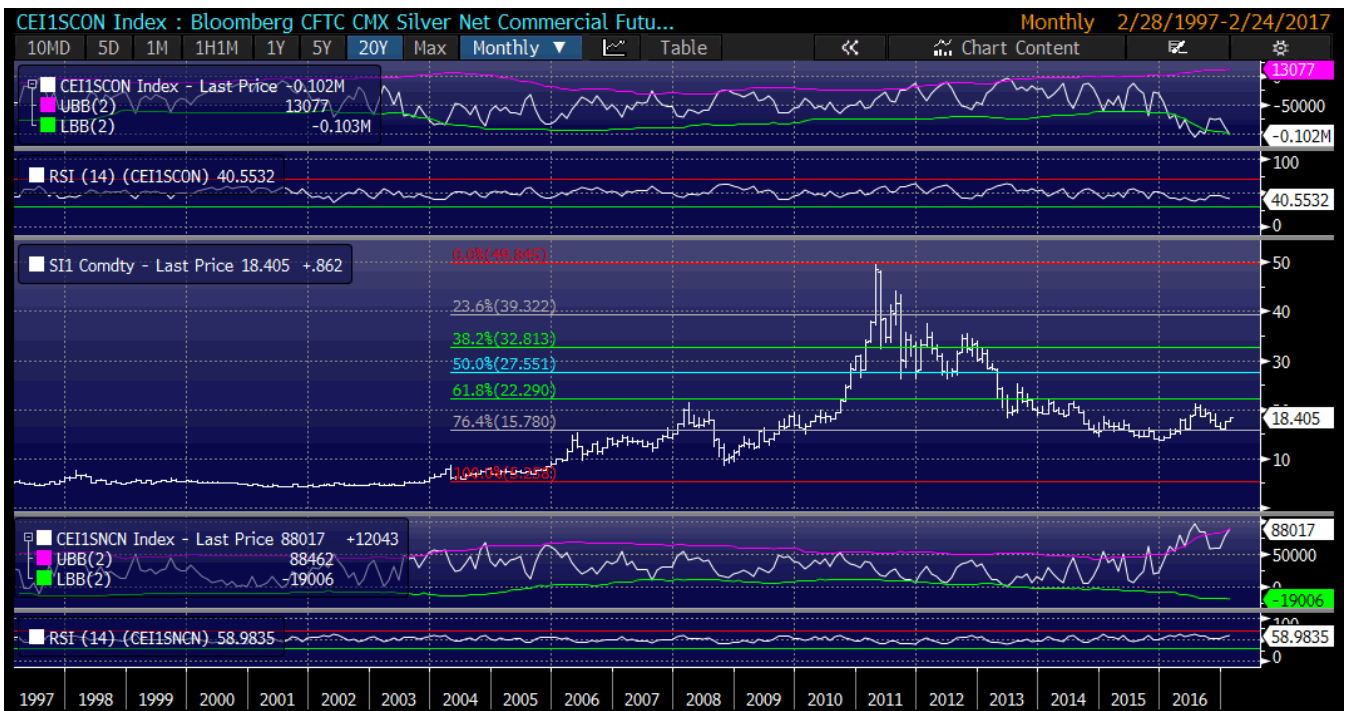
## Gold and Silver Bullion Versus the Miners

Gold, silver and the miners rallied well from the December bottom. The stocks outperformed through February 8<sup>th</sup>. However, while bullion closed at new highs for the year on Thursday and Friday, the mining indices (GDX, XAU, HUI & SIL) closed at the lowest levels of the month. This sets the stage for a bearish divergence on the next rally in miners. These indices should find resistance at the upper Bollinger Band (20,1.5). If so, the next move down would be to a lower low than we are experiencing now. We would expect gold to make an interim top by the middle of March.



Miners do best when three ingredients are working in their favour; rising metals, stable to lower energy prices and a rising stock market. It is not unusual to see miners underperforming bullion when stock indices are in a bear market, however when all three positive factors are in place and a divergence appears, it is a red warning flag. Paring back on miners into the next rally would appear to be prudent.

The COT numbers are constructive for gold, but approaching warning levels for silver.



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