ChartWorks

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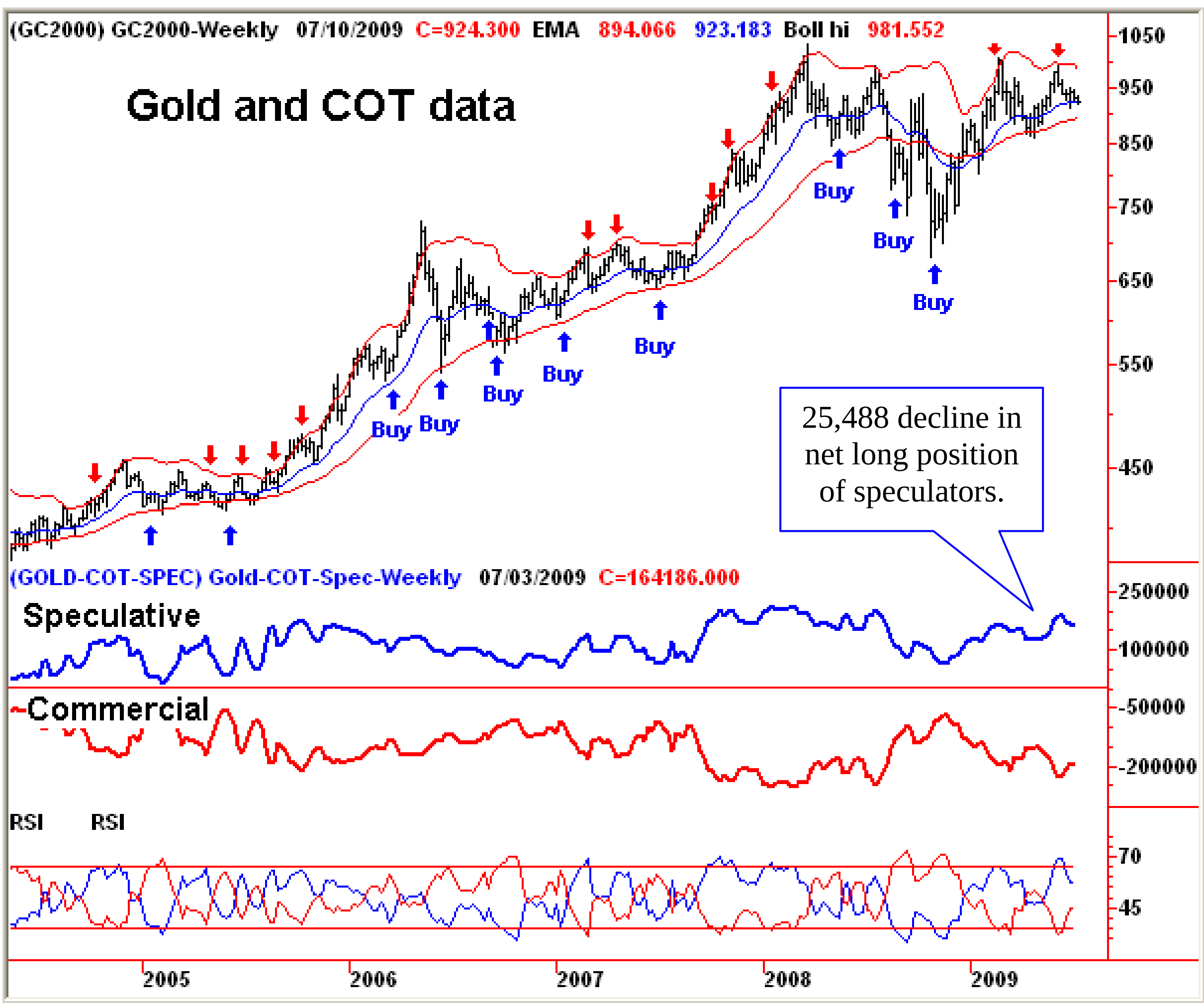
Technical observations of RossClark@shaw.ca

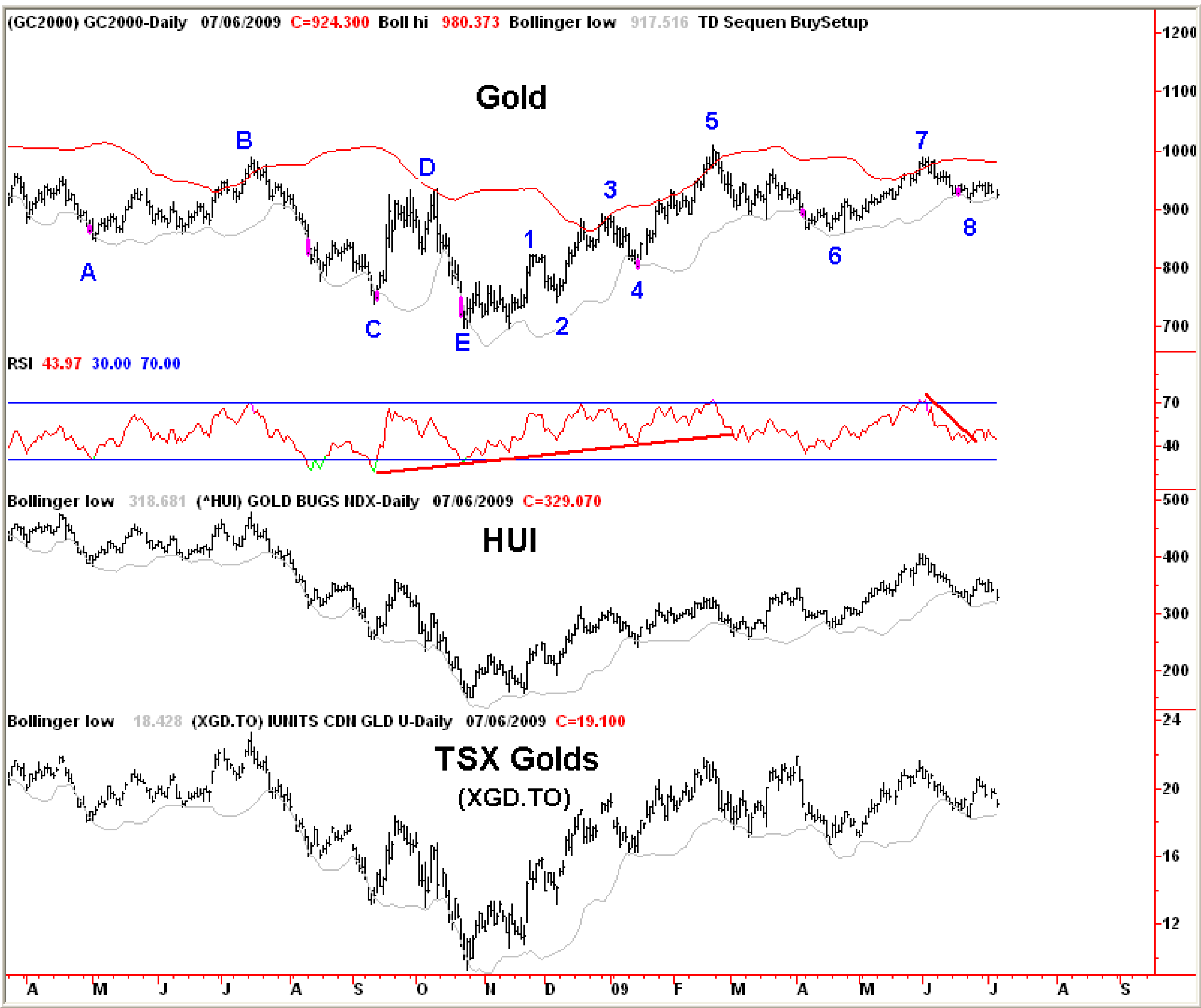
Gold

The gold market continues to be range bound as we enter the normal time frame for a seasonal low (July through August). The sentiment indicators are neutral and Monday's Commitment of Traders data reported another mild drop in the positions of speculators and commercials. The speculative net long positions are164k down by 25k contracts since prices topped early in June. To break out of the consolidation phase on the upside we would ideally like to see these levels drop by another five thousand or more. This wouldn't be enough to signal a 'buy' in our model because that would require an oversold reading, but it would be sufficient to generate a low as seen in Oct '02, Sept '04, Jan '07 and Dec '07. The COT numbers are released weekly; however the open interest is available daily (http://www.cmegroup.com/trading/energy-metals/nymex-daily-reports.html). A sizeable drop in the open interest on a decline in price would be suggestive of the type of cleanout common at interim lows in the price.



The HUI and TSX Gold index rallied in sync with bullion from the June 23rd low. This is in keeping with the final phase of the fifteen month megaphone consolidation pattern (*similar to 1994, 2002 & 2007*) prior to an attempted upside breakout.

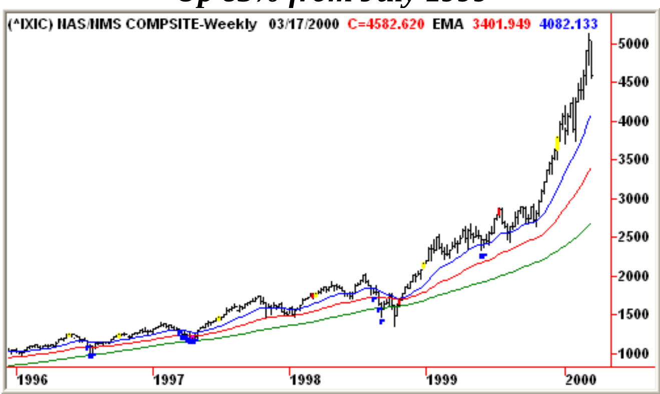
If prices can reverse higher after flirting with the June 23rd lows then we will have the makings for an outright challenge of $1,000. There is hardly an analyst on the planet that doesn't have minimum upside targets in the $1,200 to $2,500 range once the old highs are exceeded.



End of Decade Phenomena

We prefer to monitor the move as it unfolds, recalling that the end of the past four decades has produced exponential moves in the market with the greatest relative strength; 1999 – NASDAQ, 1989 – Nikkei, 1979 – Gold & Silver, 1969 – Interest Rates. There has been a definite concentration of capital as each of the recent decades came to a conclusion. For now, gold is the asset that appears best positioned for such a move. Don't under estimate its potential as we move into 2010.

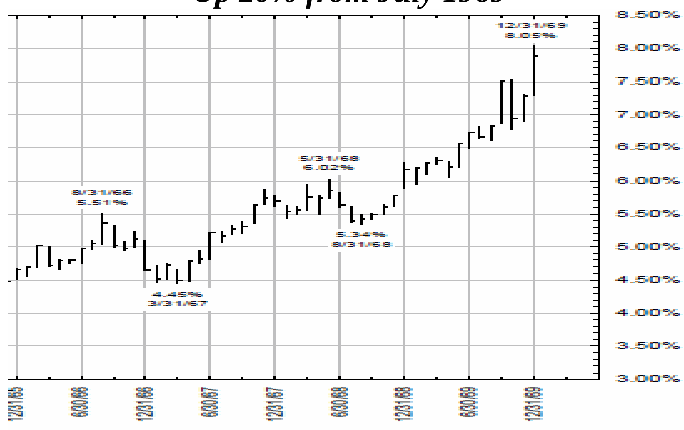
NASDAQ -1996 to 2000
Up 83% from July 1999



Nikkei 1986 to 1990
Up 18% from July 1989

Gold 1976 to 1980
Up 200% from July1979

10-Yr Treasury Yield 1966 to 1970
Up 20% from July 1969



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