

# ChartWorks

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## Gold and HUI

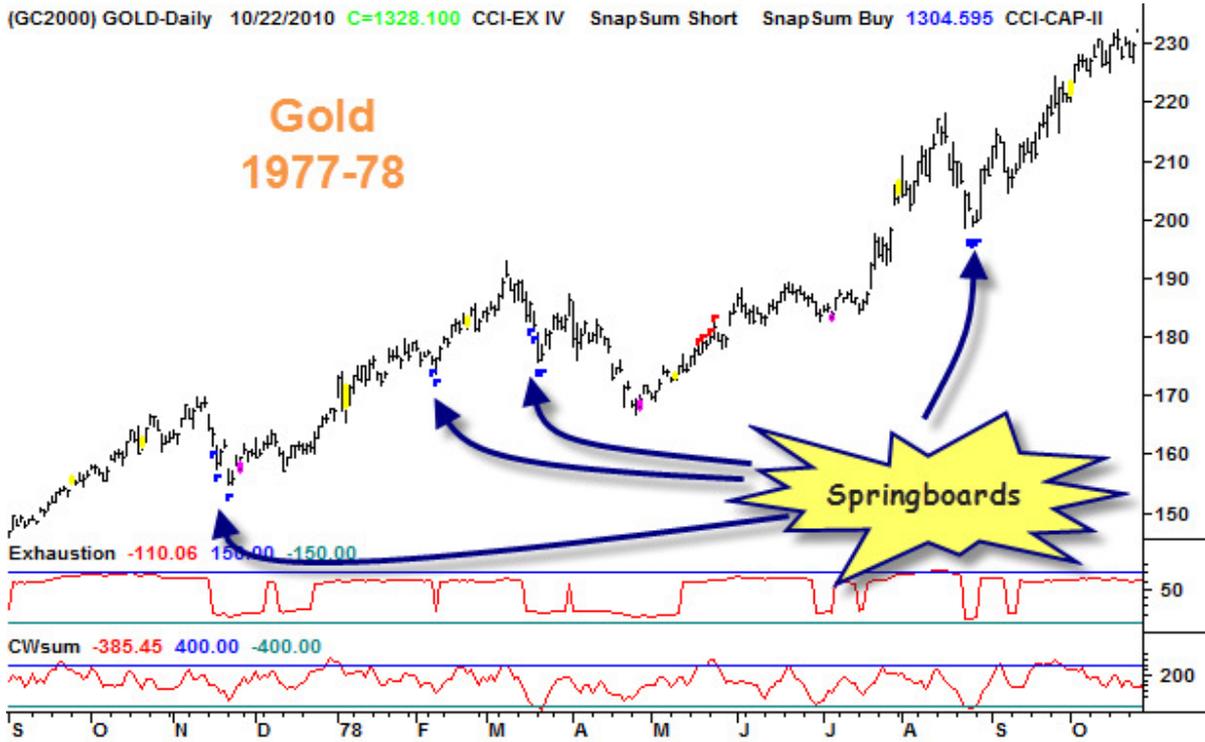
As of Friday gold has registered the most oversold reading since May 21<sup>st</sup> in our Summation Index. When such readings occur in an uptrend they are classified as Springboards that are initially capable of pushing a market from an oversold condition back toward resistance. In an accelerating uptrend (i.e. 1978-1980) this is all you expect to see before the next leg to new highs. If we are to experience a more methodical uptrend then a second oversold condition would likely occur after a retracement rally of 30% to 50% of the decline from \$1387 to \$1315 (~\$1350). Such a secondary low would be expected within two weeks and find support at the 50-day simple moving average (currently \$1286), the 20-day Bollinger Band and the breakout line of the December-June highs. Any close above \$1360 would indicate that the bottom of the correction is in place.



### Gold 1979



### Gold 1977-78



## HUI BUGS Index (Basket of Unhedged Gold Stocks)

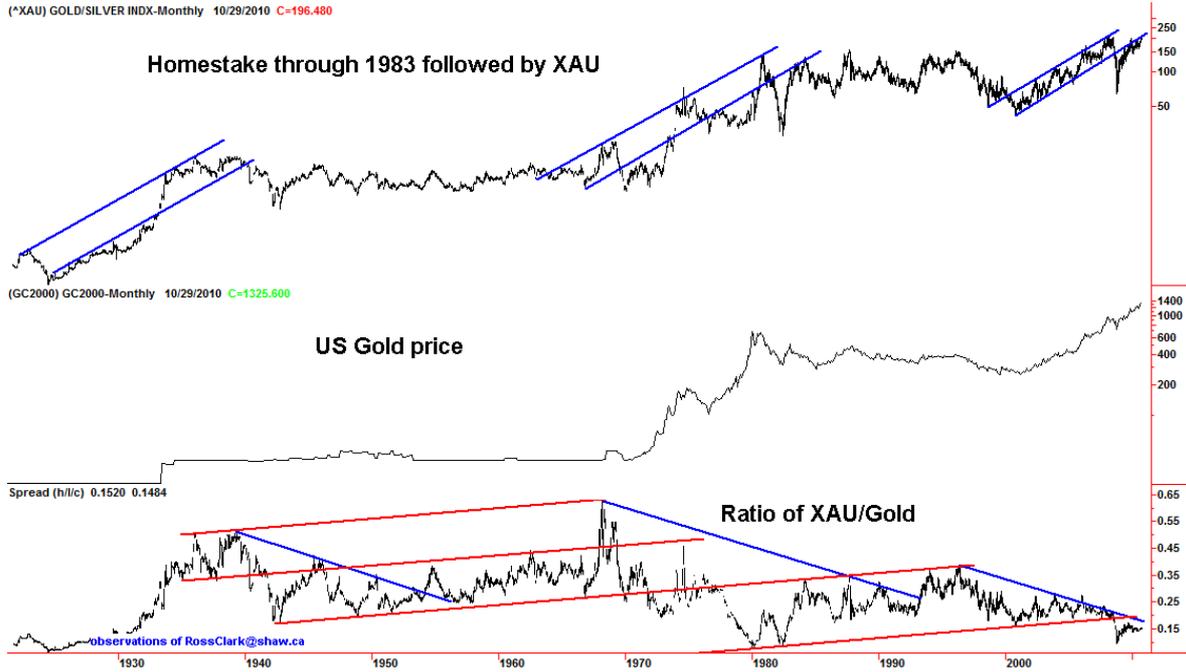
Daily Capitulation Alerts in the US Dollar (October 1<sup>st</sup>) are generally followed by a low in mining stocks within 6 weeks.

When the HUI has been pushing out of consolidations to new highs in the bull market of the past decade (as seen this month) it is normal for it to pause, making a 3 to 4 week correction. **If it holds in the mid 400's** we can look forward to a 3 to 4 month run with an 80% to 90% rise. **This targets the 800's** in the HUI by the spring.



The XAU/Gold and HUI/Gold ratios could easily increase by 30% to 50%

(\*XAU) GOLD/SILVER INDX-Monthly 10/29/2010 C=196.480



(\*HUI) GOLD BUGS NDX-Weekly 10/22/2010 C=495.971





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