

ChartWorks

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Technical observations of RossClark@shaw.ca

Precious Metals

The parameters outlined in the reports of October 24th and November 8th have served us well. The oversold 'Springboard' alert in Gold on October 22nd resulted in a \$100 rally in the following two weeks. The November 8th report outlined the overbought conditions in Silver and the Silver/Gold ratio with the likelihood of a 'gold correction that should be capable of holding around the 50-day moving average'. This Wednesday saw the gold price kiss the average at \$1331.

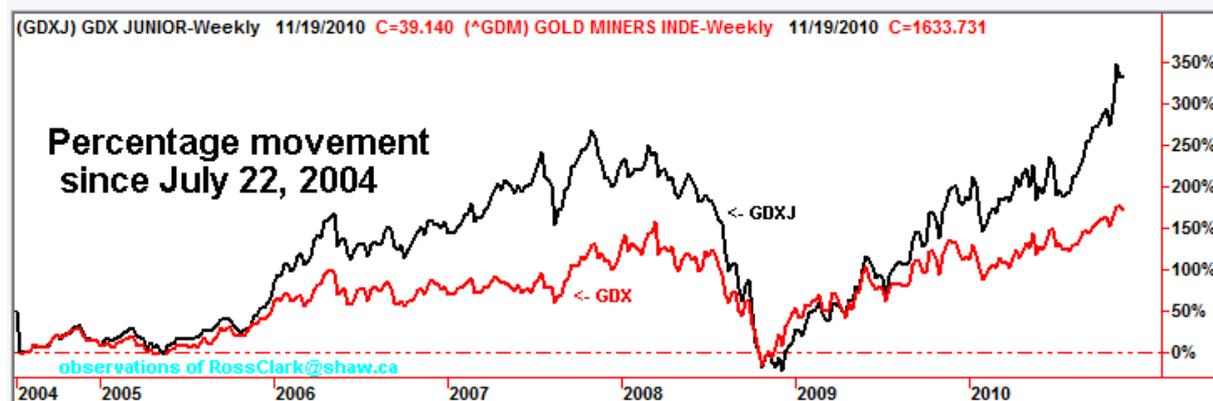
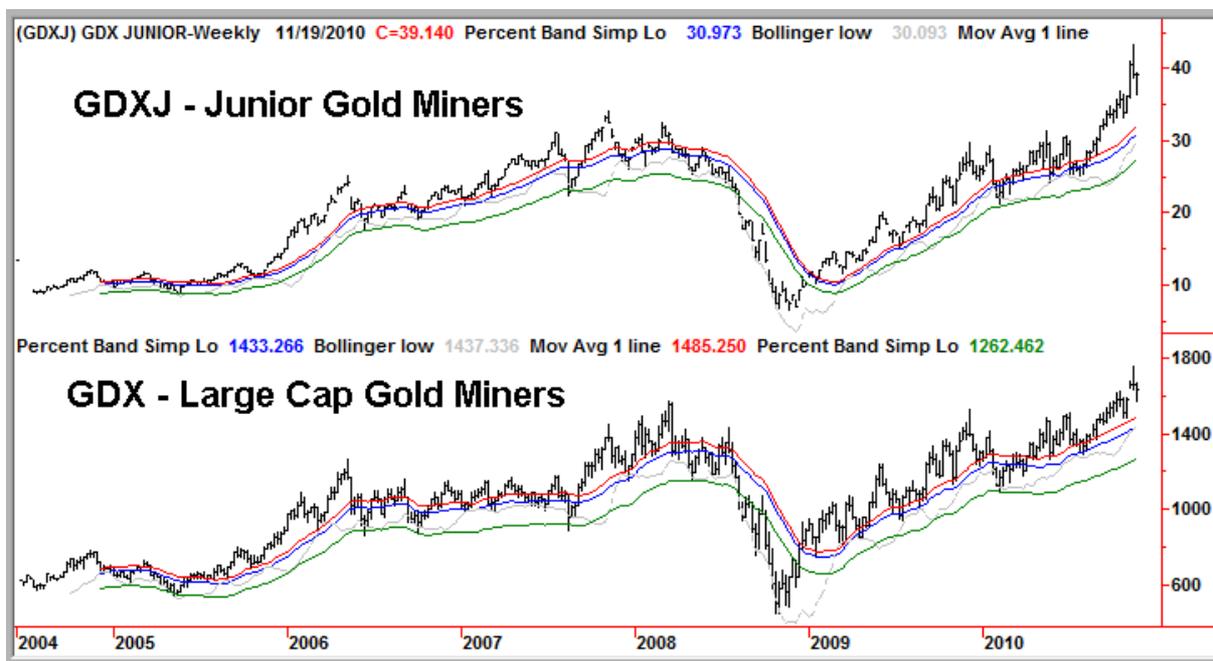
While the nominal price of silver did recently see some signs of exponential action, the gold market continues to perform in a normal bullish mode.

It is common in the precious metals bull markets to see the Silver/Gold ratio move into an overbought level as measured by the RSI(14), have prices roll over for a three to five days and then make another push to the upside before a more prolonged correction/consolidation. The low of the next important bottom should see the daily RSI below 50 in both gold and silver.



The mining indices should find support at the 100-day moving average and 3.5% below the average. The \$31 to \$32.50 area is now considered a worst case scenario on a pullback in the GDXJ.

	Current price	Lower band	100-day average
XAU	212.37	182.50	189.12
HUI	545.61	473	490
XGD	59.28	51.85	53.47
GDXJ	39.12	30.84	31.59
XGD.TO	25.68	23.13	23.97
ZJG.TO	22.04	18.10	18.75



(SILVER) Silver-Monthly 11/30/2010 C=26.960



Key support and resistance levels in silver continue to relate to the deflated levels of the previous decades. When adjusted for inflation by the Bureau of Labor Statistic's CPI* we see that the September breakout, following a pause for the past two and a half years at the equivalent of the 1987 highs, is now approaching the next level of significance. At \$30, the price is the equivalent of the February 1974 high (\$6.46), the May 1980 low (\$11.16) and the February 1983 high (\$15.83). A consolidation/correction from there would be anticipated.

*If one uses the www.shadowstats.com version of the CPI then silver prices are only approaching the lows of May 1986 and gold is approaching the lows of February 1985.

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BOB HOYE, INSTITUTIONAL ADVISORS
EMAIL bobhoye@institutionaladvisors.com
WEBSITE www.institutionaladvisors.com