

**DELAYED BREAKOUT DOESN'T LESSEN THE GOLD  
SECTOR'S SIGNIFICANT UPSIDE POTENTIAL**

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(Weekly chart with the 40-week moving average)



In our last Market Comment, we raised the possibility of a breakout of the HUI index from a lengthy consolidation pattern. Despite many positive technical and cyclical factors visible at the time of the mid-April advance, the Gold sector once again turned lower.



## North American Marketletter

The decline has caused a near-panic reaction among many investors but is the recent weakness in Golds really a cause for serious concern?

In 2006, the HUI index settled within a wide trading range, roughly between 275 and 360. Every advance toward the upper boundary of the range was followed by an equally decisive decline toward the 275 level. Recently, this pattern of advances and declines has changed. Although the 360 level continues to limit the upside, the January and March declines did not reach the lower line of the range at 275. Instead, the HUI index found higher support.

***A delayed breakout from a lengthy consolidation pattern doesn't lessen the Gold sector's significant upside potential. From a technical point of view, the extension of an already sizable base should result in a longer, more profitable move to the upside once the breakout occurs.***

Therefore, use the current pullback to accumulate the strongest stocks in the sector. Focus on stocks that: (1) have already had breakouts from their multi-month consolidation patterns; and (2) have completed or are near completing their pullbacks to their 200-day moving averages.