

**UPDATE: GOLD & GOLD STOCKS**

**January 12, 2007**

(Weekly chart with the 40-week moving average)



**GOLD:** In our last Market Update we viewed the breakout from a “symmetrical triangle” formation in Gold as a very bullish event for its long-term health. We also raised the possibility of a short-term pullback toward the \$600-610 zone. It is now happening.

Having reached the October low of \$560 (A), Gold staged a swift rally toward a significant resistance at \$650 and, at the same time, broke out from a “symmetrical triangle” formation (see lines B and C). This rally is now followed by a pullback toward the \$580-600 support zone and “B” line of this “symmetrical triangle.” Once completed, Gold should resume its advance toward the next target of \$720.

Low expectations and tepid sentiment toward Gold should help during the next advance. The latest readings of the Hulbert Gold Newsletter Sentiment Index show average exposure to the Gold market and a very low reading of 25%. Amazingly, this is even lower than where the index stood a year ago!

**Negative sentiment toward metals, favourable seasonal factors and a nearly completed pullback should put Gold back in the spotlight.**

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North American Marketletter



**GOLD STOCKS:** The main gold indices and the majority of gold stocks continue to remain in their consolidation patterns. During 2006, the HUI has been trading within a well-defined trading range of 275 to 360. A bullish resolution of this pattern would signal the start of the next up-leg.

Gold stocks have been testing investors' patience for more than a year, but a bullish resolution of the current consolidation pattern should bring a powerful and highly profitable rally.

**Use any opportunity to accumulate Gold stocks in view of significantly higher targets. Watch for stocks with extended consolidation patterns such as Barrick (\$34.56), Eldorado (\$6.22), IAMGold (\$9.95), and Minefinders (\$10.30).**