

MARKET UPDATE

GOLDS – CLEAR SKIES AHEAD

November 29, 2006

In our last Market Update: "The bullish move in Golds delayed, but clearly in sight" (October 12, 2006) we viewed the May-October weakness in Gold and gold stocks as "corrective" in nature. We pointed out the bullish implications of a "symmetrical triangle" formation in Gold (see chart), the proximity of the major support zones and a growing fear among market participants. These were the prime technical evidence in the bullish case. The recent rise, above \$610 for Gold and 310 for the HUI, has confirmed the validity of our forecast.

The bullish outlook include the possibility of a pullback toward the \$600-610 support zone for Gold and more consolidation for the HUI index in the short term. We believe, however, that even if this occurs it will be a short-lived event and thus not tradable.



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Taking into account the age of this bull market and that Gold and Gold stocks usually act best toward the late stages of the up-cycle, there are indications that the expected "closing" rally would be especially explosive. The indications include:

- The market's position in a 40-year cycle suggests strength in commodities similar to that of the 70s.
- Golds, along with the Metal and Energy sectors, have been the main themes of the 2002-2006 bull market, unlike those during the previous up-cycle (1998-2000).
- Many of these gold stocks are rising from multi-month bullish consolidation patterns -- Eldorado Gold (ELD), Bema Gold (BGO), Barrick Gold (ABX), Silver Standard (SSO), or just had a major pullback toward their 200-day moving averages; Vista Gold (VGZ), Kinross Gold (K), IAMGold (IMG) or Endeavour Silver (EDR).
- The proximity to the 50- and 200-day moving averages leaves Gold and the HUI index a lot of support by these moving averages.
- There is a lack of "GREED" in the marketplace and the vertical rally which usually completes the bullish cycle is nowhere to be seen.

The technical stage for the major rally in Gold and Gold stocks have been set. Use any opportunity to accumulate Gold stocks in view of significantly higher targets.