

GOLD COMMENT

CONVERSATION WITH GOLD

April 8, 2009

*In 2003, we published a popular series, "Conversations with Gold."
By popular request, we have brought back this form of presentation.*

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Just the other day we were lucky enough to talk to Gold itself.

NA-Marketletter (NAML): It's been six years since we had our first chat. Many things have changed since then. You've had quite a run!

GOLD: You don't need to tell me! The last time we met, I was hovering near the \$350 level, but I recently visited \$1000 – nearly a 190% gain, in just 5 years!

By the way, I would like to thank you guys for supporting me. You were one of the first to be bullish about me. It wasn't a very popular call back then, was it?

NAML: Not at all. The mood was best described as dense ignorance. Market pundits viewed your early advance as a bounce in a lengthy bear market. We remember that one analyst called you an "old relic."

So it wasn't surprising that people were sceptical about our bullish report – but we're used to that by now. Amazingly, many people still don't get the point that we're in the middle of a "hard asset" cycle. These are times when you, along with Energy and Metals, usually kick up your heels.

GOLD: You guys are right. In fact, I am the only investment vehicle that has produced a profit every single year for the last nine years. Just recently, I had a chat with money managers about my prospects and I was shocked. They are still reluctant to recognize my achievements. It is even worse with the general public. Everybody has heard something about me but they are all clueless about my potential and unwilling to take any action. Outrageous! After all I've done!

NAML: It's all music to our bullish ears! Aren't doubt and disbelief the key ingredients of every bull market?

GOLD: Yes, you're right. In fact, I do my best to confuse these talking heads. For example, now I am in the midst of a perfectly normal, seasonal pause. You know, just a little R&R. This resting time allows me to gain strength before the next up-leg. I do that to shake off over-excited bulls who jump on me each time I am about to complete another up-leg. Believe me, it's hard to move when you have these nervous Nellies on your back.

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NAML: We understand that but some people say that the 1000 level will be very difficult for you to get through.

GOLD: They always find "excuses" to talk me down. Be patient – once I gather enough strength over the next few weeks, I am going to teach all these investment bullies a lesson. They don't even know my long-term plans. I would love to see their faces when I reach my ultimate top.

NAML: You've done very well but how about Gold stocks?

GOLD: I have to admit that most of them have been lagging in the last few years. But again - it is perfectly normal behaviour and similar to what we've done together in the past. Let me explain.

I usually start first. Then the big-league stocks, such as Barrick Gold, Agnico-Eagle or Goldcorp, sense my turnaround and begin to show their strength. However, during the first phase of my advance, most Gold stocks underperform. It is helpful, in a sense, because everyone sees it as a weakness – read "wall of worry."

Then, in the later part of my advance, which is about to begin, Gold stocks join me. The first ones to come along are the big-caps, and then middle-sized producers show their muscle. In the end, you see junior stocks joining the buying stampede.

NAML: Do you have any particular stocks in mind?

GOLD: I would single out a few – just recently Alamos Gold and Royal Gold had breakouts from multi-year trading ranges that point to a significant upside potential. There are many others too, but come on – you guys are very good at choosing the winners. I remember when you recommended Virginia Gold at \$1.50 a few years back – then the stock was bought out by Goldcorp for nearly \$13 or thereabouts. Well done!

In smaller stocks, Rubicon Minerals is breaking out from a large trading range. Lake Shore Gold, Western Goldfields and Corriente Resources (even though it is not strictly Gold) are also doing well. There are many more but your Buy&Sell covers most of them.

In general terms, focus on the strongest stocks with multi-year bases that can support much higher targets. Look for stocks that are trading above their rising 200-day moving averages and at or near their 52-week highs. And of course, avoid the typical mistake of "bargain hunting."

NAML: Don't tell me you're aiming at \$1200?!

GOLD: Let me rest up first (*smiling*).

Olaf Sztaba