

GOLD COMMENT**GOLDS ARE READY FOR A NEW UP-LEG****May 13, 2009**

In our previous Gold Comment, we said that following the October-February rally, Gold and Gold stocks would indulge in a lengthy resting period. The objective of this pause was to consolidate recent gains and build bases for future advances.

Indeed, the market action of the last few months has been palatable in nature. Among other events:

1. The XAU and HUI indices have been tossed above and below their flattened 50-and 200-day moving averages on several occasions – a sign of a healthy consolidation.
2. The growing number of big-cap Gold stocks stayed near their flattened or rising 200-day moving averages.
3. Many individual stocks formed what may prove to be multi-month bases in the shape of “head-and-shoulder” formations, double-bottoms or sometimes as bullish “W” formations.

This technical picture has been in agreement with our “rest first, rally later” forecast. We said that a prolonged base-building effort would benefit the sector later.

In fact, the recent market action suggests that the Gold sector has nearly completed its consolidation and is ready to start the next up-leg. Both the XAU and HUI indices found the way above their 50-day moving averages and then turned them up.

Most importantly, Gold stock indices were able to rally above their flattening 200-day moving averages and toward their major resistance zones. A move above the 140-150 area for the XAU and 340-350 for the HUI would constitute a breakout and the start of a new up-leg toward higher targets.

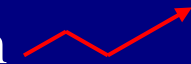
While Gold stock indices are still in preparation mode, some individual stocks have already broken out from their consolidation patterns and are now moving higher: Fronteer Development Group, Red Back Mining, Royal Gold or Rubicon Minerals are just a few recent examples. There are many others on the verge of such breakouts: Alamos Gold, Endeavor Silver, Gammon Lake, Pan American Silver, and Semafo, to name a few.

Investors’ focus should remain on the strongest names or, in other words, on the stocks that broke out from their consolidation patterns first. As the market temperature rises, they are most likely to outperform their peers.

Gold stocks went through a well-deserved consolidation and they now appear to be ready for a new up-leg.

Concentrate on the technical “crème de la crème” names – stocks that are breaking out from their bullish formation or are on the verge of such a breakout.

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XAU

(Daily chart with the 50- and 200-day moving averages)



HUI

(Daily chart with the 50- and 200-day moving averages)

