

GOLD COMMENT

**GOLDS STILL WAIT IN LINE TO LEAD THIS BULL MARKET
BUT THEIR TURN IS QUICKLY APPROACHING**

**USE THE CURRENT SLOWDOWN TO ACCUMULATE THE
STRONGEST NAMES**

August 18, 2009

Our latest Gold Comment observed, "*Golds take extra time to build bases for future advances.*" It was followed by "*The bland behaviour of Gold stocks should not draw your attention away from the larger, more bullish picture.*"

Indeed, the slow but important period of consolidation has continued throughout the months of July and August. The early July rally in the general market, led by Banking and Technology stocks, has also affected Gold stocks. The advance, however, was slow-moving and it played out within consolidation patterns that have been in place since February 2009.

This sluggish start has been a normal and paradoxically positive trademark of the Gold sector. Golds have a tendency to lag, or even decline, in the early stages of bull markets. As an advance progresses, Gold stocks usually become more visible, but it is only toward the tail end of the advance that they start outperforming the rest of the market. The dominant "hard assets" cycle may accelerate this phenomenon. The sector-rotation scheme is most likely to work through the market much faster, therefore extending periods of out-performance by resource-related stocks, especially Gold stocks.

The current mini-bull has begun with the Banking sector leading the way up, followed by Industrials and most recently,

technology stocks. The next sectors in line are usually Energy and Golds.

The multi-month consolidation patterns in many Gold stocks could be an early indication of such a major, long-term advance. In addition, the recent slowdown over the summer months has strengthened the sector further, just in time for a strong rally in the second half of the year.

The range-bound trading in the XAU, HUI indices and big-cap Gold stocks such as Barrick Gold, Goldcorp or Newmont Mining portray this situation the best. Since late January/early February those stocks have been trading within a horizontal trading range, building a platform from which the next advance could be launched.

Candidates for early leadership include Alamos Gold (AGI), Barrick Gold (ABX), Eldorado Gold (ELD), Endeavour Silver (EDR), Goldcorp (G) and New Gold (NGD), among others. Please consult the Buy&Sell list for more names.

The Gold sector has lagged behind other areas of the market so far but it hasn't been wasting its time. The months of base building have strengthened the sector and positioned it for a major advance.

Olaf Sztaba



XAU

Daily chart with 50- and 200-day moving averages



HUI

Daily chart with 50- and 200-day moving averages

