

GOLD UPDATE

A RETEST OF JANUARY LOWS IS NOW UNDERWAY

March 15, 2011

Our previous commentary recognized the need for a corrective phase before the Gold sector could rejoin the bull market.

As anticipated, the pullback arrived in early December with a decline toward the 200-day moving average. In late January, Gold stock indices arrived near their 200-day moving averages, which resulted in a short-lived rally, followed by another decline toward the January lows. It appears that the sector is currently in the midst of a retest of those lows.

Despite this short-term setback, both XAU and HUI indices remain above their rising 200-day moving averages and above major trendlines. As long as the indices remain above those trend gauges, investors should view the current weakness as a correction.

Focus should remain on the stocks that find support at their 200-day moving averages.

Similarly, stocks that declined below the 200-day moving average should be avoided at all cost.

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