Sid Klein Global Strategy
1001 BOUL. DE MAISONNEUVE O., BUREAU 950, MONTREAL, CANADA H3A 3C8
TEL: (514) 939-2221 FAX: (309) 417-0942
e-mail: sidklein@sidklein.com
www.sidklein.com

Gold Up $70...Now:
The Dow Jones Last Rally

July 1, 2012

GOLD

May 31, 2012

"Wherever the Nikkei ends up, this is a Yen currency crisis, and one that will have been a contributing factor in the PM crisis that the "authorities" have been working so hard to mask with massive gold futures sales."

*Apart from being integral to the eruption in gold, the Yen's collapse will be a major driver in the Nikkei's assault on higher levels.

My greater interest, however, is the role that will have been played by the Yen in gold's advance. The latter is always discussed in relation to the Fed's printing press, and even Europe's photocopier, but no one talks about Japan.

A half-trillion dollars worth of Yen from now, that may all change.

In any event, take a good look at the 1-year gold chart below (GLD) on the next page, and even more so that of silver (SLV), as I describe the following technical argument:

When looking at these patterns, almost ALL precious metals participants have viewed them as reverse (bullish) shoulder-head-shoulder patterns...including me (head in December).

My mentor taught me 30 years ago that a right shoulder could even be lower than the head and that one should be intuitive, and not rigidly adherent to intellectual rules.

He merely pointed out that such an unusual pattern would mean a particularly weak reverse S-H-S pattern (the preceding holds true for bearish S-H-S patterns).

In any event, this past Thursday, as the SLV was breaking December's low, my "intuitive eye" *saw* the pattern differently.

Namely, we were not looking at a weak reverse S-H-S pattern but, rather, a POWERFUL descending wedge, where central bank buying was stopping gold from falling to a level that would more ordinarily be associated with the low within a descending wedge!

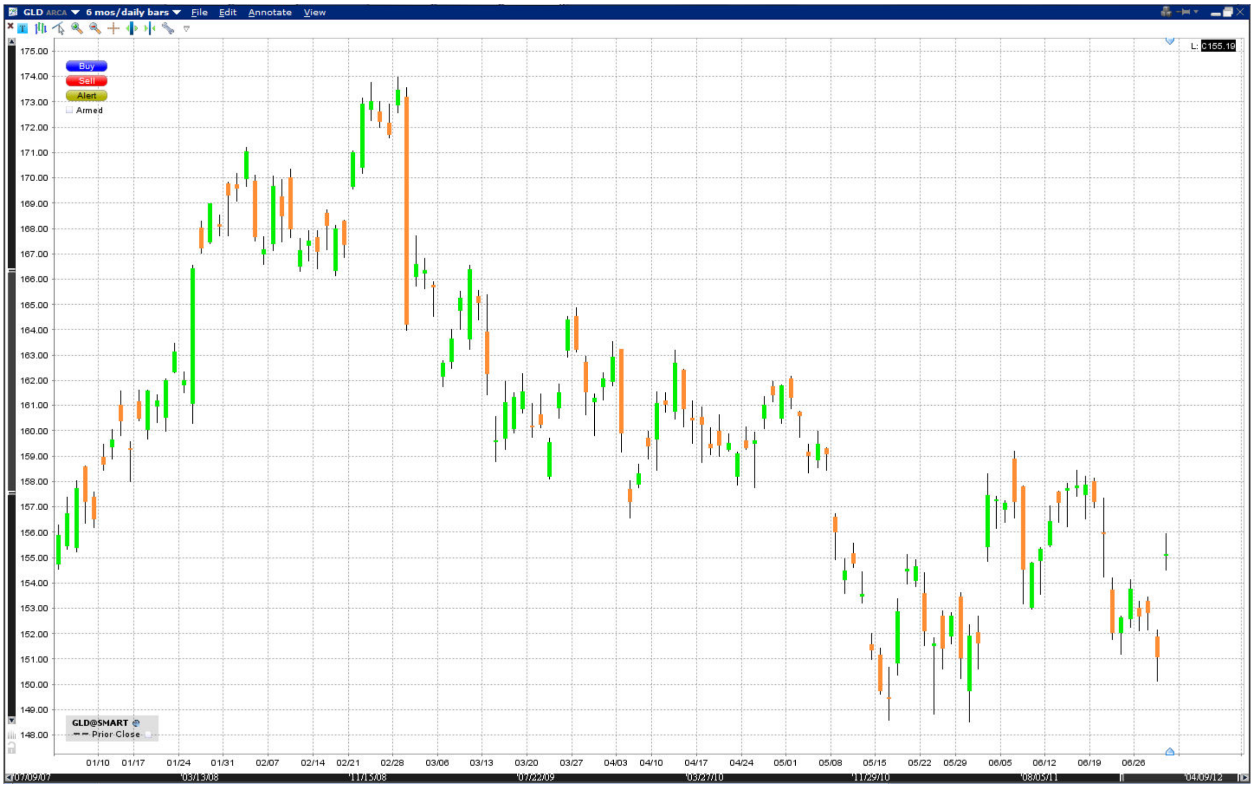
With that epiphany, knowing that wedge patterns are both reliable as well as powerful once they reverse, I believed that we were on the precipice of a dramatic upside reversal, one that would run the stops and turn the standard technicians bullish, primed to cover their massive shorts and adjust their extremely under-weight PM books.

The focus was not on the PMs on Friday, so a mild and brief pullback *could* actually occur tomorrow, to help the bears adjust a bit. Option premiums stayed low, and all is now set for a $70 run that could even occur in a single day.

Call premiums would explode! Having stayed low would be typical of a fooler pullback. The GLD has support at $153 - $153.50, a level that one should jump all over, as bears would return to the market, assuming that Friday was just another false start.

The correct interpretation would be that the bears need a chance to cover and adjust, and that players can jump all over still-low call premiums, which a decline would certainly not be augmenting!

With a dangerous backdrop for a single-day $70 run to the upside, there is an unusual opportunity to take a shot at short term (1 - 2 month) calls with a minor amount of capital. If tomorrow is strong, then the end of the day or Tuesday would offer a chance to enter.



SILVER

The discussion of the descending wedge pattern in the gold section above is actually more appropriate for the SLV, as this was the metal that broke December's low.

Look at the pattern of the 1-year SLV chart on this page in this fashion:

Imagine that gold had not found such central bank buying intervention and that the SLV had fallen to $22, as a result. One would have a powerful and potentially explosive descending wedge pattern, as opposed to a weak, reverse (or nullified) shoulder-head-shoulder pattern.

Support is at 26.25, with 26.00 also fine. The market could be stunned to discover how quickly the SLV rallies to $39.


SLV ARCA
1 yr/daily bars
File
Edit
Annotate
View
Buy
Sell
Alert
Armed
L: 26.65
43.50
43.00
42.50
42.00
41.50
41.00
40.50
40.00
39.50
39.00
38.50
38.00
37.50
37.00
36.50
36.00
35.50
35.00
34.50
34.00
33.50
33.00
32.50
32.00
31.50
31.00
30.50
30.00
29.50
29.00
28.50
28.00
27.50
27.00
26.50
26.00
25.50
25.00
24.50
SLV@SMART
07/14
07/28
08/11
08/25
09/08
09/22
10/06
10/20
11/03
11/17
12/01
12/15
12/29
01/12
01/26
02/09
02/23
03/08
03/22
04/05
04/19
05/03
05/17
05/31
06/14
07/02/07
'03/05/08
'11/08/08
'07/15/09
'03/20/10
'11/22/10
'07/29/11
'04/02/12