

WE'RE GETTING THERE: PRECIOUS PRECISION REDUX?



October 4, 2008

GOLD

Last month's regularly scheduled report (September 7) advised scaling out of 50% points of one's position on a break above \$900 at any time. By this, I explained, a fully invested long term investor could go to 50% long, while traders so inclined could remove their 50% position, thereby scaling back to zero.

I argued and maintain that gold may have a final leg down to the \$650 - \$700 area. Following the daily 2-year gold chart below is a 31-day graph of the metal, and it clearly illustrates the break above \$900, along with its violent subsequent reversal.

Considering further the commentary on silver (next section), it would seem that SKC has found the range of precision on the precision metals again. The standard of precision enjoyed since the 1st quarter of 2002 has more fully returned.

Strategy:

We'll see whether gold crumbles in wave-c fashion, to shake the tree loose of weak holders. If so, we'll try to catch what they drop. To wit...

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SILVER

On September 16, I recommended a 100% position in silver in the \$10 - \$10 ½ range. The next day, the low was \$10.53 before spiking that same day to \$12.1725. The metal continued its spike toward \$14, before reversing sharply this week. The above-discussed range may yet be revisited, in order for us to be able to establish a 200% position, as we have in the past in most timely fashion. We hope to pull that rabbit out of the hat again.

To reiterate prior analyses, there are times when one buys a levered instrument that is premium-based (options) while, at other times, a contract which inherently provides leverage is more appropriate (futures). But then there are items when buying on margin in the cash market makes the most sense.

Well, the idea of silver ever dropping to \$5 makes no sense. So, get ready once again for a 200% position. I'll make the same comment here as the last time we were at these levels, when we executed what we aim to do again:

This position and trade alone can make an investor's year.



Sid Klein

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