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PM CAPITULATION!

(Cyclical Conclusion)

June 26, 2013

GOLD, SILVER

The following is a brief summary of the **technical** points that suggest the ideal timing for positioning for the next major up-wave in silver (and gold) is right now (please note prior reports and articles concerning the overwhelming **fundamental** arguments):

1. The Commercial traders are net long for the first time since the November 2001 low, further suggesting that they are no longer a source of selling pressure (gold).
2. The public has been cleaned out of their remaining ETF positions resulting from margin selling, based on the divergent selling volumes at this half's cycle low.
3. The 3rd group, the hedge funds, now run too high a risk if shorting gold without selling from the other 2 groups, since they would be taking on all of Asia *at a time when the metals are trading below production costs.*
4. Slower production means higher prices (supply/demand has not been repealed).
5. The forecasted 6-month cycle (plus or minus 3 days) is ending this week.
6. The Elliott Wave count has taken the SLV price to the lowest range of accepted pullback to maintain the long term bullish scenario (see chart at end of section).

7. The resumption of the equity decline will trigger the un-invested public (and others) scampering back into precious metals.
8. Parties who are almost always bullish are now expressing concern that a 50% retracement of the entire bull market to $1000 is possible (maximal fear at the low).
9. Historic and implied volatilities, as well as the spreads between the two when analyzing different option series, are consistent with a major bottom as well.

Please see the supportive excerpts below.

Strategy:

The discipline of waiting for this MAJOR cyclical low to conclude has afforded an unusual opportunity.

Until recently, it seemed that the best approach for long term gain using SLV strategies (if not using the cash SLV only) at the cycle low would include a mix of long term spreads with a minority long term straight long call position.

Then, the volatility numbers lined up in favour of straight long call strategies, since the premium structure called for not selling premiums (which is included in spreading) but, rather, maintaining a 33% cash position along with the straight longs.

However, considering the factors cited in point-9 above, premiums have jumped as a result of this week's quick and sharp decline.

So, as this cycle low is now upon us, the initially contemplated strategies are again most appropriate. *(Please note the 6-month VXSLV chart which concludes this section.)*

(The strategies cited here were not discussed in the SKGS reports, as per legal considerations.)

June 2, 2013

"A smash in the equity markets is a trigger for much higher precious metals prices, but not in the very short term. Why?

"There is a need to show a break in the asymmetric relationship, by the same parties (and for the same reasons) who have been the manipulators to-date.

"Cycles that have worked for YEARS are concluding, so negative cycle pressure is at its peak this month, following a collapse and basing pattern that is basically complete.

"Option time premiums (implied volatility) and historic volatility are shedding their final minor percentage points, perfectly timed and in-line with these events.

"The preceding 2 paragraphs equate to a single conclusion: From these price zones, rocketing precious metals and related option prices!"

June 20, 2013

"The former (retail public) is selling the little they have left **now** to meet margin calls, so once equities stabilize in the short term, that will be yet another factor for gold and silver will take the lead upward.

"As reported so often, the bond and equity markets offer no reasonable safe haven or yield and, above all, if a millionth (or whatever) of the capital fleeing those classes follow the Asians into precious metals, triggering the short covering panic, along with all of the other factors that I have cited in these reports as well, the utter eruption in the precious metals will be able to commence in earnest...VERY soon!

"The only thing in the way (and I DO mean the ONLY thing in the way) is the forecasted cycle, quarter and month-end manipulation to suppress gold and silver, so as to prevent utter panic!"

Also from the **June 20 GoldCore report:**

"Commercial traders, the so-called "smart money" in the futures market have twice as many long positions as they do short, as per the latest Commitments of Traders (COT) report. Meanwhile, the speculators, the so-called "dumb money" have slightly more short positions.

"Considering that the commercial traders tend to be biased to the short side, this indicates they are confident that prices will soon rise."

The **SLV chart** at the top of page-4 that dates back to 2006 reflects the worst-case technical scenario discussed above, having achieved the $15 - $20 zone for this **MAJOR cycle low**.

As is does not include this week's $1.50 decline, the **3-year StockCharts SLV graph** follows the VXSLV chart. Note the 10-month drubbing in the slow stochastic.

The latter redefines "stretched."

The **1-year VXSLV chart** (volatility) illustrates the explosion out of the old bear market, as well as the typical pullback to neckline support in a triangle formation.

Volatility has now commenced wave-3, which is kind of scary, but for who?

Volatility has been asymmetric, but the law of diminishing returns must now come into play (regarding volatility indicators).

It is one thing to fall from $50 to $18, but nothing can go below zero and the absolute dollar declines must necessarily lessen. The opposite is true of the bull case.

There is NO limit mathematically to high something can go!

In fact, it is the history of the GVZ {gold volatility (not shown)} that the indicator spikes up with a flush-out, but then continues higher as gold reverses higher!

While outright silver and SLV purchases are strongly advised, nothing is going to be as amazing to witness as the performance of long term SLV strategies.

On a risk-adjusted basis, the spreads leave very little risk at these SLV levels, and the management of such spreads can leave the investor with straight long positions that are highly levered, having modified the positions with little risk, based on even the most modest of historic reversions to the mean.

Sid Klein

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