

1½ POSITIONS ON: ½ TO GO



October 27, 2008

GOLD

In brief, Saturday's interim report expressed the view that, while gold's decline may not be complete, a 100% position in silver should be established.

The reason was that I did not feel comfortable having absolutely nothing in the precious metals. Further, while gold normally represents 50% of one's entire liquid wealth when fully invested in the metal, a 100% silver position only relates to whatever one assigns to silver metal investment. I have stated in the past that such a position may represent as much as 5% of one's non-fixed asset wealth. I maintain this stance.

So, in my view, the following 5-day gold chart supports Saturday's position that gold may yet again move into the \$650 - \$700 zone, as forecast all the way down, though this time it may do so on a closing basis as well.

From the October 25, 2008 interim report:

"Strategy:

Gold has already dropped into the \$650 - \$700 zone. I am not convinced that it has completely bottomed, though I am sufficiently confident that... (See SILVER on next page.)



SILVER

“Strategy:

“GO 100% LONG SILVER.

“With silver having closed a shade less than 60 cents off of the lows Friday, investors may be able to benefit from some minor backing and filling at the beginning of the week to go long.”



Silver did indeed slide to as low as \$8.75, before settling a hair under \$9.00. So, we are 100% long silver, as per the recommendation reprinted above the 5-day silver chart that precedes this paragraph. To reiterate, the endgame is to revert to a 100% long gold position, while building our silver position to 200% long.

In the short term, my aim was and is to build a 200% long silver investment, to go along with a 100% short position in the VIX.

For the short term, then, we have 1½ positions, with a ½ to go.

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