The Sid Klein Comment
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'S DIRECTIONALITY: THE IMPLICATIONS

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GOLD

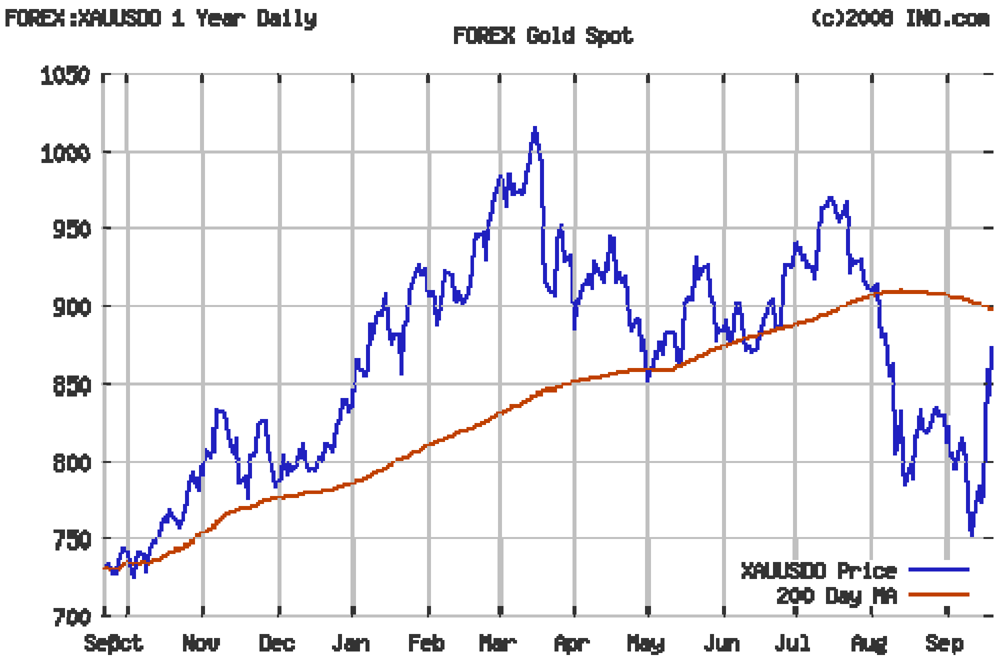
The following 1-year cash gold chart on page 2 was completing a spike up this week toward the 200-day moving average at $900. This follows an A-B-C correction from $1000 to $750, where wave-B was the intervening summer bounce from May through mid-July.

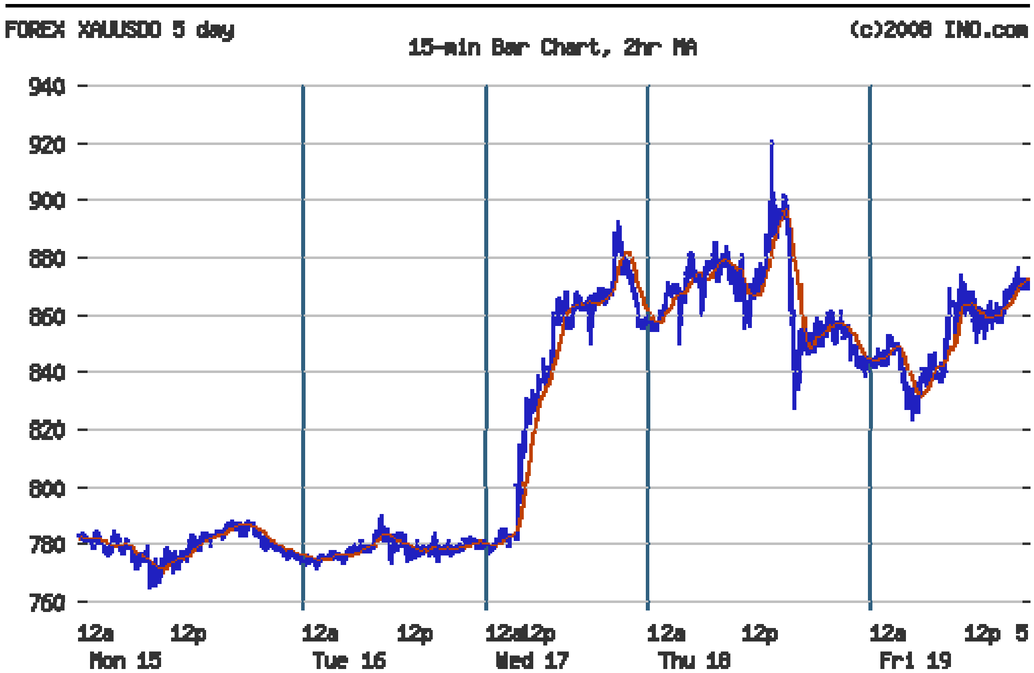
Recent SKC reports have contemplated using a rally into the $850 - $900 zone as an opportunity for traders to scale back to zero from 50%, if they so choose. Long-term asset allocators should not budge from a 50% position (down from 100%), within the context of the asset allocation reiterated later on page 3.

The second chart on the next page is a chart of the nearby contract, which looks only at this past week. Basis the nearby contract, any selling may be executed with a move to $900.

As per prior reports, the risk is a 2nd and final 3-legged decline toward the $650 – $700 zone. We'll have to watch if this correction ends with

a higher test or whether it indeed makes a new low beneath $750, basis the cash chart (1-year daily).





Please filter out the noise of this past week's news. These charts aim to achieve that, by reflecting the fundamentals that are the cause of this directionality story. Note the similar cyclical directionality of gold and the equity markets, with some lag, and within the context of shifting

out-performance (between gold and equities), notwithstanding the same general directionality.

A fundamental interpretation – again – is the fact that the Americans are paying off Americans' debts with the world's money. Citizens around the world are paying for the debts and bad mortgages of US citizens, in the form of the lost value of foreigners' equity.

Any link to those losses is found in the massive US printing press with which the US government commits its "bailouts." Simply, these are US-imposed foreign bailouts.

When the Japanese did their bailout via their Resolution Trust Corporation, they did it using their savings. The US government's printing press uses everyone else's.

Understanding this is key to grasping the inter-relationship of global equity and currency markets, particularly for those engaged in more sophisticated asset allocation considerations, including long/short allocations.

The printing spurs investment in paper assets, or defers the deflation of asset prices, or defers and satisfies otherwise existent demands to deflate asset prices, all the while using the currency as the weapon and indirect determinant of directionality and secret consideration in all asset allocation considerations.

Think big picture.

Long term liquid wealth: 50% Yen, 25% gold, 25% Swiss Franc.

Sid Klein

by facsimile, you should immediately report to Mr. Klein the name of the person or entity who sent it to you. Send your email to sidklein@sidklein.com.