

# Sid Klein Global Strategy

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**March, 2010**

For eight years, SKC has provided the world's **premiere** source for gold timing, along with top-of-the-line asset allocation for the precious metals, their equities and the currencies. **Virtually every key move has been forecast and identified in gold over the past eight years.**

The following are timely excerpts of prior short, intermediate and long term forecasts for gold, which include asset allocation revisions that reflected changing prices and risk/reward probabilities, for the precious metals and their respective equity classes.

To fully appreciate the exactitude of SKC's comments, since turning 100% bullish at the higher cycle low of January 2002 (\$280/ounce), note the precise positioning of the precious metals (and their stocks) at the time.

Styles appear as they did in the original market letter.

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**Jan. 21, 2002:**

***Gold: All indicators are positive and a \$40 run at any time may be seen as likely. Many individual companies have turned-up chart patterns and seem ready for break-outs! One such possibility may be Durban Roodepoort Deep ADR (Drooy)..... Whatever gold stocks one chooses, I believe that for those for***

*whom it would be appropriate, it may be worthwhile to have a few low priced equities that are leveraged to the price of gold.*

Comment: Over the next **4 ½ months**, DROOY rallied from **\$1.58** to a high of **\$5.86**. Gold rallied **\$45** over the same period and was about \$100 higher within the pursuant year.

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**Mar. 3, 2002:**

**GOLD:** The U.S. Dollar will have proven to be overvalued and, in search of a liquid currency that is worth its weight, capital flows to gold could have a far more dramatic effect on its price than what market watchers imagine. If the Philly Gold and Silver Index (new up-trend in place) and levered gold stocks are any indication, this will indeed be the case. Apart from Japanese Domestic Demand-Oriented Value stocks (DDOV's), this continues to be the only group in which I believe. Let others roll the dice.

Comment: Past is prologue.

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**March 30, 2002:**

**GOLD:** If I may be repetitious, the metal is in a new and powerful bull-market that will soar beyond all present expectations. As so often written here, follow the gold stocks (the Philly Index) for true direction and maintain a portfolio of quality, highly leveraged (to the price of gold) junior gold stocks for profit.

The supporting background for gold includes a **U.S. Dollar** that is overvalued versus the **Yen** and the **Euro**.

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**June 9, 2002:**

One ought to be on guard for lofty prices in the particular equities that one may wish to purchase. These pages have consistently promoted the ownership of a portfolio of gold equities that are highly levered to the price of bullion, for those for whom such a strategy is appropriate. The nature of Joe Public is to wait 'till everyone else is doing the same. Regrettably for JP, that means paying lofty prices, which he has now done. Therefore, watch out.

Comment: That year's first half highs were achieved and small caps pulled back sharply.

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June 16, 2002:

**GOLD:** Upon examining the charts of individual smaller gold equities, 5 waves up are clearly formed, the Elliott Wave Theorists may note. The implications are: As repeatedly forecast – from the lows – such stocks are in new bull markets. An intermediate term correction has begun that is forecasting a more-or-less sideways correction in the price of gold. Such a correction in the gold stocks that are levered to the price of bullion could coincide with a short-term rally in the stock market.

Comment: Gold only tested above \$300 and indeed moved **sideways** for six months, before spiking **\$70 in two months**.

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June 22, 2002:

**GOLD:** Gold is firm in the \$325 area. \$290 was mentioned in SKWC as an intermediate term maximum-expected pullback level. More realistically, in fact, a correction in the metal would hold around \$305 through the summer (as equities rally?).

Comment: This is what occurred and what went on to occur, precisely.

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June 30, 2002:

**GOLD:**

**Consistent with counter-cyclically bullish Asian equity markets, gold and silver are in massive bull cycles.**

Comment: The same could be said today.

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July 20, 2002:

The securities community's pathetic sense of timing notwithstanding, juniors or stocks highly leveraged to the price of GOLD (SKWC's favourite group, after DDOVS) have been cut in half. A stock like Barrick (ABX) is down 30%! Such re-positioning (trading), for those capable of it, can play a major

role in leverage creation. Sidestepping pullbacks is only appropriately attempted the way we did it. Sell when there is extreme overvaluation, the story is now in (rather than out of) vogue and the metal itself is coming into resistance. Overvaluation (discounting) means, don't forget, that one can get back into the tradable (many investors have core positions and a certain portion that may be traded) stocks sold with little or no damage, if the metal breaks out.

Comment: The above not only illustrates timing, but methodology and strategy respectively, as well.

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Aug.11, 2002:

### GOLD/DOLLAR:

SKWC has forecast and identified every movement and even near term gyrations in the price of gold. More importantly, SKWC has correctly timed the entry points for gold share purchases. Our favourite group, smaller or larger companies whose shares are very leveraged to the price of gold (many such shares today are lower priced), pulled back 50- 66% while larger, well known names returned to levels last seen at gold \$280. Such is the value of timing.

The previous 2 weeks' letters have stressed, however, that one should go ahead and purchase our preferred theme's shares at the achieved buy points. The reasoning is\was that with the secular trend prepared to catapult gold to much higher levels, an eruption could occur at any time. Therefore, be positioned in advance. As you know, this is a long held SKWC credo.

Comment: The latter red-highlighted portion is definitely something I say right now.

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Aug. 19, 2002:

...DROOY indeed continued to \$5.00. As discussed, one must decide whether a position is a short-term investment, a long term one or whether it is the latter with a trading position (portion) for big swings at key levels.

...GSC (Golden Star, Toronto) stock has a 52-week low of 0.57 and 52-week high of \$3.79. GSC closed Friday at \$1.77. For

those who would only wish to bottom-fish for this highly speculative situation, a buying zone may exist at \$1.25-1.50.

Comment: This stock was recommended to buy at \$1.00, sell at \$2.00, and repurchase at \$1.00, en route to \$10.00 (see below).

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**Aug. 25, 2002:**

Last week, SKWC mentioned Golden Star (GSC-Toronto, GSS-Amex). The stock closed Friday on the Amex at \$1.05 US.

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**Aug. 31, 2002:**

The reason SKWC came to favour support in the \$305 zone, as opposed to \$290 is that a major secular bull market invites many players that need to accumulate, who then do so at prices where volume is available. The effect is a correction that is shallower in price but longer in time. That is exactly what we have seen.

SKWC reiterates the commentary of recent weeks: Any stock that has hit an investor's desired buy point ought to be purchased. Risk is to the upside with little relative downside.

Comment: Exact.

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**Sep.14, 2002:**

The metal wants to break over \$325 and, when it does, the short-term momentum is on its way. Last week's letter was replete with stock recommendations and a 32-year gold chart that clearly shows that the break over \$350 will usher in an explosion that many will surely relate to war that, as SKWC readers know, has nothing to do with anything.

Comment: Simply, please refer the chart.

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**Sep. 21, 2002:**

SKWC has been enjoying unparalleled good fortune in targeting the metal, as well as entry points for both micro and macro-caps vis-à-vis gold (see previous comments). For instance, after desired micro-cap issues corrected 50%, they were

recommended, regardless of whether or not gold had achieved the last drop of pullback. Timing was ideal as the backdrop was a metal that we did not see falling much below \$305, anyway. Equity discounting being what it is, there was no logical reason to wait and SKWC reiterated that it would be foolish to (repeatedly?) risk missing out on the bounties of a secular bull market.

Comment: Accuracy aside, please read carefully for viewing against the backdrop of today's situation, as I see it.

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**Oct. 5, 2002:**

By the way, Japanese imports of gold in August were up over 80%, year-over-year. One month should not be analyzed here but we remind that what is good for Asia is good for gold! How superb it is that our ideal portfolio is---and has principally been for 33 months---filled with gold, non-Dollar assets and Japanese Domestic Demand Oriented Value Stocks!

Comment: Important!

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**Oct. 26, 2002:**

It is the updated and honed view of this service at this time that the present gold correction will take the form of an A-B-C-D-E contracting triangle, in Elliott Wave terms. Simply, this means that the metal should trade between \$310 – 325, before resuming its greater advance.

Comment: This is **precisely** what occurred. On the correction's completion, gold blasted off over **\$70**.

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**Nov. 3, 2002:**

**An update on Golden Star:** The most recent recommendation discussed an ideal buying zone in the \$1.25 – 1.50 Cdn. range. The stock closed Friday at \$2.10 and will probably have offered traders doubles more than once over this past year. Three months ago, the company reported record earnings and better than expected 2<sup>nd</sup> quarter production. It remains SKWC's favourite small cap for gold leverage, at the prices referenced in these pages....

Comment: Re: the micro.

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**Feb. 12, 2003 (Special Report):**

...Regarding gold stocks, the position of favouring equities leveraged to the price of gold is maintained. Speculators and investors using the Philly Gold and Silver Index (XAU) may use 67 as a buy point, with SKWC viewing 60 as the worst- case scenario. That index has seen a rally from 59 to 89 since SKWC turned bullish, based on when SKWC turned "permanently positive" on the underlying metal (the low in 2000 was 45) and the potential remains enormous.

**All figures here reflect top-to-bottom or bottom-to-top performances, as the case may be. No exits and re-entries are included, much as that would add to performance. Dates used are those above, when SKDF or SKWC made the market call in question (as follow-up to this report, feel free to visit "previous comments", including "selected past comments" within that folder, as well as "Sid in the press", online at [www.sidklein.com](http://www.sidklein.com)).**

- the Dow fell 38½%
- the S&P collapsed 50%
- the NASDAQ was destroyed 78%, taking many high-fliers down worse than that
  
- *by contrast DDOVS, that offered and offer the best risk-adjusted profile, bottomed when the US peaked and portfolio issues are up about 30% (not shown), with much of the gains coming over the past 4½ months (currency excluded)*
  
- the Yen rallied 13½%
- the Swiss Franc has performed 25½%
- the Euro has erupted 27%
  
- **gold shot up 37%**
- **the Philly Gold & Silver Index (XAU) advanced 50%**

Comment: I encourage you visit that letter ([www.sidklein.com](http://www.sidklein.com)). It was a key interim report that summarized the post-2000 period.

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**Mar. 2, 2003:**

Moreover, the major gold stocks have so under-performed the metal itself that the money managers would be looking to these more liquid issues in closing the performance gap.

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**Mar. 13, 2003:**

# **GOLD BUY POINT?**

**...Consistent with previous commentaries since January 2002 (see the Feb. 12, 2003 Special Report), today's action in the metal may reasonably be viewed as a buy point.**

Comment: This special bulletin identified the forecasted low with precision, as gold then spiked up sharply. Within weeks, gold took off about \$50; \$100 over 10 months.

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**Mar. 31, 2003:**

**Gold is in a massive secular bull market, though presently in the lower range of a correction of the entire cyclical advance to-date which, when completed, ought to be followed by a move in the metal to \$500 per ounce, en route to still higher levels thereafter.**

Comment: Here you have a summary of the then, short, intermediate, long and secular terms.

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**July 3, 2003:**

**Last month's comment reported:**

*"The metal may retrace from here 'toward' \$330, with support at \$340. As stated in these pages so often, the bottom line is still that gold remains in a massive secular bull market, with the next major stop within the secular context being \$500".*

**Right on cue, gold pulled back sharply toward \$340 and the 200 day moving average. The correction may be over or it could yet decline toward \$330 but the point is moot. What matters is the activity in gold stocks.**



Those that are leveraged to the price of gold have been outstanding and did not decline as the metal declined sharply from \$390 to \$320. As these equities did not previously rally as gold soared, it struck us as obvious that smart money would use the supply created by weakness from \$390 to accumulate, as public money would trade, missing the big picture, along with the here oft-contemplated eruption to \$500 per ounce.

Comment: This was the ideal, and forecast, analysis.

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Aug.1, 2003:

There is no change in strategy (see "previous comments" folder). Two stocks that were recommended in these pages approximately doubled, before exit and re-entry. Of the two, Golden Star is here referenced as a stock that has recently doubled again, with a very bullish pattern.

Due to major price changes in this letter's favoured equities, there are no recommendations here this time but **GSC's** move to \$4 **portends the coming blast-off in the metal** (certain stocks, taken together, act as leading indicators).

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Sep. 6, 2003:

As of January 2001, SKC began forecasting and identifying each peak and trough in gold, warning that the metal would commence its move to \$500, after a pullback that would itself follow an advance beyond \$350. Moreover, a sign of this, SKC wrote, **would be gold stocks advancing as the metal went net-sideways**. This would correct the stocks' under-valuation versus the metal that had developed, while beginning to discount the assault on \$500. As all this has occurred, enjoy the coming year's run to this target.

Comment: This is another precise expression, regarding different equity and asset allocation analyses.

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Oct.4, 2003:

**CHINESE GLITTER:**

The future demands that China guarantees for the metal is both extraordinary and consistent with SKC's long held view that dominance is shifting from West to East, for hundreds of years.

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Nov. 17, 2003:

The purpose of re-printing the above is to describe an asset allocation shift within SKC's model.

Since early April, gold has indeed taken off about 23%, while the Philly Gold and Silver Index has soared about \*\*66%, since the identification of the March 13 stock market low!

The greater context is that SKC forecasted that the previous model of gold stocks' countertrend performance vis-à-vis the Dow would break down, as a bull trend would cause investors to look for what behaved "well" during the post-2000 collapse\*\*.

Thereafter, on March 13 (see above), SKC wrote that fund managers would seek the highly liquid equities, thereby narrowing the underperformance of gold blue chips vis-à-vis the market. **In other words, SKC was no longer of the view that one should be predominantly in small and mid-cap issues (i.e. – Golden Star, Goldcorp, etc.) but, rather, that one should have half of one's gold equity portfolio in the bigger names.**

Comment: Performance, market timing, asset allocation... and the capacity to adjust.

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Feb. 11, 2004:

SKC has identified every intermediate term move in the metal since turning bullish at \$285 in January 2002. Moreover, our asset allocation within the theme has been as ideal as our asset allocation in general has been among the different asset classes (stock markets, currencies, gold). SKC has favoured the metal when appropriate, the small or mid-caps when appropriate and, more recently, the shifting to greater weighting in big-caps when deemed appropriate.

For good measure, SKC basically focused on only one stock by name (due to general restrictions pertaining to the publication of specific recommendations). Not being able to restrain ourselves, SKC focused on Golden Star, which doubled before

exit was recommended for traders. The latter were advised to re-enter at half the price, before the stock compounded the 100% returns by then soaring 1000%.

In general, in today's more abbreviated letter, gold may be seen to be basing for its next lift-off to the long stated target of \$500 per ounce. The 200-day moving average at \$380 represents a meaningless "c-wave" possibility (Elliott Wave).

**Comment: This absolutely and precisely again identified a major intermediate term turning point!**

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June 6, 2004:

**On May 1, SKC offered:** *"Considering the price pattern similarities to the Dow Jones that large cap gold stocks have, and given the enormous compounded gains that SKC has enjoyed over the past fifteen months by moving in timely fashions from small caps to mid-caps and then to large caps (which themselves include 50% - 100% returns, over the past year or so), it is wise to use equity strength to liquidate positions (into countertrend rallies)."*

- *"A rally into the low 400s in gold should be used to liquidate stocks."*

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Nov. 7, 2004:

The single most important point, in my opinion, is that gold is just beginning its bull market, basis the foreign currencies (non-US Dollar).

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Dec. 10, 2004:

Last week, a simple note was emailed to readers, to alert that this month's commentary would be delayed by one week. The opportunity was used to slip in the following comment:

"The next transmission will probably contain a comment identifying a turning point in the precious metals, as SKC's two-year old targets are being achieved.

**"After all, didn't "smart money" bail early, and isn't sentiment finally getting frothy out there?"**

Comment: THE PERFECT PEAK, AGAIN.

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**Jan. 8, 2005:**

Gold turned back as forecast in these pages, when the froth of excessive investor enthusiasm consumed the newfound "long term investor" (read: "he who bails at bottoms, anyway"). Now, around \$417, gold is trading at support and the 200-day moving average. As reported earlier, given the advance bottoming of gold shares relative to the metal, for investing in gold shares, calling a low in gold is unnecessary, as long as one has a reasonable sense as to what its worst-case scenario may be. SKC estimates that worst-case scenario to be \$410, so why wait...if one is buying the right stuff at the right prices? Of course, the last sentence's operative word is, "if".

Comment: THIS SAID IT ALL. THE RECENT LOW IS \$410. THE GOLD AND SILVER STOCKS HAVE TURNED UP.

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**Nov.6, 2005:**

Gold is in the process of being held almost exclusively in the hands of Easterners and there's nothing the West can do about it. It belongs to them, now. SKC felt that \$455 would be the worst case scenario. We're there now. \$445 wouldn't change a thing. For what it's worth, since January 2002, SKC has forecast spike corrections that stopped on a dime at those levels, at which points we would also warn of what could be the next and meaningless level – that would almost never materialize anyway.

Comment: Gold fell to within \$1.00 of SKC's idealized target, thereby again forecasting and identifying a perfect turning point, one from which gold has since erupted nearly 30%.

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**Feb. 5, 2006:**

Since gold broke out of a contracting triangle above \$440, a wave three of three for this move is completing, which should result in the entire move's completion in the \$600 area, by

**quarter-end. Meanwhile, due to momentum, a wave-four correction should be contained by \$540.**

Comment: Again, the definition of perfection. The peak was identified, the subsequent pullback stopped where forecast, and the ensuing rally was consistent with subsequent events and forecasts.

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### **November 5, 2006 summary of June – October period**

#### **PRECIOUS METALS & DOLLAR:**

**Perfect again. The correction was indeed A-B-C, as so often described and forecast. This is what has played out and while the very early-year forecast of \$850 per ounce for this year is unlikely, \$750 isn't. Either way, the forecast stands, that a larger "Wave 3 of 3" will be underway next year, en route to \$2000. Ask yourself (again): "How much do I feel like making?"**

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**October 4, 2006:** "For trading positions, I turned bullish almost immediately after gold hit \$550 and turned bearish almost right at the countertrend peak "just under \$700", as forecast. Thereafter, I turned bullish again at \$605 **(on August 31st)**, choosing not to wait to see if the metal would indeed revisit \$550.

"Well, "more fully re-test" has occurred and it must be taken advantage of. At \$280, many didn't believe. Then several occasions existed between that level and \$400. Then 500. And for all the opportunities, we did see \$700, and we will again, and \$800, and \$1000, and so on. I avoid discussing my long-term numbers because I find that that only distracts investors from what's being projected for this cycle or the intermediate term.

"Bottom line: 100% long gold. That's always the case in the "bond" portfolio, but this is true for trading accounts now, as well."

#### **Retracing our steps:**

After commenting that a low had just been seen on **June 20, 2006** with gold then at \$575.30 and silver at \$10.26, the **June 28** letter then reiterated: "Gold and silver have bottomed and any new lows would be minor. Here too rallies could be sharp, violent, and short lived. Many markets are in periods of corrections within corrections."

From the **July 12, 2006** report: "When gold's low was identified, I forecast a massive A-B-C rally, implying that gold would rally all the way to back to approximate highs, before collapsing back to recent lows around \$550. For the very near term, for those who didn't enter earlier, this week's breakouts may be tradable, as our stocks are worthwhile for the longer term, in any event."

Then, on **July 18**, "As for gold, it has come through with SKC's huge rally within a correction. Simply, I looked for a rally off of the bottom toward \$700, before re-testing the lows."

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**January 7, 2007**

"Gold (\$606.70) is in a triangle that, when breached to the upside, can catapult the metal as high as \$800."

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**July 7, 2007**

"An analysis of the second chart on page 10, which is the 1-year daily silver chart, along with the long term weekly chart below reflect a safe entry at \$10, for which many will wait..."

"...The unsuspecting will miss it at \$11."

"Prepare too for a 200% silver position. It's not going to \$5.50 the ounce, for too many reasons to recapitulate here. Consider new highs at \$20. Well, do the math. Yes, a 200% position awaits us."

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**August 5, 2007**

"I see \$660 - \$670 as the bottoming area for gold. While the contemplated flush out toward \$605 is always possible, my preferred scenario since the intermediate peak was made appears to be playing out and completing, namely, a net sideways action that trades around \$650, so that sellers can put gold and silver into the strong hands of governments and other major long term players."

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**November 4, 2007**

"At the beginning of the year, I forecast that gold would cross and sail past \$700, perhaps this year, en route to \$1000 with speed."

"We have benefited from another \$150 move up....Note how this thing can take off to \$1000 now, with so much selling pressure gone (institutions needed money). Does the crowd expect it? Are the longs fully long?"

"Forecasting that silver could make a low at \$11.00 (since most investors would wait for \$10.00 after a break of \$12.00), I wrote that the last decline should be used to go 200% long. My reasoning was that silver has and had no reasonable physical chance of dropping to \$5.50-\$6.00.

"I further reasoned that one's investment year is largely made by such a trade that includes a subsequent move to \$20.00, which is where we will be much faster than thought. Indeed, however, that a mere move back to \$15.00 would go a long way toward providing a banner year, too. If 200% long since \$11.50, what are returns even today at \$14.00? "

"...this move up in the metals may simply have been an initial move that merely requires a short term correction, before a yearend eruption to \$1000."

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**October 4, 2008**

"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."

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**November 13, 2008**

"...I am now moving from 100% to 200% long silver, basis tomorrow's average price. The chart above illustrates the perfection with which the initial (100%) position was established\*. Coupled with a short VIX position from 75, we are well positioned for a rebound in asset prices."

\* Approximate average price for 200% silver position: \$9.21.

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**July 11, 2009**

(Gold: \$912.8) **"The long term gold chart shows a dangerous triangle...for the bears. And the pursuant 2-year gold chart reflects a tendency to bottom "relatively" soon (I believe), before fireworks."**

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**December 6, 2009**

(Gold: \$1,161.4; -46.2) **"The entire move up in gold this decade was corrected when the decline ended at the forecasted \$700 level. Having identified another low then, at the end of the summer I warned that a pennant was forming under \$1000, and that its breakout would take the metal up to the \$1,050 – \$1,150 range.**

**"I continued that, 'Wherever the rally ends, the subsequent pullback should not break below \$1,000, or decline more than a \$150 (paraphrase).'"**

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Sid Klein

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