

TRAIN LEAVES STATION!

(Previous Bottom Confirmation Now Followed by Breakout)



July 22, 2013

No source of which I am aware has enjoyed the precious metals track record over these past 13 years as that expressed in these pages....until the past year's break of \$32.

However, after suffering with my brethren, not to be outdone by my own [200% long recommendation of silver at the 2008 lows](#), I forecast a low for the very conclusion of last month....and we nailed it.

Since and including that low, 3 additional reports recommended aggressive investment, as the bottom was technically reconfirmed. The provided a floor against which one could lever-up using different strategies (creating oversized positions).

The reports included synopses of several technical indicators at historic extremes, thereby supporting the case that a major wave was beginning that would take the metal to dramatically higher levels.

Not excluded were the arguments relating to the historic short positions and the fact that (1) those categories of investors had either changed their tune, or, (2) had hit the limit of their willing capacity for such ill-advised speculation, as the case may be.

Without again reprinting excerpts (for timeliness sake at this hour), SKGS was ahead of many in the pack in reporting that anyone who believed that QE would end just didn't or doesn't get the story and bigger picture.

Now, all has and is coming to pass as we are hitting the critical levels that will have driven the shorts to cover and provide the month of July with the forecasted breakout.

On a technical front, please note the **6-month daily GLD and SLV charts** that follow immediately below, respectively.



Above the price charts are the MACD indicator, which gave early warning that the trend had changed (virtually nailed the higher SLV bottom), but a more esoteric and important point (for me), is that the downtrend in momentum had broken!

This is based on the slow stochastic which appears below the price charts.

In the case of the SLV, the stochastic became overbought for the first time in 6 months. Therefore, experience showed me that the negative momentum had been broken.

Moreover, contrary to what less experienced technicians might and tend to conclude, an overbought reading did not mean cause for short term concern, since the mathematics involved in analyzing the composition of the indicator, simply suggests that, within the momentum paradigm shift, it would not take much positive price action to cause overbought readings.

Therefore, an overbought reading should not be taken to mean that there was/is risk of a short term top, but merely that the downtrend in momentum was broken.

A short term top is indicated by divergence, which has yet to appear, and one cannot know the price level at which such divergence will have appeared.



One must simply follow the relationship between price and momentum closely and react real-time, by adjusting the book of positions that was recommended in the 3 recent reports.

Specifics as regards the book of positions is not provided for regulatory simplicity, but what comprises the structuring of the portfolio was rather detailed in the letters.

Due to the same regulatory considerations, coverage of when to press trades or adjust the book's composition is not covered here.

Again bear in mind this reminder, however:

Through a basing phase, spreads, regardless their durations, go up! Particularly with a *backwardated* premium structure as what exists in the SLV.

[These are historic opportunities.](#)

SKGS'ers were there after 2013's difficulty.

Congratulations.

Sid Klein

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