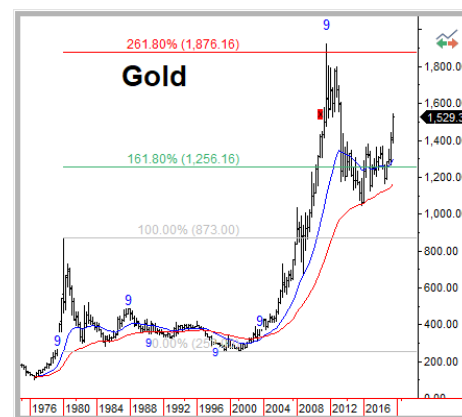


Consolidations Matter

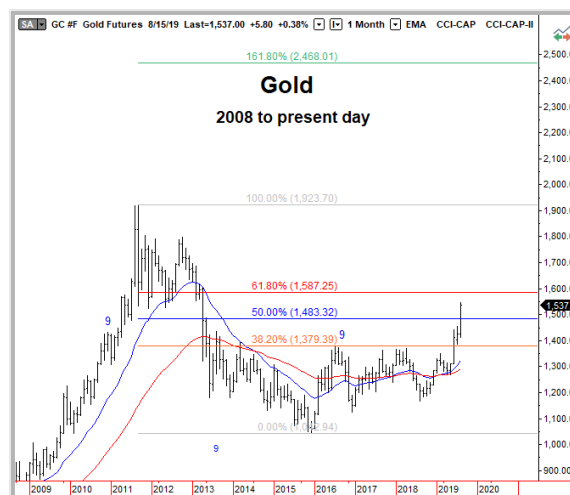
The depth of corrections provides one means of calculating objectives. This was seen in the 261.8% target of 26,702 in the Dow Industrials one year ago. The S&P measurements of 161.8% and 261.8% from the 2007 breakout targeted 2,138 and 3,047. The gold breakout in 2008 measured to \$1256 and \$1876.



The current retracement targets from the 2011 top in gold are:

- 38% - \$1379
- 50% - \$1483
- 62% - \$1587
- 162% - \$2468

The 38% level presented resistance for three years. Fifty percent has been a non-event. The next level to watch is \$1587 which coincides with the 20-month distribution pattern in 2011-2012.

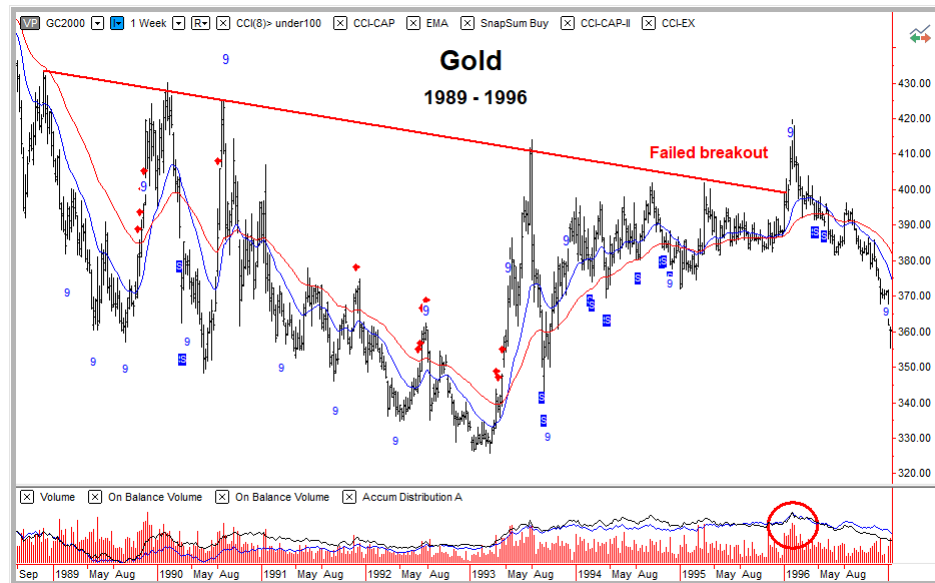


The longer and deeper a consolidation/correction process takes, the more energy it accumulates. Once a breakout occurs on rising volume, the better the chance for a prolonged move. Simple targets can be determined based upon the depth of the break that preceded the breakout.

The current target, based upon the 2018 low, is right here around \$1530. A close below the 20-day ema (*currently \$1481 and rising at \$4 per day*) could result in 61% retracement from May and a test of the \$1360 breakout. The 2003 example saw prices hold at the moving average, push higher for three weeks to \$390, then break the ema and drop to \$320.

A worse-case correction, holding around the \$1350 breakout, the 50-week ema and generating a weekly Sequential 9 Buy Setup will keep the bull market alive.

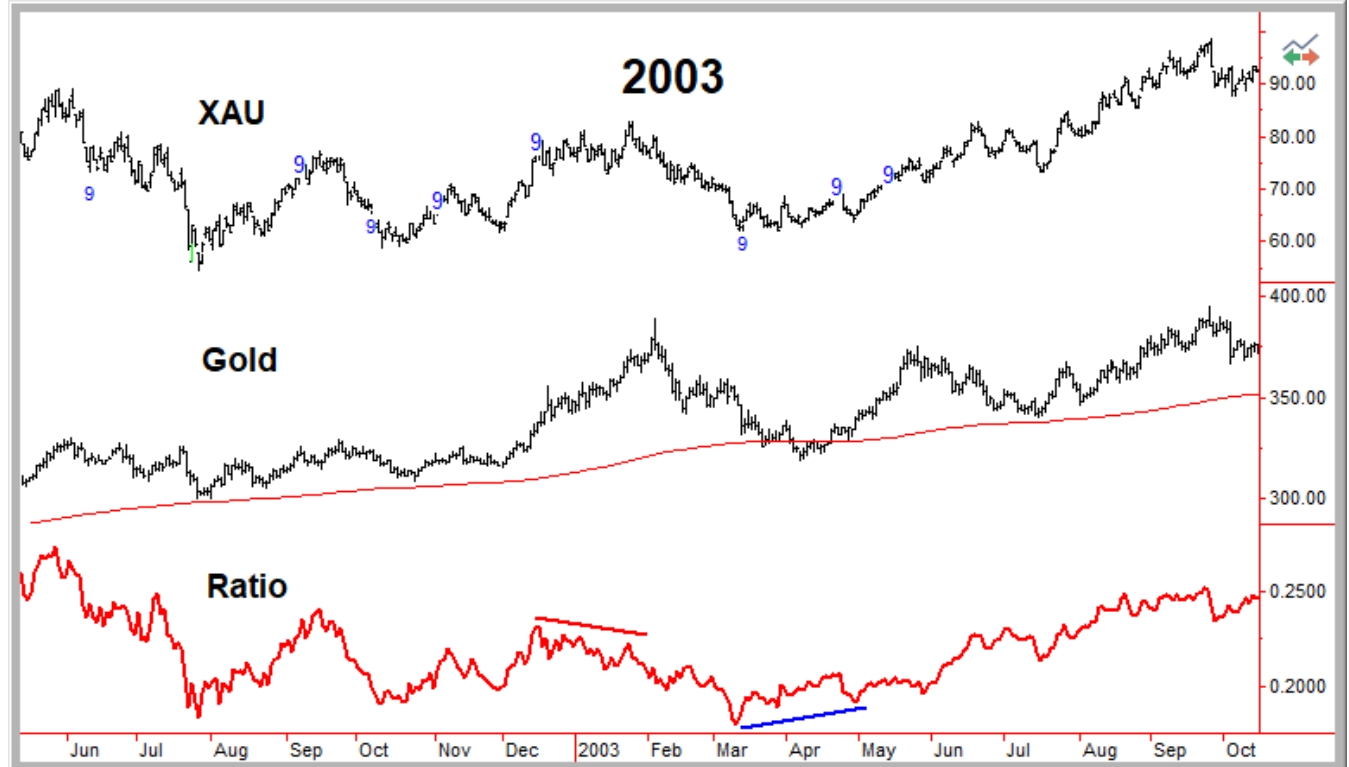




**A shown last week, the GDXJ has completed daily and weekly Sequential 13 Countdowns.
A downside correction would be healthy.**



Miners (XAU, HUI, GDX, GDXJ) have been *underperforming* bullion since July 25th. This is what occurred after December 16, 2002. The correction in Q1 of 2003 became a major buying opportunity.



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