



**YieldSafe INVESTMENTS LLC**

## OUTLOOK

"XAU Posts Biggest One-Day Rally Since 1999"  
10/8/2008

In our Outlook on 10/7/08, we expected Gold Stocks to rally since they were extremely undervalued relative to Gold. In particular, we expected the XAU, a proxy for Gold Stocks, to rally to 115 or more within 2 months. One day after our Outlook on 10/7/08, the XAU advanced 16.95% to close at 121.20 on 10/8/08, posting its biggest one-day rally since 1999.



As we discussed in our Outlook on 10/7/08, Gold Stocks were extremely undervalued relative to Gold based on the Gold/XAU ratio hitting all time highs of 8.54 on 10/7/08. In the near term, we expected some reversion to the mean with the XAU significantly outperforming Gold on the upside. As shown by the graph above, the Gold/XAU ratio reverted sharply downward from 8.54 on 10/7/08 to 7.46 on 10/8/08. At the same time, the XAU advanced 16.95% from 103.63 on 10/7/08 to 121.20 on 10/8/08. In comparison, Gold only rallied 2.78% from 882 on 10/7/08 to 906.50 on 10/8/08. Given that the XAU has more than surpassed our target of 115, we have taken profits on our position in Gold Stocks and will look for other opportunities to capitalize on anomalies in the market.

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