



### OUTLOOK

"Golden Opportunity in Gold Stocks"  
10/10/2008

Here we are presented with another buying opportunity in Gold Stocks. Let's face it. This is not a long-term, buy and hold type of market. It is more of a hit and run type of market in which one needs to be nimble to capitalize on short-term trading opportunities. We did just that when we went long on Gold Stocks on 10/7/08 and took profits on 10/8/08 after the XAU launched its biggest one-day rally since 1999.



Just 2 days after its big rally, the XAU index, a proxy of Gold Stocks, has fallen sharply along with the stock market. Once again, it has reached extremely undervalued levels relative to Gold as shown by the exceptionally high Gold/XAU ratio of 8.54. We will take this opportunity to re-establish long positions in Gold stocks as we anticipate the Gold/XAU to revert lower and the XAU to outperform Gold. Within the next 8 weeks, the XAU should rally to 110 or more from its close of 100.56 on 10/10/08.

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