

Postscript: To Possible Perfection(?)



August 22, 2010

NB: This interim update is a postscript (ordinary black) to the August 1, 2010 letter, excerpts of which appear in **blue**.

PRECIOUS METALS

I had made up mind that, based on the text in this update, gold had bottomed, before concluding that I may as well wait for the monthly report, due to be published the following day.

Gold immediately reversed sharply (Friday, pre.-August 1, 2010 report), denying public 'low-to-the-day precision.' **Bottom-to-top, gold has rallied \$80.**

Long live the talking heads; worth every penny, as you will read in the excerpts.

The 1-year and 90-day charts in each section of today's interim report tell the story. (Of course, they immediately precede the excerpts from the initial report.)

Does gold now correct to the \$1,180 - \$1,200 area? *Read on.

This gold section's charts follow on page 2.



The following excerpts do not appear in the same sequence at they did in the initial report.

August 1, 2010:

However, I also warned that the long term chart (see below) was preparing to accelerate its pattern, toward my target for this phase of the very long term cycle, to \$3,500.

(NB: For broader context to today' update, see [GOLD 1500.](#))

Consistent with the comments on page 8, I raised my expectations (concerns) to include the probability of a correction that ends at \$1,150.

Apart from this, please recall that I have often warned that gold's CORRECTIONS conclude with spikes down, which would frighten investors into worrying that a correction was just BEGINNING! Why?

Sure enough, this week's 1-day correction of over \$20 brought the business channels' talking heads out to express their utter disbelief that gold would resume its bull market anytime soon!

They have, among other things, OVER-accepted my argument that investors need to raise cash from what they own, and gold is what investors have piled into during more recent uncertainties.

Simply, you can only sell what you own."

The talking heads may have come out just in time for the Wave-3 acceleration up.

*Market commentary has finally surfaced that gold and the precious metals equities are following the broader stock market.

My mission statement has always been to be in advance of the popular press by as much as 6 - 18 months, depending on the size of the cycle (i.e. secular, near term, etc.).

I aim for precision, as in this way one at least achieves the best possible results. And I strive to rationalize the \$1,100, as well.

XAU

2010 may be said to have created a triangle, which will of course be violated to the upside!

In this case, should the XAU not correct to \$140 as previously forecast in these pages (and as low as \$120), then this index's correction will have largely been one of time, as opposed to price.

The simple way to understand this is that the capital-weighted selling pressure (and absorption) would simply have been the same, as a shorter but deeper pullback. This is what I have referred to over the years as a time correction, as opposed to a more common price correction.

I now adjust the upper-end target of expectations for the XAU to about 150, up from 140.

My style of risk management is to defer to the concern for a broader market correction and, as a result, I would only advise 33% investment into one's targeted/favoured equities, at this time.

Simultaneously, investment into the broad gold indices via derivatives of any kind is still viewed as most unwise. Time premium risk spells a scary double-whammy, especially when considering the probabilities for the component variables' outcomes.

"Once this Wave-C decline is complete, a spectacular opportunity will present itself, of the sort that comes but once or twice a century.

"Therefore, I have included the above precious metals-related links. The two PM reports explain how a Wave-3 eruption, to heretofore unseen PM equity levels, may be expected even as the stock market melts."

* - **GDXJ vs GDX And Gold** - 31 March 2010

* - **GOLD 1500** - 25 March 2010

As opposed to gold, any break to lower lows in this index would not necessarily be accompanied by similar action in gold.

This relates to the phenomena of upward corrections in gold, which continues to be caused by Eastern accumulation, coupled with the equity markets' effect on the precious metals index (XAU).

Correlating all commentary, I would say that the XAU's shadowing of gold could include the here-66%-favoured probability that the XAU will break toward 140, though perhaps higher (\$150).

All of the above suggested the 33% investment into gold equities, where appropriate in the context of one's own portfolio asset allocation planning.

The 1-year and 90-day XAU charts follow immediately below.



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DOLLAR/YEN

The **USD**'s move up from the 4th-quarter low relates to this brief, linked passage.

August 1, 2010 SKGS report:

"We are getting ever closer to a revision in our asset allocation model..."

Meanwhile, a bullish reverse shoulder-head-shoulder pattern is plainly in place. A break above 90 will send the bears running for cover...covering their short positions!

I advised going long the Yen at 116 – 117, months before it finally hit its lows, amid ridiculous and universally accepted foolishness which cited the possibility that "they" would never allow the carry trade to be unwound.

What "they" could not foresee was that the carry-trade would be unwound by a massive American printing press.

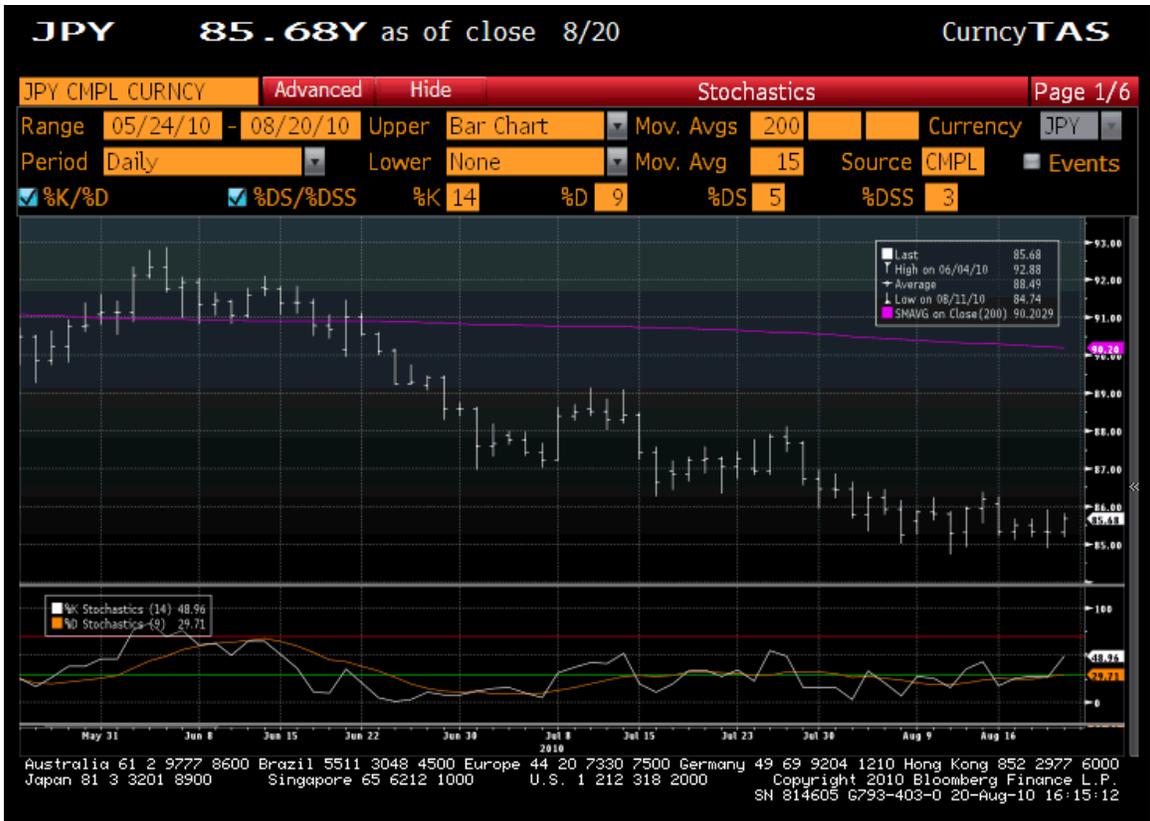
Please note the here-linked exclusive report that was written for Gold-Eagle.

Yen Monetization: The Fair Fight?

Thereafter and further coupled with the comments in the JAPAN section, as forewarned, please note that **I hereby officially recommend taking massive profits (presently under 82) in what I had called the "best fiat currency in the world for capital appreciation."**

Based on 116.50 and 81.61 Dollar/Yen (presently 81.61), the gain equals 30%!

The last 4 months in the Yen reflect a 5-wave decline. As forewarned and as of this month, **I have reversed from extreme bull to extreme bear in the Yen**, resulting in the simultaneous and critical alteration to the asset allocation mix (P.7).



ASSET ALLOCATION

Therefore, my asset allocation has undergone a strategic and customarily rare change.

Anyway, Japan watchers would be wise to note the Yen commentary contained in this and the last report (July 4, 2010).

Finally, my asset allocation model now reflects:

50% gold, with 25% Swiss Franc, and 25% US Dollar.

The lag times between the reversals in the different asset classes and sectors suggest very careful short and short-intermediate term analysis, in maximizing best prices, whether this relates to currency, bonds, equities, long/short positions, or derivatives relating to any of these.

However, this is true only to the extent that one wishes to try for best or better prices, since it is such prices that determine one's leverage.

Everything gets trickier, the greater the precision that one aims for.

Sid Klein

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