

# **Nikkei, Dow, Gold**

## **Right, Wrong, Right: 2**



May 1, 2011

### **SILVER**

\*I have long since been a part of the chorus regarding the inevitable failure of Comex and its inability to deliver on its silver contracts. While I have inserted this link more than once in these reports, study seems even timelier. (**GOLD 1500** - 25 March 2010)

To appreciate where we are today technically, the Gold-Eagle report of a year ago highlighted where we would be today. This is crucial, since today's long term forecast is \$3,500 for gold and God-knows-what for silver. So, please review the wave counts therein.

Those wave counts plainly contemplated today's levels. Why is this important? Because the wave counts were derived from the same still-larger wave (technical) interpretation, which is the source of: "**The next major Wave-3 stop is around \$3,500.**"

There was one major incorrect analysis, however, and it was that of the long term gold/silver ratio, where, after a few successful trades stemming from

sizeable swings, that position was permanently stopped with a break of 58...and what a break indeed!

But, above all, beyond the technical section that starts off the report, please pay special attention to the section, "**THE CHINESE, THE CRIME of the CENTURY & PSYCHOLOGY.**" Given all the buzz about the Bank of China, Chinese, Indians and, of course, secretive Russian billionaires, the recent explosion in silver may be better appreciated within that section's context, the perspective of which now enjoys the distance of a year's time.

\*Of course, that section offers serious out-of-the-box material to contemplate in attempting to understand today's greater silver picture.

Silver can always subdivide into moves that take the metal to \$53. This would confound and chase away what's left of the bears, with 90% bullish opinion already among traders as a backdrop. **This would especially be the case after a false alarm to the downside, which would take the form of a wave-4 decline to \$45, as part of the move from the March low.**

If such a scenario were to indeed develop - as my gut tells me - the first chunk of points would lob off easily.

This jibes with my view that gold is not spent short term (when looking at the indicators, etc.), and is certainly consistent with my view above that the GDXJ is in a final 5th wave from its January low.

**However, while silver is ultimately going to some unknown stratosphere (concurrent with gold's explosion to \$3,500), I fully expect the metal to correct to ~\$36.**

Since one does not bet on countertrend movements by rule, one must truly be strategic in one's approach. VERY soon, there will be a SUPERB entry point for a diagonal put spread.

Since, the spread is diagonal, waiting for any final \$1 movement would be ridiculous, once one has decided that the spec is appropriate for one's portfolio. Personally, where appropriate, I advise the venture.

The potential is enormous, with a high relative degree of safety. With the operative word being relative, I am clearly referring to risk/reward analysis and Sharpe ratios and stuff like that.

(Once again, I am limited as to what I put into print and how I may present it.)

## 1-year silver chart



## ASSET ALLOCATION

The breakdown remains:

- 50% gold
- 25% Swiss Franc
- 25% US Dollar

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