

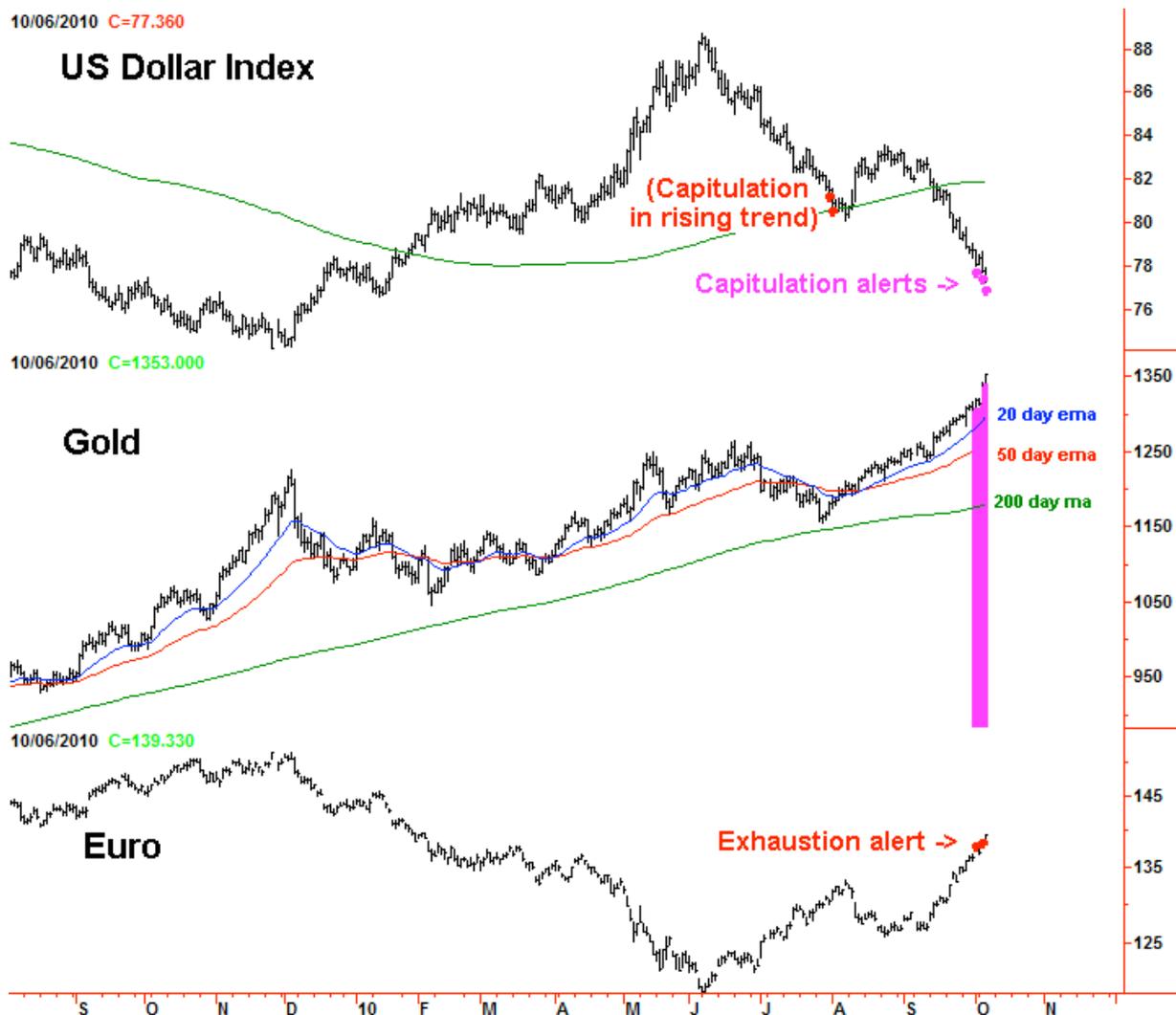
# ChartWorks

October 6, 2010

Technical observations of [RossClark@shaw.ca](mailto:RossClark@shaw.ca)

## Currency Alerts Suggest An Interim High in Gold Soon

Both Friday and Tuesday generated downside Capitulation Alerts in the US Dollar Index and upside Exhaustion Alerts in the Euro. In the eleven instances (dating back to 1975) where gold was trending higher, above a rising 200-day moving average, and the US Dollar Index generated a downside Capitulation Alert the bullion made an interim top shortly thereafter. The number of days and percentage that gold moved higher following the alert had a direct correlation with the depth of the correction. No rally extended more than eight trading days (*Oct 13<sup>th</sup>*). Once the top was in place the drop to the 50-day moving average occurred within 14 trading days. The moving average sits at \$1262 and is rising at \$3 per day.



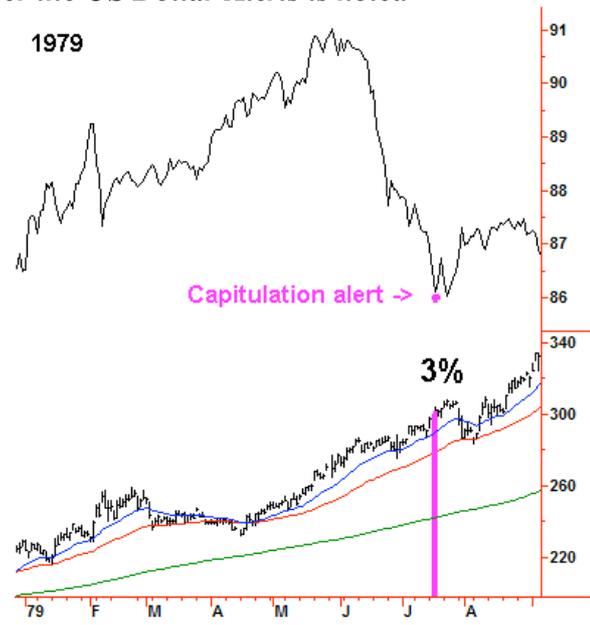
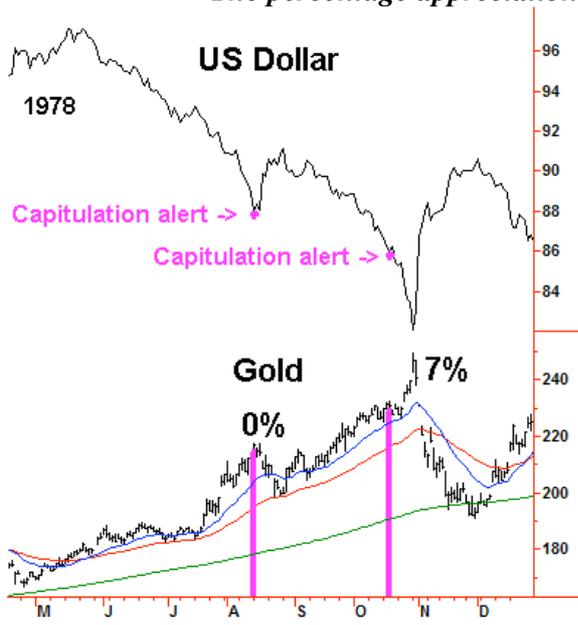
**Capitulation Alerts in the US Dollar resulted in the following gold action**

Alert	Alert	Days to Top	Percent to Top	Days from top to 50 ema	50 ema	Alert to 50 ema	Eventual low	Alert to eventual low	Drop from High
8/14/1978	\$217.0	0	0%	7	\$199.0	-8%	\$199.0	-8%	-8%
10/18/1978	\$230.9	8	7%	3	\$220.7	-4%	\$194.2	-16%	-23%
7/18/1979	\$301.8	4	3%	6	\$286.2	-5%	\$283.2	-6%	-9%
6/25/2002	\$320.5	0	0%	2	\$316.0	-1%	\$298.0	-7%	-7%
5/12/2003	\$351.9	7	6%	14	\$352.0	0%	\$340.6	-3%	-9%
1/5/2004	\$424.8	5	1%	4	\$408.0	-4%	\$388.2	-9%	-10%
11/23/2004	\$447.5	8	2%	3	\$433.7	-3%	\$410.4	-8%	-10%
5/5/2006	\$682.6	5	5%	9	\$636.5	-7%	\$542.4	-21%	-26%
4/17/2007	\$692.5	3	1%	5	\$674.0	-3%	\$641.1	-7%	-8%
7/17/2007	\$665.9	3	3%	5	\$665.0	0%	\$652.8	-2%	-5%
10/30/2007	\$795.3	7	5%	8	\$774.0	-3%	\$774.0	-3%	-8%
10/1/2010	\$1,319.0	now 3	now 2%		\$1,262.0				

**Other points of interest**

- The summer consolidation produced a measured target range of \$1330 to \$1350, suggesting that any price action beyond the current level would be into a blow off phase as most recently seen in December 2009.
- Gold has moved out of the steady upward channel from the August bottom as of Tuesday and has now entered the exponential phase, generally seen in the final stages of rallies.
- Gold is now ten weeks into the rally since generating the first higher weekly low on August 6<sup>th</sup>. Uninterrupted rallies tend to last nine to twelve weeks.
- A weekly Sequential Sell Setup is occurring this week in gold. A price high within the following week generally produces a decline to the 34-day ema.
- Daily Sequential Buy Setups are in place in the US Dollar and Sell Setups in the Euro. Reversals can be expected any time and will be confirmed with moves through Monday's high in the Dollar and low in the Euro.

*The percentage appreciation after the US Dollar Alerts is noted*







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