

## SILVER EQUITIES ENTER BUYING ZONE

The following is an extract from the March 08 Issue of **The Global Speculator** sent to subscribers on the 10<sup>th</sup> of April 2008.

The month of March 08 has seen the gold price rally to all time highs of around US\$1,030 an ounce only to come crashing back down to earth in recent weeks to begin a largely anticipated consolidation. The mainstream investment markets continue to make light of the disturbing economic news that is being released on a daily basis. Despite Ben Bernanke now entertaining the idea of a US recession, the markets continue to steadfastly hold key support levels. It is simply a question of when and not if these support levels will eventually break. This ship is simply taking on far too much water for the pumps to manage, but at this stage it is staying afloat.

### Gold Chart (\$US)



# THE GLOBAL SPECULATOR

10 April 2008

## XAU



## XAU GOLD RATIO

Key Dates	XAU/Gold	XAU	XAU Performance	Gold Price	Gold Performance	Net Position
19/11/2001	0.18	49.46		272.90		
28/05/2002	0.27	88.65	79.24%	325.50	19.27%	59.96%
26/07/2002	0.18	55.73	-37.13%	303.30	-6.82%	-30.31%
08/12/2003	0.28	112.21	101.35%	406.60	34.06%	67.29%
13/05/2005	0.19	78.99	-29.61%	420.70	3.47%	-33.07%
31/01/2006	0.27	154.19	95.20%	570.70	35.65%	59.55%
16/08/2007	0.19	125.99	-18.29%	662.25	16.04%	-34.33%
<b>Current (04/04/08)</b>	<b>0.20</b>	<b>184.68</b>	<b>46.58%</b>	<b>913.70</b>	<b>37.96%</b>	<b>12.60%</b>

The XAU, for the month of March 08, hit our short term target of 210 before falling 12% to 184.68, on a gold price retreat of 11.3% from its peak of just over US\$1,030 an ounce. March 08 has seen the XAU/Gold ratio fall as low as 0.19 before recovering to just over 0.20 in recent days, as the shares start to outperform the metal once more. This is bullish in its implications. The XAU has bounced nicely off strong support at around 170 and has performed admirably in the face of weaker metal prices.

## OUTLOOK

The two short term scenarios as I see it over the coming weeks and months:

**Scenario 1:** The XAU will continue to be range bound with support at 170 and resistance at 190 and 210. Regardless of whether equities rise or fall, I would still expect the precious metals sector to outperform the mainstream markets. I support this scenario.

**Scenario 2:** The general equity markets get caught up in a violent downturn, taking the precious metals sector temporarily with it. This could result in the XAU falling down to solid support levels at the 145 - 150 mark. Equity markets remain extremely vulnerable and the risk of this scenario occurring firmly remains. For now, I do not support this scenario.

### Intermediate Term Outlook:

Our next intermediate term target is 270 towards the second half of 2008 or early 2009, on a successful break of strong resistance at 210 - 215.

## NORTH AMERICAN SILVER INDEX (NASI)

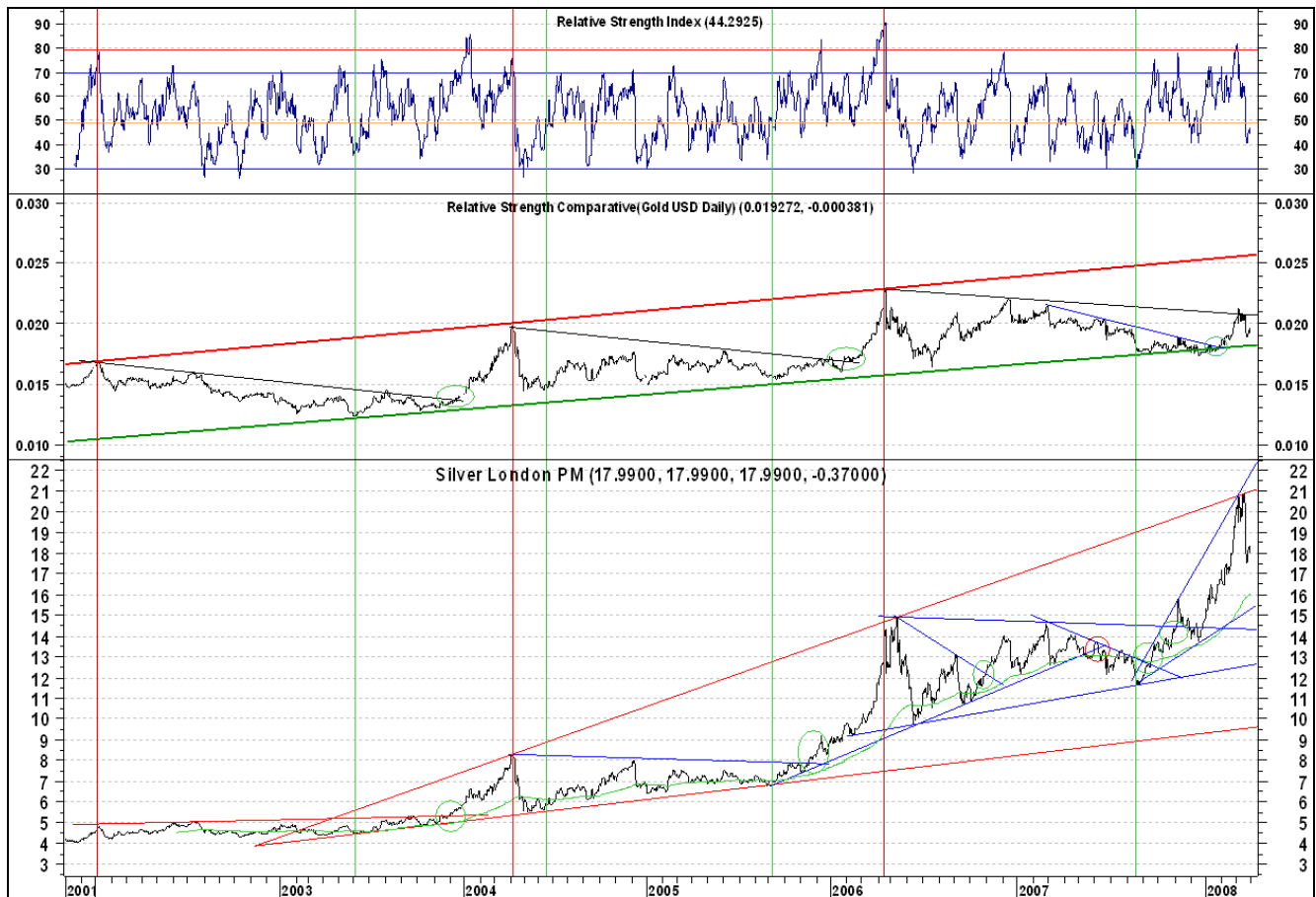


The NASI, for the month of March 08, failed to break strong resistance at 9,500 - 10,000, despite the silver price achieving new highs. The index has since held up remarkably well and closed at 8,378, as the silver price has retreated sharply to its present level at \$17.81. The relative strength comparative with the silver price (middle section of the above chart) entered the Accumulate region for the first time since April/May 2006, indicating silver equities again represent excellent value relative to metal prices. A look back to the beginning of 2003 shows this level has been hit on three prior occasions (green vertical lines), with each resulting in a fairly strong performance in the silver equities over the ensuing 6-12 months at an average return of 130% (classic buy on the dip indicator).

The chart below shows the silver price encountering stiff resistance at close to US\$21 an ounce. The relative strength comparative with gold (middle section of the chart below) also experienced overwhelming resistance at the 0.021 level, signaling the silver price was going to struggle. Silver is presently sitting in no man's land and has downside risk all the

way to US\$15.50 - \$16.00. Here, it should find strong support in the form of the 150 day moving average and a solid trend line.

## Silver Chart (\$US)



## OUTLOOK

The two potential short term scenarios as I see it over the coming weeks:

**Scenario 1:** The NASI will continue to be range bound from 7,500 - 10,000. The silver price will rally in the short term. This may see the NASI tackle strong resistance again, before retreating as the silver price pulls back towards strong support at US\$15.50 - \$16.00. I lean towards this scenario.

**Scenario 2:** If there is a sharp fall in the equity markets, we could see a worse case scenario of a pull back in the NASI

down to the longer term support level of 5,000 and the silver price down to \$13.50 - \$14.50. While a distinct possibility given the present market uncertainty, I don't presently support this scenario.

## **Intermediate Term Outlook:**

The next intermediate term target for the NASI is still 10,500 - 11,000, followed by a longer term target of 13,000 - 15,000 towards the second half of 2008 or early 2009. The next intermediate term target for the silver price is \$24.50 to \$26.50, again towards the second half of 2008 or early 2009.

## **CLOSING COMMENTS**

Given the disappointing performance of many precious metals equities, investor resolve continues to be tested. When I started investing in this market back in 2002, I often read articles about bull markets and how they are renowned for throwing off a large majority of investors along the way. At the time, I didn't really appreciate what these authors meant. 6 years later it is safe to say I am getting a better appreciation! The only reason I remain firmly in the saddle is because I have made the effort to understand as much as I can about why I am 100% invested in this sector. Once you have done these hard yards, you remain mentally immune to what the market has to throw at you. I sincerely applaud and encourage you all to keep reading and keep learning. For anyone interested I write a free newsletter on the precious metals market which you can sign up for at The Global Speculator website below. Past issues of the newsletter may also be accessed.

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