

WE ARE GETTING CLOSER?

The following is an extract from the May 08 Issue of **The Global Speculator** sent to subscribers on the 6th of June 2008.

May 08 has seen some consolidation in the precious metals sector. Gold rallied back over US\$900 only to retreat back to around the US\$880 level. I continue to see one more sizeable correction for gold, which could take it anywhere between US\$810 – US\$840. The key to where gold eventually finds its low will be the precious metals shares and how they perform as the gold price moves. We are looking for the shares to clearly outperform the metal. The most obvious signal will occur on a day where the gold price falls heavily and the shares depicted by the XAU or the HUI hold firm or even rally slightly.

GOLD CHART (\$US)

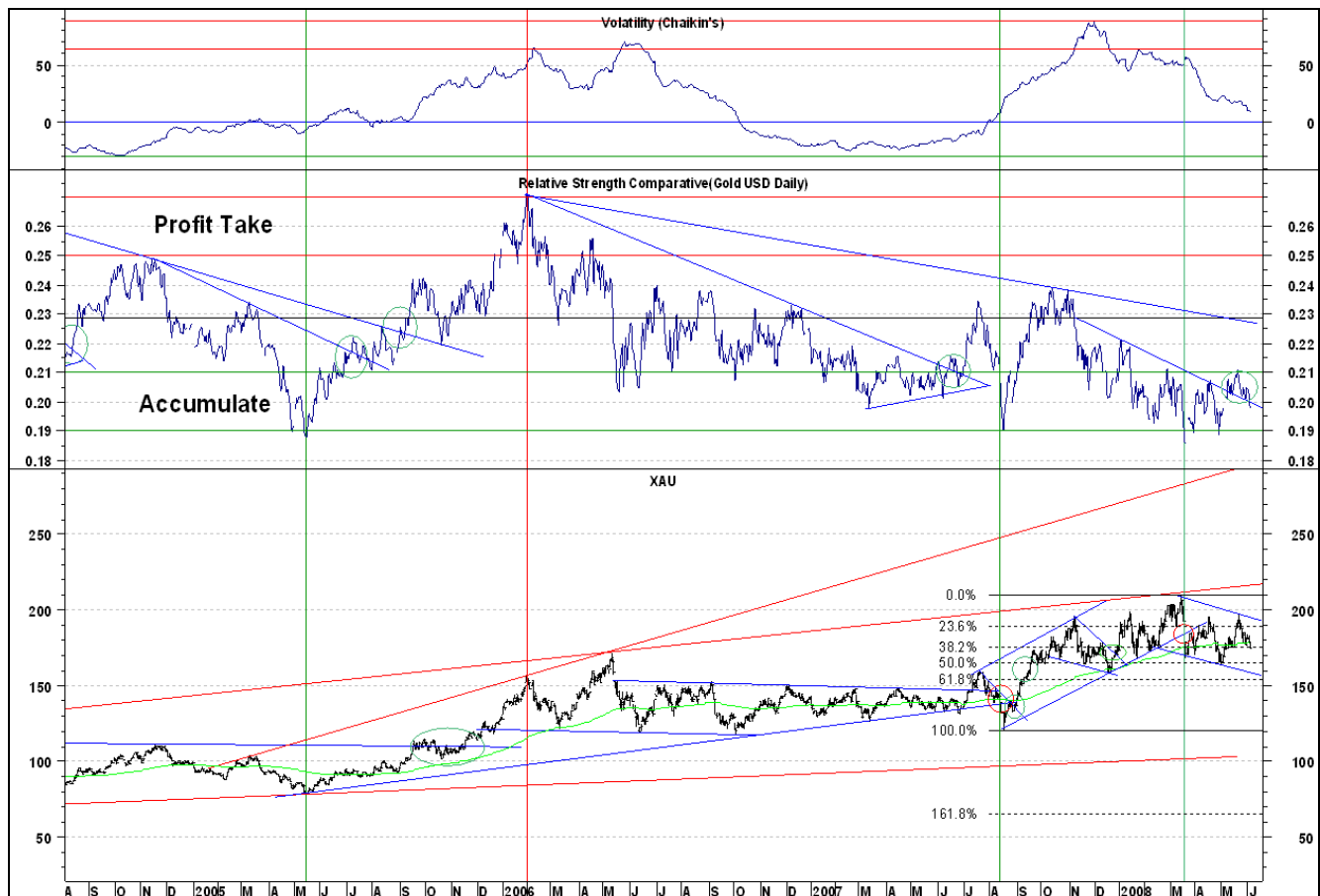


THE GLOBAL SPECULATOR

06 June 2008

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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% |
| Current (05/06/08) | 0.21 | 180.57 | 43.32% | 878.00 | 32.58% | 10.74% |

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The XAU, for the month of May 08, rallied to hit 196 before falling sharply with the gold price and has since steadied to be 180 as of the 5th of June. The XAU gold ratio has improved marginally towards 0.21, but remains in the consolidation range of 0.19 to 0.21 where it has been since late last year. As previously mentioned, we continue to look for the gold shares to lead us out of this temporary downturn. We need to see a definitive rally in the XAU gold ratio through 0.21.

OUTLOOK

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

Scenario 1: The XAU will attempt to find a definitive low along with the gold price. At this stage I see 155-165 as a reasonable support range as we continue to work towards a powerful rally in the second half of the year. In the event the gold price makes a lower low than the US\$850 mark hit in early May 08, look for the XAU to make a higher low than the 163 hit during the same period. 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 vulnerable and the risk of this scenario occurring 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 - 220.

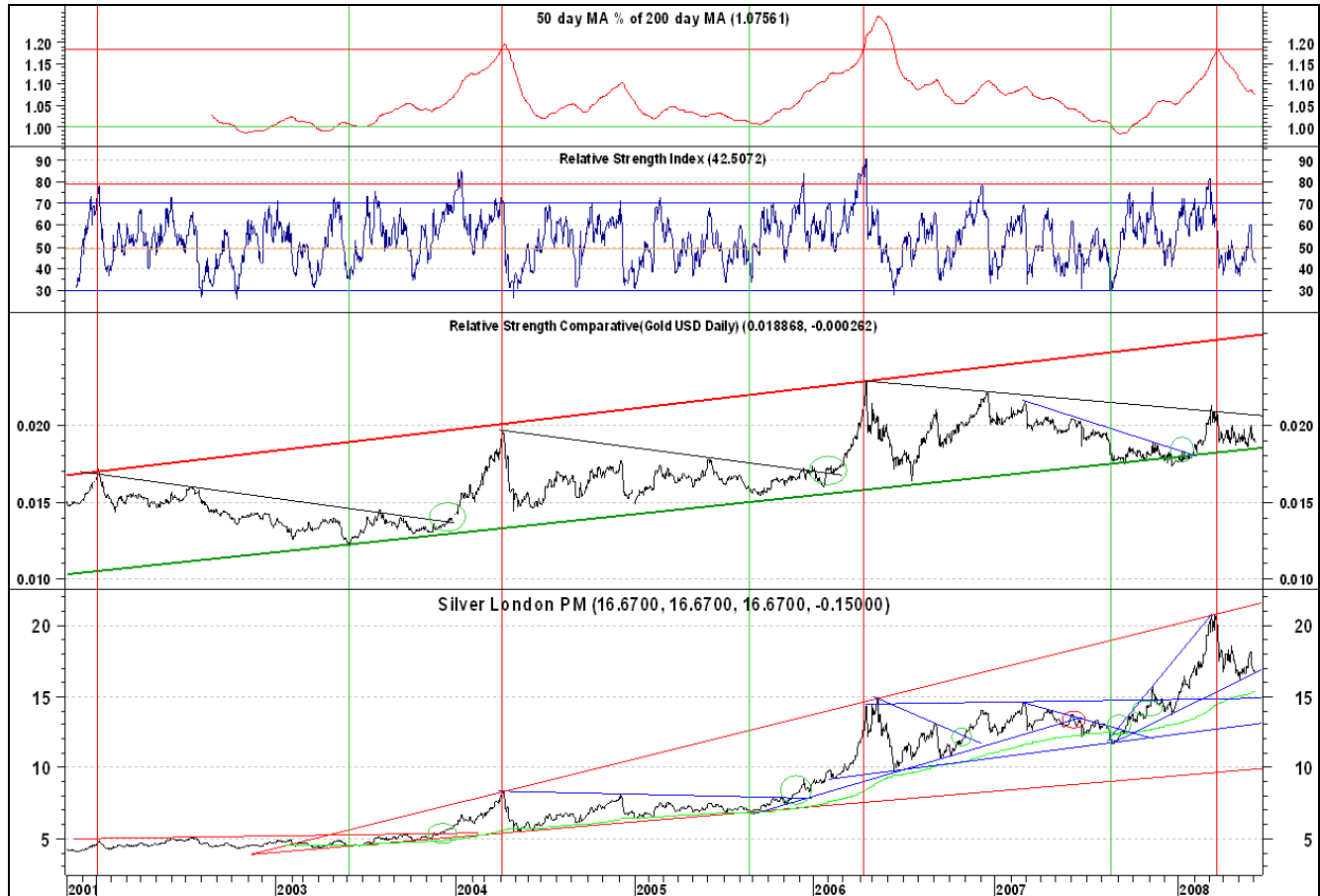
NORTH AMERICAN SILVER INDEX (NASI)



The NASI, for the month of May 08 rallied up to former support (now resistance) at 7,700, before pulling back down towards 7,000 as the silver price retreated along with the gold price. The Relative Strength Comparative with silver continues to deteriorate, indicating the worst may not yet be behind us. Like the gold scenario, we are looking for this indicator to break the resistance that has been in place since late 2007 and show some strength.

The chart below shows the silver price pulling back, as expected, towards support at US\$16.60 after a brief rally which took it back to just over US\$18.00 before running out of steam. The Relative Strength Comparative with gold (middle section of the chart below) remains on support. I continue to see silver falling further over the coming weeks, perhaps to the US\$15 mark, before finding support and hopefully an interim low. I have included a new indicator this month in the top section, which is simply a 50 day moving average divided by a 200 day moving average. We can see in past consolidation stages the silver price has put in a low when the two moving averages have been roughly equal (in other words 1) and the Relative Strength Comparative with gold has been on or close to support in the well defined channel (green vertical lines).

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 correct perhaps towards the 6,000 to 6,500 mark as we get into the final wash out of this correction. The silver price will correct and find support around the important US\$15.00 mark. I continue to 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 \$13.00. 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

May 08 has seen more of the same. I continue to wait for that definitive signal of strength in the precious metal shares to signal an end to this corrective phase. Having said that, I am close to 100% invested at this time and want to make the point that attempting to enter a market by timing the bottom is fraught with many dangers. "If" the gold price does in fact have one more near term correction to the levels we have discussed, I wouldn't expect to see a substantial correction from the PM shares which have already been on the receiving end of a hiding to nothing. I merely commentate on the short to intermediate term technicals, so you the reader can get your bearings on where we are at and where we are potentially heading. Almost entirely all my investing is done on a fundamental analysis basis, with technical analysis used to gauge market sentiment. The poorer the sentiment, the better the value being offered fundamentally and the more homework that needs to be done. Right now the indicators above are suggesting there is still some terrific value on offer. 2-3 months from now I wouldn't be surprised to see a very different landscape. 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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