

## August Trading Blog

August 20<sup>th</sup>, 2008

Market is selling off, FNM and FRE are collapsing 3.00 and 4.00 each. They are bankrupt, too much crap accounting, leveraging, lobbying. What should happen, if the government had any brains and the jury is out on that one, is the government should eat the bad debt (they caused it anyhow) then the assets of the two companies should be divided up in like 12 companies, and privatized. Of course that maybe too much common sense for this crew.

CDNX was actually up on the 20<sup>th</sup>, after being down 9 of the previous 11 trading days. Days are gloomy in the junior industry, but you want to buy when the skies are darkest.

The market looks like it like it is about to roll over and retest those lows of July, on any rally we will look to short stocks. However, this is very good for gold as the dollar should pullback and gold stocks should come out of this bottoming formation.



August 18<sup>th</sup>, 2008

Market sold off today. Dow down over 175. I think the retesting process is about to begin. Looking at the chart of the BKX (Banking Index) it looks like it is about to roll over to the downside. So does the XAL Airline Index, this does not mean a big decline but rather a retest of the lows in the coming weeks and month.

On the other hand gold and gold stocks should be about to rally the XAU to Gold ratio is still at a low level of .173. Juniors are completely in the depths of despair right now, the CDNX is down 8 of the 10 and 16 of the past 20 days! I have purchased some SST and AAB in the past few days. I know it is tough now, even I find myself getting depressed about the current market right now. But if you buy companies with real value, assets, production etc... It will be rewarded.

By the look of it this Dollar rally has been caused by intervention from the G 7. Foreign Central banks look like they decided a few weeks ago that 1.60 on the Euro was about as high as they wanted to go and they have been buying the Dollar. This makes sense as the dollar chart (going straight up for 11 trading days) looks like it is manipulated and not of natural trading patterns.

All manipulations end badly though and while the dollar could still rally to the 78 to 80 area it should resume its long ward downward spiral.

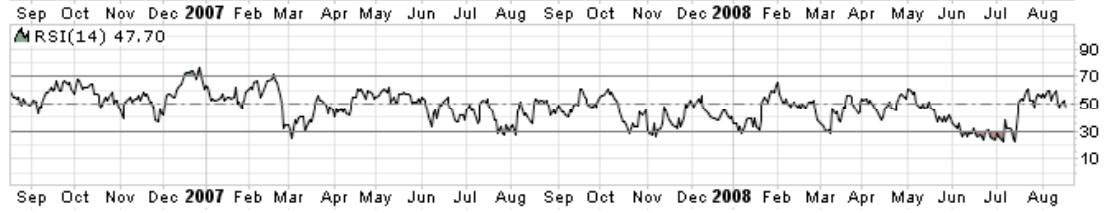
**\$BKX (Bank Index - Philadelphia) INDX**  
18-Aug-2008

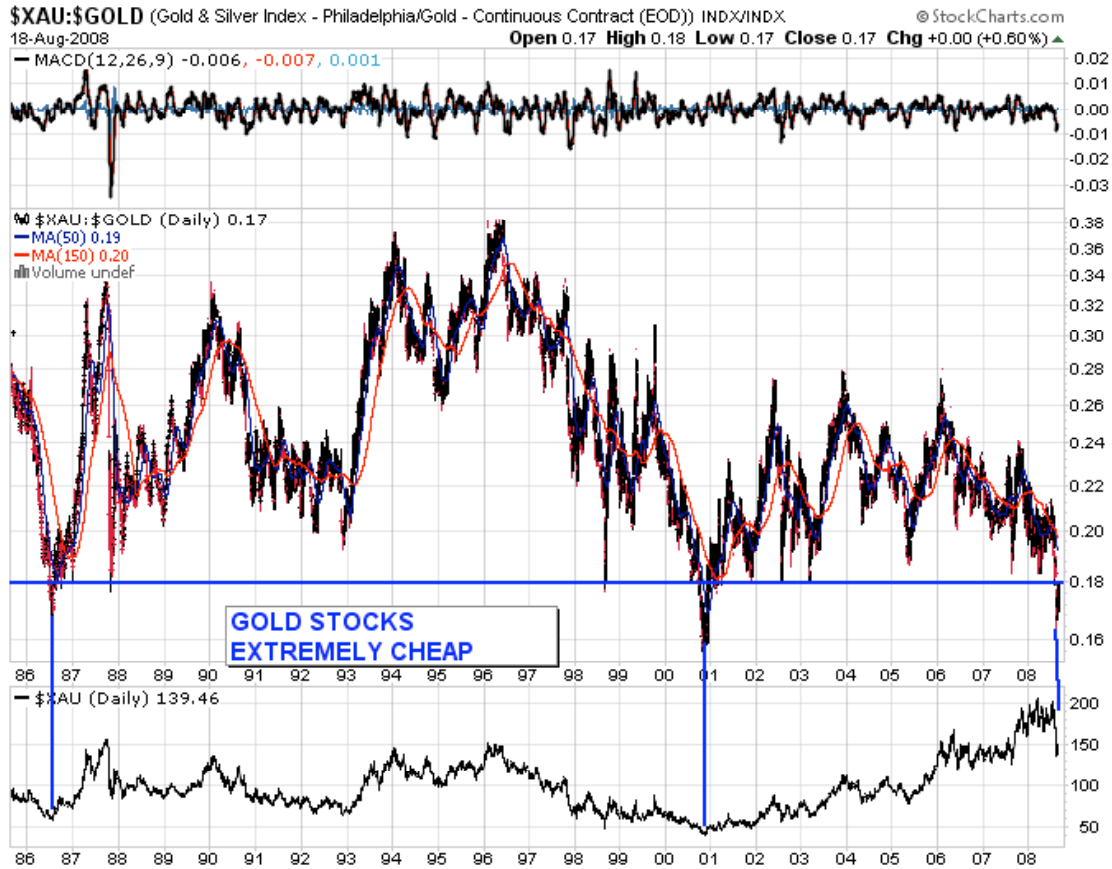
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Open 66.13 High 66.17 Low 63.37 Close 63.58 Chg -2.59 (-3.91%) ▼



Looks topy and like it is about to roll over and retest July LOWS





August 12<sup>th</sup>, 2008

## GOLD STOCK BOTTOM

Quick update here will do a more detailed one this evening, been watching all the indicators. GOLD STOCKS are cheap and sentiment is terrible the GDX a ETF that tracks gold stocks traded nearly 10 million shares on August 11<sup>th</sup>, that is nearly 4 times its daily average, that is capitulation people.

Now is the time too buy gold stocks, the CDNX is below 2000 for the first time since July 2005 when gold was under 600 an ounce. THE XAU and HUI are also at 2005 levels. The XAU to GOLD ratio reached .166 on August 11<sup>th</sup>, that is the lowest since the 2000 bottom when it got to .160. That was THE BOTTOM for gold stocks.

I don't think this will be a V bottom, but I do think that the HUI can muster a rally to 370-400 before it pullsback in the fall and sees the final base building bottom.

I am adding Royal Gold (RGLD), Kinross (KGC), Goldcorp (GG), Pan American Silver (PAAS) to my list, this is a great entry point for large caps if you didn't have a chance to get them cheap a few years ago.

Anyhow, as stated I am working on a more detailed update that should be out tonight or tomorrow morning before the open.