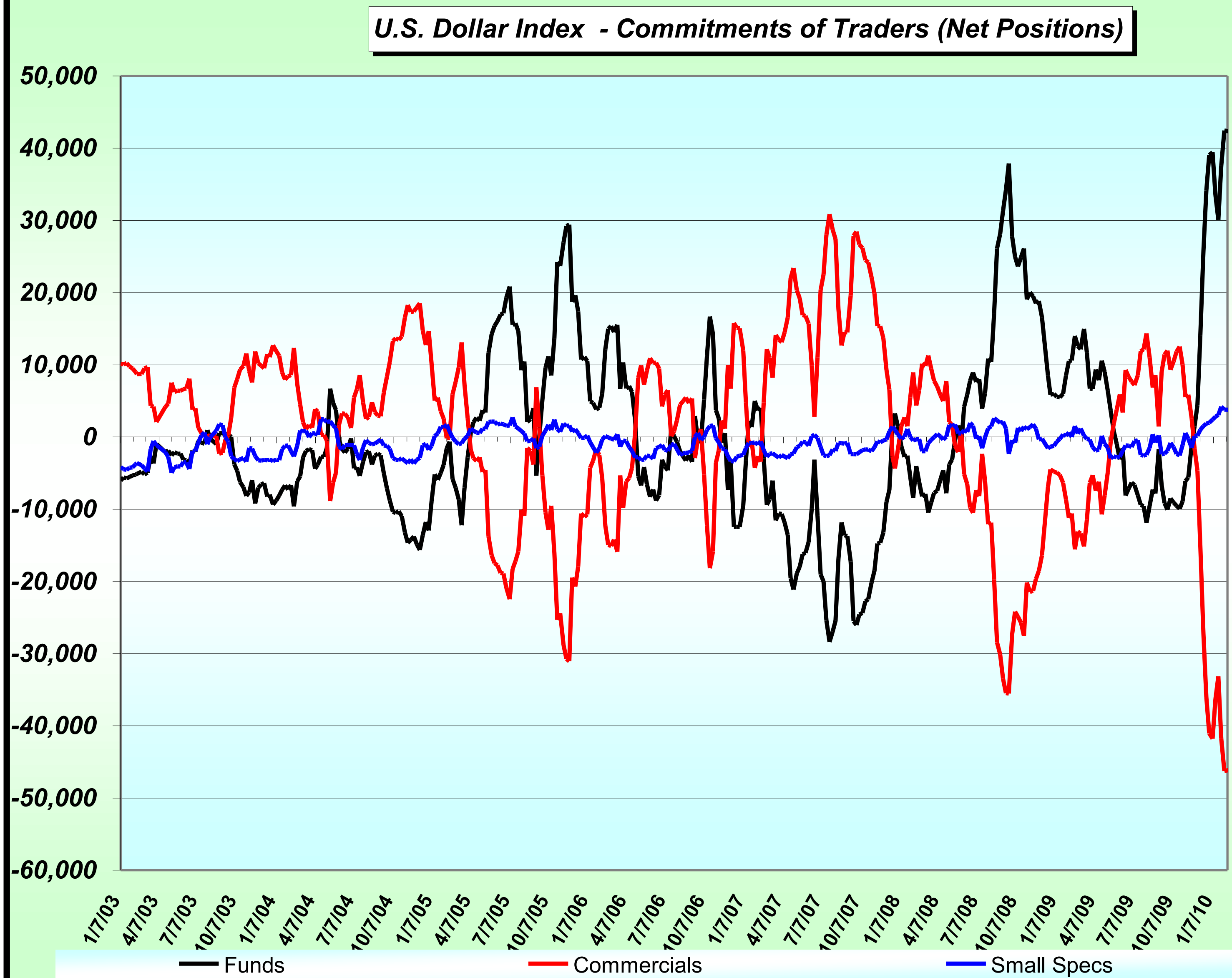


Nothing imbalanced here is there?

Notice that the specs have rushed into the Dollar to an even larger extent than they did back during the height of the credit crisis which first erupted when Lehman went under back in the summer of 2008 and set off a mad rush of deleveraging.Back then it was the Yen carry trade that was ferociously unwound.

Note too the commercial net short position is extraordinarly large.

It could well be that the Dollar rally is getting long in the tooth.

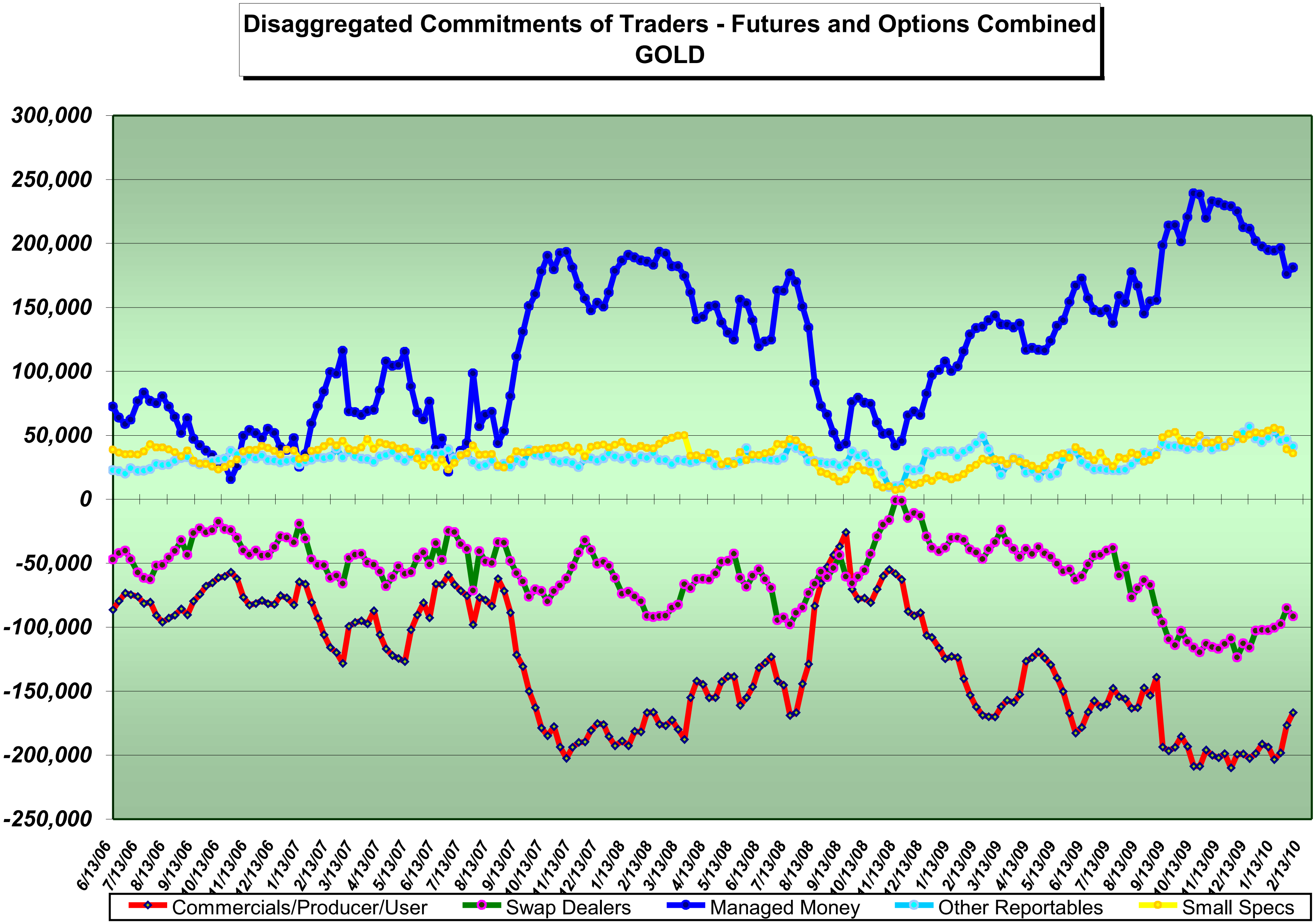
The COT chart for gold is going to be a bit misleading in that it consists of data that only covers through Tuesday of this week and did not catch the sharp move lower of the last two days of the week. On both Monday and Tuesday of this week, gold had rallied strongly off the $1,080 level where a buyer of size had been very active. That buying took prices $40 higher off that support level reaching $1120 as of the close of trading Tuesday. If you look closely at the managed money position, you can see that the net long position actually showed an increase which corresponds to the rise in price.

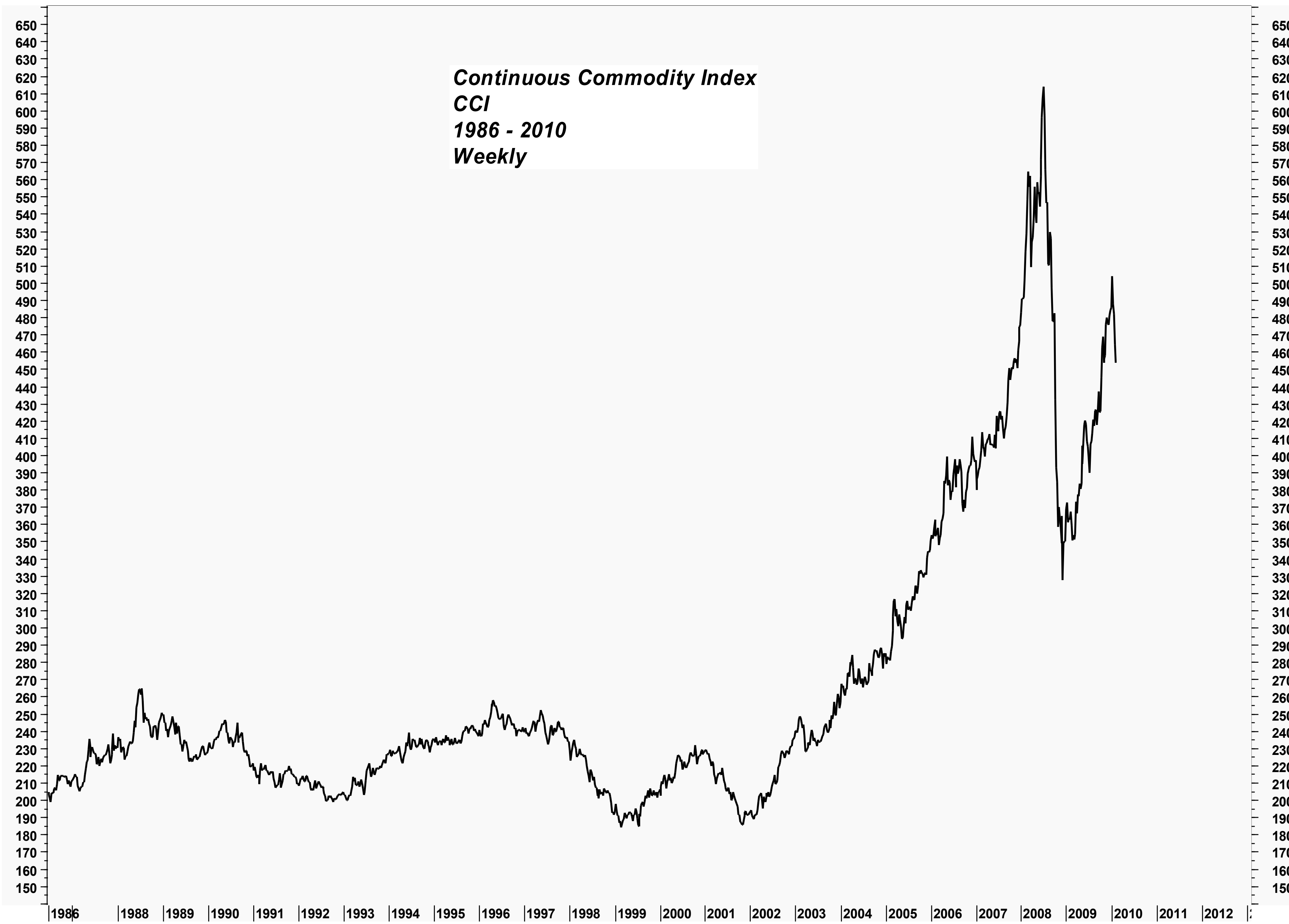
That was prior to Wednesday when sellers came into the market with strong selling tied to long liquidation and fresh shorts. That of course took gold down $80 in the course of 3 days time. We will unfortunately have to wait until next week to see how much further the spec long category was whittled down.

I should point out that the Producer/Merchant/Processor/User category has seen a rather significant reduction in their overall net short position and is now back at levels last seen in September 2009 when gold was trading near $1,000. Look for that position to be even smaller after this past Thursday and Friday's debacle. The same holds true for the Managed Money position.

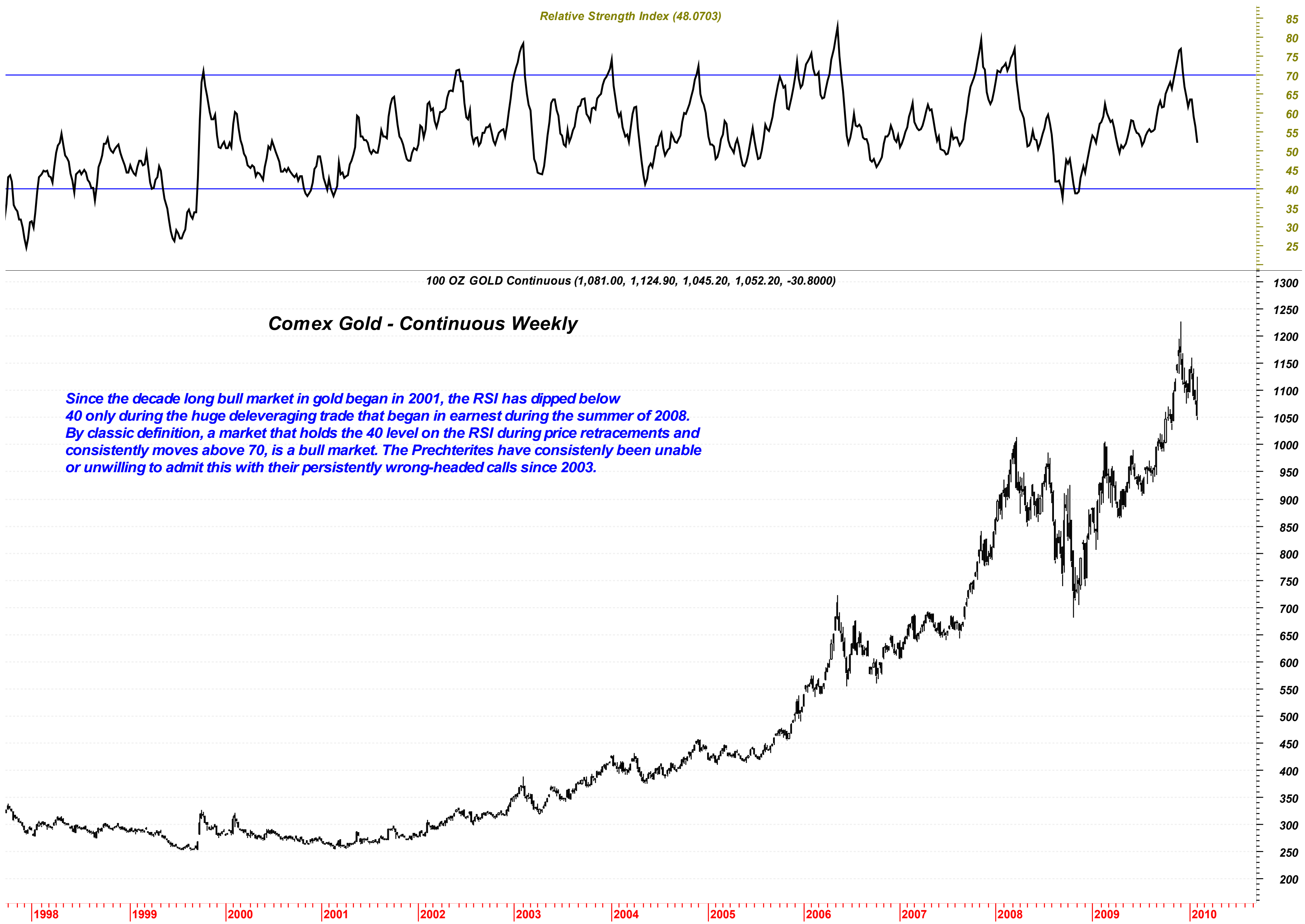
The small specs have bled down 19,000 net longs during the last few weeks.

We will need to see open interest stabilize before we get a solid bottom in the gold market. The comedown in total open interest is something we have seen repeatedly as this decade long bull market in gold has played out before us. There is nothing new here except for the fact this recent bout of long liquidation and open interest reduction is occurring from a new nominal high price and will find a floor at a HIGHER LOW price in gold than the previous long liquidation waves.


Disaggregated Commitments of Traders - Futures and Options Combined
GOLD
300,000
250,000
200,000
150,000
100,000
50,000
0
-50,000
-100,000
-150,000
-200,000
-250,000
6/13/06
7/13/06
8/13/06
9/13/06
10/13/06
11/13/06
12/13/06
1/13/07
2/13/07
3/13/07
4/13/07
5/13/07
6/13/07
7/13/07
8/13/07
9/13/07
10/13/07
11/13/07
12/13/07
1/13/08
2/13/08
3/13/08
4/13/08
5/13/08
6/13/08
7/13/08
8/13/08
9/13/08
10/13/08
11/13/08
12/13/08
1/13/09
2/13/09
3/13/09
4/13/09
5/13/09
6/13/09
7/13/09
8/13/09
9/13/09
10/13/09
11/13/09
12/13/09
1/13/10
2/13/10
Commercials/Producer/User
Swap Dealers
Managed Money
Other Reportables
Small Specs


Continuous Commodity Index
CCI
1986 - 2010
Weekly
650
640
630
620
610
600
590
580
570
560
550
540
530
520
510
500
490
480
470
460
450
440
430
420
410
400
390
380
370
360
350
340
330
320
310
300
290
280
270
260
250
240
230
220
210
200
190
180
170
160
150
1986
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012

Gold-Bonds (9.34612, 9.46880, 8.80502, 8.80502, -0.31022)
GOLD - BONDS RATIO
A rising ratio signifies gold is outperforming bonds as
a safe haven asset
10.5
10.0
9.5
9.0
8.5
8.0
7.5
7.0
6.5
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010


Relative Strength Index (48.0703)
85
80
75
70
65
60
55
50
45
40
35
30
25
100 OZ GOLD Continuous (1,081.00, 1,124.90, 1,045.20, 1,052.20, -30.8000)
Comex Gold - Continuous Weekly
Since the decade long bull market in gold began in 2001, the RSI has dipped below
40 only during the huge deleveraging trade that began in earnest during the summer of 2008.
By classic definition, a market that holds the 40 level on the RSI during price retracements and
consistently moves above 70, is a bull market. The Prechterites have consistenly been unable
or unwilling to admit this with their persistently wrong-headed calls since 2003.
1300
1250
1200
1150
1100
1050
1000
950
900
850
800
750
700
650
600
550
500
450
400
350
300
250
200
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010