

Gold, silver markets look powerful and bullish-Stewart Thomson-CommodityOnline

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By Stewart Thomson

I woke up to the Bloomberg heading "oil falls". After hitting 83.50 yesterday, it is now 82.70. I guess that warrants a headline so the bears can jump up and down and claim it is falling. Where are the "oil surges \$13 in a month!" headlines? Regardless, the fact is that oil took out horizontal resistance highs at just over 82 set back in November. With yesterday's price action, yesterday's liquidity flow action.

Remember that the current price area is one where the public was obliterated after buying into the \$80 area in 2006. That occurred when after loading everyone into oil, the banksters decided by "coincidence" that oil had too high a weighting in the key Goldman Sachs commodity index. The index fundsters had to bail, by definition, as Goldman cut the oil weighting. Many other funds follow the index weighting and they bailed too. Forced liquidation finished the job, and oil melted 40%. The banksters of course took the other side of the trade as the funds sold out in failure. Then oil ran straight to 147 before crashing to 28. Around the 110 area on the way to 147, some monster funds began shorting oil, financed by the banksters. As oil surged towards 147 they also faced forced liquidation, and once again all those short positions passed into the hands of the banksters at the top of the oil market between 125-147. The bulk of those public investors that are still alive after living thru the two smackdowns at the hands of the banksters, simply want out now, completely.

Obviously I am a seller into this current oil price strength. The daily chart technicals are climbing to overbought.

Responding to price and liquidity flows professionally means selling into strength. More strength equals more selling. However, I suggest you look at that monthly chart again before blowing out all your oil alongside the public and golf ball advisors who somehow "know" it is all over. Notice the TRIX, 15,9 series. It is on a massive buy signal, as is the 20,12,7 series of Stochastics.

In the silver market, price strength for the past few days has also been powerful, so you have to respond to that strength. By selling. Again, what I'm talking about is booking profit professionally. Not calling a top or a turn. There is no silver top. There are only silver topsters and plopsters who keep trying to use a divining rod to make money in the silver market. Price goes up, you sell in a pyramid formation. Price goes down, you buy the same way. Here's the silver chart. Daily Silver Chart

Silver looks very powerful to me. Here and now. Notice the MACD and TRIX series triggering buy signals on one time series after another. RSI is still well in what I call the "sweet spot", the upper middle range. Again, you must get out of the mindset that because silver looks higher, you should buy. Buy when the pinhead patrol tells you they are "fully hedged". The Simple English translation of that statement is: "I blew it all out. I failed."

One concern I have with those of you following the COT numbers, the buying and selling statistics for the comex gold market, is this: Those numbers are a picture of liquidity flows. They are not a market direction prediction machine. "Oh no, the banksters have increased shorts, I better sell all my gold because it's gonna crash!" "In the past 5 years, these levels have consistently produced corrections of greater than 10%". "They are algo trading against their physical!" These

are the types of statements made by amateur investors and analysts looking at the COT reports.

My suggestion to you, if you want to make money using the cot reports, is to put away your idea of looking for answers and price turns, and start taking instructions. Instructions from the liquidity flow charts, which is all the COT report is, a chart of liquidity flows. Don't use it as a divining rod. Keep it simple. Look at the total number of shorts held by the commercials (banksters). If they held 150,000 gold longs last week for example, and they now hold 160,000, YOU should act the same way in the mkt. Buy a BIT on price weakness. RESPOND to price weakness the same way they are. They are buying a bit. Why would YOU buy a lot? Are you smarter than they are in the market? NO. Do you see the banksters unloading all their positions during any COT report? No. So why would you dump or back up your truck? If you have a smaller truck than the banksters (you all do) then it's even more important not to act rashly. Build consistently, not wildly.

Losing money in the market has a lot more to do with how you enter and exit a trade than with predicting price direction, as the dollarbugs and goldbears just found out this week. It's FAR too early to be placing money betting on a major turn up in the US dollar. But if you enter some small USD buys, you are not losing any sleep, provided those positions are balanced against a much larger bull gold position.

And what of our fine-feathered friends (tarred and feathered), the USD paperbug bulls? What does the USD chart indicate is in store for them? Well, the rain of pain from the gold wrecking ball looks set to not just continue, but accelerate. The 12,26,9 MACD series, arguably the most followed technical indicator amongst chartists, just crossed to a sell signal, after the shorter time frame series have already done so. Perhaps Frank Sinatra could sing their theme song, "I lost it all, but I did it my way..."

What the Queen of the financial world? How is Gold bullion itself doing, since we all now realize the madness of the bears' "sell it all" at 1075, their latest hallmark bail and fail program. Before getting to the charts for the Queen, let's look at the Prince. The GDXJ. The Gold Juniors Index. A monster run has just occurred, taking the juniors up 15% since Dec 22! You have to be a seller into strength, and 15% certainly qualifies as strength. A profit booker in tiny size, yes, but a booker of profit nevertheless, on a small portion of what was bought into the lows near 24. GDXJuniors Daily Chart While this is only a 60 minute chart, the fact is price has soared 15%. Don't be greedy. You just made in 2 weeks what the average fund manager makes in two years. Book a bit of that profit, profit that is much larger than most are acknowledging. Take something off the risk table. Try 1%, that's still reasonable, but the number zero isn't on my list.

Play your market accordion. Price goes up, and you shave off a few notes. Price goes down, you add some. Like sand in an hourglass, get into the GOLDFLOW. Or you will BLOW. Nice rhyme. And a fact.

Many of you have made a lot of money in the past in various market deals, then lost it. You can't lose money on a booked profit. Let's say you have 5 million in the GDXJuniors. Or five dollars. It doesn't matter. Trade out a minimum of 20% (I like 33%), buying weakness and selling strength. Use that action to get your risk capital out of the market. So you are working with the market's money. Not yours. If the GDXJ is going to soar to \$200 a share (and I think it is), then what, really, is the difference between an 8 bagger possible reward with zero risk, and a ten bagger with 100% risk? It takes time to reduce your risk to zero looking profit into strength. All the more reason to start..... today.

Looking at the GDX itself, which I've nicknamed "The Gold King", this index covers intermediates and senior golds and on the GDX Daily Chart we see huge buy signals all over the chart, rolling in like picture perfect waves for surfing. The problem for "Team Technical Trader" is these signals come after a \$6 GDX price astroblast upside. So buying here opens the volatility door. Picture a gopher popping his head up while a bankster's kid swings a mallet. I personally don't like that picture, unless I'm the guy with the mallet. Of course I'm not a buyer of gold stock here. I'm a profit booker. And what these technical buy signals tell me is that I'll likely be booking a mountain of profit in the coming weeks.

Be JUDICIAL in your profit booking. Like drinking a fine wine. One sip at a time. A little bigger sip with each higher move

in price. In the words of my trading guru "The Brain", just "fade the strength". Those of you with thundercash should keep in mind that the banksters, who make all of you combined look like a market peanut, well, the banksters don't consider it "beneath themselves" to liquidate 5 gold contracts into strength. There is no "this is the top". There is only fading in, fading out. All day, every day, that is their mindset. 365 days a year. You can't book any profit into power strength if you don't buy anything into power weakness. I would sum up my view of the GDX this way: I'm not sure what planet the gold bears and paperbugs are operating from, but it obviously isn't Earth. I suggest they consider getting some scuba equipment before they drown. Oh, I forgot, the banksters filled their tanks with cyanide. Oh well...

Finally, while the USD paperbugs bow to their King, the Charmin Toilet Paper Company, let's all bow before the real Financial Queen of the World. Gold Bullion. Here's the 60 min chart via the ETF Securities proxy ETC (Sgol-nasdaq). This is a lot nicer situation than GLD-nyse, because the price is a more exact correlation with the gold bullion price, a more exact 10 to 1 pricing ratio. \$114 on the Sgol corresponds with 1140 gold, and the set-up of the fund seems a lot more solid to me than GLD-nyse. Gold Bullion 60 minute Chart The technical situation shows gold bumping into resistance at 1140 after blasting upwards \$65 from the 1075 lows.

However the Gold Daily Chart, while showing the 1140 resistance clearly (I marked it with a heavy blue line), is flashing massive BUY signals like green lights flashing on Christmas Tree in Times Square. Get the Picture? Like I said, the Rain of Pain for the gold bears is only just starting. The only cycles they will be worried about by the end of 2010 will be bicycles. Because that's all they'll be able to afford after the gold wrecking ball sends them to the poorhouse.

Again, if you failed to buy weak in a pyramid formation from 1225 down to 1075, if you listened to the peabrains calling themselves professional gold traders clutching their bear gold charts, then you will now find your Christmas Tree only has red lights on it. Sorry. The good news is you have 10 billion more chances to do it all correctly.

Correctly means you wait for the weakness. Maybe we turn down from here and blow out the 1075 lows. I highly doubt that will occur, but anything is possible and I'll respond to price and liquidity flows professionally if that does occur. Maybe price goes straight to 1500. Who knows, who cares. Wait for price, respond to it professionally. Your patience will be rewarded.

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