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## The US Dollar and Gold

Below is an important question from a dear reader and my response to it.

Warren,

*Came across your most recent article [,Christmas Comes Early For Precious Metals Buyers](#) , on Gold Seek. I really enjoyed the article and signed up for your free newsletter today. I agree with with most of what you said in the article. But what happens if the dollar continues to go up,which is a real possibility .It could easily go over \$.80 ,wouldn't gold really take a big hit. [I've forwarded to you an article by Clive Maund](#) ,who paints a pretty negative view of gold ,etc.If you have the time could you look it over and give me your thoughts on his article.*

Robert

First off I'd like to say that from my limited knowledge of Clive's work I do know he is an excellent analyst who perhaps doesn't consider well enough the GATA argument as well as arguments on subjects such as government manipulation or even private companies intervening or hedge funds etc... Please don't send me copious amounts of articles to discredit that statement, it's just what I think about his great work from the very limited knowledge I have of it. I do know his recent analysis of Samex was excellent and very extensive.

Thanks to Robert for the great question and chance to give my viewpoint on this matter. In the December 21, 2009 article "[Christmas Comes Early For Precious Metals Buyers](#)" I mentioned I though the downside for gold would be \$1,075 which in hindsight looks to be a pretty good call. Not to pat my own back, after all, even a broken clock is right twice a day. It's to point out that

understanding potential aberrations due to manipulation or regularly occurring false signals is an integral part of understanding the gold market in particular.

Reading through Clive Maund's article I don't quite see where you get any real bearishness from it. Many of the words he says echo mine or vice versa. I do believe gold has bottomed and think we will work our way higher reasonably quickly to break above the recent high of \$1,226 and on to about \$1,500. I wrote extensively about how, in all of gold's breakouts during this bull market, the price retraces the breakout to about the 50% level before moving back up, then roughly doubling the initial leg's move, in my December 12, 2009 article [It's Only Halftime](#).

That makes the recent move from \$1,000 to \$1,226 only half the move, and that is being conservative since we are now solidly into the second phase of the bull market, for sure this time.

So let's not nitpick Clive's work here, from the article above it seems right in line with my work, especially when he says about gold; *"With respect to the trendline failure we should note that it is a favorite trick of Big Money to execute trendline failures in order to run people out of their positions before prices reverse sharply in the other direction."*



Showing the ten year monthly chart of the US dollar paints a very bleak picture. A rise to 80, at the 38% Fibonacci retracement level, would be quite

healthy actually, but a rise to 81.87, the 50% Fibonacci retracement level, would be even better and likely not see much of a lower gold price. A move to the 83.73 level would be even better yet, and take the extreme bearish levels down a notch or two.

However, compared to the ten year monthly gold chart you can see that both gold and the US dollar have indeed traded in rough tandem but the US dollar has been much more volatile while gold has nearly always tended higher. To see this picture side by side seems to fly in the face of what you hear on a daily basis in the mainstream media who say gold is risky and too volatile.

I give my thoughts on this on a weekly basis for free. But when it comes down to it you are the one who must choose and I think the two charts above show clearly where the best and safest investment has been and I believe will continue to be when comparing the two. For more details you can sign up for the free weekly letter by following the instruction below or visiting one of the great sites who publish my work. Or for a small fee [see my portfolio and more detailed analysis](#).



One of my favourite and simplest ways to show this relationship and how it has performed over the last decade is using the perfcharts at stockcharts.

Quite simply, they trade in reverse correlation but gold gets much more bang for the buck with volatility I can live with. Can you?

Gold can never go to zero. The dollar is well on it's way.

In my free, nearly weekly newsletter I include many links and charts which cannot always be viewed through sites which publish my work. If you are having difficulties viewing them please sign up in the left margin for free at <http://www.preciousmetalstockreview.com/> or send an email to [warren@preciousmetalstockreview.com](mailto:warren@preciousmetalstockreview.com) with "subscribe" as the subject and receive the newsletter directly in your inbox, links and all. If you would like to subscribe and see what my portfolio consists of please see [here](#).

Until next week take care and thank you for reading.

Warren Bevan

If you found this information useful, or informative please pass it on to your friends or family.

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