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**Technical Analysis of Gold,
Silver and Associated Shares.**

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Technical Analysis of Gold and Silver and Associated Shares.

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Gold and Silver and their associated shares appear to be beginning the next up leg of the bull market, which suggests considerably higher prices are in the offing.

A review of many of the weekly charts shows weekly key point reversal bottoms. Key point reversals have proven to be a reliable indicator of a trend change. The fact that so many of the charts have exhibited this trend reversal adds confidence to the prediction that the new up leg is in its early stages. (A key point reversal bottom is evidenced when price makes a new low, but closes above the closing price of the adjacent bar. A top reversal is vice versa)

Technical indicators like the MACDI and Stochastic are oversold and have turned up. In some cases the faster moving average has already crossed the slower one which confirms the intermediate term 'buy' signal.

While the monthly charts do not exhibit the same degree of 'oversold' as do the weekly charts, they do indicate a reversal to the upside. For example, the HUI monthly chart shows a key point reversal bottom in May. In major bull markets, such as we are now in for gold and silver, monthly charts seldom exhibit oversold conditions.

Fundamentally what's the reason for this technical bullish appraisal?

Technical analysis gives no consideration to fundamental analysis. Technicians believe that future economic and fundamental news is already reflected in the price and volume characteristics displayed on a chart. However, there does seem to be a fundamental reason to support this technical appraisal.

During the last Kondratieff winter, a world currency crisis developed, following Austria's defection in early 1931 from the international gold standard system. Then, every currency became suspect, because every country was printing money in an effort to offset the ravages of deflation. At that time any country's gold could be exchanged for its currency at a fixed gold price.

With all the monetary expansion, gold became the money of choice. After Austria and Germany succumbed, speculators eyed the next country's currency that might be forced off the gold standard. They swapped that country's currency for its gold.

So it was that the mighty British pound came under attack. The loss of its gold forced Britain off the gold standard in September 1931. It didn't stop there.

The next suspect currency was the dollar. Although the US was the world's largest creditor nation, so many dollars had been printed to offset the Depression that American gold was much preferred to American paper. Shortly before he left office, President Hoover was advised by his Secretary of the Treasury that the US Treasury was running out of gold. As most people had expected, the response of President Hoover's successor, President Roosevelt, was to effectively take America off the gold standard system within a month of his inauguration.

This spelled the final collapse of the international monetary system.

Fast forward to today in the present Kondratieff winter where a similar currency crisis is in the making. All currencies are suspect. Just too much paper money has been created to fight this Kondratieff winter. Gold is becoming the money of choice as it was in the 1930s. "I actually think that for the first time during this rally, you could argue that gold is genuinely benefiting from concerns people have about currencies." Precious metals trader, June 2005. Gold has just made a new all time high in Euros.

Unlike the 1930s, the price of gold is not fixed and so its price must increase as demand rises, particularly in the face of declining supply and that is what the charts are telling us.

Ian Gordon. The Long Wave Analyst, June 2005.



Comex Gold. Price \$423.00.



Gold appears to have put in an intermediate term bottom, evidenced by the weekly key point reversal bottom, the oversold oscillators and the movement of the gold stocks themselves (See HUI chart below). Initial evidence of a trend change will be a weekly close above the prior peak at \$439.10 and then a close above \$448. Beyond that the high at \$458.70 looms. Above \$460 long term resistance at \$500 comes into play. The ultimate target for this move could be above \$700. Support is \$411.50 and below that gold could fall as low as \$371. The evidence of the chart suggests that this is unlikely.



HUI- Unhedged Gold Bugs Index. Price \$193.00



The HUI bottomed at \$35.31 on 18/November/2000. From that level the Index reached an initial bull market peak at \$258.60 on 6/December/2003. This gain amounted to 640% over three years. Since that price peak the HUI has been correcting that initial massive up-move. The correction may now be over. The index made a key point reversal bottom on 21/5/05 at \$166.71. Technical indicators are oversold and have turned up and the Stochastic has signalled a BUY. The MACDI is close to confirming that signal. Initial confidence that the correction was over would be a weekly close above \$230. A close above the high at \$258.60 would infer significantly higher prices, with a potential price target above \$500, a possibility, for this move. Major support around \$160 must hold to maintain the bullish stance.



Newmont Mining. (NEM/NY). Price \$38.05.



Newmont's share price bottomed at \$12.75 on 28/November/2000 and then advanced in its initial bull market move to \$50.28 on 6/December 2003. Since that time the share price has been digesting that rapid advance. That correction may now be over. Evidence for this, is the key point reversal bottom made on 21/5/05 at a price low of \$34.90 and the pending 'buy' signalled by the MACDI and Stochastic from deeply oversold levels. Initial confirmation of the return of the bull market for this stock would be a weekly close above \$47. There is significant resistance to the ongoing move just above \$50. Beyond that, Newmont's share price could reach a price level above \$90.00 for this move. There is critical support at \$34, which must hold to maintain the bullish stance.



Placer Dome. (PDG/T). Price \$17.24.



Placer dome's long bear market bottomed on 21/October/2000 with the price at \$11.10. The bullish up move was undertaken in 2 steps. The first leg saw the share price reach \$22.57 on 25/5/02. From that level the share price fell back to \$12.52 on 27/7/02. After consolidating until March 2003, the share price advanced to peak at \$28.24 in November 2004. This is much later than the peaks experienced by most gold stocks and the HUI, which reached its peak in December 2003. From that point PDG's share price lost 46% in 6 months. The bottom appears to be in. A key point reversal bottom on the 21/5/05 and the upturn in technical indicators from deeply oversold levels is the evidence that this is the case. There is some resistance initially at \$23.50 and the high at \$28.50. Beyond that price level PDG's share price could reach a price level near \$40.00 for this move.



Agnico Eagle Mines (AGE/T). Price \$15.34.



Agnico Eagle's share price bottomed a lot earlier than most gold shares, reaching its bear market low at \$4.21 on 29/8/98. From that level the share price added 555% to its initial peak at \$27.59 on 8/6/02. This was 18 months in advance of the HUI peak. Since then the share price dropped 50% and has been consolidating in a range bounded by \$13.40 on the down side and \$20.50 on the upside. The share price appears to be in the process of attacking the \$20.50 level target. A successful penetration of this level would be very bullish and suggest that next resistance at \$28.00 would come under pressure. Beyond \$28.00 AGE's share price could achieve a target near \$50.00, for this move. It is critical that support at \$13.00 hold to maintain this bullish outlook.



Kinross Gold Corp. (K/T). Price \$7.00.



Kinross's initial bull market move started in the week of 28 October 2000, when the price hit its bear market low at \$2.50. From that level, prices added 430% to reach their initial peak at \$13.32 during the week of 25 May 2002. Since that time the share price has been consolidating that initial bull move. The long period of consolidation may now be over. Technical indicators are signalling 'Buy' from deeply oversold levels. Initial confidence that the trend has reversed would be a closing price above \$8.80. Further confidence would be initiated with a close above \$10.05, which would break above the last declining high price. A close above \$12.35 would likely see a thrust to the previous high at \$13.35. Beyond that level, Kinross's price could reach a high of \$18.50 for this move. It is important that the support level at \$6.15 hold to maintain this bullish outlook.



Goldcorp Inc. (G/T). Price \$18.01.



Goldcorp's share price made its low as long ago as December 1994 at \$1.66. The breakout from the basing pattern occurred in April 2001, when the stock closed above \$6.70. The initial bull market peak in the share price was reached in December 2003 at \$24. Since then the share price has been correcting that upwards price move. That correction appears to be over. Technical indicators have turned upwards and initiated a buy signal. Initial confirmation that the uptrend has resumed would be a break above the down trending line, and then a close above \$18.67, which would reverse the series of lower highs. More significant resistance is at \$19.50. A closing break above this level would see an attack on the old price high. Once \$24 is overcome, Goldcorp's share price could see a high above \$42.00 for this move. Important support is at \$14, which should hold to maintain the bullish prognosis.



Glamis Gold (GLG/T). Price \$19.00.



Glamis Gold's share price bottomed at \$1.92 on 3/2/01 after a 2 year bottoming process, which is bullish. In less than four years Glamis's share price advanced 1250% to peak at \$26.00 in November 2004. From there the share price has corrected, but appears, like most gold stocks, to have bottomed when the price reached \$16.26 and reversed closing above the closing price of the previous week. Technical indicators have turned up from deeply oversold levels and have initiated a buy signal. Initial resistance to this move is \$22.40 and then the old high at \$26.00. Beyond that level GLG's share price could reach a high around \$55.00. Price support is the corrective low at \$16.25 and then \$13.00.



Golden Star Resources (GSC/T). Price \$3.64.



Golden Star's share bottomed in February 2001 at \$0.37, from that level the stock rose to its initial bull market peak in the week ending December 6th 2003, at \$11.15. (That week is common to many of the gold stocks, including the HUI). From that price peak the share price went into a steep decline reaching a low of \$2.95 on 7/9/05. From that level the share price appears to have turned to the upside. Technical indicators have turned up from deeply oversold levels and have crossed to give a buy signal. Initial confirmation that the correction has terminated would be a price close above \$4.25, which would surpass the downtrend line and the up trending 200 week moving average. Thereafter a break above \$5.10 would give additional confidence that the uptrend had resumed. There is resistance at \$7.00 and just above \$8.00 and then the high at \$11.15. Beyond that level Golden Star's price could reach a price target near \$20.00



Yamana Gold (YRI/T). Price \$4.19.



Yamana's share reached a low of \$1.25 during the week ending 26/7/03 and reached its peak at \$4.55 in the week of 19/2/05. The correction has been shallow and the low just below \$3.40 should act as support. There is resistance at \$4.55, which is likely to be overcome shortly, because the Stochastic and MACDI have recently given a 'Buy' signal. Through this level the share price could reach a high above \$8.00 for this move.



IAMGold Corp (IMG/T). Price \$8.16.



IAMGold's share price bottomed during the week ending 17/2/02 at \$2.11 and then rose to its initial peak at \$11.00 during the week ending 6th December 2003. Since then the share price has been consolidating that move, reaching a low of \$5.75 in May 2003. A secondary low of \$6.68 was reached in April 2005. Technical indicators have issued a 'Buy' signal. Next resistance is at \$9.45, which is the next high in a series of declining highs. Beyond that level the stock may encounter some resistance near \$10.80 and the high at \$11.00. Beyond \$11.00 the share price could attain a price high near \$18.00 for this move. Support are the 2 lows at \$6.68 and \$5.75. Below \$5.75, there is ultimate support at \$4.00.



Eldorado Gold Corp. (ELD/T). Price \$2.86.



Eldorado Gold's share price bottomed at \$0.25 in the week ending 15/12/01 and in a little less than 2 years advanced 1000% to close at its initial price high of \$5.02 during the week ending 22/11/03. Since that time the share price has been correcting the initial bull market up move and probably made the corrective low of \$2.55 on 21/5/05. That this is the low is suggested by the crossover of the technical indicators from deeply oversold levels. Confirmation that the next bull market move had indeed commenced would be a close above \$3.90, which would break the down trend line. A break above \$4.07 would add confidence to this assertion. Beyond \$4.30, Eldorado's share price should move to attack the high at \$5.02. A closing break beyond that price would suggest that ELD could reach beyond \$10.00. Support is at \$2.50 and below that \$1.70.



Bema Gold Corp. (BGO/T). Price \$2.65.



Bema's share price made its bear market bottom at \$0.30 during the week ending 28/4/01. From that price the shares advanced in 2 stages. The first stage was complete in a little over 1 year when BGO's share price reached a high of \$2.94. That 1st up move was corrected for 1 year and bottomed at \$1.39. From that level the share price advanced 300% in 6 months to the high of \$5.60 reached in the week of 6/12/03. Since then the share price has corrected to a low of \$2.15 reached in the week of 21/5/05. The correction is likely over. Both the MACDI and Stochastic have crossed to the up side from deeply oversold levels. Initial confirmation that the next bull leg had commenced would be a close above \$3.85. A break above \$4.58 would add additional confidence to this assertion. Then \$5.20 and \$5.60 act as resistance to this new up move. Beyond \$5.60, Bema's share price could reach a high near \$9.00 for this new bull move. Support is at the low of \$2.15 and then \$1.40. Technical indicators suggest that the latter price level will not be tested.



Cambior Inc (CBJ/T). Price \$2.44



Cambior's share price bottomed at \$0.36 in the week ending 23/12/2000. The share price broke out of a trading range when it reached \$1.09 in late January 2002. In 4 months the share price had more than doubled to \$2.35, which was an interim high. From that point the price consolidated the initial up move forming a triangular basing pattern for more than a year. The share price broke out from that formation in July 2003 when it closed at \$2.37. Within 6 months of that breakout, the share price reached its initial bull market peak on 6/12/03 at \$4.95. Since that time the share price has consolidated, moving to a corrective low of \$1.94 in the week ending 21/5/05. The correction is probably over as evidenced by the weekly key point reversal bottom and the crossover from oversold levels of the MACDI and Stochastic. Some resistance to this new bullish up move might be encountered at \$2.75 and \$3.30. At the latter price Cambior's share price crosses the upper down trend line. Some minor resistance may also be encountered around \$4.20 en-route to the previous high at \$4.95. Beyond \$4.95 Cambior's share price could reach a high around \$10.00. Support should be found around \$1.95 and below that near \$1.50, although it is unlikely, given the bullish prognosis, that either of these levels will be tested.



Comex Silver. Price \$7.46.



The price of silver made its long term bear market bottom in the week of 24/11/01 at \$4.015. From that level the price moved to its first bull market peak at \$8.50 in the week of 3/4/04. The subsequent correction was violent. In the space of 6 weeks the price of silver declined to \$5.455. From that level the price advanced to a secondary peak at \$8.235. The price has now formed a bullish triangle. Within the triangle there is some resistance at \$7.70. The triangle will be broken to the upside with a close above \$8.00. This action would suggest a price target of \$12.50. Resistance may be encountered at \$8.25 and \$8.50. The rising base of the triangle should contain any downside in the price at \$7.00.



Couer D'Alene Mines Corp.(CDE/NY) Price \$3.27.



The long term bear market for Couer D'Alene ended in the week of 18/9/01 at a price low of \$0.63. From that level the share price advanced to its initial bull market peak at \$7.69 during the week of 21/2/04. From that level the stock has corrected and appears to have bottomed at \$2.70 during the week of 21/5/05. Evidence of this is the rising Oscillators from oversold levels and their crossover to issue a 'Buy'. The MACDI did not confirm the new low, which is a bullish divergence. The declining upper trend line offers resistance around \$3.50. Thereafter \$4.50 and \$5.25 offers some resistance to the continued uptrend. Through these levels the high at \$7.69 beckons, which if penetrated could suggest a price target close to \$11.00. Support is at \$2.65.



Hecla Mining (H L/NY) Price \$4.41



Hecla Mining shares made their long term bear market bottom in the week ending 6/1/2001 and rose to an initial peak in June 2002 at \$5.90. The share price consolidated that rapid move over the following 12 months and then broke above \$5.90 to reach a price of \$9.31 in the week ending 10 January 2004. HL's share price has been consolidating that move and appears to have reached the corrective low in the week ending 21/5/05 at \$3.91. This is evidenced by the weekly key point reversal made during that week the uptrend of both the MACDI and the stochastic from oversold levels, and the buy crossover signalled by the stochastic. Initial resistance is at \$6.22, which would surpass the previous declining high peak and the upper downtrend line. Beyond that level \$7.50 may offer resistance en-route to the high at \$9.31. Beyond \$9.31, Hecla's price could reach a high near \$18.00. Support is at \$3.90 and then \$3.00. It is unlikely that the latter level will be tested.

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