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LONGWAVE group

THE LONGWAVE ECONOMIC AND FINANCIAL CYCLE

IAN'S INVESTMENTMENT INSIGHTS

There's no necessity to rehash the bashing of the price of gold in the COMEX market a couple of weeks ago.

I am confident that you know how I feel about it. The trouble is that kind of price manipulation makes it very difficult to accurately gauge the state of markets using technical analysis. After all, in my last '**Insights**' I took a reader to task for asking whether we were at a bottom in prices. The charts at that time told me this was indeed the case. But the unforeseen price takedown brought about significantly lower lows in the precious metals prices and in their associated share prices, but in so doing convinced me that we were certainly at or close to a major low in theses prices.

In this '**Insights**' I will show you where the charts say we are now and where we are going with regards to price. In addition I will identify some producing companies that appear oversold and appear to offer the biggest price upside potential.

So let's get started because there is lots to do.

Cash Gold Price Daily Chart

Source: Thomson Reuters

You might remember that I have written that it is the Daily price chart which gives us our first indication of an overall change in price direction. Certainly evidence on this Daily price chart strongly supports the notion that the price of gold bottomed at $1,322 per ounce on April 16 2013. There was a significant keypoint price reversal on that day. The three over/bought/oversold oscillators shown on the chart have given buy signals from deeply oversold levels. The gold price is now abutting the mid-Bollinger band which is priced at $1,479.20 and any sustained move through that price level would indicate a move to the top Bollinger band priced at $1,638.40. Such a move would almost certainly kick in a buy signal on the weekly price chart oscillators, which are oversold and would also take the gold price above the weekly mid-Bollinger band priced at $1,592.20. For reference, the current price level for the top-Bollinger band on the weekly chart is $1,748.20.

Without showing you the Daily silver price chart, I will tell you that the price of silver made a key point reversal low on April 17th 2013, when it bottomed at $22.90. Price action to the upside since then has not been as emphatic as has been the price of gold. The three oscillators have given buy signals from oversold levels. On the daily chart the Mid-Bollinger band is priced at $25.11 and the upper-band is priced at $29.00.

HUI (Gold Bugs Index) - Weekly Chart

Source: Thomson Reuters

I am using the weekly price chart for the HUI as opposed to the Daily price chart that I showed above for the Spot Gold price, simply to provide you with a different perspective. Each price bar in a weekly chart comprises the sum of the five Daily price movements and the opening and closing prices.

Before I get into a discussion of this chart, let me just tell you how things stand on the Daily chart. All three oversold/overbought oscillators that I use (The MACDI, The Stochastic and the Relative Strength Index) have given buy signals from deeply oversold levels. The HUI price is within striking distance of the Daily mid-Bollinger band, which is currently priced at $293.80. A sustained move through that price level should take the HUI price to the upper Bollinger band priced at $346.35.

The Weekly chart (shown above) shows the three oscillators as deeply oversold; in fact the RSI is more oversold than it was at the price bottom in 2008. I know that these oscillators can stay overbought/ oversold for some time, but the fact that the oscillators on the daily chart have now given a buy signal suggests that in time the weekly oscillators will follow suit.

Nevertheless, I think one should be cautious at this time and not purchase gold stocks until the HUI has made a sustained move through the daily mid-Bollinger band, currently priced at $293.80. The gold enemies have very deep pockets, they are backed by the Federal Reserve, which can create unlimited amounts of money for them to do their dirty deeds.

That being said, I think we are very close to a very large upwards move in prices in precious metals and in the stock prices of the precious metals companies. The bearishness for the precious metals and the precious metals companies is pervasive and that in itself is bullish.

Robert McHugh, writes the excellent McHugh's Marketing and Trading Report, which is based on the Elliott Wave. In his most recent weekend report he writes "Gold, Silver and Mining Stocks are putting the finishing touches on a three wave correction that has been underway for almost two years. They are setting up for a mega rally. That rally should start by mid 2013. The Weekly Full Stochastics are at levels that in the past, almost universally, have identified major bottoms."

In that same report regarding the HUI he writes "The decline from September 2011 looks to be finishing a 5-3-5 zigzag correction of the 400 point rally from 2008 through 2011. The corrective decline is approaching a conclusion. Selling has reached panic levels, which is exhausting supply, and setting the table for **a powerful multi-year rally leg** (Bold is my emphasis), wave 3-up of (3) up of 111 up." For those of you who don't know the Elliot Wave, this denotes a huge move to the upside that will erase the past HUI high of 629 points by a very wide margin. Wave 3 moves are often 1.61 X the Wave 1 move. If this was to be the case in this pending Wave 3 move in the HUI, it would take the HUI price above 1,000 points. That's about 4 times the current HUI price level.

The pending bottom in the price of the HUI and gold appears to resemble the bottom in the DJIA price in early March 2009; if that's the case then we are going to make a V price bottom with prices rising at a similar pace to that which they have been falling.

The chart shown on the following page is the monthly price chart of the DJIA and the V shaped bottom is clearly visible, starting from the price peak of October 2009 at 14,200 points and falling to a price low of 6,470 points on March 6/2009. From that low in March 2009 prices rapidly ascended and ended the year 2009 at 10,428 points which amounted to a gain of 60% in ten months.

From that March 2009 low the DJIA reached 14,840 points on April 30/2013, which amounts to a 2.3 times increase in the price of the DJIA over a period of 52 months.

We are now forecasting similar price moves to these DJIA moves for precious metals and precious metal companies' shares.

In the DJIA monthly chart (following page), I have shown the 'Jaws of Death pattern', which Dr. McHugh constantly alerts us to in his Elliott Wave analysis. The upper trendline, which starts from the January 2000 peak of 11, 750 points and passes through the October 2007 peak of 14,000 points is now at a price level near 16,200 points. Dr. McHugh's upside target is 16,500 points.

"This is the major Topping Formation that is a Multi-Century Top. This is a Broadening Top, Megaphone Top pattern. These patterns are reliable and appear at tops. This one is huge, as it should be for the conclusion of a multi-century rally. We call it the Jaws of Death pattern."

This pattern jumps out at us, and is our highest probability scenario for the big picture. We believe that the Grand Supercycle degree wave (111) top did not occur at the January 14th 2000 top, and did not occur at the October 2007 top. We believe that those tops were waves (A) and (C) of a massive Megaphone Top pattern in stocks."

What is intriguing about this scenario is that each wave has three subwaves, that the pattern has five waves (key characteristics), and that the fifth and final wave (E) of Wave V up is finishing. If so, this means that the Grand Supercycle degree wave (IV) down could start later in 2013 or early 2014, and will be much worse than what we have seen over the past decade."

"This price pattern is looking more and more like a textbook Megaphone topping pattern. The slope of the top and bottom boundary lines is identical in reverse and authentic since the lines are drawn off two top and bottom points, which adds to the probability that this pattern is occurring." Dr. Robert McHugh, McHugh's Market Forecasting and Trading Report, Friday April 26th, 2013.

This pending top in stock prices is frightening and portends an economic depression far worse than that of the 1930s. Are you prepared?

Dow Jones Industrial Average Monthly Chart

Source: Thomson Reuters

And, are you prepared for the return of the bull market in precious metals and precious metal share prices? On the following page are some producing precious metals companies for your investment consideration.

COMPANY	SYMBOL	CURRENT PRICE	RECENT LOW PRICE	HIGH PRICE	MID-BOLLINGER DAILY PRICE	MID-BOLLINGER WEEKLY PRICE	POTENTIAL PRICE*
Agnico Eagle	AEM/T	$31.81	$31.34	$88.52	$34.16	$42.47	$138.00
Detour Gold	DTC/T	$11.75	$9.80	$39.65	$12.40	$19.43	$62.00
Eldorado Gold	ELD/T	$7.52	$6.80	$21.95	$7.62	$10.24	$34.30
Goldcorp	G/T	$28.97	$27.74	$55.93	$29.71	$33.58	$87.40
IamGold	IMG/T	$5.57	$4.72	$23.79	$5.54	$7.97	$37.20
New Gold	NGD/T	$7.64	$6.38	$14.12	$7.70	$9.45	$22.00
Newmont Mining	NEM/NY	$32.88	$31.33	$72.42	$34.57	$40.97	$113.00
Osisko Mining	OSK/T	$4.35	$3.40	$16.39	$4.34	$6.19	$25.60
Seabridge Gold	SEA/T	$11.51	$9.97	$40.00	$11.76	$14.42	$62.50
Timmins Gold	TMM/T	$2.35	$2.17	$3.48	$2.53	$2.71	$5.45
Direxion 3X Gold Miners	NUGT/A	$11.94	$9.61	$218.24	$13.96	$32.37	$341.00
SILVER COMPANIES							
Endeavour Silver	EDR/T	$5.02	$4.44	$13.10	$5.22	$6.49	$20.50
First Majestic Silver	FR/T	$12.31	$11.06	$25.97	$12.80	$16.86	$40.50
Fortuna Silver	FVI/T	$3.07	$2.67	$7.58	$3.26	$4.01	$11.85

* Potential Price - based on anticipated HUI price move from previous high of 640 to Elliott Wave 111 projected high of 1,000 points, which is equal to a 56.25% increase.

As I have written previously, when it comes to investing, for most people, it is always difficult to choose to purchase investments that the majority are shunning. I have always counted myself an investment contrarian, more so since I have developed my comprehensive understanding of the Long Wave principle. Using this knowledge I invested all my money in precious metal companies beginning in 2000 in anticipation that the winter stock bear market, like 1929, was about to commence and that precious metals would become the investment of choice just as they did after 1929. Of course that was the correct investment decision.

As far as I am concerned precious metals, particularly gold, are still the only safe haven investments, particularly now, when stock prices are at ridiculously high levels and governments are desperately trying to keep their paper currencies from dying.

If we are not yet at the end of the almost 2 year correction in the prices of precious metals and the precious metals companies, we are very close.

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“Those who cannot remember the past are condemned to repeat it.” Santayana