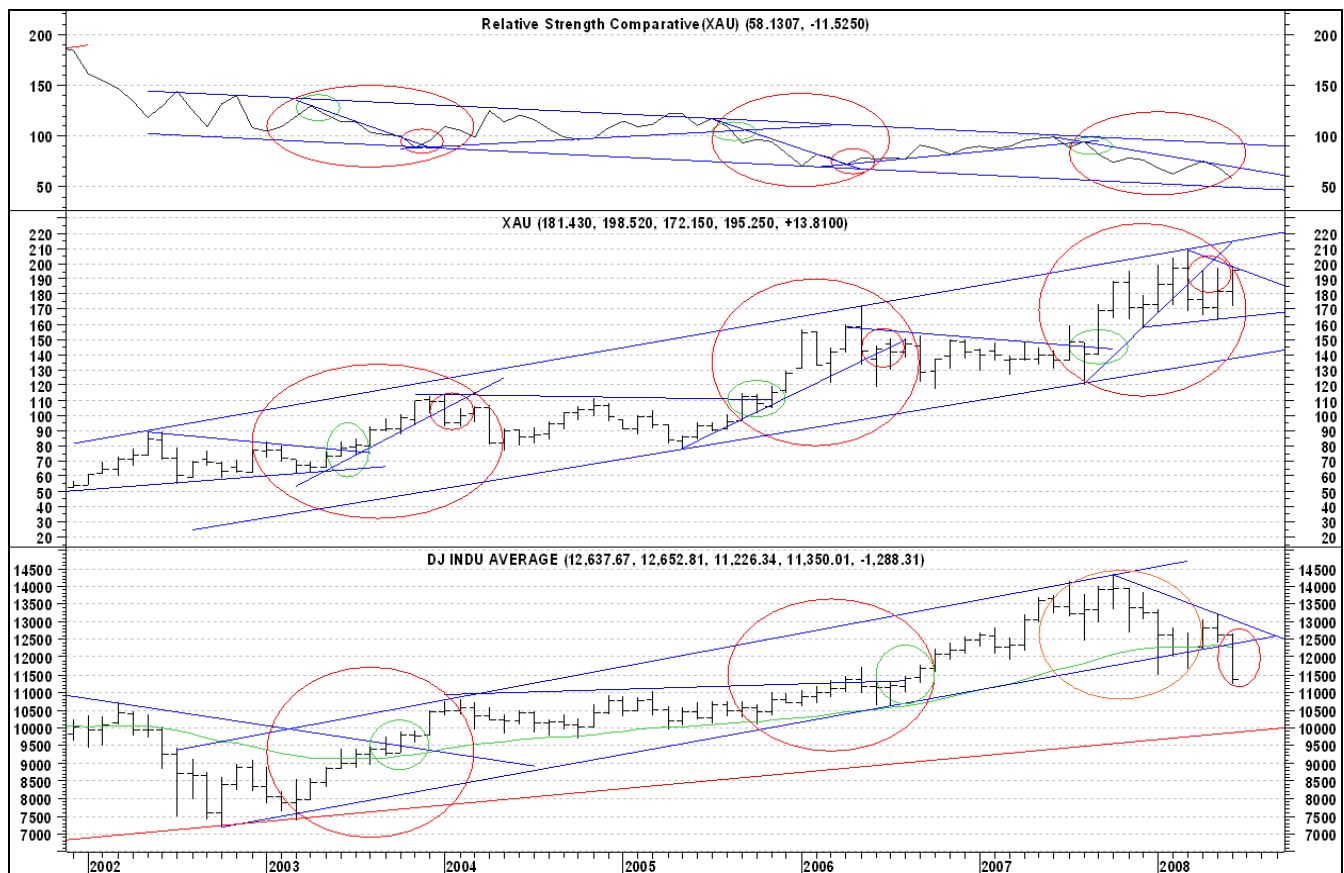


## CAUTION REQUIRED

The following is an extract from the June 08 Issue of **The Global Speculator** sent to subscribers on the 7<sup>th</sup> of July 2008.

The month of June 08 has seen gold shares rally higher but remain in a holding pattern whilst the Dow Jones index works its way to new lows. If we revisit our monthly Dow Jones vs XAU chart below we see that gold shares have performed admirably in the face of general weakness and have clearly outperformed the Dow Jones index (Relative Strength Comparative – Top section). A look at the Dow Jones Index in the lower section shows a definitive break down with the target of 10,000 now firmly in sight. While the Dow Jones attempts to find an interim low, I would expect this to continue to have a dampening effect on the XAU, much like what we saw in 2001/02 (the last time the markets came under heavy selling pressure). Again, I would expect the XAU to continue to consolidate much like it did in 2002. Any breakout of the present consolidation pattern will be considered extremely bullish and will mark the next stage higher in this precious metals bull market.

## DOW JONES VS XAU (MONTHLY)

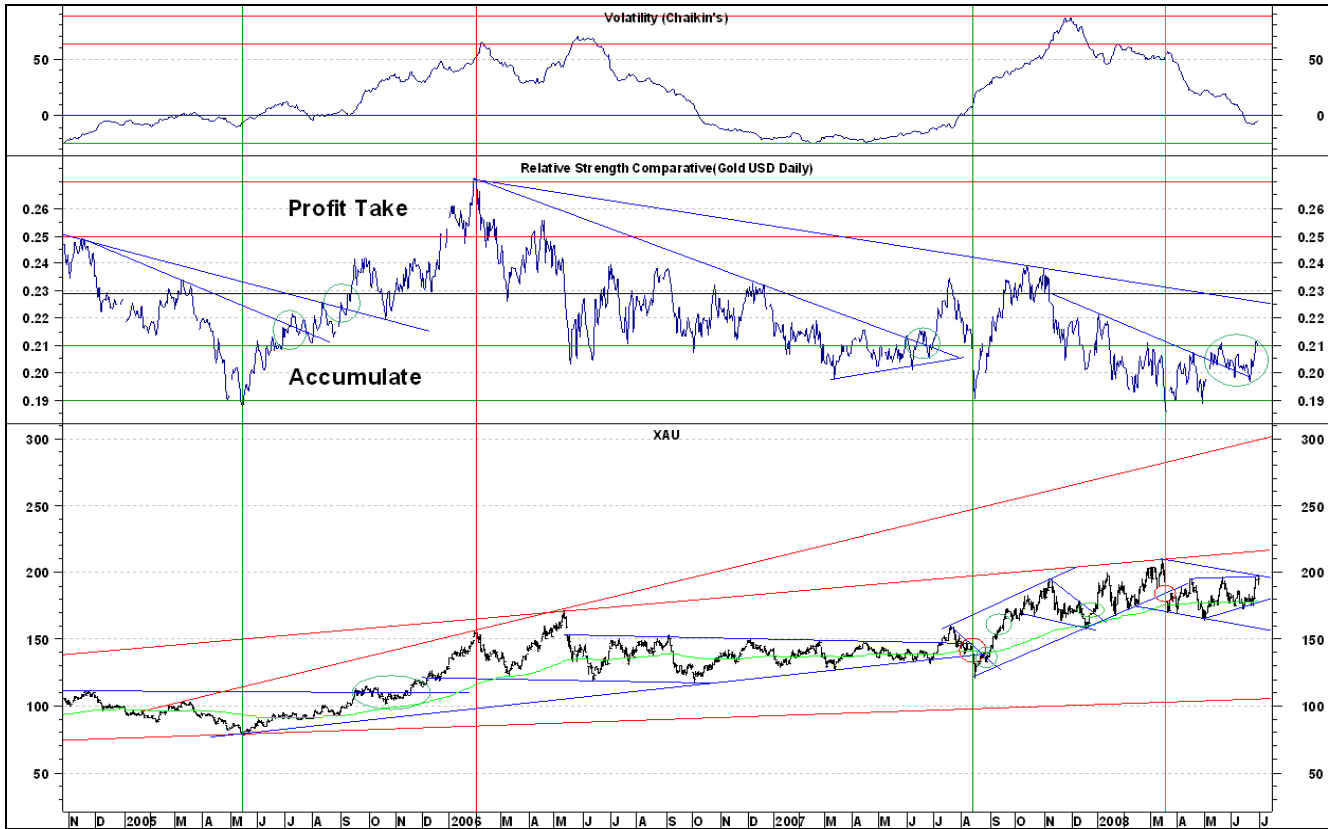


# THE GLOBAL SPECULATOR

07 July 2008

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## XAU



## XAU GOLD RATIO

Key Dates	XAU/Gold	XAU	XAU Performance	Gold Price	Gold Performance	Net Position
19/11/2001	0.18	49.46		272.90		
28/05/2002	0.27	88.65	79.24%	325.50	19.27%	59.96%
26/07/2002	0.18	55.73	-37.13%	303.30	-6.82%	-30.31%
08/12/2003	0.28	112.21	101.35%	406.60	34.06%	67.29%
13/05/2005	0.19	78.99	-29.61%	420.70	3.47%	-33.07%
31/01/2006	0.27	154.19	95.20%	570.70	35.65%	59.55%
16/08/2007	0.19	125.99	-18.29%	662.25	16.04%	-34.33%
<b>Current (04/07/08)</b>	<b>0.20</b>	<b>188.73</b>	<b>49.80%</b>	<b>934.00</b>	<b>41.03%</b>	<b>8.77%</b>

The XAU, for the month of June 08, rallied to hit 198 before settling back to 189 in early July 08, despite a resilient gold price which remains close to 935. The XAU gold ratio challenged the strong resistance at 0.21 but unfortunately failed and remains in that rather familiar consolidation range of 0.19 to 0.21. We need to see a definitive rally in the XAU gold ratio through 0.21 before a meaningful rally can begin. This will more than likely correspond with a breakout of the monthly consolidation pattern for the XAU referred to earlier. On a positive note, the volatility (top section of the chart) has dropped below zero which is becoming consistent with previous consolidation patterns.

## OUTLOOK

The two short term scenarios as I see it over the coming weeks and months:

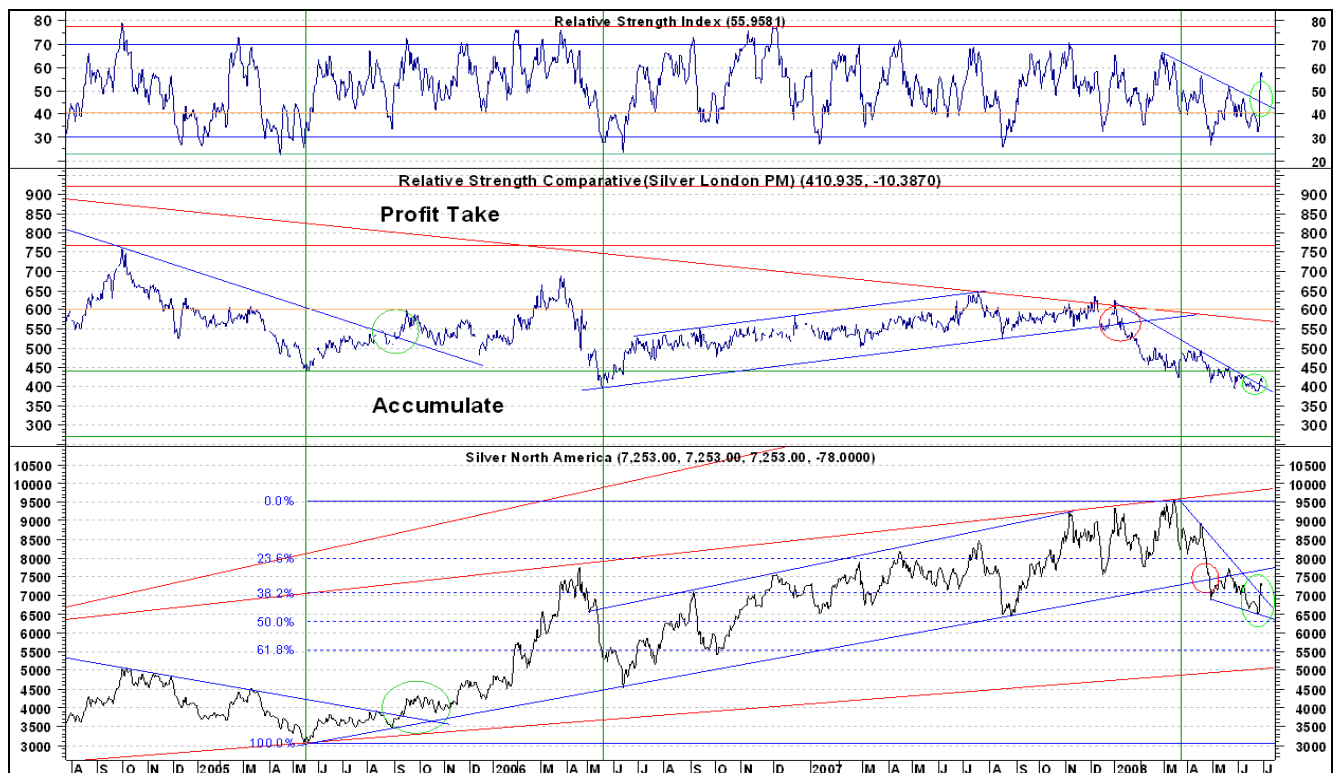
**Scenario 1:** The XAU will continue to consolidate in a range between 165 and 195 in line with the monthly consolidation pattern above. Until the markets find some semblance of stability, the XAU will continue to generally under perform the gold price. I support this scenario.

**Scenario 2:** The overwhelming fundamentals supporting the gold price result in a significant rally through US\$1,000 an ounce which drags the XAU higher despite a weak general market. Whilst I fully expect this to happen at some point, I can't see it for the time being.

### Intermediate Term Outlook:

Our next intermediate term target is 270 towards the second half of 2008 or early 2009, on a successful break of strong resistance at initially 200 followed by 210 - 220.

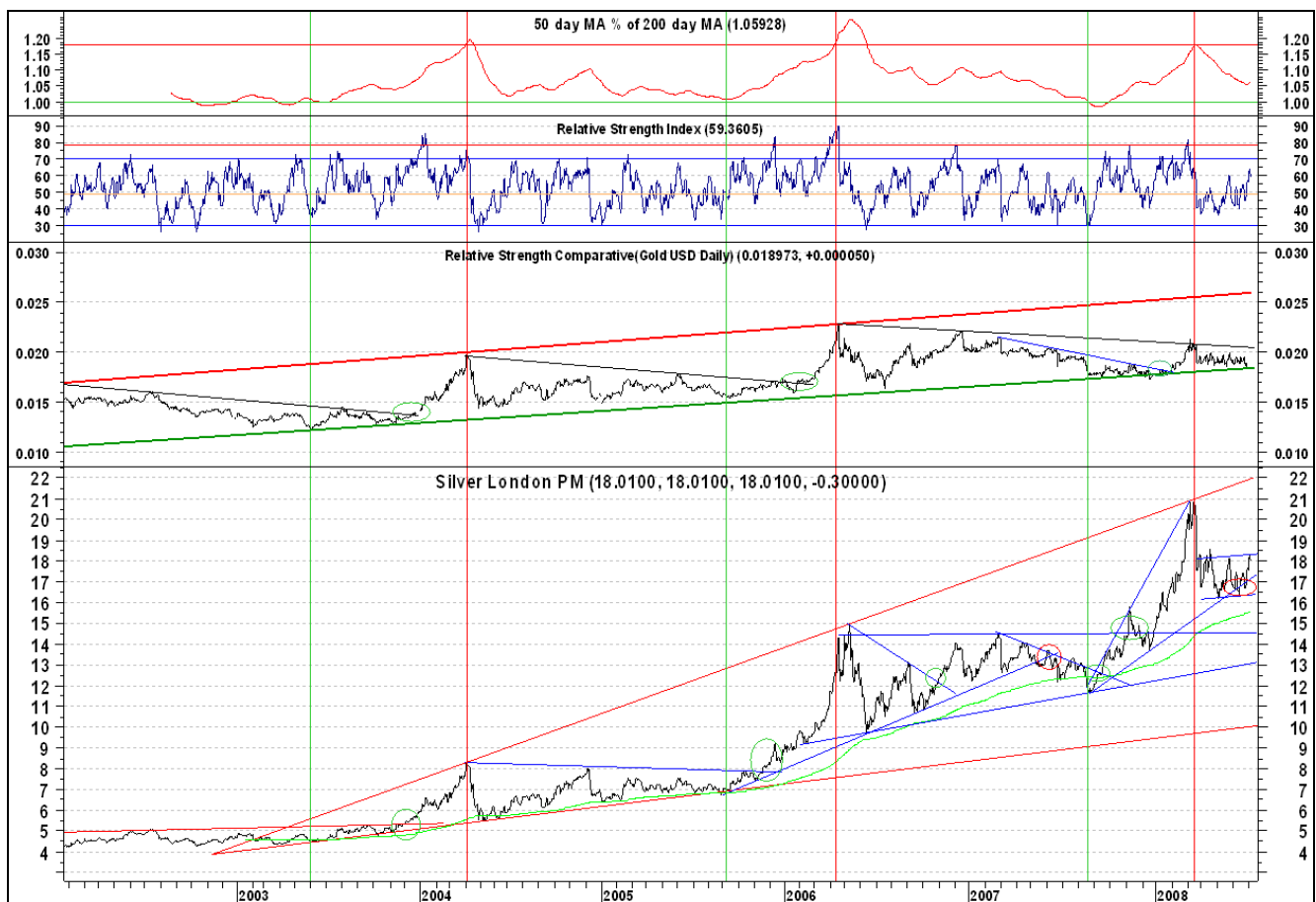
## NORTH AMERICAN SILVER INDEX (NASI)



The NASI, for the month of June 08, rallied to break a short term downtrend that had been in place since late March 08 and may go on to attempt to break tough resistance at 7,800 (former support). The Relative Strength Comparative with silver also broke short term resistance but will have to be watched over the next couple of weeks to determine whether this is a definitive signal or just random noise in the face of volatile markets.

The chart below shows the silver price range bound in a flag formation with resistance at US\$18.50 and support at \$16.50. Which direction silver ultimately ends up going in the short to intermediate term will be largely determined by which side of the formation we break. The Relative Strength Comparative with gold (middle section of the chart below) remains on support and is not providing any clues. The 50 day moving average as a % of the 200 day moving average (Top section) indicates we may have some more consolidation ahead of us.

## Silver Chart (\$US)



## OUTLOOK

The two potential short term scenarios as I see it over the coming weeks:

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**Scenario 1:** The NASI may rally as high as 7,800 – 8,000 before correcting back towards 6,500 with general market weakness. The silver price will continue to be range bound with resistance at \$18.50 and support at \$16.50. I support this scenario.

**Scenario 2:** The silver price gets caught up in a strong rally in the gold price which will drag the silver equities along with it. The NASI will break resistance at 7,800 – 8,000 and rally higher. I don't support this scenario at this time.

## Intermediate Term Outlook:

The next intermediate term target for the NASI is still 10,500 - 11,000, followed by a longer term target of 13,000 - 15,000 towards the second half of 2008 or early 2009. The next intermediate term target for the silver price is \$24.50 to \$26.50, again towards late 2008 or early 2009.

## CLOSING COMMENTS

June 08 has seen a fairly strong rally in the XAU which many believe is the beginning of the next big rally in the sector. Whilst I have entertained the idea, I am still not fully convinced we have seen a definitive signal of strength in the precious metal shares versus the metal to make that call. There is nothing like a monthly chart to put short term rallies into perspective. We are clearly still in a consolidation pattern as far as the XAU is concerned and until we see this broken I would be keeping that champagne on ice just a little longer. With a dark cloud hovering over world equity markets at the present time I still believe caution is required. For anyone interested I write a free newsletter on the precious metals market which you can sign up for at The Global Speculator website below. Past issues of the newsletter may also be accessed.

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