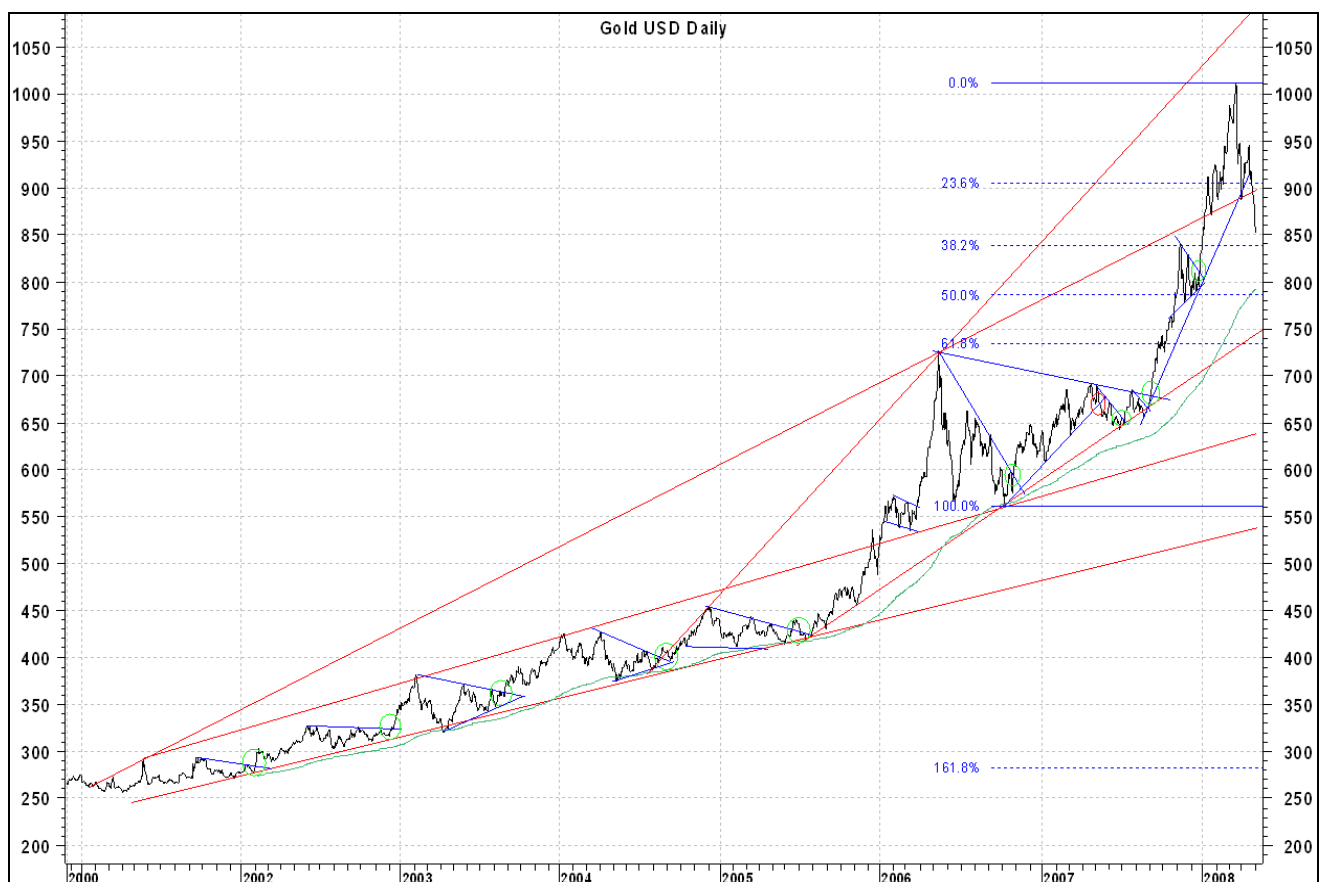


GOLD: HOW LOW DO WE GO?

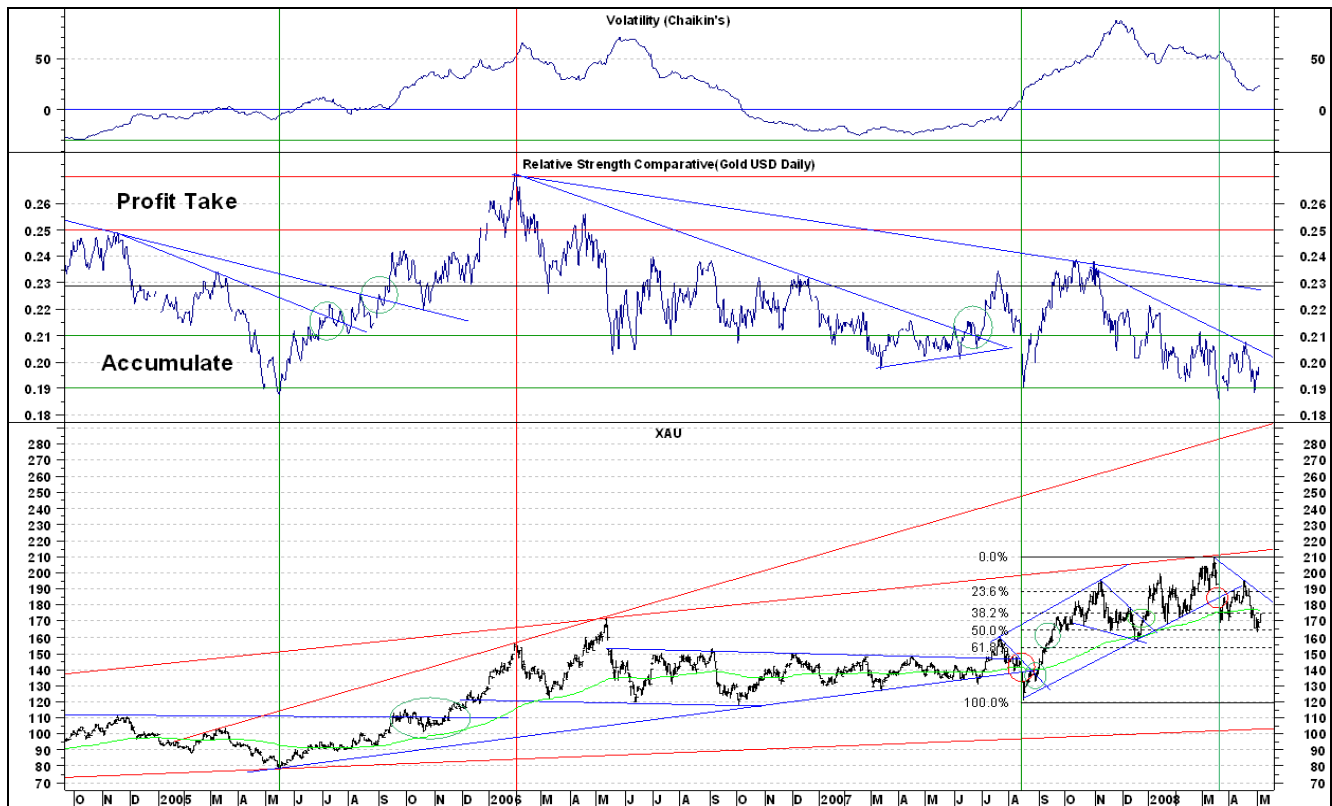
The following is an extract from the April 08 Issue of **The Global Speculator** sent to subscribers on the 8th of May 2008.

April 08 has seen more pain for precious metals investors. The gold price continued to correct leading many to ask the obvious question: **How much further do we have to go?** There have been many corrections during this bull market, with the average loss being roughly 50% of the previous gains. As you all know, picking a corrective low is not an exact science but it is helpful in trying to get some indication as to how much more pain we may have to endure. The chart below indicates a 50% correction may take us to the US\$790-\$800 mark, which happens to coincide nicely with the 300 day moving average (Green). The 300 day MA has been a very reliable support level to date. The gold shares, as we will see later on, have already started to show signs of strength during the recent fall in the gold price, which supports the theory that we are getting somewhat closer to a bottom.

Gold Chart (\$US)



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%
Current (07/05/08)	0.20	177.33	40.74%	875.60	32.21%	8.53%

The XAU, for the month of April 08, rallied to hit 195 before falling sharply with the gold price and has since steadied to be 177.33 as of the 7th of May. The XAU gold ratio fell sharply to just under 0.19 by late April, but has since rallied with the recent bounce in the gold price. One gets the feeling the gold majors may have some more downside from here with the corrective low in sight. The profit figures from the major miners have been released in recent days and as you would expect they have been impressive. However in light of the strong results, we have seen little positive reaction in the share prices suggesting to me we are not quite there. Having spoken about the corrective falls in the gold price, it is only prudent we discuss the relative falls in the XAU. With 50% pullbacks in the gold price, we have seen the XAU lose about 60% of its gains on average. The high of 210 made in March 08, gives us a rally of 90 from the low made of 120 in August 07. A 60% correction would see 54 of the 90 point rally lost, leaving us roughly at 155 as an indicative bottom. Again, this is not an exact science but it helps us to get a feel for what to expect if history is a useful guide.

OUTLOOK

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

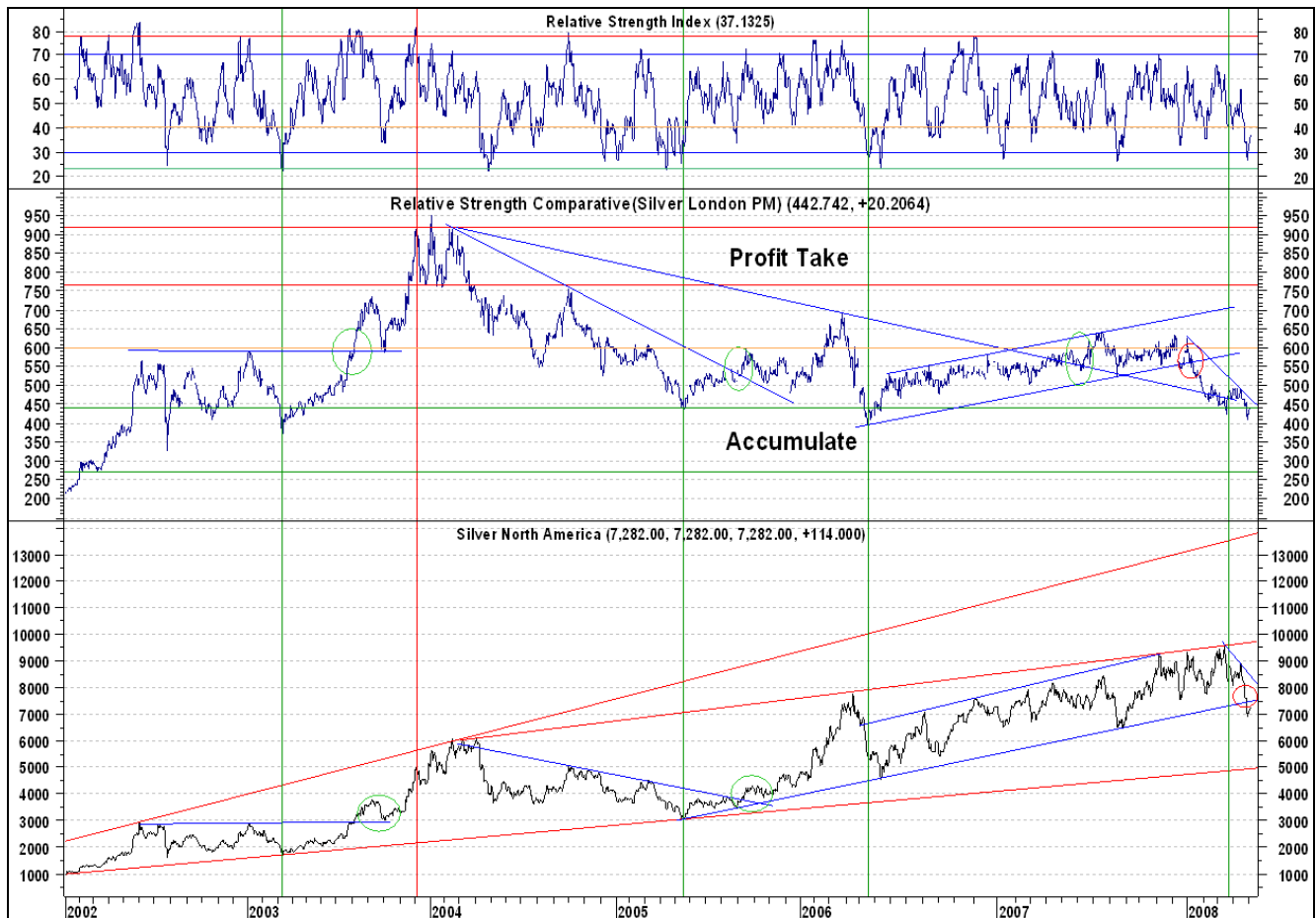
Scenario 1: The XAU will continue to correct with the gold price as both attempt to put in a low over the coming weeks and months. I see 155-160 as a reasonable support range and potential low for the XAU as we continue to build support for a powerful rally in the second half of the year. I support this scenario.

Scenario 2: The general equity markets get caught up in a violent downturn, taking the precious metals sector **temporarily** with it. This could result in the XAU falling down to solid support levels at the 145 - 150 mark. Equity markets remain vulnerable and the risk of this scenario occurring remains. For now, I do not support this scenario.

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 210 - 215.

NORTH AMERICAN SILVER INDEX (NASI)



The NASI, for the month of April 08, performed poorly failing to hold support at 7,500 and closing at 7,282. The Relative Strength Comparative with silver continues to deteriorate indicating the worst may not yet be behind us.

The chart below shows the silver price pulling back, as expected, towards support at US\$16.00 after a brief rally which took it back to about US\$18.00 before running out of steam. The Relative Strength Comparative with gold (middle section of the chart below) remains flat. I have recently changed my moving averages on the metal charts to 300 day moving averages (from 150), in light of some good articles written recently demonstrating their effectiveness in the bull market thus far. I see silver perhaps falling further over the coming weeks to the US\$15 mark before finding support. At this point, it will be interesting to follow the silver equities and see if they start to demonstrate strength as we work our way towards a corrective low.

Silver Chart (\$US)



OUTLOOK

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

Scenario 1: The NASI will continue to correct perhaps towards the 6,000 to 6,500 mark as we get into the final wash out of this correction. The silver price will correct and find support around the important US\$15.00 mark. I lean towards this scenario.

Scenario 2: If there is a sharp fall in the equity markets, we could see a worse case scenario of a pull back in the NASI down to the longer term support level of 5,000 and the silver price down to \$13.50 - \$14.50. While a distinct possibility given the present market uncertainty, I don't presently support this scenario.

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 the second half of 2008 or early 2009.

CLOSING COMMENTS

As the gold sector presently looks to find a low and begin yet another climb up to new highs, many have been left wondering what on earth happened to the junior sector over the last 12-18 months. The lack luster performance of the juniors was reminiscent of the 2001/02 rally in the gold sector, where only the majors had any meaningful movement. Interestingly enough, 2001/02 was also a period of significant market uncertainty as the Dow Jones lost over 30% in the wake of the Technology bubble bursting. What followed in 2003/04 was a powerful display in the junior sector which made some impressive gains as the general market found some stability and investor confidence returned. Whilst 2007/08 has certainly been very different in many respects to 2001/02, the mood of the markets has been very similar and investor sentiment has consequently been poor. It is my belief that we may see a repeat of 2003/04 in 2008/09 as many of the loose sellers in these mining juniors have been cleared out, leaving the shares in primarily tighter hands. This clean out has been necessary when you consider the vast number of placements that occurred in the period of 2004-2007 leading up to the shake out. Valuations are attractive yet again and the stage is set for an explosive move. Where 2003 – 2006 saw most junior gold mining companies participate in the upward move, I get the feeling it will be primarily the quality companies that will be the beneficiaries this time around. That is, the entities which have substance and therefore a demonstrable exposure to higher metal prices going forward. Having been burned by many mining juniors over the last 18 months, I just can't see investors blindly investing with the same bravado they did previously. This makes prudent due diligence essential if you want to isolate the most appropriate candidates to buy. 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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