

THE GLOBAL SPECULATOR

Contents

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Introduction

XAU Gold Ratio

The North American Silver Index (NASI)

The Australian Producers Index

The Australian Theoretical Price of Gold Update

Closing Comments

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Contact Details

troy@globalspeculator.com.au

Internet Address:

www.globalspeculator.com.au



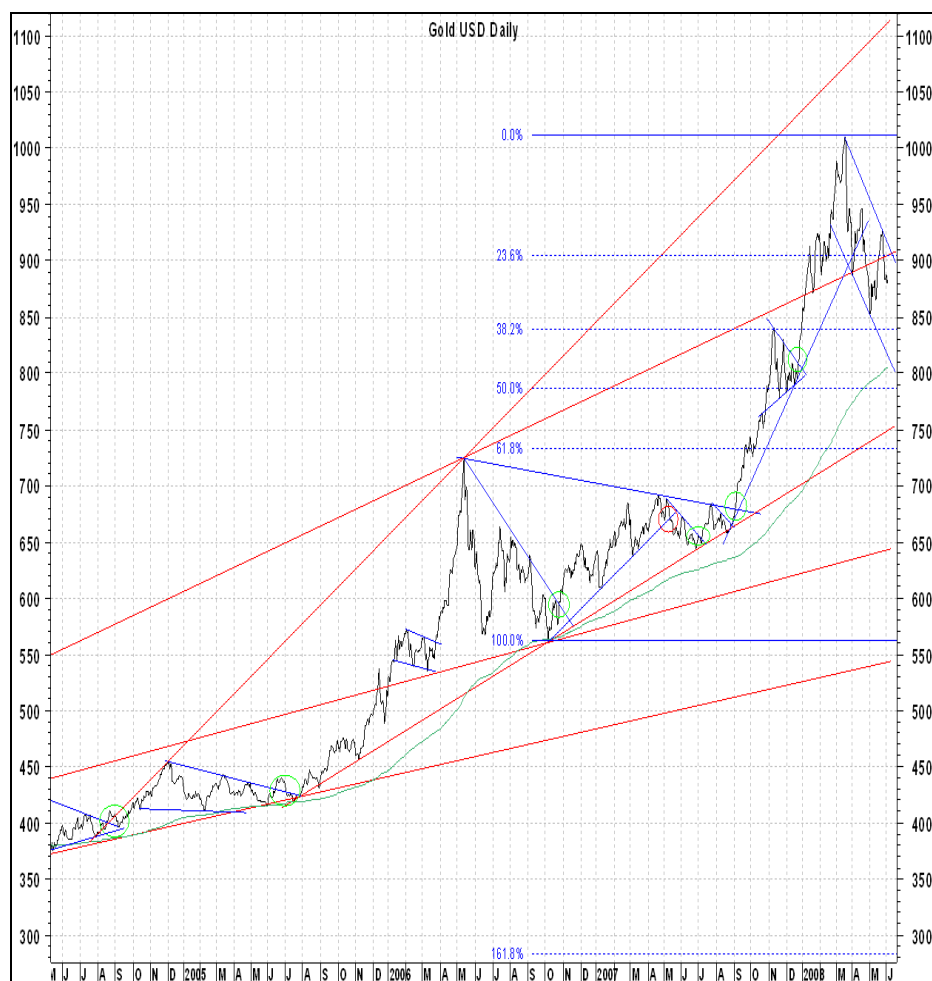
GOLD nerds

**On ASX Gold Investments
...The Nerds have the numbers**

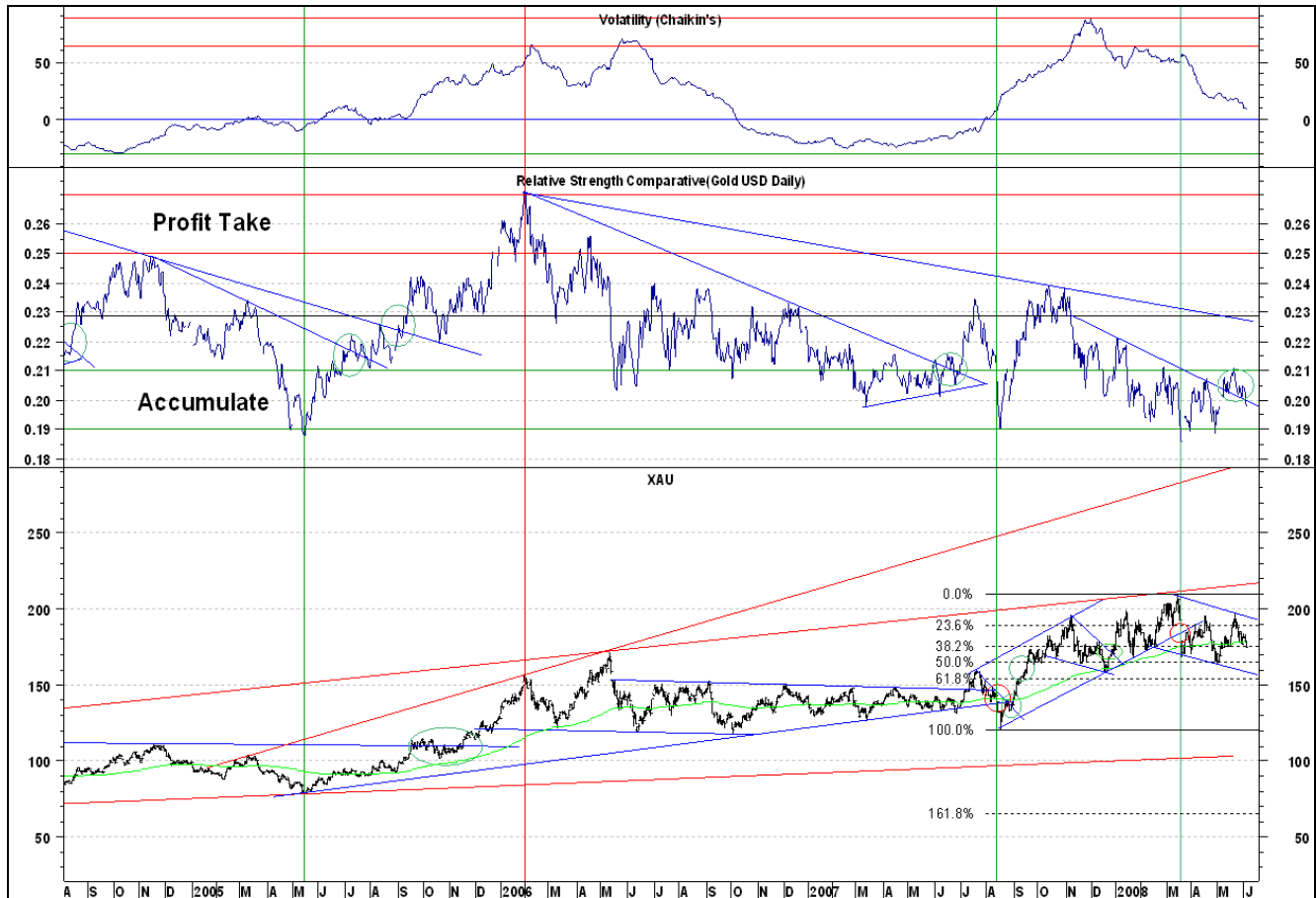
INTRODUCTION

May 08 has seen some consolidation in the precious metals sector. Gold rallied back over US\$900 only to retreat back down to around the US\$880 level. I continue to see one more sizeable correction for gold, which could take it anywhere between US\$810 – US\$840. The key to where gold eventually finds its low will be the precious metals shares and how they perform as the gold price moves. We are looking for the shares to clearly outperform the metal. The most obvious signal will occur on a day where the gold price falls heavily and the shares depicted by the XAU or the HUI hold firm or even rally slightly.

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 (05/06/08)	0.21	180.57	43.32%	878.00	32.58%	10.74%

The XAU, for the month of May 08, rallied to hit 196 before falling sharply with the gold price and has since steadied to be 180 as of the 5th of June. The XAU gold ratio has improved marginally towards 0.21, but remains in the consolidation range of 0.19 to 0.21 where it has been since late last year. As previously mentioned, we continue to look for the gold shares to lead us out of this temporary downturn. We need to see a definitive rally in the XAU gold ratio through 0.21.

OUTLOOK

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

Scenario 1: The XAU will attempt to find a definitive low along with the gold price. At this stage I see 155-165 as a reasonable support range as we continue to work towards a powerful rally in the second half of the year. In the event the gold price makes a lower low than the US\$850 mark hit in early May 08, look for the XAU to make a higher low than the 163 hit during the same period. 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 - 220.

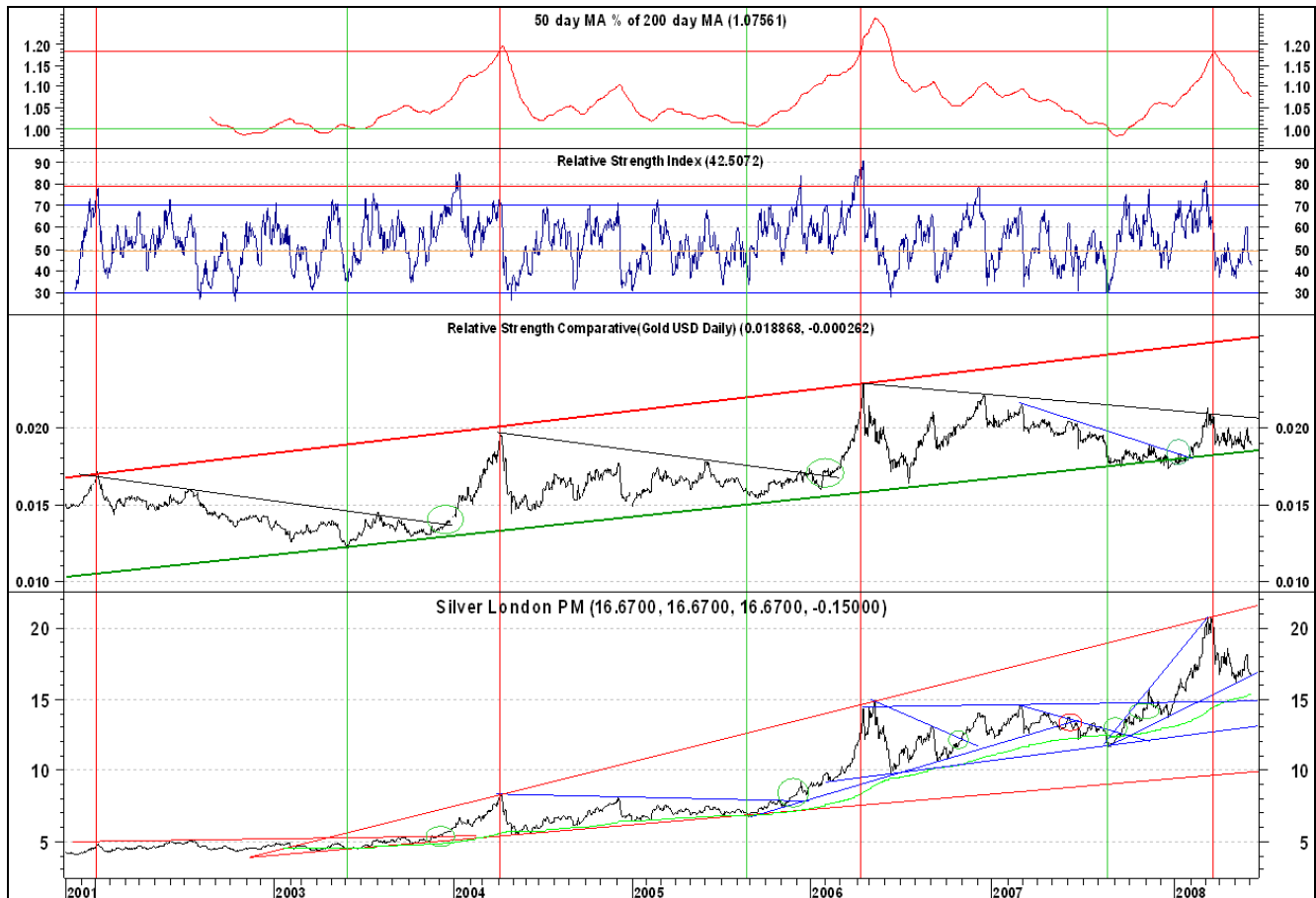
NORTH AMERICAN SILVER INDEX (NASI)



The NASI, for the month of May 08 rallied up to former support (now resistance) at 7,700, before pulling back down towards 7,000 as the silver price retreated along with the gold price. The Relative Strength Comparative with silver continues to deteriorate, indicating the worst may not yet be behind us. Like the gold scenario, we are looking for this indicator to break the resistance that has been in place since late 2007 and show some strength.

The chart below shows the silver price pulling back, as expected, towards support at US\$16.60 after a brief rally which took it back to just over US\$18.00 before running out of steam. The Relative Strength Comparative with gold (middle section of the chart below) remains on support. I continue to see silver falling further over the coming weeks, perhaps to the US\$15 mark, before finding support and hopefully an interim low. I have included a new indicator this month in the top section, which is simply a 50 day moving average divided by a 200 day moving average. We can see in past consolidation stages the silver price has put in a low when the two moving averages have been roughly equal (in other words 1) and the Relative Strength Comparative with gold has been on or close to support in the well defined channel (green vertical lines).

Silver Chart (\$US)



OUTLOOK

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

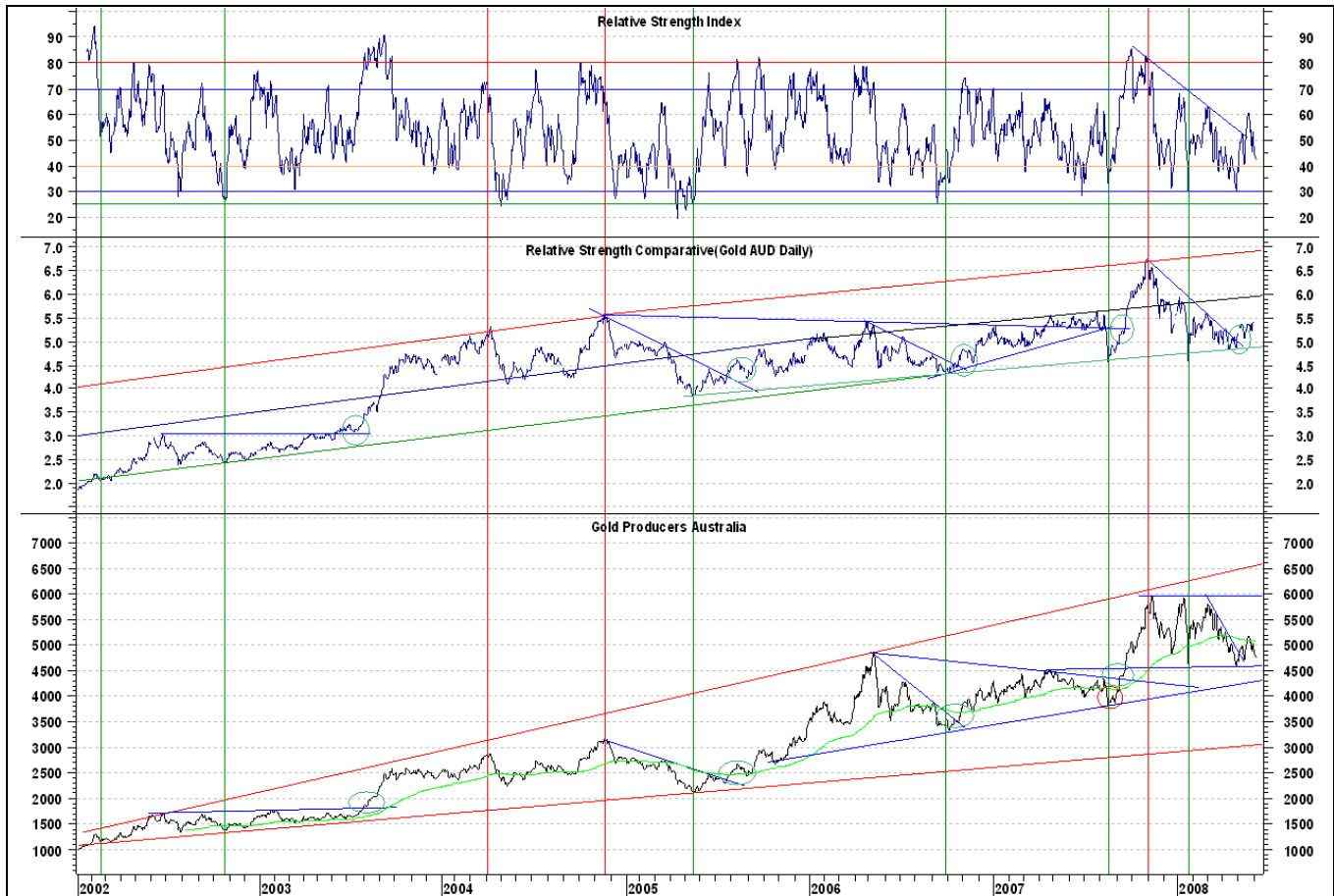
Scenario 1: The NASI will continue to correct perhaps towards the 6,000 to 6,500 mark as we get into the final wash out of this correction. The silver price will correct and find support around the important US\$15.00 mark. I continue to lean towards this scenario.

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 \$13.00. 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.

AUSTRALIAN PRODUCERS INDEX (API)



During the month of May 08, the API rallied to be as high as 5,200 before falling down to 4,800. The index continues to consolidate between 6,000 and 4,600. A look at the Relative Strength Comparative with gold (middle section) shows it starting to rally after a prolonged contraction. This is a bullish signal and is consistent with what we are waiting to see in the two North American indexes above. The gold price in Australian dollars has been weak of late, but the Aussie gold producers continue to be resilient.

OUTLOOK

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

Scenario 1: The API will continue to trade close to the 4,600 support, with the gold shares holding up as the gold price attempts to make its lows. In the event 4,600 fails, we may see a fall somewhat lower down to 4,300. I continue to support this scenario.

Scenario 2: We get a severe pull back with another unexpected event. This could see the index fall to longer term support at 3,000 – 3,500. I don't support this scenario for the time being.

Intermediate Term Outlook:

My intermediate term target continues to be 6,500, with a longer term target of 7,500 towards the second half of 2008 and early 2009.

AUSTRALIAN THEORETICAL PRICE OF GOLD UPDATE

Date	10 Year BB Interest Rates	Headline CPI	M3 Aggregate Money Supply	Rate of Australian M3 Change	Gold Production Av Annual Increase (1.73%)	Australian Theoretical Gold Price	Actual Australian Gold Price	Actual as a % of Theoretical
Jun-07	6.26	2.10	867.9	3.3460%	0.14%	2,760.86	766.64	27.77%
Jul-07	6.03		874.6	0.7720%	0.14%	2,778.20	774.60	27.88%
Aug-07	5.92		895.8	2.4240%	0.14%	2,841.53	826.01	29.07%
Sep-07	6.16	1.90	911.9	1.7973%	0.14%	2,888.51	839.60	29.07%
Oct-07	6.18		939.1	2.9828%	0.14%	2,970.50	851.90	28.68%
Nov-07	6.00		964.7	2.7260%	0.14%	3,047.19	885.91	29.07%
Dec-07	6.33	3.00	982.1	1.8037%	0.14%	3,097.88	951.01	30.70%
Jan -08	6.36		987.9	0.5906%	0.14%	3,111.84	1,034.57	33.25%
Feb -08	6.21		991.0	0.3138%	0.14%	3,117.25	1,038.59	33.31%
Mar-08	6.04	4.20	998.2	0.7265%	0.14%	3,135.53	1,029.02	32.81%
Apr-08	6.19		1003.0	0.4809%	0.14%	3,146.21	924.29	29.38%

May 08 has seen M3 growth tick up by a modest 0.48%, as credit growth continues to be lackluster in light of higher interest rates. The theoretical price of gold has risen to over A\$3,146 an ounce. If we look at the first 10 months of this financial year as a guide, we get an annualized growth rate in the money supply of 17.5%. At the end of May 08, the actual price of gold had dropped to be just over 29% of the theoretical value.

AUSTRALIAN GOLD PRICE



CLOSING COMMENTS

May 08 has seen more of the same. I continue to wait for that definitive signal of strength in the precious metal shares to signal an end to this corrective phase. Having said that, I am close to 100% invested at this time and want to make the point that attempting to enter a market by timing the bottom is fraught with many dangers. "If" the gold price does in fact have one more near term correction to the levels we have discussed, I wouldn't expect to see a substantial correction from the PM shares which have already been on the receiving end of a hiding to nothing. I merely commentate on the short to intermediate term technicals, so you the reader can get your bearings on where we are at and where we are potentially heading. Almost entirely all my investing is done on a fundamental analysis basis, with technical analysis used to gauge market sentiment. The poorer the sentiment, the better the value being offered fundamentally and the more homework that needs to be done. Right now the indicators above are suggesting there is still some terrific value on offer. 2-3 months from now I wouldn't be surprised to see a very different landscape.

Troy Schwensen

Research Analyst
www.goldnerds.com.au

Editor
www.globalspeculator.com.au

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