

PRIVATE WEALTH ADVISORY

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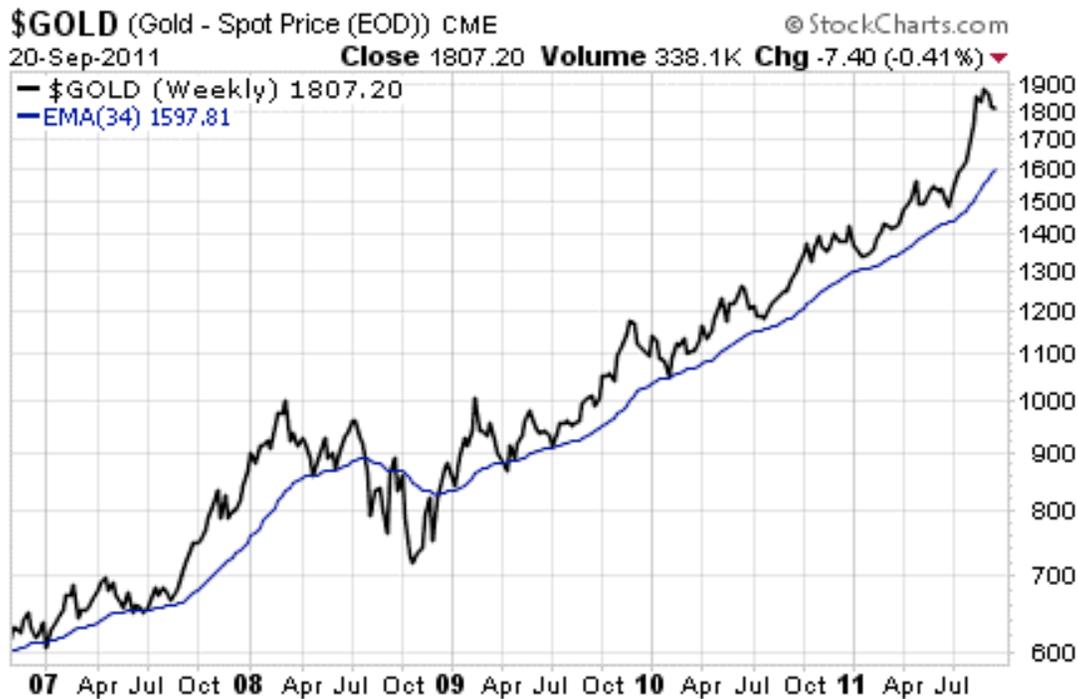
OCTOBER 17, 2011

Gold and Silver Update

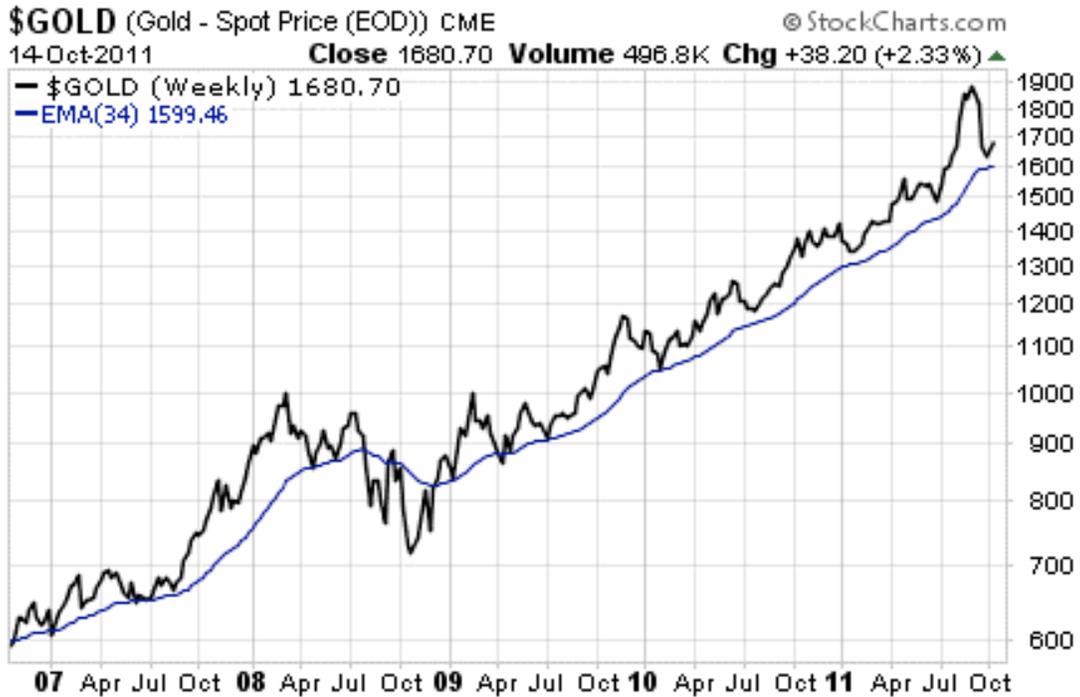
In the last six months, Gold clearly formed a blow off top. (at least short-term).

As you'll recall from earlier issues of *Private Wealth Advisory*, the 34-week exponential moving average (EMA) has sustained Gold throughout its bull market. Anytime Gold became too stretched above this line, we saw a sharp correction.

With that in mind, going into September 2011, Gold was as stretched from this line as it had been at any point in the last five years. Suffice to say we were due for a sharp correction.



Now that the correction looks to be over, I want to point out that Gold looks to have bounced off the 34 week (EMA): a strong indication that the bull market remains intact for now.



Let's zoom in for a closer look at the technical picture. My take here is that things are holding up but we're not out of the woods yet,

Gold has hit up against the trendline that has supported its lows year to date. However, we need to fill that massive gap to the upside if we're going higher now.



Until we break above \$1,750 per ounce for Gold, I remain concerned that we might see a greater correction or at least a longer period of consolidation here. We should know the deal by the end of the week.

Regarding Silver, the picture is much more bearish.

As you can see, we're in a clear descending trading channel here.



Silver is now coming up against resistance around \$33 per ounce. We NEED to break above this level with conviction otherwise we're heading do to \$30 per ounce or possibly even \$27.50 per ounce.



If we *do* see a correction to \$27.50 it'd be par for the course for Silver. As the below chart illustrates, Silver tends to make sharp moves upward that are followed by longer periods of consolidation:



If Silver *does* break below \$30 an ounce, I would view it as an opportunity to add to bullion positions. However, be warned, if a 2008 event takes hold, both Gold and Silver could see sharp sell offs as liquidations hit.

Overall, I would say to use these current pullbacks to nibble at either precious metal. But be aware that we aren't out of the woods for either metal yet. So do not load up.

Best Regards,

Graham Summers