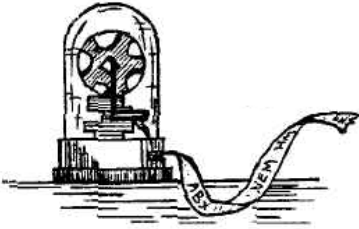


FRANK BARBERA'S



GST MarketFAX

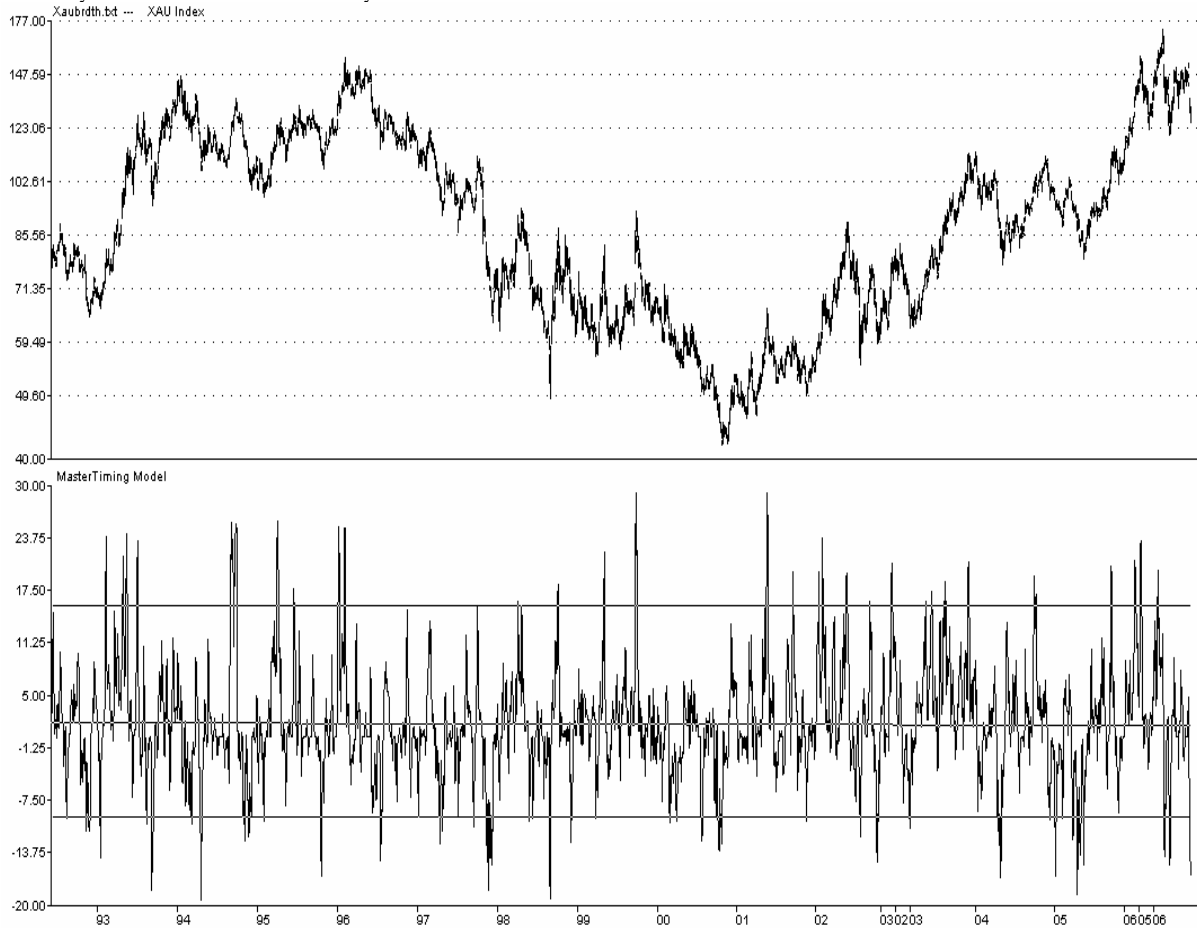
P.O. Box 2708 Palos Verdes Peninsula, California 90274

Thursday – September 14th

Asset Class:	Portfolio Asset Allocation				
	Aggressive:		Conservative:		
Gold Stocks:	100%		96%		
Physical Gold:	0%		4%		
U.S. Equities Short Rydex URSA/Shorts	0%		0%		
International Bonds:	--		--		
Other Investments:	0%		0%		
Cash:	0%		0%		
Technical Indicators:	09/14/06	09/13/06	09/12/2006	09/11/06	09/08/06
McClellan Oscillator:	-319	-230	-330	-280	-180
S/T Up/Down Vol. Ratio:	.277	.382	.289	.369	.634
9 Day RSI	+22.72	+27.80	+25.22	+26.02	+38.76
S/T Put/Call Oscillator:	-392.94	-317.26	-224.63	-56.13	+117.13
Interm. Put/Call Oscillator:	-184.62	-128.65	-93.12	-29.91	+28.95
Summation Index :	1417.96	1561.63	1665.26	1813.57	1939.59
Int. Volume Trin:	1.201	1.146	1.104	1.017	.919
“New” Trin:	1.827	1.689	1.641	1.347	1.067
Detrend Med Term A/D Osc.	-34.01	-27.51	-31.80	-27.16	-19.60
Primary Trend Model:	-16.34	-13.02	-11.87	-8.42	-1.27

We are doing this update and it is late on Thursday night, very late for us -- after a 14 hour day (our third of the week), so this update will be brief. Hopefully, it will serve too keep everyone in the technical loop. Over the last 7 trading sessions, the XAU has now declined 26.26 index points or 17.29%, the HUI a decline of 19.40% while Comex Gold has tumbled from \$647 to \$582.50, a decline of \$64.50 a decline of 9.96%. There is an air of panic gripping the Gold market at the present time, as the downside volatility is extremely intimidating. That said, we believe this is precisely the wrong time to panic, as prices are very likely near – in the vicinity of a major low. To be sure, we know that declines like these which comes suddenly, and rather out of the blue, can be nerve wracking and can test the psychological metal of even the strongest investors. Yet we do not believe we will see much downside action remaining from here. Sustaining this type of waterfall action in any market is virtually impossible, and once prices begin to find a firmer footing, downside momentum will arrest, prices will base out for a short time, and then begin to rise all over again. We have very little doubt that the current decline is anything more than a correction within the context of a still ongoing bull market. Tonight, our Primary Trend Model closed at a deeply oversold value of -16.34, down from -13.02 and is shown going back to 1992 atop the next page. For some level of

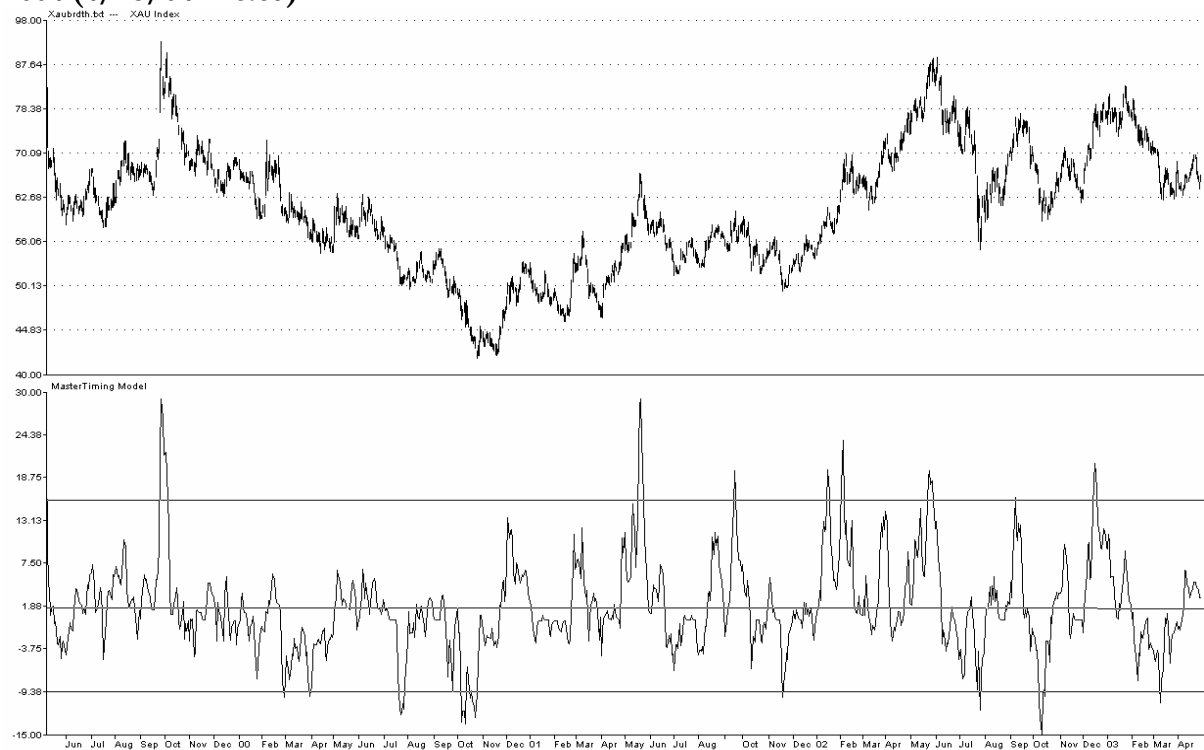
context, the current reading of -16.34% would rate easily within the top 10 daily “most oversold” readings seen in the last decade and half. Only 5 daily readings in all that time, were slightly worse and those were the -19.35% seen on 9/20/94, the -19.30 on 8/31/98, the -18.73 on 4/15/05, the -18.17 on 9/08/93 and with three other at roughly -16.50 and they were (-16.67 on 4/28/04, -16.59 on 1/05/05 and -16.42 on 10/23/95). What’s more, this indicator is still moving down and with a flat day tomorrow could easily match the worst extremes ever seen.



Above: The entire history of our 30 indicator – all encompassing technical model – look where we are right now--- we are at levels where prices always rally back.....

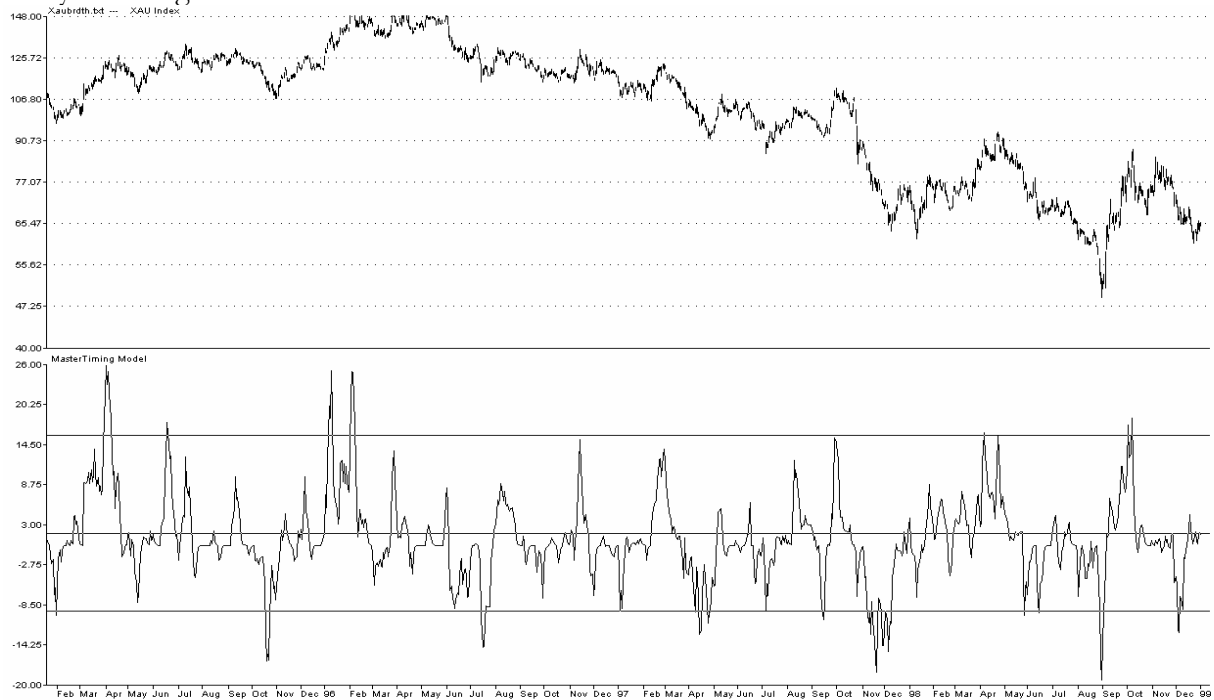


Above: Close up of 2003 thru 2005. Note today's reading is akin to the extreme oversold values seen near the major May low (4/15/05 -18.73%) in 2005, and the major April low of 2004 (4/28/04 -16.67)

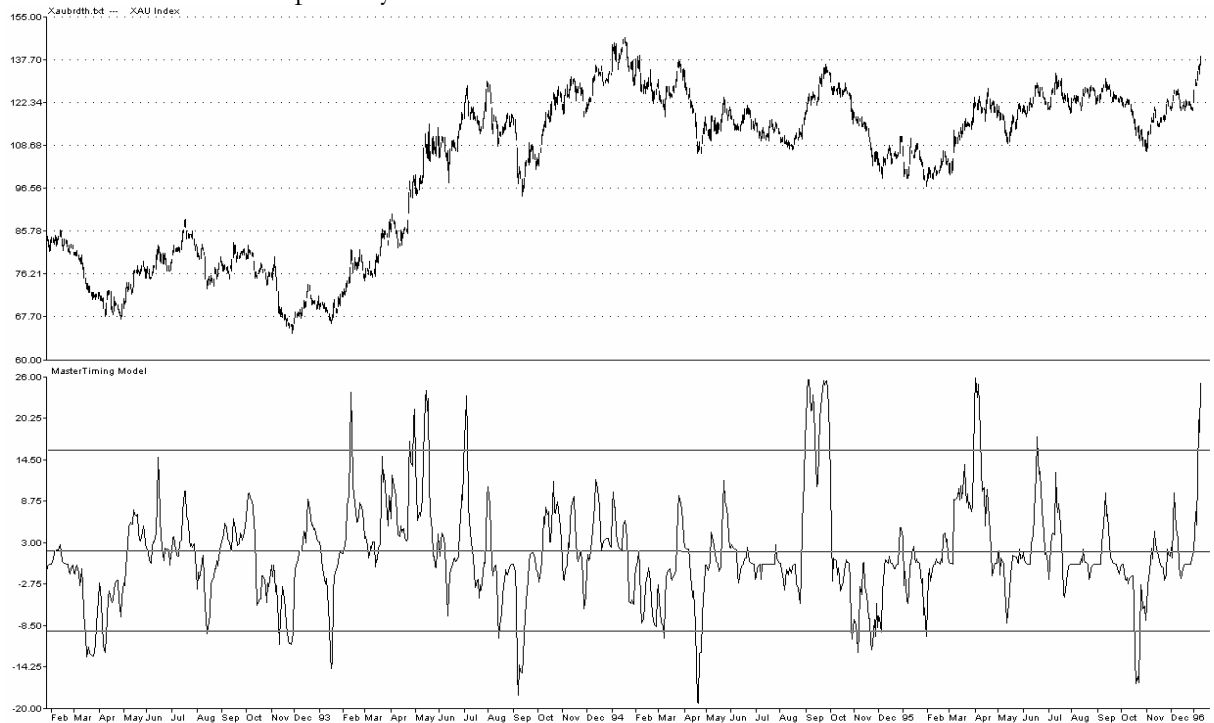


Above: The time period straddling the major low in 2000 and the June low in 2002. In the June 2002 collapse, the XAU fell 37% in a short period of time and the model saw a low reading of -

11.83%, -- not -16.34 like we have today so we are far more oversold right now, then we were back then at the bottom of a 37% decline. On October 11, 2000 at the bottom of the great bear market of 1996 to 2000, we saw one day of -13.59 on 10-11-2000, again – that number looks mild next to today’s reading.



The 1998 was a panic low as well, with the 8/31/98 registering -19.30 for one day. Within a month the Gold Stocks were up nearly 50% from that low.

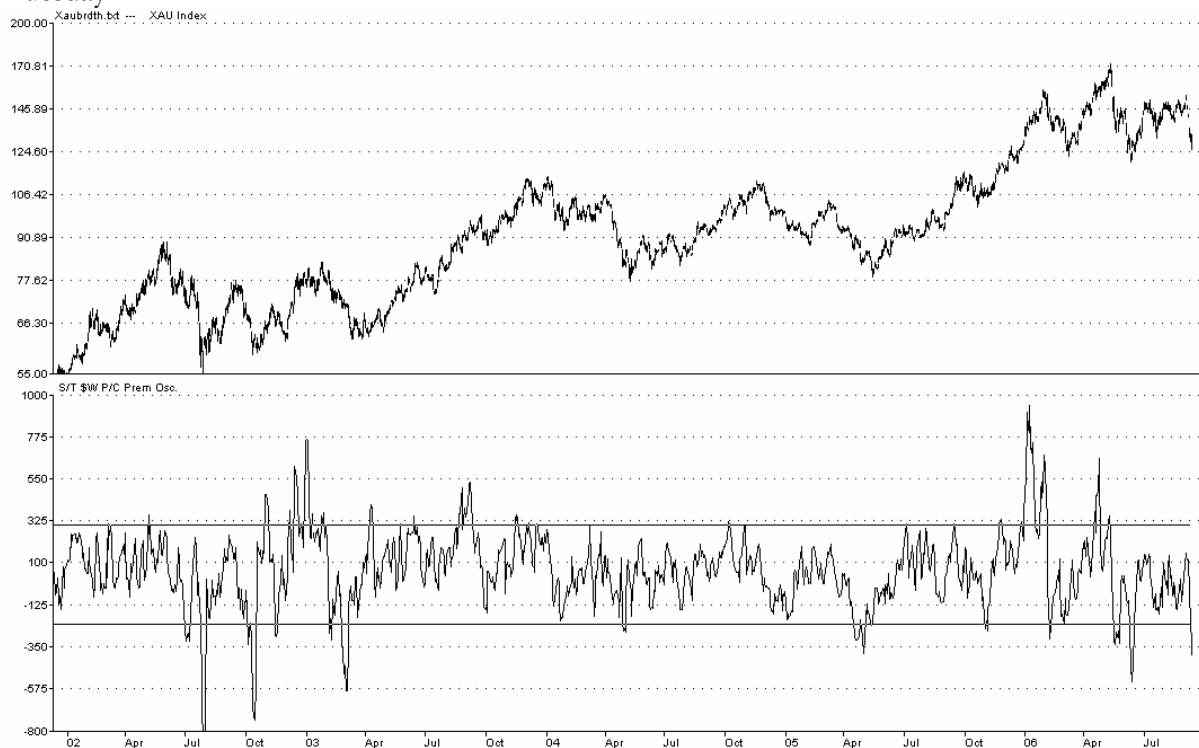


Above: Going back to 1994, and 1993, we see the major low in the middle of 1994 at -19.35% and that marked THE low for 6 months and led to the summer rally in gold stocks that lifted the XAU

more than 30% into the October high. In 1993, the September 8th low -18.17 was the index reverse and gain nearly 45% in the next 6 months.

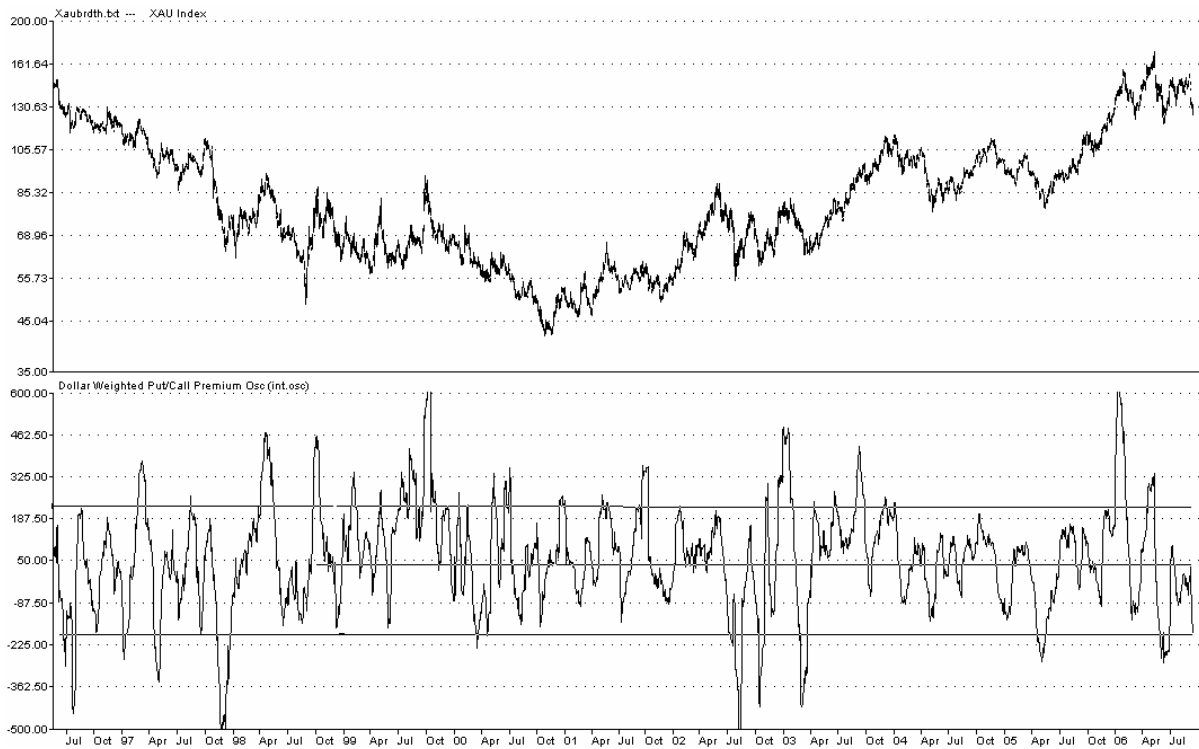
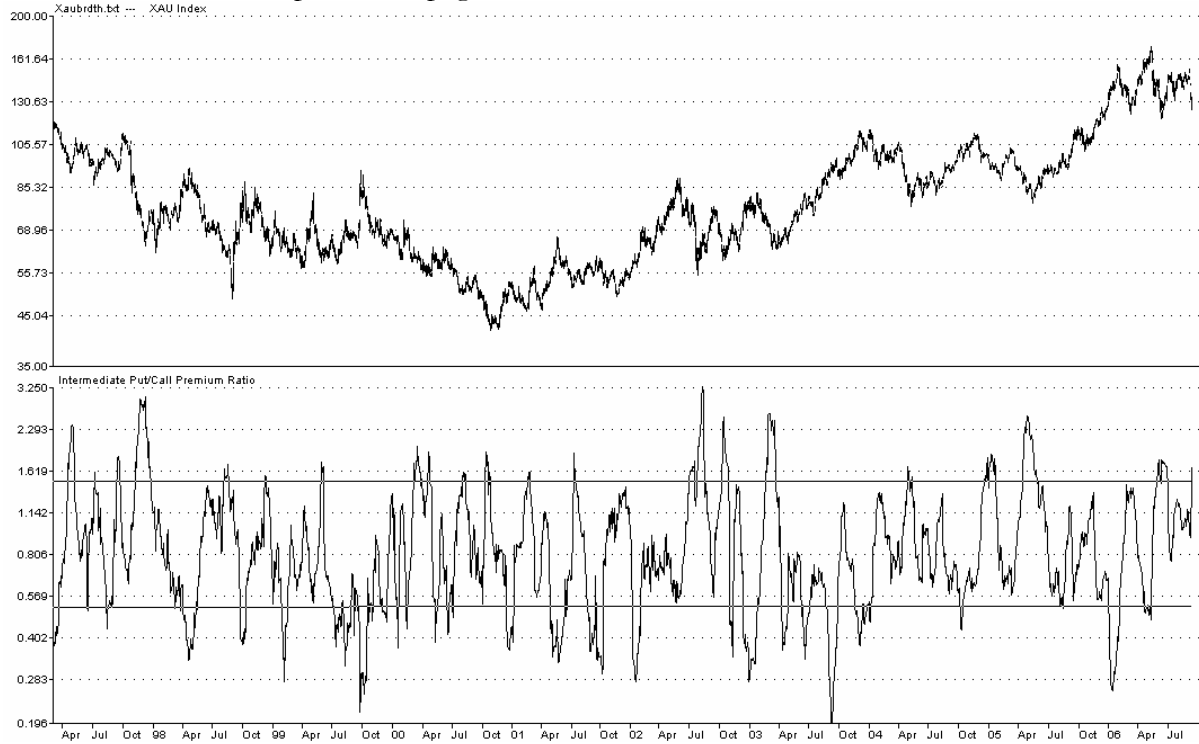


Above: our Dollar weighted options gauges all continued to move deeper into oversold territory today, with the Individual gold stocks Ratio ending at 3.59, up from 3.53 yesterday and 3.28 on Tuesday.

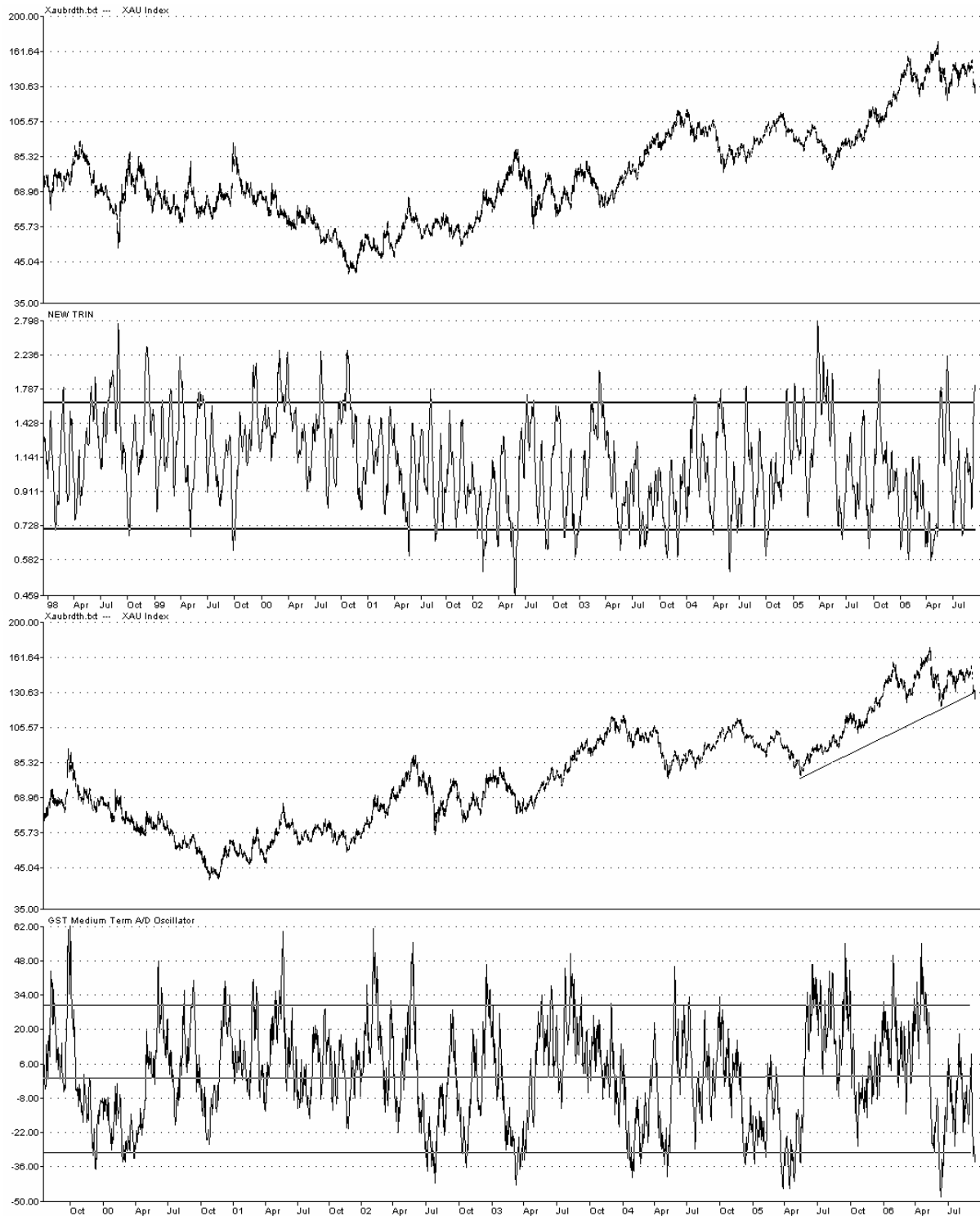


For the XAU, the Short Term Dollar Weighted Gauge declined to multi-week lows and is now deep into oversold territory with a reading of -392.94 at the close. In addition, both of the XAU's

medium term options gauges are also now fully oversold, the Premium Ratio shown below and the Premium Oscillator atop the next page.



Below: The NEW TRIN, our medium term ARMS Index also continued to move deeper into oversold territory today ending north of 1.80, -- the kind of reading that invariably leads to a sharp snap-back recovery rally within fairly short order.



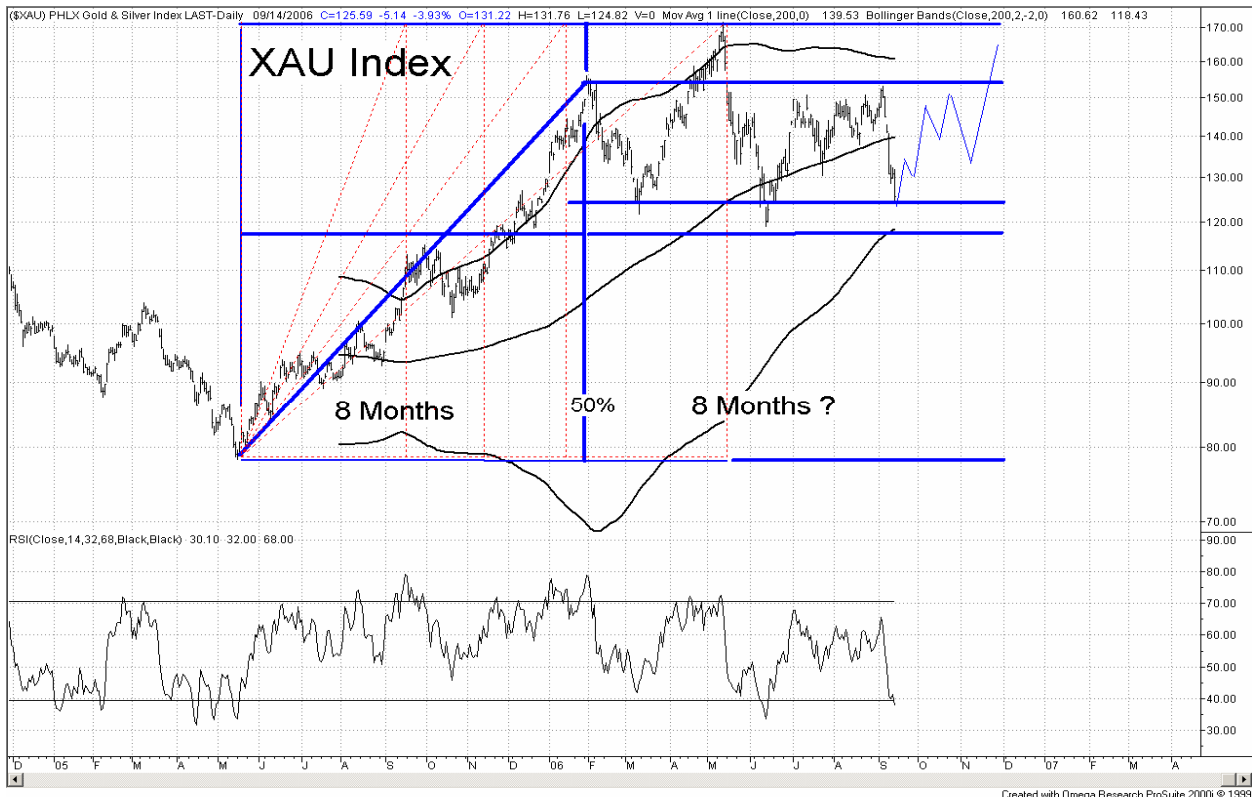
Above: The A/D Oscillator also pressed lower – moving well under –30 with a close below –34, a reading only seen in close proximity to major bottoms.



Above: The Up-to-Down Volume gauge, at .277 now compressed near .30 for the better part of three days running – rare indeed, and very difficult to sustain. A rally of substance should follow soon.

In addition to the extreme oversold values on the technical gauges, we can comment that we believe the low 120 area should hold as major support for the XAU as the current zone in Gold between \$570 and \$585 should also hold as a bottom. To be clear, we are in a ‘fast market’ type climate, and in this environment, numbers can be over-run briefly and not really violated. For most technicians – for an index to break down, a certain percentage move beyond the break down point is required. In our view, the XAU is completing a large scale consolidation phase with the decline into the current lows. While we hear a lot of technicians squawking about a H&S top, what is on the chart is in all likelihood, no such thing. Real H&S Tops are far more compact, they take a manner of a few days to a few weeks at most, not 6 months. Beside that, all of the internal volume and momentum profiles are wrong for a H&S reversal top. In the thousands of hours of looking at charts over nearly 20 years plus, I have seen many consolidations temporarily look like H&S formations only to yield ground to a renewed uptrend at the very point where they “looked” like they were about to break down. The only examples I have found of very large scale H&S tops were in stocks that had gone up hundreds of percentage points for some years, and were hyper-extended on the primary trend.

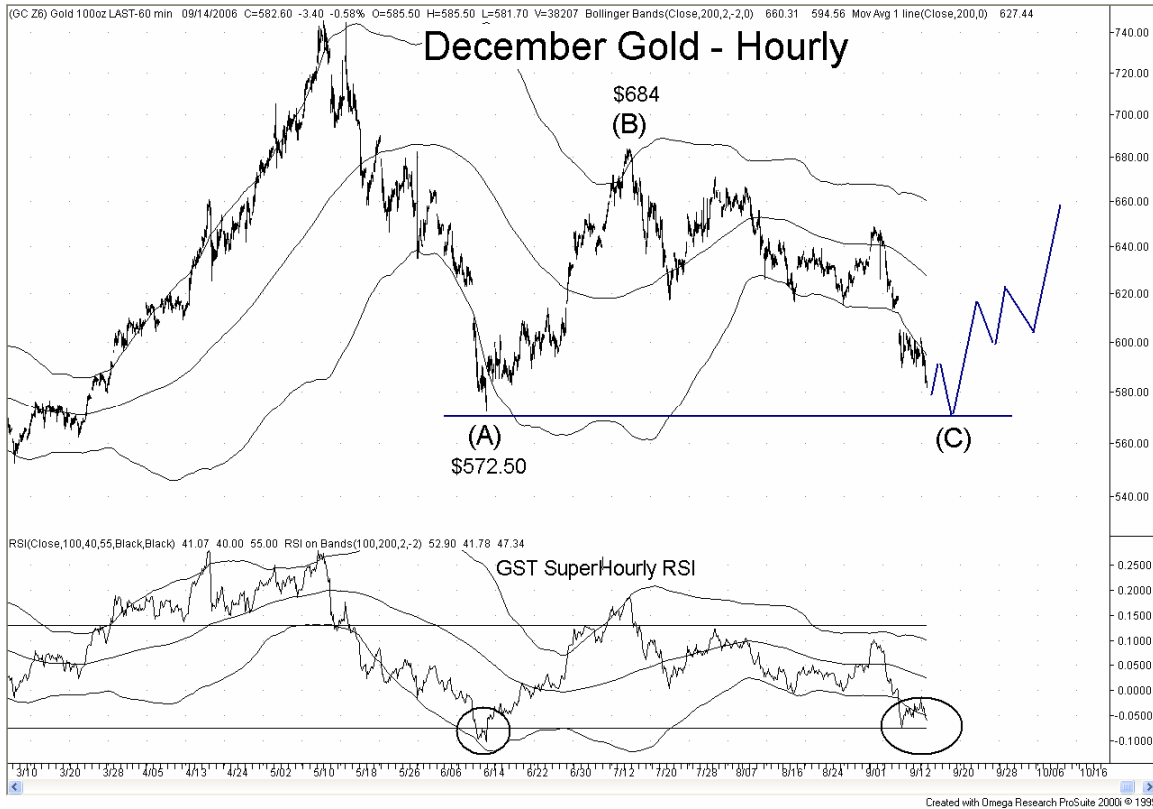
In the case of Gold Stocks, they are nowhere close to residing in that domain, and that is another reason why we are NOT --- dealing with a H&S pattern. Instead, it is far more likely that a consolidation base is ending and that the XAU support which is rising at the 200 day lower band will hold as a demarcation line in the sand. Personally, I believe that today’s close, stands a good chance at marking the low with a rally toward 130 the most likely course ahead. Of course, we will soon see.



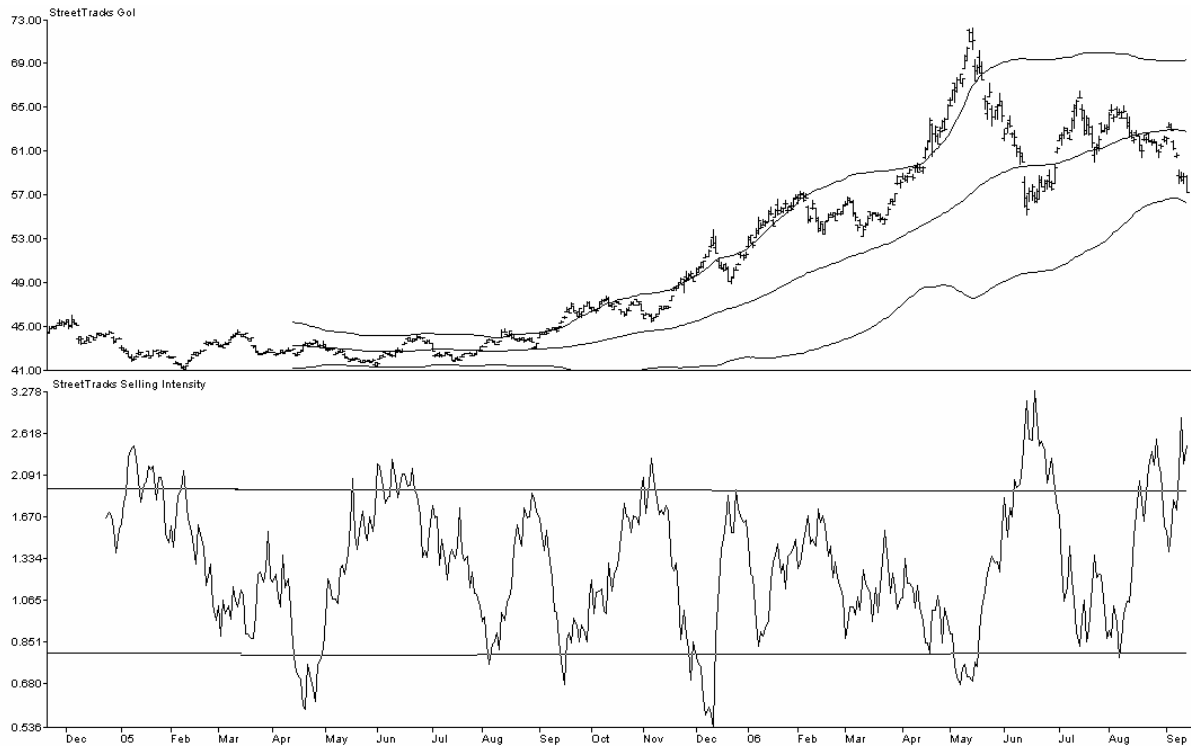
Finally, a comment or two on Gold, where the current decline looks likely to test and rally off support at the rising 100 day lower Bollinger Band. This means that prices could briefly test \$572, although, an immediate rally back toward \$595 to \$600 would be no surprise at all.



On the Hourly chart below, the SUPER HOURLY RSI for Dec. Gold is heavily oversold and back down in the vicinity of readings that have steadfastly marked bottoms over the last two decades. Ideally, we see a brief rally in Gold over the next few hours with a big lift to the upside in the Gold Stocks, then slightly lower lows in



gold retesting the prior low with the Gold Stocks not making lower lows. Going forward any close back above \$600 would probably mean that the bottom is in place. On an Elliott Wave basis, the current decline is finishing a C – Wave down, completing an classic A-B-C decline from the May high. IF all goes well, within a few days, both the XAU and Gold will be back in definitive rally more.



Patience, Patience, Patience is the order of the day.
 Hopefully 'the turn' will soon be at hand.
 Lastly, we will continue to hold our stock positions in anticipation of a near term rally.
 Next update will likely be out on Monday evening.

That's all for now,
 Frank

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