

# CitiFX<sup>®</sup> Technicals- Chart of the Week

Technical Developments in the Foreign Exchange and Asset Markets

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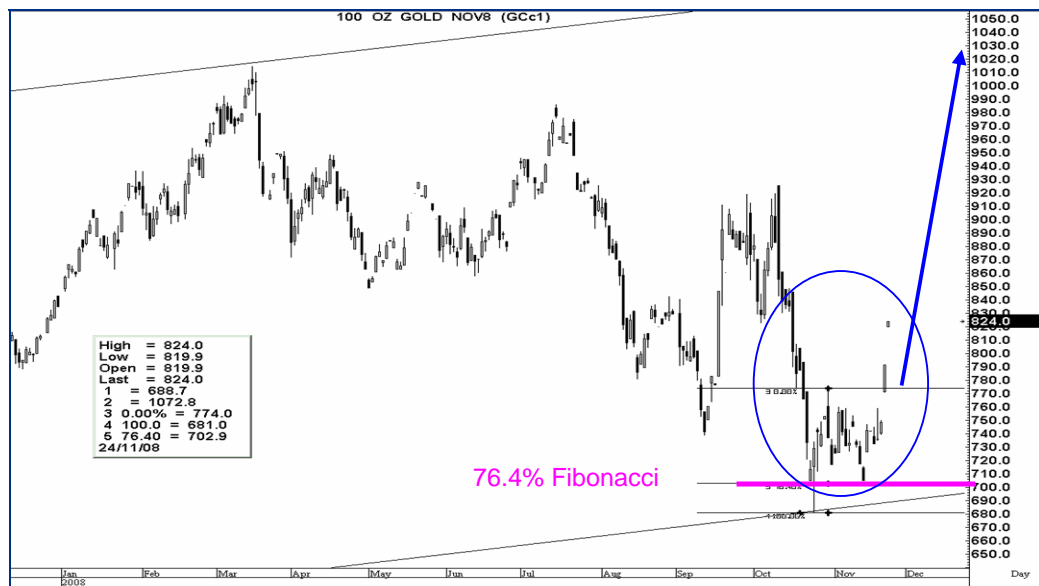
## Chart of the week: BULL-ion

For those who refer to Gold as “That useless piece of yellow metal that has no real value and earns nothing” (And have done for years) they might want to look at financial market charts more closely.

### Gold Future (GCc1)



Channel base from where we have formed a 76.4% Fibonacci retracement against the lows and exploded higher. This is a long term uptrend. From the channel base...



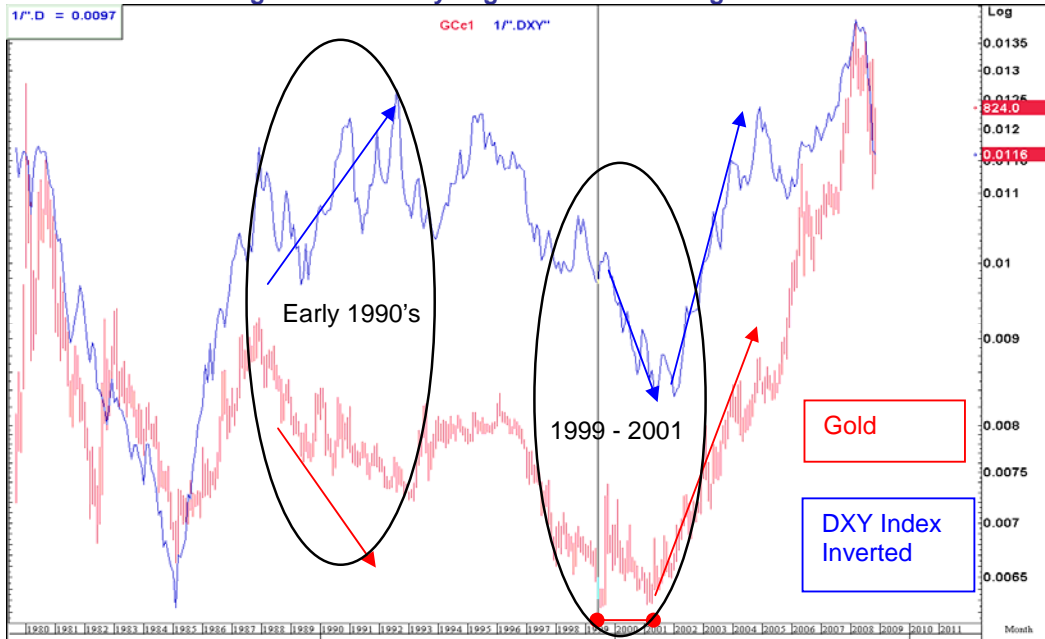
...76.4% Fibonacci against the lows. Resistance levels at \$925, \$986 and \$1014 should be tested on the future. The high on the cash was \$1,030.

## Gold Future Long term



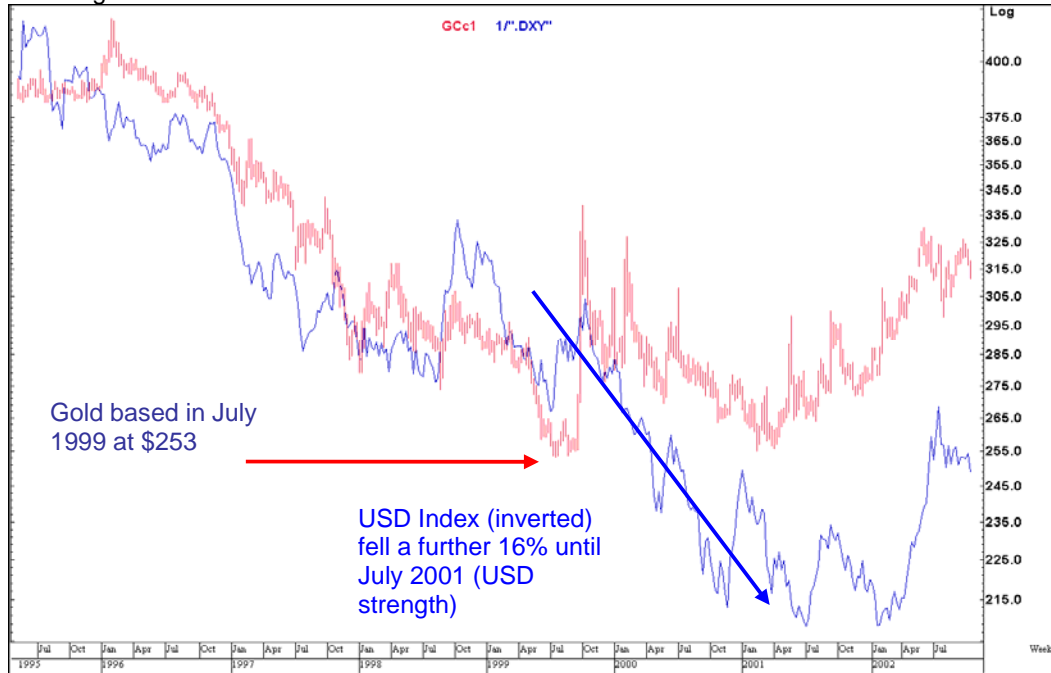
Continues to look like a bull market to us. We continue to believe that a move of similar percentage to that seen in 1976-1980 bull market can be seen which **would suggest a price north of \$2000.**

## It is not an absolute given that a rally in gold means a falling USD



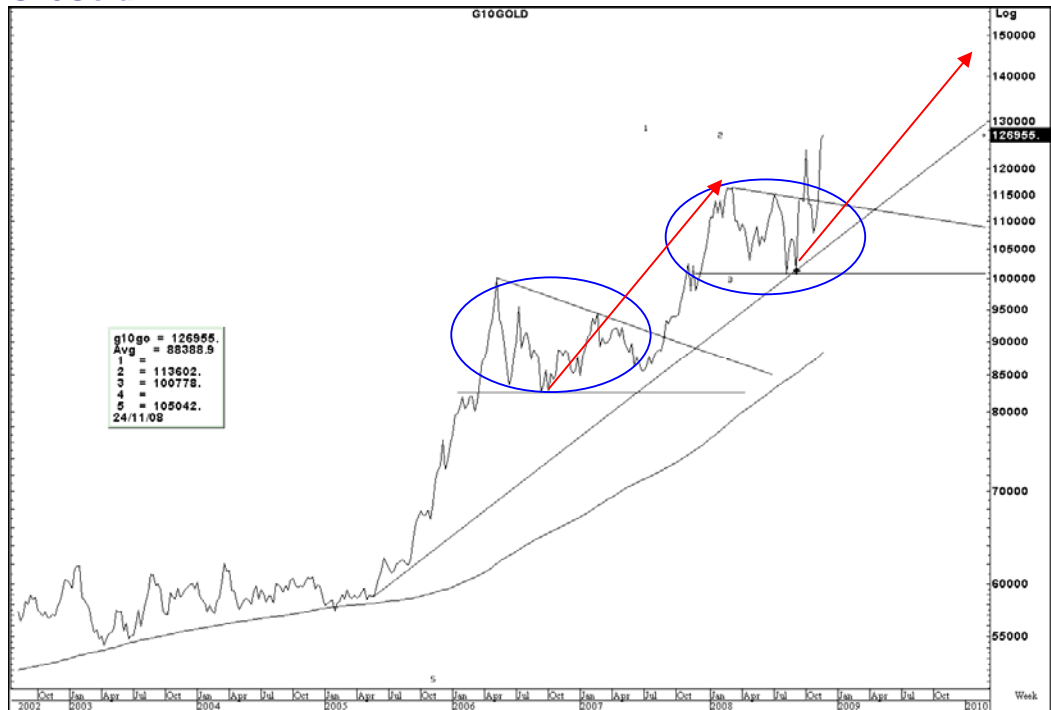
The circled areas show previous examples of when the relationship between gold and the USD became diluted. The first period was the early 1990's and the second was when gold based in 1999. As gold based in July 1999, the DXY (Inverted) fell 16% until July 2001 (i.e. the USD rallied). The chart below concentrates on that time period to further highlight that

when gold turned the USD continued to rally considerably for 2 years. While the ST movements in Gold and the USD can be similar (inverse relationship), often when zooming out the general medium term trends can be different.



Below are relative charts of Gold showing its out performance throughout the past several years against other asset classes. We increasingly believe as the excesses we have seen during these years have now created the corrosive down moves in areas such as equities, housing etc, that gold will continue to be a safer asset in which to be invested.

### G10Gold



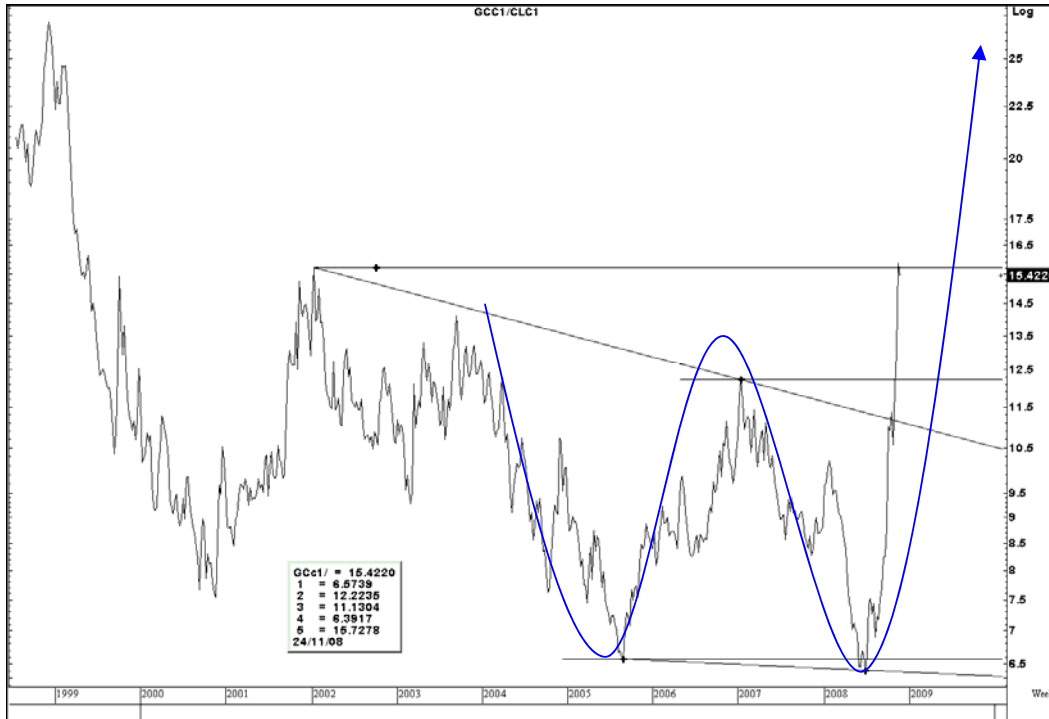
Gold measured in the other G9 currencies (equally weighted) has broken out to new highs.

## Gold / Dow



Gold / Dow Jones has rallied out of the bullish channel and is aggressively testing resistance. A ST rally through .106 would open the way for significant longer-term gains. The long-term resistance level is .164 followed by .170.

## Gold / Crude



The double bottom on Gold / Crude targets 18 then 23.

## Gold against the CRB index



Has exploded against other commodities and we would not be surprised to see this ratio as high as 5.5 if we replicate the percentages of 1976-1980

## Gold against the archetypal commodity currency- The AUD



Picture speaks for itself

## Gold 10-year treasury ratio



Starting to bounce again even against a very bid Bond market.

### Conclusion:

**While we believe that Gold could very well head above \$2,000 we do not think that is today, tomorrow next week or next month.**

We do however believe that it will happen over time as this financial / economic backdrop heads to “the wings”

What do we mean? The excesses of the last 10 to 25 years have come to fruition in the U.S. and across the World with severe repercussions for financial markets and the Global economy. There is an increasing recognition of this at official levels and the monetary and fiscal floodgates are starting to open.

We doubt, as a consequence, that we are just going to muddle through here. Our bias is that when the dust settles on all this action the authorities will have been very successful or very unsuccessful.

In the very successful arena is the idea that “throwing the kitchen sink” at this has worked and we see signs that the Global economy is reflating / inflating. As a consequence debt will get devalued and the wash of money in the system would suggest a greater likelihood of an inflationary outlook, which will benefit Gold.

In the very unsuccessful area is that too much damage has been done to the patient and as a consequence we continue to have financial instability. This will breed further economic instability, which could lead to political instability in some nations and possibly even domestic / regional unrest or worse. This deteriorating picture would also likely be a catalyst for Gold to perform well with a status of “safe haven”

Considered opinion is that all the Gold in the World can fit in a 25 square metre cube so even a relatively modest a change in the supply / demand dynamics could result in an outsize move in price. Gold has been used as a monetary instrument as far back as you can look. The same cannot be said about precious art or wine or fine cars etc. In times of extreme concern it is highly likely that it will regain that “luster”

As a consequence we remain of the view that Gold will continue to perform well and will do particularly well as the consensus grows as to how we will come out of this mess (or not). Compared to just about every other asset class in the last 5 to 7 years holders of Gold likely look mellow...it is the holders of other assets that are looking a bit “yellow”

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