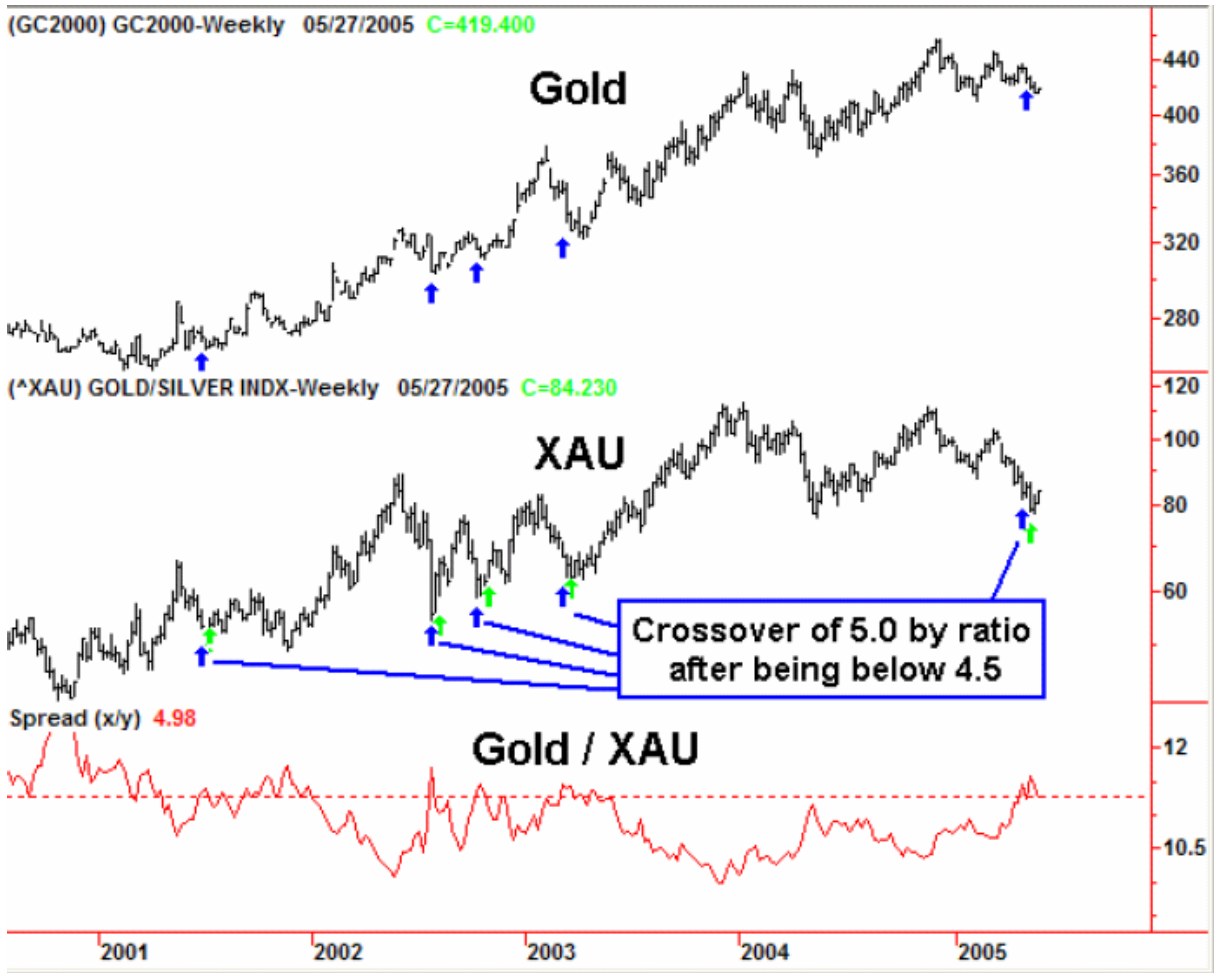


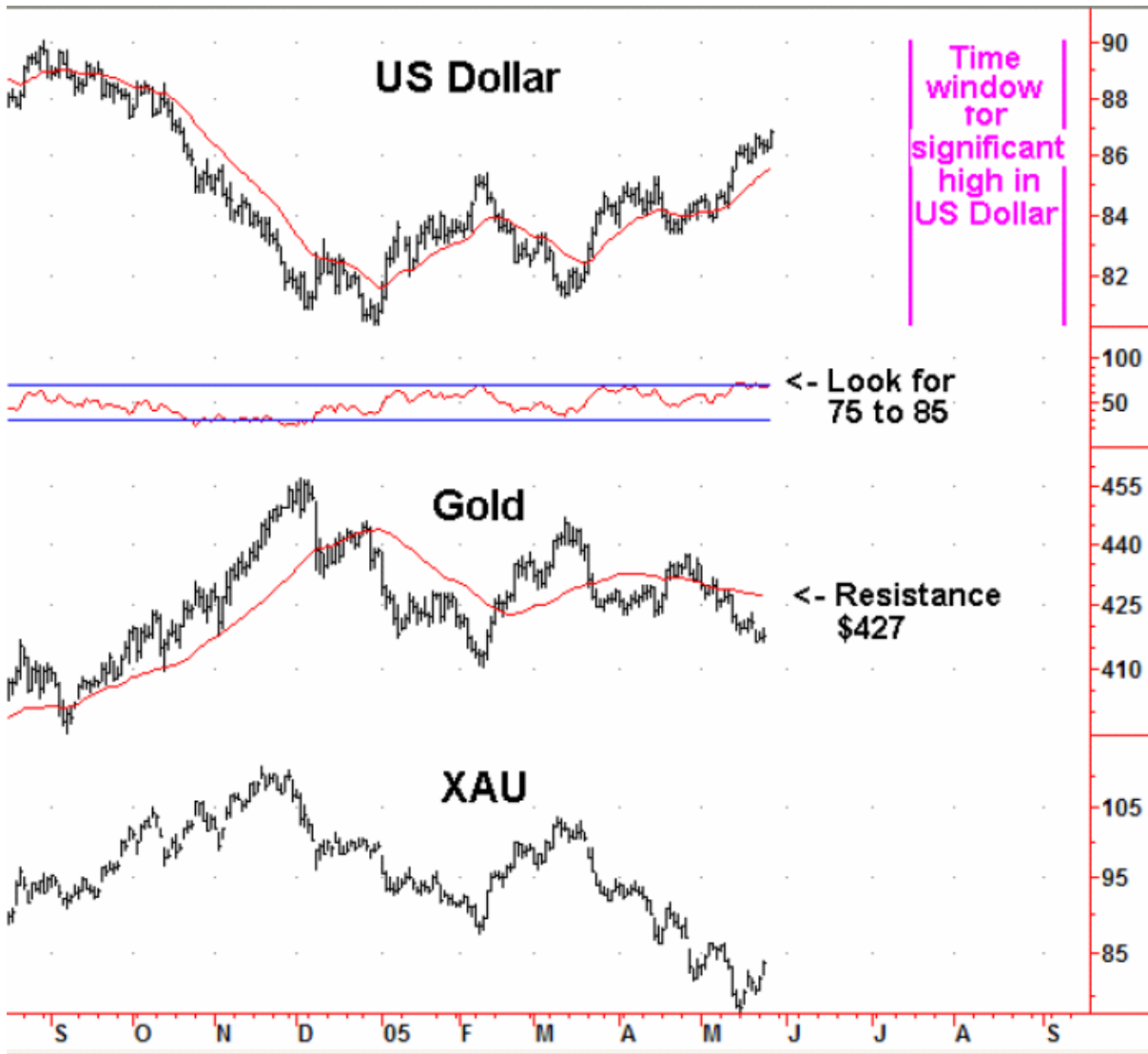
Of even more significance is the low price level of mining stock indices relative to the gold price. The ratio of gold divided by the XAU exceeded a five times multiple as of the week ending April 29. In ten instances that the ratio moved to this level, the gold and XAU staged an excellent rally within weeks (the only exception of 2000). When the ratio spent limited time above 5 (green arrows), the signal was impeccable. The ratio is now at 4.98. A Friday close in the ratio at this level or lower would be solid confirmation of a bullish reversal.



The strong U.S. dollar continues to be a hindrance to the gold market. The U.S. Dollar Index (86.73) is anticipated to rally to the 50-week 2% standard deviation band (currently 90.62) on the rally from the December bottom. The targeted time window for the high is July 15 through September 9.

Along the way, we can anticipate a pause in the advance once the RSI(14) has generated a high in the 75 to 85 territory. This would likely result in a pullback to the 20-day exponential moving average coupled with a 20 to 25 point decline in the RSI(14). Such a pullback would present another buying opportunity.

Concurrent with a minor pullback in the dollar, the gold price should rally and then find resistance around the 34-day moving average. Such a rally would provide a lightening up opportunity for traders of gold and the mining stocks.



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