

ChartWorks

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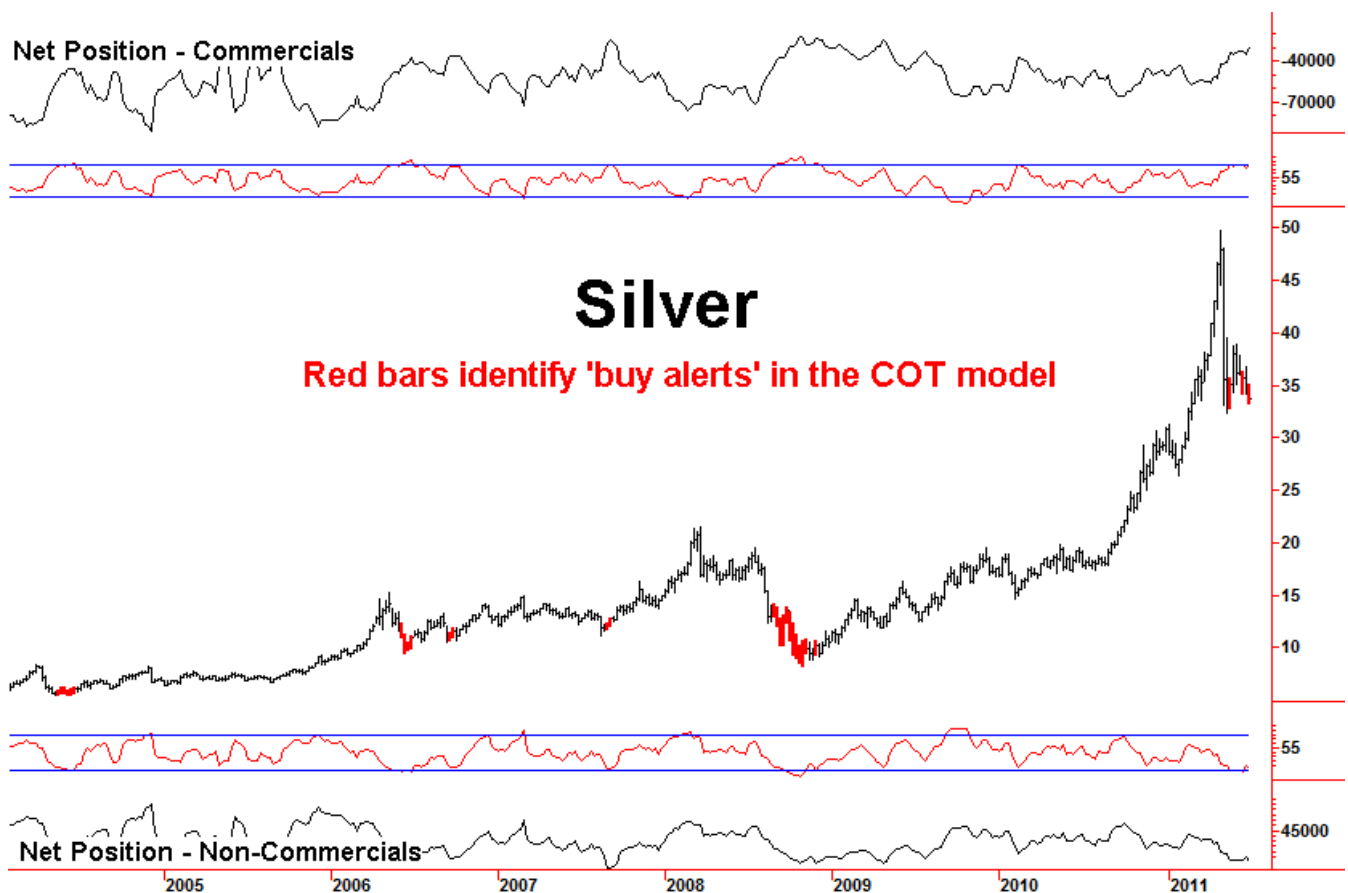
July 4, 2011

Technical observations of RossClark@shaw.ca

Silver – COT Levels into Accumulation Territory

The Commitment of Traders data for futures contracts is released by the CFTC each Friday. The data is compiled as of the preceding Tuesday. For each long futures contract there is a short position. Unlike equities that have a fix number of shares issued by a corporation, there can be an unlimited number of contracts. For each new buyer and new seller a contract is created (called open interest). In a strong uptrend the open interest will expand, identifying that new buyers are stronger than new sellers. In a rising trend with declining open interest it identifies that the market is being pushed higher by more short sellers exiting positions than new buyers establishing positions. When the last of the undercapitalized short sellers have exited their positions the market becomes vulnerable.

The COT report breaks down the positions based upon the type of market participants. In our analysis we monitor the net positions of non-commercials (speculators) and commercials. The total level of positions can be significant, however what interests us more is the rate of change in positions. When there is a dramatic decline in positions of both commercial and non commercial participants due to a shift in market direction it serves as a buy alert. As of last week commercials have reduced their shorts by 48% and non-commercials by 61%. This produces the ninth cluster of alerts in the data (available from the CFTC back to 1986). For those investors with deep pockets is it time begin accumulating bullion and related stocks.

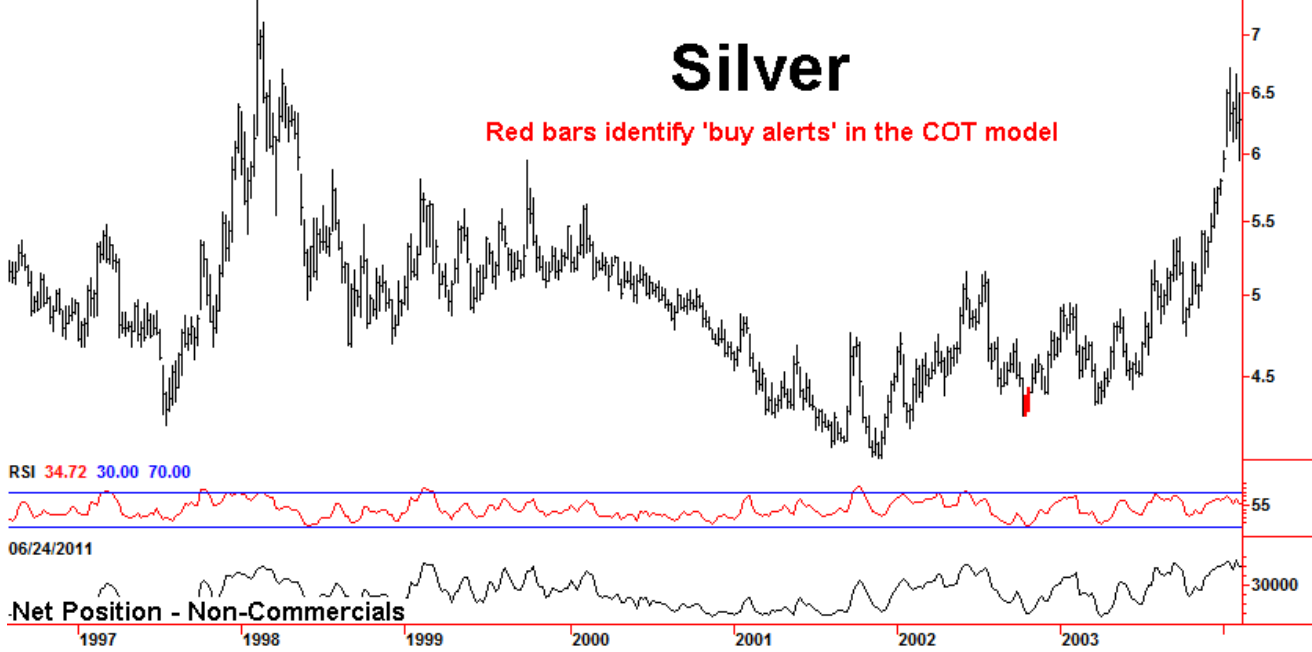


06/24/2011

Net Position - Commercials

RSI 65.33 30.00 70.00

SilverWorks 34.160 07/01/2011



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