

Gold Corrects--Buying Opportunity Coming?

By Roy Martens – www.resourcefortunes.com

The first quarter of the year has passed and it was a volatile one for the markets in general.

They plunged into an abyss straight out of the gate. But last month we saw a powerful rebound. Has the bottom for this horrible bear market been set?

Only the future will tell exactly what will happen to the markets. But to me it still seems that there's a lot more pain to suffer over the coming months maybe even years. Despite the recent concerted stimulus decisions of the governments of the G20, I'm afraid that it will get a lot worse again after this dead cat bounce is over.

All hopes are set for the outcome of these new plans that the G20 have taken, the question we have to ask is, will these proposed measures really do the job? In our view, as long as the financial system is in bad shape it will not. The banks have to become healthy again with clean balance sheets before they can jumpstart the economy again.

Another very important issue is the level of the consumer debt, which is horrible and will only get worse when the layoffs continue at the current pace. Last Friday we saw the (official) unemployment figure in the US rise to 8.5%, a number not seen since the early Eighties. My expectation is that this rate will get still worse during the year maybe even hitting 10% in 2010 because the layoffs are continuing at a very rapid pace.

Every investor will be eying the upcoming earnings season, especially the guidance for the rest of the year and 2010. This guidance could hand in a very nasty surprise for the bulls because the US economy is a consumer economy where private consumption makes up 70% of the GDP.

But these consumers need money to spend and that's just what they don't have because many of them have already maxed out their credit cards and with the uncertainty of employment they will try to save every penny they can to at least make basic ends meet. Consumer spending is likely to dry up even further

This will be reflected in the upcoming company guidance bringing a lot of them in trouble when consumer spending deteriorates further. This will in its turn hurt the banks again which have to write off a lot of "bad loans" to companies, delivering another heavy blow to their balance sheets.

The current bounce in the markets is presenting a chance to raise some cash or at least get out at relatively high levels. With the general markets rising chances are there that the precious metals (and their stocks) will suffer a bit, thus handing us a perfect opportunity to pick up Gold, Silver and related stocks should this decline materializes.

Regards,
Roy Martens

[All charts are courtesy of Stockcharts.com](http://Stockcharts.com)

GOLD



The weekly gold chart is presenting a mixed picture with possible positive or negative outcomes.

Negative is the double top pattern with negative divergence in the RSI and MACD, suggesting an imminent decline with targets at the rising blue line at \$850 and the blue support zone at \$700.

Positive is the possible formation of a flag pattern, similar to the one formed in 2008. If this pattern becomes valid a possible price target can be calculated at \$1,200.

For now the positive outlook is preferred, at least as long as Gold remains above both the 17 and 34 w. MA. A decisive break below the 17 w. MA is a first warning sign that the positive outlook is in jeopardy.

SILVER



The weekly chart for Silver is showing a bullish outlook, provided the presented EW count (ABC, abc) is correct.

The pattern formed from the resistance level is taking the shape of a flag pattern which is a continuation pattern usually forming halfway during a move thus suggesting a price target of \$19 to \$20.

This outlook is valid as long as Silver holds above the MAs. However, should Silver break below them the presented EW count maybe adjusted because the possibility exists that this could turn into a 5 wave down. With A=1, B=2, C=3 and the current high at the resistance level being 4. Then there could be a wave 5 down outstanding with targets at \$7 and \$6.

OIL



This long term chart is perfectly showing the strong advance Oil made over the past years and the current fall from the high has bottomed or is bottoming at the horizontal support around \$40.

If the presented EW count is valid the current bottom could be wave 2 of a higher order (or the A with B in progress and C yet to come). Waves 2 tend to retrace a lot of the gains made by waves 1 and in this perspective the current wave 2 bottom would fit perfectly.

The advance for oil began at \$10 reaching a high of \$147, the 76.4 % fibo level of this rise can be found at \$42, so the current lows at \$35 would fit within such a decline.

As long as the support level holds we can expect Oil to rise back towards the presented magenta fibo levels, with the 38.2% level as the most common for a (dead cat?) bounce in a strong decline. After such a bounce we should see another decline towards the \$40 (a new wave 2) but first we have to see where this bounce takes Oil to.

USD



The weekly dollar chart shows that there might be trouble ahead for the greenback.

We can see that the last high wasn't confirmed with higher highs in the RSI and MACD thus creating negative divergence with the price movement. Such divergence is almost always an early warning sign that a change in the trend is coming. In this case a new negative trend could be next. Confirmation of such a change in the trend will follow when the dollar breaks below the 17w and later 34 w. MA.

The last line of defence is at the blue support zone. A break hereof will most likely lead to much lower levels, a retest of the all time low at 72 for example.

The coming month will give us more clues on what we can expect later on this year.

COPPER



What a rise and what a fall we can witness in the chart.

The bull run started in 2001 at \$61 and lasted until around the middle of 2008 when Copper touched the \$408 level, a rise of over 550%. If we take a closer look at this rise from a fibo perspective we can calculate that the current fall that bottomed at \$140 (closing base on the monthly chart) is almost a perfect 76.4% fibo retracement (at \$143) of this rise.

Because waves 2 tend to retrace a lot of gained ground in waves 1, this fall could qualify as a possible wave 2 down. If this is the case we should see a wave 3 higher in the coming years. Wave 3 could take Copper to highs never imagined. Fibo level 162% of wave 1 triggers a price target of just above \$700 for this wave 3!!

Although such a level seems impossible now, it could easily be reached if we experience a long period of hyperinflation down the road, which isn't that imaginary with the current money creation going on in the world.

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