

# ChartWorks

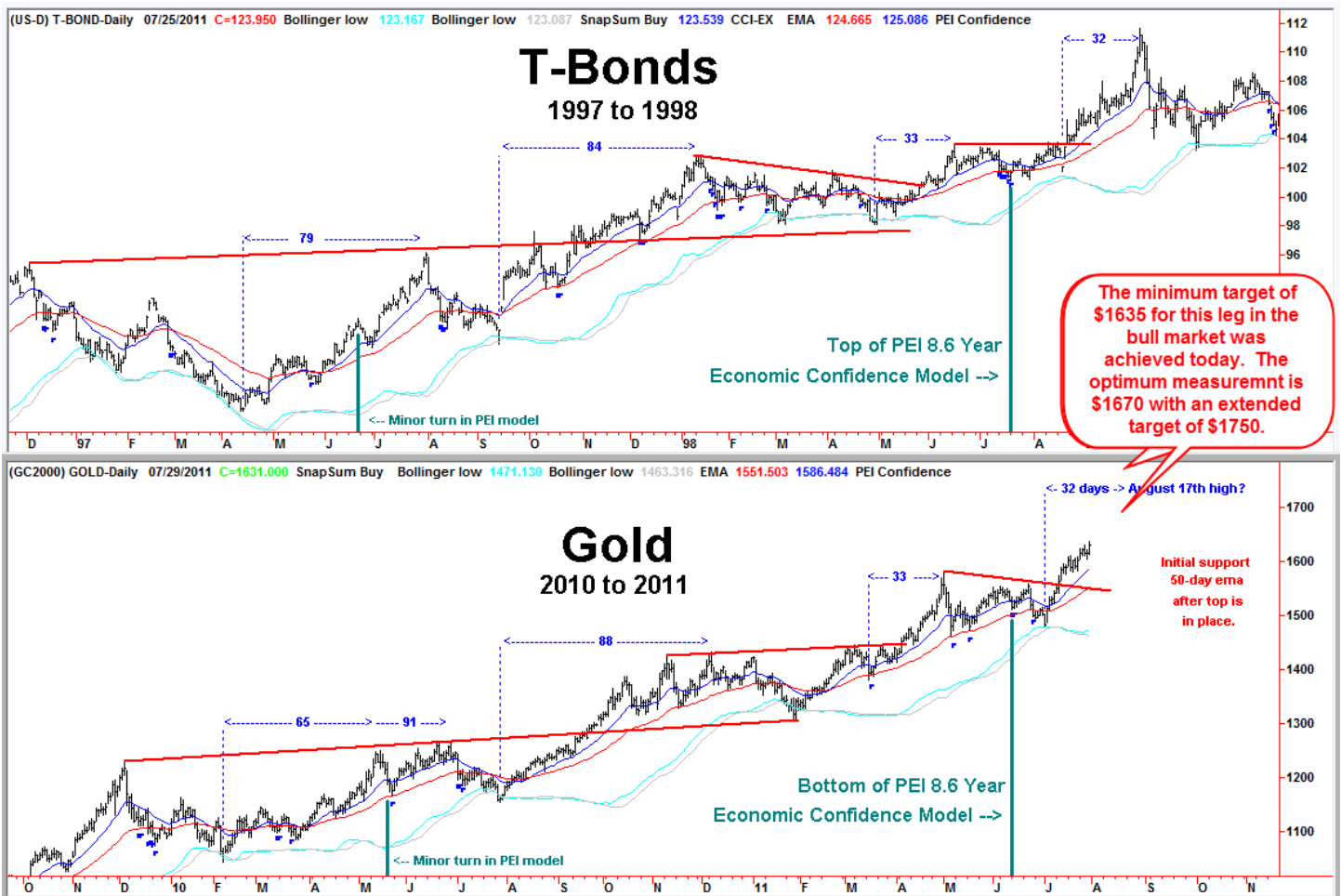
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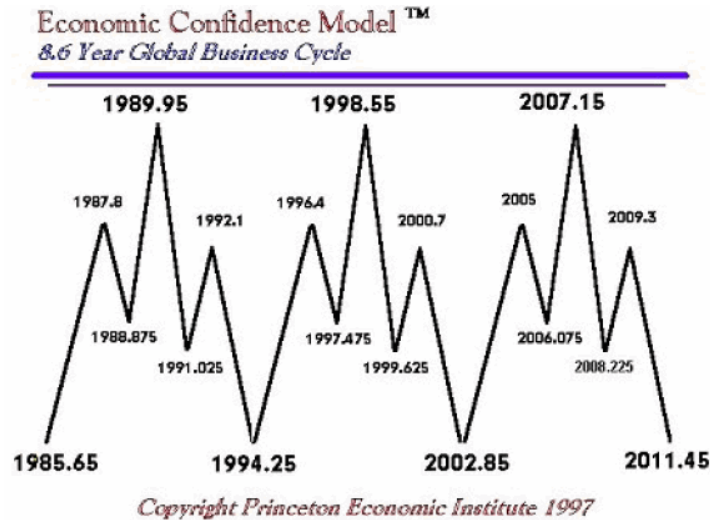
## Gold – Another Reason to be Looking for Push into an August High

A recent interview by Ben Davies regarding the strength in gold this summer as having a similar smell to T-Bonds in 1998, when everyone was on holiday, brought back memories for us. The 1998 peak in T-Bonds occurred two months following the top of the PEI 8.6 year Economic Confidence Model. Our reports at the time recommended sales into the first week of October, calling for an initial break of 12 points and outside possibility of 17 points. By December 1999 the decline had been 22 points.



It is now thirteen years later and the PEI model has just passed its low point (June 13<sup>th</sup>) in the next cycle. The price action of the two markets differs in the longer term charts, but has remarkable similarities over the past eighteen months. The series of consolidations, pullbacks to breakouts, moving average supports and tests of Bollinger Bands show a high correlation. Our Springboard buy signals (blue crosses) are also well timed on both charts.

The length of time in the various rallies (blue labels) is uncanny. The most recent rally into May 2<sup>nd</sup> matched perfectly with the thirty-two day T-Bond rally into June 16, 1998. **Look for the current rally in gold to gain upside momentum as it approaches the anticipated top around August 17<sup>th</sup>.** The optimum price measurement coming out of the May-June consolidation is \$1670 with an extended target at \$1750. As previously noted, a test of the 50-day ema (*currently \$1561*) is then expected, with a distinct chance of a kiss of the breakout line round \$1550.



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