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Global Strategy and Investment Trends by David Fuller **http://www.fullermoney.com**

Gold and silver are consolidating gains above base support and the long-term upside potential remains considerable.

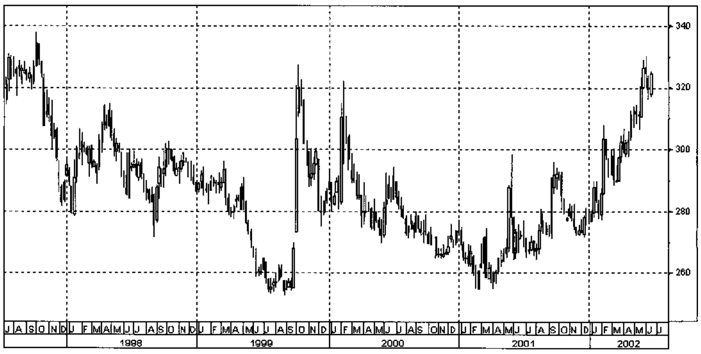
However, recent action appears muted given the stock market plunge. OK, the earlier stages of bull markets are usually punctuated by long, ranging pauses within the gradually developing uptrend. Technically, this still looks like the first step above the base, as taught at The Chart Seminar, for both gold and silver. Nevertheless during a crisis of confidence for stock markets, and I don't think this is a melodramatic description, and with the dollar falling swiftly from its high, one could expect gold to be stronger. One reason for the retracement of yesterday's earlier gains was the sharp drop by platinum, following a report from New York-based research company CPM Group that production in 2002 will exceed demand for the second consecutive year. In contrast, production of gold and silver has long been in deficit relative to annual consumption. However this has all but become a side issue.

The potentially explosive story for gold concerns derivatives. A 20-year bear market in gold led to a massive build-up of forward shorts, held mainly by mining companies and gold derivative traders such as JP Morgan Chase. According to Tocqueville's John Hathaway, the total short position in gold futures reached at least 5000 tonnes – approximately 2-years mine production – earlier this year – *see link to article on www.fullermoney.com, Thursday 6th June commentary, "The Investment Case For Gold"*. We know mining companies have been scrambling to unwind their hedges this year, which has helped the price of gold to appreciate. However according to all reports that I have seen, the bullion banks remain heavily short. I'm not one for conspiracy theories, but this gives bullion dealers, and to a lesser extent the central banks which lent them gold, a big incentive to cap the price. No one else is likely to be a significant seller of gold futures. Nevertheless their ability to delay a further and eventually significant price rise can only wane over time, assuming gold's appeal as a store of value is undergoing a secular increase, as I believe. Meanwhile, gold charts show some lateral resistance in the $330 to $340 region. Tactically, I continue to buy gold shares, gold funds and silver futures on dips, and lighten the latter on rallies.

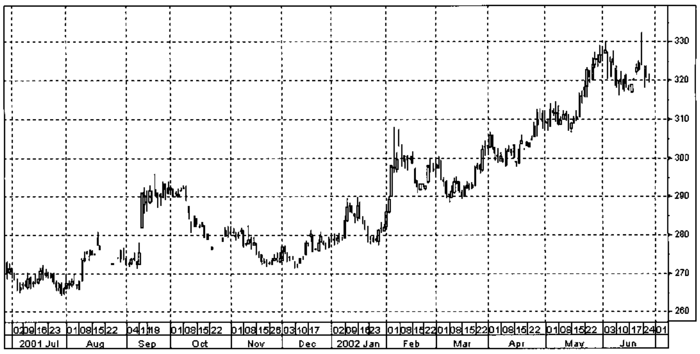
Best regards – David Fuller

Charts supplied by Bloomberg.

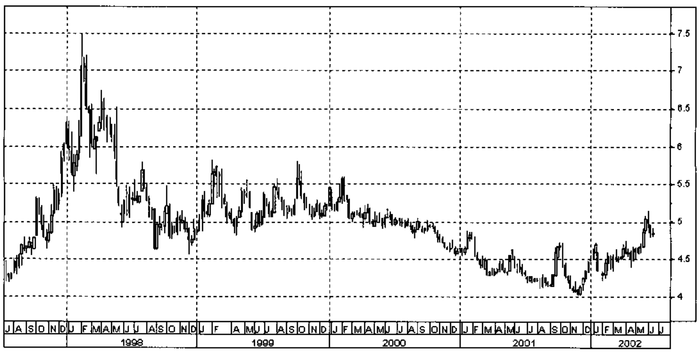
Gold 1st Month Continuation: $320.6 (Weekly)



Gold 1st Month Continuation: $320.6 (Daily)



Silver 1st Month Continuation: $4.83 (Daily)



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