

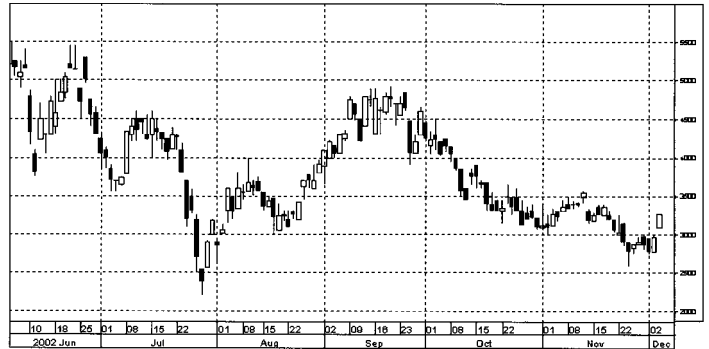
## Gold and silver shares are firming near prior support.

While a technical rally is likely, gold bullion must complete its multiyear base for the precious metal shares to really move. War jitters are firming gold once again - see chart in yesterday's FMP195. Of longer-term significance is the massive money creation exercise occurring in the US and Japan, orchestrated by their central banks. Greenspan will do everything in his considerable power to avoid a Japanese-style deflation. In Japan, BoJ Governor Hayami's yet to be announced successor, who will run the central bank from 20th March, is bound to increase the monetary stimulus, because this is what the Koizumi Administration and MoF want. I suspect he will also announce an inflation target for Japan of between 2 and 3 percent, to be achieved by pouring liquidity directly into the economy, not just recycling it through the commercial banks as we have seen throughout Hayami's disastrous term. While the ECB is not following this lead, it will be under increasing pressure if GDP growth throughout the region does not improve. Although it is likely to be years before there is an inflation problem, the gold price will be sensitive to monetary stimulus from the main central banks. A break above \$330, which is maintained, would complete bullion's large base. Silver, which had an upward dynamic yesterday, tracks gold but has a much higher beta. I have owned most of the gold shares plus the MLWM hybrid shown below for some time, as a hedge, and may add to positions near current levels. For daily comments on gold and other markets, listen to the Fullermoney Audio on [www.fullermoney.com](http://www.fullermoney.com).

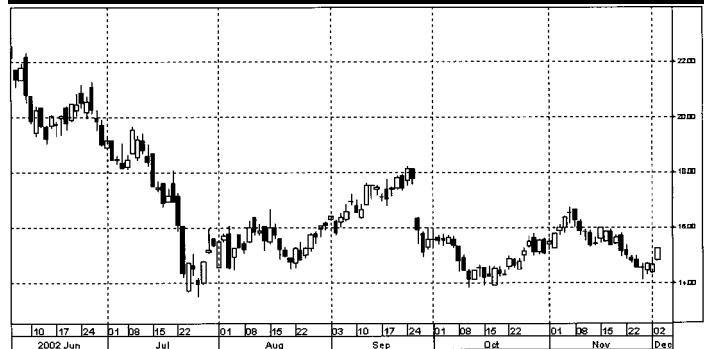
Best regards - David Fuller

Charts by Bloomberg

Durban Roodpoort Deep: ZAR3270 (Daily)



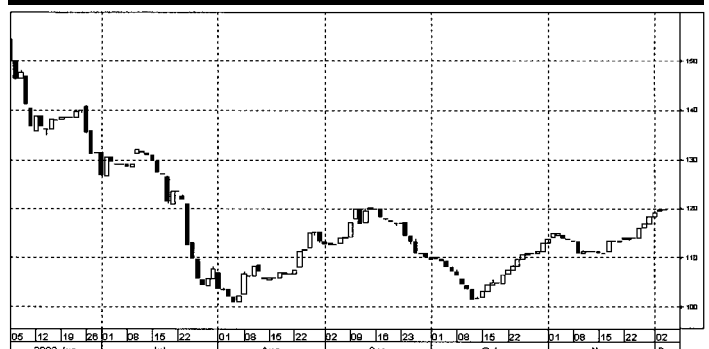
Barrick Gold: \$15.26 (Daily)



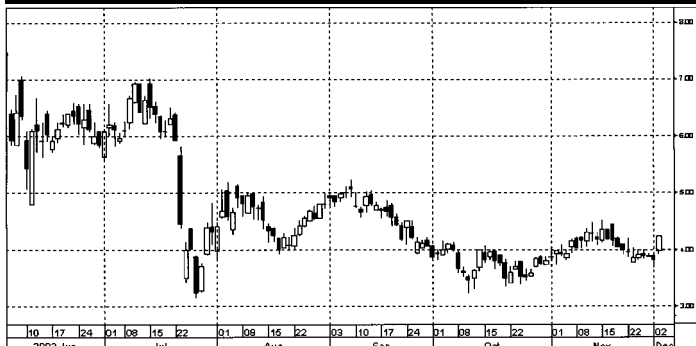
Newmont Mining: \$24.33 (Daily)



Merrill Lynch World Mining: 119.75p (Daily)



Silver Standard Resources: \$4.23(Daily)



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