

Gold shares have firmed above the July lows

Yesterday's upward dynamics broke short-term downtrends. Gold shares had steadied recently and had a good day on Tuesday, despite only a modest gain in the metal of less than \$2. Perhaps investors are looking for stocks with reasonable prospects that have not had a big rebound recently. Also, with many equity indices looking overbought on a short-term basis and near areas of prior resistance, and plenty of uncertainty remaining regarding Iraq, the war against terrorism and the global economy, some investors apparently decided to hedge with a position in gold shares. Whatever, this is a bullish signal in a sector that I still like on a long-term basis. Gold is base building following a 20-year bear market, and there are plenty of reasons why

it can move higher over the next decade or two, which I have mentioned in the main Fullermoney issues. Gold shares did get ahead of themselves in June, and this often-volatile sector experienced a sharp reaction when the yellow metal backed away from lateral resistance near \$330. I suspect a sustained break above that level will be required to significantly increase interest in gold stocks, let alone improve their earnings prospects. Nevertheless support has been encountered in the lower side of broad trading ranges and a further recovery towards prior resistance appears likely. I hold a number of gold instruments but feel they need to be traded on a buy-low-sell-high basis, due to volatility.

Please note: FM221 will be released around the middle of next week.

Best regards - David Fuller

Newmont Mining: \$25 (Daily)



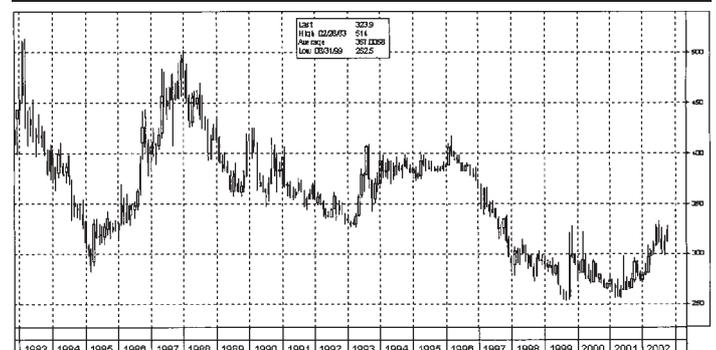
Barrick Gold: \$14.87 (Daily)



Merrill Lynch World Mining: 108.5p (Daily)



Gold Bullion (1st month continuation): \$313 (Monthly)



Charts by Bloomberg

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