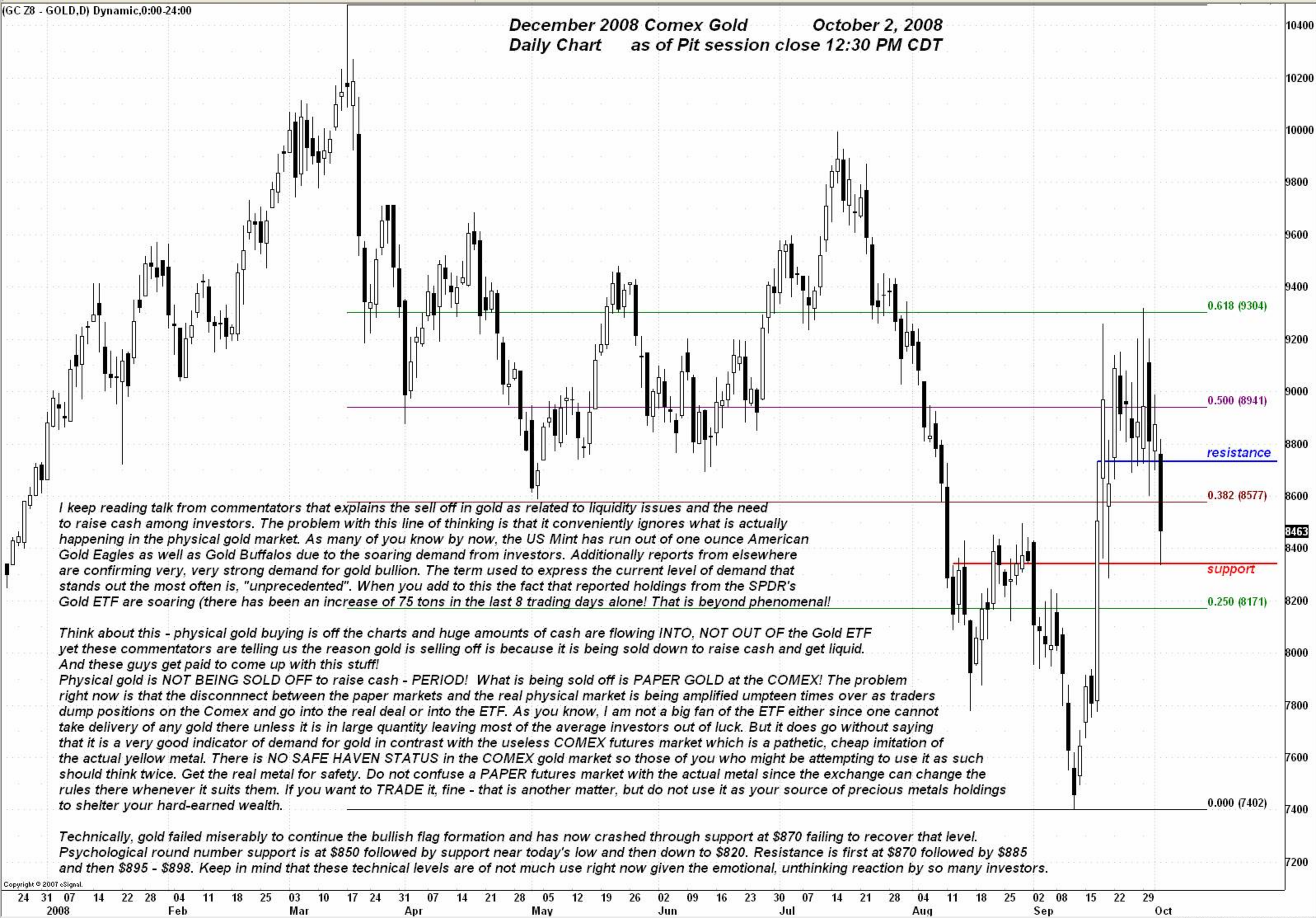


December 2008 Comex Gold      October 2, 2008  
 Daily Chart      as of Pit session close 12:30 PM CDT



*I keep reading talk from commentators that explains the sell off in gold as related to liquidity issues and the need to raise cash among investors. The problem with this line of thinking is that it conveniently ignores what is actually happening in the physical gold market. As many of you know by now, the US Mint has run out of one ounce American Gold Eagles as well as Gold Buffalos due to the soaring demand from investors. Additionally reports from elsewhere are confirming very, very strong demand for gold bullion. The term used to express the current level of demand that stands out the most often is, "unprecedented". When you add to this the fact that reported holdings from the SPDR's Gold ETF are soaring (there has been an increase of 75 tons in the last 8 trading days alone! That is beyond phenomenal!*

*Think about this - physical gold buying is off the charts and huge amounts of cash are flowing INTO, NOT OUT OF the Gold ETF yet these commentators are telling us the reason gold is selling off is because it is being sold down to raise cash and get liquid. And these guys get paid to come up with this stuff!*

*Physical gold is NOT BEING SOLD OFF to raise cash - PERIOD! What is being sold off is PAPER GOLD at the COMEX! The problem right now is that the disconnect between the paper markets and the real physical market is being amplified umpteen times over as traders dump positions on the Comex and go into the real deal or into the ETF. As you know, I am not a big fan of the ETF either since one cannot take delivery of any gold there unless it is in large quantity leaving most of the average investors out of luck. But it does go without saying that it is a very good indicator of demand for gold in contrast with the useless COMEX futures market which is a pathetic, cheap imitation of the actual yellow metal. There is NO SAFE HAVEN STATUS in the COMEX gold market so those of you who might be attempting to use it as such should think twice. Get the real metal for safety. Do not confuse a PAPER futures market with the actual metal since the exchange can change the rules there whenever it suits them. If you want to TRADE it, fine - that is another matter, but do not use it as your source of precious metals holdings to shelter your hard-earned wealth.*

*Technically, gold failed miserably to continue the bullish flag formation and has now crashed through support at \$870 failing to recover that level. Psychological round number support is at \$850 followed by support near today's low and then down to \$820. Resistance is first at \$870 followed by \$885 and then \$895 - \$898. Keep in mind that these technical levels are of not much use right now given the emotional, unthinking reaction by so many investors.*