



letter as we presented a weekly gold chart along with its CCI - a picture that is a mirror image of the dollar. Most of the gold stocks are above our most recent downside buy prices listed on Page 6 of the letter and on Page 3 of the Tuesday and Thursday online updates. There was ample opportunity to make purchases before the current strength developed. Sit tight with your gold positions. I look for this move to run at least into February, and I expect new highs in gold commensurate with new lows in the dollar later next year.

We have just been through a period of asset liquidation the likes of which has not been seen for decades. I am not sure that this process is complete. There will be more selling panics in the stock market. The economy is going to get worse, and the government is going to continue to throw money at the problem in any way they can. The Fed is angling to be allowed to create money (dollars) without Treasury backing. One article I saw referred to these new dollars as "Ben bucks."

The Fed has also been buying long Treasuries in an effort to control the long end of the yield curve and force long rates lower. Their latest brainstorm is to be allowed to buy Treasury issues without the issues being first auctioned in order to establish a market price. All in all, the dollar situation is getting crazy, and I can only see a devastating depreciation in its value in the future. Your basic investment strategy needs to be built around the expectation of a new low in the U.S. dollar and the possibility of hyperinflation.

When interest rates are lower than the true rate of inflation, gold is where folks go to store their wealth. All of those money managers with money parked in short term T-bills are very anxious to get into something with a positive future rather than guaranteed negative return. They will watch the markets for clues; and for those who are looking, gold is starting to shine.

I saw an article the other day saying that crude was going to fall to \$25.00. I doubt it. The premise is that since the big producing countries are governed by tyrants, they will have to pump more oil at today's price to maintain their budgets; i.e., to keep the masses placated. I don't think they will see it that way. They will more likely lower production. The balance is quite delicate between supply and demand. Cut a few barrels out of production and price will rise.

Without interference, global crude production is falling faster than demand is expected to fall. The IEA is estimating that world demand will fall 0.2% in 2009. That is hardly worth noting. Meanwhile, the supply side is going to be further impacted by low prices for crude since most of the production we enjoy costs far more than \$25.00 to produce. We are already seeing expensive, marginal production being taken out of the market. Stripper wells are being shut down, tar sand production is being curtailed, and exploration and development is grinding to a halt.

The fundamentals support higher commodity prices, including crude oil. A weaker dollar supports a higher price for crude oil as well; but, at this point, I cannot give you a definitive technical signal like those that exist in gold and the dollar. The Critical Price Point for crude is still 73.60 March basis (CPP - see Page 2 of the Tuesday and Thursday online updates). That is too far away at this point to be useful. I do expect the model to lower this price soon, and we will relate any changes in the online updates.

The CCI on the weekly crude chart is getting close, and I expect a buy signal very soon - perhaps even this week. Just as the CCI on gold and the dollar signaled early, I think this will give us an early "heads up" as well. I will relate the signal in the next letter and in the online updates as soon as it occurs.

I am raising the buy price for **Great Lakes Hydro** (GLHUN-TSX-C\$17.31) to C\$16.00, but I am removing the unexecuted buy for **Frontline** (FRO-NYSE-\$28.02) from the list. I will add it back later if its technical picture improves.

The stock market as measured by the popular averages is rallying, as expected. It is the season. We are not too far from some minor overhead resistance though. The Dow will have trouble at 9,500, and the S&P will find breaking through 1,000 difficult. It remains to be seen if stocks can muster that much strength. In general, I look for strength to extend into the new year, and this will afford you an excellent opportunity to cull out weak sister stocks that are not advantaged by higher commodity prices and a lower dollar.