

## Point And Figure Analysis 02.11.2007

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Why does gold shine so bright right now ?

The gold future recently has breached the psychological level of 800 \$ an ounce but i think there is still room for big gains. In the high/low point and figure chart with a 2.5 \$ boxsize we can see two consecutive ascending triple tops before the market breached the 800 \$ level. I have marked the ascending triple tops with the blue lines 1 to 4 and the fifth blue line is the breakthrough. If you are not so familiar with reversal charts like point and figure, renko or three line break chart take a little tour at pointandfigure.net in the tutorial section to get a basic understanding of this charts. You won't regret it to take some time, because we see pure price action in this charts. This also helps us to spot much easier resistance and support levels in a specific market. Yes point and figure charts are a lost art but i try to encourage people to use it. How good we can see in the high/low chart that the last column of O,s did go back to the breakout level of the last ascending triple top and the big last break was a completion of a bullish catapult formation which i have marked with the fifth blue line. The second point and figure chart we have is the daily close chart which gives us a clear view of the tendency and is a confirmation of the high/low bullish chart view. What about the stage of the bull market now the bulls are running out of gasoline ?

When we look in a historical retrospect at the end of january 1980 when we saw the highest price about 850 \$ an ounce gold, today we have to pay a lot more than 850 \$. This amount 1980 (27 year later) is much more than we have to pay now for an ounce of gold. I would estimate we are talking about more than 2000 \$. So it seems that gold is still cheap but the mainstream press tries to give us an other view because informed traders are already in the market. Every economical policy which is based on overwhelming debt making in the long run has to fail. How much trust can you have in a man who promised to throw out dollar notes from a helicopter if necessary to guarantee strong money supply ? Since 2006 you don't know how many dollar notes are out in the world because money supply is not reported anymore since march 2006 (who cares ?). Maybe you don't agree with my opinion but when you look in a technical view and put the facts together you will get the picture. What is telling us the HUI/Gold ratio ?

The HUI index (Amex Gold Bugs Index) is an index comprised of 15 gold mining companys who don't hedge their gold production. This gives us a much clearer view what is going to happen in the gold market. If we have an upleg in the HUI/Gold ratio the bull market in gold is still on stable ground because gold stocks due to the greater volatiliy tend to fall first after that is happening spot gold follows slowly. If you look at the point and figure chart of the HUI/Gold ratio you will see the ratio is still up so there is time to buy gold stocks. But bear in mind gold stocks can give you tremendous gains but also losses so don't buy gold stocks with money you can't afford to lose because it,s a risky play.

Gold P&F Chart with 2.5 \$ Boxsize High/Low

Gold P&F Chart with 2.5 \$ Boxsize High/Low

Gold P&F Chart with 2.5 \$ Boxsize Daily Close

Gold P&F Chart with 2.5 \$ Boxsize Daily Close

HUI/Gold Ratio P&F Chart with 0.25 \$ Boxsize