Honest Money Gold & Silver Report

Market Wrap

Week Ending 9/14/07

Gold

Gold put in a good week gaining $8.10 to close at $717.80 for a gain of +1.14%. On Tuesday Sept. 11, 2007 gold closed at $721.10.

This was the highest *weekly close* so far during the gold bull market.

The weekly chart looks good and RSI has room to run if it wants to.

All the indicators are positive and heading upwards, and only STO is in overbought territory.

The monthly chart looks good as well. Price has broken above the upper trend line and RSI has just poked its head above the 70 level. RSI actually shows a positive divergence from the high back in the spring of 2006.

MACD still needs to put in a positive cross over to turn the chart outright bullish. STO is strong and headed up, nearing overbought levels, however.

GLD

Next up is the daily chart for streetTRACKS Gold Trust (GLD). As has physical gold, GLD has performing well during the recent rally. RSI is, however, in oversold territory.

Note the blue horizontal line and the two blue arrows that indicate where RSI was in 2006 during the high and where it is presently. In 2006 the RSI was running higher, which is good as no negative divergence is forming.

All other indicators remain positive, although some are also overbought. CCI is flashing overbought. The accumulation/distribution line shows the fund has been under heavy accumulation for two years now.

Silver

Silver did not have the positive price action this past week as did gold. For the week silver was down 0.06 cents to $12.70 (-0.43%).

As the weekly chart below shows, silver still remains below its recent break down below its lower trend line.

MACD needs a positive cross over, but the histograms are receding back towards zero.

STO does show a positive cross over and is headed upwards above 50. RSI has not been able to break above 50.

The daily chart of silver shows it bumping up into its lower trend line as it tries to regain the triangular formation it broke down and out of. It is very close to doing so.

However, RSI shows a negative divergence and histograms are receding not expanding. A couple of good days of price action, however, could turn the chart around. Work remains to be done.

Hui Index

The Hui Index had a good week closing up 7.40 to 365.53 for a gain of +2.07%. It has closed back above its lower trend line that it had broken down below in August and is now back within its ascending triangle formation.

Presently it is bumping up against its upper trend line. It needs a weekly close above 372.20 to signal a break out has occurred.

RSI is positive and headed upwards and has plenty of room to run if it so desires. A positive MACD Cross Over has been made and histograms are above zero.

All in all a good looking chart, however, it needs to break out and above and stay above its upper trend line for any further sustainable rally to be possible.

The daily chart of the Hui shows short term overbought levels are close at hand. The Bollinger bands are spread wide apart, suggesting no big move is eminent.

However, the distance from the upper Bollinger band just to the middle band is 42 points, which is 13% below current levels. This is not a prediction but a mere reporting of data that may never come into play – or it might.

The Hui/Gold ratio is far from making a new high versus physical gold. On the daily chart the gold stocks have been under performing physical gold. The gold stocks MUST start out performing gold if a sustainable new leg up in the precious metals stocks is to occur.

GDX Index

The GDX index is bumping up into significant overhead resistance. RSI is approaching over bought territory (70) and has leveled off.

MACD is strong but in over bought territory as well. Histograms have begun to recede. The CCI channel at the bottom of the chart also shows an over bought reading well above 100.

Xau Index

The Xau Index gained 4.27% for the week, closing at 158.00 (+6.47). RSI is above 60 and has room to move higher if it wants to.

MACD has a positive cross over and is headed upwards. Histograms are positive. The Xau/Gold ratio needs to move higher and out perform physical gold.

The Xau monthly chart shows a break above the horizontal overhead resistance line at 155.61 that goes back to 1996.

However, so far the break above has been minimal both in points and TIME. Further follow through and confirmation is needed.

The monthly chart of the gold/xau ratio goes back to before the start of the present bull market in gold and the gold stocks.

The chart shows that every time in the past when the gold/xau ratio was at 5 or higher that it marked a low in the xau index.

Recently, the ratio registered 5.15. There is no guarantee that this time will be the same – but it has been in the past. Caveat Emptor.

Summary

The stock market had a good week and rallied up strongly. Because of the many reasons sited: excessive debt levels; toxic mortgage securities with limited liquidity and real collateral backing; derivative instruments and levels beyond comprehension or understanding, as to how they will or will not work; interbank liquidity problems; major banks that daily are in trouble because of subprime loan problems; and exorbitantly high Libor rates that many mortgages are tied to, especially adjustable rate mortgages to be reset at higher rates over the next year – there are just too many unprecedented and insurmountable obstacles for the markets to overcome.

Unless some very influential leaders are willing to admit that grave mistakes have been made for years upon years, and that a complete restoration of the presently dysfunctional monetary and financial system is needed and needed immediately, I cannot see how it will play out except in hard times for almost all. I wish it wasn't so, but it is how I see it, so it's how I tell it. I hope I am dead wrong.

The bond market is the Fed’s go to boy. At any and all costs the Fed MUST protect and save the bond market. If the bond market goes – so goes the system. I am of the opinion the Fed wants to see money leave the stock market in a CONTROLLED manner and enter the bond market. It is the Fed’s belief that such action will stabilize the credit and debt markets.

Maybe, maybe not. First, we don’t know if the funds they are hoping to flow from one market to the other will follow their intended course. Second, even if the money does flow into the bond market that does not preclude that it will be sufficient to stem the tidal wave being slowly built up and created by the subprime debacle, which has only just begun. It has a lot more resonance to sound forth before its energy is fully dissipated. It is NOT going to end quietly or just wander away into the night.

Credit and debt are a two edged sword – a knife edge if you will; any unbalanced movement to either side results in a slice or a fall. Balance must be maintained at all times. One major misstep and the game is over.

Many of the various markets had a good rally this past week. The Japanese yen was very quiet. I still believe that the yen holds the key: if the yen goes up – must markets will go down; and vice versa. I now add the Libor rate to that position as one of the major markers that will signal the direction of the other markets.

Commodities had a good week. Both energy and the precious metals performed well; however, both are becoming a bit extended. That does not mean that they cannot both continue up – but that caution is warranted. More risk exists now than at the end of last week, as the market is higher now than then.

Of all the markets I am most interested in natural gas right now, especially if the price falls back due to the storm dissipating, while a higher low is put in place. If such a set up occurs, I will most likely use it to begin scaling into a position in natural gas. The risk to reward ratio looks pretty good.

Invitation

Stop by our website and check out the complete market wrap, which covers most major markets, including stocks, bonds, currencies, commodities, and energy, with the emphasis on the precious metal markets, both physical and stocks.

There is a lot of information on gold and silver, not only from an investment point of view, but also from its position as being the mandated monetary system of our Constitution - Silver and Gold Coins as in Honest Weights and Measures.

On the main homepage are papers and articles by some of the best out there to be had. There are audio and videos on banking, the Constitution, and cutting edge news of serious interest. Many articles are archived, while others are linked.

Live time quotes on gold and silver and precious metal stocks are available, including charts for most world currencies and futures. Links to the World Bank, central banks, international monetary fund, the United Nations, and much more are offered.

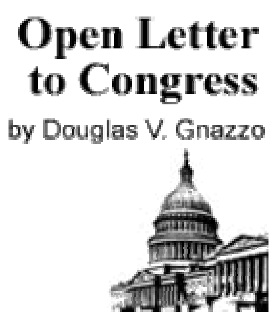
There is also a live bulletin board where you can discuss the markets with people from around the world and many other resources too numerous to list.

Our gold stock portfolio with all buy and sell orders is posted in the public domain for viewing. See which stocks we own, have sold, and bought most recently.

Drop by and check it out. Good luck. Good trading. Good health. And that's a wrap.

Come visit our new website: Honest Money Gold & Silver Report

And read the Open Letter to Congress



About the author: Douglas V. Gnazzo is the retired CEO of New England Renovation LLC, a historical restoration contractor that specialized in restoring older buildings that were vintage historic landmarks. He writes for numerous websites and his work appears both here and abroad. Just recently he was honored by being chosen as a Foundation Scholar for the Foundation for the Advancement of Monetary Education (FAME).

Disclaimer: The contents of this article represent the opinions of Douglas V. Gnazzo. Nothing contained herein is intended as investment advice or recommendations for specific investment decisions, and you should not rely on it as such. Douglas V. Gnazzo is not a registered investment advisor. Information and analysis above are derived from sources and using methods believed to be reliable, but Douglas. V. Gnazzo cannot accept responsibility for any trading losses you may incur as a result of your reliance on this analysis and will not be held liable for the consequence of reliance upon any opinion or statement contained herein or any omission. Individuals should consult with their broker and personal financial advisors before engaging in any trading activities. Do your own due diligence regarding personal investment decisions. This article may contain information that is confidential and/or protected by law. The purpose of this article is intended to be used as an educational discussion of the issues involved. Douglas V. Gnazzo is not a lawyer or a legal scholar. Information and analysis derived from the quoted sources are believed to be reliable and are offered in good faith. Only a highly trained and certified and registered legal professional should be regarded as an authority on the issues involved; and all those seeking such an authoritative opinion should do their own due diligence and seek out the advice of a legal professional. Lastly Douglas V. Gnazzo believes that The United States of America is the greatest country on Earth, but that it can yet become greater. This article is written to help facilitate that greater becoming. God Bless America.

Douglas V. Gnazzo © 2005 – 2007 All Rights Reserved Without Prejudice