

# Gold Nears '08 Peak On Weaker Dollar

By [TRANG HO](#), INVESTOR'S BUSINESS DAILY

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Gold ETFs surged on robust volume for a second day as the dollar's frailty worsened.

**SPDR Gold Trust (GLD)** spiked nearly 4% so far this week in nearly double usual weekly volume. It closed at 97.43. Traded as a proxy for bullion, the ETF represents one-tenth of an ounce, though it can't be redeemed for the underlying metal.

GLD on Wednesday broke out of a bullish inverted head-and-shoulders pattern on the weekly chart, says Scott Redler, chief strategic officer at T3Live.com. He projects it will break out above its 2008 high of 100 and shoot up to 130.

"But with a little overemotion, we can easily see \$140 to \$150," Redler said. He would place a stop below the 50-day moving average, now at 92.64.

Aside from seasonal buying trends in September, which coincide with Diwali and wedding season in India and Christmas in the West, gold is rising as the dollar loses value against the yen and euro.

"If you look at the Commitment of Traders Report from the CFTC, you will see that gold and silver are severely weighted long by fund managers and large traders," said Terry Sacka, chief

## Featured Stocks

**ABX**



Barrick Gold Corporation

**GDX**



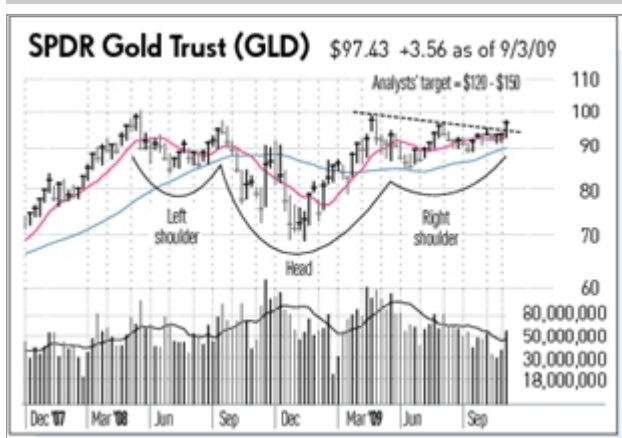
Market Vect Gold Miners

**GG**



Goldcorp Inc

\* Top-Rated Company



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strategist at Eagle Bullion Group. "They're probably hedging and protecting their positions to the debasement the dollar is experiencing."

If gold fails to break the \$1,000 an ounce mark, it will fall back to about \$850, says Sacka. "If it breaks \$1,000, watch out. We could easily see \$1,200 to \$1,500 per ounce within six months."

## Miner Operating Leverage

**Market Vectors Gold Miners (GDX)** tripled the move in bullion. It popped up 11% to 44.66 for the week on more than double average weekly volume. It broke out of a 13-week cup with low handle pattern with a 41.97 buy point Wednesday in three times average volume and followed through Thursday. Thursday's close also was near the buy point of a yearlong cup with handle.

The GDX ETF holds 31 stocks from six countries: Canada, South Africa, the U.S., Australia, the U.K. and Peru. It's most heavily weighted in **Barrick Gold (ABX)** at 13% of assets, **Goldcorp (GG)** 12% and **Newmont Mining (NEM)** 9%.

They benefit when the price of their product rises while their production costs remain the same.

"If bullion prices rise, operating profits will increase at a faster percentage rate," said Tom Winmill, manager of Midas Fund with \$94 million in assets. "For example, if gold goes up \$100 from \$1,000 to \$1,100, or 10%, a producer with operating costs of \$500 an ounce would see its profit rise 20%."

On the flip side, mining shares fall fast when bullion drops.

Some market analysts believe gold will likelier lose luster than continue to shine. Gold futures will probably rise above their February high of \$1,000, then drop to \$700 an ounce, says Simon Maierhofer, co-founder of ETFguide.com.

"Once it goes back to \$1,000, investor optimism surrounding gold is going to be really high again, and when everybody starts falling in love with any kind of investment, that's the time you should bail," he said.

From a macro economic standpoint, the U.S. is in a deflationary depression like the 1930s, in which all assets lose value, he says. He suggests buying gold at \$700 when investors will be pessimistic. "I think the financial system will have crashed by that time and gold will represent true value," he said.

"When I see everyone and his brother or sister frothing at the mouth about gold, I start selling into strength and scalping short," said Janice Dorn, founder of TheTradingDoctor.com and a gold futures trader. She started accumulating gold at \$650 an ounce and trades around a core position. She started selling some of her position into strength this week and plans to sell more as gold approaches \$1,000.

Dorn says only highly skilled traders should chase this move up and recommends waiting for a pullback to buy on weakness. "Buying panics are caused by greedy people chasing price as the institutions are gladly selling to them," she said.