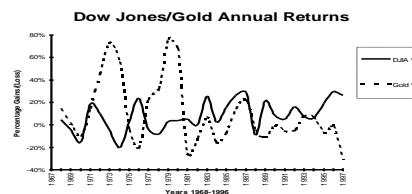




# Gold

## Energy & Tech Stocks



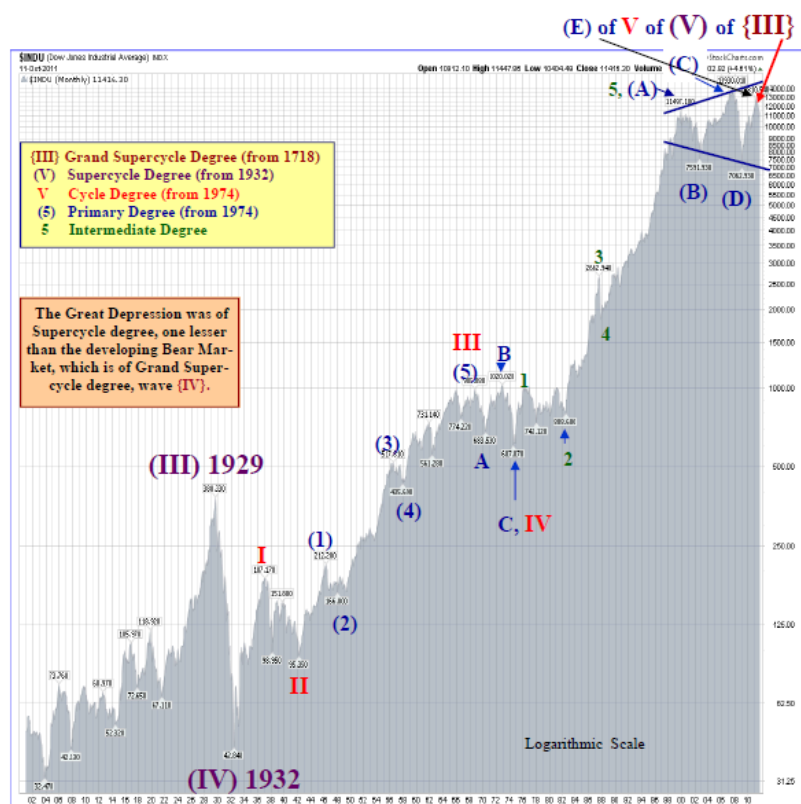
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### A Frightening Elliott Wave Picture

The Big Picture Elliott Wave Long-Term Count in the Dow Industrials from 1900 to 2011



Elliott Wave practitioners are in basic agreement. Whether Robert Prechter or Dr. Robert McHugh, we are very near (within months not years) of a cataclysmic decline in stocks, bonds, commodities, and life as we have known it, at least in Western civilization.

With respect to the chart on your left, posted in his Nov. 18, 2011, issue, Dr. Robert McHugh stated that it now appears the Grand Super Cycle was completed on May 2, 2011, with a Megaphone Top Jaws of Death pattern. This is a major Bearish topping pattern. He said there is a possibility of one more strong rally to take us to the Megaphone Top. But if the Top is in, as he believes likely, then the “mother of all declines” declines in this Grand Super Cycle will bring about a period of war, pestilence, and natural disasters. Then the Golden Super Cycle degree wave up will follow. Dr. McHugh notes that “*the Great Depression was of Super Cycle degree, wave (IV) down, and was not of Grand Super Cycle degree, like the coming Bear Market will be, which means this developing Bear Market, which is in its infancy, will be worse.*”

The chart above is not to try to scare you and to sell newsletters in the process. Indeed, my wife, who has a better perception with respect to what people want to

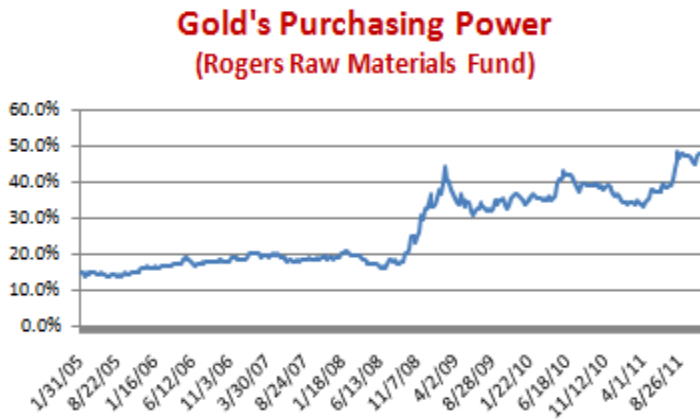
hear, suggested I not publish this dismal view because people want encouraging news. I understand her point, but I have never been one to put marketing my letter and clipping coupons above saying what I believe to be true. I believe the rotting financial condition in the entire Western world jibes very well with the big picture that Elliott Wave practitioners are observing. Already, the U.S. has become extremely aggressive in setting its CIA and military out around the world to usher in regime changes that would allow the Anglo American Empire to dominate and create a one-world government with a select few people in control. This process is also evidenced by a massive decline in the living standard of Americans who, like countries around the world, have been indebted so that the creditors can gain control.

Big-picture Elliott Wave views also match the views of my good friend Ian Gordon, who has studied at great length the work of Nikolai Kondratieff. Indeed it was Harvard professor Joseph Schumpeter, who wrote in the 1930s that, “The Kondratieff Wave is the single-most important tool in economic forecasting.” I agree that the views of folks like McHugh, Prechter (who calls for a DJIA of 600), and Ian Gordon (who is suggesting DJIA 1,000 and Gold at \$4,000) are considered extreme. But by definition, a small minority of views at major turning points are considered so crazy that they are not worth considering.

But truth is not defined by majority opinion. As for me, I can't follow the crowd when the evidence leads in the opposite direction. The only rational way to proceed is to examine all the big-picture evidence and manage your affairs accordingly. From what I can see, we are on the verge of something really big taking place. Whether the next major plunge downward in debt and equity markets begins

in a week, a month, a year, or even two years is impossible to say. But I am 100% certain that the policies implemented by Western politicians are ushering in an age of darkness, poverty, and no doubt chaos and governments everywhere by dictatorship. We can hope Ron Paul's push to return the U.S. back to its 1776 revolutionary values succeeds. Indeed it was only about 13 years after the Revolution—in 1789—that the first of four K-Cycles began since then.

So what do we do now? History suggests that periods of contracts, such as Prechter, Gordon, Hoyer, and other deflation thinkers are projecting, bode very well for the real price of gold. And with a rise in the real price of gold, otherwise known as gold's purchasing power, mining profits rise dramatically and a major bull market lasting for 15 to 20 years results. Since this decline may well be the mother of all declines, it could be the greatest bull market of the last 300 years in gold. In that event, a 1,000 Dow and a \$4,000 gold price as Ian Gordon is projecting makes sense. Just to update you on the "real price of gold," which we define as what percentage of the Rogers Raw Materials Fund an ounce of gold will buy, we can see that it is at or very near all-time highs.



Major Gold Producers EPS	2008	2009	2010	2011 (E)	2012 (E)
Agnico-Eagle	0.35	0.69	1.77	2.56	4.51
AngloGold Ashant	0.14	-0.14	2.12	3.78	5.71
Barrick	1.84	2.00	3.32	4.99	6.11
Goldcorp, Inc.	0.56	0.80	1.37	2.22	3.17
Kinross Gold Corp	0.44	0.44	0.58	0.88	1.30
Newmont Mining	1.99	2.79	3.85	4.76	6.19
Yamana Gold	0.45	0.47	0.61	1.03	1.29
<b>Total Per Share Profits</b>	<b>5.77</b>	<b>7.05</b>	<b>13.62</b>	<b>20.22</b>	<b>28.28</b>

This rise in the real price of gold is driving profits of major gold mining companies much higher, as you can see from the total per-share profits for the seven household-name mining companies shown above. We want to own companies that have solid earnings and that will be paying dividends, and it seems major gold companies are moving in that direction.