



“...Let us run with patience the race that is set before us.” Hebrews 12:1

A Gold Watch

An INSIIDE Track Special Report

by Eric S. Hadik

“Blessed is the man who finds wisdom, the man who gains understanding, for she is more profitable than silver and yields better returns than gold. She is more precious than rubies; nothing you desire can compare with her...My Son, preserve sound judgment and discernment, do not let them out of your sight, they will be life for you, an ornament to grace your neck.

Then you will go on your way in safety, and your foot will not stumble; when you lie down, you will not be afraid; when you lie down, your sleep will be sweet. Have no fear of sudden disaster or of the ruin that overtakes the wicked, for the Lord will be your confidence and will keep your foot from being snared.”

*Proverbs. 3:13-15, 21-26
(New Int'l Version ©1986)*

4/03/01 - Market analysis and meteorology have a lot in common. Neither is an exact science. Both rely heavily on probabilities as well as measuring risk and reward. With the markets, risk and reward is measured in monetary terms. With meteorology, it can apply to loss of life, property, possessions or merely convenience (i.e. whether or not to take a trip to the beach).

Anyone that has spent time in the Midwest is familiar with tornadoes... or at least the threat of them. There are at least two parallels in the markets: stock indices and precious metals. Let me explain:

In the Midwest, when conditions are right/ripe for a tornado, a ‘watch’ is issued for a general area. This watch informs residents to prepare - at least mentally - for the threat of a tornado. There is no guarantee that one will strike. However, enough variables have converged to make it a real and recognizable possibility.

The next level of preparedness is far more serious. It is a ‘warning’ and indicates that a tornado or funnel cloud has been spotted in the affected vicinity. In other words, at least a small tornado has already taken hold.

The final stage is when a tornado is in the immediate area. Sirens blare, the sky is often green, dirt and debris are flying at dangerous speeds and every one is exhorted to take all available precautions.

The gold & silver markets are similar. They often do not trade in as consistent & predictable of a manner as most markets. Long, drawn out bull markets are rare. Instead, they are usually sudden & somewhat unexpected. One of these spurts is possible in this new quarter, reinforced by yesterday’s buy signal in Silver. A second, larger surge is likely leading into October 2001 and a third into April 2002.

This compilation of previously published analyses is intended to bring new readers up to speed on what we are looking for in precious metals markets for the coming year. It is being published solely as an introductory piece since readers and subscribers have already seen this material or been advised of its remaining application to the current and future market. With that said, let me give a broad-stroke viewpoint of what is expected.

#1 - Major Gold cycles bottomed in mid-1999 and were expected to trigger a multi-year bull market at the same time a centuries-old cycle (360-year cycle in the Jewish Calendar) rolled over. September 1999 marked the beginning of the Jewish Year 5760 and was forecast to coincide with this new trend in Gold.

#2 - Secondary cycles were forecast to bottom in late-January 2001 and mark the bottom of wave ‘(2)’ of a developing bull market. The period between February 2001 and April 2002 was projected to mark the ‘(3)’ wave of this bull market (or at least the ‘3’ of ‘(3)’).

#3 - Early April (now) is expected to mark the bottom of the ‘2’ of ‘(2)’ wave in Gold. This should pave the way for a rally in Gold from now until April 2002. Silver is in a different formation and has not yet confirmed a low even though a buy signal was triggered on yesterday’s decline - basis the April INSIIDE Track - at 431 - 432.5/SIN.

All additional analysis will be updated in future issues of INSIIDE Track, the INSIIDE Track hotline and -

for shorter-term traders - the *Weekly Re-Lay*. Here is the supporting analysis from previous publications:

As the second wave - of a slowly-evolving bull market in Gold - nears a low, it pays to place this market in long-term perspective. To do so requires going back a couple years and examining a few 'big-picture' forecasts.

The longest-term forecasts originate in two *Cycle of Time* Reports and explained how 1999 completed a 19-year *Cycle of Time* in Gold since its 1980 peak and why 1999 would also complete the bear market in Gold. 1999 was also 12 years (.618 of 19 and one of the two measures of 'completion' - '7' & '12' - that combine to create the '*Cycle of Time*') from the secondary peak of December 1987, the last time Gold traded above \$500/oz.

More important - from an 'extra-market' perspective - was the critical Jewish Year of 5760 (360 times 16) that was beginning in September 1999. Much of the *Cycle of Time V* (10/98) was devoted to the fact that I believed major transitions would begin slowly taking hold during the transition into and out of 5760 and during the years 1999/2000. This should then lead to an acceleration in the years that follow (where we find ourselves currently) until 2005.

This period - beginning in September 1999 - was expected to usher in a bull market in Gold, Crude Oil & inflation. Soon after, stocks were projected to peak in January 2000 & begin a multi-year bear market. As is almost always the case, the initial years of a major transition only give isolated signs that a forecast like this is intact.

Crude was the first adherent, beginning a massive bull market (expected to resume in late 2001 and continue into 2002) after its low of December 1998. Gold began its first surge at the exact time the year of 5760 began... in September 1999. The July 2000 *INSIIDE Track* addressed some of these longer-term cycles & forecasts, concluding the following:

"What probably intrigues me most remains the cyclic significance of the period we are about to enter... and the one we are in the process of exiting. Consider the following forecasts (some already fulfilled) and observations made over the last 18-24 months and what they mean for the future..."

FORECAST #1 - *The first involved the crude oil market that was forecast to see a bull market through most of 1999 and throughout the current year of 2000. The following is a 12/99 quote that begins with - and then builds on - early 1999 projections for a Crude rally that would be 'parabolic and extend throughout 1999'...*

2/27/99 - *"On February 24th, for the first time since mid-January, the daily trend reversed to up con-*

firming that a low was taking hold. If April Crude can close above 12.80, it will probably spur acceleration higher."

3/29/99 - *"This (see above) was the quote from 2/27/99 that preceded the biggest surge in Crude Oil since 1996. Traders entered the month of March long the April contract from 12.48 and were advised to look for a surge to 15.70..."*

...I expect to see a decline into April 16/19th and an intermediate low take hold. If so, the next rally could be parabolic and extend throughout 1999..."

The low took hold a few days early (April 8th), a breakout occurred precisely on this key cycle... and the rest is history. Crude did surge higher throughout the remainder of 1999 and is likely to see higher prices in 2000. This analysis fit within the broader outlook for the years of 5759 - 5760 (9/98 - 9/2000) to usher in inflation beginning with Crude...

...I consider this entire move not only a response to near-term fundamentals but also an omen of something bigger on the horizon. Longer-term cycles hint that we could see a retracement from mid-July through mid-

October before a surge into April 2001. This would also fit (conversely) with the likelihood of a stock market low in July and rally into October...

FORECAST #2 - *Another important - and potentially related - projection (from 1998) that has seen early fulfillment - but still has the majority of fulfillment ahead - deals with the precious metals market. To repeat from 1998 and from 10/27/99:*

*...this number was presaged by an extraordinary jump in Gold, timed perfectly with the completion of its Cycle of Time decline. I discussed this in the **Cycle of Time III & V** (4/98 & 10/98) and explained why precious metals would complete their cycle in the Jewish year of 5759, the equivalent of our 1998 - 1999. The same time period was cited as a complete Cycle of Time for inflation.*

5759 ended on September 10, 1999 & 5760 began... at the EXACT time Gold exited its 19-year (Cycle of Time) bear market!"

CONCLUSION #2 - *Gold rallied 33% in three weeks' time at the precise transition of this **Cycle of Time** cycle, giving an important omen of things to come. Gold (& Silver) still have a long way to go and are only in the early stages of a new bull market. As a result, I cannot help but conclude that both political (a future oil shock or*

other inflationary crisis) and economic (Euro demise or loss of faith in the Dollar after cycles peak in October of this year) surprises are in store." [End of quote from 6/28/00 *INSIIDE Track* newsletter.]

The first forecast, which included several quotes from previous updates, dealt with the expectations for a parabolic move higher in Crude Oil during 1999 and 2000. It is relatively safe to say that this forecast has been fulfilled. As discussed in recent issues of *INSIIDE Track*, I expect another surge into May 2002, but not until after an intermediate correction extends (likely) into September 2001.

The second forecast dealt with the topic of this report: Gold. It was projected to complete its bear market and set a low in 1999. This is a forecast that has remained valid for the past 18 months and could be setting up for the most dynamic phase in late-2001 and early-2002.

As is usually the case with a market that is 'basing', it will see an initial surge to wipe out weak and late-coming shorts... but then drift lower for an inordinate amount of time to squash the hopes of any premature bulls. This is why the '3' wave is usually dynamic since both bulls and bears are either lulled into complacency or whipped into confusion. When they finally believe that a bull market is in force, everyone runs to get in (or out, if short) at the same time... and the panic begins!

This is also why it is typically more rewarding to enter at the low of the '2' wave rather than at the ultimate low of a move... unless you are a long-term investor looking to hold positions for at least a few years. Since we have likely seen the low of wave '2' and are at the time when wave '2' of '2' is expected to bottom, the following is current analysis from last week (3/29/01) in the April 2001 *INSIIDE Track*:

"The big picture remains the same in Gold & Silver. Gold was expected to begin a bull market in 1999 and continue on this track for at least 3 years. The earliest that this overall advance is expected to peak is in April 2002. Gold set a major low in July 1999 and has since traced out a sharp 1st wave rally and an extended 2nd wave decline. This is very common for the early stages of a bull market. It allows for a lot of pressure to build up before the dynamic '3' wave takes hold. As conveyed in several prior issues, this phase is not expected to take hold until later this year.

Longer-term cycles portend a large advance into April 2002, but the 80/20 (often 90/10 in Gold & Silver) rule should be kept in perspective. These markets often move in one direction or congest for 80-90% of a cycle and then see a sharp move in the opposite direction during the final 10-20% of the cycle. Although I only place minor emphasis on Fibonacci numbers (with greater emphasis reserved for the actual Golden Ratio instead of the 'numbers'), the pattern aligning this year is worth reviewing from last month:

2001 is 21 years from the January 1980 major high, 13 years (and 1 month) from the December 1987 \$500+ secondary peak, 8 years from the 1993 peak, 5 years from the 1996 peak and 3 years from the January 1998 low. If any year is poised for major turning point, 2001 is it. Since other cycles peak in 2002, it means the precious metals are likely to see a substantial rally in a short period of time.

Another longer-term cycle - that has governed Gold for 8 years - was also discussed. It is an 18-19 month cycle that converged in January/February 2001. February 2001 was also an exact 60 months - or 5 years - from the February 1996 peak. This -

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However, reality (the more important trader side of me) - and a strong geometric weekly cycle occurring April 2-6th - force me to leave wide open the potential for an early-April spike low. This still fits with my intra-year outlook, expecting that "the real surge is likely to be later in 2001..."

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From a 3-6 month perspective, the weekly trend remains down in Gold & Silver and has extended past original expectations. Now that the first quarter of the year is complete, the potential for a multi-month rally increases as Gold & Silver have the potential for an intra-quarter X-X higher and an intra-[semi-annual/6 month period] V pattern if a low takes hold in early April.

Silver is approaching its intra-year raw SPS at 413.5, which should be viewed with great scrutiny. Long-term investors should average into Gold &

Silver (NOT futures) and hold into at least next year.

...Since March 5th, the hotline has been advising a buy signal in Silver once it gets down to key support. This support encompasses several calculations, all of which range from 419 - 429.0/SIK. The most significant, from an intermediate perspective, is 424.0/SIK - where both the HHL of this 2+ month decline and the monthly HHS coincide.

The first week of April should be used as a determinant of what to expect in the weeks/months that follow. Once the range of April 2-6th is established, traders should watch for a weekly close beyond either extreme (high or low) to indicate the likely direction of the ensuing 2-4 weeks.

...Buy July Silver futures at 424 - 432.5 and risk a daily close below 403.0/SIN. ”

Consistent with this analysis, an early-April low is a very likely scenario in Gold. Price action will have the strongest say in this matter. However, consider the geometric cycles - particularly in Gold - converging in the current period, extending into April 6th.

Geometric cycles, as our readers know, are those cycles that coincide with the important divisions of a circle (90/180/270/360 degrees as well as other multiples of 30 & 45 degrees). In the April *INSIIDE Track*, I cited geometric cycles as one of the factors favoring an imminent low in Gold. Here is how they break down:

Gold declined for exactly 180 weeks from its highest weekly close of 2/02/96 to its lowest weekly close of 7/16/99.

90 weeks from the low weekly close of 7/16/99 is **4/02 - 4/06/01**.

270 weeks from the 2/02/96 peak is **4/02 - 4/06/01**.

45 weeks from the 5/26/00 intervening low - which

was 45 weeks from the 7/16/99 low - is **4/02 - 4/06/01**.

60 weeks from the 2/11/00 secondary peak in Gold is **4/02 - 4/06/01**.

Gold has also seen an intra-year geometry, turning at 180, 360 & 540 degree intervals (equating to 26, 52 & 78 weeks, respectively). In April 1998, Gold saw the final peak in its major downtrend. A secondary peak occurred 26 weeks later. This led to a final decline and then a sharp rally into October 1999 - exactly 52 & 78 weeks later. An additional 78 weeks from this major high-high pattern aligns on...

...you guessed it: **April 2-6th, 2001**.

The lows of this final decline - since the peak of October 1999 - are also tracing out a consistent pattern...

The distance separating the 12/10/99, 5/26/00 & 10/27/00 lows was 24 & 22 weeks... an average of 23 weeks.

22 - 24 weeks from the 10/27/00 low is March 26 - April 13th. 23 weeks is... yet again... **April 2-6th, 2001!**

If a low is set during the current week, traders can expect a minimum 26 week rally from it - leading into longer-term cycles in October 2001. This is not expected to be a final top, merely one in a sequence of higher highs expected into 2002... and potentially later.

All other analysis and any additional trade recommendations will be provided in the upcoming issues of *INSIIDE Track* and the *INSIIDE Track* intra-month hotline, and/or the *Weekly Re-Lay*.

Stayed tuned as it may soon be time to graduate this 'Watch' into a 'Warning' when a Gold whirlwind nears. *IT*

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