



THE SILVER CRASH OF 2011?



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SILVER has come crashing down right in line with the usual 11 year high. This has come also on a Pi cycle from the October 2008 low (31.4 months). Yet despite the blood and the carnage that is typical in this market prone to high volatility, whether this proves to be a long-term high or a major shake-out will be revealed in the weeks ahead. The primary support to what lies at \$23.50-\$26.50 range. This is the critical area for long-term support and a MONTHLY closing BELOW this range would signal that we have a serious near-term change in trend. On the

yearly level, the main support lies at \$28. This will be the critical area to watch for year-end. A closing BELOW this level will signal a decline into 2012.

We have two primary possibilities for a low shaping up on the horizon. WE could create that spike low and BOTTOM precisely on June 13th/14th in a few weeks, and this would tend to suggest we may be more likely than not going to see the 1980 high of \$54 exceeded by 2013. The other possibility remains the fact that the low could extend for 2.15 years into the next turning point on the **Economic Confidence Model**.

Looking ahead on a weekly timing basis, the key weeks appear to be 3/14, 4/4, 4/25-5/2, 5/23-5/30 and 6/13. **The most important aspect will be if gold can produce a low the week of June 13th.** This is no guarantee. The closer we get to it I will be able to fine tune the dates and price projections. The most important aspect is to get a LOW rather than a spike high for the former will be the start of an extension whereas the latter may prove to be an exhaustion.

The weekly timing turning points have also come into play as they were given in the March 1st report HOW & WHEN (Page 5). The key weeks for this turning point were the last week of April/first week of May. The next key weeks will remain the last weeks of May going into the week of June 13th.

There is always a danger at the 11 year mark for a crash. It is just a matter of time. Typically, at the top, euphoria is prevalent and we just find the inexperienced screaming there will be no end in sight. Those who have been down this road before know when this kind of talk becomes the hallmark of doom.

Even gold bounced off the top of the PRIMARY CHANNEL. Yes it might be that Bin Laden's capture has marked the end of an era. More likely, it has marked the shift in mood for the dollar has risen as well.

So we have a split target with the week of April 25th producing the highest weekly closing and the week of May 2nd the intraday high. If we drift lower into the final weeks of May, then we can see a rally for the week of June 13th. That will not be real

good. This could set the stage for a decline especially if we close year-end below \$28.

The force of this decline is encouraging. The faster it comes down, the shorter the duration: remember 1987, 1929-32. This could lead to a marginal bounce into the last weeks of May, and from there silver will turn down into the June 13th target.

The sharp spike rally was in line with a Phase Transition in Silver – NOT gold. This has been distinguished by a virtual doubling in price since January. Anytime a market doubles like this in the last few months going into a high, it is the kiss of death. Silver, of course, has not broken out above its 1980 high as did gold. This is largely due to the fact that silver remains the most manipulated precious metal of the entire group. It is routinely played with by the NY crowd and anybody you says such things is immediately attacked with venom. Silver is the playground for the CLUB. Yes you can make a lot of money on these moves. However, never forget that the game is rigged and the regulators always turn a blind eye. In oil, the Department of Justice is bowing to the general view that prices are manipulated and claim to be starting an investigation. Don't worry. They will never prosecute the NY boys. It's just the typical noise to pretend to be independent!

So for now, this is the key support area to watch. The jury is still out and the future may be bullish long-term, but the short-term can kill you.