“All one market” concept – does gold lose its luster?

EURUSD Hourly: testing support at the 72-hour moving average after the 32.8% retrace.

S&P 500 (red) versus Financials Fund ETF XLF (black): Big divergence in the financials -- not a sign of underlying economic strength for sure ...
**S&P Hourly Bar:** A nasty break in store today?

We read Robert Prechter’s November Issue of *The Elliott Wave Theorist* with interest. He talked about the “all one market concept” we consistently see in the various correlations (as we are seeing today). The all one market concept, by viewing “tops” soon after the Fed officially announced QE2 on November 3\(^{rd}\), suggests that all good liquidity news was already in the price:

<table>
<thead>
<tr>
<th>Top Date*</th>
<th>Top Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P</td>
<td>11/9/2010</td>
</tr>
<tr>
<td>Gold</td>
<td>11/9/2010</td>
</tr>
<tr>
<td>Oil</td>
<td>11/11/2010</td>
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<tr>
<td>Copper</td>
<td>11/9/2010</td>
</tr>
<tr>
<td>10-year Note</td>
<td>11/4/2010</td>
</tr>
<tr>
<td>USDJPY</td>
<td>11/1/2010</td>
</tr>
<tr>
<td>EURUSD</td>
<td>11/4/2010</td>
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<tr>
<td>USDCHF</td>
<td>10/14/2010</td>
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<tr>
<td>GBPUSD</td>
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<tr>
<td>USDCAD</td>
<td>11/11/2010</td>
</tr>
<tr>
<td>AUDUSD</td>
<td>11/5/2010</td>
</tr>
</tbody>
</table>

* Bottom date for base USD pairs

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Gold: In Prechter’s monthly letter he showed a trend line on gold running back to 1932. Amazingly the trend line was near the exact monthly top of $850 back in the mid-70s and extending it produced a top resistance today that was a test of $1410 per ounce. If you are looking to hedge your gold holdings, we like long DZZ (PowerShares DB Gold Double Short) ... not a bad risk:reward trade here. You know exactly where to exit this fund (low of $7.90); this fund trades inverse to gold.

Chinese yuan to become world reserve currency? Not in this lifetime.

Plus: there’s still time to get in on two new investment opportunities!

On Friday we released the November edition of Currency Investor -- already it’s getting good reviews; here are two reader responses:
Hi,

Quick note to say that I really enjoyed this issue!
Great thinking guys.

Cheers

V.

Hello:

A terrific piece of work.

Thank you.

DB

Plus: It’s not too late to get in on the two new currency ETF recommendations; but be sure to act fast to avoid missing out on any moves.

Again, here’s a summary of the contents in the November edition of Currency Investor:

1. We don’t see any conceivable way the Chinese currency will replace the dollar within the next 30 years
2. In fact, there is a rising probability China may not even be a key global competitor by 2030
3. A look at global monetary standards past suggest that the existing order isn’t as bad as we think
4. There is virtually no chance we will see a gold or a commodity-based standard again unless we see a drastic change with our political culture
5. The US dollar may have put in a major bottom based on the action in interest rates and our wave charts since implementation of Fed QE2 began.

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Yours for maximum profits,

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