

## **The Merriman Market Analyst, Inc.**

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### ***MMA WEEKLY GOLD AND SILVER COMMENTS AND TRADE RECOMMENDATIONS FOR WEEK OF 1-3-11***

Happy holidays and wishes for a prosperous and healthy New Year.

**GCG (Feb Gold):** Last week's close was above weekly resistance, which is bullish. And the close was above the weekly trend indicator point for the 1<sup>st</sup> time in 3 weeks, which means it remains neutral.

This week's trend indicator point is 1390. It will remain neutral this week unless it is sharply higher.

Wkly support is 1388.50-1396.70. A weekly close below 1388.50 will be bearish. A trade below followed by a close back above is a bullish trigger.

Wkly resistance is 1437.80-1446. A weekly close above 1446 is bullish. A trade above followed by a close back below is a bearish trigger.

A new bullish crossover zone just formed at 1391.90-1396.70. Others remain in effect at 1136-1139.40 and 1014.80-1018.10.

This starts the 10<sup>th</sup> week of an older 15-21 week primary cycle one, or 7<sup>th</sup> week of a newer one. This is another three-star critical reversal zone, and prices are rallying into it. The price is still below the 1432.50 high of December 7 (also a three-star critical reversal zone), whereas Silver is making new 30-year highs, so we may be seeing a case of intermarket bearish divergence starting to form. If it can make a new high and close the week bullish, then the upside price objective could be as high as 1544.40 +/- 45.10.

**Strategy:** Position traders are still long half of their positions, with a stop-loss on a close under 1270.

Aggressive short-term traders may look to sell short this week as long as prices do not exceed the all-time high of 1432.50, if at the same time Silver makes a new yearly high. That will be our stop-loss. Ideally the short will be somewhere between 1421-1432. Longer-term, I am still bullish, but this is a reversal zone, and aggressive traders will always look for a counter-trend position when prices are making new three-week highs or lows into such a reversal zone.

**SIH (Mar Silver):** Last week's close was above weekly resistance, which is bullish. And the close was still above the weekly trend indicator point for the 23<sup>rd</sup> time in 24 weeks (that is a long time), which means it remains in a trend run up.

The weekly trend indicator point is now at 2955. A weekly close below will downgrade it to neutral.

Wkly support is 2950-2986. A weekly close below 2950 is bearish. A trade below followed by a close back above is a bullish trigger.

Weekly resistance is 3168-3202. A weekly close above 3202 is bullish. A trade above followed by a close back below is a bearish trigger.

A new bullish crossover zone just formed at 2966-2986. Others remain in effect at 2752-2785 and 2508-2526, 2014-2022, 1720-1740, 1580-1598, and 1096-1103.

This starts either the 7<sup>th</sup> week of the 13-21 week primary cycle. As stated before, “Our major concern is that the 111-week cycle is due now (Dec 17, +/- 19 weeks), so we could see an expanded primary cycle in which prices decline very sharply. If so, our target is 2100-2150 in about 3-7 weeks.... A close below the ... newer bullish crossover zone (2752-2785) would suggest a top of importance is in.... Until that happens, however, the market is bullish with no real sign where the top will be....” Last week Silver exceeded the previous high of 3075 back on Dec 7, but Gold has not yet made a new high. And we are now in a critical reversal zone. Perhaps just as importantly, the 18-day standard CCI indicator went above the critical; +200 mark last Thursday, Dec 30 (it went to +219). Our experience is that this oftentimes marks a high within the next 7 trading days, from which prices drop sharply. If not, they go sideways for awhile, and then have one more sharp rally to new highs but under lower CCI readings, for a case of intermarket bearish divergence.

**Lunar cycles** for this week (from “The Sun, Moon, and Silver Market: Secrets of a Silver Trader”). First numbers represent potential for reversal, where anything above 120 has high probability of isolated top or bottom to trade opposite of, and second column represent “Big Range Day” potentials in which Silver could have a range of at least 35 cents (probably more these days) – good for day trading. \* represents strong reversal or big range day. The more \* the stronger it is. # represents low likelihood for a reversal or big range day. The more #, the less likely a reversal or big range day.

The solar-lunar cycles for the next few days are as follows:

	Reversal	Big Range
Jan 3-4	70.3#	187.3**
Jan 5-7	108.4	96.2
Jan 10-12	137.0*	60.8##
Jan 13-14	68.4#	60.8##

**Our strategy:** Position traders may look to buy on a decline to 2100-2150, with a stop-loss on a close under 1950.

Aggressive traders were stopped out, but may look to sell short again this week with a stop-loss above weekly resistance.

Using this information properly: Support may represent favorable risk/reward places to buy if the trend is up. If prices trade below support, then have a close back above it, it is considered a bullish “trigger”, and oftentimes represents a good buy signal. Resistance may represent favorable risk/reward places to go short if the trend is down. If prices trade above it, then have a weekly close back below, it is considered a bearish “trigger, and oftentimes a good sell signal. MMA comments and trade recommendations are primarily for traders of commodity and futures contracts. They are provided mainly with “speculators” in mind. By its very nature, “speculation” means “willing to take risk of loss.” Speculators” must be willing to accept the fact that they are going to have several losses, many more than say “investors”. That is why they are “speculators.” Speculators are typically right about 50% of the time, +/- 10%. The way “speculators” become profitable is not so much by high percentage of winning trades, but by controlling amount of loss on any given trade, so the average trade on winners is considerably more than the average trade on losing trades. MMA’s comments can be of value to both speculators and investors. MMA’s trade recommendations will be of potential value only to speculators. Those who take these trades need to be willing to adjust stop-losses, and even the

trade itself, as the week unfolds, and dependent upon technical factors that will arise with each day's trading. There is no guarantee as to future accuracy or profitability. Each trader and reader trades at his or her own risk, and neither the author nor publisher assume any responsibility whatsoever for anyone's financial or commodity markets decisions. Futures or options trading are considered high risk.