



June 16, 2004

Tel: ++00 357 22 552800
Fax: ++00 357 22 552888
www.harvestgroup.com.cy
info@harvestgroup.com.cy
Harvest Financial Services Ltd
Stasirratous 37, Suite 802
Nicosia 1065, Cyprus

**Through Our
network
We
Offer
A Selection of
over 55 fund
families and over
12000 different
mutual funds.**



GLOBAL RESEARCH HIGHLIGHTS

IS IT TIME FOR GOLD?

With each passing day the likelihood increases that gold and the stocks of the companies that explore for it have posted their ultimate low-points for this corrective phase. After earlier briefly exceeding \$430 an ounce, gold touched its recent nadir at about \$371 on May 7. Similarly, as seen in the action of the HUI, the gold producers as a group struck their low on May 10, at about 164. As most long-term readers know I do not possess a crystal ball. Nor do I have the ability to either read Tarot Cards or discern the future by looking at the stars. However, what I do have is a certain amount of experience, from my decades long participation in the precious metals arena, that I want to share with you.

As do most actively traded items, gold and gold stocks move in a series of defined ebbs and flows. They travel from areas where they are overvalued to zones when they are relatively undervalued. First, I will attempt to describe the market action that occurs within an ongoing Bear or Bull Market and their causes. During a Bear Market, price movements tend to thrust in a declining direction until they reach a condition, which is termed, "oversold". This is the culmination of the build up of manic and fear that engulfs and effuses from the remaining bullish participants, after they suffer from mounting losses. It becomes oversold because the item has declined too far in too short a period of time, and ends in a formation that is called a "temporary bottom". The Bear Market thereafter relieves the oversold condition by reversing course. It temporarily moves higher in price driven to a large degree by bargain hunters. The market rises until it reaches an area where it has alleviated sufficient pressure to reverse some of the distortions that were created by the earlier excessive downward movement. In essence the market runs out of steam, the short sellers step in, and the primary downtrend reasserts itself. You can picture a Bear Market as a zigzagged line that begins at its highest point, the point where the Bull Market ended, and gradually works its way to lower and lower levels.

A Bull Market loosely travels in the opposite direction to a Bear Market. A primary difference is that Bull Markets typically take longer to unfold than Bear Markets. Thus, Bull Markets tend to have long, shallow advances while Bear Market declines tend to be sharp and comparatively shorter in duration. Within a Bull Market, first a wave of investor emotion and enthusiasm drives the stock, commodity or whatever to a high level where it too has gotten ahead of itself. This is called a "temporary top". It has been driven too far to the upside in too short a period, and it becomes what is termed "overbought". The fundamentals have not adequately expressed themselves to justify the current lofty prices and a secondary correction then sets in. Then, the market falls or drifts downward, until the excitement that had carried it to its recent high is all but forgotten. It is as if the market must first fall back to purge itself of the earlier excessive expression of emotions, before it can attack and surpass its recent temporary top. A Bull Market can be viewed as a zigzagged line, which begins at a low level and gradually works to higher and higher price ranges.

Legal note: The above research material was prepared by Harvest Financial Services Ltd "Company" with licence number 021/03 Regulated by the Cyprus Securities & Exchange Commission. The material presented and its contents are for informational purposes only and should not be construed as an offer to sell or a solicitation to buy any securities. Harvest Financial Services Ltd or affiliate companies or persons connected with it and/or its directors and employees and/or its clients may have a position or engage in transactions in any of the securities mentioned herein or any related investment, or solicit business from any company mentioned herein. The information or opinions contained in this report have been obtained from sources that the company believes to be reliable, but their accuracy or correctness cannot be guaranteed and are subject to change without prior notice. This publication is constructed without the consideration of the particular investment objectives, financial situation and needs of recipients. Investors should consult their financial advisors prior of engaging in any trades. Harvest Financial Services Ltd does not accept any liability for any direct or indirect loss arising from any views or recommendations that the company mentions in this or any other report. International securities offered through Wall Street Financial Group Inc, member of NASD and SIPC. International securities and mutual funds are offered through Wall Street Global LLB. Futures, Forex and commodity products offered through REFCO LLC Member NFA, NASD/SIPC.