



Feddern Financial Consulting Group Newsletter

October 30, 2009

KEYS TO THE BEGINNING OF A RECOVERY:

1. **The Real Estate market must stabilize. If not reversing, at least not continuing to fall. *NEW HOUSING STARTS UP this past Spring and Summer because of seasonal factors but inventory still huge! The Nationwide COMMERCIAL COLLAPSE IS JUST BEGINNING!***
2. **Unemployment must stabilize. If not reversing, at least not continuing to rise. Last report was lower! *IT'S ACTUALLY WORSE as a "%," Back to near 10% - BUT IT CONTINUES TO MOUNT @ OVER 500,000+ weekly.***
3. **Corporate Earnings (profits) must stabilize. If not reversing, at least not continuing to fall. *SOME POSITIVE SIGNS but mainly in TECHNOLOGY.***
4. **Banks must begin to make loans again (especially to small businesses and potential home owners...albeit under ancient premises of buyers being qualified and of all things, a down-payment! *Lots of "hoopla" from the mega banks, but it appears that there's no real progress. They're "hoarding" any cash they can get their hands on. And now here comes the Regional problems compounded by PRIME loan and Alt-A resets!***
5. **The DOLLAR has to decline. *It's started for REAL!***
6. **Auto sales must stabilize at some NEW level. *Maybe started!***
7. **The consumer must get "back in the game of consumin'" *NO WAY!***

ANALYSIS OF THE ABOVE: No Real Hope YET! -10/30/2009

An Update on GOLD

It looks like the smart money is going to be right again. And that's good news for anyone hoping to buy gold below \$1,000 per ounce.

A couple weeks I ago, I told you commercial gold traders, otherwise known as "the smart money," had amassed the largest short gold futures position of the past several years. In other words, they were betting on a decline in the price of the shiny yellow metal.

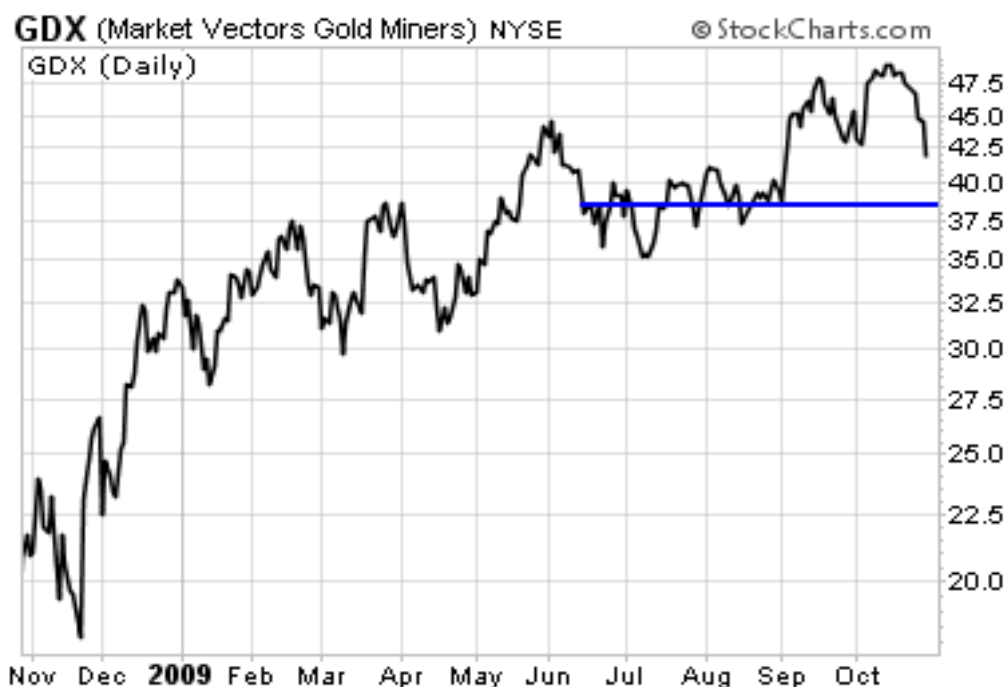
The Commitment of Traders report, issued last Friday and reflecting positions through last Tuesday, showed these traders are now even more bearish. The smart money short position is now a huge 320,000 contracts. Take a look...



The smart money is betting big on a drop in the price of gold. And they're now on the right side of the trade.

After peaking above \$1,060 per ounce early last week, gold has tumbled almost \$40 in just the past three days. Judging by the action in the gold stocks – which typically lead the price of the metal – there's lots more room to fall.

Take a look at this chart of GDV on the next page...



GDX is an exchange-traded fund of gold stocks. It has taken quite a beating over the past few days. In fact, at \$41 per share, GDX is now all the way back to where was in May. Worse yet, the next real support level for GDX shares is down at about \$38.

If the metal follows the action in gold stocks, patient buyers may have an opportunity to pick up some gold down around \$925. That's about where it was the last time GDX was at \$38. We'll see.

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All of our past Newsletters are available on our Website at:

www.fedderngroup.com

We continue to receive more and more inquiries about our Down-side Risk Management disciplines along with our group of recommended money managers. We appreciate your "referrals." It's the main way we continue to build our business.

Call us anytime: 502.442-0363 Direct 800/258-1502 Toll Free 502/442-0365 Fax 502/552-2049 Cell

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