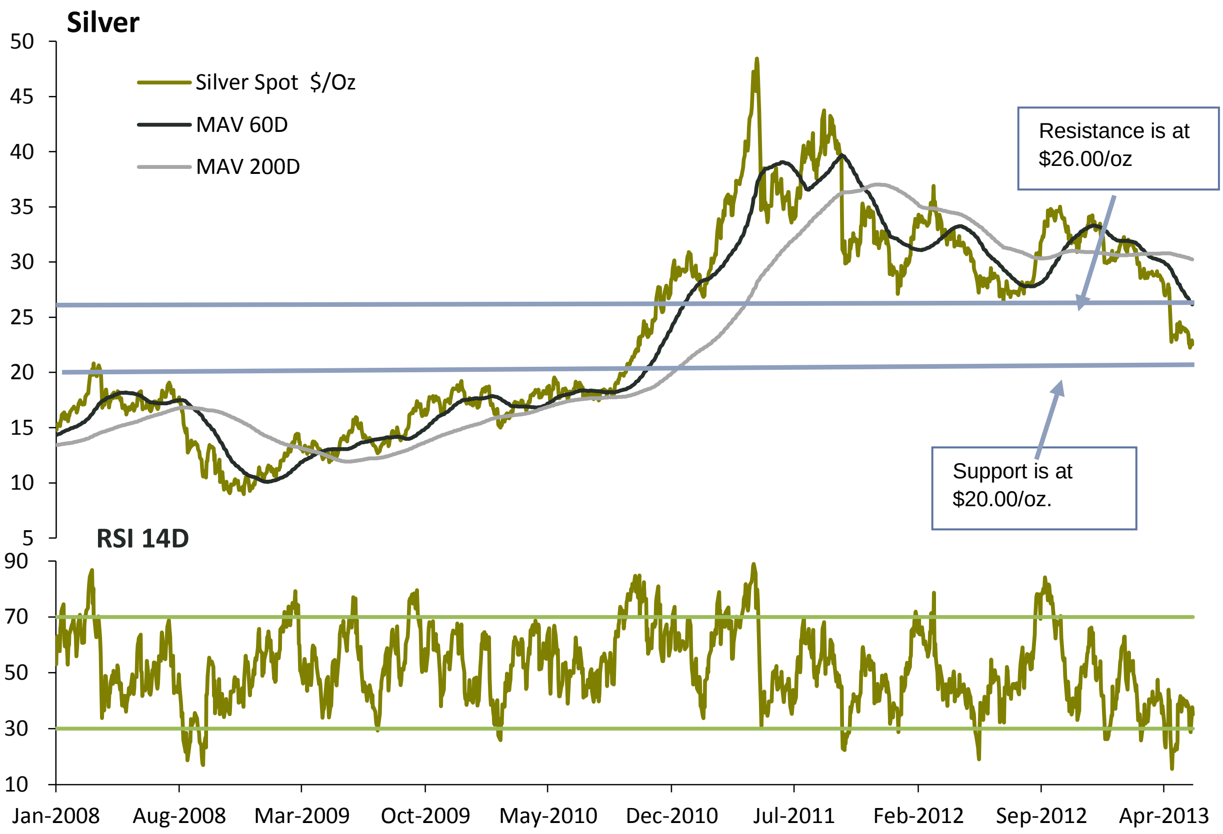
Trade Booster

22 May 2013

Silver bear trend may have legs

Summary

- **Recent drop in Silver price turns \$26.00/oz. support into key resistance level**
- **Investors may see sustained weakness towards \$20.00/oz.**
- **Any break below \$20.00/oz. could see further weakness towards \$17.00/oz.**
- **Investors who believe that Silver will continue to fall may consider the Boost Silver 3x Short Daily ETP (3SIS)**



Source: Bloomberg

The bear trend in silver gained momentum on 12 April 2013 when prices fell below \$26.00/oz., an area that had previously acted as key support in 2010, 2011 and again in 2012. The break below 26 now suggests that we could see further sustained weakness towards 20, the next major chart support level. It should also be noted that the fall below \$26.00/oz. now turns this support into a key resistance level, which is one of the basic tenets of technical analysis.

The \$20.00/oz. area is the next important support level to watch, as this had offered resistance in 2008 and had been difficult to break on a sustained basis. Any break below \$20.00/oz. will leave silver vulnerable to further weakness towards \$17.00/oz. Silver prices are expected to find minor resistance at \$24.87/oz. (26 April 2013 high) .

Flag pole - The 'flag pole' in technical analysis is part of a 'continuation pattern' and can be either part of a 'bear flag or pennant' (prices are descending) or a 'bull flag or pennant' (prices are ascending). The flag pole is usually derived from the start of the rally (bullish) or sell off (bearish) to a price level where market activity seems to 'pause'. This will usually see the uptrend or downtrend in prices consolidate for some time – with prices either ranging in a triangle or rectangle pattern (flag) or wedge (pennant). The price difference between the start of the rally and the highest price reached during the 'pause' in the rally is the length of the 'flag pole' in a bull flag or pennant. The price difference between the start of the sell off and the lowest price reached during the 'pause' in the bear trend is the length of the bear flag pole in a bear flag or pennant.

Bull flag pattern – This is a continuation pattern and is one of the most important technical analysis chart patterns. A bull flag pattern has three components. The initial price rally which forms the bull flag pole is the first. The pause in prices after the initial bull trend forms the actual 'flag' or 'pennant' and is the second. The price breakout in the direction of the original price trend move (higher in the case of a bull flag) is the third component. This breakout is usually seen as another rally which turns above triangle or flat channel resistance (the breakout) and then extends to higher prices. The bull flag pattern has two targets, the first is the height of the actual flag or pennant extended from the breakout point (the difference between the high price of the consolidative pattern and the low price within the consolidative pattern added to the breakout point). The second target is the actual bull flag pole measure extended from the breakout point. The first target would be regarded as the minimum extension measure, while the actual flag pole measure is the medium or long-term extension measure.

Congestive highs/lows – An area of chart support or resistance which is observed as a cluster of highs or lows at the same price area. These can vary in importance depending on the time frame – weekly congestive high/lows are more important than daily congestive high/lows and intraday high/lows.

Minimum extension measure – The minimum price target in technical analysis derived from a pattern breakout. These can be continuation patterns (like a flag) or a reversal pattern (like a head and shoulders pattern). The minimum extension measure is the initial price objective or near-term target that is usually seen as the 'conservative' price objective, with other price extension measures seen as medium or long-term price objectives.

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