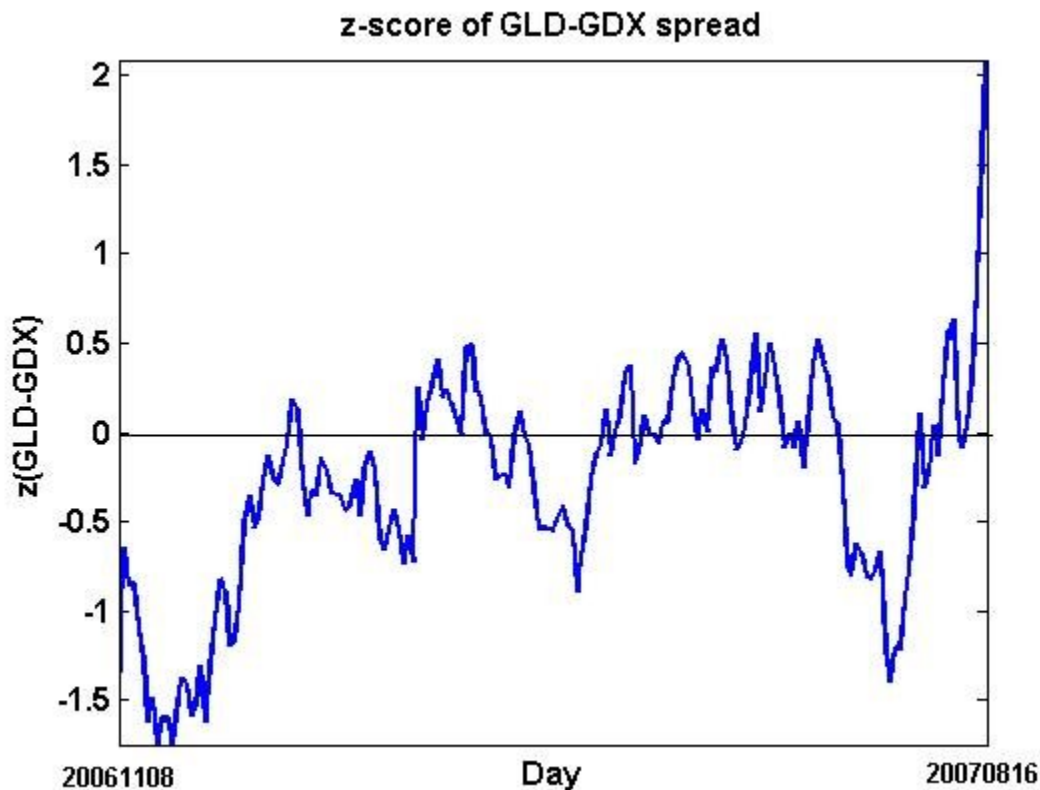


Updated charts of GLD-GDX and IGE-EEM spreads

August 19, 2007

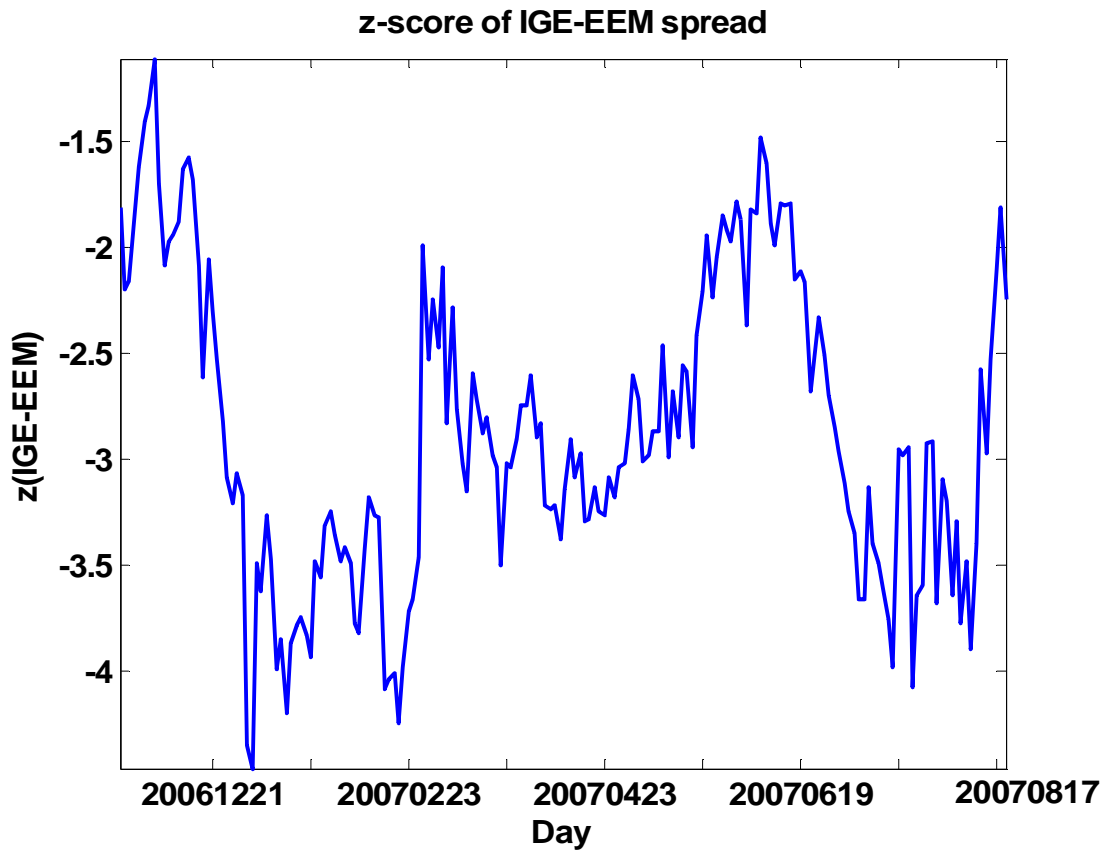
The GLD-GDX spread that I have been monitoring since last year spiked yesterday to over 2 std dev, after staying below 0.5 std dev since 20061108. Investors seem to be dumping mining stocks in a hurry, while the price of the underlying commodity (in this case, gold) drops far less.

I attached the chart for your convenience.



Meanwhile, emerging markets stocks are also experiencing great trauma last week. So what about the relative value between commodities stocks and emerging market stocks, which I found to be cointegrating?

I have been monitoring the IGE-EEM spread since last year. For those of you who had followed this spread and decided that 4 std dev is just too rich a trading opportunity to pass on, you would have been justly rewarded in the last couple of weeks as the spread staged a sharp recovery .



As an additional note, since I constructed these spreads before 20061221 and have published them on my blog, they are true out-of-sample tests of their cointegration.