TRUE SEASONALS
ONLY AT SUNSHINE PROFITS

Up to now there was no publicly available market analysis that combined seasonal influence with the impact of derivatives. Sunshine Profits is proud to be the first to introduce it with True Seasonals. This tool predicts future performance of precious metals, stocks, ETFs and other assets by analyzing historical patterns. We've been testing it for over a year now. And the accuracy of the predictions has exceeded our expectations! This guide is intended to help you make the most of this amazing tool. So, let's get started.

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True Seasonals has two basic tools. The first identifies the seasonal influence on stock prices and assess the risk connected with the stocks. This tool indicates whether the prices of a stock are usually higher/lower during a particular part of year and whether the risk involved tends to be relatively high or relatively low. Various Internet blogs thrash out this very subject, but this tool enables you to confront the buzz with real data.

The second tool is similar to the first, but instead of identifying the price level and the risk throughout the whole year, it identifies these qualities on the dates of the expiration of derivatives, i.e. gold futures and options, as well as stock options. We designed this tool to provide substantial evidence on whether or not the expiration of derivatives influences the prices of precious metals. This has been the topic of a longstanding debate among precious metals investors. This tool puts the debate to rest.

We combined these two functions to produce True Seasonals, one of the most comprehensive tools based on seasonal influence and the first one to include the impact of futures and options, making it the best instrument to analyze recurring price changes.

Seasonal influence – how does it work? How can it help me?

PRICE AVERAGES

What has happened before is most likely – under given conditions – to happen again. This is also true for the gold market and for the broader precious metals market. You may assume that if the rate of return on gold has been positive for the last couple of years it will be positive this year as well. And what if the rate of return on gold has been extraordinarily good in specific periods of the year? What if it has been significantly higher in winter than in summer? You definitely want to analyze such information to identify periods in which investing in gold is particularly profitable. But why restrict the analysis to gold only? Silver, stocks and indices are all extremely interesting from an investor's point of view.

Such an assumption – that the past has an impact on the future – is the basis for the seasonal function of True Seasonals. We have tracked the prices of gold, silver, and stocks since 2002. Not only did we research how precious metals, stocks and indices had performed annually, but also how they had performed quarterly and in each and every month. This in-depth study allowed us to calculate the average prices (levels) of stocks (indices) for each day of a year.

For instance, if you invest in gold on January 1st, our analysis will be able to indicate what the price of gold might be on January 2nd, 3rd etc. This enables you to check the predicted price of a stock for every day of the year. Please keep in mind that this is pertinent not only to gold and silver, but also to stocks and indices. Such knowledge – what the price of an asset might be on a particular day of the year – is crucial for making appropriate investment decisions and to improving your rate of return. In fact, it's priceless.

Can True Seasonals help you when it comes to real investments? No matter how good something looks on paper, it will not be useful if it doesn't work in real life. So, let's consider a real situation with real money in which real people faced a real investment decision.

Please take a look at a medium-term chart of the price of gold in 2010 (charts courtesy of StockCharts.com).

(Chart 1.)

One period that is particularly interesting is the rally that started at the end of August and lasted until mid-November. At first, it seems that the trend was directly upward and high profits could have been made. However, we see a break in the rally – in the first half of September. This means that during this short period the rate of return was negative. In hindsight we know that afterwards gold continued its rally but on the 12th of September the situation was not that clear. Gold could have plummeted and the rate of return could have been negative. On September 12th investors were not sure what to do – buy, sell or hold.

Suppose that on September 12th your position in gold is $100,000 and you are not sure whether to buy, sell or hold. This is precisely the moment when True Seasonals can give you the support you need.

A quick glance at the chart that gives you the predicted prices for gold (derivative influence: gold options) for the rest of September tells us why.

(Chart 2.)

True Seasonals indicates precisely that after a slump, gold will quickly recover and continue its rally. What is more, if you had invested your money with the support of our tool you would have considered selling gold during the first 10 days of September. Suppose you had sold it on September, 9th when the price of gold was $1255.00 – during the next four days gold fell to $1243.75.

You would have saved almost $900 in

Chart 1

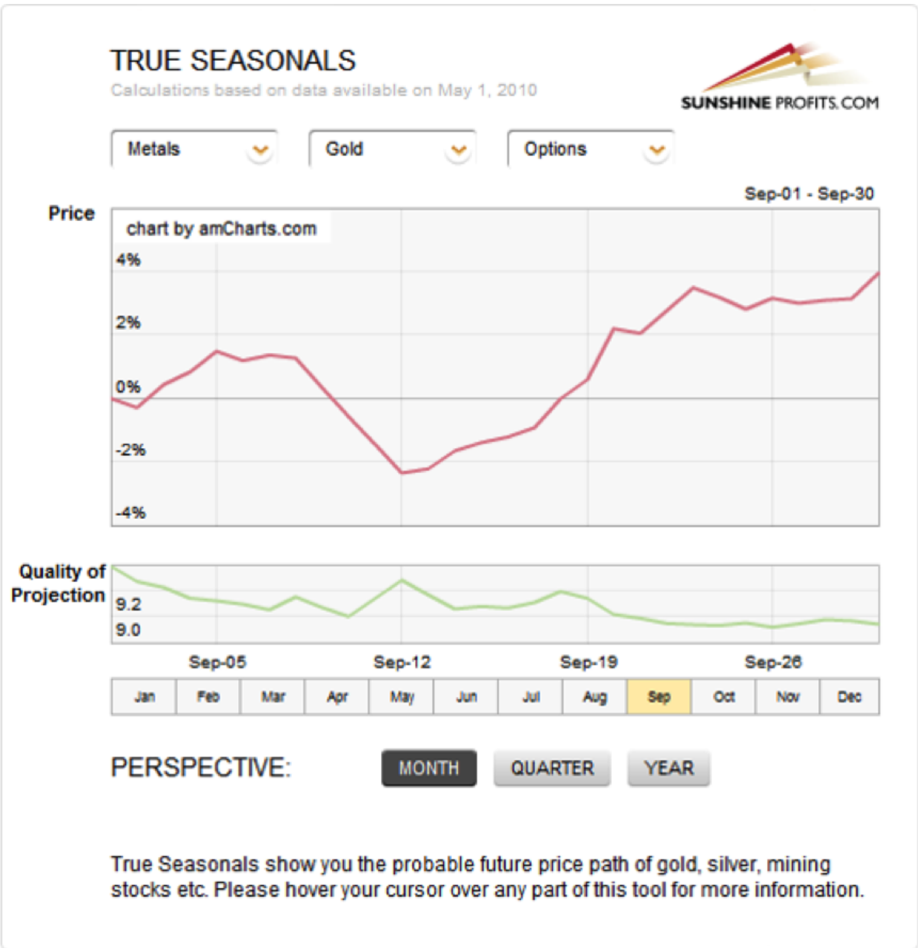

Chart 2

four days (on one deal only). ($100 000 / $1255.00) * ($1255.00 – $1243.75) = $896. However, more importantly, if you followed the indications of the tool and bought gold on September 13th you would have gained ($100 000 / $1243.75) * ($1307.00 – $1243.75) = $5085 by the end of the month. So, using True Seasonals could have helped increase your result in September by almost $6000 (on two transactions only). Although it sounds like magic, it works. By using the True Seasonals chart you see what the future is most likely to look like.

Now, even more importantly, the tool also predicted the price trend for the entire month of September – the initial rally, the slump and the subsequent rally. This is why True Seasonals gives you information you can use in real investment. There is one more thing that our tool can do. Used properly it can protect you from losses. When investing you use a combination of your intuition, various tools and charts and information you gather from a variety of sources. True Seasonals can help you filter and verify the data obtained from other sources and act as a buffer in case the data might mislead you into a bad investment decision.

For example, perhaps you like to use the RSI indicator to analyze market data. (The Relative Strength Index (RSI) is a momentum oscillator that measures the speed and change of price movements. RSI oscillates between zero and 100.
Traditionally RSI is considered overbought when above 70 and oversold when below 30.)

The chart below (Chart 3.) shows both the price of gold and the RSI in 2010. The RSI is shown at the top of the chart.

As we can see, in the second half of July, gold plummeted to reach the bottom at the very end of the month. Please note that the RSI did not indicate the slump nor did it indicate the bottom. Now, let's look at the True Seasonals (derivative influence: gold options). We are particularly interested in the chart for July.

(Chart 4.)

The tool clearly indicates a significant slump in the price of gold in the last week of July. In fact, that is precisely what happened. So True Seasonals were able to verify the outcome of the RSI and point to a more profitable decision – to sell gold. If you had had a position of $100 000 in gold and sold on July 22nd (the real price was $1199.50) you would have saved more than $2500 (on this one transaction). ($100 000 / $1199.50) * ($1199.50 – $1169.00) = $2542.

This shows that True Seasonals is an instrument that may help you verify indications from other tools and support your own intuition. It might help you capitalize on situations when both the other tools and your intuition miss the mark. Using this tool exclusive to Sunshine Profits gives you an advantage and provides you with additional information that carefully narrows down the essential factors and provides a straightforward answer to the question – buy, sell or hold? This can be the difference between profit and loss.

QUALITY OF PROJECTION

How reliable is True Seasonals? What is the "quality" of the predicted prices? Is it the same no matter what, or highly precise at some times and less precise

Chart 3.

Chart 4.

at others? Knowing this could help you decide when it is imperative to use our tool and when it is only optional.

Our research team has developed a solution. Exclusively for this tool and available only at Sunshine Profits, we have designed and implemented a unique measure: Quality of Projection (QoP). You can immediately assess the quality of the predicted price for a particular asset and decide if you want to use True Seasonals in your investment decisions. Moreover, QoP allows you to compare the usefulness of predictions of different stocks and choose the prediction that suits your needs. QoP is based on a 10-point scale where 10 means that on a particular day the prices of the stock were very stable and therefore the risk associated with the prediction is relatively low – the quality of the prediction is extremely high and therefore needs to be included in your analysis. By contrast, 0 and negative values mean that the stock prices have been volatile and the quality of prediction is extremely low. The investment is riskier and the use of True Seasonals is only optional.

Let's use a concrete example to illustrate how QoP works.

Here is how you could have used QoP in the two examples mentioned above to assess the risk. On no day does QoP go below 9 – this means that in both cases (September and July) the prediction of the price of gold was highly reliable. Let's stress once again that this is real data, and that real investment decisions made during these periods using True Seasonals plus QoP would have helped you make profitable investments.

QoP also indicates when the quality of prediction is low and when you should consider factors other than seasonality and the expiration of derivatives in your investment decisions. Please consider the following example.

Suppose that you had considered investing $100,000 in Golden Star Resources Ltd. (ticker symbol: GSS) at the very beginning of 2008. The investment was intended to last for one year, until the end of 2008. Now imagine that you used True Seasonals (derivative influence: futures) in your investment decision. Let's take a look at what the charts would have looked like.

(Chart 5.)

It seems like Golden Star Resources Ltd. is a profitable investment – there is a prediction of a rise in price – from $3.19 to $5.39. This would be a considerable profit. However, if one takes the QoP into account, it is clear that the quality of the forecast is extremely low – usually QoP does not adopt negative values so when it does, the quality of prediction is extremely low. Now, let us take look at the real data and check what really happened with the stock price of Golden Star Resources Ltd.

(Chart 6.)

As we can see, during 2008 the stock price of Golden Star Resources Ltd. plummeted sharply from $3.19 to $1.00. Now let us calculate the loss on the one-year investment. ($100,000 / $3.19) * ($3.19 - $1) = $68,652. This means that the proper use of True Seasonals would have helped you save almost $69,000 from a $100,000 investment on this single trade alone. This is a real example of how True Seasonals combined with Quality of Projection can support your investment decisions.

Chart 5.

Chart 6.

DERIVATIVE INFLUENCE – WHAT IS THE DIFFERENCE?

We have designed a quantitative method to measure the influence of derivatives.

Derivatives do not expire on the same day each month, therefore the expiration of derivatives does not fit in the simple seasonal scheme. Derivatives expire on different days of each month, quarter and year. Because of that, we need to adjust the basic seasonal pattern for the influence of derivatives.

Is the influence of derivatives strong enough to make the prices drift away from the basic seasonal pattern?

To answer that, we will again use a real example.

Let's take a look at the short-term chart of the price of silver in 2010.

(Chart 7.)

One of the particularly interesting periods is the period between October 18th and October 25th. During this period the price fell from over $24 to nearly $23. At first glance the slump of only $1 may not seem significant. However, considering that the price fell during one week, the decline is momentous. October 25th marks the end of the slump. Here is where it gets interesting. Gold options expired on October 26th (gold futures expired a day later on the 27th). When you look at previous months, similar slumps coincided with the expiration of derivatives:

- August 23rd marked the end of a decrease in the price of silver and August 26th was the expiration date of gold options (a day later, the 27th was the expiration date of gold futures).
- July 28th marked the end of another slump and again we see that July 27th and July 28th were the expiration dates of gold options and futures.
- May 24th marked the end of a fall in price – and the expiration dates of gold options and futures were on May 25th and May 26th.

Is this pure coincidence? Hardly. It seems that the influence of derivatives is important enough to be included in your analysis. This is precisely what True Seasonals does.

Now imagine that on October 25th 2010 you had $100,000 to invest in silver and you were not sure whether silver would lose strength or regain it. Imagine that you had two tools to support your investment decisions: a standard seasonal analysis of the price of silver and our True Seasonals. The first tool might not have alerted you to the possible recovery of silver – you might have been unaware of the opportunity to capitalize on the price rise. On the other hand, True Seasonals includes the derivative influence.

Let's take a look at the chart for October (derivative influence: stock options).

(Chart 8.)

As we can see, the model clearly points to a possible upward trend in the price

Chart 7.

of silver. Such an indication might have led you to buy silver. The price of silver on October 25th was $23.71. On October 31st it was $23.96.
With a position of $100,000 this means that you would have gained ($100,000 / $23.71) * ($23.96 - $23.71) = $1,054 by the end of the month. You would have gained more than $1,000 on this single transaction in less than one week. This could have been the value of the additional information included in True Seasonals.

THE CONNECTION OF TWO INFLUENCES

There is no other tool available on the market that includes both seasonal influence and the derivative influence on precious metals. With True Seasonals you don't have to look at two different indicators – everything you need is in one place. True Seasonals is one of the most thoroughly tested instruments in our tool box. Our research department has developed and tested it for over a year to make sure that it reaches the required level of precision.

All the factors we tested verify that the expiration of derivatives has an important influence on various stocks. In fact, we have discovered that derivatives seem to have a stronger impact on precious metals now than they did a few years ago.

TECHNICAL DETAILS

The range of applications of True Seasonals is extensive. It can help you determine which stock has been, on average, the most profitable. It can also help you discern whether there are periods of the year particularly worth your attention. True Seasonals is based on data from the years 2002-2010. During these years, on average, gold performed better than silver. These years are marked by a long-term bull market for precious metals. However, as the bull market matures it is highly likely that silver will outperform gold. This is why you need to stay tuned to our Premium Updates and use True Seasonals along with Premium Updates and our timely Market Alerts.

What about the short-term? How do prices look in particular quarters or months?

You might want to take a closer look at gold's performance in the short term.

Let's turn to the gold chart for the fourth quarter of the year: October – December (derivative influence: futures).

(Chart 9.)

Gold performs well in the fourth quarter with a rate of return near 7% during this period. What is more, the quality of prediction is relatively high with values above 8. As a matter of fact, our analysis suggests that the fourth quarter is the most profitable quarter of the year. So now you know the most profitable quarter. If you want to invest in gold for the period of three months, October – December is the best time to do it.

What about devising a 12-month investment strategy? Our tool enables you to do that easily. We already know that the fourth quarter is the best one for gold. However, it may be possible to make your investment even more profitable. To see how, let's take a look at the gold chart for the third quarter.

(Chart 10.)

The price of gold tends to fluctuate around 0% until mid-September, when it reaches the last bottom in that quarter and then rockets. The quality of prediction also significantly rises during this upward movement in price.

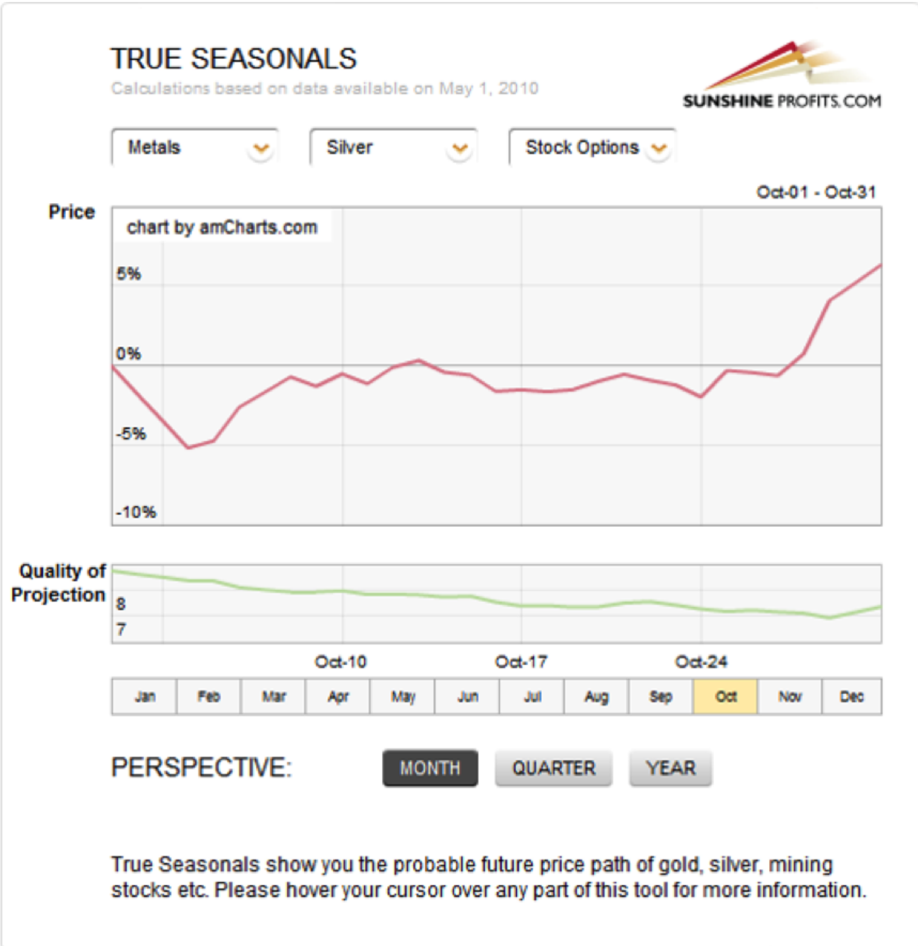

Chart 8.

Chart 9.

According to this chart, the price of gold at the end of the second quarter is, on average, only 1% higher than at the beginning. Because of significant slumps in May and June, the second quarter, as a whole, is not particularly profitable.

This only confirms what we have suggested before: on average it is best to buy gold in mid-September and hold it until the first days of February (next year). Knowing that, you can easily devise a 12 month investment strategy: hold gold during the aforementioned period and move to other investments in the period between February and mid-September. Obviously, this is only one of numerous possible investment strategies, and as such, serves as an example of how you can use True Seasonals to give your investments the required momentum. You can use True Seasonals in your own way, to develop your own, unique investment strategies.

Our analysis confirms the popular speculation that it is not profitable to hold gold during the summer months. However, it also suggests that, contrary to popular views, the best moment to sell gold is not May but the beginning of February. On the other hand, the best time to sell
silver is actually May. It turns out that the expression sell in May and go away

So, in the third quarter, it is best to invest in gold in mid-September and hold gold until the end of the quarter. Now, if we combine this knowledge with the fact that during the fourth quarter gold performs exceptionally well, it might be profitable to invest in gold in mid-September and hold it until the end of the year.

We could stop now, but there is more to learn from the quarterly charts. Is this really the best investment strategy? Or could you hold gold longer to maximize your profit? To answer that, we need to glance at the gold chart for the first quarter.

(Chart 11.)

This chart clearly indicates that gold performs exceptionally well in January and that the upward trend comes to an end at the beginning of February. Once again, we need to combine this knowledge with what we have learned before. In short, it is best, on average, to buy gold in mid-September and sell it in the first days of February (the following year).
You might ask: How about the remaining second quarter? To waive any doubts, let's take a look at the gold chart for the second quarter of the year.

(Chart 12.)

Chart 10.

Chart 11

Chart 12

is more pertinent for silver than gold. Further comments on the accuracy of sell in May and go away can be found in our Premium Update posted on May 14th, 2010.

Which month is the most profitable for investing in gold and which is the most profitable for investing in silver?

It is easy to answer this question when you take a look at our monthly charts for gold and silver. Below you will find the November chart for gold as November proves to be the most profitable month to invest in gold (derivative influence: options).

(Chart 13.)

Our analysis indicates that, on average, your rate of return on gold may reach almost 6%. If you invest $10,000 in gold on November 1st and sell on November 31st, you might gain $600 (6% * $10,000 = $600) on this one deal alone.
What is more, the quality of prediction remains particularly reliable throughout the whole period as the Quality of Projection indicator does not drop below 9. Thanks to True Seasonals you can gain $600 in November.

However, if you examine the chart more closely, you might notice that our tool is able to find an even more profitable strategy. Please notice that the price of gold fluctuates in the first half of the month only to rocket in the last two weeks. Taking this into consideration, it might be more profitable to invest in gold on November 15th. In this case you might gain $600 in only two weeks. True Seasonals helps you to choose this most profitable part of the year.

Now, let's examine which month is the most profitable to invest in silver.

You might think that it will be the same as gold, since silver is strongly correlated with gold. However, it turns out to be May (derivative influence: options).

(Chart 14.)

The monthly rate of return on silver is almost 7%. Once again, if you invest $10,000 in silver on May 1st and sell on May 31st, you can gain $700 (7% * $10,000 = $700) on this one deal alone. However, there is an investment strategy that is potentially even more profitable. Looking at the monthly chart, you notice that the price of silver is highly volatile in May. The steepest rise in price can be observed in the first week of May giving you a rate of return of more than 8%.

This leads to a simple conclusion: if you invest $10,000 in silver on May 1st and

Chart 13.

Chart 14.

sell on May 7th, you might gain over $800 (8% * $10,000 = $800) in just one week.

WHICH DERIVATIVE INFLUENCE SHOULD I USE?

There are three derivative influences to choose from: futures, options and stock options. Each derivative influence is useful in its own way and the closer the expiration/termination day, the stronger the influence. Therefore, which ever expiration date is closest, that is the influence to use in your calculations. You need to keep in mind that in different months derivatives expire on different dates.

If you do not want to track the expiration dates of derivatives here is a rule of thumb: Consider using the stock options influence in the middle of the month, and options/futures influence in the last week of the month and in the first week of the next month. What is more, True Seasonals chooses the most appropriate influence by default so you don't need to adjust it manually

FINAL WORD

This guide has explained the design and logic behind True Seasonals, as well as the best ways to use this tool for precious metals investing. Even though we can't make any guarantees and all investments are risky and no analyst and no tool can predict the future with 100% accuracy, in our opinion this tool will make profiting on precious metals price swings much easier. Now you can get the most out of it right from the start. Head over to the Investment Tools section, and see how True Seasonals works for your investment strategy.

SUNSHINE PROFITS
Tools for Effective Gold & Silver Investments

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