TECH FOCUS

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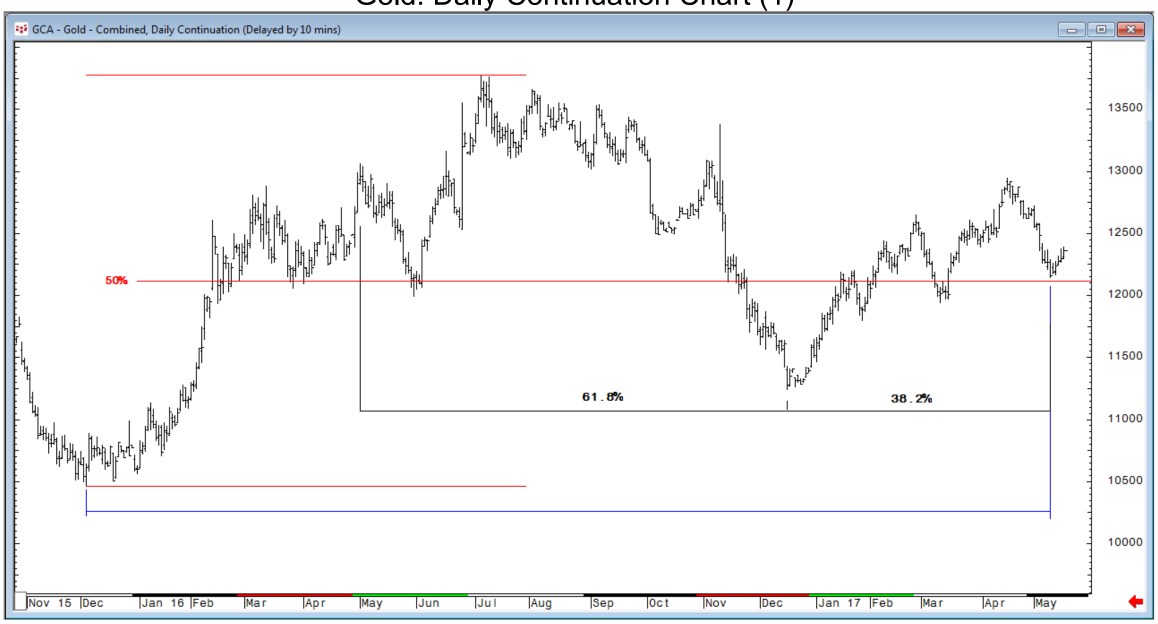
GOLD: *Is it Time?*

May 16, 2017

We thought a recent confluence of factors here warranted taking a quick look at the gold market. Our perspective today is clearly shorter term than we would normally consider in a Focus article but if we are reading the situation correctly, prices should be ready to reassert higher. We'll start with a daily continuation chart which goes back to the relevant 2015 December low.

Gold: Daily Continuation Chart (1)



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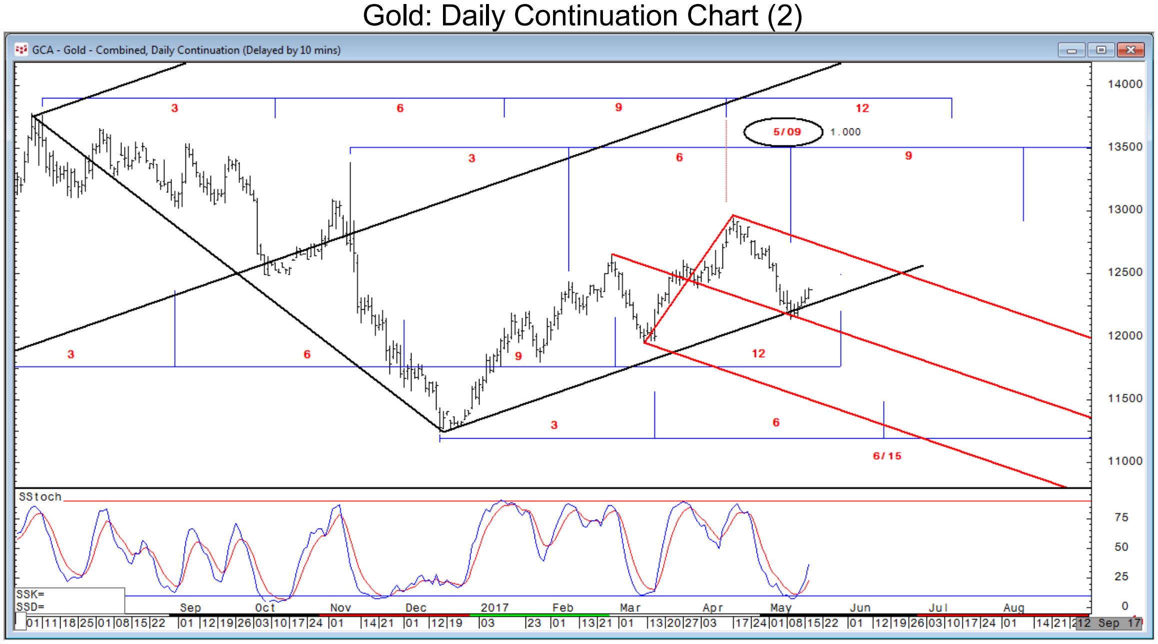
The recent low on the chart was on May 9 and was 1 day from an exact 360 sessions from the December 2015 low. On that day the market traded $2.25 from the mid-point of the 360- session trading range. It is sometimes difficult to explain but there is a certain indisputable price and time relationship which tends to correlate with important market developments, a third progressively higher low since the December 2016 low. This factor is further supported by a coincident Fibonacci golden section which linked 2 previous price turns.

Our second chart which follows below is also a daily continuation. Let’s begin with the time axis. The horizontal measurements are cumulative 3-month intervals (or 30 degrees) of time starting from a previous significant market turn. The circled May 9 date

was 6-months from the election night spike on November 9 and 3-months from the price high on February 8. This is how gold has been trading on the time axis forming turns on or very near 3-month multiples from previous turns. That will possibly disappear at some point in the future but for the time being it must be monitored.

On the time axis we have 2 Andrew’s pitchfork patterns. We construct this pattern according to our own experiences with it which is not necessarily according to Dr. Andrew’s rules. The more important fact to relate is that occasionally, one can “find” 2-patterns which are coincidentally relevant to prices. On the daily chart, the black lined pattern starts from the absolute low in December 2015. The lower rising boundary intersected price approximately 4 to 5 sessions back. Similarly, we have a smaller red lined pattern starting from the late February high. It’s median line (a strong indicant of support or resistance) intersected prices 5-sessions back in time, coincident with the larger pattern boundary. This proved to be on the mark. Occurring at 50% of the 360-degree price range and coincident with the time factors on charts 1 and 2 was an outstanding synergy. It should be obvious that we think the foregoing supports that a third progressively higher low has formed in the gold market.

Gold: Daily Continuation Chart (2)



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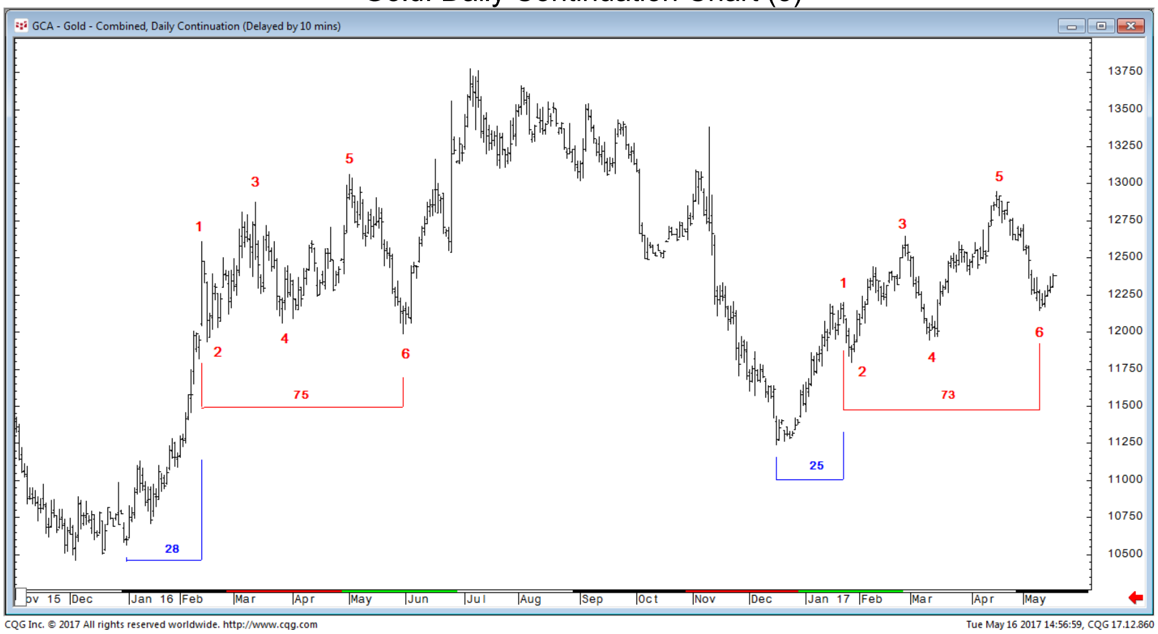
Our next chart is also a daily and presents a pattern in the current January–May 2017 time frame which appears very similar to the same pattern in the January-May 2016 period. The chart follows on the next page. The main swings in each consolidation are numbered 1 through 6. One important difference is that the point-6 low in current time is higher than point-4 which makes the 2017 pattern relatively stronger. The time durations noted are very close and each pattern was preceded by a rally of 28 to 25 days. We think the chart and the duplicating price activity supports the outlook for a reassertion of gold prices to the upside.

Gold: Daily Continuation Chart (3)



Our last chart today illustrates gold expressed in 4 different currencies. A bull market in gold occurs when it is rising in other currencies as well as in U.S. Dollars. We chose the Renminbi (China), Euro, Yen, and Canadian Dollar. The charts are weekly in nature and all support an upward bias starting anywhere from late 2015 into early 2016.

Weekly Renminbi, Eurodollar(FX), JYen, and Canadian Dollar: Weekly Chart (4)

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