



[Martin Pring's Market Roundup](#)

Can They Pull The Trigger On Gold And The Yen?

[Martin Pring](#) | June 04, 2019 at 02:57 PM

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I like to use an indicator that I call "Risk On Risk Off," which combines an index comprising several risky entities with another constructed from some safe havens. Included in the safe haven category are Gold and Yen, which both appear to be on the verge of a breakout. That could reinforce the idea floated one of my previous articles, entitled "[Deteriorating Confidence Is Not Good For Stocks And Commodities But Is For Bonds.](#)"

Long-Term Picture Shows Gold Close to a Breakout

From a long-term aspect, Gold looks as though it is in the process of duplicating its action at the turn of the century by forming a huge base. Of course, it will only a base once it has completed with a decisive move above the \$1350 area, an event that looks close to happening but has not done so yet.



Chart 1

What *has occurred* is that the price oscillator (bottom window of Chart 2) has re-enforced its recent bullish signal by moving further away from the equilibrium line. One of the reasons why I like this indicator is that it does not generate much in the way of whipsaws. Since 1975, there have only been three whipsaws, flagged below by the one green and two red arrows. All of this increases the odds that Gold will break above that resistance sometime this year.

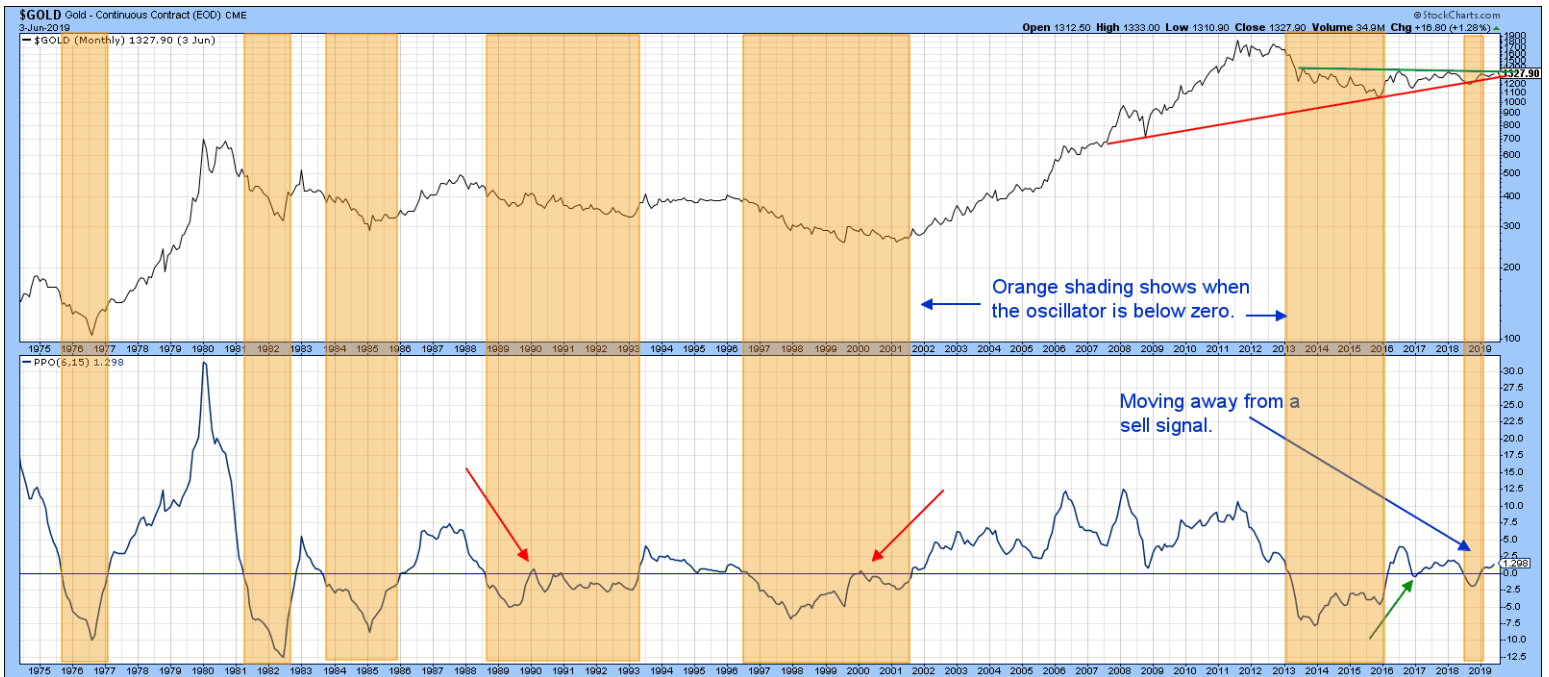


Chart 2

We can see how close a break may be in Chart 3, which plots the daily price action. Note that the Special K, [which you can read about here](#), is also right on its bear market trend line, so virtually any strength whatsoever from current levels, will result in a joint breakout.

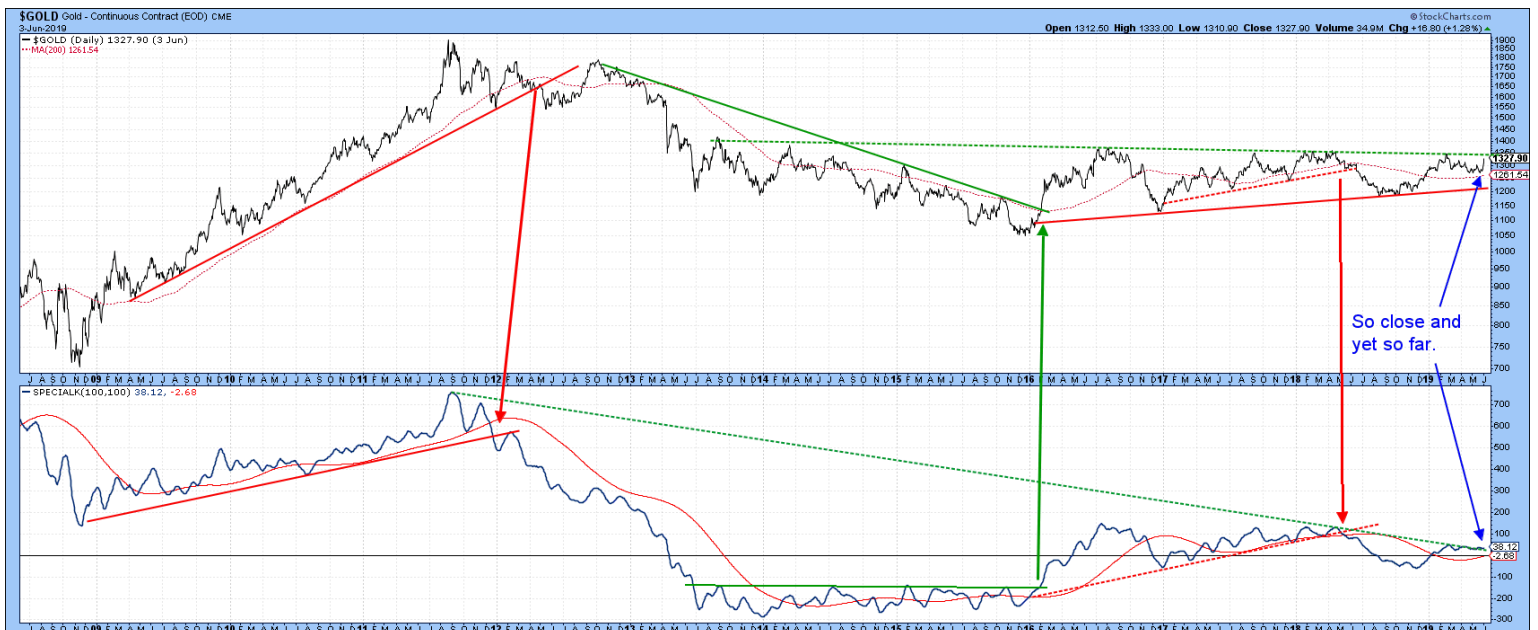


Chart 3

The Shares Are on the Cusp As Well

The relationship between Gold and gold shares has always been pretty close. I always see it as a good thing to see the shares leading the metal, as it reflects the fact that investors are looking forward at the average future price of the yellow metal, rather than the there-and-then actual spot price. Moreover, the gold mining companies are more leveraged, which adds an element of speculation. Remember, leverage can work in both directions. The top window of Chart 4 features the Van Eck Vectors Gold Miners ETF (GDX), where we can see that the price is right at mega resistance in the form of the 2011-2019 resistance trend line. The long-term KST is positive, which should give it the wherewithal to mount a successful assault on the dashed trend line. What's also interesting is the fact that the relative line has already violated its bear trend line and is close to completing an 18-month base. The relative KST is also bullish, suggesting that a trend of outperformance by the gold shares over the S&P could already be underway.

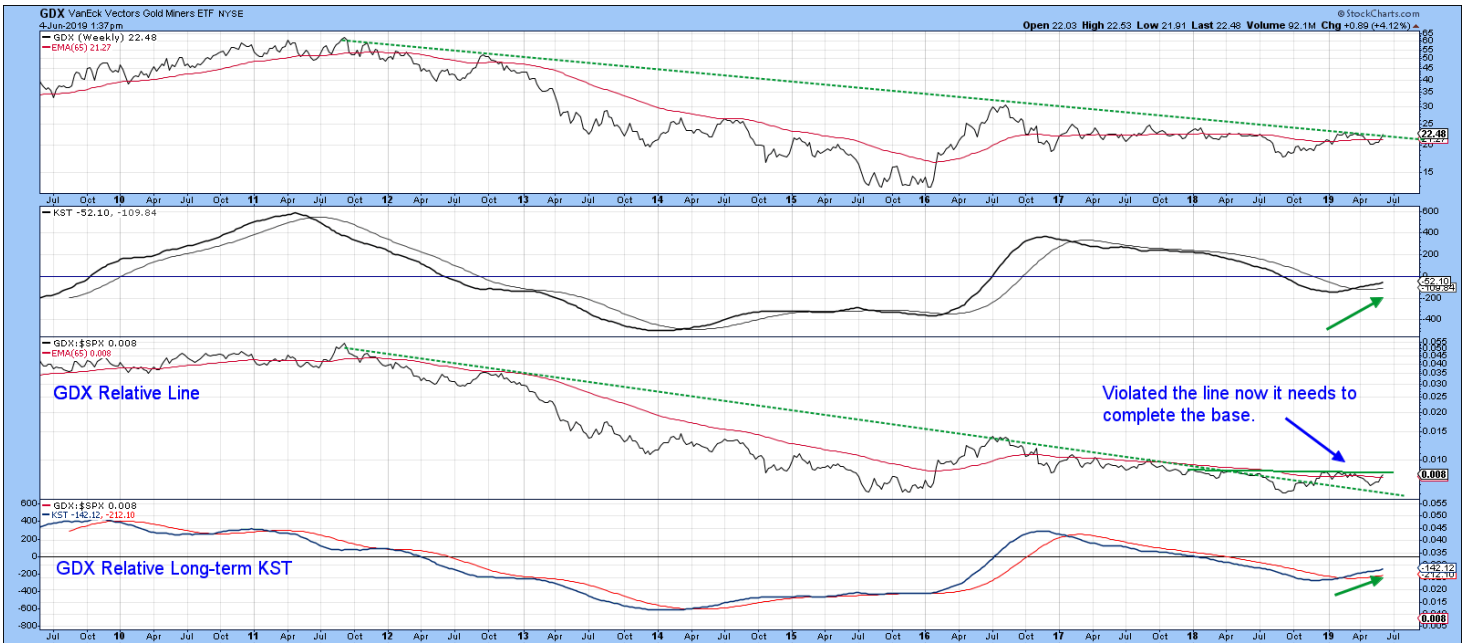


Chart 4

Indeed, it's possible that an even greater shift in market leadership is underway. Chart 5 compares the super performance of the Dow Jones E-Commerce Index to that of Gold over the last 20 years or so. In many ways, the internet-oriented stocks have been the flagship of the current bull market, as they out-performed Gold on a 10:1 basis. The chart is suggesting that it *may* be time for a reversal in that trend, as the ratio is bumping up against a bear market trend line at a time when the KST is moderately bullish. Only time will tell, but I think it's an interesting prospect.



Chart 5

Short-Term Indicators for Gold Go Bullish

Charts 6 and 7 show the short-term performance of the metal and the shares. This week has seen a strong rally that took the price of the SPDR Gold Trust (GLD) above its green resistance trend line. This move was also accompanied by a positive KST and, more importantly, an expansion in volume. Of course, it will need to take out the resistance in the \$129 area. However, since this rally is being launched from a failed head-and-shoulders, that should give it a sporting chance.



Chart 6

The GDX was recently threatening to break down from the head-and-shoulders top indicated in Chart 6. This week's action, however, thwarted that possibility with a high volume break above the green dashed trend line. It still has the extended solid green trend line to contend with, but a positive KST and that expanding volume ought to provide the necessary fuel to do so.

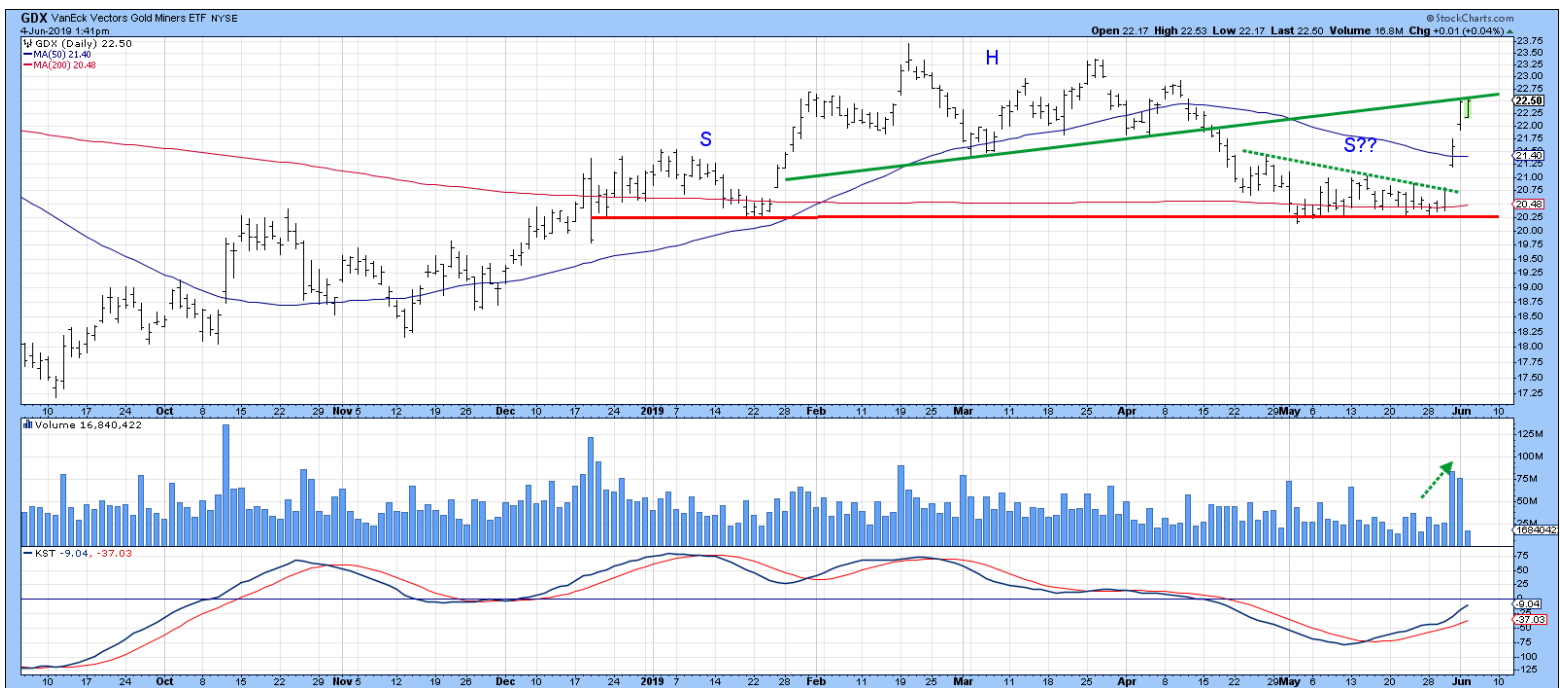


Chart 7

Yen Emerging From a Breakout

The Yen, like Gold, is often considered to be a safe haven. Chart 7 shows that it has just completed its 2019 reverse head-and-shoulders formation. Moreover, the price has also violated the 2016-2019 downtrend line. It could be argued that this line has been incorrectly drawn because it does not include the March 2018 peak. However, the idea of drawing lines is to best reflect the underlying trend, so their eventual violation is more likely to be a valid signal of a trend change. A downtrend line indicates resistance. A price that cannot hold above that resistance, as happened in March 2018, actually re-enforces the significance of the line. In any event, I would like to see the breakout in the currency confirmed by the Special K, since it is right at an equivalent downtrend line. That joint penetration would give me greater confidence that this safe haven currency is set to move far higher.

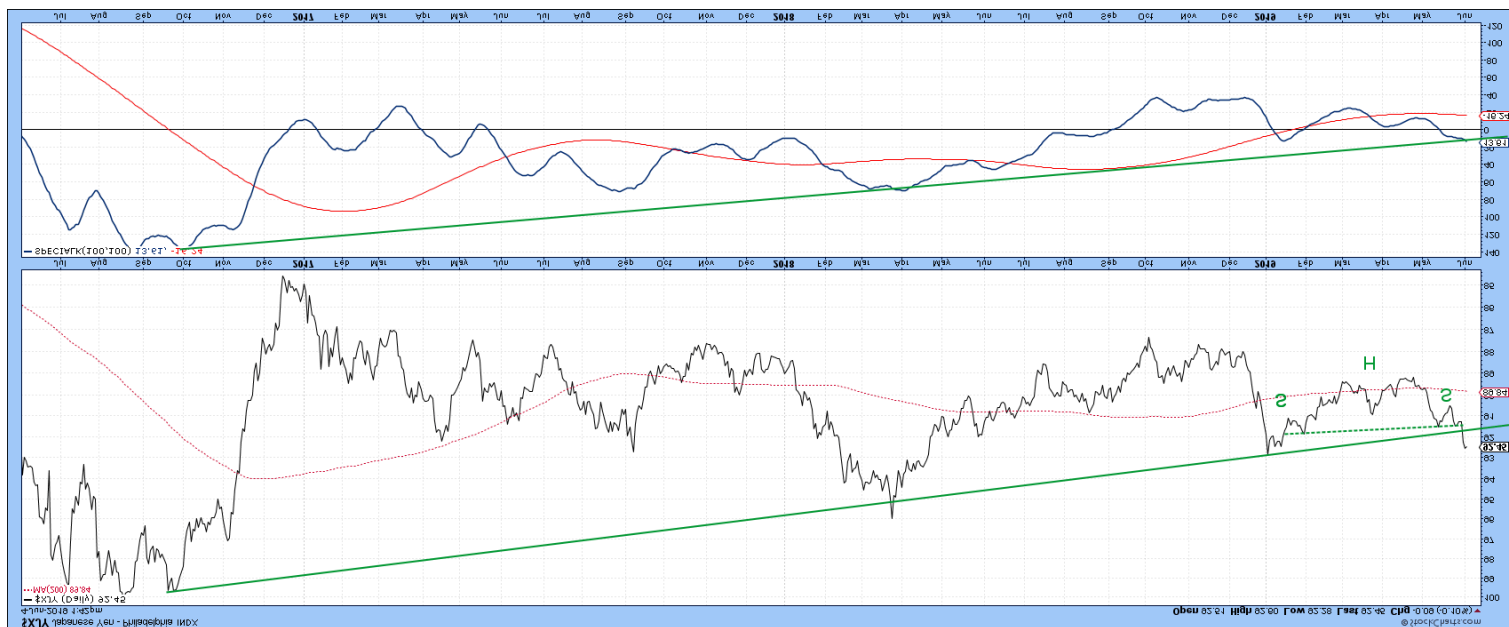


Chart 8

Good luck and good charting,
Martin J. Pring

The views expressed in this article are those of the author and do not necessarily reflect the position or opinion of [Pring Turner Capital Group](#) of Walnut Creek or its affiliates.



About the author: [Martin Pring](#), one of the most prominent names in the industry, is a master technical analyst, an educator extraordinaire, and an award-winning author of numerous books on Technical Analysis, including [Technical Analysis Explained](#) and [Introduction to Technical Analysis](#). As a leader in the global investment community and a highly sought-after speaker worldwide, Martin's articles have been featured in *Barrons*, and he has been quoted in *The Wall Street Journal*, *International Herald Tribune*, *The New York Post* and more. [Learn More](#)