TECH FOCUS

Richard A. Lorusso

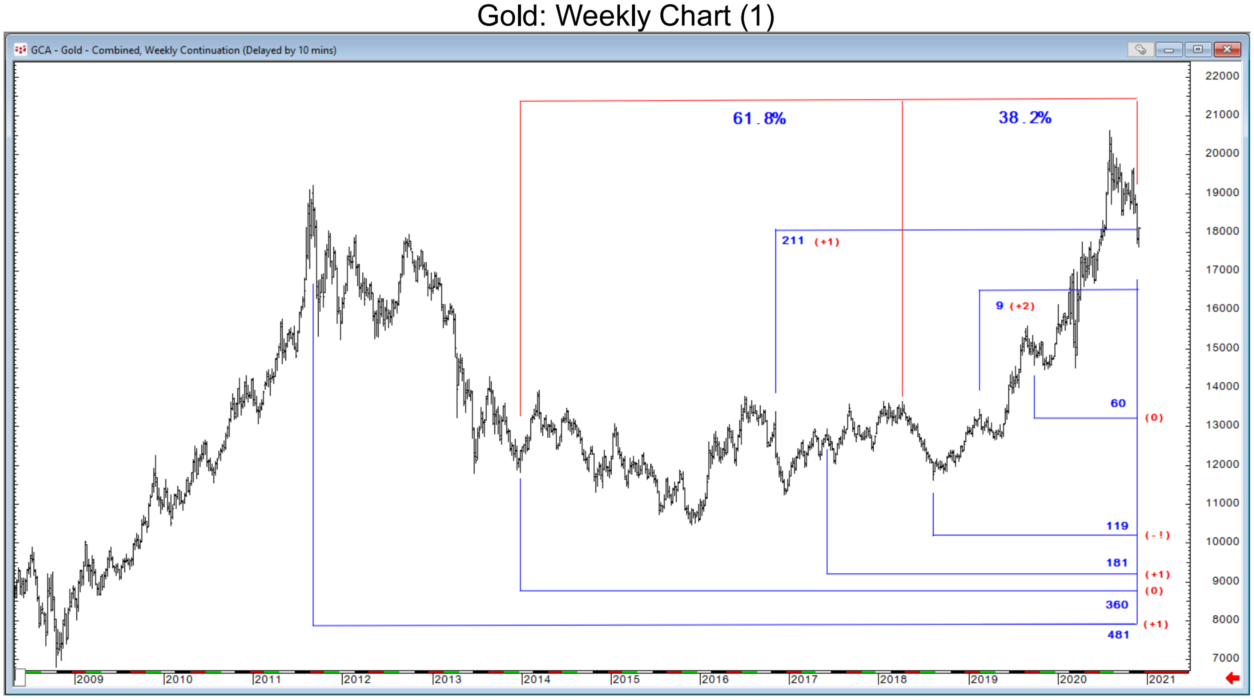
GOLD: *Bottoming?*

December 1, 2020

We have been patiently waiting on the gold market to “decide” which of a few possible complex paths it was taking to a low. Before we get into the complexities with regards to patterns and possible wave scenarios, we thought it best to start with attention on the time axis. After all, ***time is more important than price***, but almost always more difficult to quantify.

From time to time in past articles, we have illustrated an interesting phenomenon we found in the gold market where relevant price turns tend to materialize at 30-week, and multiples of 30-weeks, from previous turns. When there are several observations which “cluster” closely in time, this tendency is at its best and often very accurate. *That is not to state that it never fails*, but it is a strong complimentary factor to other technical techniques. The weekly chart immediately following is today’s starting point.

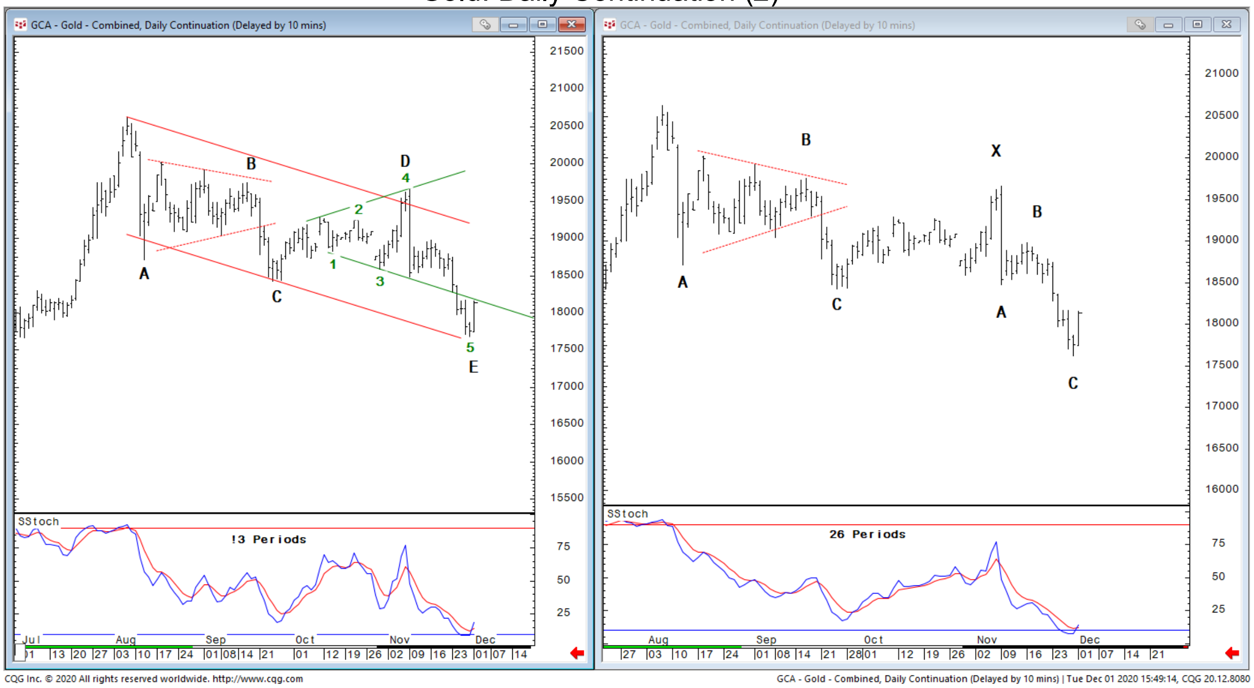
Gold: Weekly Chart (1)



GCA - Gold - Combined, Weekly Continuation (Delayed by 10 mins) | Tue Dec 01 2020 12:26:36, CQG 20.12.8080

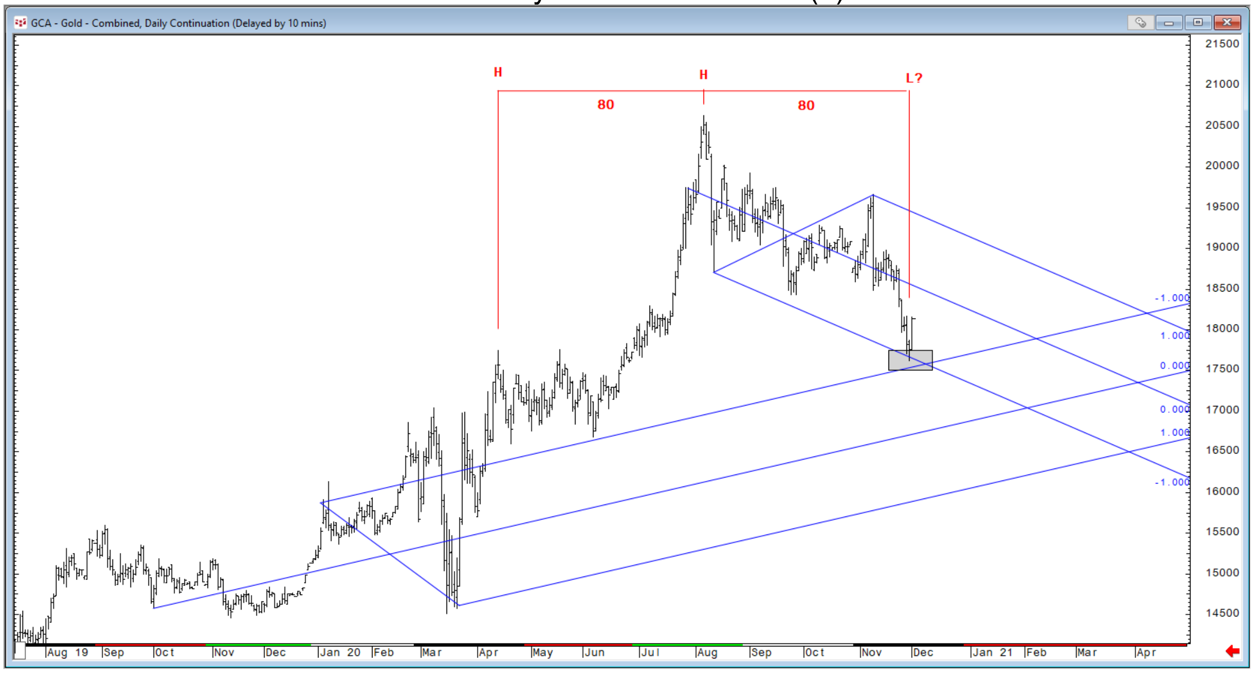
We have noted 7 intervals above with blue lines. Using a variance of usually plus or minus 1 week (noted in red), each interval is divisible by 30 and suggests the week of November 23 was a strong candidate for a price turn. We are now into the plus 1-week variance and from purely a time perspective, ***we are sensitive to the potential for a low***. A multi-year year Fibonacci golden section across the top of the chart was perfectly coincident for a termination in the same week. We have one other time measurement which will be illustrated on chart (4). On our next page we will look at the price structure since the August high.

Gold: Daily Continuation (2)



Our initial thoughts on the structure of the gold correction appears above at left. Here we consider a 5-swing triangle (A-B-C-D-E) which is composed of first, a smaller contracting triangle, and then an expanding triangle. We also note in green letters, our favorite 5-point reversal pattern. From our research of this pattern, point-5, roughly two-thirds of the time, will exceed the pattern extension line from 1 through 3. That has recently occurred coincident with larger wave-E completing. At right we have a far less symmetrical pattern with the second wave-C now terminating. Both charts share the common conclusion that a terminal low is at hand. The oscillators are 13 and 26 periods and are both starting to turn up. Our next chart is a daily and follows below.

Gold: Daily Continuation Chart (3)

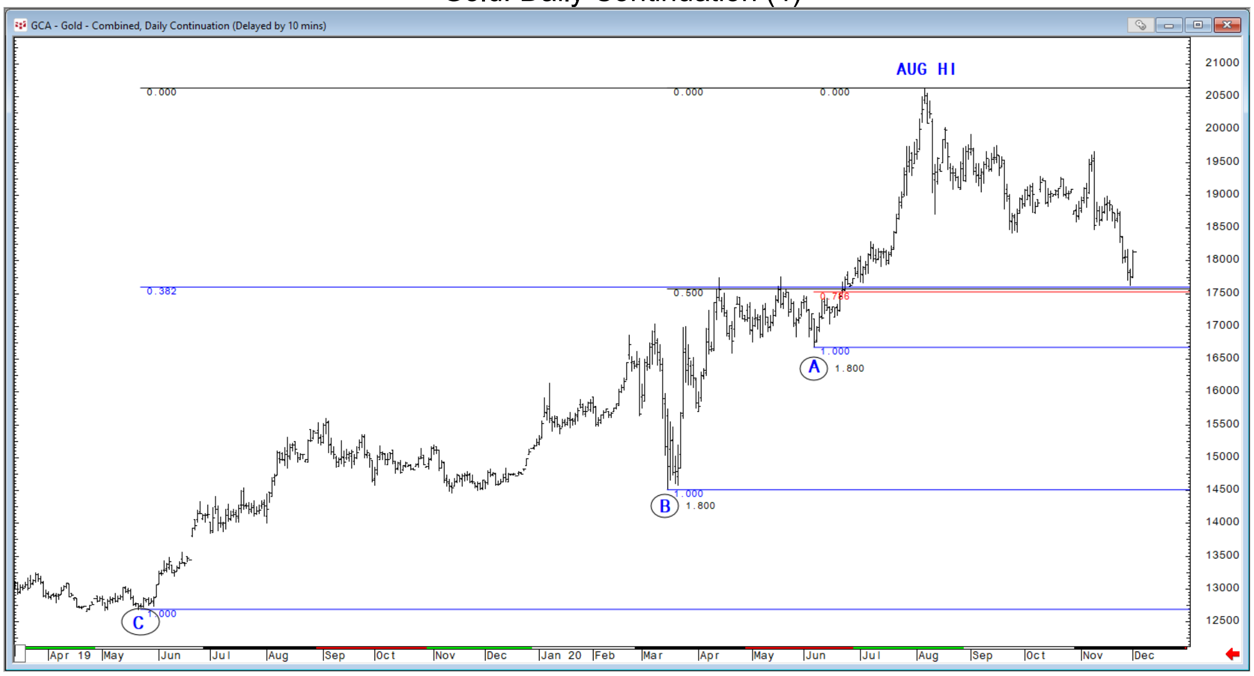


GCA - Gold - Combined, Daily Continuation (Delayed by 10 mins) | Tue Dec 01 2020 14:15:11, CQG 20.12.8080

Addressing the chart above, we'll start with the last of our time-oriented factors. This is a high-to-high pattern which normally projects to a low. The origin highs are both spikes which makes this especially interesting. The projected low in time is November 30, *the exact low thus far*, and 80 trading days from the previous high. This chart also displays two Andrew's pitchfork patterns. When lines from ***both*** patterns are close to an intersection, the probability for a market turn rises more than when a single pattern is applicable. We have highlighted the area in question with a small rectangle which allows for some additional time and perhaps marginally lower levels ***if we have not in fact already seen a low***. The lines intersect on December 8-9.

Our last chart today is a daily continuation chart where we simply wanted to focus on the 3 rally legs from the **A**, **B**, and **C** lows to the August high. If we look at some common retracements of the respective rallies, the Fibonacci 78.6% of the **A** rally is ***1753***, the 50% retracement of the **B** rally is ***1756.95***, and the Fibonacci 38.2% retracement of the **C** rally is ***1759***. The foregoing tight range of ***1753*** to ***1759*** should therefore be viewed as an important support zone.

Gold: Daily Continuation (4)



GCA - Gold - Combined, Daily Continuation (Delayed by 10 mins) | Tue Dec 01 2020 15:21:12, CQG 20.12.8080

Disclaimer: