TECH FOCUS

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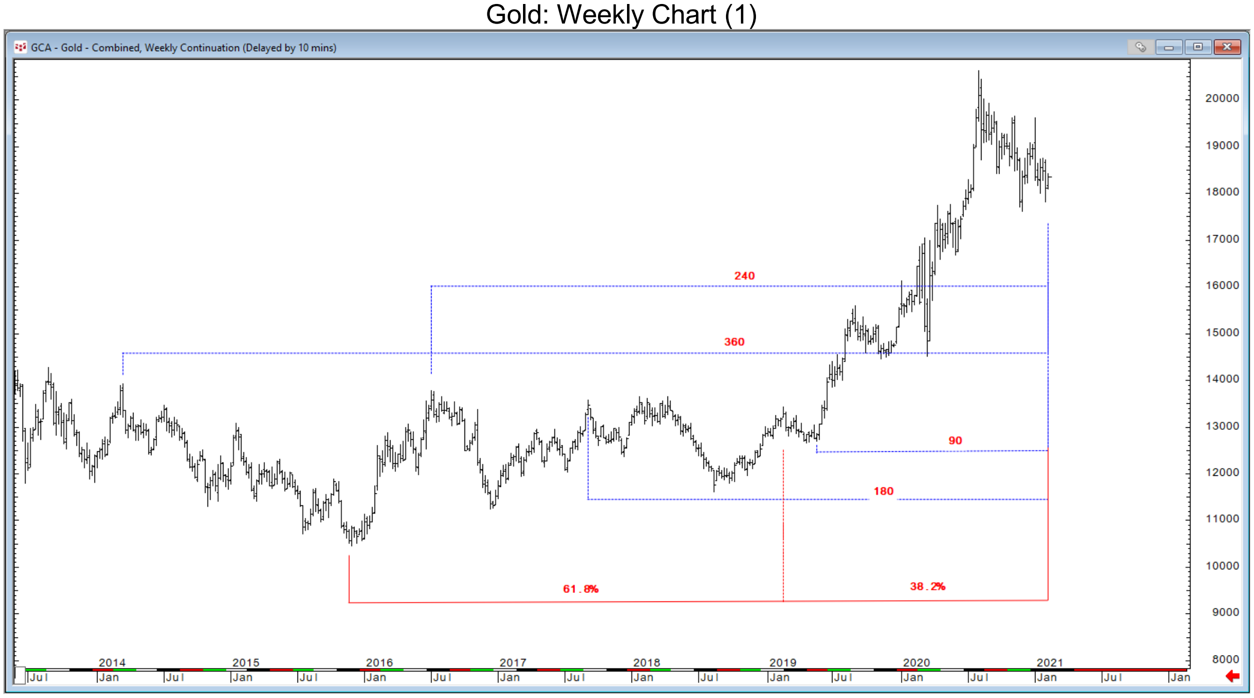
GOLD and SILVER: *Some Thoughts*

February 9, 2021

We are in the 27th week from the August highs in the gold and the silver markets. Silver more recently scored a new high which has failed to sustain. The markets have had a correction and we are approaching that time where sensitivity to a change we feel is warranted. We looked over both markets and will share some charts and observations today which imply the change could be relatively soon.

Let's start with gold and our original finding that significant turns in the gold market often materialize 30-weeks, and intervals of 30-weeks, following previous turns. Usually, the measures tend to form a time-cluster. The tighter the cluster, the more reliable it is. As noted on the weekly chart below, we have 4-measurements which are all coincident in the current week. If one reads any Gann material or markets vis-a-vis geometry, it will come as no surprise that the intervals in weeks are all relevant degrees of a circle. The importance in the current week (plus/minus 1 when working with time) is further enhanced by a Fibonacci golden section which is also terminating this week.

Gold: Weekly Chart (1)

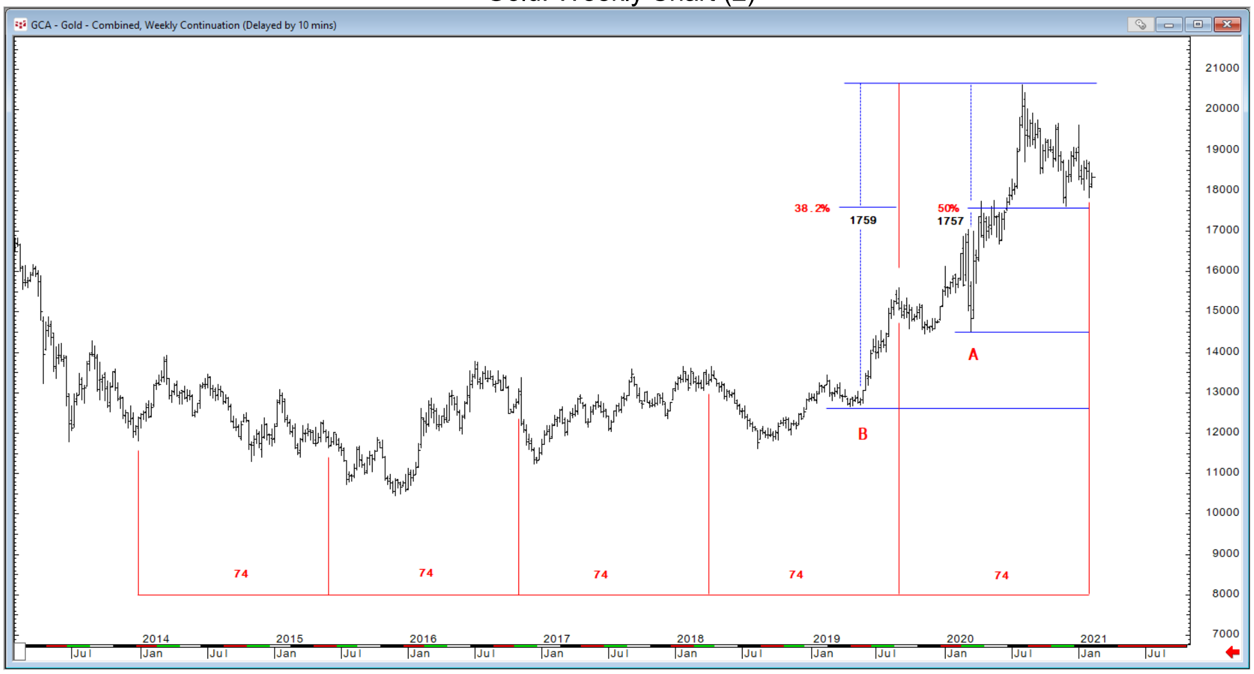


GCA - Gold - Combined, Weekly Continuation (Delayed by 10 mins) | Tue Feb 09 2021 13:41:16, CQG 20.12.8080

The foregoing is an important starting point. On our next chart, also a weekly, we will illustrate some additional factors which relate to both time and price and are supportive of a turn which we anticipate will complete a time-consuming correction.

Starting on the time axis, we have 4-iterations of a 74-week harmonic. Each coincided with a price turn but not of equal importance. A 5th iteration ended last week. On the price axis, note that from the low at A to the high, the classic 50% retracement is ***1757***. Similarly, from the earlier low at B, the Fibonacci 38.2% retracement is ***1759***. The low thus far was scored in late November at ***1762.3***.

Gold: Weekly Chart (2)



GCA - Gold - Combined, Weekly Continuation (Delayed by 10 mins) | Tue Feb 09 2021 14:19:11, CQG 20.12.8080

Our next chart is a longer-term quarterly chart of silver prices. The chart from a time perspective makes an extraordinarily strong long-term case for the importance of the 2020 first quarter low.

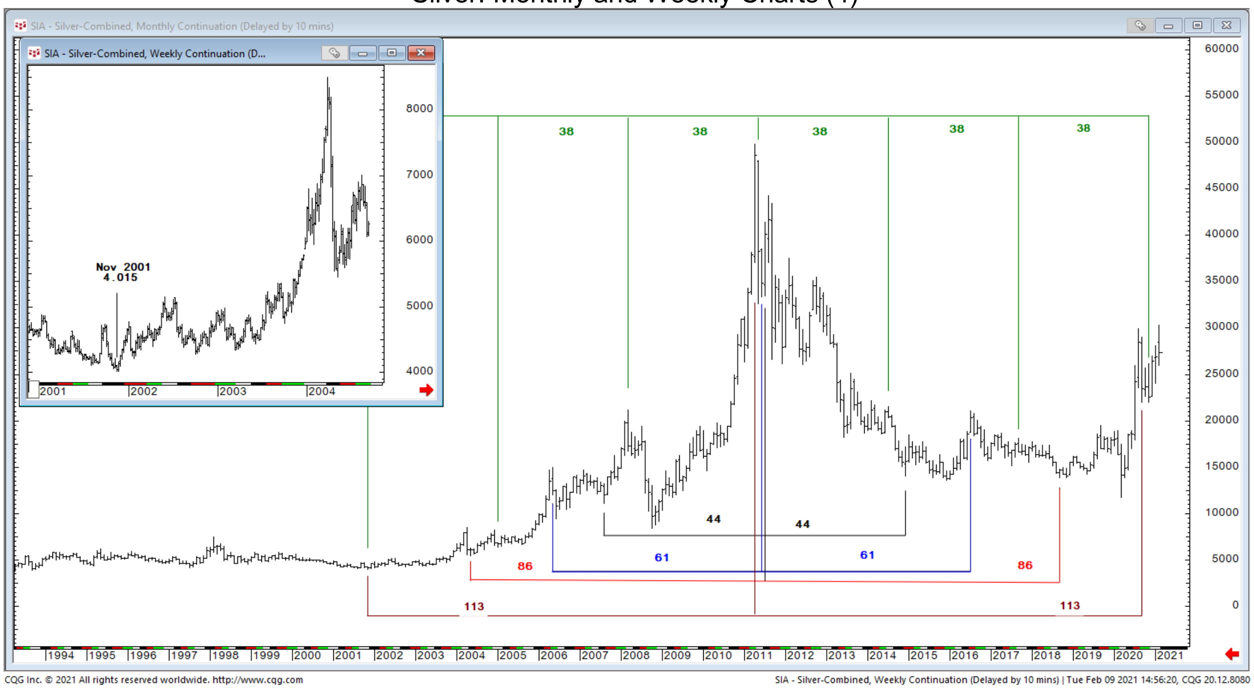
Silver: Quarterly Chart (3)

SI - Silver-Settlement, Quarterly (Delayed by 10 mins) | Tue Feb 09 2021 14:26:01, CQG 20.12.8080

The time measurements are a blend of yearly anniversaries from important previous highs and lows and 3 Gann cycles, the most important of which is 40-years from the 1980 high. This period is two-thirds of Gann's 60-year master time cycle. Of the 9 measures, 6 are exact. As always, we allow a variance of plus/minus 1 bar when dealing with time.

Our next chart is our mirror-image chart of monthly silver prices. One identifies a focal point, usually a prominent high or low from which is measured equal swings in time on either side of the focal point. The rational is that past turns (highs or lows) can be used to predict future turns. During high volatility we will grant some latitude to the focal points. It may be the absolute high or low, the high or low close, or perhaps the mid-point within a volatile turn.

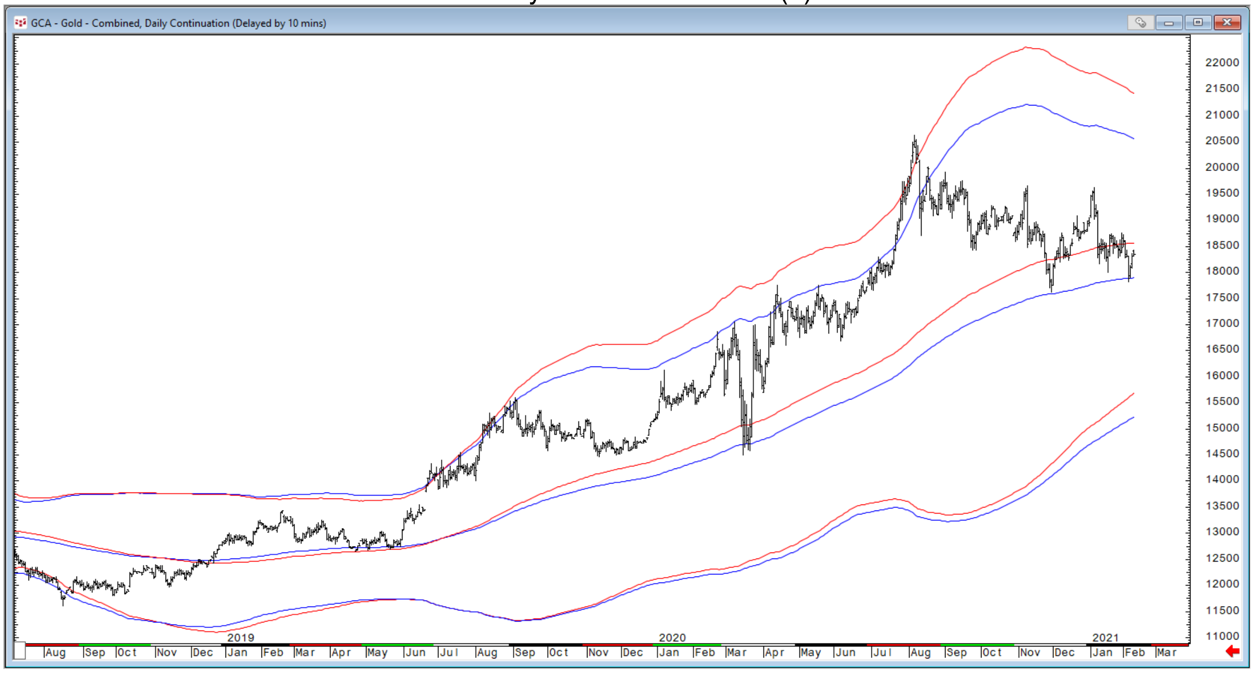
Silver: Monthly and Weekly Charts (4)



The 113- month measurement from the absolute high projected to ***September 2020*** which is the lowest low following the August high. Going back in time, 113-months from the focal point is November 2001. The weekly insert at the (upper left corner) shows a very relevant long term low. The monthly chart above also notes a consistent 38-month harmonic in silver turns, the last of which aligned with the ***November 2020*** low. This chart then, makes the case that the silver correction is behind us with the lows of September and November.

In our Guideline comments, we tend to be shorter-term and work with subjective wave counts and implied projections, price patterns such a 5-point reversals, momentum and canned technical indicators and sometimes may incorporate an intra-day chart to make a point. *Today in this article, we will stay with a longer-term perspective*. On our next 2 charts, we cover about 2.5 years of daily price activity to which we add a yearly average price and plus/minus 2.2 deviation bands. Theoretically, 2.2 will contain the price activity for approximately 98.61 % of the time. The averages are computed in 2 ways hence we have a set of blue lines and set of red lines. The charts will be based on the nearby contacts with gold our first chart.

Gold: Daily Continuation Chart (5)

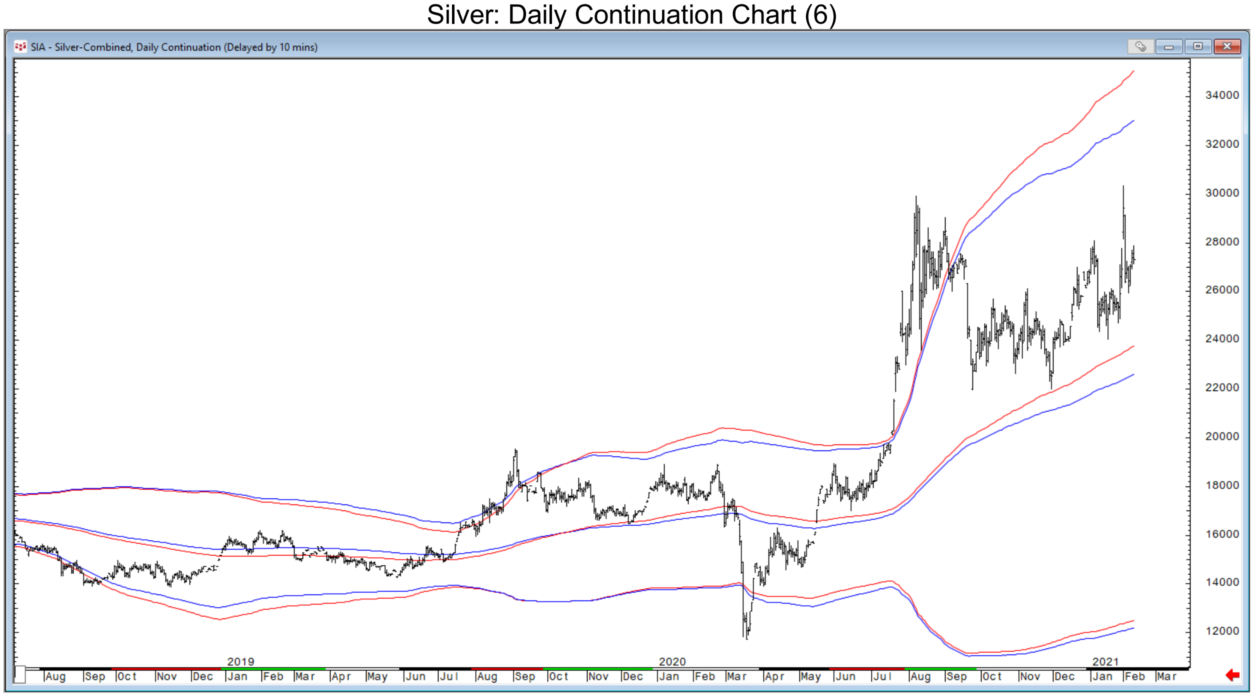


GCA - Gold - Combined, Daily Continuation (Delayed by 10 mins) | Tue Feb 09 2021 15:36:36, CQG 20.12.8080

As you can see, since the second half of 2018, gold prices turned up and have not been down to the lower bands for well over 2 years. The annual medians –the middle red and blue lines---have defined support regions where lows have formed. Current and recent activity is again in this area.

Below, we have a daily silver continuation chart and quite obviously a far more volatile market than the gold. Excursions beyond the outer band have occurred but they generally tend to be short-lived in time. The 2020 highs were an exception. The only other factor which has our attention here is that prices have not been at their median values since May 2020. We read that as strength.

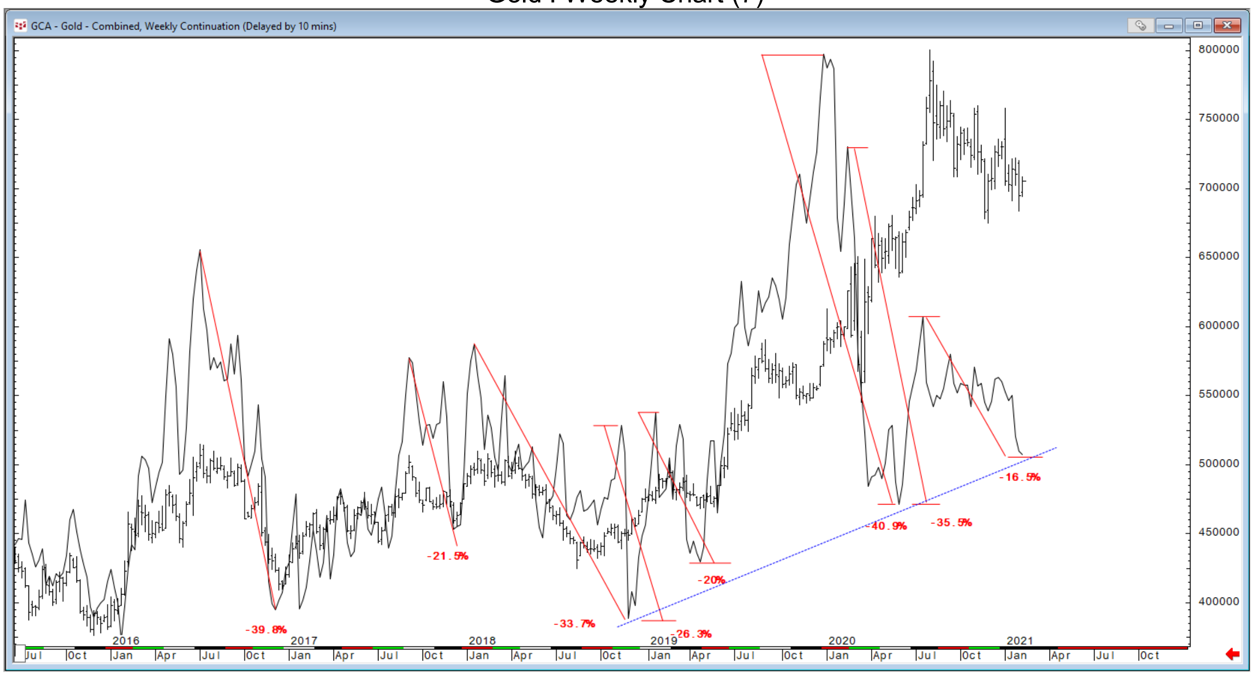
Silver: Daily Continuation Chart (6)



SIA - Silver-Combined, Daily Continuation (Delayed by 10 mins) | Tue Feb 09 2021 15:49:48, CQG 20.12.8080

The last charts we are going to illustrate are weekly and plot price with an overlay of the open interest. We'll start with the gold. The red numbers are the percent decline in open interest during each of the 8 liquidating phases. The red lines define the open interest declines. When we thought of creating this chart we really did not know if it would reveal anything worthwhile. Surprisingly, the current decline of 16.5% is the smallest on the chart but it could have more to go. We have only 2 other observations. The large decline of 40.9% in 2020 was very reminiscent of the 2016 decline of 39.8%. Perhaps the proximity of the decline magnitudes will be useful in the future. The only other factor worth noting, and this quite simple and perhaps most important, since 2018, the absolute open interest is progressively larger after each liquidation. That is the blue dashed line. If that continues, the market should be at or near completing a liquidation.

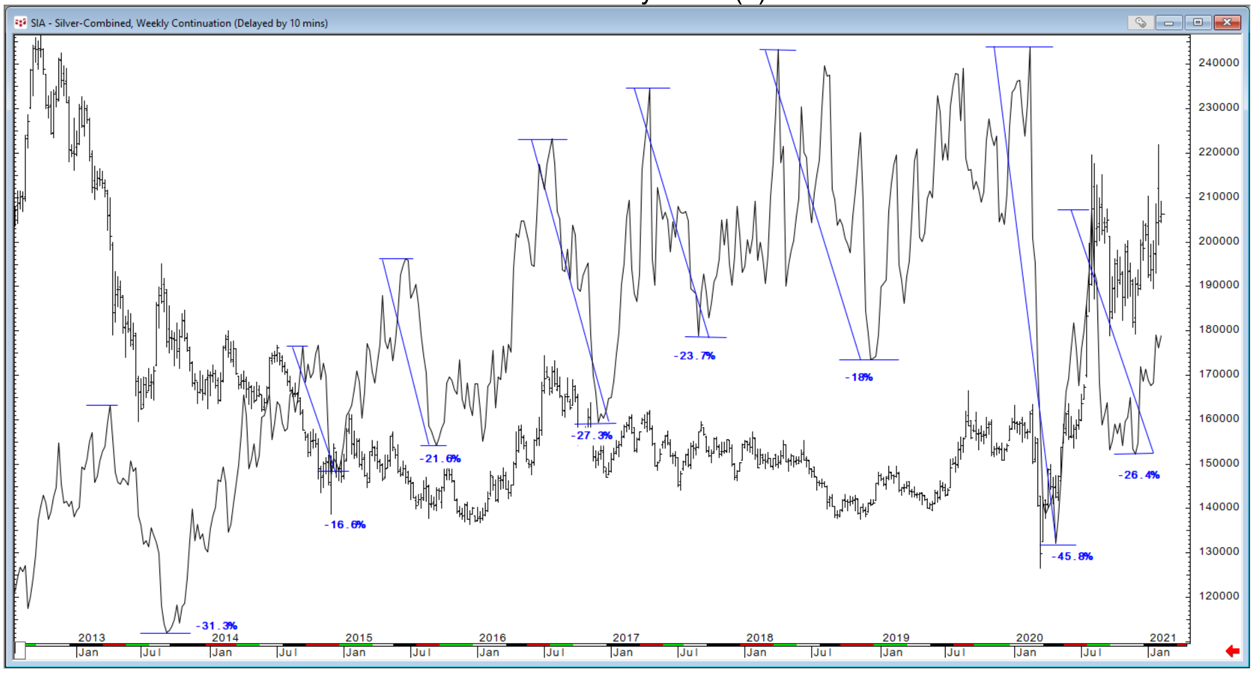
Gold : Weekly Chart (7)



GCA - Gold - Combined, Weekly Continuation (Delayed by 10 mins) | Tue Feb 09 2021 16:13:27, CQG 20.12.8080

Our last chart is the silver weekly with the open interest overlay. If follows below. There are 8 liquidating phases. If we take the first 7, they average a decline of 26.3%. The most recent decline ironically is 26.4%. We have 2 closing observations. The early 2020 debacle in prices proved to have the same dramatic impact on the open interest with a 45.8% decline resulting in the lowest open interest since 2013. And finally, the most recent decline in open interest of 26.4 % is very much in line with 5 of the 7 "normal" declines suggesting that the recent liquidation is complete and perhaps a price low with it.

Silver: Weekly Chart (8)



SIA - Silver-Combined, Weekly Continuation (Delayed by 10 mins) | Tue Feb 09 2021 16:45:14, CQG 20.12.8080

In conclusion, we think there is substantial evidence supporting the view that a price low is either in place in gold and silver, or at worst very close at hand.

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