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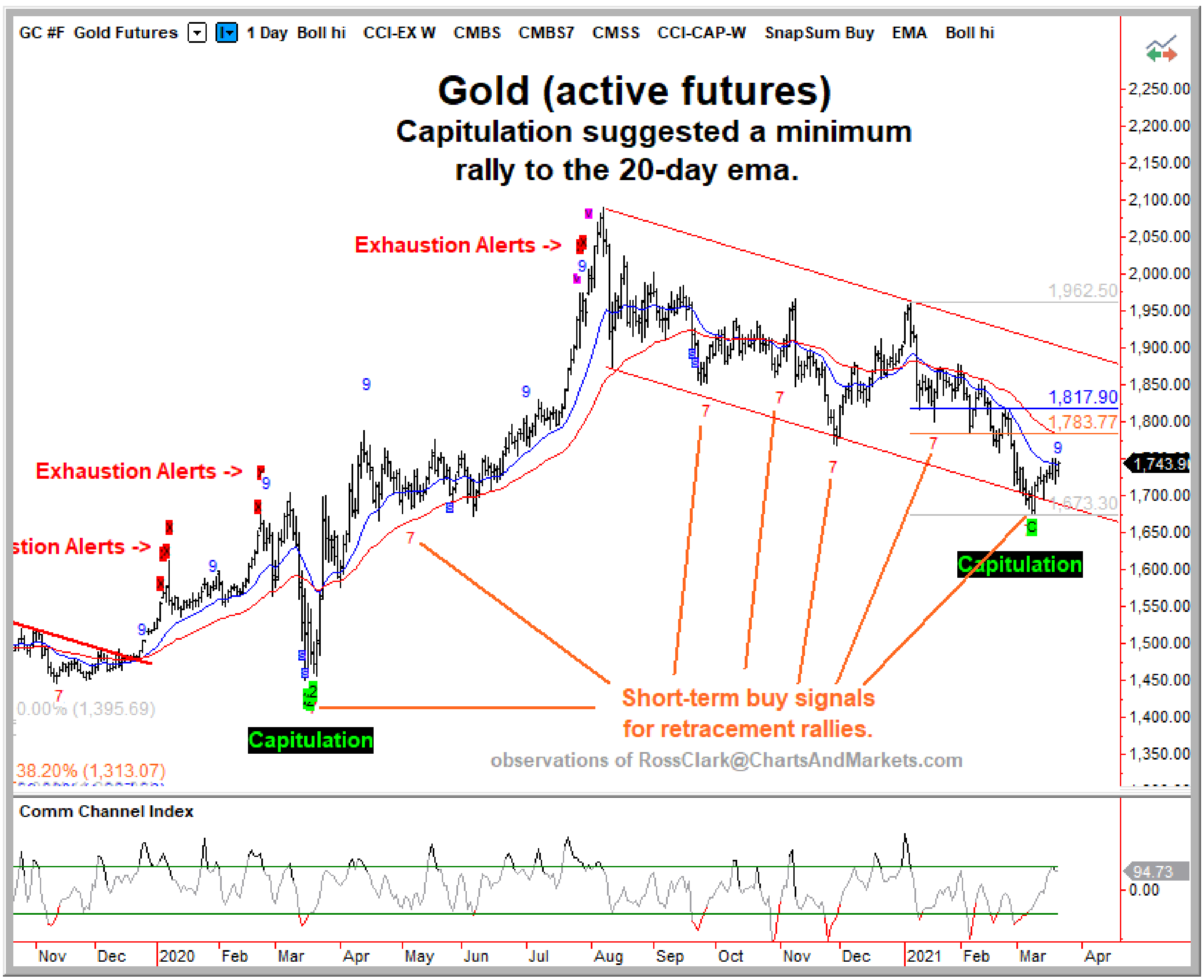
Gold's Minimum Upside Target was Achieved

Gold continues to grind its way higher after the downside Capitulation low at $1690 and successful pullbacks on the 12th and 18th. Prices have achieved the minimum target at the 20-day ema ($1743) and generated a Sequential 9 Sell Setup on the 19th.

Previous rolling tops (1975, 1983-84 and 2011-12) with a structure like 2020 have seen 38% retracement rallies at this point in the decline. This provides an optimum sale around $1783. A CCI(12) reading over 140 would be ideal. The rally has been nine trading days and is anticipated to top before the end of the month followed by a break of $1690.

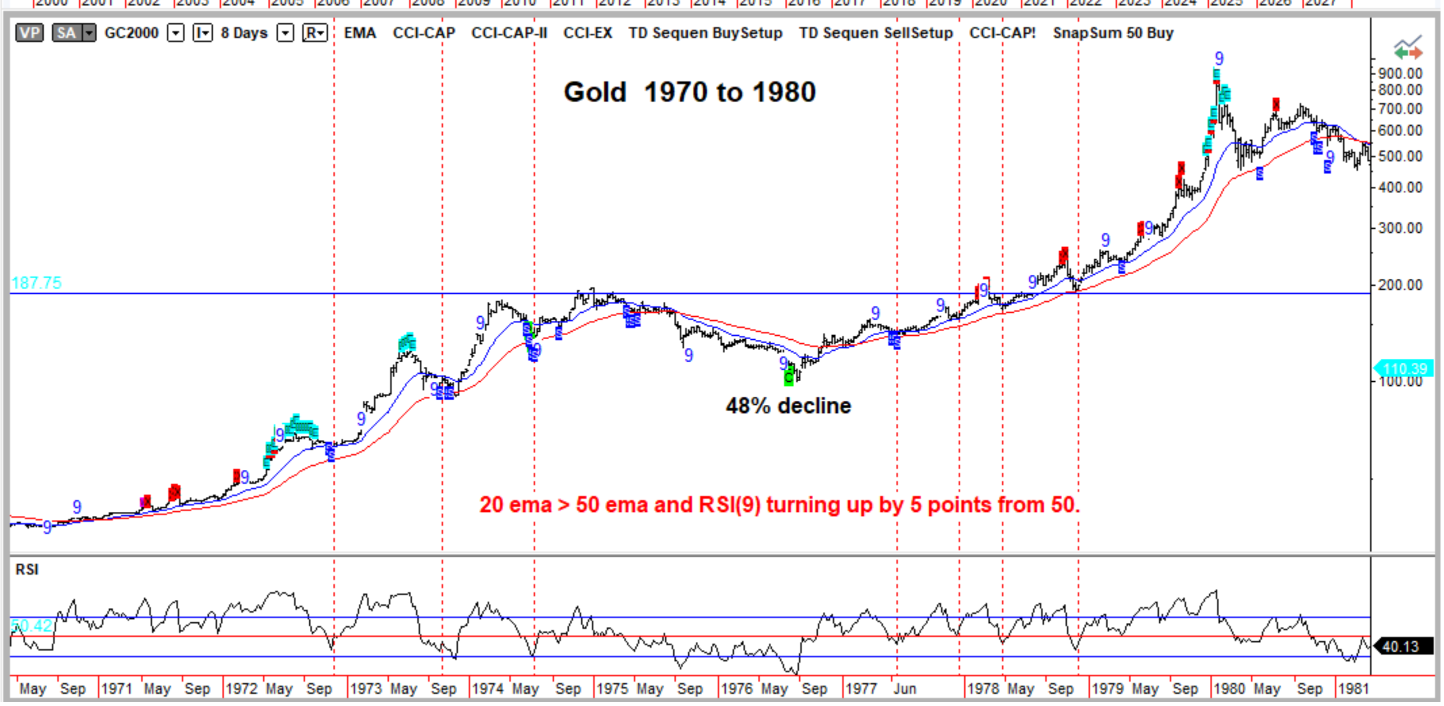


The failure to rally with the commodity indices and take out the August highs was a red flag.

It will be interesting to see how it performs if the CRB and oil correct for a while.

Gold's action since turning higher from $255 in 2000 is taking roughly twice as long to evolve as the action from $35 in the 1970's. We use three-week bars versus eight-day bars for comparative purposes. The 46% decline into 2016 is a good match with the 48% decline in 1976.
The last seven months of decline places it like Q4 of 1978.

A break to the 50-period exponential moving average of the three-week bars at $1605 could be enough of a cleanout in the COT numbers of non-commercials to set the stage for a move to new highs.



A break in bullion could be enough to produce major buy signals in the miners when we move into Q2. There could be some dramatic action on the upside once gold puts in a lasting bottom.

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