



Date: 8<sup>th</sup> November 2015 (Sunday) [www.sgcr.us](http://www.sgcr.us)

**GOLD – GDx STRATEGY REPORT**

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● **Executive Summary**

	Current Price	POM Triggered within CZ & Date	Follow up <u>Announcement</u> Update For Trend Reversal	Progress Status	Current Position / Exposure	<u>NEW ACTION</u> (Trigger to Watch))	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
<b>GOLD</b>	1084	<b>POM 12 On 8/15 @ 1120 Triggered</b>	<b>announced Pull back mode at 1152</b>	<b>BULLISH</b> Short term pull in progress	Full Position 17% Net long	NONE	<b>Bounce to 1120</b>	<b>Target 1<sup>st</sup> ABC up to 1152 Bullish top MET EXACT &amp; pulled back</b>	<b>Pull back to 1140 broke Down low volume</b>	<b>ABC down to 1070 Is being re - tested Triple bottom Bullish</b>	2 <sup>nd</sup> PEC-D 1210 Bullish Top

**GOLD is 33% in our Asset allocation holding: split equally in GOLD and GDx.**

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GDX (XAU /HUI MINERS COR)	13.46	POM 12 On 8/15 @ 14.3 Triggered	Announced Pull back mode at 16.5)	BULLISH Short term pull in progress	Full Position 17% Net long	NONE	Bounce to 15-14.5	1 <sup>st</sup> Target to 16.5 Bullish top MET EXACT & pulled back	Pull back to 15.5-15 broke Down low volume	ABC down to 13.50- Is being re - tested Triple bottom	2 <sup>nd</sup> ABC up to 19.0 Bullish Top

## Market Overview SPX- BONDS

***YTD 2015, GOLD is down 100 points. During the same time frame POM Triggered net long entry twice. The March signal- POM 13 @ 1168 was stopped out at 1150 losing 18 points. The current August signal - POM 12 @ 1120 has drawdown of 42 points. Total aggregate draw down is much less than 100 points drop in Gold. During both the Triggers, We rallied first 100 points to our First ABC up target prior to witnessing pullbacks far deeper than we expected. We had the opportunity to exit the profitable position on both occasions if we had chosen to do so.***

GOLD upon reaching 1<sup>st</sup> upside target of 1165 pulled back deeper than our expected target of 1135. The move below 1135 is a reaction to FOMC minutes. FOMC noise on rate hikes has triggered the rally in 30 yr rates hence DXY / USD rally has put pressure in Gold and commodity Markets.

There has been no volume conviction behind the move in GOLD from 1135-1100. There are several gaps under this area 1100-1070 which are in the process of getting filled up on lighter volume. . 1170 should be re tested for Triple bottom. Gold should have good rally in 2016.

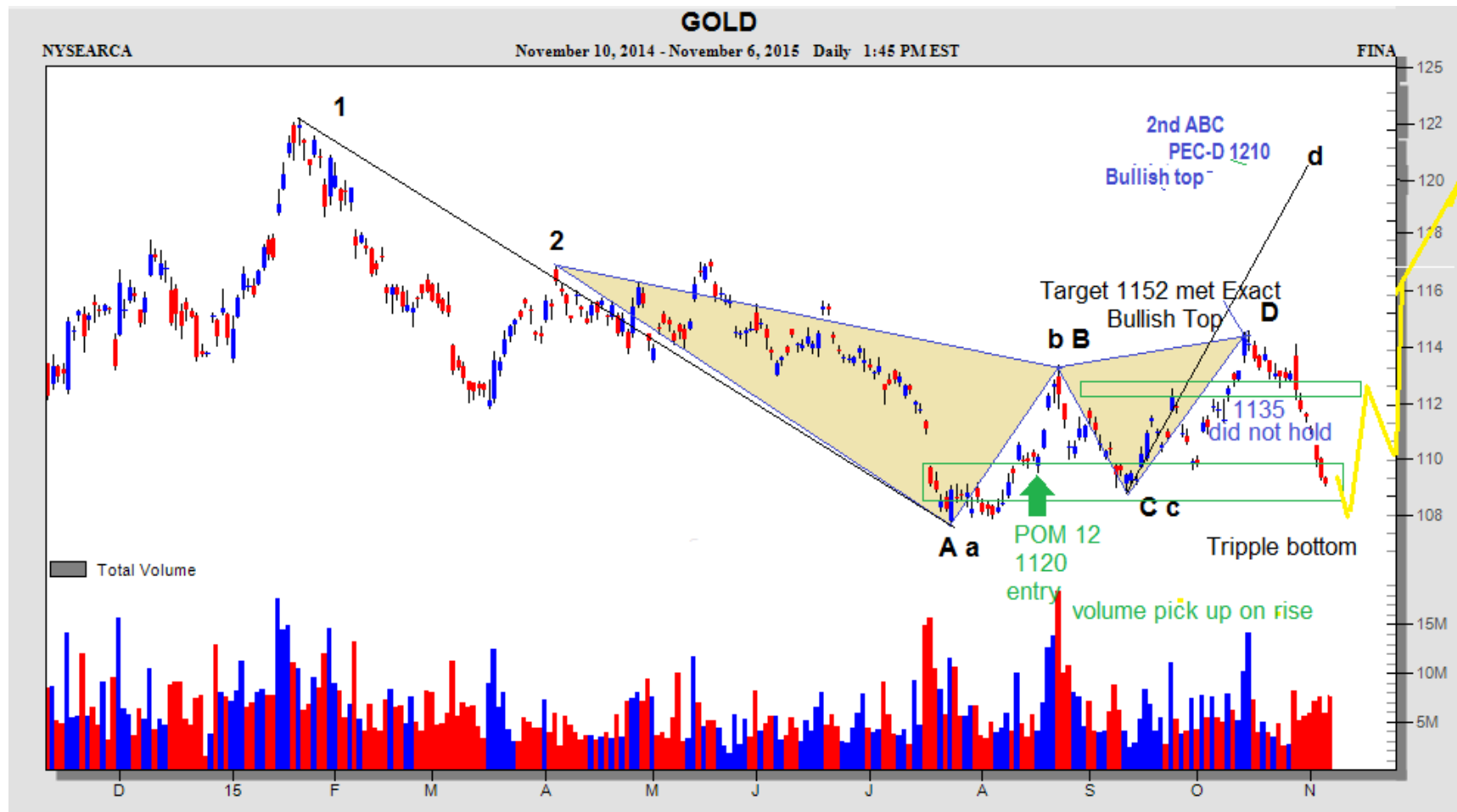
The open interest and short interest on Gold are at bearish levels. This is a contra indicator. If the gold stocks turn up first before gold makes a bottom will be a longer term bullish sign for both. Volatility in GOLD is pretty normal on both sides.

# GOLD- CZ/ PEC- D Analysis **Daily chart**

## Notes within chart

**Downside** - Pull back to 1135 did not hold in the gap although the volume is lighter. Target to 1170 is towards the triple bottom.

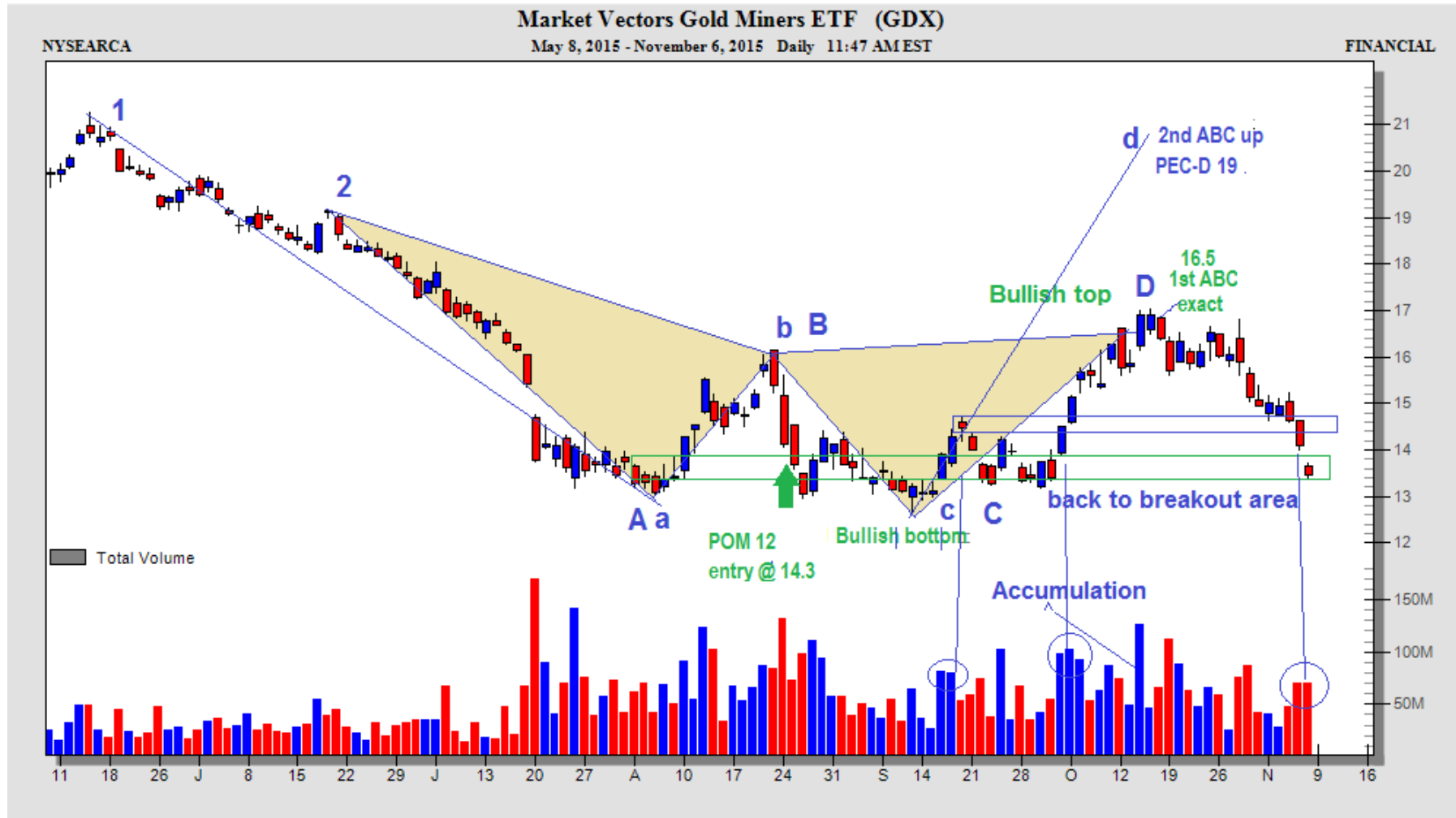
**UPSIDE** – Bounce should be towards 1120. Earlier 1<sup>st</sup> ABC up to 1152 Bullish top MET – EXACT & pulled back.



# GDX – Daily – PEC –D / CZ Analysis

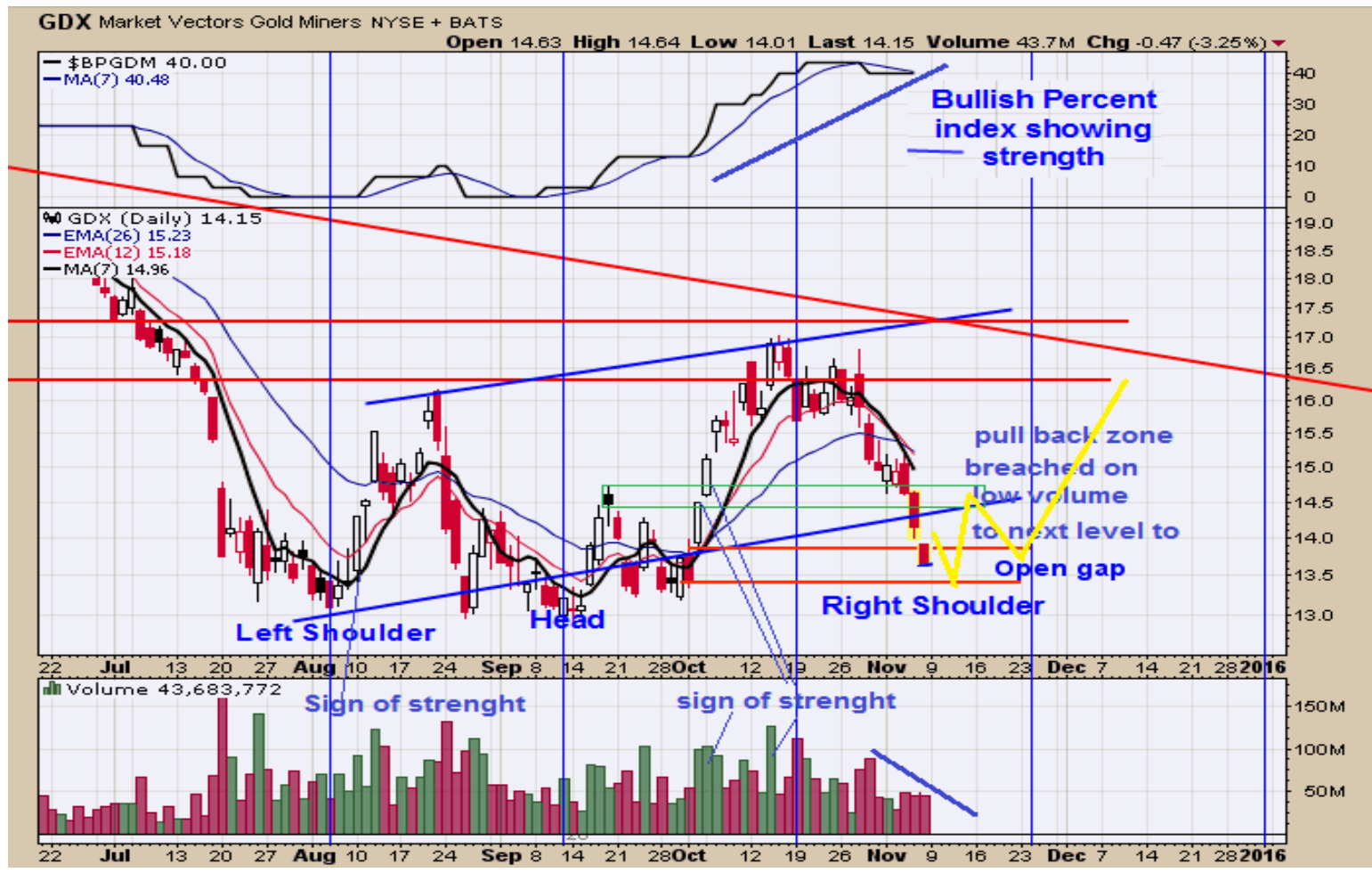
**Downside** - Pull back to 15-14.5 did not hold although the volume is lighter. Target to 13-13.5 is towards the triple bottom.

**UPSIDE** – Bounce should be towards 14.5-15. Earlier 1<sup>st</sup> ABC up to 16.5 Bullish top MET – EXACT & pulled back.



# GDX – Daily – PEC –D / CZ Analysis

The GDX pattern that we have been watching for over the last several weeks is a Head and Shoulders bottom. A gap formed between 13.50 to 14.00 where GDX should complete right shoulder. Gaps that are usually tested on at least 10-15% lighter volume find support. The October 2 volume came in at 98M. If volume drops to 85M or less as the gap is tested imply the potential Right Shoulder may be complete. The top window in chart is showing bullish divergences breaking to new short term highs.



# Appendix Content

- Objectives & POM /CZ / PEC –D Guidelines – Refer to detail Annexure
- POM – “ Price Oscillation Model “ Criteria
- PEC –D “ Pythagoras – Expansion & Contraction Criteria
- CZ- Confluence Zone Criteria
- TEXTURES – Bullish , Bearish , Neutral

## Critical backdrop Notes –

- *Price path Analysis is running commentary of the Market's price behavior , Not a Trade Signal.*
- *Intermittent CZ's are Short time out / Risk management for overweight position / rebalancing spots. Unless your own Portfolio objective demands.*
- *POM's are Action points. Also at times Action points is at Main CZ's when specifically announced Triggers.*
- *Model does not encourage Buying in between unless its false break upside or false break downside soon after POM / Main CZ Trigger and is specifically announced . Model stays with Trend POM to POM Signal.*

## POM criteria for Implementation on SPX

- POM is rated from 10 to 15
- POM 14 , 15 ( is Sell Signal) and 12 , 11 ( is Buy Signal ) both are the Actionable Area whereas POM 13 is A Neutral Signal for Risk management
- On way UP move, POM 13 signifies to STOP executing additional “New Buys” that was initiated at POM 12 or POM 11 levels
- On way DOWN move, POM 13 signifies to STOP executing additional “ New Short Sells” that was initiated at POM 14 or POM 15 levels
- (Bear Markets) POM 15 is for - Net Short & POM 14 is for - Hedge Longs
- (Bull Markets) POM 15 is for -Hedge Longs & POM 14 is for - Partial Hedge
- POM 12 & 11 is for Net Long
- POM 10 is Climatic Crash low Buy Signal to add to Net long position (Rear event)



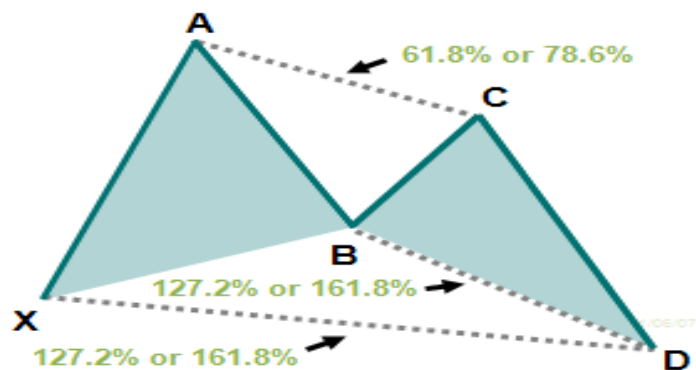
# Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 2<sup>th</sup> Derivative Timing Tool utilized on core currencies which identifies the turning point, for Tops and Bottoms on “Short & Intermediate term” Trend in the currency market.
- Methodology is based on Mathematical Pattern Recognition with Symmetrical Pythagoras Triangular expansion and contraction ( PEC) in concert with Price Oscillation ( POM) . This has a high probability for greater accuracy on Price projections at confluence when Integrated together.
- Once our POM analysis is complete, it will overlay PEC. The input signals are from tracking rolling Arithmetic Numerical series of Regression utilizing Fibonacci to Identify Triangular patterns of Expansion / Contraction. Triangular pattern completes at the convergence of 2 separate Fibonacci extension levels and overlay Price Oscillation Model.
- Since the Currency has 2 dimensional pairs, PEC is critical to analyze with 2x2 Fibonacci steams to achieve confluence point D coinciding with POM

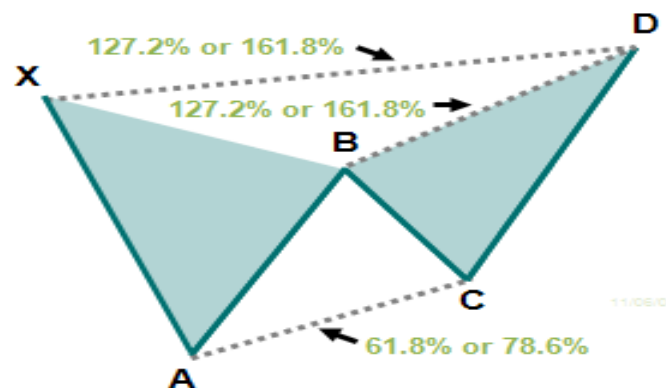
## PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

The output signal of ABCD price moves preceded by a swing high or low (XA) generates projection point D, which is actionable point derived from 2 connecting triangles with convergence ratio. As with all geometric patterns, a Buy or Sell signal occurs as the pattern completes at point D

### Buy Pattern (bullish)



### Sell Pattern (bearish)



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