



Date: 23<sup>ND</sup> November 2015 (Monday) [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>	1075	POM 12 On 8/15 @ 1120 Triggered	announced Pull back mode at 1152	BULLISH Short term pull in progress	Full Position 17% Net long	NONE	Bounce to 1120	Target 1 <sup>st</sup> ABC up to 1152 Bullish top MET EXACT & pulled back	Pull back to 1140 broke Down low volume	ABC down to 1070 Is being re - tested Triple bottom Bullish	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 GOLD

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..

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.

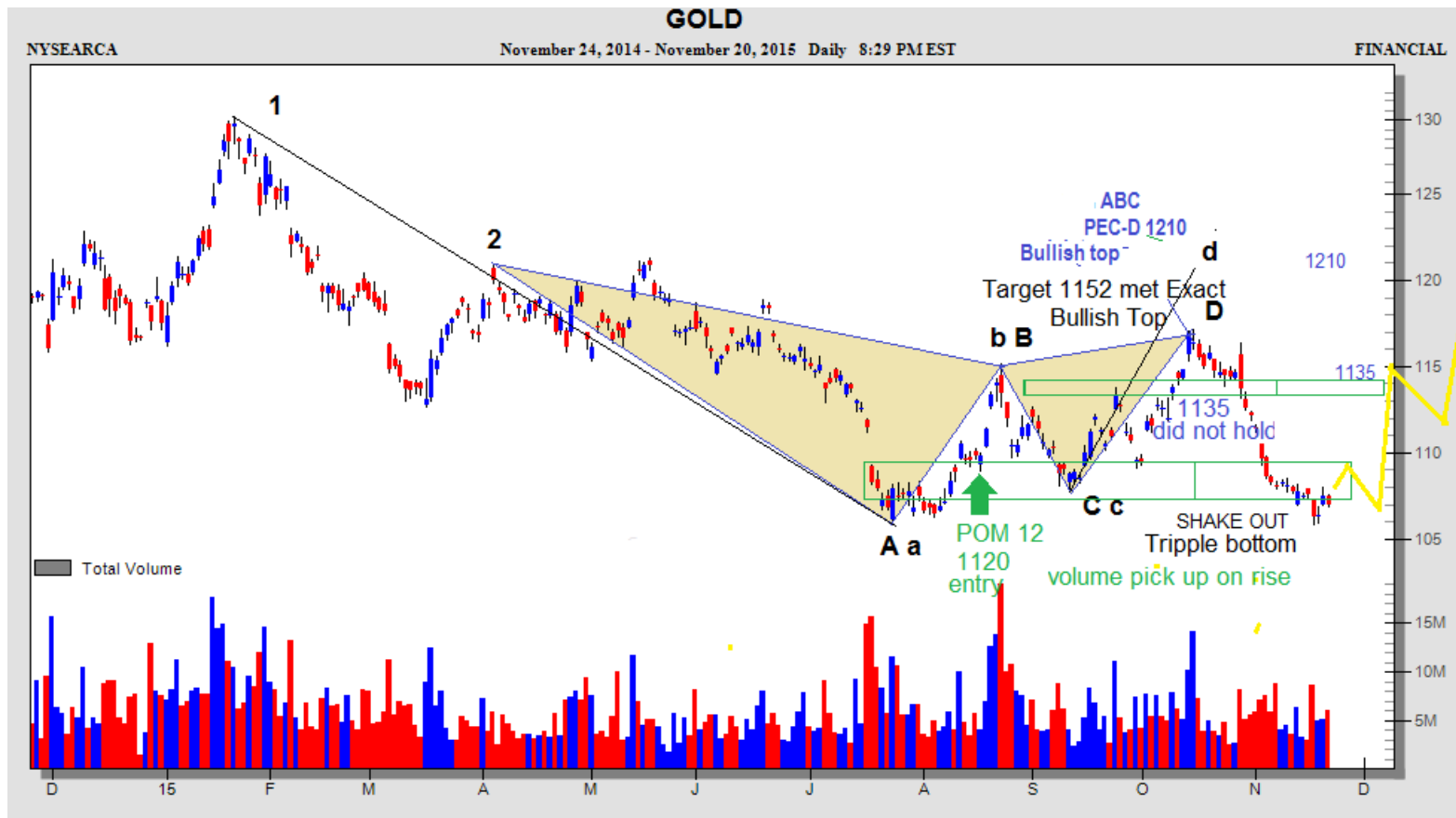
Commercial short position in Gold came in -50K. The last time the Commercials where below -50K was at the August lows. The open interest and short interest on Gold are at bearish levels. This is a contra indicator. If the gold stocks turn up first before gold makes a bottom will be a longer term bullish sign for both. Volatility in GOLD is pretty normal on both sides.

# GOLD- CZ/ PEC- D Analysis Daily chart

## Notes within chart

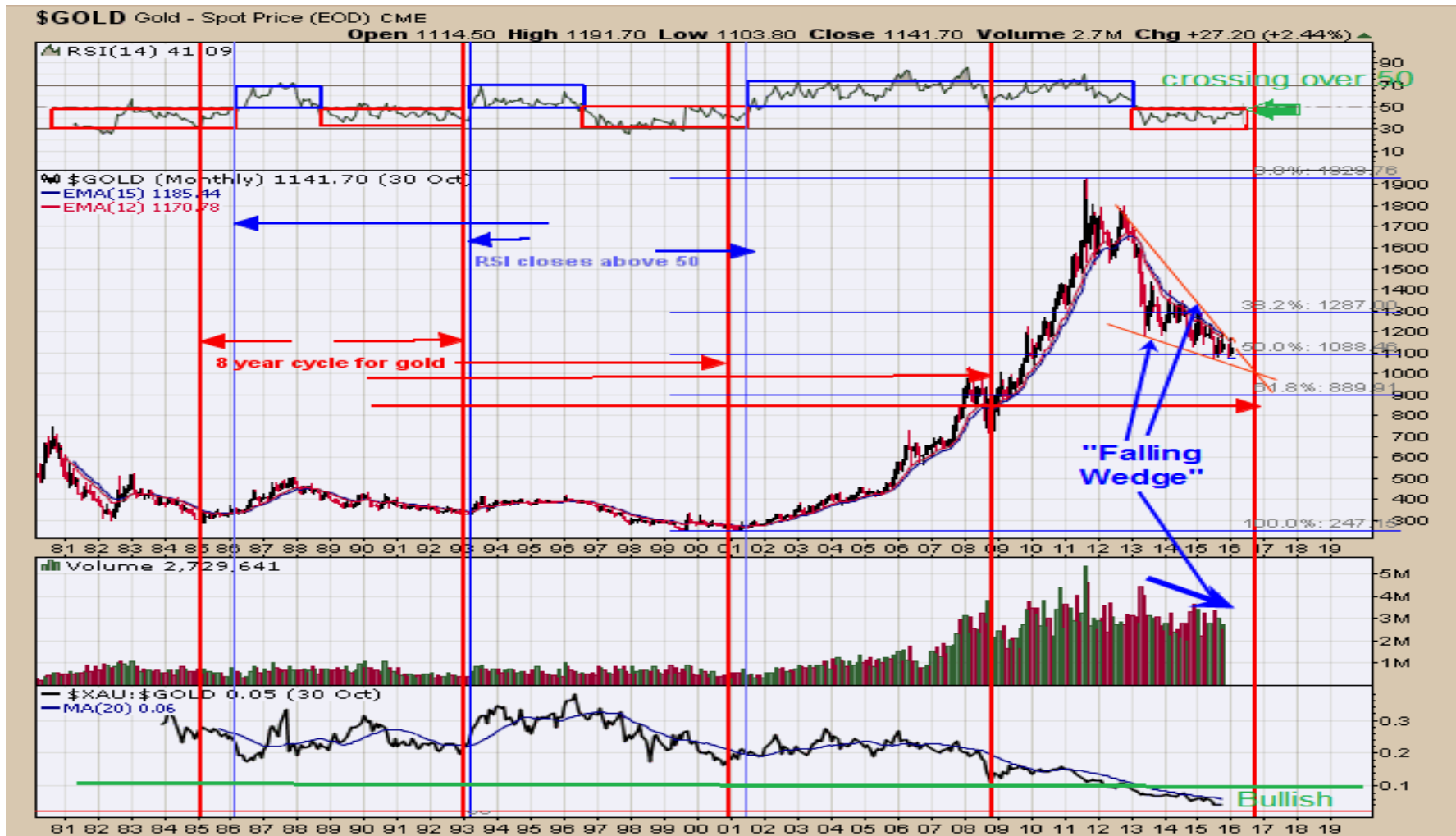
**Downside** - Pull back to 1135 did not hold in the gap although the volume is lighter. Target to 1170 is towards the triple bottom.

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



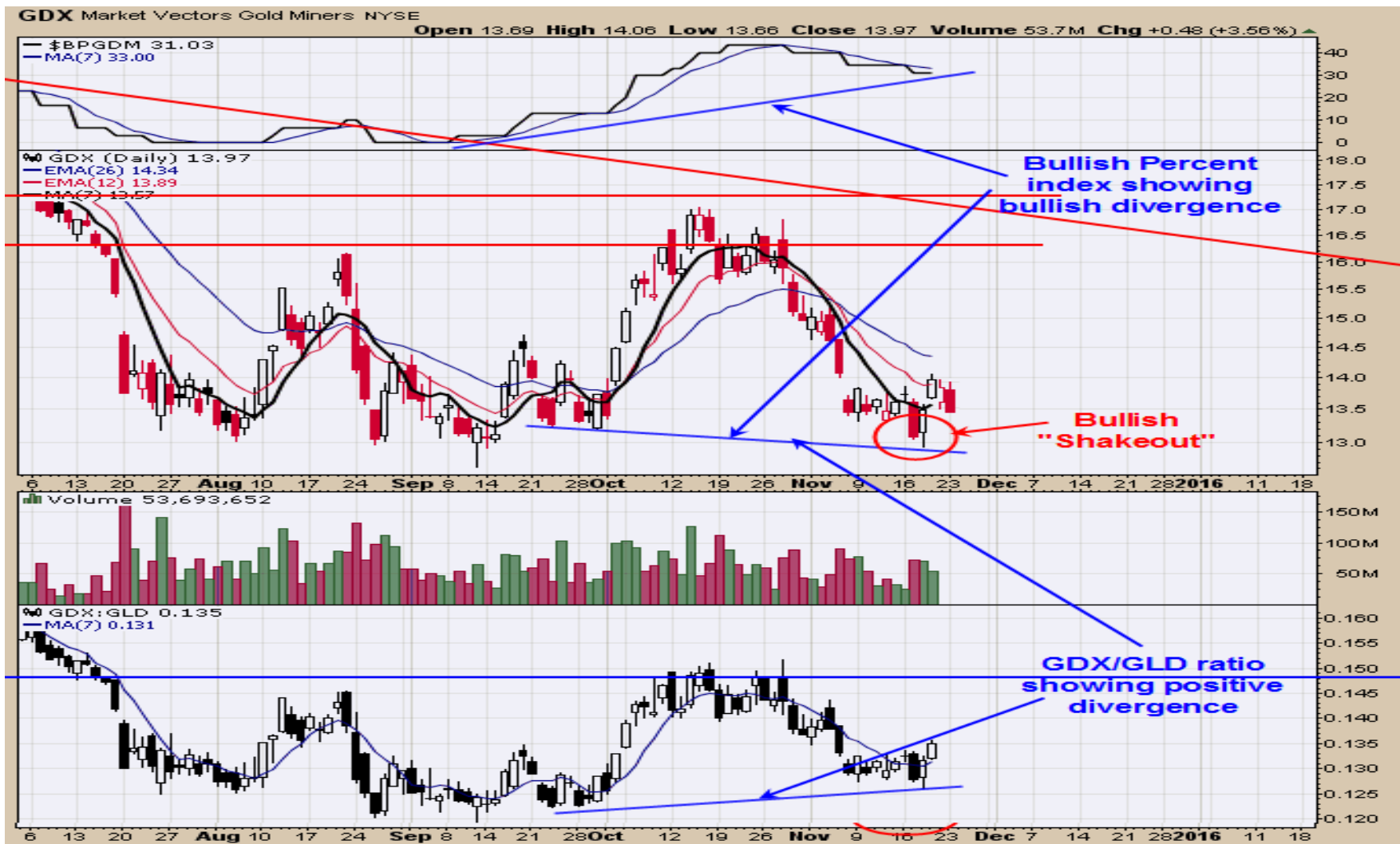
# GOLD- CZ/ PEC- D Analysis **Monthly chart**

Monthly gold chart goes back to 1980. The red vertical lines are eight year cycle lines that show gold bottoms every eight years. The next major cycle low is due 2016. The monthly XAU/Gold ratio is very oversold with a reading of .05. Historically a reading of .05 is considered very low and shows gold stocks are cheap compared to the price of gold. Gold has been forming a "Falling Wedge" Notice how the declining volume matches the "Falling Wedge" definition.



# GD<sub>X</sub> – Daily – PEC –D / CZ Analysis

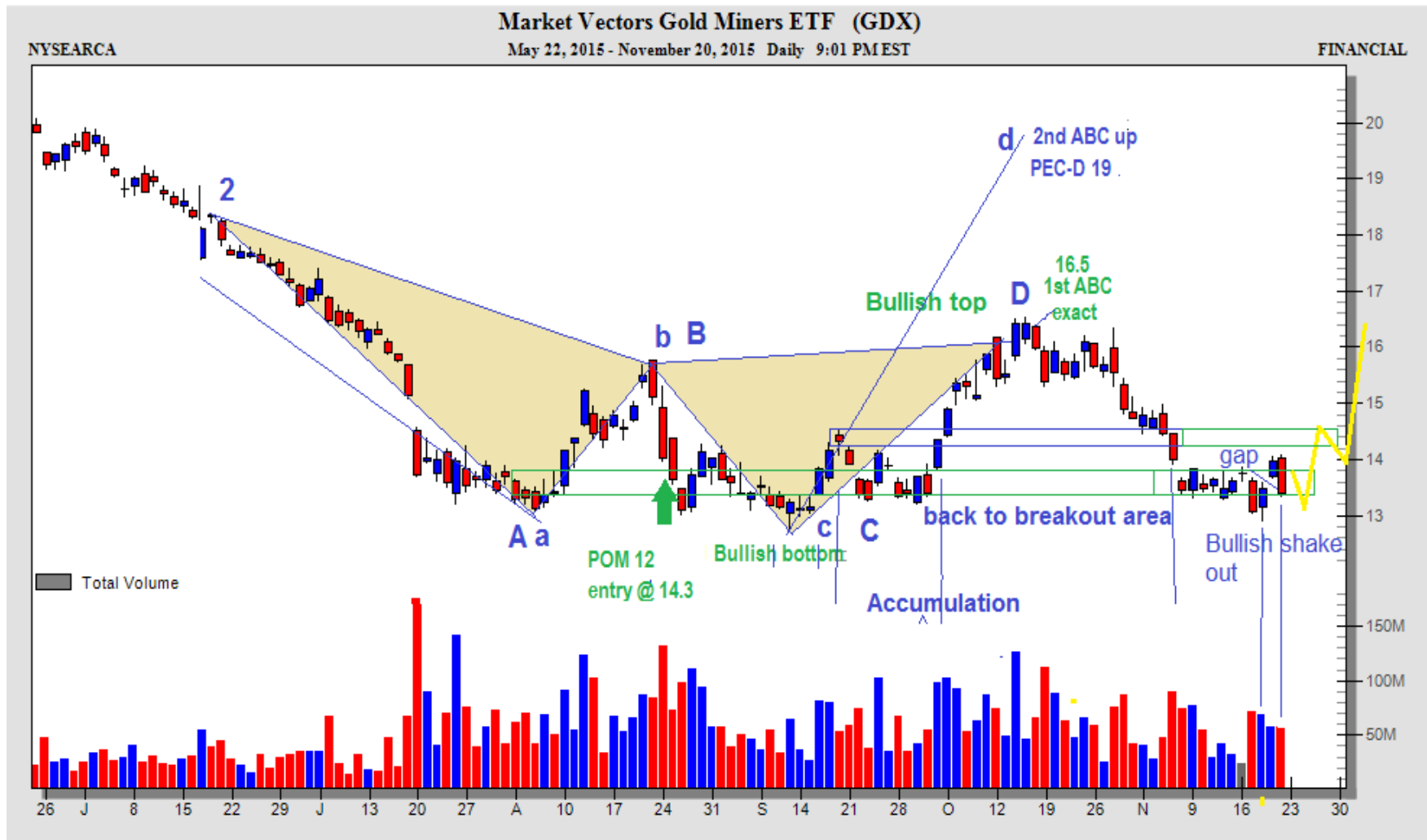
GD<sub>X</sub>/GLD ratio is showing a bullish divergence. The top window is the Bullish percent index for the Gold Miners which is also showing a bullish divergence. GD<sub>X</sub> reversed and closed back into the minor trading range it broke down from the previous day creating a bullish “Shakeout”. Market appears to be making a bottom here.



# 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.



# 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)

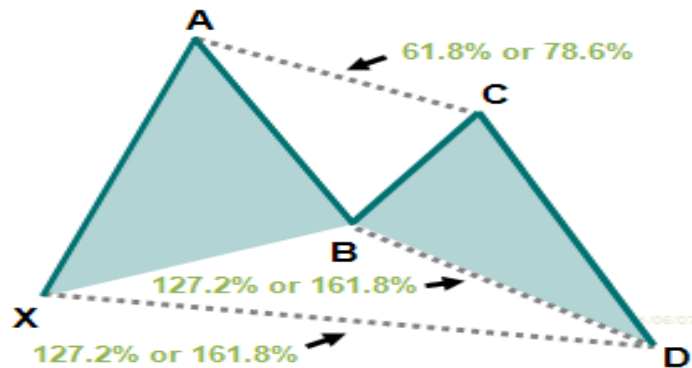
# Pythagoras Expansion / Contraction – (PEC) Model

- 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

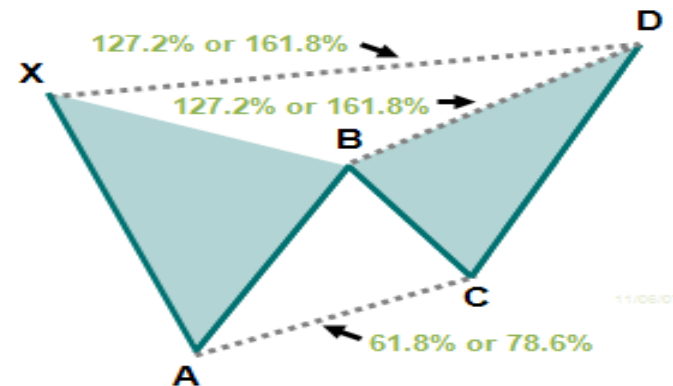
## PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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