



Date: 13th December 2015 (Sunday)

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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 |
|-------------|---------------|--|---|-----------------|----------------------------------|---------------------------------------|-----------------------|--|--|---|--|
| GOLD | 1085 | POM 12 On 8/15 @ 1120 Triggered | announced Pull back at 1152 | BULLISH | Full Position 17% Net long | NONE | Bounce to 1130 | Target 1st ABC up to 1152 Bullish top | ABC down to 1070 is being re - tested Triple bottom Bullish | One quick push down to 1000 is possible | 2 nd 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) | 14.38 | POM 12 On 8/15 @ 14.3 Triggered | Announced Pull back at 16.5) | BULLISH | Full Position 17% Net long | NONE | Bounce to 15-14.5 | 1 ST Target to 16.5 Bullish top | ABC down to 13.50- Is being re - tested Triple bottom | One quick push down to 13.0 is possible | 2 nd ABC up to 19.0 Bullish Top |

Market Overview GOLD

The open interest and short interest on Gold are at bearish levels. This is a contra indicator.

With the speculative world near-record long the US Dollar and record short gold, how much longer can the status quo boat can remain upright with so many on the same side. Last week, the smallest net speculative long position since January of 2002 was reported.

Gold is currently in the CZ 1070-1140 (the March 2008 high). There are many parallels to the 1999-2000 periods, most notable among them a rising equity market combined with greater weakness in junk bonds, a tightening Fed and US dollar strength, and a flattening yield curve.

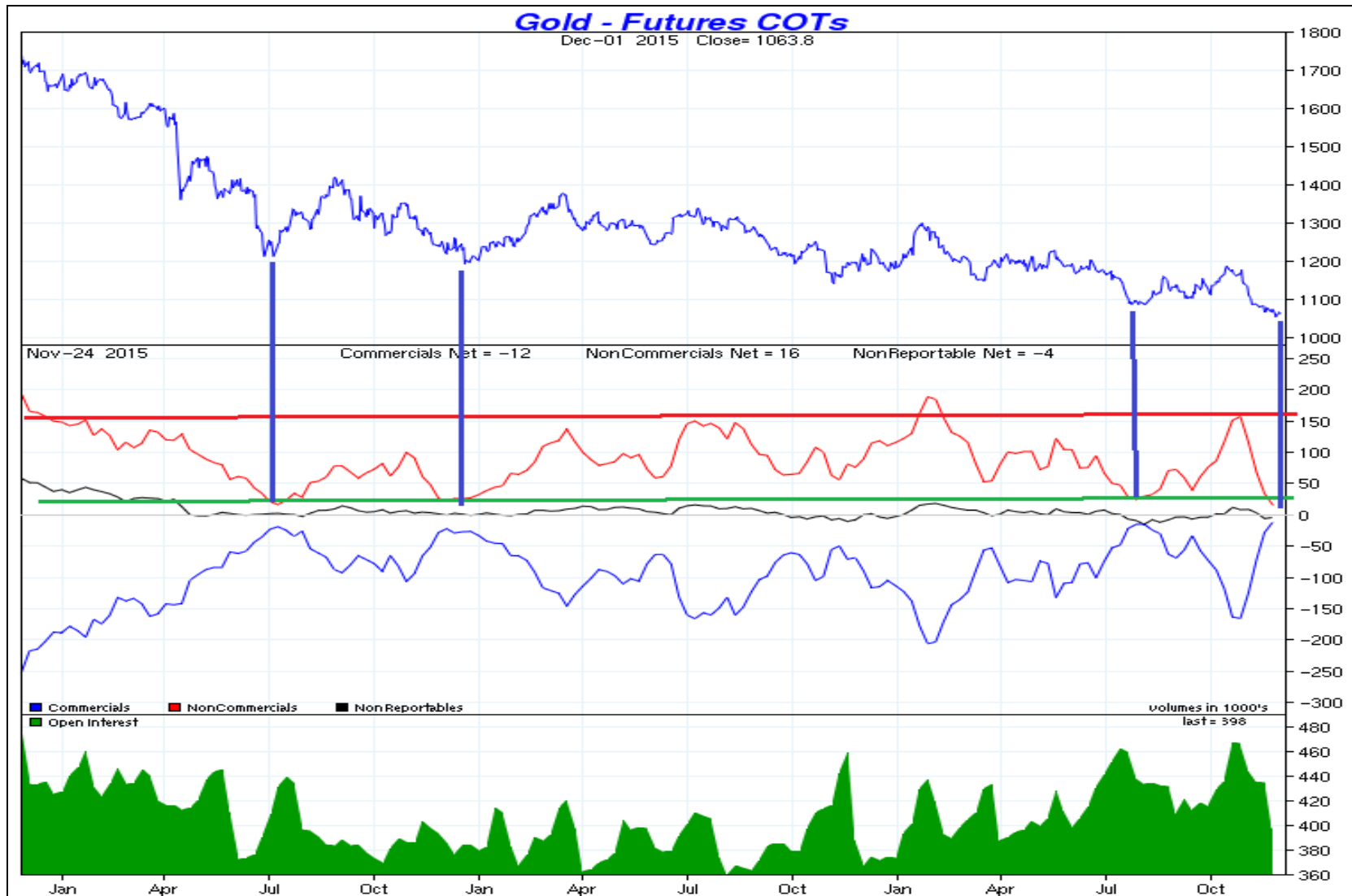
Speculators as a group are more bearish on gold today than they were at the lows of its 20 yearlong secular bear market in 1999-2000. This definitely means once a rally does get underway, there is going to be a lot of fuel to support it as this extreme in pessimism unwinds.

Gold stocks meanwhile continue to diverge positively from gold and silver, just as they have exhibited persistent negative divergences near the 2011 – 2012 highs.

In short term there has been no volume conviction behind the move in GOLD in this decline below 1120. Several gaps under area 1100-1070 are filled up on lighter volume. 1070 is re tested for Triple bottom. One quick smash to 1000 is a possibility but Gold should have good rally in 2016 if one can withstand 50-60 point smash down which may or not happen in final capitulations. If quick smash does happen it should trigger POM 12 for adding position.

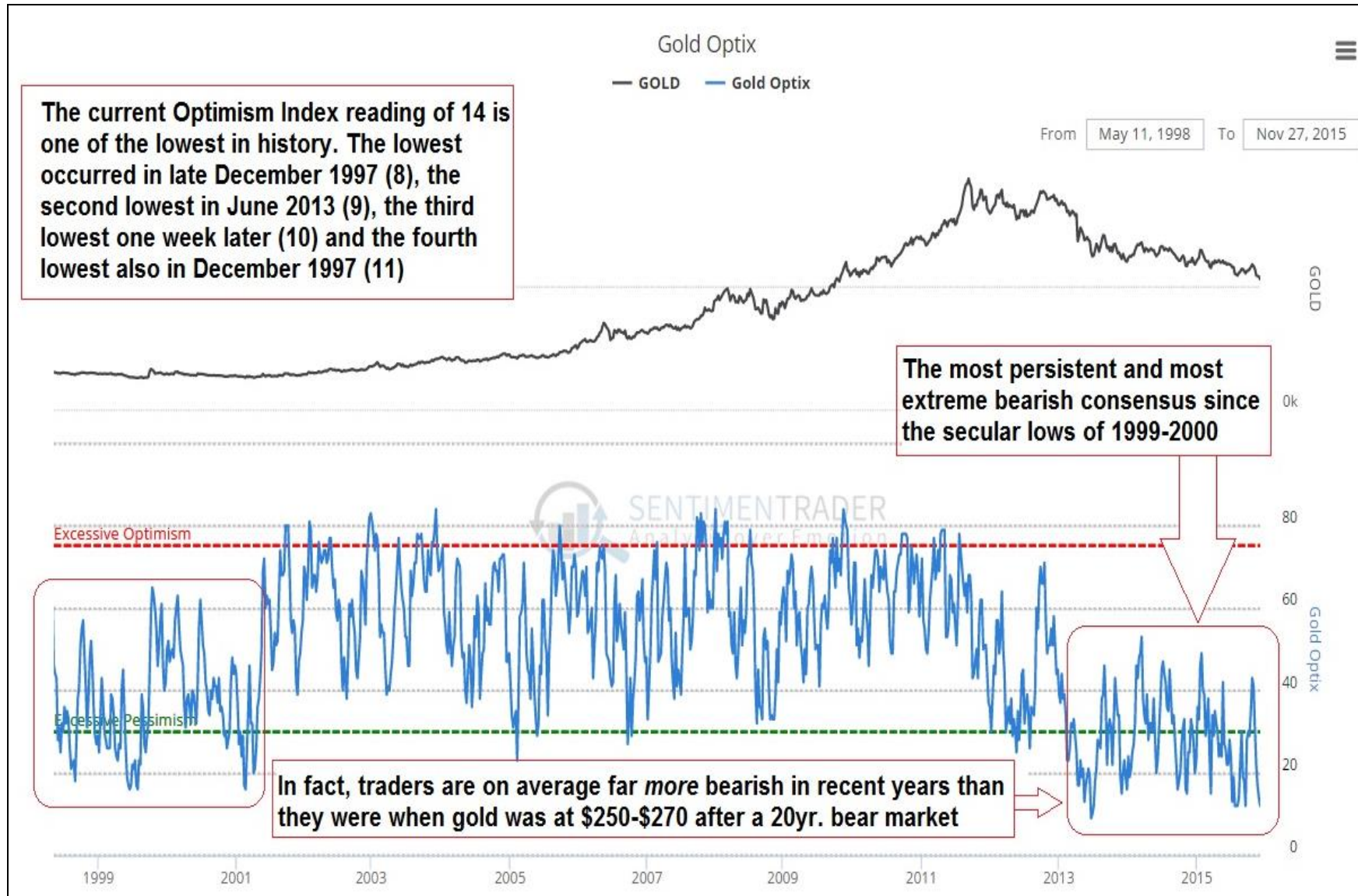
GOLD- v/s COT Analysis **Daily chart**

Commercial short position in Gold came in below -50K for past 1 month. The last time the Commercials where below -50K are indicated below.



Gold Optix readings from Sentiment Traders- since mid 2013 are among the lowest in history.

More extreme than those recorded at the secular bear market lows in 1999-2000.

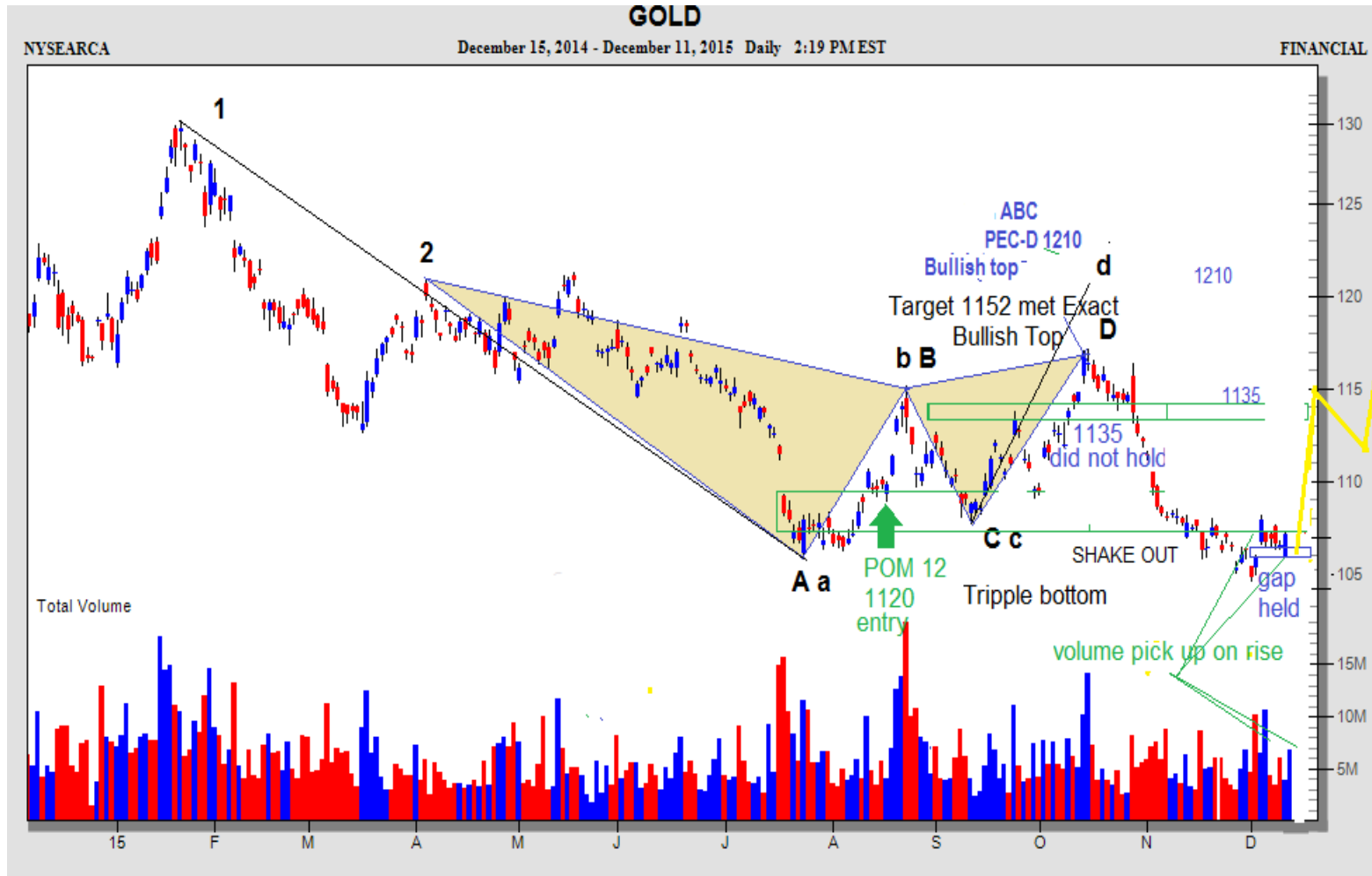


GOLD- CZ/ PEC- D Analysis **Daily chart**

Notes within chart

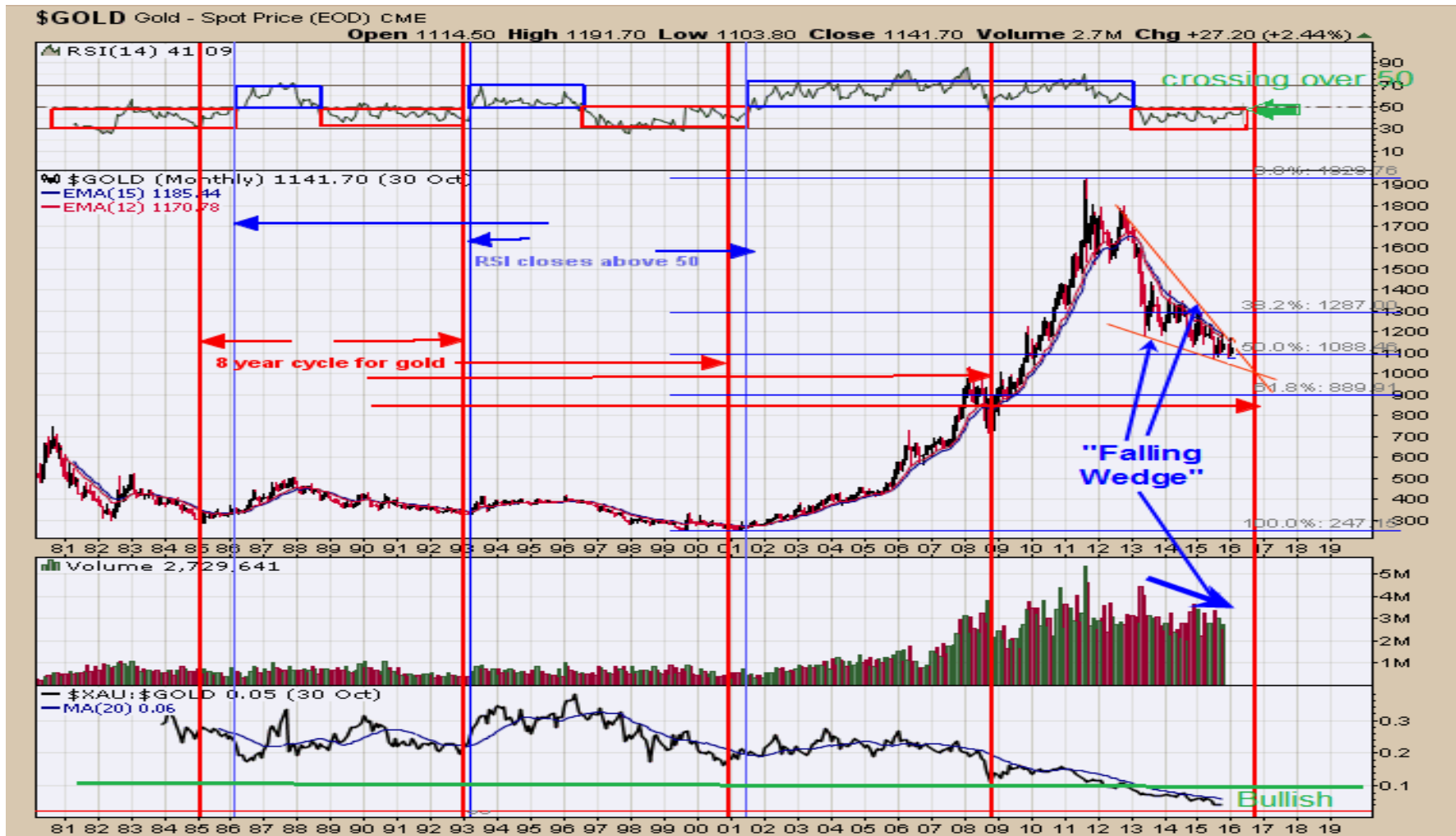
Downside - Pull back to Target to 1070 on lighter volume is towards the triple bottom. .

UPSIDE - Bounce should be towards 1130. Earlier 1st ABC up to 1152 Bullish top .



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.

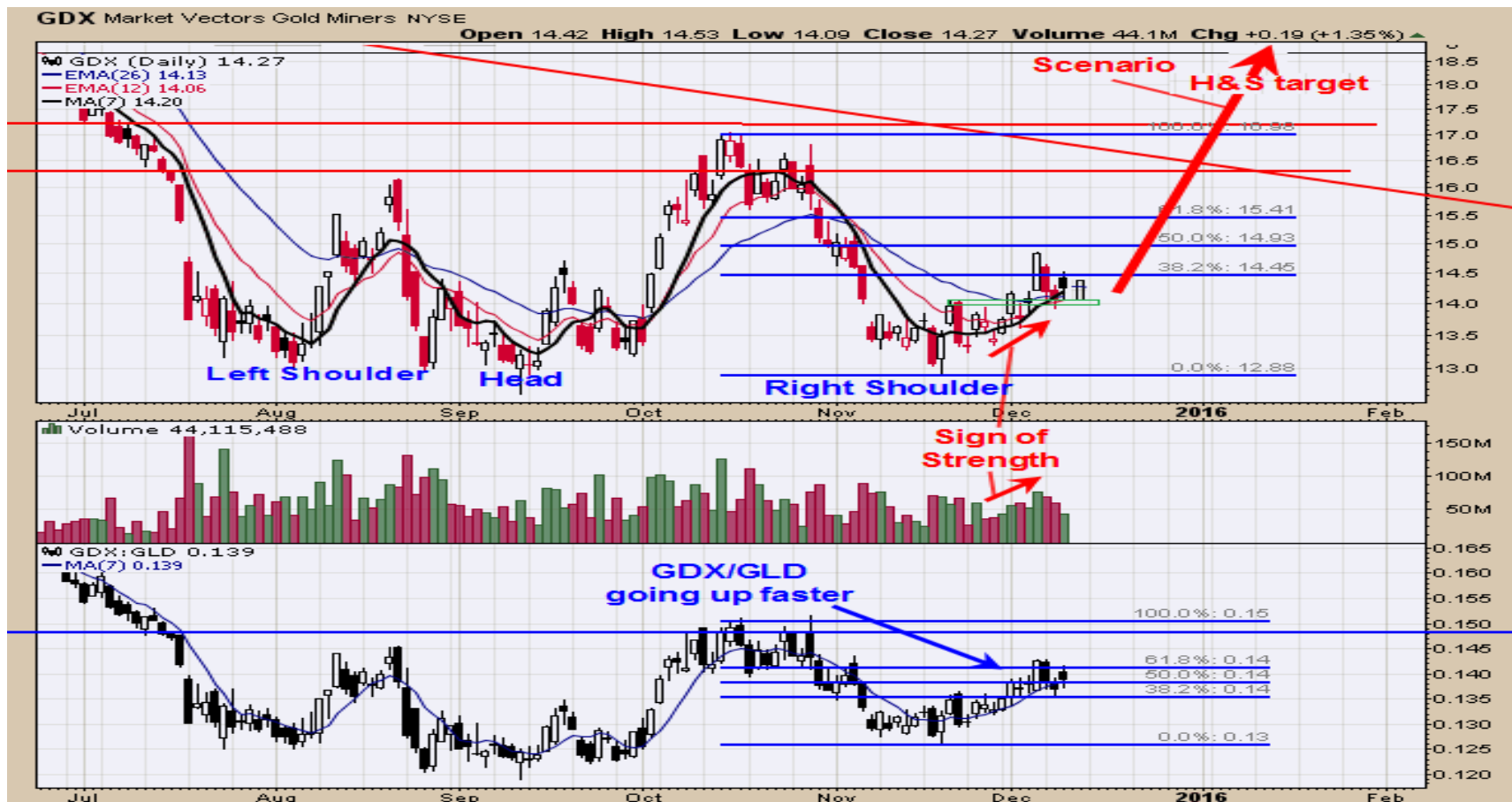


GDX – Daily – PEC –D / CZ Analysis

Downside - Pull back to target to 13-13.5 is towards the triple bottom. .

UPSIDE – Bounce should be towards 14.5-15. Earlier 1st ABC up to 16.5 Bullish top

Large Head and Shoulders bottom where the Head is the September 11 low bottom has a measured target near 17 on GDX which is over a 40% rise from here. Coming off the mid November low a “Sign of Strength” and increasing volume. The bottom window is the GDX/GLD ratio which is rising than Gold stocks are outperforming gold and a bullish sign for both gold and gold stocks suggesting a strong gold stock rally is in progress.



GDX – 2 HR CHART – PEC –D / CZ Analysis

The chart below is the **two hour GDX** going back to mid-October. This two hour chart showed a bullish Head and Shoulders pattern with a breakout through the Neckline with a "Sign of Strength" which confirms this pattern. I might add this two hour Head and Shoulders bottom pattern is the "Right Shoulder" of the larger Head and Shoulders bottom. The break above the Neckline the pattern that appears to be forming is a "Triangle" pattern which are usually a continuation pattern suggests the uptrend will continue. Support comes in near the Neckline so there appears to be little downside from here. The short term picture remains bullish.



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)

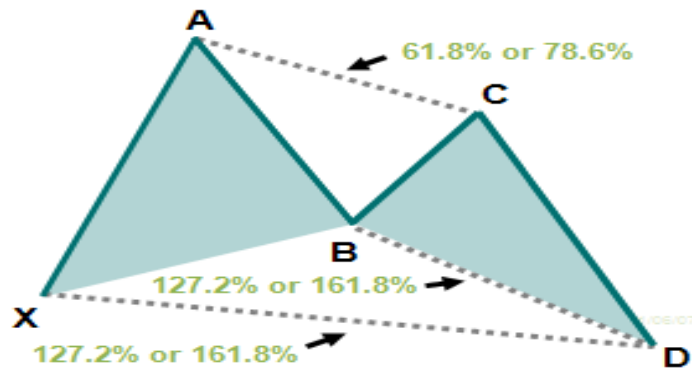
Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 2th 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

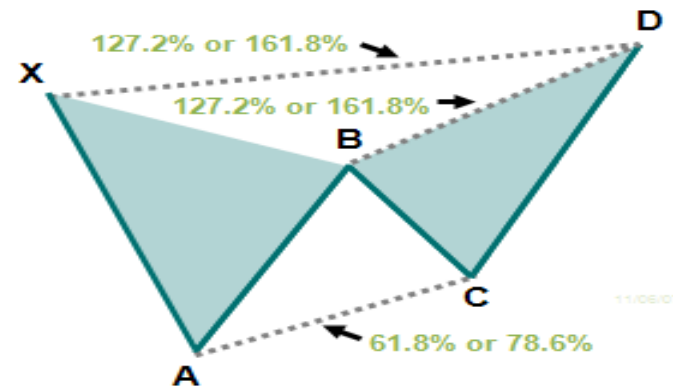
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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