SG Capital Research
Global Market Insights

Chart System

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Immediate Release **- GOLD – GDX STRATEGY REPORT**

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• Executive Summary

	Current Price	POM Triggered within CZ & Date	Follow up Announcement Update For Trend Reversal	Progress Status	Current Position / Exposure	NEW ACTION (Trigger to Watch))	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
GOLD	1228	**POM 12 Bullish @ 1070 Triggered 01/01/2016**	**1/1/2017 Report Announcement reentry - @ 1160 POM 13**	BULLISH	Net long	None	1st Daily ABC up to 1245	Weekly Target CZ 1290	Pull back to PEC-D 1245 extended ***Triggered Recycled entry 5/7***	CZ 1205-1195 Rejected with Bullish Bottom	Target 2ND Weekly ABC up to 1375 Bullish top

- **½ Trading Position – Entry @ 1150 – Jan 01 (up 6.7% Year to date)**
- **On 5/07** Report : Announcement: Recycled entry at PEC-D 1245 within CZ 1235-60 . Stop loss at 1200.
- Weekly Close above 1250 will target 1290 very quickly.
- **In 2017 : Twice we have taken profits in Trading position in GOLD : 90 points and 60 points to maximize the gains**

2016 - Core Position: Net long since POM 12 trigger: at 1070 (1/1/2016) . Holding initial ½ positions .
(Up 17% - since our main entry)

	Current Price	POM Triggered within CZ & Date	Follow up Announcement Update For Trend Reversal	Progress Status	Current Position / Exposure	NEW ACTION (Trigger to Watch))	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
GDX (XAU /HUI MINERS COR)	21.8	**POM 12 Bullish @13.0 Triggered 01/01/2016**	**1/1/2017 Report Announcement reentry - @ 21.6 POM 13**	BULLISH	Net long	None	1st Daily ABC up to 22.75	Weekly 1ST Target PECD- 24.5	pull back to CZ 21.4-22.4 rejected lows with Bullish Bottom ***Triggered Recycled entry 5/7***	Target Lows of 21.5 Rejected with Bullish Bottom	Weekly 2ST Target PECD- 26.0

- **½ Trading Position – Entry @ 21.25 - Jan 01 (up 2.5% Year to date)**
- On 5/07 Report : Announcement: Recycled entry at PEC-D 21.8 within CZ 21.25-22.4. Stop loss 19.0
- Weekly Close above 23.0 will target 24.5 very quickly
- **In 2017 : Twice we have taken profits in Trading position in GDX : 5 points and 3 points to maximize the gains**
- **Suggested Junior Miner with heavy volatility**: MUX, GPL, GORO, HL
- **Suggested Senior Miner**: RGLD, SA, and FNV.

2016 - Core Position: Net long since POM 12 trigger: at 13.0 (1/1/2016) . Holding initial 1/2 position **(up 67% - since our main entry)**

Market Overview GOLD

USD: **We Triggered Sell Signal in USD at 102; the downside projection target to 96 – Met**

Past Friday USD broke down further past our 1st downside projection of 96. The bounce appears to be failing. The larger ABC down projection to 92.

AUD : We Triggered Net long in AUD at 71; the upside projection target to 80

Past Friday AUD broke out multi month high. This is great signal for commodities. Currency of our choice since 2016 Jan @ 71

Commodity : As indicated in last week's report, Commodity ratio with respect to SPX is at extreme levels. Commodity's appears to be bottoming. (Refer chart below)

GOLD :

Weekly close above 1255 will target 1290 very quickly to initiate a very large ABC up.

Precious metal market is digesting the imbalances of Flash Crashes in Silver and Gold. It could be a fat finger trade or manipulation. CFTC is investigating the cause.

Geopolitical risk and uncertainty still remains, in time like this, Gold is not anyone's liability. The "fear trade" for low-to-negative Government bond yields is likely to continue to support gold, with rates still historically low and inflation in the 2% range, government bond yields are low to negative, in some cases,"

"Currently gold only represents 2% of China's foreign reserves. Compare that to the U.S. where gold represents 75%," there is still an enormous opportunity for China to continue to accumulate GOLD ."

Silver is getting very attractive. The ratio has it 76:1. The long term mean is 55.

GDX: pulled back into CZ 22.40-21.4 with lighter volume. It rejected the lows with Bullish Bottom. **Projected ABC up target to 24.5.**

Our recommended Gold stocks within senior miners group, **FNV, RGLD (both** royalty stocks) and SA within XAU and HUI have been leading the Indices higher.

GDX internals have turned Bullish. The Up / down Volume percent indicator which has made higher lows as GDX made Lower lows ; a bullish divergence (same condition for Advance/Decline percent- a bullish divergence).
Both Indicators are now above 0 which is bullish.

GDX has made lower lows and the GDX/GLD ratio is matching its previous low showing GDX/GLD ratio is stronger than GDX which is bullish divergence. Volume needs to pick up soon for continuation move higher.

The monthly chart for GDX remains bullish. GDX rejected the pullback CZ 21.4-22.4.

GOLD – Daily chart Analysis

GOLD rejected the pullback PEC-D 1245 with Bullish Bottom and rally began with sign of strength.

Weekly close above 1260 will target 1290 very quickly to initiate a very large ABC up.

GOLD – Monthly chart Analysis

GDX – Monthly chart Analysis

RGLD vs GDX – Daily chart Analysis

Our recommended senior miners FNV**, RGLD (both** royalty stocks) have been leading the Indices higher. It is positive Divergence.

BCOM – Monthly chart Analysis

Bloomberg Commodity Index ($BCOM) lost 70% in the past nine years. Chart suggests, however, that commodity prices may be bottoming. Pull back is rejecting the CZ. Prices have been printing higher highs since 2016. The RSI line appears to have bottomed with positive divergence". MACD which are also in positive alignment.

BCOM – Weekly chart Analysis

The weekly Chart also suggest that a bottom is being formed in the **Bloomberg Commodity Index**. First of all, the Pull back is rejecting the CZ of its 2016 rally. In addition, the RSI line is starting to rebound from oversold territory near 30. And weekly MACD lines about to turn positive. The chart suggests that commodity prices may be in the process of forming a major bottom that started in early 2016. .

DBB – Monthly chart Analysis

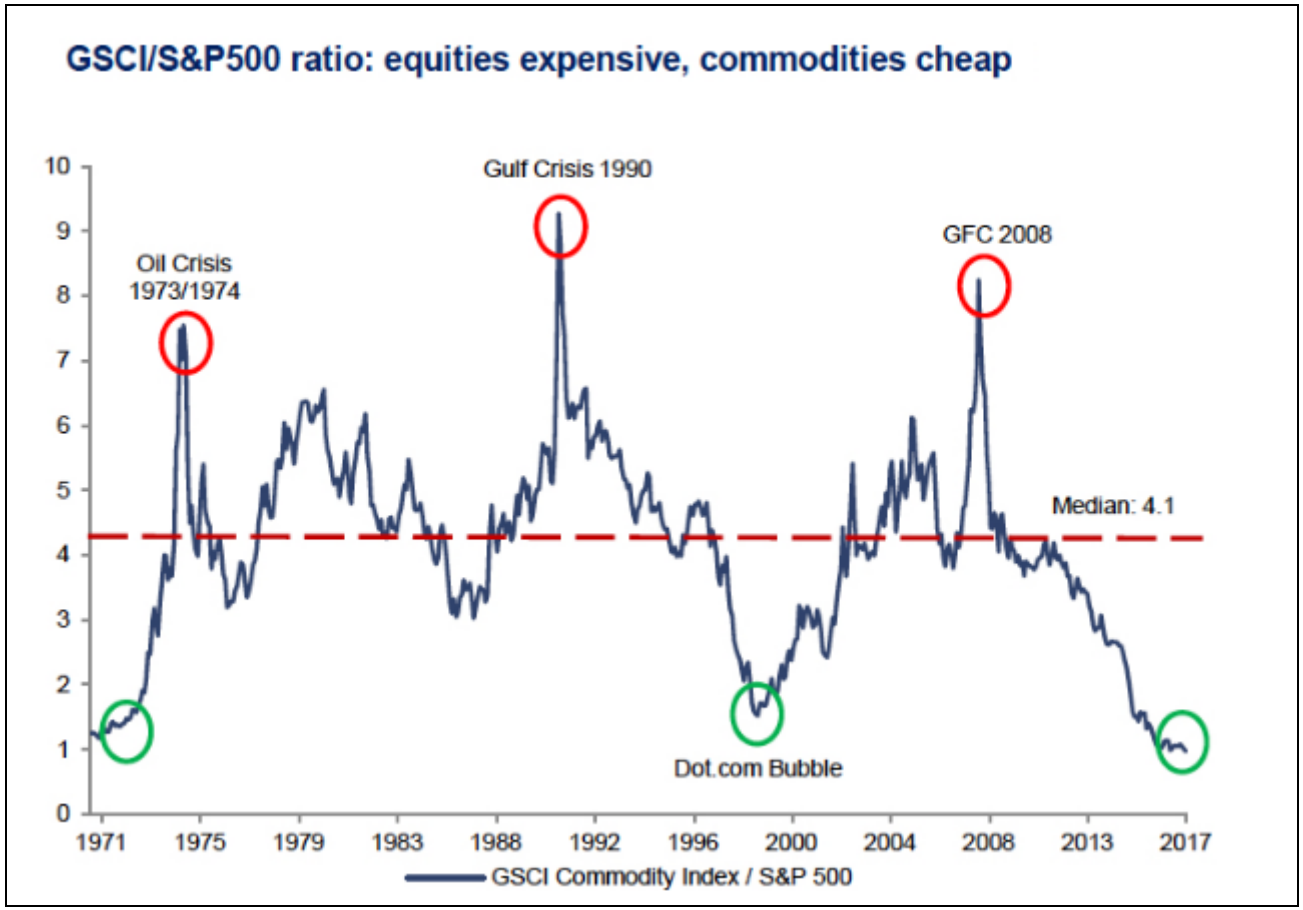
Base Metals Fund (DBB) having also bottomed. They show the 2016 bottom to be a successful test of its early 2009 bottom. DBB has cleared a major trend line.

AUD – Daily chart Analysis

Past Friday AUD broke out multi month high. This is great signal for commodities. Currency of our choice since 2016 Jan @ 71

(Repeat chart) SPX / COMMODITY - Spread Analysis – C Z- PEC- D- Monthly

Since 1970, commodities have never been cheaper relative to equities than they are right now.



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 are 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

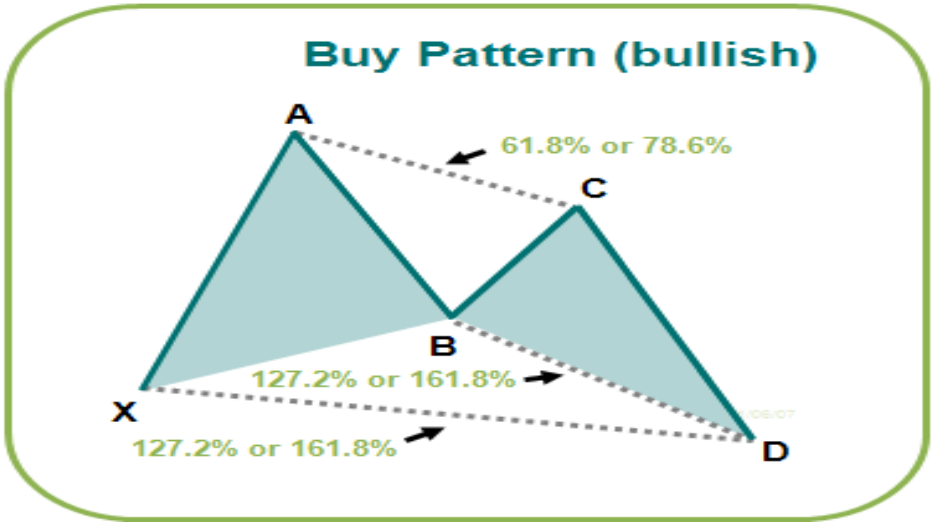
- ***POM is rated from 10 to 15***
- *POM 14 , 15 (is Sell Signal)* and *12 , 11 (is Buy Signal)* both are the Actionable Area whereas *POM 13* is A *Neutral Signal* for Risk management
- On way *UP* move, *POM 13* signifies to *STOP* executing additional 'New Buys" that was initiated at *POM 12 or POM 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)***

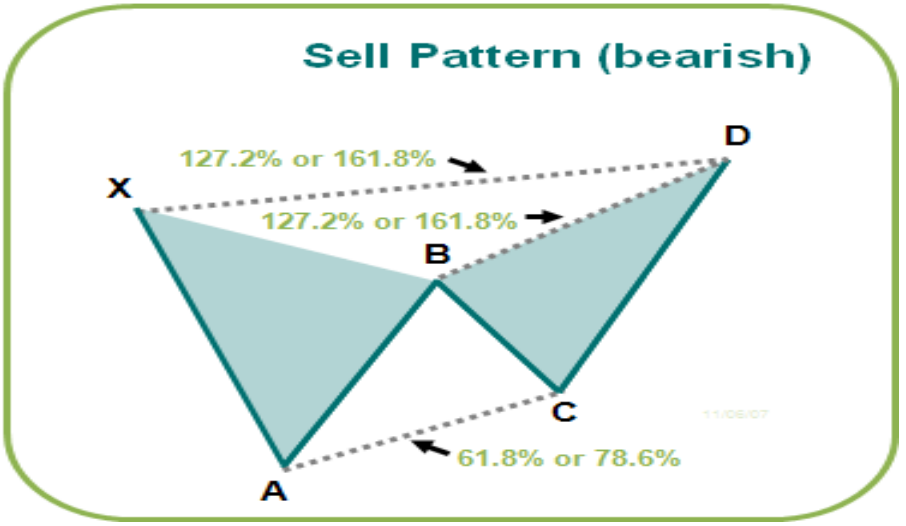
Pythagoras Expansion / Contraction – (PEC) Model

- 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





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