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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))	<u>Upside CZ Near Term</u>	<u>Upside CZ Mid term</u>	<u>Downside CZ Near term</u>	<u>Downside CZ Mid term</u>	Remark
<b>GOLD</b>	1172	<b>POM 12 Bullish @ 1070</b> Triggered 01/01/2016	Triggered POM 13 Avg of 1173	<b>BULLISH</b>	Net long 17.5%	Marked to Market @ 1152 on Jan 1 <sup>st</sup>	First upside to 1210	Rally to breakdown area 1260	Possible pull back to 1160	Decline to 1165-80 Exceeded and put in lows at 1125.	Target 2 <sup>ND</sup> Weekly ABC up to 1400 <b>Bullish top</b>

- We scaled into GOLD Net long POM 13 position ; avg price 1173 ( 4 entries @ 1210, 1185, 1164,1134).
- Currently we are **Breakeven on** our position at 1173
- On 1<sup>st</sup> Jan Marked to Market at 1152 as cost basis

Our Core entry Net long since POM 12 trigger: at 1070 ( 1/1/2016) . Holding initial 8.5% position.

**Keep stop losses based on risk appetite, volatility and asset allocations.**

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<b>GDX (XAU /HUI MINERS COR)</b>	22.5	<b>POM 12 Bullish @13.0 Triggered 01/01/2016</b>	Triggered POM 13 Avg of 21.57 ( GDX 22-20)	<b>BULLISH</b>	Net long 17.5%	Marked to Market @ 1152 on Jan 1 <sup>st</sup>	First upside to 25	Rally to breakdown area 29	Possible pull back to 21.5	Decline to 20-21 Exceeded and put in lows at 19.5	Target 2 <sup>ND</sup> Weekly ABC up to 32 <b>Bullish top</b>

- We scaled into GOLD Net long POM 13 position ; avg price 21.57 ( 4 entries @ PEC-D 23.7, 21.8, 20.1,19.7)
- Currently GDX is at 22.5.....( **5% profit**)
- On 1<sup>st</sup> Jan Marked to Market at 21.0 as cost basis

Our Core entry Net long since POM 12 trigger: at 13.0 (1/1/2016) . Holding initial 8.5% position.  
**Keep stop losses based on risk appetite, volatility and asset allocations.**

## Market Overview GOLD

**USD**: USD topped out at 103.5 and began its decline as expected. It is trying to fail at its 13 year high levels.

After the false break above 102, the retest of A point with C point with loss of momentum on upside is showing negative divergence. USD Gapped down with volume past week. We are now seeing a counter trend bounce which should fail in the Gap and continue PEC-D down to 100 to rebalance highest volume area where the price strength initiated.

**GOLD**: Initiated the rally last week of December. December turn cycle dates and planetary alignment forecasted in last Report, triggered pretty much at the lows in GOLD to initiate rally 50 points. Wall Street Money flow indicator has been suggesting move back into oversold assets of 2016. Short Gold / Long SPX PAIR trades are unwinding as expected. Price Momentum indicator has turned up.

GOLD may be in the first stage of a significant rally. Gold has burst out of the short-term down channel, and the recent action of the “smart money” commercial traders is very positive. This COT for gold shows the commercial traders not only covering short positions in the latest reporting period, but also adding a nice number of longs. This is very encouraging news.

Fundamentally, inflation as suggested by Commodity Index has begun to pick up in base and industrial metals. Last week we indicated charts showing pick up in volume in that area on the 1<sup>st</sup> leg up. We will wait for meaningful retracement to judge the quality of pull back and add position in base metals.

**Once GOLD closes above 1180, it should rally to our target of 1210. .**

**GDX**: Has taken off very well from the lows. The GDX/GLD ratio leads the way for GDX which is a bullish sign. . This Bullish divergence by the Bullish Percent index suggests a new uptrend has started.

# USD – Daily Chart Analysis

After the false break above 102, the retest of A point with C point with loss of momentum on upside is showing negative divergence. USD Gapped down past week with volume. We are now seeing a counter trend bounce which should fail in the Gap and continue PEC-D down to 100 to rebalance highest volume area where the price strength initiated.



# GDX – Daily chart Analysis

Notes within the chart



# GDX / GLD Analysis

The RSI of GDX/GLD ratio broke above the 50 ( blue arrow) and the last time that occurred was at the January 2016 low. This condition suggests the uptrend in GDX has begun. The GDX/GLD ratio leads the way for GDX. GDX broke to a new low in December and GDX/GLD ratio matched its previous low showing GDX/GLD ratio was stronger than GDX and a bullish sign. GDX/GLD ratio is near matching the November high and GDX is lower than the November high showing GDX/GLD ratio is leading the way for GDX. It looks by this comparison GDX is heading to the 25 projection.



## GDM / XAU Analysis

The Gold miners index (GDM) is getting stronger. 35% of stocks in the GDM on Point and figure buy signals. On November 3, 2016 there were 30% gold stocks on buy signals even though the XAU was higher back then compared to today and the Bullish percent index is higher. There was also a bullish setup in December where the XAU made a lower low compared to November low and the Bullish Percent index made a higher low compared to November low. This Bullish divergence by the Bullish Percent index suggests a new uptrend has started.



# GOLD – Weekly chart Analysis

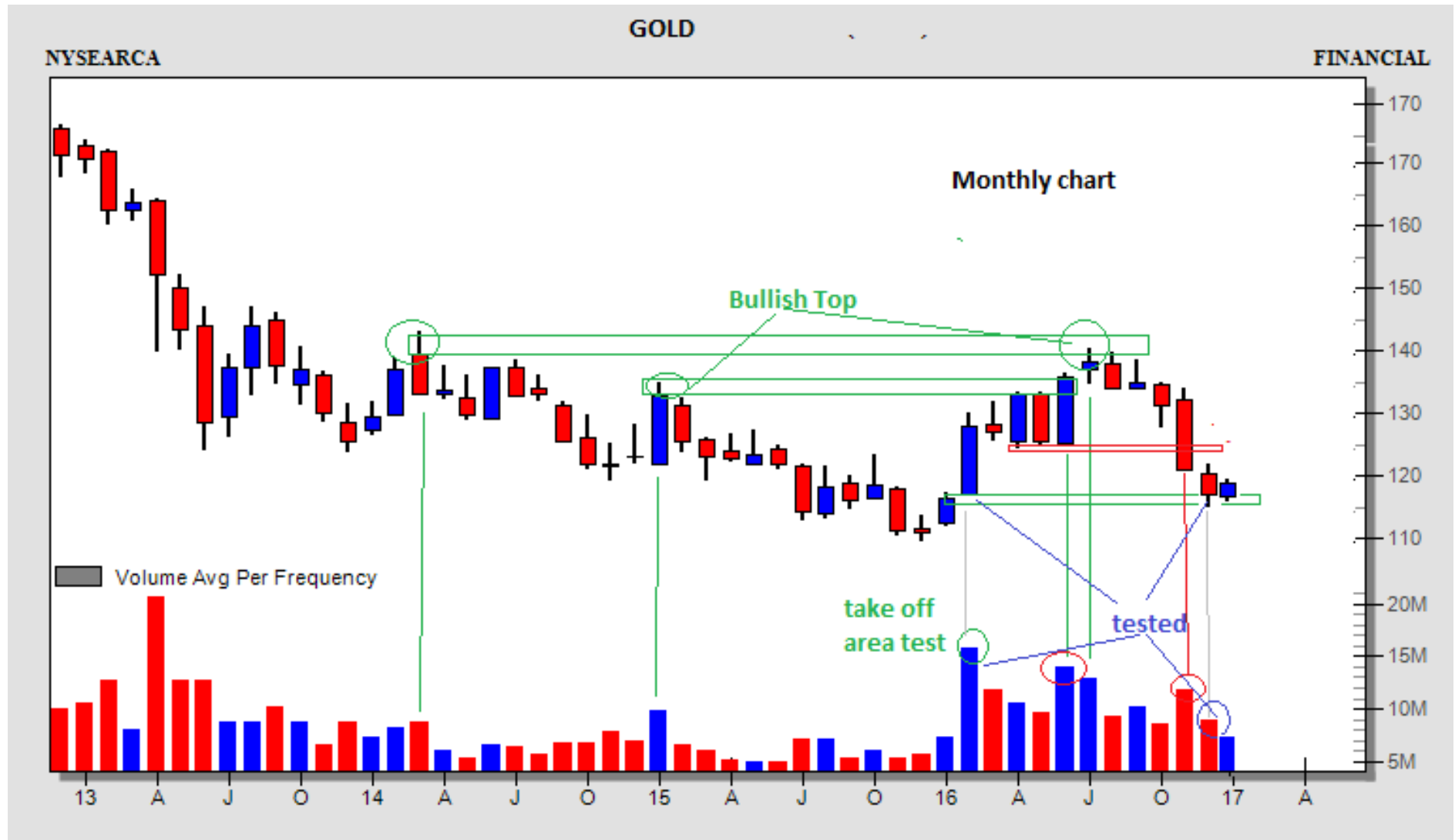
Notes within the chart. : Pull back stopped at the breakout trend line and GOLD has been rallying back with volume expansion since that point.





# GOLD – Monthly Chart Analysis

Notes within the chart: Monthly charts tend to overrule the daily and weekly chart to consider the bigger picture. Appears the 1150 is tested successfully. We need pick up in volume for month of January during price expansion.



# 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**)

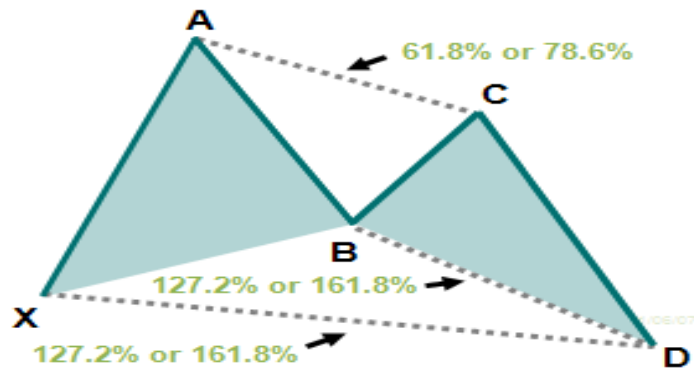
# Pythagoras Expansion / Contraction – (PEC) Model

- 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

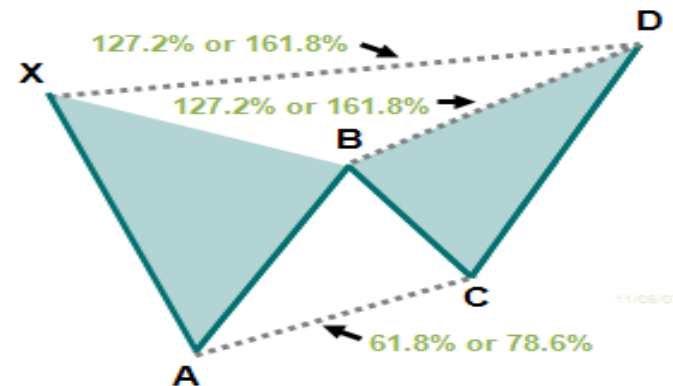
## PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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