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## IMMINENT PM SECTOR BLOODBATH - here's what you do...

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Gold, silver and Precious Metals stocks are set to drop hard, and very soon, for reasons discussed in the article posted earlier today in [Silver Breaks Lower – Gold and PM Stocks Set to Plunge](#) a big one being the now very bearish COT structure for both metals.

There are several ways to effectively deal with this situation, to at the least escape harm, and at best to turn the situation to your advantage and profit from it. One is to sidestep the expected drop by selling existing holdings. On the site we already did this to a large extent over the past week or two. If you don't want to do that perhaps because you are afraid of the sector turning round soon and going roaring up again, then another choice is to hedge using either leveraged inverse ETFs or possibly options such as Puts in GLD or a mixture of inverse ETFs and Puts. Finally, the more aggressive and opportunistic trader will both take profits in existing holdings, if still long, and then turn the situation to his advantage by buying bear ETFs and Puts in the sector. The way you handle it depends on your personal situation and priorities. What follows are some suggested vehicles for either hedging or profiting from the expected drop....

### **Double leveraged gold inverse ETFs**

#### **DB Gold Double Short ETN, DBB \$6.40**

This dropped steeply on gold's recent rally, and should of course do the opposite when gold plunges, resulting in useful gains. It's worth noting that this is a Deutsche Bank product, and while DB is certainly on the ropes, the chances of it going belly up in the next few weeks are regarded as slim.

If gold drops back hard, as it is expected to, then this should make substantial gains from here - a rally to the \$7.75 - \$8.00 area looks probable. While this not not seem like a fabulous % age gain, it's certainly preferable to staying long and losing money. Note that this is a Deutsche Bank product, and while DB might go bust before much longer, it's extremely unlikely that it will happen before this makes the move that we are expecting.



**ProShares Ultrashort Gold GLL \$84.81**

Given the additional, if slight, risk involved with DB products, it's perhaps better to go for the ProShares 2X inverse gold ETF, GLL, whose chart and outlook is very similar to DBB...

If gold drops back hard, as it is expected to, then this should make substantial gains from here - a rally to the \$102.50 - \$105 area looks probable. While this not not seem like a fabulous % age gain, it's certainly preferable to staying long and losing money.



**Triple leveraged gold stocks inverse ETF**

**Direxion Gold Miners Bear 3X Shares, DUST \$4.71**

For those who really want to crank up the leverage we have the triple leveraged inverse gold stock ETF, DUST. Now, I know we got burned by this a couple of times in recent weeks, buying it too soon, but this time we have the COTs on our side (and therefore Big Money) as never before. So if you are still holding this and showing a loss, there is thought to be a good chance you will get your money back – and more. If you got stopped out and buy it now, you should get your money back and more still. Finally, if you didn't get involved with it, it looks most attractive here. In all cases remember that it is highly speculative and not suited to inexperienced investors of a nervous disposition...

If gold and PM stocks drop hard soon, as is STRONGLY suggested by gold and silver's latest COTs, then this is going to soar - it should at least double, and possibly treble from here. We got caught buying this too early in recent weeks - twice - but got stopped out. If this included you there are several ways to look at it - if you didn't get stopped out and you are still long you should make your money back, and maybe more. If you got stopped out you made a loss, but if you buy it here you should get your money back and make gains. If you didn't get involved with it, you have a "clean slate" and it looks very attractive here.



**Puts**

For those experienced traders who want even more leverage, Put options in the big gold ETF, GLD, \$117.11, which have good liquidity and narrow spreads, are a possibility. Suggested are the April series, which have enough time to expiry, in the \$110 - \$114 strike range, such as the April \$111 at \$1.03 ask (close Friday). Puts in the Market Vectors Gold Miners, GDX, \$18.69, may also be considered, where spreads are reasonable, suggested is the April \$16 Put at \$0.40 ask (close Friday).

End of update.

Note that this article will be filed under ETFs in the Archive.

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