

[Print this Article](#)[\[Close Window\]](#)

GDX URGENT UPDATE - I spy with my little eye - A GRAVESTONE DOJI...

originally published March 4th, 2016

If there's one thing more heretical than being dumb enough to slander Donald Trump, like Mitt Romney, who "drew the short straw" yesterday and ended up being made to look a total idiot, it's being cautious on the PM sector, like me, because most everyone is bullish on the sector and dissent is met with harsh rebuke.

Now don't get me wrong, I do believe a new sector bullmarket is starting, but I have seen signs that it has gone too far, too fast, and so, it would seem, have the Commercials, who have never been concerned about being popular with the ordinary investor. That's why I have been on the lookout for a correction. Furthermore, if a major dollar upleg should perchance develop, the correction is likely to be nasty, and that is certainly not out of the question given Europe's descent into chaos, which will see the euro heading for oblivion.

So I am intrigued to see a very bearish looking "Gravestone Doji" appear on the chart for the GDX as we head towards the close today and the close of the week's trading, and am keen to bring this to your attention in sufficient time before the close so that you can take whatever action you deem appropriate according to your personal situation. As we can see on the 3-month chart for GDX below, there is a wonderful symmetry to the chart, with the Gravestone forming right at the top of a Dome pattern.

Onwards and upwards - until a very bearish "Gravestone Doji" appears and the music suddenly stops. With a fine display of harmony and symmetry the Gravestone forms right of the top of the Dome pattern. Normally the appearance of such a candlestick means trouble, so PM stocks should head down next week.



As Steve Nison writes in his terrific book "Japanese Candlestick Charting Techniques" – "The gravestone's forte is in calling tops. The shape of the gravestone doji makes its name appropriate. As we have discussed, many of the Japanese technical terms are based on military analogies. In Japanese candlestick literature, it is said that the gravestone doji represents the gravestone of the bulls that have died defending their territory." So there you have it.

Many analysts, including Rambus and others, have described gold's recent tight Triangle as a Flag, that will lead to another big leg up. Maybe they are right, but I have not been able to accept that it is a valid Flag, not just because of the huge ramp in Commercial shorts, particularly in silver, but because volume has not died back as it should have done, if this is a true Flag. I remain suspicious that the "breakout" of the past day or two is false.

End of update.

Posted at 3.35 pm on 4th March 16.

[Print this Article](#)[\[Close Window\]](#)

PM SECTOR update - not a Flag / Pennant, but a top - NEW LONGS ABOUT TO BE FLEECED...

originally published March 6th, 2016

Many analysts and writers have described the pattern forming in the past couple of weeks in gold as a "bull Flag or Pennant" with some appearing to be "playing to the gallery" – i.e. telling their audience what they want to hear, which is that gold will continue to go up. I, on the other hand, decided that the triangle that had formed was not a continuation pattern, but a top, and said so about a week ago. So, as you can readily understand, I was not looking good when gold seemingly broke out upside on Thursday, and came in for considerable flak. However, on Friday there were some dramatic developments across the sector which look set to vindicate my stance.

When you buy a used car it is not enough to look at the clean shiny exterior and decide as many do, that the car is good – you have to look at what its internal state is – the condition of the motor and the transmission etc. which means you have to poke around and dig deeper. In the same way it is not enough to look at the price pattern in something like gold and say "It looks like a bull Flag and therefore it is a bull market" – you have to know what's going on beneath the surface - in the "internal plumbing" of the market so to speak, and we do this by using price data and the volume pattern, and as we will see, the internal state of this market is not good at all and calls for a sharp drop soon that will take most by surprise. There are a number of compelling reasons to expect an intermediate correction in the Precious Metals sector imminently that could be severe, which we will now proceed to look at.

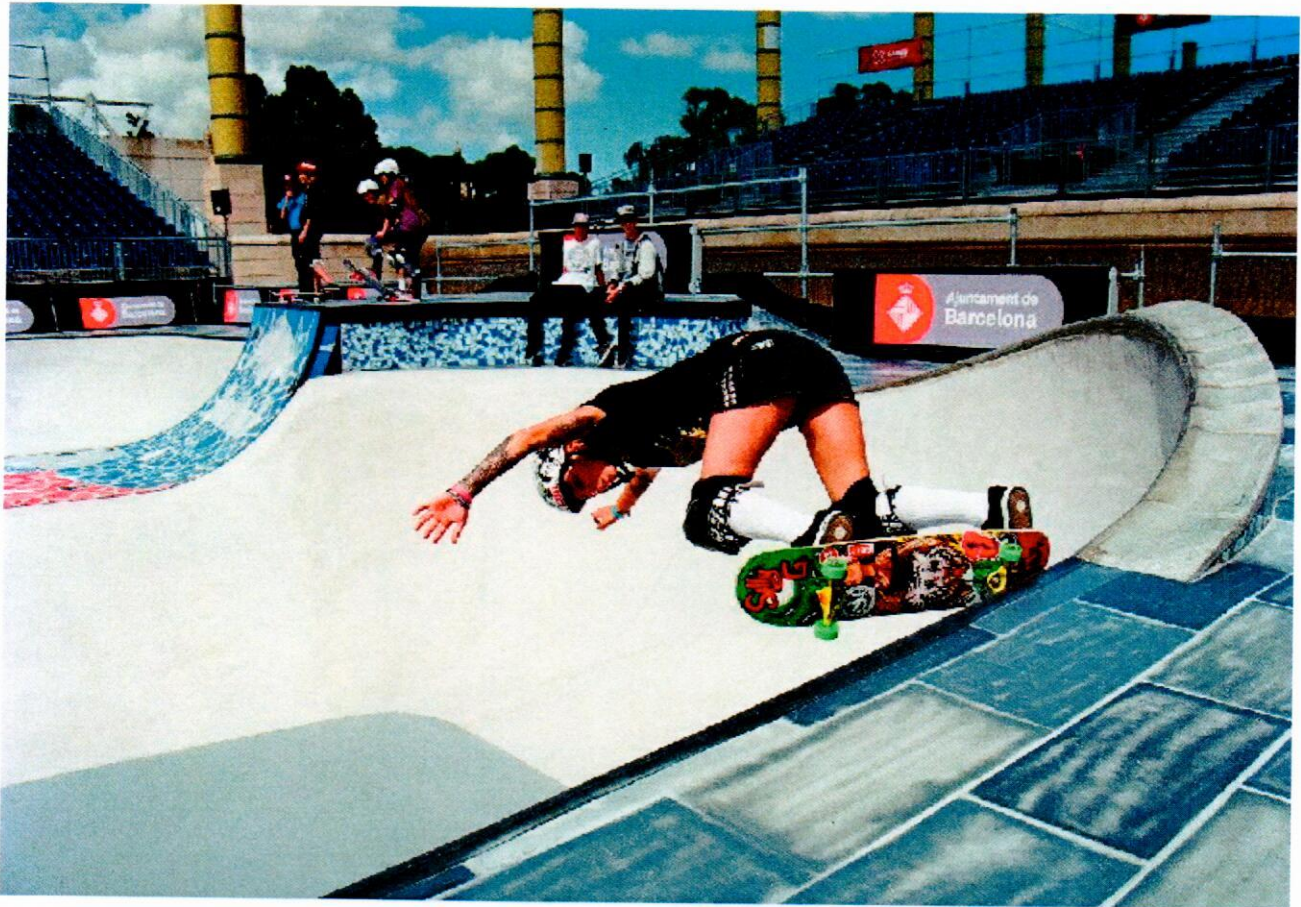
Starting with the 1-year chart for gold, we see that it has made a parabolic slingshot advance that has brought it to the trendline target shown, where the advance hit a wall. Many are expecting the choppy action of the past couple of weeks to be followed by another sharp upleg, but that looks highly unlikely for several reasons. In the 1st place, look at how steep the parabola has become – even if gold has started a new bullmarket, do you really expect it to just go up vertically, like a rocket, without any reactions or periods of consolidation?

It is being widely touted that the pattern of the past couple of weeks is a bull Flag, and the Bugs are lapping it up. We view it instead as an intermediate top for several reasons - 1: gold has hit a trendline target as shown, 2: the parabola that has driven the slingshot move has become impossibly steep, meaning that this rate of price appreciation is unsustainable and 3: the volume pattern is not consistent with Flag development - volume has remained high as the pattern has formed, which is negative. 4: latest COTs are bearish with the Commercials having built up a huge short position. Gold is therefore expected to break down from the parabola soon and drop steeply.

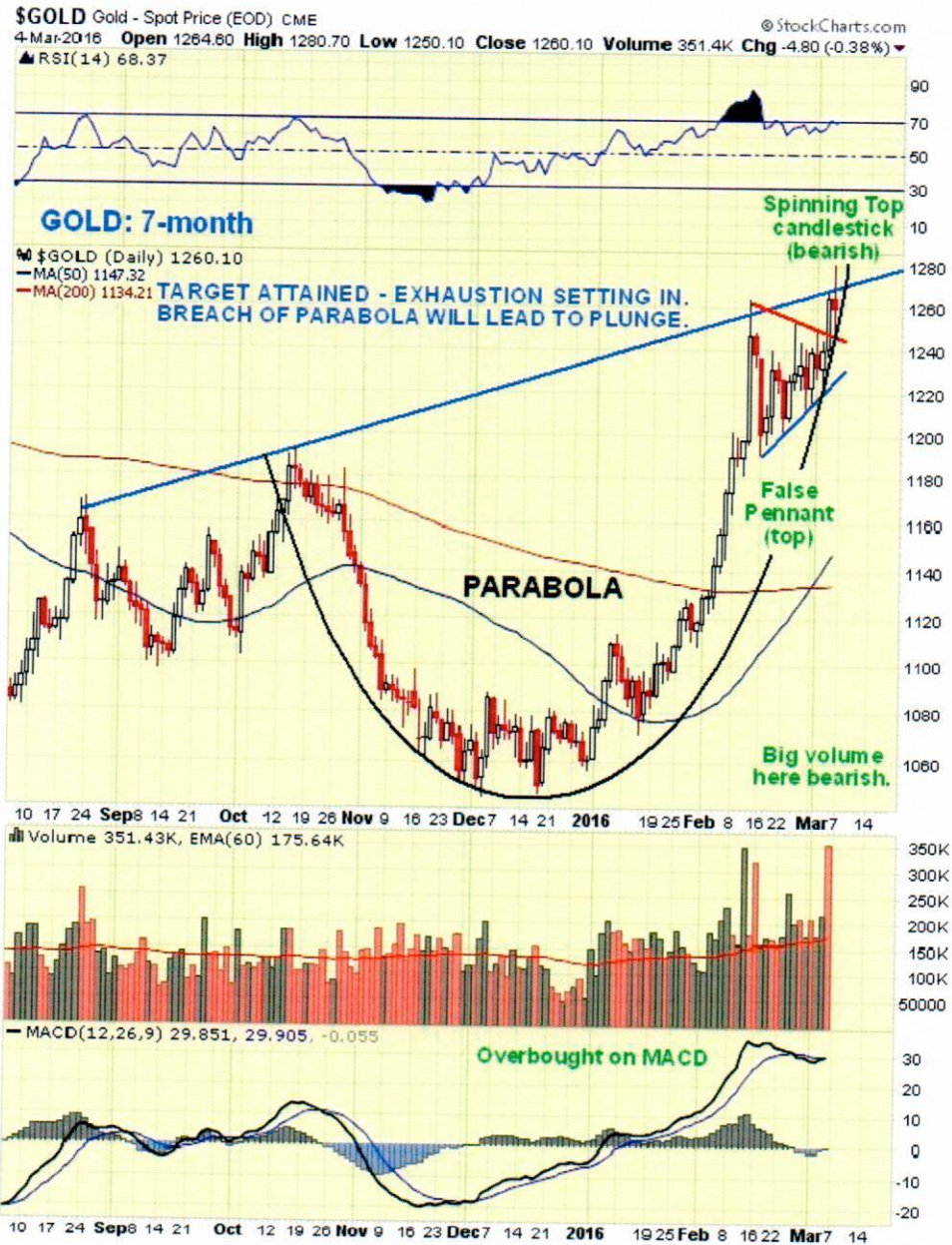


If you think that gold is going up from here, I suggest you take a trip down to your local skate park and watch the kids in action. See what happens immediately after they zip up a ramp that becomes vertical – if they are good they might work in some turns or spins, like the triangle on our gold chart, but after that it’s kind of difficult to resume the upward path. Take a look at the following picture and rate the chances of the skater going vertically upwards from this position. Not very high are they? – so why do you think gold should be any different after its vertical ramp?

A skateboarder demonstrates what happens after a vertical ramp up as we can see, there's not much immediate upside in this situation

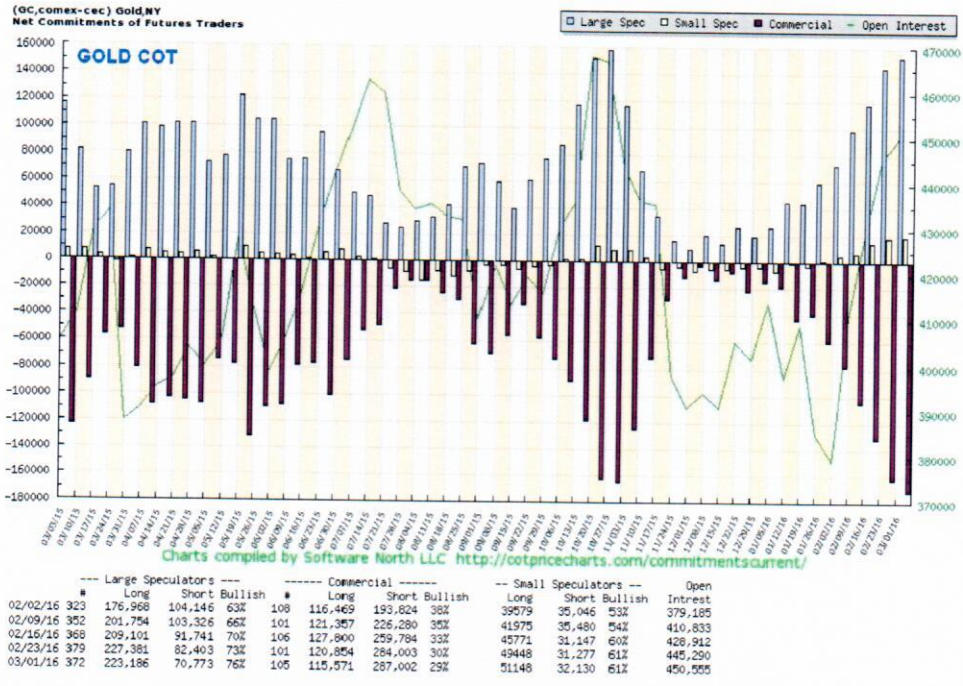


Another important reason why the triangular pattern of the past few weeks is not viewed as a valid Flag or Pennant, is that the volume pattern is not consistent with it being one. Volume should die back steadily to a low level as the pattern forms, and clearly it has not, as can be seen on the 7-month chart for gold below. Thursday's supposed breakout from the Pennant, which is viewed as false, did not make it to the target line projected from the peak of last August, then on Friday a "Spinning Top" candlestick appeared whose bearish implications were magnified by the fact that it occurred on multi-month record volume, and confirmed by very bearish candles appearing all over the sector at the same time.



The latest gold COTs are a disaster with Commercial shorts, which were already high a week ago having piled up even more, and since data is for Tuesday night's close, you can bet that they went even higher on Thursday's advance to new highs. Now, I've heard the justification that they reach higher peaks in a bullmarket uptrend, but even so, taking the other factors detailed here into account, this bad - *and it won't be the Commercials on the losing side if gold if now proceeds to drop.*

While Commercial short positions can go even higher in a bullmarket before a peak occurs, they are now at a very high level, and they got here fast. This means that the Commercials are positioned to make a lot of money if gold now drops - and you know what? - these guys are always on the right side of the trade. So this, taken together with the other factors we are now seeing, suggests that gold (and silver) will soon drop hard.



Click on chart to popup a larger clearer version.

Our next chart shows that there aren't many investors left to turn bullish on gold stocks, which is clearly a dangerous situation. The Gold Miners Bullish Percent Index has ramped from about 14% to 72% in just 6 weeks...

Whilst it is true that this indicator rises to higher levels during a bullmarket, the current very high level of bullishness, arrived at quickly points to a correction soon or at least a period of consolidation.



They're nearly all in – so it's fleeing time again!
A group of new longs contemplates their fate...



Now we will take a look at concurrent ominous developments across the sector late on Friday, which all point to the same thing – a breakdown and drop. We start with the 3-month chart for the Market Vectors Gold Miners, on which a very bearish prominent "Gravest Doji" appeared...

Onwards and upwards - until a very bearish "Gravestone Doji" appears and the music suddenly stops. With a fine display of harmony and symmetry the Gravestone forms right of the top of the Dome pattern. Normally the appearance of such a candlestick means trouble, so PM stocks should head down next week.



As Steve Nison writes in his terrific book "Japanese Candlestick Charting Techniques" – "The gravestone's forte is in calling tops. The sh the gravestone doji makes its name appropriate. As we have discussed, many of the Japanese technical terms are based on military analogies. In Japanese candlestick literature, it is said that the gravestone doji represents the gravestone of the bulls that have died defending their territory." So there you have it.

The very same candlestick also appeared on the Direxion Gold Miners Bull 3X Shares chart...

Onwards and upwards - until a very bearish "Gravestone Doji" appears and the music suddenly stops. With a fine display of harmony and symmetry the Gravestone forms right of the top of the Dome pattern. Normally the appearance of such a candlestick means trouble, so PM stocks should head down next week.



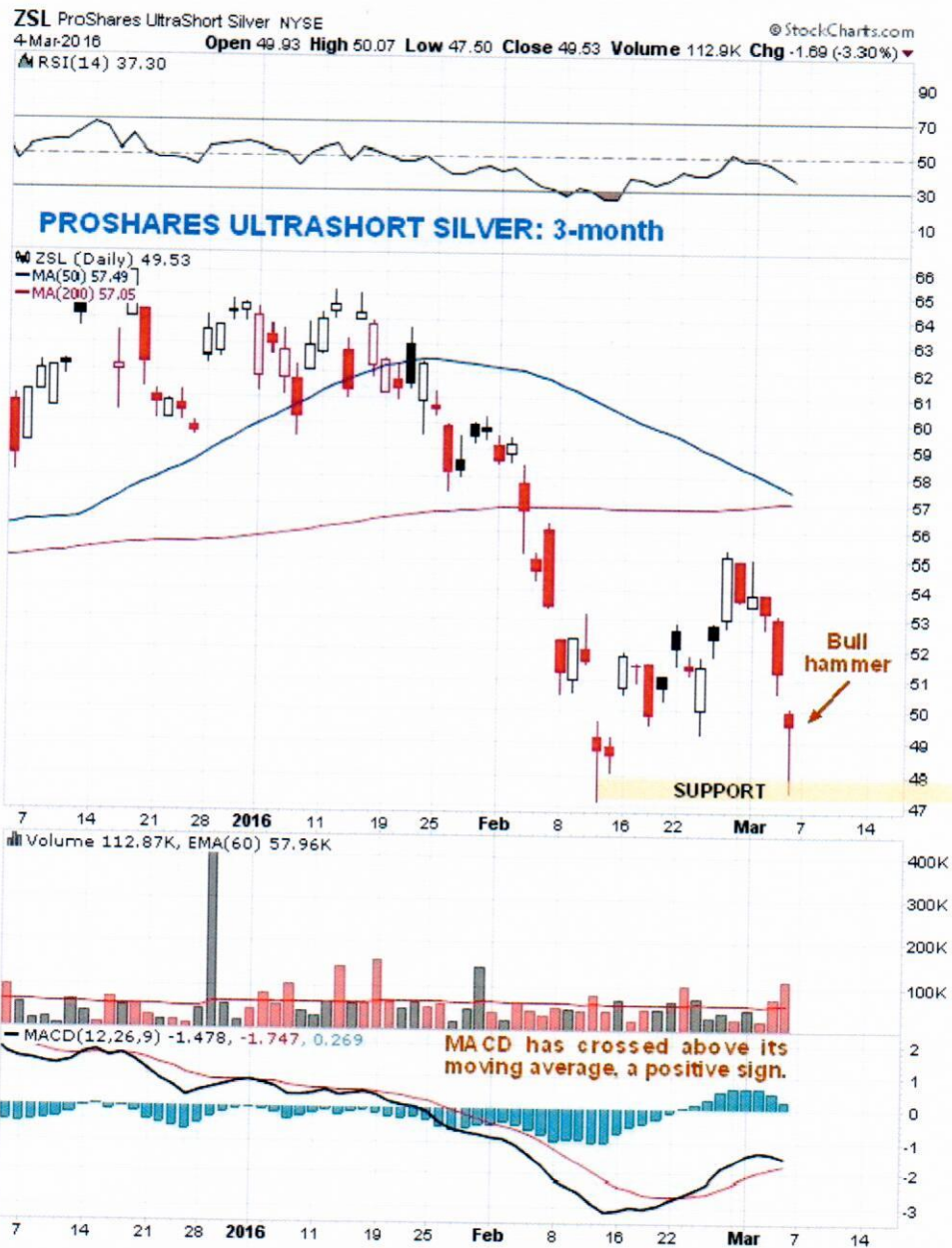
As you would expect the inverse candlestick, a "Dragonfly Doji", appeared on the chart for the Direxion Gold Miners Bear 3X Shares ETF what was notable here also was that volume exploded to titanic record levels, a sure sign of a reversal...

We've had several "false dawns" in this in recent weeks, but yesterday's bullish "Dragonfly Doji" on titanic record volume is viewed as a sure sign of a reversal - and an intermediate top in the PM sector.



Silver and silver related investments also showed reversal candles, with a fine bull hammer appearing on the chart for ProShares Ultra Silver, right at support at the February low.

ZSL put in a fine bull hammer at support indicating that it has bottomed and therefore that silver has peaked. This is a good to buy or buy Calls in.



Finally, the "Moron Index", a proprietary clivemaund.com indicator, has spiked over the past couple of weeks. This is carefully calculate the basis of the number of Emails I get from people telling me that I am wrong, and laced with insults and profanities. This is usually a reliable indicator, since such people, by their very nature, are led by cheerleaders, and thus invariably end up on the wrong side of the

Conclusion: we are at an intermediate top, and recent new longs will end up being fleeced.

End of update.

Posted at 6.50 am EST on 6th February 16.