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### A review of the bearish action in the PM Sector yesterday...

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This morning we are going to review the action in gold and silver yesterday, which was bearish. Gold started the day strong but couldn't hold it, and closed the day back near where it started leaving behind a bearish "shooting star" candlestick, which in this position normally leads to a decline. Technically what is happening is that the rising 50-day moving average has caught up with the price and is trying to force an upside breakout, but the time is not right because of the now large gap between the 50 and 200-day moving averages, the potential Head-and-Shoulders top in gold and the amplified risk of decline signaled by the extreme COT positions. Thus the risk here is now for a sharp drop. Longer-term the outlook for gold is very favorable and we should not lose sight of that.



Silver meanwhile put in a much more dramatic reversal candlestick on the biggest volume for 3 years. This candlestick approximates to a "gravestone doji" and in this position indicates upside exhaustion. Thus it looks likely that silver will now drop back.



PM sector bulls have had it all their own way for weeks, and there is widespread conviction and attendant complacency out there. Given what is going on with gold and silver, this is likely to be shattered soon by a big down day that leaves behind a large black candlestick on the PM sector index charts. GDX, whose chart is shown below, may be marking out a bearish Rising Wedge, if so and it breaks down from it, a nasty sharp drop could ensue.



The dollar hasn't done anything dramatic over the past couple of days, but put in a modest sized bullish "dragonfly doji" yesterday, which is similar to a bull hammer, but the high and close are the same (the opposite of what gold did). A couple of positive white candles appeared on the chart for dollar index proxy UUP too.



So it looks like the negative implications of recent COTs may be about to make themselves felt.

End of update.

Posted at 9.10 am EDT on 22nd April 16.