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DOLLAR REVERSAL HAMMER - implications...

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There are a couple of things that I want to bring to your attention this morning. One is that the long awaited reversal in the dollar (by us) seems to be starting, with a clear bull hammer appearing on the dollar index chart yesterday, after it looked like it was breaking down from a large top area. This was typical behavior by the dollar – getting everyone to think it was about to spiral down into the gurgler and then suddenly reversing to the upside. It’s not conclusive, but in this position the hammer that appeared means that there is a high chance that the dollar is reversing here. Maybe Yellen and her crew are about to do a rate rise, or maybe hearts are swelling with pride across the nation at Donald Trump’s success in Indiana – now he only has “ol’ thunder thighs” to contend with, and as a billionaire misogynist that shouldn’t be too hard. If the dollar is reversing here it would explain the crazy COT extremes in gold and silver that we have been concerned about for some time. We can see the reversal to advantage on the 3-month chart for the dollar index below.



Action in the dollar index is confirmed by the “bullish engulfing pattern” that formed in dollar index proxy UUP at the same time on good volume...



On the 2-year dollar index chart we can see how it looked like the dollar was breaking down from the large top area, and then it didn't, or hasn't so far, pulling back from the brink. This is typical action designed to get everyone on the wrong side of the trade...



Now you will understand why it is so concerning that almost everyone is bullish on the PM sector as shown by the latest 6-month chart for the Gold Miners Bullish % Index. At 82.7% bullish, there are precious few investors left to turn bullish on the sector – and any seasoned contrarian knows what that means.



What to do? – if holding PM sector investments hedge with options – Puts in GLD, Calls in the inverse silver ETF, ZSL etc, and used like this these options aren't speculative, they are simply insurance, and you

can be crafty with them, by ditching them for a nice profit if the sector reacts back, which insulates your stock holdings from loss, and you are back in the green at once when the sector turns higher again. If you can't – or won't – do options, consider taking some money off the table.

In other news, the visit to the lithium battery company in Illinois yesterday went extremely well, and I will be working on my conclusions in conjunction with the CEO and bringing them to you as soon as possible, probably in about 2 weeks. I don't normally veer off and do company visits, but believe me this really is worth it.

End of update.

Posted at 10.00 am EDT on 4th May 16.

Maund current location: Ithaca, upstate New York.