Rambus Chartology

Moving forward

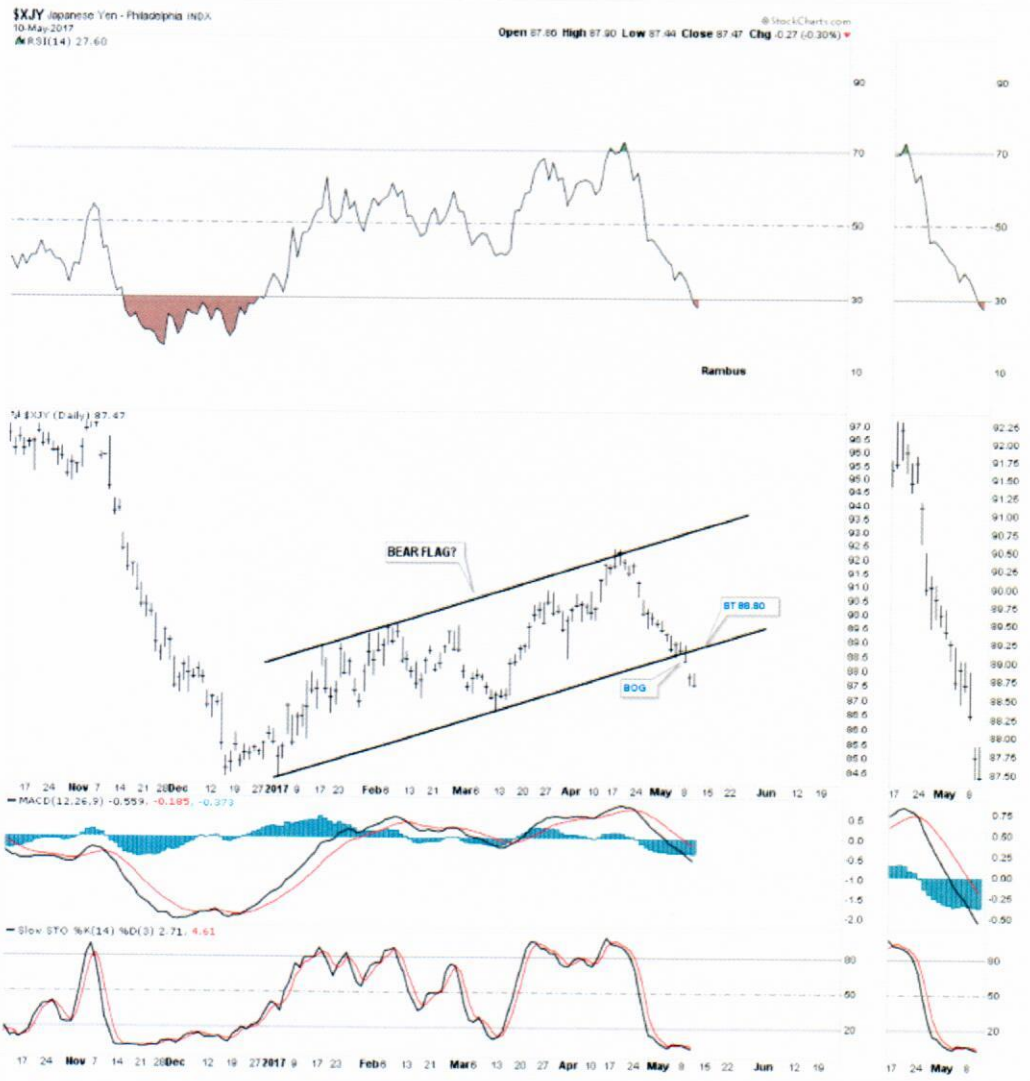
Wednesday Report…Gold : The Bottom Line

Posted on May 10, 2017, 10:17 pm by Rambus

Tonight I would like to start off by looking at some short term daily charts for several important currencies we've been following which began to build out in mid December of last year. This first chart is a daily look at the $XEU which has been one of the stronger currencies which just experienced what looks like a false breakout above the top rail of its rising wedge formation. As we've seen on the SLV chart recently, that false breakout was a bull trap and prices collapsed in a vertical move down.

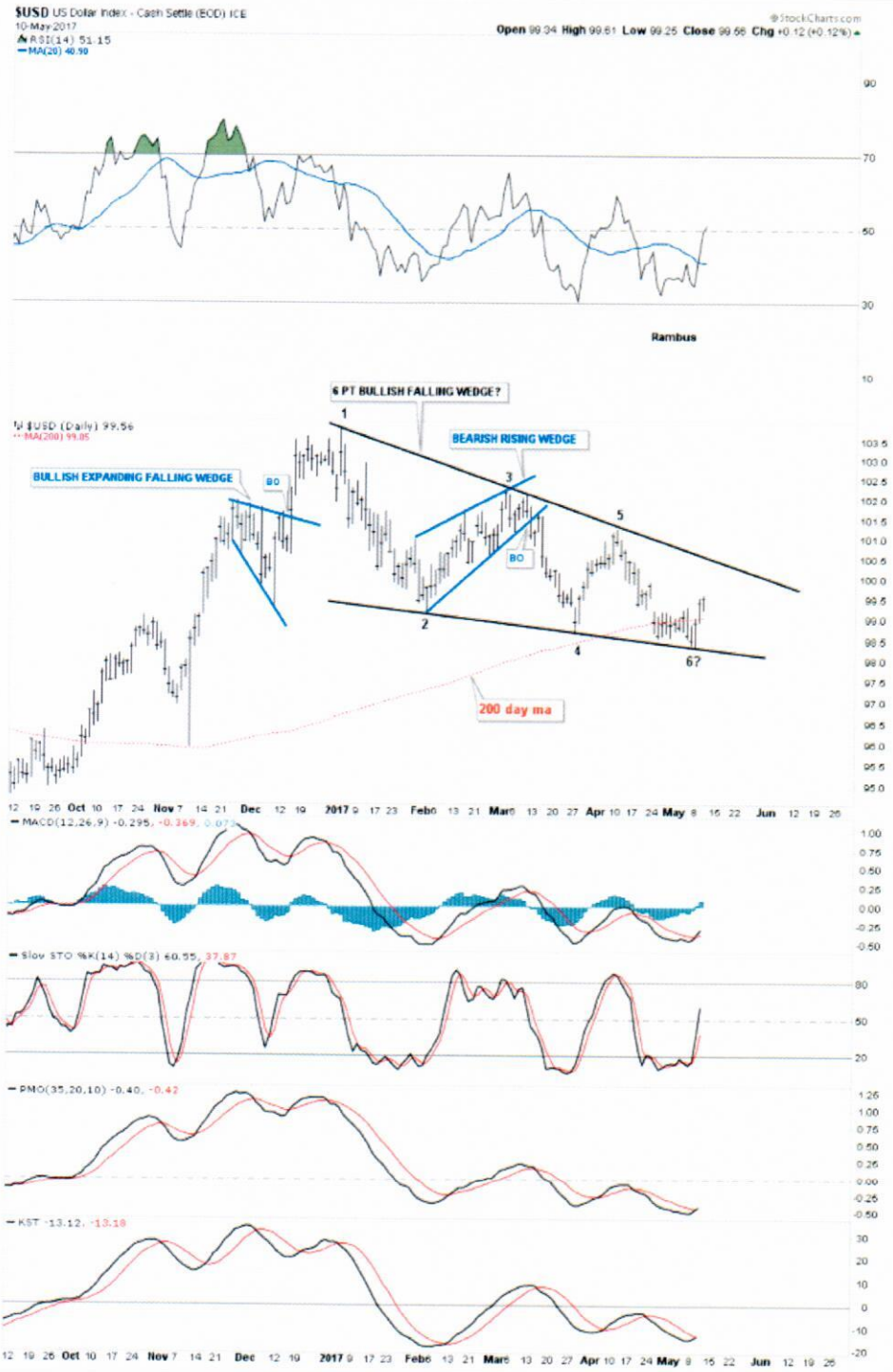
SLV's bull trap was sprung when the price action closed above the potential neckline that so many were looking at as a bullish setup. Once the trap was triggered SLV wasted little time moving down trapping the bulls with no way out except to sell in panic.

Next up is the $XJY, Japaneses yen, which broke out below the bottom rail of its bear flag with a nice breakout gap. A backtest would come in around the 88.80 area if there is one.

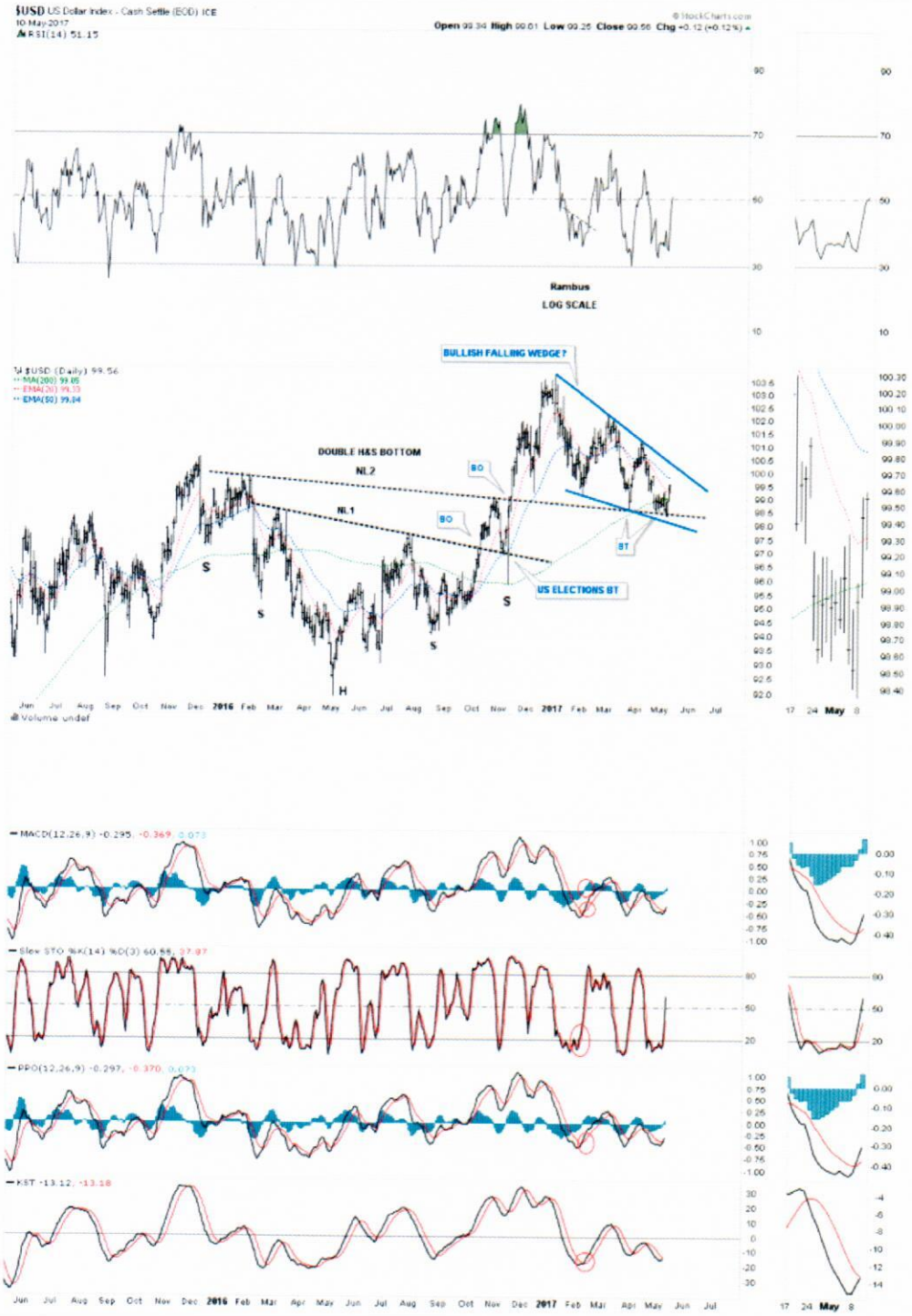


The $XSF, Swiss Franc, gapped below the bottom rail of its bearish rising wedge yesterday. A backtest would come in around the 99.85 area.

If the 3 currencies above are forming upward sloping patterns then the US dollar should be forming a downward sloping pattern. The daily chart below shows the US dollar attempting to put in the 6th reversal point in its potential bullish falling wedge. A breakout above the top rail will complete the 6 point pattern which should lead to the next impulse move higher.



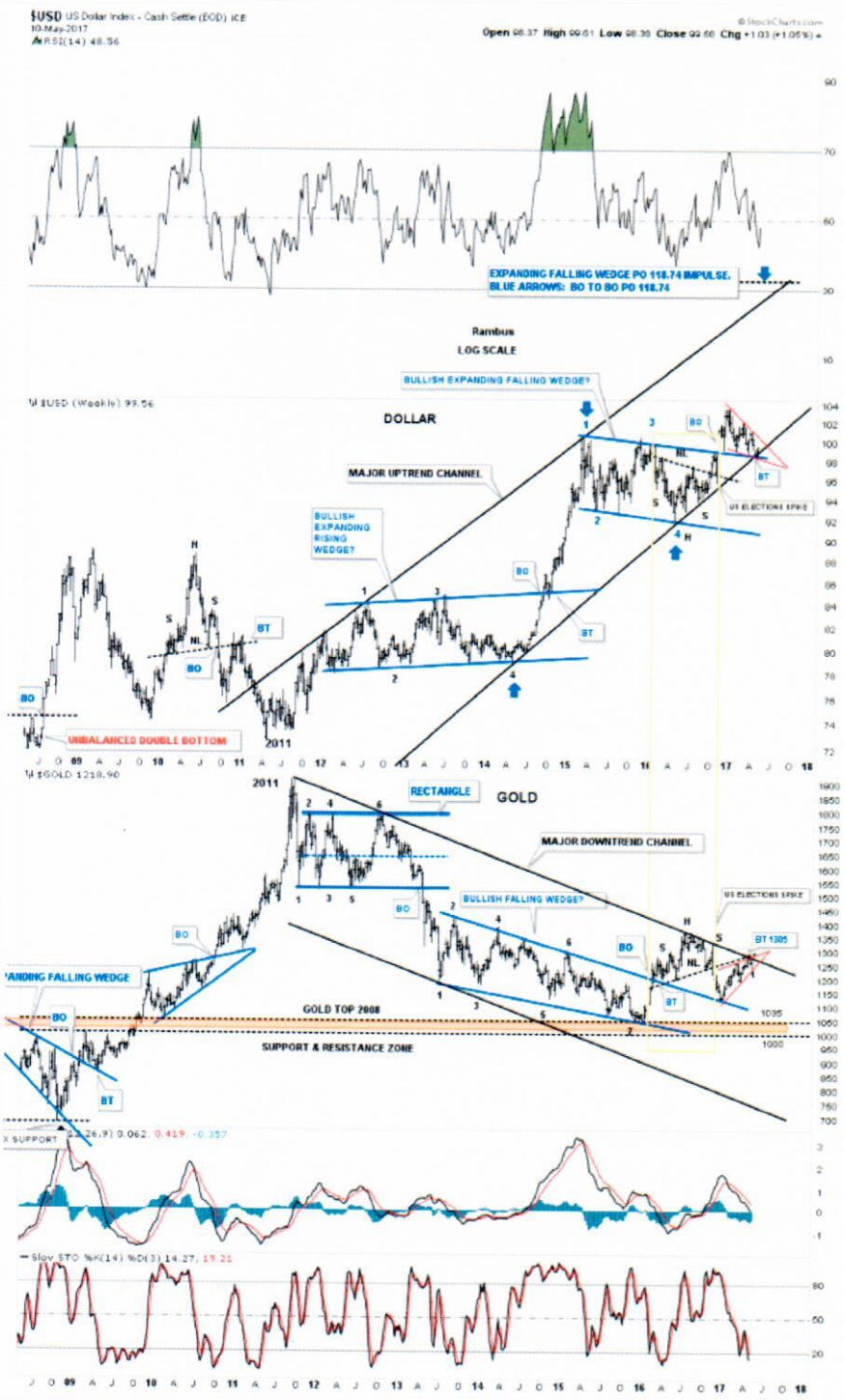
The longer term daily chart for the USD shows the bullish falling wedge forming as the backtest to neckline #2.



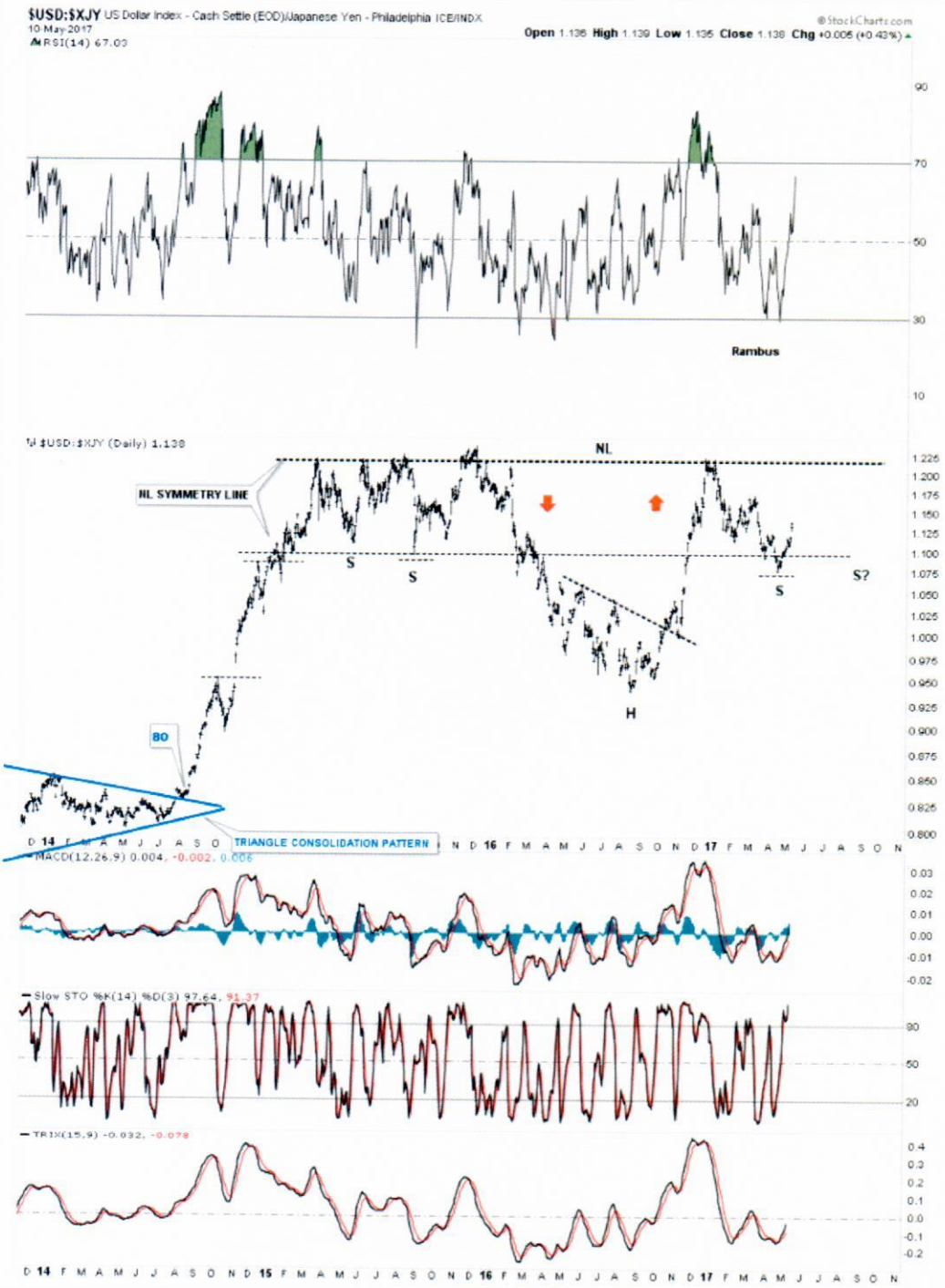
The original consolidation pattern that was building out after that massive impulse leg up into the March 2015 high was the expanding falling wedge. This last backtest marks the 4th time the top rail has held support. The 200 day ma is also offering some support in here as well.

This next chart is a combo chart we've been following very closely which has the US dollar on top and gold on the bottom. I always say the inverse correlation isn't perfect, but close enough to pay attention. Lets start by looking at their respective H&S patterns as shown by the brown rectangle. I've been showing 1305 on the gold chart as a price objective going back many months where the neckline and the top rail of the 2011 bear market downtrend channel intersect. That happened 2 weeks ago.

Next note how the US dollar on top is testing the bottom rail of its uptrend channel while gold is testing the top rail of its downtrend channel. Then there are the 2 red wedges, a bullish falling wedge on the US dollar and the bearish rising wedge on gold. The bottom line on this combo chart is, if the US dollar breaks out above the top rail of its red falling wedge the odds are very high that gold will show an inverse look by breaking down. Many think that this time will be different, but history says the inverse correlation will most likely carry on.

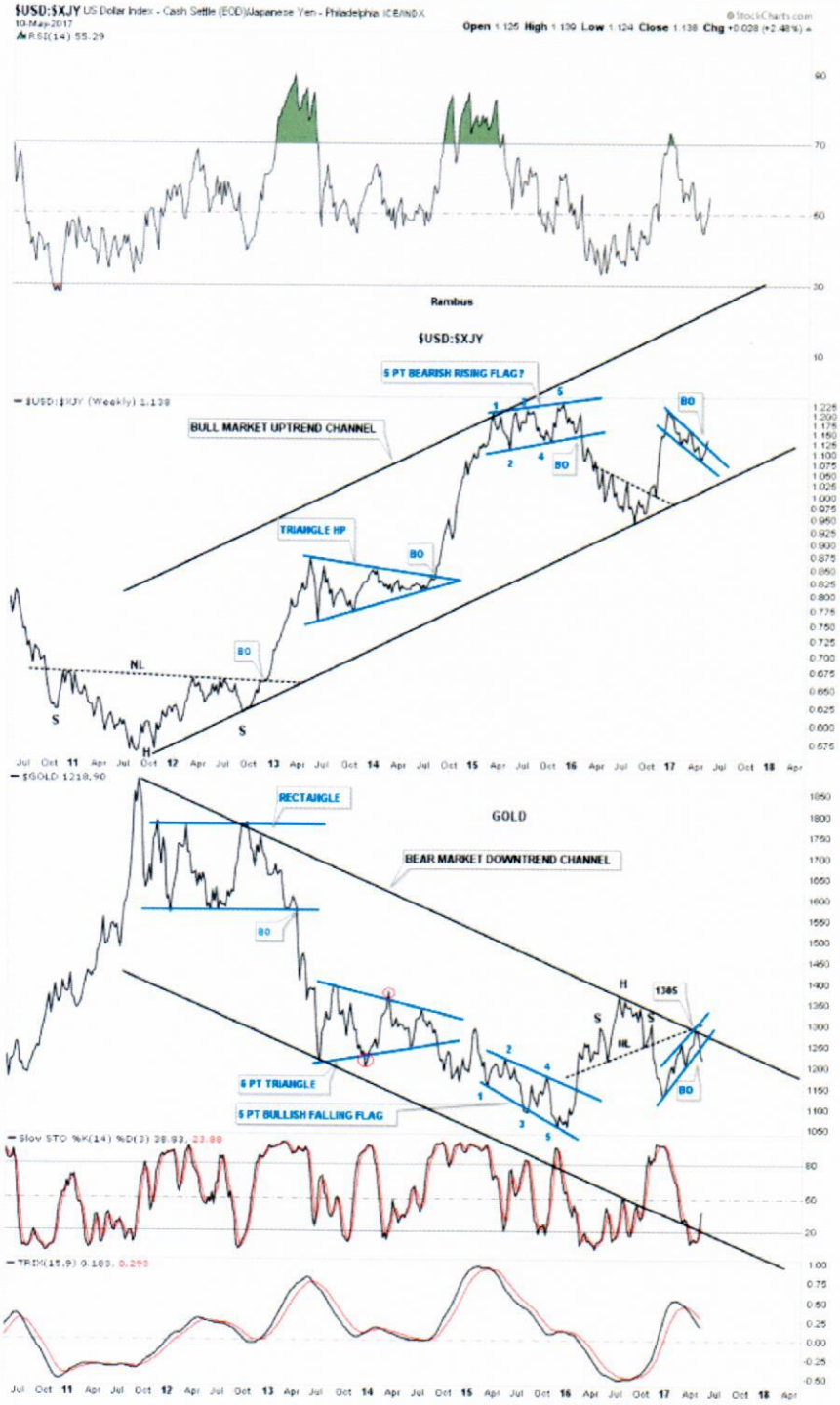


This next chart is a ratio chart I posted 2 weeks ago tonight, before I left on the Caribbean cruise, which compares the US dollar to the $XJY, Japanese yen. Two weeks ago the price action was sitting right on the neckline symmetry line and I suggested how important this area was. This ratio needed to bounce at the neckline symmetry line or there was a possibility that if the neckline symmetry line failed to hold support we could see this ratio fall all the way down to the head area. So far the neckline symmetry line has done its job, with a possible right shoulder building out.



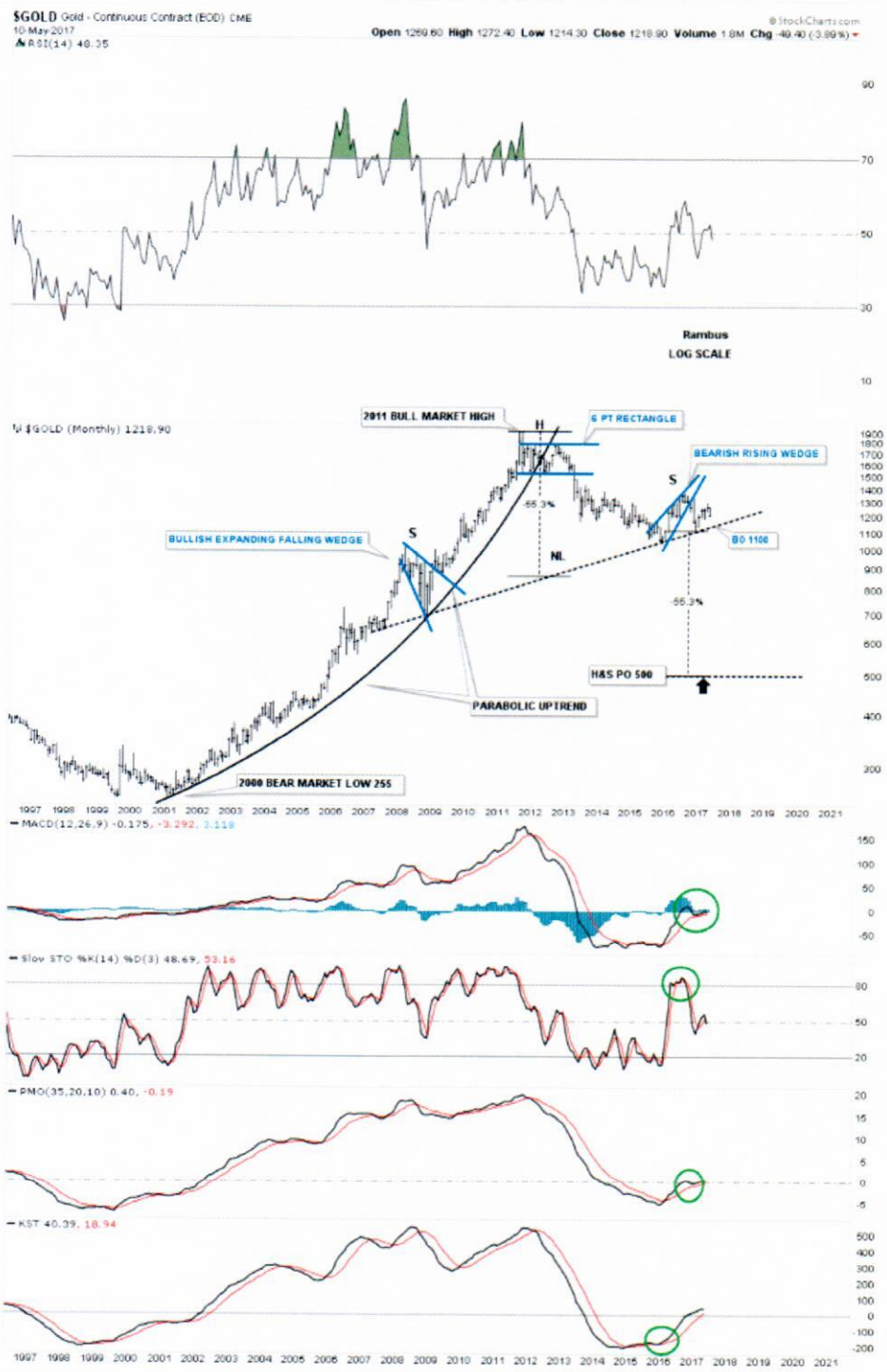
Why should we care what the US dollar to the XJY ratio does? This next chart is another combo chart which has the USD:XJY ratio on top, and gold on the bottom. Believe me I know how hard it is for most to believe what these 2 charts are suggesting, especially the time duration. From a symmetry perspective both charts are showing the neckline symmetry line giving us the low for the right shoulders on the ratio chart and the right shoulder high on gold. It would not surprise me to see both breakout from their respective necklines around the same time frame by looking at where the price action is currently trading. If that were to occur all the hopes and dreams of the precious metals investors will be put on hold for a very long time. Please don't shoot me as I'm only the messenger with no axe to grind on either side. I'm only looking for the truth, and where it leads.

Below is the same ratio chart, but on a weekly chart which shows the inverse correlation between the two with the ratio chart on top rising in a bull market and gold on the bottom chart falling in a bear market. Note how they both are currently breaking out from their small blue wedges, the ratio up and gold down.

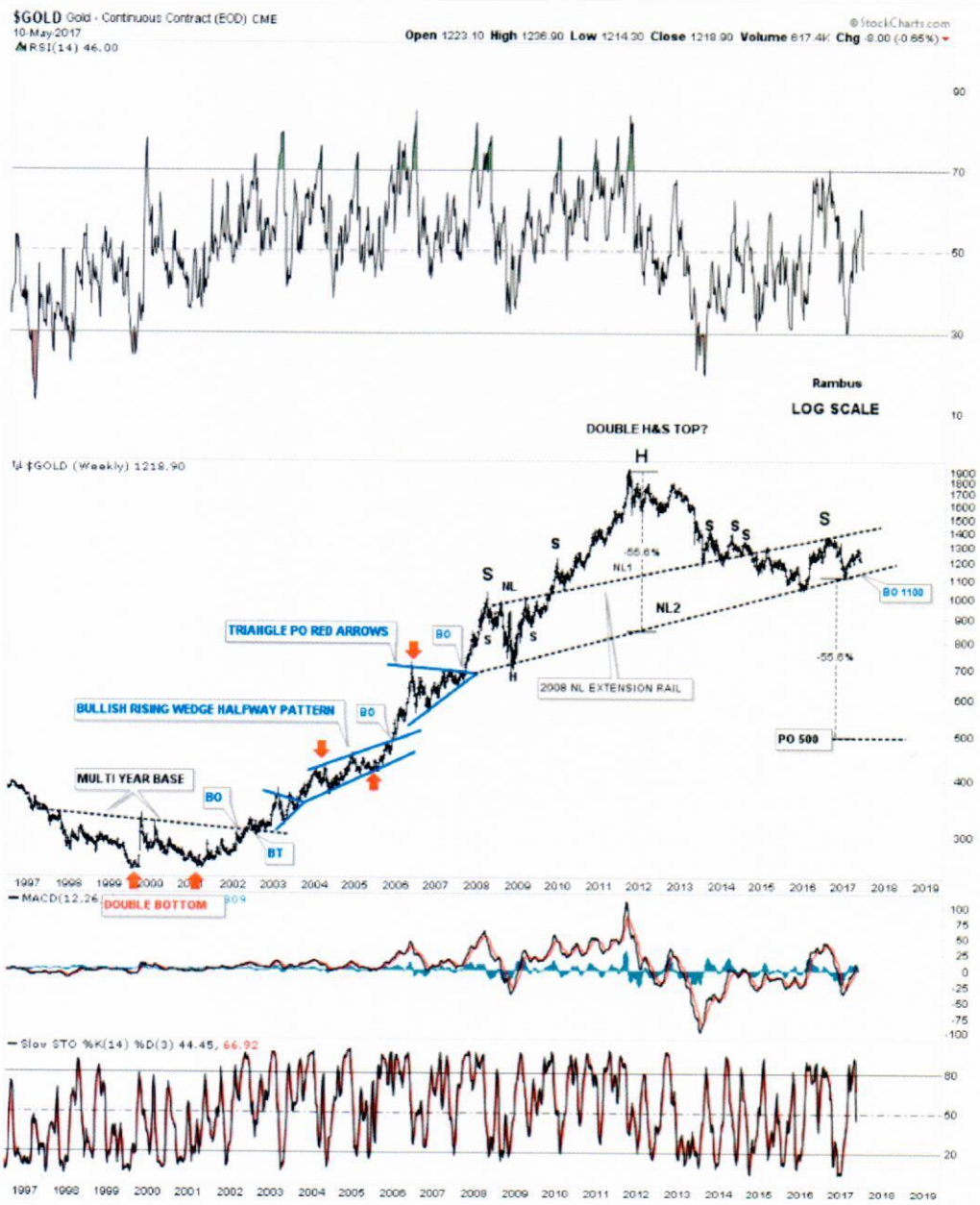


These next set of charts for gold I built out shortly after the US election in November of last year. Again, I know how hard it is for most to even comprehend what this chart is strongly suggesting, but it is what it is until it isn't. I actually built this chart just before the 2 month rally from the December low to the February 2017 high. During that 2 month rally I gained even more confidence that the possible massive H&S top is the real deal. Note the last touch of the neckline just before the rally into the February high. That touch of the neckline was confirmation that it was "HOT" and to be respected even though gold was in a strong rally.

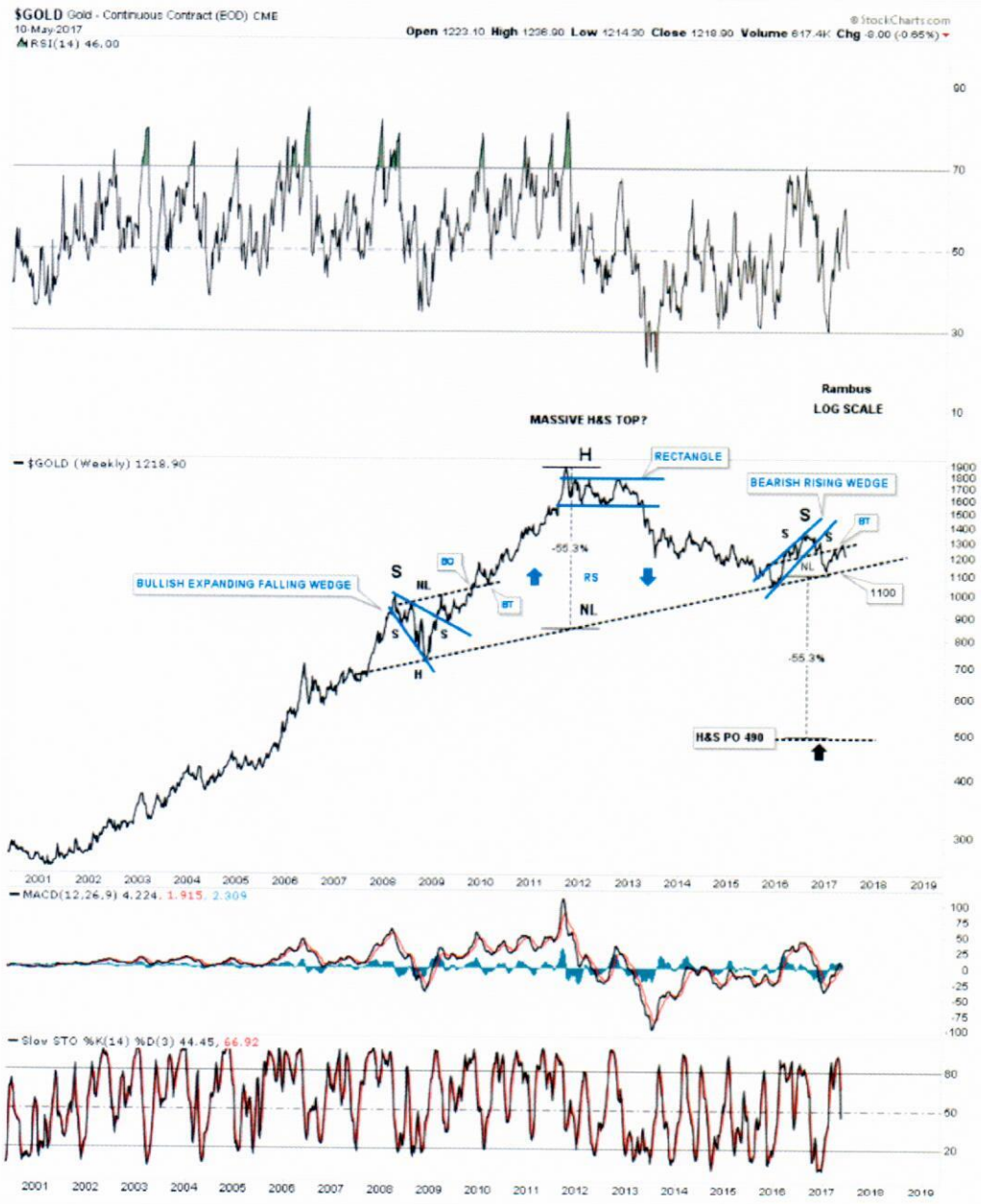
Since the neckline is sloping up, the breakout will be a little higher than the 1100 area I put on the chart. The price objective will also be just a bit higher than the 500 area, as the breakout will also be a little higher. In the big scheme of things it doesn't mean that much. The other important aspect of this chart is gold's parabolic bull market that ended in 2011. That was the time to be bullish on the PM complex. Since that top, it's been tough for the bulls to make consistent gains on the long side.



This next 20 year weekly chart for gold shows the massive base which launched gold's bull market, and the massive double H&S top that is ending gold's bull market. The bulls still have a chance if they can defend the neckline, but if they fail???

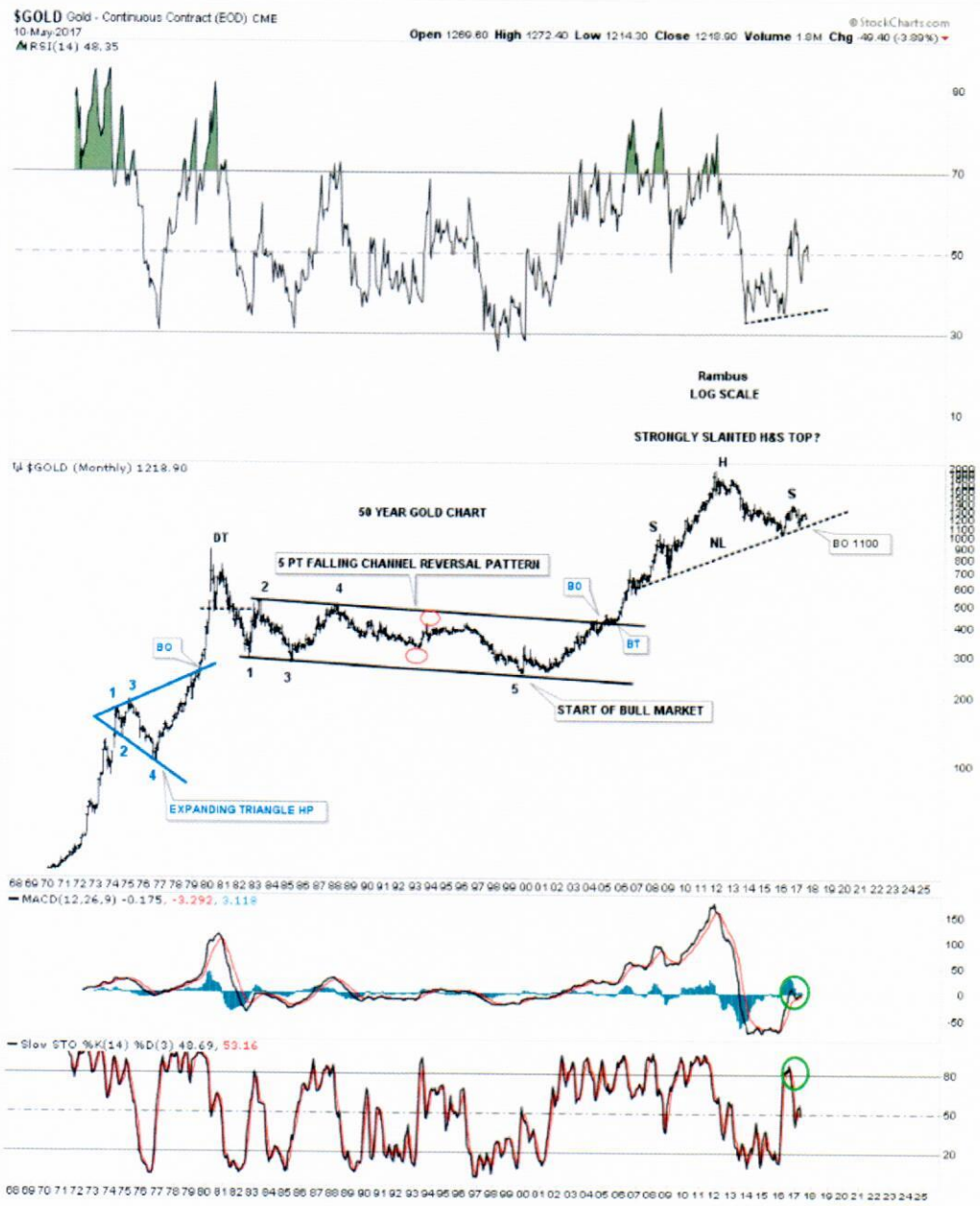


This next chart is a weekly line chart which shows the beautiful symmetry that is taking place on both the left and right shoulders. Note the left shoulder formed the blue bullish expanding falling wedge, while the right shoulder formed the bearish rising wedge, both with wide bottoms and narrowing tops. The left shoulder also formed a H&S consolidation pattern, while the right shoulder has formed a H&S top. Note the backtest to the neckline 2 weeks ago on the right shoulder, which is another piece of the puzzle that I was looking for.



This last chart for tonight is a 50 year look at gold complete with the bull market rally into the 1980 top. How many PM investors got out anywhere near the double top that ended the bull market? How many PM investors hung on, hoping for new highs that never came? How many PM investors held on for the long term hoping the next bull market would begin at anytime?

All I can do is suggest that you watch the neckline very closely and if the neckline is broken to the downside you act accordingly. Everything I've shown you tonight suggests a big trend is brewing that will last for many years to come regardless of all the reasons it can't. If that massive H&S top comes to fruition Rambus members will be the only folks on the planet to understand what is actually taking place.The number one rule I live by is, there are no rules when it comes to the markets. All the best…Rambus



This entry was posted in **Alert** by **Rambus**. Bookmark the **permalink [https://rambus1.com/2017/05/10/wednesday-report-164/]** .