

Rambus Chartology

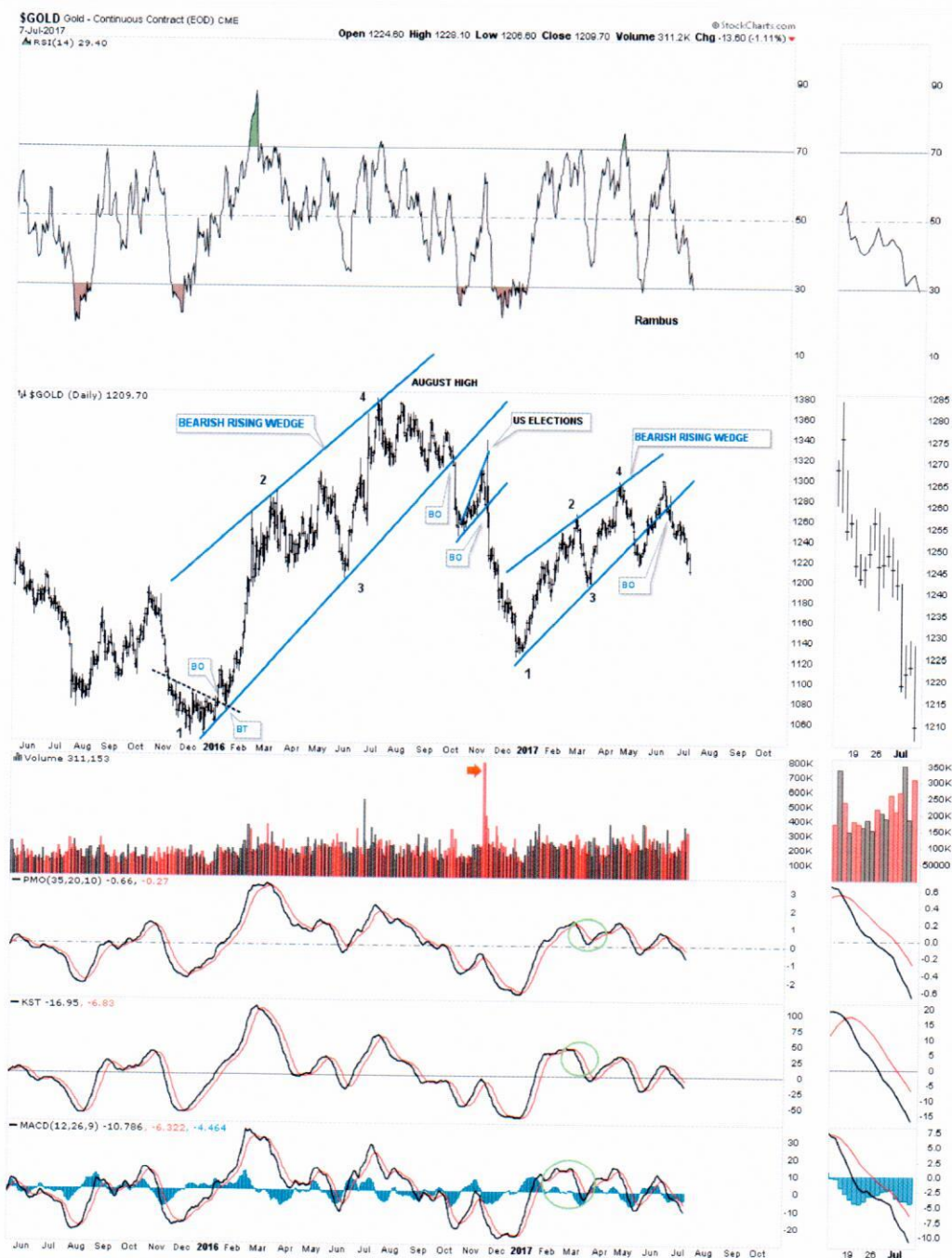
Moving forward

Weekend Report...Gold : Interesting Moves : Interesting Potential Targets.

Posted on [July 9, 2017, 10:59 pm](#) by [Rambus](#)

With some interesting moves in the precious metals complex last week I would like to update some charts for gold we were following late last year after the August high was put in place. There were several reversal patterns that were building out which strongly suggested that some kind of top was in place. The only question was, were they a short term top or longer term top? In this Weekend Report I'm going to do an in-depth look at gold from the daily charts to the long term charts to see if we can make some sense out of what is actually taking place with the love hate relationship that most have with gold.

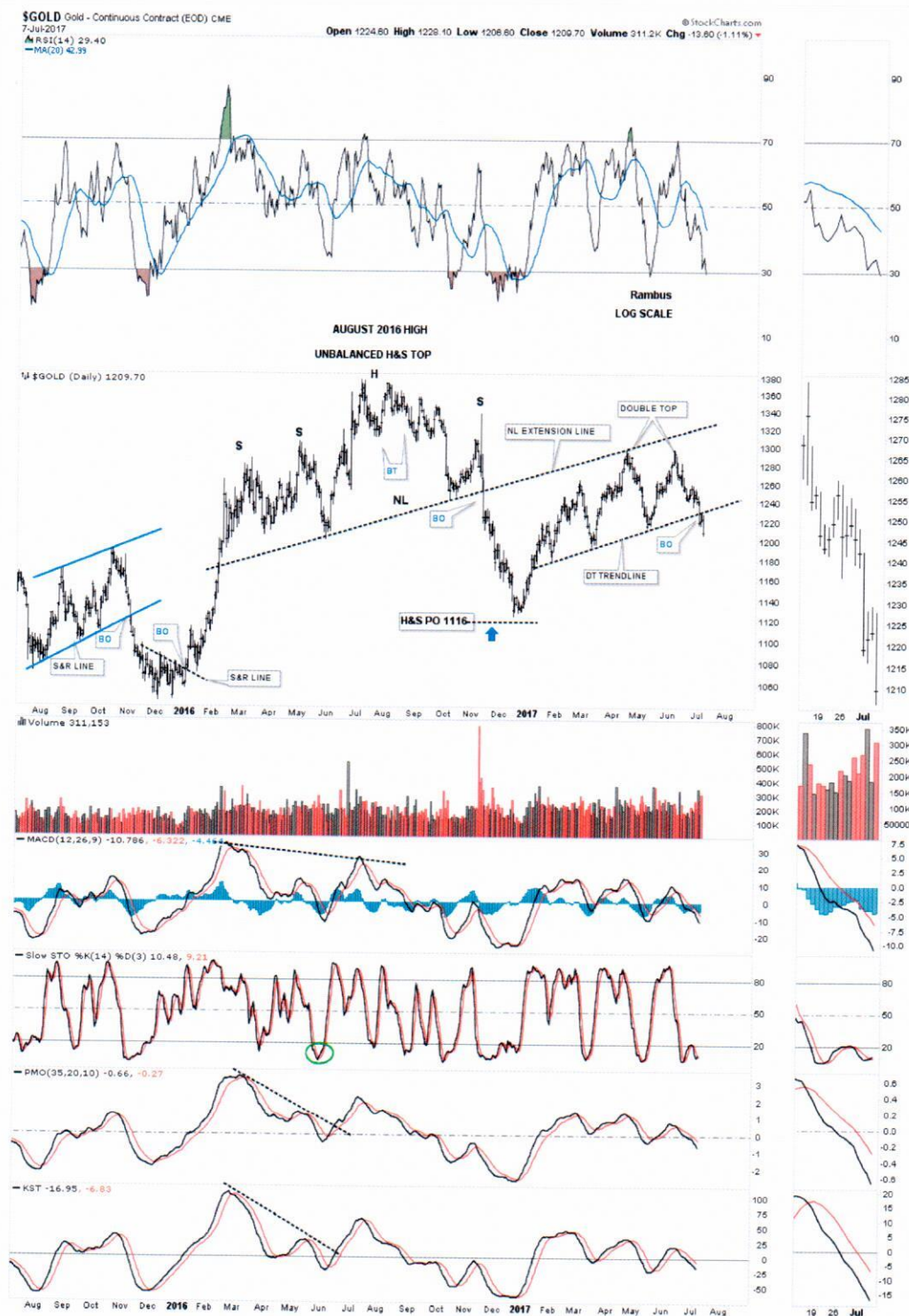
This first chart for gold shows that it formed a bearish rising wedge as the rally phase, out of the late 2015 low. Note the US election spike which attempted to backtest the bottom rail of the bearish rising wedge. From that spike high gold declined in a straight line down to the late December 2016 low where it found support, and began another rally which also formed a bearish rising wedge with a sloppy breakout and backtest, which can be the case sometimes with wedges. So from the December 2015 low to the August 2016 high gold has produced a higher low and a lower high, which I'll show you in a bit what this may mean.



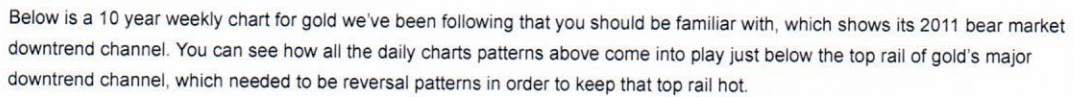
Some of you may remember this next pattern that formed on gold which was also showing up on several of the PM stock indexes at the August 2016 high, especially the GDXJ. This pattern was the 7 point diamond reversal pattern. Note how the apex of that 7 point diamond reversal pattern held resistance on 2 separate occasions which created the double top. Last week gold broke down below the double bottom trendline confirming the double top.

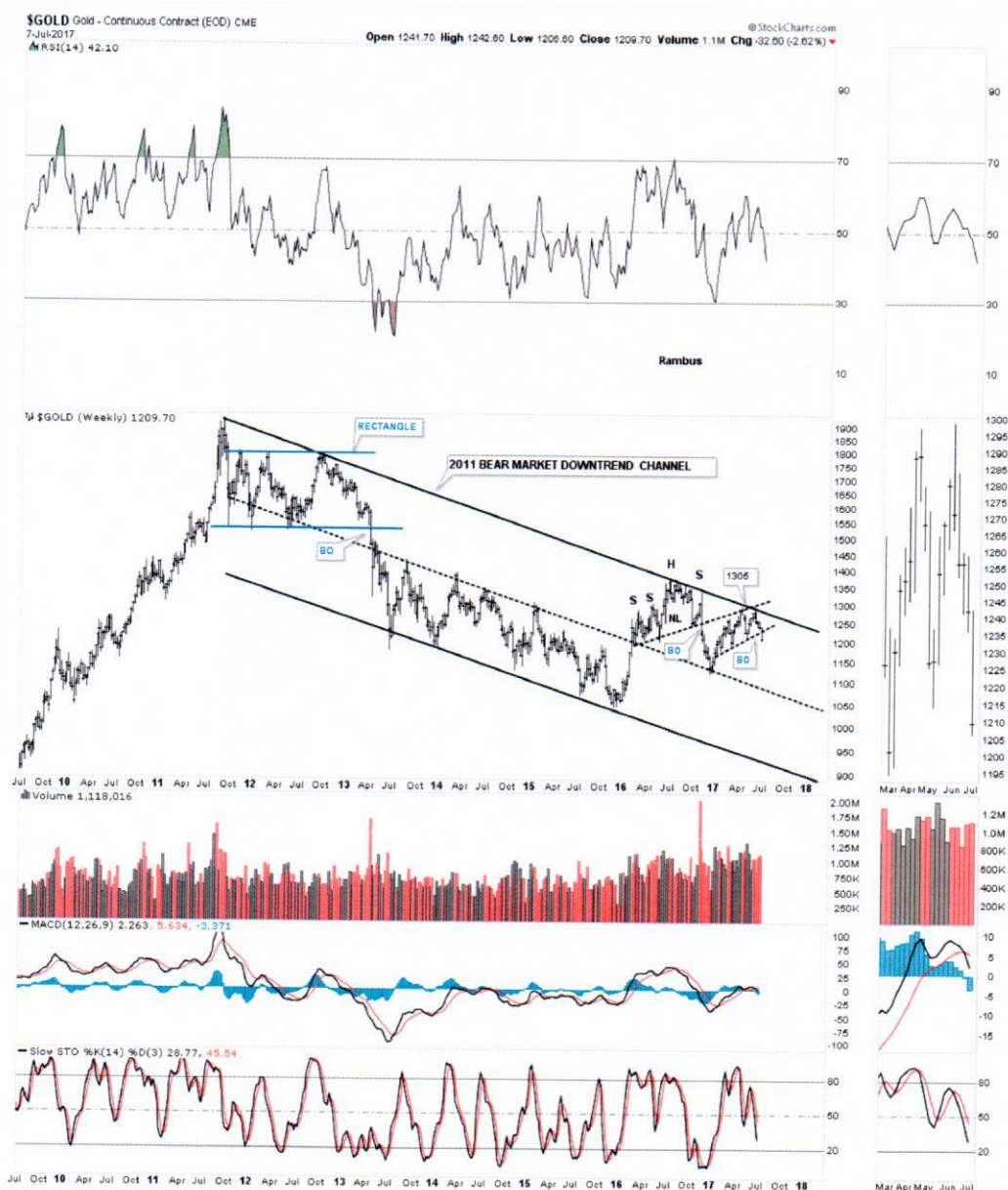


The other 2016 reversal pattern gold formed was the unbalanced H&S top which I generally show as the topping pattern on the longer term charts. Here you can see how the neckline extension line held resistance on the backtest, which again helped create the double top reversal pattern. If you recall gold was the only one out of the PM complex that came close to reaching its price objective which was at 1116.

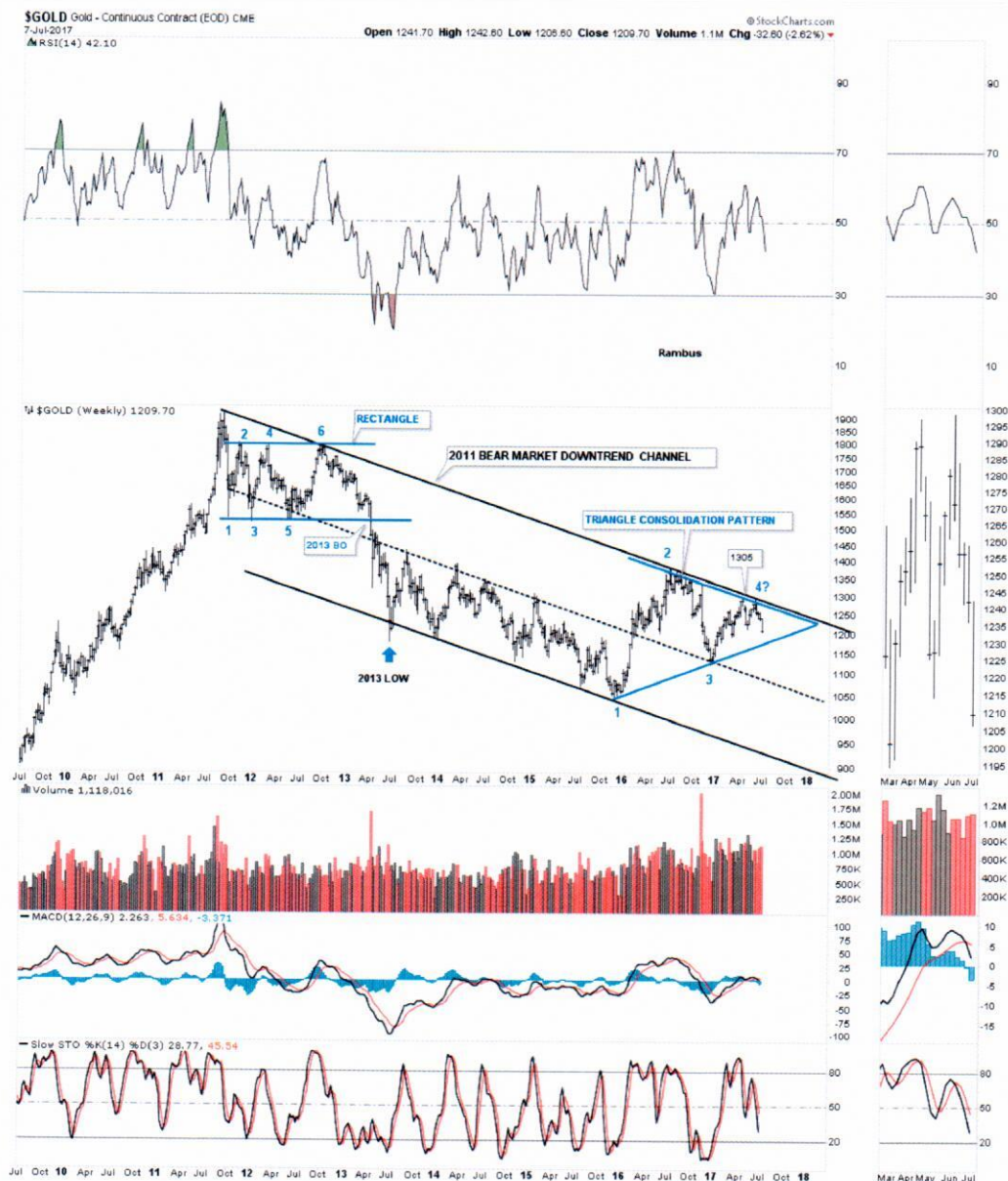


When looking at these 3 daily charts above you can see how gold has been chopping sideways since the December 2015 low, making little progress in either direction. Some of you may be getting a picture of where I'm going with this next daily chart. The first chart I showed you tonight was the daily chart which had 2 bearish rising wedges. Not always, but a lot of the time, a triangle will be made up of several different chart patterns which makes up the internal structure of a triangle or any other consolidation pattern for that matter. As you can see the price action still hasn't broken below the bottom rail yet, but if it does the implications will be far reaching in the big picture. Keep this potential triangle consolidation pattern in the back of your mind as we go we go back in time to look at the big picture.



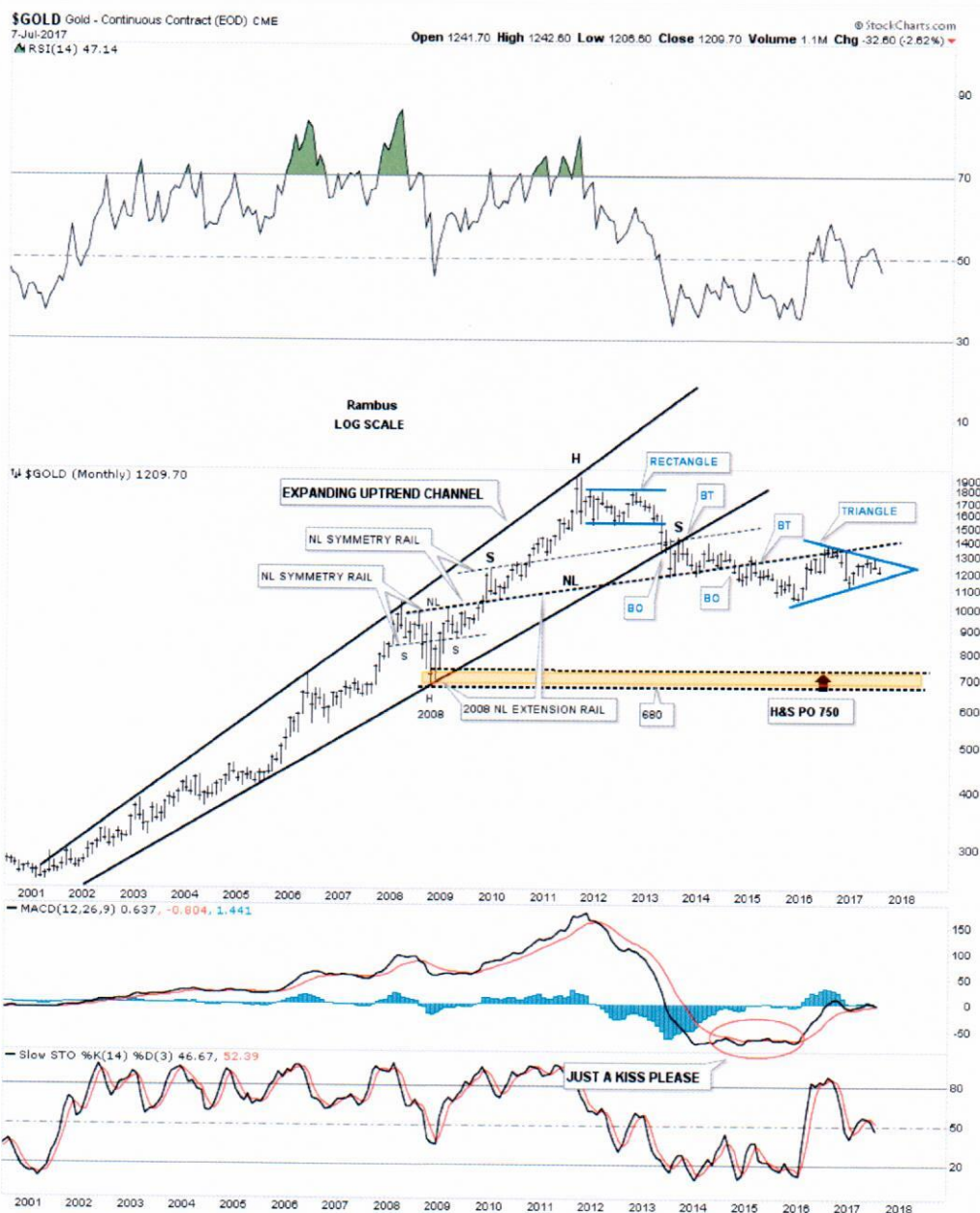


Below is the exact same chart as the one above, but this chart shows the blue triangle as a consolidation pattern. When looking at the 6 point rectangle at the top of the chart, time wise our current triangle has taken about the same amount of time to build out to this point. Again, keep the blue triangle in the back of your mind as we look at some longer term charts for gold.

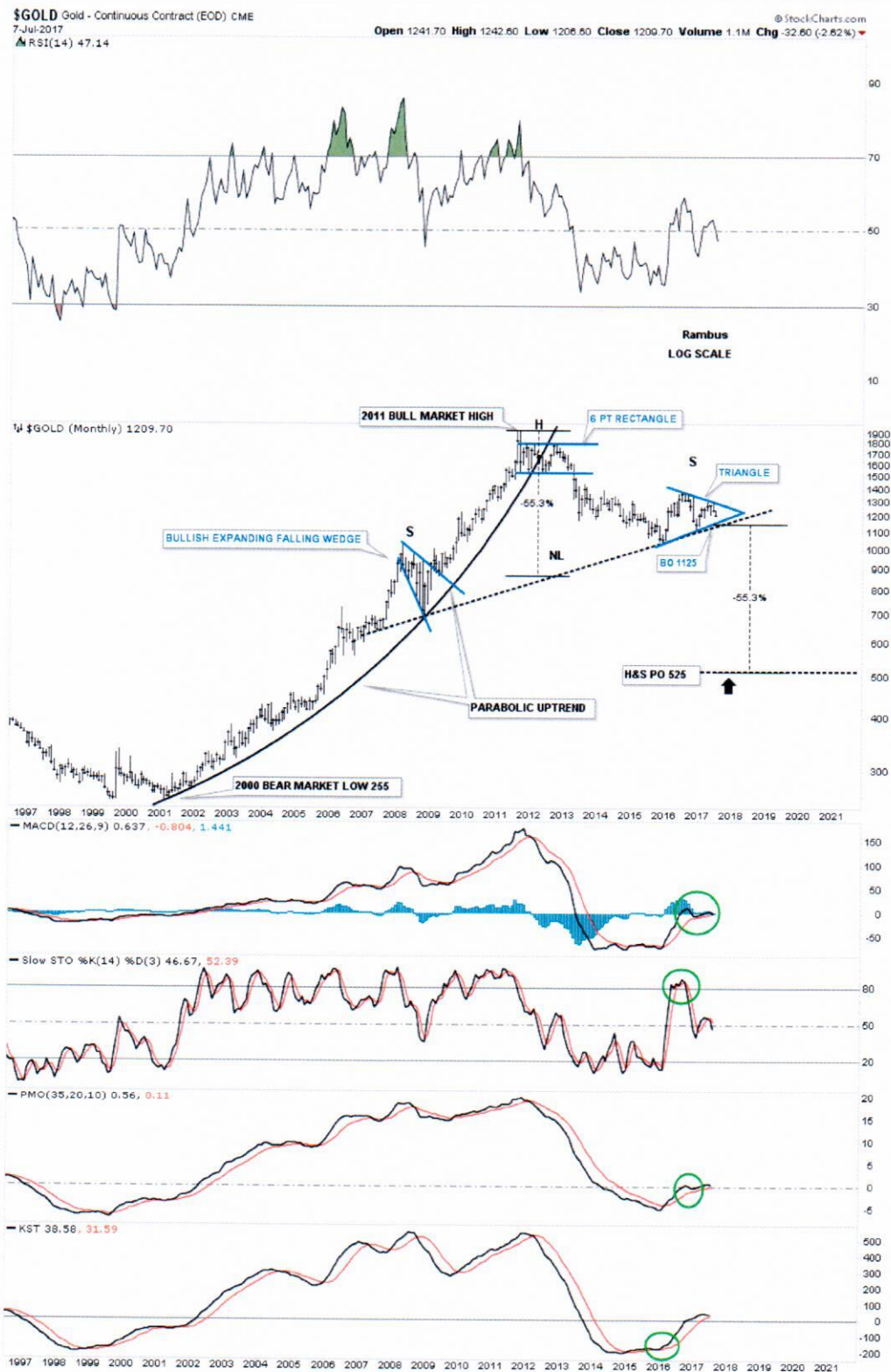


This next long term monthly chart for gold I originally built out in late 2013, where I was looking for the neckline extension line / neckline symmetry rail to offer resistance once the price action broke below the bottom rail of gold's major expanding uptrend channel. You can see the left shoulder and head formed inside the expanding rising wedge while the right shoulder formed on the backtest to the bottom rail of the expanding rising wedge.

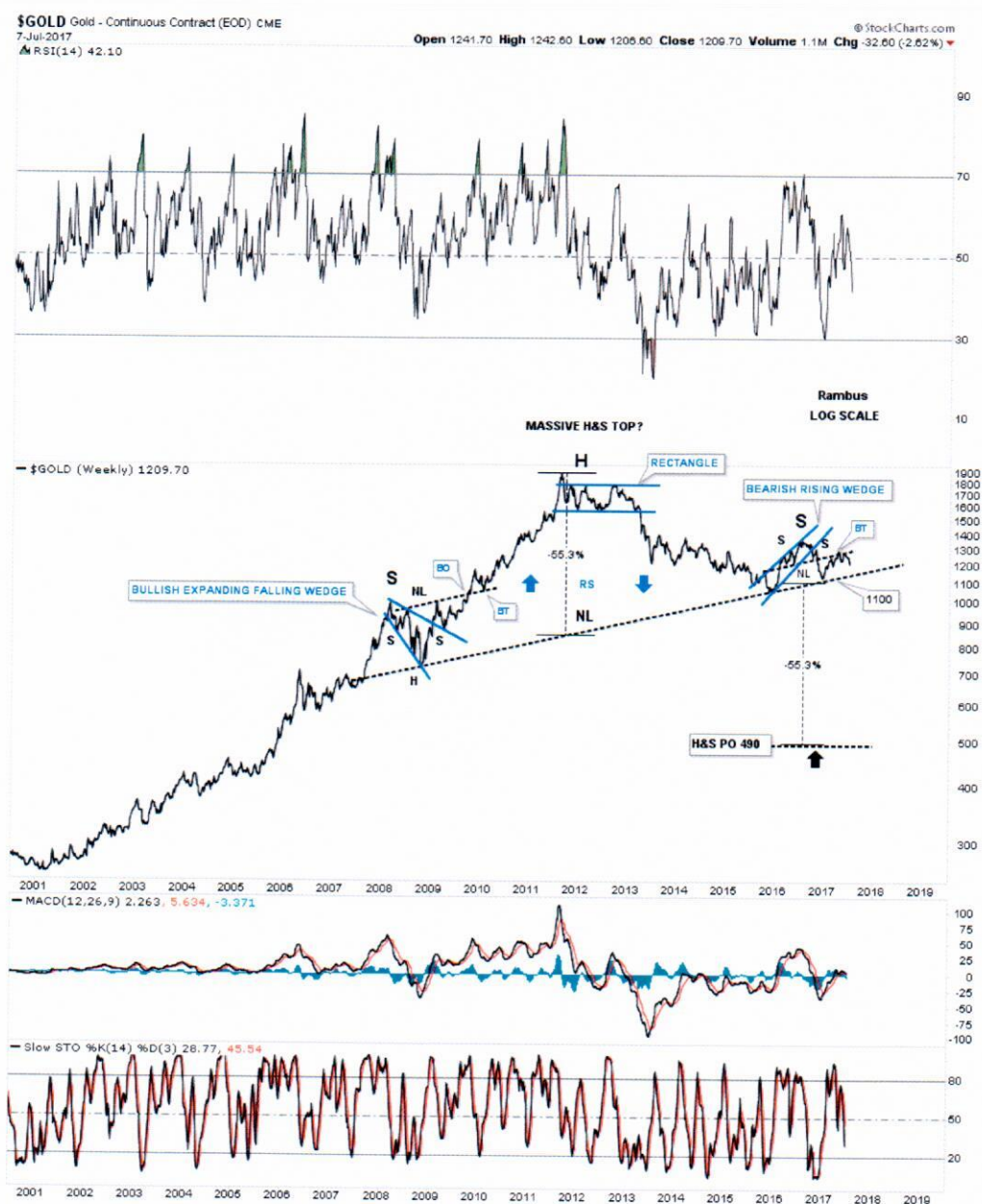
When gold finally broke down below the neckline I thought that the price action would decline down to the H&S price objective at 750 or so. Looking back in hindsight now the blue triangle makes perfect sense, which I'll show you in a minute. The neckline symmetry rails are all taken from the 2008 H&S consolidation pattern which was one of the most symmetrical H&S bottoms I've ever charted.



Back in November of last year, shortly after the US elections, I built out a series of long term charts for gold which I labeled, "Just for Entertainment Purposes." that were showing some potential massive H&S tops building out. At the time the bigger bearish rising wedge we looked at on the daily chart above, I showed as the right shoulder. Now that 8 months have passed and more consolidation has taken place, the triangle is forming the possible right shoulder of the very large H&S top. Even on this log scale chart you can see gold formed a parabolic bull market before topping out in September of 2011.



This next chart is a weekly line chart I showed back in November where I was comparing the symmetry of the left shoulder to the right shoulder before the triangle was visible. I need to tweak this chart as it's still showing the breakout around the 1100 area which now is a tad higher as the neckline is sloping up which will also give us a slightly higher price objective.



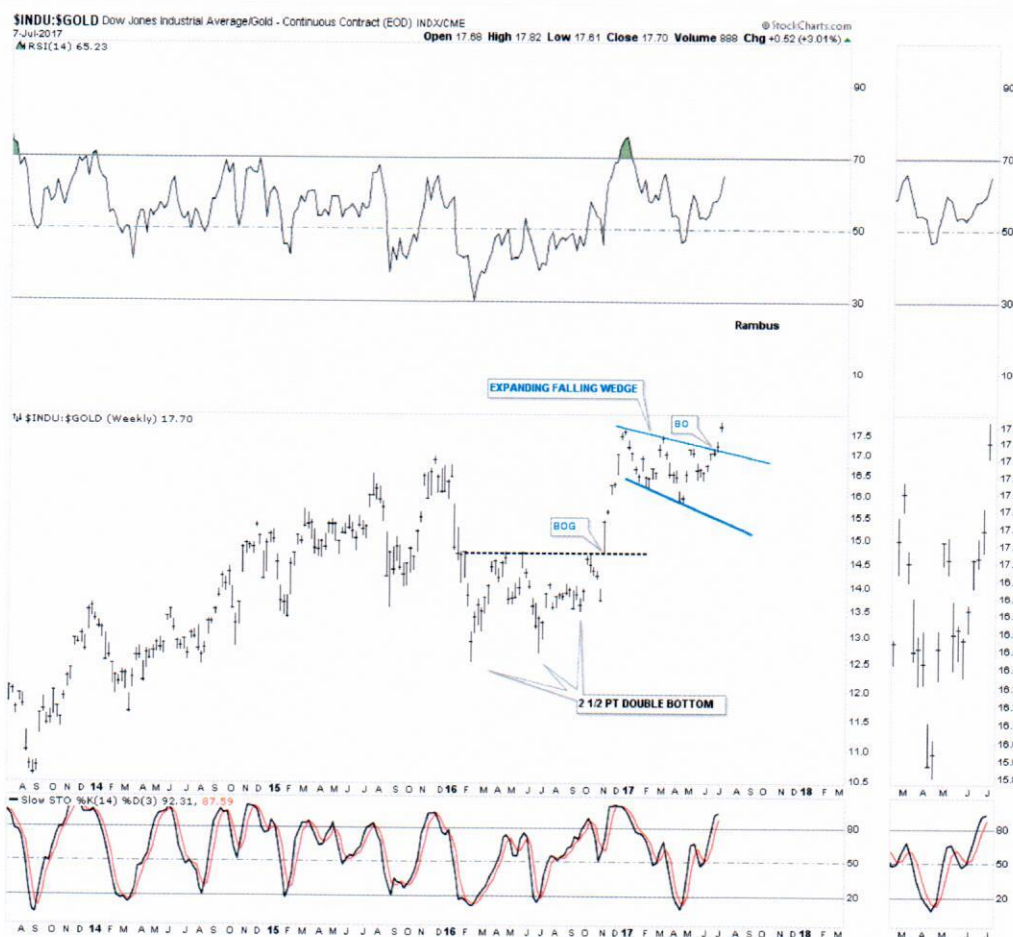
This next chart for gold is a 50 year look which puts the potential H&S top in perspective. If gold breaks below the 1100 area you will be some of the first on the planet to understand what is truly taking place with gold.



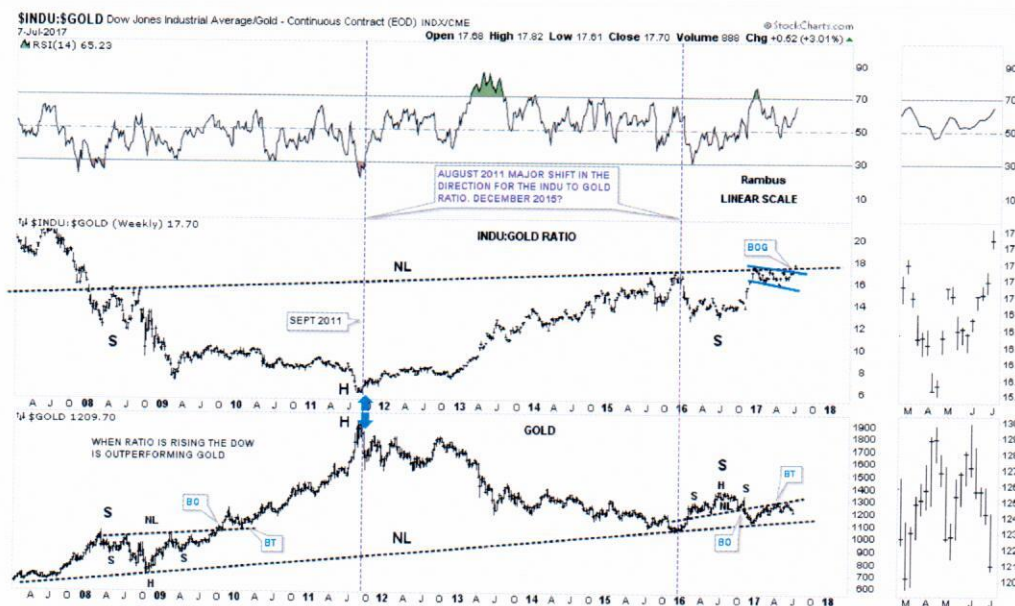
This next chart is a ratio chart which compares gold to the US dollar. As you can see this ratio just bounced off the top rail of its 2011 parallel bear market downtrend channel.



This next series of charts compares the INDU to gold which I believe is going to play out in favor of the INDU for many years to come. We've already looked at some very long term charts for gold which are showing a potential massive top building out. This first chart for the INDU:gold ratio is a weekly chart which shows the ratio breaking out above the top rail of the expanding falling wedge that isn't that impressive on this short term chart.



Below is a combo ratio chart which has the INDU to gold ratio chart on top and gold on the bottom. Note where that little expanding falling wedge we just looked at on the weekly chart above has built out. I may sound like a broken record, but when you see a consolidation pattern forming just below important overhead resistance that is generally a very bullish setup. If you look at the sidebar you can see there was a gap that occurred right at the neckline last week. The gold chart on the bottom shows the massive H&S top we looked at earlier.

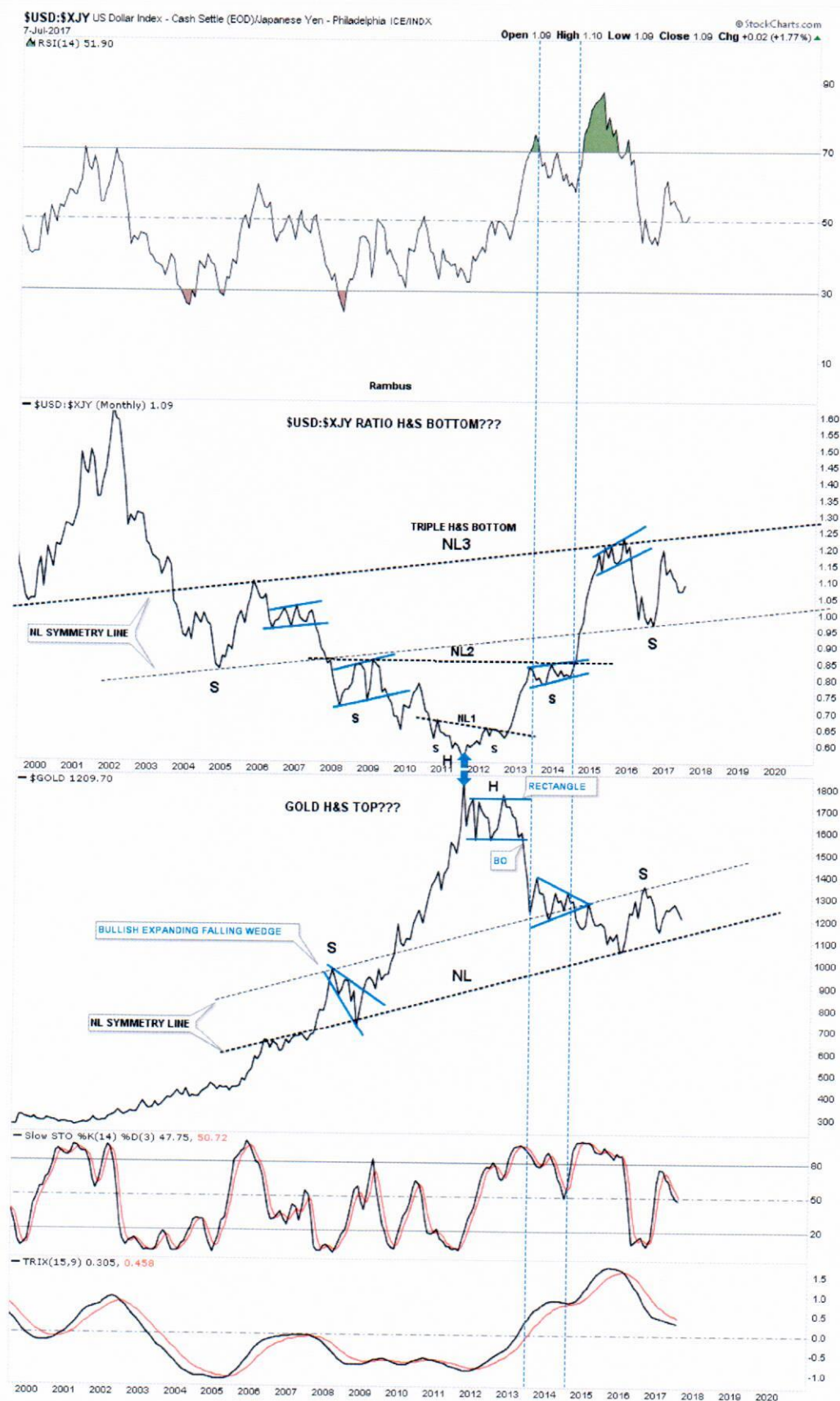


I stated on the short term weekly ratio chart that the blue expanding falling wedge didn't look that impressive by itself. Below is a 40 year ratio chart which compares the INDU to gold. As you can see from this very long term chart there is a time to be in the precious metals complex, and a time to be in the stock market. If the massive 10 year inverse H&S bottom continues to breakout it's strongly suggesting that the stock market is going to outperform gold for the foreseeable future regardless of all the reasons it

can't.



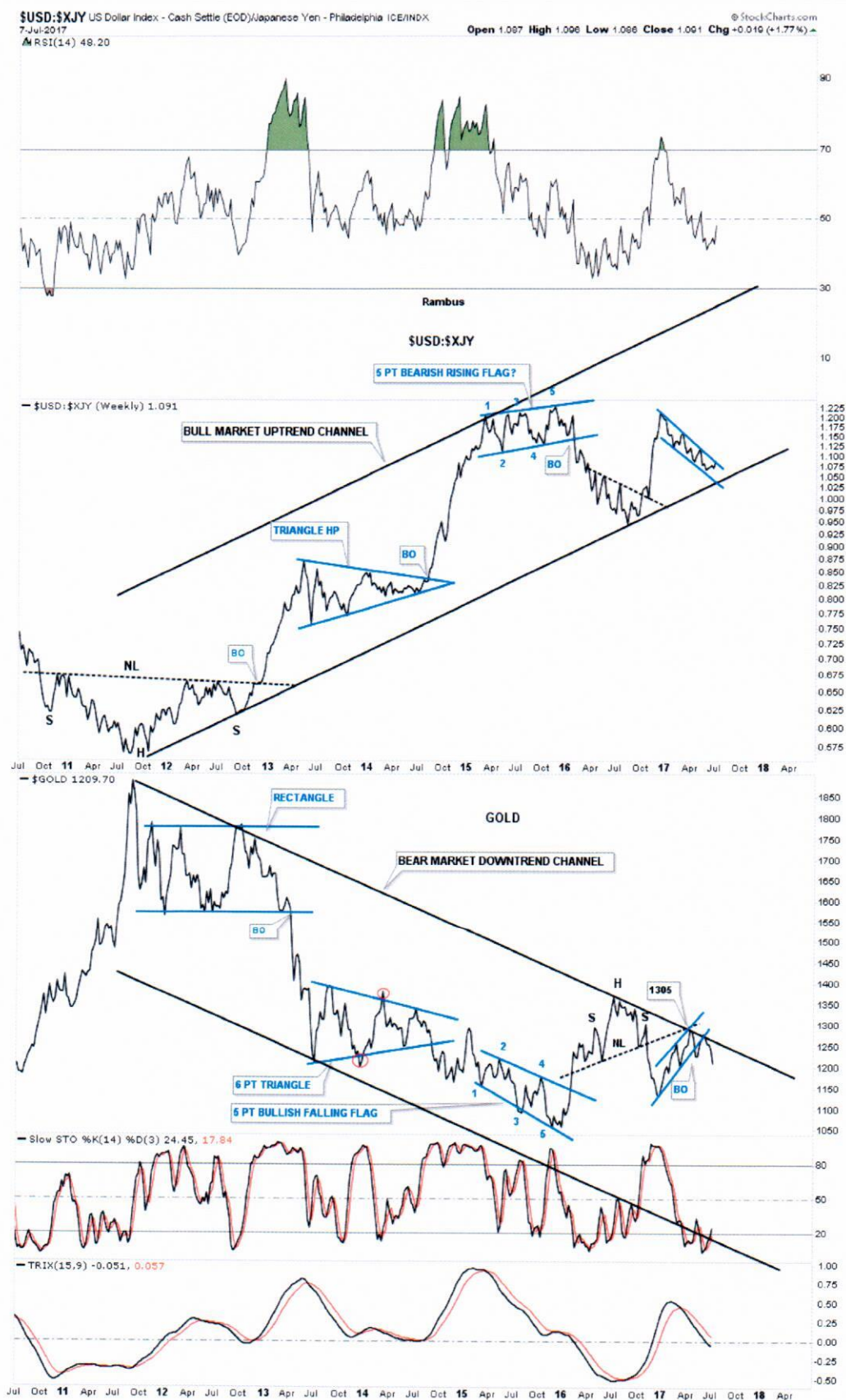
Below is another ratio combo chart which compares the US dollar to the Japanese yen on top and gold on the bottom. I know it doesn't feel like it right now, but the US dollar vs the yen is building out a massive H&S bottom and there is that very large multi year H&S top on the gold chart below.



This last chart for tonight is a weekly ratio combo chart which compares the US dollar to the Yen on top and gold on the bottom. This chart does a good job of showing you the inverse correlation these two generally have. The last time we looked at this chart gold was still in rally mode just shy of the top rail of its 2011 bear market downtrend channel. As you can see gold hit the top rail and is now rolling over while the Japanese yen is getting close to breaking out of a possible bull flag which is just the opposite of what gold is doing.

So there you have it. What gold does tomorrow or the next day is not important in the big picture, but if the big picture keeps

playing out like the last 8 months when I built out these long term charts, we can expect to see the PM complex bear market continue and the INDU to keep outperforming gold. Keep in mind some of these charts are very long term in nature so price change comes slowly, but as long as they keep moving in the right direction the big picture is set. All the best...Rambus



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