

Rambus Chartology

Moving forward

Wednesday Report...

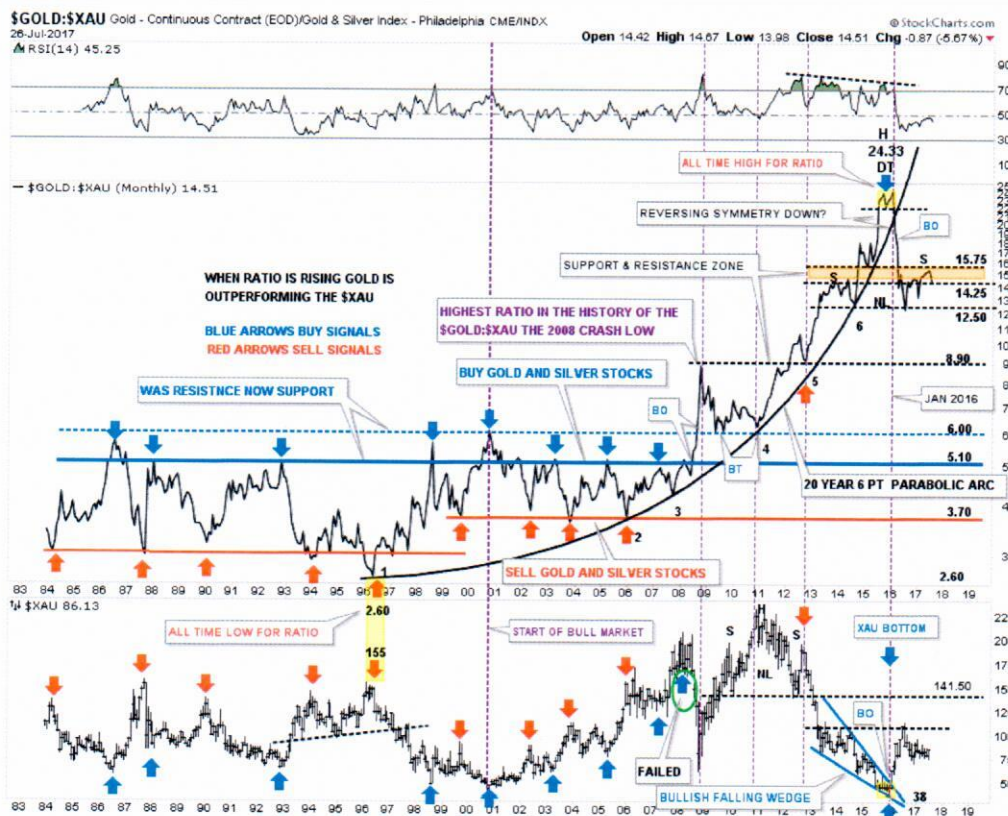
Posted on July 26, 2017, 10:14 pm by Rambus

Tonight I would like to update a few ratio combo charts for the PM complex that we've been following for several years now. I won't go into a lot of detail as we've been over these charts many times looking for clues on the direction for the PM stock indexes. Clues are all we have until we get confirmation of an impulse move.

Lets start with the Gold:\$XAU ratio chart on top and the \$XAU on the bottom. The 20 year parabolic arc in which gold outperformed the XAU was finally broken in January of 2016 shortly after the small double top was put in place. If you recall I said at the time that we could see some reverse symmetry to the downside once the double top hump and parabolic arc were broken. The reason being is the last leg up into the double top was nearly vertical. In any vertical move there are no consolidation patterns built that can offer support when the move ends which is a form of reverse symmetry.

I put the brown shaded S&R zone between 14.25 and 15.75 which was the top of the left shoulder. The vertical move down went a little further than I was anticipating stopping at 12.50 instead which was even better as it showed a place to add a neckline once the countertrend rally started. For close to a year now I've been waiting to see if a possible right shoulder would buildout. Since this is a monthly line chart you don't know what to expect until the end of the month close.

As you can see the possible right shoulder is starting to curl down just below the top of the brown shaded S&R zone at 15.75. If the H&S top plays out confirmation will be given when we see the ratio break below the neckline at the 12.50 area. If that happens then there is a good chance that the XAU, at the bottom of the chart, will make a higher high above the August 2016 high. Nothing is in stone yet, but if we continue to see the ratio chart on top rolling over to the downside the XAU should go in the opposite direction to the upside.

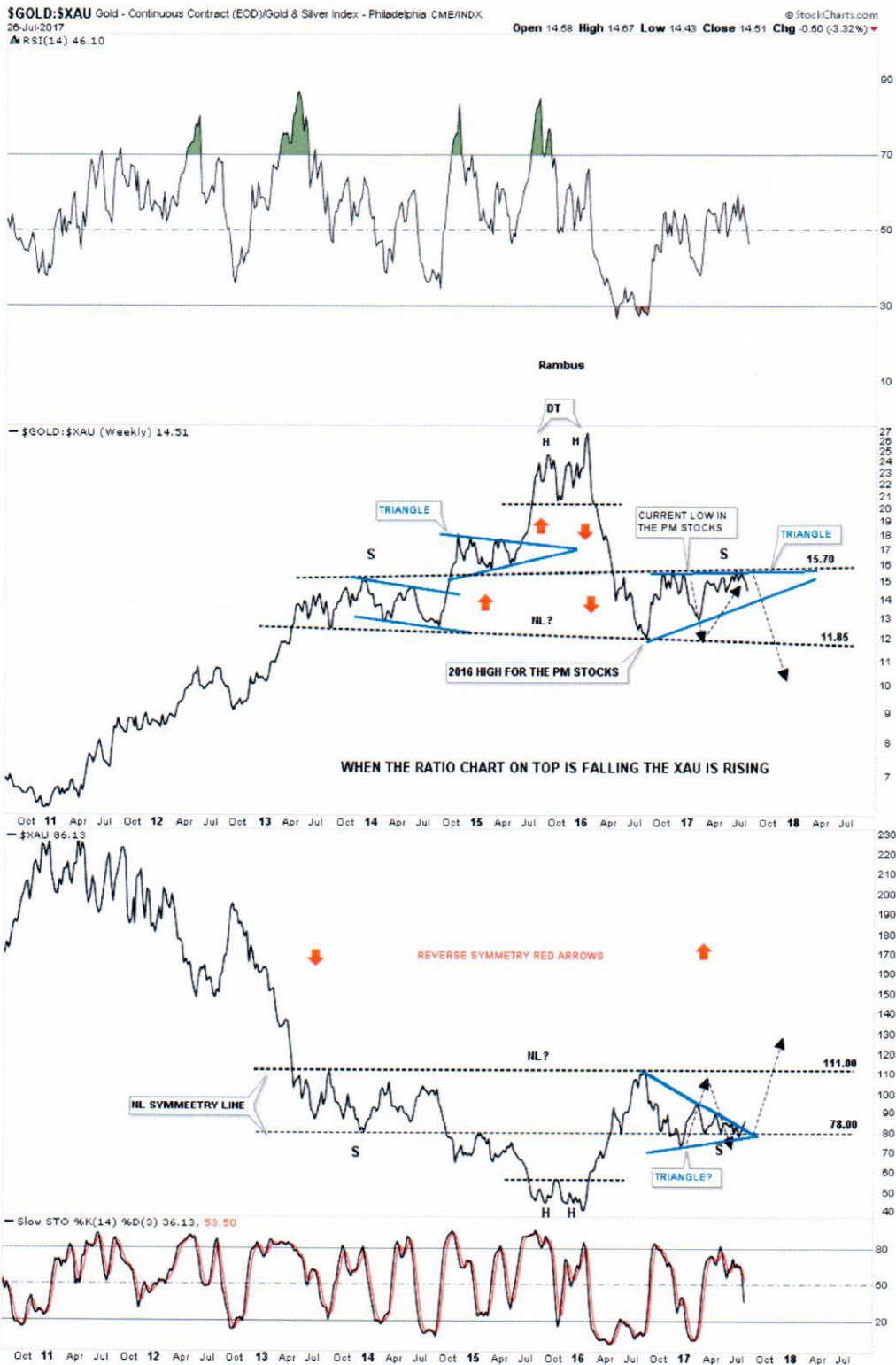


Next lets look at the same ratio combo chart using a weekly line chart which will give us a little more detail. Initially I put the black

arrows where the possible right shoulder would buildout looking for some symmetry to the left shoulder. At the time the right shoulder was still very small, time wise, so I was looking for a move down to the neckline with another bounce back up to the top of the right shoulder which we got. The ping pong action for the right shoulder is giving us a possible triangle formation on the ratio chart. The XAU on the bottom chart is also forming a possible triangle pattern for its right shoulder which is ugly to say the least, but the price action is holding above the neckline symmetry line. If one believes both these H&S patterns are going play out then this is about as low a risk entry point you can find for the XAU.

The first big clue the possible right shoulder may be completing is when we see the bottom rail of the blue triangle, on the ratio chart, broken to the downside which comes into play around the 13.75 area. The ultimate big clue will be when we see the necklines give way which will complete the nearly 4 year H&S patterns. I've said it before and I'll say it again, "big patterns equals big moves."

As it stands right now you may feel like you've missed the bull market in the precious metals stocks, but in all actuality you've only missed half of the rally out of the January 2016 low. The last year has been a chop fest with neither side getting the advantage. Actually the bears have had a slight advantage as the price action is sitting at a one year low, right on the neckline symmetry line for the XAU. If these H&S patterns play out it could still take most of this year for each to reach their respective necklines. This is only one of several game plans I'm following. As things progress we'll look at other possibilities. As I'm neutral on the PM complex at the moment I can look at the charts in an unbiased way which is always the best approach. All the best...Rambus



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