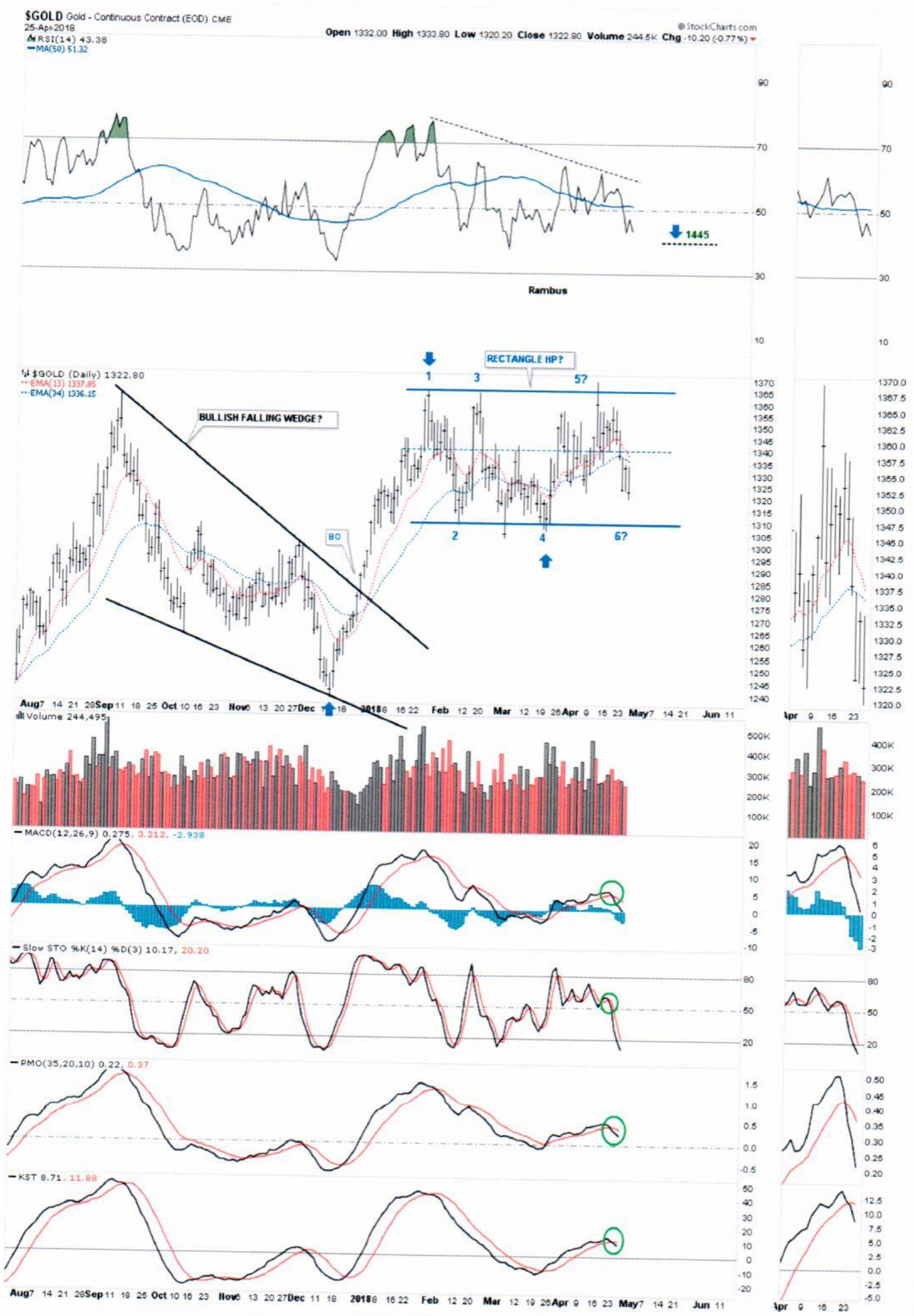
Rambus Chartology

Moving forward

Wednesday Report…Gold and the Precious Metals Complex: A Very Important Inflection Point

Posted on April 25, 2018, 10:35 pm by Rambus

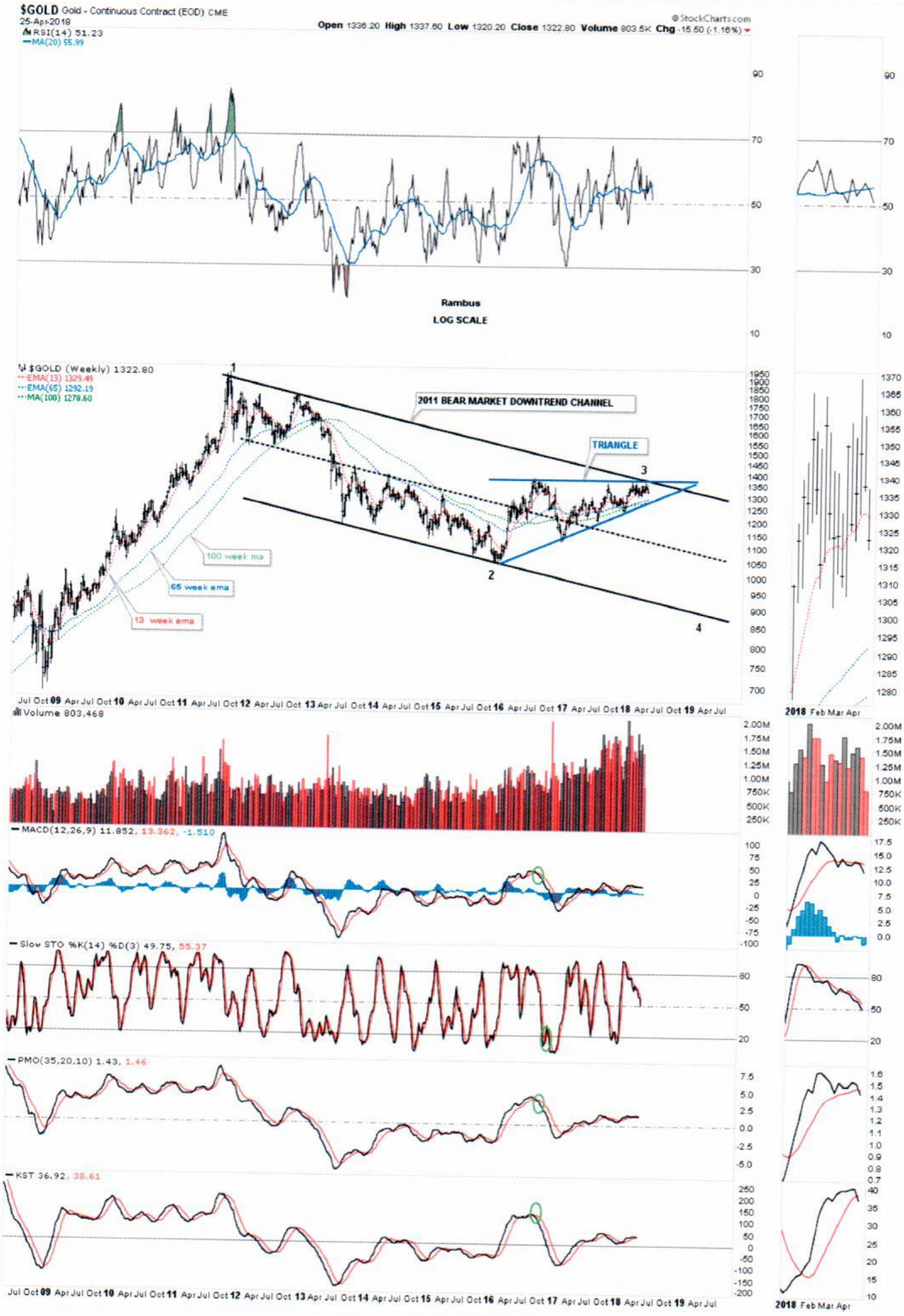
Tonight I would like to start out by looking at the daily chart for gold which is showing its three month rectangle trading range. So far gold has completed four reversal points with the 5th one underway. A touch of the bottom rail will complete the 5th reversal point. From there gold will have to make up its mind on which direction it wants to go. In order for the three month trading range to be a consolidation pattern to the upside, gold will have to rally off the bottom rail and then through the top rail. If gold breaks through the bottom rail then we'll have a five point rectangle reversal pattern instead of a halfway pattern to the upside which I have labeled on this chart.



This weekly chart for gold shows just how important that three month rectangle is to the very big five year potential H&S base. This is the best setup the bulls could hope for, to see a three month small consolidation pattern forming just below the five year neckline. If they don't take advantage of this situation then gold has a bigger problem on its hands.

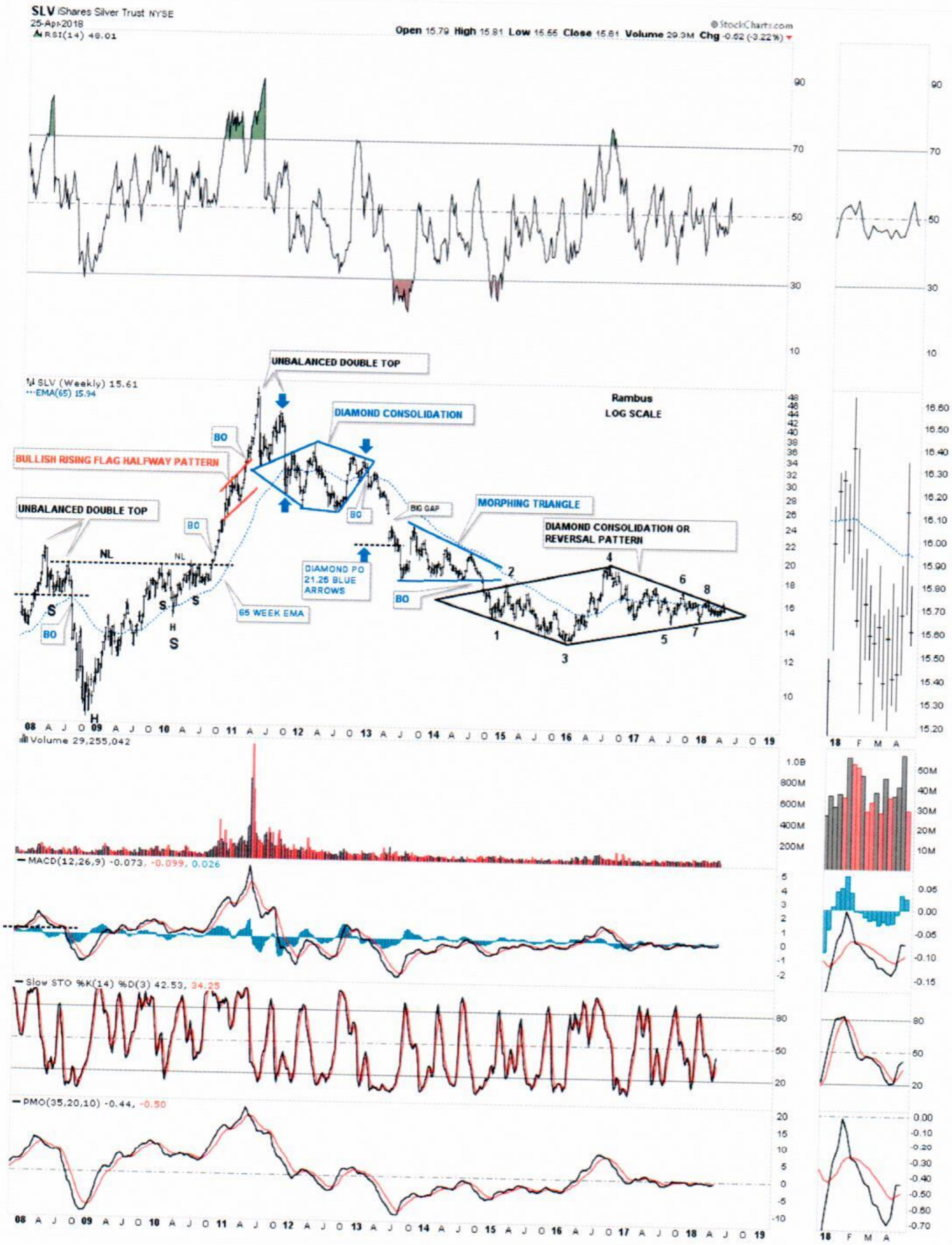
This 15 year monthly chart shows just how pretty the setup is for the bulls right now. All they have to do is take out the neckline on a nice increase in volume and the bull market will be underway once again.

Tonight is the first time I'm showing you this chart for gold which has a slightly different angled 2011 bear market downtrend channel. We've looked at the blue triangle in isolation before, but never inside this downtrend channel. Not to belabor the point, but you can see how important that three month rectangle becomes now as it's forming just below the top rail of the 2011 bear market downtrend channel. Also that five year neckline comes into play here as well. If there was ever such a critical spot on a chart the 1365 area represents one of the most important inflection points you'll find anywhere. The blue triangle is an ascending triangle with rising bottoms which tends to be bullish, but the bottom line is whatever direction the triangle breaks out will be the next direction for gold.



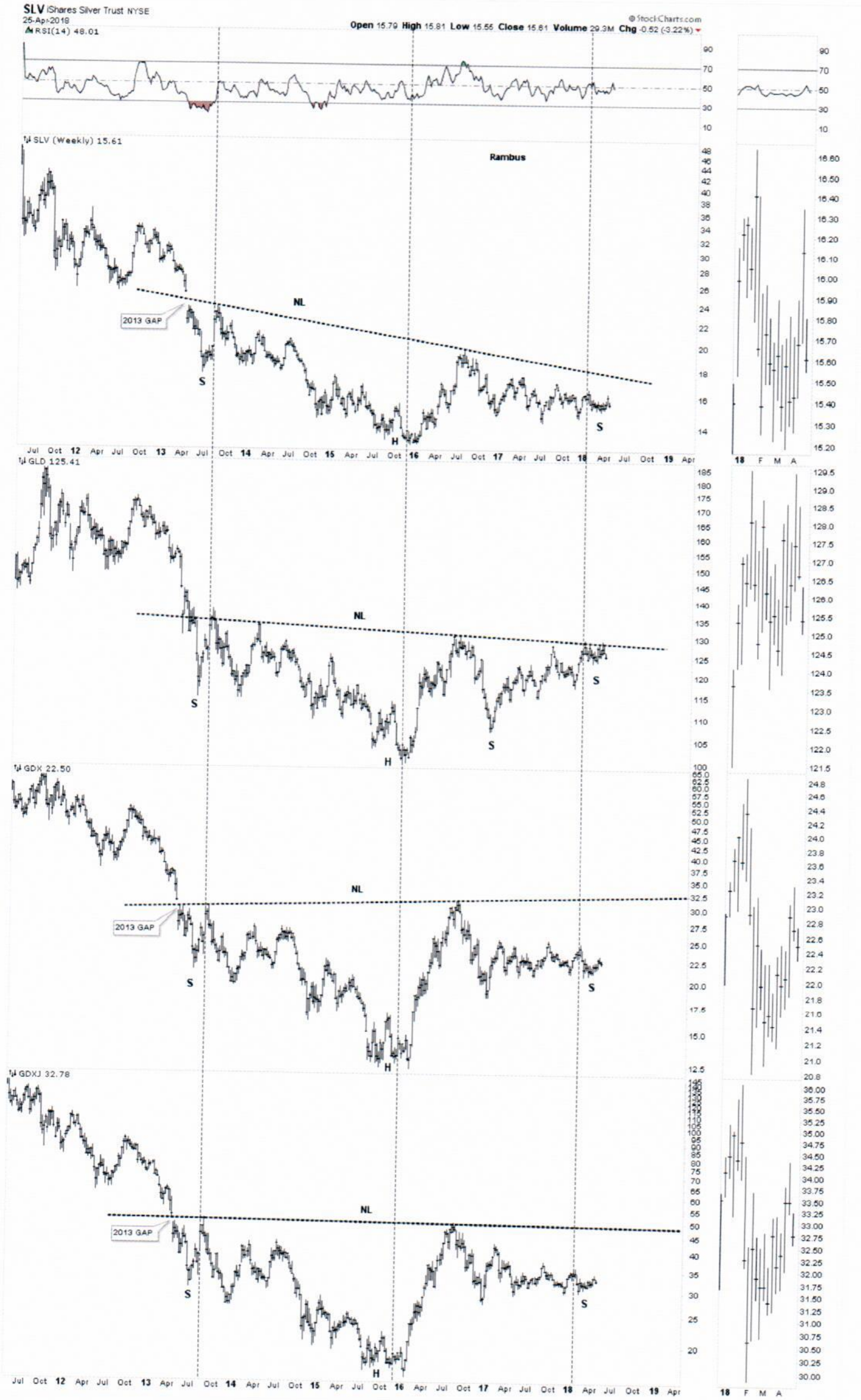
Next lets look at a five year weekly chart for SLV which shows its multi year diamond trading range. Last week looked so promising for SLV, but the silver bulls couldn't hold the top rail of the black diamond. So close, but so far away.

Below is a ten year chart for SLV which puts the diamond in perspective. Will it be a consolidation or reversal pattern?

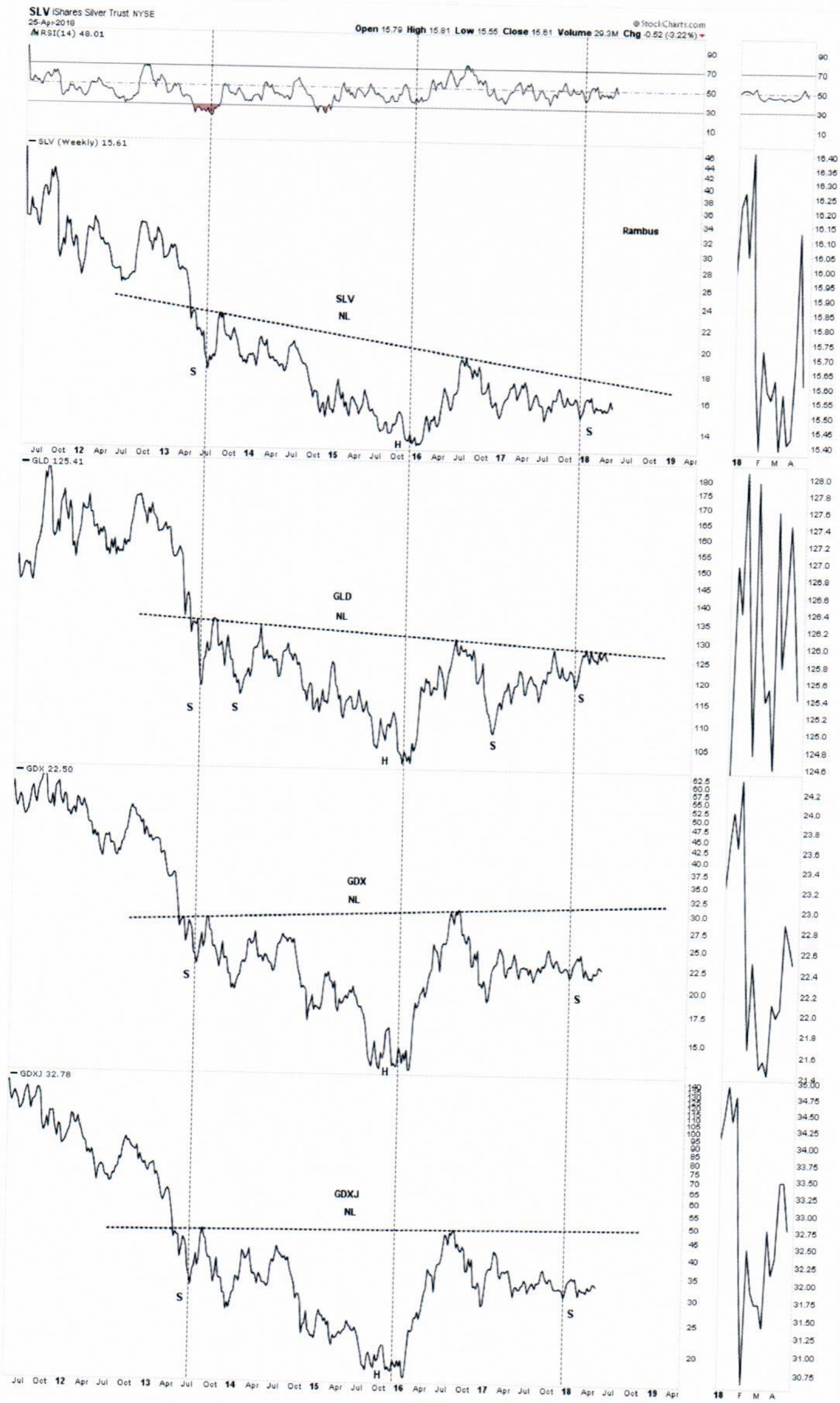


Below is another chart I haven't shown you yet which is a combo chart that has SLV on top followed by GLD, followed by the GDX and then the GDXJ on the bottom. The precious metals complex tends to turn at the same time, but one or more can be stronger or weaker than the others which can give you higher or lower peaks and troughs. Using GLD as a proxy, the vertical dashed lines shows the left and right armpits and the head.

If gold's five year H&S base is authentic and gold breakouts out above its neckline then the rest will follow suit. The others will reach their necklines when it's time for them to do so. This comb chart really shows the under performance by the PM stocks which is not what you like to see at the beginning of a bull market.

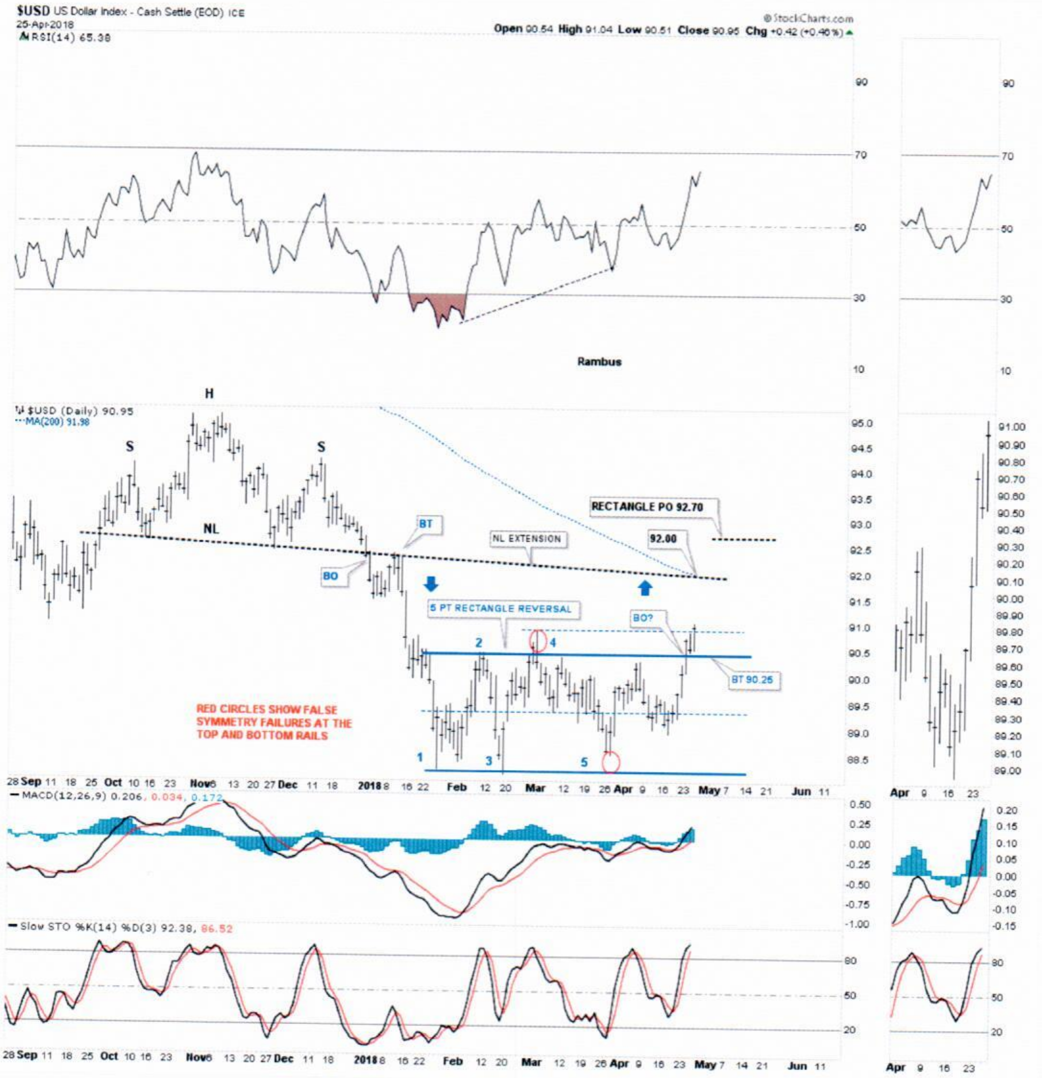


Below is the same combo chart, but this one is a line chart which gives you a slightly different perspective. On this chart the dashed vertical lines show the bottom for the left and right shoulders and the heads using GLD as a proxy.

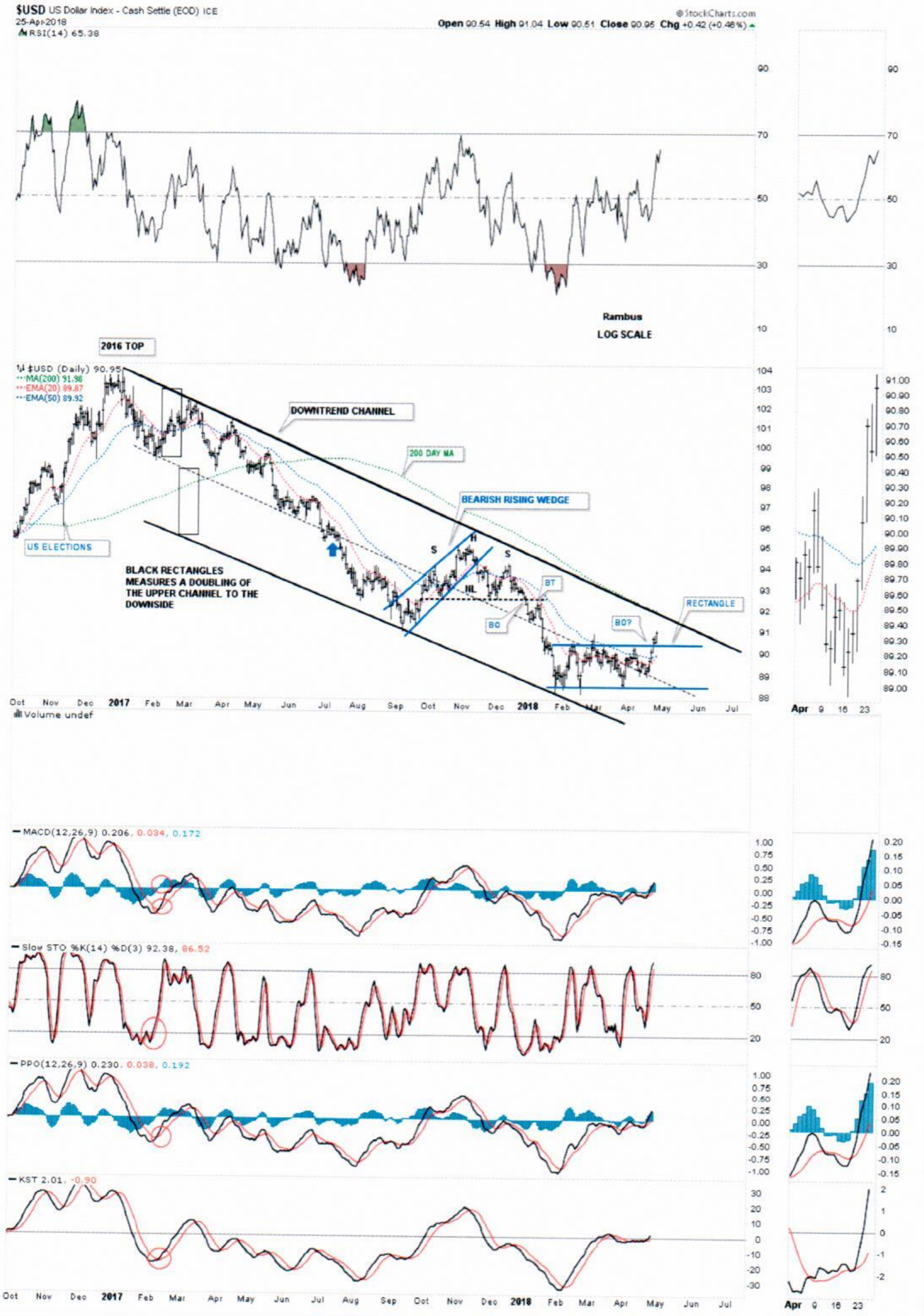


I think it's important now to take another look at the US dollar as it has broken out of a five point three month rectangle reversal pattern to the upside. The blue arrows show how it may reverse symmetry back up over the same area on the way down. Remember gold has a similar rectangle which hasn't broken out yet.

The first real area of resistance will be where the neckline extension line and the 200 day ma intersect at 92 or so. We can get a price objective for the rectangle reversal pattern by measuring the height of the rectangle and add distance to the breakout point which gives us a price objective up to the 92.70 area. The 92.70 area is over two points higher than where the US dollar is currently trading. The million dollar question is, how is gold going to react if the US dollar rallies at a minimum of two more points?



Below is the downtrend channel with the 200 day ma coming in at the top rail.

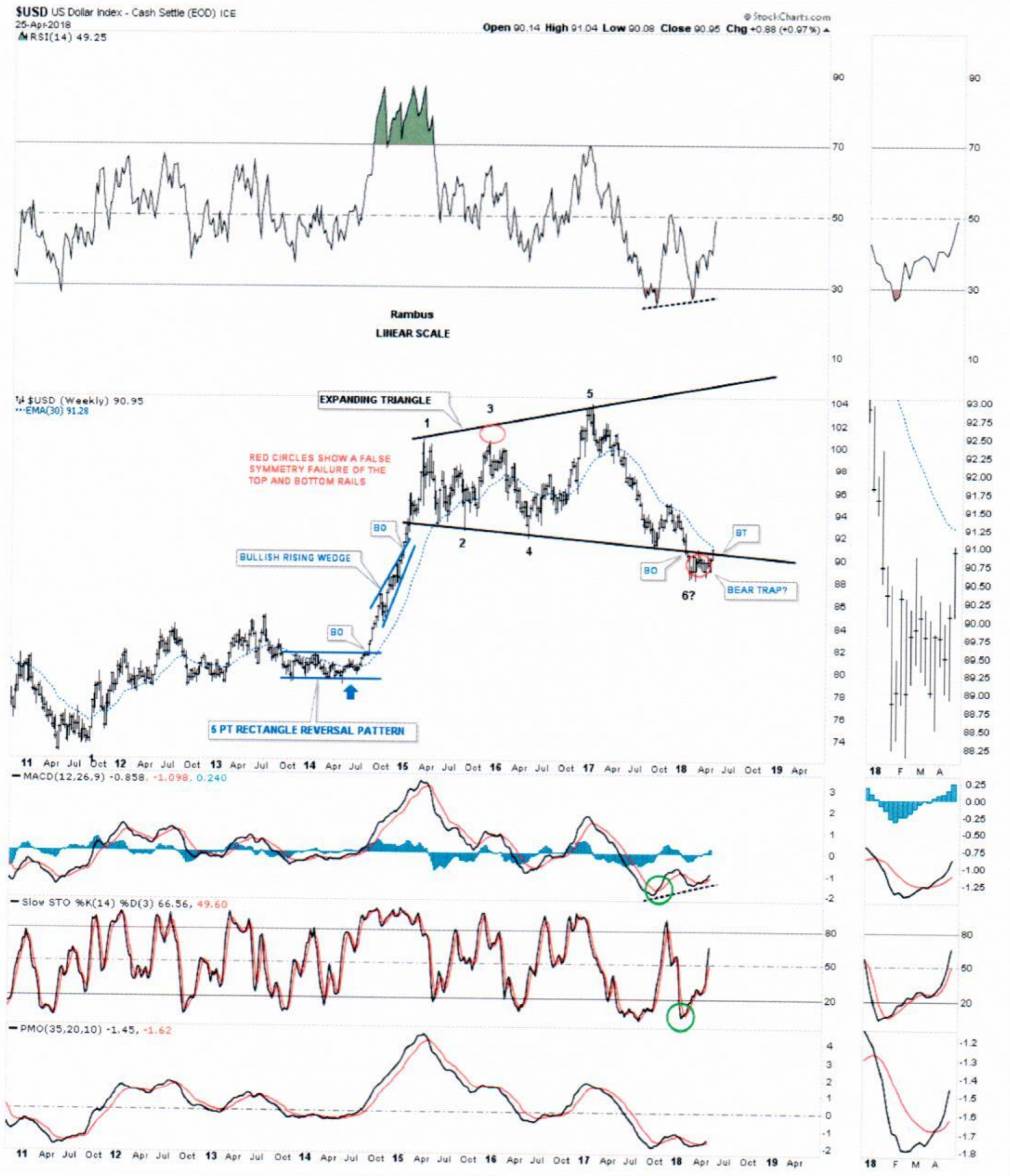


This next weekly chart for the US dollar is important for several reasons. First if the price action closes back inside the expanding triangle then that will negate the breakout for now. Secondly the red circles now show a symmetry failure of the top and bottom rails. What that means is, if you take the distance that the US dollar broke below the bottom rail at reversal point #6, subtract that red circle and add it to the failure of the US dollar to reach the top rail at reversal point #3, you then get perfect reversal points within the expanding triangle. You can see the same setup on the SLV diamond and the daily chart for the US dollar above.

Most of you already know this, but if you get a false breakout from a pattern and the price action turns right around in the opposite direction, you can expect a stronger than normal move. The last of the weak hands sold out below the trendline leaving no one left to impede the reversal.

It's getting late and I need to get this posted. We are at a very critical inflection point right here and now and how the US dollar behaves going forward is going to have a big impact on the precious metals complex. I know it's not popular to say anything negative about the pm complex. My job is to present you with an unbiased view of the markets and try to put the pieces of the puzzle together so you can see the picture the puzzle is showing you.

You can review more of the currency charts from the April 8th Weekend Report found on the sidebar under the last 100 posts. There are some very long term charts in that report that most might have just skipped over thinking they weren't possible. Anything is possible when it comes to the markets. All the best…Rambus



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