



---

## SCHAEFFER'S CHART-OF-THE-WEEK

**JANUARY 1, 2017**

Today's Chart-of-the-Week is provided courtesy of Bernie Schaeffer of **Schaeffer's Investment Research**. A link to its website, where you can sign up to become a Subscriber to get all of this website's excellent investment material, including Chart-of-the-Week, is provided here: <http://www.schaeffer.com/>.

### The Post-Election About-Face For Gold

#### Chart-of-the-Week for January 1, 2017

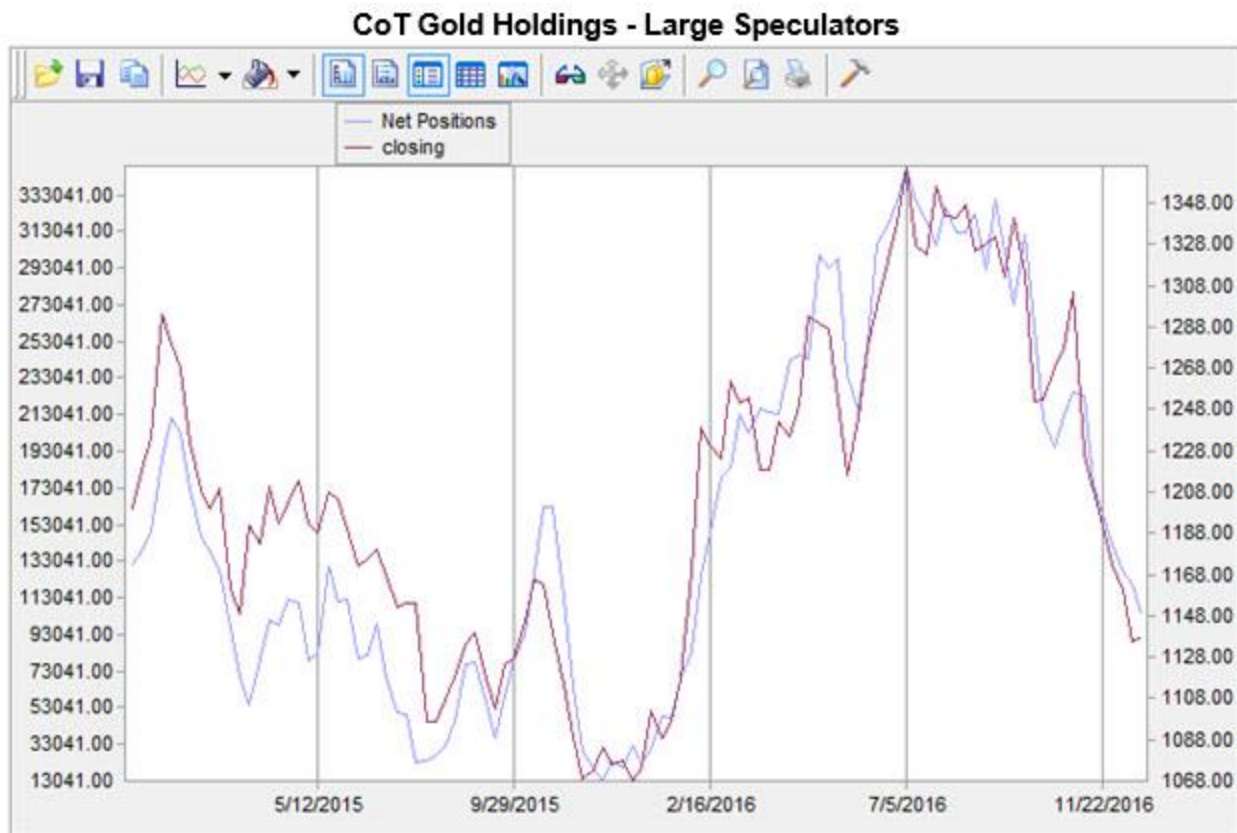
By **Bernie Schaeffer, Founder and CEO**  
**Schaeffer's Investment Research**

Rarely is there such over-whelming evidence of a massive shift in sentiment as we have witnessed in gold over the last two months. Ahead of the U.S. presidential election and December Fed meeting, investors were flocking to the perceived safety of gold -- and its proxy the SPDR Gold Trust ETF (GLD) -- in droves, as we noted in this space on November 6.

For most of the year, GLD had been the 2016 darling, handily out-performing the broader S&P 500 Index (SPX), and up by more than 29% year-to-date at its post-Brexit July peak. By August, GLD had generated the largest asset accumulation for any exchange-traded fund (ETF) in 2016, per [etf.com](http://etf.com), and inflows hit a three-year high in the third quarter, as gold futures explored two-year highs. Likewise, speculative players amassed GLD calls at a rapid-fire rate, with call open interest hitting a six-year high of 3.7 million contracts in mid-November, per Trade-Alert.

However, the "surprise" election win for Donald Trump fed the collective risk appetite for equities -- as evidenced by a run to record highs by the major market indexes -- and fueled the U.S. dollar to 14-year highs; traders dumped "safe haven," dollar-denominated gold like the proverbial hot potato.

Since Election Day, roughly \$4.8 billion has been removed from GLD, according to etf.com, compared to a rush of more than \$23.3 billion into the SPDR S&P 500 ETF Trust (SPY). In that same vein, large speculators abandoned their net long positions on gold *en masse*, per Commitment of Traders (CofT) data.



Those aforementioned GLD call traders also vanished in a hurry, with call open interest plummeting roughly 30% from its November peak, to 2.6 million calls outstanding, as of December 29. And much of the current call open interest is well out-of-the-money and set to expire in the next few weeks, with January 2017 calls accounting for five of the top 10 most populated GLD option strikes.

In fact, on the major options exchanges, GLD speculators have been purchasing puts over calls at a much faster-than-usual clip during the past two weeks, with the February 100 put attracting the most attention with more than 51,000 contracts added in this time-frame – more than twice the next-most popular option: the January 2017 120-strike call.

As Wall Street "flipped the script" on GLD, the ETF suffered seven straight weekly losses – tying its worst losing-streak ever, which ended in early August 2015, just before a major stock market shake-up.

According to data from Schaeffer's Quantitative Analyst, Chris Prybal, losing streaks of six weeks or more -- albeit few and far between -- have preceded bullish price action for GLD; the ETF has been higher 100% of the time after these signals, looking two weeks, one month, two months, and six months out.

Perhaps it is also worth noting that, in 2013, 2014, and 2015, GLD peaked in the first quarter and bottomed in the fourth quarter of the calendar year.

While it is almost always the case that inherent to climactic bearish sentiment such as that underlying the massive outflow of gold assets since the election -- not to mention headlines declaring "[The End of a Golden Era](#)" -- presents a contrarian bullish opportunity, getting the timing right is always the most difficult and most critical step. On the one hand, there are signs suggesting GLD has dropped "too far, too fast" -- on the other, the ETF is at a technical juncture that we will be monitoring closely.

Below are the GLD levels on our radar right now:

- **\$105 area:** Home to a trend-line connecting GLD's lower highs since 2013, which the ETF broke north of in early 2016, and could now serve as support
- **\$111-\$112 area:** Marks a 10% year-over-year gain; represents a 61.8% Fibonacci retracement of GLD's rally from December to July; supported pull-backs in late 2014 and early 2015
- **\$115 area:** Represents a 50% Fibonacci retracement of GLD's rally from December to July; provided support in 2013 and early 2014

See the chart on the next page.

### Weekly Chart of GLD since January 2013



Sunday, January 1, 2017

See the *eResearch* Disclaimers on the following page.

## ***e*Research Disclaimer**

**Note:** All of the comments, views, opinions, suggestions, recommendations, etc., contained in this Article, and which is distributed by *e*Research Corporation, are strictly those of the Author and do not necessarily reflect those of *e*Research Corporation.

## ***e*Research Disclosure Statement**

***e*Research Corporation** was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, its Subscribers (subscription is free!!!) benefit by having written research on a variety of small- and mid-cap, under-covered companies.

*e*Research also provides unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis.

*e*Research complements its corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals.

*e*Research provides its professional investment research and analysis directly to its extensive subscriber network of discerning investors, and electronically through its website: [www.eResearch.ca](http://www.eResearch.ca).

*e*Research does not manage money or trade with the general public, provides full disclosure of all fee arrangements, and adheres to the strict application of its Best Practices Guidelines.