



Third Party Research

September 9, 2017

Notes From The Rabbit Hole

eResearch Corporation is pleased to provide an article, courtesy of NFTRH.com, and written by Gary Tanashian, with a bio on the Author provided at the end of the article.

The article, starting on the next page, is entitled: **“Review of Gold’s Prospects”**

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Director of Research

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Notes From The Rabbit Hole

Review of Gold's Prospects

By **Gary Tanashian** (bio at the end of the article)

September 8, 2017

Hello! It is your friendly gold sector obsessive back again with another in a string of eLetter's devoted to the precious metals.

Am I a gold bug? Maybe, to a degree. But, much less so after being turned off by how a good portion of the gold "*community*" (as it calls itself) conducted itself during the latter stages of the last bull cycle and throughout the bear market; always finding reasons to be bullish and keep the less sophisticated herds enthralled with capers about manipulation and evil deeds by powerful forces. As if gold, silver, and the miners are not perfectly capable of going down for the same reasons as any other market.

But, I digress. The point of this eLetter is to provide you with an update that NFTRH subscribers received yesterday. It is really an exercise of one individual working out his own game plan and providing it as food for thought for others. As you will see below, I do think this - pending the volatility - is the start of the second leg up of a bull market that began in January of 2016.

NFTRH updates are not usually this extensive but, given the magnitude of what I think is coming, I want to be clear across different time-frames. Also, please understand that the weekly NFTRH report adds 30 individual gold/silver stock charts each week and the whole ball of wax is an evolving situation. In other words, take this update for what it is at this moment in time, but be prepared to have an open mind as the bullish and bearish noise gets louder to end 2017 and begin 2018. Or, better yet, join me for this value in a market service before the price increases in Q4!

Precious Metals Acquired Targets, Open Targets, General Update (Sept. 7, 2017)

HUI acquired the 220 target today, hitting 220.22. I want to stress again (said the broken record) that targets are not stop signs. They are reasonable projections made well ahead of time. So, please don't read *'he's calling a top!'* into the process. Traders who had planned to sell if HUI hit 220 should be doing that. I am not a real trader here (though I often wish I were). I am a re-balancer, hedger, and *partial* profit-taker.

For instance, I took profit on SAND (Sandstorm Gold) and trimmed positions in SVM (Silvercorp Metals) and NGD (New Gold) down to size. NGD, especially, had grown rather bulky. But, for balance, BTG (IKN's top pick) (B2Gold Corp.) was added to replace SAND (also with a positive view from IKN). BTG has been a laggard, so I said *'fine, Mark still has faith in you and I think your chart is now prospective (as noted in NFTRH 463)... so come on aboard'*.

The reason I am not trading out of the miner rally is because I believe we have a good likelihood of a second bull leg to the first move in January 2016. It has been a long, hard road for this sector, we have been tracking the positive divergence in some miners and the bullish big picture look of the HUI/Gold ratio for months now, and the most important chart I know of is starting to go bullish across the board. That would be the chart showing gold vs. various global stock markets. This is



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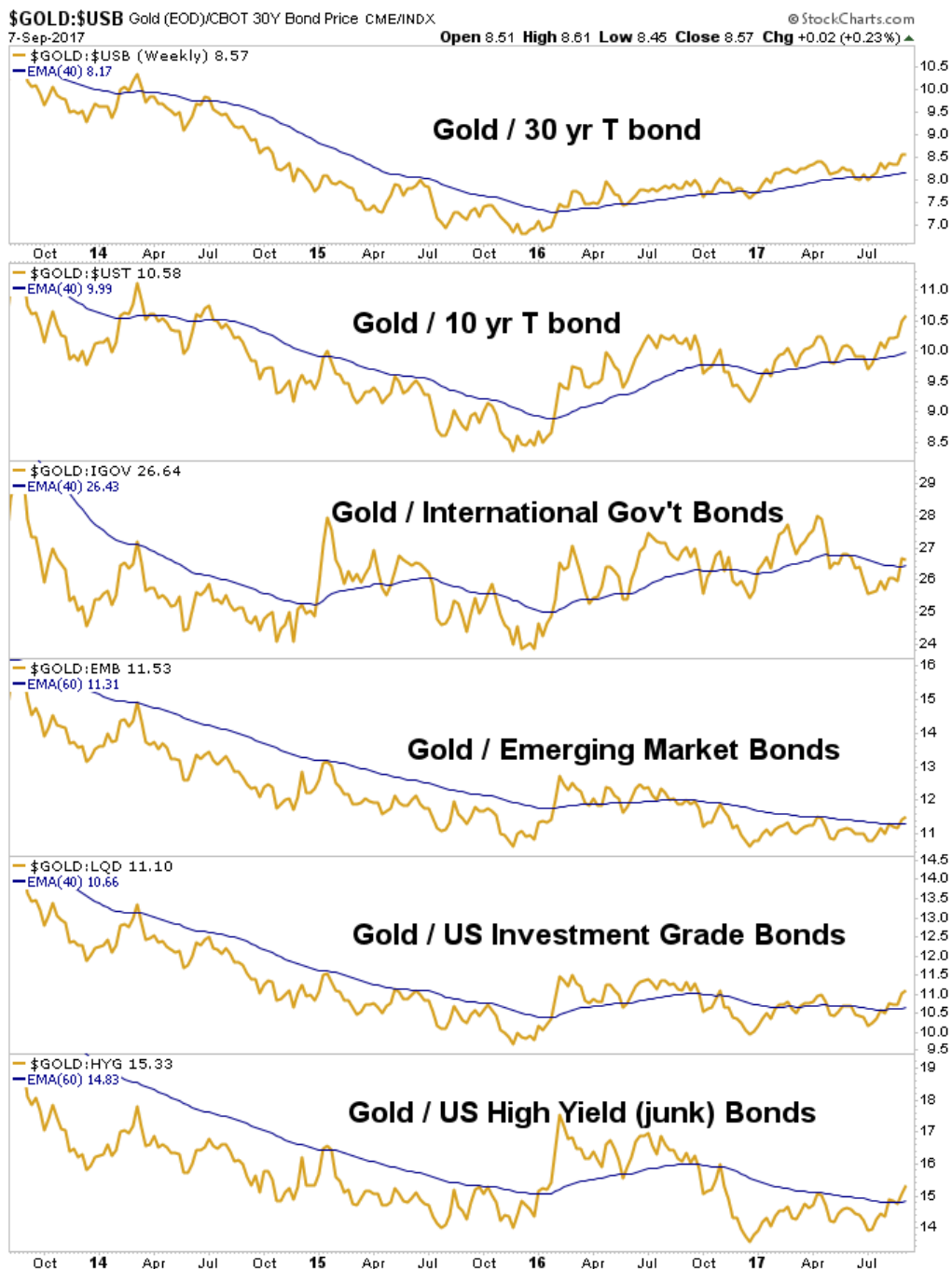
essential for a bull view on the miners and, this week, gold is making a move versus U.S. and London stocks, joining its constructive status versus everybody else.





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We had also noted that another key would be for gold to break upward versus Emerging Market and Junk bonds. This week that is happening. Gold is now bullish or constructive versus all types of bonds. Now, consider that bonds have been bullish nominally, and that means something. In short, the sector's macro fundamentals are coming in line.





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Here is the overbought daily HUI, hitting 220, which was the shaded pattern's measurement. I had noted that I would hedge if Huey started to decline (I am already indirectly hedged by being long the USD), or in the more likely (per my guess yesterday, anyway) event that it went to or through target. I have not added any hedges but will likely do so (or take more profits) if I see hysterical overbought bottle rockets going off.





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But the macro charts above get me thinking more like an investor. So, too, do HUI's weekly and monthly charts. They remind me that a real bull move would make the real money by doing more sitting (yes, like Old Turkey in Reminiscences of a Stock Operator) and less trading along the way.

This looks like an impulsive move putting the old bear market ball and chain, the weekly EMA 55 (orange dotted line, below), in the rear view mirror. I have added RSI to the weekly to show that it is not overbought on this time frame. The implication is that any pull-backs will not be rally-enders as long as the 195 area holds (EMA 55 is 197). So, the weekly can get toward overbought and the daily can get even more overbought near-term, but when a pull-back does occur it should look like a buying opportunity (with a handy mental stop loss below HUI 195).

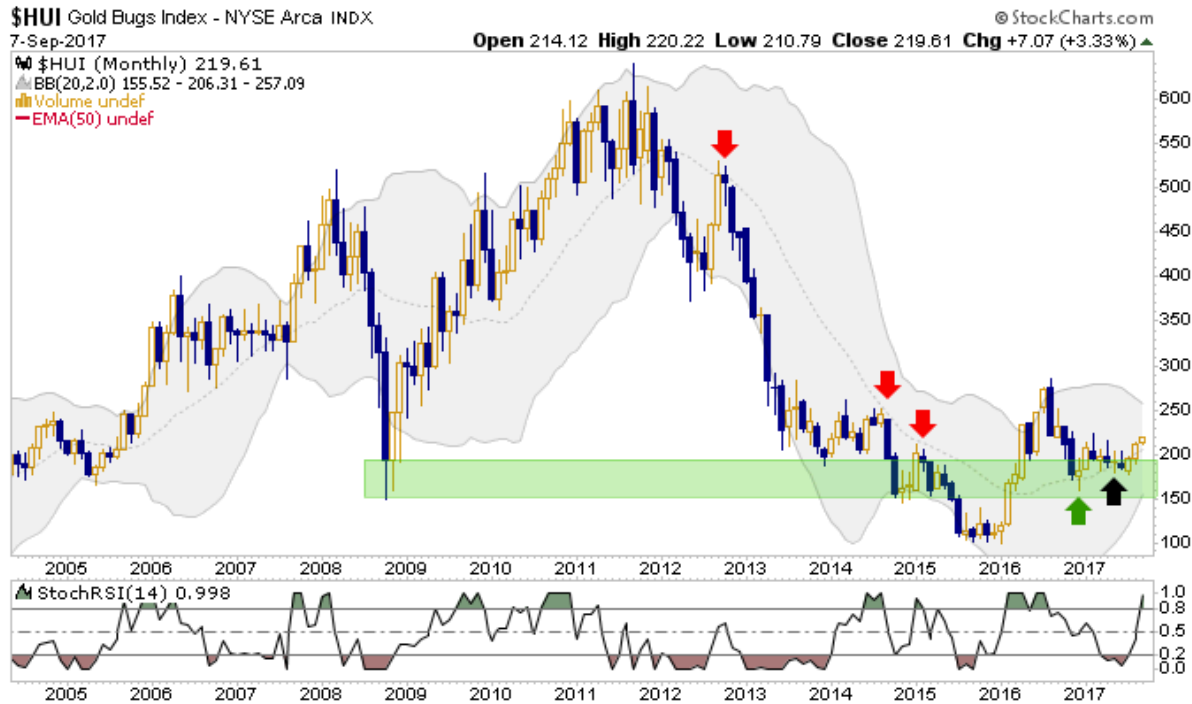


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The monthly chart is getting overbought by Stochastic RSI but, on a monthly, it can remain that way for many weeks, even months. The thing that blows me away is that it held that damned center Bollinger Band line just as we had thought might be the case going all the way back to late 2016. Now, the consolidation handle is breaking and, as shown in a [public post this morning](#), the pattern could be morphing into an Inverted H&S.



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HUI/Gold ratio is looking good by daily, weekly, and monthly time frames.

Here is the daily.



Here is the weekly.

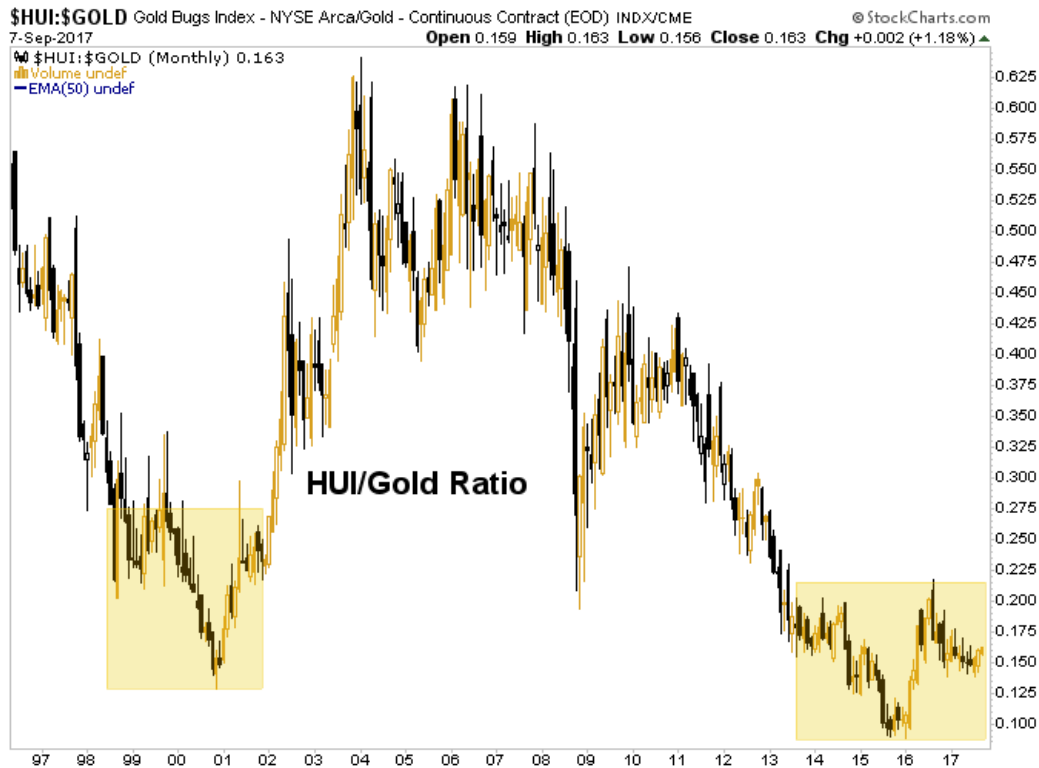


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Notes From The Rabbit Hole

Here is the monthly.



Here is the daily chart of gold we used first to project a 'bounce' to 1300 and then, upon break-out, a measurement to "near 1400". At 1350, it is now more than half way there since the break-out above 1300. I, for one, have not been expecting it to take the upper 1300s to 1400 all in one big gulp. To me, that continues to be a vulnerability insofar as it is driven by panicky momentum players piling in due to geopolitics. Frankly, it makes me uncomfortable. But then, in real life, as opposed to my analysis, I am a pretty emotional person.





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The monthly again reminds us that gold is perched just below a potential battle zone. Can it be that easy? Can gold slice through a marker to its new bull market leg without any trouble? Will it? Only your local gold guru knows for sure (and he is always bullish!). I think it is a potential war zone (pardon the pun).



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Silver's target has been around 18.50 off of the pattern that formed from June to August. It hit 18.22 today.



Bottom Line

Positive:

- The HUI short-term target is in the books, and gold and silver are nearing targets and resistance; but the move looks impulsive, like a launch to a new bullish phase (subject to pull-backs/buying opportunities).
- More important macro fundamentals for the sector are going positive.
- Gold miners are leading gold (and silver has been leading gold for 2 months as well).
- Weekly and monthly charts are showing break-outs and bear market chains (like the HUI weekly EMA 55) being put in the rear-view mirror.

Negative:

- North Korea fears driving the sector to some degree; the fallout always comes, sooner or later. The thing is, when momentum is in play, logical timing goes out the window.

In light of the fundamentals, which are my judge and jury on whether to be bullish the sector in a meaningful way, I am willing to accept for now the *funnymental* known as the North Korea angst. Along with that, the technicals are the technicals and they are bullish or very constructive in all time-frames.

What works for me (a very different investor from you, no doubt) is to not be buying (other than the likes of laggard BTG, which replaced one sold for profit-taking) but, rather, holding steady with some profit-taking and balancing, but keeping core positions. A correction and buying opportunity will come and I would hope to be able to have an 'ah ha!' moment (like a wild up-side blow off) and spot it ahead of time. The kind of thing where you are compelled to take more profits.

Traders, however, if they have honestly assessed their goals ahead of time, should be selling now if they, like me, thought HUI 220 to be a reasonable target. Nothin' wrong with profits, folks.



Notes From The Rabbit Hole

As for me, I will just end up managing as best as possible (and letting you know my thoughts along the way) with the idea that, on the bigger picture, something real appears to be going on here. I would hope to take enough profits right on the nose of the rally, but that always sounds easier than it ends up being. For now, I am going to be patient, trim a profit here and maybe even hedge a bit there. But the "bottomest" line is that this thing seems real, as in the next leg to the thing that started in January, 2016.

A final consideration is that there is a lot of talk about a market crash and the 'years ending in 7' stuff going around. I don't have grounds to forecast a crash so I am not going to do so. I only have grounds to anticipate a correction for the second half September and Q4. But, if an epic crash were to happen, there would be validity to the idea of a liquidity crisis taking all stocks, including miners, down, at least temporarily.

Apologies in advance for the talkyness of the update. Some of them go that way. I hope that by me working through my stuff it can help others work through theirs as well.

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See NOTES, next page.



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Biiwii.com is proud to be included in the **50 Blogs Every Serious Trader Should Read** from [TraderHQ.com](#).

See **ABOUT THE AUTHOR** on the following page.



Notes From The Rabbit Hole

ABOUT THE AUTHOR



Gary Tanashian is a financial market analyst, writer, and editor. He provides “Accurate financial market analysis and commentary focused on unbiased reality as opposed to preconceived assumptions.”

As a long-time participant in financial media (published at leading outlets like SeekingAlpha, Investing.com, and many more), Gary has learned how to communicate with people about often-complex material. He knows that it requires hard work, but he believes that there is no other way in order to provide the highest quality service to the public.

Gary is the owner of Biiwii.com (launched in 2004) and, later, NFTRH.com (launched in 2014).

Biiwii is a financial website that got it RIGHT in the run up to 2008, unlike many in the financial services industry.

He is the owner and publisher of the weekly premium financial market report Notes From The Rabbit Hole, which was launched in September, 2008.

Notes From The Rabbit Hole is a premium newsletter service (including detailed in-week updates) for people who care more about financial market realities than having their preconceived notions reinforced. <http://nftrh.com/nftrh-premium/>

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