Gold Commentary

***e*Research Corporation** is pleased to provide a chart and commentary, courtesy of Mark Hulbert, on whether now is a good time to buy gold and/or gold-miners.

Information on Mark Hulbert, columnist:
http://hulbertratings.com/

How You Will Know When It Is Time To Buy Gold

There is not enough skepticism among gold-timers to support a big rally in gold and gold-mining shares.

But we may be getting close.

It was nearly four months ago when I last devoted a column to a contrarian analysis of gold market sentiment. I argued then that "Gold is unlikely to mount a sustainable rally anytime soon."

That indeed appears to have been the case. Though gold GCZ7, +0.39% did mount a $100+ rally subsequent to my early July column, that effort soon petered out. Currently, gold bullion has corrected more than half of that rally. This failure is similar to the fate met by two other rally attempts earlier this year.

The good news is that gold-timers are becoming increasingly dejected with each rally's failure. This means that we are that much closer to the point of maximum dejection and despair that contrarians associate with a major bottom.

Consider the average recommended gold exposure level among a group of short-term gold market timers I monitor (as measured by the Hulbert Gold Newsletter Sentiment Index).

The lowest point this average fell to in July, prior to gold's rally into early September, was minus 0.6%. Today, in contrast, the average stands at minus 8.0%, which means that the typical gold-timer is currently allocating 8.0% of his gold-oriented portfolio to going short.

See the chart on the next page.

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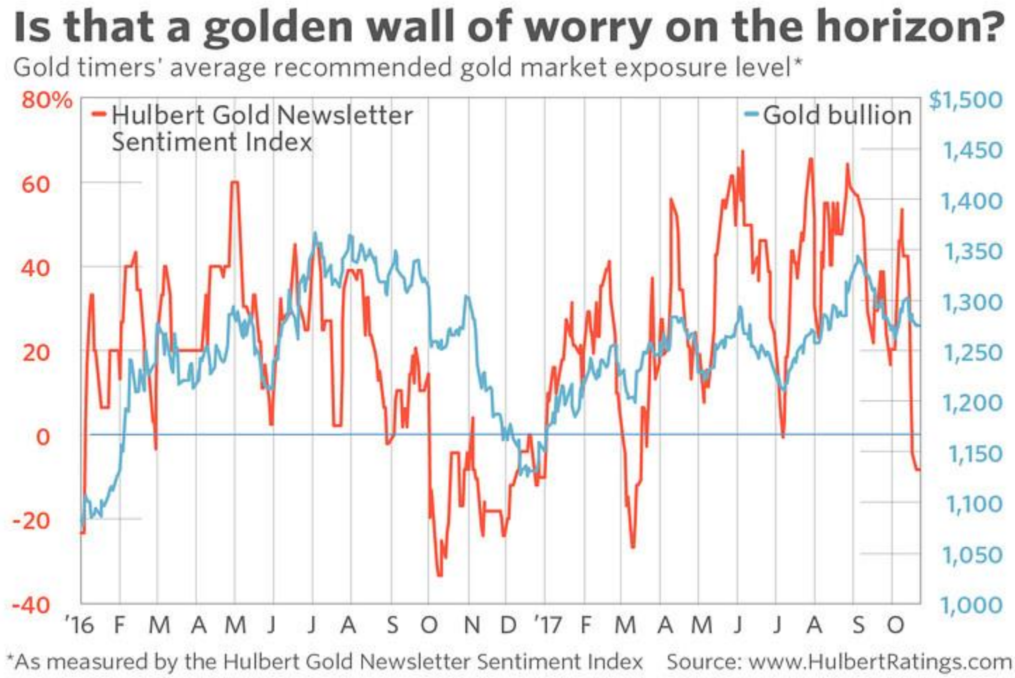

Note carefully, however, that while the current reading is lower than in early July, it still is not as low as the minus 30% level that came prior to recent years' significant rallies.

In the last quarter of 2016, for example, the HGNSI remained in negative territory for nearly three months and, at one point, got as low as minus 33.3%. Such widespread and deep pessimism provided the sentiment foundation for gold's big rally in the first months of this year.

So, the veritable Wall of Worry that bull markets like to climb is being built in the gold arena. But construction remains in its early phases. Contrarians therefore are not yet ready to issue a buy signal.

What would it take for the contrarians to turn bullish? A minus 30% HGNSI reading, or below, is one prerequisite. Even better would be for the HGNSI to stay at those low levels for more than just a day or two, especially in the wake of any attempt by gold to rally. That would indicate the Wall of Worry is extremely robust — strong enough to support a rally that does not die out after a couple of weeks.

The bottom line: Be patient. A contrarian buy signal is in the future. Just not yet.

For more information, including descriptions of the Hulbert Sentiment Indices, go to [The Hulbert Financial Digest](#) or email mark@hulbertratings.com.

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