

## 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:  
**“Beware The Inflationist Gold Bug”**

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Along the way, a geek-like interest in technical analysis, a long-time interest in human psychology, and various unique macro market ratio indicators were added to the mix, with the result being a financial market newsletter (and dynamic interim updates), Notes From The Rabbit Hole (NFTRH) that combines these attributes to provide a service that is engaged and successful in all market environments by employing risk management first, and opportunity for speculation second.

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Director of Research

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## Beware The Inflationist Gold Bug

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

January 15, 2018

You probably know by now that I am not a market-writer who is going to lather you up, and I am not going to get excited about any single investment without good reason. In other words, I have no agenda other than to be right about the markets in whatever they present, and so I have nothing to promote other than the [NFTRH Premium service](#), which stays on track to that very goal each week.

What I mean is, NFTRH will only seek the truth and belongs to no team, club, or old boyz network. You have probably noticed that cannot be said of all market-oriented entities out there. It is human nature to team up, to find common ground with others, and try to feel reassured in common belief. It is the nature of business for certain entities to treat readers like objects, marketing the hell out of them with reinforcement of their biases.

Well, screw that! These are the financial markets and this is a war against entities much larger and more powerful than you and I, and it is a daily battle against legions of smaller fry like day-traders using five-minute charts, algos, quants, and their black boxes, and that is not even to mention global monetary authorities, always a risk to drop a manipulation bomb right in the middle of a well laid plan.

So, let us keep it real, and realize that we are at war with vague and varied interests. Sure, that is what the modern market is, but we are not warriors in a 'good vs. evil' or 'us against them' way; in this case with respect to that most heavily marketed sector of all as the cheerleaders never fail to latch on to inflation as a handy means of promotion.

### **Gold Sector - Beware Inflationist Cheerleading**

I do not want to pump you too much about how correct we were to be bullish on the gold sector in mid-December. You can see that for yourself: [Amid Bad Fundamentals, Gold Sector Rally May Have Begun](#).

But the bullish view was not due to the sector's true fundamentals, which have little to do with inflation (as you know by the last few eLetters, we have been very bullish the 'inflation trade', especially in the Industrial Metals/Materials areas). It had to do with a positive CoT (BW: Commitments of Traders) alignment for gold and silver, a sentiment washout on the false break-downs through support, and it had to do with the seasonal traits for gold. Gold put in a textbook secondary low in December and January (left) is very positive on average over 30 years.



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We also projected a pullback (and USD bounce) last week and an overbought HUI (BW: NYSE Arcs Gold BUGS Index) obediently dropped to projected support and, on Friday, bounced to a new recovery high, confirming the January view of another leg up. Again, see [nfrh.com](http://nfrh.com) for confirming details. I won't bludgeon you with them here.

My main point to you is that, in mid-December when it was hard to buy the miners, we projected a rally that could last through January. We are still on that theme. But the problem is that so are more and more gold bugs, and they think it is perfectly fine for the gold sector to be rising with the stock market, with cyclical commodities and, well, the general inflationary asset mania currently ongoing.

A word of caution... gold is unique in its counter-cyclicality. The miners are even more so, since their cost inputs include fuel and materials that are going up at least as much and in some cases more than gold (their product). So, sure, the gold sector often rises against fundamental degradation. That is the 'inflation trade' for ya! It is the old *'gold is palladium is oil is copper is tin is hogs is lithium... buy RESOURCES!'* inflation tout.

## Bottom Line

Enjoy the gold, silver, and miner rally if you are participating. Our projection has been for it to last through January (so far, so good). But I, for one, am going to decisively take profits if I do not see a change in the inflationary narrative while gold stocks reside up around our targets. The sector, in its best investment case, is counter to all the inflated party stuff.

Also beyond the scope of this eLetter is the fact that there is so much more in play from an indicator perspective and a simple narrative like *'T bonds are tanking, the USA is inflating, get out of U.S. dollars!'* will lead people astray as it has done so many times before. Our [3 Amigos theme](#), updated weekly in NFTRH, is pointing the way upward in many inflated markets in the near- to intermediate-term, but it also provides limits. The gold sector is only participating currently as an also-ran.

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**See NOTES, on the next page.**



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## NOTES

*Biiwii: But it is what it is*

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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.



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## **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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