

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:
“Precious Metals’ Opposing Action”

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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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Precious Metals' Opposing Action

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

March 2, 2018

In the last eLetter (February 11), we noted that with the markets now in motion, I have to prioritize my time to NFTRH's premium services for subscribers. So our little get-togethers by eLetter will be less frequent going forward. But, at important junctures, I would hope to be able to deliver some actionable information for you. In that vein, this eLetter reproduces this morning's premium NFTRH subscriber update on the gold sector that I think is very relevant now.

First, I would like to announce that Biiwii.com has had a complete makeover, and is now SSL secure (https) and much faster. As usual, it contains quality content from a select group (my selections) of writers. Also, plenty of my public content is happening at NFTRH.com, like yesterday's views on the bond market, on which I have had a contrarian theme going for Treasury bonds as 10-yr & 30-yr yields hit our targets.

However, my main focus is to show you how NFTRH Premium serves its subscribers. I don't pretend to know it all, but I do the work to cover as much as possible in the comprehensive weekly report (ref. the complimentary NFTRH 486 provided with the last eLetter) and in-week updates like this one.

Precious Metals' Opposing Action; a Daily View and Full Review of the Bigger Picture

This morning is a microcosm of what we would want to see for gold, silver, and PM complex in a counter-cyclical environment. Even as the USD settles after painting a bearish candle yesterday commodities, global, and U.S. stocks and bond yields are all pulling back while gold and silver are positive.

This update is not to get hysterically bullish about gold and silver based on one pre-market situation, but given that our reason for closely following the precious metals is for their counter-cyclical aspect, we will especially take notice on how they are doing when the broad asset markets hit turbulence. Signs of late are that they are disengaging from the greater inflation trade.

Here is how HUI ended yesterday per the chart from Wednesday's update. It held the green trend line and lateral support.

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Moving to a daily chart, we can see the reversal candle from yesterday that poked the support area and held the key 170 level. If yet another bounce in the jigsaw shown above is in the making I would plan on around 190 as a minimum objective. That is a cool 20 points from yesterday's low. If Huey rallies and it is just a bounce fated to make another lower high, 200 could be quite doable as well.



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However, the reason I hold some positions (and added back BTG and AXU over the last 2 days) despite what had been a S/T bearish view since HUI hit resistance at 190 is because I am waiting for



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this sector to be special. Notice how HUI declined from 190 as the stock market kept rising (until 3 days ago). That was opposing action and not a negative if the stock market goes bearish for a phase.

As parroted repeatedly (against the perma pom-poms out there) the gold sector is not at all special when it rallies with other participants in an inflationary asset market rise. It is special when things fall apart, and even then you have to be careful because, as in Q4/2008, the miners are completely capable of liquidating (despite rapidly improving fundamentals) before providing a massive buying opportunity. That would be the inflationists puking out.

What does the sector have going for it this time vs. Q4/2008? See below...

It is now in its 20th month of consolidation after the big 2016 up-surge. That consolidation has weaned the sector off of the inflationary backdrop (even as it often rallies with it in short-term spurts) and that is a good thing.

The point being, the topping pattern built in 2007-2008 was the peak of Greenspan's inflation-fueled bull market that began in precious metals in 2001 but then fanned out to commodities and stocks.

Resolution was harsh and decisive. The topping pattern from 2009-2012 (what I used to call "Mr. Fat Head") was the culmination of the balls out inflationary fire hoses sprayed on asset markets 24/7, 365 days a year to address the 2008 crisis, which itself was created by the Fed (so you see why NFTRH is so named...). Resolution was harsh, extended, and a grind; a primary bear market after 2008's quick cyclical one.





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HUI topped about 6-1/2 years ago, made an impulsive leg up 2 years ago and has been consolidating that for 20 months. In other words, it has been doing the work that stock markets, the primary beneficiaries of the current inflation cycle (with a side of Operation Twist), have not been doing. So again, this is why we should note the sector's opposing action (to the stock market) when it occurs.

As to the consolidation on the chart above, even if HUI does take a leg down for a final flush, it would be nothing like 2008 and it would be nothing like the 2013 leg down. My point here is that we would-be gold bugs need to stand ready with our greed on full display. But we need to be intact and sensible when doing so. I have held the items I am willing to hold through bearish price action and depending on what the broad markets do (along with the precious metals' opposing action theme) I am ready to buy more.

As for this morning's bounce, gold is at 1323, which is also its 50-day moving average. Silver is at 16.45, well below its SMA 50 (16.81). So let's not get excited. Let's rather just take it a day and a week at a time and develop the narrative. The first thing we had to do is shake off these accursed inflation bulls. After that the more satisfying work may begin.

We will chart sector fundamentals and individual gold/silver stocks in the weekly report if/as the situation develops.

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See NOTES, below.



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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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