Gold: Hold, Fold, Or Go In Bold

***e*Research Corporation** is pleased to provide an article by Keith Richards of **VALUETREND**.

In this article, Mr. Richards looks at where gold might trade at in the near term.

The article is reproduced below, beginning on the next page, or you can go directly to it at the following link: **https://www.valuetrend.ca/gold-hold-fold-or-go-in-bold/**

You can also visit the **VALUETREND** website at the link below:
http://www.valuetrend.ca/

***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.

*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.

Bob Weir, CFA
Contributing Analyst

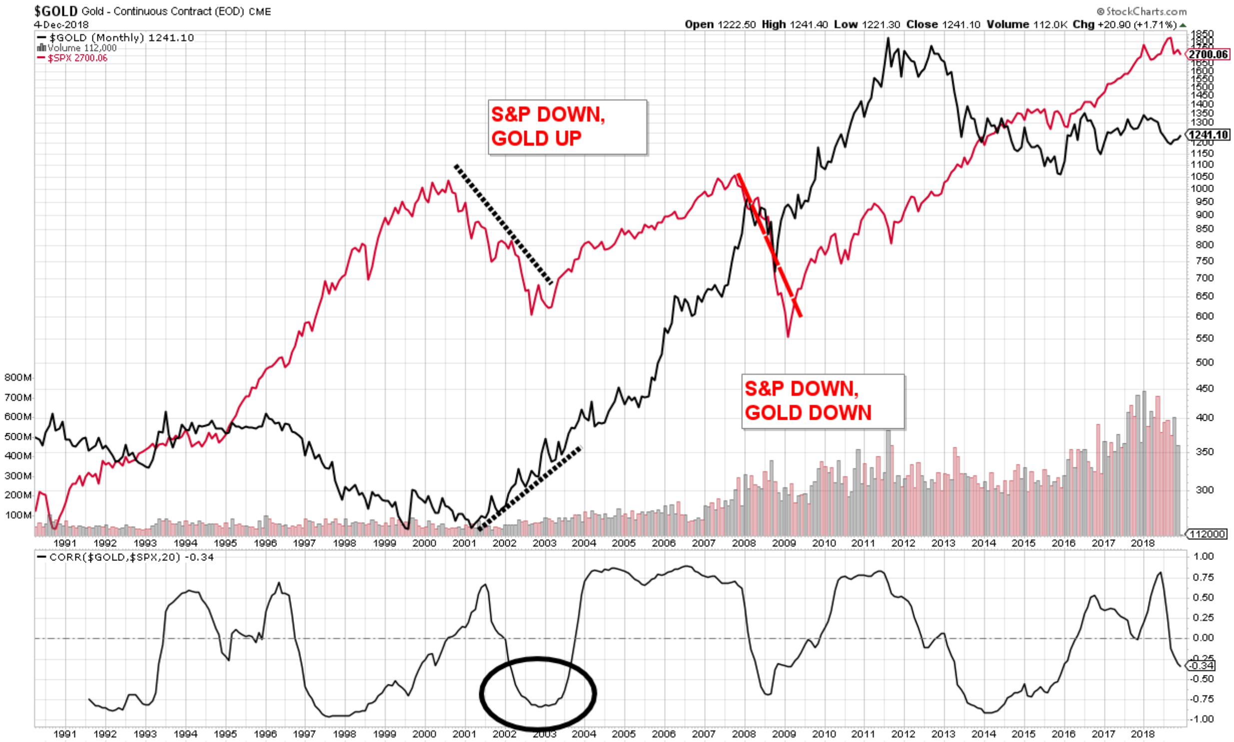
Wednesday, December 5, 2018

Gold: Hold, Fold, Or Go In Bold

By: Keith Richards (bio at end)

Gold looks to be staging a minor rally. Is it worth a trade? Perhaps.

Before analyzing the prospects of trading gold, I thought I would re-visit a chart that I have posted before.



The **red** line is the S&P 500, the **black** line is gold.

It is a correlation study on gold versus the S&P 500 going back to 1990. Let us call the period since 1990 "modern markets". You see, some people think that gold is a hedge against a falling market. Were that the case, you would see a strong negative correlation (line on the bottom pane of the chart above would be near the bottom of the pane) whenever markets fell. Clearly, that has not been the case. Yes, there was a good negative correlation in the 2000-2002 market crash, but that correlation did not re-occur during the 2008 crash. Thus, I would not call gold a reliable hedge against aggressively falling markets—at least for the past 30 years.

<continued>

Now that we can put that myth aside, let us get on with the show.

Is gold a good trade at this moment, given its recent rally? Let us look at a weekly chart going back to 2012 to try and answer that question.

The top and bottom panes of the gold chart are money-flow indicators. The bottom pane is cumulative money-flow, and it is starting to show some life. That could be good. The top pane is money-flow momentum. It was oversold and is moving up. That can be good, too. The negative here is that money-flow was not so deeply oversold, as it was in early 2017. That is when we got a much bigger move, rather than a small rally.

Next, we should take a look at the chart itself. As you will see on the far right side of the chart, there was a bit of a double bottom recently, Gold has rallied into a neckline resistance point at around 1240-ish. It needs to break this level with conviction. If that happens, you will note the target of 1360 (horizontal red dashed line). But that really has not happened yet.

Stochastics (the super-fast/whippy-momentum indicator) is just approaching overbought levels, indicating it might take a breather sooner or later. But RSI and MACD (mid and longer-term indicators) are positive. Soooo….there is a chance we will see said breakout of 1240 (it is actually 1243 as I write on Tuesday after-hours). My official definition of the break-out would be 3+ days holding over 1240. So, another 2-3 days might suggest a fair bet on the upside.

Conclusion

All in, I would say there is a decent chance for a trade on gold. It might not make it to 1360. But, it might just give a good run at it. For aggressive traders, it might be worth a shot if we get a bit more follow-through in the coming days.

#####

INVESTMENT ANALYSIS | WEALTH MANAGEMENT | PORTFOLIO MANAGEMENT
LIMIT YOUR RISK. KEEP YOUR MONEY.

See **About The Author** on the following page.

ABOUT THE AUTHOR

ValueTrend Founder and Owner, Keith Richards, has been in the securities industry since 1990. ValueTrend manages over $100 million through a discretionary investment service for high-net-worth clients.

Keith Richards has been in the securities industry since 1990 and is a highly regarded member of the small, exclusive community of Chartered Market Technicians in Canada. Mr. Richard's articles appear regularly in INVESTORS DIGEST, MONEYLETTER, GLOBE AND MAIL, and the TORONTO STAR newspapers.

His appearances on BNN Television have inspired producers to acknowledge him as **"one of [our] most accurate technical analysts."** Mr. Richard's first book, SMARTBOUNCE: 3 ACTION STEPS TO PORTFOLIO RECOVERY, is available in bookstores and directly through his blog page **www.valuetrend.ca/blog/**. His second book, SIDEWAYS: USING THE POWER OF TECHNICAL ANALYSIS TO PROFIT IN UNCERTAIN TIMES was released in late 2011. He has been critical of the commission-based, follow-the-pack approach to investing – where brokers succeed regardless of performance.

#####