

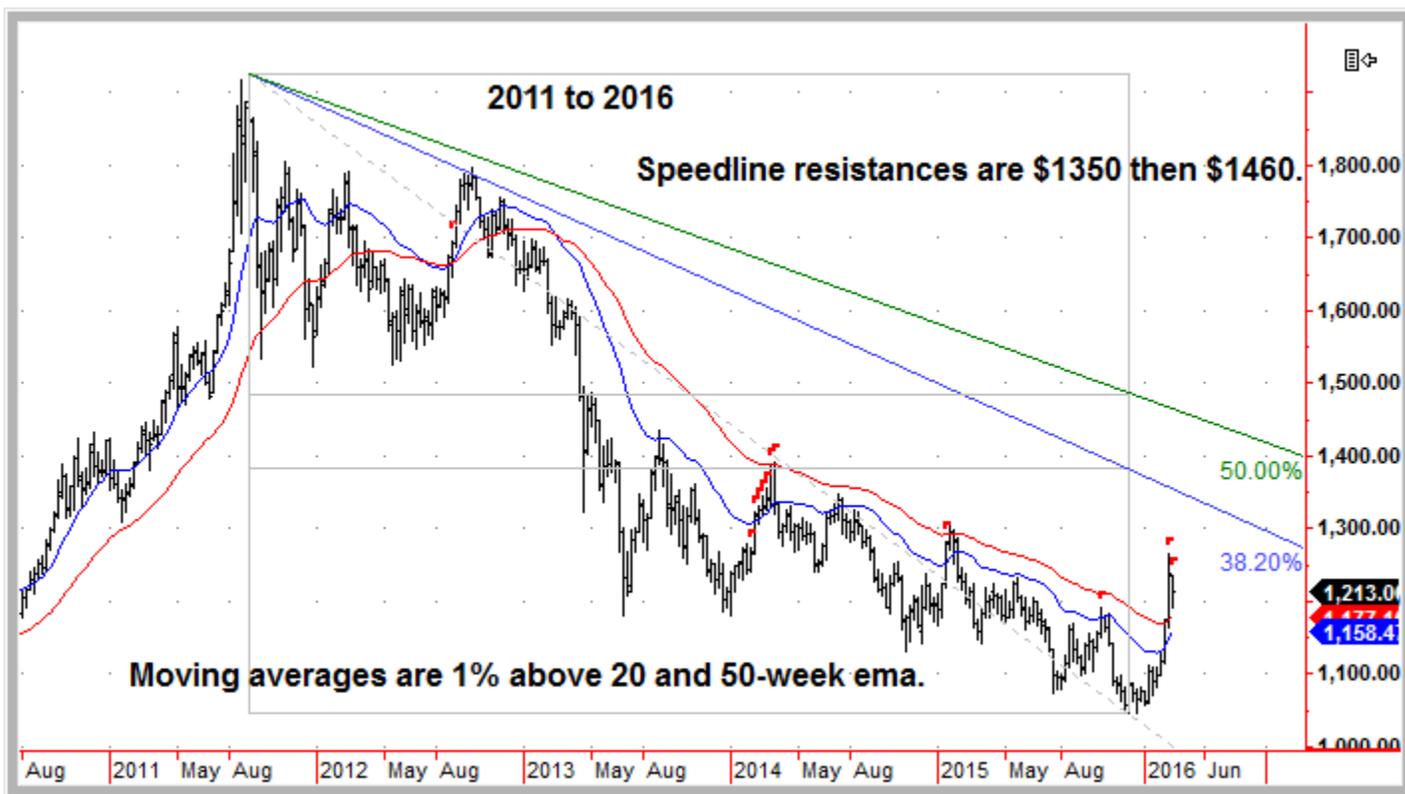
February 17, 2016

Gold – Update Following Breakout

The breakout through \$1170 in gold triggered the type of upside action we expected. Downside corrections should now ideally hold at a 23.6% retracement (\$1200) of the two-month rally. If it develops into an A-B-C correction as seen in 1993, then we would like to see the C leg hold at a 38.6% retracement (\$1170).

On the upside we continue to look for a test of the 38% and 50% speedlines from the all-time high. As noted last week, “they are a function of both price and time, calculated based upon the move from the high to the low and projected from the high. The 38% and 50% speedlines have worked well in gold. The first rally generally hits the 38% line (\$1350) and the second rally reaches the 50% line (\$1460).” Note that each example managed to kiss the 50% line

If the rally takes prices to the 50% speedline, then be on the lookout for support on a hard break back to the 50-week simple moving average later this year.

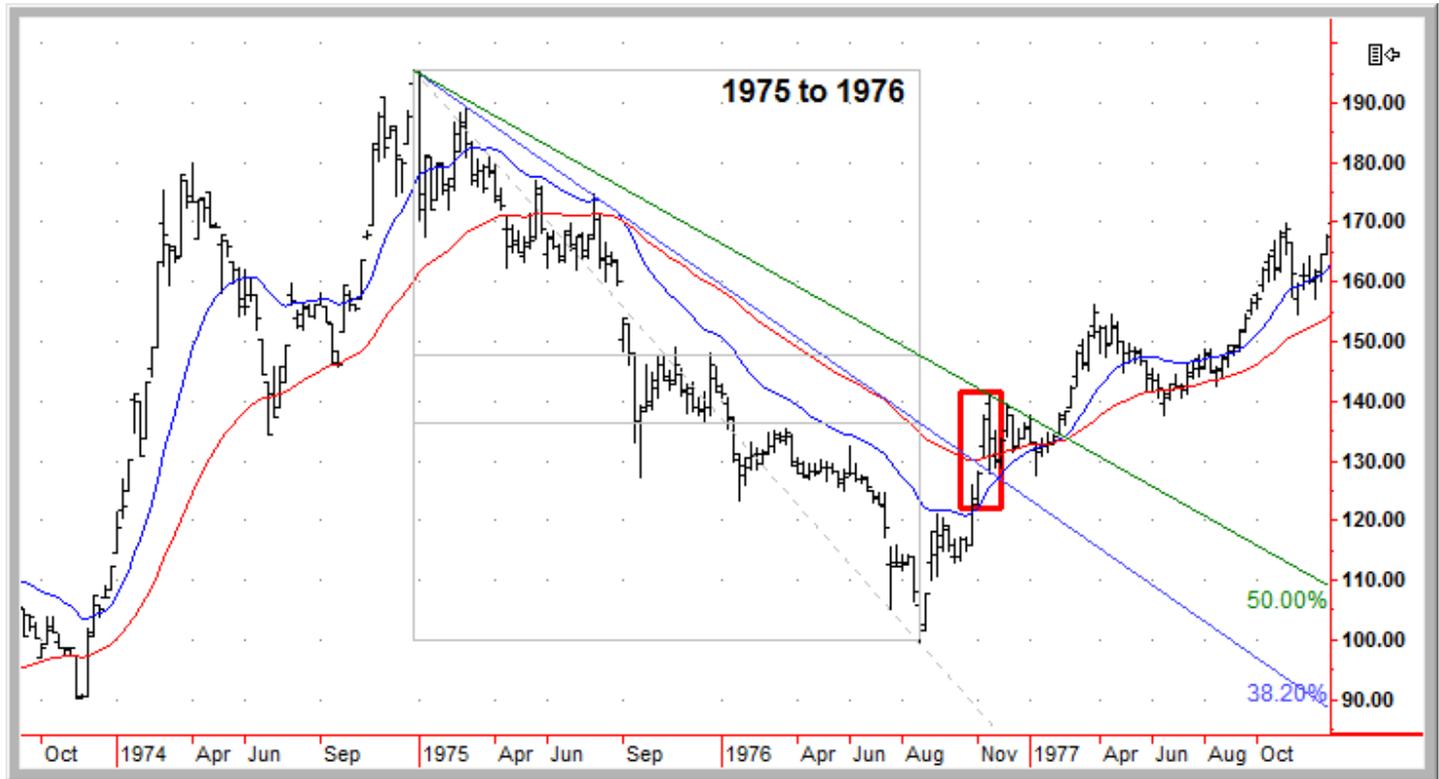


*Speedline examples from 1975 through 1999.
Red rectangles identify the period from the breakout to the 50% speedline.*



First breakout failed. No potential on the second breakout.





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