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Chart Works

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Technical observations of
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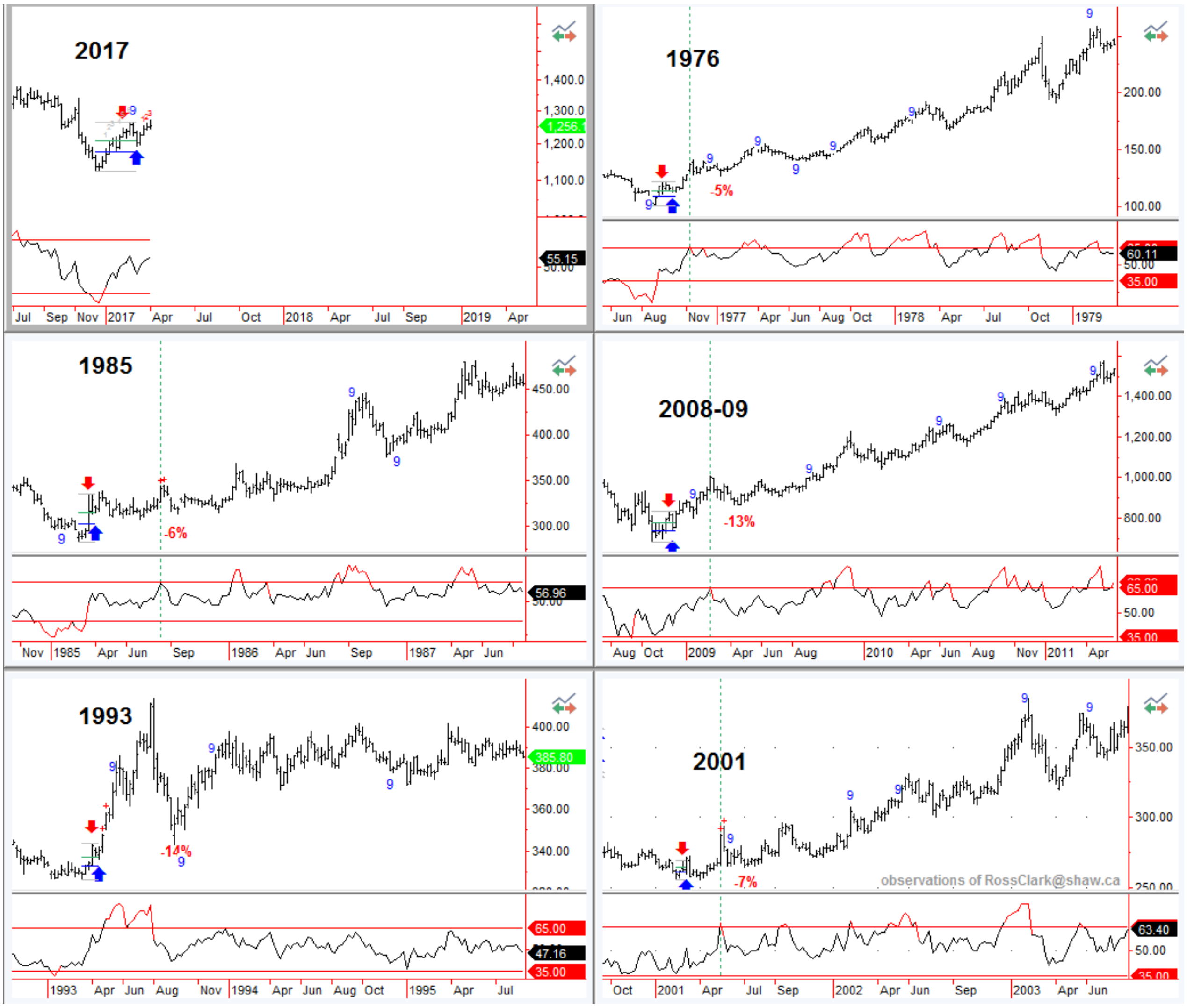
Gold – The Eight-Year Cycle

Gold and silver are having difficulty pushing through their February highs. Silver generated an outside reversal on Friday, a four-week high followed by a close below of the previous eight days. Such outside reversals in silver as gold comes out of its 8-year cycle low are common (*dashed vertical lines below*). If gold does not close below \$1242 (1% below the high close in February) then the uptrend remains in place. A close through there would suggest that prices will break the March low before building a larger base from which to stage the eventual bull market move (as seen in 1985 and 2001).

March 7th: Having rallied to $1265 last month, there is a high probability that gold has put in its 8-year cycle low. We will look for support beginning at $1211 (a 38% retracement of the rally from the December low). The RSI(5) is currently low enough to satisfy the criteria for a low.

March 21st: Gold double bottomed March 10th through 14th with a TD Sequential 9 Buy Setup (*nine consecutive closes below four bars earlier*). The next phase of the cycle implies that prices take out the February high. Two of the five examples failed to hold the breakout (1985 and 2001). They corrected back to undercut the equivalent of the $1195 low we saw ten days ago and build a new base. The other three pushed higher (1976, 1993 and 2009), with no more than a 1% closing overlap of the breakout. If prices breakout, then a close-only stop at $1242 would be appropriate.

Here is the larger picture of the action in the eight-year cycle following the turn from oversold daily RSI readings (blue arrows on charts). Once the cycle low was in place a weekly RSI(14) reading of 65 was needed before the next meaningful correction.



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