

July 3, 2016

Technical observations of
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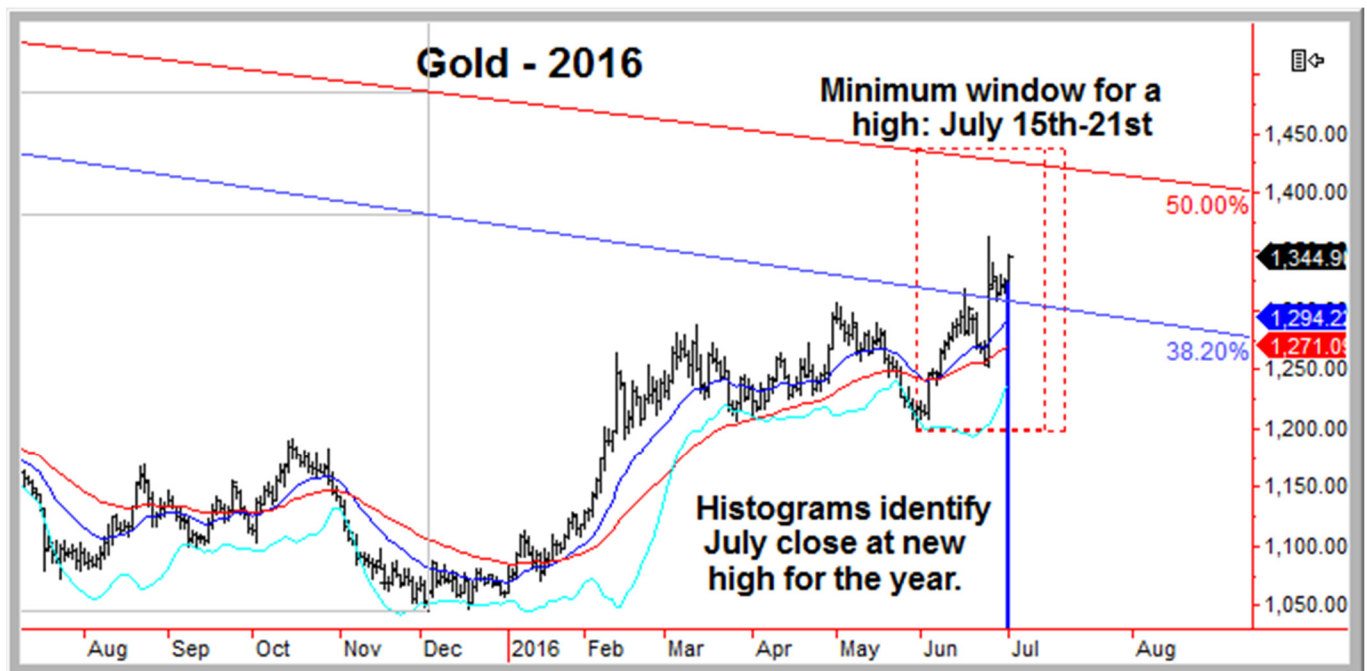
Gold Early July Breakouts, Brexit, \$1308 Threshold & Speedlines

Early July Breakouts: There are only seven years in the past four decades that the gold market has managed to make a new high for the year in the first three weeks of July. (This is typically a seasonal low.) In most instances prices were firm through the end of the month. The only exception was 1979, when prices topped on the 24th.

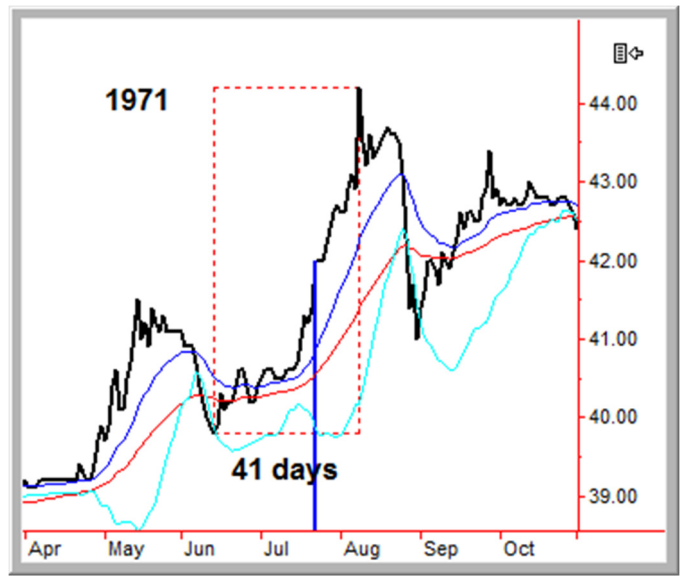
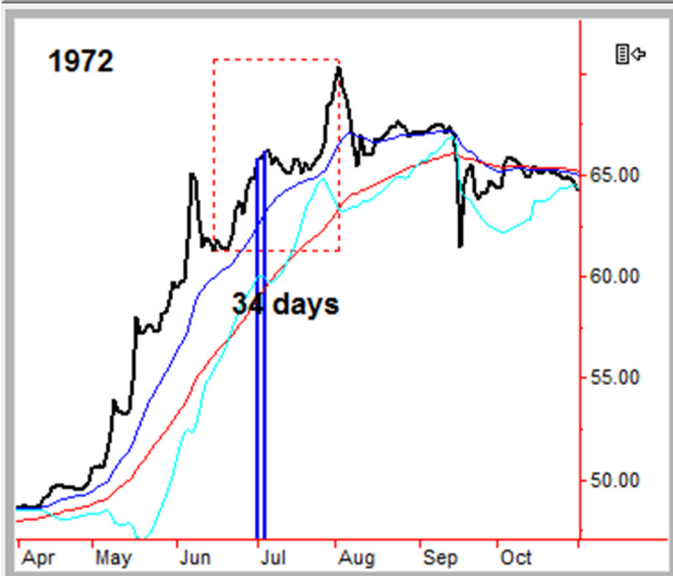
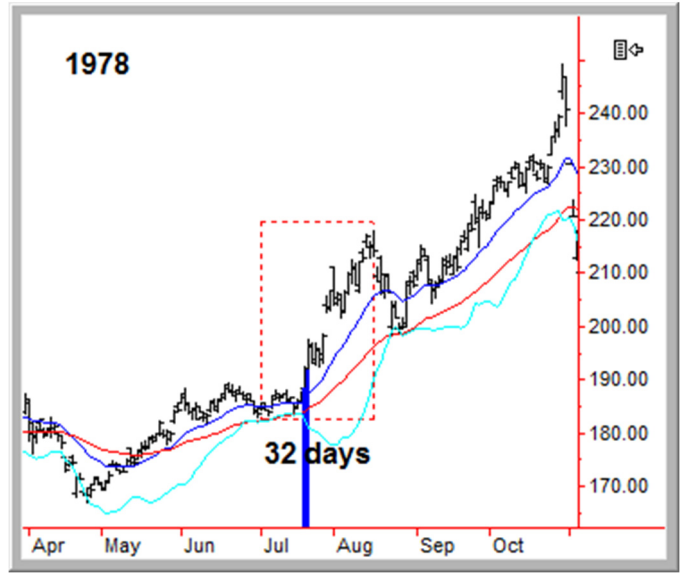
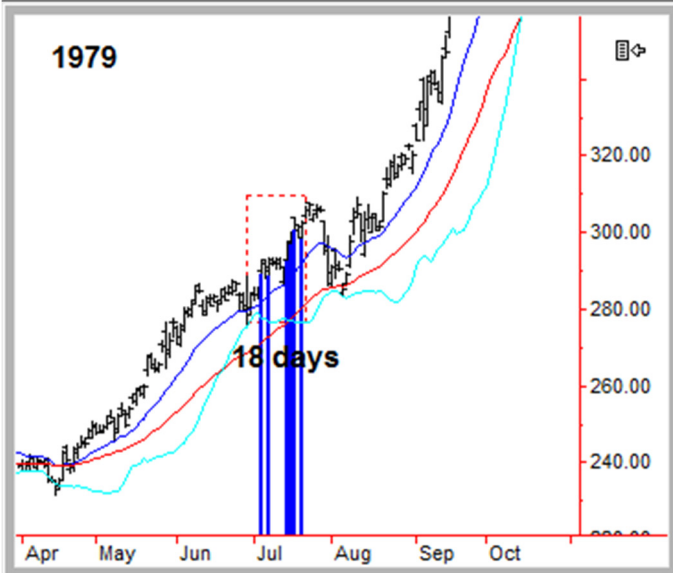
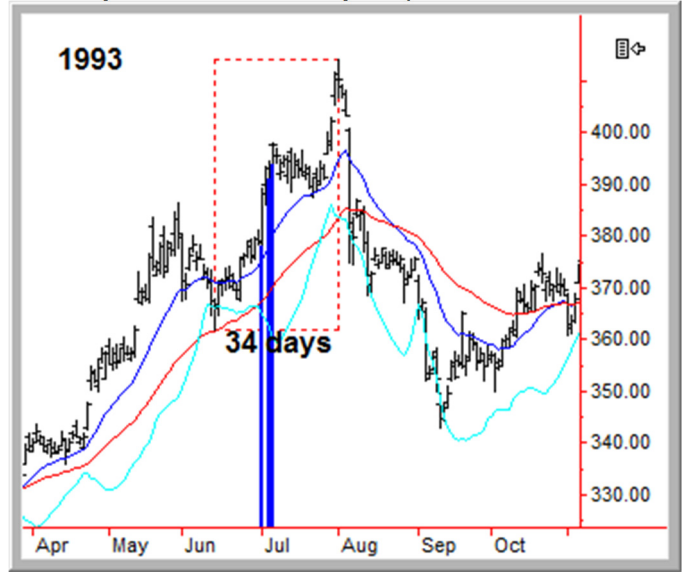
The normal rally from the bottom of the previous consolidation was 32 to 36 trading days. The 1971 example took forty days, however it spent twenty-two days consolidating before launching. This year's calculation provides a minimum target time window of July 15th to 21st for a high.

Please note that each year held its breakout and did not correct below the 20-day exponential moving average (blue line) before the top was in place. Each year also saw a pullback to, or below, the 50-day ema (red line) following the top.

The optimum price target remains the 50% speedline we have been monitoring all year. It currently provides resistance at \$1425. It also coincides with a measured target of \$1413, using of the depth of the May correction (\$1306 to \$1199).



Gold - All years that made new highs in the first three weeks of July



Brexit: The surprise vote for Britain to leave the EU caused the classic reaction in gold. . . a rally of up to 10% in a time period lasting anywhere from hours to two days (*this was an immediate 9% move, \$1253 to \$1362*). As noted in our June 18th report, normally we would look for a correction that brings gold's RSI(14) back below 32 for the next major buying opportunity. However, the move above the 38% speedline and the ability to hold above the April-May highs shifts the weight of the evidence into the bullish camp for the next few weeks.

\$1308 Threshold: The close beyond \$1308 (whose importance was outlined in the June 12th report) becomes an important factor. Once gold has consolidated for three months following a bottom in crude oil, a 1.6% breakout (\$1308) has major significance. Ideally prices hold the breakout, as seen in the last six days of trading, and move higher by a minimum of the depth of the consolidation (target \$1413).

Speedlines: Gold spent all of last week above the 38% speedline (see chart on page one). All six prior examples saw the price up move to the 50% speedline (*currently around \$1425*) within four weeks.

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