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New Bull Market for The Gold Sector: Soon

Once the Golds have bottomed, our historical research is calling for a multi-year bull market. At times with outstanding gains.

For decades a benchmark in calling turns for the Golds has been Gold's Real Price (GRP), as deflated by CPI inflation, in the senior currency. A falling price has been associated with generally decreasing profitability for producers. The last high accompanied the speculative blow-off in 2011, which we noted. A long-time indicator has been the action in the Silver/Gold Ratio, which Weekly RSI soared to 90 on April 2011. We noted that the only time it reached this level was in January 1980. Adding that speculation had become "dangerous" and that the bear may not be as bad as following 1980. The one you are in is always bad.

In July 2020 the sector reached technical excesses, which we noted.

The problem then was that the decline in the Real Price would force Golds to underperform the Big Market. In so many words, GDXJ would underperform the S&P. And even worse, get hit when the Bubble climaxed and crashed.

Last June, we became impatient with GRP based upon the CPI being posted once a month. Then looked at the bullion price relative to commodities, discovering that Gold/CRB was a good indicator that led bottoms by one to about four months. The latter counted out to around October.

With trading every day, the technical analysis on the action stood out. And it was exceptionally oversold, and we liked the October possibility and have stayed with it.

One way to call the end of the bear is by watching for the base to start and to successfully complete. For Gold/CRB, the momentum low was set in June at 5.61 with the Weekly RSI very oversold. We have used this pattern on other series such as the dollar and the Gold/Silver ratio in the first half of 2021.

After the oversold, the base took some five months to complete which was signaled by the indicator rising about its 20-Week ema.

The Gold/CRB is at 6.05 at the fifth month and the 20-Week ema is at 6.13. Being within the early stages of another post-bubble contraction, it looks like it will soon breakout. The next step would be the 20-Week itself turning up which would confirm that the base has successfully completed. Rising above the last high at 6.32 would set the uptrend.

To elaborate this approach, energy takes up about 60 percent of mining costs. This includes operating equipment and the mill as well as the costs of blasting. This shows in the Gold/Crude chart, which instead of basing has set a rising trading range, as the 20-Week has turned up. This chart is illustrative and constructive. Not included.

Another method is Ross's review that shows that Downside Capitulations have been recorded on the Daily and Weekly charts. Previously these have been reliable and obviously based upon momentum. Also shown is the Sequential Buy, which is based upon pattern.

For the past two weeks the advice has been to accumulate Gold Stocks, from "Majors" to "Juniors". Increasing earnings for mining translates in to improving valuations for exploration prospects.

Post-Bubble Contractions have been world-changing events, but they feature Gold's Real Price going up which prompts the bull market. That based upon an increasing stream of earning earnings makes building a position an investment. Orthodox research dwells upon the dollar crashing, which positioning on this old story is essentially speculating in foreign exchange fluctuations.

A new bull market is close to starting and it could run for many years, with at times fabulous discovery rallies for junior exploration companies. Moreover, for three hundred years, the great gold rushes such as in California and Australia in the 1840s occurred at depression bottoms. Another global example is the Klondike beginning in 1896.

Time to accumulate and the action could be volatile.

XAUUSD/TRJEFFCRB 1D OANDA
Gold / CRB
XAUUSD/TRJEFFCRB 1W
Capitulations in the daily and weekly charts.
Monthly Sequential 9 Buy Setup