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NOVEMBER 2023

Gold Sector: Update on the Update

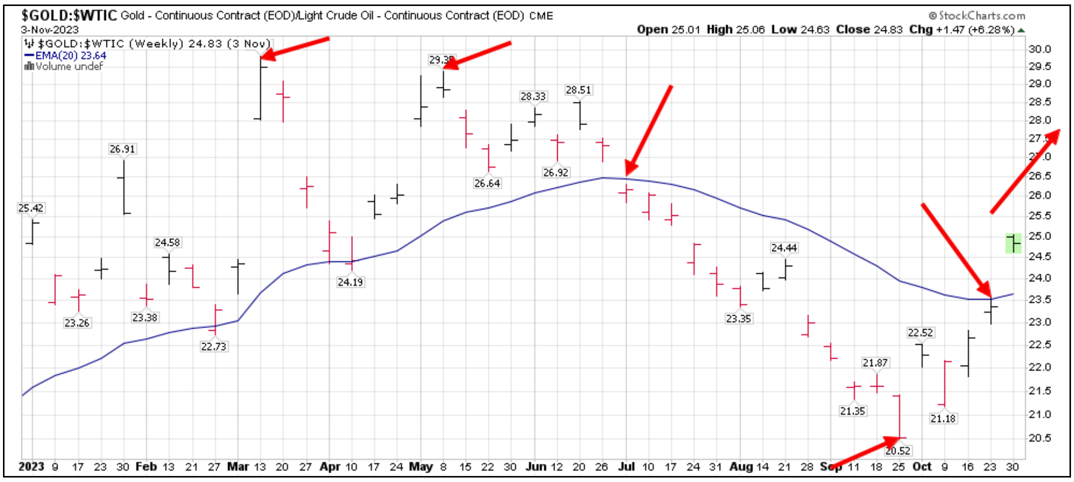
The reason that this version is so soon is that the low for the Sector expected in October appears to have been set. We will do some work on how long the initial move will run. Maybe out to March and it is likely within a multi-year bull market for Golds.

The first chart updates the action in the GDXJ and we have been anticipating a rise above the 20-Week:

The second reviews the action in the TSE Venture, or the "Juniors", and the expected October low seems to have worked out.

The next chart Is Gold/CRB, which we take as a proxy for mining costs relative to the bullion price. Going up means improving profitability:

And the last chart is Gold/Crude that with energy costs amounting to some 60% of operations is important:



Wrap

The main thing is that Gold Stocks declined into our target time window and became Oversold. And now rising above the 20-Week are one-step past the potential bottom.

This could be early into an intermediate rally for the Sector within a multi-year bull market. Not just going up, but the GDXJ could outperform the S&P, which would bring in fund managers who would not otherwise buy Golds.

The main features of a Post-Bubble Contraction have been: Commodities down, Gold's real price up, real interest rates increasing as the senior currency firms. This is why we focus on earnings for the sector. Not the old "Gold Up, Dollar Down" mantra, which is a speculation in FX markets.

Positioning golds based upon an increasing stream of earnings is investing.

Eventually the sector could enjoy some discoveries which would inspire some nice action in the "Juniors". And there is the probability that some discoveries could enjoy a global play.