

Gold – Sliding into a Seasonal Low

Gold has dropped to the 20-week ema and is approaching a Fibonacci 38% correction from May. A bounce can be expected, however anything shy of \$1500 should lead to a deeper break.



The Commitment of Traders data approached all-time highs on August 9th. The RSI of the speculative positions moved over 70 and the commercial position RSI moved below 30. The COT numbers experienced small reductions in the next few weeks and then moved to all-time extremes on September 27th. However, the RSI readings at the extremes produced divergences relative to August 9th. This was the sixth such divergence in twenty years (1993, '08, '09, '14 & '16). The typical result was a deep correction, taking out the weak longs and bringing the RSI readings back beyond neutral. The corrective process generally took prices down to the 20-week exponential

moving average (✓), followed by a bounce and a drop to a lower low. These two-staged drops bottomed 15% to 18% from the top; measuring to \$1330 this year. We'll look for an initial oversold weekly Springboard signal (*a minor oversold in a flat to rising trend*) for a short-term low in the next few days.

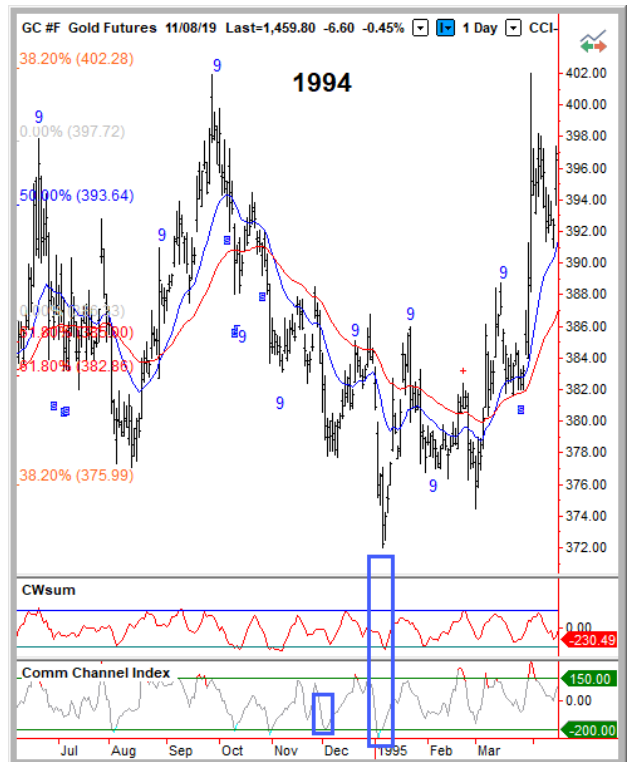
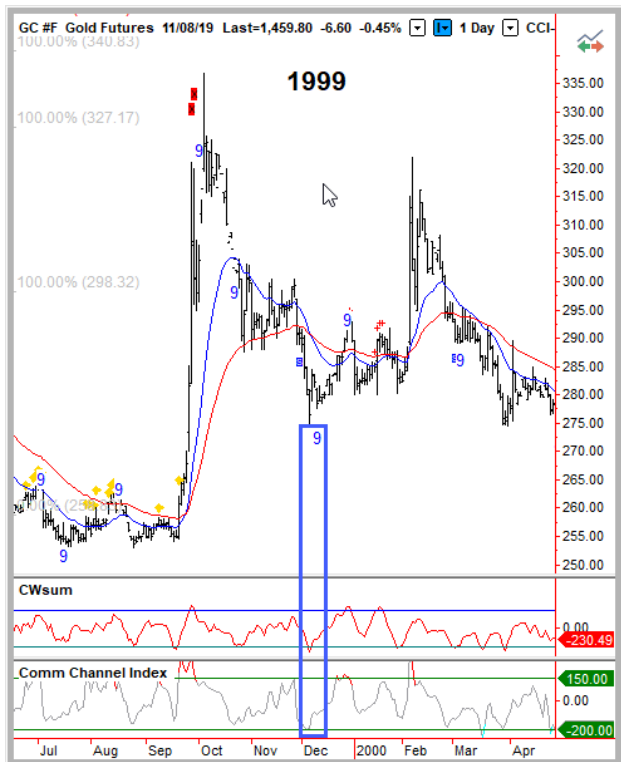
Seasonal perspectives need to be dissected into bull and bear years. When gold is in an uptrend ($20\text{-week ema} > 50\text{ week and close} > 50\text{ week ema}$) and prices trade lower into the middle of November (2019 ✓) the break normally tests the 50-week ema by the middle of December (1978, '80, '82, '86, '94, '99, '01, '12 and '17). The only exception was in 2005, when it held at the 20-week ema. Prices are currently straddling the 20-wk ema. The 50-wk ema is at \$1398 and rising at four dollars per week.

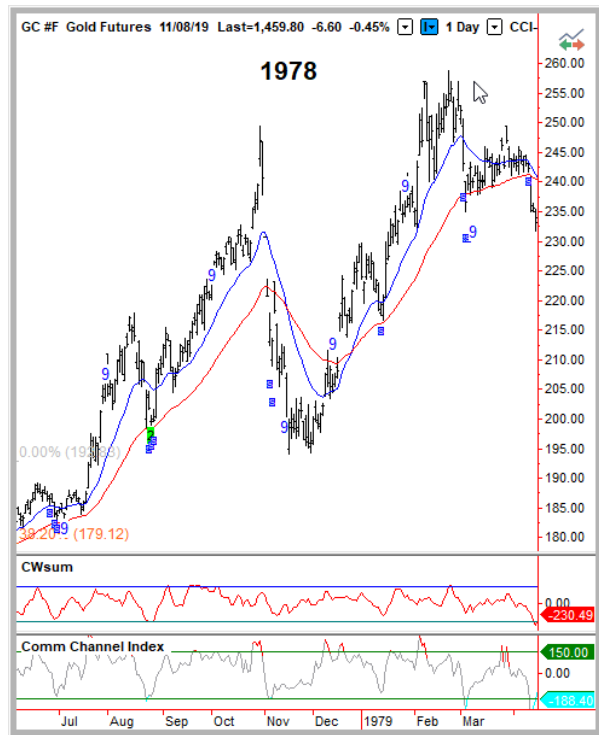
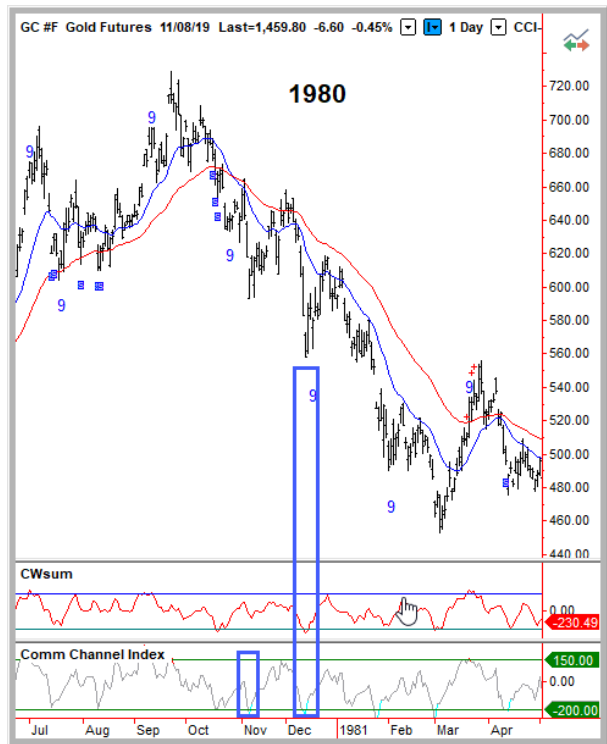
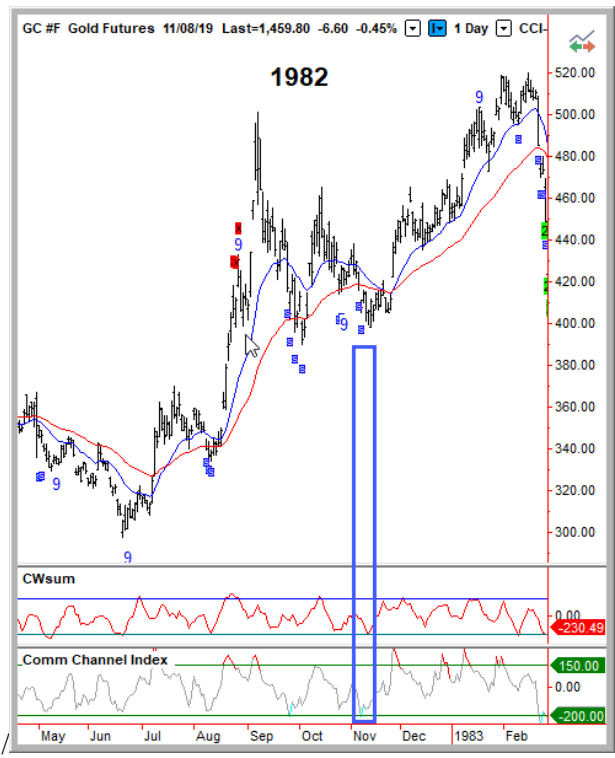
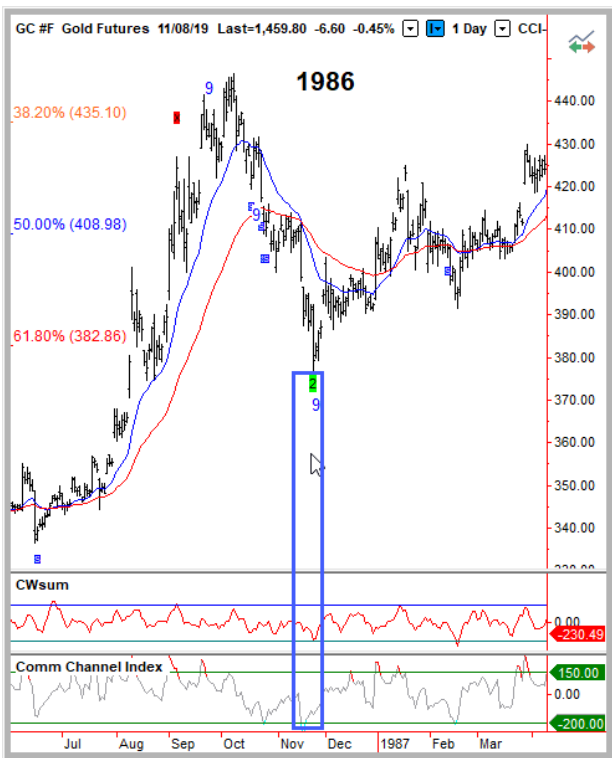
Reviewing daily charts with the preceding seasonal characteristics we find that all, but two bottoms occurred with an oversold Commodity Channel Index; $CCI(13) < -180$. It is there now, so a bounce would not be surprising. However, our more refined Summation Index has yet to move into oversold territory, therefore a lasting bottom is not likely quite yet.

Seven of nine years bottomed with a Sequential 9 Buy Setup (*nine consecutive closes below four bars earlier*). The current count is at four, so the soonest that a completed Setup could occur is the end of next week.

Bottom line: Initial support at 20-week ema ~\$1460, better at 50-week ema ~\$1400 and best at 15% percentage decline ~\$1330. We will provide buy alerts when signals become timely.







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