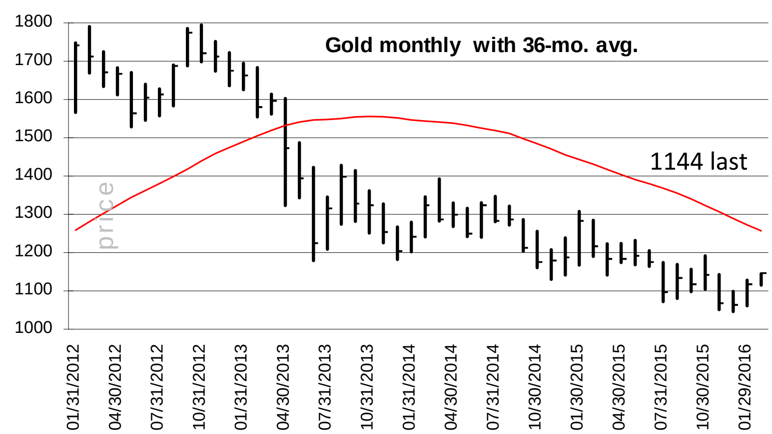
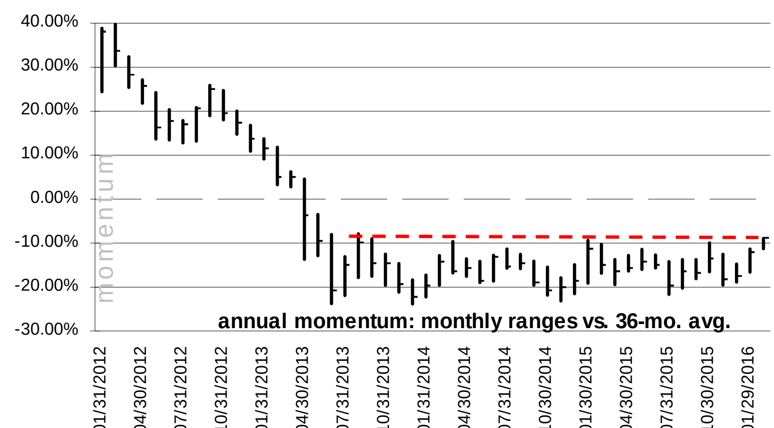
M O M E N T U M   S T R U C T U R A L   A N A L Y S I S

February 3, 2016

# Gold at the gates!

Yes, I know, even gold bulls can't get it out of their minds that for some reason the metal must drop to $1,000 or lower. MSA instead sees a massive momentum base on all of its long-term momentum charts, and now no matter which long-term indicator I reference, the numbers that signal breakout are tightening rapidly. 50-wk. momentum breaks out with a **weekly close at $1141.80 this week**; quarterly momentum pops a top (a triple-top momentum breakout) on a trade to **$1159.20**; the 36-mo. momentum chart renders a triple-top breakout on a trade to **$1156.40** (chart below left); and the 3-yr. momentum oscillator breaks out above all highs from 2013 to 2015 (they're flat) if it trades to **$1169.45**. A tight cluster of triggers.




In gold's case, except for the 50-wk. oscillator signal, it's best not to wait for monthly closing proof. Instead, I would begin to "layer into" gold as the above numbers get elected, like so many trip wires. You can wait for the highest one if you wish, but I suspect that a gold breakout through this zone could shock in its tone and speed—the sort of event where four market hours produce $50 or even $100 of upside. Not a must, but a structural possibility.

In addition, gold watchers have been put to sleep, which often happens before major trend change. Rarely does such a market provide a "gentleman's" entry. There isn't time for committee meetings to determine asset reallocations.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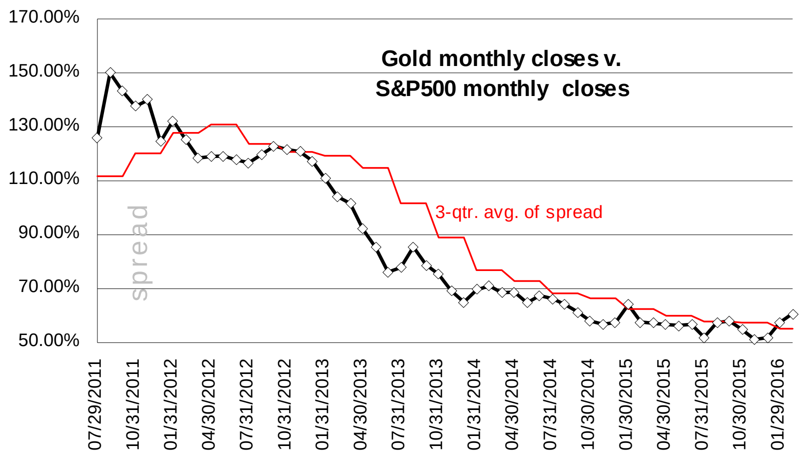
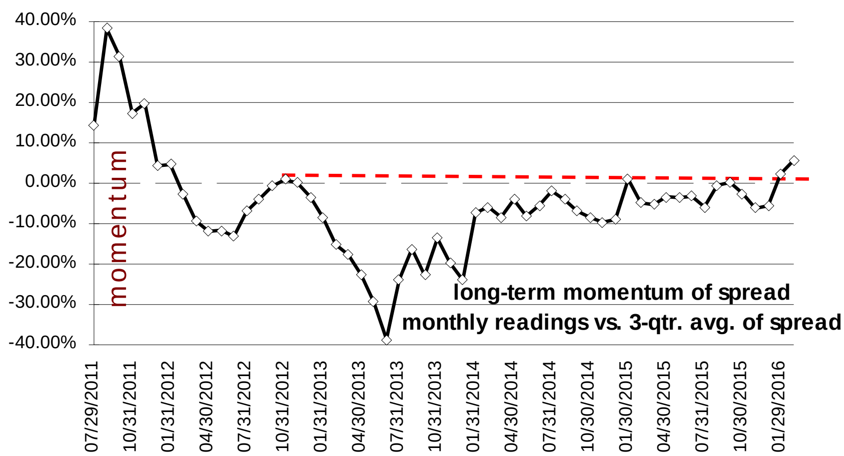



**Gold's relative performance vs. the S&P500 broke out at the January close**, as noted in prior reports. It has since added more upside. Gold is now an outperformer vs. the U.S. stock market.

The spread's momentum base is comparable to that of price as shown on the prior page. Sizeable. Meaning upside implications are greater than normal.




As I've stated before, **the better approach to being involved in gold is to turn to the gold miners this time around** (**GDX** being the ETF that MSA watches and references).

GDX is liquid, unleveraged, and covers the major gold miners. If GDX **closes out this week at $15 or higher** (it's above there now), I would begin to position, in part; and later if it **trades up to $16.20**, I would be fully positioned to the extent that you are comfortable. But in both cases, as is MSA's usual advice, establish your position in the breakout phase. That's best. Risk/reward shifts adversely if one chases a market months or a year later. Also, as regards GDX, be sure that gold is coincidentally triggering at least its 50-wk. momentum signal ($1141.80 weekly close this week).