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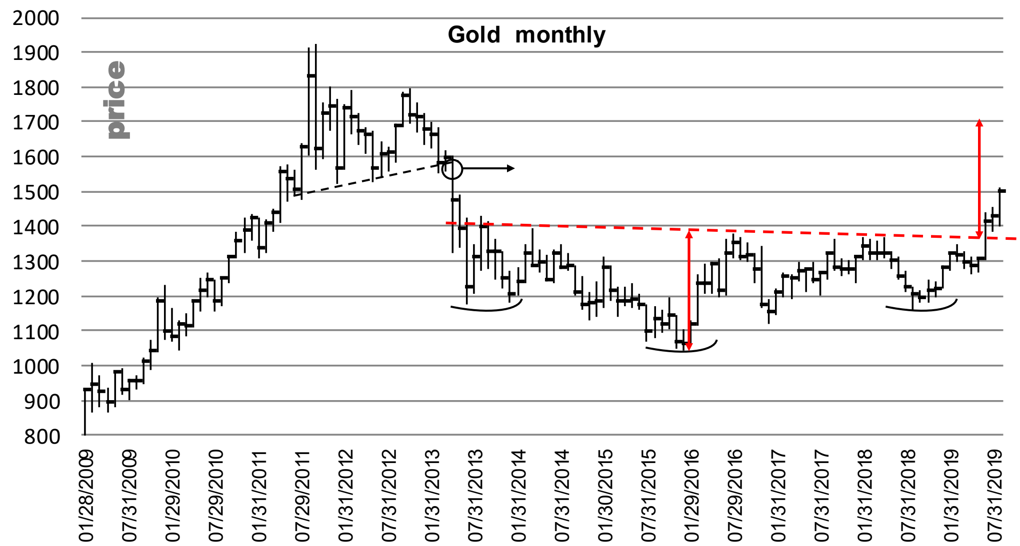
Gold, Silver, and Mining Weekend Report



The cries for correction in gold dominate the technical analysis world. In fact the cries have persisted ever since gold reached $1400. Crying and nervous all the way up.

MSA has not agreed with the nervous orthodox chart folks and still don't agree. But we'll likely soon be open to the possibility of a minor correction/congestion phase. We could always be wrong, but we don't think it's here and now.

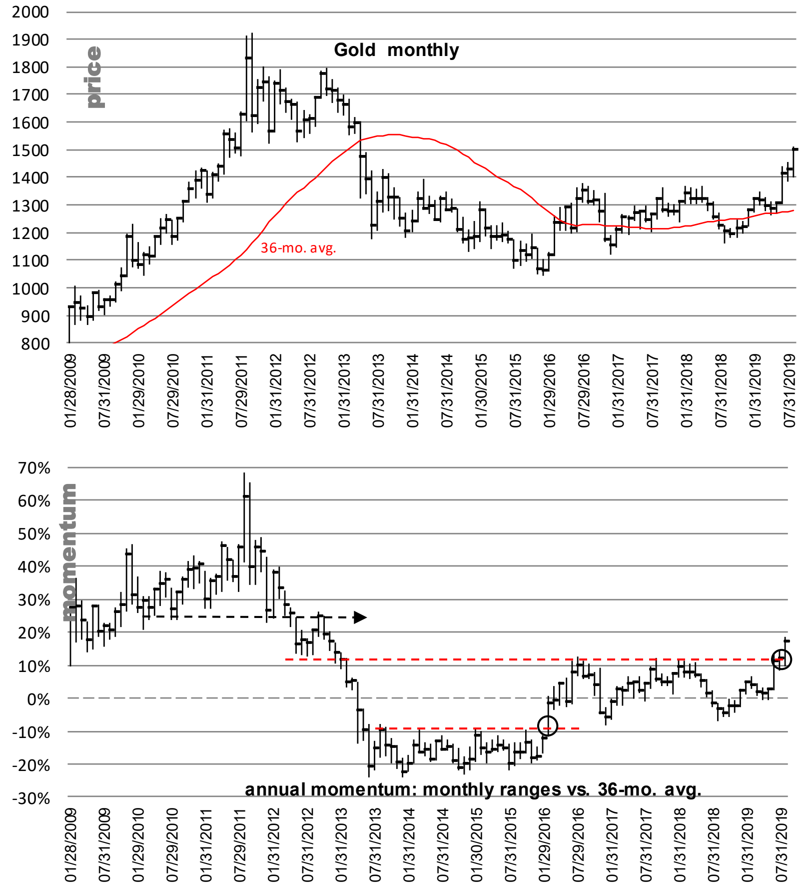
Here we analyze the price chart. What everyone can see.

And here's what we see.

A massive base developed (a complex head-and-shoulder bottom) and then there was a breakout in June. The orthodox measurement of the upside objective points to something around $1700. Maybe it goes there in a flash or maybe it rests about halfway to that price-based target and generates what's called a mid-point congestion zone? Quite common to have such.

Well, about halfway means something in the mid-$1500s. And if you'll notice that back in the topping process in 2012 an 2013 (actually, MSA's annual momentum trend assessment was to exit gold in early 2012), there's a line you can plot that identified a pretty clear point of price chart breakage. Old breakdown levels can sometimes become resistance later, even if temporarily.

Okay, now let's look at what long-term momentum suggests as a possible first correction zone.



Gold's annual momentum

Layered upside breakouts are evident on the momentum chart. In fact, one occurred recently and not far below current oscillator levels. Why should it halt now just after breakout?

And that second breakout was a structure that traces back to 2012. Major.

Current oscillator readings, having just cleared such a large and shallow momentum structure, will likely now seek the *next* hurdle. And that's fairly clear—up around 23 to 24% over the zero line. It was that line on which momentum action danced for so many months during the topping process. And after breaking that structure and dropping into mid-2012, there was a failing *reach-back* rally in late 2012 that bumped that line from underneath. In sum, a pretty clear structure (black arrow). In price-equivalent terms reaching 23-24% over the zero line this month means a price in the $1570 to $1580 area.

MSA won't be so picky. Get up into the mid-$1500s and then be more alert to correction potentials.

We add three major thoughts.

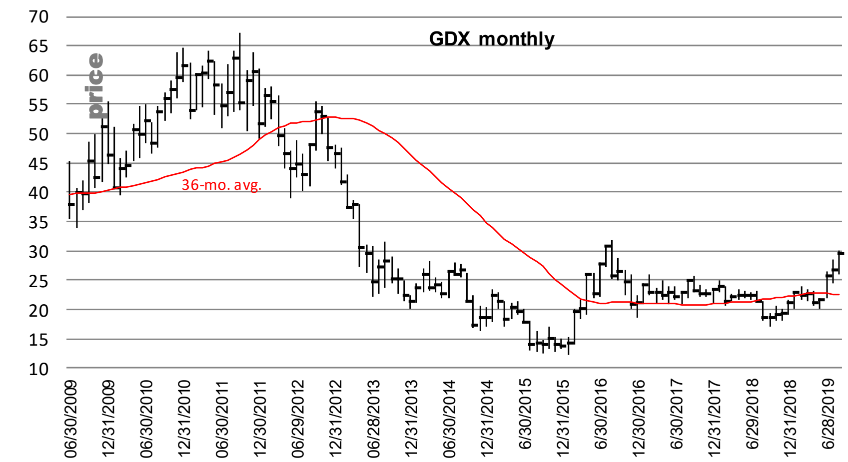
First thought: we don't expect a hellacious drop in gold during any such correction. More likely it will involve some quick drop followed by up-and-down action in a range. **A mid-point congestion zone** - before reaching the price chart swing objective near $1700.

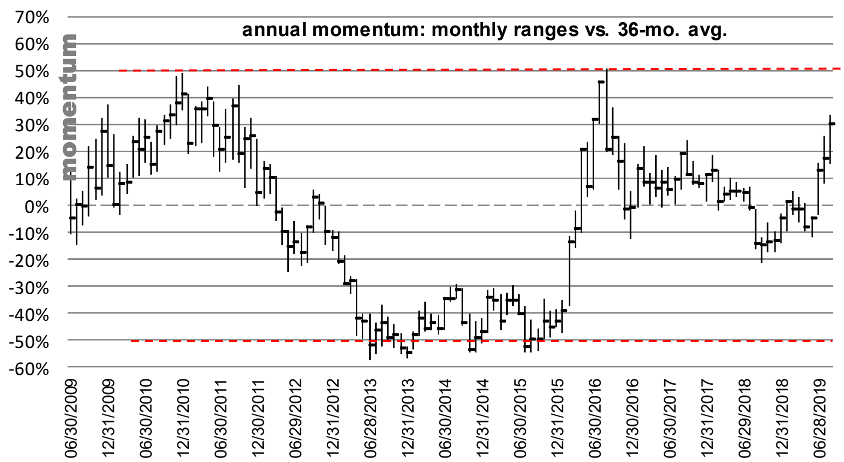
Second thought: $1700 won't be the final objective of this advance in gold. It's merely a price-based first swing objective derived from the price chart basing action from 2014 to 2018.

Third thought: if you wish to participate in this gold advance (likely to last much longer and reach into unanticipated highs), then think hard about whether you should exit long gold and gold-related positions (unless you're solely in time-sensitive positions such as call options). We realize gold "taught" many investors to become traders over the past few years. But the trend context has changed. This isn't a trade, but part of a global asset shift that will be both painful to many (stock markets) and vastly enjoyable for many (gold and later commodities).

Massive market events are underway. It's best to forget what 2014 to 2018 taught you.

GDX (VanEck Vectors Gold Miner ETF)



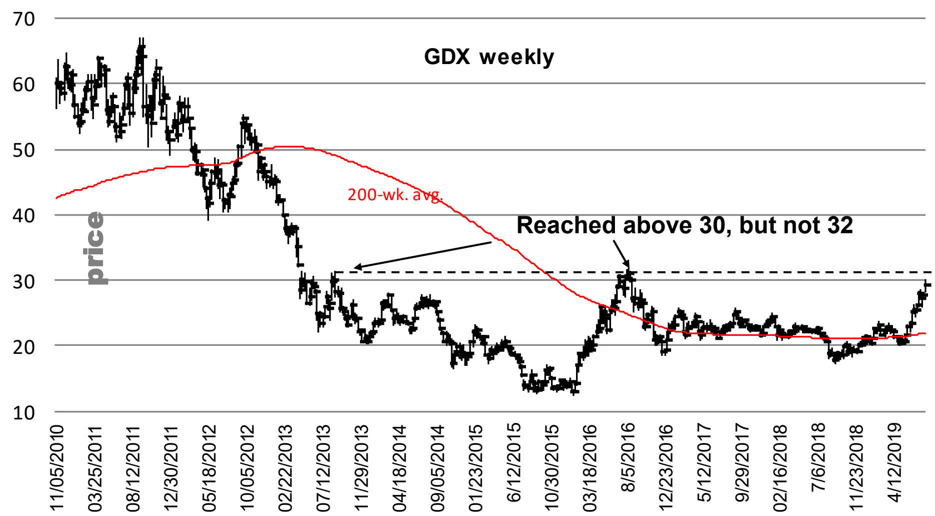


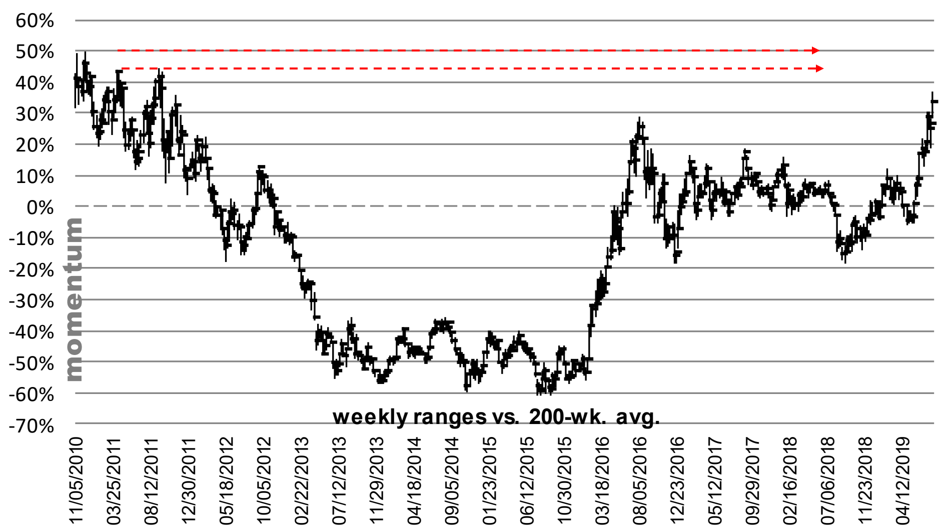
In the last Weekend Report we came up with a ballpark *first* working target for GDX based on its 40-wk. avg. momentum chart. That number was around 33.

Here we're going to look at two other measures to see if there's any consensus on that issue.

Annual momentum has shown repeatedly that its upside and downside leash can be as much as 50% on either side of the 36-mo. avg. It's almost routine.

Currently the 36-mo. avg./zero line is 22.52, and it's rising only a few decimals for September. 50% over that zero line equates to a price of **33.78**.





GDX (2)

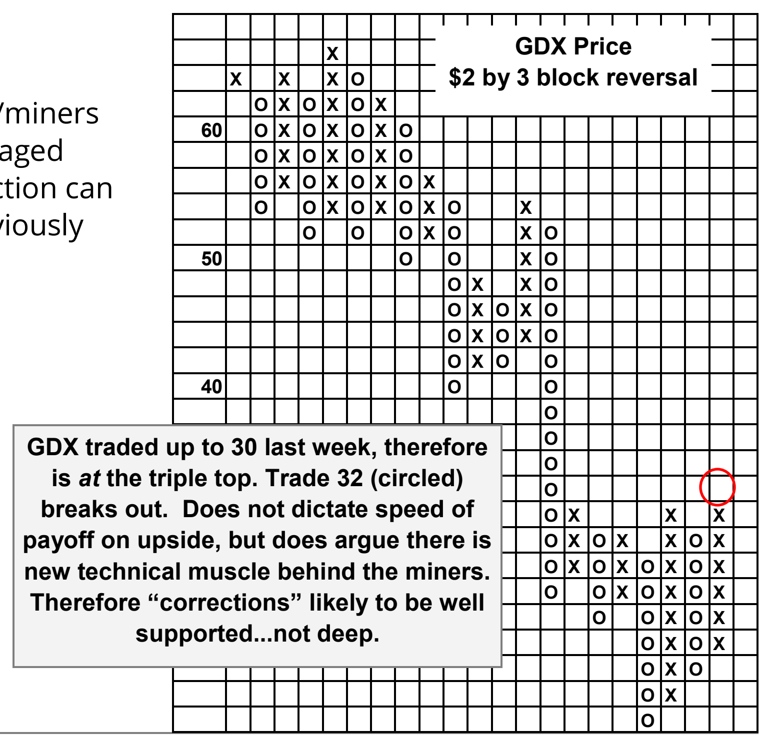
Widening the lens now to 200-wk. momentum (almost a four-year avg.).

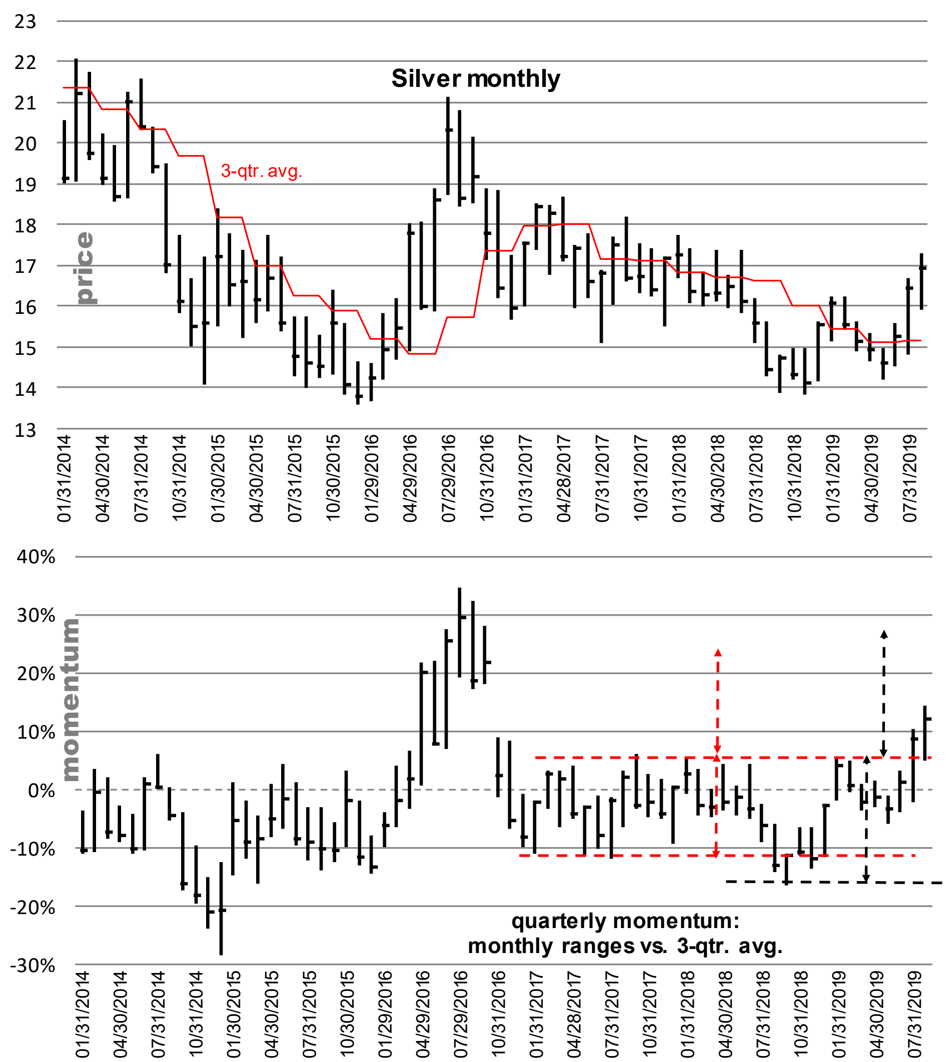
Momentum is now headed towards the upper readings of 2010 to 2011. 45% to 50% over the zero line (peak readings then) equates to a price reaching the 32 to 33 area.

We want to point out a **price chart feature**, however. If GDX trades to 32, it will take out all price chart peaks (flat) since mid-2013. In fact, on a $2-by-3 block reversal point-and-figure chart (below), a trade up to 32 is a triple-top breakout.

Therefore, even if momentum does find some resistance around, let's say, 33, the major breakout by price (by trading 32) adds a fresh dimension to GDX's advance. What it argues to us is that any "correction" will likely be temporary and shallower than most gold skeptics and scared bulls would imagine.

But again, if you're participating in the gold/silver/miners advance via time-sensitive options or highly-leveraged positions, then even a quick, sharp wobble/correction can hurt. MSA is here to analyze the markets and obviously cannot advise on specific means of participation.





Silver

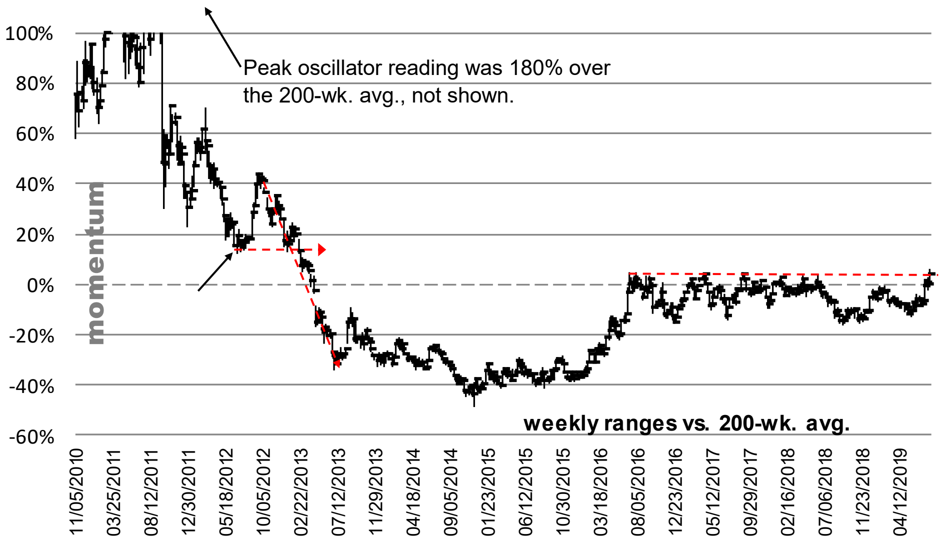
Silver has been doing its best to catch up with gold. And so while gold gained 3.5% last week, silver added 4%.

But where might silver find a point of wobble/correction?

Quarterly momentum built a base of action between late 2016 and mid-2019. The upper red line is 5% over the zero line and the lower red line 12% below. If we then swing that dimension up, it says potential resistance is around 22% over the zero line. In price this quarter that's $18.50.

But if we reference the brief oscillator lows of September 2018 at 16% below the zero line and consider those as the lower end of the base, then the swing objective (adding to the upper horizontal line) would suggest 26% over the zero line. In price that's **$19**.

But nothing on this chart argues the current highs above $17 make any sense as a level of resistance.



Silver (2)

The 200-wk. avg. is the metric here and it just did something big.

Most of our long-term indicators (40-wk. momentum, quarterly, etc.) already broke out either in the upper $15s or just over $16.

This very long-term momentum chart did something interesting last week that we should take into account when expecting a correction of any quality around the current level.

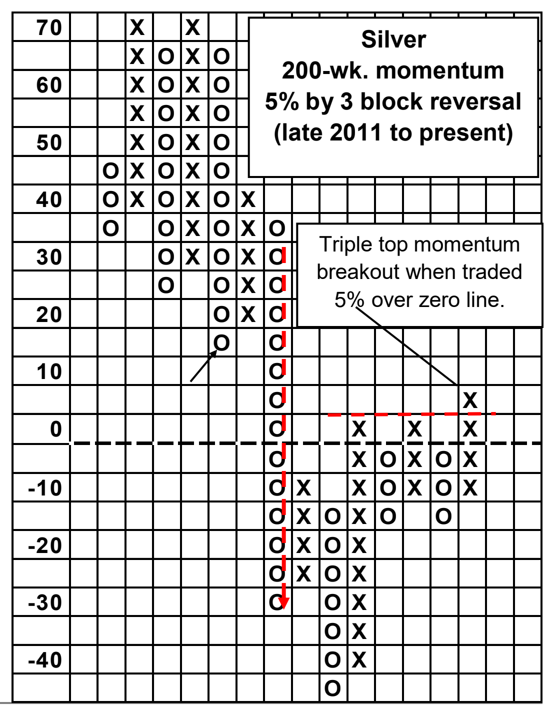
It's hard to see on the momentum chart, so we've converted the momentum action to a point-and-figure chart (of momentum, not price). Below.

All the peak oscillator readings from 2016 through 2018 were **4%** over the zero line. Reaction lows were twice at 15% below the zero line. We plot it as a rectangle on the momentum bar chart. Last week traded up to 6% over the zero line.

When we convert the above chart to a point-and-figure chart in 5% increments, momentum action last week broke through a triple top. The massive down column (red arrow) was the crash phase of the silver bear in mid-2013, when price dropped from the mid-$30s to below $20 in a whoosh.

This momentum chart has now accomplished enough on the upside to assume the upticks could/should at least drive to some prior reaction low reading in that downside process. And that low was 15% over the zero line (up arrow on both momentum charts). From that low came silver's final failing rally on this long-term momentum chart—and when that 15% level came out it was crash. To reach back up now just to tag that minor pivotal level (15% over the zero line) equates to price reaching **$18.70**.

Again, that's what we'd call a minimum upside working target just for the *current surge*—to connect with a first point of possible inflection. And that level is in line with the zone of overhead resistance defined on the prior page.



MSA will focus on more near-term metrics once these markets get closer to the numbers in this report.

But we state again that even if there is a correction in these trends, which have only recently been set in motion, do not assume that will mark the end of this bull market. The bull trend is fresh, and it will be large. We are only discussing a possible wobble point in that upward process. As we defined for gold, even an inflection in the mid- to upper $1500s in no manner reaches even the price-based swing objective of the past few years of bottoming action. A inflection there for gold would likely prove to be only mid-point congestion. And similarly for silver and the miners.