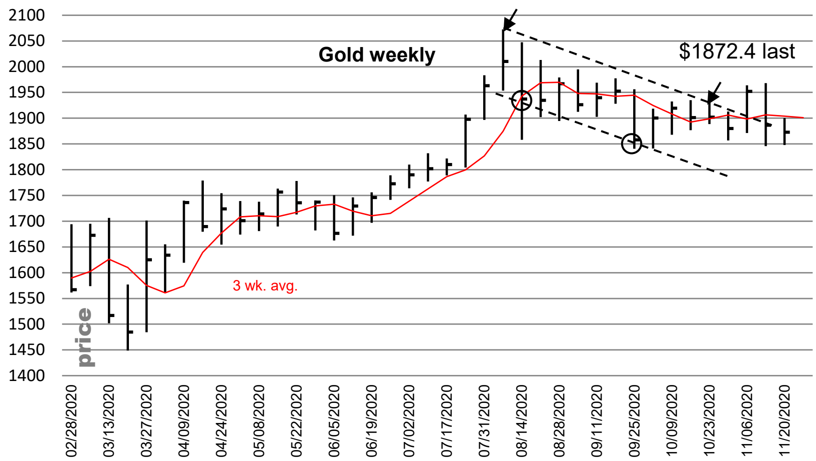
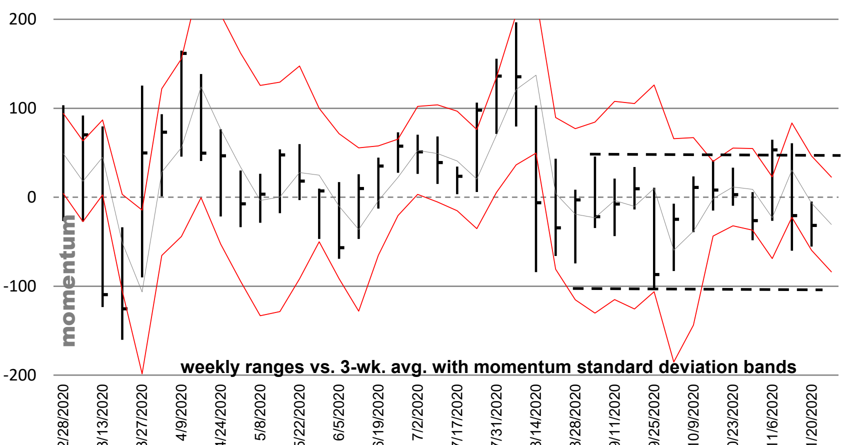
GOLD, SILVER & MINING

MSA

November 22, 2020

Weekend Report





Gold (1)

Updating weekly action again.

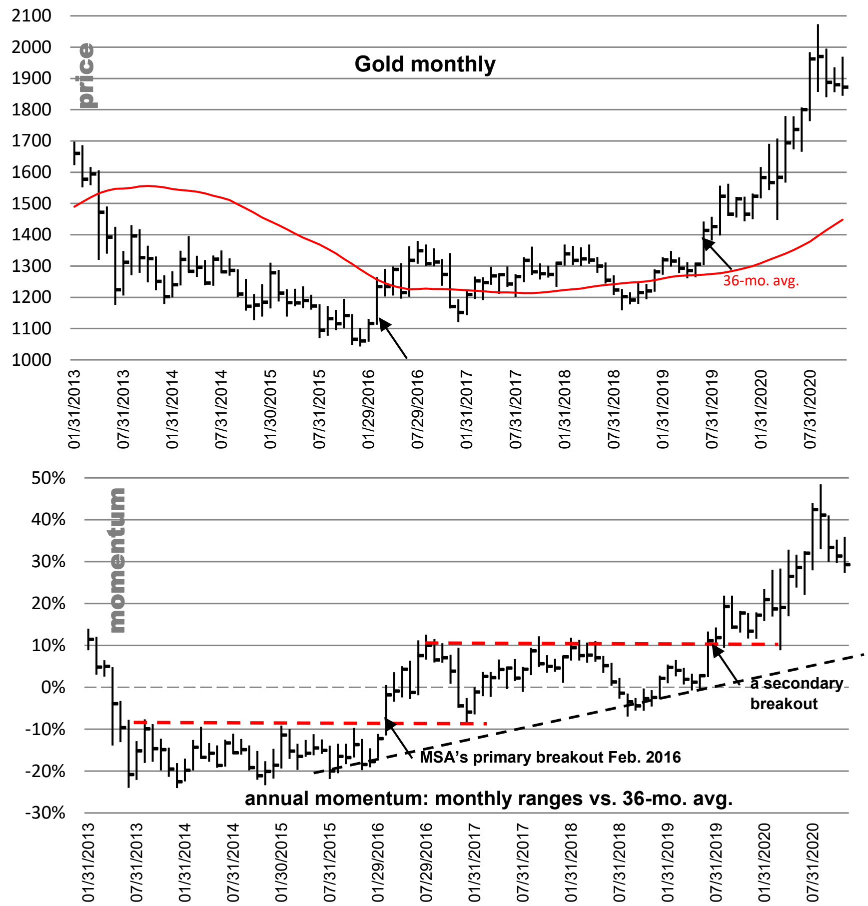
The doubters pounded gold the week of August 14th, followed by a rally. Then they pounded gold again in late September (covering essentially the same downside turf as in August). And again two weeks ago. Also the same downside turf.

So, bears, let's see it then!

Meanwhile, price action has maneuvered outside the prior prevailing downtrend channel. Yes, still under pressure, but no longer in that parallel channel.

Weekly momentum had a non-event week last week with the bar inside the prior weekly bar. And still the readings are about in the middle of the prior several months of oscillator action.

MSA cannot interpret this as bearish. The drop actually occurred in mid-August, and gold has since been picking its teeth as the bears sell and sell again. The clock ticking for them.



Gold (2)

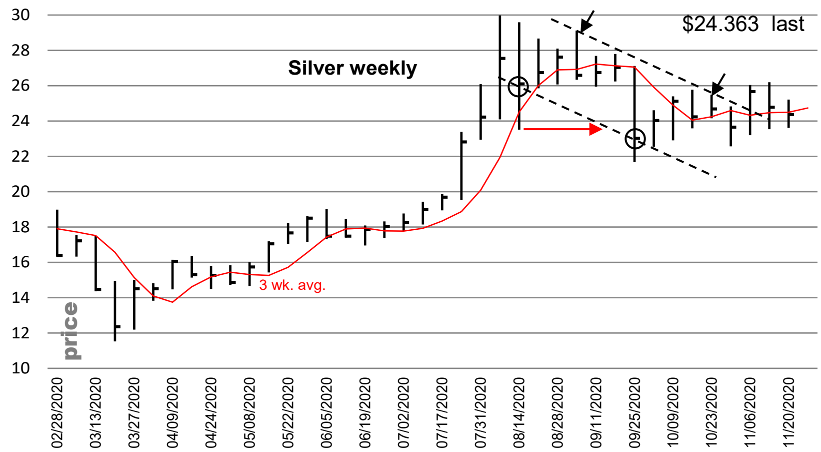
In last weekend's report we showed gold with its 3-yr. avg. oscillator. Here is its sister chart, 36-mo. momentum. There's almost no difference between it and 3-yr. avg. momentum.

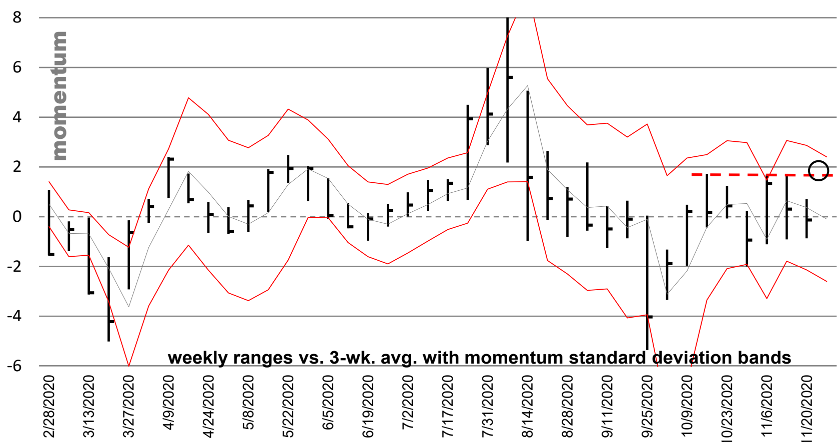
Current price action is merely more sideways (ups and downs) following the shin kick that came first in mid-August.

MSA looks for technically clear and pending (nearby) momentum structure before even beginning to assume major trend change potentials. Right now any annual momentum structure we can define is way below current price and momentum levels.

So far we've seen four months off of the oscillator high with no structures of significance even being approached. And we suspect they won't be.

Basically the same views were stated in last weekend's report, but we had numerous requests, especially for an annual momentum update.





Silver (1)

Ditto the gold weekly chart comments on page 1.

Last week's silver action was "inside" the price and momentum action of the prior week. Ho hum.

Also, the current price action (on either side of $24, red arrow) is where the reaction low selloff halted in mid-August. Selling and selling and selling for three-and-a-half months. Again, ho hum.

Meanwhile, price has emerged above and remains above the prior parallel downtrend channel. The channel bottom is plotted through two low weekly oscillator closing readings (circled). The channel top, at the same angle of decline, is plotted through intraweek oscillator highs (black arrows).

For weekly momentum, what bears definitely don't want to see this late on their selling clock is for the oscillator to trade above the two perfectly horizontal recent peak readings. Both were precisely $1.66 over the now rising 3-wk. avg./zero line. This coming week it would require a trade up to **$26.40** to take them out (via the December Silver future).

Silver (2)

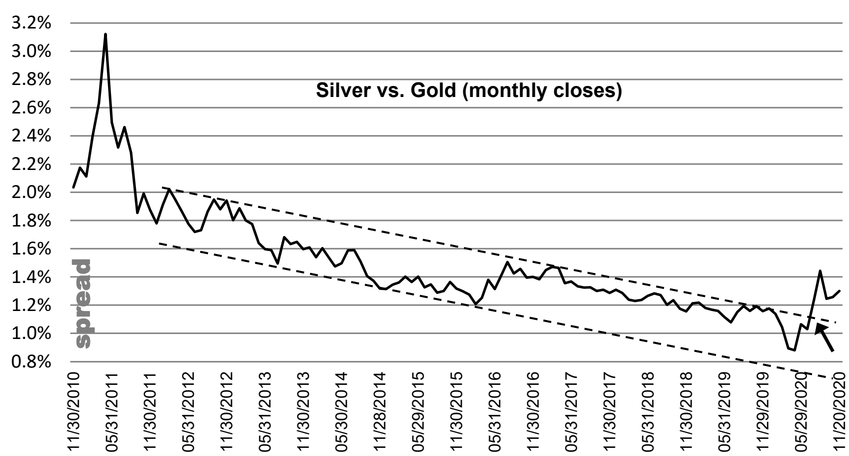
And while gold is suffering a 4/10ths of a percent decline so far this month, silver is up 3%.

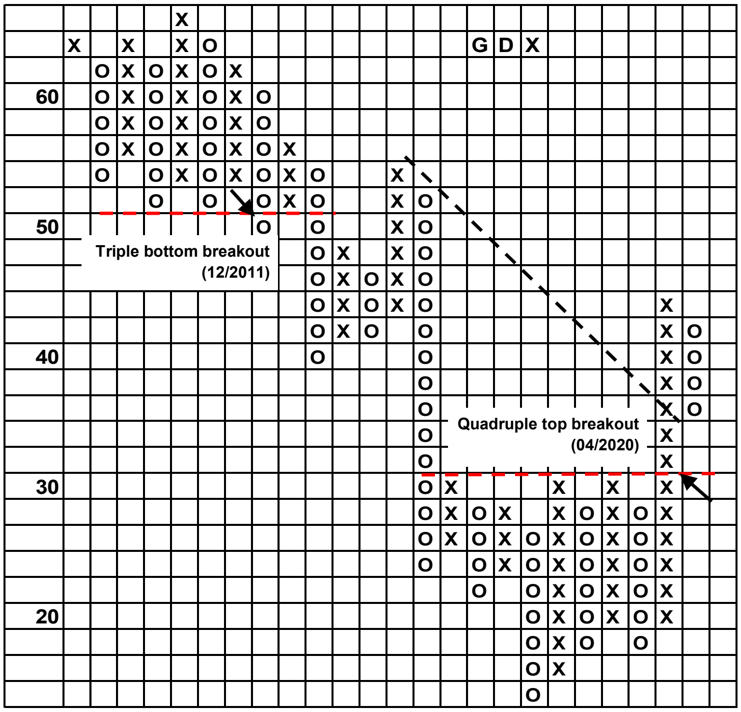
Silver's annual momentum did us the favor some months ago of defining two perfectly horizontal peaks. 2016 and 2019 both saw peak oscillator readings of 19.4% over the 36-mo. avg./zero line (red horizontal). Trading up to $19.48 in July put momentum at 20% over that annual mean, which was good enough for MSA to define it as a major breakout.

Price rapidly surged to just below $30 and has since entered a congestion zone below that high—but still well above its major annual momentum and price breakout levels.

Silver's relative performance to gold led on the downside after the 2011 price highs in both markets, and has since—coincident with its annual momentum upside breakout (chart above)—turned positive in long-term performance vs. gold. Silver is back in a leadership role. Freshly so. That technical feature also argues to us that the bull market in these monetary metals is relatively fresh.

(Spread shows price of silver expressed as percent of price of gold).





GDX (VanEck Vectors Gold Miners ETF)

Price via point and figure. $2 by three-block reversal chart going back to 2010.

We've noted both the topping process and the bottoming process (2015 to 2019) with red horizontals. We emphasize the blatantly obvious technical feature—namely, major trend change involved a "process" of up and down action before the emergence of the new trends. And in both cases momentum (not shown here) led the action and warned of what was transpiring.

The downtrending black line is an orthodox tool of p&f charting, a 45° line. The upside breakout (arrow) occurred when price touched $32. That was a quadruple-top breakout. (The top back in 2010 and 2011 broke down with a triple-bottom breakout, down arrow.) That GDX upside price breakout at $32 occurred this past April. It produced further upticks which in turn broke out above the critical 45° line, adding to the breakout's credibility and potency. An advance to $44 followed. So far the pullback has been to $36, reached last month.

And so far the pullback in price is still holding around the 45° line and still above the point of massive horizontal breakout ($32).

Please note that after the top was signaled by price action back in 2011, a counter-trend rally actually reached back above the prior violated horizontal line by a few ticks. Regardless of that teasing rally, the die had been set by momentum and price. That counter-trend rally to 54 failed. And sharply.

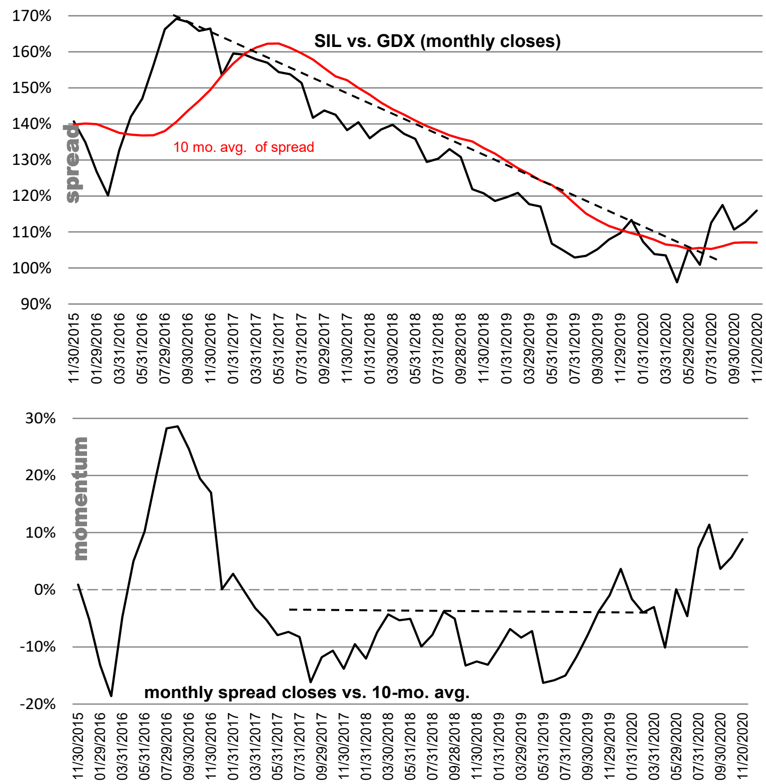
So far, in contrast, the current multi-month pullback in GDX has done nothing more than reach the 45° line and not even approach its prior massive horizontal breakout level from the huge base. In sum, this chart is having a *counter-trend* set of downticks after an incredible surge of straight upticks. Did you reasonably expect the breakout to carry to and through the 2011 highs without downticks?!

No topping "process" is evident, just downticks to spook gold investors, many of whom, unfortunately, did not enter at the technically more appropriate momentum or price levels as indicated by gold's action and MSA's prior reports on GDX.

MSA cannot be bearish on gold miners based on the above chart nor based on any long-term (e.g. annual, etc.) momentum chart that we can reference. Could MSA be wrong? Sure, but we doubt it. And it seems we've stated this several times in the past few years of advance in gold and miners. Repeated points of fear among gold investors and confidence among the gold doubters. Now gone by the way.

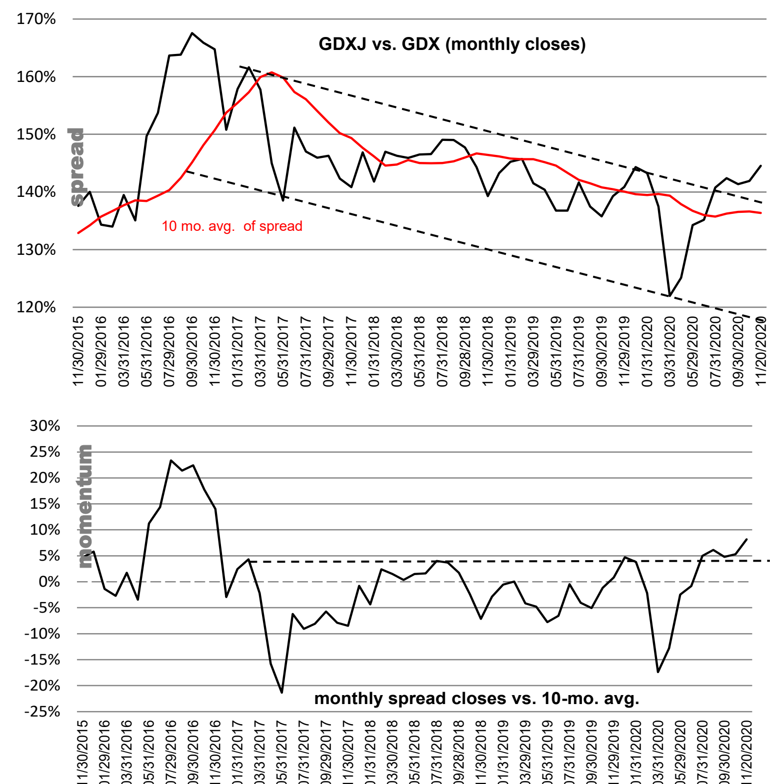
Gold investors also need to watch—out their side mirrors—the technical and fundamental unravelling of central bank-distorted asset categories, such as U.S. stocks and U.S. government bonds (the latter at some point in 2021 to turn down, perhaps after yet another "flight to safety"). And of course the ongoing demise of the U.S. Dollar, which is now squatting on the lows of the past year and below multi-year price and momentum trend structures. If you think no asset will survive and prosper in a monetarily collapsing universe, think twice. Remember, Homestake Mining soared from 1929 to 1932 as the stock market went effectively to zero.

Miners vs. Miners



Silver miners performance (SIL: Global X Silver Miners ETF vs. GDX) has broken out of its performance downtrend vs. gold miners. We tend to expect this given the silver breakout vs. gold.

GDXJ (VanEck Vectors Junior Gold Miners ETF) has shifted from underperform status to **outperform** vs. the major miners (GDX). This is also a shift that reinforces our view that things have only recently begun in earnest on the upside for the entire gold/silver (and miners) complex.



Gold miner comments

In our November 18th report on GDX we defined risk control numbers via several momentum studies. We stated that we would prefer not to see GDX close a week at or below $35 as such action would indicate some further pullback/correction. Action last week *after that report* dropped to an intraweek low of $35.20 and then bounced a couple percent to close the week at $35.90. Therefore, even those less than major charts held as needed.

As for gold miners' annual momentum we refer you to the annual momentum study of the XAU Index in the last weekend report. XAU has made a statement upside explosion this year via annual momentum, and the current pullback/congestion is not threatening anything in terms of signaling a top or even major decline.