GOLD, SILVER & MINING

MSA

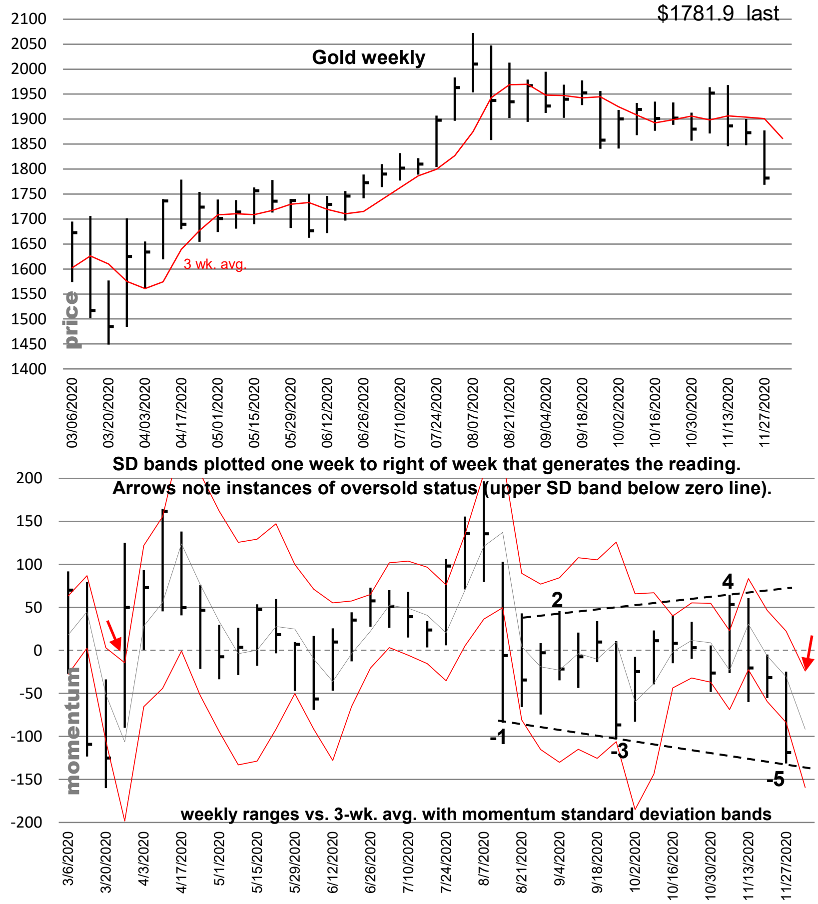
November 29, 2020

Weekend Report

We showed annual momentum charts of gold and silver in last weekend's report. The point was simply to show that there was/is no long-term momentum trend structure near the markets that could be broken and thus signal a bear trend.

Almost always when a major or long-term trend is vulnerable to full trend change, the structure and key numbers that signal such change will have maneuvered fairly close to the highs of an aged bull trend or will have dropped close to the lows seen in a major bear trend. That's been true with gold's major tops and bottoms as far back as we can remember. For example, the major structural momentum upside breakout by gold from its bear market that ended at $1054 in late 2015 occurred only weeks off of that low—in early February 2016 as price moved above $1140. MSA has not shifted to a bearish long-term outlook on gold since, despite counter-trend moves. Had MSA flip-flopped multiple times over the past several years, it would have derailed anyone holding an optimal long position, a position initiated at a time and price of maximally low risk and high reward.

We assess that gold and silver have massively more upside in the coming year or two, and we do not consider the current overlapping/layered decline to have "long-term" written on it.



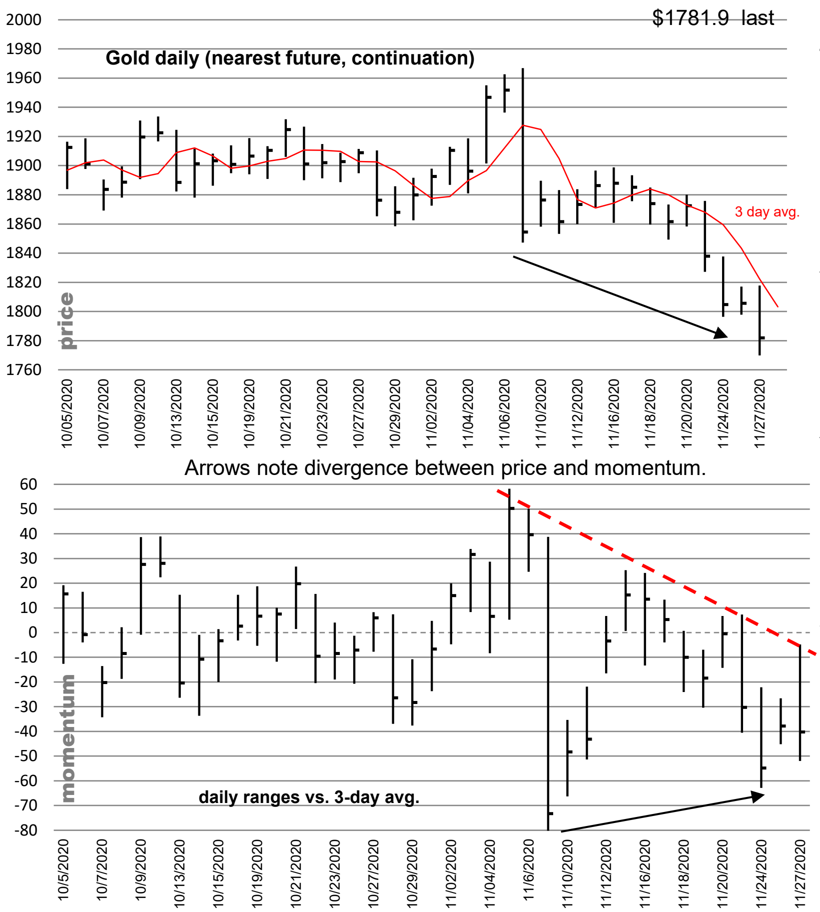
Gold weekly

The pullback continued with last week's action generating a weekly momentum oversold reading (based on MSA's momentum tools, the upper SD band dropped below the zero line for the **first time during this entire pullback process**). The last such weekly oversold reading occurred in the March selloff.

Such "excess" readings don't always generate an immediate response, but will usually show counter-trend evidence by the next weekly bar or so.

We also note a "chaotic" element at work here. Edwards and Magee (in their **Technical Analysis of Stock Trends** from 1948) define what they call a "widening pattern" in price chart action. It involves price swinging from a new high to a low, to a new high, new low, and then a third new high. Or the opposite if it's a widening bottom pattern. A process of one, two, three, four, five swings. The fifth being the end of the process.

After the fifth swing move it's important to watch for any failure of that move to persist. If instead you see opposite action emerge, then the widening pattern has probably been completed and either a top or bottom emerges. In this case for weekly momentum (not price, just momentum), it's been downside widening action; so we're watching for an upturn to indicate the downside process is complete. We are of course aware that this potential widening bottom behavior is now joined by our oversold reading.



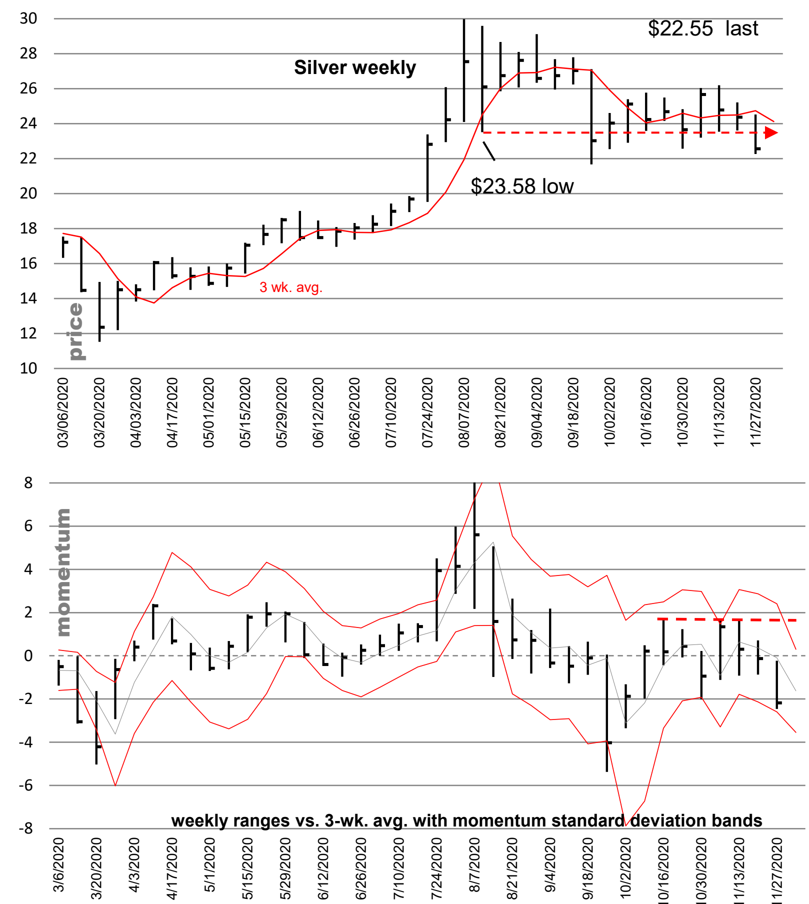
Gold daily

This short-term time scale just might provide the impetus to turn the weekly situation back to the upside.

Here we show the most recent leg of the decline (the charts do not go back to the August highs).

Since early November's oscillator peak the downside action has crafted a four-point downtrend structure on daily momentum. Any rally now back over the 3-day avg./zero line (**$1803.18** for Monday, and estimated around **$1795** for Tuesday) will break out upside over that month-old structure.

Given the structural clarity and age (mature for a daily momentum trend swing), any upturn here could easily begin the weekly upturn process.



Silver weekly

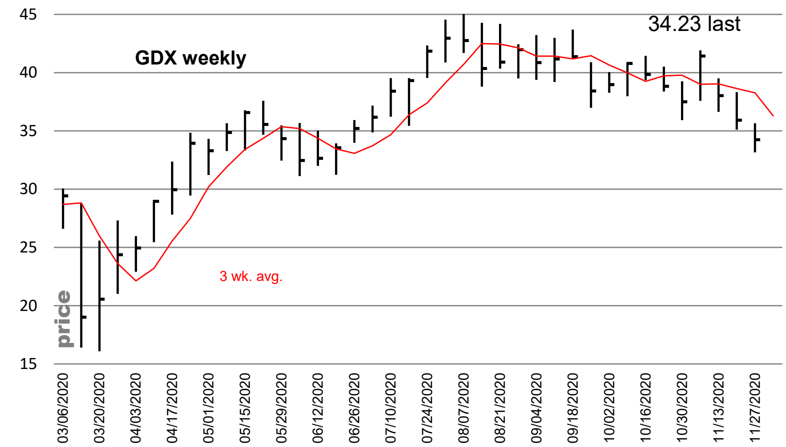
Silver received most of its punishment/ correction a week after the early August high. Price dropped to a low that week of $23.58.

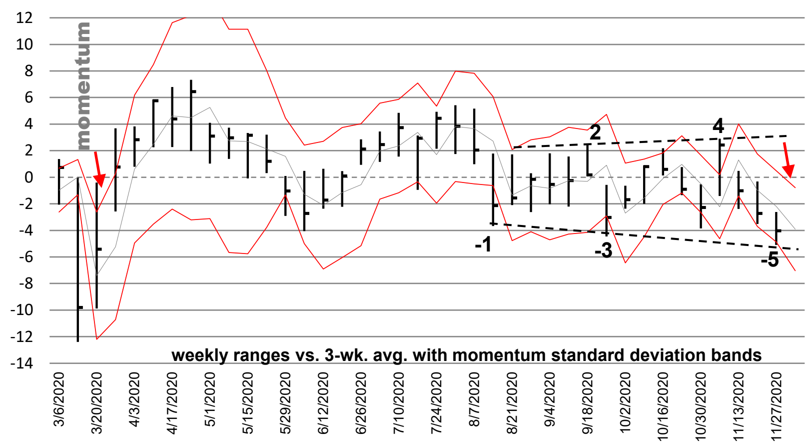
The action in mid-September, October, and last week dropped repeatedly below that initial August low without being able to sustain on the downside. Will this drop sustain? Well, with gold in oversold weekly status and silver almost there (the upper band nearing zero), we suspect that sustained further drop is highly questionable.

And as for upturn? Any takeout of a prior week's oscillator high will be a *first* weekly momentum signal of another failure of the downside to persist. Admittedly, for this coming week that's a reach. It would take December silver trading up to **$23.84** to exceed last week's oscillator high. But if we saw silver just fumbling around this week, then an oscillator upturn process the following week would happen almost just by opening trading, given that the 3-wk. avg. is now dropping sharply. A stall on the downside wouldn't be good for the bears, who have been trying repeatedly to get a sustained downside underway.

As for a major structural upside breakout level for weekly momentum, we've previously noted the perfect pair of highs (red horizontal on oscillator) that developed since early October. For this coming week it would take an explosive upturn to take out those momentum highs: price would have to trade up to **$25.78**. But in two weeks with a further drop in the 3-wk. avg., an estimated **$25** would break out. That number drops sharply each week.

For now we think the pressure's on the bears to prove sustainability. So far they've been selling, selling, and selling and not been able to sustain below the mid-August low. Therefore, it's probably a solid idea to assume that if this third drop below that price chart low of August 12th (at **$23.58**) finds the price action back above that level, then three strikes and the silver bears are out!





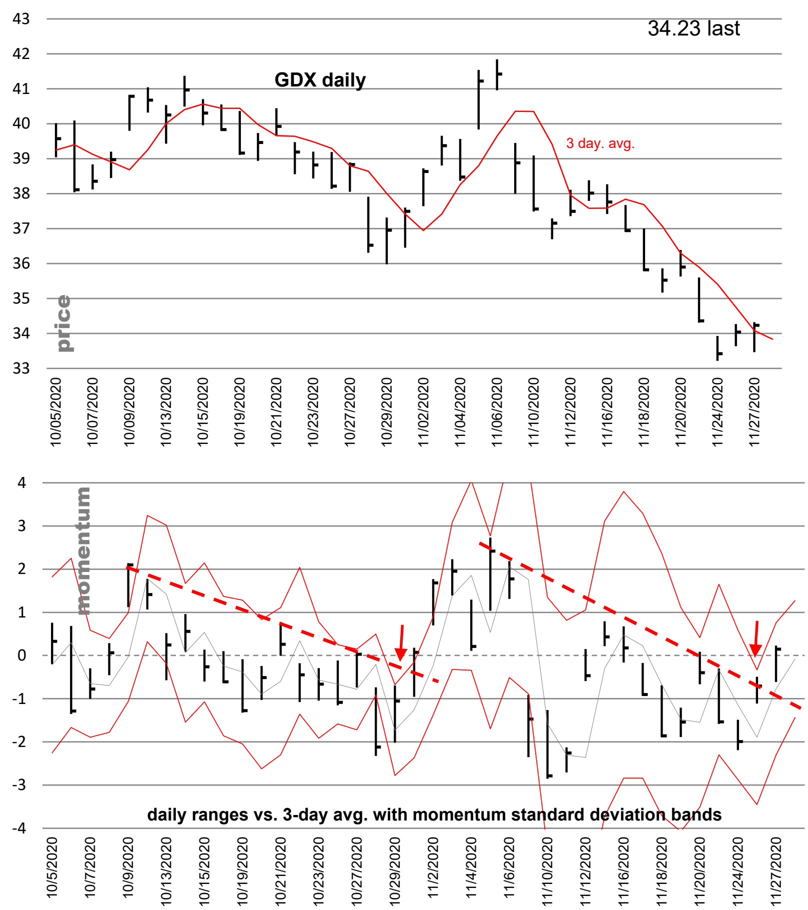
GDX (VanEckVectors Gold Miners ETF)

Weekly price and weekly momentum.

Very much an overlay of gold's weekly momentum, also with a widening pattern since the August low. And like gold, GDX generated an "oversold" momentum reading with last week's action, the first such SD band oversold signal since the March low (red arrows).

An initial sign of upturn would be to take out this past week's oscillator high. Not a major structural signal, but a sign that it wants to begin a turn. That event will occur by default, assuming GDX opens unchanged or even down a bit. Last week's oscillator high was -2.69 (below the zero line). The 3-wk. avg. drops almost two points for this week down to 36.28. Subtract 2.68 from that 3-wk. avg. and it equates to a price of 33.60, which is .63 below last week's close.

Again, taking out the prior week's oscillator high is only a hint of a turn—after three weekly bars with lower highs and lower lows. The more important feature is the weekly SD band oversold signal.



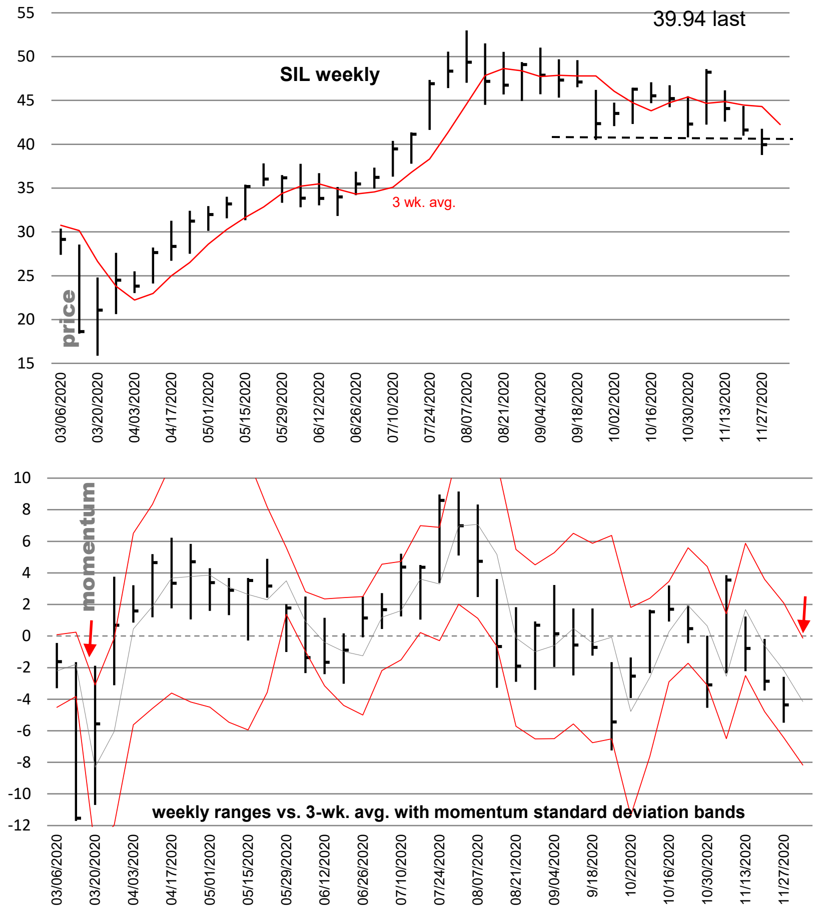
GDX: daily price and daily momentum

There's some evidence here of a desire to turn. The first point is that GDX actually made its low on Wednesday and refused to go lower despite the gold and silver drop on Friday. And GDX even closed up on Friday (the same is true with SIL and GDXJ).

We suspect that major global fund managers who tend to invest in miners more than metals were at work on Friday—buying the weakness in the overall category—via the miners.

Notice that Wednesday's action caused the upper daily momentum SD band to drop below the zero line. And so Thursday and Friday began to turn up. The last such daily oversold reading was in late October (red arrows note those readings).

Also, daily momentum has constructed a downtrend line since early this month. Gold has a similar downtrend structure. The difference is that GDX broke out above its on Friday.



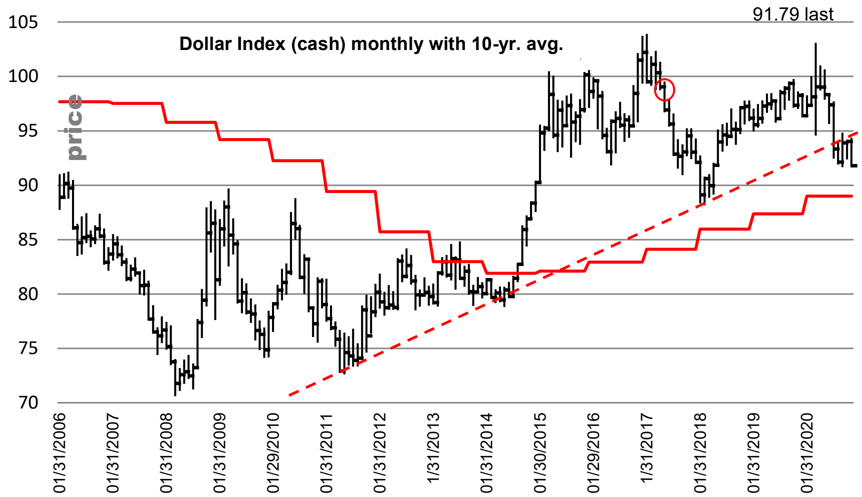
SIL (Global X Silver Miners ETF)

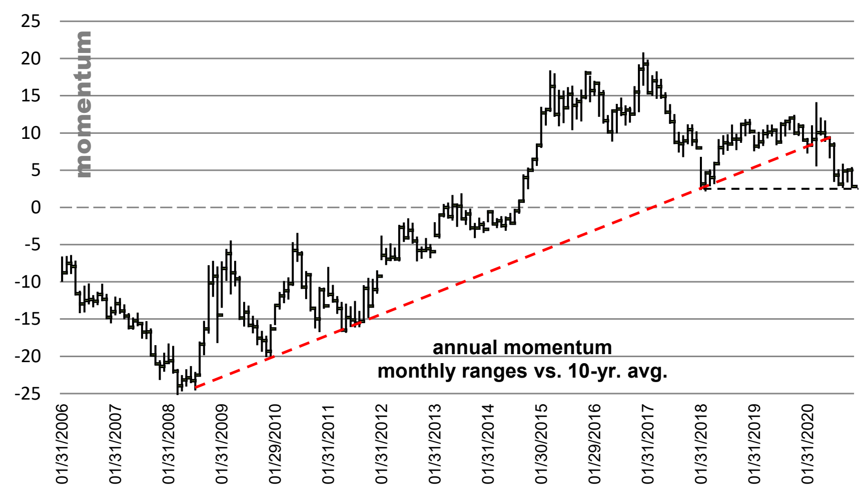
Price chart popped below the nearly identical lows of September and October on this weekly chart. Bears probably had better keep price from getting back above those lows. Trading up to 40.92 trades back over both of those lows.

Weekly momentum meanwhile did not make new lows for the move. Also, last week's action caused the upper SD band to drop below the zero line, thereby generating a weekly momentum oversold signal (like GDX, and gold). Last oversold signal was in March.

A first glimmer of upturn occurs if SIL trades at 39.61 this week. Yes, that price is below last week's close. But trading there or higher takes out this past week's oscillator high due to a further drop in the 3-wk. avg./ zero line.

Overall, MSA sees reasons in weekly and daily momentum to suspect an upturn effort in gold, silver, and miners this week. We will update.





Dollar Index (major side-mirror situation that will impact gold)

MSA declared a major bear trend in May 2017 when price dropped to 99, circled. That call was based on 3-yr. avg. momentum breakage, chart shown in prior reports. MSA has remained long-term bearish Dollar since then.

The negatives have recently increased big time with both the 10-yr. avg. oscillator and monthly price breaking their decade old structures. The Dollar Index is now back at the low of the year.

And while price is still several points above its early 2018 lows (just above 88), 10-yr. avg. momentum has reached down to near its 2018 oscillator low. That was 2.28 over the zero line. This year's low (on it now) is 2.75 over the zero line. We've rounded down that secondary breakage number to the +2 level. That occurs when the Dollar Index touches **91** this year (or 92.40 in 2021). Taking out that pivotal prior low on the 10-yr. oscillator will likely produce a next leg of decline that could carry to at least five points below the mean. Next year that would be around **85.4**, not that this major bear trend will stop there. That's simply the next layer of *possible* trading support in this major Dollar bear trend.

However, even dropping to that level, especially with speed, will no doubt further unwind many analysts minds who have continued to favor the Dollar. **And it will also be new wind at the back of rising commodity prices and gold, of course.**