Gold and Silver Technical Picture Price Outlook

By David Mitchell August 12th 2019

Lets us look at the gold and silver price action and hopefully garner a clearer picture of where we are at, do we expect that metals hold an exciting prospect for new investment at these levels even after the large moves higher over the last few months?

Let us just concentrate on the price action and if one should still be buying today, levels to watch for, seasonality of gold prices and ultimately the bigger price picture moving forward.

I will also concentrate on the metals measured in US$, which is somewhat one-dimensional considering gold is trading at all time highs in over 73 global currencies including Australian Dollars (Aud), UK Sterling (Gbp), Japan (Yen), Canada (Cad), Indian Rupees (INR) etc..

Given the obvious potential for further turmoil in the currency markets in the coming weeks, months and years ahead, the moves in precious metals against global currencies that are weakening, or currencies not considered safe-havens on the world stage will continue to appreciate, as demand for gold and silver by holders of those currencies to protect themselves.

So lets get stuck into it ….

Editor Note: This article is not designed to give you short term trading advice, its solely designed to give our clients the opportunity to recognise where we are presently and what opportunities exist in buying metals and the levels to be aware of .

Gold Price Chart Technical

Looking at the **longer-term** chart going back to year 2010, there are some clear levels and indicators that gives us a more defined picture.

1. Gold has exceeded its 50% Fibonacci retracement level measured from the all time high of September 2011 down to the lows of December 2015, this would be very healthy if we can close in August above US $ 1,484, however technically speaking the 61.8% retracement is the next immediate target which is US$ 1,587.40 - **I believe this level of US$ 1,587 will hold in the shorter term picture**.
2. RSI (Relative strength Index) is a momentum oscillator that measures the speed and change of price movements. Its clearly at all time highs last seen in December 2010. However that did not stop the rally into late 2011, or in April 2016. What this is suggesting is that the price could tread water between a range over next few months (lowering the RSI) before it moves to greater highs into 2020 and onwards (see page 4).
3. Very strong support lies in the horizontal at the 0.382% Fib support which can be clearly seen - **excellent buy levels from here.**

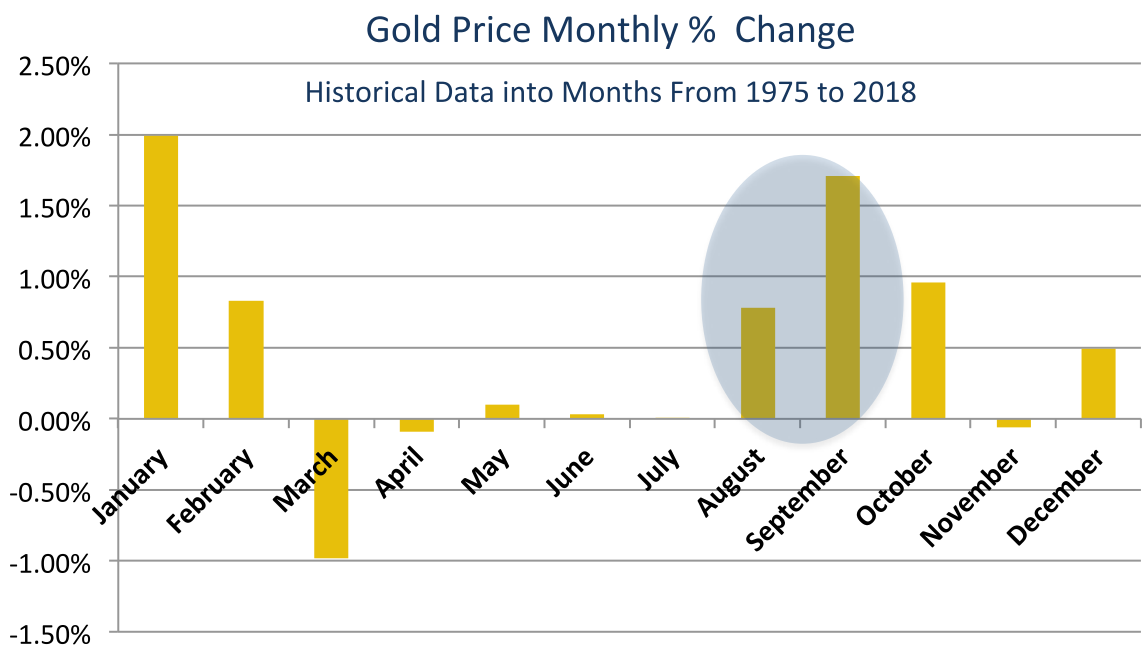
Gold Monthly Seasonality

Timing your purchase is extremely important, we have dealt with disgruntled clients as they have approached us with existing holdings heavily discouraged by their holdings performance simply because they timed their investment badly.

Our job is not only to lay out the bigger picture for our clients, but to also help them time their investment purchases.

It is always advisable to look across all historical data points to empirically qualify timing objectives.

Let us look at the historical price data going back to 1975 examining the average gains and losses within the calendar year and identify if there are monthly trends. The results are surprising….



Source: LBMA, Thomson Reuters

You can see that on average, gold tends to turn strongly higher during the first couple of months of the year. The price then moves sideways down through the spring into the summer, then August starts to move higher into the autumn, then either falls back slightly or moves sideways into December.

- This means that on a historical basis, the best times to buy are the beginning of January, early April, or early July.
- The best months for price appreciation are January and September.

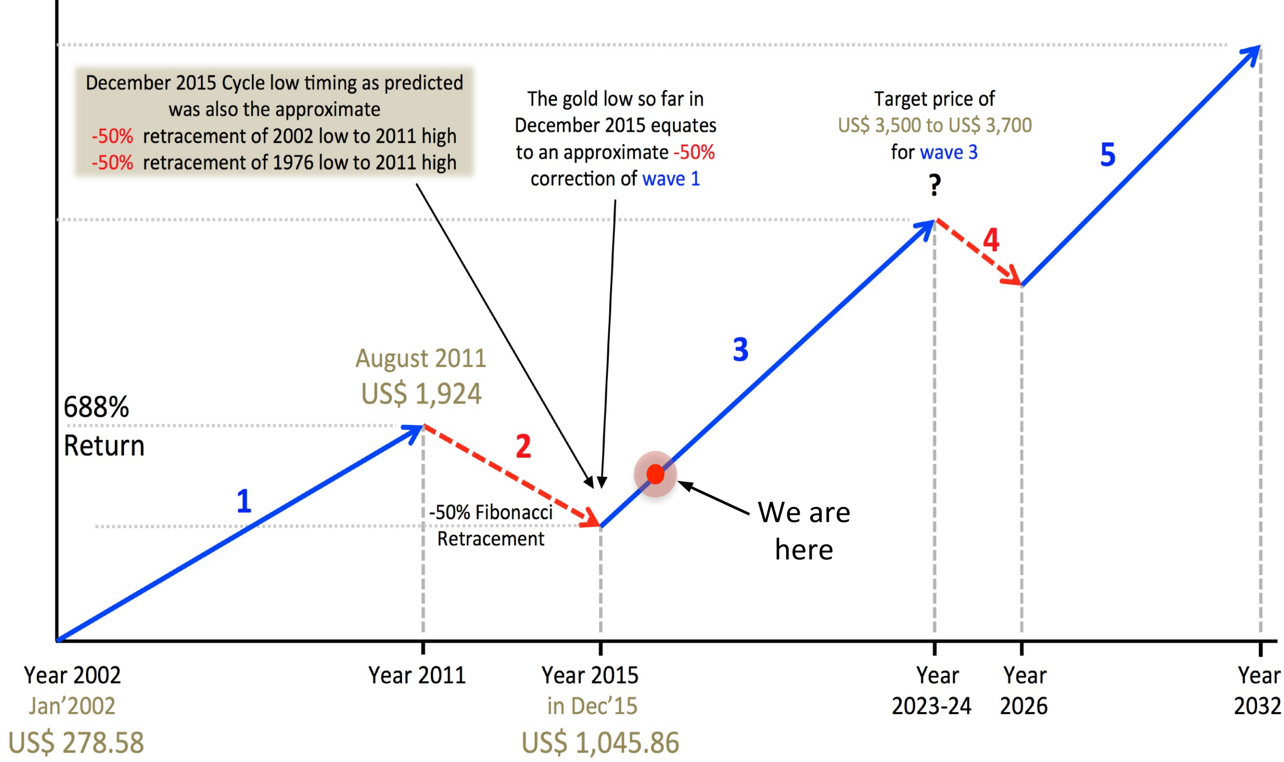
Longer-Term Gold Outlook

I first published the cycles and timing just after the 2011 highs and re-printed in our "Gold E-Book" in 2017 see link here, I realised that the Pi cycles were actually lining up with 'Elliot Wave Theory' structure and when explaining to clients the overall picture, this was a much easier way to illustrate from their perspective.

Editor Note: Information contained herein is solely the opinion of the publisher and hence its accuracy cannot be guaranteed, as it's solely a forecast. It is not designed to meet your personal situation – we are not financial advisors.

Under Elliot wave the rules that apply ….

- Wave 1 (impulse wave)
- Wave 2 is typically 50%, 61.8%, 76.4%, or 85.4% of wave 1 (corrective wave)
- Wave 3 is typically 161.8% of wave 1 (impulse wave)
- Wave 4 is typically 14.6%, 23.6%, or 38.2% of wave 3 (corrective wave)
- Wave 5 is typically 61.8%, 100%, or 123.6% of wave 1 (impulse wave)



Guideline 1: When Wave 3 is the longest impulse wave in price (which cycle wise is very much predicted as far as price is concerned), Wave 5 will approximately equal Wave 1 in size.

Guideline 2: The forms for Wave 2 and Wave 4 will alternate. If Wave 2 is a sharp correction (which in this case it most definitely has been), Wave 4 will be a flat correction (i.e. only a -14.6% ?). If Wave 2 is flat (was not), Wave 4 will be sharp.

Gold Price Conclusion

Gold is very much within its next phase of its major secular bull market. The cycle lows were predicted and have proven to be correct as of December 2015 / January 2016, since then gold in US$ alone has climbed by +46%, although in other world currencies the moves have been dramatically more extreme (see table).

As I have demonstrated in the technical picture we are due probably sideways price action in a wide range of US $1,587 down to US$1,380 (as the most likely levels to watch for) due the overbought nature of the price action over the next 3 months or so.

However clients should always measure gold in their own currency and not focus whatsoever on what the metals are doing in US$, for example in UK Sterling gold is up over +30% in just 12 months, in Aussie +37% in the last 12 months.

Currency	% Performance since December 2015	Spot price 12th August 2019
Euro	+ 40.33 %	1,363.42
GBP	+ 80.08 %	1,266.17
A$	+ 55.46 %	2,225.62
CHF	+ 40.61 %	1,480.18
CNY	+ 57.57 %	10,801.85
SGD	+ 41.64 %	2,120.53

Gold is likely to remain very sought after over the next 4 to 6 weeks (seasonality on page 3) and it faces further appreciation in the short term, before settling off.

Of course these are just forecasts and if the world economic picture changes dramatically then these forecasts should be measured against any new backdrop.

Longer term picture for gold and precious metals seems very clear........

Longer term the precious metals are heading for much higher revaluations and is very clear from the cycles and wave structure.
Future and continued currency value destruction is without doubt at this stage, so clients should **understand that we are only 15 to 20% through this next wave higher in the gold price, according to our analysis**.

Silver Price & Price Conclusion

Now we arrive at the really exciting investment trade versus gold. Other precious metal opportunities compared to silver are equally as exciting, which I will cover in new reports moving forward.
The macro fundamentals and technical picture for silver here is nothing short of spectacular in our analysis. Silver is gold on steroids, whether its in a bear market (silver will fall much harder) or bull market, silver will out-perform gold not just in percentage terms but in multiples of price.

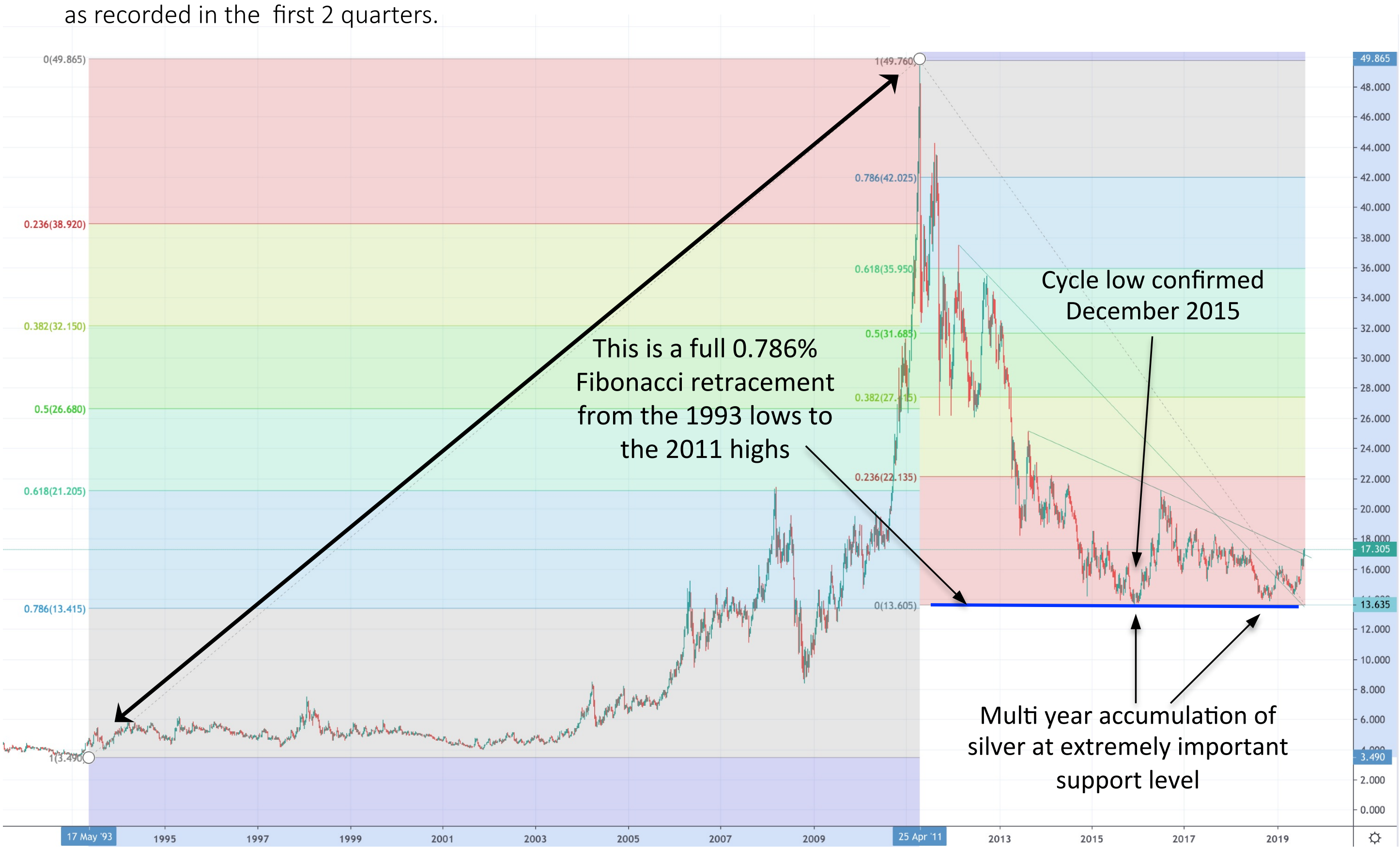
Lets examine what's expected on the next few pages ....

This silver long term chart below is nothing short of extremely bullish, the multi year accumulation at the significant Fibonacci retracement of 0.786% from the lows in 1993 to the 2011 highs which is at US$ 13.50 approximately. In this article I have gone back to these retracements (*simply because in analysing the longer term cycles when looking for extremely important supports and resistance points*) they are actually incredibly important.

Silver has proven itself yet again, when in a bear market the investment community literally throws the *'baby out with the bath water'* and the capitulation has been nothing short of stunning, with no real understanding of t he growing bullish macro fundamentals for silver, see link here.

As 'Rick Rule' (of Sprott Asset Management) has stated on many occasions "the cure for low prices is lower prices!". What he means by this is lower prices will drive out the weak unprofitable producers (shrink supply) and new exploration and fresh supply will be deemed uneconomical due to the low prices, also global stock piles of the metal will be utilised into production purposes. This fact has been supported by the CPM Group analysis that stock piles of investment bars of silver globally is lower today that it was in the 1970's (bull market) and also the first decade between years 2002 to 2011 (second great bull market), when the prices rise the strong hands holding onto the investment grade silver will not wish to sell, further aggravating supply/demand deficits invigorating a new bull market in silver.

These facts are supported again by a decline in global mine production numbers the last few years including this year as recorded in the first 2 quarters.



This silver chart going back to the 2011 highs demonstrates that multi year accumulation has taken place at an extremely important support retracement in the US$ 13.60 to 13.80 level since December 2014.

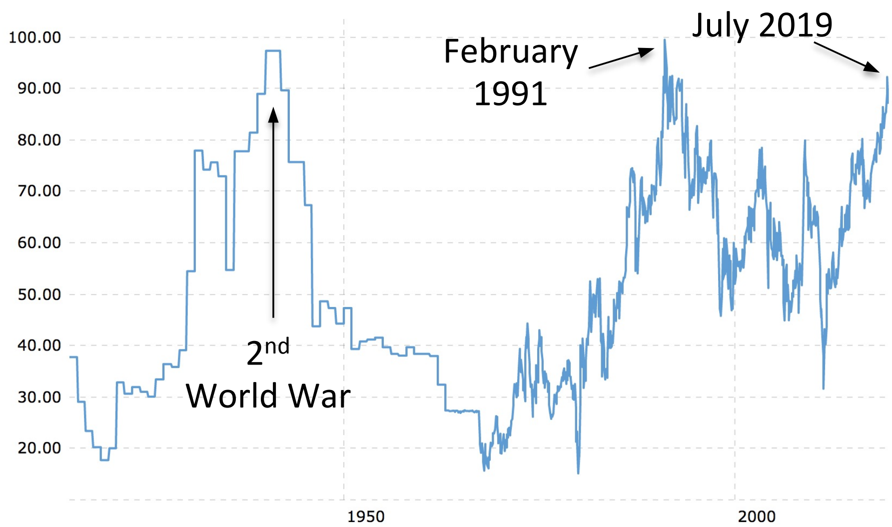
More importantly, you can see a descending triangle that has formed, in the realm of technical analysis we normally think of the descending triangle pattern as being a bearish pattern, however technical analysis isn't necessarily about the pattern itself, it's about the psychology of what's going on within the pattern. When bearish patterns fail which I would suggest this clearly has failed to the downside, they can produce extremely quick and very powerful moves higher. This also has overextended itself right down to the apex of the triangle, have the shorts exhausted themselves ?

Now lets have a look at another extremely important chart the 'Gold – Silver Ratio' for further analysis of silver as an extremely important investment opportunity at this time, see next page……

This chart below is the ratio of how many ounces of silver you would get for 1 ounce of gold. Presently we are trading at all time historical high, only seen twice before in all of historical records going back to 3,200 year BC (yes we do have records going that far back), why on earth is this important ?

Well actually the ratio of silver to gold in the earth's crust is measured at **17.5 to 1**, while actual mine production as of 2018 is running at approximately **8 to 1**, and todays price is trading at **88 to 1.**

With gold trading sharply higher since the cycle lows of December 2015 silver has simply languished near the trading lows, which has driven the Gold Silver Ratio to trade at **93.4 to 1** in July of this year. You can clearly see in this very bullish highlighted trading channel it again traded at the upper resistance line. In 2011 the GSR traded at **31 to 1.**



This chart clearly demonstrates a massive historical opportunity to buy silver, clearly using any metric one looks at silver is extremely undervalued using price charts, ratio against gold, production costs, supply / demand deficit in physical.

Analysing price chart data, what is ultimately happening in the gold price and the fact we are about to enter a 'super bull market' in silver which using our price wave structure which is targetting a conservative target of 35 to 1 in the GSR (gold silver ratio) and could well overshoot down to 25 to 1. Putting all this together we have a target price of 100 to 135 US$ per ounce in silver from todays level of US$ 17.30.

A price rise of near 800% may seem somewhat outlandish, but our investment in silver in 2004 achieved gains of over 800% by 2011, an Armstrong Pi cycle of 8.6 years time frame from the lows of Year 2002 to the peak of 2011.

Today that same cycle time frame measures in at year 2024 (from December 2015 cycle lows) which lines up nicely with the wave structure on the gold target into year 2024.

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