

# Technical Analysis: Gold

Limited downside and it's time to start loading up

## COMMODITY | GOLD | TECHNICAL ANALYSIS

14 January 2016

- Gold could be bottoming out in 2016, May to October period according to the cycle analysis
- A new leg of bull market should take over with \$1920.00 previous high being the long term target
- Investors can utilize the **SPDR GLD US\$ - (SGX:O87)**, **SPDR Gold Trust – (AMEX:GLD)** (Gold ETF) to capitalize on this upcoming move

### 8 year cycle bottom playing out consistently

Throughout history, Gold followed the 8 years cycle low pattern since 1976.

By taking the most recent cycle bottom at October 2008 as a guidepost, the 8 years cycle tells us that **the new cycle low should happen around October 2016**.

For the previous two cycle bottoms during March 2001 and October 2008, both the bull markets made new highs with the first bottom delivering a 305% gain and the second bottom delivering a 182% gain.

Hence, we should see price rallying to the \$1920.80 previous all-time high minimally for the next bull run with the expectation of price breaking through \$1920.80 to form new all-time highs.



**GOLD Monthly chart**

Source: Bloomberg

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### Correlation between the Gold bottoms and US equity indices tops

Looking at the cycle analysis from another point of view, we noticed that Gold bottomed out around 1 year later after the Dow Jones Industrial Average topped out during the Dot Com Crisis and the Subprime Crisis.

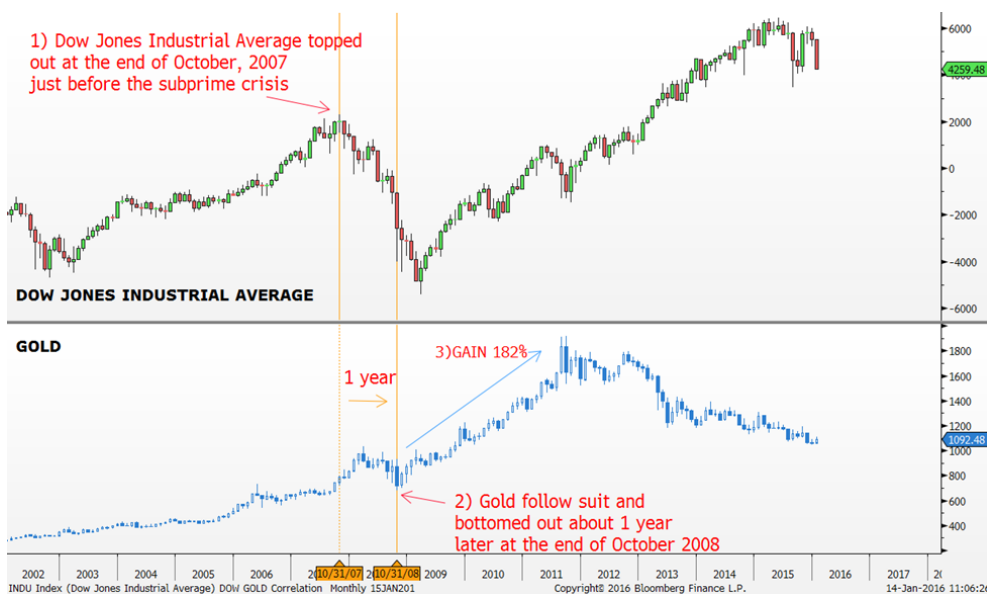
During the Dot Com Crisis and Subprime Crisis, the **Dow Jones Industrial Average topped out at the end of January 2000 and October 2007 respectively.**

On the other hand, **Gold bottomed out precisely 1 year later after the Dow Jones Industrial Average topped out.** The bottom could be found at the end of February 2001 and October 2008 respectively.

#### Dot-Com Crisis



#### Subprime Crisis



Looking at the US equity indices market right now, we still believe that the crash thesis is working out nicely as explained [here](#) and [here](#).

We believe that the market might have already topped out at the end of May 2015.

If Gold follows the 1 year bottoming pattern after the Dow Jones Industrial Average topped out, the **next bottom in Gold should come around in May 2016**. This is somewhat similar to the 8 years gold cycle bottom predicted in October 2016.



**Dow Jones Industrial Average & GOLD Monthly chart**

Source: Bloomberg

In conclusion, by combining both the cycle analysis, **we expect Gold to bottom out around the end of May to October 2016 with astronomical upside in the longterm**. Till then, price could still hover lower to around the \$1032.70 – \$988.00 support area before the cycle bottom forms.



**GOLD Monthly chart, red line = 20 exponential moving average, blue line = 60 EMA, Green line = 200 EMA**

Source: Bloomberg

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