



Silver lacking conviction for now

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Silvers break of \$16 was short lived with the metal failing to close above the key resistance level. The shiny metal has subsequently traded as low as \$15.04 and is very much rangebound for now. It will take a move below \$14.60 or a break above \$16 for momentum players to return to the market.

Dovish Yellen

Janet Yellen surprised many with her ultra dovish tone in her address to the Economic Club of New York on Tuesday. Analysts forecasted a neutral to slightly hawkish tone but Yellen was adamant that the Fed are in no rush to raise rates and stated that "The Fed should proceed cautiously with rate rises". She further gave investors a list of conditions they need to meet before any future rate hikes and included her fears over a strong U.S. dollar. My synopsis of it all is she has all but ruled out a rate hike for at least the next three meetings. Gold and silver investors took notice with large volume buy orders propelling the metals higher. The Fed stance is likely to support the metals going forward and add more credence to the likelihood that a bottom has been struck and pullbacks could be used as opportunities to add exposure.

Sentiment

It never fails to amaze me how sentiment is so strong at highs and weak at lows. I came across a report this week whereby a certain analyst doesn't believe the rally in gold is real and is calling for gold to still break the \$1,000 level – which is still a possibility albeit not high probability right now. Ironically this same analyst was also calling for \$2,000 plus when gold hit \$1,900. Although I was quite humoured by this all, the point remains that very few people are giving credit to this recent move higher in the metals complex and most are still expecting further lows. This is the exact scenario but in reverse to when the metals topped in 2011 and the reason most investors are too scared to buy at lows in the market. Whilst the metals have still yet to confirm that a bottom is in, the current sentiment and price action is certainly encouraging to my eyes.

Technical

The last two weeks have done very little to change the technical picture. Silver is very much rangebound between \$14.60 and \$16 and a break out of this range is needed for further directional clues. Should silver break below \$14.60 then a move towards a \$13 handle becomes a real possibility and should silver finally manage to close above \$16 then I will be looking towards the \$17 level. Whilst the market trades between this range a break in either direction is quite possible.

Summary

Silver has traded in a very narrow range recently and therefore there is not too much to add this week. Whether the markets have bottomed or not I certainly feel that pullbacks could provide an excellent opportunity to gain exposure. In my opinion the correction since 2011 has ended or is very close to ending and the next leg in the secular bull market has or will be starting very soon.

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