



## Is the gold bull back?

By: Greg Rubin, Head of Trading QIA Commodities 04.03.16

“It’s so nice to see gold trading like it used to” – These are not words from myself but from one of my very first clients. A smart man who has been investing in the metals for over 25 years. The nature of this rise has certainly caught my attention and if gold can now reach the \$1310 on this move then a likely pullback from there could set up a buying opportunity at prices that may not be seen for the next decade.

### Gold bottomed?

I would very much like to give a resounding yes but it’s not confirmed yet. Gold is certainly showing signs that a bottom has been struck and the way it is breaking above resistance is certainly hinting at significant strength. My regular readers will be aware that I was looking for gold to bottom at \$1033/\$1040 – despite all those analysts certain that gold was going to break \$1000, I maintained this to be unlikely. Gold has so far traded as low as \$1045 which is close enough to my target to satisfy my requirement that a bottom has been struck. Ideally I would like to see gold pullback from anywhere in this region to as high as \$1310 and should that pullback hold and rally off support then I will have the confirmation I am still looking for.

### Silver

Last week’s report focused on silver’s weakness relative to gold so I’m not going to go into it in too much detail but in essence silver’s underperformance is not unexpected. If gold has indeed bottomed, on the next leg higher I expect silver to massively outperform gold. However, silver will need to reach at least the \$16.50 level and ideally \$17 before a pullback to give a clue that it may have bottomed as well. Should silver fail at the \$16 level then it could very well still be set for a lower low and this could occur whilst gold pulls back from the coming high.

### Has the landscape changed?

Investors are scratching around for reasons why the metals are suddenly moving higher. I’ve heard everything from a potential collapse in the economy to the Fed now more likely to stand pat on raising interest rates. To be fair the environment has not changed much, rather the metals have been coiled for some time now and finally all the purchasing at the lower levels is starting to be reflected in the price. The bears have started to get nervous for the first time in years and short covering has certainly created the fuel for this rally. Interest rates worldwide are still pretty much at lows and going negative in certain countries. Furthermore global monetary policy is still in easing mode and unlikely to change in the near future. Gold in my opinion is in a secular bull market and is just coming out of the corrective bear phase and should further resistance be taken out I would expect another round of short covering to take this market significantly higher.

### Summary

The gold bulls flexed their muscles this week and are now firmly in control of this market. A solid pullback is expected to ensue soon and should the pullback hold support and move above the impending high I for one will be declaring the bear

market over. For investors who believe a bottom has already been struck then using the coming pullback to gain exposure could certainly prove to be a profitable play.

Silver has underperformed on this move higher and if this rally caps at \$16 then the market is still vulnerable to a slightly lower low. That said - and using gold as my guide - further weakness in silver in my opinion could present a very good opportunity as I strongly expect silver to be the outperformer on the next legs higher in the metals bull market.

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