

## Gold & Silver - Don't Ignore What The Market Is Telling You

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Last week I highlighted the following:

***"Since we caught the first bottom in the metals complex back in December 2015, and then the next pullback to lows in December 2016, the metals have seemingly set up in preparation for a strong further rally."***

When I see an initial 5 stage rally being made off a multi-year bottom, followed by a corrective pullback, I am on alert for the next 5 stage rally to take hold. Most of the time, the market will follow through on such set ups, while in a minority of circumstances we would see the market continue on a much more extended corrective pullback before rallying. Rather than providing us with what we were waiting for, it has been exceptionally frustrating as the market has invalidated several set-ups for that next breakout. Clearly, the market has decided that 2017 was going to be a year of consolidation.

Yet, even though we have not had the next breakout rally yet, we have not broken either of the lows identified in Gold and Silver in 2015. In fact, Gold is approximately 20% and silver 23% up over their respective 2015 lows we identified, even though it may not feel that way due to the frustration we have all felt with this current consolidation. However, as I have signalled for the past few weeks, the market may be signalling it could be looking for another pullback into the end of the year. But much depends on how high the current rally I am expecting takes us to see if its impulsive or corrective in nature.

As I explained in greater detail last week, if silver is able to see a rally begin in the very near term (Friday's bullish reversal and bullish open this morning suggests this is beginning), we should see a rally develop over the coming weeks targeting the \$17.70 - \$18.00 region. If Silver is able to clear this region and trade over the September high, then it leaves the door open that the white numbered count may trade up to the target \$18.80 - \$19.30 region. However, if the market is unable to develop a higher high, and then breaks down below \$17, it opens the door for Silver to drop down towards the \$15 region before the end of the year to complete a much more protracted consolidation, as presented on the silver chart below.



Daily Silver Chart 09-October-2017

Similar to pattern as observed in Silver, there is not much more I can add to Gold that I didn't mention last week. I said I was expecting a rally to begin this week or next (based on Friday's price action it could be

beginning now), which will likely take it towards the September high. It may make a higher high towards \$1,377. Otherwise, if gold is unable to trade over the September high and then breaks down, it sets us up for a drop into year's end near \$1,250 - \$1,260 region, as presented on the chart below.



So as I noted previously this year when the market failed to take advantage of the set ups needed for a larger breakout, the rally has merely been delayed, not cancelled. This leads me to the conclusion that the higher likelihood at this time is that the highs seen last year will not be broken until 2018. This will remain my primary expectation unless the market proves me otherwise.

For this reason, I think that one can maintain a certain amount of patience (as if 2017 has not forced you to be patient enough), as if the expected rallies [already beginning] over the coming weeks fail to make higher highs, it means we must be proactive now to ensure our current positions in the market do not become victims to a pullback towards the year's end. Investors should talk to their brokers at your earliest convenience to discuss strategy, portfolio adjustments and the market implications for the coming weeks.

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