GOLD

Targeting the Reaction High & Final Low

What Lies Ahead

Part - I

Armstrong Economics

March 1, 2016

The International Think Tank

In cooperation with

Princeton Economics Intl.

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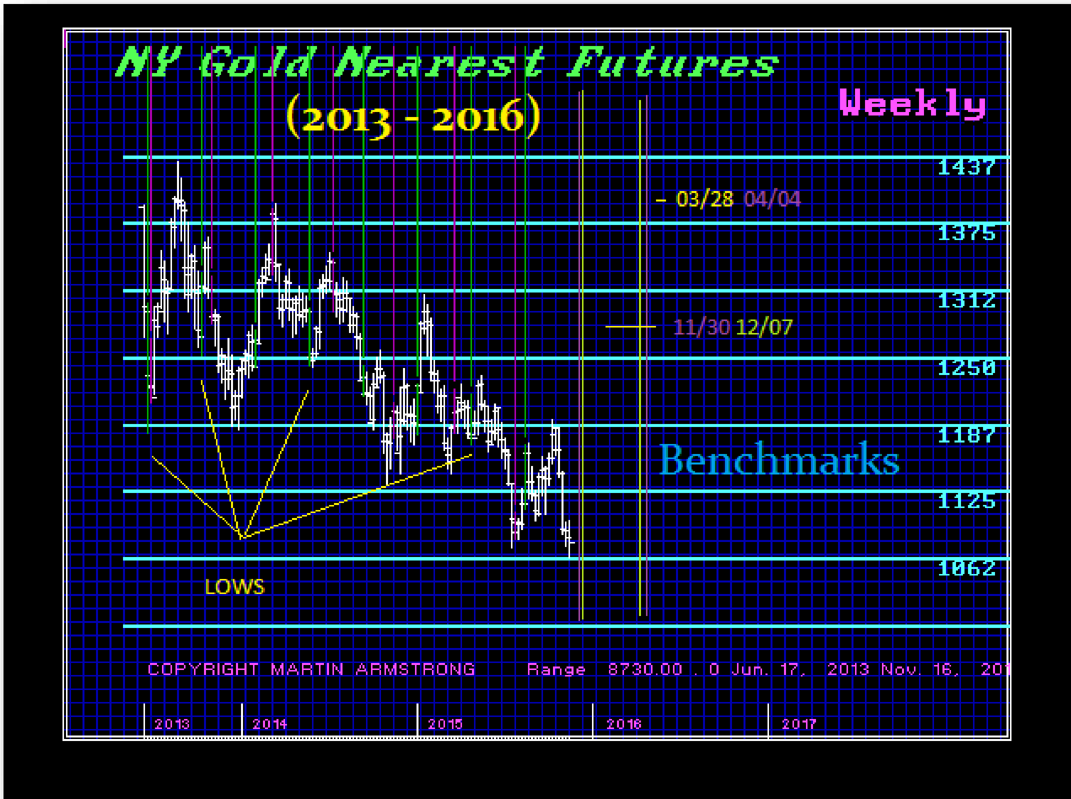
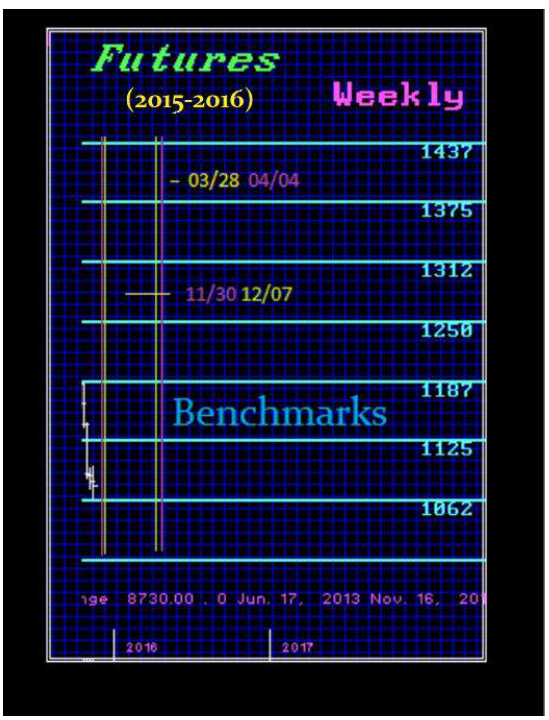
Targeting the Reaction High & Final Low

Targeting the final low in gold is a bit of a challenge given the fact that this particular turn is unlike any we have witnessed in our lifetime. We are not dealing with the traditional boom based upon speculation nor are we looking at a rally based upon fiat or inflation. This time, we are dealing with the peak in government that is unfolding on schedule with the **Economic Confidence Model**, and that means a collapse in public confidence. This is nowhere better illustrated than in the U.S. political elections going into November 2016. Trump is soaring in the polls and the establishment is beside itself. They are dumbfounded and prefer to view this as a personal issue with Trump. They attack him rather than looking at the data that shows people are voting for him because they have had enough of career politicians. Obama devastated public confidence. So many people had such high hopes for Obama and he promised "Change We Can Believe In." That proved to be just a slogan for he adopted the very same policies as Bush from the NSA, Guantanamo Bay, to trying to muster support to invade Syria. Now, people distrust both sides, which is the real issue that Trump has tapped into. It is the collapse in public confidence.

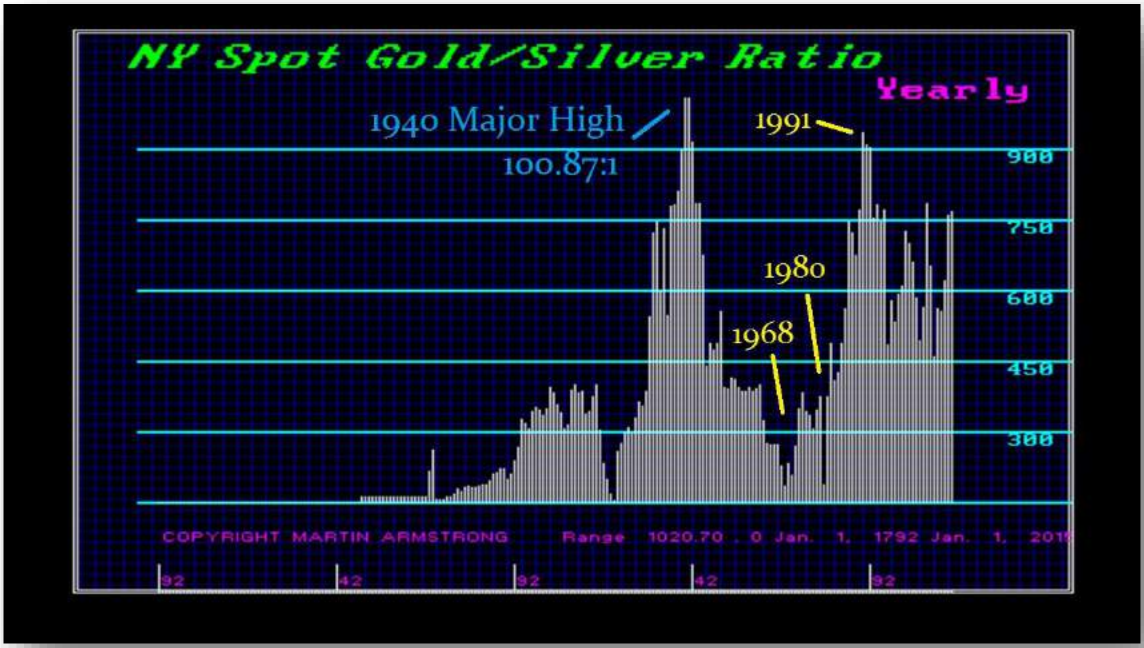


In our "2014–2016 Precious Metals Report," we set the benchmarks for when timing would come into play for gold. Our first benchmark on our timing models was the weeks of November 30/December 7. In our "2015 Year–End Report", we wrote:

> When we look at gold going into year 2015, we see absolute critical support at 1044. A year–end closing beneath this level will signal new lows and they can be quite dramatic. From a technical perspective, the two key targets will be 1026 and 601. Important resistance during 2016 will begin at 1179 with key resistance forming at 1310. Therefore, even a year–end closing for 2015 below 1179 will keep gold in a bearish position.
> Additionally, we have a Quarterly Bearish Reversal at 1112. Therefore, a year–end closing below this level should also warn a drop becomes possible at least to test the 875 to 904 former high of 1980. A monthly closing beneath 904 would also point to a drop way down to the 680 area.



Gold bottomed on the first benchmark on December 3, 2015, at 1045.40, which was just $1.40 above our key number for the closing of 2015. Closing **ABOVE** this number warned that gold was finishing a lot stronger than it appeared on the surface. There was little down during the start of key resistance in 2016, which stood at 1179 to 1184 for the year followed by 1309, 1347, and 1365. The first resistance level has now been exceeded, once again illustrating that gold is stronger than one would suspect. Yet, does that mean it is a beginning of a new bull market as so many are shouting?



This causes many questions to arise. Is gold in a breakout mode from the first benchmark? Is gold extending this entire mess until the next convergence come the weeks of September 3 and 10, 2018? Is gold creating a bull trap and preparing to slaughter everyone?

Perhaps the most telling sign that gold is within a reaction rally and may be creating a giant bull trap, rather than a breakout into a new bull market, has been the fact that we are witnessing the gold/silver ratio rise rather than decline. **During a bull market, the gold/silver ratio declines, and during bear market declines, this ratio rises.** Just from a technical perspective, exceeding 90.65 level will signal a breakout to the upside to retest historical highs.

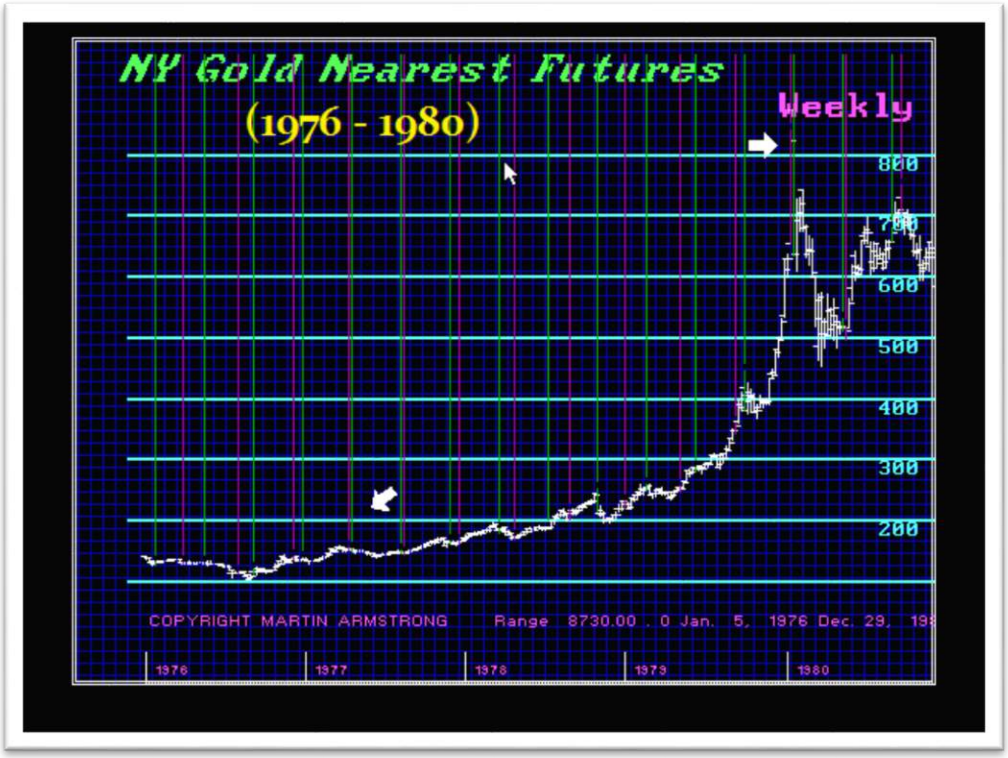
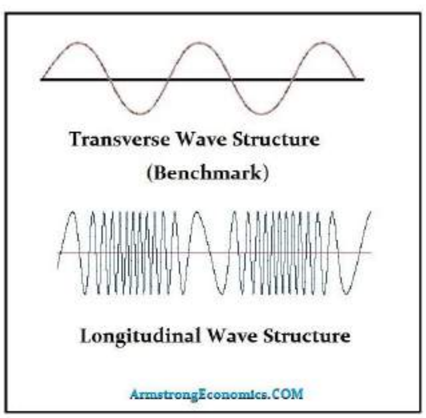


Figure #2

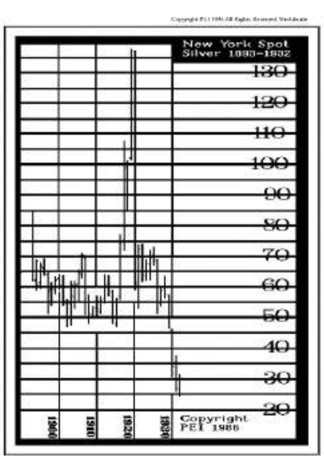
The performance of these benchmark convergences on the gold and silver weekly cycles over the decades has been quite fascinating since they managed to pick the 1980 high and the 1999 low. However, they have also indicated the shift in trend back and forth between bull markets and bear markets. They tend to produce higher in a bull market and flip to lows (cycle inversion) for a bear market. We call these "benchmark cycles" because they are **FIXED** transverse waves rather than a modulating frequency, which would indicate a longitudinal wave formation.



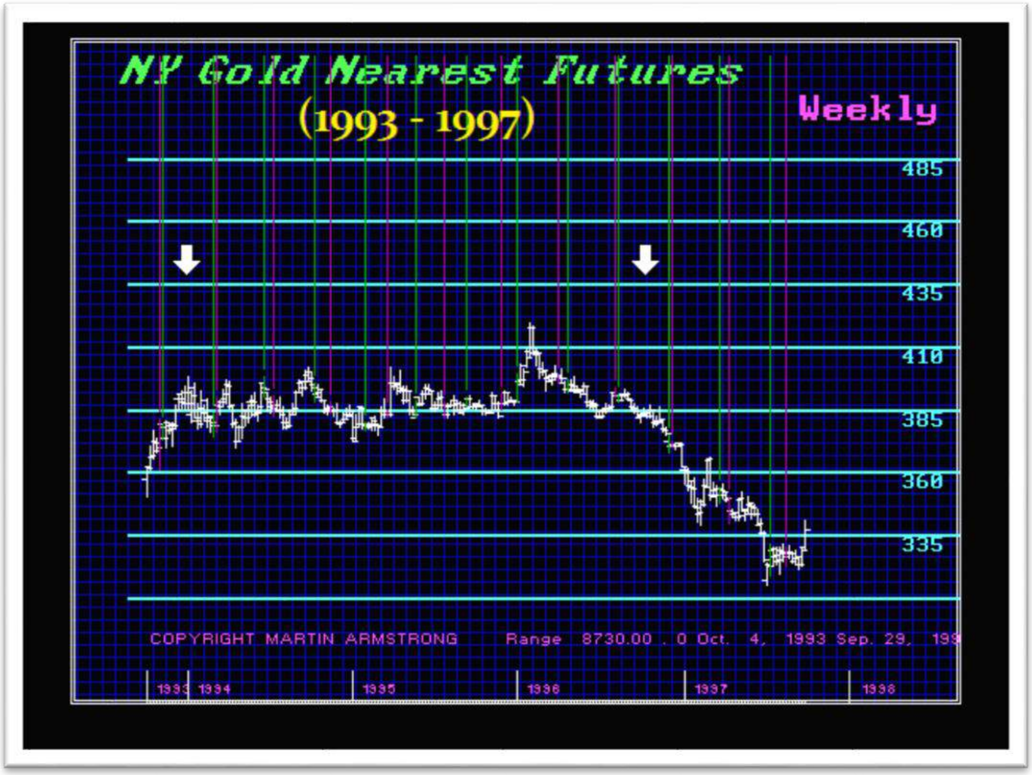
Time is always independent of price. We can see evidence of that based on how gold and silver interacted with the benchmark cycles. The metals made highs on their respective cycles moving into the 1980 high. Then the same benchmark cycles in time inverted and began to produce lows. This clearly confirmed that the markets were entering a bearish phase.

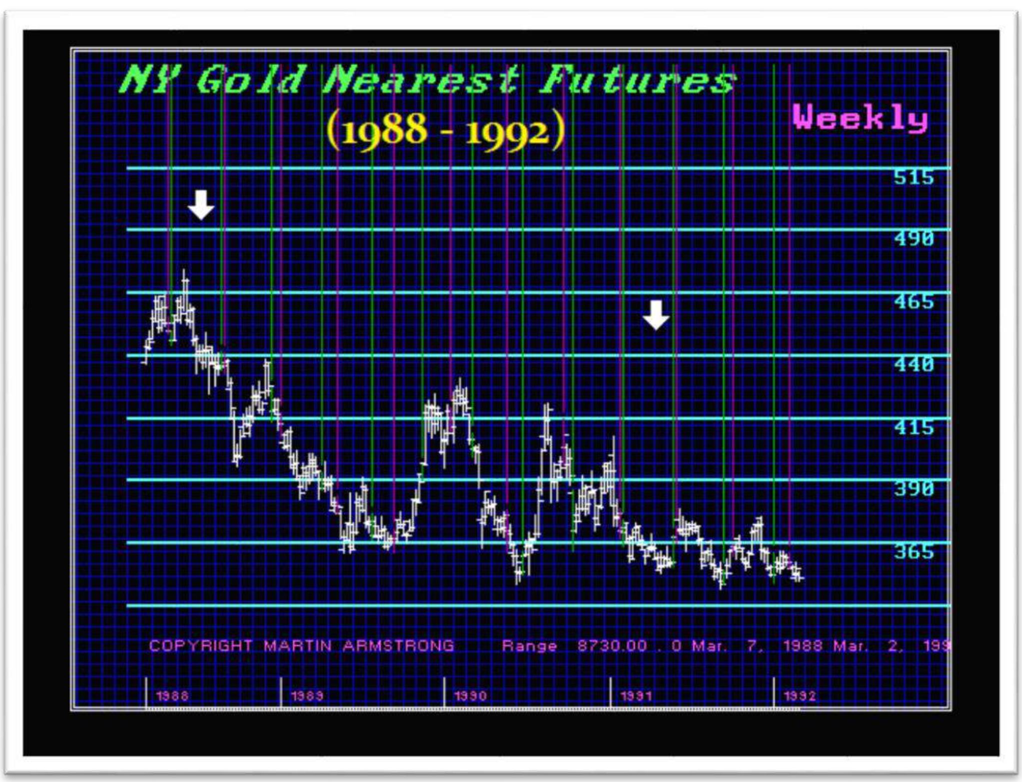
Figure #3

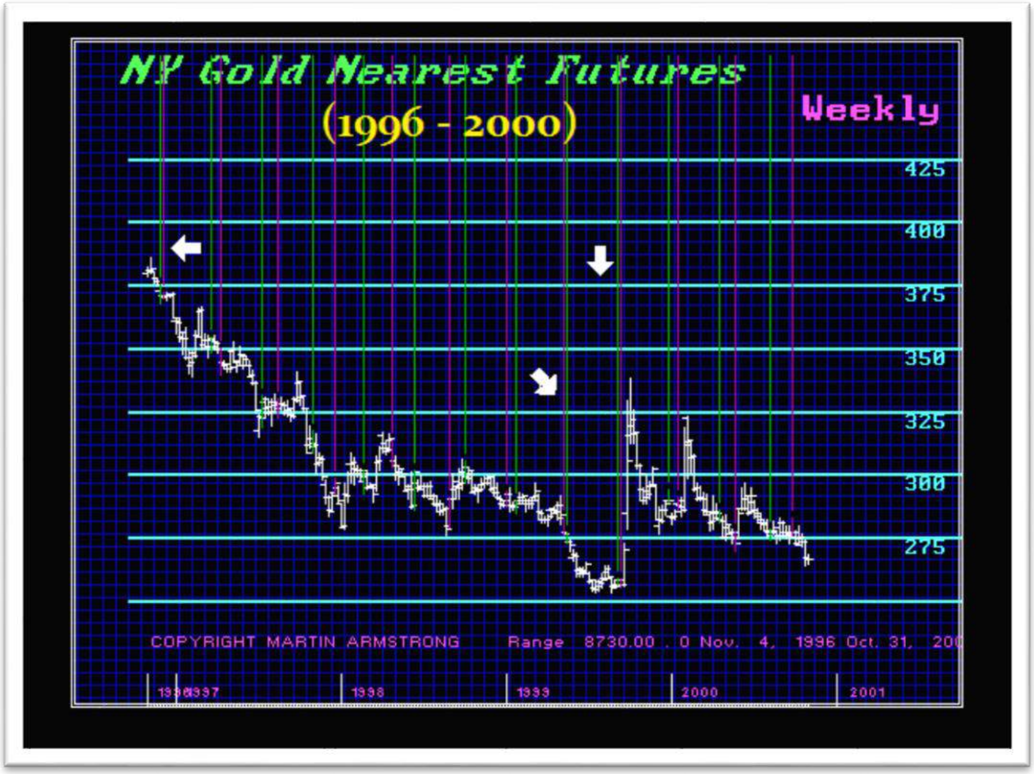
In the previous illustration (Figure #2), we provided the benchmarks moving into 1980, which formed precisely on target to the day. Gold made a new high on Monday, January 21, 1980, yet silver did not make a new high after peaking on its benchmark the week prior. Looking now at Figure #3, we can see that the benchmarks inverted and produced breaks to the downside into 1985. This was the cycle inversion process, which was an indicative warning that we were in a bear market rather than a bullish correction. We define a **cycle inversion** as the fixed transverse wave that produces the opposite effect, yet the time target remains constant.



We must also be careful not to compare the Great Depression with the rally into 1980. Gold was "money" in the 1930s, whereas it was just a commodity in the 1970s. Since gold was "money" during the commodity boom into 1919, gold *declined* against all commodities going into that rally. From the high in 1916, gold declined for about 8.6 years into a low in 1924. Commodities peaked in 1919 and fell into 1932, so there was a major divergence between gold and silver. That's right — gold declined when silver rose, and gold rallied when silver declined for 13 years into 1932.






NY Gold Nearest Futures
(1996 - 2000)
Weekly
425
400
375
350
325
300
275
COPYRIGHT MARTIN ARMSTRONG
Range 8730.00 . 0 Nov. 4, 1996 Oct. 31,
1998
2000
2001

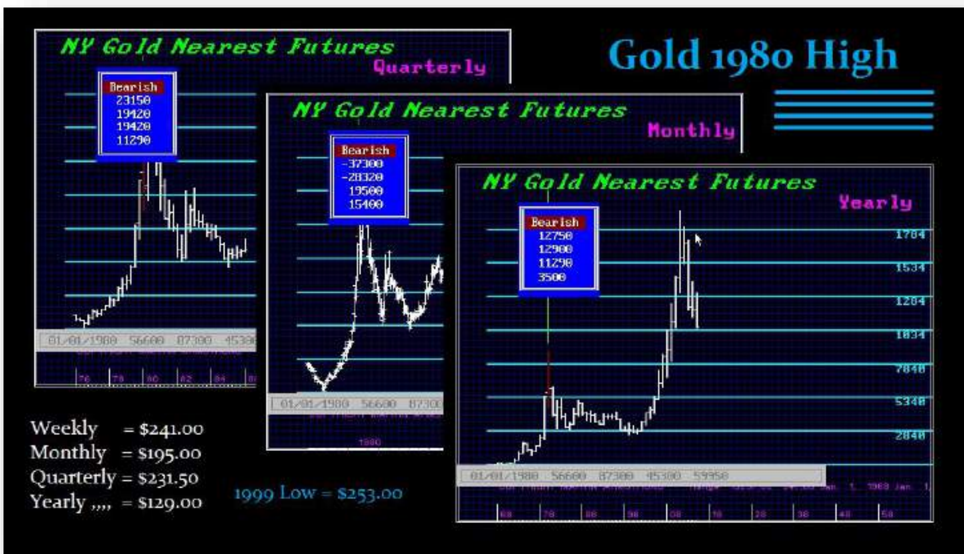

NY Gold Nearest Futures
(1999 - 2003)
Weekly
425
400
375
350
325
300
275
COPYRIGHT MARTIN ARMSTRONG
Range 8730.00 . 0 Aug. 30, 1999 Aug. 25,
1999
2000
2001
2002
2003

It is rather fascinating when we focus on how gold bottomed in 1999 with the benchmarks. The benchmarks were the weeks of September 6 and 13 in 1999 (one week back–to–back). This was opposite of 1980 with gold first and silver second. The first produced a tiny reaction up that exceeded the previous week's high, and the next penetrated the previous week's low after retesting the major low. The following week of September 20, we had a panic cycle to the upside combined with a directional change.

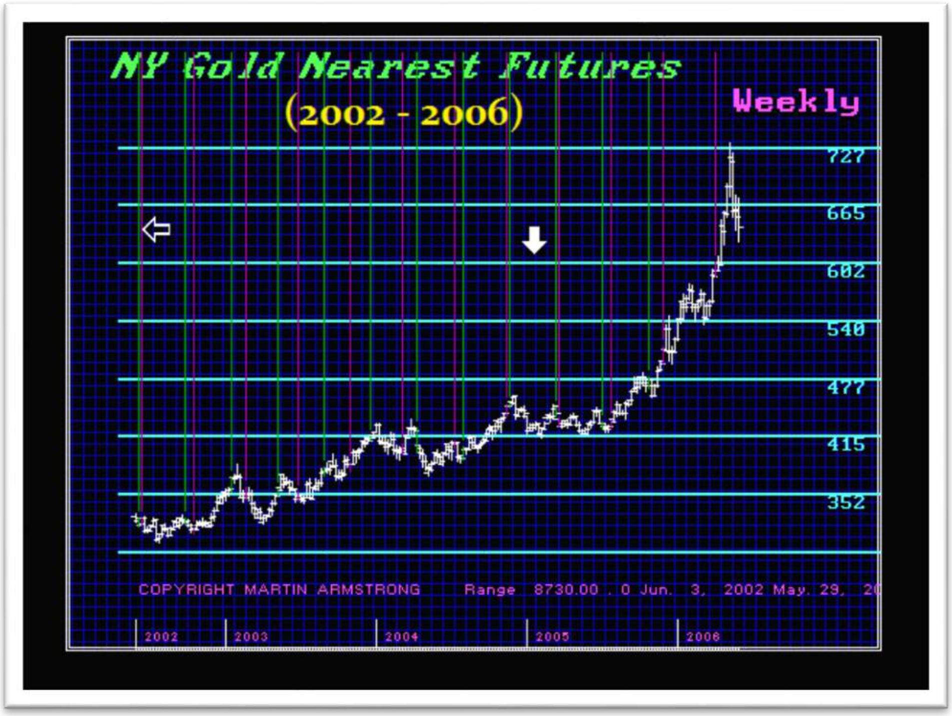
During the same week of September 20, Dan Quayle, former vice president, saw the Reform Party as a threat and urged Republicans to act.

In Taiwan, a 7.7 quake resulted in at least 2,297 deaths, 8,700 injuries, and 600,000 people left homeless after about 82,000 housing units were damaged by the earthquake and larger aftershocks. This is the only fundamental news that took place on September 20, neither of which was highly relevant to gold.

The U.K. government's intention to sell gold and reinvest the proceeds in foreign currency deposits, including euros, was announced on May 7, 1999, when the price of gold stood at $282.40 per ounce. Therefore, it did not coincide with the final low. Officially, the stated reason for this sale was to diversify the assets of the UK's reserves away from gold, which were deemed too volatile, and to fund the introduction of the euro.



On our Reversal Model, gold bottomed at $253. It held the Weekly Bearish Reversal we had at $241 and the quarterly at $231.50. If they gave way, then it would have been possible to crack $200 to test the Monthly Bearish at $195. However, the most important aspect is that gold has not elected any Quarterly or Yearly Bearish Reversals in 19 years. On the monthly level, it elected only two of the four. This is why we stated that gold would rally to new highs once again. The reversal system defines the state of a market, which is by no means opinion. So even 19 years of a decline failed to reach the Yearly Bearish Reversal. Currently, that rests at the $640 level, so once again we have no long-term sell signal to suggest a change in the broader trend.


NY Gold Nearest Futures
(2002 - 2006)
Weekly
727
665
602
540
477
415
352
COPYRIGHT MARTIN ARMSTRONG
Range 8730.00 . 0 Jun. 3, 2002 May. 29,
2002
2003
2004
2005
2006


NY Gold Nearest Futures
(2004 - 2008)
Weekly
1010
9100
8100
7100
6100
5100
COPYRIGHT MARTIN ARMSTRONG
Range 8730.00 . 0 Nov. 1, 2004 Oct. 27,
2005
2006
2007
2008
2009


NY Gold Nearest Futures
(2007 - 2011)
Weekly
2430
2180
1930
1680
1430
1180
9300
COPYRIGHT MARTIN ARMSTRONG
Range 8730.00 . 0 Dec. 3, 2007 Nov. 28,
2009
2010
2011
2012

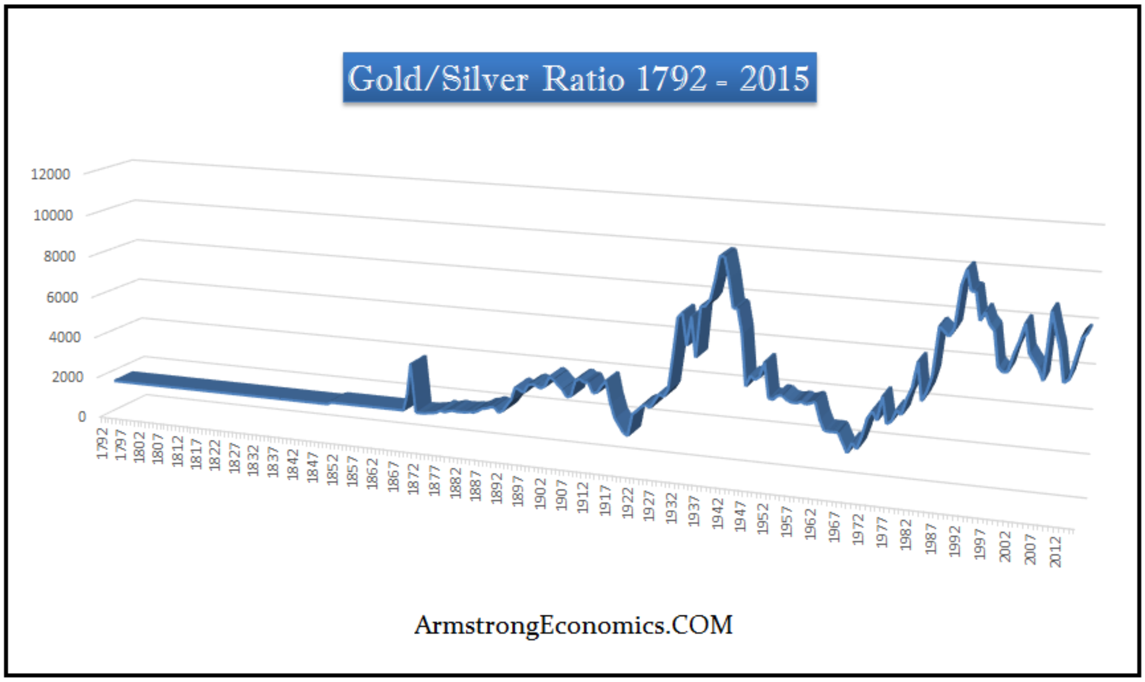

NY Gold Nearest Futures
(2010 - 2014)
Weekly
1850
1700
1550
1400
1250
COPYRIGHT MARTIN ARMSTRONG
Range 8730.00 . 0 Sep. 13, 2010 Sep. 8,
2010
2011
2012
2013
2014
2015

Now let us focus in on 2011 and 2012. We had a very interesting split with the intraday high in gold forming in 2011, but the highest annual closing was the end of 2012. This split did not line up with the benchmarks and gold peaked on its cycle individually. However, when the benchmarks came together in the first quarter of 2013, it marked the beginning of the bear market. The failure to align for a high on the benchmarks was an ill omen of what was to come.

From a timing perspective, reactions are typically two to three units of time. This meant that the earliest possible low could have been two years from 2011, which would make that 2013. Clearly, that potential was eradicated when the benchmarks aligned for the week of February 25 and March 4 in 2013. That meant that the reaction could be three years from 2011 and form an early low in 2014 if measured from the 2011 intraday high, or three years from the highest close, which would push that into 2015. Indeed, we have seen a robust rally from the first benchmark in 2015 — but is that for real?

Something else was afoot. The benchmarks did not pick the intraday high in 2011. Instead, the split between 2011 and 2012 was indicative of great machinations. The mystery would lie in the gold/silver ratio. The gold benchmark of May 2, 2011, picked the change in trend in this ratio that was very profound. All the people long in silver who were convinced it would rise greater than gold were slaughtered on the financial battlefield.

Why did the gold/silver ratio turn on the benchmark? What was going on? Is there something waiting in the wings for a major financial period of total chaos? Would this be an ill omen of of the future that would await? Perhaps we were not looking at simply a three-year reaction. Perhaps we had to unwind a lot more propaganda before the trend would reverse. Silver was looking like death warmed over. The markets try to speak to us, but it is up to us to listen. Instead, far too many people want to claim that the markets are manipulated and they were not wrong. So they continue to hold, slowly bleeding out of every oriface.



Gold/Silver Ratio Going Nuts

Why has the gold/silver ratio been going nuts since 2011? Was this the sinister operations of bankers? The more people swore the markets were being manipulated, the more people bought and held. Were they crazy or just out of their minds? The markets are the one thing that is always infallible. They try to show us the truth, but far too many are just blind or stubborn. The gold/silver ratio was simply due to make an all-time high in 2016 on a 224-year cycle from the 1792 low of 15.03.

The final preparation for the ultimate rally when confidence in government collapses demands a false move in the opposite direction to get everyone offside in order to swing in the opposite direction.

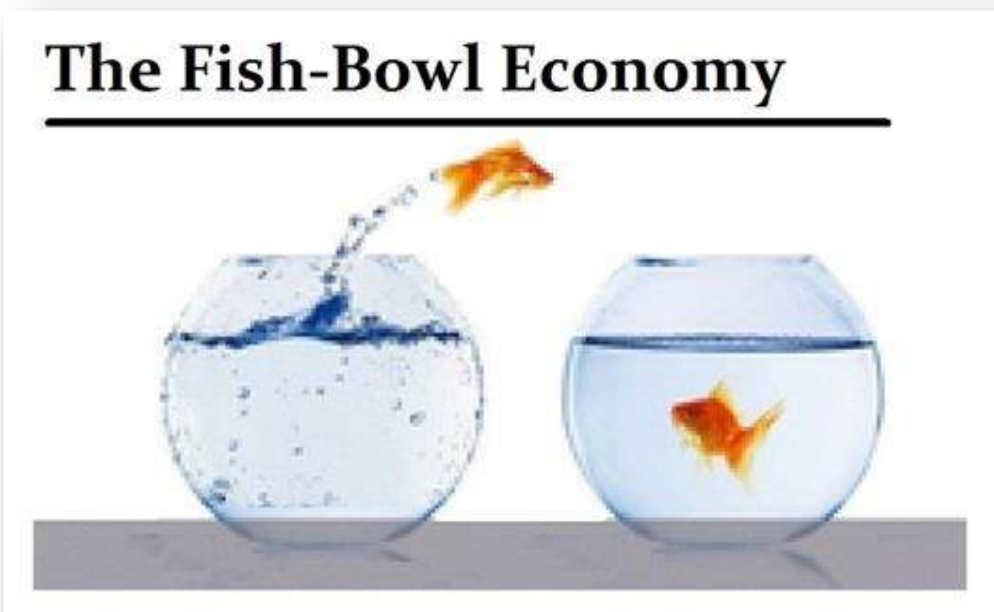
The most disruptive theory to the way society is managed and people invest has been what we call in monetary economics, which is the quantity theory of money (QTM). The QTM states that money supply has a direct, proportional relationship with the price level. For example, if the currency in circulation increased, there would be a proportional increase in the price of goods. But something is wrong. With all the quantitative easing in the USA, Europe, and Japan, inflation has not appeared.

The theory was challenged by Keynesian economics, but it was later updated and reinvigorated by the monetarist school of economics. Interestingly, many mainstream economists agree that the quantity theory holds true but only in the long run. Many simply disagree about its applicability in the short run, and the failure of Quantitative Easing appears to justify that criticism. Others have criticized QTM, arguing that money velocity is not stable short-term and results in prices being "sticky," which disrupts the direct relationship between money supply and price level. Indeed, the theory by itself only correlates to inflation, sporadically resulting in the view that it applies only in the long run. This is the direct result of always trying to reduce a problem to a single, one-dimensional cause and effort formula.

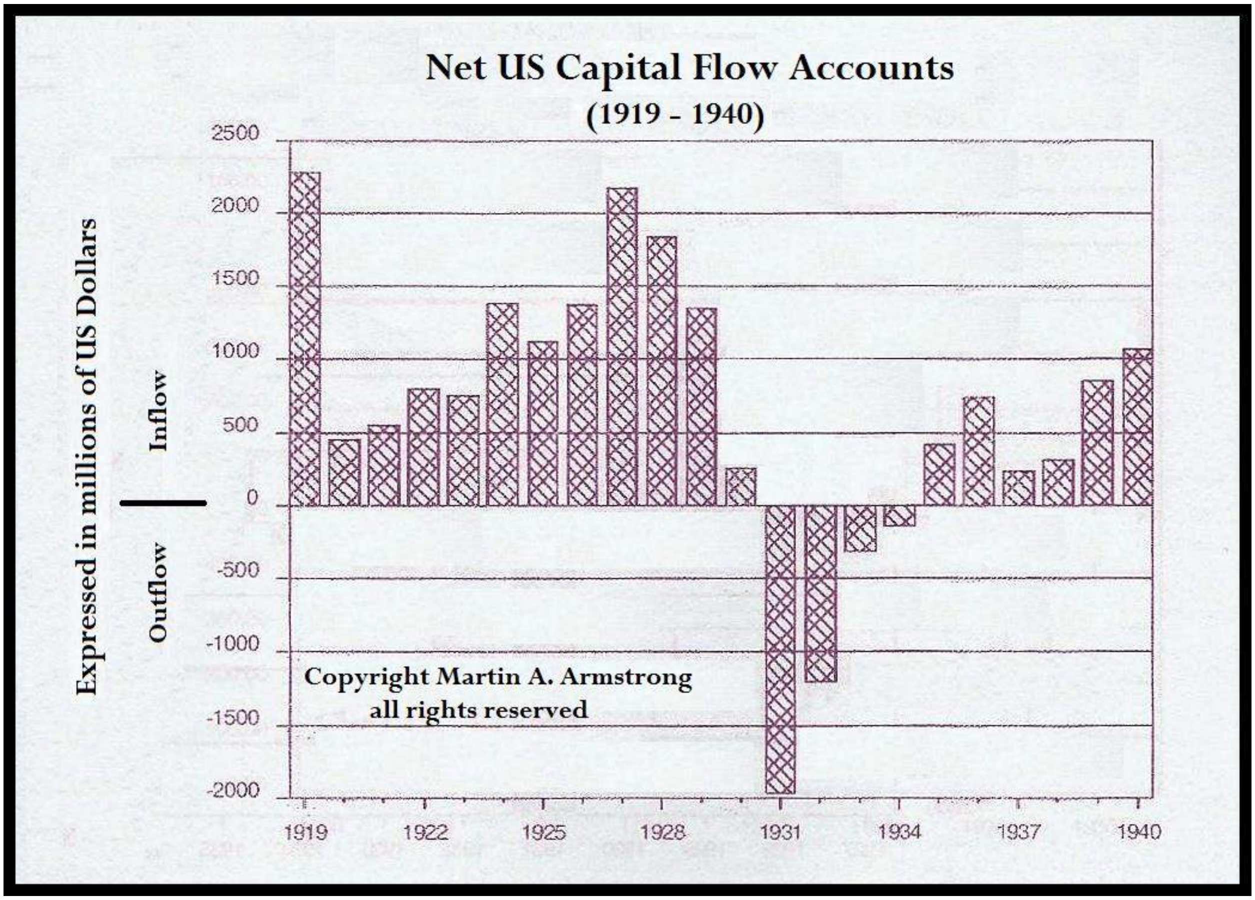
No other theory has caused so much damage within the economy or has harmed so many people than the QTM. It certainly sounds logical because we equate it to a personal level. If you had more money personally, you could spend more. But does this analyogy really apply to nations and on a global scale?

The simplistic application of the QTM has created havoc in the way we manage our economy as well as the way people invest. This has led many to insist that the dollar must crash. These people are married to antiquated ideas with zero comprehension of history, no less the world economy. Yes, the U.S. has a large debt of $18 trillion and that is all they focus on. This is nothing in the total global scheme of the world economy that has about $160 trillion in debt. They do not understand that this will not be enough debt for the entire world to park capital in when weaker economies begin to default.

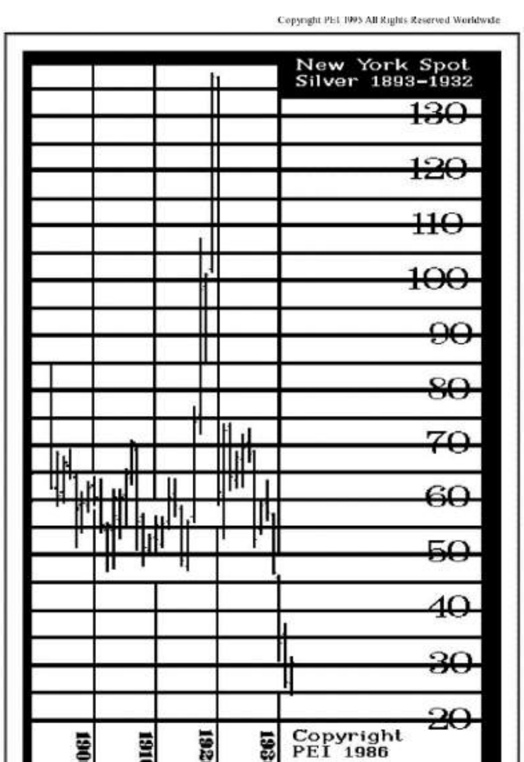
The dollar is the only place for big money to park. So this constant harping about the dollar crashing and gold soaring is a totally wrong, myopic view of the world. A declining dollar would help corporate profits and create a boom. However, only a rising dollar could create deflation and an economic crisis, for while the USA may have an $18 trillion debt, emerging markets have borrowed $9 trillion denominated in dollars. **A rising dollar will create the Sovereign Debt Crisis** and this is precisely why the IMF and everyone else have been lobbying the Federal Reserve not to raise interest rates. They are asking the USA to sacrifice its **domestic policy objectives** in place of the external **international policy objectives** and the Sovereign Debt Crisis.



I call this distinction the fish bowl economy model. Most theories are closed–minded and never view external factors. Increasing the quantity of money sounds as if it would be inflationary, but the base assumption is that the money stays within the borders. Because we are in a global economy with the free movement of capital, the old theories based upon old economic models prior to the globalization of capital simply no longer work. It is now all about international capital flows.

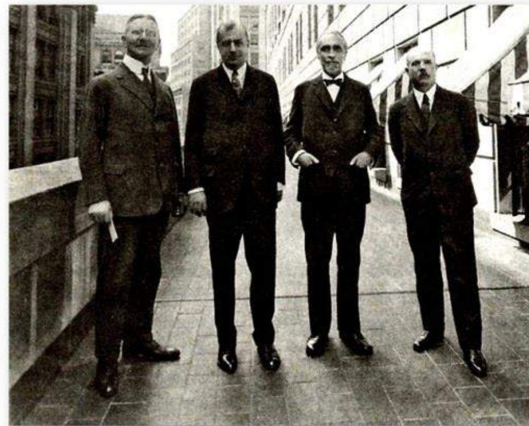


(Figure #4)



Looking at the above chart of silver (Figure #4), we can easily see that there was a major commodity boom as the result of World War I that peaked in 1919. Commodities then declined for 13 years and ultimately bottomed in 1932. This was the age of deflation, yet it was the age of a major bull market in investment. What was going on?

The increase in the quantity of money did not create inflation in the base cost of goods, but it did create asset inflation. This was the massive wave of capital inflows. Due to World War I, capital fled to the USA. It peaked in 1919, fell in 1920, and then turned back into the USA, reaching a high in 1927. Real estate peaked in 1927 in the Florida Land Bubble. Capital then shifted to stocks moving into 1929, and interest rates rose from 1927 to 1929 as a domestic speculative boom unfolded.

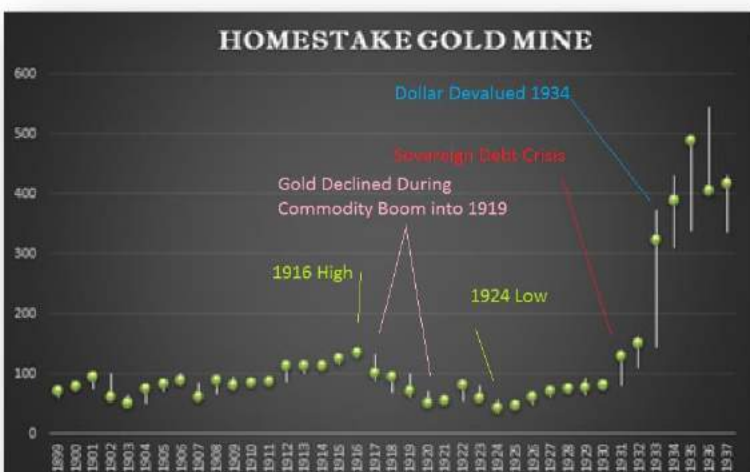


Secret Meetings of the Central Bankers Germany - USA - Britain - France

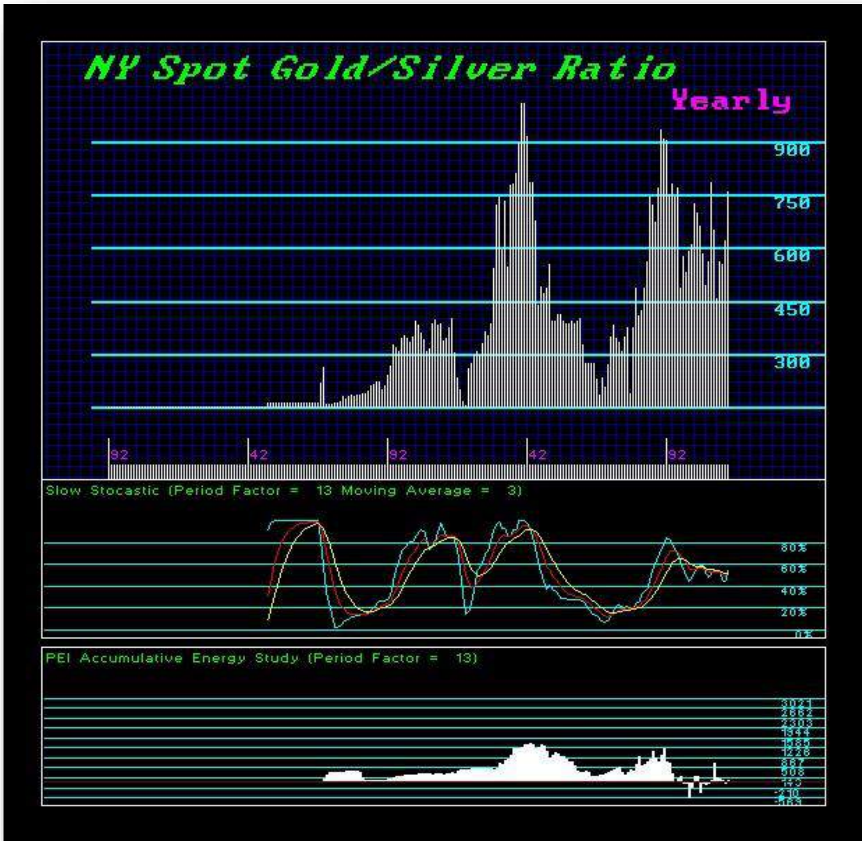
On July 1, 1927, Montagu Norman of Britain was accompanied by Hjalmar Schacht, head of the German Reichsbank. They were joined by Charles Rist, governor of the Banque de France. All three went into conference with Benjamin Strong to discuss the weak reserve position of the Bank of England and the capital flight from Europe to America. It was hoped that lowering US interest rates would deflect the capital inflows from Europe.

Indeed, the Fed engaged in a secret meeting in 1927 and lowered U.S. rates in an attempt to deflect the capital inflows back to Europe because of the looming debt crisis that was building there. The Fed succeeded in turning back some inflows, but the lowering of rates also confirmed there was a problem in Europe.

The Fed was forced to reverse its policy when the U.S. domestic market turned into a phase transition boom led by speculative demand. The Fed doubled interest rates from 1927 moving into 1929, but so did the Dow Jones Industrials. Another theory proven dead wrong.

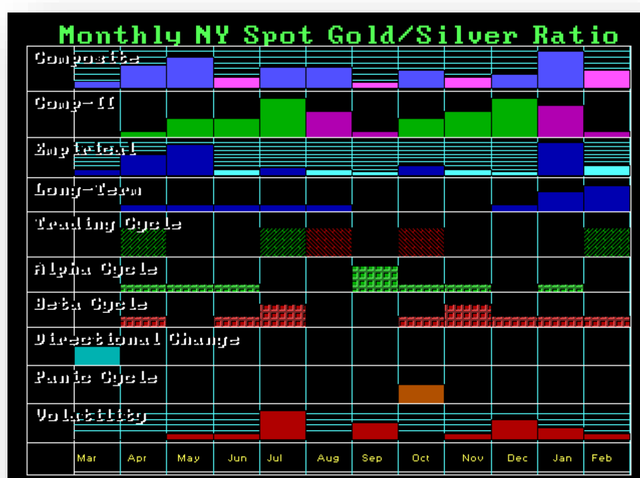


When we look at the performance of Homestake during this period, we can see that gold was "money" during the commodity boom into 1919 and thus declined against all commodities. From its high in 1916, it declined about 8.6 years into a low in 1924. Homestake held the 1924 low and rallied marginally. It began to rise sharply only when it became clear that there was a Sovereign Debt Crisis brewing where most of Europe, China, and South America defaulted on its debt.



Understand that the quantity of money theory is not a foundation to forecast markets upon, no less stockpile gold or silver. The gold/silver ratio is clearly rising and we may see new record highs. We have elected two Yearly Bullish Reversals on this ratio to confirm the uptrend into 2016. It appears that we should see the highest yearly closing on this ratio in 2016, with a possible intraday high forming in early 2017. Our fourth Yearly Bullish Reversal from the 2011 low stands at 88.50. We are approaching the 84 level currently.

Looking at timing, the two main targets ahead are May 2016 and January 2017. There are also intermediate targets in August and October. Our Quarterly Array shows a string of directional changes until the first quarter of 2017 and then it flips. Hence, we may not see this ratio reverse until 2017, leaving 2016 as the highest annual closing.



Therefore, as we approach the final low, we should expect that to be set in motion by a strong dollar. We should also realize that the gold/silver ratio should be rising into a final low for it declines in a bull market and rises in a bear market. With these trends in motion, only then do we see a confirmation of the final decline unfolding.

A further illustration of this unsettling shift that appears necessary to shake the tree of the bulls is how silver responded to the benchmark cycles for the 2011 high. Note that silver peaked first on the benchmark cycle, while gold peaked distinctly with the second benchmark cycle. This was an ill omen of what was to come with the gold/silver ratio. Therefore, we should not expect a unified low at the same time on the immediate benchmark cycles.

Now what often unfolds in analysis on one side, typically unfolds in the mirror reflection on the opposite side. Therefore, since in 2011 gold and silver did not peak at the same time, we may see this same divergence forming the lows. Consequently, there is a serious risk that we could see record highs on this gold/silver ratio become the focal point to watch. Therefore, caution will be warranted.

Benchmarks

GOLD	SILVER
20110110	20110131
20110502	20110606
20110822	20111010
20111212	
20120402	20120213
20120723	20120618
20121112	20121022
20130304	20130225
20130624	20130701
20131014	20131104
20140203	20140310
20140526	20140714
20140915	20141117
20150105	20150323
20150427	20150727
20150817	
20151207	20151130
20160328	20160404
20160718	

Turning back to the gold/silver ratio, when we look at how it performed with the first benchmark on the week of November 30 to December 7, 2015, we can see that it broke out to the upside. This confirmed the fact that we failed to close below the yearly number at 1044 and we elected a Quarterly Bullish Reversal at the end of the year, which implied a rally to the next one was possible at 1347. The rally in gold was necessary to blow this ratio out to new highs since we failed to achieve a buy signal in silver, and unlike gold, it closed below the yearly number.

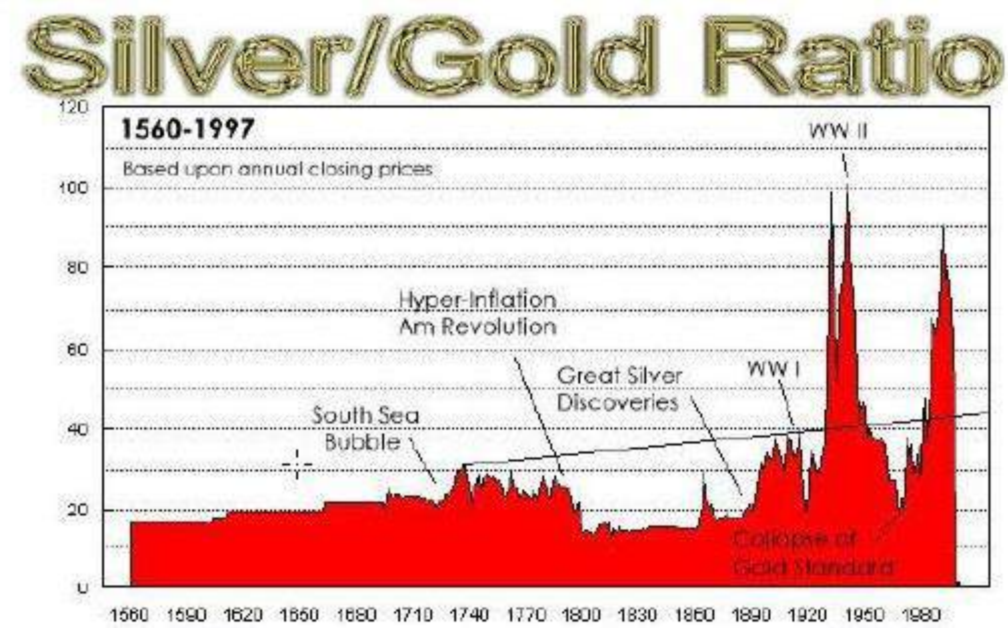
Obviously, we now want to pay attention to the gold/silver ratio going into the next benchmark due the weeks of March 28 and April 4. We are in a complex relationship here and the peak in this ratio will signal the ultimate change in trend.

Gold reached its intraday high the week of September 5, 2011. The target week on gold was actually two weeks prior (August 22, 2011) when gold, for the first time, exceeded $1900. However, on a daily basis, the highest closing was precisely Monday, August 22, 2011, on the benchmark. Therefore, that intraday high was exceeded by $8 on the week of September 5, on Tuesday, September 6, but August 22 remained the highest closing. Again, the market was trying to speak to us. Hey — pay attetion.

The fact that the intraday high extended beyond the benchmark eventhough it was unable to exceed that level on a closing basis, still warned that we were dealing with a *temporary* high within a broader long-term trend. This does not rule out gold dropping below $1,000. In fact, to do so after this type of rally will definitely cause people to question future rallies and they will fight them in an attempt to short the rally. That would provide the fuel for the reversal of fortune.

If we matched the 1991 high on the gold/silver ratio of 103.13, then a drop in silver to test its Yearly Bearish Reversal at $8.40 would place gold at the $815 level and thus a retest of the 1980 high. Clearly, it is possible to swing back in the opposite direction since we are not electing any Monthly Bullish Reversals in silver. If we exceed the 1991 high of 103.13 intraday, then the Yearly Bearish Reversal on our What–If Model should rise to the 68:1 level. An annual closing back below that level would then confirm a breakout to the upside for the metals moving forward.

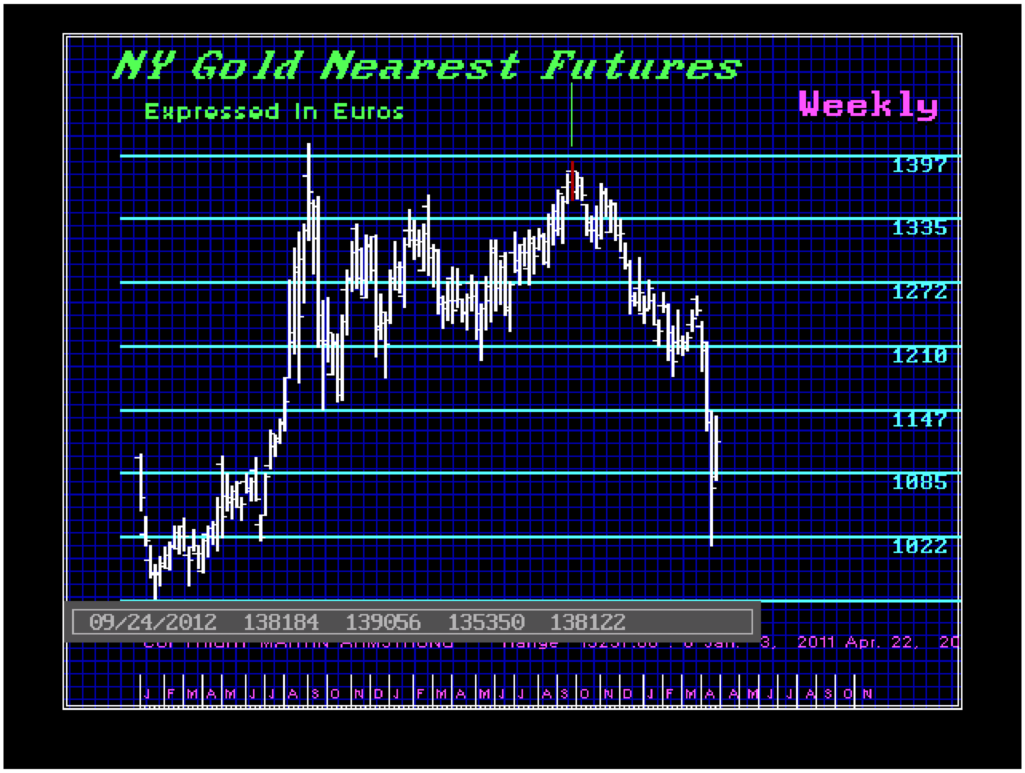
Our Monthly Bullish Reversal in silver to watch stands at 15.90. We did reach 15.99 intraday during February, but we closed the month at 14.918. If we rally into March and exceed the February high, yet close below 15.90 at month–end, this would be a sign of weakness. In fact, we would generate a sell signal by closing below 16.04 at the end of March. So caution is really required here.



The Stark Disparity Between Silver & Gold

The stark disparity between silver and gold began in 2011, which was the low in the ratio. In this case, silver peaked the week of April 25, 2011, which was one week prior to the gold benchmark target on the week of May 2, 2011. While gold rallied to new highs moving into August, silver staged only a retest reaction of its April high, which warned that the rally was indeed over. The inability of silver to match gold as it did in 1980 was a forewarning of two aspects. First, that this would not be a major high, as was the case in 1980. Secondly, this was an incredibly important indication that the rally was over after 12 years, despite the yelling and screaming from the gold promoters. There was no case for manipulation by banks or anyone else to suppress gold and the excuses postulated to cover up the fact that their forecasts were simply **WRONG**.

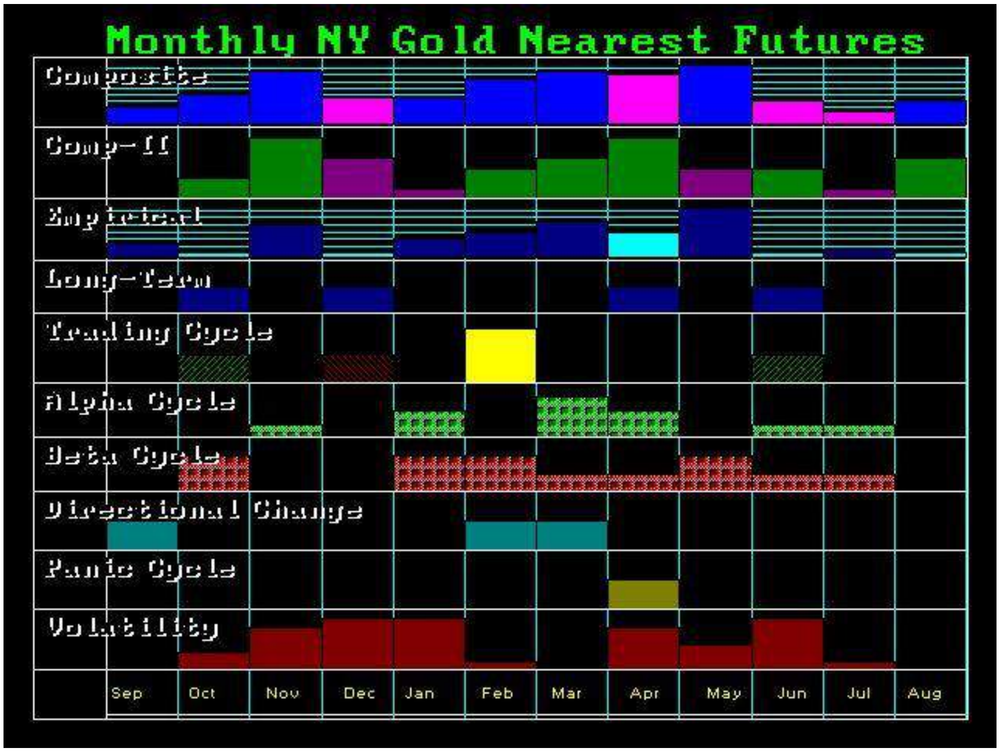
The benchmark cycles in silver in 2011 were the weeks of June 6 and October 10. They first produced an intermediate sideways trend that was four weeks from the initial low on May 12, 2011. The second target was two weeks from the first panic low on September 26, 2011. They were already turning toward a cycle inversion and were closer to producing lows than highs, which further warned that a change in trend was underway.



When we look at gold in terms of a basket of currencies, the high in 2011 formed the week of September 5, 2011, on that Friday, September 9. In the euro, the high was the week of September 5, 2011, but the highest weekly closing was the week of September 24, 2012, from which a waterfall event unfolded. However, in Japanese yen, the intraday high was Tuesday, September 6, which was also the highest closing. We see the same pattern in British pounds with the intraday high on September 6, which also established the highest closing.

When we look at gold in A$, the highest closing was on the gold benchmark – Monday, August 22, 2011. Here we have three trusts upward with the next high on Tuesday, September 6, at 1832.90. However, the third spike took place due to the currency on September 22, 2011. In the Canadian dollar, gold made its highest closing in the benchmark on August 22, 2011, with the second thrust up to establish the intraday high on Tuesday, September 6, 2011.

The 2011 high was clearly the important major high in terms of a basket of currencies. Everything aligned for an important change in trend. It required no manipulation and such claims, of course, focused only on gold in dollars, ignorant of the machinations unfolding globally as well as with respect to the gold/silver ratio.

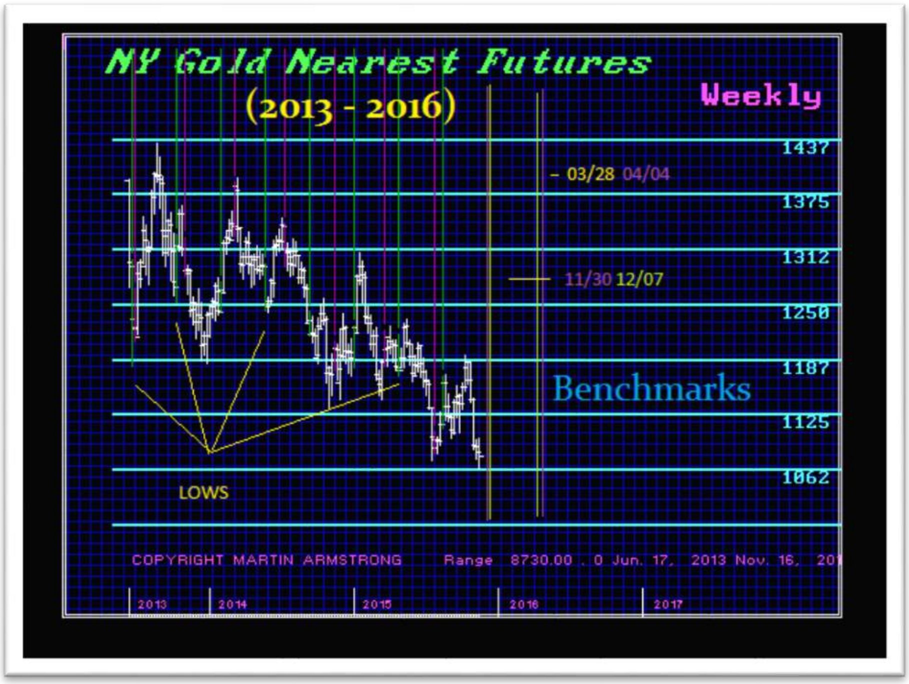


Our Month Forecast Array targeted November 2015, and then March and May of 2016. Gold indeed bottomed on schedule with the first benchmark in November. The array implied a reaction should unfold moving into the next target of March 2016. Our December 25, 2015, blog post stated:

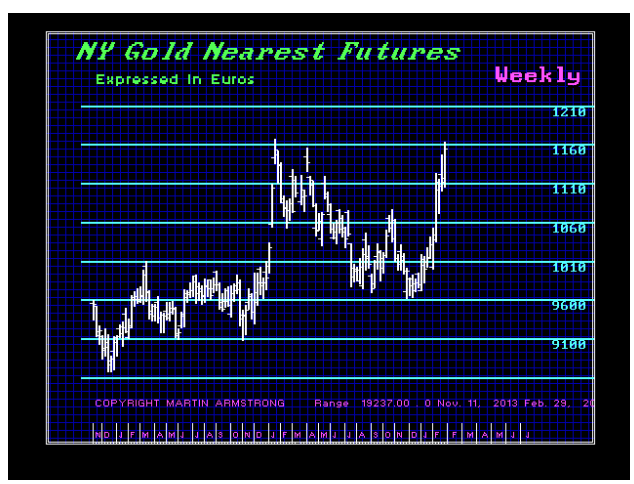
> Therefore, a closing ABOVE 1044.50 for 2015 implies this is not sufficiently weak enough just yet. This can mean only that 2016 produces the lowest closing and 2017 the intraday low. This type of outcome MUST be reviewed with the signal on other markets for this may be forewarning of war breaking out in 2017 on a much more profound manner. Nevertheless, the timing targets of the next Benchmark and the price we warned about at the conferences are still valid. It still appears that 2016 is the primary target and a directional change.

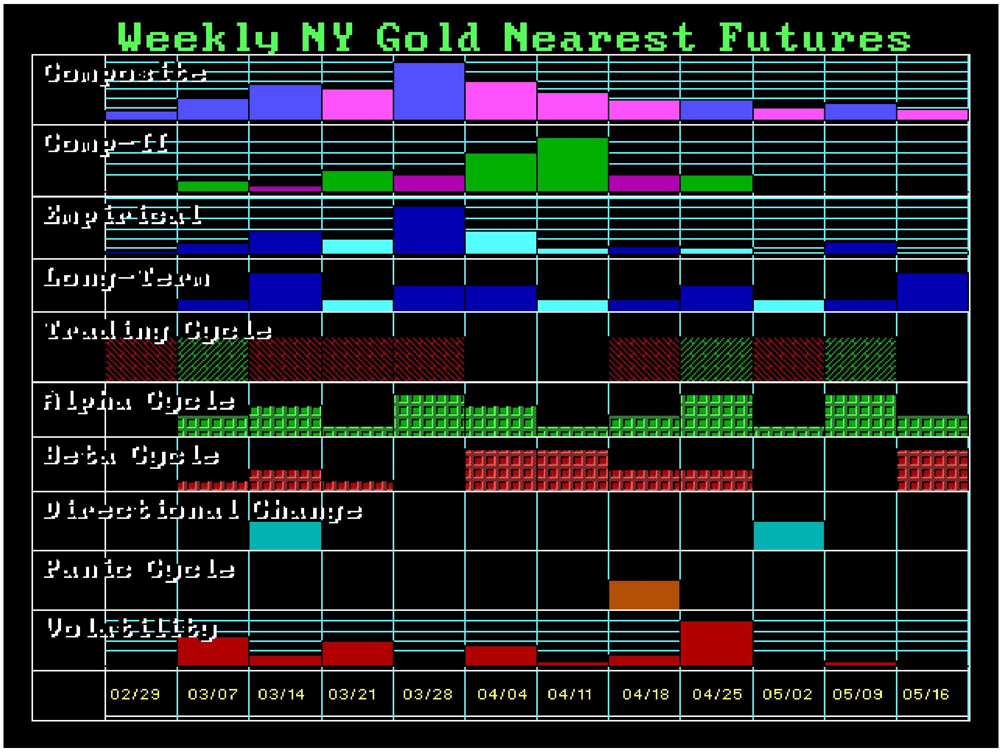
Gold, indeed, closed above our number for 2015 and elected a Quarterly Bullish Reversal. This confirmed that in fact gold was "not sufficiently weak enough just yet." From a timing perspective, we see, interestingly enough, how the computer is targeting both November and March, which just so happens to be between the benchmark cycle convergences.

Targeting the Reaction Rally



It is clear that the next benchmark convergence will be the weeks of March 28 and April 4, 2016. As mentioned, reactions are a maximum of three time units. This implies that the rally should conclude during March. Extending the rally beyond this month would suggest a rally into May. However, that would significantly increase the likelihood of extending this to a five-year decline from the 2012 highest close, which would bring us into 2017. It does not appear that we will conclude with the second benchmark forming the major low. It may take place perhaps if we blast to new highs in a spike in the ratio or it may take place expressed in a basket of currencies. For example, it appears gold could exceed last year's high in the euro. This could be important, for the low in gold in euros was not 2015, but 2013. That would mean we have a three-year reaction. It does not imply new lows in euros, but it does warn of currency moves.





When we look at the Gold Forecast Array, we can see that it definitively picked up the benchmark cycle for the week of March 28. The silver benchmark is the following week of April 4. We do have a lessor turning point the week of March 14’ with a directional change. The 2015 high is 1307.80. Our yearly system resistance stands at 1309. Therefore, we have two Weekly Bullish Reversals at 1272 and 1287.50 that may provide the resistance. A failure to close above these numbers the week of March 14, warns that what will not move up, often turns down. We closed the week of February 29 at 1270.70. Close, but no cigar. A new high into the week of March 14 that fails to accomplish a closing above 1287.50 will warn that gold may reverse and head lower into the benchmark. A break of 1225 during the week of the 14th will indicate that the upward momentum has been lost. That level of support will rise to 1237 the following week. Technical resistance during the week of the 14th stands at the 1303 level.

Turning to the monthly level from a technical perspective, gold would need to exceed 1468 on a monthly closing basis to signal a breakout and reversal in trend. This appears to be a bit premature for now. To even consider this potential, we must press higher beyond March. Additionally, we have elected three of the main Monthly Bullish Reversals from the major low established on the first benchmark. This leaves us focusing on 1362. We need to see a monthly closing above this level to suggest a breakout is then possible. The next Quarterly Bullish Reversal stands at 1347. We have additional Monthly Bullish at 1287.50 and 1331; these would not imply a breakout, but a continuation. Our What-If Models warn that a month-end closing for March below 1279 would be a sell signal.

The breakout Quarterly Bullish Reversal stands at 1790. A failure to achieve a quarter closing of about 1635 for March would also imply that we are losing the upward momentum. Our next major target after the first quarter of 2016 will be the first quarter 2017, which is where we have a directional change. It certainly seems plausible that the bull market may postpone until the period following the first quarter 2017. The target week at that time might shape up to be February 27, 2017.

If we look at the likelihood for a projected low, technically, a retest of the 1980 high of $875 is certainly within reason. The Yearly Bearish Reversal lies at $680. That would be the maximum possible decline. However, it is rare to test the Yearly Bearish. Even in 1999, the Yearly Bearish was at 195 and gold bottomed at 255. We should keep in mind that 2017 is 37 years from the 1980 high. That corresponds to 4.3 x 8.6 and has often been a key target in time. This would certainly imply a possibility for a 2017 low intraday and for 2016 to provide a lower annual closing below 1045. Even a closing below 1175 for 2016 would leave gold bearish into 2017.

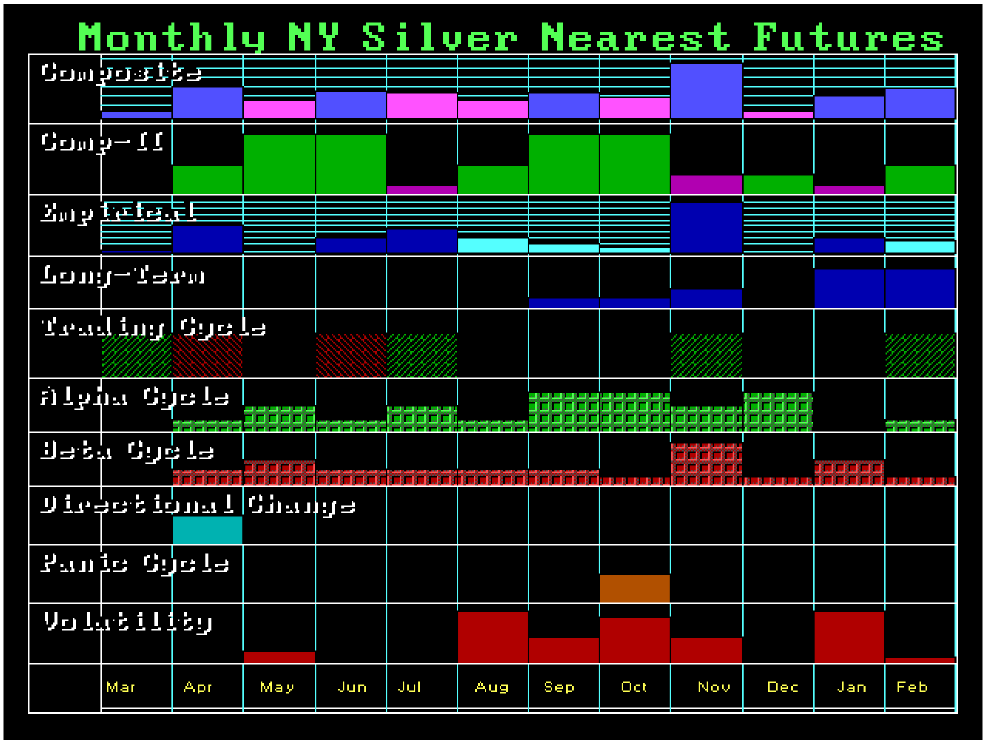
We have likewise elected three of the four Monthly Bearish Reversals from the 2011 high. The last one left rests at 904. A monthly closing below that would open the door to a break of the uptrend line we see above in the 838 area. We have a Monthly Bearish at 837, 859, and 880. We have a minor at 737, but a break of 837 on a monthly closing basis certainly opens the door to test the 680 level.

Keep in mind that a drop to 680 would imply a maximum reversal in trend with a phase transition up to 5400. That would suggest we have a serious monetary crisis on the horizon. We do see a new world currency coming as soon as 2018, but perhaps more off into 2020. So what 5400 would be worth adjusted for real inflation is difficult to say this far away in time.

In silver, we have also elected three of the four Monthly Bearish reversals from the 2011 high. The last one resides at 12.13. We do have additional Minor Monthly Bearish resting at 13.49 with the Major Yearly Bearish down at 8.40. This is our maximum target objective and it would require a monthly closing below 12.13.

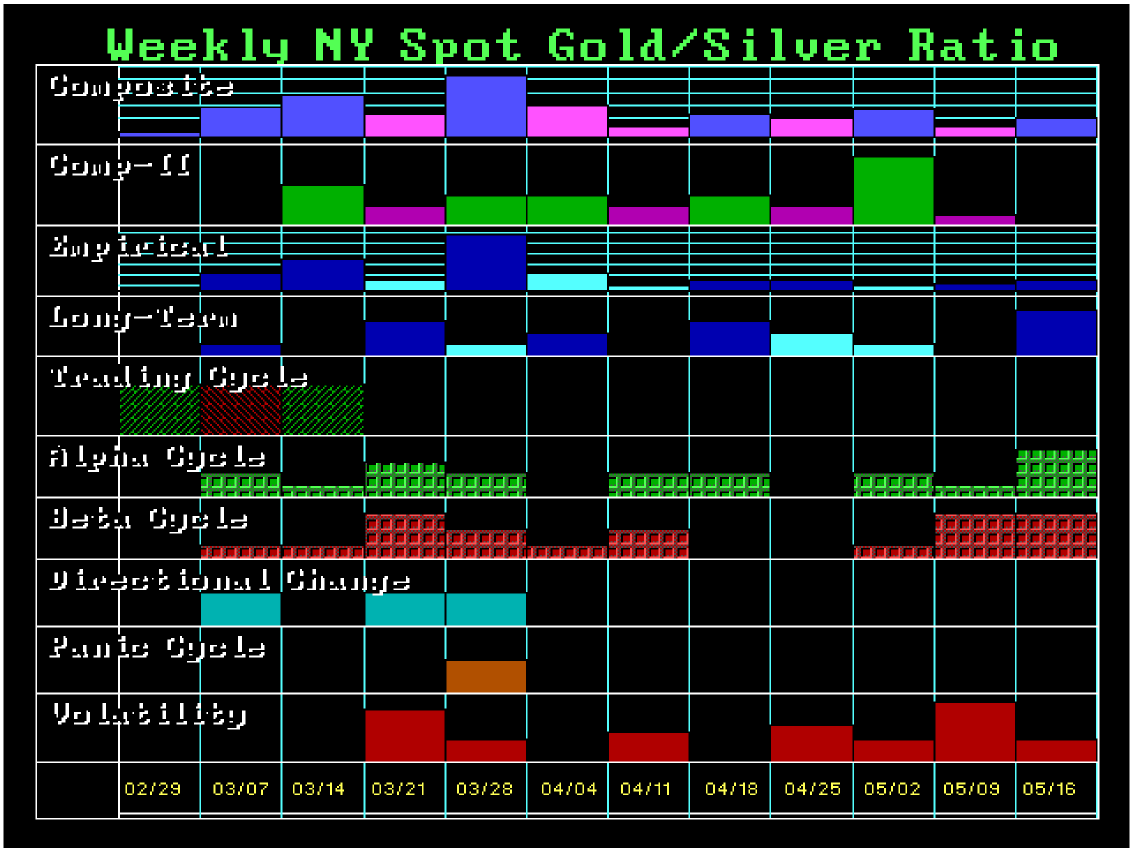
The break line on the monthly chart has been broken and now offers important technical resistance. It stands at 16.63 during April. The support technically rests slightly above $10. A monthly closing below 12.13 may prove to be devastating and could result in a test of the 8.40 region at maximum.

Our Quarterly Bearish in silver lies at 13.15, but the fourth one lies well below the market at 5.80. They do not appear to be within reach, so once again, without electing that reversal, this is implies that this is not a long-term change in trend, which would last beyond the 5-6 year time frame.



Looking at the Monthly Forecast Array, we see the difference with gold as it picks up the benchmark due the week of April 4. We also see April as a directional change. There is a target in May/June, and the strongest target is shaping up for November. Again, this is implying that we may indeed see the gold/silver ratio complete a cycle into 2016/2017.

We also see the week of March 14 as a target in time. Technical analysis provides resistance at the 16.42 level. Interestingly, we have a Weekly Bullish standing at 16.43, and thus these two match. We need a weekly closing above 16.43 to signal a strong rally ahead, which may extend into May/June. The next Weekly Bullish Reversals stand at 16.91 and 17.20. We would need to see a weekly closing above 16.43 to see any short-term sustainability.


Weekly NY Spot Gold/Silver Ratio
Composite
Comp-II
Empirical
Long-Term
Trading Cycle
Alpha Cycle
Beta Cycle
Directional Change
Panic Cycle
Volatility
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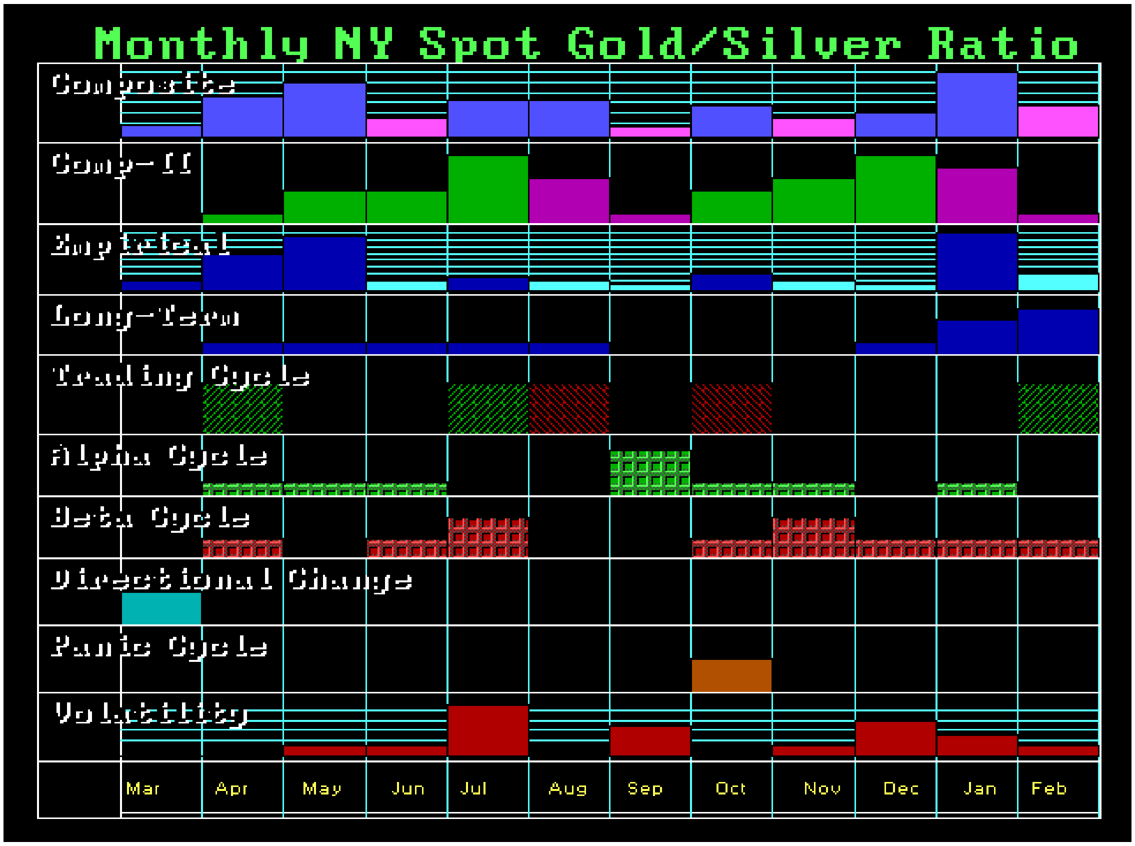
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Conclusion

If we see gold swing down and penetrate last year's low of 1045, we will be setting this market up for a real slingshot move to the upside side. You always create the false move to shake the tree and get everyone on the wrong side. Once that takes place, you swing around and head higher. The difference is that they fight the rally in disbelief, which provides the fuel to the rally as shorts then constantly have to cover their positions.

Those who complain about paper gold or shorts fail to comprehend that you need both sides and they only assume that futures suppress the value of gold. That is absurd for futures exist in all markets from bonds and currencies to every commodity. It is effectively an excuse for people to explain why they have been wrong. Likewise, those who think outlawing shorts will make a market rise are braindead. Attacking shorts during the Great Depression only led to lower prices in the share market for the only buyer would then have to think that the trend reversed. That is why it was a depression – no such confidence.

So get ready for the wild ride. Gold did this in 1933 after falling below the actual gold standard value of $20.67. It did it again in 1970 after dropping below the gold standard value of $35 in January 1970, before it took off to $200. If gold just follows that same pattern as it did between 1970 and 1974, then a drop to $875 would produce the same percentage-type rally that took place from $34 to $200. That would place gold — guess where — at $5,000. So that expectation is unlike everyone else projecting $100,000, $30,000 or whatever. No such rallies have ever taken place in history. However, $875 to $5,000 matches the same type of rally we saw between 1970 and 1974.

Another anomaly was that at the end of 2015, we elected the Quarterly Bearish Reversal at 1112 closing at 1060.20. At the same time, that low generated a minor Quarterly Bullish Reversal at 993. So we generated a long-term sell signal, but a short-term buy signal. The next two Quarterly Bullish generated were at 1308 and 1347. That meant we should first rally typically for 2 to 3 months in a reaction and if they failed to be elected by the close of March, then the long-term trend should resume to retest support.