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The Gold Report for 2016

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The Gold Report for 2016

By Martin Armstrong

The performance of gold throughout 2016 has been the performance of a well-choregraphed ballet. Gold bottomed on the first Benchmark right on target in 2015. The first Benchmark provided the low at $1045 against the reversal at 1044. Gold then elected a Quarterly Bullish Reversal at the end of 2015, but our model drew the line in the sand at $1362, which was the Monthly Bullish Reversal. Gold could not close above that even after reaching $1377.50 intraday. Then, gold crashed to also avoid the next Quarterly Bullish Reversal at $1340 for the close of September. Our model called the shots like no human being could possibly do illustrating how people forecast based upon bias and emotion. Even when people thought the model would be wrong pushing their emotions to the limit, the line was drawn in the sand, very black and white, and many learned one very important lesson; that the numbers are the numbers – period. Many also came to learn that your worst enemy is always yourself. The entire design of our model is constructed on eliminating emotions and reduce it to a very black and white event. It always shows us where that line is drawn for you cannot enter a trade without also knowing where you are wrong.

As we draw near the closing bell for 2016, gold is being drawn like a magnet or some mysterious strange attractor. The 2015 closing was $1060.20 and we have a strong chance that we will achieve the lowest closing on an annual basis here in 2016. I have warned that we have a split at the top with the highest intraday print in 2011 while the highest annual closing was 2012. Therefore, what normally unfolds on one side of a

market, typically results in the mirror image on the opposite move. Consequently, if we close below $1060.20 for 2016, this will most likely confirm we should see 2017 produce the lowest intraday point. This will be the mirror image of the top – intraday high & highest close produces lowest closing and intraday low. The opposite image or a mirror image with the events reversed.

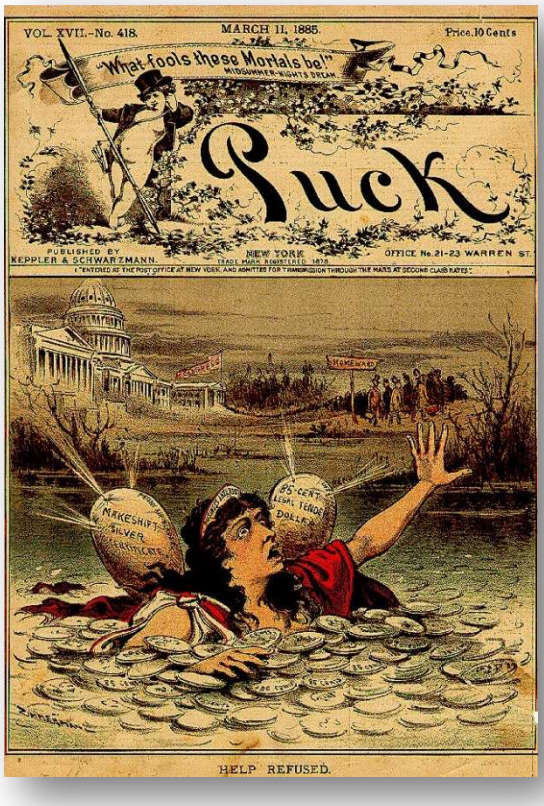
Of course, the real gold promoters keep hoping for miracles and NEVER say gold will even trade lower. Very few gold dealers will say yes gold will move lower before it presses higher. A dealer who at least admits gold will decline, is one giant step forward in being honest rather than someone who only says **"BUY"** now.

The gold promoters have claimed that the metals have been rigged for 25 years and that is the only reason they are wrong. It is a real paradox how they constantly tell people **"BUY**" and yet then say the metals have been rigged for 25 years. If the metals are systemically rigged, then why advise people to invest in gold?

First of all, the metals are by no means systemically rigged. They have been in a bear market for 5 years since 2011. That's all. They ignore the fact that the dollar has been rising, Europe is breaking apart because the political manipulations have also failed, and the U.S. stock market has rallied while Crude Oil crashed. Just where in this mix should gold have risen? Oh yes – helicopter money. But all the increases in the money supply failed to produce inflation and Europe is still plagued with deflation. The "Obama Recovery" has been the worst period of economic growth in history, so exactly why is their theory of helicopter money even valid? They put out this illustration warning buy gold because "The Hyperinflation is Coming!" The only thing that arrived were losses not gains. Nevertheless, they still keep preaching about the Fed and its balance sheet. They have risked everything on the simplistic Quantity of Money Theory that has never worked.

They are hanging everything now on the Deutsche Bank agreement to share emails and texts with the government in their cooperation agreement. They say this is at last the smoking-gun to prove that they have been right all along. All this proves is they are a bunch of losers who never understood the marketplace and yet pretend to be analysts. This is like a guy writing a book on how it feels to give birth. If they have never been a professional hedge fund manager, they are ignorant of the simple fact that this is the way the markets have been functioning since 1971.

The gold promoters presume that this “rigging” is front-running, but that has not been limited to just gold and silver trading. The front-running has been a way of life since the early 1970s. As a professional hedge fund manager, I would always have to disguise my orders and run them through different firms just to try to circumvent the brokers who routinely engaged in front-running. Market-makers would always try to figure out if I would be a buyer of seller and then move the quotes accordingly to clip me. If they knew I was short, as soon as they saw I would try to cover, they would jump in front pushing the market higher to force me to chase it and pay up. This is how they made money in all markets, not just metals. This by no means amounts to “rigging” the markets systemically to prevent them from rallying. They clearly have never traded a market.



HELP REFUSED.

This type of “rigging” has been happening with all commodities, currencies, stocks, bonds, and derivatives trading. The plain truth about markets, in other words, is that front-running takes place across the entire spectrum of traded commodities, stocks, and securities.

Front-running also takes place in real estate. If a well-known company would try to buy up a chunk of land, for example, Disney World in Florida, they are not going to announce who they are and buy the first chunk. By the time the second piece comes into play, the price will be substantially higher. In real estate, typically they buy through another name and then put it all together. That’s the only way to beat the front-running play and it takes place in absolutely everything. Front-running has been part of all financial business. Front-running has never altered the trend changing a bull market into a bear market. Those who claim such things are fools because no market can be forced out of the global trend, for it will be quickly arbitraged back in line.

Traders have always arbitraged market differences between London and New York. The entire collapse of the United States during 1890s was simply because the U.S. politicians were paid-off by the silver miners to over value silver relative to gold. That merely led to silver pouring into the USA and swapping it for gold taking that back to London are doing the trade again. The silver miners assumed they could rig the market and force silver to be worth 16:1 relative to gold. That arbitrage resulted in the Long-Depression, which

lasted for 26 years. To the left, is the cover of Puck magazine from Britain in 1885 making a joke that the United States was drowning in silver.

Front-running appears to be a different phenomenon from price fixing of the LME for the daily price of gold and silver, to the fixing of LIBOR. The price-fixing are minor price manipulations within the trend to cause even a given market participant to take some action be it buy or sell and the banks could take the other side. The banks had the book so they knew who had what positions. This was a very short-term manipulation with the trend to clip clients. This is how they made money all the time.

Nevertheless, even with all this market manipulation that is being touted, technical analysis is still an effective tool for determining trading and investing strategies. That proves the markets are not rigged systemically. You can look at a currency that has been pegged. That displays a chart with a distinct pattern. The chart on the right is the monthly graph of the Euro/Swiss currency peg. You can easily see a sideways pattern when a currency is pegged. This is obviously not a free market, but one that is “rigged” by official manipulation.

There has been no alteration to the trend in the case of the metals because no manipulation can go against that major trend. Those who constantly disagree with this statement are really fools, for what they are doing is refusing to admit that were wrong in their expectations or analysis. I would not recommend buying the metals at some point if they were rigged like a pegged currency.

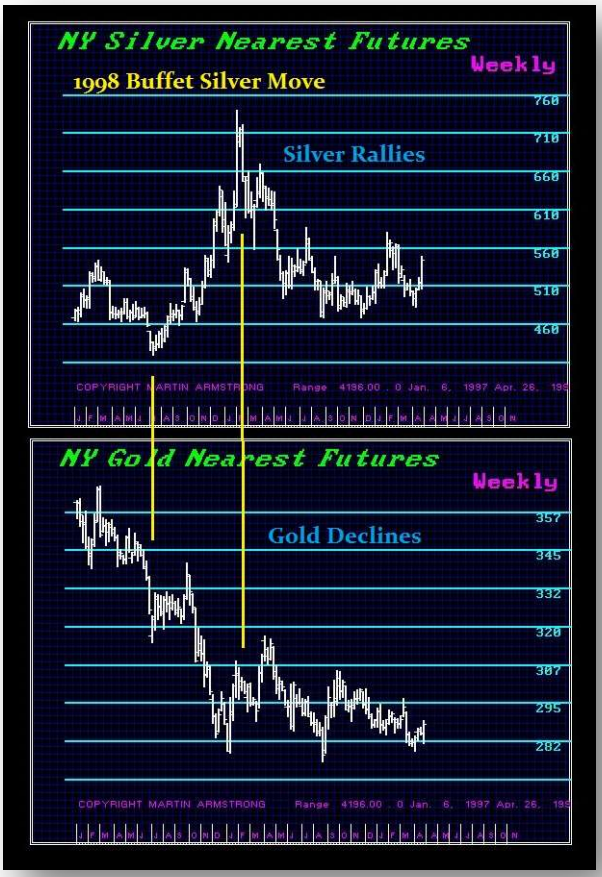
I have stated countless times that it truly does not make much difference because manipulations are never able to alter the major trend in any market. Governments have tried and failed. Even the central banks try to TALK the markets into what they want to see happen because they lack the power to actually force markets to do as they want.

Japan did everything to try to support their market and failed. The European Central Bank has been engaging in quantitative easing since 2008 to no avail. Quite frankly, no manipulation, even when official like pegs and Bretton Woods, are ever able to be

sustained long-term. Every attempt to prevent the free market from exerting control has failed right down to the Communism experiment.

Contrary to the gold/silver promoters, I have never seen a major manipulation play to the downside because it is easier to get people to buy than to sell. The promoters say the opposite, that they are trying to push gold down to force you to sell, so hold tight and buy more. All manipulations were to the upside such as the 1980 boom touting the Hunt Brothers or the now famous 1993 and 1998 silver manipulations with PhiBro on behalf of Warren Buffet.

The 1998 manipulation was pulled off by shipping the silver to London and then the promoters touted how there was a shortage of silver in the COMEX warehouse, proving it was a bull market even though gold was still declining. It was obviously a manipulation when gold was declining and silver was rallying. They do not move in opposite directions in a free market. Focusing only on COMEX warehouses and ignoring that the buying shipped the silver only to the London warehouses was the essence of the manipulation. It Buffett was really buying for the long-term, then why in London? The scheme was to use the decline in inventory to tout the shortage.



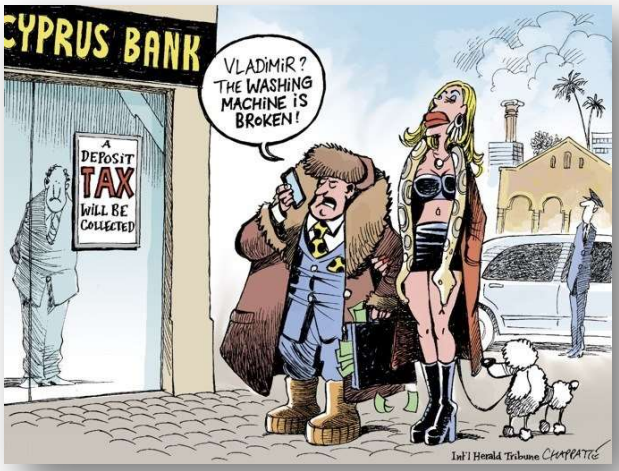
India is moving now to confiscate gold after going after the cash. The government is on the war path against the predominantly cash economy. They are trying to eliminate the underground economy to tax everyone on everything. This is how all governments turn against their own people in their moment of

desperate greed. This is a very serious action and it is why I have stressed do not buy bullion, buy US gold coins pre-1933.

Currently, each married woman in India is entitled to 500 grams, each unmarried woman 250 grams, and each man 100 grams of gold. Everything that goes beyond is classified as illegal possession and thus will be confiscated. There is no restriction on the possession of the jewelry if the jewelry was purchased by inheritance. Prime Minister Narendra Modi is giving more power to tax authorities rather than dealing with corruption. They will be shaking people down for money. Unlike FDR, who confiscated gold from the banks, Modi is allowing the tax people to go directly after the people.

This is the problem I have been warning about with gold. It is losing its **safe haven** status since we are reaching the point that you cannot even travel with gold, keep it in a safe deposit box, or show gold with a lot of jewelry. In Italy, if it looks like you have excessive jewelry, they pull you over and weigh it at the border.

Even in Poland, there are signs at the airport warning that you must declare if you are carrying anything in value of €10,000 or more – anything! So, we are no longer talking about just cash. The USA customs report even states $10,000 in any currency, not just dollars. They will confiscate gold at the border as well.



This is all part of the Hunt for Taxes. India is setting the tone and you can bet the house, all other countries are watching what happens very closely. This is how it works. The first bail-in took place in Cyprus. They swore that it would not be applied elsewhere. It was all about Russians laundering money through Cyprus. You can see the cartoons, to the right, even appears to support the EU decision to screw Cyprus. Then they applied bail-ins in Greece because they got away with it in Cyprus without a revolution.

Bail-ins are now part of the established law in Europe. Even Switzerland has adopted bail-ins as the solution to bank failures. All of your socialistic policies introduced during

the Great Depression when 9,000 banks failed in the USA alone, have been overturned. You still pay for all this nonsense, you just lost the benefits of those policies.

The danger will be if others follow India's lead because it is the Cyprus test case. If India gets away with the confiscation of gold from individuals without revolution this time, and not just institutions, we are going to see this unfold around the world making gold over a certain amount money laundering and thus an "illegal possession" justifying confiscation. The clear and present danger is trying to make gold possession like cash and their new slogan – ***Cash is For Criminals***.

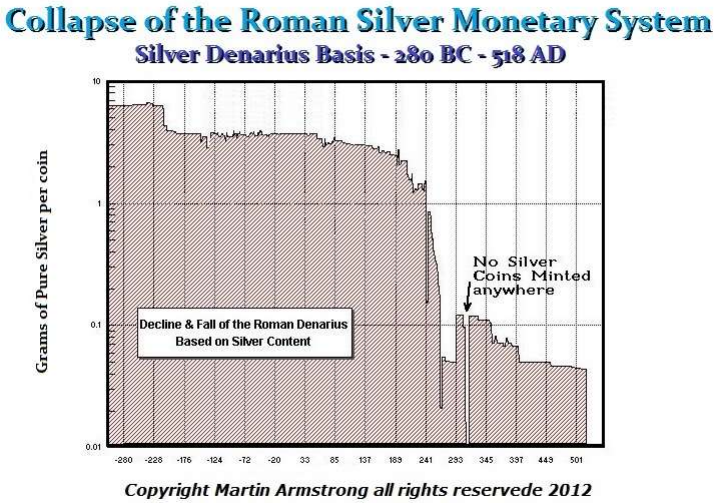
Trump would stand in the way of such policies in the United States. However, the bitter hatred of the left knows no bounds. Trump will be at great risk of assassination. However in Europe, we may see the same policies take effect to different degrees. All they need to do is claim that terrorists are using gold to fund their operations.

The dollar is still the dominant issue and will be the last man standing in this economic implosion. The gold promoters ignore Europe and Japan and focus only on China and India as buyers. They do not understand that the world economy is in serious trouble. Europe in is being torn apart as Catalonia voted to separate from Spain, BREXIT won, Italy voted also against Renzi and his pro-EU policies, and Hollande has been forced to not run again in France. The socialists were thrown out in Austria and the polls in the Netherlands show the same trend, while Merkel is hanging on to her hopes to rule Germany again. They are calling the US market the Trump Revolution and this points only to a rising dollar in the middle of a world that is in total chaos.

We must comprehend that what we are facing is the collapse of socialism, which has dominated politics post-World War II. We have entered this continuum whereby

governments have perpetually borrowed without any comprehension of what they are doing since there is not even a consideration that we should pay off any debt. Why do we borrow when there is absolutely no intension of paying anything off – **EVER**?

We must realize that what truly backs a currency is not gold or anything tangible. The backing behind the value of any currency is the total productivity of its people. There are African countries rich in gold and diamonds. That does not make their currencies the reserve of the world no more than the Russian ruble. Only the dollar is widely accepted around the world like the U.S. dollar. Erdogan in Turkey is trying to say that to possess dollars is be against him and his vision of restoring the Ottoman Empire. All his enemies had dollar bills and he said this confirms they were revolutionaries.



The actual strength behind any currency remains its people and its political integrity. The political structure is essential. Once the Roman Emperor Valerian was captured by the Persians in 260AD and made a slave, the confidence in the Roman Empire collapsed. This is when the currency collapsed in just 8.6 years.


German Communist Revolution November 9th, 1918
forced Emperor Wilhelm II to abdicate

In 1918, there was a German revolution of communists who invited the Russians to come take Germany. This began the Weimar Republic, overthrowing monarchy. Because it was a communist revolution, people hoarded foreign currency just as they have been doing in Turkey. Business came to a standstill and investment shrank. The rich took their money out of the banks in anticipation of the revolution. This is why Germany went into hyperinflation. First, the confidence collapses, Then, the hyperinflation comes. We are witnessing the same patterns in Venezuela. The way the gold promoters tout hyperinflation is that they paint the picture that this is purely the result of printing more money. They are putting the cart before the horse. People are not stupid. The hoarding comes first and the lack of revenue forces the government to expand the money supply as a result. It is not the other way around. This is vital to understand. They have been dead wrong about hyperinflation based entirely upon the Fed quantitative easing. No inflation appeared because they do not understand the process.

The difference between China and Russia was the fact that China did not attempt to mentally suppress its people during Communism, whereas in Russia, Stalin sought to eliminate people he suspected would perhaps revolt against government. China had the tall-poppy syndrome, meaning the poppy that grew taller than those around it had its head chopped off. Russia was paranoid about what people thought. The damage done under Stalin resulted in suppressing human nature. This is why China boomed whereas Russia relied upon tangible wealth, be it gold, oil, or diamonds, inter alia.

The Gold Outlook for Close of 2016

As we head into year end, we first have Two Quarterly Bearish Reversals at 1140 and 1179. Electing these two at year-end will also warn that we are moving lower into 2017 and that any bounce will most likely find these areas as resistance. We still have the Quarterly Bearish below at 1044 and 987 followed by 680 and 440. Given Last Year's closing at 1060.20, a closing below that will set this up for a possible 2016 lowest closing with 2017 producing the intraday low. A closing beneath 1179 will still suggest lower lows into 2017. There remains the risk that the final low could extend intraday into 2018 in line with a major high in the dollar. That would imply that 2017 might be the lowest annual closing if 2016 closes above 1060.20.

At the end of 2015, we elected a Quarterly Bullish Reversal at 982. The next Quarterly Bullish was 1307, but the main Quarterly Bullish was 1347. Gold rallied at 1377.50, but could not elect the Monthly Bullish at 1362 nor the main Quarterly Bullish at 1347. We can see that technically; the resistance stands at 1131.30 with technical support at 913.65 for the closing of 2016.

In terms of Euro, 1011.59 for the closing of 2016 will be an important support level. Resistance for the year-end closing in Euro will be 1234.23. A closing above this level will be bullish for gold in Euro, but it is also reflecting a very bearish outlook for the Euro against the dollar.

In terms of Canadian dollars, the support lies at 1333 and 1257 for the closing of 2016. However, initial support lies at 1445, and a closing beneath that will warn of a retest of the 2013 low. We do have a Monthly Bearish Reversal at 1506. A monthly closing below this will confirm a move back down. Support will lie at 1404 followed by 1325.

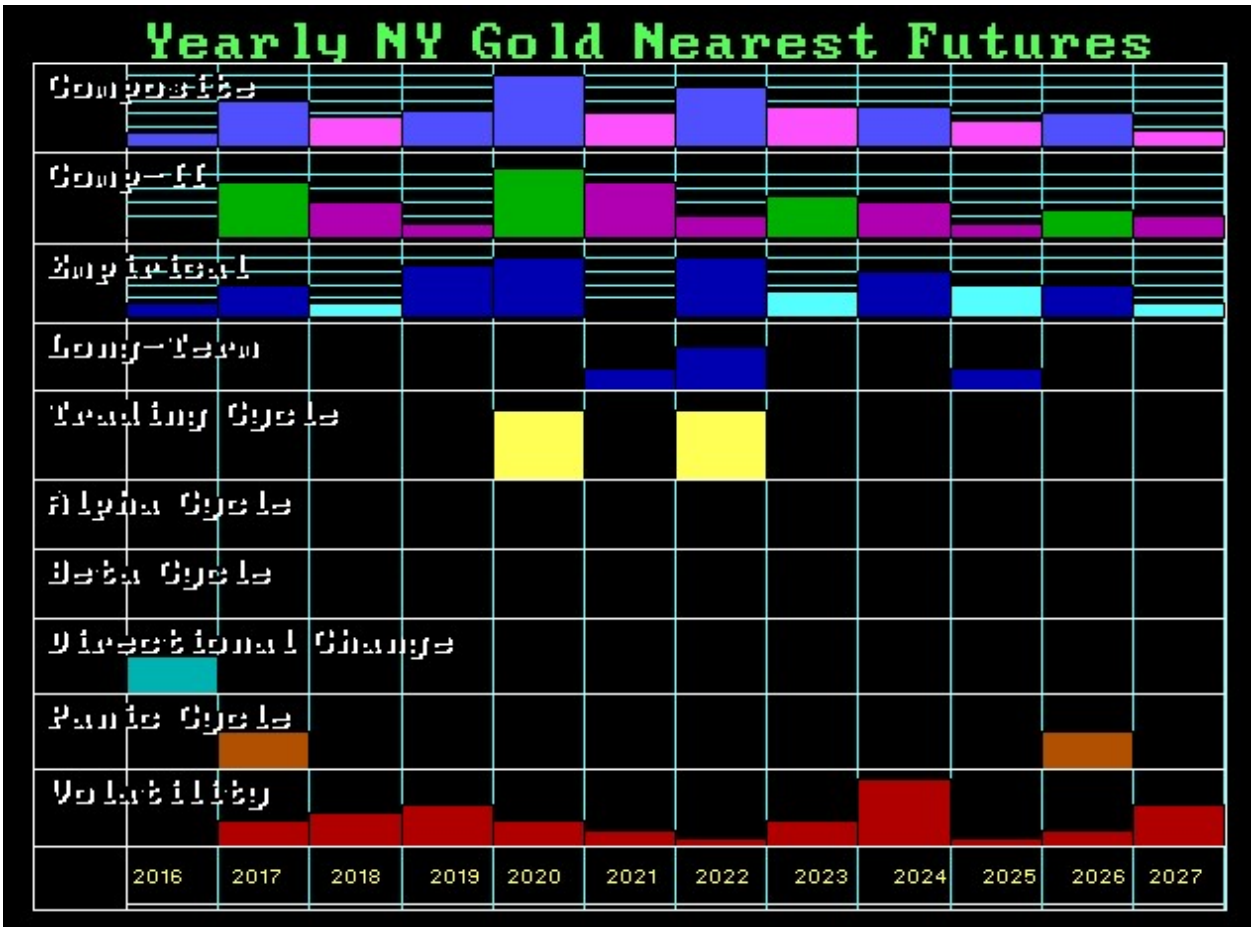
In terms of the Swiss franc, gold peaked back in August 2011 and elected three Monthly Bearish Reversals. The major Monthly Bearish Reversal lies at 840. Here, the Yearly Bearish Reversal lies at 636. A year-end closing below 1058.19 (the 2015 closing) will also confirm we should move lower into 2017. Resistance stands at 1395 and 1322.

When we look at the Benchmarks, gold bottomed precisely on target the week of November 30th. The next Benchmark was the week of March 28th that produced a reaction low in gold at $1206 suggesting the market still had not turned bullish or else this target should have produced a cycle inversion high. The next week gold rallied and 14 weeks later we reached the major high for the year at 1377.50, still not on a Benchmark. That was two weeks before the next target in gold peaking the week of July 4th. Therefore, both Benchmarks produced lows and did not invert. Had the second one produced a high instead of a low, then it would have suggested that the low was in place.

Benchmarks	
Gold	Silver
20151207	20151130
20160328	20160404
20160718	20160808
20161107	20161212
20170227	20170417
20170619	20170821
20171009	20171225
20180129	20180430
20180521	
20180910	20180903
20181231	20190107

The next Benchmark in gold was the week of November 7th, 2016. That was the wild ride following the election where gold rallied to 1338.30 and crashed down to 1218.70 to close at 1224.30. The next time the Gold and Silver Benchmarks come together will be in September 2018 and then at the end of the year.

Clearly, there remains a risk that gold could extend down all the way into late 2018 to complete a decline intraday into 2018. That seems possible if we are looking at a major dollar rally that exceeds the 1985 high. We still see gold as being in a choppy position into the first quarter of 2017. Much of how gold performs will rest upon the closing for 2016.



When we look at gold going forward, 2016 was a directional change and it appears we have achieved perhaps a Knee-Jerk reaction high. Next year shows it may indeed be highly volatile coming in as a Panic Cycle target. Therefore, if gold closes below 1060.30, then we should have 2016 as the Knee-Jerk high and lowest annual closing. That means the intraday new low under 1,000 should unfold in 2017.

Note that 2018 is also a turning point. This warns that if 2016 DOES NOT close under that of 2015's closing of 1060.30, then the intraday low could extend into 2018 coinciding with perhaps a dollar high assuming Trump gets into office. That would imply that 2017 will be the lowest closing.

The rally in gold still appears to be after 2018 going into 2020 and perhaps into 2024.

Silver Outlook for Close of 2016

When we look at Silver on a Nearest Futures perspective, the Yearly Bearish Reversal lies at $8.40. The closing for 2015 was $13.803. Here too, silver rallied from its low in December 2015 into the July high reaching $21.2250 exceeding the 2015 high of $18.505. The Major Monthly Bullish Reversal was $23.10, which was not reached even intraday. The Yearly Bullish Reversal stands at $31. To hold on to any bullish posture, silver must close above the 2015 high of $18.505 just on a technical basis, which does not seem likely in the least.

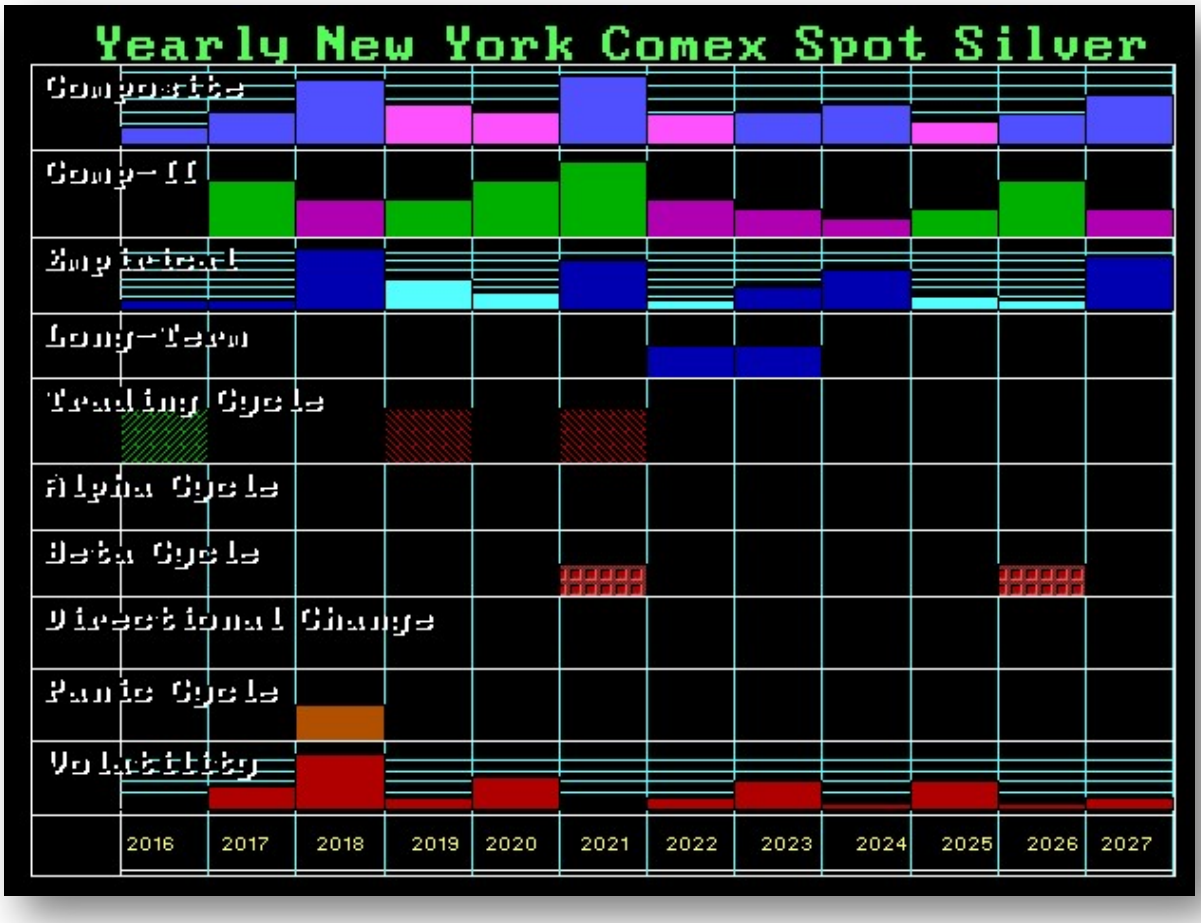
Nonetheless, we did elect the first Monthly Bearish Reversal from the July High which was $18.61. Our next Monthly Bearish lies at $15.43 followed by $14.78 and $14.20. Critical support, technically speaking lies at $14.15. A breach of this support zone next year would warn new lows next year assuming we hold the 2015 intraday low in 2016 of $13.62. Nonetheless, we do have a Quarterly Bearish Reversal at $18.17 as well as $15.43. Silver should now take a nosedive into Year-end to at least close beneath $18 if not $15.43.

When we look at silver relative to the Benchmarks, the week of 11/30/2015 produced a Knee Jerk High Close. The intraday low then came two weeks later the week of 12/14/2015. The next target was the week of 04/04/2016 and that provided the Directional Change where the market moved sharply higher. The next target came 5 weeks after the high for the year, which was another Directional Change that began the decline. The first Weekly Bearish Reversal took interestingly 18 weeks from the high established the week of 07/04/2016.

Benchmarks	
Gold	Silver
20151207	20151130
20160328	20160404
20160718	20160808
20161107	20161212
20170227	20170417
20170619	20170821
20171009	20171225
20180129	20180430
20180521	
20180910	20180903
20181231	20190107

The next target on the Benchmarks will be the week of 12/12/2016. This should produce a sharp break to the downside. The previous target week of 11/07/2016 also produced the sharp break to the downside with the election.

This should imply that we are headed lower into 2017 and a year-end closing just below $18.505 will imply that outcome is likely. A year-end closing for 2016 beneath $15.43 will clearly signal that we should press lower into next year – 2017.



When we look at silver, we can see that the next major turning point will be 2018. That will also produce high volatility and it is also a Panic Cycle target warning that 2018 could be an outside reversal to the upside. As long as silver holds at $8.40 on an annual closing basis, then we should see a rally thereafter.

Platinum Outlook for Close of 2016

Platinum has been an interesting market over the years with its major high established in 2008 and its highest closing was 2010. Here our Yearly Bearish Reversal rests at $752. So far, Platinum has broken below the psychological $900 level on December 1st. The Major Yearly Bearish Reversal lies at $590. Keep in mind that platinum is more industrial than financial. True, platinum when discovered was first seen as fit only for a king, as was the case for gold when it too was first discovered.

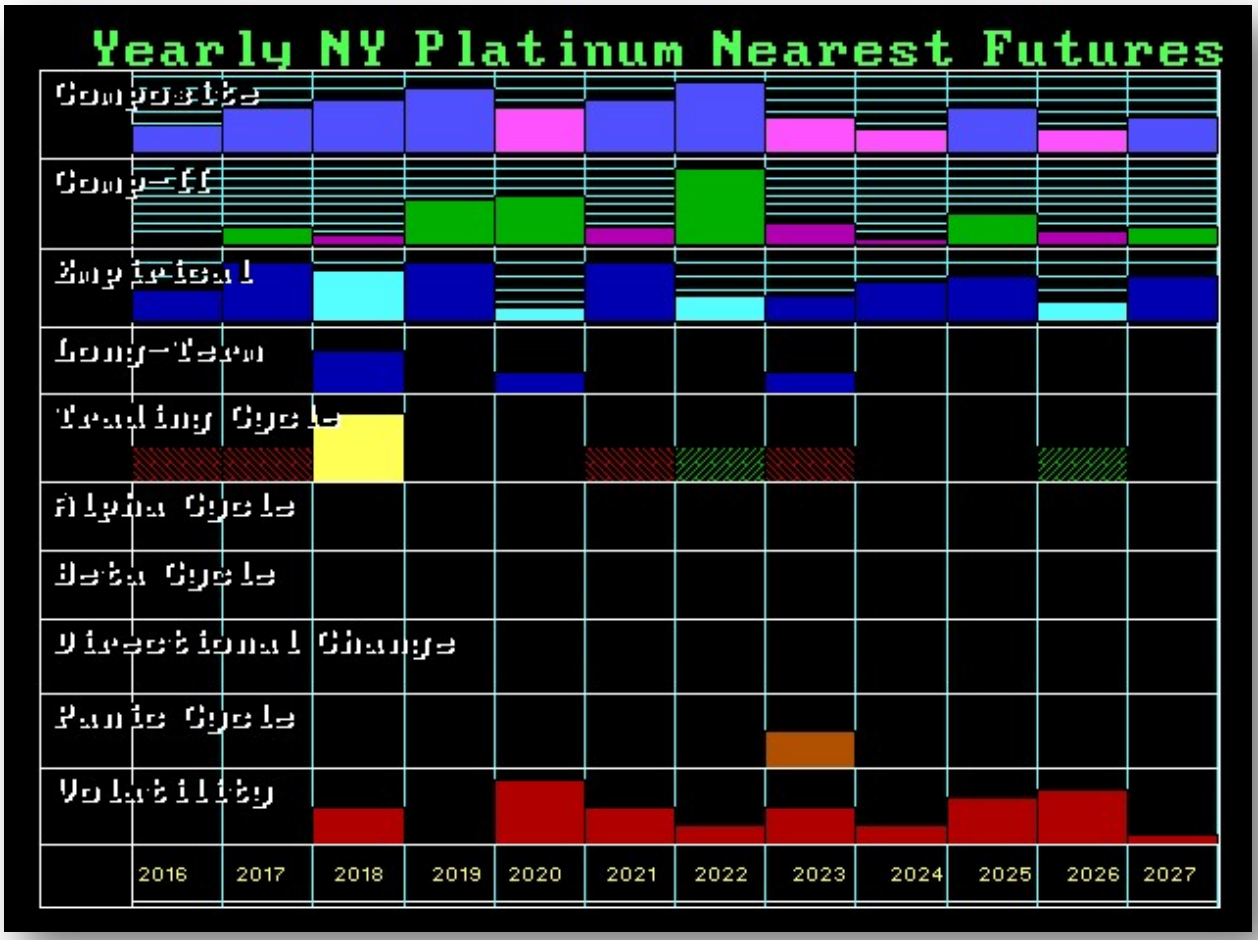
Platinum-Diamond Imperial Presentation Pendant
Grand Duke Vladimir and his wife Grand Duchess Maria Pavlovna

Russian 12 Ruble Platinum Coin

It is also true that platinum became far more common in Russia and they began to issue platinum coins during the 19th century. Nevertheless, today it remains primarily an industrial metal.

Turning to the monthly level, the technical pattern is rather bearish and suggests that we should break the 2008 low of $752.10. This 2008 low crashed violently and held the Yearly Bearish Reversal of $752 to within 10 cents. Nevertheless, from that 2008 low, the market elected only one Monthly Bullish Reversal signaling we would not make new highs. It was August 2011 that produced both the intraday reaction-high at $1918.50 and the highest closing at $1856.20. Even since, platinum has been in a sharply declining mode that appears ready to test the 2008 low and then a breach of that level will signal new lows lie ahead.

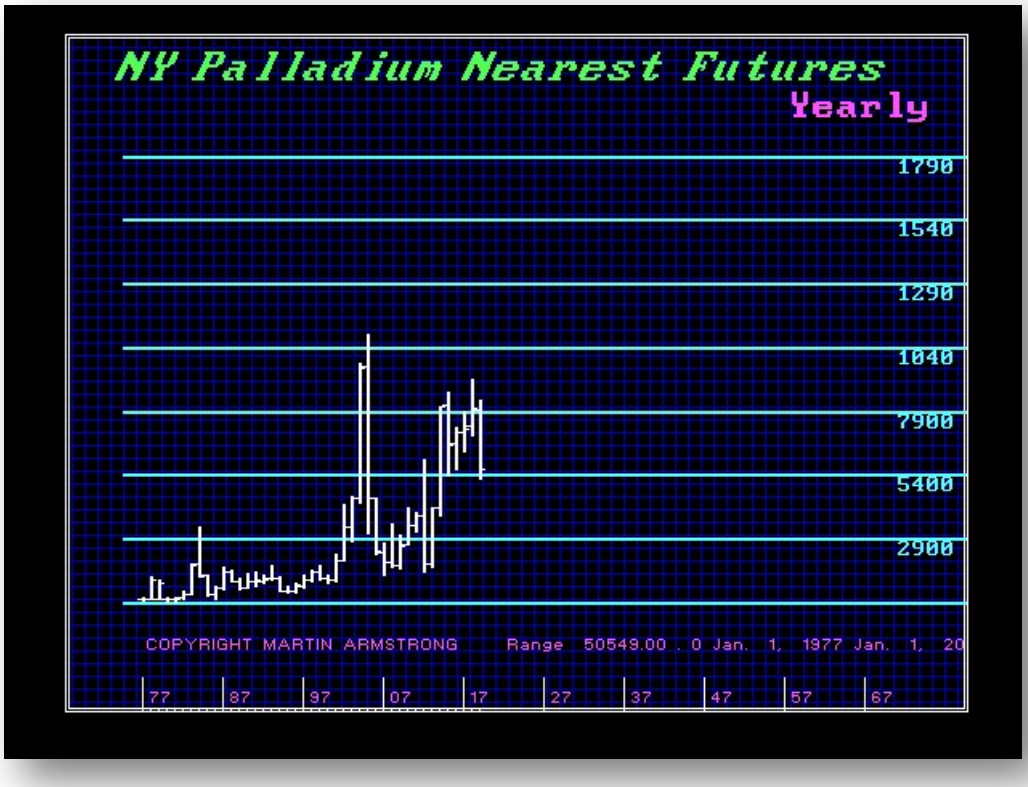
From that reaction-high in August 2011 at $1918.50, we have elected **ALL FOUR** Monthly Bearish Reversals unlike silver and gold. This strongly warns that our model, which has seen 2007 as the major economic high outside the United States appears to be set in motion. This implies that new lows are likely in 2017 at least on a closing basis with the intraday low perhaps extending into 2018.



Our yearly array shows that 2020 is a major target for a turning point. However, while the Empirical (fix-length cycles or Transverse) target 2017, the long-term Empirical targets 2018 as does the Trading Cycle. Depending upon the closing for 2016, the top line in this array could then redefine itself with a turning point in 2017/2018 and a reversal of trend into 2020.

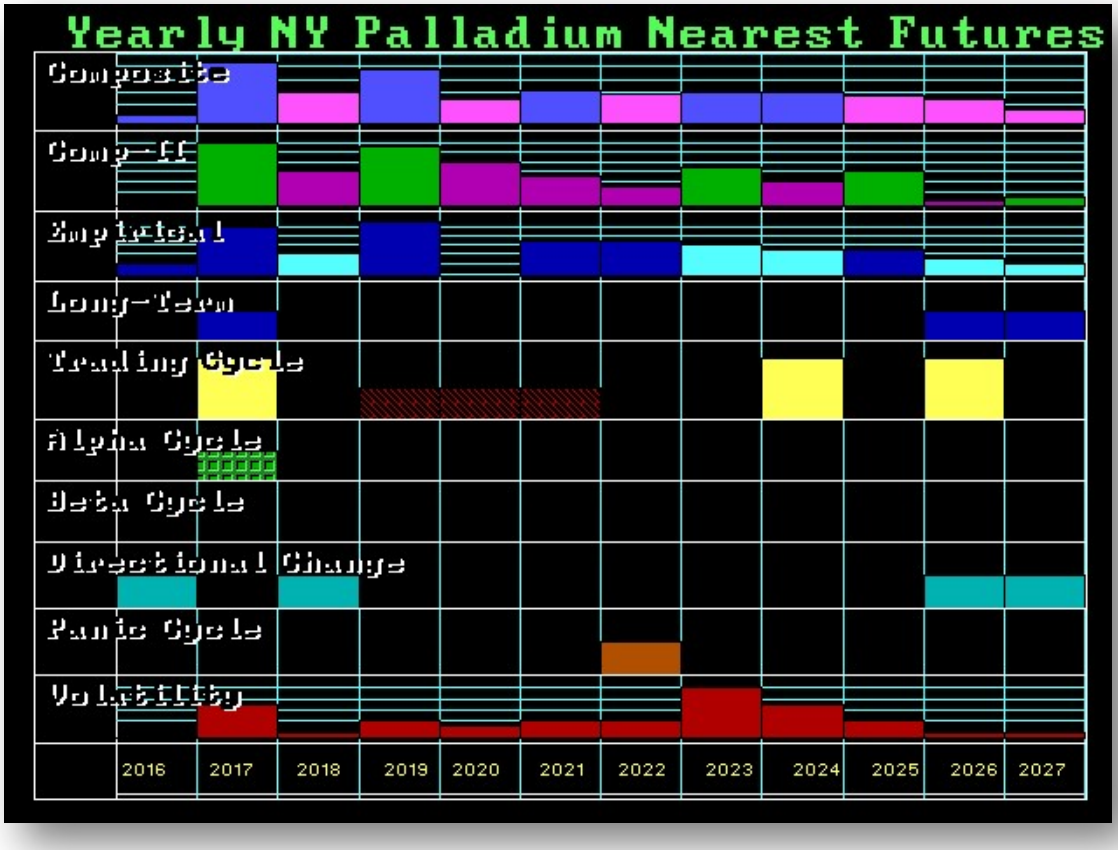
The volatility will rise it appears for the next wave in the Economic Confidence Model, which begins in 2020, and then peaks in 2024. You will notice we see a Panic Cycle in 2023, and overall higher volatility for the next ECM 8.6-year Wave.

Palladium Outlook for Close of 2016



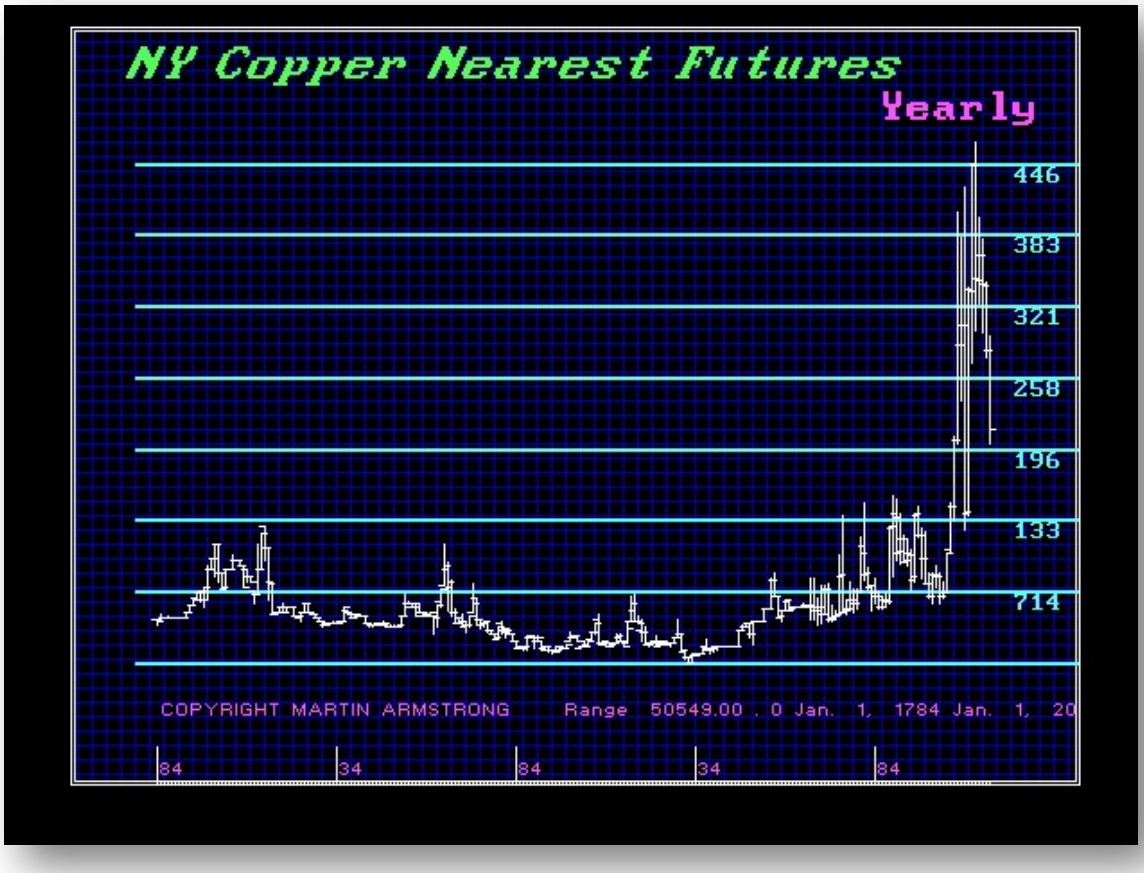
The high for Palladium remains intraday as 2001 with the highest annual closing being 2000. Palladium crashed and burned so to speak for a 2-year/3-year reaction into a major low during 2003. From that low, we did elect three Yearly Bullish Reversals. The fourth Yearly Bullish Reversal stood at 1090 and that was very amazing for the intraday high in 2001 which stopped dead on that number.

The subsequent rally peaked in 2014 at 912, The Yearly Bearish Reversal to pay attention to lies at 536. An annual closing beneath that level will warn of a sharp decline thereafter back to retest the 310 area. Only a breach of that level would signal new lows ahead looking forward.



When we look at the yearly array above, we see a choppy period ahead with directional changes in 2016 and 2018 and a target for a turning point in 2017 with an uptick in volatility. Here too we see high volatility for the next Economic Confidence Model Wave going into 2024. If we get a closing for 2016 below 629, then this would indicate that 2017 may be a reaction low. The major technical support will lie at 560 throughout 2017.

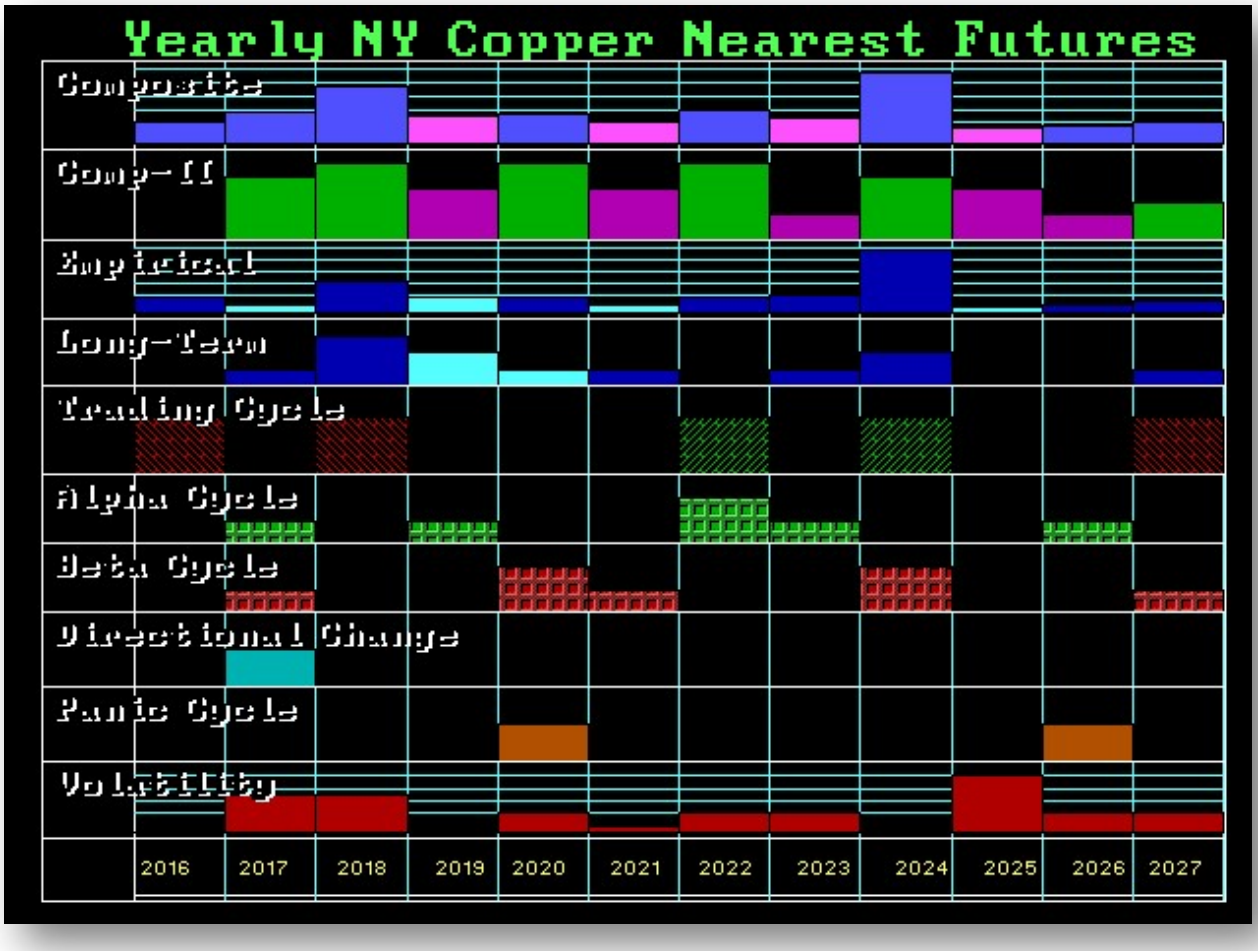
Copper Outlook for Close of 2016



The major high in Copper came in 2011 intraday at 46495. Copper crashed and fell into 2015 dropping to 20015. The Yearly Bearish Reversal lies at 13200 followed by 12500. That is the real major support level looking ahead. Nonetheless, on the quarterly level, we did elect three Quarterly Bearish Reversals and that solidified the major high in 2011. Only a quarterly closing above 29700 will signal the low is in place temporarily.

Turning to the monthly level, here too the Major Monthly Bearish Reversal lies at also 12500. We did elect a Minor Monthly Bullish from the January 2016 low and that gave up a strong rally into November reaching 27530 coming very close to the Minor Monthly Bullish at 27700. The support lies at the Weekly Bearish Reversal at 21800 and a breach of that would signal a retest of the lows.

A 2016 closing for year-end above the 2015 high of 29560 would be very bullish. Resistance for the 2016 closing stands at 30000 but as we enter 2017, the 27500 level will become the pivot point for 2017. We need to exceed that level in order for copper to resume a bullish trend.



When we look at the yearly array, we can see a directional change in 2017 and the next turning point will be 2018. Thereafter, the next big target will be 2024, which is the peak of the next Economic Confidence Model 8.6-year Wave. If copper were to get through the 27700 level of a monthly closing basis for year-end, then it becomes possible to see at first, a reaction high in 2017, fall back into 2020, and then rally into 2024.

The failure to get through the Monthly Bullish Reversal at 27700 would imply that it is possible to create a low going in 2018 and then a major rally. This could be more plausible if we see a major rally for the dollar.