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Why Gold Ain't Goin' Anywhere Anytime Soon: Revisited

A Monday Morning Musing from Mickey the Mercenary Geologist

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The usually suspect gold bugs and perma-bulls have been quite noisy over the last few weeks trying to convince bullion traders and stock speculators that the price of gold and ergo, the market capitalization of gold stocks are on the verge of a big break-out to the upside. And the unholy *believers* amongst this cult are still predicting $2000 or $5000 or even $10,000 an ounce, just as they have since the global economic crisis nearly 10 years ago.

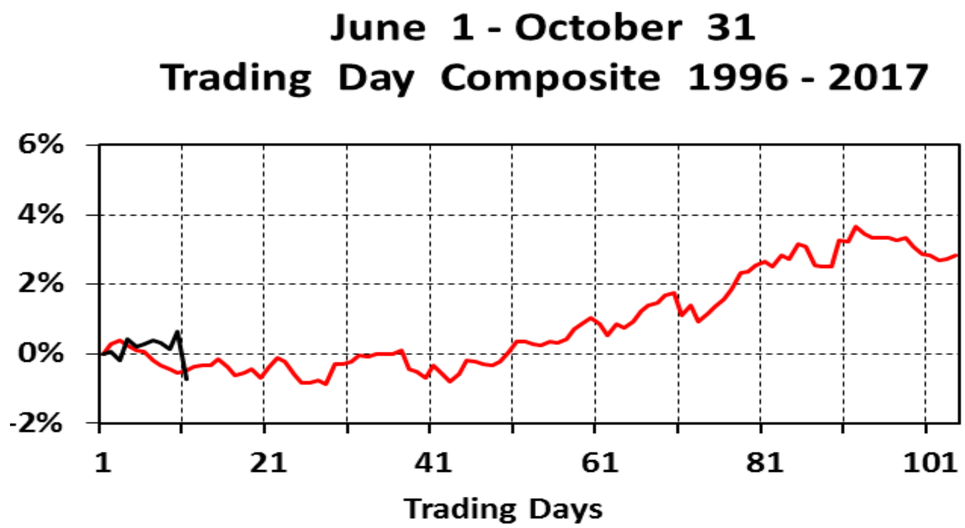
One well-known pundit has been so bold as to call for $10,000 for an ounce of gold *by August 1*. It seems he may have appropriated the modus operandi of born-again televangelists who prophesy sequential dates for the end of the world as we know it.

This cartoon aptly illustrates my go-to gut reaction to any silly notion:

I opine that any forecast for a near-term breakout of gold to the upside is founded purely on hope and a prayer and will show you why in this short missive.

Let's examine historical evidence pertinent to my analysis. Below is a normalized, 22-year composite record for the price of gold from June 1 to October 31 with 2018's performance shown in **black**. Note that each 21-day interval approximates one month of trading.

Our standard treatment of seasonal trends is an excellent predictor for the price of gold as its 22-year term encompasses multiple market cycles with bull, bear, and neutral years:

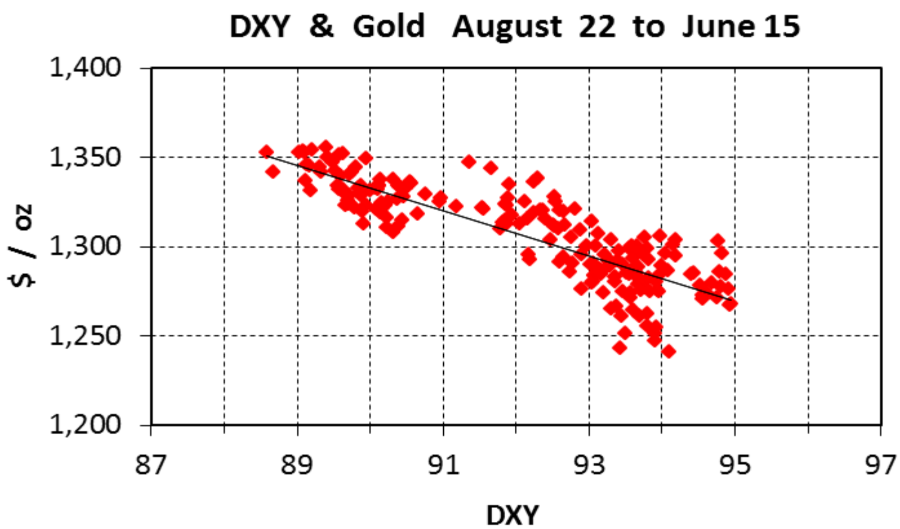


The period from the middle of June to Labor Day, roughly trading days 11 to 65, is universally recognized as "the summer doldrums" for the major stock markets and gold. Most professionals in the financial and industrialized world take vacation time for a significant portion of this interval and market activity drops concomitantly.

Historically, the price of gold has been flat to negative from early June thru mid-July then upticks a bit thru Labor Day. Early September to mid-October is a strong period for gold as market activity picks up and the Indian buying season kicks in. That said, gold's average gain from mid-June to mid-October is only 4%.

Now let's turn our attention to gold's recent relationship with the US dollar.

Here is a scatter diagram showing the value of the dollar index (DXY) and the price of gold (Au) over the past 200 trading days and in tabular form, the 50-day, 100-day, and 200-day correlation coefficients:



DXY - Gold	
50-Day	**-0.94**
100-Day	**-0.88**
200-Day	**-0.85**

The strong inverse correlation coefficients show that over the past 10 months, when the dollar goes up, gold goes down, and vice versa.

DXY has been on quite a roll since mid-April, rising from 89.4 to 94.8 for a gain of 6.0%. During this time, gold dropped from $1346 to $1279 for a loss of 5.0%. These numbers further illustrate the ongoing negative dollar-gold relationship.

So what factors could make the price of gold break out to the upside over the next few months? I submit three ideas for your consideration:

- A geopolitical event that causes a surge in safe haven gold buying.
- A severe downturn in the US dollar or a significant change in the current dollar-gold relationship.
- Massive movement of hedge funds onto the long side of the paper gold market.

That said, I think the current paradigm for gold is likely to continue with the seasonal low still to come within the next two months and a rising price likely to commence prior to Labor Day and continue thru mid-October.

I buy gold on dips; perhaps the current price is a good place to start accumulating?

Meanwhile, I invite you to revisit my forecasts in the mid-fall and see how I did versus the buggy-brained gold bugs.

Ciao for now,

Mickey Fulp
Mercenary Geologist

Acknowledgment: Troy McIntyre is the research assistant for **MercenaryGeologist.com**.

The **Mercenary Geologist Michael S. "Mickey" Fulp** is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 35 years experience as an exploration geologist and analyst searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for over 20 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey's professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known and highly respected throughout the mining and exploration community due to his ongoing work as an analyst, writer, and speaker.

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