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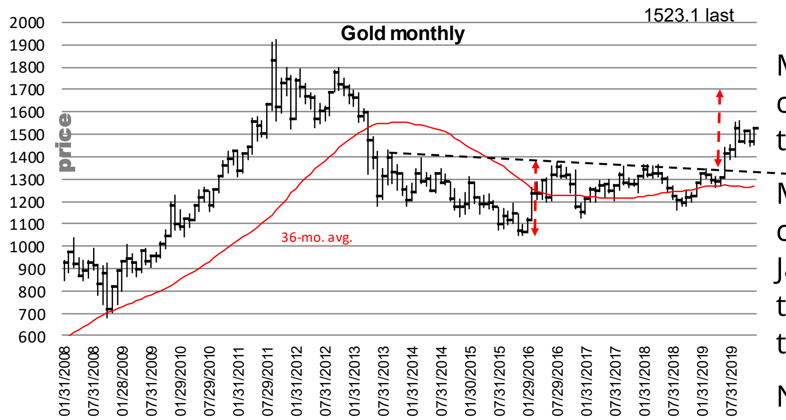
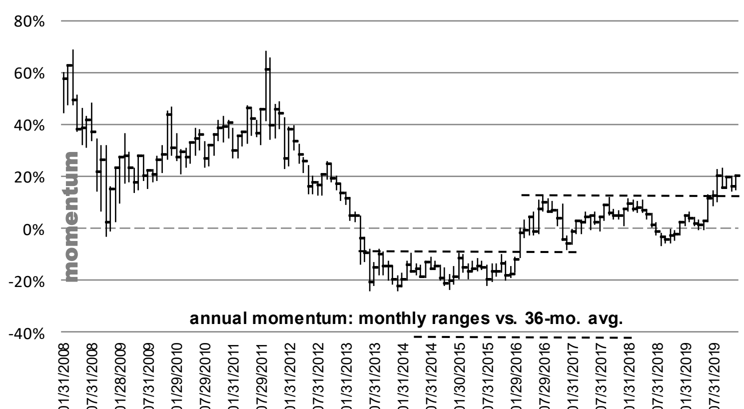
GOLD, SILVER & MINING

MSA

January 1, 2020

Year-end Wrap





Gold

MSA argues that the low of the recent mid-point congestion zone (en route to the next price target around $1700) has been seen.

Monthly momentum (price vs. the 3-mo. avg., chart not shown) says that if we see a trade in January up to **$1541.90**, then we can expect the top tick of the summer high to come out. That traded high price in September was $1559.80.

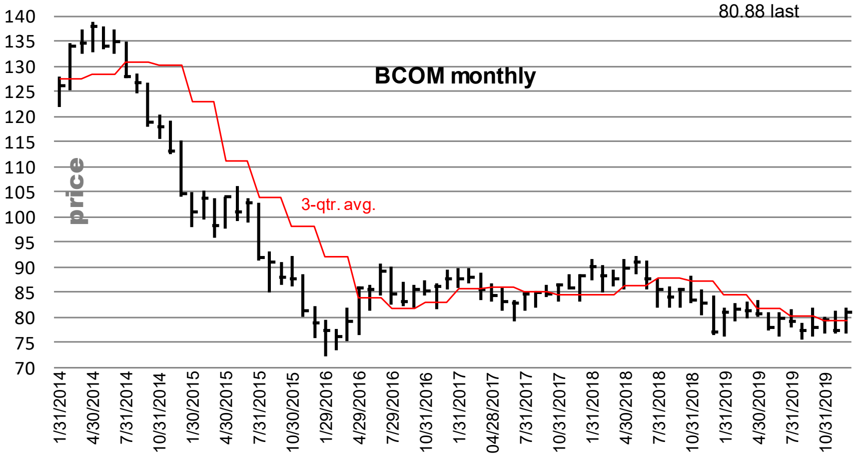
Note: December's close was a marginal new high monthly close for the advance.

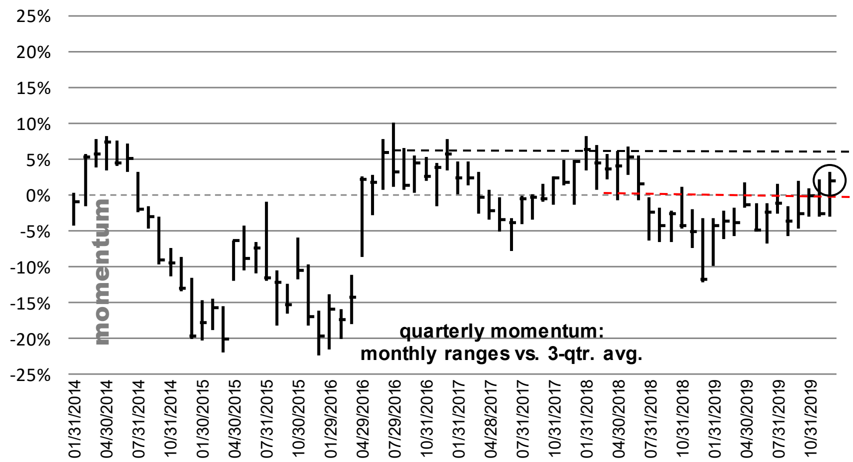
The most important event of December, however, was the upside breakout by the commodity asset category and the downside breakout by the Dollar Index (next page).

As for gold's annual momentum, it continues to behave as expected. Layered breakouts with pullbacks holding on top of prior breakout structures. And hardly overbought at all.

While the price chart argues for an orthodox swing move to the $1700 area (based on a complex head-and-shoulder bottom), annual momentum doesn't really show resistance until 60 to 70% over the annual mean. In price terms, looking out, say, six months, that translates to a price on either side of $2100. Not that this bull trend situation will end there, but it gives you an idea that a full challenge and take-out of gold's 2011 price high is entirely possible in this leg of advance.

Not shown here, but two of the oldest gold mining indices out there (the **XAU Index** and **HUI Index**) took out their summer highs in December. Also **SIL** (silver miners ETF) made new highs above its summer price highs. Miners are strong.





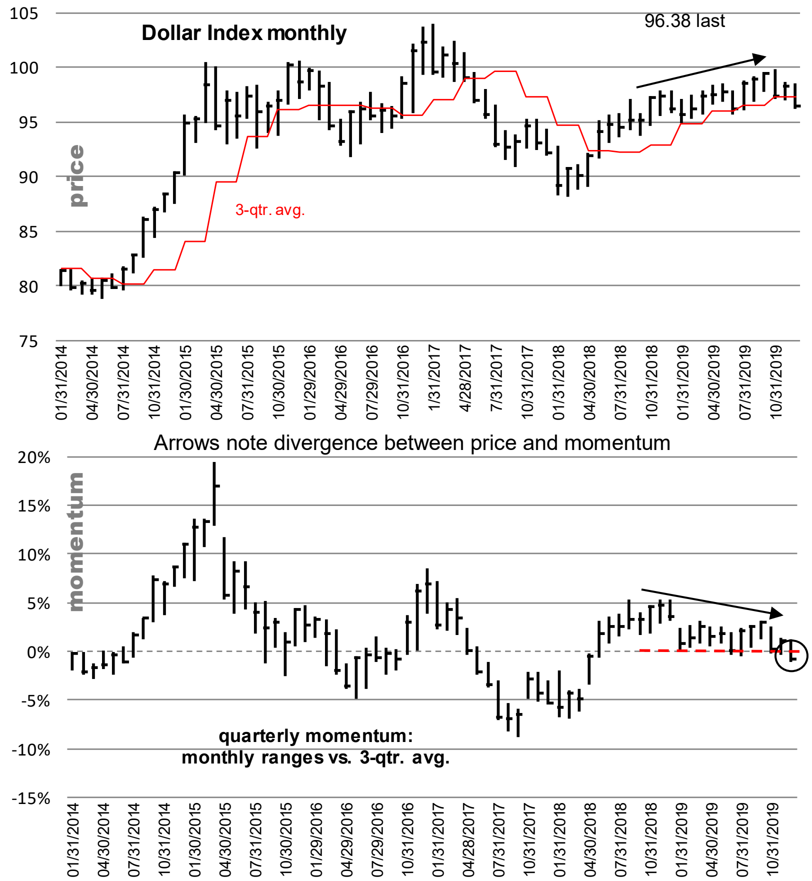
Bloomberg Commodity Index

December closed well above the zero line structure. There have been repeated probes above the 3-qtr. avg. over the past year and a half. Finally we have a monthly close credibly above that resistance.

A second breakout level is noted with the horizontal black line on momentum. A monthly close this quarter at **84.82** or higher will close above the shallow pair of peak closes from 2016 and 2018.

Alternatively, a trade to **87.21** anytime in Q1 will take out all oscillator highs going back to 2014.

If you see those numbers, we suggest as a *first* working target an advance that challenges the 110 area.



Dollar Index

The Dollar Index made a technical/structural issue out of its 3-qtr. avg./zero line. It repeatedly used it as support in 2019. December closed credibly below that structure.

Major downside is resuming.

Larger context: Dollar's annual momentum trend (not shown here) broke a major, decade-plus-old uptrend structure in May 2017 as price dropped to 99. Quarterly momentum began a counter-trend rally in mid-2018 (counter to the negative trend of annual momentum). Most of that upside was achieved by August 2018 as price reached near 97. From August 2018 to the end of 2019 was an extremely quiet and boring year and a half for the major forex markets (Euro inverse to the Dollar and very quiet). The quiet has ended.

Downside by the Dollar should have several wave effects, including an upset to foreign investors in the U.S. stock market and a plus for gold and commodity prices.

MSA will be updating our selected miners in the next week.

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