Harry's Take

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Gold at the Precipice at $1,800: It Should Break Up or Down Sharply Just Ahead

I showed on June 19 how stocks and gold are in clear channels that suggest a break downward ahead, but gold could go either way. Stocks may be starting to fall, with a break down below 9,700 on the Nasdaq 100 as confirmation. But gold tested the top end of its sideways channel over the last 3 months when it hit a high of $1,796 yesterday before backing off a bit.

Gold Is at Make or Break Point: Break Up To $1,934+ or Correct 19%!

I also showed that the past two tops in gold also led to a sideways movement for about 3 months before correcting 19%. Hence, I favor the breaking downward scenario for gold, likely to about $1,450. A clear break below $1,670 would confirm that scenario. Other short-term analysts I follow, like Slim@askSlim.com, find a break upward more likely.

If gold does move up, I would like to see a clear break above $1,820 to confirm. The next target is the all-time high in gold at $1,934, as the next chart shows.

Gold: Peaking Near $1,800 Target With Lows Near $1,000 in Late 2022?

First, note in this chart how $1,800 represents the strongest resistance. After its peak in September 2011, gold traded in a sideways channel for over a year, between $1,525 on the bottom and $1,800 at the top. It tested $1,800 three times in one year. The break at $1,525 was followed by a collapse, as I predicted back then. A failure to break above $1,800 is likely to lead to a fall to at least the lows of $1,050 (in late 2015) and likely a bit lower.

I see $920 on the low side and $970 as the most likely target once commodities and stocks bottom around late 2022 in this crash of a lifetime. Note that will still make gold the star of the commodity camp, down only 50%—especially compared with the metals and energy, which get hit the hardest, down 80% or more typically.

I have been saying that gold has most likely been in a strong bear market rally, and near $1,800 is the optimal place to exit. Gold also peaks with the 30-year Commodity Cycle (as happened back in 2008-2011), and it would be very unusual for it to make a new high 9 years later… but we are in crazy times, with $3.45T in quantitative easing already from the Fed and $3T already in fiscal stimulus from the federal government and more fiscal stimulus coming just ahead.

What is most surprising is that gold has not already broken above $1,800 after such dramatic government stimulus and after the dollar dropped 6% to 7% recently, which directly boosts gold's price in dollars.

Hence, this is a very critical point, and we should soon see a move back down to as low as $1,450 or a retest of the highs, possibly to $2,000+.

I am still leaning toward the downside here… but that doesn't mean gold can't make a run at new highs in the future when the Feds go even more batsh*t crazy on stimulus when the economy fails again by early 2021.

Harry

Got a question or comment? You can reach us at info@hsdent.com.