LE COIN TECHNIQUE

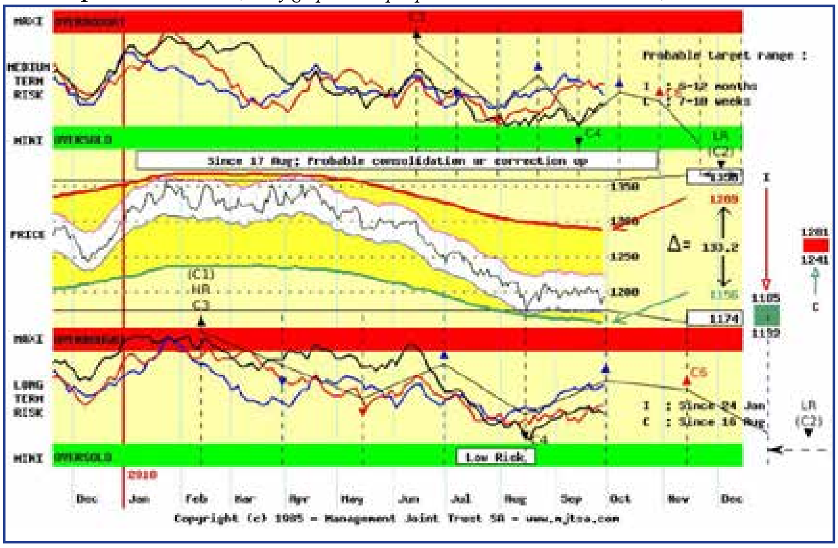
Gold is a monetary phenomenon

...article by Jean-Francois Owczarczak - CEO, Management Joint Trust SA - jfo@mjt.ch

Last month we suggested that by late September, risk assets should move lower into November. We believe this is still the case, and that the strong rallies we recently saw on some equity markets *(in Europe especially)* could start to reverse down soon. Gold may then look like a tempting alternative. Yet, paradoxically, it is probably still too early to consider it. Indeed, we believe that for now, it is rather, and mostly influenced by the strength of the US Dollar.

www.mjtsa.com

Gold Spot (USD/oz) *(Daily graph or the perspective over the next 2-3 months)*



Since early this year, Gold has reversed down quite aggressively. The downtrend has been mostly Dollar driven, although the strong recovery on risk assets since late March has also not helped (risk-ON). On both oscillator series (lower and upper rectangles), we expect the downtrend on Gold to continue for now. We believe that despite the defensive shift we expect, this downtrend should resume lower, probably from now into November (upper rectangle), and possibly even towards next year (lower rectangle). On the target front, the rebound since mid August is quite weak. It clearly failed to reach our C Corrective targets to the upside between 1'241 and 1'281. Going forward, the next downside move we expect could still generate some unpleasant surprises. Indeed, our I Impulsive targets to the downside suggest that Gold could reach down to 1'130 USD/oz. Historically, these levels are quite crucial and will hopefully hold, as below these, we see little support until Gold reaches down to the symbolic 1'000 mark.

Dollar Index *(Daily graph or the perspective over the next 2-3 months)*

For more information on our services and methodology, please visit www.mjtsa.com or contact us.
All opinions, news, research, analyses, prices or other information in the article above are provided as general market commentary and do not constitute any financial advice.

As mentioned above, Gold's weakness since the beginning of the year has mostly been a function of the stronger US Dollar. We believe this could still be the case going forward as the US Dollar continues to rise. Indeed, over the next few months, we believe that rising short term interest rates (also a negative factor for Gold) as well as sustained flight to safety flows to the US (defensive shift), should continue to support the Dollar. Both our oscillators series (lower and upper rectangles) are suggesting that the Dollar could resume higher, first over the next few weeks, and then again from November into early 2019. On the target front, our C Corrective targets to the downside should continue to offer support around the 94-92 range (right-hand scale), while our I Impulsive targets to the upside suggest that the Dollar Index could reach new highs and even approach the 100 mark over the next few months.

Concluding Remarks: We believe that for now, Gold is very much a monetary phenomenon. It is widely suffering for strengthening Dollar, along with many other assets such as Emerging Markets, China or Industrial metals. This downtrend did take a pause during September, yet the bounce is rather unconvincing for now, and we believe that Gold should probably resume lower over the next few months as the US Dollar continues to rise. More generally, looking back to 2008, and the start of the last strong Gold rally, Gold really started to move up only after the Lehman crisis, once the TARP program and widespread QE were finally put in place. Today, the FED is still tightening, while other Central Banks are tapering. We believe that Gold will continue to suffer as long as they continue to do so.