

Tuesday 5 December 2017

Quotable

"It is better for you to be free of fear lying upon a pallet, than to have a golden couch and a rich table and be full of trouble."

--Epicurus

Commentary & Analysis

Gold quiet period about to end?



From today's *Wall Street Journal*:

"Major U.S. stock indexes have been historically quiet this year. Now, that inactivity has spread to the precious metals market.

Gold stayed in a \$34.50 trading range in November, the lowest gap between its high and low in any month since October 2005, according to the Journal's Market Data Group."

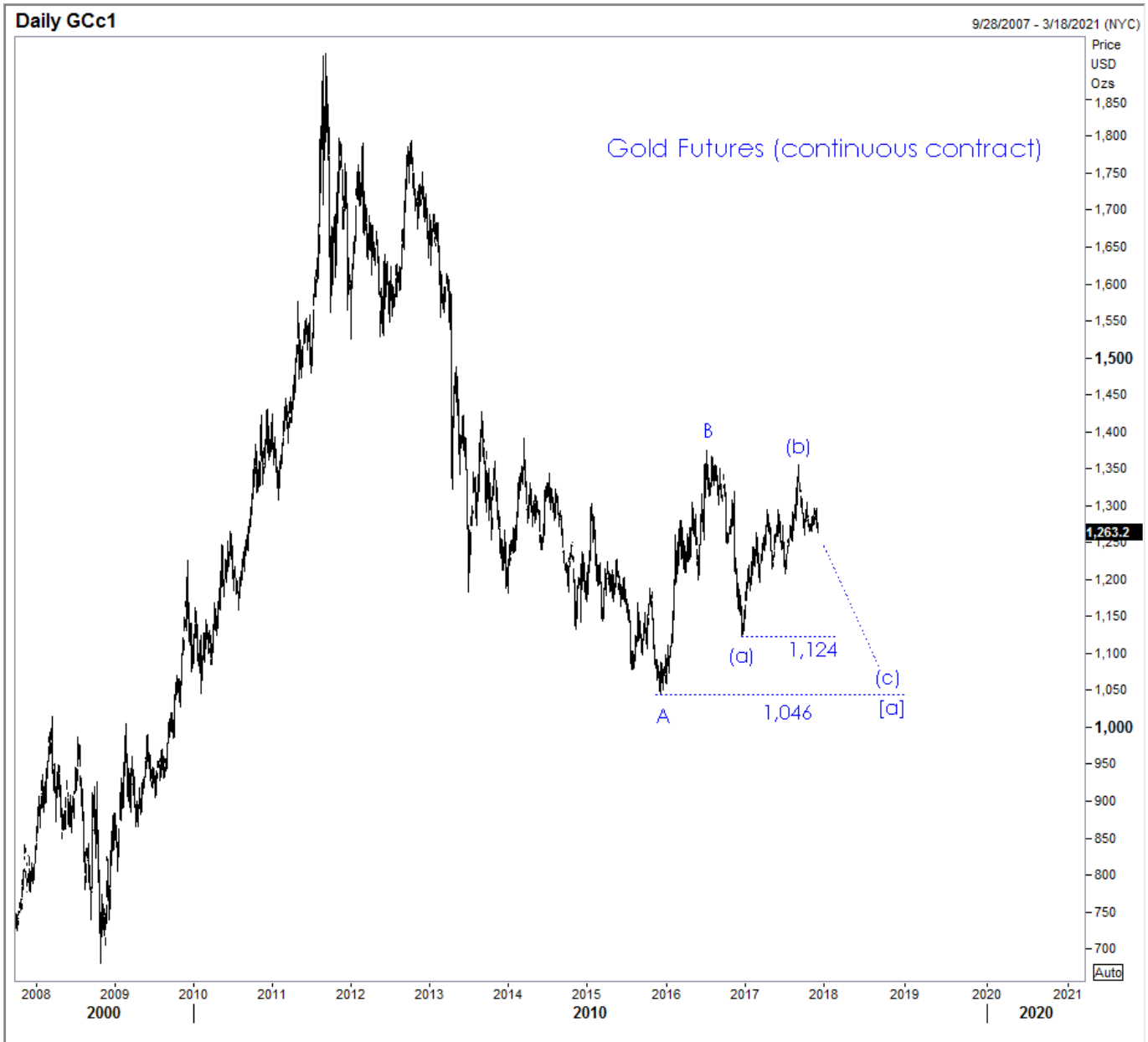
We believe this low volatility period is about to change for the shiny metal.

Gold pays no interest. Thus, gold prices *tend* to be negatively correlated to interest rates; i.e. higher interest rates and lower gold prices, vice versa. So, if one accepts as probable the following we gleaned from this week's *Barron's* magazine...

"... 'But a major risk for the market is the potential for a rise in US inflation,' says Mark Haefele, the giant Swiss bank's (UBS) global chief investment officer. That concern, which could push the Federal Reserve to tighten more aggressively, is shared by Deutsche Bank's strategists, along with the impact of the European Central Bank's tapering of its massive bond purchases.

Deutsche last week joined the small but growing list of major banks that think the Fed could raise its interest-rate target four times in 2018, in addition to the quarter-point hike that seems to be a lock at the Dec. 12-13 meeting of the Federal Open Market Committee."

We expect gold to breakdown out of its currency range; the chart below shows our technical view. The next swing support comes in at 1,124; then 1,046.



And *if* we have seen a bottom in 10-year benchmark yields, and are in the midst of a new secular bull-trend higher in interest rates, gold could really get clobbered--\$700 anyone?

Jack Crooks, President, Black Swan Capital
jcrooks@blackswantrading.com
www.blackswantrading.com
772-349-6883/ Twitter: bswancap

Black Swan Capital's Currency Currents is strictly an informational publication and does not provide personalized or individualized investment or trading advice. Commodity futures and forex trading involves substantial risk of loss and may not be suitable for you. The money you allocate to futures or forex trading should be money that you can afford to lose. Please carefully read Black Swan's full disclaimer, which is available at <http://www.blackswantrading.com/disclaimer>