

Gold Testing \$1,300

Gold prices are testing \$1,300, a significant psychological and technical level. There is some hopefulness and bullishness being expressed in the gold market by those who feel prices are lower than they ought to be.

Putting the upward move in gold prices since August into perspective, first it should be noted that the gold price now has clawed its way back to the lows it had fallen to and broken through last June, and back to levels seen in late 2017.

Prices have risen to levels within \$4 of \$1,300 7 times in the past 9 trading days. Each time short-term technical selling and profit-taking have kept the price below this threshold. That may change in the next few days, and prices may break above \$1,300 soon.

Should a clear break above \$1,300 occur, perhaps including prices settling above that level, there is a potential for prices to spike briefly to \$1,325 - \$1,330. Such a spike would be expected to last a day or so initially. Prices then might drop back. If they established a new base above \$1,310 or \$1,300, it would be a positive sign for future price moves.

Such a break above \$1,300 would be expected to elicit expectations of much higher prices on both a short and long term basis. While CPM expects and projects higher prices in both the short and long term, we expect the pace of increases to be more moderate.

The 2018 Model

In fact, CPM's expectations are for something of a repeat of the upward move seen between December 2017 and late January 2018. Prices rose \$130.90 from \$1,266.60 on 13 December 2017 to \$1,397.50 on 26 January 2018. Prices dropped back to \$1,338.00 by 12 February.

Subsequently prices moved sideways between \$1,340 and \$1,390 into May. Gold then fell, initially to \$1,310 in the middle of May and then as low as \$1,173.20 in August, before recovering through the last four and a half months of the year.

Now

There is seasonal strength to gold prices in the first part of a year, followed by weakness in the second and third quarters and a recovery in the final months of the year. This pattern is expected to repeat itself in 2019. Political, economic, and financial market conditions are supportive of this pattern, again. So, too, are technical chart patterns. Politically and economically, there are growing issues in the United States, United Kingdom, and elsewhere, but the reality is that these may tamp down economic growth and stock market performance without throwing the world into economic chaos and a major downward stock market rout yet this year. The reckonings may lie beyond 2019.

In this environment gold prices are expected to rise to test \$1,350 in the next two months, and possibly move somewhat higher, before softening and moving sideways in the middle part of the year. Stronger, higher prices are expected later.

Silver

Silver prices meanwhile also have risen, reaching the levels to which they had fallen by July 2018, and from which they then fell further into early September. Silver was much more devastated last year than was gold. Now silver prices are projected to play catch-up. They could spike to \$16.50 in the next couple of weeks, and could break higher to \$17.50 yet in the first quarter. Prices then might subside and consolidate.

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