

Clear Cycle Turns

Precious metals, Stock Market Falls and the Surge in the Mighty US\$

25th October 2018

By D Mitchell

As stated, many times in my writings, the major cycle turn in the metals was December 2015, it has been very much a slow rounding base that has built in the metals since then (and commodities for that matter) but with gold we presently find ourselves **+18%** from that low in US\$. There are quite a number of indicators I look at and analyse for the major cycles and major trend recognition, this is especially an exciting and interesting period ahead of us all.

Alongside that we have seen a surge in the US\$ on the FX markets, again predicted and written about many times in my writings based of the enormous 10 plus Trillion US\$ carry-trade (foreign borrowings in US\$ converted into their own domestic currencies and hence clearly exposed to a rising US\$) and hence the escalation in economic distress in the emerging markets, especially countries with balance of payment deficits.

So, since December 2015, gold in £ (Sterling) has risen **+37%**, **+27%** in CNY (China) and **+22%** in AUD (Australia)... etc.

As I raised in my last piece a few days ago, corporate debt has surged and helped the stock market reach new highs driven by share buy-backs, this enormous tripling of corporate debt since the last crisis has now turned, historically speaking this a clear indicator of a downturn.

Since the start of October 2018, the stock indexes have fallen hard, presently the Dow Jones is down **-8.5%** and the NASDAQ **-12.3%** while gold is up **+ 4.7%** in US\$ (+6.5% £, +6.5% AUD, +5.2% CNY), and Silver **+4%** US\$ (+5.8% £, +5.8% AUD, +4.3% CNY).

Meanwhile the China stock market has fallen **-50%** over the last 3 years.



The precious metals are now resorting back to their historical role as the go-to asset during economic worries and escalation of crisis. Even while the US\$ has climbed on FX markets gold has outpaced the currency, this is another flag warning to a huge cycle turn in the precious metals.

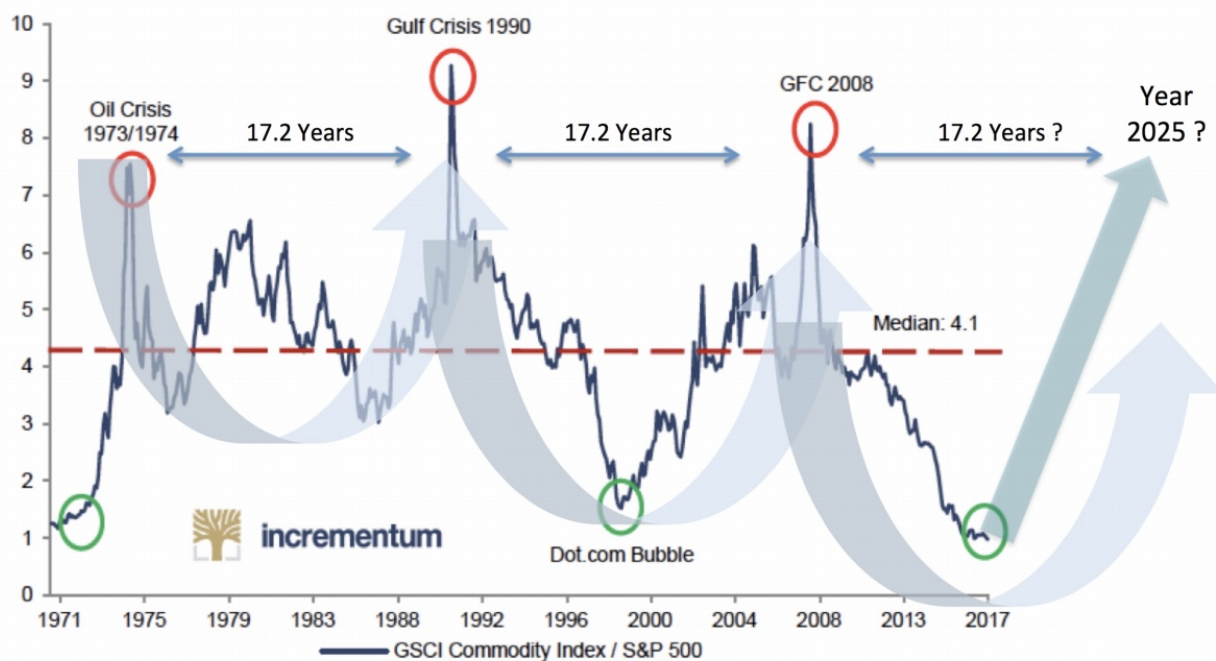
Cycle wise we at IPM Group flagged to our investors the huge opportunity to buy gold and various other precious metals at the end of December 2015. This is only the start of this revaluation, 95% of the moves are ahead of us

To gauge more accurately where we are presently within these greater cycles, I have attached a chart as an example and a distinct recognition of the 8.6 year cycle in action we can see this in the following chart on the next page, in which I have drawn in the cycles, $8.6 \text{ years} \times 2 = 17.2 \text{ years}$.

I have written extensively about the gold cycles alongside the overall cycles in my “gold report”. If you wish to see it please just send us an email

We have a long way to go in this next cycle, a huge opportunity, especially in some of the other precious metals which I cover regularly.

GSCI / S&P500 Ratio : equities expensive, commodities cheap ?



Source : Dr. Torsten Dennin, Incrementum AG

In relation to the S&P500, the GSCI commodity index is currently trading at the lowest level in over 50 years. Also, the ratio sits significantly below the long-term median of 4.1. Following the notion and historical precedence of mean reversion, we are presently looking at extremely attractive investment opportunities in the commodities sector versus paper financial assets.

In absolute terms, the scene seems set for a new and explosive bull market for commodities, but especially in precious metals which are very much supported by the deteriorating global macro-economic picture, among many other very dynamic drivers.



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