

Intra-Week **ALERT** for Wednesday – February 8, 2017

“Gold Stocks Reinforcing Cycle High”

An intriguing development continues to evolve in Gold & Silver stocks, which is now at the point where it strengthens the case for an intermediate peak - in precious metals & related stocks - this week...

The XAU remains positive & in a weekly uptrend, surging to new highs after pulling back into **Jan. 26--27th**, the latest phase of a 24--25 trading-day high (Sept. 6)--low (Oct. 8)--low (Nov. 14)--low (Dec. 20)--low (**Jan. 26/27th**) Cycle Progression.

It has already signaled a higher-degree impulse wave and was/is targeted to attack its weekly 21 High MARC - at **97.33/XAU**. Based on intermediate cycles, it has been expected to set an intermediate peak this week, linked to a ~90-degree cycle that incorporates the Nov. 9th & Aug. 11th highs.

Now for the interesting part...

There are multiple signs of inter-market divergence that corroborate the potential for an intermediate peak in the very near future. The two comparative markets in question are the XAU & HUI Index...

During the 2016 surge, both Indices tripled in value - very comparable moves. Their weekly & monthly trend patterns moved in sync, as did their weekly 21 MACs. *So, all was equitable.*

Since August 2016, however, there have been some subtle differences with growing divergence - that have helped pinpoint key turning points. In each case, the HUI has demonstrated weaker tendencies than the XAU... even when Gold was stronger than Silver.

In the 4+ months following the August peaks, the HUI dropped 45% while the XAU lost 38%.

On a chart basis, that translated into the HUI dropping back to lows it had not seen since Feb. 2016... while the XAU only dropped back to April 2016 lows. More succinctly, the HUI retraced 2/3 (~67%) of its 2016 rally, while the XAU retraced a little more than 50%.

That placed the XAU in a stronger position when cycles bottomed in Dec. 2016. As a result, it has rallied more convincingly - on multiple levels. The XAU turned its weekly trend up in mid-January (a lagging & confirming indicator) while the HUI was only able to match that important feat this past week.

That reversal often leads to an initial peak in the ensuing week... Feb. 6--10th.

Another perspective involves rebound levels (% retracement or rebound of the preceding decline). The XAU has rebounded 60% of its 3Q/4Q 2016 decline while the HUI has only rebounded 50% - attacking that precise level today.

That test could also lead to an intermediate peak... Here again, two corresponding measures of chart-based relative strength highlight the disparity. The XAU has surged above its Oct./Nov. 2016 highs - reaching levels last seen in Sept. 2016. Meanwhile, the HUI has lagged - failing to exceed its Nov. 2016 high. It is nearing that level now.

This test could lead to an intermediate peak now, since the Nov. high represents a type of ‘4th wave of lesser degree’ resistance from the 3Q/4Q 2016 decline... As discussed this past weekend, the XAU could see a surge toward its weekly 21 High MARC - at **97.33/XAU** - before a top took hold...

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Meanwhile, the HUI remains more than 20 basis points below its weekly 21 High MARC, leaving the corresponding weekly 21 MAC pointing down.

Of interest, however, is the fact it is attacking its weekly 21 Low MARC - a level that acts as resistance when a market is not ready, or strong enough, to turn its weekly 21 MAC up.

That, too, could lead to an intermediate peak during the current week.

What does all this mean, going forward?

For starters, it reinforces the likelihood for an intermediate peak surrounding **Feb. 9th**. That is what cycles have indicated all along...

Equally important, it could determine expectations for the extent of the next sell-off. It is conceivable, based on these chart patterns & technicals alone, that the HUI could drop back to its lows during

the next decline. However, other critical indicators would need to corroborate that...

One final note to keep in mind... A drop to new 2017 lows - in either or both of these Indices - does NOT automatically mean that Gold & Silver would do the same.

It could be a case of Gold & Silver experiencing a moderate correction at the same time the overall stock market suffers a reasonable sell-off. That would amplify the impact on Gold & Silver *stocks* and create a disproportionately-greater decline.

Multiple cycles & indicators project a sharp (initial) drop into **March 3rd**. Please refer to complete Feb. 8, 2017 **Weekly Re-Lay Alert** for additional details, analysis & trading strategies related to XAU & HUI downside potential, now that cycles have peaked.

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