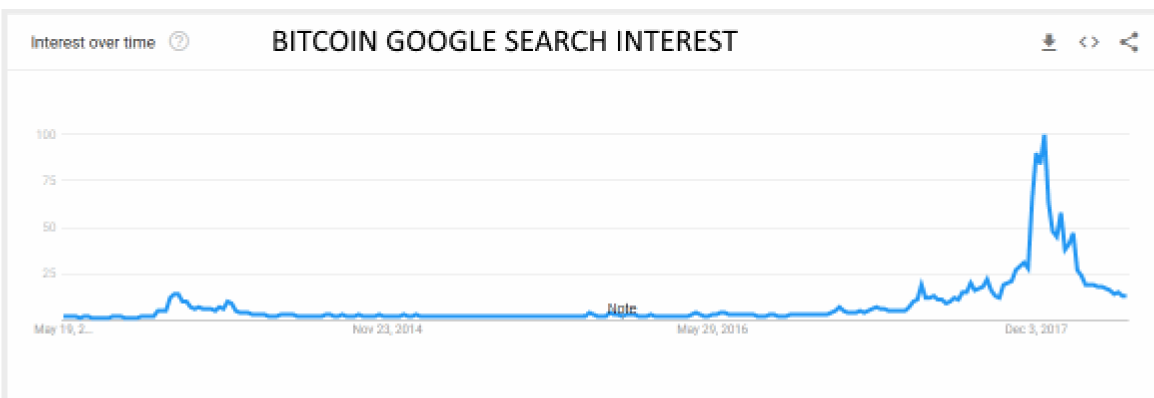
WallStreetWindow

Stock Market Financial and Global Geopolitical News

NOW IS THE TIME TO GET IN THIS MASSIVE NEW TREND EARLY BEFORE BIG GAINS BEGIN – Mike Swanson

Everyone knows that the best time to invest in something is BEFORE it goes up and everyone wants to get in. The trouble is that few get in early like that and it is hard to even get people interested in buying something early, because no one is talking about doing so.

The most recent example of this is Bitcoin. Take a look at this search engine data from Google for Bitcoin. This shows you how mass interest in Bitcoin has gone up and down. Notice how Bitcoin interest shot up in December of 2017 after being dormant for years and has since collapsed back down. For a few months a true mania developed in Bitcoin after years of disinterest.



Now look at this and you'll see that the Bitcoin price exploded and topped out at the same time that the Google search interest hit a peak.

What this shows is that there was a mass mania in Bitcoin interest just as it was topping out in price. If you are like me you were seeing ads for Bitcoin all over the internet and even getting into conversations about Bitcoin just talking to friends who all of a sudden got into Bitcoin. There is nothing like rising prices to get people interested in investing in something and even getting caught up buying into a price top and then losing money.

I could be wrong, but I believe Bitcoin was a flash in the pan and it will take a long time if ever for Bitcoin to go up again like it did in December of 2017. But there is a huge lesson we can apply from what Bitcoin did. The thing to do with Bitcoin is not to buy it now in hopes it will go up overnight again, but to look for something that is now in the position Bitcoin was in BEFORE it went up in 2017.

What Bitcoin shows us is that the worst time to invest in something is after it has gone up like crazy and everyone is talking about it and the best time to buy is before something goes up and almost no one cares about it. Bitcoin had been held down below the $1,000 price level for years before it finally went through that level for good in 2017 and the interest then simply grew and grew as the price went higher and topped out. The best time to buy Bitcoin was when it was below $1,000 before 2017.

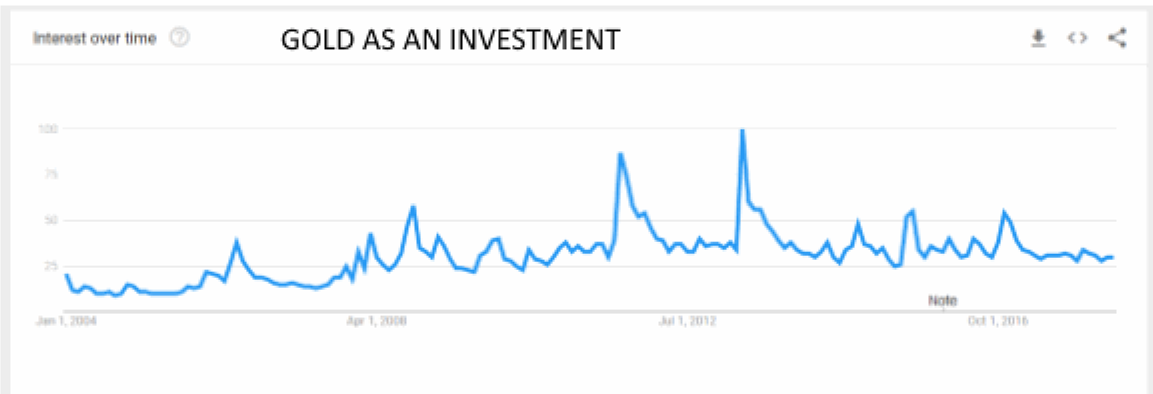
The thing is you got to dig to find something really worth investing in before the masses get in and everyone is talking about it. The problem is it takes time to do that and most people just rather do what everyone else is doing than do the work to think for themselves.

So if you have distractions around you right now try to get away from them. Find a place where no one will bother you so that you can make sure that you read this whole report. Print it out if you have to, because I really want you to take a few minutes to look at what I have to show you.

In order to invest in something before it goes up you have to make sure it makes sense to do so from a risk to reward stand point. If you start to look around you can be presented with a constant stream of investment ideas and if you don’t ask the right questions about them it become easy to just get sucked into something at the wrong time.

There are only two questions you need to ask. The first is what is the risk here and the second is what is the reward? And then you know if you need to move on or if you need to act. Then you take control of the markets and the opportunities in them.

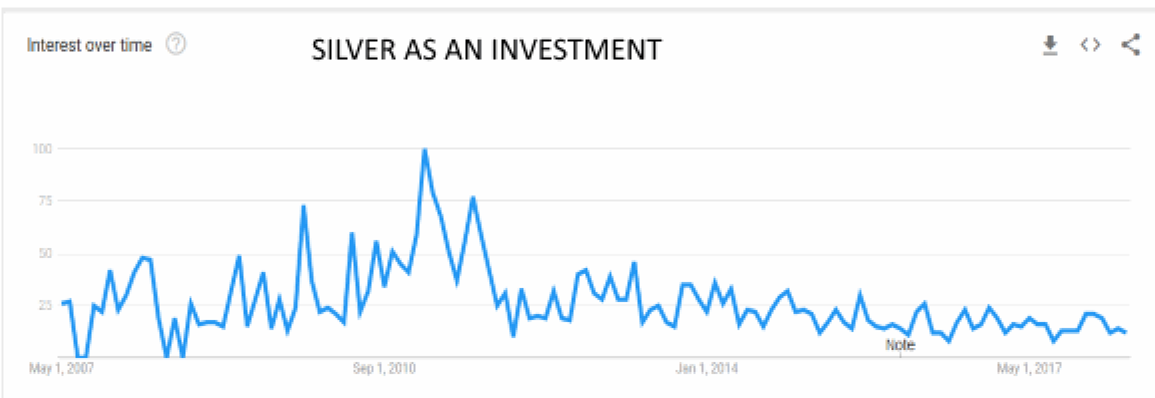
What I want to talk with you about is gold as an investment. Does it make sense now? First of all here is the Google search interest in gold as an investment. Gold made an important price top in 2011 and 2012 and then crashed. Interest peaked out after gold went up for years and it was actually time to sell. Today the search interest in gold is a quarter what it was back then and as you can see has gone nowhere for the past few years.



So we know that interest in investing in gold is dead. No one cares about it at the moment. You don't hear people talking about it like you did with Bitcoin in December when you talk with friends and it is rarely mentioned on the financial channels. Now let me show you the price of gold so you can see what it did.

You can see that when interest in gold peaked back in 2012 it was actually a good time to sell it and right now gold is going sideways in a range with the $1350-$1360 zone as resistance and $1250-$1300 as support for almost two years. Really it's been held down under $1350-$1360 since 2014. This huge sideways action is very similar to the way Bitcoin went sideways before it exploded higher 2017. That giant Bitcoin rally actually began when Bitcoin prices went through $1,000 after that level held it down for years.

By the way silver prices tend to follow gold prices. Silver also made a big top in 2011 and crashed. And just like gold the Google search interest in silver peaked around the time it topped out and has now died to nothing as silver has been going sideways below $20 for years too.

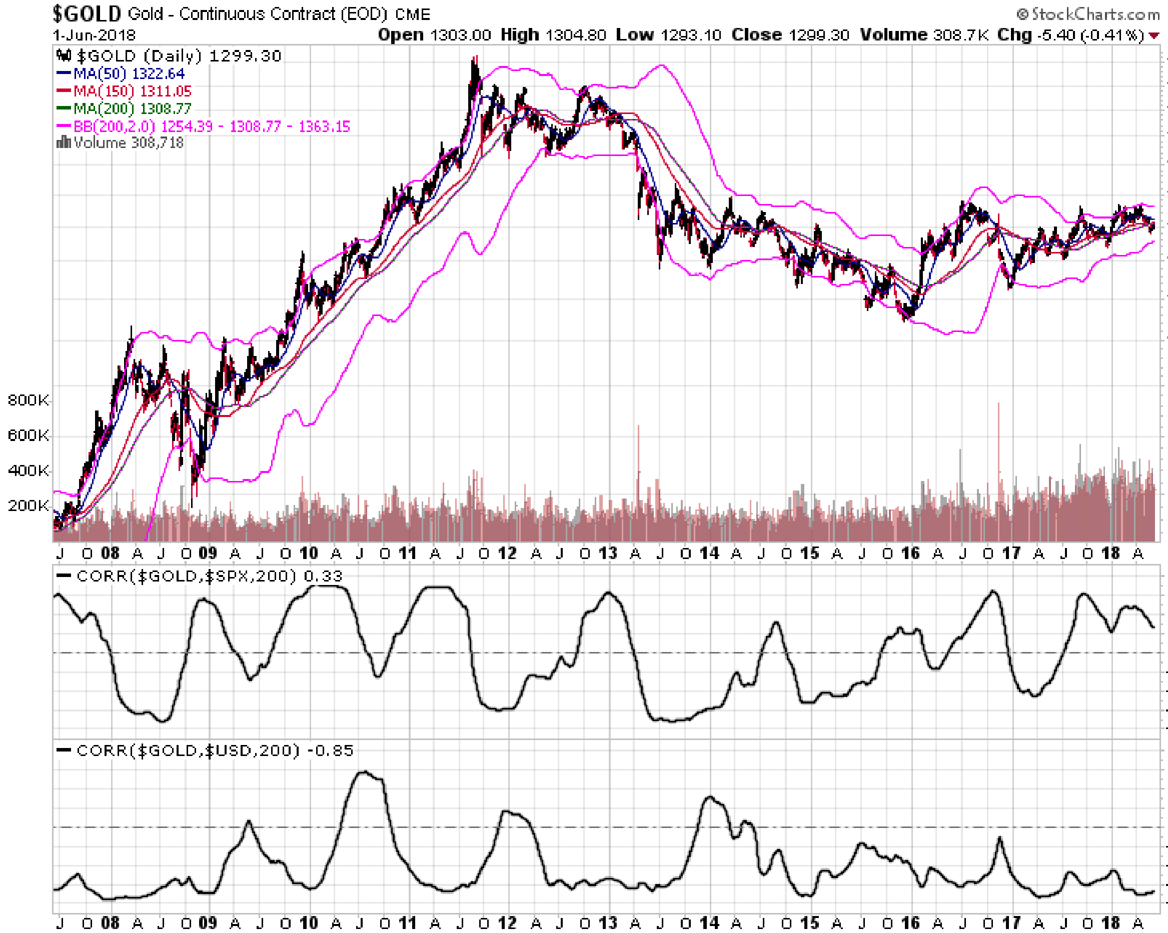


Ok so gold and silver for that matter are investment opportunities in a position much like Bitcoin was in before 2017 when only a few people talked about it and the masses didn't even know much about it.

But when it comes to precious metals like gold and silver we must apply our two questions to decide what to do with them. What are the downside risks and what is the potential upside potential?

When it comes to the downside risks we can answer that by looking at gold's relationship to the US dollar, because the two are closely tied together. Look at this chart and the correlation indicators on the bottom of the chart on the next page. The closer this indicator is to one the more something trades with something and the closer to negative one it is the more opposite they trade to one another.

Now take a look at this chart and you'll see what I mean.



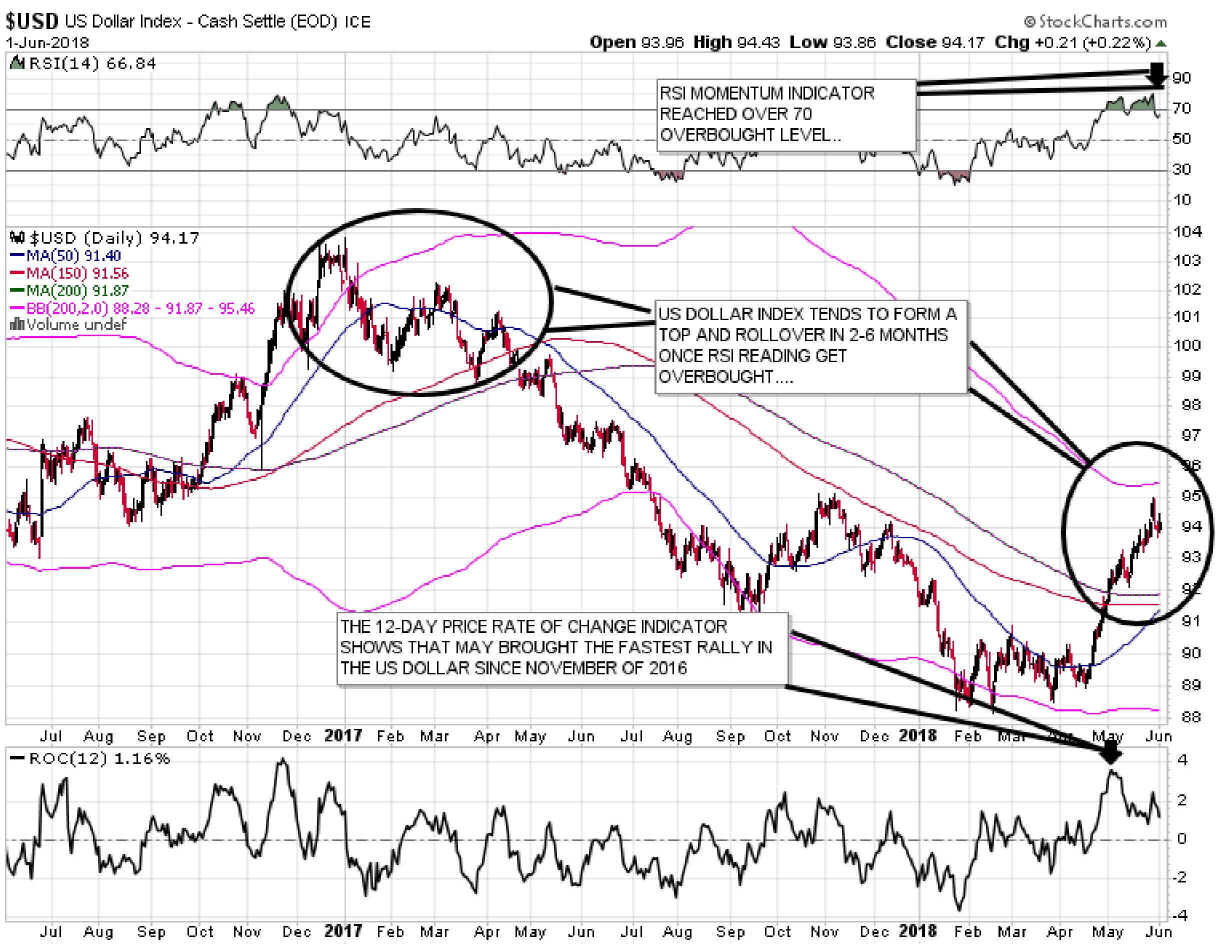
I'm using the 200-day average price for gold with the two bottom correlation indicators on this 20 year chart. The correlation with the price of gold and the S&P 500 is currently 0.33 and -0.85 for the US dollar. So gold is strongly negatively correlated with the US dollar, meaning that gold tends to trade opposite to the US dollar. One thing this chart shows is that the price of gold really has no consistent relationship to the US stock market, because the correlation indicator has spent an equal amount of time above zero and below zero. That's not true with the correlation indicator for gold and the US dollar. It only went above zero a few times in the past twenty years and when it got above it came right back down.

Now technical analysis charting uses price trend analysis to determine what is happening. The simplest analysis uses the 200-day moving average to determine whether something is in a bull or bear market. When it comes to the

US dollar it is in a bear market, because it has been below that 200-day moving average now for over a year. During bear markets you can get rallied back up to that moving average that then top out as the moving average acts as price resistance.

The US dollar is important to look at, because the biggest danger for gold prices is a strong rally in the US dollar. So you don't really want to invest in gold right before the US dollar is about to rally, but instead to do so after it has rallied and use that as a safe entry point.

What is good for gold now is that over the past eight weeks we have seen the fastest rally in the US dollar in years and while it happened gold barely fell at all and easily held above its $1250-$1300 support zone. Take a look at this chart of the US dollar index.



As you can see the US dollar had a big rally in May that took it above its 200-day moving average and now the US dollar is overbought in terms of its RSI price momentum indicator. It doesn't really matter if the dollar goes a point higher from here, because the bulk of this rally has already happened and gold has barely pulled back.

What this means is that when we ask the question "what are the risks for investing in gold?" we know that the risks are limited. I don't want to get too far in the weeds right now in order to save your time, but if you look at the gold futures market and the commitment of traders report we can find that gold commercials and hedgers have actually been closing out their short positions and even taking on some long positions in the past few months, which means that they are getting bullish on gold. This is huge, because when it comes to markets this is the big money that is the "smart money" and tends to be right. When it comes to silver the commercials and producers have even reduced their short position to the smallest it has been in decades just a few weeks ago.

So yes the downside risks in gold are minimal now if not nonexistent as the biggest threat to gold is a dollar rally and that already has happened.

So we must ask then what is the upside potential for gold? Gold right now is basically in the same position that Bitcoin was in back in 2016 before it went above $1,000 and just with Bitcoin back then is very little interest in getting into gold now.

Gold has been in this position before too so we can get an idea of what will happen when gold smashes through the $1350-$1360. When I first got into gold trading it was back in 2002 when the $300 level was acting as huge resistance for years. When it went through that it went up to over $1,000 an ounce by 2008 for a more than 300% gain in six years. Gold stocks tend to go more than gold does when it goes up so the HUI gold stock index went up over 1000% during that time. And then by 2011 gold pretty much doubled again by rising up to $1,900 an ounce.

Gold going through the $1350-$1360 won't just signal a rally for a few weeks, but for years that will lead to massive gains again as interest grows and the masses chase the rallies. If you want to get in a huge new trend before the masses do gold is your answer. And this is why I hold core positions in gold, silver, and mining stocks. I don't do this with all of my money, because if you do that when something is going sideways it's easy to lose patience and sell. But if you do with a nice core position that’s big enough to have an impact when it goes up, but not so big to make you worry you enter what is really a sweet spot for long-term investing by giving you the ability to buy something when no one else cares about it at all and be able to hold.