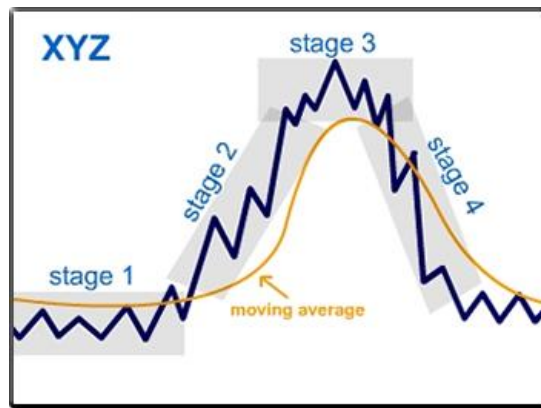




April 6, 2016

## What to Expect In a New Gold Bull Market– Mike Swanson



This is going to be a short monthly newsletter, because what I want to do with it is simply drive home to you three simple points about gold and the new bull market in gold that is only just starting.

As you know if you have been following me for awhile - I use simple stage analysis to figure out where we are in a market cycle and then look to align my investment positions accordingly. In a stage three topping market you should reduce your risk exposure in a financial market and in a stage four bear market you must really reduce your risk exposure and look to do some serious selling. And if you want to make money in a bear market you need to do so by betting against the market or junk stocks. If you play rallies in bear market you will only churn your money over and suffer.

Big trends in the market change when your account no longer does what it used to do during the good times. So from 2012 to 2014 people in the US stock market were making money almost every month as the market made new highs and kept going higher. But now they are making nothing, because the stock market has become dead money. Those that adjust can make money, but those that do not will just continue to get the same sort of results they have been getting for months in spades.

Gold though went into a stage three top that started in 2011 and then fell into a bear market at the end of 2012. It then began a stage one basing phase last July that ended in January. The moving average in the graphic above is of the 200-day moving average. In a bull market it acts as support and in a bear market it acts as resistance. During a basing phase a market will trade around it and finally break through and stay above it as the market begins a new bull market.



Gold did this in January and so did mining stocks. What happened in January is that they both went through their 200-day moving averages and continued to rally so fast and so hard that they went through their fall highs in what was the biggest rally in them both seen since 2012.

It was a bull market launch. But after such launches you typically see a big surge and then a pause or pullback that lasts for several weeks before another big move begins. That pause or pullback phase is exactly what we are in now for gold and mining stocks. When it ends and gold stocks close above their recent highs you can expect them to rocket up again.

Now there are three points I want to make about this, because they are so important for you to realize. The first one is very simple and that is that at the start of a bull market in anything almost no one believes it is a bull market. The reason why is that all of the people who are already invested have seen so many rallies in the past that have failed that they have a hard time believing that this one is going to be real. So they have a tough time putting more money into work and some are so scared that they actually sell.

And that sentiment trickles over into everyone else. So that without a core group of excited people in a market that are bullish no one else is bullish. Those that are not in gold simply have no idea then what is happening in it. CNBC does not talk about gold and neither does just about anyone else. Therefore the masses have no idea what is going on in regards to gold. They are not hearing anyone tell them that they need to sell some of their dead money stocks and buy gold and mining stocks.

The takeaway from this for you is that this situation is going to remain until gold and mining stocks succeed in breaking out again. This could happen in days or in a few weeks, but is likely to happen either this month or early next month.

Once this happens THEN people will start to believe in gold again. You will then see gold bugs start to come alive and add to their positions. Right now there are some crazy people who are trying to short gold or think they need to hedge gold positions, because they had done that in the past. These people will stop this misbehavior when they see the next rally erupt.

And you will get some people that are on the sidelines that begin to buy too. You see when people see the next breakout in gold and mining stocks come then they will start to believe and begin to buy again. This change in sentiment will fuel the next move higher in gold. And you now know that you must keep your eye on in regards to gold going forward so that you will know when this moment starts.

Now the second point I want to make with you is that when gold is in a bull market the mining stocks simply lead it. You see the mining stocks tend to go up more than gold in a gold bull market. When that bull market comes to an end though mining stocks start to lag and can often not even go up anymore even though the metals are going higher. That is what happened to them in 2012 when gold made a new high and silver practically doubled in a few months.

The mining stocks were unable to make new highs and rally big on that final move in the metals. They were flashing a big warning sign that something was changing in the big trend and some people understood that and did some big selling of their positions much as some people took action last summer ahead of the start of the stock market drops and wild swings that trick everyone into thinking the stock market is ok when it is simply dying.

In fact the mining stocks started to lag gold in 2011. You can see this in the chart below of the HUI mining stock index. Below it is the GDX:GLD ratio. GDX is a mining stock ETF. This ratio declined in 2011 and the years to follow, because mining stocks lagged gold.



But starting in January this ratio jumped up as many mining stocks rallied over 80% in the space of a few weeks. This was the biggest jump up in this ratio since 2009, which was the start of the last gold and mining stocks bull market.

This means that you can continue to expect the mining stocks to go up faster than gold and faster than anything else in the stock market while stock market bubble bulls sit there and spin their wheels month after month churning their money over.

So if you want to make money buying stocks buy mining stocks! It's as simple as that. Forget about Apple and other fad stocks of the past. Mining stocks is where the action is now.

And that leads me to the third point I want to make for you. Remember when I said in my first point that people have a hard time believing that this is the start of a real bull market in gold and mining stocks?

Well that is leading people to keep expecting a big correction in them. I have seen many gold experts and writers keep predicting one. But every week goes by and instead of a big drop gold and mining stocks simply trade sideways without any real pullback happening. The people who keep trying to bet against gold and the mining stocks by buying crazy ETF's like DUST (that's a 3X bear mining stock ETF) keep hurting themselves. They need to stop it for their own good.

Here is the thing. The third and final point I want to make is that in big bull markets once they get going often no real pullback comes for years. Think about how the US stock market went up in 2009 and from 2012 to 2014. It went up during those years without ever having a real pullback. Gold stocks did the same thing in their last two bull markets. Look at this chart and you can see what I mean for yourself.



You need to notice that gold and mining stocks actually went up big for months and often years on end without any real meaningful pullback at the start of their last two bull markets. Instead of having giant corrections they would just go sideways and then go up again.

And during both of those bull markets mining stocks went up tremendously as you can see. I don't want to talk about the percentage gains they made, because it would sound like I am trying to throw hype at you.

You do not need to get emotional about this. I just want you to look at these charts and to remember the three points I have made about gold and mining stocks. Then you can know what you can expect them to do going forward and you will know that you need to keep your eye on them in the coming weeks, because if they finish pausing here and break out they will likely go up for the rest of the year without any significant pullback at all just as they did at the start of their last two bull cycles.

I am short some junk stocks and am betting against the US stock market with a portion of my money. I am also long gold, commodities, and mining stocks with the bulk of it. This is it. When you hear people on CNBC say the only thing you can do is stay fully invested in the US stock market and pray that it will go up for real again you can just laugh and know that going forward real money is to be made in gold and mining stocks and there are real people of action doing just that.

If you missed it I did an interview the other week on Liberty Talk Radio about prudent investing in these wild markets. I shared my money management ideas and forecasts for the markets. You can watch it here. You'll also see a more short-term update on gold under the interview:

<http://wallstreetwindow.com/node/12813>

If someone has passed this newsletter on to you via email you can subscribe to it for free by going here:

<http://www.wallstreetwindow.com/node/12643>