

Ira Epstein's Gold Report



6-18-2015

Gold

If I were a “gold bug” I’d be asking myself why hasn’t shot up given what’s going on with Greece. Gold has not and is NOT doing what’s been expected of it by Gold bulls, especially given the importance of the Greek debt event. To my amazement, what’s been supporting gold is the break in the value of the US Dollar Index, not Greece.

Greece reminds me of a movie which a car full of people sits on a railroad track waiting to be hit by a train. As the train comes into focus, you see people in the car simply sit, with little reaction, not trying to get of the car. We don’t know if anyone will come out alive, but we know a crash is about to unfold. At the last minute....well there’s the hook, the screen does dark and we don’t know what happened.

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The Federal Reserve leaves interest rates unchanged and offers no clear time frame as to when a hike is coming.

Fed bias is to start raising interest rates, but when is the big question.

Greece is running out of cash and is defiant as ever concerning terms offered them by their creditors

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Regardless of what eventually takes place, there's no getting away from the fact that gold has not rallied significantly into the current lead up to tomorrow's Eurogroup meeting. Gold got a bounce today after yesterday's move by the US Fed to leave interest rates as they are, which still leaves open the question of when the Fed will move to begin a series of interest rate hikes.

Greece's creditors have been preparing for the possibility of a Greece default. May don't realize that Greece's major creditors are not private once but rather government entities at this moment. ON Monday I woke to watch Bloomberg at 4:00 AM CDT. The interview centered on what to do if Greece defaults. The responses were unanimous from those being interviewed. They said you buy the break in stock indices in Europe, assuming one occurs. Analysts I'm watching both here in the US and in Europe believe the end result, regardless of what occurs with Greece, is a buying opportunity in stock markets.

I don't see any analysts talking up gold, which leaves me wondering what happens if a last minute deal is struck between Greece and its creditors. If default doesn't bring in buyers of gold, resolution will likely drive gold prices down. There are rumors circulating today via German newspaper report that Greece's creditors **without the IMF**, are about to offer an aid package to Greece through year end.

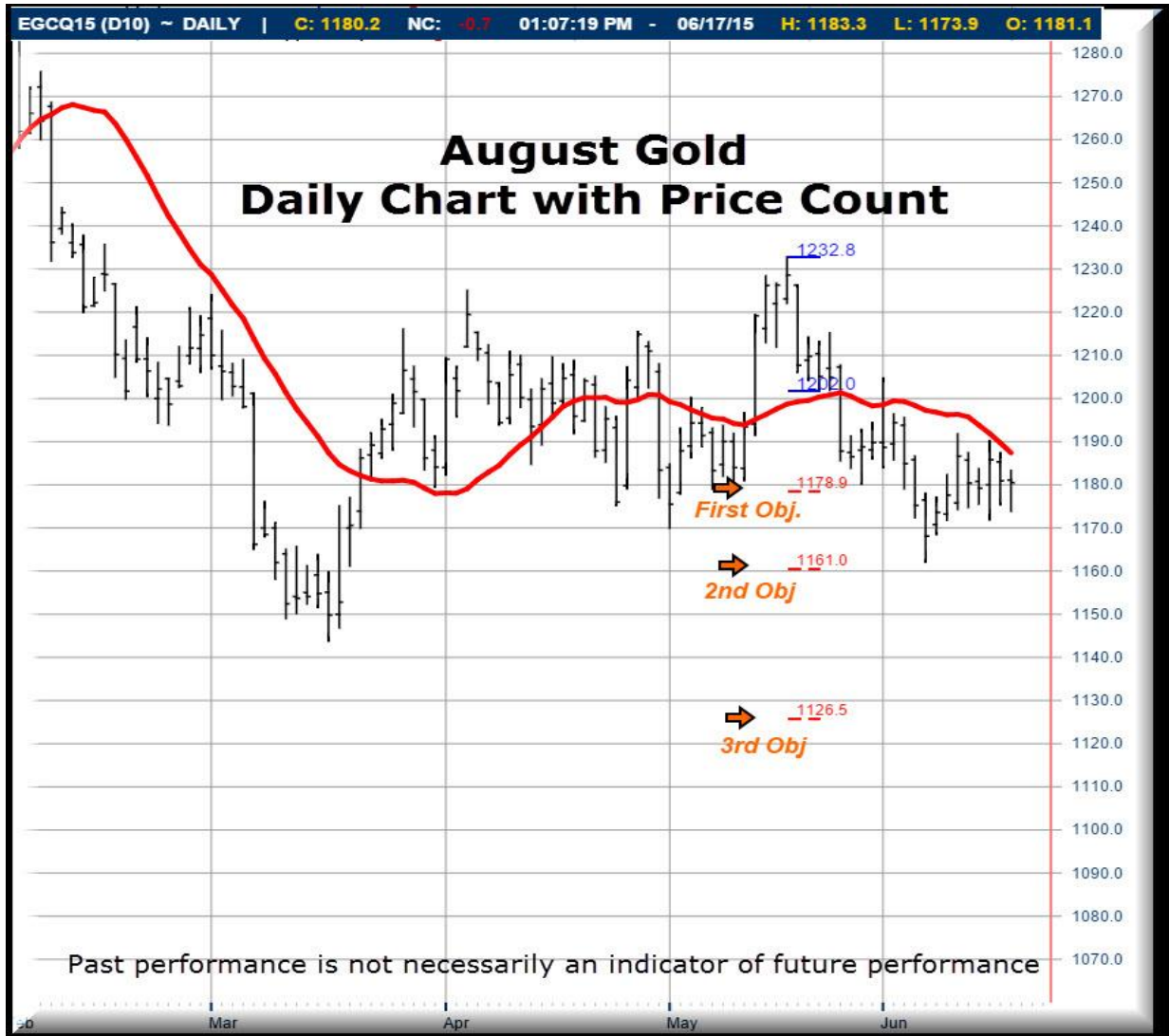
Seasonal Chart



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In my last Gold Report I showed the identical seasonal gold chart below I'm presenting here once again. I said then and am saying now that in terms of seasonality, June doesn't present any quantitative based buy or sell dates that have produced seasonal reliability according to research done by the foremost firm that produces such seasonal studies, [Moore Research Center, Inc.](#)

Gold Price Count



The Price Count Study is a technical indicator. What it tries to do is project the distance of a move in price. The counts are not intended to be an "exact science" but rather offer a target are for various

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based objectives based off the first leg of a price move. It's best used in conjunction with other technical tools as Price Counts offer yet another way to help manage positions and objectives. The Price Count Study has been honed and modified over decades of technical experience. We send these charts out daily to our clientele. You can sign up to receive them and to use our charting software to plot out ones on your own. To do so, simply [click here](#).

The Price Count's was setup with the spike down move from 1232.8 down to 1202.0. This put in place initial downside objectives of 1178.9, 1161.0 and 1126.5.

The initial setup of a Downside Price Count sets in place downside objectives. The first downside objective was 1178.9, which was hit and exceeded. The second objective 1161 was approached on June 5th when prices hit 1162.1. This was close enough for me to consider this objective reached. Yes, the exact target is 1161 but anything very close to it satisfies how I use Price Count Objectives. This does not mean prices can't go down there again. The clearly can, but the idea behind Price Counts are objective zones and two of the initial three downside objective zones having been met. The most interesting of the group is the third one as it's rare to hit the fourth one let alone a fifth. While I am not showing those on the chart, I will in upcoming reports if the third Price Count Objective Zone of 1126.5 were to be hit.

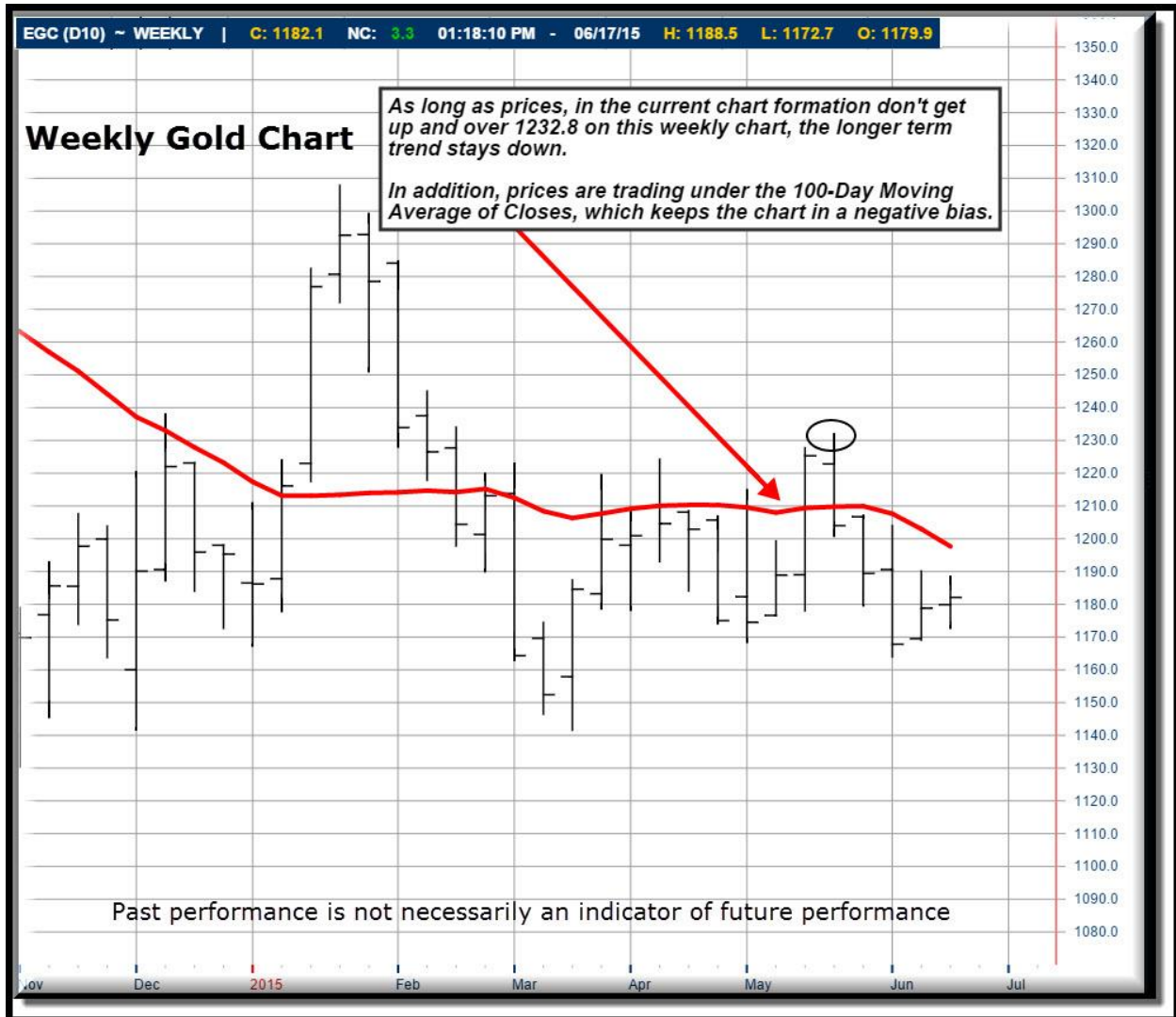
You might ask what negates a Price Count. Simply put, for those of you who follow my Swingline Study, it's when a previous high is taken out. For those that don't understand Swinglines or haven't studied them I recommend you do so as the concept of Swinglines is trend and risk associated with trend. Downtrends are made up of lower highs and lower lows. When this pattern is broken, the chart pattern is no longer in a Downtrend. Same concept can be applied to Price Counts but keep in mind, Price Counts don't determine trend, they determine possible price objectives which Swinglines don't do.

Therefore, I've learned that combining the two to be useful as they complement each other, offering a path of understanding on trend and price objectives within a trend.

So in getting back to gold prices, until the Swingline study gets out of its downtrend pattern, the lower Price Count Objectives are in play. Notice here that no upside targets are in play since the trend is down as seen on the Weekly and Daily Charts.

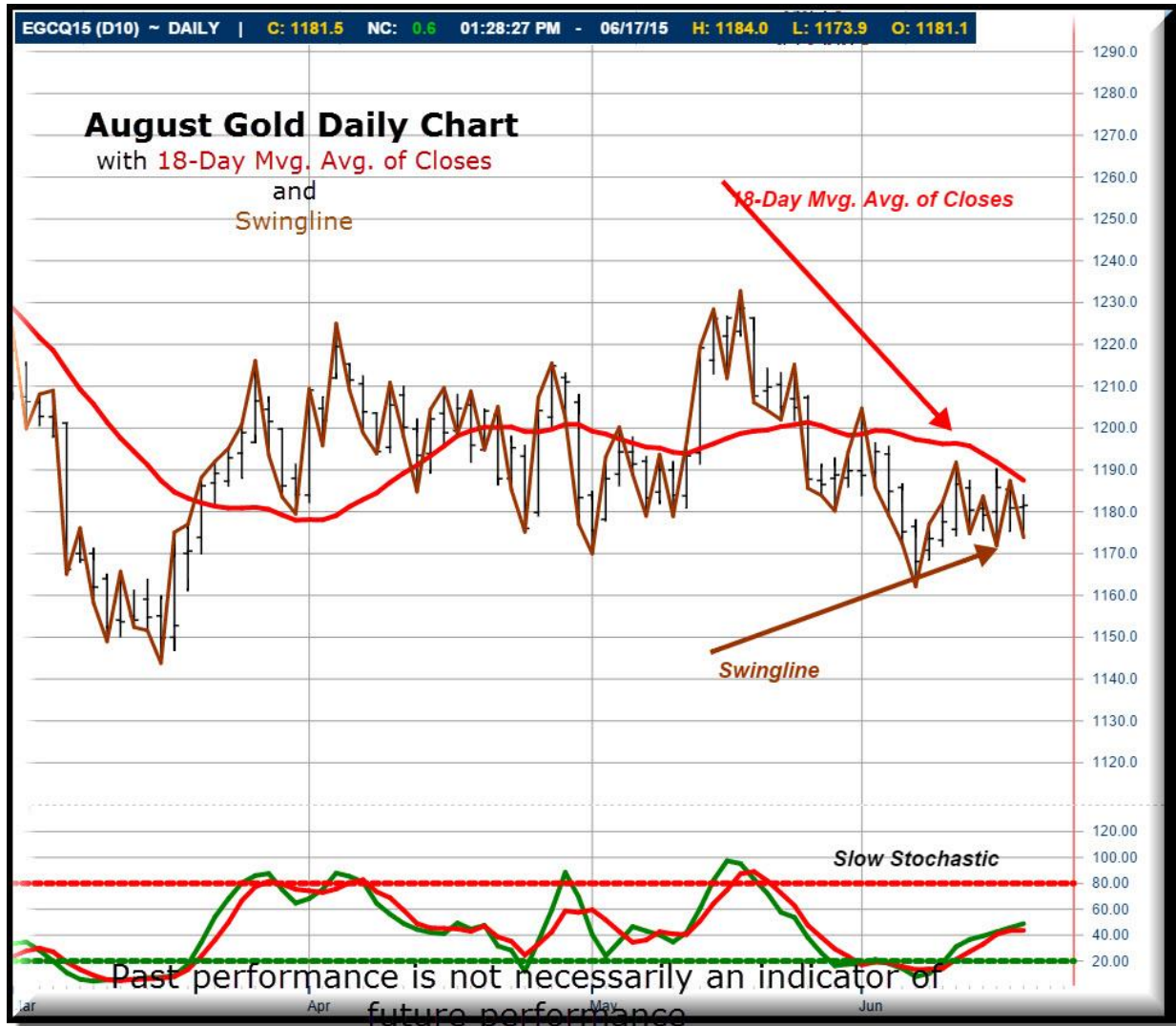
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Weekly Gold Chart



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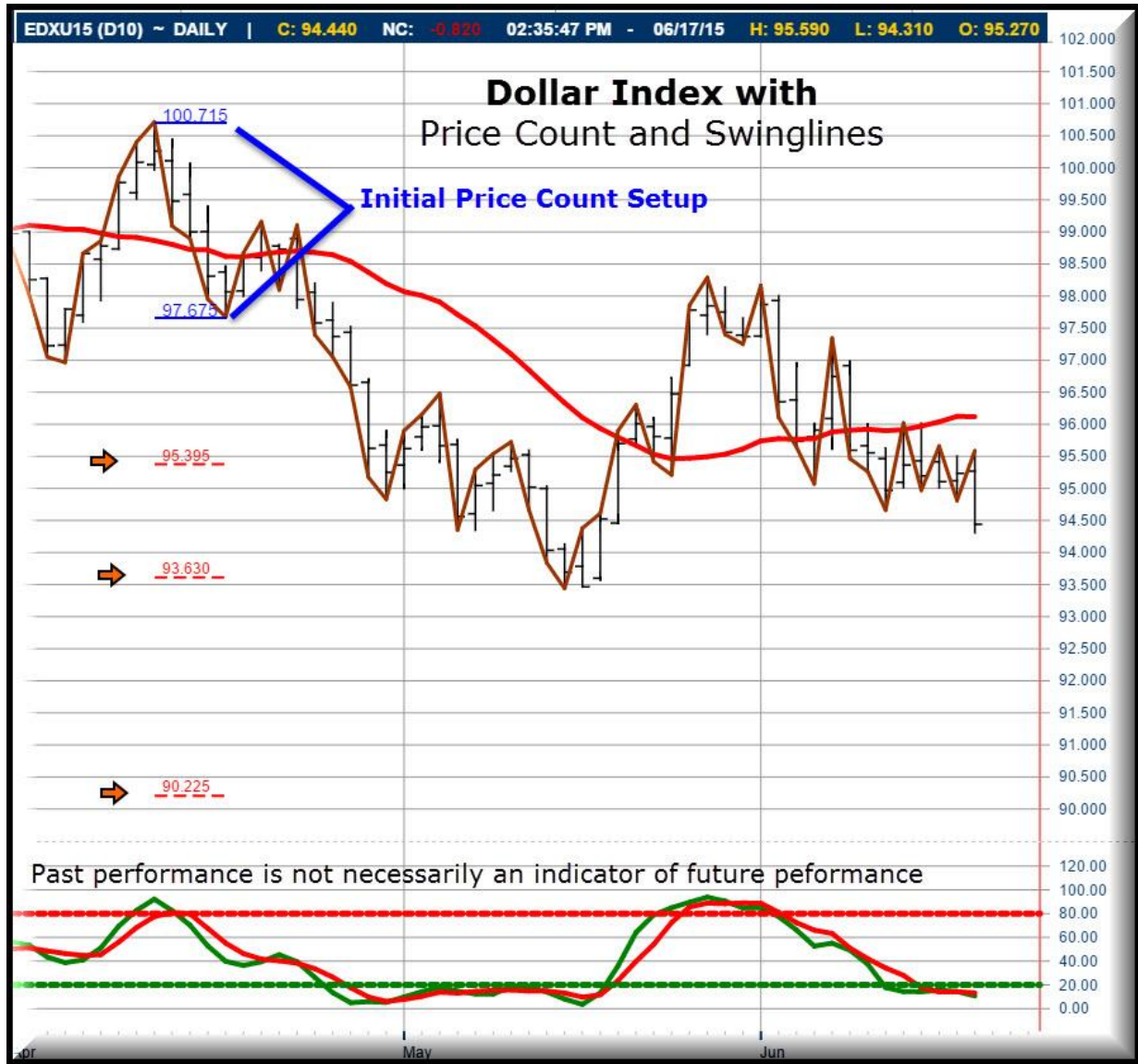
Daily Gold Chart



Today's rally in gold took out the recent highs in Gold and has the market trading over the 18-Day Moving Average of Closes. This negates the short term downtrend, but leaves in place the longer term one. Whether the market knocks that one out remains to be seen, but for the time being, bearish positions should be closed out.

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US Dollar Index Chart



The one item I have not covered in detail in a while, the one which impacts gold in a very direct manner is the value of US Dollar Index. Yesterday's FOMC Meeting left open the timing of the first increase in US interest rates by the Federal Reserve, which drove the Dollar lower.

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I've been writing in my Daily Updates that the Fed would NOT offer a time frame in yesterday's meeting nor in its press conference. There are simply too many unknowns at this time including the pace of US job creation, lack of strong wage inflation, lack of strong price inflation, a very uncertain international scene with Greece on the immediate check list and requests by the IMF and World Bank to hold interest rates until 2016.

The Fed said that deflationary pressures are decreasing, which in large part is due to crude oil prices rising from the time of the last Fed meeting. However, expecting inflation off of energy prices is not likely anytime soon due to supply overhangs which is anything, will likely take inflation down if prices fall from current levels.

US jobs market data has certainly improved due in part to a number of large US companies and some states increase their minimum wages now. Others have passed policies to change them shortly. Wage inflation will be coming, but its not marching forward now.

In summary, the conditions for a rate hike now are clearly not at hand nor is there any certainty when. It could be later this year or early next year, depending on the economic data.

Gold got support today off the declining Dollar. If the Fed is not raising rates at this time, that's supportive gold. When the Dollar Index comes out of its current downtrend, it's likely the Eurocurrency will be headed lower. That will have a bearish influence on gold unless inflation is part of the reason for the rally in gold, which at this time its not..

The Dollar continues to be the most supportive element supporting gold now. I know that sounds crazy, but as you'll see on the chart below the Dollar Index is in a downtrend and could surprise on how low it goes. When it turns up, the last important gold prop in today's gold environment will be removed and gold will likely accelerate to the downside. We're not at that point yet, which is why gold is trendless right now

Conclusion

Wondering why gold hasn't rallied given Greece's supposedly dire situation? Could it be that the marketplace realizes that while Greece's situation is bad for Greece, the contagion from it will be limited? Could it be that Eurozone and those using the Eurocurrency would be better off not giving more aid to Greece?

Is it possible that gold isn't getting an even stronger bid because of the likelihood that the Fed is going to embark on raising interest rates soon and that traders expect that when this occurs it will drive the US Dollar higher? My best guess is that this is it, but the timing of this isn't now given the strength being

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seen in the Eurocurrency today. I know you'll be saying what strength but the simple fact is that after the Eurocurrency broke down to the 1.04 level this year, it spent a considerable amount of time rallying backup towards 1.14 even with all the Greek fears we wake up to on a daily basis.

At the end of last year, the US Dollar was soaring against the Eurocurrency. Early this year, the Dollar continued to rally especially when German interest rates got down to .05% but once German rates started climbing, the Eurocurrency started to rally. Since that time, gold hasn't gone anywhere on a meaningful basis to the upside or downside.

We saw the impact of strong Dollar in US first quarter economic data. Yes, that data also took into account bad winter weather and a port strike, but don't forget all the corporations that were telling us the problems they were facing with the super strong Dollar impacting their bottom line. The odds as seen today seem to favor the US Fed raising interest rates later this year or early next while the European Central Bank tries to keep interest rates and the Eurocurrency down. Assuming in the end this is what happens, that would not be a gold friendly environment.

I think it also important to touch on Iran. If a nuclear deal pact is struck, Iran will sooner rather than later begin exporting its oil. Without other exporters cutting back on oil exports, the market will see energy prices capped. Yes capped in the short term as more supply won't lead to more demand in the current world environment.

Don't lose sight that Europe is struggling to stabilize Eurozone economies, which at best with the exception of Germany remain fragile while China is seeing its economy slow down. Yes China is still growing, but not at a double digit pace. There's only so much oil China can buy or will barter for. After a while, too much supply is too much supply. My point here is that while inflation numbers due to \$45 oil prices have climbed, there's a limit to this inflation since lower oil prices are here to stay once Iran gets back to exporting and Iraq kicks up its exports.

Where this leaves me is bearish, looking for a challenge of the third Price Count Objective, 1126.

Price Count Offer

If you haven't had the opportunity to obtain our Price Count write up, please [click here and include your name, mailing address and phone number](#). We'll get this out to you and can also set you up for a Free Trial to Market Center where you can apply the study. Our staff will even setup a Join.Me Meeting to teach you how to apply and use the study in Market Center.

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