Ira Epstein's Gold Report

6-29-2015

Greek is about to default on its payment to the IMF due tomorrow.

In a surprise move, Greece decides to put the creditors offer to Greece up for a vote by the populace

China cuts interest rates for the fourth time since November

World stock markets plunge today.

6-29-2015

Gold

What if:

- Greece does not reach a deal with its creditors
- Greece misses a June 30th payment to the IMF
- Greece's financial rescue package was cut off
- Greek called a referendum vote for July 5th that might result in it leaving the Eurozone
- Greece closed all of its banks for 6-days
- Greece declared capital controls as Cyprus did
- China lowered its reserve requirements…again

- China lowered its interest rates for the fourth time since November
- South African workers want at least a 20% pay increase now and are readying themselves to go strike

If I had asked you two or so weeks ago these "what ifs" you'd have likely said gold would be soaring. So would I but that's not what's occurring.

Instead, gold is barely moving at all, barely able to hold rallies off of shocks due to Greece's surprise moves and counter moves by the European Central Bank and the IMF Fund.

When traditionally bullish shocks don't move gold higher, gold is telling you a story. The story however is unfolding, as no one knows what this game of poker's outcome will be.

Clearly, Greece's Prime Minister is playing a political game. One that will cement his future as either being one of Greece's shortest Prime Minister or one that cements is future as Greece's savior.

By calling the referendum vote, depending on what the voting ballot says, he transfers the fallout of the vote's outcome to the populace. Not a bad move political move from my perspective. No matter the vote's outcome, we don't know how the creditors will react. On one hand, a no vote win says the creditors have pushed the populace too far and that compromise might still get a deal done. A yes vote outcome means a deal could still take place.

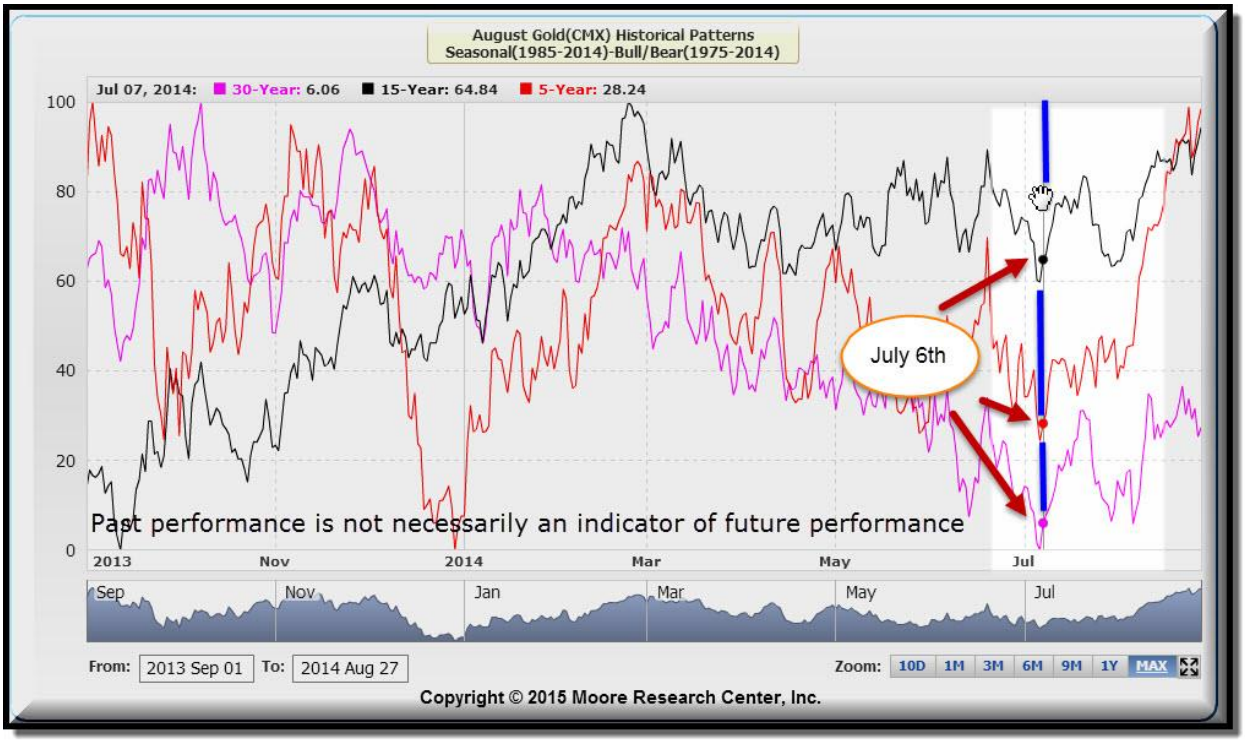
You may not agree with this analysis, but it appears the currency market does as the Eurocurrency came roaring back today to close higher after being down a couple of cents overnight. The US Dollar finished the day lower. This is not the type of action associated with a meltdown of the Eurozone.

Gold benefited from the lower US Dollar and safe haven play it provides.

Regular readers of my report know I have had a bearish outlook on gold prices for a long time. That bias has been correct in that prices have worked lower, not higher most of this year. The high for gold this year has been 1303.50 while the low has been 1144.3. As I am writing this report, prices are trading at 1177.8 providing those who've been bearish with the upper hand.

Seasonally speaking, the second part of the year often sees a shift in sentiment towards gold.

Seasonal Chart



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In looking at the Seasonal Chart of Gold produced by [Moore Research Center, Inc](), gold often bottoms out the week of July 6th and has a definitive upside bias into year end. It's interesting in that the Greek referendum vote takes place on July 5th. If the gold market shoots higher, that would fit in nicely with gold's past performance.

On a historical basis, one that encompasses 30- year, 15-year and 5-year periods, gold has shown a bullish bias. History is not a guide to the future, but it is a tool when looking for bias to one side of the market or another. If gold's bias were to be down, it might come in wave shown later in July or August, after the July 6th time frame.

Do not buy gold based on the above charts alone. If you are a buyer however, the current time frame has from a historical point of view proven itself to be one where prices often move higher from.

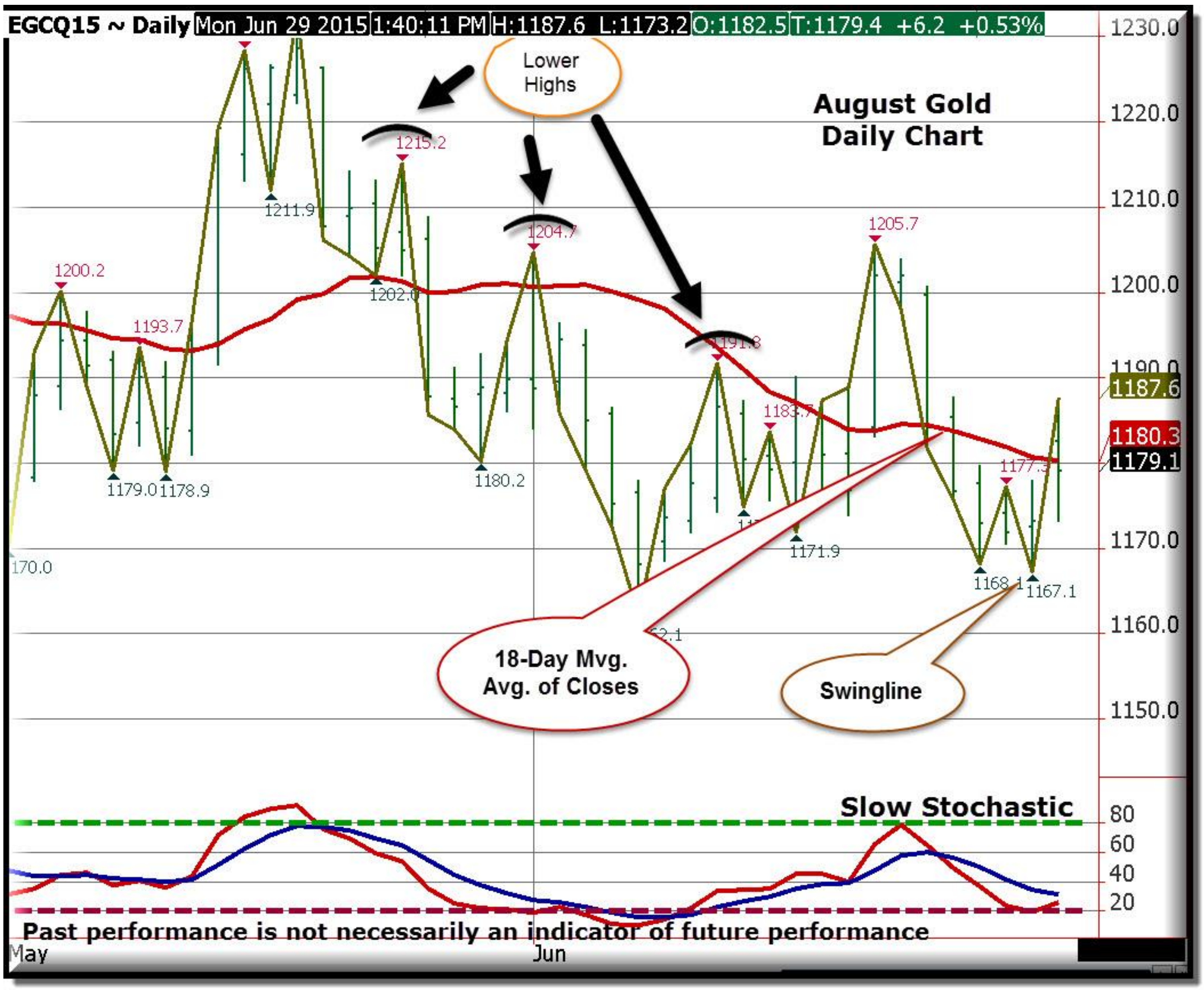
Weekly Gold Chart

Assuming nothing else was to occur right now, if gold were to move higher and take out 1203.1, the Weekly Charts' bias would turn up and I would likely issue a longer-term buy signal. Why you ask. Here's why. The two most recent lows have a pattern of the current one, 1170.5 being higher than the previous one, 1169.1. The highs are not setup this way. 1203.1 is not higher than the immediate preceding high of 1204. Therefore, if 1203.1 were to be hit, the chart pattern would revert to one of higher highs and higher lows, a key part of being called an "uptrend".

In addition, in order to get through 1203.1, prices would be over the 18-Week Moving Average of Closes. The second element I require to call a trend up.

Last, I consider any reading under 30 in Slow Stochastics as being in oversold territory. Therefore, the market would be likely caught off balance if prices were to move over 1203.1 and cause momentum to shift upward. This would add to the bullishness.

Daily Gold Chart



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Take notice where the market is fighting. The fight for direction is taking place against the 18-Day Moving Average of Closes, labeled and shown on the above chart in "red".

The Swingline Study is being shown in brown. What the Swingline Study does is it defines trend and risk associated with trend.

I define an uptrend as a pattern of higher highs and higher lowers. Plural in both cases.

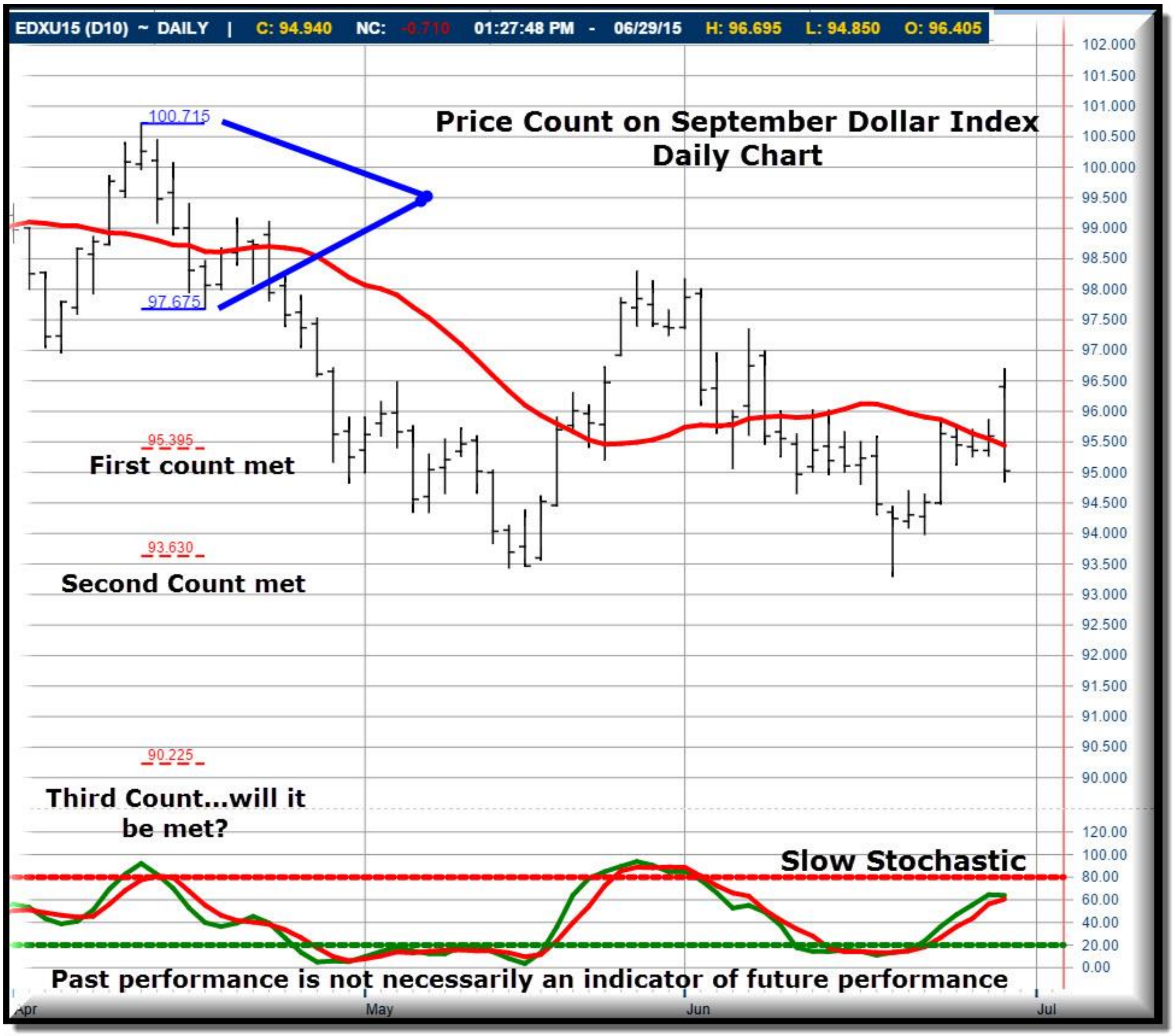
I define a downtrend as a pattern of lower highs and lower lows, again in plural. In the chart above I use a black arc to show the lower highs. Once the patter is broken, you either have no trend or move to an uptrend.

I define no trend as a pattern of a lower high and higher low or higher high and lower low. In other words, there's no plurality of lows and highs moving in step together.

Risk is the number at which an uptrend or downtrend pattern is broken. In the case of a downtrend, it would be a high over a recent high and in the case of an uptrend; it would be a low under the most recent low. No trend doesn't matter as there's no risk as the market is not trending.

The current chart patter on the Daily Chart is one of no trend. As you can see you have a lower low and a higher high. Resistance showed up at the 18-Day Moving Average of Closes and the momentum index, the Slow Stochastic Study is in oversold territory. I consider a reading under 30 as being oversold, which this one is.

US Dollar Index Chart



Another item to be considered is the Price Count Study as far as the Dollar Index goes.

There have been two short term Price Counts which my subscribers should have received from me recently that have been either met or negated. The most recent was a count to the upside, which unless 94.00 is taken out could be argued to still be in play. According to this study's founder, the Downside Count is the one he considers in play because the orginal right hand correction has never been exceed and the third count has not been met.

Assuming his count were to be met, it means the Dollar Index has a way's to move lower, down to potentially 90.25. If that were to occur, the gold would likely get a bid off a pretty substantial drop in the value of the Dollar Index.

Knowing what I do today, the only way I see the Dollar falling that far means no interest rates increases in the US in the near term, bad US economic data, including the upcoming jobs data, a positive outcome to Greece's situation and so on.

Conclusion

In my last report I wrote that the "third" Price Count of gold called for a move down towards the 1126 price level.

Since I wrote that report, prices did decline and hit the first downside target, but no other downside targets have been hit.

I admit to confusion about the rally today in the Eurocurrency. When it opened last night and dropped sharply off the surprise decision by the Greek government to have a referendum vote on July 5th to accept or reject the troika's credit terms, the last think I expected to see what a turn a turn around rally in the Eurocurrency and sharp drop in the US Dollar.

There are a myriad of possible reasons for the turnaround in the Eurocurrency. Is it because without Greece the Eurocurrency will do better? Could it be that with a vote the result will result in an outccome that leads to a compromise between Greece and the troika? I have no idea. Nor do I understand why US stocks sank as much as they did given we have limited exposure if any to Greece.

China's dilema continues with contraction of its economy. China has seen a burst in its stock market bubble that has resulted in a break of 23% off the peak, but that still leaves key indices there up 27% for the year. Don't count China out just yet. They have plenty of options remaining to grow their economy, but the one thing you can count on in the near term is that with their slowdown, they won't be a driver of inflation in world terms. That's another blow to gold pricing.

In summary, the downtrend argument was shaken a bit today, but remains in place until 1203.1 is taken out. Without a rally to that level, prices will likely stay rangebound.

Bias will turn up according to seasonal chart starting next week. If you're looking to buy, wait for the 1203.1 price level to first be penetrated. Without that, there's not much to do just yet

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Price Count Offer

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You can call us at 1-866 973 2077 or simply click here and include the information in the e-mail message. Be sure to include your phone number in the e-mail as we need it to setup your Free Trial to Market Center.