

Is there a Reverse Trend for Gold and Silver Stocks Yet?

Precious metals mining stocks may not look too encouraging recently – with mostly declines in 2013 and lack of any spectacular rally. But other influential markets suggest that the situation is likely to change in the near future – the underlying metals seem poised to rally, the general stock market is rallying and the dollar is in a long-term downtrend. It is still hard to answer the title question, however, as the above factors do not give any crystal-clear signals. Let us then move on to the technical part of today’s essay to see if the charts can tell us more – we’ll begin with the analysis of the junior gold and silver stocks (charts courtesy by <http://stockcharts.com>.)



In the Toronto Stock Exchange Venture Index (which is a proxy for the junior miners as so many of them are included in it), the Junior’s sector did not do much this week as sideways trading was seen and price levels are now close to the declining resistance line. No significant breakout has been seen yet, but one is likely once additional strength is seen in the precious metals. This will probably lead to a continuation of the rally, and little else needs to be said. We expect prices to move to the upside here as well.

Let us have a look at gold senior miners now, with GDX ETF serving as a proxy.



In this week's GDX ETF chart, not much has changed on a medium-term basis. A short-term rally was seen on Thursday but with accompanying low volume levels, it is unclear if this is a bullish sign or not. In the previous similar case when mining stocks were heavily oversold on a short-term basis after a big decline and after a bottom following a huge decline, low volume seen during the rallies which followed was not necessarily bearish. Higher prices continued and a big rally was seen to follow as well. Note that it did not happen immediately – one more move to the previous low was seen – maybe this is what we saw on Monday.