

BUFFET AND ETFS AND GOLD

By Daryl Guppy

Warren Buffett in his CNBC interview reminded viewers that he is a fan of letting money take the easiest job possible. "I mentioned in the past that when I die, I told my wife, 90 percent of her and trustee (sic)... have it in an index fund. It will do better than what they will get if they go to professionals."

There you have it. Buffet has finally discovered the benefits of ETFs. These are investment and trading benefits that we have written about since 2004. Trading generates the new capital, but its long term market exposure, via an ETF, that generates on going consistent income. Using ETFs mean you enjoy the benefits of survivor bias in the market.

Gold is also a longer term bullish investment if you believe the future is filled with growing uncertainty or inflation. Gold faces the headwinds of a higher US dollar which is generally bearish for gold. However this offers accumulation opportunities for those who want to build the inflation hedge.



The rebound rally in gold was well established with a move above \$1220 and now a pullback that is testing \$1220 as a support level. A successful retest sets the upside target near \$1290 with a longer term target near \$1350.

On a broad analysis level its clear that gold snapped the multi- year downtrend in 2016 February with a breakout above \$1170. The eight month uptrend was broken with a sustained retreat starting 2016 October taking gold to a low of \$1127 following the election to President Trump. However this soon turned to an exuberant rally that has carried gold back to near \$1220.

This rally, retreat and rally behavior is not generally associated with a stable investment instrument but gold buy investors thrive on hope. Gold faces two

resistance barriers which must be overcome if any uptrend is to develop into a sustainable long term uptrend.

The first barrier is near \$1290. This is the lower edge of a long term trading band that essentially capped gold price bullish pressure from 2013 October. The upper edge of this trading band is near \$1350.

In 2016 July gold did move above this resistance level of \$1350 but it was unable to develop a sustained up move. The \$1350 level is the critical level for any long term sustained uptrend. A breakout above this level can move quickly towards \$1580 which is the next long term historical resistance target.

Traders focus on the nearby upside targets of \$1290 and \$1350. Any new downtrend retreat reaction away from these levels has a weak support target near \$1180.



We use the AXI instrument XAUUSD to trade gold using ANTSSYS methodology. Gold provides short term trading opportunities until the longer term trend is confirmed.