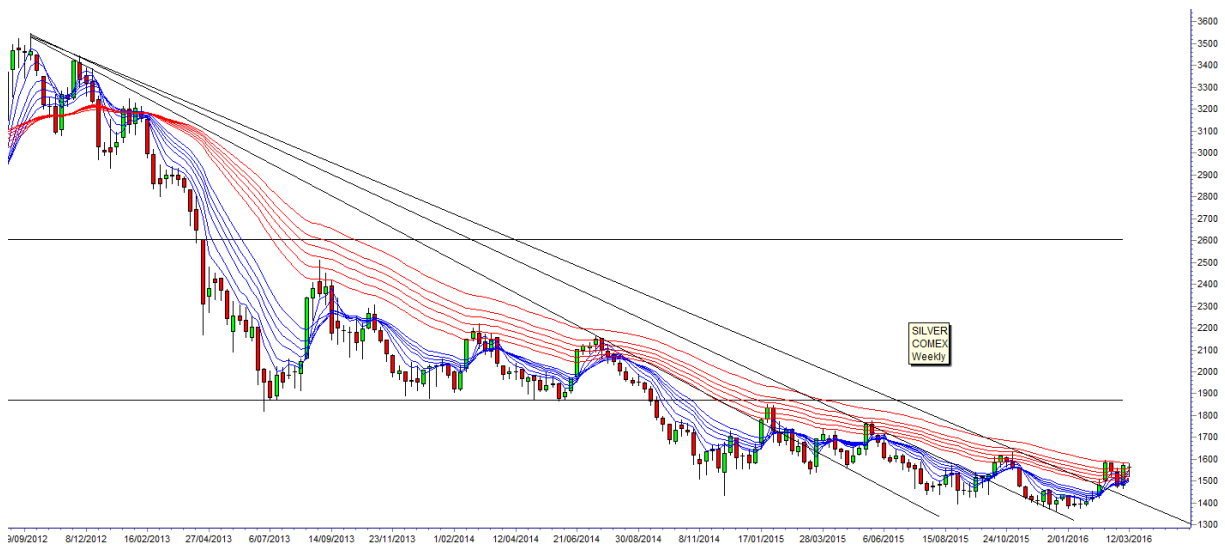


SILVER GIVES UP THE LEAD

By Daryl Guppy

There was a simple and profitable trade from early 2013 until recently. Traders watched the behaviour of silver and then executed the trade in gold because silver price behaviour led the gold price behaviour by around 5 to 10 days. It was a profitable trading strategy.

And now this trade strategy has failed. The price relationships on the gold price chart look similar to the price relationships on the silver chart. Traders are asking if the smart trade is to now look at gold, and then execute in the silver market. If this reasoning is correct then the silver price should be poised to replicate the strong breakout we have seen with the gold price.



The most important similarity is the fan trend line pattern on both charts. The silver chart has three fan trend lines vs the 5 fan trend lines on the gold chart. The fan pattern in silver is not as strong.

The second similarity is the relationship with the Guppy Multiple Moving Average indicator. The long term GMMA group of averages is beginning to compress and this is an early indication of a sustainable trend change. We also see a similar pattern of test and retest as the short term group attempts to move above the upper edge of the longer term group of averages.

The first resistance level is near \$18.70. A move from current levels gives a 26% trade profit. This is better than the 16% from the similar breakout in gold.

The similarity in the patterns on the two charts sets up the silver trade to follow the behaviour of the breakout in the gold price. Now the simple trade is to watch gold and execute the trade on the same price move in silver as the silver price follows the lead set by gold.