

TRADE SILVER FOR LEVERAGE

By Daryl Guppy

The gold price has moved up 25% in 2016. The surge in the silver price is up 46% in 2016. Early in 2016 the silver price behaviour stopped leading the gold price behaviour. Silver reverted to its previous behaviour of following the gold behaviour but it has remained a very profitable trade.

Silver has an upside target of \$26.00. That's 30% from the current price near \$20.00. Gold has an upside target near \$1580, which gives a 16% gain from the current price near \$1360.

Silver is slower to move but it has more room to move and this delivers better profits. In 2016 March we suggested the smart trade was to look at gold, and then execute the trade in the silver market. It has been a good trade with silver replicating the strong breakout in the gold price.

The silver chart has three fan trend lines compared with the 5 fan trend lines on the gold chart. The fan pattern in silver is not as strong but the breakout gathers extra strength because it follows the gold price. Note the silver price is shown in cents.

The Guppy Multiple Moving Average indicator confirms the strength of the silver price breakout. The long term GMMA group of averages has compressed and has turned up. This is a slow and steady pattern and it is typical of a strong and sustainable trend breakout. The short term group of moving averages has moved decisively above the long term group. The short term group is well separated showing strong support from traders.



The first resistance level is near \$18.70. This has been decisively broken. The price is now testing the weak resistance level near \$21.00. A breakout above this level has a long term target near \$26.00.

The similarity in the patterns on the gold and silver charts means the silver price follow the behaviour of the gold price. The best trade is to watch gold and execute the trade on the same price move in silver.