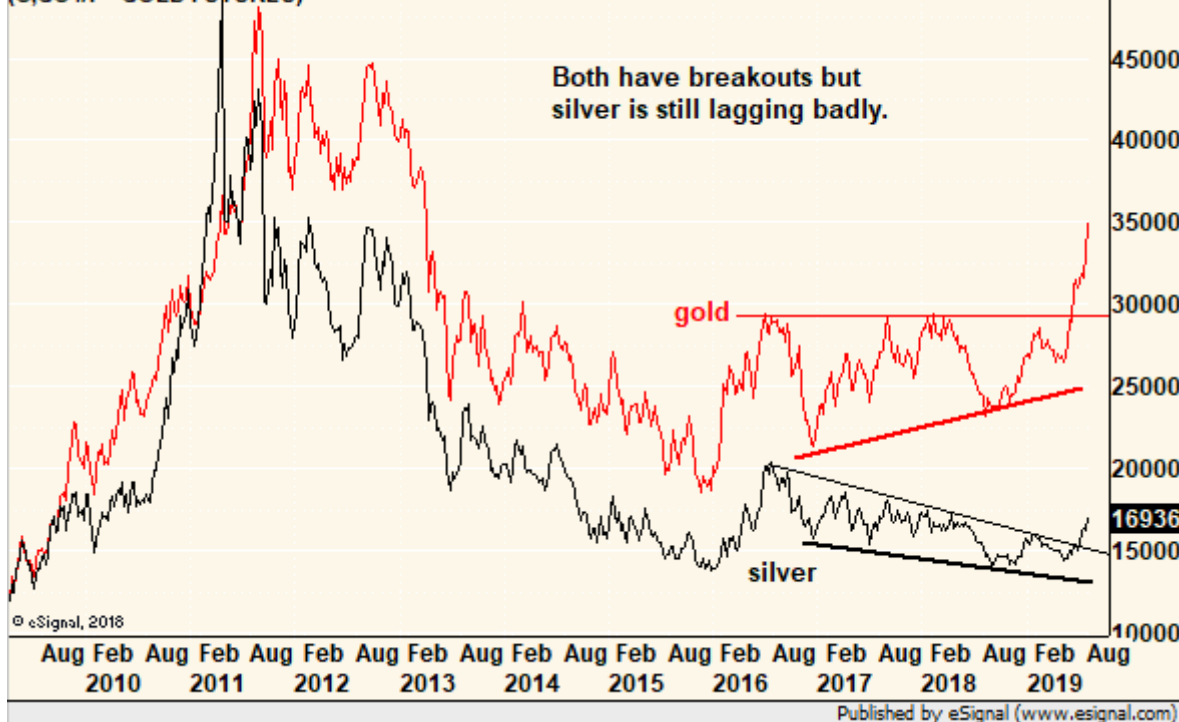


The recent breakout in gold got a lot of people excited. How many mummified gold bugs were reanimated, saying, "See, I told you all of that money printing was going to push prices higher!?" Thanks, 49er, that's not why gold is rising. Rather than obsess over the why's and whatnot, let's take a slightly deeper dive into what is happening. From there, we can draw some conclusions and from what I see, the rest of the year may not be so kind for the economy and for stocks. I've posted charts of gold already so let's just stipulate that the yellow metal broke out from six-year base in June. It immediately fell into a new trading range before breaking out again this past week. Was it China's move to devalue? Probably. But again, the why is not my thing. All I know is that

(C,SI #F - SILVER FUTURES,W) Dynamic,0:00-24:00  
 (C,GC #F - GOLD FUTURES)



sense that the  
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As you can

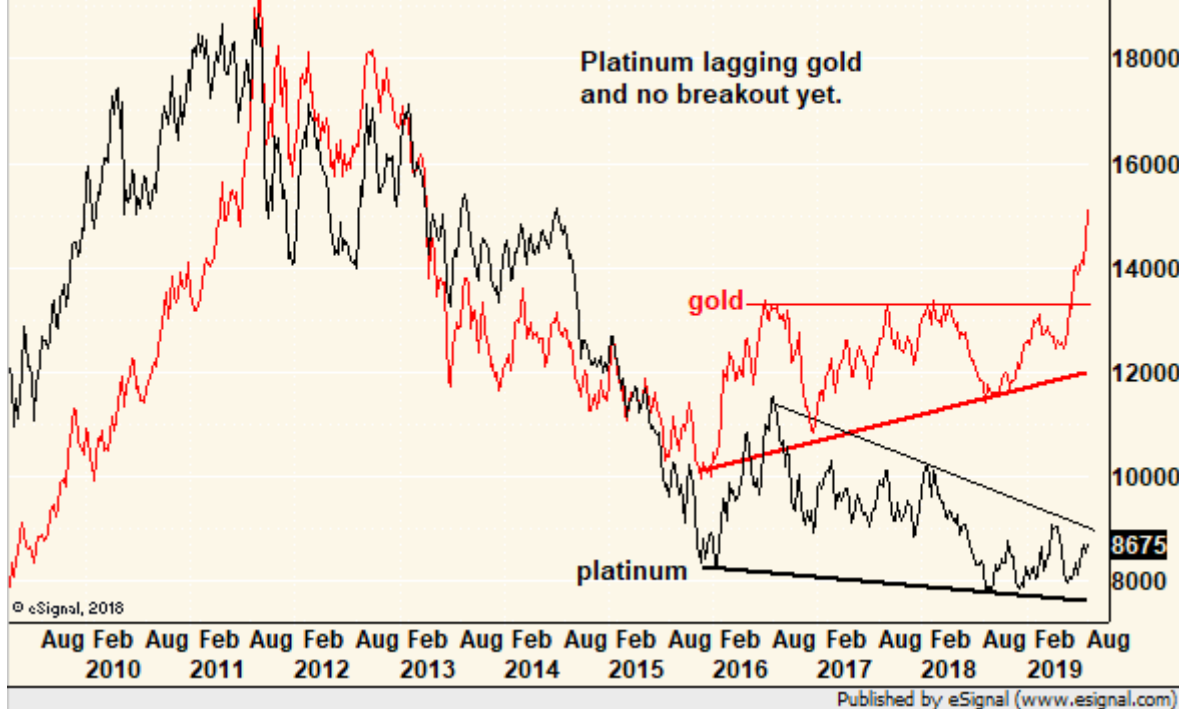
see, the two tracked fairly well until 2016. I don't know what happened then and I really don't care. All I see is that the two-headed in different directions.

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And yes, both have short-term breakouts. However, only gold as a long-term breakout. I'm not much of a gold/silver ratio guy although it seems on the surface that silver is the better bet right now. But then again, silver is less precious than gold and by that I mean it is far more sensitive to the economy. It has far more uses in industry. Does that mean we have an economic red flag? Maybe. Now let's look at platinum. Remember the good old days when platinum was hundreds of dollars more per ounce than gold? With gold now in the \$1500 area, it is 70% or so higher than platinum. *(Click on image to enlarge)*



The overlay

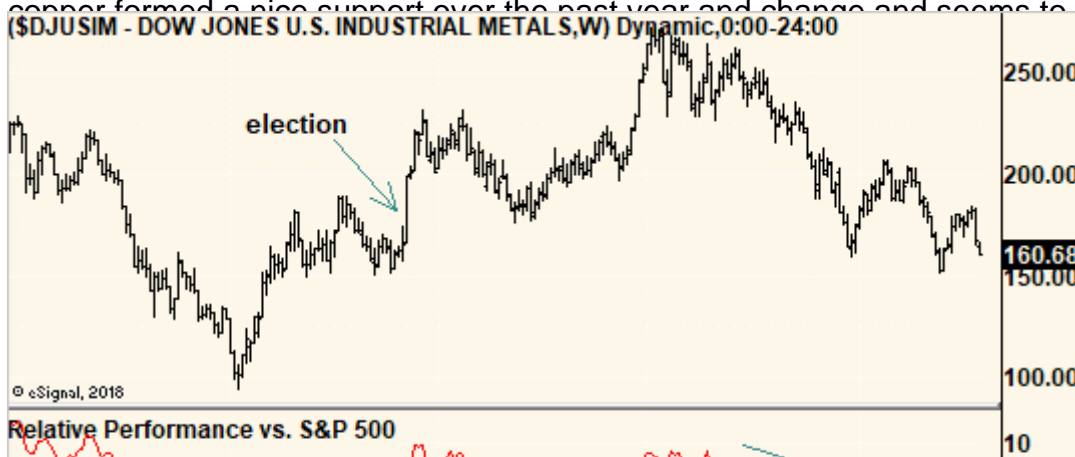
chart shows the same story as with silver. Gold it up, platinum is down, only with no short-term



with no short-term  
ther red flag? Or at  
Blah, blah, PhD. in

This chart is copper

on its own. The ratio of copper to gold is just pure downhill and has been for two years. Actually, take away the post-election bounce and it's been down since 2006. As we can see in the chart, copper formed a nice support over the past year and change and seems to be bouncing off it this



ough it's been a red  
conomy. And finally,

need any fancier analysis from me. • But what I should say is that this group is at the base of the economy. If it stumbles, the rest of the economy built on top of it can fall.

### **Is there good news?**

It's never quite this simple. Right now, there is good news as market breadth is still fairly positive. And even though there have been a few brushes with Hindenburg-like divergences, the advance-decline is still right up there. Tech is still in a leadership role. Let's also not forget the market is still only a few percent off all-time highs and above its December 2018 trendline. It's also above its 2009 trendline, albeit with room to fall. True, small caps are lagging. But they've been lagging most of the year. And the yield curve does not look so healthy. The 2-10 is not inverted but the 3mo-10yr is getting a lot of panties in a bunch. The problem, however, seems to get started after the curve inverts and then goes back to normal so that pushes problems out into the future. The wild card is a deal with China. If that happens, chances are the stock market zooms higher, at least for a while. The real question is whether this is actually priced into the market already, save for the initial euphoria rally. After that cools, we'll have to see if metals change. But for the evidence on the table now, I would not push my luck in stocks. I'm not completely heading for the hills, either, but preparing for a rough market is a good idea.