

A chart that alerted us over a week ago, that an upside breakout was imminent.

It is a chart that we have shared with our subscribers on a regular basis. Anyone who is interested in investing in gold, needs to be aware that during a gold bull market, a basket of mining shares can be expected to outperform the price of gold. This is because successful gold mining companies increase their profits as gold rises in price, and the anticipation of future profits provides the energy for miners stock prices to rise. Within a basket of gold mining stocks (or a gold mining ETF) there are often one or two miners that announce exciting drill results, or perhaps a mining company announces the purchase of a project with obvious potential, positive news that causes the average to rise. Bear in mind as well that it is easier for an investor to invest in a gold mining stock, than to invest in physical gold bullion, since a trade can be completed without leaving home or office, simply by tapping a few clicks on a computer. This gives miners an edge over bullion.

The most popular method used by analysts to compare miners to bullion is with a chart that compares the mining stocks of GDX (a gold ETF), to the price of the gold bullion ETF - GLD.



Charts in this essay are courtesy Stockcharts.com unless indicated. This chart compares GDX to GLD and shows an upside breakout is underway at the blue arrow. The supporting indicators (top and bottom), are positive. The initial target for this breakout is at the green arrow.

This next chart is even more exciting for gold investors, as it provided a 'heads up' more than a week ago.

It features the strength in the gold miners index (XAU) from the Philadelphia Stock Exchange. (PHLX), (now known as NASDAQ OMX PHLX), it is the oldest stock exchange in the United States. It is now owned by Nasdaq Inc.

Founded in 1790, the exchange was originally named the Board of Brokers of Philadelphia.



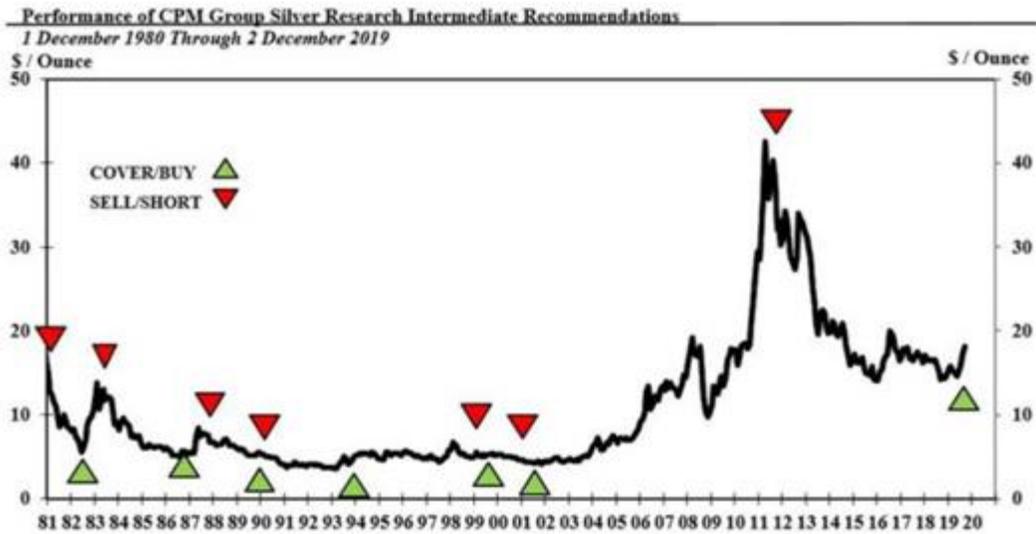
This chart compares the XAU gold miners index to the price of gold, and it is the one referred to in our headline. The latest bullish signal occurred when price broke out at the blue arrow. (XAU had already been in uptrend since October). The breakout was confirmed when the index rose above 0.710 shortly thereafter. Final confirmation came Dec 23rd at the green arrow. The supporting indicators are positive (top and bottom of this chart), and the moving averages are in positive alignment, and rising (green bar). The energy for the current upleg in gold, silver and mining stocks is being provided by the US FED and its printing press. Meanwhile the central banks

of the world purchased a record amount of gold bullion in 2019. Could it be that central bankers anticipate a coming reset?

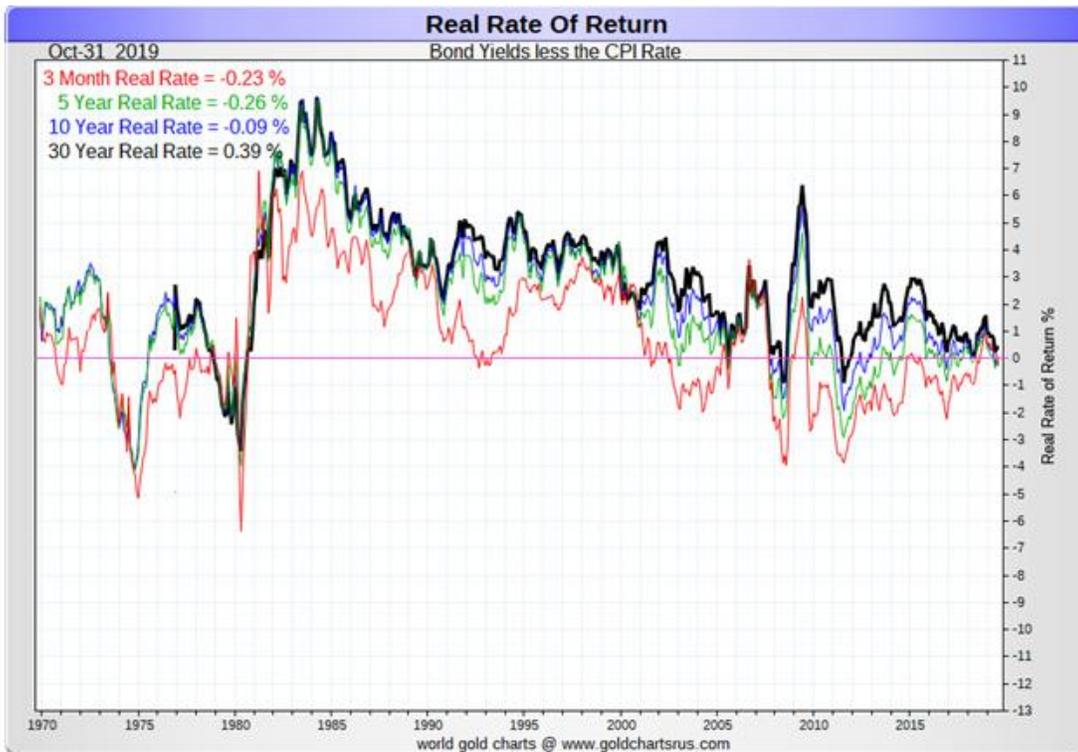
Another sign of bullish action comes to us from the silver miners.



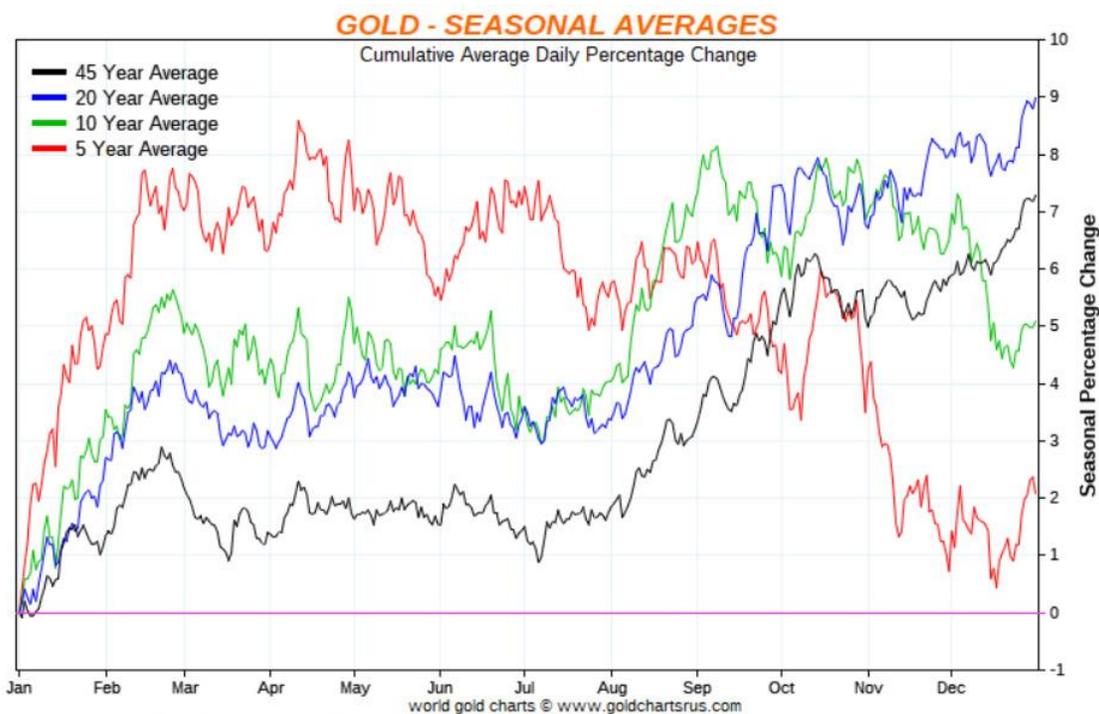
This chart compares the silver miners ETF SIL to the silver bullion ETF SLV. The first bullish sign came at the blue arrow. This breakout was confirmed at the green arrow, where a test of the breakout found support. The supporting indicators are positive, (top and bottom). The moving averages are in positive alignment and rising (green bar). This is a bullish picture for silver producers and also for silver bullion.



This chart courtesy CPM Group shows CPG has just issued the first buy signal for silver since 2001. That last signal resulted in a 'ten-bagger'



This chart courtesy goldchartsrus.com shows short-term US 'real interest rates' are negative. Historically gold and silver rise in price under that scenario.



This chart courtesy goldchartsrus.com shows the price of gold usually rises from December until February, especially after a December price dip (as now). Silver often outperforms gold during a strong rally!

DISCLAIMER: Please do your own due diligence. Peter Degraaf is NOT responsible for your trading decisions.

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