

CRATON CAPITAL



PAY DIRT

**Not your normal
gold rally.**

**Breakout into a
new up-cycle?**

Not your normal gold rally. A breakout into a new up-cycle?

Markus Bachmann & Douglas Orsmond | 25 June 2019

Event

Our recent video cast from early May pointed to financial markets at crossroads. These crossroads are now firmly in sight. Significant developments have occurred since the last days of May. The US dollar appears to show the first signs of a break down. The US Fed has opened the door to a U-turn of its monetary policy. The gold price has started to move since May 29th in a rather impulsive manner from levels around \$ 1'279 / oz to over \$ 1'400 / oz at the time of writing. On its move upwards, bullion broke through a number of key resistance levels that it failed to overcome over the past 35 months. Is this the long awaited breakout of gold and miners into a new up-cycle?

Interpretation

With its move over \$ 1'400 / oz gold is pushing towards the upper end of its 6 year basing pattern. It could point towards the end of a lengthy bottoming out process and the emergence of a new up-cycle. Although at a very early stage of its emergence we see these recent developments as significant.

Many generalist investors remain sceptical, or just indifferent, about recent moves of gold and miners signalling the start of a new bull market. Trust is earned and the miners, in particular, have a lot to prove to investors. Scepticism is also a good protection against hasty investment decisions. We further respectfully acknowledge a short term pull-back is possible, or even probably. Gold may even run out of steam completely and fall back into the lacklustre sideways channel of recent years.

However, we observe several signs, beyond the breaking of prior resistance levels, that could indicated that the gold market is moving into a new cycle. Purchases of physical gold ETF's are picking up strongly. Large capitalized gold producers are being bought by some generalist investors for the first time in a long while. Also, some of the highly indebted gold producers have shown impulsive moves to the upside. While many general equity indices, such as the S&P 500, have recently reached all-time highs, mining indices area also starting to show significant upside torque. The anticipated change in the Fed's monetary policy will likely develop into a significant game-changer for financial assets, currencies and precious metals.

We note too, that silver is still lagging behind the gold price. We would prefer and expect the white metal to catch up. It would add another missing piece to the positive market set-up that is developing. Many investors would welcome a market consolidation of both precious metals and miners around the current levels, before clearing the next important resistance levels between \$ 1'450 - \$ 1'465/oz. But this market seems to be in the process of fundamentally changing its character. If the current breakout pattern continues, the market will likely deny investors the possibility of a "gentleman's entry". The next couple of weeks will provide us with further clarity on the direction but recent developments highlight that market participants should increase their attention levels or even reconsider a change of mind towards the sector.

We continue to closely monitor the now fast changing underlying dynamics in financial markets as the consequences for our investment universe will be significant and far reaching.

Disclaimer

This document has been prepared by Craton Capital and is provided to you for information purposes only. It should not be considered as an offer/solicitation to sell/buy the securities mentioned. The information has been prepared from sources believed to be reliable but it may not be accurate or complete. Performance data set out in accompanying tables/graphs is net of fees, commissions and other charges and not necessarily based on audited data. Total return fluctuates with market conditions and changes in interest and exchange rates. Past performance is not a guide to future performance. The value of the investment and income from it may go down as well as up. The information is not oriented towards your individual situation and should not be considered as providing financial, investment, tax or other advice in any way. You should obtain personal advice from a qualified expert before making any investment decision. Any investment decision should be based on the terms contained in the prospectus and annual/interim reports. This document is not directed at residents of countries where the Funds referred to are not registered/approved for marketing and/or sale, or in which the dissemination of this information is not permitted. Units of the Craton Capital Funds may not be offered, sold or delivered to investors domiciled in the United States or having US nationality. In Singapore the Funds may only be distributed to accredited investors. The state of origin of the Craton Capital Funds is Liechtenstein. The prospectus with integrated investment regulations and risk disclosures as well as annual and interim reports, can be obtained free of charge from the Liechtensteinische Landesbank, Staedtle 44, 9490 Vaduz, Liechtenstein, from the persons specified in the Contacts section, from www.cratoncapital.com or from the following country specific contacts: Austria: Information and Paying Agent, Vorarlberger Landes- und Hypothekenbank AG, Hypo-Passage 1, A-6900 Bregenz. Germany: Information and Paying Agent, Marcard, Stein & Co. AG, Ballindamm 36, D-20095 Hamburg.