

# Elliott Wave And Gold

by Horatio Miller



**A**sks any Elliott Wave analyst about the outlook for gold, and he will without doubt say that the precious metal is on its way down to the \$100-200 range. A divergent-Elliott Wave interpretation, however, suggests that over the near term, gold will rally to the area between \$633.78 and \$662.29.

This hypothesis is supported by a wave count that classifies the 1980-90 drop in the price of gold as an unfinished zigzag correction. Within this interpretation, cycle wave A of the zigzag ended when London gold fell to \$284 on February 25, 1985. Cycle wave B of the zigzag is still in progress. It is this wave that should carry gold over the \$600 threshold.

A detailed look at London gold from 1980 to 1990 will confirm this forecast. Supercycle wave (II), the decline in the price of gold from the 1980 top, began in the typical manner of a zigzag, with five descending waves that formed cycle wave A (Figure 1). This wave finished on February 25, 1985, the day that London gold dropped to \$284. Cycle wave A is followed by cycle wave B, three ascending waves that are still in the process of unfolding. Cycle wave B started with primary wave **a**, five rising waves that ended at \$479.95 on May 20, 1987 (Figure 2). Primary wave **b**, a correction, took the form of what R.N. Elliott called a double-three, and it terminated at \$345.25 on June 14, 1990 (Figure 3). (*Editor's note: Since we cannot reproduce the circled letters necessary to Elliott theory, we are instead using boldface letters.*)

**Investors who have given up on the gold market should realize that now is a great time to get back in.**

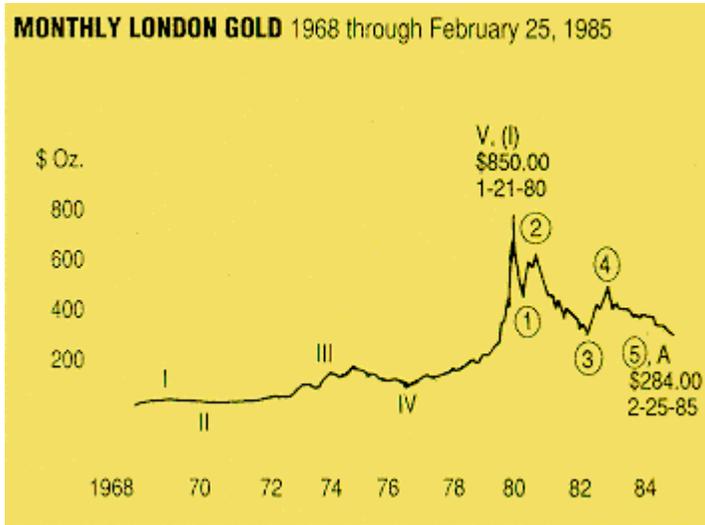
Primary wave **c** of cycle wave B is now in progress. Since it is a third wave, it should cause the price of gold to rise substantially, because the third wave in any Elliott pattern is a powerful wave. Hence, primary wave **c** will probably unfold in one of the following two ways:

- Primary wave **c** will rise to \$633.78, the point at which cycle wave B will have retraced 0.618 of cycle wave A.
- Primary wave **c** will travel a distance that is 1.618 times the length of primary wave **a**. Primary wave **a** traveled for a distance of \$195.95; primary wave **c** is likely to rise for a distance of \$317.04 ( $\$195.95 \times 1.618$ ), topping out at \$662.29.

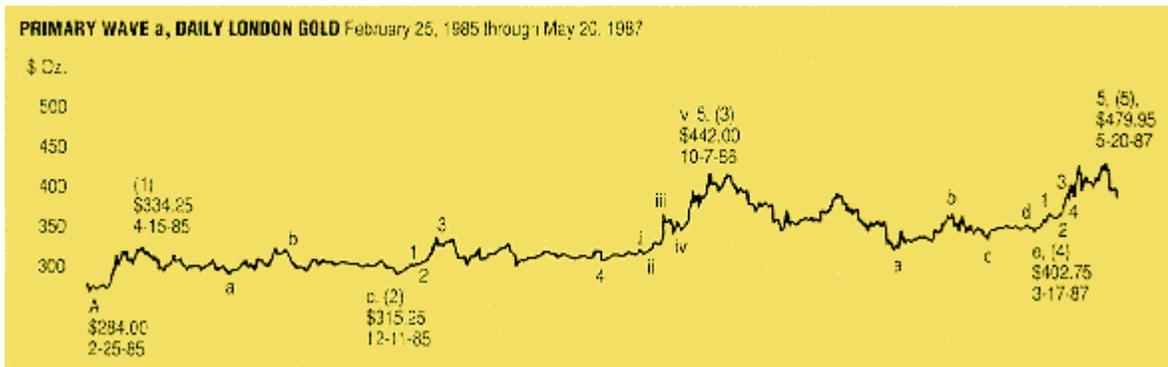
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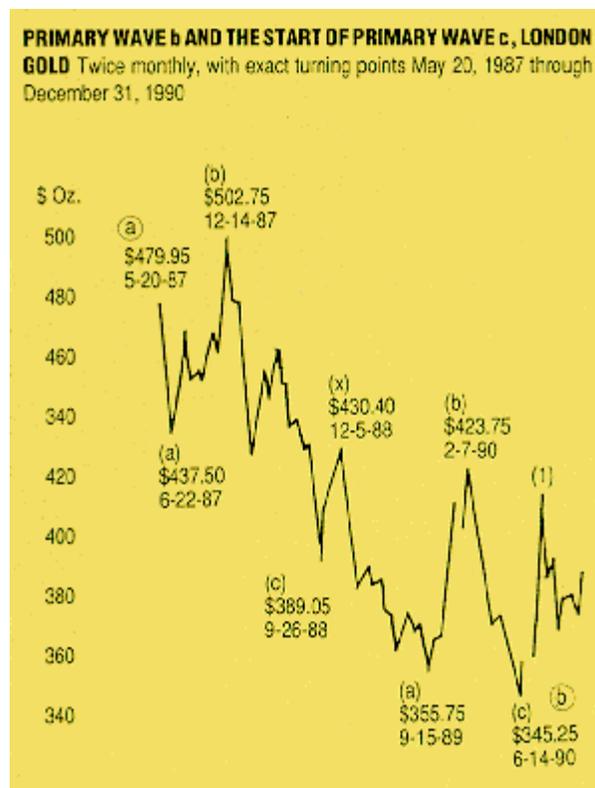
(215) 233-5524, a newsletter that focuses on timing for the stock market and the gold market.



**FIGURE 1:** Supercycle wave (II), the decline in the price of gold from the 1980 top, began in the typical manner of a zigzag, with five descending waves that formed cycle wave A.



**FIGURE 2:** Cycle wave B started with primary wave a, five rising waves that ended at \$479.95 on May 20, 1987.



**FIGURE 3:** Primary wave b, a correction, took the form of what Elliott called a double-three, and it terminated at \$345.25 on June 14, 1990.