CORNERSTONE MACRO
Economics, Policy, Strategy & Technicals

January 14, 2019

Technical Analysis

"Money In Motion"...

Gold - Poised to pay

Gold: a precious yellow metallic element, highly malleable and ductile, and not subject to oxidation or corrosion; a monetary standard based on this metal

Poised: being in balance or equilibrium

To Pay off: to yield a recompense or return to; to be profitable

Now, as all will know, exactly a year ago, the authors of these pages made the case for buying Gold Bullion. But nothing happened. True, Gold outperformed the stock market in 2018, and outperformed Oil, and Copper, but it did not break to dynamic new 52-week highs. All Gold did was hold up better than other asset classes. Yawn.

Is it for real this time? We think so.

Today's report lays out the bull case.

Trade well,

-Carter and Jillian

Carter Braxton Worth
(212) 257-4955
cworth@cormacteam.com

Jillian Tarlowe, PhD
(212) 257-4957
jtarlowe@cormacteam.com

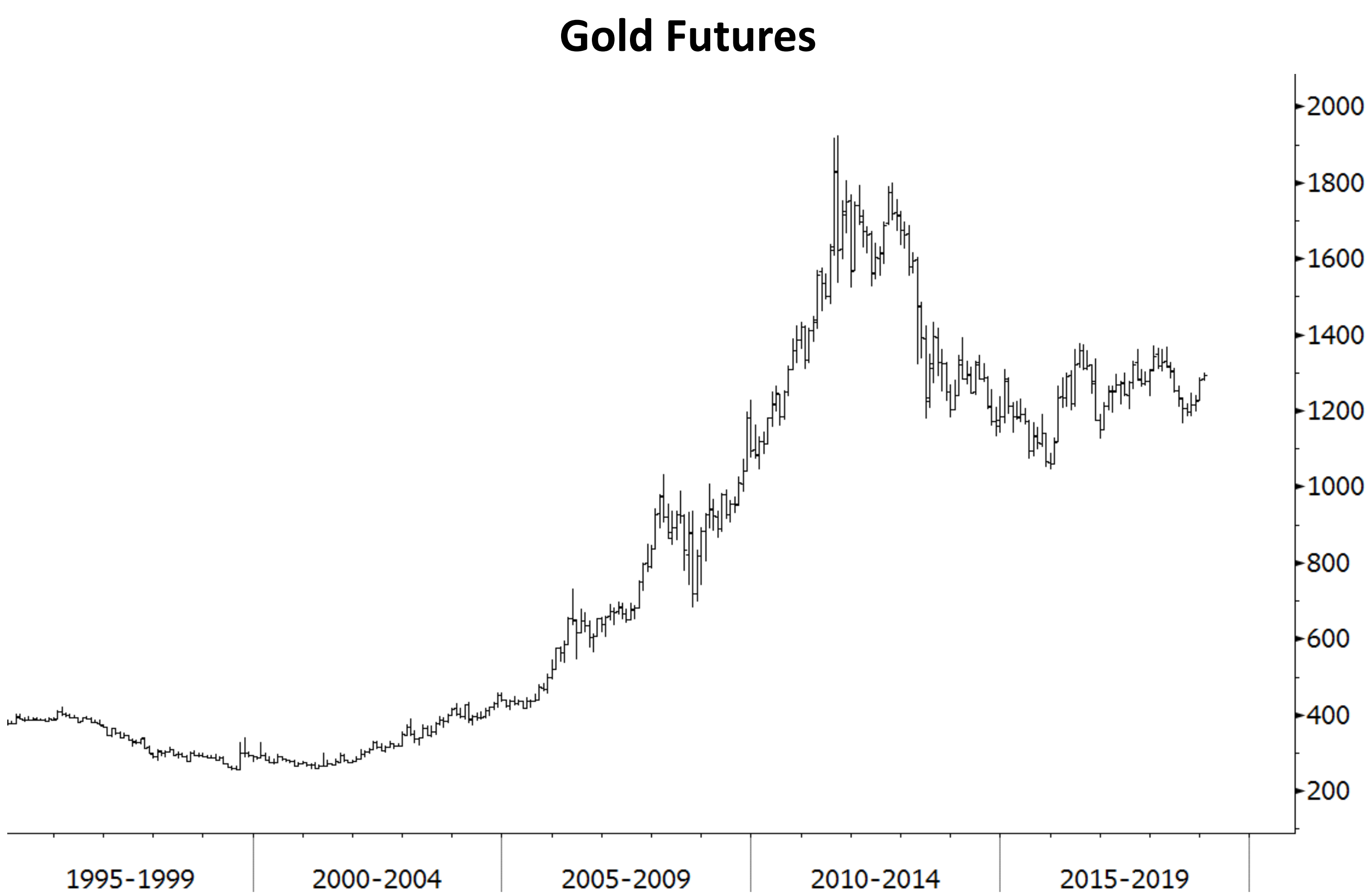
Please refer to the Appendix located at the end of this report for Analyst Certification and Disclosures.

GOLD BULLION

The cyclical low for Gold was in the Dot.Com era, with Bullion touching a low of $253.20 on Sunday evening, July 20, 1999.

Twelve years later Gold hit a cyclical high of $1,923.70/oz on Tuesday, September 5, 2011.

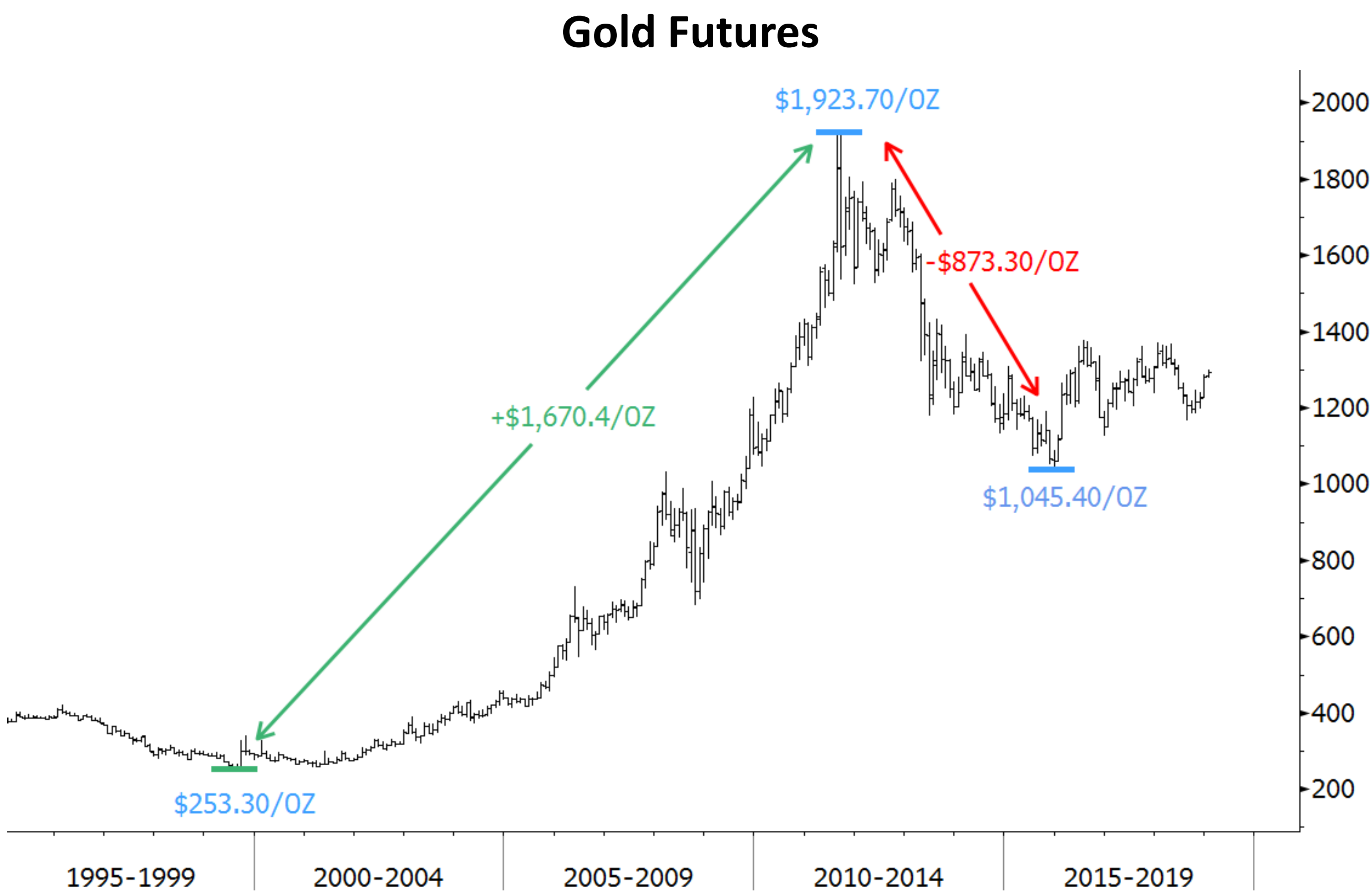
And over the ensuing year, Gold lost 50% of its value, reaching $1,045.40/oz on December 3, 2015.



Source: Cornerstone Macro, FactSet, Bloomberg

Gold Bullion

Here's the same monthly chart depicting the 50% retracement articulated on the preceding page...

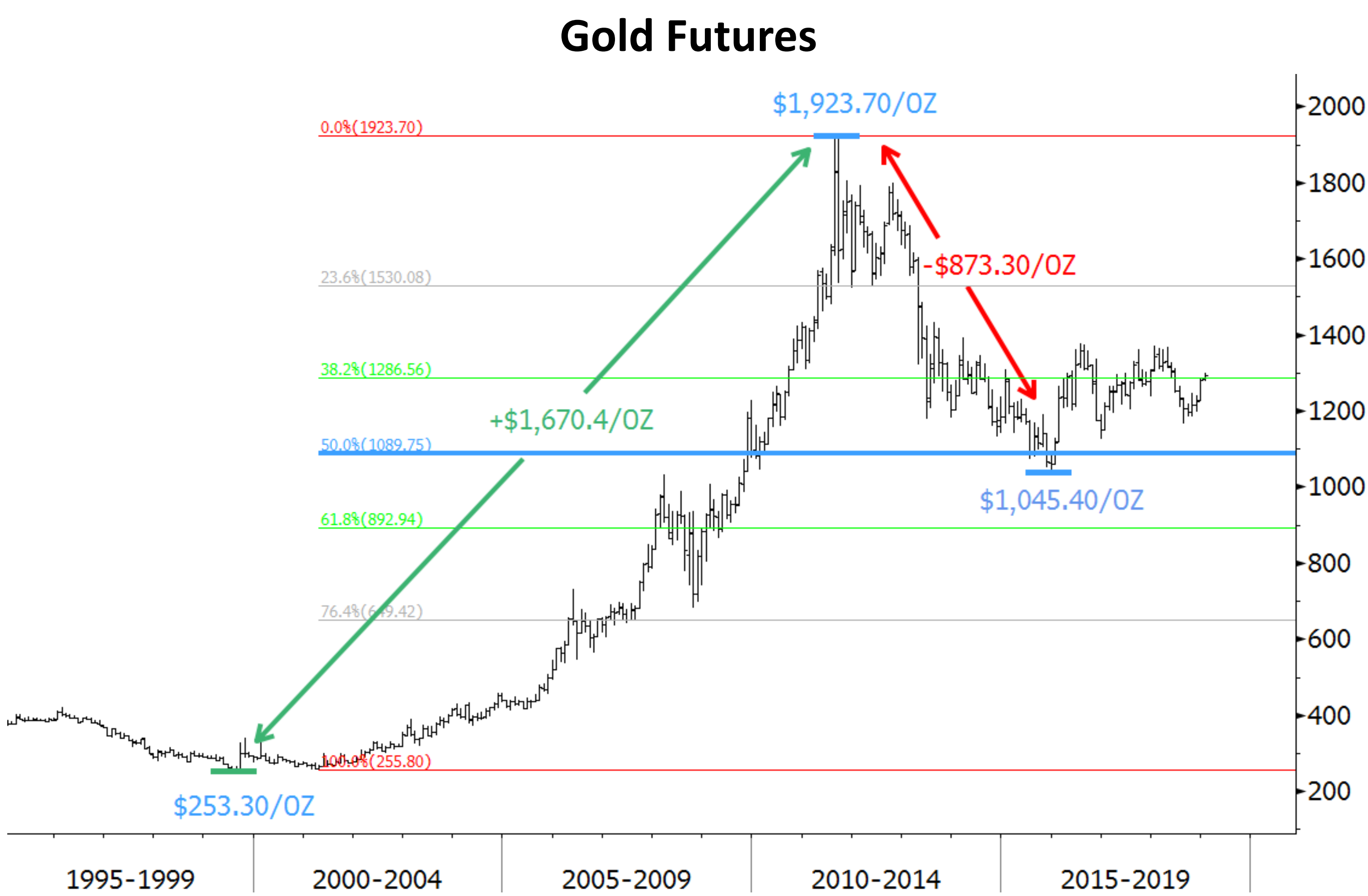


Source: Cornerstone Macro, FactSet, Bloomberg

GOLD BULLION

And here's the same chart a third time, with the key retracement levels (Fibonacci) for your consideration.

Ever since Bullion bottomed in December of 2015, it has been meandering higher. True, it hasn't broken out in a dynamic way, but the "setup" is right, we believe, for something meaningful in the weeks/months ahead.

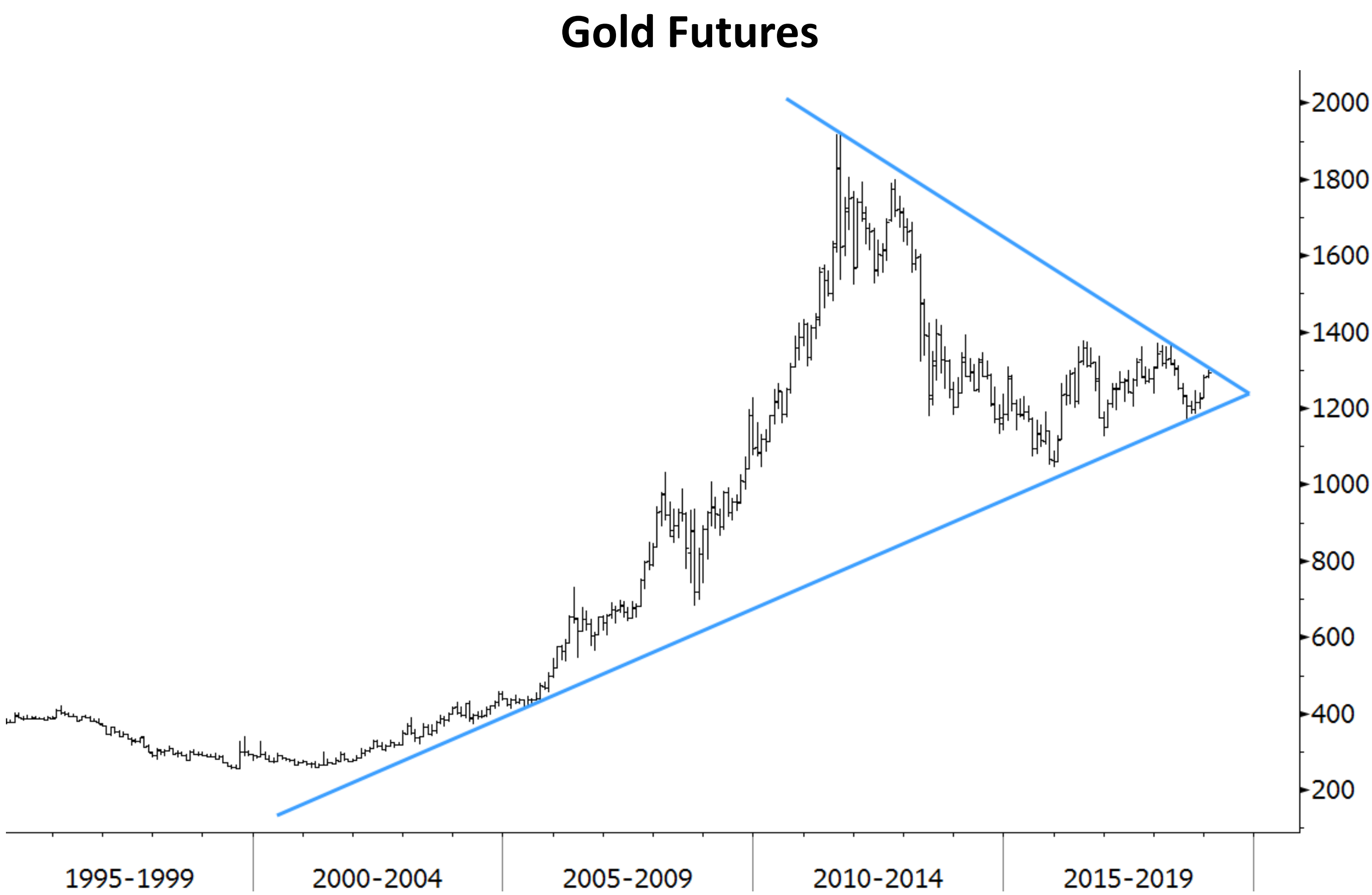


Source: Cornerstone Macro, FactSet, Bloomberg

GOLD BULLION

Here again is the monthly chart of Gold Bullion with *"lines drawn"* to illustrate just how much tension there is and how dynamic the setup is for Gold at present. A year ago Bullion was poised to move above the downtrend line in effect since 2011. Yet it did not break out.

We're thinking what did not happen last year, will happen this year.



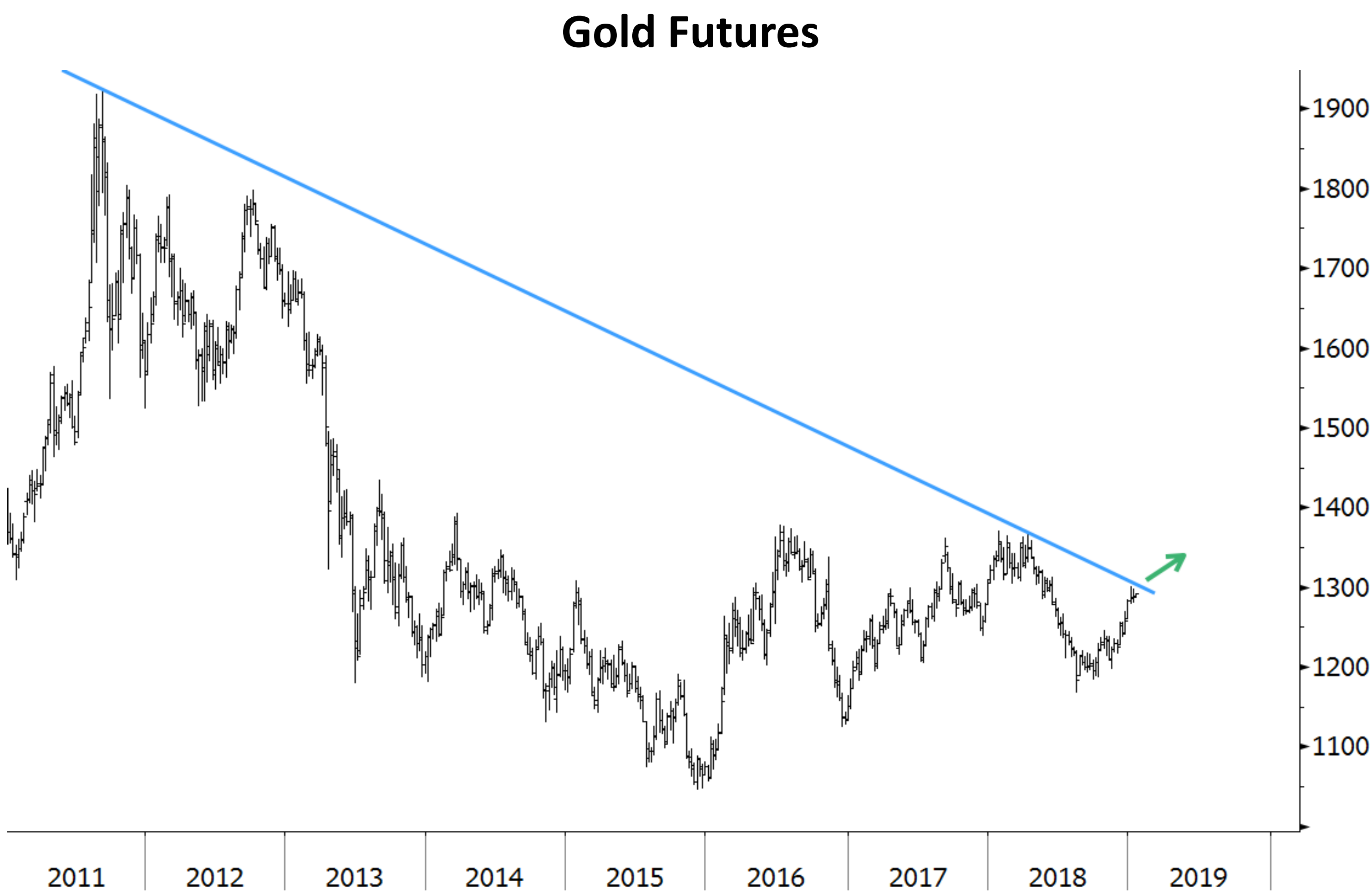
Source: Cornerstone Macro, FactSet, Bloomberg

GOLD BULLION

Here's where things stand vis-á-vis the downtrend line in effect since Gold's all-time high.

Tick tock, tick tock, tick tock...

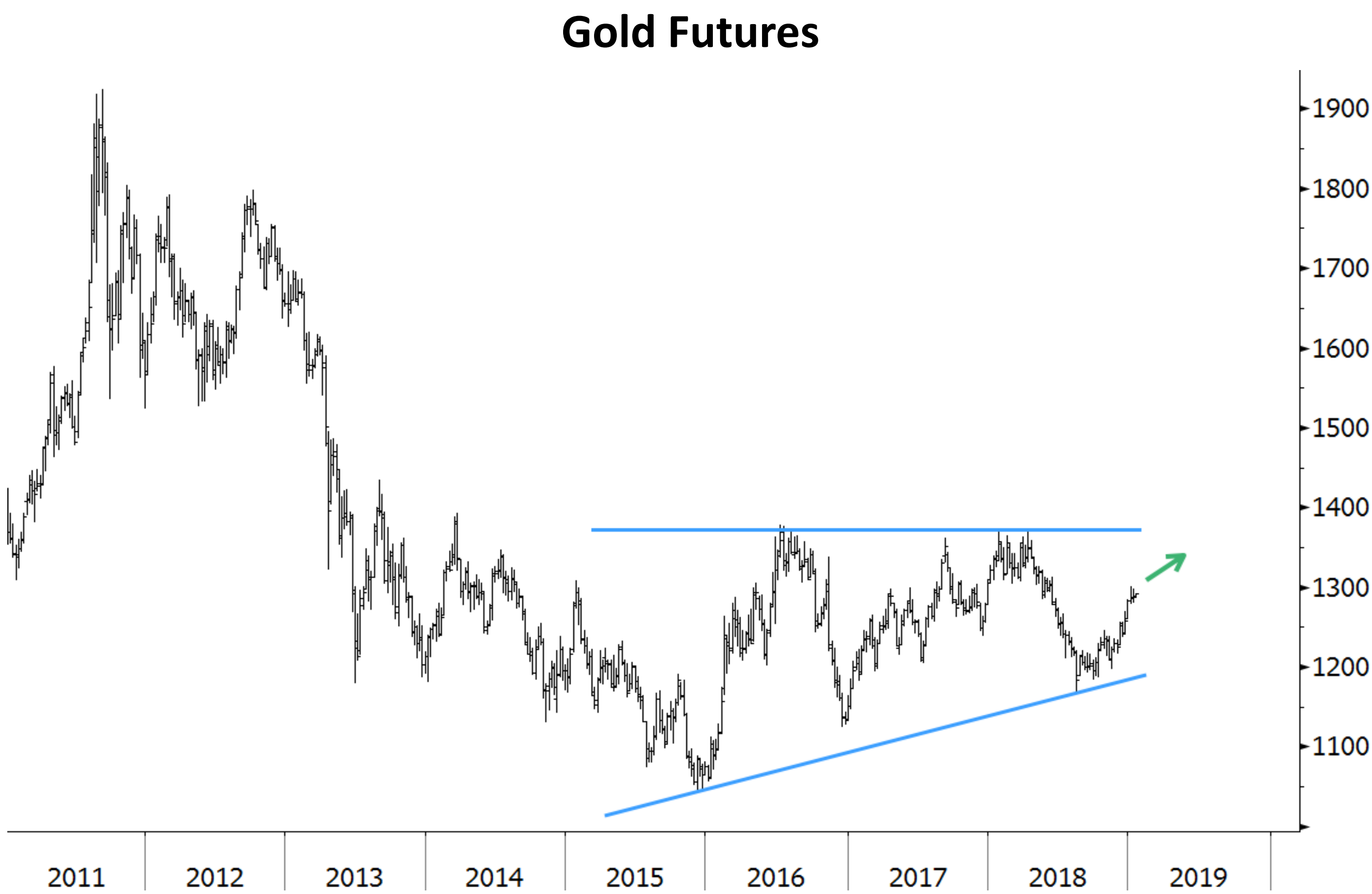
We're buyers here.



Source: Cornerstone Macro, FactSet, Bloomberg

GOLD BULLION

Here's another way to "*drawn the lines*"...



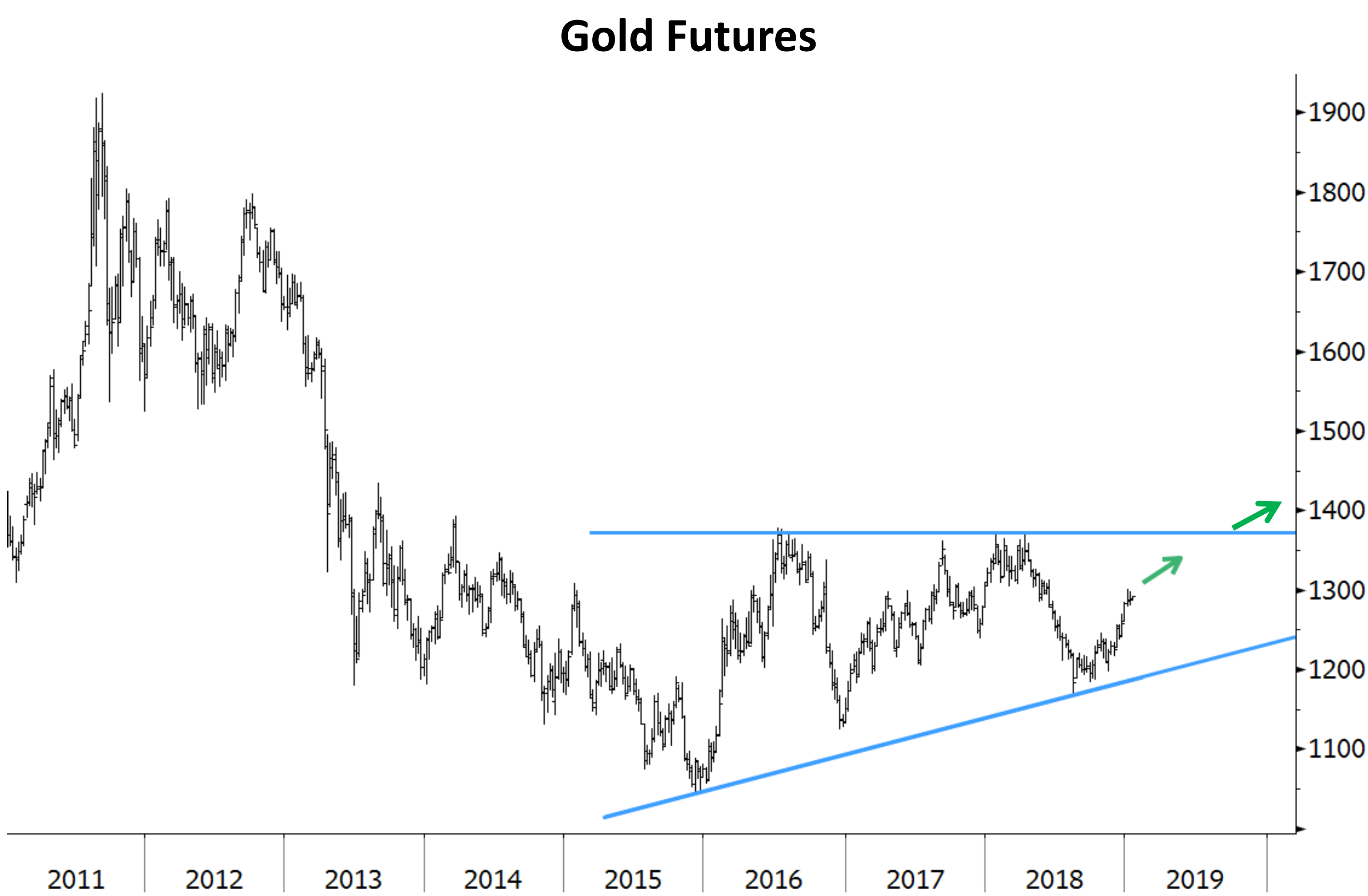
Source: Cornerstone Macro, FactSet, Bloomberg

GOLD BULLION

We're thinking up and out...

Sure, most likely, some backing and filling at the $1375+/- level.

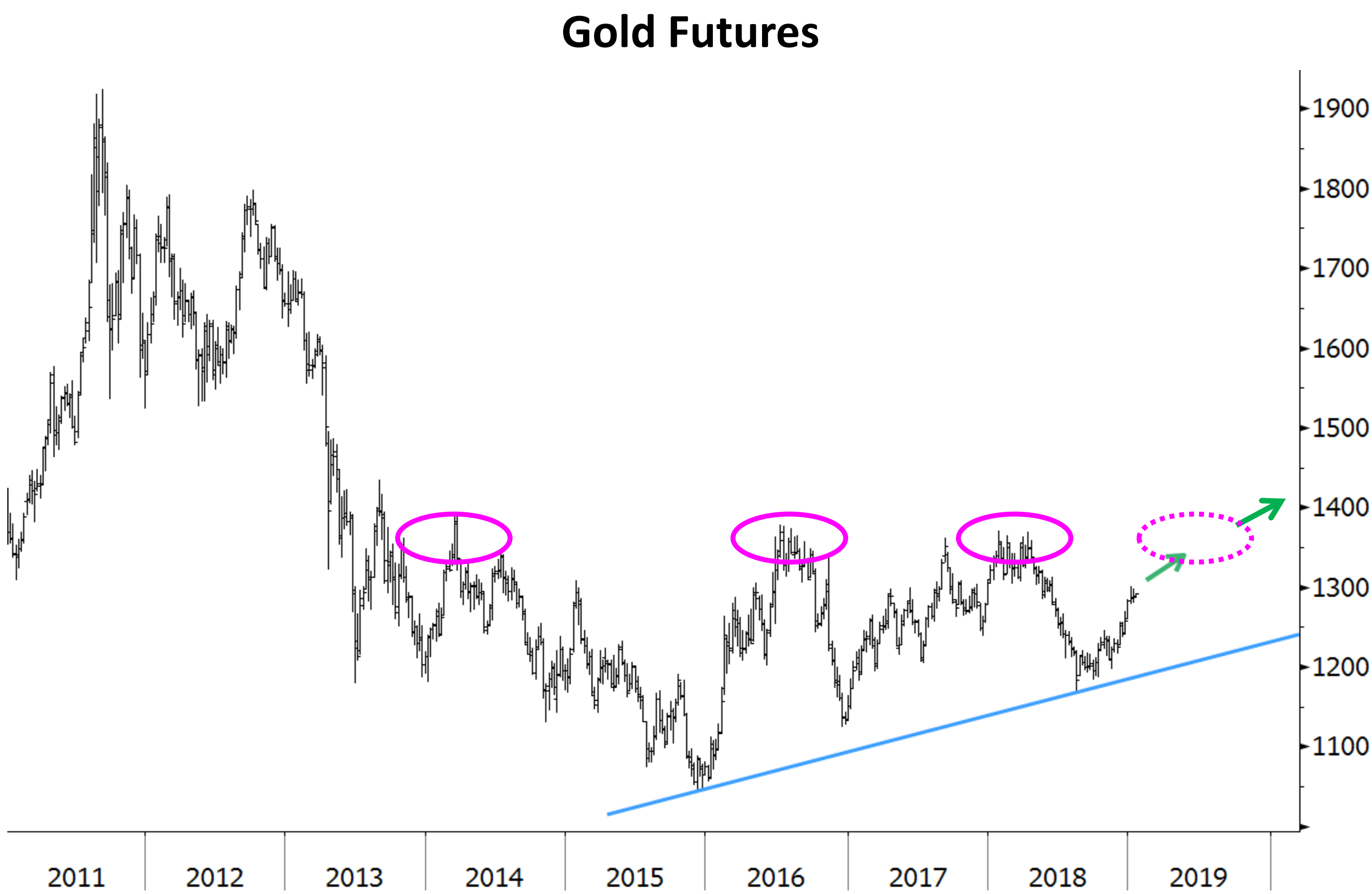
But ultimately, plenty higher.



Source: Cornerstone Macro, FactSet, Bloomberg

GOLD BULLION

Gold is up 10% from its low of August, and a perfect sequence from here would be a continuation of the current advance to the $1,375+/- level, and then weeks of backing and filling at said level, setting up for a breakout above the well-defined annual tops of the past 5 years.



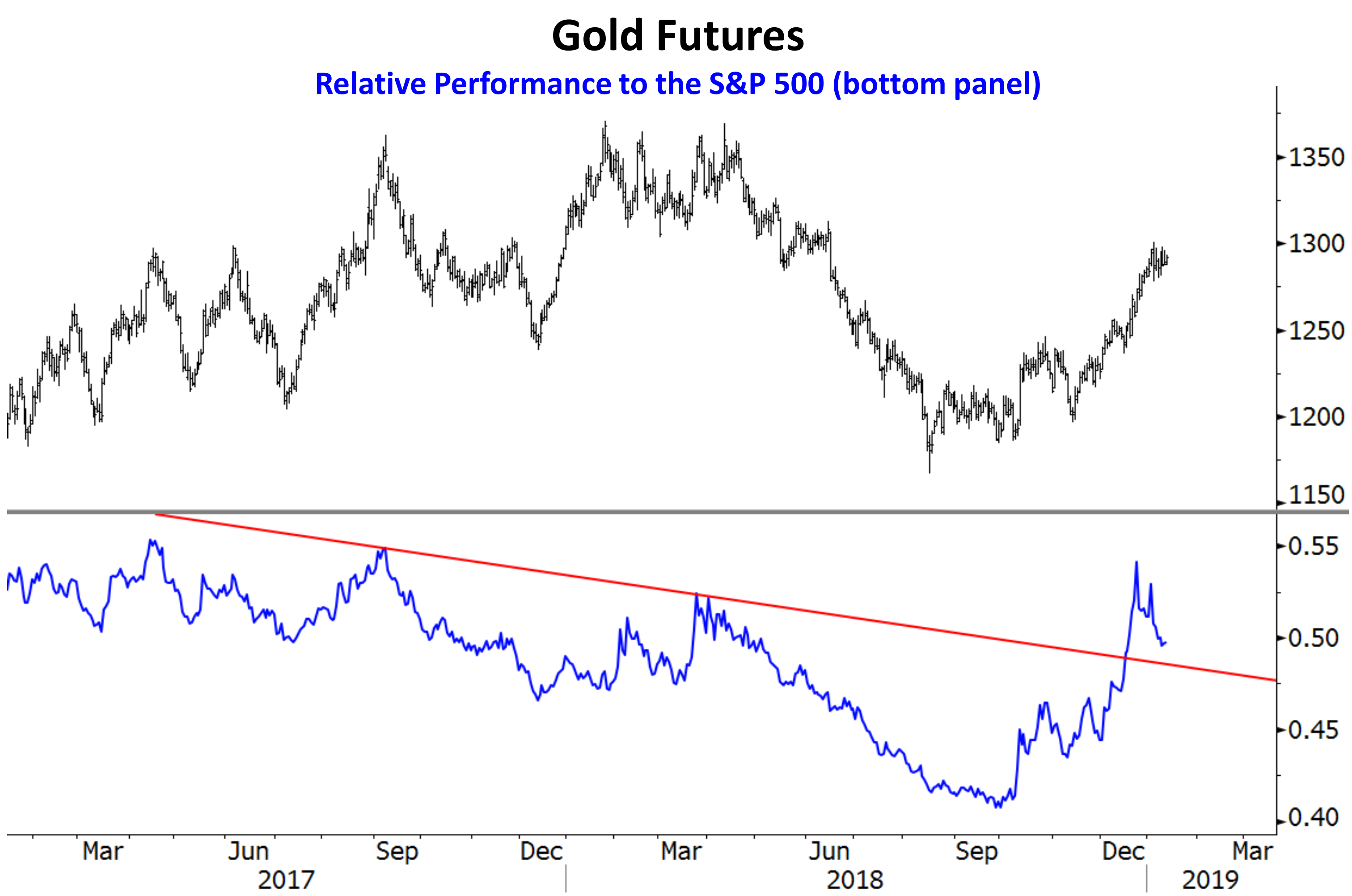
Source: Cornerstone Macro, FactSet, Bloomberg

IMPROVED RELATIVE PERFORMANCE TO EQUITIES

Meanwhile, the 2-panel chart below is telling.

The top panel depicts Gold while the bottom panel depicts Gold's relative performance to the S&P 500.

A break above the relative downtrend line in effect since September 2017. An important development...



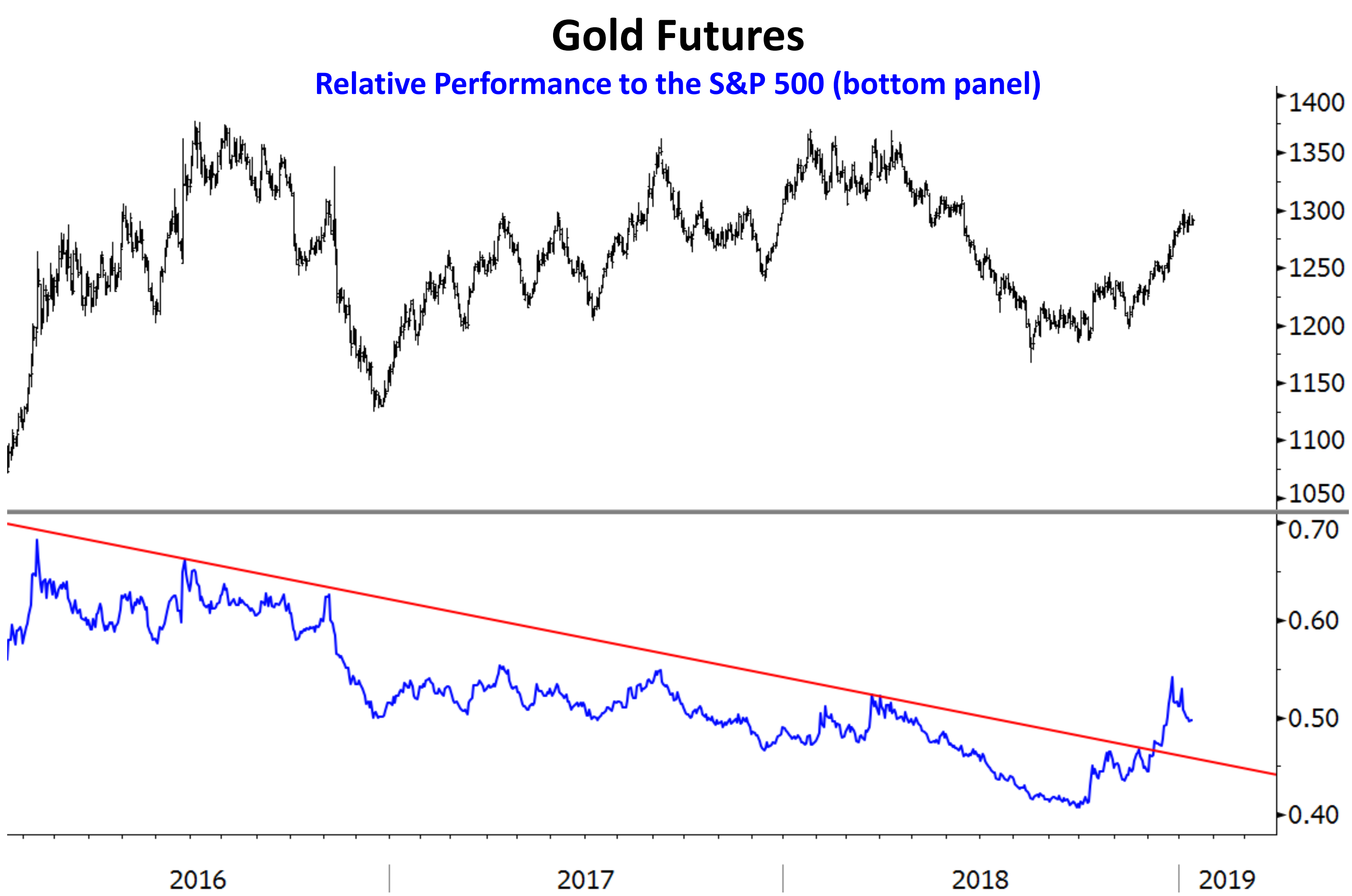
Source: Cornerstone Macro, FactSet, Bloomberg

IMPROVED RELATIVE PERFORMANCE TO EQUITIES

Here's the 3-year version of the chart on the preceding page.

The top panel depicts Gold while the bottom panel depicts Gold's relative performance to the S&P 500.

A break above the relative downtrend line in effect since 2016. An important development...

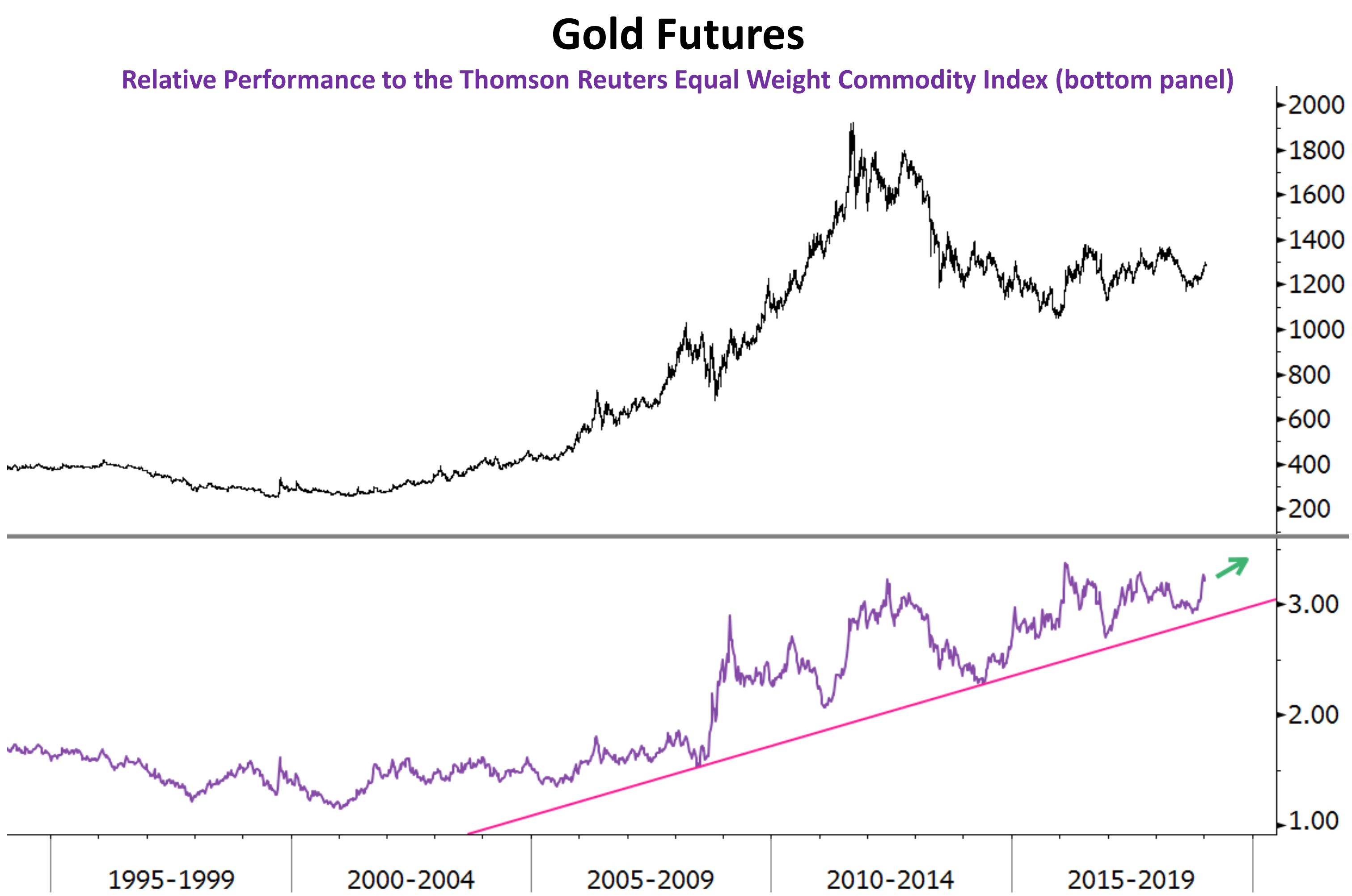


Source: Cornerstone Macro, FactSet, Bloomberg

CONTINUE IMPRESSIVE RELATIVE PERFORMANCE TO ALL OTHER COMMODITIES IN GENERAL

Then, of course, there's the important fact that Gold Bullion has acted so well versus Commodities as an asset class.

The bottom panel of the 2-panel chart below tells the tale...



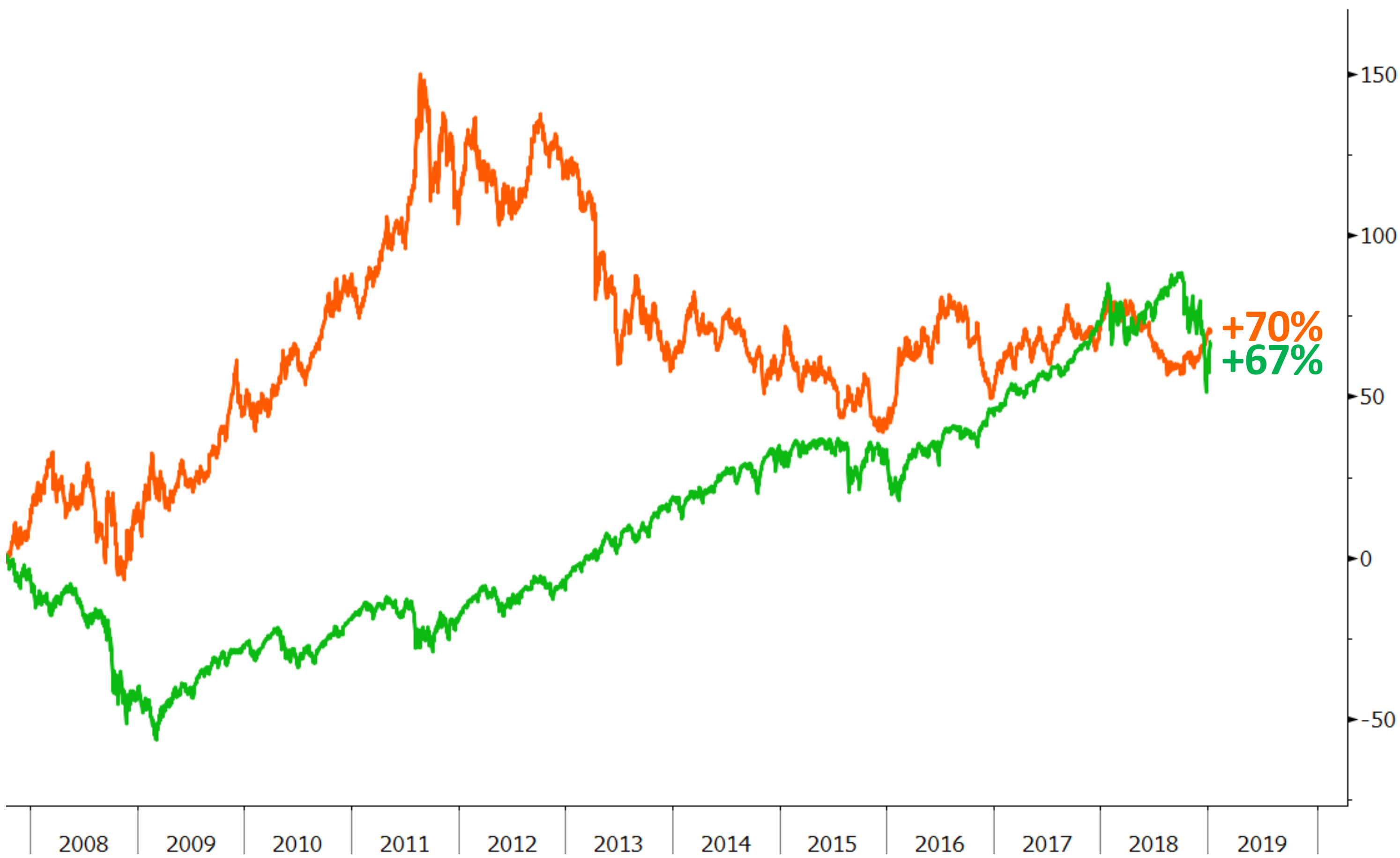
GOLD, A BONA FIDE INVESTMENT VEHICLE?

As to the age-old question of whether Gold Bullion is a bona fide investment vehicle, the answer is yes.

So bona fide, in fact, that Gold has paced the S&P 500 when measured from the absolute high of the prior Bull Market- since 11 October 2007.

Gold Futures vs. S&P 500

Since the prior Bull Market High of 11 Oct 2007



Source: Cornerstone Macro, FactSet, Bloomberg

GOLD, A BONA FIDE INVESTMENT VEHICLE?

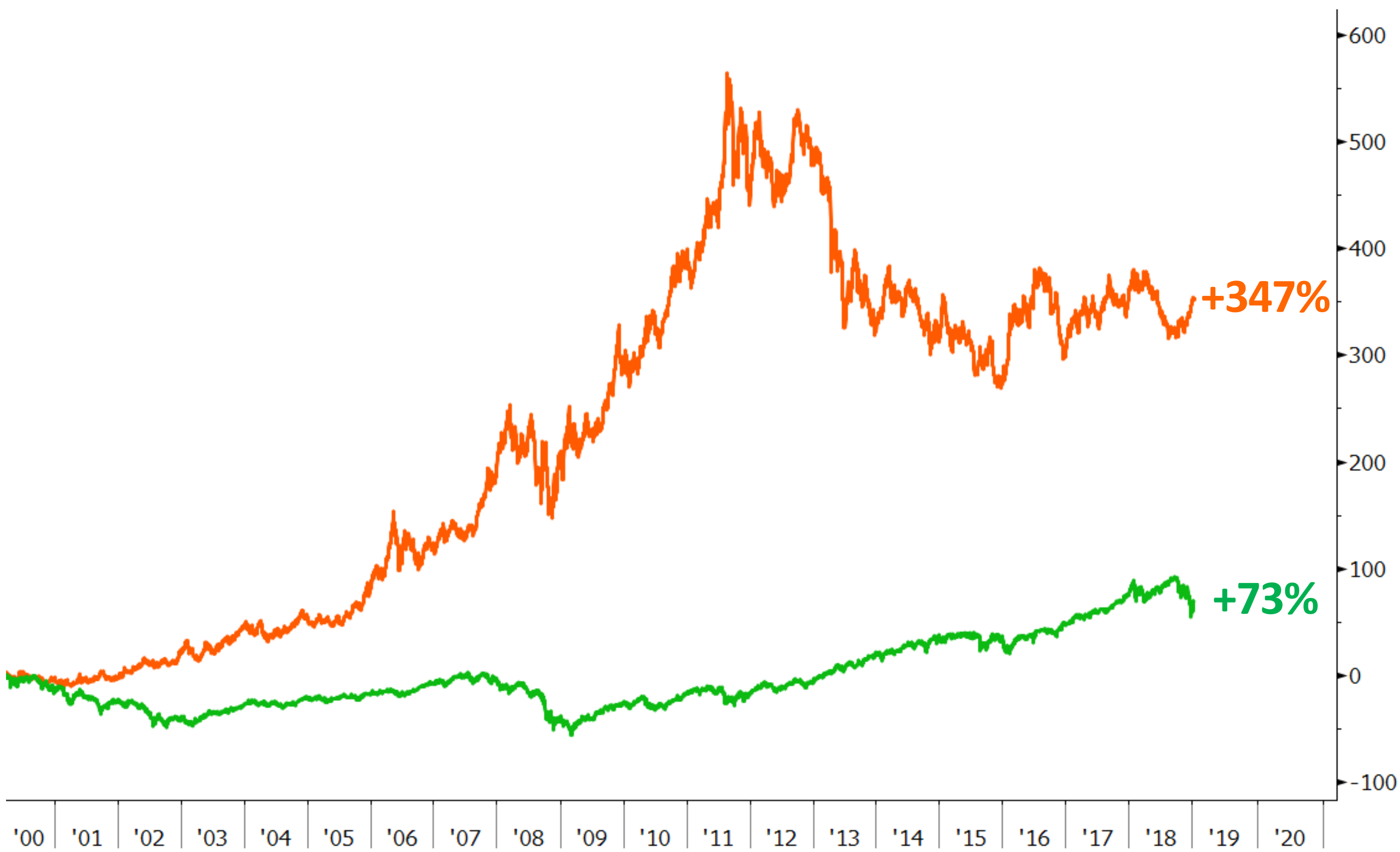
So bona fide that Gold has whipped the S&P 500 when measured from the absolute high of the Dot.Com Bull Market- since 23 March 2000.

18 years...

But, to be fair, Gold has no yield, what about with dividends reinvested in the SPX? (see the next page).

Gold Futures vs. S&P 500

Since the 2000 Bull Market High... 23 March 2000



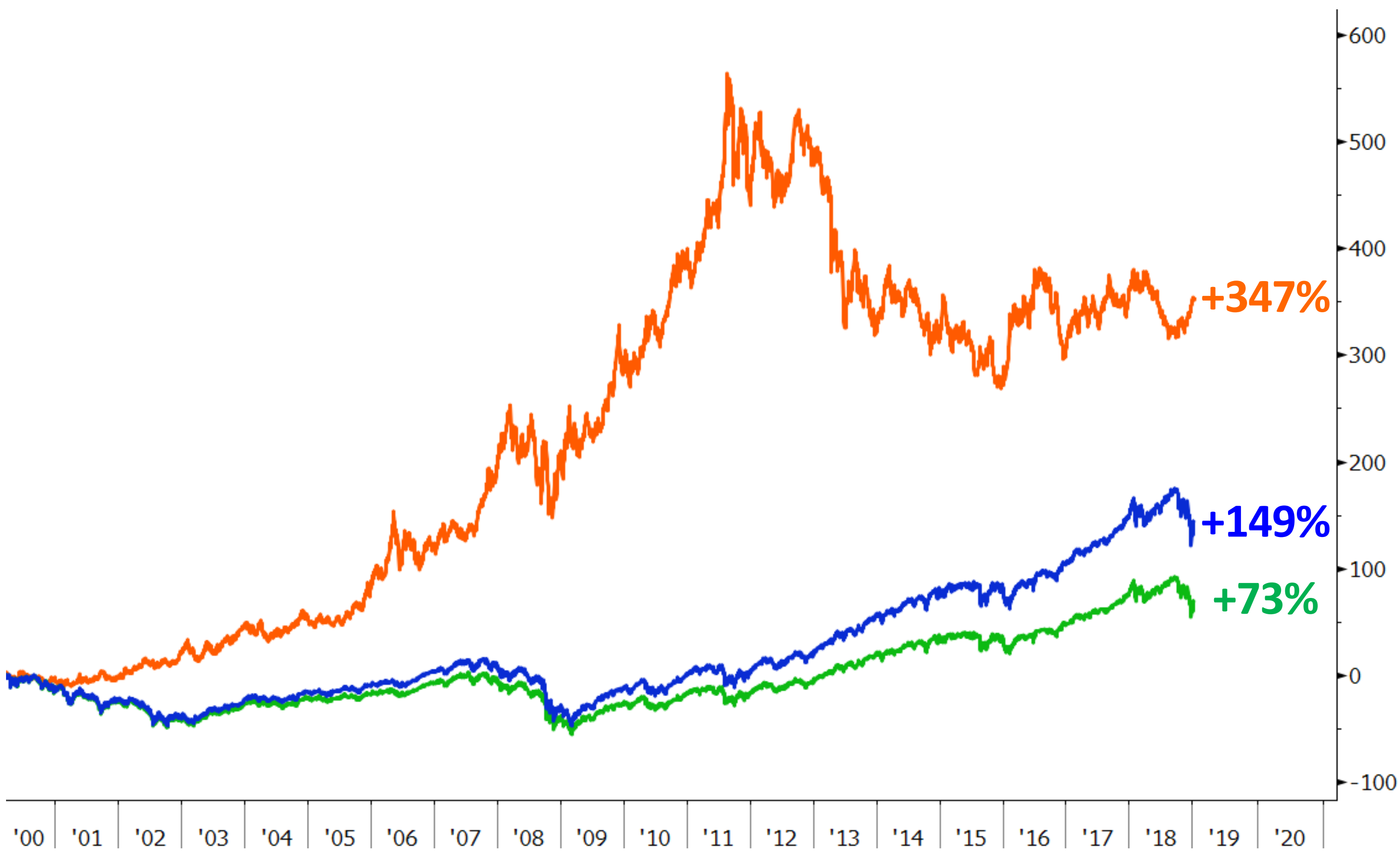
Source: Cornerstone Macro, FactSet, Bloomberg

GOLD, A BONA FIDE INVESTMENT VEHICLE?

So bona fide that Gold has destroyed the S&P 500 when measured from the absolute high of the Dot.Com Bull Market- since 23 March 2000 – even when including reinvested dividends.

18 years... total return. Not even close.

Gold Futures vs. S&P 500
vs. S&P 500 Total Return
Since the 2000 Bull Market High… 23 March 2000

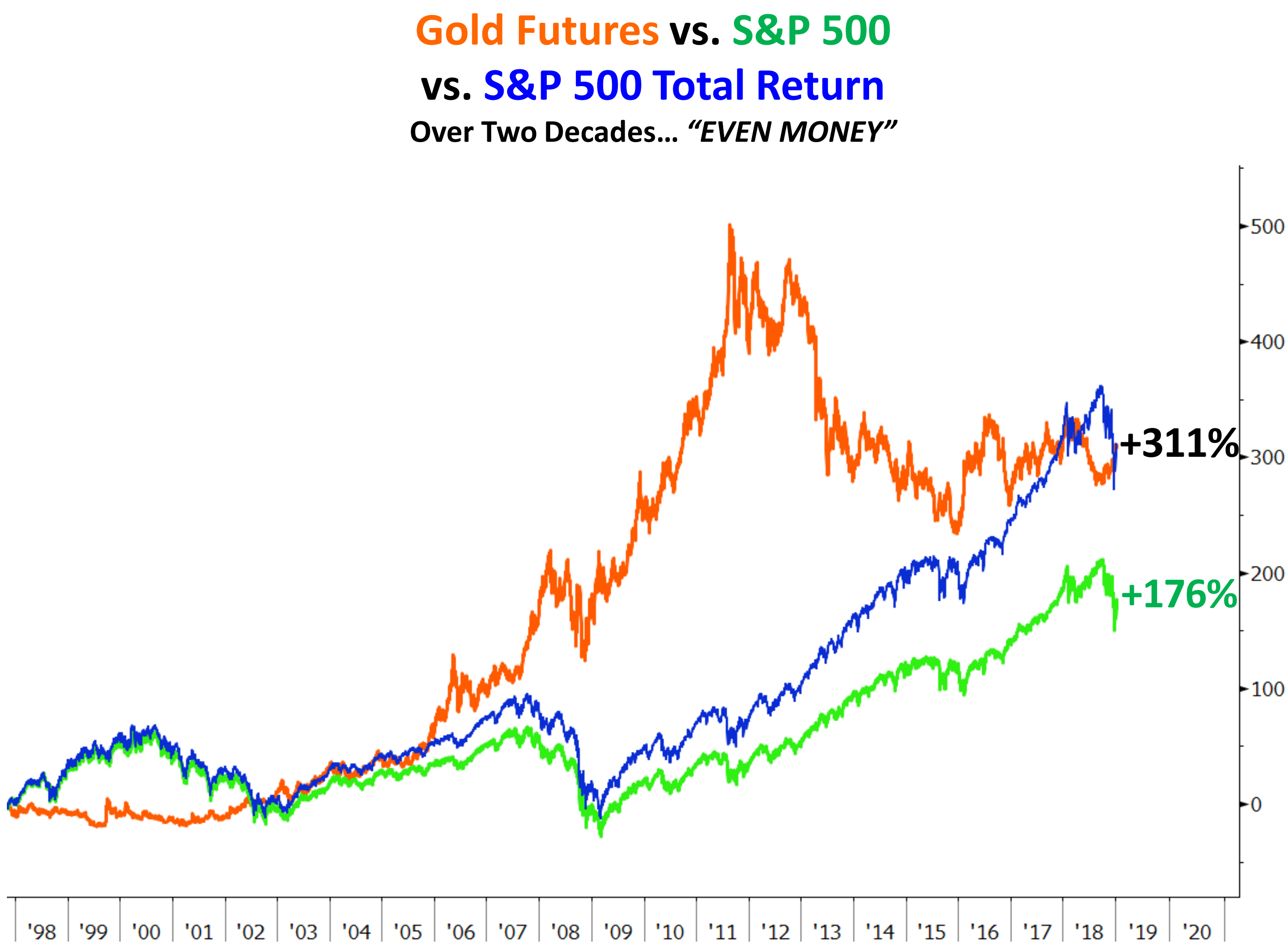


Source: Cornerstone Macro, FactSet, Bloomberg

GOLD, A BONA FIDE INVESTMENT VEHICLE?

Indeed, Gold Bullion has matched the performance to the S&P 500 with dividends reinvested over a 20+ year basis.

Not too shabby.



Source: Cornerstone Macro, FactSet, Bloomberg

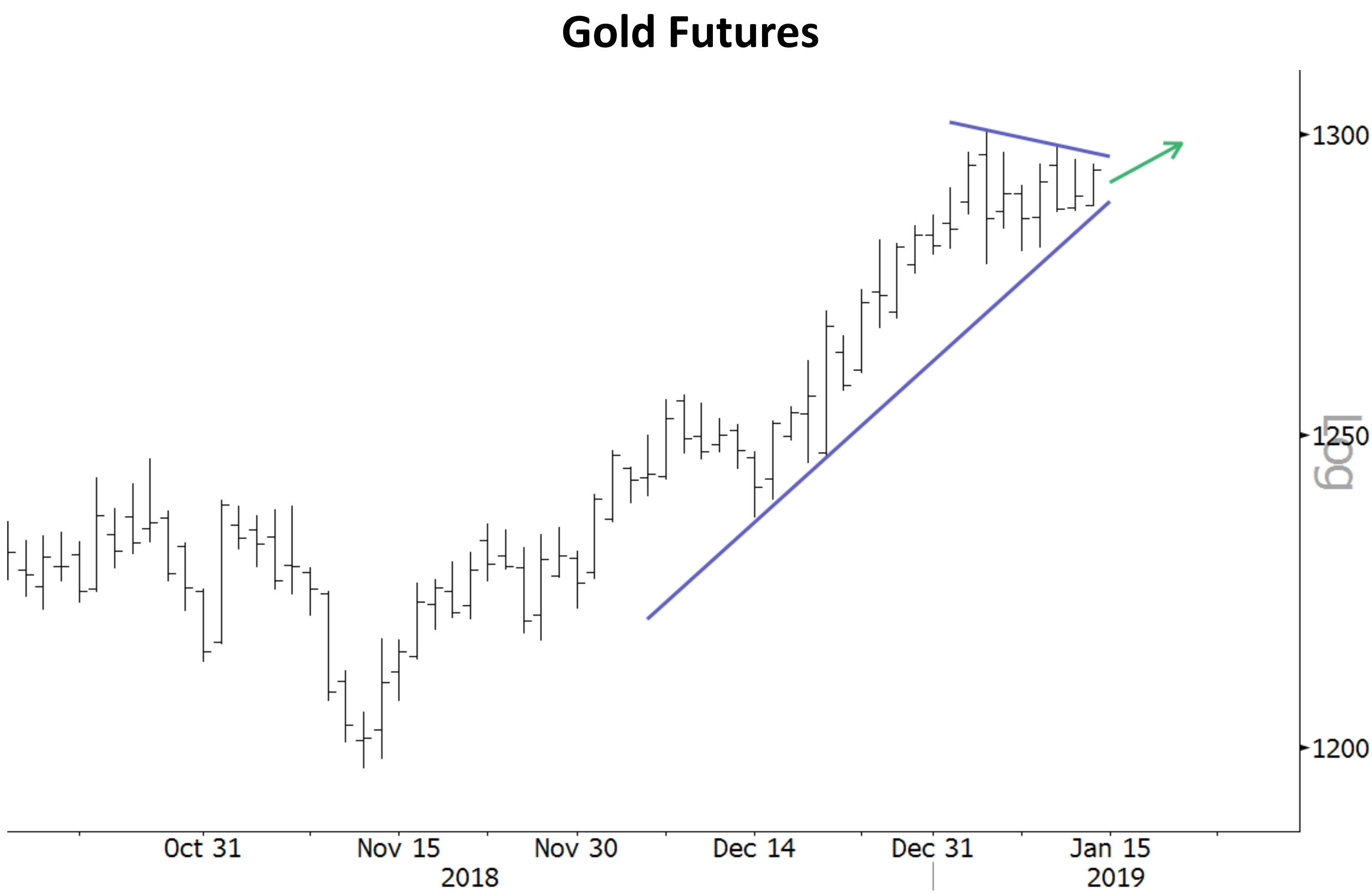
GOLD, RIGHT HERE, RIGHT NOW

Poised to pop.

Intermediate-term price objective: $1,375 +/- (up 6% from where it's trading at present)
Long-term price objective: $1,550 +/- (up 20% from where it's trading at present)

Trade well,

-Carter and Jillian



Source: Cornerstone Macro, FactSet, Bloomberg

"GOLD PRICES" SINCE 1850…

YEAR	AVG PRICE	YEAR	AVG PRICE	YEAR	AVG PRICE	YEAR	AVG PRICE	YEAR	AVG PRICE
1850	18.93	1886	18.94	1922	20.66	1958	35.10	1994	384.00
1851	18.93	1887	18.94	1923	21.32	1959	35.10	1995	383.79
1852	18.93	1888	18.94	1924	20.69	1960	35.27	1996	387.81
1853	18.93	1889	18.93	1925	20.64	1961	35.25	1997	331.02
1854	18.93	1890	18.94	1926	20.63	1962	35.23	1998	394.24
1855	18.93	1891	18.96	1927	20.64	1963	35.09	1999	278.98
1856	18.93	1892	18.96	1928	20.66	1964	35.10	2000	279.11
1857	18.93	1893	18.96	1929	20.63	1965	35.12	2001	271.04
1858	18.93	1894	18.94	1930	20.65	1966	35.13	2002	309.73
1859	18.93	1895	18.93	1931	17.06	1967	34.95	2003	363.38
1860	18.93	1896	18.98	1932	20.69	1968	39.31	2004	409.72
1861	18.93	1897	18.98	1933	26.33	1969	41.28	2005	444.74
1862	18.93	1898	18.98	1934	34.69	1970	36.02	2006	603.46
1863	18.93	1899	18.94	1935	34.84	1971	40.62	2007	695.39
1864	18.93	1900	18.96	1936	34.87	1972	58.42	2008	871.96
1865	18.93	1901	18.98	1937	34.79	1973	97.37	2009	924.68
1866	18.93	1902	18.97	1938	34.85	1974	154.00	2010	1226.78
1867	18.93	1903	18.95	1939	34.42	1975	160.86	2011	1572.28
1868	18.93	1904	18.96	1940	33.85	1976	124.74	2012	1668.74
1869	18.93	1905	18.92	1941	33.85	1977	147.84	2013	1411.87
1870	18.93	1906	18.90	1942	33.85	1978	193.40	2014	1265.68
1871	18.93	1907	18.94	1943	33.85	1979	306.00	2015	1160.30
1872	18.94	1908	18.95	1944	33.85	1980	615.00	2016	1248.73
1873	18.94	1909	18.96	1945	34.71	1981	460.00	2017	1258.80
1874	18.94	1910	18.92	1946	34.71	1982	376.00	2018	1271.95
1875	18.94	1911	18.92	1947	34.71	1983	424.00	2019	1289.11
1876	18.94	1912	18.93	1948	34.71	1984	361.00		
1877	18.94	1913	18.92	1949	31.69	1985	317.00		
1878	18.94	1914	18.99	1950	34.72	1986	368.00		
1879	18.94	1915	18.99	1951	34.72	1987	447.00		
1880	18.94	1916	18.99	1952	34.60	1988	437.00		
1881	18.94	1917	18.99	1953	34.84	1989	381.00		
1882	18.94	1918	18.99	1954	35.04	1990	383.51		
1883	18.94	1919	18.95	1955	35.03	1991	362.11		
1884	18.94	1920	20.68	1956	34.99	1992	343.82		
1885	18.94	1921	20.58	1957	34.97	1993	359.77		

Note how Gold was at roughly $19 an ounce in 1850 and $19 an ounce in 1920… seventy years unchanged.
And then "stuck" (read: fixed) at roughly $30 an ounce from 1920 to 1970 … fifty years more, unchanged.
Then zing...!

Source: Cornerstone Macro; FactSet; Bloomberg; World Gold Council; United States Department of the Treasury; Commodity Research Bureau; New York Mercantile Exchange

KEY DATES IN "GOLD HISTORY" SINCE 1900...

March 14, 1900 - The Gold Standard Act officially placed the United States on the Gold standard.

April 5, 1933 - President Roosevelt issued Executive Order 6102, ordering anyone who still held Gold certificates or Gold coins of non-numismatic value to deliver them to the Treasurer of the United States.

August 28, 1933 - President Roosevelt issued Executive Order 6260, which regulated the hoarding and exporting of Gold in the United States.

January 17, 1934 - It became illegal for private citizens to own Gold certificates following the implementation of the Gold Reserve Act of 1934.

January 30, 1934 - The Gold Reserve Act withdrew Gold coins from circulation, provided for the devaluation of the dollar's Gold content, and created the Exchange Stabilization Fund.

July 15, 1944 - The Bretton Wood Agreement signed by 44 Allied nations at the Mount Washington Hotel in Bretton Woods, New Hampshire. Enacted in 1946, Bretton Woods establishes a system of monetary management creating fixed exchange rates that allowed governments to sell their Gold to the United States treasury at the price of $35/ounce.

April 26, 1969 - Pre-1934 Gold coins could be imported into the country and traded without a license from the Department of the Treasury for the first time since 1933. The Treasury decided that preventing the import of pre-1934 Gold coins while allowing the same coins to be traded freely domestically was inconsistent and unfair.

December 1, 1971 - The Smithsonian Agreement ended the fixed exchange rates that had been enforced since the Bretton-Woods Conference. It also ended import surcharges.

April 3, 1972 - President Richard Nixon raised the official U.S. Gold price from $35 an ounce to $38 an ounce, devaluing the dollar. The change in Gold price was the first made since an Executive Order by President Roosevelt in 1934.

December 31, 1974 - President Ford lifts the 40-year ban, enacted in 1933, on Gold ownership by U.S. citizens.

January 15, 1980 - Gold reaches a high of $850 an ounce. High inflation associated with strong oil prices, Soviet intervention in Afghanistan and the impact of the Iranian revolution prompt investors to move into the metal.

August 25, 1999 - Gold falls to a low at $251.70 an ounce. Central banks reduce Gold Bullion reserves en masse just at the same time mining companies are selling Gold in forward markets to protect against falling prices. All in the context of a global stock market bubble where NASDAQ is all the rage and nobody wants anything to do with commodities in general and Gold Bullion in particular.

March 17, 2008 - Gold reaches an all-time high of 1033.90.

Source: Cornerstone Macro; FactSet; Bloomberg; World Gold Council; United States Department of the Treasury; Commodity Research Bureau; New York Mercantile Exchange

APPENDIX

Regulation Analyst Certification

We, Carter Braxton Worth & Jillian Tarlowe, hereby certify the views expressed in this report accurately reflect our personal views about the subject security(ies) or issuer(s). We further certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by us in this report.

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SELL: *The analyst expects the stock price to fall in the next 24 hours.*
This report should be considered both the initiating and terminating report with regard to the subject company(ies).

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APPENDIX (CONT'D)

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