

# CHART OF THE MONTH

## IS IT TIME FOR GOLD TO SHINE?

James K. Gilchrest, CMT  
February 27, 2022  
GOLD (SPDR Gold Trust - GLD)



### SUMMARY

Gold's performance in 2021 was lackluster, even with inflation on the rise. However, the weekly chart of GLD (Shown Above) shows that Gold has simply been in a consolidation of its prior uptrend that began in 2018. This pause in price is normal and typically precedes the next move up. For 2022 Year-to-date, Gold has outperformed the S&P 500 (**GLD +4.88% vs. SPX -8.59%**), and is now breaking-out to the upside. A successful breakout would carry prices to all-time highs. The stage is now set for Gold to continue its year-to-date momentum, acting as an inflation and stock market volatility hedge.

### ANALYSIS

**Macroeconomics:** Gold is considered an inflation hedge and flight to safety asset. Now that inflation is at 40-year highs, the stock market is in correction, and there is war in Europe, it's the perfect storm for Gold to rise. In addition, the Russian invasion of Ukraine seems to make large Fed rate hikes less likely in the near-term, which is bullish for Gold.

**Technical Analysis:** According to Elliott Wave Principal, Gold is breaking-out from a bullish Triangle pattern based on the GLD Chart Above. These Triangles precede the last wave of a move—something to keep in mind if Gold makes new all-time highs.

**Investment Ideas:** Gold investors can simply hold or add to positions, as is suitable. Traders can buy GLD at its current level with a stop loss just below point E above, providing a nice risk-reward.

**Disclaimer:** This post is made for educational purposes only. Past performance is not necessarily indicative of future results. GLD and SPX Year-To-Date quotes from GOOGLE.