*Decades In The Making?*

# Gold's Super Cycle

*Where is gold in relation to its historic highs and lows, and where is it headed in the years to come? Here is a look at the gold cycle with projected outlooks for gold based on Elliott wave and Fibonacci analysis.*

### by Gary S. Wagner and Joseph M. Wagner II

Since the beginning of time, rhythmic regularity has been the law of creation. Gradually man has acquired knowledge and power from studying the various manifestations of this law. The effects of the law are discernible in the behavior of tides, the heavenly bodies, cyclones, day and night, even life and death. This rhythmic regularity is called a cycle.—*Ralph Nelson Elliott*

**In** 2010 I began a service that focused solely on the precious metals. It is now in its ninth year. At that time, gold had been trading at a new record high of $1,250 and would run to its all-time record high just above $1,900 over the next year and a half. I was so focused on the events occurring in that timeline that it was only after the record-setting rally concluded and a multiyear correction was underway that I began to look at a more detailed and extended historical record of cycles in gold.

When I studied the gold cycle, I recognized similarities in it to the example of a complete "Super Cycle" that was described in *R.N. Elliott's Masterworks*. The example in that work also contained extended price rallies and corrections that spanned decades, just as I saw in my study of gold. The example of a Super Cycle served as a template for comparing long-term moves in other markets, so that I was able to apply it to the gold market.

The template also provided a formula that could be used to correctly label a wave count composed of extreme lengths of time. It allowed for the creation of a model that could be used to compare the shorter-term wave counts found within the long-term waves. The comparison showed the interconnectivity of each wave degree above and below it, which is that

## ELLIOTT WAVE ANALYSIS

each wave is subdivided into the next subcomponent.

R.N. Elliott's thoughts were grand. The longest cycle, labeled as a Grand Super Cycle, takes over a century to complete. The naming convention for cycle degrees are based on different lengths of time, from enormous to "Sub-Minuette." The first Grand Super Cycle is followed by a Super Cycle and then a Cycle and so on, all the way down to the smallest named cycle, the subminuette.

In the book *R.N. Elliott's Masterworks*, Ralph Nelson Elliott's example of a single Grand Super Cycle's impulse wave one took 71 years to complete. Each impulse wave is subdivided into five smaller waves (labeled sc 1 through sc 5, as in Figure 1).

These multiyear sc waves can take decades or longer to complete. Each sc waves adds one of the five needed to complete a complete wave. Each wave is then subdivided into the next subcomponent of a single complete Super cycle that is one of the five waves found within a single completed Super Cycle.

Elliott wrote that "wave number one of the Grand Super Cycle, the upward wave that ran from 1857 to 1928, was made up of five waves that, together, may be designated as one complete Super Cycle."

Because of the fractal nature of wave theory, each wave is subdivided at every level. Waves one, three and five are subdivided into five smaller waves (1, 2, 3, 4, and 5). Waves two and four are subdivided into three smaller waves (A, B, and C).

### THE MOST CURRENT GOLD SUPER CYCLE

Figure 2 is an example of an extended timeline spanning the decades needed to make up a complete Super Cycle. The current cycle is incomplete. When the final 5th sc wave finishes, it will complete one Super Cycle wave.

On April 15, 1971, President Richard Nixon abolished the gold standard. He apparently did this by initiating a "series of economic measures … the most significant of which was the unilateral cancellation of the direct international convertibility of the United States dollar to gold." This single event marked the beginning of the current Super Cycle.

Our studies of the gold market indicate that the current SC wave is the final fifth wave that began at the end of 2015, when gold traded to a low of $1,040. This final (sc) wave, when complete, will be added to the prior four

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sc waves and will complete the Super Cycle. This final SC impulse wave, by definition, would result in gold trading to a new all-time record high.

The sc wave count is labeled sc1 through sc5. This Super Cycle currently spans 45 years. It will still take years to complete. This will be followed by a correction, in that with the primary waves, at least three (A, B, C), when concluded, will
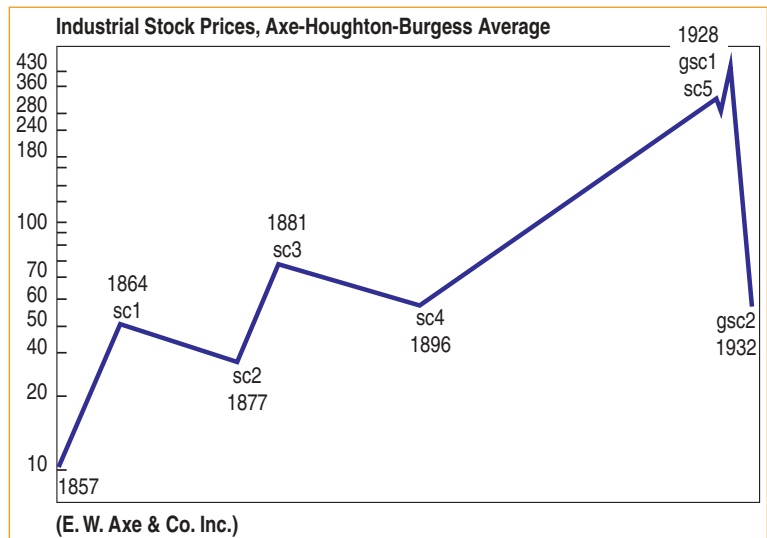


**FIGURE 1: SUBDIVISIONS OF A GRAND SUPERCYCLE**



**FIGURE 2: GOLD, TWO-MONTH CANDLESTICKS.** Here, we have labeled the Supercycle count and the Fibonacci extensions. This chart begins just after 1971 after the first of five waves began. It covers four completed sc (Super Cycle) waves, with the current final fifth wave incomplete and still active.

The 78% and 61.8% Fibonacci extensions of wave three predict that the conclusion of this Super Cycle will take gold prices to between $2,069 and $2,333.80.

complete a corrective Grand Super Cycle corrective wave.

Even though we are at the tail end of a wave five, it is not the end of the SC wave 5. That will take many more years to run its course.

## SUPER CYCLE
### ALTERNATIVE MODEL

Wave one (sc1) began just before 1975 with gold at $100 and concluded in September 1979 at $900 per ounce. In 1980, corrective wave two (sc2) began, and over the next 20 years gold would drop to $250. In 2000, the third wave (sc3) began, which concluded in 2011 at an all-time record high of $1,920. Corrective wave four (sc4) began after gold hit $1,900 and concluded in December 2015 with gold at $1,040.

To create a forecast model for wave five, there are two accepted techniques. The first technique plots a one-to-one Fibonacci extension of wave one. The second technique creates a 0.618% Fibonacci extension of wave three. Since the hard rule is that wave three cannot be the shortest of any impulse wave, you can plot or project the 78% Fibonacci extension of wave three also. The 78% and 61.8% Fibonacci extensions of wave three predict that the conclusion of this Super Cycle will take gold prices to between $2,069 and $2,333.80.

The difference between Figures 2 and 3 is the addition of a GET Elliott wave count made available through eSignal. Figure 3 combines my count and the GET count. When using the GET system, I had to double the candle length from monthly to

two months per candle to match my hand count. The most interesting findings were the projection of the final fifth Sc wave. The projections match, almost dollar to dollar, the 61.8% and 100% Fibonacci extension of wave three used by my hand charts.

In both cases, the 61.8% and 100% Fibonacci extensions of wave three indicated gold trading between $2,092 and $2,727 at the conclusion of completed Super Cycle.

## HISTORICAL PERFORMANCE

The analysis presented here is heavily based on Elliott wave theory. Among technical market analysts there is a great divide between those who see value in it and those who do not. The validity of this technique is looked at quite differently by different analysts and that ranges from it being highly admired



FIGURE 3: GOLD, TWO-MONTH CANDLESTICKS WITH WAVE LABELS FROM GET SOFTWARE. Here you see the addition of an Elliott wave count made by GET software from eSignal, together with Fibonacci extensions. The projections match the 61.8% and 100% Fibonacci extension of wave three shown in my hand-labeled chart in Figure 2.
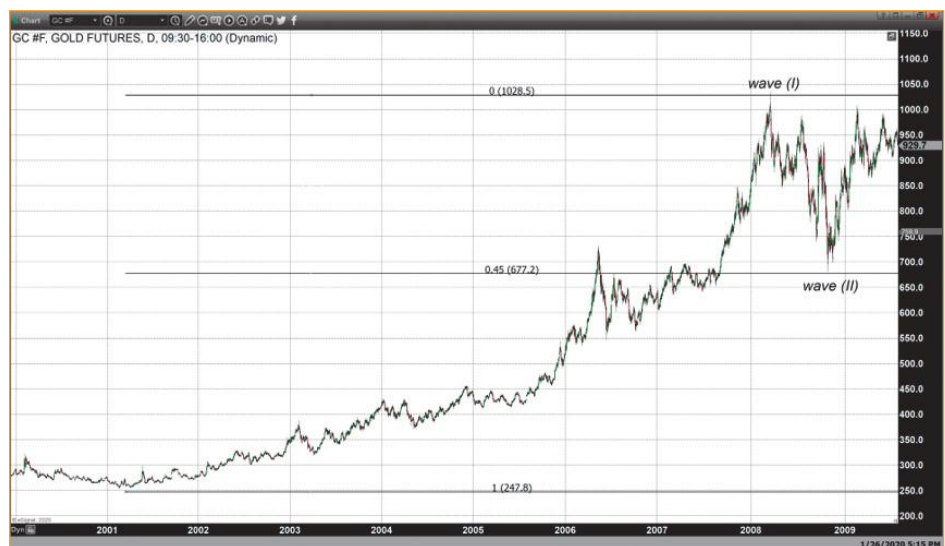


FIGURE 4: GOLD, 2002–2008, PRIMARY WAVE ONE. This daily candlestick chart represents waves one and two. This particular percentage point is not a pure Fibonacci retracement number and is closer to the 50% level that is commonly used by market technicians, but it does allow us to forecast price movement based on the gains of primary wave one.

to considering it to be without merit.

The proponents of this technique are convinced there is validity in the approach and most importantly, that it contains actionable information. The opposite is true for those technicians who view this theory as unreliable and too open to interpretation and backward optimization. Unlike with many other Western technical indicators, a wide range of interpretation can be applied in this technique. It is not black & white like a moving average is, or like readings from the stochastic indicator are, and so on.

It is for that reason that there are those who will dismiss the analysis in this article as useless based on their perception of the technique used. Since the forecast we've presented will span many years, long after this has been written, all I can do is offer to show the kinds of results based on the same techniques that I have seen historically. While it is true that past performance is no guarantee of future performance, with that caveat, historical backtesting is the best tool available to the technical market analyst.

The chart in Figure 4 is a daily candlestick chart spanning 2002–2008. It displays wave one that occurred prior to gold moving to its all-time record high (wave three). The data set begins at approximately $250, and concludes at $1,028. We have labeled this as a primary wave one.

When you look at the retracement that occurred during the correction of wave two, you can see that it gave back approximately 45% of the gains resulting from the last rally.

It is however the forecast of wave three as an extension of wave one that has an uncanny accuracy. Figure 5 contains a Fibonacci extension of wave one that uses the accepted extension of 1.618 to calculate where the third wave could terminate. The prediction based on this extension is $1,934, and the actual number that occurred was $1,920. There is no question that if this information had been available in 2009, it would have greatly aided the market technician, indicating that the rally about to begin could move gold almost $1,300 higher.

## CONCLUSIONS

In this instance, the utilization of a 1.618% Fibonacci extension of wave one was highly accurate in predicting where the market would go over the next three years. There is no other technique that I am aware of that would yield such profound and actionable information.

The fact is that market technicians differ in their opinion. Those technicians who believe in this technique realize that while Elliott wave is both an art and science, it has a wide range of creation and implementation. We think the results speak for

### To create a forecast model for wave five, there are two accepted techniques.

themselves. Those who can correctly utilize this system get actionable data that can greatly enhance the bottom line. Those who do not find value in it tend to dismiss it because of that wide latitude involved in its creation and analysis.

Whatever your beliefs are, the cycle projections given in this article will take years to confirm. But after 35 years of being a technical market analyst, I have found that Elliott wave, when combined with Fibonacci retracements and extensions, and finally, candlestick patterns, have a profoundly uncanny and extremely accurate ability to produce meaningful results. When incorporated into your existing toolbox, you will probably find new ways to find other technical indicators and incorporate them as an additional filtering system. My hope is that the analysis presented in this article will inspire some market technicians to look at Elliott wave theory more closely.

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**FIGURE 5: GOLD, 2002–2008, WAVES ONE & TWO.** The Fibonacci extension of 1.618 of wave one was used to calculate where the third wave could terminate. The prediction was $1,934 and the actual number that occurred was $1,920—a very accurate prediction.

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‡eSignal

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