



MMTA Course One – Cycles and Chart Patterns in Financial Markets



Putting It All Together Part 2: The Primary Cycle in Gold

Module Lesson Nineteen



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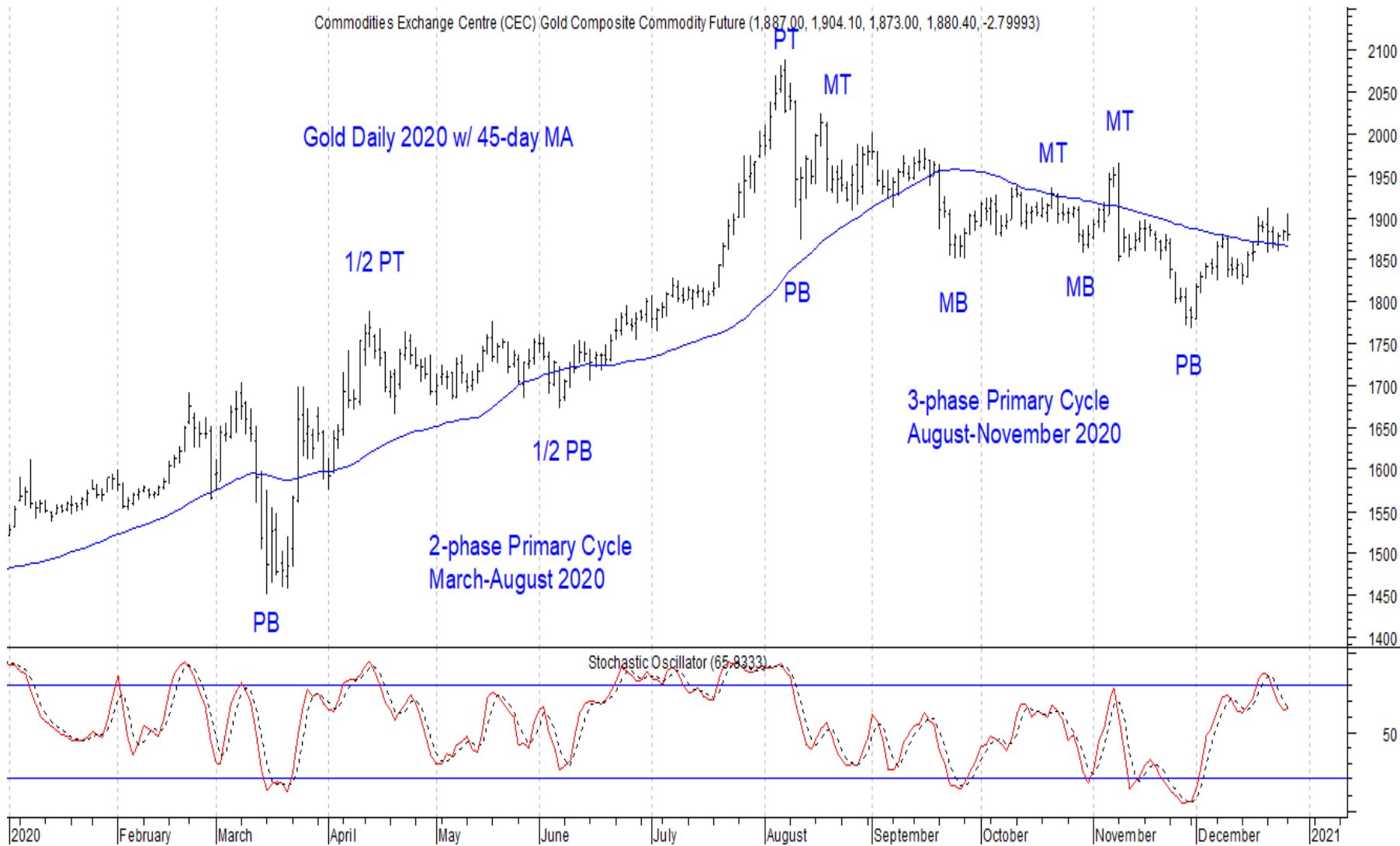
Gold Market

- Primary cycle and its phases
- Importance of 45- and 15-day moving averages
- Double tops and double bottoms
- Half-primary cycle
- Major cycle

18-Week Primary Cycle in Gold

- Primary tool for cycle traders to use in their trading plan.
- Primary cycles are phases of longer-term cycles
 - There may be two primary cycles within a 37-week Gold cycle (which is half-cycle to the 17-month cycle).
 - Or there may be two or three primary cycles within the 11.33-month Gold cycle

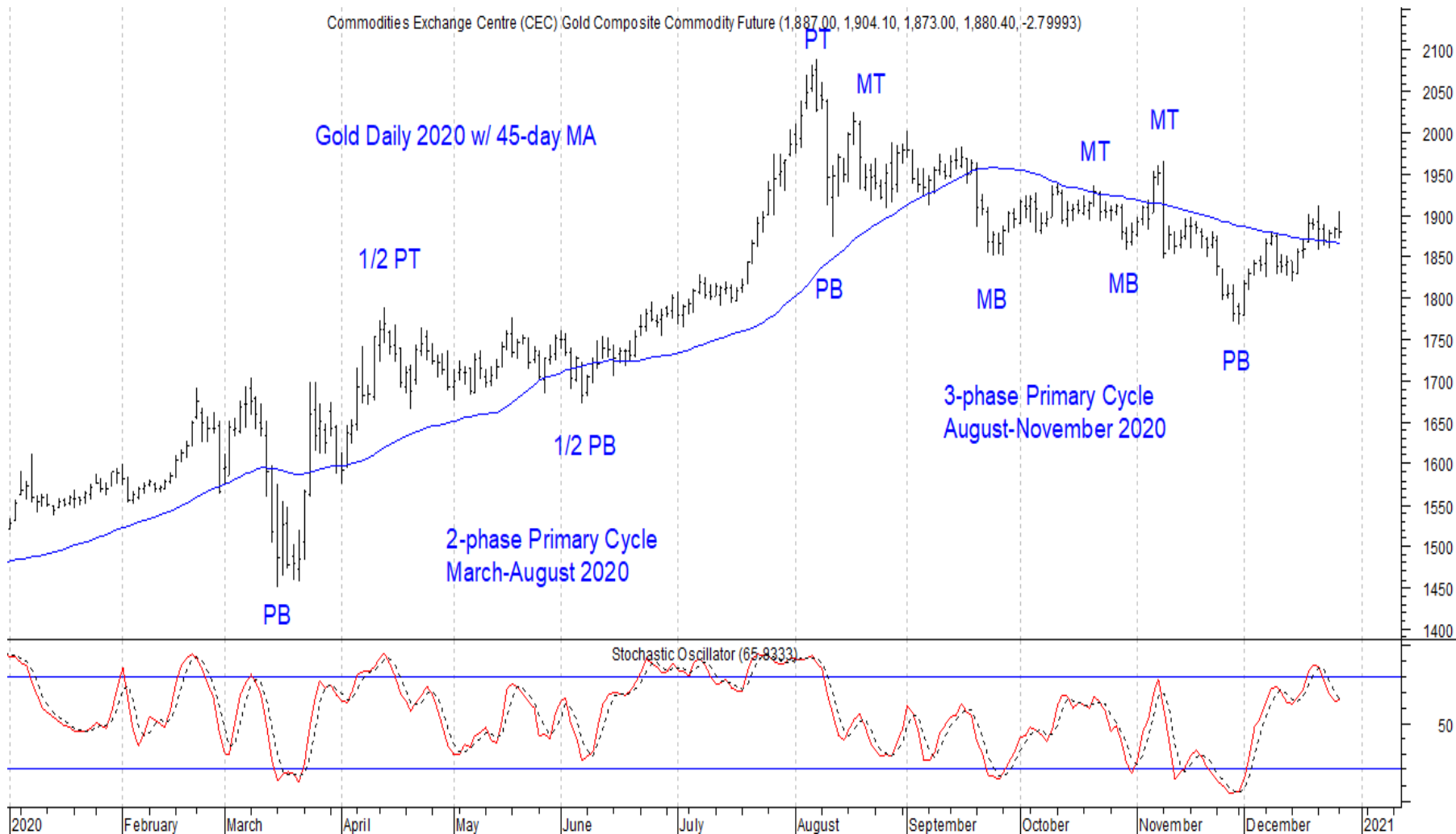
The primary cycle in Gold is comprised of two or three phases. These are known as half-primary or major cycles.



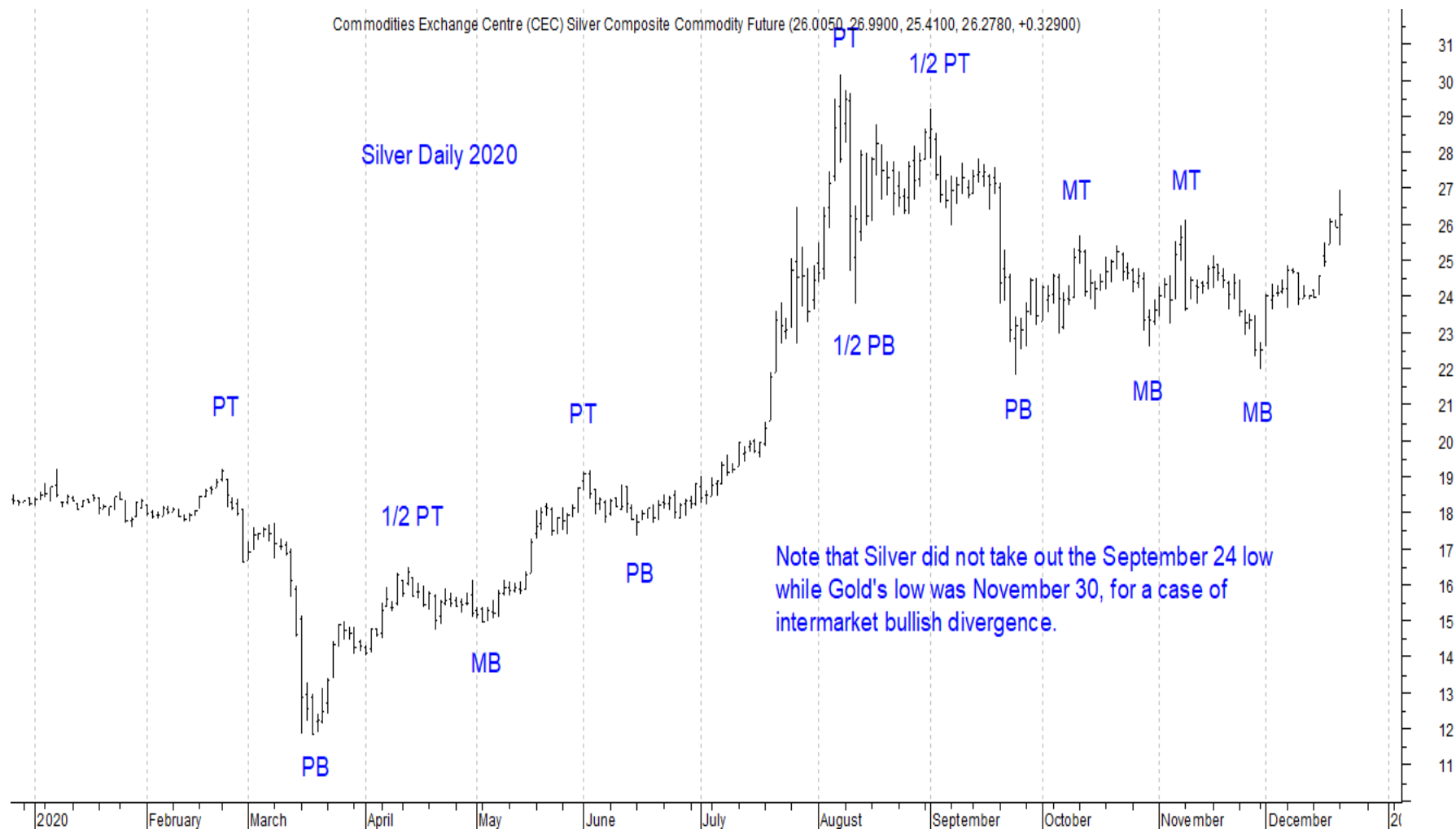
18-Week Primary Cycle in Gold

- The normal range of a primary cycle is 15-21 weeks.
- When longer-term cycles unfold, the primary cycle in Gold will often contract to 11-14 weeks. There have been occasions where it expanded to 22-26 weeks, but this is rare.
- A primary cycle trough will often test (and may fall below) the 45-day moving average in a bull market. It will always fall below the 45-day moving average in a bear market.
- In a bear market, trend run downs are the norm after the primary cycle crest has formed.
- When a primary cycle trough is forming, it will often exhibit a double bottom formation.
 - If bullish it will often test the low of its second major cycle phase.
 - If bearish, the first major cycle trough in the new primary cycle will often be a double bottom to the start of the primary cycle (see prior daily chart).

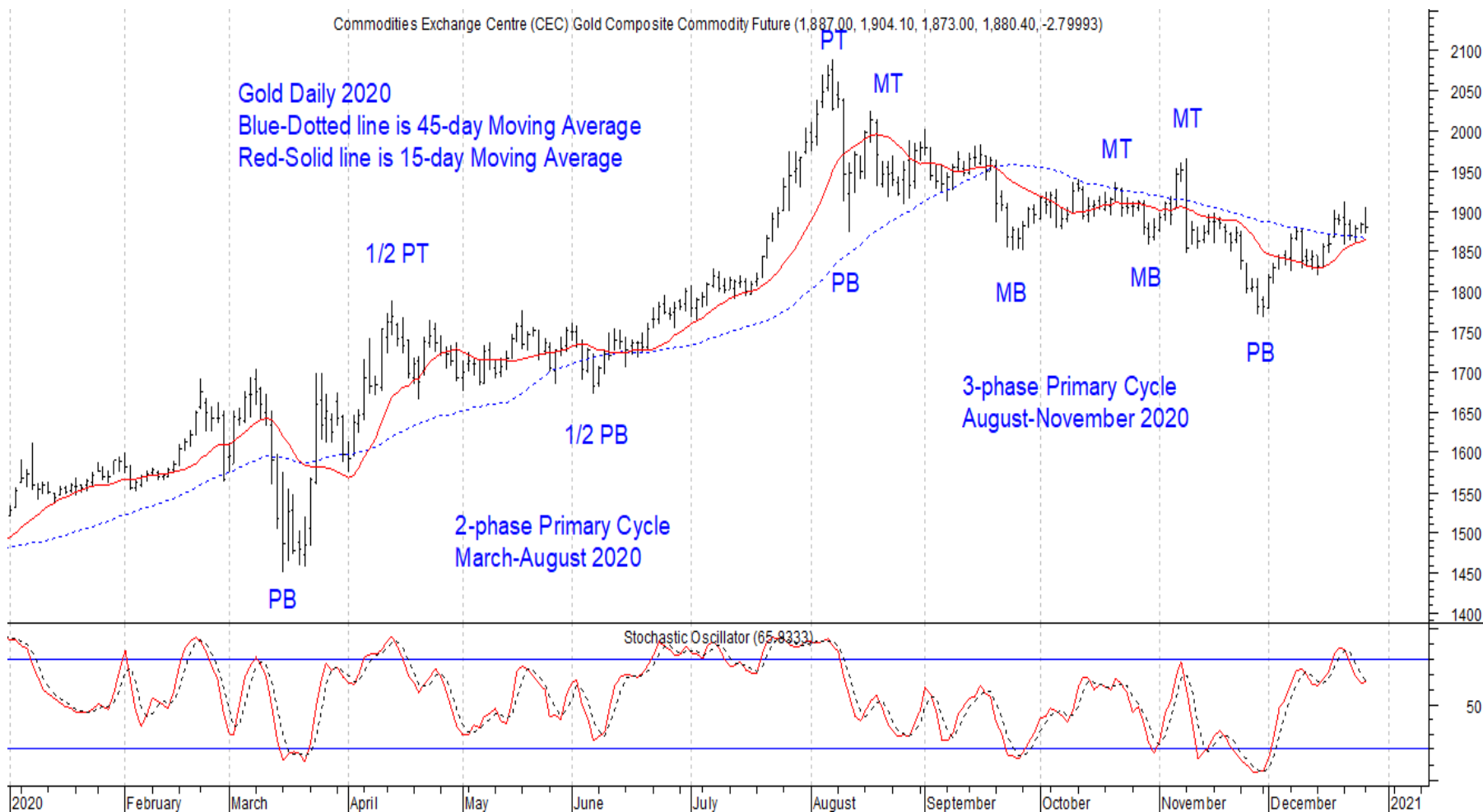
When a primary cycle trough is forming, it will often occur in a different week than Silver's primary cycle trough. This is known as intermarket bullish divergence.



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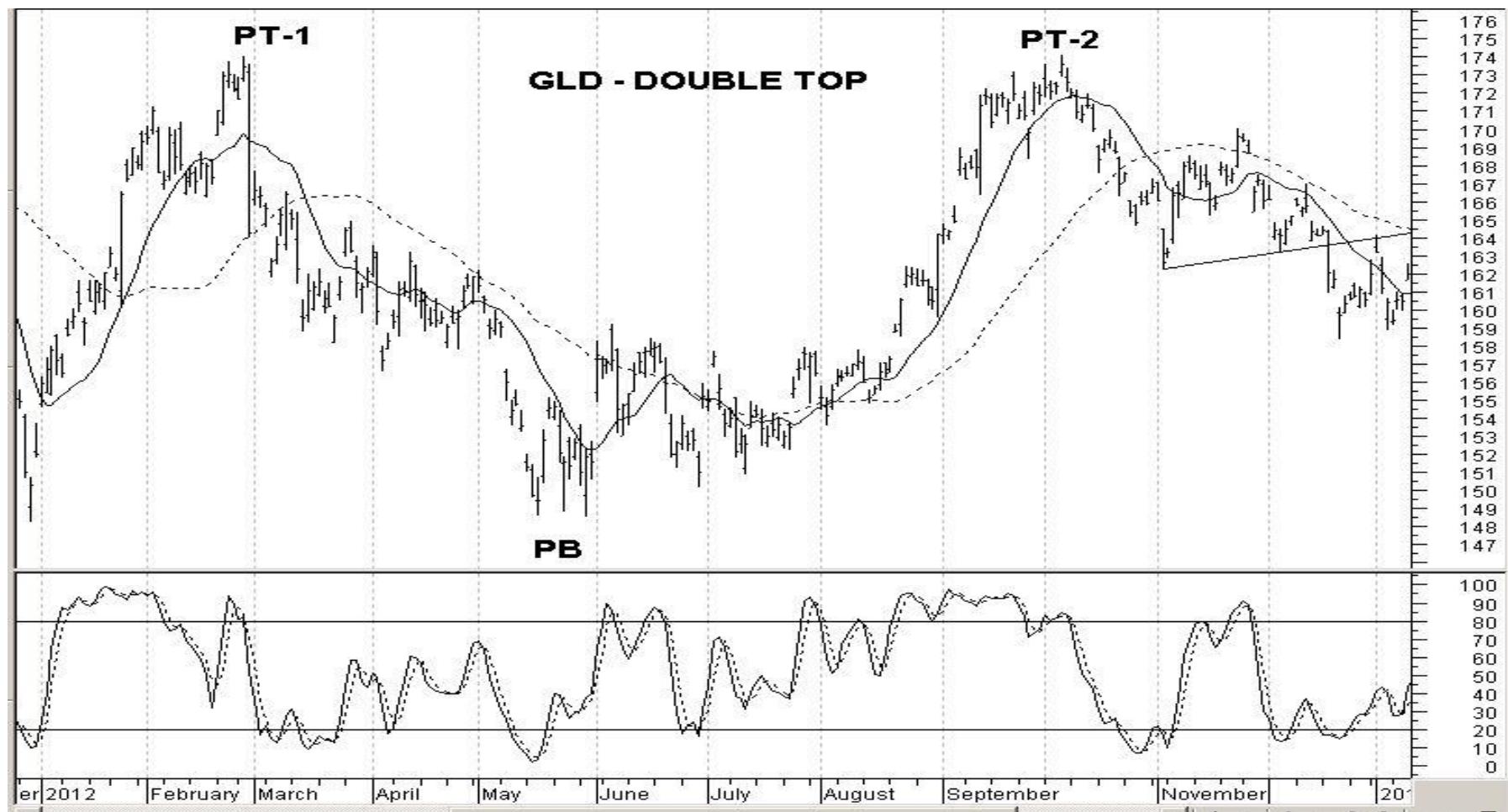
When a primary cycle trough is forming, the stochastics will often exhibit a case of bullish oscillator divergence and/or a bullish looping formation below 20%.



18-Week Primary Cycle in Gold

- When the primary cycle low is completed, prices will start to close above the 15-day moving average.
- In a bear market, Gold will usually rally 2-5 weeks after the primary cycle trough to form its primary cycle crest. Sometimes it may expand as much as 8 weeks.
- In a bull market, Gold will usually rally more than 8 weeks after the primary cycle trough to form its primary cycle crest. It may rally up to 18 weeks to its primary cycle crest.
- In a bull market, trend run ups are the norm shortly after the cycle begins. The price will be above the 15-day moving average, and the 15-day will be above the 45-day average.
- When a primary cycle crest is forming, it will usually test or be well above the 45-day moving average, depending on whether it is bear (test) or bull (above) market.

When a primary cycle crest is forming, it will often exhibit a double top formation. If bullish, it may test the crest of its second major cycle phase, or the crest of the first phase will test the previous primary cycle crest.



When a primary cycle crest is forming, it will often exhibit a double top formation. If bearish, the primary cycle crest will usually unfold in the first major cycle phase of the new primary cycle. Primary cycle crests can be double tops to previous primary cycle crests.



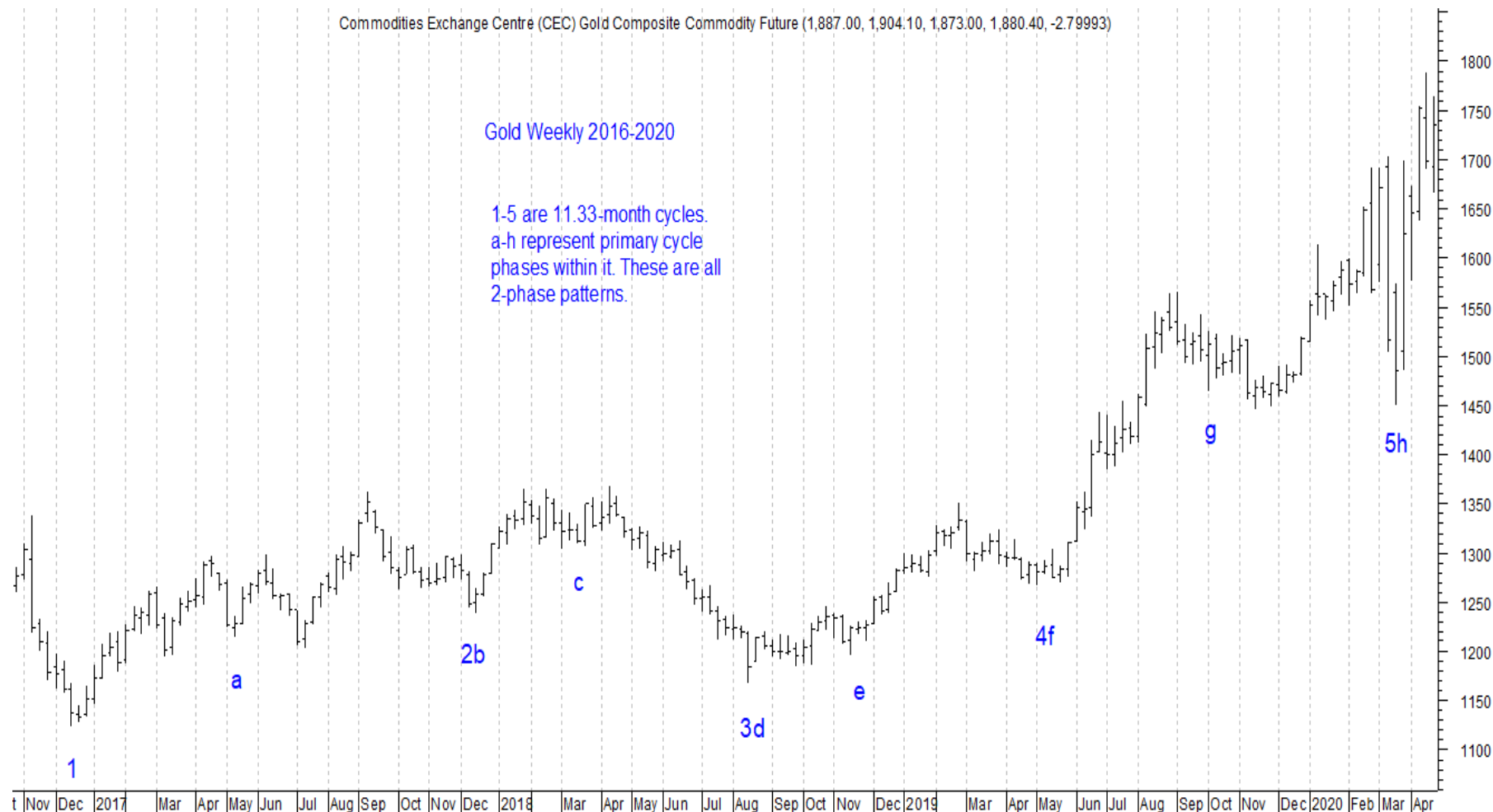
When a primary cycle crest is forming, it will often be in a different week than Silver's primary cycle crest. This is known as intermarket bearish divergence.



18-Week Primary Cycle in Gold

- When a primary cycle crest is forming, the stochastics will often exhibit a case of bearish oscillator divergence and/or a bearish double looping formation above 80%.
- When the primary cycle crest is completed, prices will start to close below the 15-day moving average. One should wait until the market is in its third phase for this to happen.

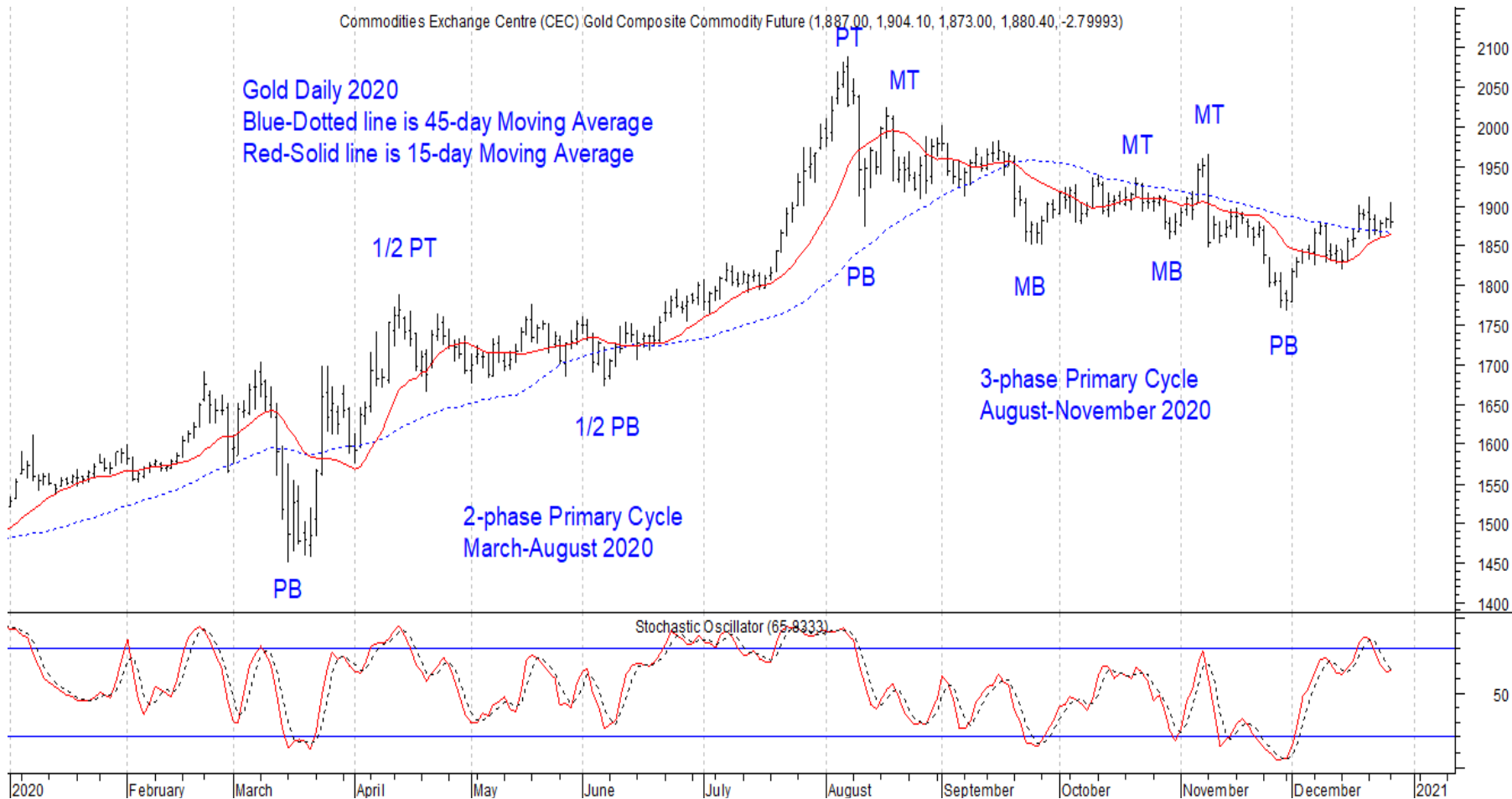
Primary cycles are phases in longer-term cycles, such as the 11.33- and 17-month cycles.



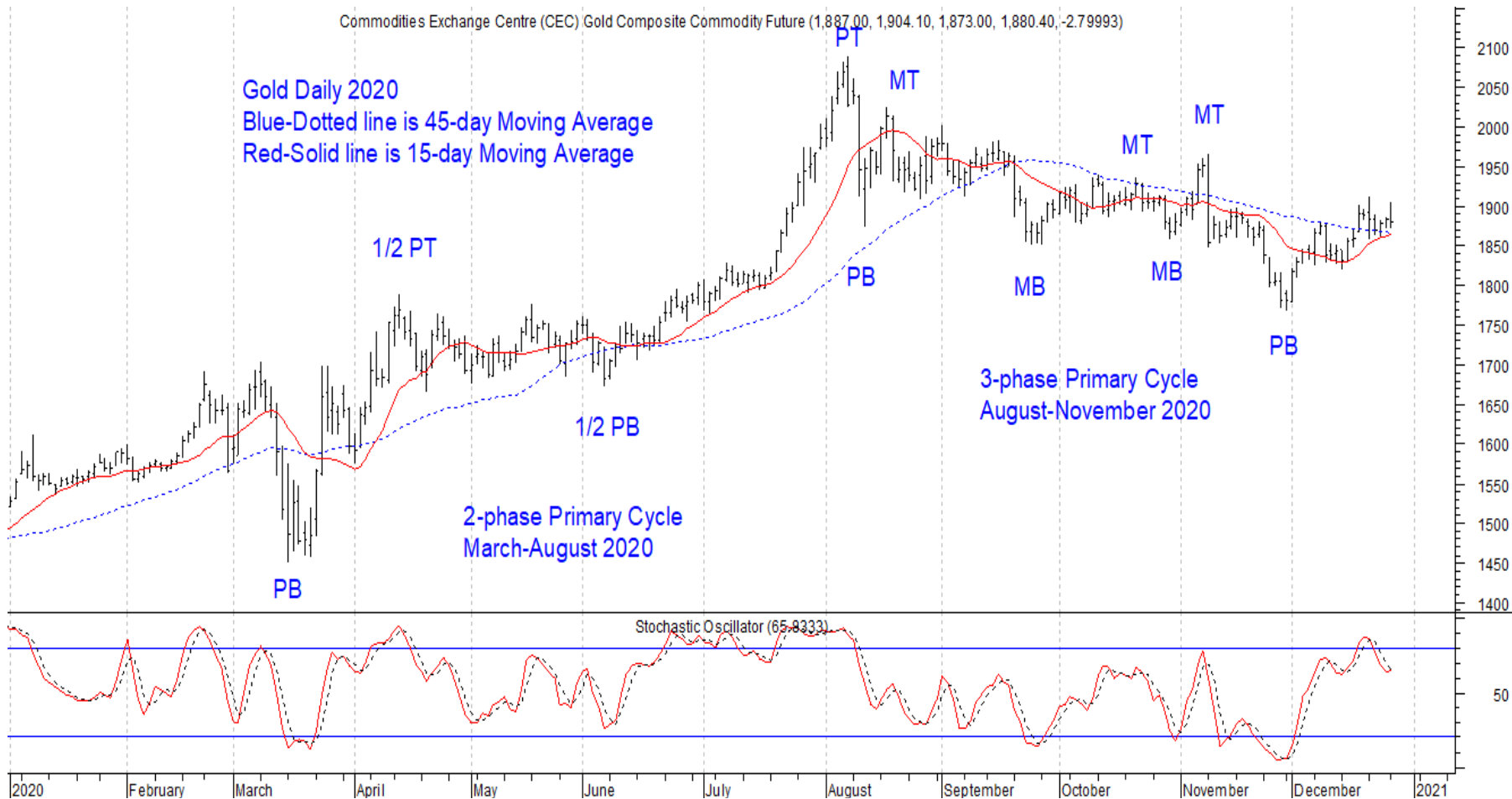
18-Week Primary Cycle in Gold

- Within Gold's primary cycle are either three major cycle phases or two half-primary cycle phases. If it's a three-phase pattern, then the last phase may distort. It may also test the low of the second phase if the primary cycle is bullish.
- Remember, the last phase of any cycle can distort, especially when longer-term cycles come due.
- When primary cycle troughs unfold, they will usually test or fall below the 45-day moving average.
- The last phase of a bullish primary cycle will often form a double bottom to the low of the second phase.
- When a primary cycle trough is forming, the stochastics will often exhibit bullish oscillator divergence and/or bullish double looping formation below 20%.
- When a primary cycle crest is forming, the stochastics will often exhibit bearish oscillator divergence and/or bearish double looping formation above 80%.

When the primary cycle trough is completed, prices will start to close above the 15-day moving average. At the primary cycle crest, prices will usually test the 45-day moving average. If it is a bullish primary cycle, it will rally well above the 45-day moving average.



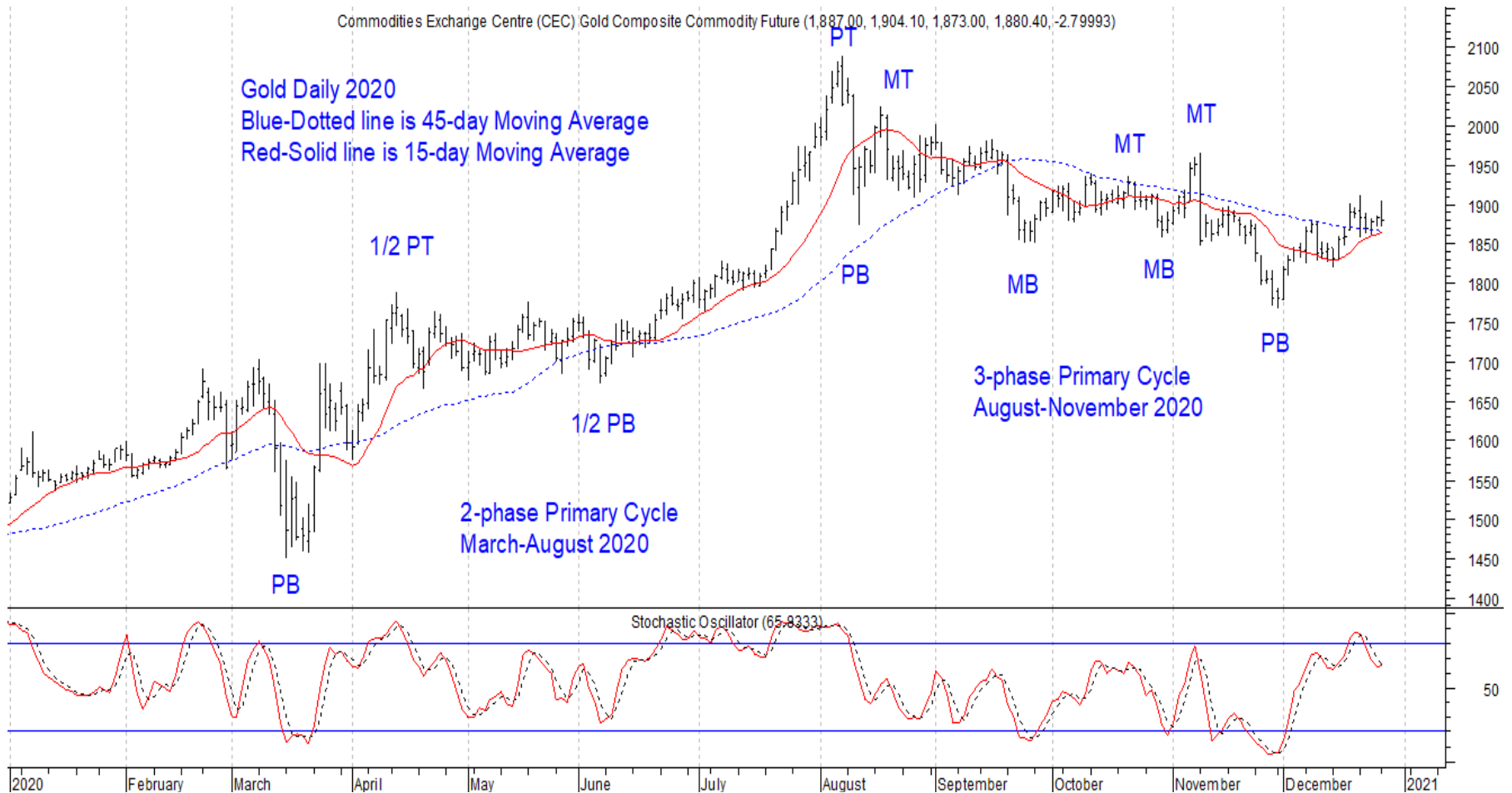
When the primary cycle crest is completed, prices will start to close below the 15-day moving average. At the primary cycle trough, prices will usually test the 45-day moving average. If it is a bearish primary cycle, it will decline well below the 45-day moving average.



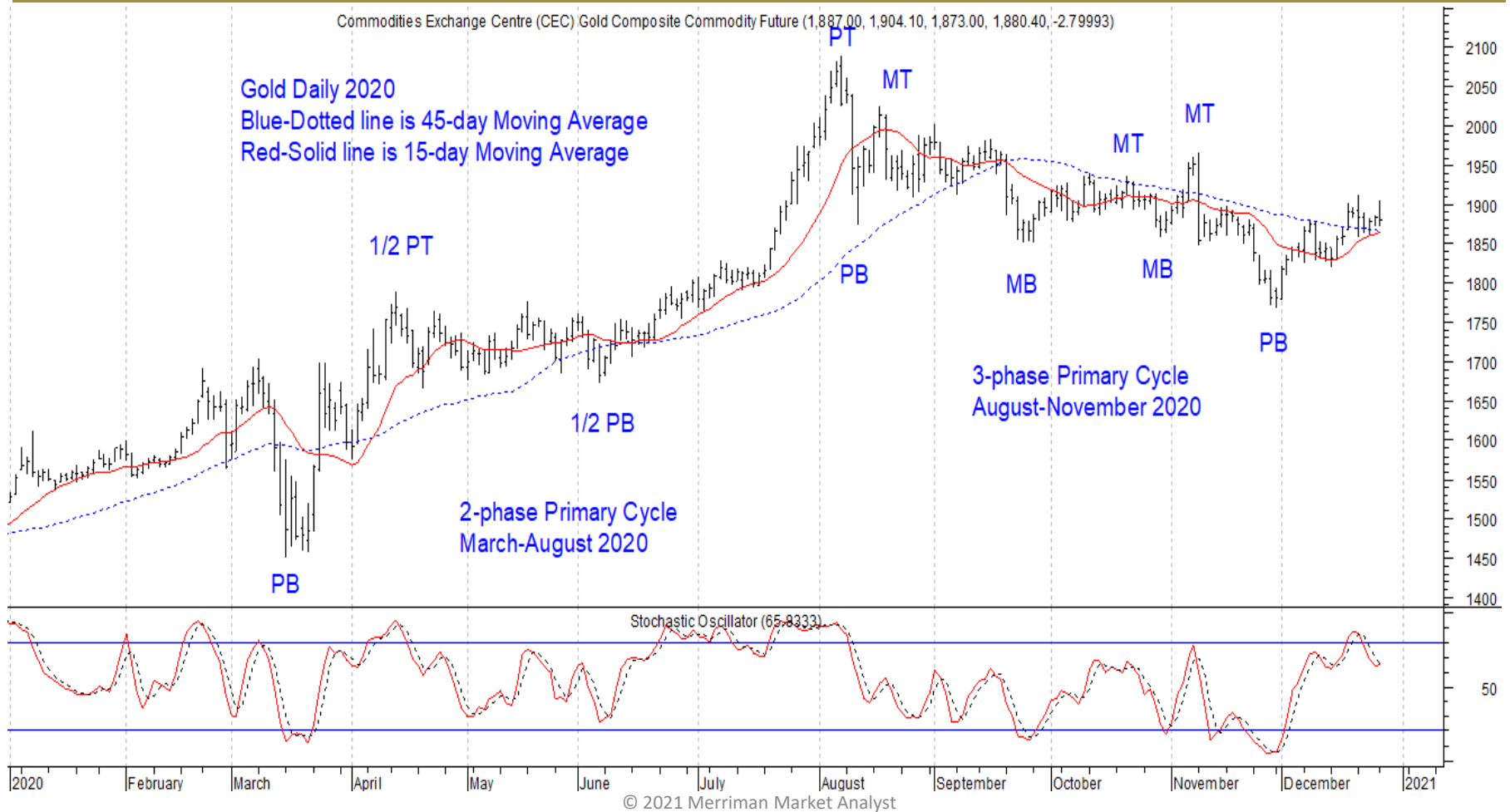
18-Week Primary Cycle in Gold

- In a bear market, Gold will usually rally 2-5 weeks to form its primary cycle crest. Sometimes it may expand as much as 8 weeks.
- In a bull market, Gold will usually rally more than 8 weeks to form its primary cycle crest. It may rally as much as 18 weeks to its primary cycle crest.

Notice what happened when the 15-day moving average fell below the 45-day moving average in mid-September 2020. These averages then became resistance until after the primary bottom ended. Then the 15-day was temporary resistance. Once it broke, the 45-day became temporary resistance.



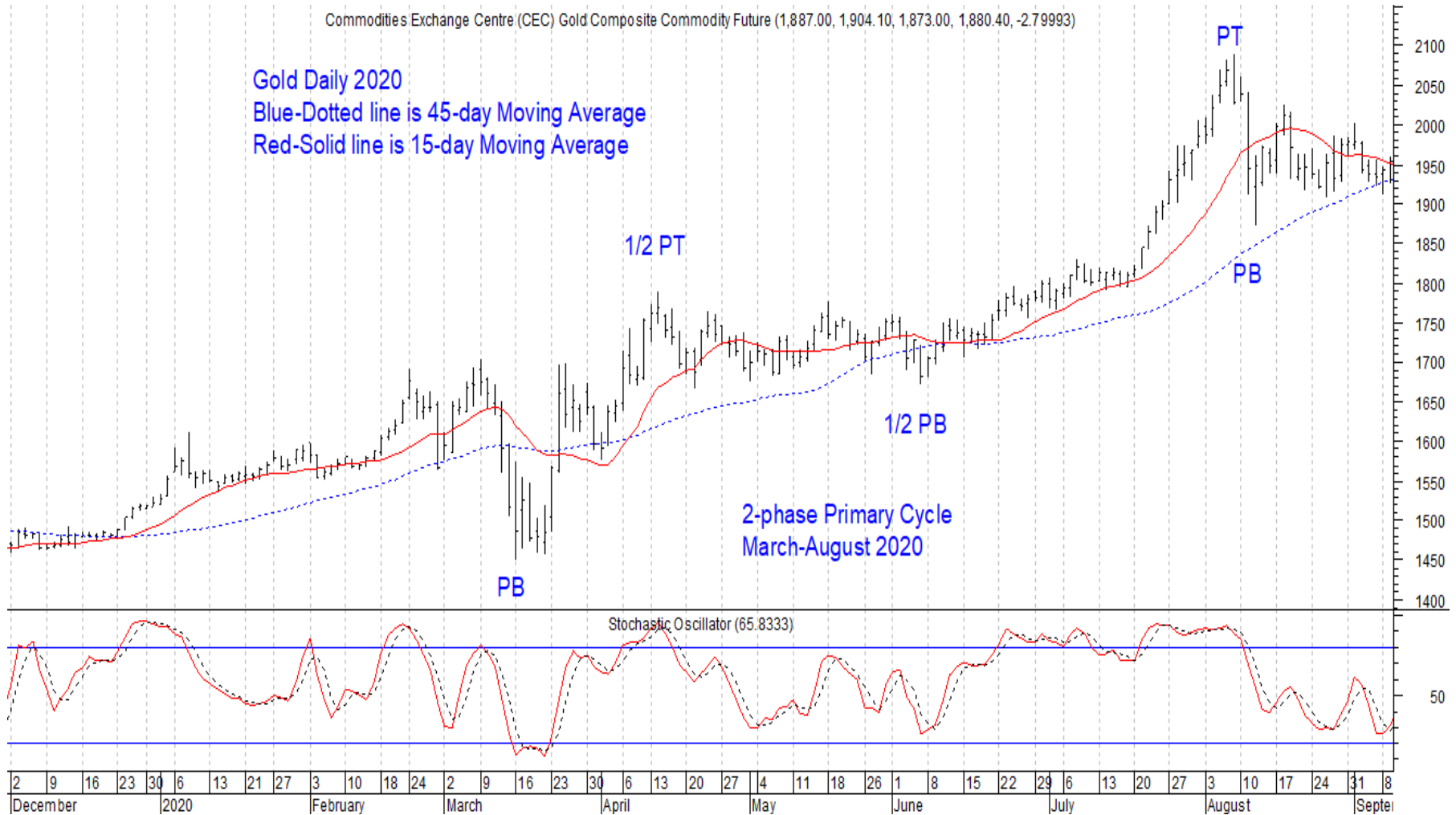
Eventually the 15-day moving average broke above the 45-day moving average. Gold was in a trend run up for several weeks. Every time isolated highs form, you can buy as prices take out the high of the cycle that preceded it. This is known as “pyramiding.” Stop-loss can then be just below the isolated low or the 15-day moving average, or until you get a sell signal in a time band for a crest.



9-week Half-Primary Cycle in Gold

Commodities Exchange Centre (CEC) Gold Composite Commodity Future (1,887.00, 1,904.10, 1,873.00, 1,880.40, -2.79993)

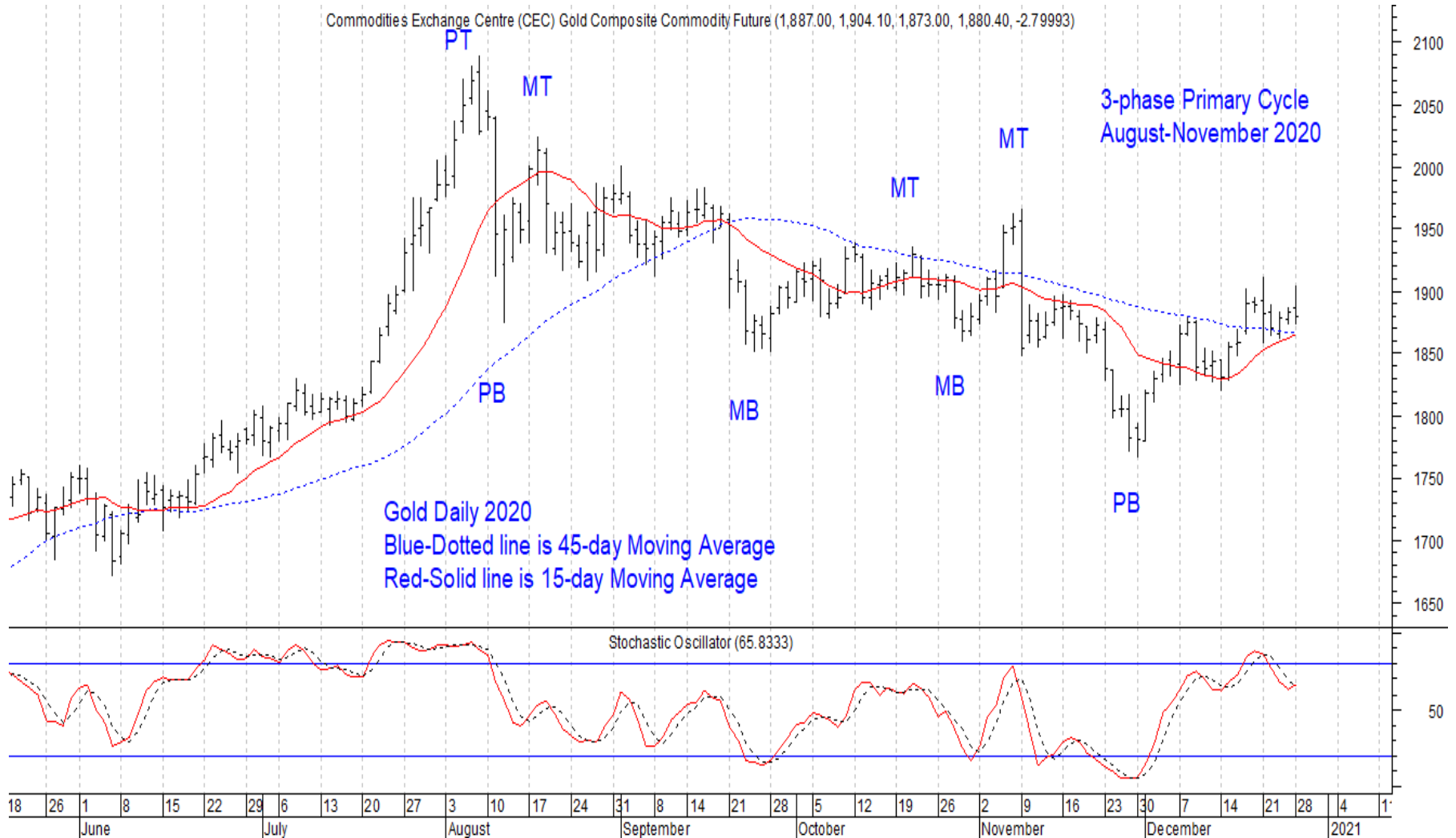
Gold Daily 2020
Blue-Dotted line is 45-day Moving Average
Red-Solid line is 15-day Moving Average



9-week Half-Primary Cycle

- Two-phase 18-week primary cycle consisting of two 9-week half-primary cycles
- Half-primary cycle has normal range of 7.5-10.5 weeks, but we will use 8-11 weeks
- In contracted primary cycle, half-primary cycle can be as short as 6 weeks.
- In expanded primary cycle, half-primary cycle can be as long as 12 weeks.
- In bull market, half-primary cycle will often decline more than the normal 38.2-61.8% correction of the move up to the half-primary cycle crest.
- In a bear market, the half-primary cycle trough will usually take out the low that started the primary cycle. The rally to the crest of the second half-primary cycle will usually last 3-13 days, but it can be a sharp rally.

6-week Major Cycle in Gold



6-week Major Cycle

- Three-phase pattern consisting of three 6-week sub-cycles within 18-week primary cycle
- Major cycle has a normal range of 5-7 weeks. Can be as short as 3 weeks, especially in last phase, but sometimes in first too
- It can also expand to as much as 8 weeks, especially if primary cycle is longer than 18 weeks
- In bull market, the first and even second major cycle trough will often find support around the 15-day moving average
- In a bear market, major cycle trough will usually take out the 15-day moving average. On the rally to the following major cycles, the 15-day average would then serve as resistance.

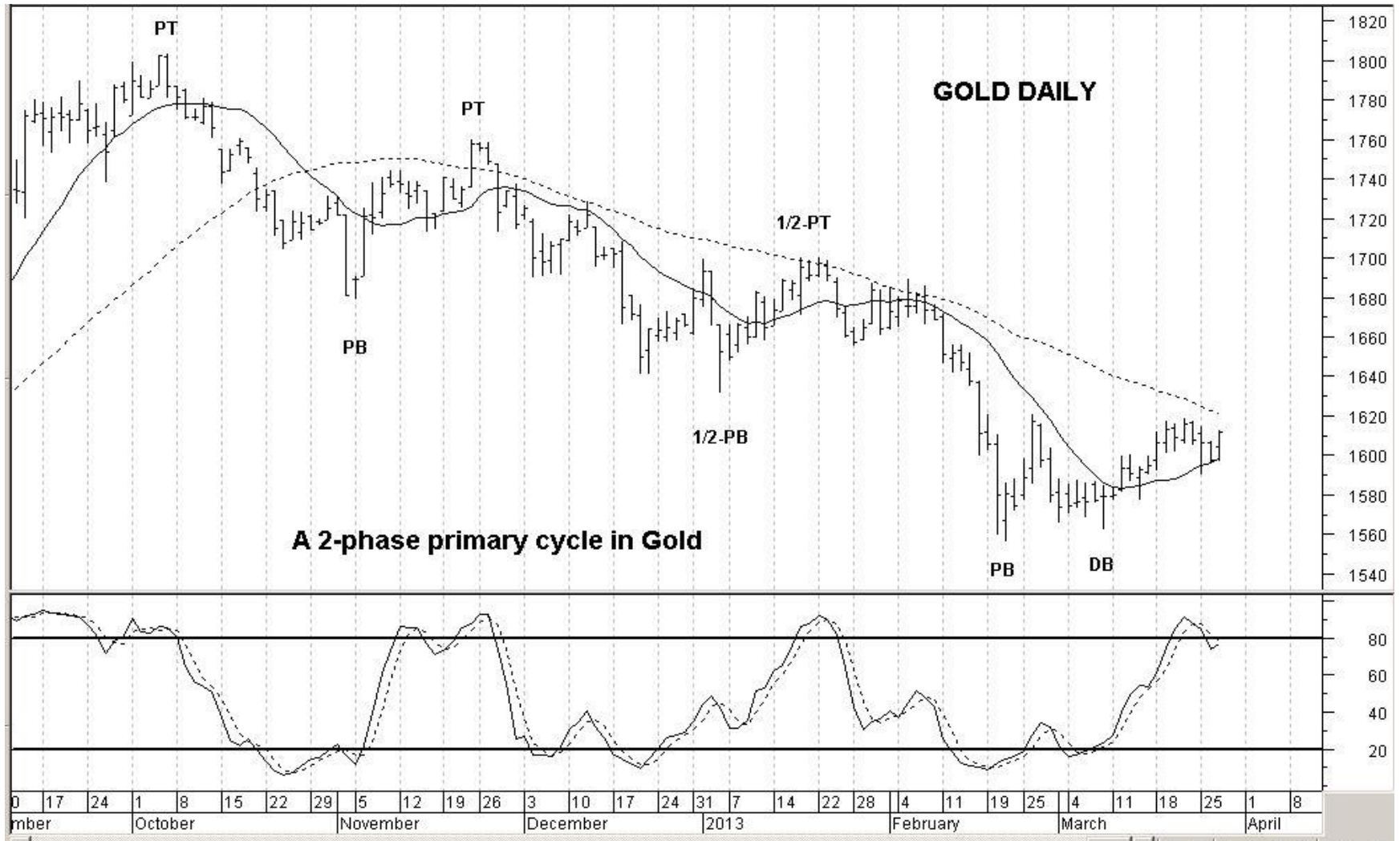
Summary of Gold's Cycles

1. The 23.55-year cycle. It usually breaks down into three 7.83-year phases, although it could exhibit a 2-phase pattern of 12.5-year half-cycles.
2. The 7.83-year cycle
3. The 4-year cycle
4. The 31.33-month cycle
5. The 17-month cycle
6. The 11.33-month cycle (50-weeks)
7. The 18-week primary cycle
8. The 9-week half-primary cycle
9. The 6-week major cycle
10. Beyond that, there are two or three trading cycles that last 2-4 weeks, and immediately after a primary cycle trough, there may be a 4-9 day low known as the "Lendahl Wiggle."

QUIZ #19

Primary Cycle in the Gold Market

QUIZ #19



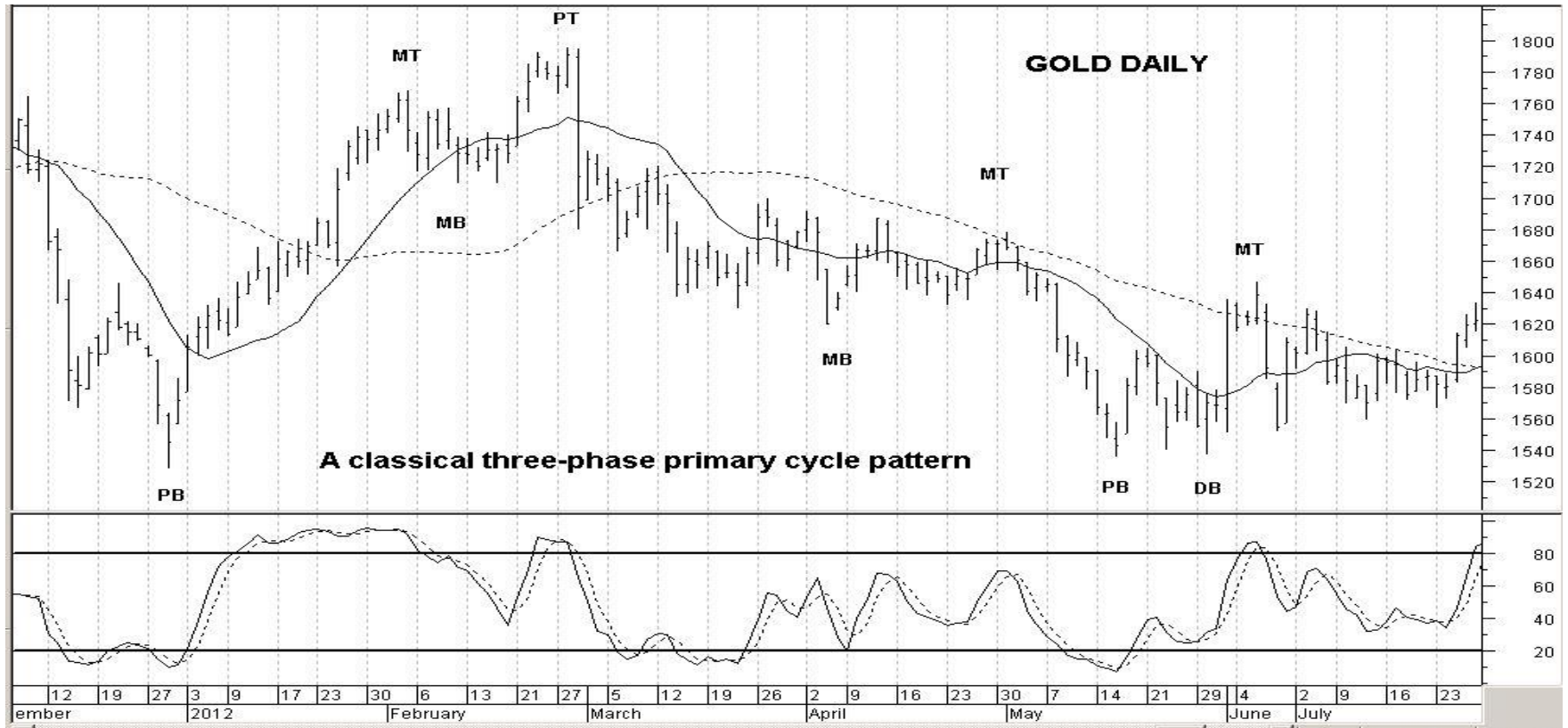
QUIZ #19

1. Using the chart above, what do you notice at the primary cycle troughs and crests in terms of technical studies and chart patterns?
2. When did this market turn into a trend run down? Did it ever turn into a trend run up afterwards?
3. How long was this primary cycle? How long were the two half-primary cycles?
4. What are the sub-cycles known as in a three-phase primary cycle in Gold? How long are they and what are their ranges?
5. In a bull market, what is the important moving average to pay attention to when a major cycle trough is due? Will it act as support or resistance? If it breaks, what type of cycle crest does it confirm? What would it have to do in order to confirm the primary cycle crest has topped out?

QUIZ #19

6. In a bear market, what is the important moving average to pay attention to when a major cycle crest is due? Will it act as support or resistance? If it breaks, what type of cycle crest does it confirm? What would it have to do in order to confirm the primary cycle trough has topped out?

QUIZ #19



7. In the chart above, how many weeks apart is each of the major cycle troughs?

QUIZ #19

8. How do you know they are major cycle troughs?
9. How do you know when they end?
10. Was there a double bottom at the end? What was the condition of the stochastics at that primary bottom and the double bottom? What about at the primary cycle crest?

End of Course One

Break