



## Trigger Events and Precious Metals Prices

Gold prices have risen from a low around \$1,186 on 8 October to as high as \$1,236.90 on Monday, 15 October, basis the December Comex gold futures contract. Prices are trading around \$1,230 as this is being written Wednesday morning, 17 October. Silver (December) got as low as \$14.25 on 10 October, and rose to \$14.875 on Tuesday 16 October, and is trading around \$14.70 presently. Platinum rose in line with gold and silver; palladium maintained recent highs.

CPM Group has been projecting that precious metals prices would be rather moribund for much of the second and third quarters of this year, but then start to rise in the fourth quarter, with further gains likely in 2019 and beyond.

In the past two weeks two major events — the stock market plunge and the Saudi murder of a journalist — have led to a sharp decline in stock prices and sharp increases in gold, silver, and platinum investment demand and prices.

**The questions before us are: Are these the triggers we have been watching for, and what comes next regardless of whether we think these events are the triggers.**

**The answer is: These are some of the triggers, but these events alone will not upset the economic and stock market apple carts. More, worse, developments need to emerge.**

We have written about the plethora of problems plaguing the world and various national economies, financial markets, and politics. We expected that after the world plugged along in the middle of the year, markets would become more concerned about economic downturns, financial market instability, and gathering global and national political storms beginning in the fourth quarter. What would trigger a return of more investors to gold and silver, we could not predict, but some combination of factors should be expected to send a cold blast of nervousness through financial markets, with a concomitant increased interest in buying more gold and silver as portfolio diversifiers and safe havens.

**As a result: Yes, expect higher gold and silver prices going forward, BUT do not get too excited and do not run ahead of either reality or the markets.**

Stock prices traditionally are weak in October. Given the mature nature of the U.S. and other economic expansions, stock markets are looking top-heavy, but the volatile downward spike over the past 10 trading days is not likely to be extended. Stock markets may stabilize for the rest of the year, even though investors have been put on notice about future probably declines.

Meanwhile, the Saudi government's torture and murder of Washington Post reporter Jamal Khashoggi will not be the undoing of the global expansion. It is an atrocious act. Even more appalling have been global reactions: A call for a 'thorough investigation of the disappearance' of Mr. Khashoggi when it is so very obvious that he was murdered is a cowardly, pseudo-diplomatic response. That said, what else should be expected of the world's political leaders? They are unlikely to impose severe sanctions or other penalties on Saudi Arabia. Saudi Arabia has made it clear that it will respond: As producer of 18% of the world's petroleum, it can wipe out all the economic growth of the past decade and throw the world into a deep depression with the flick of a wrist. Having bailed out the Trump family at least twice, and having played them like fools over Jared Kushner's "solution" to the Palestine issues, the Saudis feel more than comfortable that the world's leaders will not do anything severe. This will not be the occasion for a major political, economic, and financial disaster. It is emblematic of the ways governments are behaving around the world, and are likely to continue. **That will come later as the number of bad developments continue.**

**Prices basically are testing the upward bounds of recent ranges. They should continue to test these in the weeks ahead. The December Comex rolls might keep gold and silver a bit stronger in November, but they and other factors are not likely to drive prices sharply higher.**

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