AUGMONT®

GOLD FOR ALL

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KNOWLEDGE SERIES

TYPES OF RESEARCH AND ANALYSIS IN GOLD MARKET

There are several different ways to analyze the market in anticipation of trading. Though categories of analysis may be plentiful, keep the end goal in sight which is to use the analysis to identify good trading opportunities. The four areas explained here are Technical Analysis, Fundamental Analysis, Sentimental Analysis and Intermarket Analysis. One who wants to be profitable in Gold Trading needs to master all these types of Analysis. All four types of research are talked about in Augmont Daily Bullion Report and Weekly Blog.

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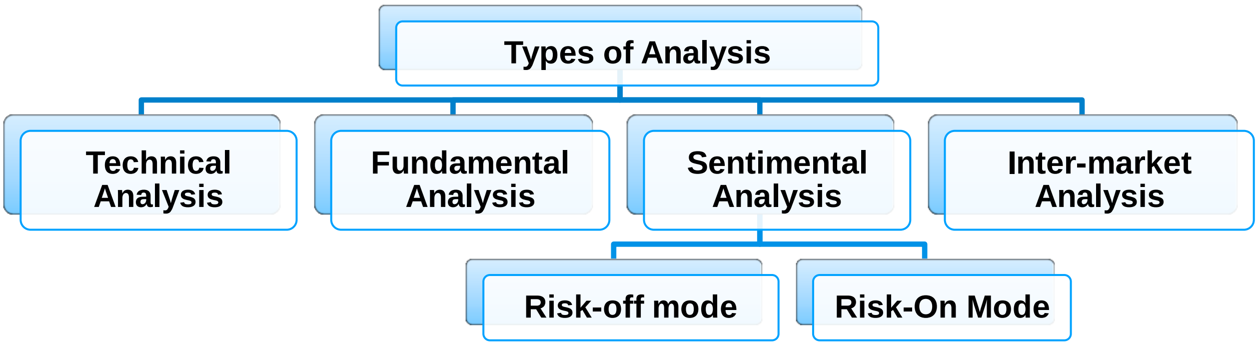

1) Fundamental Analysis

Fundamental analysis involves assessing the economic wellbeing of an entity, not taking into account its price movements. Gold Trader will look for Gold Supply and Demand Statistics published by WGC on quarterly basis and analyse impact of Economic Data of Consuming countries on prices.

2) Technical Analysis

Technical analysis involves looking at patterns in price history to determine the higher probability time and place to enter and exit a trade. For Gold traders, they will analyze the price of volume of the shares traded on the exchange. Traders may also look for price patterns on the chart like triangles, flags, and double bottoms. Based on the pattern, a trader will determine the entry and exit points for the stock. Additionally, the indicators and oscillators added to a price chart are very similar between the stock and foreign exchange markets. Moving averages, Bollinger Bands, MACD, Relative Strength Index (RSI), and stochastic tends to be some of the more common tools in a technical traders tool box. This is a result of the indicators ease of use and clarity of signal it provides.

3) Sentiment Analysis

Sentiment is another widely popular form of analysis. When you see sentiment overwhelmingly positioned to one direction that means the vast majority of traders are already committed to that position. There are two types of Sentiment in the Market:

- *Risk-Off Sentiment*
- *Risk-On Sentiment*

Risk-on and Risk-off is an investment setting in which price behavior responds to and is driven by changes in investor risk tolerance. Risk-on risk-off refers to changes in investment activity in response to global economic patterns. During periods when risk is perceived as low, risk-on risk-off theory states that investors tend to engage in higher-risk investments; when risk is perceived as high, investors have the tendency to gravitate toward lower-risk investments.

Investors' appetites for risk rise and fall over time. At times, investors are more likely to invest in higher-risk instruments than during other periods, such as during the 2009 recovery. The 2008 financial crisis was considered a risk-off year, when investors attempted to reduce risk by selling existing risky positions and moving money to either cash positions or low/no-risk positions, such as U.S. Treasury bonds.

Not all asset classes carry the same risk. Investors tend to change asset classes depending on the perceived risk in the markets. For instance, stocks are generally seen as riskier assets than bonds. Therefore, during periods of stocks outperforming bonds, this is said to be a risk-on environment. When stocks are selling off and investors run for shelter in bonds or gold, the environment is said to be risk-off.

As the perceived risk rises in the markets, investors jump Risk assets and pile into high-grade bonds, U.S. Treasury bonds, gold, cash and other safe havens. While returns on these assets are not expected to be excessive, they provide downside protection to portfolios during times of distress.

When risks subside in the market, low-return assets and safe havens are dumped for high-yielding bonds, stocks, commodities and other assets that carry elevated risk. As overall market risks stay low, investors are more willing to take on portfolio risk for the chance of higher returns.

Risk-on Assets	**Risk-off Assets**
High Yield Bonds	High Grade Bonds
Stocks	US Treasury Bonds
Commodities	Gold and Silver
Currencies like AUD, NZD, etc.	Cash
	Currencies like USD, JPY, CHF, etc.

4) **Inter-Market Analysis**

Inter-market analysis is a branch of technical analysis that examines the correlations between four major asset classes: stocks, bonds, commodities and currencies. There are clear relationships between stocks and bonds, bonds and commodities, and commodities and the Dollar. Knowing these relationships can help chartists determine the stage of the investing cycle, select the best sectors and avoid the worst performing sectors.