



AUGMONT<sup>®</sup>

GOLD  
FOR ALL

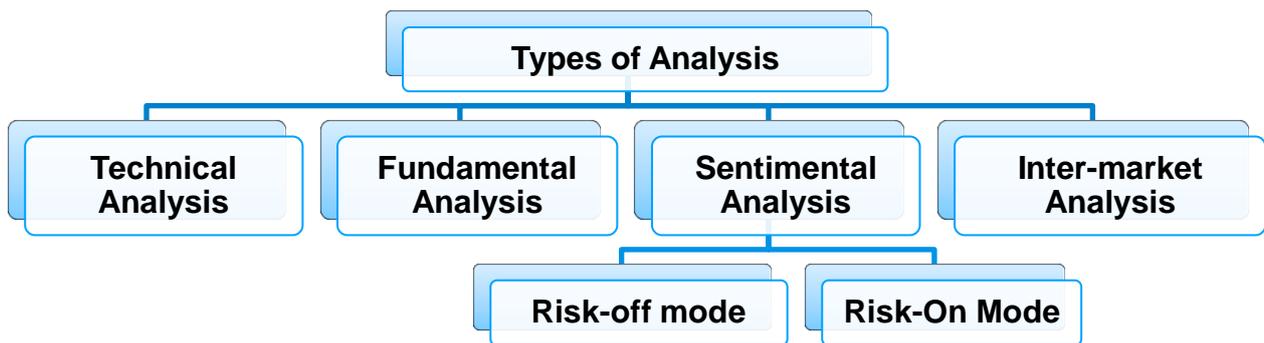
JANUARY 2021

# 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.

There are several different ways to analyse 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 are:



### 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.

**Disclaimer:** This report contains the opinion of the author, which is not to be construed as investment advices. The author, Directors, other employees of Augmont Enterprise Private Ltd. and its affiliates cannot be held responsible for the accuracy of the information presented herein or for the results of the positions taken based on the opinions expressed above. The above mentioned opinions are based on the information, which is believed to be accurate, and no assurance can be given for the accuracy of the information. The author, directors and other employees and any affiliates of Augmont Enterprise Private Ltd cannot be held responsible for any losses in trading. In no event should the content of this research report be construed as an express or an implied promise, guarantee or implication by or from Augmont Enterprise Private Ltd that the reader or client will profit or the losses can or will be limited in any manner whatsoever. Past results are no indications of future performance. Information provided in this report is intended solely for informative purposes and is obtained from sources believed to be reliable. The information contained in this report is no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. We do not offer any sort of portfolio advisory, portfolio management or investment advisory services. The reports are only for information purpose and are not to be construed as investment advices.