

The Atlantic GOLD & SILVER CENTRE

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The Seasonality of Precious Metals Prices.

Written by David Ford

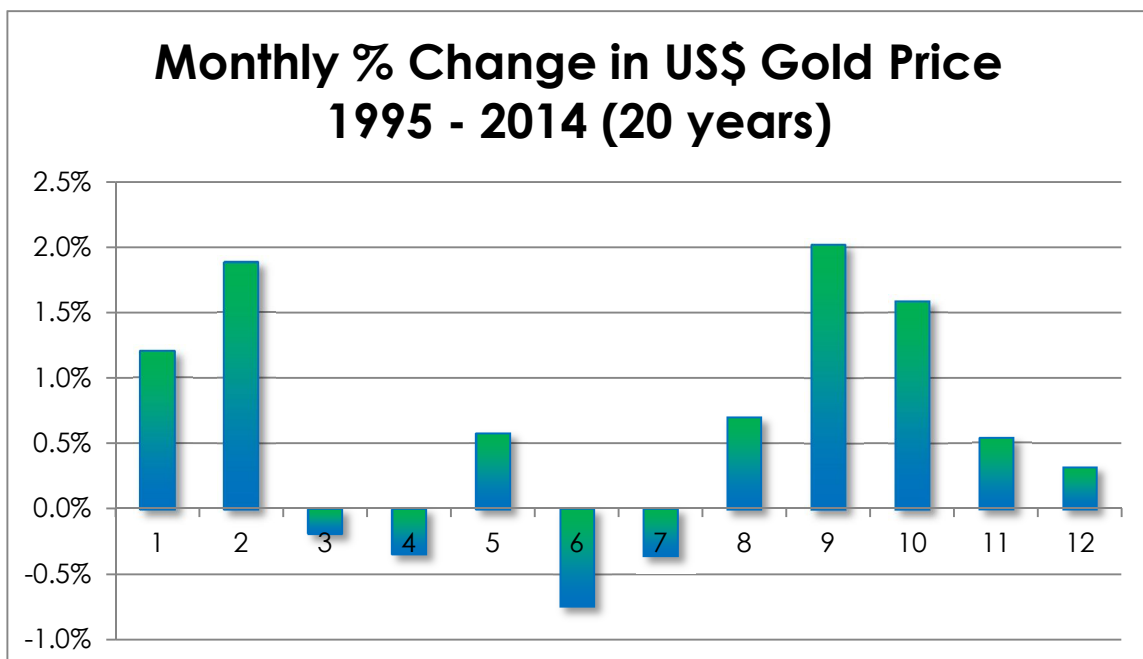
I started this article on the seasonality of Precious Metals Prices last week, and as I sit down to finish it this morning (Monday 20th July 2015) we have just experienced one of the biggest 'flash-crashes' in precious metals prices ever. Someone reportedly sold \$2.7bln of paper Gold contracts at 9:30pm on Sunday night ! Prices are once again at their lowest for the year in July !

There is an old truism on Wall Street – "Sell in May & go away." This reflects the common opinion that summer months are a sleepy time for the markets, with low volume and directionless prices caused by people on vacation.

Having been active in precious metals for 15 years now, and as a dealer for the last 5 of those, every year we see a very similar pattern. Prices drift slowly down though April, May & June, there is a bottoming out in late July or early August, then prices rise sharply through September & October.

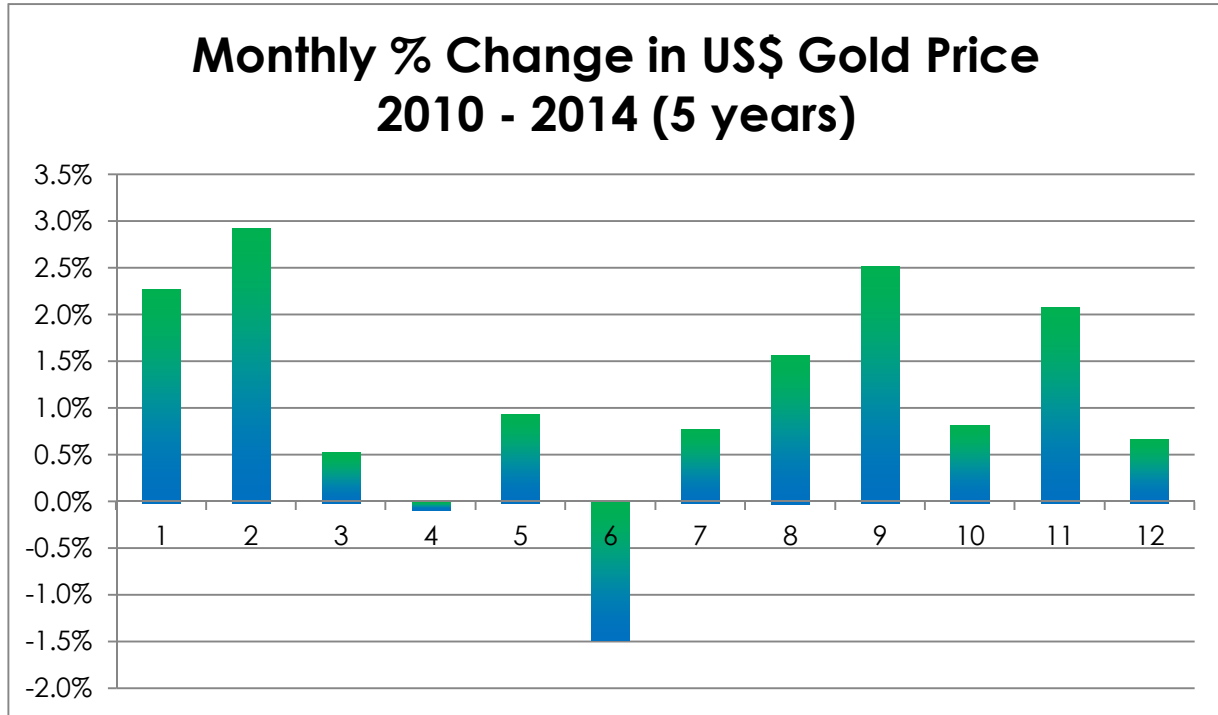
Historical Trends.

Looking back over the data of monthly price changes for the last 20 years, a clear pattern emerges...



The weakest time in the year is found between March & July. The biggest % drop is in June, and with a smaller drop in July, it means the lowest prices are towards the end of July. The market is traditionally stronger in August & September.

If we look back over a shorter timeframe, we can see that the recent popularity of Precious Metals makes these patterns clearer.



The highs are higher, and the lows are lower – giving greater opportunities for investors who pay attention to timing.

Lies, damn lies & statistics.

Its fairly clear that you could use the above information to make money. However, that would assume you traded these patterns consistently over 5 years. There are ALWAYS outliers to the data. For example, in February 2013, gold prices FELL from US\$1671 at the end of January to US\$1630 at the end of February – a drop of 2.5%. If you were counting on a profit of 2.9% from the chart above – you would be bitterly disappointed !

You should therefore always look at the prevailing market conditions prior to making a purchase.

So what should you do ?

We would not advocate anyone become a part time speculator, attempting to buy and sell commodities based on just this data. Such trading requires a lot of diligence, study, patience, money and a very strong risk appetite !

However, if you are an investor, looking to purchase precious metals for wealth preservation, inflation protection or economic insurance then this information is useful. Rather than endlessly chasing every tick you see on a chart, you can make informed decisions about when to invest your money. This will help you reduce your average purchase price, and increasing your holdings over time.

Right now in the middle of July, as I mentioned at the start of this letter, we have seen a huge drop in the price of metals – and if you look at newspaper articles outside of the US/Canada, these moves are called for what they are – Manipulation.

Some are fearful that a rise in US interest rates will make Precious Metals drop further. This may be true, but remember that markets normally anticipate & price in such events 3 months in advance – meaning the interest rate hike is already 'baked in' to the current valuation. However, there is always a risk that manipulators will seize on the chance for one last smash down, right when the rate hike is announced.

All that being said, prices are at **5 year** lows (in USD), and we're currently in the traditionally weakest month of the year. Whatever happens in the next few months, if you're looking at Precious Metals for the right reason, this may well be the buying opportunity of the decade.

Author David Ford is the founder, owner and President of The Atlantic Gold & Silver Centre. He is experienced in commodities & future trading, banking and insurance. He has been actively investing in gold and silver bullion since 2000.