
HedgeFolios Strategy Advisory

“The Precious Metals Correction”

10-22-2025

Our Current View:

Since early October, the markets have experienced some volatile trading action. According to our work, the markets will continue to be very choppy into the end of October. Therefore, we expect to see days like we've seen recently more frequently over the next two weeks.

This suggests that **a number of sectors will do very well, while others will see profit taking.**

Today, the major indices were all quite weak, gradually declining throughout most of the session. However with two hours left, there was a mild rally to help pare some of the losses.

With the DJI setting a record high yesterday, while the S&P and NASDAQ flirted with their own highs, today's selloff occurred on high volume. The internals were all negatively skewed as well. Therefore, this suggests more profit taking is likely ahead.

The heavy selling can easily be seen on the daily chart below of the broad NYSE Comp. At the bottom of the chart is the daily volume. Notice the huge red bars on the recent down-days (black arrows), they're much bigger than the green bars (i.e. volume on up-days).

Furthermore, money has been flowing out of the broader market since early October according to the Dohmen Money Flow (middle pane, red arrow). Today, it fell to its lowest level since the April market bottom. This is near-term bearish.

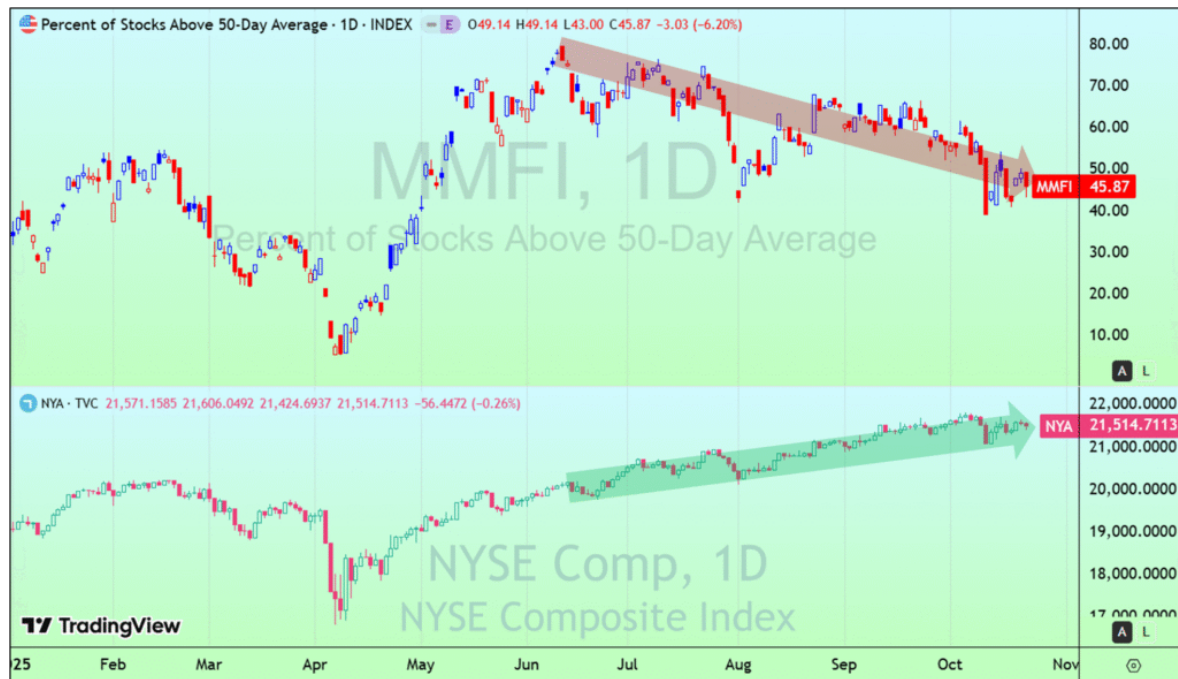


An important bearish divergence we pointed out in our September 14 Strategy Advisory continues to grow wider. The daily comparison chart below shows the “Percent of Stocks Above their 50-day m.a.” (MMFI) at the top and the NYSE Composite (NYSE) at the bottom. Notice how since mid-June, the MMFI has **dropped from around 80% of stocks above their 50-day m.a. to now just 45% (red arrow)**.

Meanwhile, the NYSE Comp (bottom) has continued to climb higher, **breaking out to new highs over the past four months (green arrow)**. That’s a **bearish divergence** that’s only gotten more negative.

It’s important to note that although the NYSE is a broad composite, it is still **cap weighted** and therefore heavily influenced by the largest capitalized stocks (i.e. the Mag 7).

We can therefore conclude the rally over the past 4 months has become narrower and narrower, meaning fewer stocks are participating and the **majority of stocks have actually been deteriorating**, trading below their short-term moving averages.



CONCLUSION: Our short-term scenario calls for a potential brief, sharp stock market decline going into month end, which should be followed by a nice rally into year end.

The market in October is in the pullback phase we forecasted in early September, where good stocks are sold to “shake the tree” and scare investors. That suggests that the algo-traders may knock the desirable stocks and sectors down this month in order to generate better buying prices.

In the November-December period, we believe the markets will be nicely supported and rally because of institutional “window dressing.”

You see, fundamentals like earnings, dividends, etc. do not enter in the equation of whether or not to buy a stock in this environment. They are just used by Wall Street to misguide investors.

We caution that we of course have no control over the stock market, we don’t have a crystal ball that works, and therefore markets may totally disobey our scenario.

SIX MONTHS SINCE THE APRIL BOTTOM: October 7 marked **six months since the April 7 bottom**. As you likely heard all over financial media, the indices have soared between 20-50% since then. Those are the gains we often hear on TV because they are so much bigger than the year-to-date performances, which are much smaller.

See the table below of some of the important indices, both **cap-weighted and equal-weighted**, comparing their 6-month and year-to-date (YTD) performances. We also include **gold and silver, our two favorite sectors we recommended in our services this year, which have far outperformed** the major indices this year (bottom yellow shaded rows).

	6+ Month Performance (April 7-Oct 17, 2025)	YTD 2025
DJI	21.7%	8.6%
S&P 500	31.6%	13.3%
NASDAQ Comp	45.3%	17.5%
Russell 2000	35.6%	10.2%
NYSE	22.8%	12.1%
VALUG (Equal Weight)	22.6%	2.1%
S&P 500 Equal Weight	20.5%	7.3%
NASDAQ 100 Equal Weight	29.6%	13.3%
Gold (GLD)	42.1%	60.7%
Silver (SLV)	73.0%	78.5%

As you can see, Gold and Silver have had the best performance this year, with a much lower risk in our opinion.

Our strategy this year kept us in the highest performing sector (precious metals) and avoided all the manipulation and volatility of the popular other stocks.

However, gold and silver are now hitting our first **short term targets**. For gold, we thought **that once it gets over \$4000, it would be time to expect a pullback or correction**. For silver, we thought the coveted **\$50/oz** level would act as “mental resistance” and cause a pullback. This “trade” became overdone, which caused the recent correction.

GOLD & SILVER: Several weeks ago we wrote that **gold and silver** are in a “**runaway bull market**.” So far, that has been right on target. Such markets are rare. It is usually a mistake trying to trade it short term.

However, gold and silver have recently seen a pullback, just as we warned about in our latest **Wellington Letter** (October 19 issue):

“When the time for a **strong** correction comes, we would expect it to be on a big down-gap, making it difficult for retail investors to even sell.”

That's exactly what happened yesterday, with big downgaps in the precious metals and miners.

The pullback yesterday started with a **huge down-gap opening**, designed to prevent the masses from selling at higher prices. They are supposed to sell at the bottom where the big, smart money goes to pick up the bargains.

Gold declined about \$225, just short of the first chart support level (\$3950 area). Today the ETF, GLD, went below our target support level in the 373 area intraday, but was able to close above it (short green line on daily chart below). One day doesn't make a trend but it is acting if the selling shock is over.

If there is a bit more selling to be done our next target would be the 362 area for GLD. That would also mark a 10% correction from its record high set on Monday.



The past two days, the ETF for silver, SLV, hit our target first support level of 44 (short green line on daily chart below), given in our latest **Wellington Letter**. Since its record high set last Thursday it has fallen 12% through today's low.

Similar to GLD above, it looks like it wants to hold the line and rebound. However, if there is another bout of selling, next support would come in the 40 area.



Our HedgeFolios:

Since our last Strategy Advisory, we increased our exposure to the Gold and Silver miners by adding the junior miners ETFs (GDXJ and SILJ), along with adding exposure to the uranium sector across all 5 models.

We also added a small allocation to the defense and aerospace sector and technology in our Opportunistic and Global Equity models. These sectors are prone to do well in this environment.

In the Income model we chose to enter the utilities sector, which have done well all year and should continue to do very well with all the energy needed for AI. Behind technology and communication services, utilities is the third best performing sector this year.

In the Opportunistic, Global Equity, and Income models we sold our bearish ETF, which was utilized as a hedge, along with half of our allocation in the short term T-bill ETF (BIL) as well to free up some usable cash for potential new positions into year-end. We now hold between 18-19% in cash, depending on the model.

Our Conclusion:

Corrections in any market are difficult, even for experienced investors.

For gold and silver, they have already had corrections, which we expected due to their recent unprecedented up moves. The weak speculators have to get a “bloody nose” from time to time. However, their corrections may now be over based on our analysis above. We will see.

As we have said before, investors should decide ahead of time what they would do **if gold or silver declines 10% or 20%. Each investor has different emotions and risk tolerance.** So each individual should make their own decision to hold or sell.

It is advisable to have a strategy in place and **write it down ahead of a correction.** Don't ever say "I will watch it." That is what all amateurs say, but when asked, they don't know what they will be watching for.

After the extreme rally, an eventual correction could be substantial enough to provide better prices for the big, smart money who want to accumulate more. That is done by "shaking the tree" and getting weak holders to sell.

In precious metals, we prefer riding out a correction for such longer term positions, of course with a mental stop in case it crashes, which we do not expect at this time.

We are just 7 days away from the potentially bullish period. **We would stay with our positions in this sector.** We bought them at much lower prices.

Wishing you successful investing,

Bert Dohmen and Dion Dohmen