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Gold's run is done — look out for a \$300 drop: Wells Fargo strategist

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Annie Pei

Wednesday, 6 Jul 2016 | 8:07 AM ET



Gold is headed back to \$1,050: Wells Fargo strategist

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Gold is likely to head back to its lows, even after starting the year off with a bang, according to Wells Fargo's head of real asset strategy, John LaForge.

His argument hinges on commodities trends that date back all the way to 1800 and show what he calls "commodity bear super cycles," each of which lasts about 20 years. During the bearish of these cycles, commodities like gold will tend to suffer poor performance, even as they retest recent highs and lows, according to LaForge.

He believes that a commodity bear super cycle began in 2011. So while gold shot up to a two-year high of \$1,357 on Tuesday, LaForge believes that the rally was predictable, and it is equally predictable that a downturn is on its way.

"We'd been down for four years straight, so we needed a bounce," he said Tuesday on CNBC's "Trading Nation." "But the reality is that gold is a commodity, and commodities have entered a long bear market."

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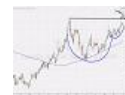
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Gold surged to two-year highs Wednesday, and one technician believes that the yellow metal can climb even higher.

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"Historically speaking, what typically happens when you enter these long bear markets for commodities is they will go back and retest their lows off of the first move down," LaForge said.

For gold, that means that the metal is likely to retest its December 2015 lows around \$1,050, according to LaForge. At that level, it could be an attractive buy.

That reflects the approach LaForge would take when it comes to a bevy of commodities, including oil.

"Oil is also stuck in this long super cycle," he said. "So I don't expect oil to go up much higher than \$60."

Gold is up 28 percent in 2016, while [WTI crude](#) has risen 26 percent.

Within the real-asset universe, LaForge would turn away from these big bouncers and instead favor real estate investments, given that "trendwise, they're doing the best."

Annie Pei
Associate Producer


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Symbol	Price	Change	%Change
GOLD	1357.10	▼ -5.00	-0.37%


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 **ConfuciusSaid** · 21 hours ago
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LOL.....No wonder Wells Fargo share prices are plummeting (and the

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reason I no longer bank with them)! Someone define a bull market for me!

Mr. LaForge, can you tell me how much Au/Ag is being imported into China and India alone???? Didn't think so.....

^ | v • Reply • Share ›



Chief Malave • 2 days ago

Laforge has gone
f. u. l. l. r. e. t. a. r. d.

^ | v • Reply • Share ›



CaptainDanite • 2 days ago

What an establishment shill! Gold is most assuredly NOT a "commodity". GOLD *is*, and always has been MONEY, and we are currently teetering on the precipice of a tectonic global monetary reset. Any fool who follows this bobble-headed tool will live to regret it deeply long before gold ever revisits its prior lows. The USD will go full-blown supernova over the course of the next 18 months, and those who have not shorted the US dollar and gone long hard assets will not only lose the majority of their wealth, but will very likely be struggling to feed themselves and their loved ones.

^ | v • Reply • Share ›



ConfuciusSaid → CaptainDanite • 21 hours ago

Right on! Gold wouldn't be mined over the globe and then melted and put into bars, with stamped grade, purity and serialized, counted, accounted for and stored in vaults if it wasn't valuable and wasn't money.

^ | v • Reply • Share ›



Robert Boyle • 2 days ago

What a load. European markets are crashing. Deutsche bank, UBS and Credit Suisse are on their death beds; 7 Italian banks need 230 Billion Euros to crawl out from under their non-performing bad debts and Britain is leaving. Currencies are going bananas and the flight to 'safety' in the Yen is a joke. Note that they are NOT going to the US dollar. Wells Fargo, the bank that tried to hide 37 Billion in non performing energy loans.

This guy should be put up against the wall.....

^ | v • Reply • Share ›



Pater Tenebrarum • 2 days ago

Can someone remind me when exactly Mr. La Forge predicted the recent rally? After all, he says it's all "predictable", so I'm sure his customers must have made a fortune in the 170% rally in gold stocks since January. Right?

1 ^ | v • Reply • Share ›



nrse82 • 2 days ago

No technical analysis, no fundamental analysis, just an expectation that past performance is indicative of future results. That's how you're supposed to make investment decisions, right?

1 ^ | v • Reply • Share ›



Ken8223 • 2 days ago

You know - I'm glad this guy isn't my financial adviser !! He can't quite see the trees thru the forest...

1 ^ | v • Reply • Share ›



DD6002 • 2 days ago

Wells Fargo's run is done. They are being managed by fools who don't understand world markets. Sell their stock short and make a killing.

2 ^ | v • Reply • Share ›



Chief Malave • 2 days ago

Laforge just went full retard



Laforge just went full r.e.t.a.r.d.

1 ^ | v • Reply • Share >

**Chief Malave** • 2 days ago

Laforge just went full

^ | v • Reply • Share >

**Erik Rouwenhorst** • 2 days ago

BULL SHIT!

1 ^ | v • Reply • Share >

**ASmi** • 2 days ago

LMAO...This is the same guy that predicted last August gold would drop to the mid \$600's and in April of this year said he doesn't see any fundamentals supporting Silver.

4 ^ | v • Reply • Share >

**Neil** → ASmi • 2 days ago

...And before that, in 2012, that gold would continue much higher. Not exactly a great track record.

^ | v • Reply • Share >

**Rick S** • 2 days ago

Over 2,600 *TONS* of new gold is mined every year ... less than 28% is used in consumer goods - the rest is hoarded.

1 ^ | v • Reply • Share >

**OneMansOpinion** → Rick S • 2 days ago

What is your source for this data?

^ | v • Reply • Share >

**ConfuciusSaid** → Rick S • 2 days ago

Good point. Coffee and food can be grown again. Kind of hard to 'create' more gold. There are many categories of 'commodities.' Grouping them all together seems like flimsy analysis.

If these comments means WF is shorting gold that would be a good sign to be even more bullish on gold for now.

1 ^ | v • Reply • Share >

**ConfuciusSaid** • 2 days ago

Interesting. At this juncture with the world economies the way they are, I think it's a safe bet that even if gold temporarily goes down it will find many buyers to get it back up again.

I would find it easier to agree with the commodities all going into bear market argument if not for the fact that gold and silver, in particular, are viewed as currencies as well. Silver, in particular has a role as a currency and strategic value in industrial applications.

Comparing gold to oil just because its also a commodity seems like it's easy to do but can be misleading. There is a massive oversupply of oil. Not true of gold and silver.

Commodities are a really broad category. Coffee, cotton, vegetables and fruits, nuts, etc. are all commodities. Might be better to narrow down why this particular slice of commodities is going down, and when.

Then again, what do I know, I'm not a high-paid "analyst" who can give you a quick and easy answer by just referring to a chart.

1 ^ | v • Reply • Share >

**Adrienne50** • 2 days ago

Well of course it will head back down at some point. Duh! The question is when? Which he doesn't seem to give an answer to. Not much of a revelation here.

1 ^ | v • Reply • Share >

**bentley04** • 2 days ago



He is likely a lot smarter than me! However, I see gold as an asset class. The currency crap is hitting the fan and people are heading into gold especially sovereign countries. I think the times are very different with all the CB intervention and lost credibility with nothing getting better. I guess we will see over time

4 ^ | v • Reply • Share ›



I'll be Bach → bentley04 • 2 days ago

He's no smarter than you. He simply looks at charts and tries to force the data to fit his predetermined conclusion.

It's something you'd see taught in a first year undergrad economic course.

2 ^ | v • Reply • Share ›



BBWK → bentley04 • 2 days ago

Yes no doubt we find ourselves in an unprecedented time. America pushing into negative rates, worst since the depression. Hard to assert the future. Nobody's real smart, just lucky. Yours as good as his.

1 ^ | v • Reply • Share ›



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