The Key to Uncovering Game Changing Opportunity

“Opportunity is missed by most people because it is dressed in overalls and looks like work.”

Those very words of Thomas Edison still hold true today.

But rest assured, that’s a mistake – a potentially costly one that’s cost investors millions, especially when they overlook game-changing opportunities.

In fact, those are the very opportunities we attempt to find for this weekly letter.

For example, on July 27, 2017, we uncovered multiple opportunities following an Amazon-induced gap down. We mentioned the following trades, most of which exploded higher.

- The Home Depot (HD) September 145 calls have run from $4.40 to $7.50
- The Lowe’s (LOW) September 77.50 calls have run from $2.30 to $2.90 so far

The week prior, we talked about taking positions in the following:

- SPDR Dow Jones Industrial (DIA), which ran from $217 to $220
- Power Shares QQQ (QQQ), which is currently flat
- SPDR S&P 500 ETF (SPY), which is also currently flat

On July 12, 2017, we talked about buying unloved stocks, like AT&T (T) and Verizon (VZ). To date, T has run from about $36.60 to a high of $39.67. VZ ran from $43 to a high of $49.50.

And all we had to do was buy these stocks when others weren't looking.

While we didn't do so well so far with our trade on CVX, given the latest run in oil, we can clearly see there are plenty of great trading opportunities.

So where's the next opportunity for potential profits?

We believe gold may be greatly over-extended at this point, based on two things.

One, headlines have become aggressive bullish.

When it comes to gold, the press is typically late to the game.

In late May 2017, for example, after gold had already run from $1,215 to $1,296, the press became ultra-bullish, calling for further upside. They became incredibly bullish again in late July 2017 after a big run from $1,205 to $1,279.

When that happens, be aware of it.

It can be a contrarian sign that it's time to move in the other direction. That's what we're seeing a lot of right now.

The second reason to get bearish on gold, at least for the short-term is based on technical over-extensions. Take a look at what happens to the price of gold each time the upper Bollinger Band (2,20) is challenged. It begins to pull back, as it has historically done at that point.

To confirm such a technical over-extension, we also want to be aware of other confirming technical tools. For example, each time RSI moves to or above its 70-line, we have an overbought situation based on momentum. At the same time, as Williams' %R begins to move to or above its 20-line, we have an overbought situation.

Each tool confirms what we're seeing at the upper Bollinger Band.

Interesting to note, we can use the same tools in reverse to call bottoms, too. When the lower Band is touched or penetrated, confirmed with RSI at 30, and Williams' at 80, gold has a tendency to revere and trek higher.

For gold prices to accelerate higher from this point, we would need to see a break above prior resistance at $1,300. I don't believe that'll happen, near-term though.

Now the question is how can we trade such an opportunity.

There are two ways. One, we can also trade over-extended gold stocks that run with gold prices, such as Randgold Resources (GOLD). GOLD is exceptionally overbought at $95.70 and could easily pull back to $90 a share in our opinion. We can also see that RSI and Williams' are a bit frothy here, as well.

Two ways to consider trading GOLD is by buying to open the GOLD September 15, 2017 95 put and, or the GOLD September 15, 2017 92.50 put.

Another way to trade a potential reversal in gold prices is by buying a bearish ETN on gold, such as the DB Gold Double Short ETN (DZZ), which just caught support at $5.66.

Until next time, be well. Let's make some great money.