RATIO SPREAD EVENT STUDY — GOLD MINERS / GOLD

The Miner Who Blinked: NEM/GLD Prints a True Bearish Outside Reversal at the Top of a 37% Run

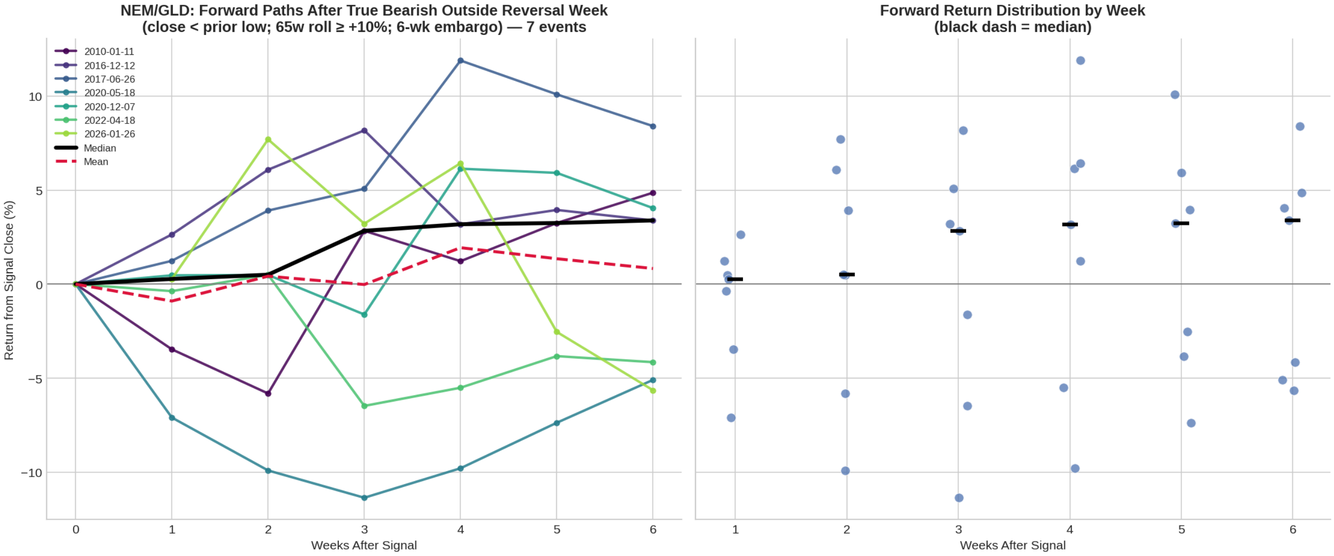
Weekly bearish outside reversal (close below prior week's low), conditioned on a 65-week trailing return of at least +10% — seven independent precedents since 2004, and the two nearest analogs both failed.

Situation

For the week ended Friday, July 17, 2026, the NEM/GLD ratio spread printed a textbook bearish outside reversal week (BORW): a higher high (0.2612 vs. 0.2587), a lower low (0.2435 vs. 0.2471), and a close pinned on the low of the week at 0.2435 — decisively below the prior week's low. This is the strict form of the pattern: the bar engulfs the prior week's range and the close takes out its floor, not merely its close. The signal arrives with the ratio up +37.4% over the trailing 65 weeks, comfortably clearing the +10% momentum gate that defines this study. In plain terms: Newmont spent eighteen months outrunning the metal it digs out of the ground, tagged a new high on Monday, and finished the week below where the whole range started. Bulls showed up to the top of the stairs and got walked back down past the landing.

Tension

The pattern's name promises more than its unconditioned history delivers. Loosen the definition to any outside week with a down close and the setup resolves with a mild upward drift — 70 raw instances, positive medians at every horizon. The market does not pay you for pattern names. But tighten to the true definition (close < prior low), impose the +10% 65-week momentum filter, and de-cluster with a six-week embargo between signals, and the sample collapses to **eight events in twenty-one years** — seven with complete forward data. What remains is not a drift; it is a fork. Three precedents rolled over immediately and never recovered within the window (May 2020, April 2022, January 2026). Three resolved higher and trended (December 2016, June 2017, December 2020). One chopped (January 2010). The distribution is bimodal, and the discriminating variable appears to be how hot the trailing run was when the reversal printed.



Forward paths (left) and per-week return distribution (right) for the seven completed historical events. Source: BATS weekly data, Nov 2004 – Jul 2026; AQI calculations.

Horizon	Mean	Median	Win Rate	Min	Max
W+1	–0.9%	+0.3%	57%	–7.1%	+2.6%
W+2	+0.4%	+0.5%	71%	–9.9%	+7.7%
W+3	–0.0%	+2.8%	57%	–11.4%	+8.2%
W+4	+1.9%	+3.2%	71%	–9.8%	+11.9%
W+5	+1.4%	+3.3%	57%	–7.4%	+10.1%
W+6	+0.8%	+3.4%	57%	–5.6%	+8.4%

Forward spread returns from signal close, n = 7 independent events. Headline statistics are nearly useless here — the mean hides a bimodal split, not a central tendency.

The Analog Sort

Rank the seven precedents by trailing 65-week return at signal and the fork organizes itself. The bullish resolutions fired off comparatively cool runs: +21.3% (Jun 2017), +26.5% (Dec 2020) — with the lone hot exception of December 2016’s +89.4% post-blowoff bounce. The bearish resolutions fired off hot ones: +38.7% (May 2020, the worst path in the sample: –11.4% at week three, never green), +44.1% (Jan 2026: up +6.4% at week four, then a full reversal to –5.6%), with Apr 2022’s +21.6% the cooler outlier. Today’s signal sits at **+37.4% trailing — bracketed almost exactly by the two cleanest failures in the sample**, one of which occurred six months ago in this same spread. Recency-weighting, which we apply unapologetically, tilts the read further bearish: the January 2026 analog is the same instrument, the same regime, and the same shape of failure — an early bounce that sucked in dip-buyers before the trapdoor. Week-one follow-through is the historical soft spot (mean –0.9%, the worst of any horizon), consistent with the pattern’s microstructure: trapped longs from the reversal week’s high supply rallies immediately.

Options

(1) Do nothing. Seven events is seven events. The 90% block-bootstrap confidence bands on any of these means comfortably straddle zero; a purist stops reading here, and the purist has a point. **(2) Short the spread outright** (short NEM / long GLD, dollar-neutral), underwriting the hot-momentum analog set rather than the full-sample statistics. Entry at market near 0.2435; the natural invalidation is a weekly close back above the reversal bar’s high (0.2612), roughly 7.3% adverse, with the analog downside targets in the –5% to –11% range over four to six weeks — slightly worse than 1:1 on the conservative target, better than 1.4:1 to the May-2020 path. **(3) Express it in relative options** — NEM puts financed partially by richer gold-complex vol, accepting basis risk for defined risk. **(4) Use it as a de-risking trigger only:** no new short, but trim existing miner-overweight positioning against bullion until the pattern resolves.

Recommendation & Mechanics

The framework recommendation is Option 2 expressed at deliberately small size, or Option 4 for accounts without a shorting mandate. On sizing: a naive Kelly fraction computed from the bearish-analog subset would be indefensible — the subset is three observations. Applying the standard AQI sample-size discount (shrinking the estimated edge toward zero in proportion to $1/\sqrt{n}$ on the full $n = 7$, then taking quarter-Kelly of what survives) yields a position in the low-single-digit percent of portfolio range, which is the honest answer: this is a lottery-adjacent asymmetry bet, not a conviction trade. Mechanics: enter short NEM / long GLD dollar-neutral; hard invalidation on a weekly close above 0.2612; time-stop the position at six weeks per the study window regardless of P&L; take profits mechanically into the –5% to –8% zone where three of three bearish analogs stalled. The trade’s edge, if it exists, is concentrated in weeks one through three; a position still flat at week four has, historically, been a position about to be carried out feet-first by the bullish fork.

Caveats. n = 7 independent events over 21 years; no statistic herein survives formal significance testing, and none is presented as though it does. The analog sort (trailing momentum discriminates the fork) is a post-hoc observation on a small sample and may be noise. Weekly bar construction follows BATS composite prints; results are sensitive to the strict close-below-prior-low definition — the loose definition materially changes the conclusion. Event windows for Jan 2026 and Jul 2026 signals partially reflect the same regime. This document is published by AlphaQuery Intelligence LLC for informational and research purposes only, does not constitute investment advice or an offer or solicitation to buy or sell any security, and reflects analysis as of the date above. Past patterns do not predict future results. Do your own work.