Gold Trend (Golden Cross 50/200)

EdgeLab Strategy Report | June 2026 | by Robin Eriksson | robin@edgelabtrading.com

The rules

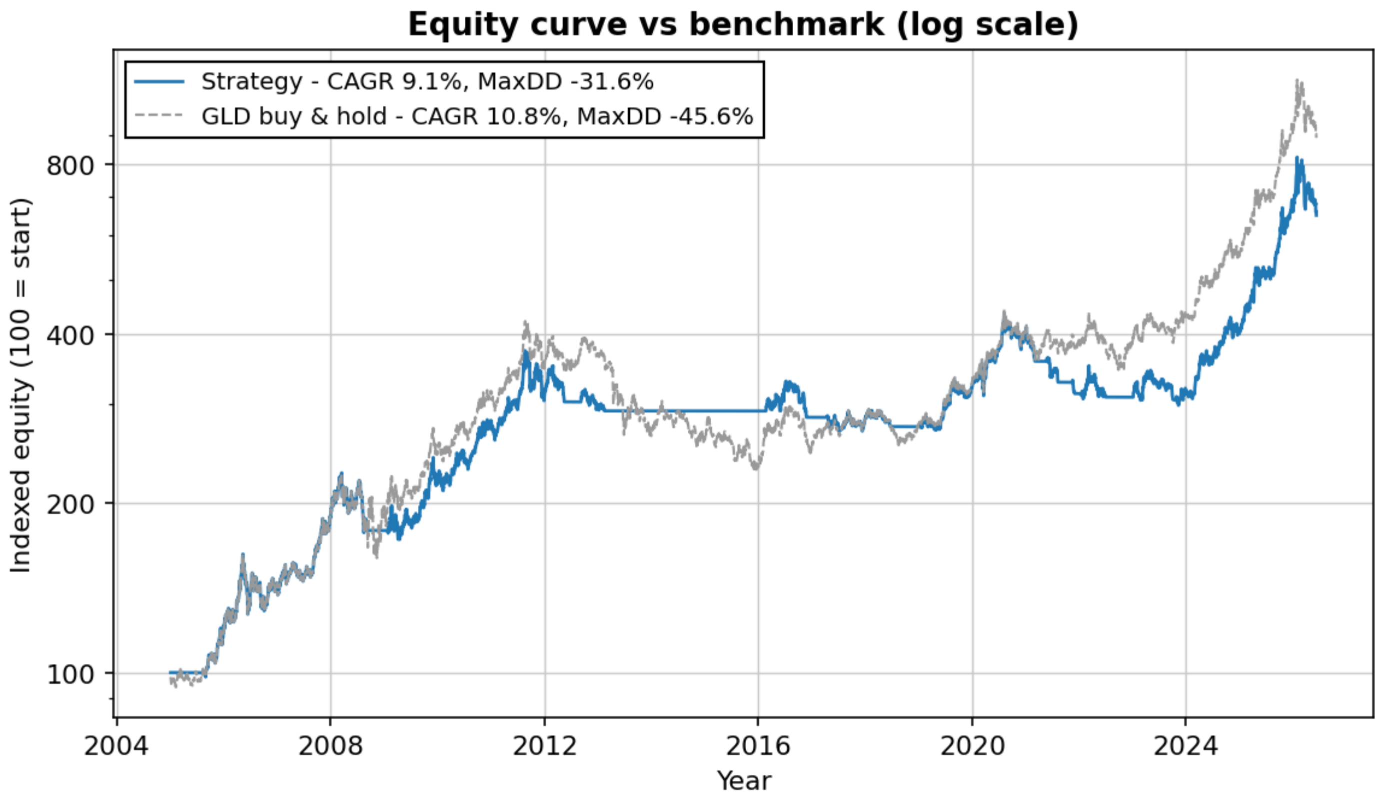
The most famous trend signal in markets, applied to gold. Daily bars, one rule:

1. At the close: if the 50-day EMA of GLD is above the 200-day EMA, hold gold.
2. If it is below, hold cash. That is the entire strategy.

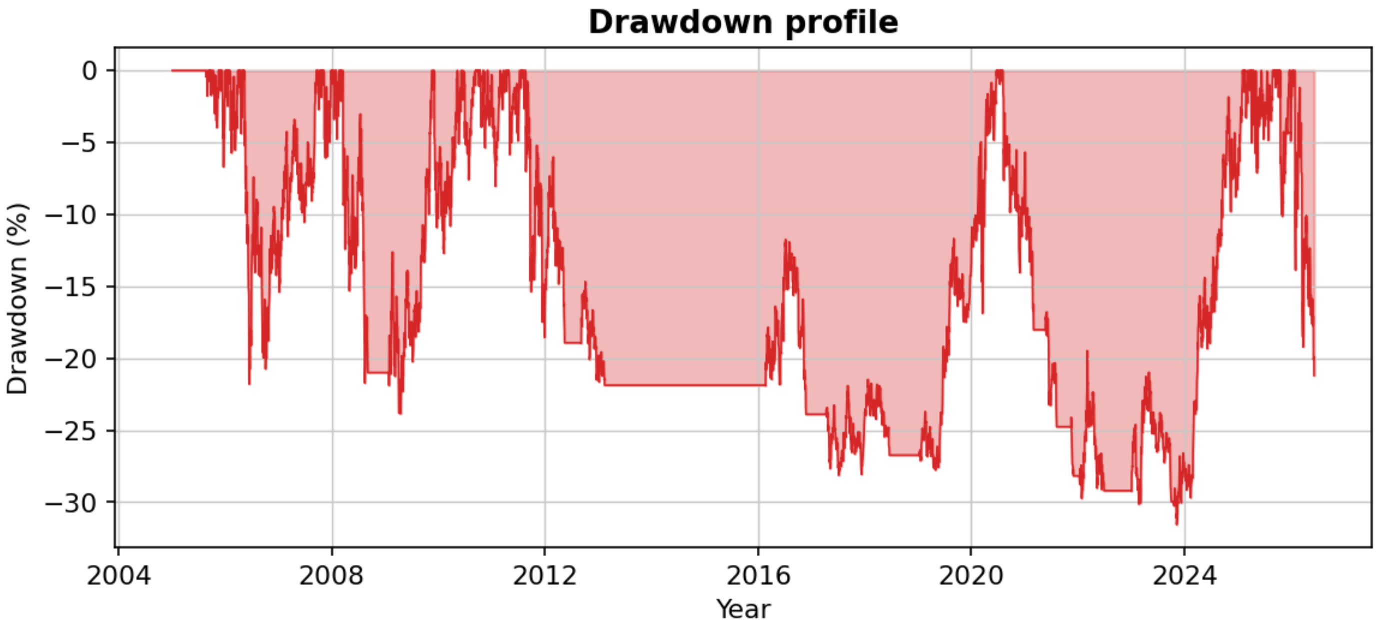
Markets and timeframes: validated on daily data. The identical rule also worked on QQQ (10.7% CAGR), SPY (6.9%) and bitcoin in our tests - and failed on silver, which we tell you so you do not assume it works everywhere. We recommend the daily timeframe: intraday versions multiply trade count and costs without adding edge in our testing.

Results, 2005-2026 (0.05% commission per side)

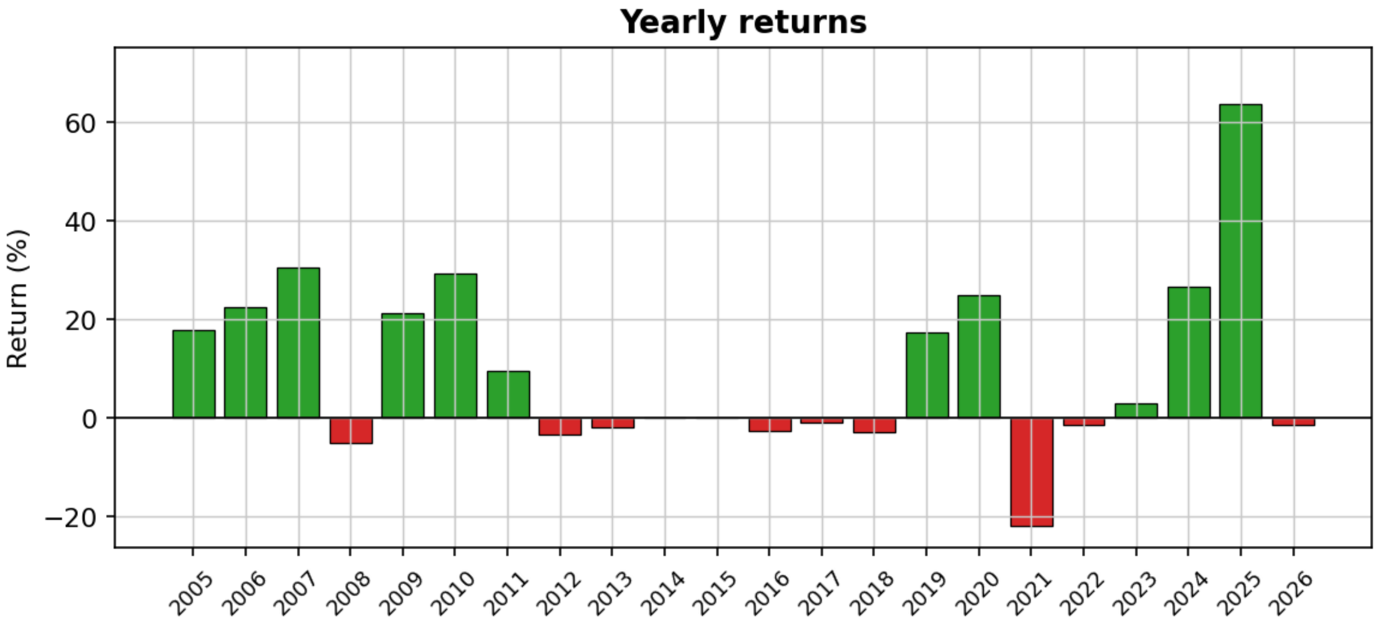
	Strategy	GLD buy & hold
CAGR	9.1%	10.8%
Sharpe ratio	0.65	0.65
Max drawdown	-31.6%	-45.6%
Time in market	69.7%	100%



Drawdown profile



Yearly returns



Robustness: does the exact parameter matter?

Performance across neighboring EMA pairs (GLD, 2005-2026). The edge comes from gold trending, not from one magic pair:

EMA pair	CAGR	Sharpe	Max drawdown
EMA 20/100	8.5%	0.62	-36.7%
EMA 20/200	9.0%	0.64	-33.8%
EMA 50/200	9.1%	0.65	-31.6%
EMA 100/300	9.5%	0.64	-31.3%

Monte Carlo: how bad can drawdowns get?

We reshuffled the strategy's monthly returns 2,000 times and measured the worst drawdown of each alternate history. The historical path is only one of many that the same returns could have produced:

Percentile	Max drawdown
Median path	-27.6%
Worst 10% of paths	-37.3%
Worst 1% of paths	-47.2%

Position-size against the worst 10% column, not the historical number.

How we use it - and the honest caveats

Standalone this is a real strategy: 9.1% a year since 2005 with a -32% worst drawdown, versus 10.8% and -46% for buy-and-hold gold. Its bigger value is the pairing: returns are nearly uncorrelated with our stock mean reversion strategy (monthly correlation -0.04). Traded 50/50 and rebalanced monthly, the pair returned 10.6% a year with a Sharpe ratio above 1 (1.02 vs 0.82) and a -16.4% worst drawdown versus -20.3% for the stock strategy alone. Honest warning: gold went nowhere 2012-2018 and this strategy lost about 11% over those seven years. Trend following pays in clusters - expect dry spells, and do not abandon it in year three of one.