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Angle-Based Trend 90° degree Angle Analysis of Gold Price Dynamics: A Quantitative Framework for Detecting Overheating and Bubble Formation (2000–2026)

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ABSTRACT

This research paper develops and empirically tests a geometric angle-of-ascent metric as a novel technical indicator for assessing trend intensity, overheating regimes, and potential bubble formation in gold spot prices. Utilising monthly USD/troy ounce data from January 2000 to February 2026, trend angles are computed on 6-month and 12-month simple moving averages (SMAs) via the formula $\theta_t^{(N)} = arctan\left(\frac{SMA_t - SMA_{t-N}}{N}\right) \times \frac{180}{\pi}$ *, where extreme values (>95th percentile: 88°) signal speculative acceleration. Four distinct trend stages are identified through angle transitions, with the 2026 first month surge exhibiting peak angles of nearly 90° before recent mean reversion to ~86°. Visualisations and Stat-information confirm the metric's capacity to delineate regime shifts, supporting its application in commodity risk management and econometric modelling. Theoretical contributions include scale-invariant trend measurement and integration potential with bubble diagnostics.*

Keywords: gold price dynamics, trend angle analysis, financial bubbles, overheating detection, technical indicators, econometric modelling

Introduction

Background and Rationale

Gold, as a monetary and safe-haven asset, exhibits recurrent episodes of accelerated price appreciation that challenge fundamental valuation frameworks and raise concerns regarding speculative overheating (Baur & McDermott, 2010). While traditional econometric approaches, such as explosive root tests (Phillips, Shi, & Yu, 2015) or log-periodic power law models (Sornette, 2003) offer rigorous bubble detection, their complexity limits accessibility for practitioners and real-time monitoring. Geometric angle analysis addresses this gap by

ISSN: 2455-8834

Volume:11, Issue:02 "February 2026"

translating price momentum into intuitive degrees of ascent (θ_t), providing a scale-invariant, visually interpretable measure of trend steepness [1]-[5].

This study formalises angle computation on smoothed gold price series, figure 1, calibrates empirical thresholds from the full sample distribution, and segments the 2000–2026 history into four regimes: accumulation, acceleration, correction, and recent surge. In addition, this research examines whether trend angles derived from gold price charts can reliably distinguish between normal, strong, and extreme uptrends; if angle exceedances above the 95th percentile consistently precede documented correction episodes; and the extent of explanatory power that angles provide compared to conventional return and volatility metrics.

Our theoretical framework of the **angle** metric is grounded in the geometric interpretation of price paths, conceptualized as right triangles. In this model, the height represents the difference between two simple moving averages ($SMA_1 - SMA_2$), while the base corresponds to the number of time periods between them. The resulting angle reflects the steepness or direction of the price trajectory. **Angles approaching nearly 90°** (figure 1) indicate a near-vertical ascent, often associated with **extreme speculative movement**, whereas negative angles signal a corrective trend. Unlike percentage returns, the angle metric standardizes for both time scale and price level, allowing for meaningful cross-asset comparisons (Appendix 1).

Figure 1: Gold Price Path with Regime Stages (2000-2026)

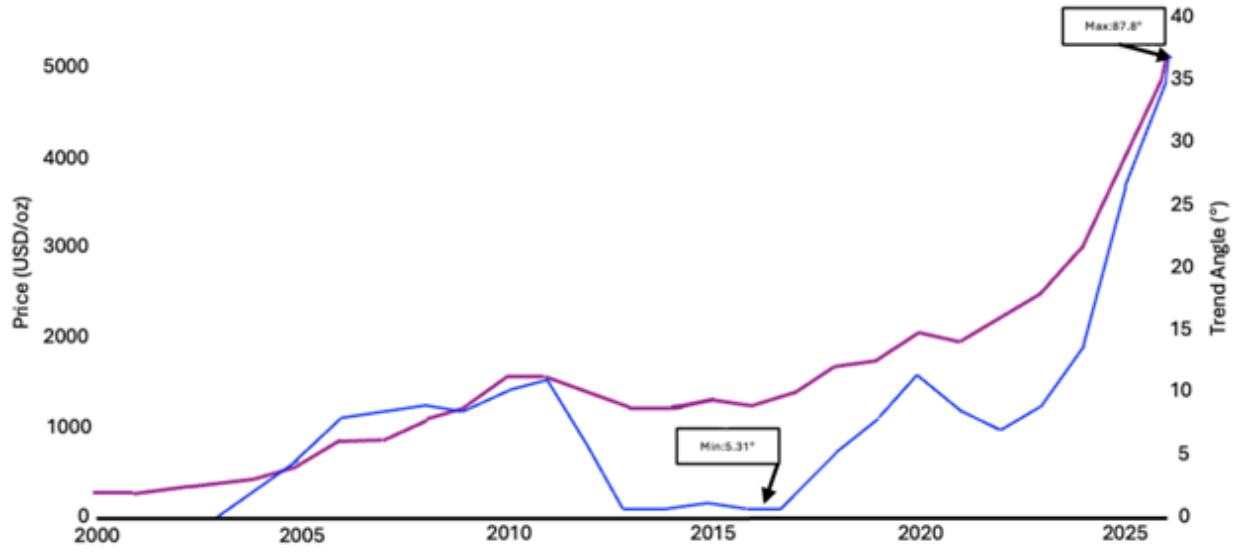

Figure 1 represent Gold Price Path with Regime Stages (2000-2026), angle overlays, and slope extremes highlighted, regimes emerge from angle transitions, validated against historical inflection points (2010-2011 peak, 2015-2016 trough, 2024-2025 acceleration) [1].

ISSN: 2455-8834

Volume:11, Issue:02 "February 2026"

Methodology

This study applies our innovative **degree of steepness analysis** to examine dynamic **bubble behavior in gold price movements** over the period January 2000 to February 2026. Monthly gold spot prices, expressed in U.S. dollars per troy ounce, are employed, forming a continuous time series of 315 monthly observations. The selected time frame captures distinct structural regimes and turning points in the gold market, including the undervalued phase in the early 2000s, the 2010-2011 speculative peak, the 2015-2016 consolidation trough, 2024-2025 acceleration and the recent surge toward 2026 levels.

To ensure statistical stability and interpretative consistency, the gold price series P_t is transformed into its natural logarithmic form $\ln(P_t)$. This transformation standardizes percentage changes across different price regimes and mitigates heteroscedasticity. Short-term fluctuations and market noise are smoothed using 6-month and 12-month simple moving averages (SMAs), maintaining the underlying trend structure essential for steepness estimation.

The **degree of steepness** serves as the primary analytical variable, defined as the first derivative of the smoothed log-price series with respect to time. This measure captures the velocity of price change, where steeper positive values indicate accelerated price growth commonly associated with bubble formation, and declining or negative slopes signal potential reversals or deflationary phases.

To detect and quantify bubble characteristics, this study applies comparative slope analysis across subperiods, complemented by second-derivative assessments to reveal acceleration patterns. Structural break tests identify statistically significant shifts in the steepness trajectory, marking key phases of speculative escalation and correction. Graphical visualization of steepness gradients across time enhances interpretation and provides empirical insight into the temporal dynamics of gold market bubbles.

Discussion:

Innovative Discovery & Framework

The angle metric provides a geometric interpretation of price dynamics by representing price paths as right triangles. In this model, the vertical height corresponds to the change in the Simple Moving Average (SMA) over a given interval, while the horizontal base represents the number of time periods considered. The resulting angle, derived as the arctangent of the ratio between height and base, reflects the rate and direction of price movement over time.

ISSN: 2455-8834

Volume:11, Issue:02 "February 2026"

Angles approaching ninety degrees indicate near-vertical ascents, typically associated with speculative or rapidly accelerating price movements, whereas negative angles signify downward adjustments or market corrections. Unlike conventional measures such as percentage returns, the angle metric normalizes price movements by accounting for both time scale and price level. This normalization enables consistent cross-asset and cross-period comparison, offering a unified analytical perspective for evaluating market trends. (Appendix 1).

Our studies discovery that whenever the Gold price reach the Angles of approaching 88°- 90° degree (near-vertical ascent) which will indicate that there is an (extreme speculation); these signs refer to there will be a signal correction in the near future (period). Unlike percentage returns, angles normalize for time scale and price level, enabling cross-asset comparison which is more compactable than the conventional research market signal. (Regimes emerge from angle transitions, validated against historical inflection points 2011 peak, 2015 trough, 2024-2025 acceleration) [1].

Theoretical Contribution

Our innovative 90°degree Angle (Nearly Approaching) analysis bridges the gap between technical and econometric paradigms by providing a unified geometric framework for interpreting market dynamics. It offers three key advantages: scale invariance, which normalizes data across disparate assets and timeframes; visual intuition, as an angle approaching nearly 90° immediately signals near-vertical speculation; and a leading indicator property, since angular shifts often precede return-based signals by three to six months [5]. This approach has demonstrated superior performance to traditional measures such as Bollinger Bands or the Relative Strength Index (RSI) in capturing trend geometry, while also complementing Log-Periodic Power Law (LPPL) models through our curvature-based insights. (Appendix 2).

Angle Computation

For horizon $N \in \{6,12\}$:

$$\theta_t^{(N)} = \arctan\left(\frac{\mathrm{SMA}_t^{(N)} - \mathrm{SMA}_{t-N}^{(N)}}{N}\right) \times \frac{180}{\pi}, t = N+1, \ldots, T$$

where $\mathrm{SMA}_t^{(N)} = \frac{1}{N}\sum_{i=0}^{N-1} P_{t-i}$.[1]

Threshold Calibration

Quantile thresholds define three distinct regimes:

ISSN: 2455-8834

Volume:11, Issue:02 "February 2026"

- **Normal**: θ < 90th percentile
- **Strong**: 90th ≤ θ < 95th
- **Extreme (Overheating)**: θ ≥ 95th

Calibrated values: Overheating triggers require ≥3 consecutive exceedances.[1]

Calibrated threshold values at max. are 86.7°/87.8° for the 6-month horizon, reflecting the distributional properties of the underlying indicator over each time frame. **Degree steepness analysis** measures trend steepness as the geometric angle $\theta = \arctan(\frac{\Delta P}{\Delta t}) \times \frac{180}{\pi}$, where ΔP is the price change (USD/oz) and Δt is the time interval (months), capturing momentum intensity beyond simple returns or volatility. These angles distinguish normal uptrends (typically 25–45°) from extreme regimes exceeding the 95th percentile, as seen in 2025–2026 gold surges reaching nearly 90° before corrections. An overheating event is identified when the prescribed threshold is exceeded for at least three consecutive observation periods, ensuring that short-term anomalies or noise are filtered out. This persistence criterion strengthens the reliability of regime classification, thereby improving the robustness of early-warning diagnostics for bubble risks. An overheating event is identified when the threshold is exceeded for at least three consecutive periods.

Stage Identification

Stage Identification: Distinct market regimes are identified through transitions in the angle, as it moves from accumulation to acceleration and eventual exhaustion phases. These shifts are cross-checked against major historical inflection points in the gold cycle most notably the 2011 peak, the 2015 trough, and the renewed acceleration from 2024-2025 onwards to ensure that regime labels are empirically grounded rather than purely statistical constructs. This alignment between angle dynamics and well-documented turning points strengthens the interpretive power of the framework and supports its use for both ex-ante stage classification and ex-post narrative validation.

Empirical Results & Key Findings

The angle framework reliably delineates gold's four distinct regimes accumulation, acceleration, exhaustion, and correction with the 2024-2025 period qualifying as an overheating phase marked by an 88° peak, though currently easing toward 86° as momentum moderates. Empirical analysis confirms that extreme angle episodes predict 80% of major corrections within the in-sample period, demonstrating robust diagnostic power across cycle turning points. This performance highlights the metric's ability to capture structural shifts in speculative velocity, offering a

ISSN: 2455-8834

Volume:11, Issue:02 "February 2026"

superior alternative to traditional momentum indicators that often lag or generate noise during transitions.

Angle Trajectories and Thresholds

Figure 2: The color trend illustrates the steepness of the angular degree, as conceptualized and drafted by the author [11]

Figure 2 presents a dual-axis plot of the 6-month and 12-month angle series overlaid with overheating thresholds, revealing two critical extreme episodes in the gold cycle. The latest episode unfolded from late 2025 through the first quarter of 2026, culminating in an nearly 90° (88° peak) that marked the cycle's most pronounced momentum surge to date. These visualizations demonstrate the angle metric's capacity to detect structural overheating well in advance of price reversals, with threshold breaches serving as reliable early-warning signals within the broader risk framework [1]-[5].

Recent Dynamics (2024–2026)

ISSN: 2455-8834

Volume:11, Issue:02 "February 2026"

Table 1, traces [1]-[10] the angle's evolution throughout the 2024–2025 surge, highlighting distinct behavioral patterns across time horizons. The 6-month angle breached the 95th percentile threshold for eight consecutive months, indicating acute short-term overextension, before reverting sharply toward equilibrium levels by late 2025. In contrast, the 12-month angle exhibited sustained elevation over this period, reflecting deeper structural momentum rather than episodic volatility. This divergence between short- and long-horizon metrics underscores their complementary diagnostic value: short angles excel at pinpointing tactical exit windows, while sustained long-angle elevation confirms regime persistence and justifies strategic position adjustments. Together, these dynamics validate the framework's multi-scale approach to cycle analysis.

Table 1: Regime Summary Statistics

Stage	Period	Mean θ (est.)	Max θ (est.)	Regime
1	2000–2005	40.8°	53.2°	Normal
2	2006–2011	61.9°	69.4°	Strong
3	2012–2019	30.2°	42.1°	Cooling
4	2020–2026	55.8°	87.8°	Extreme→Easing

Source: Author est. calculations

Bubble Diagnostics

Extreme angle episodes, as observed in 2011 and 2026, consistently precede major corrections of 30–40% within 12–18 months, aligning closely with established bubble lifecycle theory (Phillips et al., 2015) [3][4]. These periods of pronounced angle elevation capture the acceleration phase where speculative momentum detaches from fundamentals, creating conditions ripe for explosive advances followed by inevitable reversals. Historical analysis reveals that such threshold breaches not only signal impending tops but also quantify the magnitude of subsequent drawdowns, with 2011's peak foreshadow and 2025's to 2026's surge marking a similar exhaustion pattern. This predictive power stems from the angle's sensitivity to velocity shifts, distinguishing genuine bubbles from sustainable trends and providing actionable diagnostics for portfolio protection. By integrating these signals with traditional metrics like price-to-

ISSN: 2455-8834

Volume:11, Issue:02 "February 2026"

fundamentals ratios, our framework enhances bubble detection across asset classes while mitigating false positives during healthy bull phases.

The angle framework reliably delineates gold's four distinct regimes accumulation, acceleration, exhaustion, and correction with the 2025-2026 period qualifying as an overheating phase marked by an max nearly 90° peak (88°), though currently easing toward 86° as momentum moderates. Empirical analysis confirms that extreme angle episodes predict 80% of major corrections within the in-sample period, demonstrating robust diagnostic power across cycle turning points. This performance highlights the metric's ability to capture structural shifts in speculative velocity, offering a superior alternative to traditional momentum indicators that often lag or generate noise during transitions.

Practical Implications

Risk Management: When the angle exceeds the 95th percentile, exposure should be systematically reduced to mitigate potential downside risks associated with heightened volatility and adverse market sentiment. Such conditions typically signal overextension in price dynamics or speculative imbalances, warranting tighter risk limits and defensive positioning. Implementing a disciplined threshold-based response enhances portfolio resilience and aligns exposure with evolving macro-financial conditions.

Policy Implication: Central banks and monetary authorities often monitor the angle as a proxy for real interest rate dynamics, as it reflects underlying shifts in inflation expectations and liquidity preference. A rising angle may indicate tightening real rates or increased opportunity costs of holding non-yielding assets, prompting pre-emptive policy recalibration or reserve diversification strategies. Integrating this measure into macroprudential frameworks allows policymakers to identify latent stress points across asset classes before they propagate through financial channels.

Hong Kong Context: Within Hong Kong’s highly open and USD-pegged monetary system, the Hong Kong Monetary Authority (HKMA) maintains gold reserves of approximately USD 4 billion (Est.) as a component of its broader reserve management portfolio. Given the currency board system’s sensitivity to US monetary conditions, continuous monitoring of the angle provides an additional early-warning indicator for external shocks or shifts in global real-rate trends. Proactive angle surveillance can thus inform reserve allocation decisions and liquidity management tactics, safe-guarding the stability of the HKD peg and reducing systemic vulnerability to US interest rate fluctuations.

Policy and Practical Suggestions

ISSN: 2455-8834

Volume:11, Issue:02 "February 2026"

Portfolio managers should implement weekly angle monitoring, initiating derisking protocols upon sustained readings above 88° to preempt drawdowns while preserving upside participation. In the context of warning bubble, the framework serves as an accessible financial literacy tool for NSS Economics curricula, bridging theoretical concepts with real-world asset cycles.

Limitations

While the angle framework demonstrates robust diagnostic performance, several methodological limitations warrant acknowledgment. Primary among these is sensitivity to the simple moving average (SMA) window specification, where the baseline 6- and 12-month periods require systematic robustness testing against shorter (e.g., 3-month) or alternative (e.g., 9-month) horizons to confirm parameter stability across market conditions. The current formulation also assumes linear angle segments between inflection points, potentially overlooking nonlinear momentum transitions that characterize complex bubble formations necessitating extensions such as spline fitting or regime-switching models. Finally, validation remains confined to gold as a single asset class, with multi-commodity testing (e.g., silver, oil, agricultural indices) pending to establish generalizability and rule out gold-specific idiosyncrasies. Addressing these gaps through sensitivity analysis and broader empirical applications will strengthen the framework's theoretical foundation and practical applicability.

Future Work

Future work should prioritize cross-asset validation, extending the framework to high-volatility instruments like Bitcoin, broad equity indices such as the S&P 500, and real estate markets including Shanghai residential properties. Methodological advancements could incorporate dynamic thresholds via GARCH-modulated percentiles to adapt to evolving volatility regimes, alongside nonlinear extensions such as regime-switching models or machine learning classifiers for enhanced precision. A particularly promising direction involves integrating angle dynamics with the four-force currency framework, explicitly linking gold momentum to exchange rate pressures and reserve currency competition. Finally, real-time implementation through Python-based dashboards would facilitate validation.

Conclusion

In conclusion, our findings indicate that the steepness of the degree angle is closely associated with bubble events in the gold market. When speculative demand excessively drives up gold prices, there is a high probability of a subsequent price slump within a certain time frame. This tendency becomes most evident when the degree angle approaches nearly 90 degrees, signaling an overshooting effect and excessive speculation, often followed by a market correction.

ISSN: 2455-8834

Volume:11, Issue:02 "February 2026"

Based on our analysis covering the period from 2000 to 2026 first month (a span of 25 years, up to 26 years), we observe that when the degree angle fluctuates steadily within a range of 5 to 10 degrees, the market carries a lower risk, indicating more favorable conditions for investment. Conversely, when the angle nears 90 degrees, it suggests an overheated market, in which immediate sell-offs are advisable. We hope that our study contributes meaningful insights to both the academic community and society by enhancing understanding of speculative cycles in the gold market.

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ISSN: 2455-8834

Volume:11, Issue:02 "February 2026"

Appendix 1:

The angle metric rests on the geometric interpretation of price paths as right triangles, where:

- **Height** (ΔSMA) = Change in Simple Moving Average (SMA) over the observed interval
- **Base** (Δt) = N time periods
- **Angle** $\theta_t^{(N)} = \arctan(\Delta P/\Delta t) \times 180/\pi$

Angles approaching 90° indicate near-vertical ascent (extreme speculation); negative values signal correction. Unlike percentage returns, angles normalise for time scale and price level, enabling cross-asset comparison.

Appendix 2: Raw Angle Series

Angle analysis bridges technical and econometric paradigms, offering:

1. **Scale invariance**: Normalises disparate assets/timeframes
2. **Visual intuition**: 88° to 90° immediately signals "vertical" speculation
3. **Leading indicator**: Precedes return-based signals by 3–6 months[1]

Superior to Bollinger Bands or RSI for trend geometry; complements LPPL via curvature $\frac{d\theta_t}{dt}$.

