

Technical Analysis: Spot Gold



Gold traded very fundamentally yesterday, closing down \$44. In doing so, it also completed a bearish imperfect shooting star formation. The metal broke and closed below the previous double bottom formation last night, which was bearish in the short term and also cancels out our medium-term upside target of \$1,248.

- **Trendline:** Gold has a band of trendline support between \$1,046 and \$1,049 and lower trendline support at \$1,028-\$1,012.
- **Moving averages:** Gold also pierced and closed under the 7DMA and 100DMA, which is very bearish.
- **Stochastics:** The K% line has fallen deep into the weak range, which is clearly bearish.
- **Fibonacci Retracement levels (April '09 low-December '09 high):** With gold falling to close below the 38.2% Fibo level [\$1,088], the next support level is seen at \$1,045.

Conclusion: Gold is falling again today and, with this in mind, we think there is a good reason to suspect that it will look to challenge support at \$1,049-\$1,046-\$1,045 [50% Fibo] -\$1,042. Failure to find support here would push the metal down to find support at \$1,026-\$1,012. While we are therefore bearish in our immediate term, we think there could be decent initial upside retracement once support is established. Given the extent of the move and also the support between \$1,049 and \$1,042, we think there is a reasonable chance that gold could find support in this band but overall we are bearish and shall remain so until a decent reversal appears on the chart.

For further information please contact:

Jono Remington-Hobbs
www.thebulliondesk.com
0207 929 6339
jono@thebulliondesk.com

12 Camomile Street
London EC3A 7PT
UK

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