

BUY GOLD ON REBOUND RALLY

By Daryl Guppy

The gold price reached the long term resistance target projection level of \$1360 before consolidating and retreating. The retreat offers a buying opportunity for an uptrend continuation back to \$1360 and higher. There are four technical features which suggest a bullish rebound.

The first feature is the strength of the underlying uptrend. This is shown with the Guppy Multipole Moving Average indicator. The long term group of averages is consistently well separated. When price dipped in 2016 June the long term group did not develop any compression. This shows good investor support.

The current price dip also has not caused any compression in the long term group of averages. This shows there is strong investor support for the trend. Investors are buyers when there is any price weakness.

The second feature is the recent minor support and resistance level near \$1290. This is not a strong resistance feature. It is important because it is also near to the upper level of the long term GMMA. This provides two support features for any retreat in the gold price. This strong support provides a good base for a rally rebound and up trend continuation.



The third feature is the behavior of the short term group of averages. They are developing some compression but this is a slow retreat. The compression is not sharp and rapid so this suggests simple trading activity rather than signaling a change in the underlying trend. The compression behavior is similar to the temporary retreats in 2016 April and June.

The fourth feature on the weekly gold chart is the breakout from the fan trend line pattern. The four downtrend lines have a common starting point from the

high in 2012 October. This pattern gives early warning of a substantial and sustainable trend change so investors are confident this uptrend can continue.

The first upside target for gold at the historical resistance level near \$1360 has been achieved and it has been followed with consolidation behavior. This consolidation is part of longer term uptrend behavior so traders watch for a rebound rally and retest of the \$1360 level. Aggressive traders buy the rebound rally as it moves towards \$1360. Cautious traders wait for the price to move above \$1360 before they enter the market. The upside target is near \$1580.

We used the [ANTSSYS](#) method to trade this rally and the continuation towards \$1580.

There are important changes in the structure of the gold market that make the move above \$1360 and towards \$1580 more hazardous and volatile. Only seven sovereign nations own more physical gold than the US Gold ETFs.

This structural change in the market means gold demand is now also closely linked to brokerage account margin calls as ETFs are a derivative trading instrument.