

# **GOLD CONSOLIDATION**

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The gold price has moved sideways for two years starting 2013 June. Between 2013 June and 2015 January the sideways movement was below the long term trend line. In 2015 January the price move above \$1220 was also a move above the long term downtrend line. The first technical upside target was near \$1390. However the breakout rally reached \$1300 and then failed. The gold price fell and used the long term downtrend line as a support level.

There is not any evidence that a new uptrend can develop for gold. There is also a strong support band that has developed between \$1180 and \$1115.

The historical support level is near \$1180. When the price dropped below this level in 2014 November many traders expected the price to continue falling towards the next support level near \$980. This did not develop. Gold rebounded. Again in 2015 March gold fell below \$1180 and traders waited for a further fall in the price but the price rebounded again. There was a low probability that the current fall below support near \$1180 will immediately lead to a fall to support near \$980. Gold has developed a support band between \$1115 and \$1180 so trader expected a new rebound rally to develop from near \$1115. The rally rebound has moved above \$1180.



The long term group of GMMA averages remains well separated and moving downwards. The rally attempts in 2014 March, 2014 July and 2015 February have not been able to stay above the upper edge of the long term GMMA. This confirms the strength of the downtrend.

If support between \$1115 and \$1180 continues to be successful then the gold price will continue to develop a sideways pattern. The gold price must move above the upper edge of the long term GMMA before a new uptrend can develop. The value of the upper edge of the long term GMMA is currently near \$1250. A breakout above \$1250 can move easily towards the next upper resistance level near \$1390.

However the bearish features on the gold chart suggest there is a higher probability of a future fall below support near \$1150 and a continuation of the downtrend towards historical support near \$980. The bearish outlook is confirmed by two features.

The first feature is the strength of the long term GMMA group of averages. These averages are not compressing and compression is required before a new uptrend can develop.

The second feature is the long term downtrend line. This downtrend line acts as a support level in a falling market but the value of support is lower and lower every day. The market slides down the downtrend line until it reaches the horizontal support level near \$980.