

## **GOLD CONSOLIDATION**

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The Eurozone is under pressure of disintegration, the Shanghai Index is falling and it is inevitable that US interest rates will rise and put pressure on the uptrend in the Dow. It's a gloomy outlook and this is usually good for the gold price. But despite these factors, gold continues to move sideways and tests the new support level near \$1150.

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 rally above \$1220 moved above the long term downtrend line. The breakout rally reached \$1300 and then the gold price fell and used the long term downtrend line as a support level.



Historical support near \$1180 failed and a new support level developed near \$1115. This created a strong support band 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. Again in 2015 March gold fell below \$1180 and traders waited for a further fall in the price but the price rebounded again. In recent weeks gold has again fallen below \$1180. Gold has developed a support band between \$1115 and \$1180 so traders expect a new rebound rally to develop from near \$1115.

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. Since 2015 March the lower edge of the long term GMMA has been a strong resistance feature.

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 \$1235.

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 remain well separated. Compression in this group 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.