

GOLD LONG TERM DOWNTREND

By Daryl Guppy

Gold has dropped below the key support level near \$1150. This is a new five and a half year low. The fall below \$1150 is significant and sets the next support target near \$9870.

The historical support level for gold 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 and gold rallied and moved sideways. . Historical support near \$1180 failed and a new support level developed near \$1115. This created a strong support band between \$1180 and \$1115.

In 2015 March gold again 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 and then below the lower edge of the support band between \$1115 and \$1180 .

The gold price behavior is understood using trading band analysis and a weekly chart. 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. The fall below the lower edge of the trading band near \$1150 signals the continuation of the long term downtrend.

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 been 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.



However the bearish features on the gold chart showed 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 three 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 failure of the short term group of moving averages to break above the upper edge of the long term group of averages. This is a bearish environment and confirms the downtrend strength.

The third feature is the long term downtrend line. This downtrend line acts as a resistance level in a falling market but the value of resistance is lower and lower every day. The market slides down the downtrend line until it reaches the horizontal support level near \$980. We use the [ANTSSYS](#) method to trade both the sustained falls below the support levels.