WAITING FOR GOLDEN REBOUND RALLY

By Daryl Guppy

Who stole the gold? The dramatic falls from $1340 to below $1260 is a break and enter theft on a grand scale. Its going to take a while to find out who stole these profits from open long positions. What's more important is to assess the extent of the damage and the potential for recovery.

We start with damage assessment. The fall below the historical resistance and support level near $1290 is critical. It would be reasonable to expect that this level would provide support for any retracement. Instead gold fell straight through this level. Chalk one up for the bears.

The uptrend with gold was well defined using a Guppy Multiple Moving Average indicator. The long term GMMA was well separated and this generally shows strong buying support from investors. The upper edge of the long term GMMA was a little above the historical support level near $1290. The fall below the upper edge of the long term GMMA is not good. Chalk another one up for the bears.

The gold price penetrated fully through the long term GMMA, with a close near $1260 which is also the lower edge of the long term GMMA. The long term GMMA acts as a shock absorber and we expect to see investors buying slow the market fall and contribute to a rebound. We saw this in May 2106 when the long term GMMA acted as a rebound point. The rapid drop to this lower level is another feature we can chalk up for the bears.

Three strikes for the bears doesn't mean gold is out for the count, although it may take some time to get off the canvas.

It's too early to suggest how this may develop, but we can set technical features that help make a trading decisions. A continued fall below the edge of the long term GMMA has support near $1180.

A rebound from the lower edge of the long term GMMA has a resistance target near $1290.

The only glimmers of light are the strong separation in the long term GMMA and the lack of reaction from the short term GMMA. Currently this dip has the characteristics of a reactive dip rather than a change in the trend. Aggressive traders use the [ANTSSYS](#) method to trade the rally rebound. Cautious traders and investors wait for rebound proof before joining the rally for a move above $1290.

The bears have smashed gold but this attack is not yet confirmed as a change in the trend direction.