

# **GOLD DOWNTREND UNDER THREAT**

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The rally in the COMEX gold price from \$1250 has the gold bulls excited. After more than 2 years of falling prices is this finally the turn around in the downtrend that gold bulls have been hoping for?

The gold chart doesn't give a clear answer but it does set key trigger points that allow traders to make a better decision.

We start with the bears and look at the features which suggest the rally is temporary and that the downtrend is likely to continue.

Three resistance features that limit the rally. The first resistance feature is the value of the long term downtrend line. The current value is near \$1320. The second resistance feature is the value of the long term GMMA. The upper edge of the long term GMMA is near \$1350 and this also acts as a resistance level.

The third resistance feature is near \$1390. Gold has also recently developed a strong resistance level near \$1390 in 2013 September and 2014 March. The downtrend remains strong. The long term group of averages in the Guppy Multiple Moving Average indicator is well separated. The long term group of averages continues to move down and it does not show any sign of compression.



The bears says that a rebound rally from near \$1260 has a low probability of developing in to a trend change because these three features make it difficult for the gold price to develop a strong rally and breakout into a new uptrend.

The bulls believe the price can break above these three resistance features. They point to the double bottom pattern near \$1180 in 2014 January. The rally in 2014 March reached \$1392 and then retreated. The bulls believe the rebound from \$1250 is a continuation of the double bottom pattern with an upside target near \$1580.

In the current condition there is more chart evidence to support the bears. The gold price has significant resistance features to overcome before a new uptrend can develop. The ability to move above \$1390 is a key feature for the development of any sustainable uptrend.

The chart patterns suggest that gold is forming a long term base pattern around the \$1250 level. Traders are watching for confirmation that the rally activity can overcome resistance and develop into a new uptrend. Compression in the long term group of averages in the Guppy Multiple Moving Average indicator will provide additional confirmation of the trend change. When markets are beginning to develop a trend change then traders watch for breaks in key price levels. Chart analysis identifies the key levels. Cautious traders wait for breakout confirmation before entering the market.