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Chart Works

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Technical observations of
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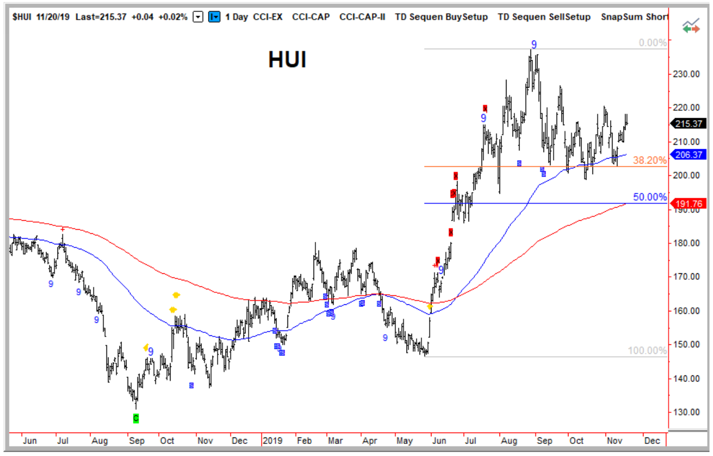
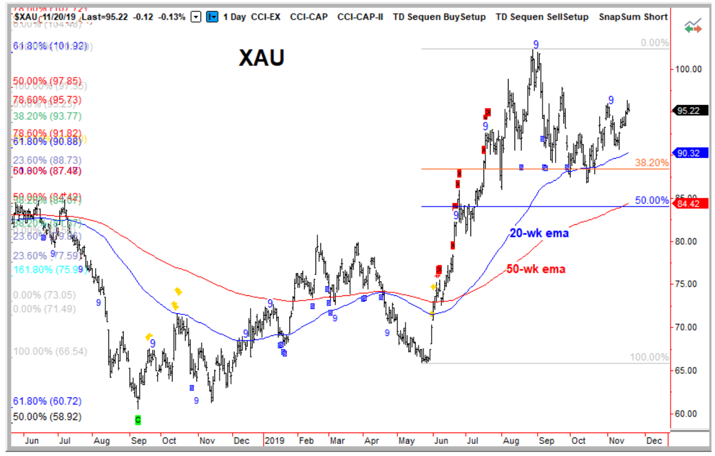
Gold

Gold suffered hourly Capitulation and an oversold Summation Index as reported on November 11th. The subsequent bounce has retraced 38% of the November decline and pushed the CCI(8) into overbought territory. The 20 and 50-day moving averages ($1480 & $1487) offer resistance. For gold to remain in an interim downtrend it needs to stay below the midpoint ($1495.40) of the last failed rally ($1465 to $1525.80).

Miners, particularly seniors in the $HUI and $XAU, have held up well this month.





Based upon the declines (1978, 2006 and 2010) following previous 161.8% retracement rallies the pullback from this year's 161.8% retracement rally at $1568 has optimum support at the 34 and 50-week moving averages ($1434 and $1403).

Once the current corrective process runs its course, we measure the next objective to be a 261.8% retracement rally out of the five-year consolidation, targeting $1888.

If gold drops to its moving averages then the mining indices should find support at their 100-week ema where they would be table pounding buys;

- GDX - $23.76
- GDXJ - $33.80
- HUI – 184.91
- XAU – 81.53

The extreme readings in the COT data in September generated divergences in the RSI for the sixth time in over thirty years. In each instance gold experienced a setback and was unable to manage a sustainable rally until the RSI readings came back beyond neutral (*60 on the Commercials and 40 on the Non-Commercials*) (**red circles**). A sharp break in price would allow the Commercials to cover their shorts and put a squeeze on the net-long speculative Non-Commercials. **The resulting moves in the RSI would help justify an aggressive new buying opportunity.**