

Gold's medium-term fate hangs on how it behaves this week

TECHNICAL
ANALYSIS
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THESE are inspiring times for the gold bugs.

In late June, the yellow metal reached a record \$US1258 an ounce as the world worried that the Greek debt crisis would spread to other European economies like Spain and Portugal. That high marked the apex of a long run-up that began in late 2008 when gold fell below \$US700, and has yielded healthy profits for believers in the gold story.

The European debt fears that drove the most recent spike have waned a little in recent times and as a result the gold price has come off, hitting a low of \$US1160 last week and

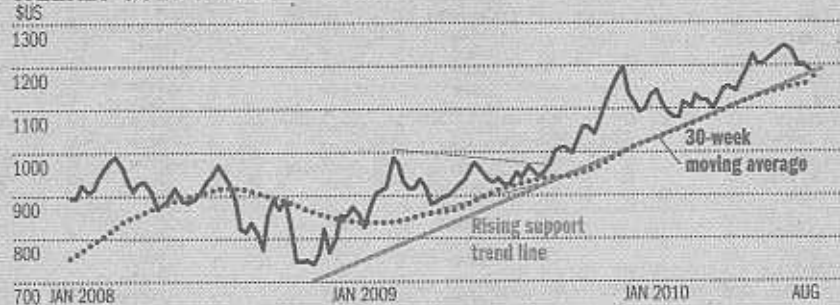
bouncing a little to finish the week at \$US1182.

Followers of the world's most famous store of value are now asking: "Where to from here?"

Paul Ash, the Australian Technical Analysts Association's Victorian president, says the gold market is at a crucial point in its trajectory that could see either more rises or a significant price decline. And this week should determine which way things will go.

According to Ash, the gold chart has looked healthy since early 2009, with a strongly rising 18-month trend line and a 30-week moving average

WEEKLY GOLD PRICE



line that, until the past five weeks, has mostly followed the rising trend line. The 30-week moving average line reduced the angle of its upward trajectory as the gold market weakened

recently but Ash sees some positives for gold in the way the market closed on Friday.

Last week, gold slumped below the 18-month trend line but recovered on Friday to

close at \$US1182 after hitting a low of \$US1160 earlier in the week. That closing figure was right on the 18-month trend line and the market opened yesterday near Friday's close, giving Ash

confidence that there is underlying support for the metal above last week's low point.

But watch closely what happens in the next few days. If the market weakens and gold falls below last week's low of \$US1160 then it could be headed down to previous support levels of \$US1080 or even \$US1050, Ash says. But if there is strength this week, gold should move into an upswing.

Any rise is unlikely to take us back to recent record levels, though. Ash says \$US1200 should be the ceiling for the rest of the calendar year.

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