

# Further gold gains hinge on new wave of US money printing

TECHNICAL  
ANALYSIS  
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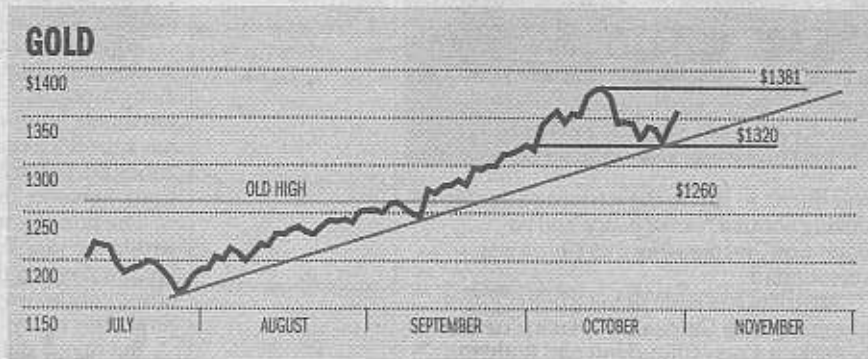
GOLD is a barometer of the financial system. When all else looks shaky, investors tend to buy the yellow metal as a last-resort store of value based on human instincts formed over thousands of years. And also, of course, based on the experience of gold holding up in the really tough times.

The Australian Technical Analysts Association's Victorian president, Paul Ash, has been watching gold closely of late. He notes the precious metal has been on a strong upward trend since hitting a low

point of \$US1160 an ounce on July 28.

After that it rose 19 per cent to peak on October 15. It then dropped to \$US1320, a 4.4 per cent retracement. Over the past fortnight it seemed to be locked in a trading range between \$US1320 and \$US1346. But last Friday it broke out of that range and Ash believes it could be headed back to \$US1381.

The fate of gold, he believes, will depend on how the US dollar is seen by the market in relation to the "quantitative easing" signalled to come



this week from the US Federal Reserve.

Quantitative easing occurs when the Fed buys back its own securities for cash, something that

investors see as in effect printing money. The bigger the easing, Ash says, the weaker the US dollar will get.

Ash sees the chart

above as indicating that recent currency trends will continue. The US dollar will keep falling and the big net-exporting countries like China and

Japan will continue to build their reserves of the greenback.

All that paints a bullish picture for gold. Ash says the price retracement since gold hit its October high was weak, which in turn indicates that the upward trend for the metal remains strong. But the situation, as always, is volatile.

If the upward trend continues to hold then the bullish outlook will remain. But if gold breaks below \$US1320, it could be headed as low as \$US1260.

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