

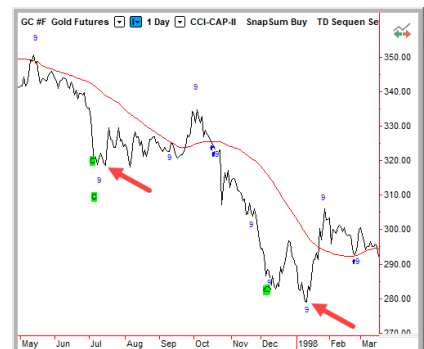
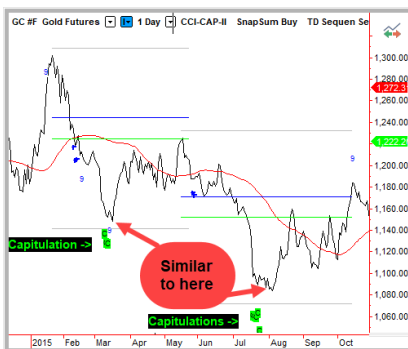
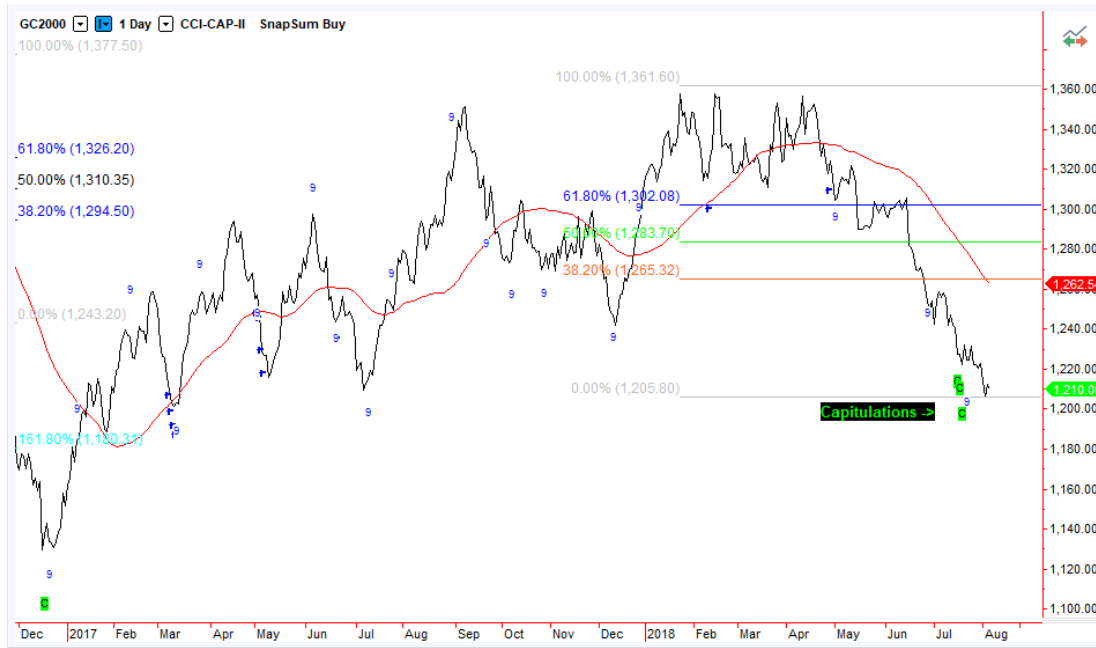


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Technical observations of
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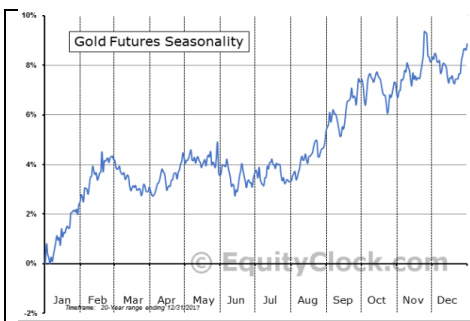
Gold – More Extremes in COT

The Downside Capitulation alerts in gold of July 17th-19th have been followed by a small bounce, capped with closes just under \$1232. Last week saw new closing lows at \$1205. This continues to have the makings of a classic undercut of support and a Wyckoff ‘Spring’ bottom (*see 2016, 2015 and 1998 examples*). Any daily close above \$1232 should be followed by an initial rally that tests the 55-day simple moving average (*currently \$1262*) within three weeks. There is the outside chance of a secondary rally from there that retraces 50% or 62% of the decline from \$1360.

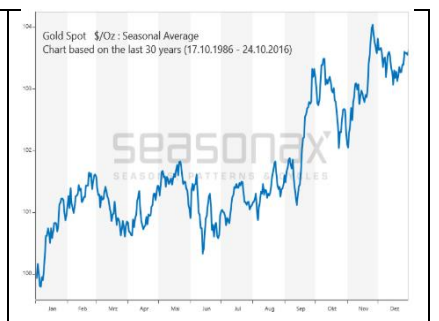


While the US Dollar Index has risen by 7% since March, gold has dropped by 11%. Gold's closest correlation with a currency is the Chinese Yuan. The US Dollar/Chinese Yuan has moved 10.9% since the March. Both gold and the Yuan are testing the levels last seen in the middle of 2017.

Initial signs of a change in direction will be an hourly gold close above \$1219 and the Dollar/Yuan below 6.83. To confirm a significant upside reversal of gold through resistance (\$1232) we would like to see it confirmed with a decline in the Dollar/ Yuan below 6.77.



Seasonal factors over the last twenty and thirty years exhibit an upside bias starting at the end of July. However, one must remember that period contains one of the most prolonged bull market in gold's history.



Last week the Commitment of Traders data from the CFTC showed a continuation in the steady decline in net speculative long positions and net short commercial positions since January. We consider the data to be important once the readings extend beyond the 50-week Bollinger Bands and have an RSI outside of 65/35. They are now in that territory and set up for a counter-trend rally once a fundamental catalyst triggers an upside price reversal.



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