

# ChartWorks

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## Are We There Yet? Gold Attempts Another Breakout

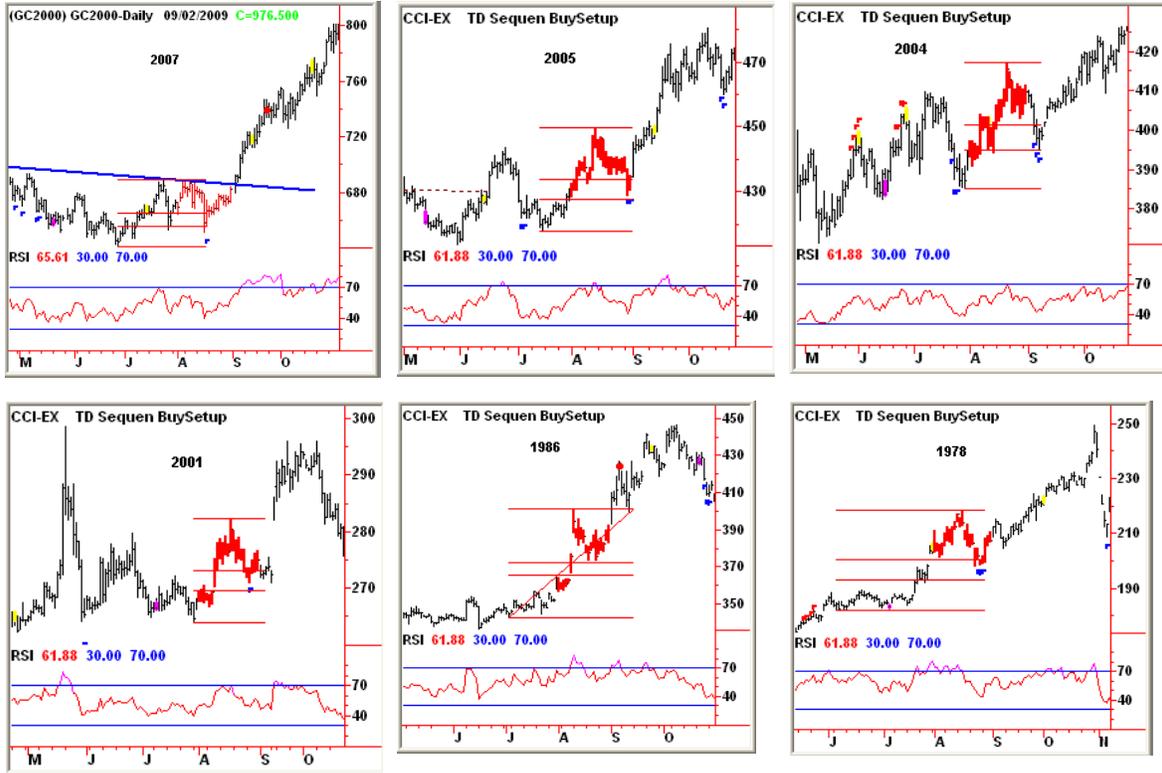
The \$66 July - August rally to \$971 was corrected by 62% into mid-August (*in line with the anticipated 50% to 70%*) and yesterday's close of \$976.50 breaks gold through the resistance line of the six-month long triangle. Larger patterns exist with greater potential, but for now we will follow this period of seasonal strength as it challenges the immediate resistance at \$989, \$1,007 and \$1034.



Previous triangle examples we have been following as guidelines now offer important clues as we move forward:

1. Prices should not pullback inside the breakout (\$968)
2. The extent of the rally should be equal to either the complete height or one half the height of the triangle. Targets are \$1,034 and \$1,100.
3. Closing prices should stay above the 20-day exponential moving average until the next interim high (\$1034?) is in place.
4. The mining stocks experienced an expansion of volume on yesterday's breakout. The XAU/Gold ratio (*currently .1606*) should find resistance around 0.2.
5. Look for divergence in the RSI on stocks and bullion as the targets are met.

*Years that gold was strong into in the first week of August, corrected the move from the July lows by 50% to 70% and then went on to higher highs*





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