

ChartWorks

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Technical observations of RossClark@shaw.ca

Are We There Yet? Gold Attempts Another Breakout

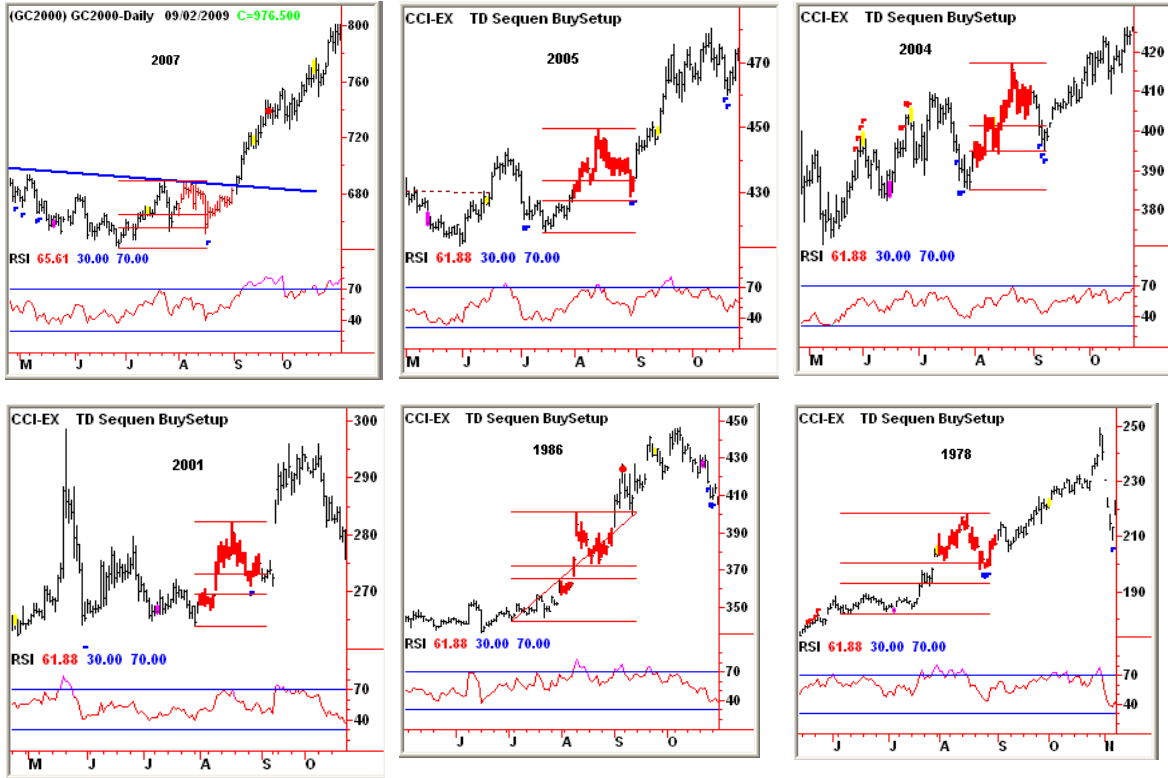
The \$66 July - August rally to \$971 was corrected by 62% into mid-August (*in line with the anticipated 50% to 70%*) and yesterday's close of \$976.50 breaks gold through the resistance line of the six-month long triangle. Larger patterns exist with greater potential, but for now we will follow this 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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BOB HOYE, INSTITUTIONAL ADVISORS
 EMAIL bobhoye@institutionaladvisors.com
 WEBSITE www.institutionaladvisors.com