GOLD Swing Trade
Week of July 27 2015

1. Futures prices (GCQ15) - LAST WEEK and PRIOR WEEK

Open	High	Low	Closing
1132.40	1132.50	1072.30	1085.50
PRIOR WEEK			
1162.30	1163.90	1129.60	1131.90

2. PIVOTS (based on Globex high-low)

	Weekly	Monthly*	Yearly
R3	1217.17	1221.27	1760.10
R2	1156.97	1196.53	1497.90
R1	1121.23	1180.97	1341.00
PPT	1096.17	1156.23	1235.70
S1	1061.13	1140.67	1078.80
S2	1036.57	1100.37	973.50
S3	976.37	1060.07	711.30

3. WEEKLY SWING TRADING NUMBERS

	Weekly
2nd Sell level	1132.50-1129.50
1st Sell level	1119.50-1123.50
Key #	1095.50-1093.75
1st Buy level	1066.00-1062.50
2nd Buy level	1045.00-1042.50

The key # is a control point for up or down moves. When price moves from one side of that line to the other and stays in the new range it often indicates a change in trend and the beginning of a stop run. Look for the price to move toward new support and resistance levels, often at/near our buy or sell range.

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How to trade the weekly swing trade focus numbers:

Enter at or close to the focus numbers. The stops are activated by a close above (below) the stop. In that case place an order to exit the position at or near your entry as soon as the overnight session opens. Maintain the order in the day session if it is not hit overnight, and use a supplemental stop set for your maximum allowable daily loss. If you enter the trade and the market moves in your favor, take profits at 3, 5, 10, 15 or 20 point intervals. If the price does not approach the entry levels, stand aside.

4. OUTLOOK FOR GOLD

Monthly chart

Last week

Last week, GOLD had a continuation low move supported by an announcement that China holds only 1658 tonnes of gold in its official reserves. The unexpected announcement prompted selling in the Shanghai exchange overnight on Sunday and brought fear into the market. The price dropped $46.40 per ounce on closing from the prior week.

This week

Gold is cyclical commodity. It has a life cycle. It is also a hedge product. When there is a big financial crisis or war threatens the global financial system, gold comes alive. The rest of the time, it is treated as a reserve and used to support the local currency.

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Following the Lehman Bros. crash that triggered the financial crisis of 2008, gold broke the 2008 high ($1033.90) in Oct, 2009, and went straight up to $1923.70 within 24 months.

That was primarily hedging activities driving the price up, not some intrinsic change in the value of gold. It represented a premium caused by fear and uncertainty, and weakening confidence in fiat currencies.

As the perceived threat receded, especially the threat to the stability of US banks, so did the price of gold. The price has been retracing since 2012, and is now approaching the breakout level from 2008-2009. What will be the next move?

Long term: In the long run, the range from $1045 to $770 is the consolidation area for the next several years, the area where long-term investors will accumulate positions to prepare for the next coming crisis.

Intermediate term: $1250-$1350 will be a major resistance zone. As long as the price stays below that level the trend is down. It is likely for GOLD to stay below that resistance until the consolidation move completes.

Short term: It is six months since gold made a high at $1307.80 in January 2015. It has an extremely oversold condition in all short time-frames. At some point the traders who got short this year at the $1300-$1250 zone will take their profits above or around $1045-$1235, perhaps this week, and the price will bounce a bit.

But as long as the price stays under the $1200 level, the behavior we see will be typical of trading, as opposed to investing; buying at the lows and selling at the highs until GOLD reaches its long-term downside target.

Caveat: In the short term the price of gold is driven by the news of the day. If here is some new or revived crisis du jour that captures attention – Syria, the Ukraine, Greece, a fallen financial giant – all bets on the downside are off. Greece crashed and burned and the price of gold scarcely trembled; but the next crisis will likely have a different outcome.

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