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Technical Analysis

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Gold weekly chart (XAUUSD): In big picture, Gold continues to consolidate in a compressing triangle for nearly 4 years with a long term resistance at 1375 – 1400 USD and support at 1190 – 1200 USD. For the past 6 years gold has been forming a basin with the low at 1046 USD as of November 30, 2015. According to Elliot Wave Theory markets move in 5 waves; 3 advancing and 2 correcting with 3rd wave being the most impulsive and longest. Currently Gold is in 4th wave zig-zag action readying for the last wave 5 of the nearly 20 year long bull-run cycle that started back in 2000. At some point Gold will break out from its long term resistance of 1375 – 1400 and advance to test all-time highs, however, we cannot suggest any timing indications. The 5th wave advance in gold will coincide with multi-year fall in US Dollar.

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XAU/USD, W



Gold 4-hour chart (XAUUSD): Gold closed the week at 1290.73 USD, roughly at the same level as of two weeks ago (1292 USD). Once the rising trendline (blue color) was broken on March 28, we suggested that gold should hold above support zone 1276 – 1281 USD. Moreover, we expected that gold most likely will attempt to close above broken trendline over the coming weeks. However, despite three attempts (please see blue arrows) gold failed to overcome the trendline, but as well did not break below suggested support zone. Thus, gold is stuck in range trade between support 1276 – 1281 and resistance at 1312 - 1315 USD. Nevertheless, the game is on and we continue to expect a very limited downside and higher upside action with short term target of 1315 – 1320 USD (above rising trendline) and medium term target of 1355 – 1365 over the coming weeks and months.

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XAU/USD, 240



US Dollar Index 4 hour chart (DX): Dollar index cooled off a bit closing at 96.5 USD down from 96.8 USD as of March 29, 2019. We named late March rally in DX an exhaustive rally and so far it appears to be the case. In our opinion, everything is in place for the dollar to top and start falling both from technical and fundamental point of view. From technical point of view we have perfect reversal pattern - Head and Shoulders; at present dollar is finalizing formation of right should following which it should start rolling over. From fundamental point of view, over the last 2 week we had Federal Reserve Member announcing that Quantitative Tightening ended, White house advisor suggesting immediate 50 bps rate cut and Trump calling to start QE4. Part of US economy and Individual US companies might be doing well, but US fiscal deficit does not permit or justify 2.25 – 2.5% interest rate whilst all major global Central Banks are at negative or near 0% interest rates. With 22 trillion USD debt, Washington has no way other than to “force” Federal Reserve to cut rates to 0%. In such environment dollar has only one way to go and that is down. We continue to observe the drama in the US market to see when the eventual dive in USD will happen.

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US Dollar Index Futures, (CFD):DX, 120



US stock market SP&500 (US500): S&P500 continued higher readying to challenge all time high 2941 USD level. In such environment investors started selling US bonds and buying US stocks. Fundamentally, there is little justification for this rally, however, with Fed preparing for rate cuts and launching QE4, markets are rushing higher in anticipation of free money and stock buy-back environment.

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S&P 500, United States, NYSE(CFD):US500, D

