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Technical Analysis

- Gold
- GDXJ

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Gold Daily chart (XAUUSD): Gold closed at 1321.41 USD up 6 dollars since last week's close at 1315 USD. As Gold's advance is continuing it could test long term resistance level 1355 – 1370 USD over the coming weeks. Finally, this week, 100 day moving average crossed over 200 day moving average giving further confidence to Gold's bullish run in the medium to long term. However, as gold is approaching rapidly its long term resistance level, it could lose steam and stall. **Apparently consequences of gold pushing through the resistance level would be paramount for the entire precious metals and mining industry.**

Published on Investing.com, 16/Feb/2019 - 16:18:25 GMT, Powered by TradingView.

XAU/USD, D

MA (100, close, 0)
MA (200, close, 0)



Gold 4 hour chart (XAUUSD): This week's low came at 1302.57 bouncing for the 5th time from the 3-months trendline. The next technical resistance level for gold comes at 1355 – 1370 USD; however, it is not clear whether consolidation at this stage is complete or gold requires further time before advancing higher. ***As such we could see further sideways action in gold till is ready to make a meaningful advance.***

Even though US averted another government shutdown, Trump still declared national emergency in light of much smaller than demanded border wall funding (1.375 bln. USD vs 5.7 bln. USD). Furthermore, there is no concrete news on US China trade deal with possible deadline extension for another 2 months. With national emergency declared and little progress in US China negotiations we may continue to observe further instability in US political environment. Short term support for Gold comes at 1300 USD, medium term support 1285 USD.

Published on Investing.com, 16/Feb/2019 - 10:39:29 GMT, Powered by TradingView.
XAU/USD, 240



Dollar Index 4 hour chart (DX): Dollar index closed at 96.74 USD up from last week's close at 96.41 and continues to remain strong. Although during the week Dollar Index made several attempts to break out; eventually it closed marginally higher within our resistance level projected from last week at 96.50 – 96.75 USD. Right now, there is a significant divergence between Dollar Index and RSI (Relative Strength Index) giving us a clue that Dollar is technically overbought and some sell off might be forthcoming. Weakness in Dollar Index would naturally give a tailwind to Gold.

On February 14, 2019 U.S. retail sales numbers came up well short of market expectations and we saw immediate reaction of Fed Governor Brainard suggesting that “downside risks increasing and that balance sheet runoff should end this year”. The Fed rhetoric is changing very quickly: two months prior Fed Chairman Powell suggested that “balance sheet normalization is on auto pilot” till 2021 and signaled three rate hikes for 2019. With Federal Reserve putting a pause on rate hikes in January 2019 and bringing to an end to its balance sheet normalization sooner than expected will eventually be Dollar bearish. Immediate support for the Dollar index comes at blue trendline at 95 – 95.25 level. We continue to expect Dollar index to eventually break down blue trendline support.

Published on Investing.com, 16/Feb/2019 - 10:58:04 GMT, Powered by TradingView.
US Dollar Index Futures, (CFD):DX, 240



Junior Miners 4 hour chart (GDXJ): GDXJ closed marginally higher at 32.95 USD up from last week's close at 32.4 USD. Further milestone for GDXJ comes at 33.7 – 34.3 level with support at 31.5 USD. On gold's 0.5% weekly advance GDXJ added 1.7%; so far we do not observe materially improved performance of mining indexes versus gold. Mining index remains depressed despite continued strength in gold. The main reason for underperformance of Mining index to gold could be due to long term resistance level in gold coming at 1355 – 1370 USD. Gold failed to overcome aforesaid resistance level every time since 2013 - as such Mining index is pricing likely future weakness in gold once resistance level is reached. **However, shall Gold manage to overcome this key resistance level at 1365 – 1370, entire Mining sphere would explode higher by 25 – 35% in a matter of days to reset to its fair value.** Interest rate reduction, abortion of Quantitative Tightening, Sell off in US stock markets or other events could be a trigger for Gold's advance in the medium term.

Published on Investing.com, 16/Feb/2019 - 11:10:57 GMT, Powered by TradingView.
VanEck Vectors Junior Gold Miners, United States, NYSE:GDXJ, 240

