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Technical Analysis

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XAUUSD: Gold 5 hour chart as of April 28, 2019 report. One month back we suggested that downward sloping line will be broken, then re-tested and following that Gold will target 1320 USD in the initial stage. Now let's look at what happened one month later on the next slide.

Gold 5 hour chart (XAUUSD): Gold closed at 1305 USD on the last day of May finally breaking out of 3 months long downward sloping resistance line. We have been noting that 1276 – 1281 USD for Gold is a strong support zone and suggested that Gold will challenge 1360 USD levels in the near future. During these 3 months correction period in Gold despite numerous attempts bears could not break the back of bulls. Friday price action in gold demonstrated that bulls stepped in and gave a clear message that bull market that started in August of 2018 (refer to trendline) is still in force. Over the coming days and weeks we shall see continuation to the Gold rally.

Silver 5 hour Chart (SI): Silver has been consolidating in a pennant shape formation for nearly 3 months. At some point we expect Silver to break out higher and challenge recent highs at 16.5 – 17 USD. Silver is safe haven as well as an industrial metal so recession fears and US China trade wars suppress the price. However, once financial crisis unfolds in full force Siler will act as a safe haven and ultimately over perform gold. Therefore, we shall expect Silver to follow Gold at some point.

Dollar Index Daily Chart (DX): Dollar Index closed at 97.68 making 2 year high at 98.26 USD. The reason DX tried to push higher was due to safe haven buying as smart money are exiting stock market and piling up on the long term US treasury notes since it is pretty much guaranteed that US Federal Reserve will cut rates on short terms notes in the near future.

Yield Curve 3 months vs 10 year: The inversion between the US 3 months (red) and 10 year (blue) yield is becoming wider and more serious. As you could see, the initial yield curve inversion since 2007 happened in late March of 2019. During March the spread was 7 basis points, however, in late May the spread in rates widened to 21.5 bps. This really tells that market is expecting more than 25 bps rate cut in the near future as investors are selling shorter dated US notes and buying longer dated ones. As spread between 3 months and 10 year yield is widening recession and rate cut expectation will increase.