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Gold 4-hour chart (XAUUSD): Despite another round of negative US economic data this week and no visible progress on US China trade talks, precious metals were hammered across the board while stock market continued higher. Gold closed at 1292 USD down from last week 21 USD or 1.5%. In the previous two weeks we noted that rally in gold was losing a steam, but suggested that the present bull run is not over yet with targets at 1355 – 1365. On Thursday, our short term trendline was broken and then on the attempt to recover was rejected at re-test. From technical point of view this is negative action, however, from fundamental point of view we see no reason for gold to further sell off. Given that the extent of sell off was contained and limited; we remain bullish on gold with the caveat that it should not break below 1276 USD mark - the key low of Fed announcing that it is nearing the end of its balance sheet normalization. With Fed turning subsequently even more dovish and market discussing rate cut, gold has no reason to break below key 1276 USD level. This week's negative technical action could be a quarter-end shake out. Therefore, next week we anticipate gold to rally and close above our trendline.

US Dollar Index (DX): Inverted yield curve, talks about rate cut and soft economic data were not enough to stall Dollar Index rally this week. There is no reasonable explanation for dollar strength and we assume this is an exhaustive rally of short term nature. Dollar continues to range trade for nearly 6 months with resistance at 97.5 USD and support at 95 – 95.5 USD.

US stock market SP&500 (US500): We continue to observe further gap between US underlying economy and its stock market. Following a round of nearly 3 week of weak data, US500 once again pushed through over the key resistance zone 2800 – 2815 USD. The only explanation for the stock market rally is market anticipation that Fed will cut rates in the near future; however, recent rally so far was not supported by strong economic data.

US Yield Curve (US3MT v US10YT): this week US 10 year treasury yield closed marginally higher than 3 month note yield on the rate cut talks. Two prior yield curve inversions were followed by rate cut and subsequently by recession within 6 to 12 months. But historically not all yield curve inversions were followed by recessions; as such this phenomenon does not necessarily imply 100% recession – just an important factor to track the health of the economy and stock market.