GOLD—More Upside Likely

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Gold's weekly chart displays a sharp decline in September from 1965 to 1823 and 3 weeks later, an October reversal back to 2019, which is above the previous July high of 2010. This rise is supported by a strong momentum on a rising and overbought STO & a crossing up MACD. Thus gold is expected to break the 2085 high and at least reach the 2141 Fibonacci target as long as gold is able to remain above the weekly Cloud (1940).

A price rise of gold, while the US$ Index (orange solid line) is only pausing and not declining much, means that gold reveals a high degree of anxiety for the financial markets. It could also reveal that gold is a safe haven against the rising US 10-year Treasury Yield (*green dotted line*). Other measures of sentiment suggest a lack of excessive long positioning on gold and, recently, no gold mania at all.

A rising gold price could also be a warning of the strong decline in the US Equities market. Therefore, it is wise to monitor any further gold rise if the US Equity S&500 Index is not rebounding in November along its usual seasonality. Also, a further rising gold price should put some downward pressure on the US$ Index. But if the US$ Index fails to decline, it would be bearish for US Equities. Surely, November is going to be fascinating!

Chart: Gold Continuous contract CME in weekly candlesticks with 40-week moving average and 20-week moving average surrounded by 2 Bollinger Bands. Also, the Ichimoku Cloud which is in a bullish mode. The widening Bollinger Bands are capping gold near 2027 on a short-term basis as gold rebounded above its 40wk MA (1948).
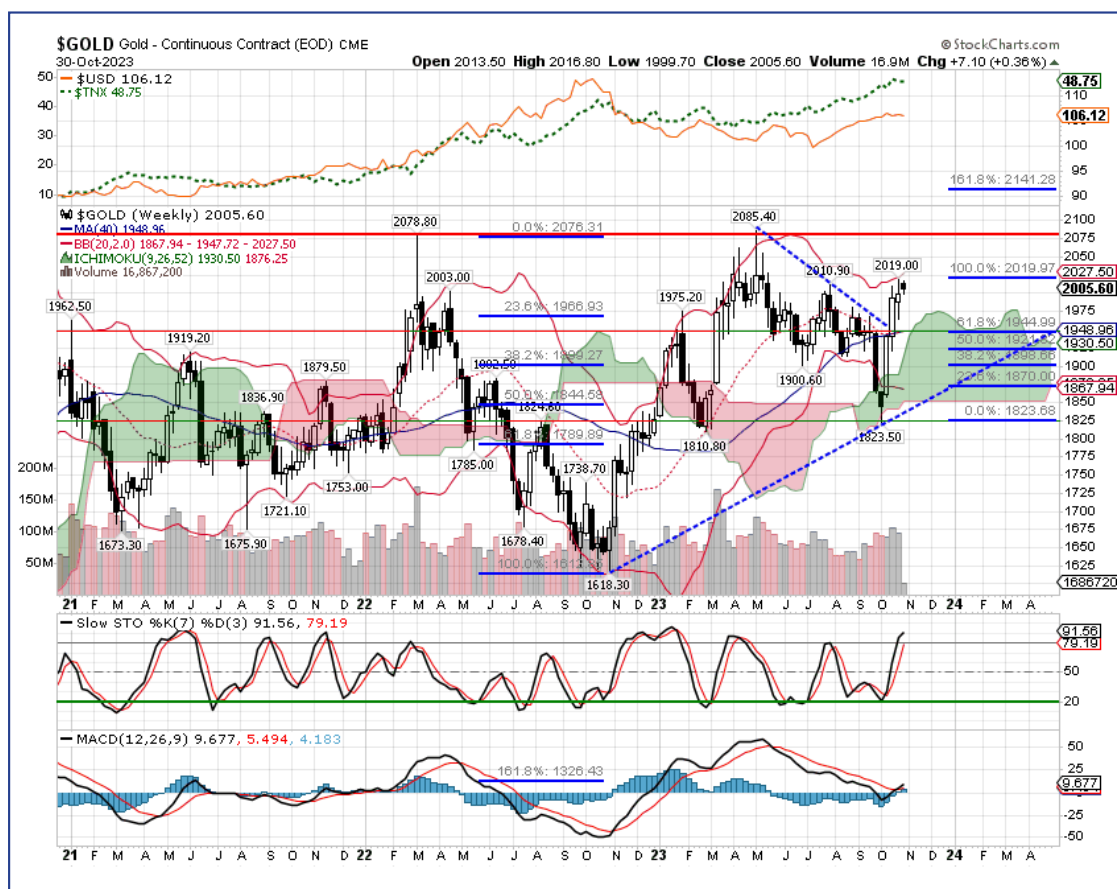
Upper panel: the US$ Index (orange solid line) remaining flat and the US 10-Year Treasury Yield (green dotted line) pausing after a strong rise of 5%.

Lower panel: momentum indicators Slow Stochastic rising strongly in an overbought area and the MACD crossing up in a positive area, which are both supporting higher prices.

Source of data: Stockcharts.com. Support lines & parameters are provided by BEST.