



12<sup>th</sup> September 2013

# Market Update:

## Watch Gold: the retracement is over

UPDATE  
Technical  
Fundamental

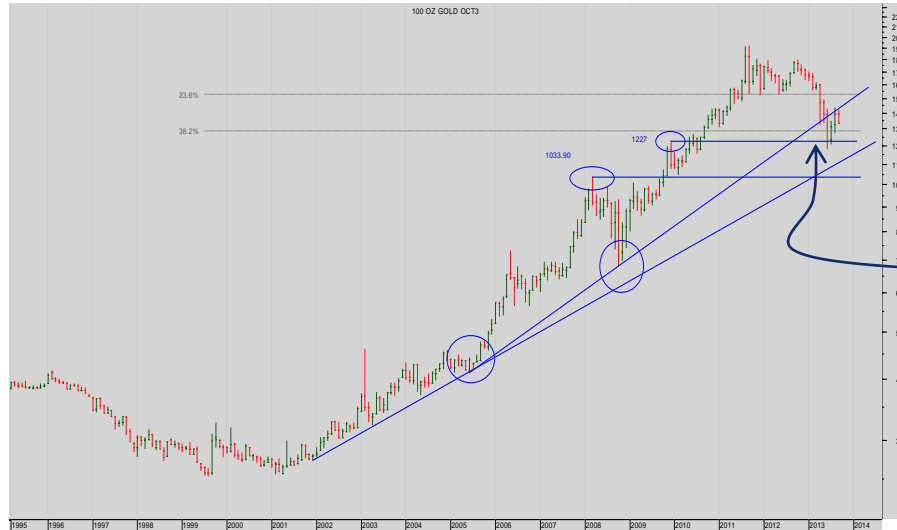






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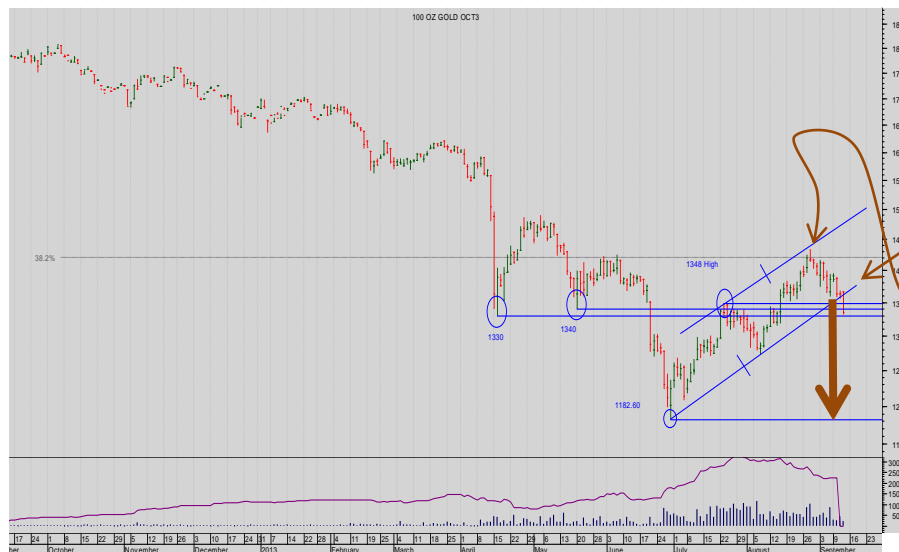


## WEEKLY CHART

The topping out of the Gold market was the main feature of 2011 and 2012.

The fall was swift, and only found support at the horizontal from the Prior High of 1227.

For the past four months the market has edged better....**now look closer.**



## DAILY CHART

The detail of the recent bounce in shows how the strength of the rally through the Prior Lows 1330-40 was impressive.

But note that a bear parallel flag resulted that has **just completed.**

Note too the failure at the resistance at the 38.2% Fibonacci resistance at 1420.

The trade down through 1350 is **the signal for the bears to take control of the market again.**

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## FUNDAMENTALS:

The highs in the long Bull market in Gold were seen long ago and the market has been in a state of pause for many months.

The recent limited flurry of bullish price action was a result of the coup in Egypt and the uncertainty that generated and, more recently, the threat of a US military strike on Syria in response to the use on civilians of chemical weapons by the Assad regime.

After the UK Parliament voted against taking part in military action, Obama turned to the US Congress for a vote of support, mainly to show the world that America was united.

However, Russia, Syria's main ally, is speaking out against military action without a UN mandate, which she serially blocks. The US President has sought to build an international consensus to punish the Syrian regime for using chemical agents. Only France seems prepared to join in.

But the Russians have now thrown a "curve ball" into the mix with a proposal that Syria should place all of its chemical weapons under international control, in exchange for the US not launching a military strike.

Naturally, seeking to hold onto power, Assad has grabbed the offer with both hands. The US has said they will hold off while the proposal is explored at the UN and other diplomatic channels.

As a result, the last vestige of bullishness in Gold has evaporated.

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## FUNDAMENTALS: CONTINUED

It could take months for inspectors to locate and verify all the chemical weapons stock piles in Syria and render them safe. So Assad can continue to kill his own people by more conventional means as he tries to hold onto power with impunity. Russia is against sending those behind the use of the chemical attack to an international war trial.

So with the geopolitical situation becalmed, at least as far as gold is concerned, the only other focus is the economic front and that does not offer any bullish support.

Inflation in the US, Euro zone and Japan is to say the least; benign and even in China inflationary pressures seem to be cooling. The economic recovery in the US has gained enough traction for the Fed to probably begin tapering at its up coming meeting. With the very beginning of a recovery emerging in the Euro zone, the ECB is unlikely to ease policy any further.

In the UK the Bank of England may have to rethink its policy stance a little as the UK economy has surprised with a stronger-than-expected run of economic activity.

So where does that leave Gold?

We believe it is in the wilderness.

With no immediate support from geopolitical events and no obvious economic reason to buy gold, investors will soon begin to question their holdings. Gold, after all, offers no carry or income. The gain is purely capital and if that isn't possible the investment is a non-performing asset. Liquidations may soon begin and once they do there could be a rush to the exit.

**If that does happen, as we expect, gold will fall a very long way indeed.**

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#### SEVEN DAYS AHEAD

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