



A PALLION COMPANY

ABC BULLION HEAD OFFICE

Level 6 88 Pitt Street Sydney NSW 2000 Australia

P: +61 2 9231 4511 | F: +61 2 9233 2227 | E: info@abcbullion.com.au

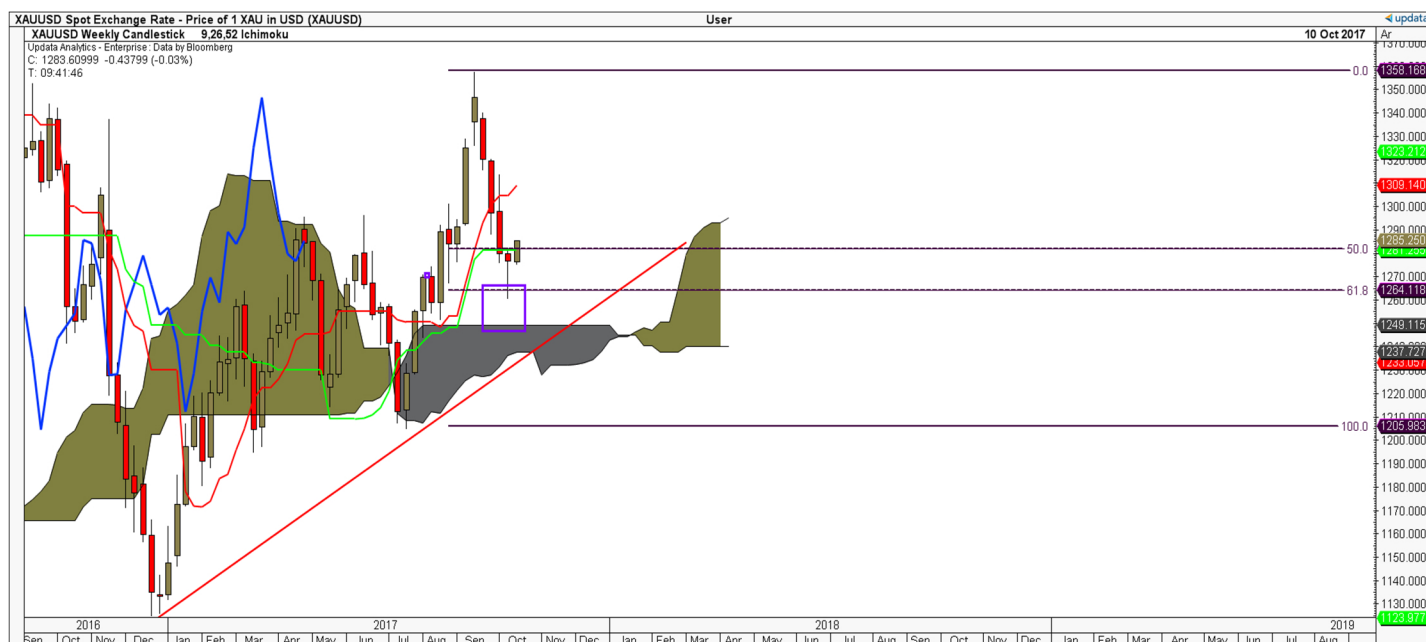
AUSTRALIA WIDE 1300 361 261

abcbullion.com.au



Nicholas Frappell
General Manager

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Gold Technical Outlook

After a USD 98 decline from the early September highs, it is time to look at where gold has found support. The price made a low of slightly under USD 1261, fulfilling the target described in the 20th September 'Weekly Technical and Precious Metals Positioning Report' released on the ABC website on the 21st of September.

"There is reason to be cautious with recent price action suggesting a deeper pullback is still on the agenda, with US\$1296 achieved initially, then targets extending to support at US\$1263."

The weekly price action shows a really pronounced 'hammer' candle emerging. (See chart – note the extended tail underneath last week's candle, with the market closing near the top of the weekly candle to form a small hammer-shaped 'body' at the top of the candle.) This should signal a reversal in the downtrend, and so far this week price action has been positive, confirming the reversal signal.

The price has found support at both the 61.80 Fibonacci retracement of the July-September rally. The low was not far (<USD 12) from the top of the Weekly Cloud, an important support level. See the purple box in the chart below.

Between the 12th of September and the 3rd of October, Managed money gross longs have decreased by 6.60 million Ftozs, to 20.436 million. Gross shorts have increased over the same time period by 802,000 Ftozs to 2.492 million Ftozs, a pretty weak increase that suggests little appetite for speculating against gold, just the ejection of over-enthusiastic longs. Since the 3rd of October, Open interest has declined by just over 1 million Tozs, which suggests that some of the recent additional shorts may have closed their positions – perhaps alongside a few disenchanted longs?

Targets on the upside now extend back to US\$1294 and US\$1318 in the short term. Resistance lies at US\$1294 and US\$1309.