

Expect Gold to decline to \$1100 before it sees some better days

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A contracting triangle suggests a final thrust downwards is around the corner. And once complete, will bring a sizeable counter-trend rally.

The Iraq crisis did not trigger any significant rush for safe haven asset like Gold, except for a small rally in prices. But this small rally has helped further sharpen the view many Elliotticians hold at the moment that a contracting triangle is forming on gold. This essentially means one more leg downwards is expected soon before a meaningful pullback.



Triangles represent pause in trend and always precede the final thrust before the trend reverses with regards to that timeframe. The e wave of the triangle (marked in maroon) is expected to complete any time now (between 1320-1350) and a decline in prices should follow. This triangle will also complete the (4)th of a larger 5 wave decline forming on gold since it topped out in late 2011. The triangle's measured move which should now trace out as wave (5) comes to around \$1100. This also tends towards equality with wave (1) which is one of the projection guidelines in the Elliott wave theory.

To summarise, we can expect a decline towards \$1100 in the intermediate term. Importantly, once this target is met/(5)th wave completes, the first of three legs of a multi-year correction will be complete. Motive waves subdivide into 5 waves after which a counter trend move takes shape. Hence a sizeable pullback is expected there on which can easily take prices back towards \$1400 if not more.

**target levels are not absolute and only approximations based on Elliott Wave analysis*

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