

GDX US Buy Idea

The Gold Miners ETF has been in a downtrend for a couple of years but that trend failed at the start of 2014.

It was too early then to recommend a long despite the trend failure and I have been keeping a close eye on the price action over the first half of this year. There has been the making of a Head and Shoulders reversal pattern now for a number of months but today is the first day that the neckline (shown in white) has been tested.

For such a pattern to be confirmed the **neckline must fail to the upside** which has still to happen and, with resistance at 26.91 just above that neckline, I would use a break above that level as a trigger for a long.

The measured target for this pattern is 30% above current levels at 35.0 but please bear in mind that this is a medium-term trade idea over a few months as oppose to a 'get rich quick' trade. Also a 'return move' to the neckline is common in such patterns and a pop higher followed by a drift back is to be expected should the resistance fail.

Long on a break above 26.91 with a target at 35.0.



As always position sizing is more important than the ideas and levels.

The sectors and stocks mentioned are generally those that my active clients care about but I am happy to add more on request.

I always encourage clients to ask for chart views and asset allocation ideas that have been written specifically for them and their individual time frames and risk tolerances.

If you would like to play any of these ideas through derivatives our options desk will be happy to suggest strategies.

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