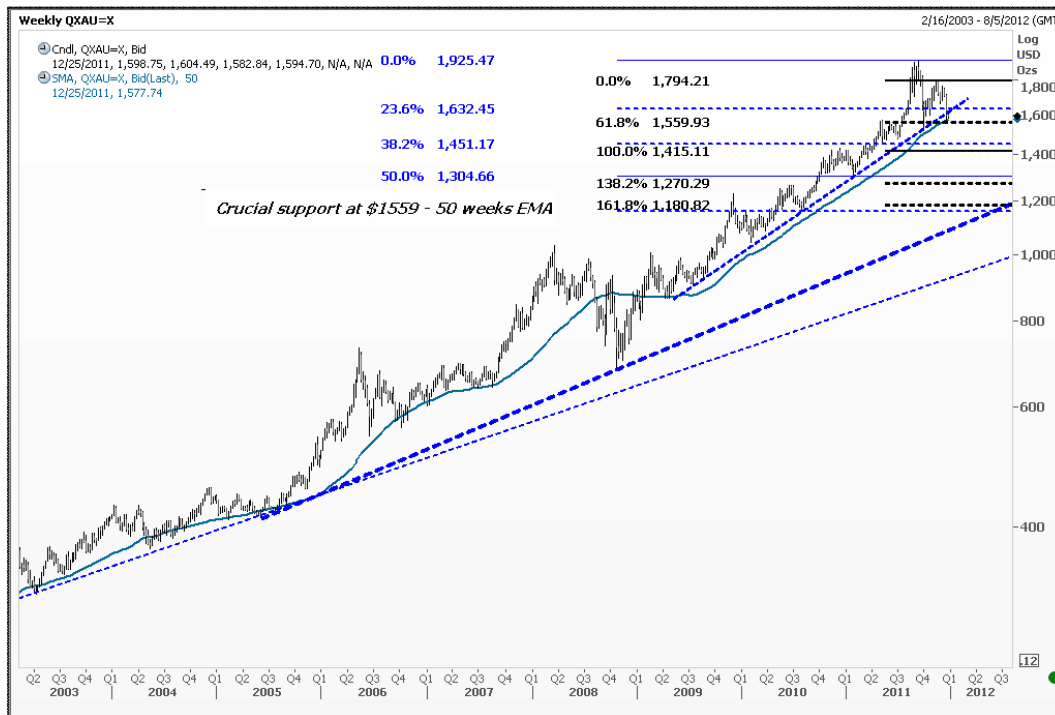


There has been unprecedented rally in Gold prices after breaching the previous historic high of \$1024 posted in 2008. The market advanced to post fresh historic high of \$1920 and thereafter corrected to \$1534. However, the market managed to take support at \$1534 level - in the intermediate trend line, started from \$1040. The recovery faded at \$1802 and the market has retraced back. At the time of writing the market is trading at \$1698 levels, posting a low of \$1560.

The bearish momentum created by failure to breach top of \$1920 is leading signal of a possible correction. The market is now near to intermediate trend line support of \$1550 and the level is also support of 50 weeks EMA. If prices sustains below the same, then a short term correction can set.

**(1)Spot Gold weekly chart**



The market is now at second leg of correction of intermediate trend. The second leg of correction seems to have started from \$1802 and breach of \$1550 will push market to test reaction low of \$1534 posted in October. Below that, market may test the 38.2% retracement level of rally started from \$680 -pegged at \$1450. If it hold the same, recovery is possible towards resistance of \$1700 and failing to hold \$1450 may extend fall to \$1415 which is 100% level of first leg of correction.

***The decline may be sharp after breakout as the rally has been steep. We believe that the market will be under corrective trend below resistance of \$1700 levels to \$1415 levels in medium term.***

**(2)Spot Gold monthly chart**



- ❖ ROC of 10 months is seen diverging negatively with price trend, which implies technical weakness, where prices are making higher tops and oscillator is making lower tops.
- ❖ MACD is in mega overbought zone and is in process of crossing the signal line represents market top.
- ❖ RSI (21) momentum price pattern has given a bearish signal by breaching a trend line downside.

**KEY LEVELS TO WATCH**

	<b>Sup2</b>	<b>Sup1</b>	<b>Res1</b>	<b>Res2</b>
<b>Spot Gold</b>	1415	1560	1700	1810
<b>MCX*</b>	24700	26800	28970	30840

\*MCX prices calculated by taking USDINR at 53

For further reference, please go through our old report dated 28 Sep 2011:

<http://www.inditrade.com/Admin/CommodityResearch/Spot%20Gold%202011.pdf>

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