



Answering Your Questions

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GOLD DODGED THE BULLET

The sharp decline in gold held the first key support at 1730 for the close. Closing resistance is now building at 1825 and support at 1717 on a daily basis followed by 1680 for next week with the big support down at 1605 on a weekly closing basis. We are at the extreme of the general momentum to the upside indicating that a pause is likely. However, volatility is going nuts off and on between now and next June. This November appears to be highly volatile in all areas, not just gold.

The fundamentals of course have not changed. The likelihood of Europe solving the problem is by no means assured and quite frankly impossible under the current plan. This Australian bit of humor is fantastic and explains very good the common sense reality behind the **Sovereign Debt Crisis**, <http://www.facebook.com/l.php?u=http%3A%2F%2Fwww.youtube.com%2Fwatch%3Fv%3DNOzR3UAYXao%26sns%3Dem&h=IAQAtjhNx>

What makes markets go up and down is **NOT** the fundamentals – it is people. Between 1970 and 1974 gold rallied from \$35 to about \$200 on the same default-Fiat hype. Nothing changed, but gold fell into 1976 to \$103. Then it rallied to \$875 into 1980. There was **NO** change in the fundamentals. The only change was gold was **legalized** in the USA for 1975. Europeans in anticipation expected Americans to line up and buy gold bars. When that didn't happen, gold crashed between 1974 and 1976. Economically, everything had been the same. So trading fundamentally is just **NOT** reliable. Sounds good, but the rhetoric confuses long-term with short-term.

The main monthly support lies at 1560-1575 for September and quarterly support lies at 1480-1450. Therefore, gold has not been broken yet. Next week the range to watch is 1825-1680. If gold can hold the low intraday of this week 1701, then gold may survive building a sideways pattern above 1480-1450. Moving to new highs is possible with November being the 11th month and next quarter being the 43rd. That would give us a spike high above \$2400 area, but at the same time, it will open the door to a more pronounced drop in price with claims the **Sovereign Debt Crisis** is over. That is not likely without major reform and the politicians will not tackle that until there is no other choice. Watch NOVEMBER!