

TECHNO FUNDA REPORT ON

October 30, 2015

GOLD

Yellow metal can witness further slide



Moneywise. Be wise.

DAILY CHART OF MCX GOLD (DEC)



Source: Reuters

Recommendation

Take fundamental Sell position in Gold (Dec) at current prices for the target of 25500 with stop loss of closing above 27100.

Note:

- These long term fundamental calls are for duration of three to four weeks time frame and do not confuse these with intraday calls.
- It is assumed that investor takes position in two lots and square off position in one lot on partial profit booking and trail stop loss to buying/selling price for second lot.

COMEX DAILY CHART OF GOLD



Source: Reuters

Bullish factors

Rise in Greenback

Dollar index can rise towards 98.5-99 levels and any increase in greenback in bearish for gold. The strength in the dollar also hurt gold. The greenback climbed to a 2-1/2-month high after the Fed, though it has since given back some of those gains.

Expectation of US interest rate hike

Gold held near its lowest in three weeks and set to post its worst week in two months on expectations that the Federal Reserve would raise U.S. interest rates this year. Gold has been under pressure after the Fed on Wednesday surprised with a direct reference to its next policy meeting as a possibility for the first U.S. rate hike in nearly a decade.

While the Fed decided to keep interest rates unchanged it changed the language in the statement to suggest a hike in December is more likely. The market had begun to price in an increase only in March 2016 and gold bulls were forced into a retreat.

The Fed voted 9 to 1 to leave rates in a range of zero and 0.25% where they have been since December 2008. Interest rates in the world's largest economy have not been raised in more than nine years which played a huge factor in gold's rise to a record \$1,909 in September 2011.

Hedge funds liquidating positions

Spooked by Federal Reserve's hawkish stance, hedge funds start liquidating 345 tonnes worth of bullish gold futures positions. Hedge funds reduced bullish bets to more than five year lows ahead of the September Fed decision, but the hold on rates then forced a change of thinking with large futures speculators or "managed money" playing catch-up as the sentiment towards gold turned.

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