

North Korea and Gold Futures

By Teddy Sloup (Aug 11)

December gold went and kissed our key support level we highlight last week at \$1255 before bouncing sharply over the last several days on the North Korea situation. It is important for traders to keep in mind that these “situations” are rarely a sustainable game changer for the markets. This is something the bull camp should be extremely mindful of. Any time the precious metals catch what is perceived to be a “flight to quality” bid, the market almost always punishes those who chase the conventional wisdom trade. Perhaps this time is different. In any instance the escalation of tensions surrounding this situation can’t be ignored and traders should consider strategies accordingly.

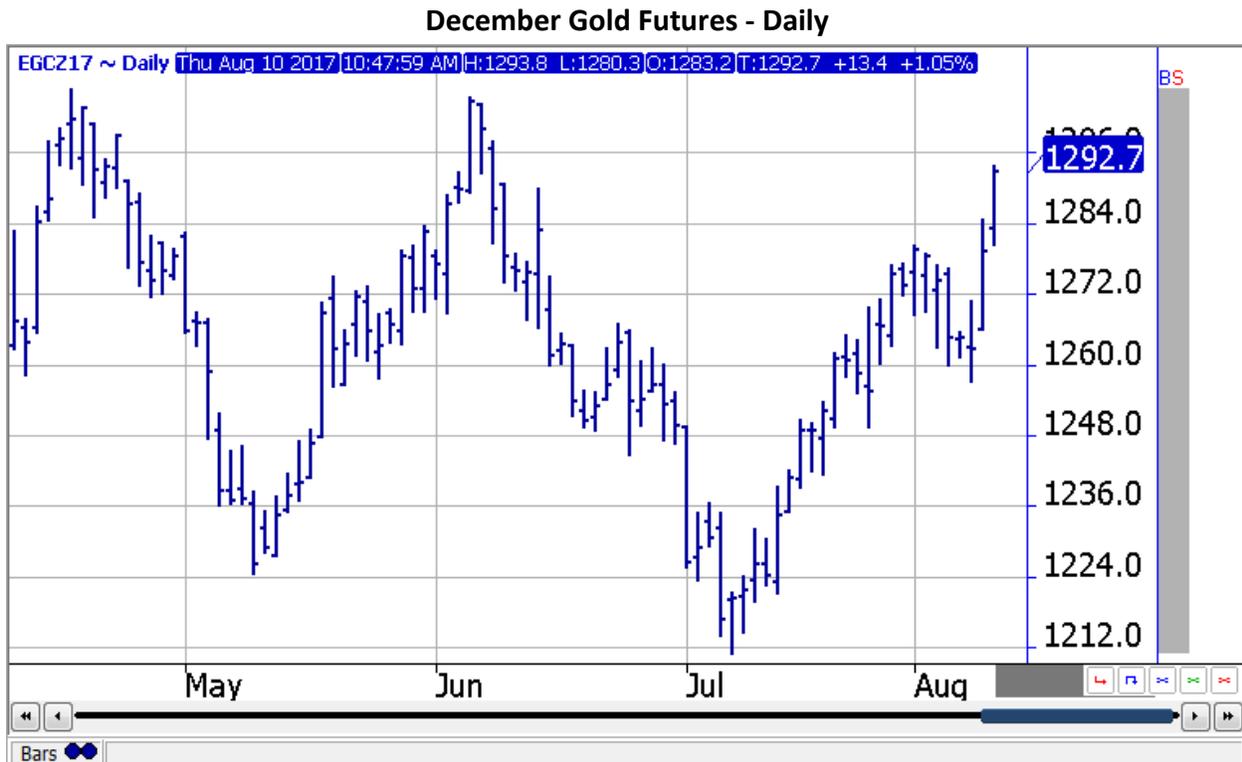


Chart provided by QST

From a technical standpoint there is clear cut resistance at \$1300-1305, the old April/June double top level. A convincing close above this level is needed to ignite further rallies. From our perspective gold has an overwhelmingly strong feel to it, a bullish feel which has been absent for longer than we can remember, and for whatever reason seems to be flying under the radar and not garnering the attention it normally does. This is a recipe the bulls want to see. Again, the

major concern for fresh longs should be gold's history of dishing out severe punishment to the obvious (or oblivious in this case) flight to quality seekers. In general, volatility is still relatively low and the market does not seem to be pricing in the degree of fear one might expect based on option pricing.

My many years of trading futures markets does make a difference. Feel free to call or email me if you have any questions or would like to open an account. I am at 312.242.7986 and teddy.sloup@archerfinancials.com.

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