Archer Financial Services, Inc.

Gold Futures - False Upside Breakout?

By Teddy Sloup (Aug 4)

Last week we talked about the importance for gold bulls to see a convincing close above $1260. While gold has held steadily above $1260 for most of the last week, the fact that the market has not ripped higher with overwhelming confirmation should be slightly concerning in the near term. With the December contract now the lead month, $1270-1275 is the near term "line in the sand" resistance level. Although the Euro was able to breakout higher from long term resistance, the U.S. Dollar failed to do so against its corresponding support level. It is reasonable to believe that potential fresh gold longs are on the sidelines eagerly awaiting further confirmation of a U.S. Dollar breakdown before establishing new positions. Friday's unemployment report is something traders will be paying close attention to as a potential catalyst for the next move. Overall, the 'tape' remains strong as the market has been able to easily recover from the overnight selloffs which gold has witnessed all week long.

Gold Futures - Monthly

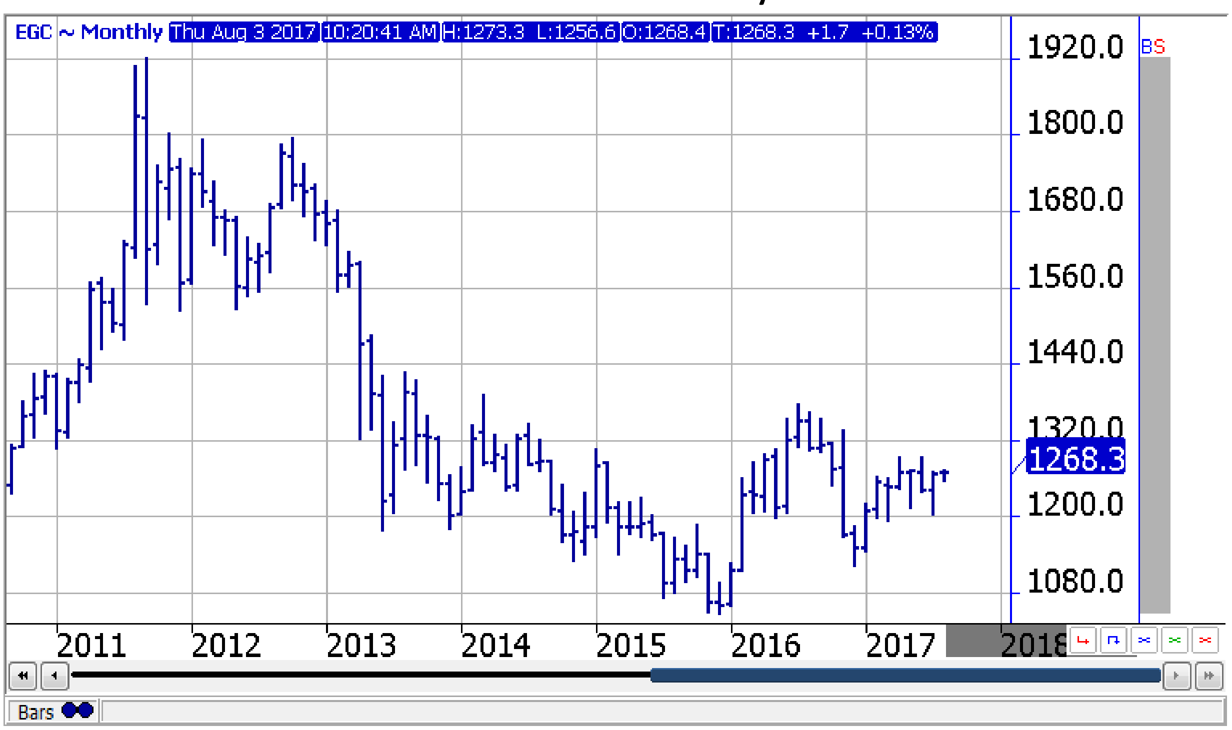

Chart from QST

With Friday's non-farm report on deck we believe it is prudent to exercise patience and wait for a pullback towards crucial support at $1255 and 61.8% Fibonacci Retracement level, $1238.

Fighting the “tape” is always daunting, however being short gold with a tight stop is something we favor over the next few days. If we’re wrong, so be it, but the risk is defined. Only a close below $1255 neutralizes the bullish trend.

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

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