

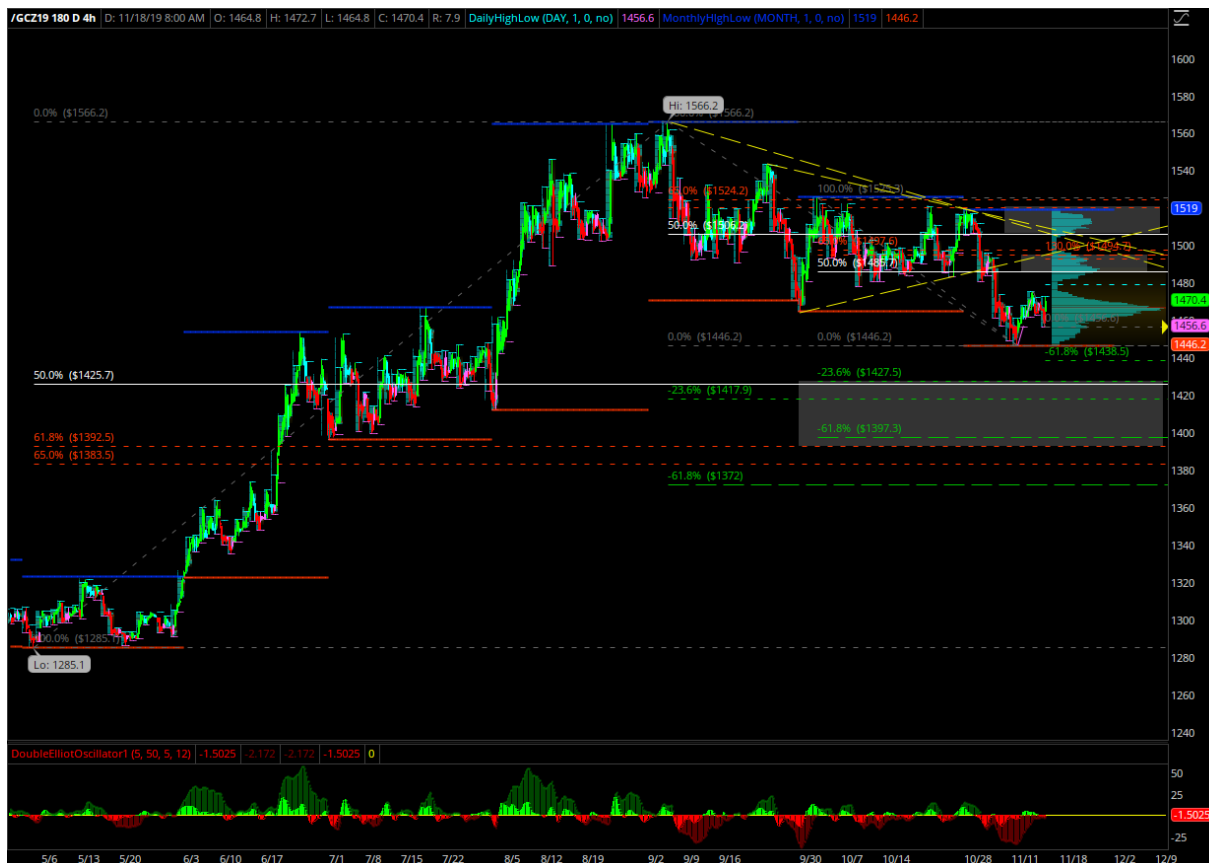
Strategy of the Day – 11.18.2019

Outside Day Reversal in Gold Enticing Bulls

With the broken record spinning on the Ag markets (waiting for a china deal and pricing in harvest selling pressure still), I am taking this opportunity to highlight another market with a classic technical setup. Gold futures have traded back through highs of the day, after making a low of 1456.6 in early trading. This constitutes an outside day reversal pattern to the upside, if the market can close positive AND take out highs of today (tomorrow, would be the confirmation). While Gold prices have remained under pressure into the 4th quarter of this year, the near-term price action suggests a technical short covering rally back to test resistance at 1485 next. The outside day reversal is one of my favorite patterns to trade, as it exposes a snapshot of market participation which trapped a group of traders on the wrong side. The psychological effect of the head fake low, typically results in a short covering squeeze which creates the most pain for the market participants.

While the medium-term trend is still lower for Gold, the short-term rally will put pressure on those short and should take the market higher to test bigger more robust resistance (if the down trend is going to resume). My long-term opinion is that Gold will have another leg lower towards 1420, to test major support of the entire uptrend for 2019 at its 50% retracement. This fits into the analysis above, in that today's price action is countertrend and will likely find the medium-term resistance to resume the downside pressure, but for now the bulls are in control to see how high it will go. Today's outside day reversal is merely one piece of the larger puzzle but justifies potentially covering shorts to sell at higher prices or possibly going long the market for the same move. While there is never a guarantee in trading, using every signal as a constructive piece of your trade plan can help manage risk no matter what side of the market you find yourself. Today is a great example, of a market in an uptrend for the year, a down trend over the last couple months, but has signaled an upside reversal inside those trends for the short term.

240 min Chart of December 2019 Gold Futures



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