

Time for Aggressive Swing Traders to Short Gold?

This will be featured as a trading pick in the Members Area at TheMarketMessenger.com starting today...

As members of TheMarketMessenger.com know, we typically only provide trading picks after the market close each day. However, the following is a setup that might demand immediate attention to very aggressive traders. It calls for the possibility of a minor or intermediate top in Gold. A chart of the Gold ETF - GLD - is featured below. Comments follow on the next page.



GLD has been gaining tremendous attention over the past few weeks; just take a look at the volume to see what we're talking about.

The media is talking about Gold's going to 1000. We don't buy it..

Not only is our call based on a bit of contrarian thinking – if virtually everyone thinks that a market is going to do something, it often will do the opposite – but it's also based on a couple of technical signs that we see cropping up on the charts.

As of this morning, GLD moved to a new high. We took the opportunity to open a short trading pick on the ETF because we believe that there is a distinct possibility that this move was a bull trap.

Here's why...

RSI is showing a negative divergence.

MACD is showing a negative divergence.

Both developments are text book in look and feel and, although there is no confirmation as yet, we'd consider it a worthwhile risk for the aggressive trader to use the combination of these potential signals as a reason to go short, with an appropriate stop in place.

Rarely, do both RSI and MACD show negative divergences at the same time. If these potential sell signals confirm – a completion of the failure swings (a move below the most recent reaction low on each of the indicators) is required for confirmation – our targets for the upcoming move are 82.00 and 84.00.

Those targets are derived from the current level of the lower Bollinger Band and the projected level of the rising intermediate trend line. We may even look to lower those targets, if its becomes apparent this is an intermediate high, rather than a minor one.

We'll follow this trading pick in the Short Stock Picks section in the Members Area at TheMarketMessenger.com. Members can look for updates to stop losses, any changes to targets and general trading notes, as and when the action calls for them.

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That's it for this issue of Purely Technical.

Good luck with your trading!

Asher Pinto

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