

Gold Resolves Some Bearish Divergences

eResearch Corporation is pleased to provide a weekly commentary, authored by Tom McClellan, entitled "The McClellan Chart-In-Focus", which is a free technical analysis article published each week.

In this article, Mr. McClellan examines the price of gold denominated in U.S. Dollars and in Euros, and discusses worrying divergences that can resolve themselves.

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The McClellan Chart-In-Focus

by Tom McClellan (bio at end)

Gold Resolves Some Bearish Divergences

A week ago, it was not looking good for the gold bulls. The dollar price of gold had not yet made a higher high, even though the Japanese yen had already pushed to a higher high. When divergences like that happen, it is typically bearish news for both gold and the yen.

But, what looked like a bearish divergence then has now been resolved in favor of the bullish case. The price of gold has now joined the yen in making higher highs.



This is an important point for all chartists to understand: just because you see what looks like a divergence, that does not mean it has to persist. Divergences do matter, and they deserve our attention, but they can resolve themselves on their own, so you have to keep watching and pay attention.

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A similar divergence was also showing in the comparison between the dollar price of gold and the price measured in euros.



A week ago, the dollar price of gold seemed to have stalled at a downtrend line, even though the euro price had already broken the equivalent long before.

The price of gold, as measured in euros, had not yet made a higher high to confirm the dollar price's higher high. That is a problematic sign, and I like to say that, whenever the two disagree, it is usually the euro price that ends up being right about where both are headed. So, it was troubling last week when we seemed to have a divergence.

Now that the divergence has been made moot by the price of gold in both currencies moving higher.

Remember that all divergences in real time are only potential divergences. One cannot call them "for sure" divergences until much later. Apparent divergences are worth noting, but not worth panicking about absent more proof. They can get resolved, as these examples illustrate.

Tom McClellan

Editor, The McClellan Market Report

BW: Information on Tom McClellan and *The McClellan Market Report* and *The Daily Edition* follows on the ensuing page.

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ABOUT THE AUTHOR



Tom McClellan

Tom McClellan has done extensive analytical spreadsheet development for the stock and commodities markets, including the synthesizing of the four-year Presidential Cycle Pattern. He has fine-tuned the rules for inter-relationships between financial markets to provide leading indications for important market and economic data.

Tom is a graduate of the U.S. Military Academy at West Point, where he studied aerospace engineering, and he served as an Army helicopter pilot for 11 years. He began his own study of market technical analysis while still in the Army, and discovered ways to expand the use of certain indicators to forecast future market turning points.

Tom views the movements of prices in the financial market through the eyes of an engineer, which allows him to focus on what the data really say rather than interpreting events according to the same "conventional wisdom" used by other analysts.

In 1993, he left the Army to join his father in pursuing a new career doing this type of analysis. Tom and his Father spent the next two years refining their analysis techniques and laying groundwork.

In April 1995 they launched their newsletter, The McClellan Market Report, an 8-page report covering the stock, bond, and gold markets, which is published twice a month. They utilize the unique indicators they have developed to present their view of the market's structure as well as their forecasts for future trend direction and the timing of turning points.

A [Daily Edition](#) was added in February 1998 to give subscribers daily updates on their indicators and also provide market position indications for stocks, bonds, and gold. Their subscribers range from individual investors to professional fund managers. Tom serves as editor of both publications, and runs the newsletter business from its location in Lakewood, WA.

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