

Gold and the Fear Trade

Sean Brodrick for Uncommon Wisdom Daily (Rough Transcript)

Hi, this is Sean Brodrick for UncommonWisdomDaily.com

As you know, I'm expecting gold to go down and test support at 800 – but I'm always ready to be pleasantly surprised. We got kind of a good-news/bad news situation on Monday – the news in stocks was so bad that investors got scared and started buying gold again. Take a look at this chart ...



You can see that gold broke down late last week on higher volume – this brought it below a line of support. But on Monday, it reversed and headed higher, fueled by investor fears about banks, the broad market and the global economy.

To be sure, nothing travels in a straight line. I think you should keep your eye on gold's 20-day moving average, which I've put in red on my chart. Gold will really need to close above that to reverse the recent downtrend.

I'll be keeping my eye on gold. I'm also watching the S&P 500 closely. In fact, on my blog on the UncommonWisdomDaily.com website, I've put two charts you should see. One shows the S&P 500 with the McClellan Oscillator, which is a great indicator of overbought and oversold. The other is a chart of the S&P 500's bullish percent index – I'm watching this closely for a reversal signal that the rally is over.

The interesting thing is I've put links under both charts that will allow YOU to follow these charts as they are updated every day – so you can make your own decision on whether the market rally will continue or the next leg of the downtrend is ready to start.

To see those charts, go to UncommonWisdomDaily.com, put your cursor over the “BLOGS” tab at the top and click on my name, “Sean Brodrick.” That will bring you right to my blog and you can see the charts I'm talking about.

Thanks for listening. This is Sean Brodrick for Uncommon Wisdom Daily. Good luck and good trades.