

Active Traders Expect These Gold-Related Assets To Move Lower

Commentary

Using trendlines to generate trading decisions is one of strongest tenets of building a solid technical trading strategy. One of the most commonly used patterns is known as the [descending triangle](#). This pattern is used by bearish traders to identify assets that could be gearing up for a move lower. Taking a look at spot price of gold shown below, you can see that the upper resistance level has been converging on the horizontal support level near \$1180. This is a clear indication of a descending triangle pattern and a sell signal is generated when the price falls below the horizontal trendline. A break below the support of this pattern is often accompanied by a flood of sell orders, which causes a sudden rise in volatility. Based on weekly chart below, active traders would expect the spot price of gold to fall toward \$1,000 over the coming months. For more, see: [Triangles: A Short Study In Consolidation](#))

Spot Gold Price



Goldcorp, Inc.

Goldcorp Inc. ([GG](#)) is one of the most popular gold mining stocks in the public markets. With a [market capitalization](#) of nearly \$14 billion it has the scale and exposure that very few companies have. Taking a look at the chart below, you can see that a descending triangle is also under formation. A falling spot price will undoubtedly put pressure on the price of the mining giant and traders will be watching closely for the rest of the week to see if the price closes below Monday's

low of \$16.59. A close below the trendline would likely cause bearish traders to set their target prices near \$12. (For more, see: [5 Gold Stocks To Consider](#))

Goldcorp Inc. ([GG](#))



Newmont Mining Inc.

The correlation between commodity prices and mining companies can vary widely. Newmont Mining Corp. ([NEM](#)), which conducts business in gold, copper and silver deposits, is not being influenced nearly as much as the others. Taking a look at the chart, you can see that the price has been trading within a short-term downtrend, but the bulls were able to stop the price slide by placing buy orders near the 200-day moving average (red line). This chart is a good example of the type of support that is commonly found near major long-term averaged.

Newmont Mining Corp. ([NEM](#))



The divergence between the [MACD indicator](#) and its signal line (shown by the red circle) will likely act as a warning to bullish traders because it suggests that the downward momentum could continue in the coming weeks. Traders will keep a close eye on the 200-day moving average because a close below would force traders to adjust their target prices toward the December low of \$17.56. (For more, see: [Trading The MACD Divergence](#))