

Goldminers' moves starting to match the bullion price: analyst



TECHNICAL ANALYSIS
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The Age
8-12-2009

PRICES of Australian goldmining shares are slowly catching up with historically high international gold prices, and should keep rising, according to one technical analyst's view of the index.

The index of 28 gold companies listed on the Australian Securities Exchange shows their collective value has jumped in recent months after dipping to a three-year low in November last year.

The index was now heading towards its own historical highs, despite last Friday's \$US61.56-an-ounce fall in the gold price from a record high

reached the day before, said Rob Shelley, a financial technician and director of Total Trading Concepts.

He believes gold will reach \$US1300 an ounce early next year, and expects the current upward trend in gold shares to lift the index to 6866 points.

This is the line of resistance established between November 2007 and April 2008. "If it does get through that level, it will be very bullish for gold stocks," Mr Shelley said.

The top 10 goldminers make up 90 per cent of the index's value. This includes major compan-

INDEX OF LISTED AUSTRALIAN GOLD COMPANIES



ies like Newcrest, which has risen 38.75 per cent in the past year, Lihir which has gained 44.83 per cent, and SinoGold, which was bought by Eldorado last week for \$2.1 billion and has gained 162.34 per cent to \$8.08.

India's purchase of 210 tonnes of gold from the International Monetary Fund on November 3 sent gold on a rally that lasted until Thursday, when the spot price reached a record \$US1214.24 an ounce.

Gold dropped sharply on Friday after the US announced that unemployment had declined in November, but Mr Shelley said his analysis showed that gold's rally was not over.

There has been strong

demand from central banks wanting to diversify their foreign assets out of currencies. Following India's purchase, Mauritania's central bank bought two tonnes on November 16, and Sri Lanka bought 10 tonnes on November 25. Russia's central bank is reportedly buying gold on the open market.

There is also the Indian "wedding season", which runs from September to late December. "India is the biggest consumer of gold, and then China is second," Mr Shelley said. "Historically, the Indian wedding season has been bullish for gold."