



## Gold continues higher as Draghi 'delivers'

By: Greg Rubin, Head of Trading QIA Commodities 11.03.16

Gold broke above the key \$1280 level this morning however a sustained breakout towards the \$1310 resistance level has so far failed to materialise. In my opinion the market is in the region where a pullback is likely but until some support breaks, gold has the potential to reach at least the \$1310 level. Mario Draghi provided the perfect foil for gold yesterday delivering more easing than the market was looking for in another attempt to try to prop up the lagging Eurozone economy. Another sign in my opinion that the credibility of central banks is being questioned and gold is certainly benefitting.

### ECB Rate Decision

Marc Chandler, head of currency strategy with Brown Brothers Harriman summed the ECB rate decision up perfectly when he said: "Draghi delivered, he managed to get the approval for everything". Delivered refers to pulling out all the stops in an attempt to signal to the markets that he has many tools in his disposal to stimulate the sluggish economy. Incredible to think that such drastic measures are still being taken so many years into the recovery. Jim Rogers is less sympathetic when it comes to central bankers and he clearly pointed out that "They don't know what they doing". Clearly the central banks policies have failed and by throwing more money at the problem is unlikely to provide the solution.

The ECB announced that they will decrease the interest rate on the main refinancing operations by 5 basis points to 0%, the rate on the marginal lending facility will be decreased by 5 basis points to 0.25% and the rate on the deposit facility will decrease by 10 basis points to -0.4%. All these will come into effect on 16<sup>th</sup> March 2016. In addition, officials announced that monthly purchases under the asset-purchase program will be expanded by 20 billion euros to 80 billion euros. This is a major announcement by Draghi however I would not be surprised if a year from now further major announcements will come from Draghi as the optimism of these steps fail to provide the answers that they are looking for. Gold is likely to benefit adding weight to the potential that the market has likely bottomed. Investors and analysts are wising up to the idea that the central banks are running out of ammunition and the approach they taking is not working.

### Technical

The technical picture has not changed too much this week although the gold bulls have certainly been in control by testing key resistance levels. I maintain that a pullback is likely not too far away and anywhere between current prices and \$1310 is my expectation for the retracement to occur. In my opinion the pullback is likely to be bought quite aggressively and set the market up for significantly higher prices on the next move.

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**QIA Commodities, Becket House, Old Jewry, London EC2R 8DD, United Kingdom. Telephone +44 (0) 845 474 7094.**

