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Gold is still a large potential for decline, says Professor Campbell R. Harvey of Duke University

If you take into account the rate of inflation, gold is still great potential for decline, says Campbell R. Harvey, a professor at Duke University, co-author (with Claude erbium, a former trader Trust Co.) Study on the subject of gold.

He analyzed the prices of futures contracts on gold traded in New York on the Comex division and the consumer price index developed by the specialists of the Department of Labor.

Yesterday, at the end of the session, gold for June delivery cost 1387.40 an ounce, which was equivalent to 5.97 times the inflation rate in March, which is well above (which is at 3.35 times the monthly) average calculated from 1975, when futures appeared for the first time on the Comex.

This month gold staniało already 13 percent. - People talk about the big sell-off, but really it was not too significant - says Harvey, working at Fuqua School of Business at Duke University.

To rate shows the ratio of gold prices and inflation reached its historical average ore should return to below \$ 800 per ounce. This can happen over time, especially if the sale of units of funds that invest in gold ETF elects to more investors.

To cause large price movements are not required special behavior on the demand side, because the supply is relatively constant, argues scientist.

And what about the prospects of the precious ore says technical analysis?

The main support for the exchange of gold on the Comex division was to be close to \$ 1540 and snapped. This price was tested in October 2011 and October and May 2012, in June 2011, functioned as a resistance level.

Breaking the support had a significant impact on the market. This is the lower limit of the channel side of the ongoing long-term trend since October 2011. He outlined after peaking at nearly \$ 1,924 in September 2011. The upper limit is the amount of strong resistance near \$ 1800. It was tested in November 2011, March 2012 and October 2012,

Remained sideways since November 2011, in the framework were sharp ups and downs. Breaking the \$ 1,540 level is a decisive change. If the decline is confirmed in the following days and course in a weekly drop below \$ 1,540, it will signal the beginning of a new bear market. The price of gold in a few weeks, could reach \$ 1,260.
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