

Gold Outlook: \$3,900 Back in Focus as Dollar Strength Adds to Downside Risks

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In my August outlook, I maintained the view that gold's recovery could extend towards the \$4,500 region before renewed selling pressure emerged, with the larger corrective structure eventually pulling prices back towards the important \$3,900 liquidity zone. The market has broadly followed this scenario, with the sharp decline towards the end of September reinforcing the weakness highlighted earlier.

The late-September sell-off is particularly important because it suggests that the broader correction may still have further to run. Despite the strength seen during the preceding recovery, gold has struggled to maintain its upward momentum, shifting attention once again towards the downside.

At present, the \$3,900 region remains the most important level to watch. This area represents a significant liquidity zone and, in my view, a test of \$3,900 now appears increasingly likely.

The Road Ahead for Gold

My base-case scenario remains for gold to continue its corrective move towards \$3,900. How prices react at this level will be critical in determining the next major direction.

A clear break and sustained move below \$3,900 would significantly weaken the broader technical structure and open the possibility of a deeper downside move. In such a scenario, the next important levels to watch would be approximately \$3,700, followed by \$3,500. However, there remains an alternative bullish scenario.



If gold avoids a retest of the \$3,900 region and instead begins another sustained recovery, the market would need to break and hold above \$4,700 before I would consider the broader bullish trajectory to have convincingly resumed. Until either of these conditions is met, the technical structure continues to favour caution. \$3,900 remains the key downside level, while \$4,700 is the major threshold required to restore a stronger bullish outlook.

DXY Outlook: 102 Remains the Key Breakout Level

The outlook for the U.S. Dollar Index (DXY) adds another important dimension to the gold scenario. DXY was trading around 101.05 as of 25 September 2026, following a strong reversal from the 97.63–99.39 support/point-of-interest zone. The recovery has strengthened the broader technical structure, while the monthly chart is showing signs of a potentially bullish formation.

In the near term, the index could still retrace towards the 100.20 region before attempting another move higher. The crucial level is 102.00. A sustained break and acceptance above 102 would strengthen the bullish structure and potentially open the way towards 104.00, followed by 106.50.

The 106.50 region is particularly important as it coincides with a Quasimodo resistance structure. The dollar's reaction around this zone, if reached, could therefore become important in determining whether the broader advance has further room to extend.

Fundamentally, the dollar has also been supported by expectations surrounding U.S. monetary policy, inflation and Treasury yields. Higher yields increase the relative attractiveness of dollar-denominated assets, while expectations that monetary conditions

could remain restrictive provide additional support to the currency. At the same time, mixed signals from the U.S. economy mean the path higher is unlikely to be completely one-sided. Overall, the medium-term DXY structure remains constructive as long as the 97.63–99.39 support zone holds. A temporary retracement towards 100.20 would not necessarily invalidate the bullish structure. A decisive move above 102.00, however, would reinforce the upside case and bring 104.00 and 106.50 into focus.

Gold and the Dollar: The Levels That Matter

The technical setups in gold and DXY are increasingly interconnected. If the dollar successfully breaks above 102 and extends towards 104–106.50, the resulting dollar strength could add further pressure to gold and reinforce the possibility of a move towards the \$3,900 liquidity zone. Conversely, failure by DXY to sustain its recovery—particularly if it loses the broader 97.63–99.39 support structure—could remove an important headwind for precious metals and improve the probability of gold stabilising.

For now, therefore, the market comes down to two defining levels: \$3,900 in gold and 102 in DXY. A sustained break below \$3,900 would expose \$3,700 and potentially \$3,500, while a move above \$4,700 would be required to convincingly restore the bullish gold scenario. For the dollar, a sustained break above 102 would strengthen the path towards 104 and 106.50.

The coming weeks could therefore prove decisive. Gold is approaching an important downside liquidity zone just as the dollar is approaching a potentially significant upside breakout—making \$3,900 in gold and 102 in DXY the key levels to watch.

