Analysis in Decision Making for XAUUSD (Gold/USD) Pair Transactions in Futures Trading

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KEYWORDS	ABSTRACT
Fundamental and Technical Analysis; Commodity Futures Trading; Risk	Nowadays, many trading instruments, such as XAU/USD commodity futures trading, a label for spot gold traded in the foreign exchange market, are offered. Gold (XAU) is traded against the US dollar (USD), and its price represents the cost of one ounce of gold in USD. XAU/USD is traded like any other traditional currency in the forex market. This study explores how fundamental and technical analysis can be used as a basis for better decision-making in gold futures trading. The research method used is qualitative, with a descriptive analysis approach based on secondary data in the market. So, in the summary of the analysis results, it is found that fundamental and technical analysis is a tool used for decision-making in gold transactions and futures trading. Decision-making in gold transactions in futures trading should be based on fundamental and technical analysis at a minimum. Decision-making based solely on the results of one analysis alone can be fatal. Various sources of fundamental and technical analysis tools can be used as a decision-making tool in gold and futures trading.

Introduction

Trading in the futures market has a strategic role in economic development, especially through price formation and implementing hedging (Fahriza, 2023). However, this research underdeveloped the specific problem related to fundamental and technical analysis in decision-making for gold transactions. It is crucial to elaborate on how these two types of analysis contribute to accurate decision-making in gold futures trading.

For investors, futures trading activities, hereinafter referred to as futures contract trading, can be an attractive investment option because of the leverage factor (Istiak & Serletis, 2020; Luo et al., 2020). Leverage is a situation where, with the placement of a small amount of funds (Alter & Elekdag, 2020; Markonah et al., 2020), a larger profit or loss can result as a result of the price change that occurs, the amount of which is calculated from the value of the funds placed. One of the investments that is attractive but classified as having high potential profit and risk is in the form of gold commodity trading carried out on the futures exchange (Gunardi et al., 2022).

The futures market, better known as the Futures Exchange, trades futures contracts for various commodities, such as agriculture, plantations, mining, financial products such as foreign currencies, and even indices, such as stock indices (Mousapour Mamoudan et al., 2023).

Gold trading is a form of trading involving the world's major money markets, currencies that are traded hourly globally and whose value changes almost continuously every second (Othman et al., 2020). Because many economic transactions involve the transfer, purchase, or sale of gold against the USD in the future, exchange rate volatility drives substantial uncertainty from those transactions (Setiahutami & Chalid, 2024; Zhou, 2021).

Gold trading in futures trading is a trade in which transactions are carried out through a buy contract and/or a sell contract of a commodity traded on an exchange. Decision-making in the transaction can determine the potential profit or potential loss that will be experienced when taking a buy or sell position (Mousavi et al., 2021; Rzeczycki, 2022; Song et al., 2023).

In all fields of investment, the possibility of unexpected loss risks in making such decisions can occur. No investment is completely free from Risk. Economic actors are greatly affected by future exchange rate uncertainty (Kisswani & Elian, 2021; Rumokoy et al., 2023), such as imported goods that are expected to be paid at a cheaper exchange rate at maturity. The exporter expects to receive payment at a higher exchange rate than when the goods were exported, foreign currency exchange. Investors' portfolio plans to buy and sell securities in foreign currencies, loans that are due to be repaid in the coming years. Individuals tend to travel abroad because investment contracts and plans require economic actors to know the future exchange rate.

Every decision carries a risk of failure. Given the uncertainty of the price movement that will occur, the risk of decision-making in every transaction becomes high. Therefore, various information or analyses are required before deciding on every transaction. This is very important to minimize risk because economic growth and other changes occur quickly. The magnitude of these risks depends on the completeness of the information and the quality of the analysis before a decision is made.

Therefore, before a decision is taken, a proper analysis is needed. Two types of analysis factors are known to minimize the risk of loss in decision-making in gold transactions, namely Fundamental Analysis and Technical Analysis.

Fundamental and technical analysis in gold trading can influence a trader's decision-making in future trading. So, it is essential to know what analytical factors can affect decision-making in future forex trading transactions.

Given the high volatility of the gold market and its impact on investment decisions, the urgency of this research needs to be emphasized by adding literature or data highlighting the importance of this topic. Additionally, traders often face significant risks due to an insufficient understanding of fundamental and technical factors. Therefore, this study aims to provide a deeper understanding of using fundamental and technical analysis as a basis for better decision-making to minimize risk and increase profit potential in gold futures trading.

This research is unique in systematically integrating fundamental and technical analysis in the context of gold futures trading. It provides guidance for traders on combining both analyses. It offers a new contribution in the form of an integrated analysis model that can enhance the effectiveness of trading decision-making.

Materials and Methods

The research method uses a quantitative approach with descriptive analysis. The data used is secondary data obtained from reliable sources, including historical gold price data from online trading platforms, economic indicators from financial news sources such as CNBC, Bloomberg, The Wall Street Journal, and Reuters, and technical chart data from platforms such as MetaTrader 4/5 or TradingView.

The study covers two main types of analysis: fundamental and technical. Fundamental analysis involves collecting and evaluating relevant economic data, such as non-farm payroll (NFP) reports, inflation data, and interest rate decisions that affect the price of gold. On the other hand, technical analysis uses several indicators, such as MACD, Stochastic Oscillator, Supertrend, and candlestick patterns, to predict gold price movements.

The technical indicators chosen—MACD, Stochastic Oscillator, and Super Trend—were selected for their specific relevance in identifying market trends, price momentum, and entry/exit signals, which are crucial in gold futures trading. The MACD helps traders identify trend direction and strength, essential in highly volatile markets like gold. The Stochastic Oscillator is used to gauge momentum and overbought/oversold conditions, which are significant when prices fluctuate rapidly. The Super Trend indicator provides a clear visual representation of the prevailing trend, assisting traders in making decisions aligned with market direction. These indicators were chosen for their effectiveness in handling the unique characteristics of gold trading, often influenced by rapid and unpredictable price movements.

Combining these fundamental and technical analyses aims to provide a comprehensive understanding of market behavior. Based on this combination, trading decisions are evaluated by backtesting historical data to assess accuracy and effectiveness in reducing risk and increasing profit potential.

Results and Discussions

Indicators In Fundamental Analysis

Any information or news directly or indirectly related to the economy can be a fundamental factor that is important to observe. This can include news related to economic changes, changes in interest rates, presidential elections, rebellions in a country's government, natural disasters, etc. The indicators in fundamental analysis can be seen as follows:

1. Political Indicators

This indicator can be seen in a country's political state, and it can affect the economy of other countries. Example: Crisis in the eurozone: Before the debt crisis in the eurozone, the EUR currency was always strong and pressured the USD, but after this debt crisis, which until now has not been resolved, the value of the EUR currency continues to decline, and it is predicted that it will continue to weaken before the crisis in Europe is resolved. Likewise, the security situation in developed countries. For example, when the Tsunami occurred in Japan, the reactive yen currency weakened, greatly affecting transactions that occurred on the exchange. Therefore, it is essential to know the security and political conditions of developed countries whose currencies dominate world trade.

2. Economic Indicators

In analyzing the factors that affect the fundamental condition of a country's economy, economic indicators are one of the factors that cannot be separated and are an essential part of the overall

fundamental factors themselves. Information on economic indicators can be obtained through several newspapers such as The Wall Street Journal and The Financial Times, as well as business magazines such as Business Week and The Economist. Along with advances in the field of science and technology, to get the latest sources of information (up to date), a trader also often uses information from the internet, for example, through Dow Jones, CNBC, Reuters, Forex Factory, and Bloomberg. The most complete and continuously updated is CNBC's international TV broadcast, which contains all the essential news happening in every major country whose currency is heavily traded, as well as the most famous commodity news: gold.

Tools In Technical Analysis

Technical analysis can be interpreted as one method of evaluating forex price movements. It is based on price data described in statistical charts (monthly, weekly, daily, 8 hours, 4 hours, up to movements every 1 minute) plus several other indicators that can be used to predict prices.
The tools in technical analysis are: Chart, Trendline, Channel Lines, Support Line and Resistance Line.

Transaction Decision-Making Based on Technical and Fundamental Analysis
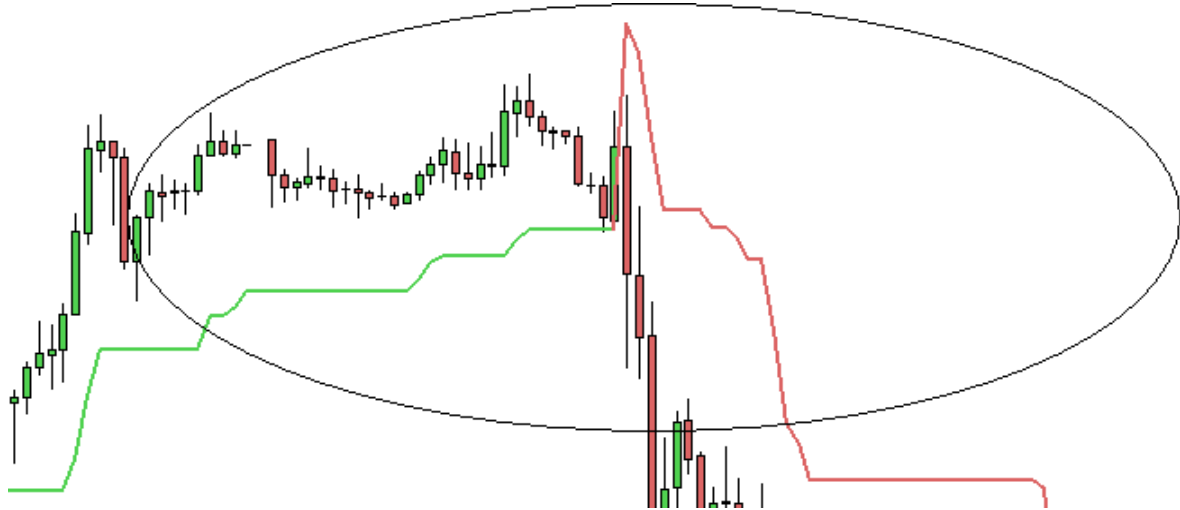
Technical analysis uses charts to see previous price movements and forecast future price movements. The instruments used in this technical analysis are:

1. Candlestick chart

It can be seen in the chart that there is a Bearish Engulfing pattern which indicates that the price will fall and change the trend pattern of price movement.

2. Super Trend Indicator

The Super Trend indicator identifies the market trend and potential market entry and exit, as seen in the image that the green line of the super trend indicates that the price is still stable up and the red line indicates that the price is stable down.
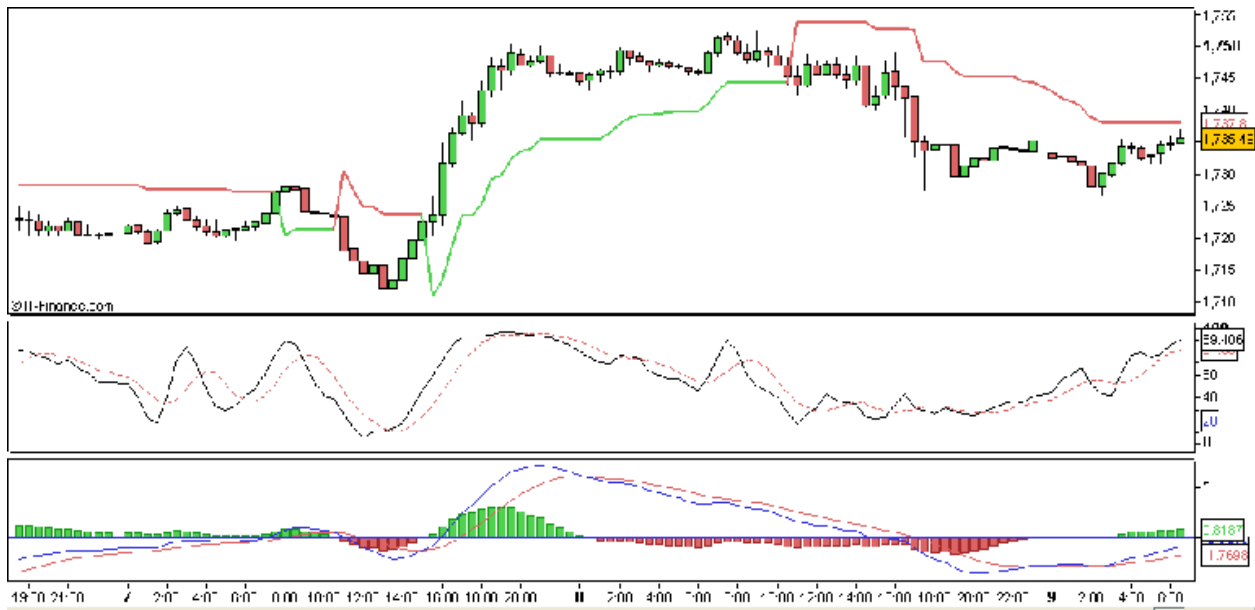
3. Stochastic
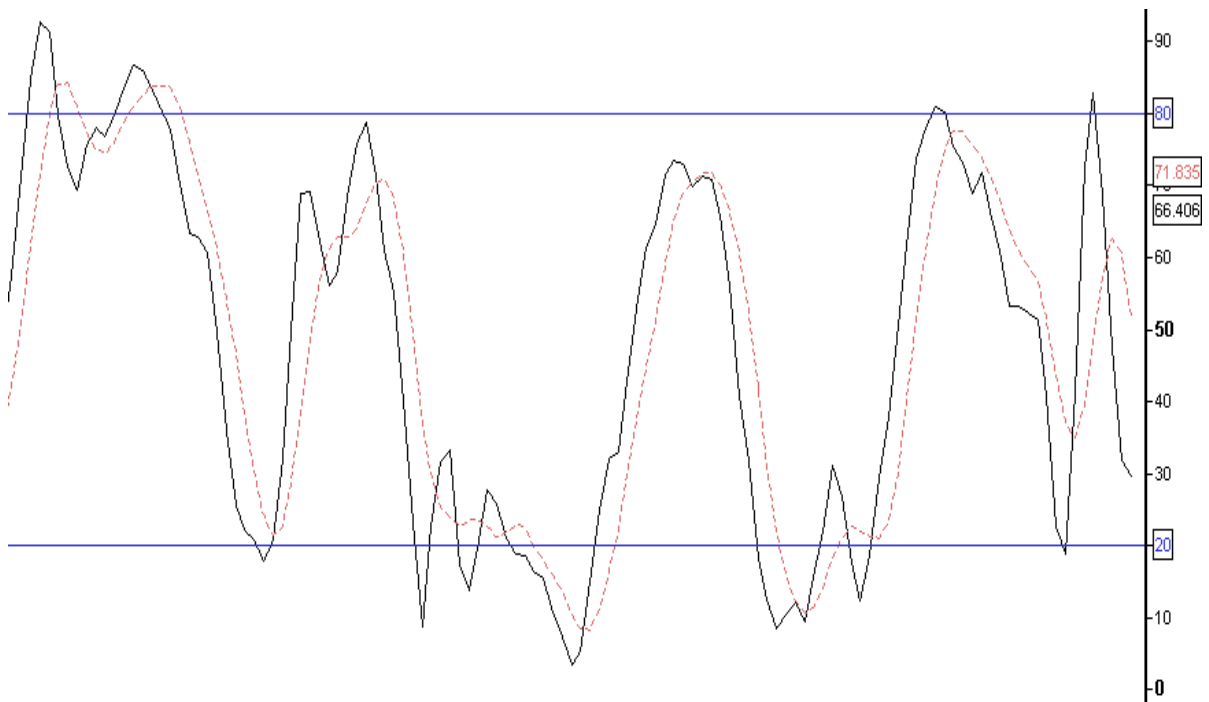
The Stochastic indicator is an indicator to measure the price momentum whether it is tired of selling or tired of buying, so that it provides a signal to determine whether to sell or buy in the market, as in the picture in figure 80 is the price of tired to buy. The number 20 is tired of selling to make a Sell or Buy decision.

4. MACD
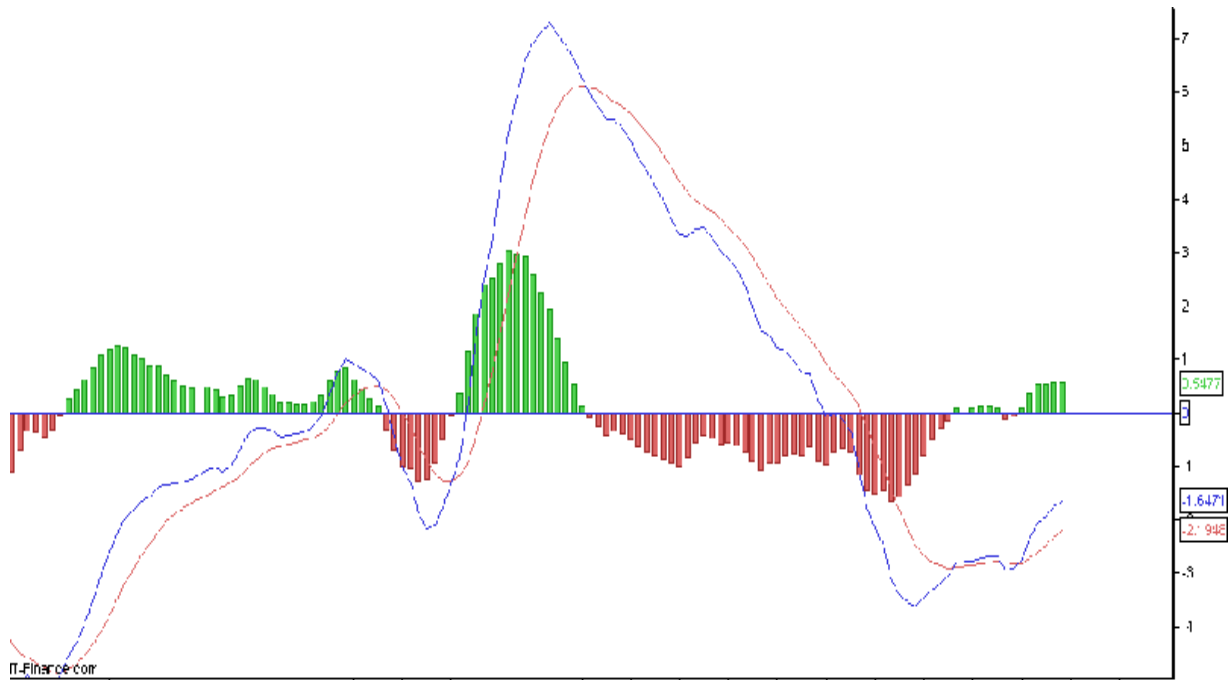
MACD is a tool to help traders know the direction of the ongoing price movement trend; the MACD line moves above the signal line, then the stock price moves up, while we have the MACD line below the signal line, then the price tends to be stagnant or is moving down.

The four instruments above are combined in their use to see future price movements. Candlestick, Super Trend, Stochastic, dan MACD

30 minutes before the news was released, the price opened at 1754.95 USD/oz, at that time the MACD and Stochastic were already in an overbought position and indicated that the price would soon fall.

Chart Analysis

The Stochastic in the image above has crossed from above and heading down, and the MACD has also crossed, also indicating a downward trend. Based on the results of the technical analysis above, it is better to take a sell position rather than a buy.

Based on the results of fundamental analysis, traders know that the results of economic news from the United States have a good impact on economic growth, namely an increase in salaries for employees in the non-agricultural sector, and according to him the percentage of the unemployment rate compared to the previous month. These two positive results will directly strengthen the USD price index against the price of gold, thereby directly making the price of gold decrease against the USD.

Based on the results of technical analysis, traders know that the price is already at the oversold point based on the stochastic and MACD indicators. The price already tends to be high; according to the MACD and stochastic indicators, the price will undergo an adjustment or decrease because it is too high, so it is better not to take a long position but to make a sell position transaction that has a better chance of getting a profit based on the chart.

Based on the results of both fundamental and technical analysis, traders should make sell transactions because both fundamental and technical analysis shows that the price will fall. Therefore, the tendency to profit is higher when trading short positions than when buying.

In addition, taking a short position based on the results of the fundamental and technical analysis also makes implementing Risk management easier because the position taken is in line with the trend and in accordance with the results of the analysis carried out.

Conclusion

From the description above, the author draws several conclusions that are expected to represent this study's essence, namely that fundamental and technical analysis is the single best tool for decision-making in gold futures trading. Decision-making in gold transactions in futures trading should be based on fundamental and technical analysis at a minimum. Decision-making based solely on the results of one analysis alone can be fatal. Various sources of fundamental analysis and technical analysis tools can be used as a decision-making tool in gold futures trading.

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