

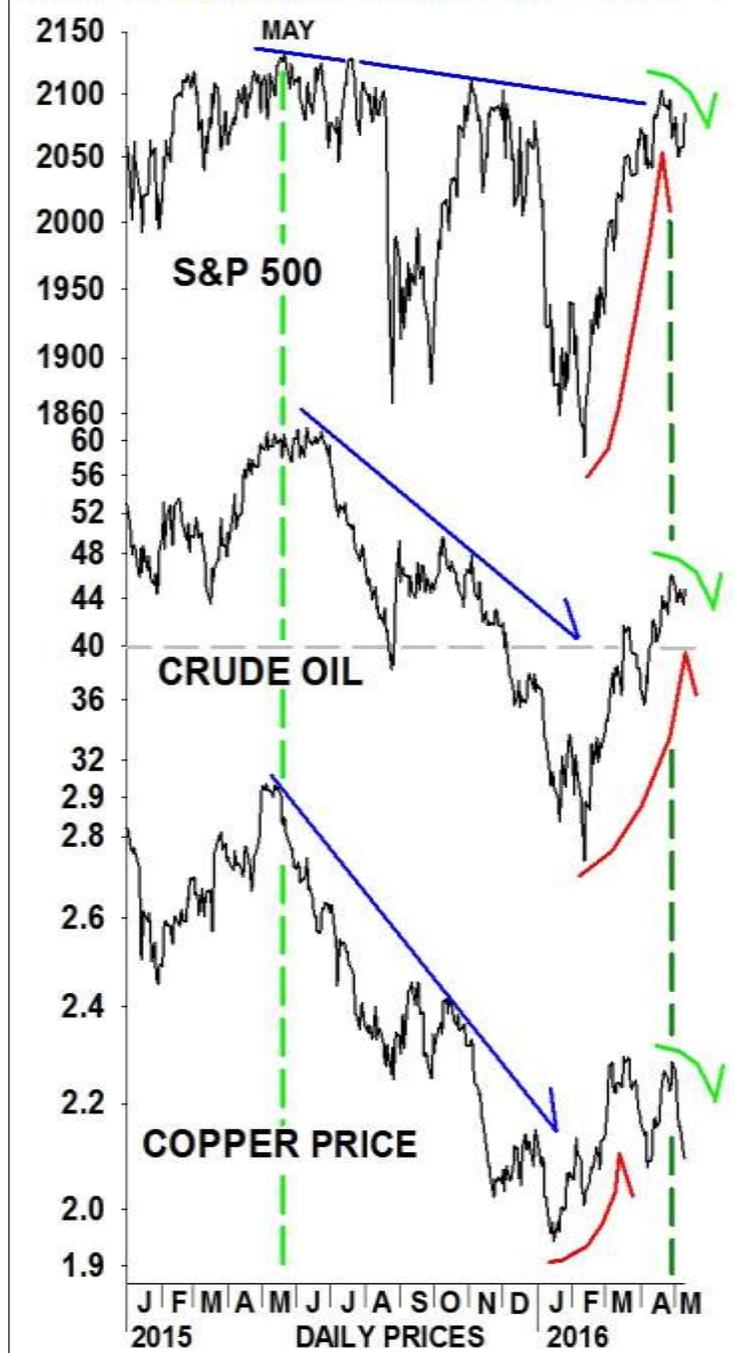
- GCRU -

Weekly Trading Service



CONTRA-TRENDS

MAY IS SUGGESTING... 'GO AWAY' ?



●●● GCRU #688

●●● May 11, 2016 (in its 15th year)

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KEY PRICES

Name/Symbol	May 10, 2016 price	Change	May 3, 2016 price
Gold (GCM16)	1264.80	-27.00	1291.80
Silver (SIN16)	17.092	-0.357	17.449
HUI (HUI)	219.06	-2.73	221.79
Copper (HGN16)	2.0925	-0.1265	2.2190
Oil (CLM16)	44.66	1.01	43.65
S&P500	2084.39	21.02	2063.37
U.S.Dollar (DXM16)	94.27	1.336	92.93
30 Year T-Bond (ZBM16)	165 - 18	1.23	163-27
10 Year T-Note Yield	1.7600	-0.0400	1.8000
13-week Treasury bill	0.243	0.040	0.203

“Never underestimate the size of a panic, nor the power of the politician.” – Sir Harry D. Schultz

MAY FLOWERS

It now looks like May flowers will mostly be seen in the U.S. Dollar, and not the markets. It's bouncing up while an overdue correction is getting started, and the "contra trends" we've been showing in recent months may be coming to an end.

Gold got a big push towards \$1300 last Friday when the disappointing jobs report heightened expectations that the Fed may keep interest rates lower for longer. Plus, the lower outlook by the NY Fed, reducing its GDP growth from 1.2% to .8%, gave gold an extra safe haven push upwards.

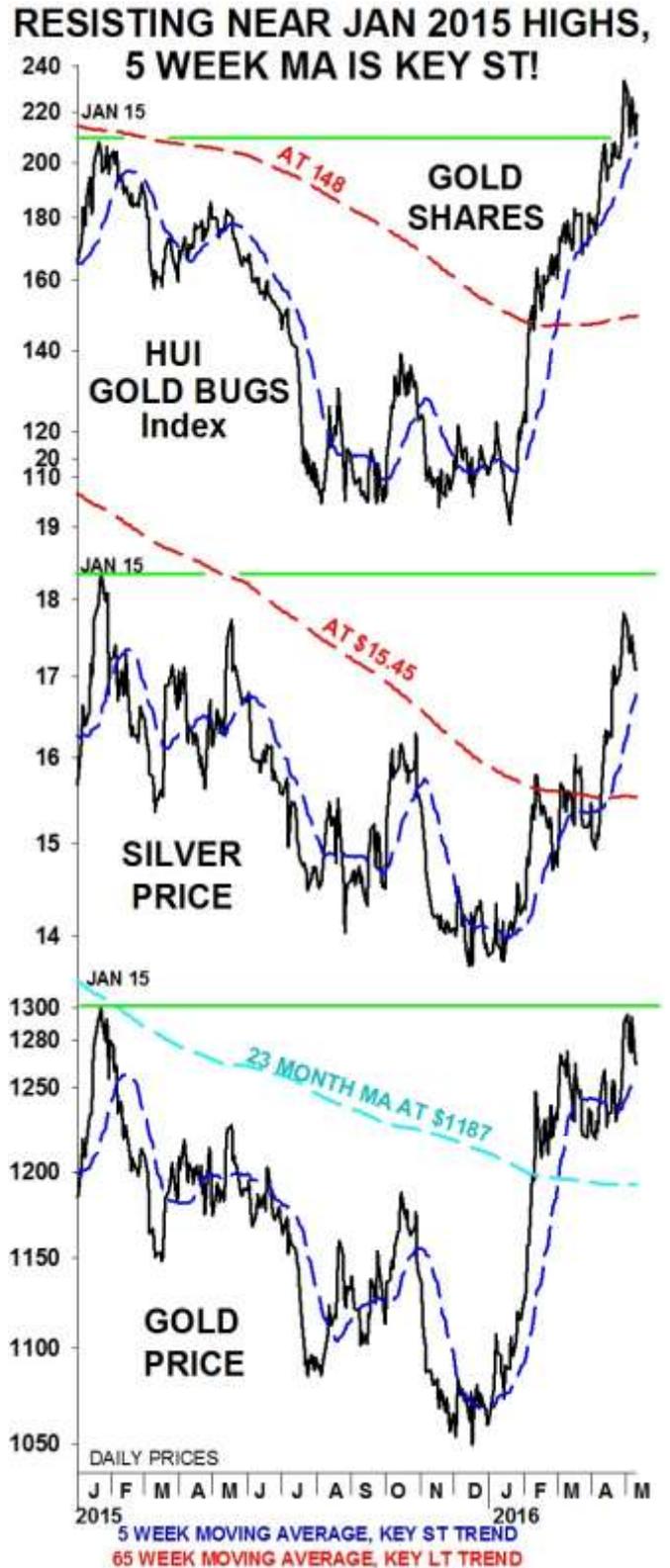
But that rise failed to surpass the May 2 highs and the physiologically important \$1300 level. And it's since fallen back with the further bounce up in the Dollar.

The **Chart to the Right** shows that gold resisted at the Jan 2015 highs, the \$1300 level, while silver resisted below its high, and the HUI index surpassed it, but it's resisting just the same.

In the end, gold's C rise overpassed its March 10 high by a week, but it was right on schedule in euro terms as we showed you last week. Many indications are pointing to the May 2 closing high near \$1300 to likely be the high for this rise that started last December (we call a C rise.)

Gold is up over 23% since December and we believe the onset of a bull market has begun that could last several years. However, a bull market correction would be normal and healthy. Gold looks ready to

start a 'D' decline. The question is ... how strong will the decline be?



One thing is clear, we don't want to be left out waiting for weakness that could never come. This is why we re-purchased gold a while back and continue to hold it.

We recommend buying more gold when it approaches support levels near \$1210 and \$1175.

We're also holding a gold put spread we had purchased as insurance. It'll be expiring at the end of this month, and we recommend selling into weakness before expiration (May 25th).

The US trade deficit shrank in March to the lowest level in over a year. But it reflected a bad environment for U.S. exporters and more caution on the part of consumers. This could explain why corporate profits are in decline and economic growth is lackluster.

The weaker Dollar could help exporters, assuming the dollar continues to decline once the current rebound rise is over.

More people and countries continue turning to gold. The billionaire investor, Stan Druckenmiller, who has one of the best long term track records in money management, said the bull market in stocks has "exhausted itself", and that gold is his largest currency allocation.

And it certainly looks like the stock market is exhausted. Our **Chart of the Week** on the front page shows this is getting close. You'll remember the contra-trends this year.

The rise in the stock market, crude oil and commodities to name a few are shown with a red arrowed line. It looks like this rise is over or nearly over. And the start of a decline in May is just getting started.

Copper has been weak, and it reflects the weakness in the Chinese economy. It may be leading the others down, similar to the Transportation stocks.

This is a reflection of the resource sector. China accounts for 45% of the global demand for copper, so when it's sluggish, it suggests the same for China.

Weakness in resources are also likely to affect silver. This is especially true when seeing silver resisting below \$18 and breaking below a bearish upside wedge as you'll see in the chart section below.

The **Chart Above** shows silver, gold and gold shares with their 5 week MAs. This MA is key for the ST. If it's clearly broken on the downside at \$16.75 for silver, \$1258 for gold and 207 for the HUI gold share index, the correction will begin!

Weakness could push silver to the \$15.50-\$16 level where we'll be buyers once again. For gold, it could decline to the \$1220 level and in a steeper decline we could see the \$1187 tested, its mega MA the 23 month MA, see the chart.

Now gold shares have been the most remarkable. The HUI index has held the most clearly above its 5 week MA during this entire rise. This means if HUI breaks below this MA at 207 and stays there, we could see the 65 week MA tested near 148, see chart.

Weakness in gold couple with stocks resuming their bear market decline could fuel a decline in gold shares as well. We've been reducing our exposure to gold shares in the past weeks by taking profits.

We recommend taking profits on the rest of your positions at key levels anticipating potential up and coming weakness.

We continue to hold a bear put spread in crude expiring in Nov. We recommend keeping it as crude is poised to decline. A break below \$39 could push crude to the lower 30s, and allow us to profit handsomely from weakness.

We also added SDS to our stable of trades near the S&P 500's recent highs. Remember this is an inverse ETF to the S&P500.

Yesterday's rise in the stock market knocked SDS to a mini uptrend built since late April. It's a bargain at current levels, and we recommend buying some more because stocks are still poised to decline with resources in the coming months.

Our strategy for this week is to keep an eye on gold shares, particularly HUI's 5wk MA at 207. A clear break below this level on a 2dc would signal a ST trend reversal and a decline in gold shares could then follow. Look to protect profits on the second half of your positions in AEM and GG. Also, look to exit your gold put spread on weakness before expiration in a couple of weeks. Keep a close eye on crude as well. A break below \$43 could ignite a decline in crude and set the stage for further weakness in stocks. We'll wait patiently for the next opportunity to buy back into gold and gold shares.

Good luck and good trading,



Omar Ayales
Chief **Trading** Strategist
GCRU

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MARKET LEADERS

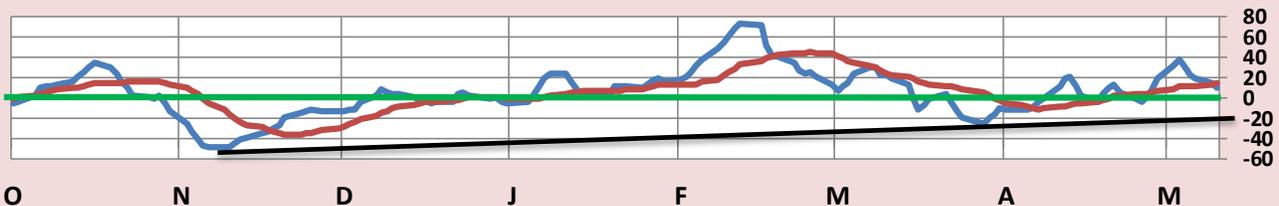


GOLD JUNE 2016 (GCM16) 5/10/2016 CLOSE = 1264.8



SPINNER (3, 16, 16)

REMAINS BULLISH ABOVE UPTREND



Put Spread	Bought Jun 2016 1140/1080 gold put spread at \$400. Sell on weakness.
Long	1260 (Mar-4 & 7 - 16) (GLD: 121)
Stops	2dc below 1210 (GLD: 119).
Profit Targets	1400 & 1500 (GLD: 133 & 143).
New Long Recom	Keep your positions. Buy some again near 1210 and more on a decline to 1175.

Gold rose once again to test its recent closing high at 1295.80 on Friday. The rise did not come as a surprise as the U.S. printed a weaker than expected jobs report while the New York Fed reduced its GDP growth outlook for Q2-16 from 1.2% to 0.8%, fueling demand for gold as a safe haven. Notice Spinner remains within a bullish uptrend since Nov showing growing momentum and strength. On the downside, gold failed to surpass the 1300 level once again exposing its next real resistance. Although gold is strong by staying above its Jan uptrend near 1260, it must rise above 1300 on a 2dc to stay strong. Failing to do so would expose weakness that could ignite a correction to the Dec uptrend near 1175, initially. We continue to believe gold is poised to rise further, which is why we recommend keeping your position for now and buying more on weakness near key levels at 1210 and 1175.

SILVER JULY 2016 (SIN16) 5/10/2016 CLOSE= 17.092



New Recom: **Buy again below 16.**

Silver broke below a bearish upside wedge with a downside target near 16 after failing to rise above its key resistance level at 18. Spinner continued to decline, and it's now testing the zero line. A Spinner break below zero would signal a reversal in momentum and a further decline in silver would then be likely. Keep in mind copper, as a proxy for the resource sector, failed to break key ground, declining heavily putting downside pressure on silver. We recommend staying out of silver for now and buying back above 15.50, near the upside wedge target.

U.S. DOLLAR INDEX JUNE 2016 (DXM16) 5/10/2016 CLOSE= 94.267

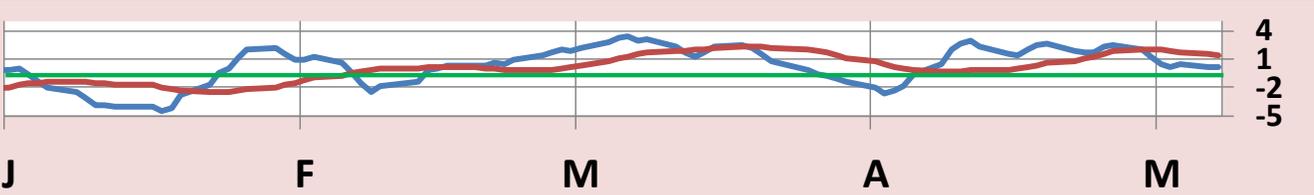


New Recom	Stay out.
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The dollar found support at the lower side of its bearish Jan downchannel and it's now fueling a rebound rise. The dollar jumped back above its previous support at 93.75 and it's now poised to continue rising to the Jan downtrend near 96. A break above 96 on a 2dc means 98 would be the next target. However, if the dollar fails to break above this next resistance, it'll confirm weakness and it could then decline to the bottom side of the Jan downchannel once again. Notice Spinner continues to show year-long downside pressure. Spinner must break above this downtrend for momentum to turn to the upside.

LIGHT CRUDE OIL JUNE 2015 (CLM16) 5/10/2016

CLOSE= 44.66



Put Spread Nov 2016 33/30 Bear Put Spread at \$600 (Mar-30-16).

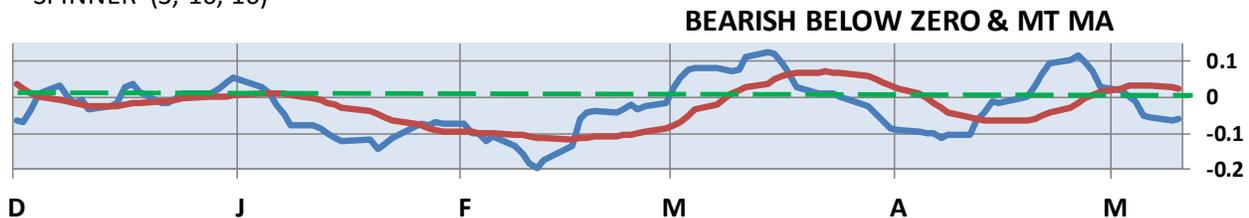
Recom: **Keep your put spread.**

Volatile at the highs... Crude remains within a tight trading range between 46 and 43 after reaching new highs for the move in Apr. A break in either direction on a 2dc would hint towards crude's next intermediate move. Keep in mind, failure to rise above 46 is showing weakness. Moreover, Spinner remains below its MT MA and testing the zero line. If crude breaks below 43 on a 2dc, it'll likely decline to the Jan uptrend and support near 39. A break below this level would prove to be bearish and a decline to the Jan lows near 30 would then be crude's next target. Stay out for now and keep your put spread as we could see more weakness before strength.

CBOE Interest Rate 10 Year T No (^TNX) 5/10/2016 CLOSE= 1.76 US\$



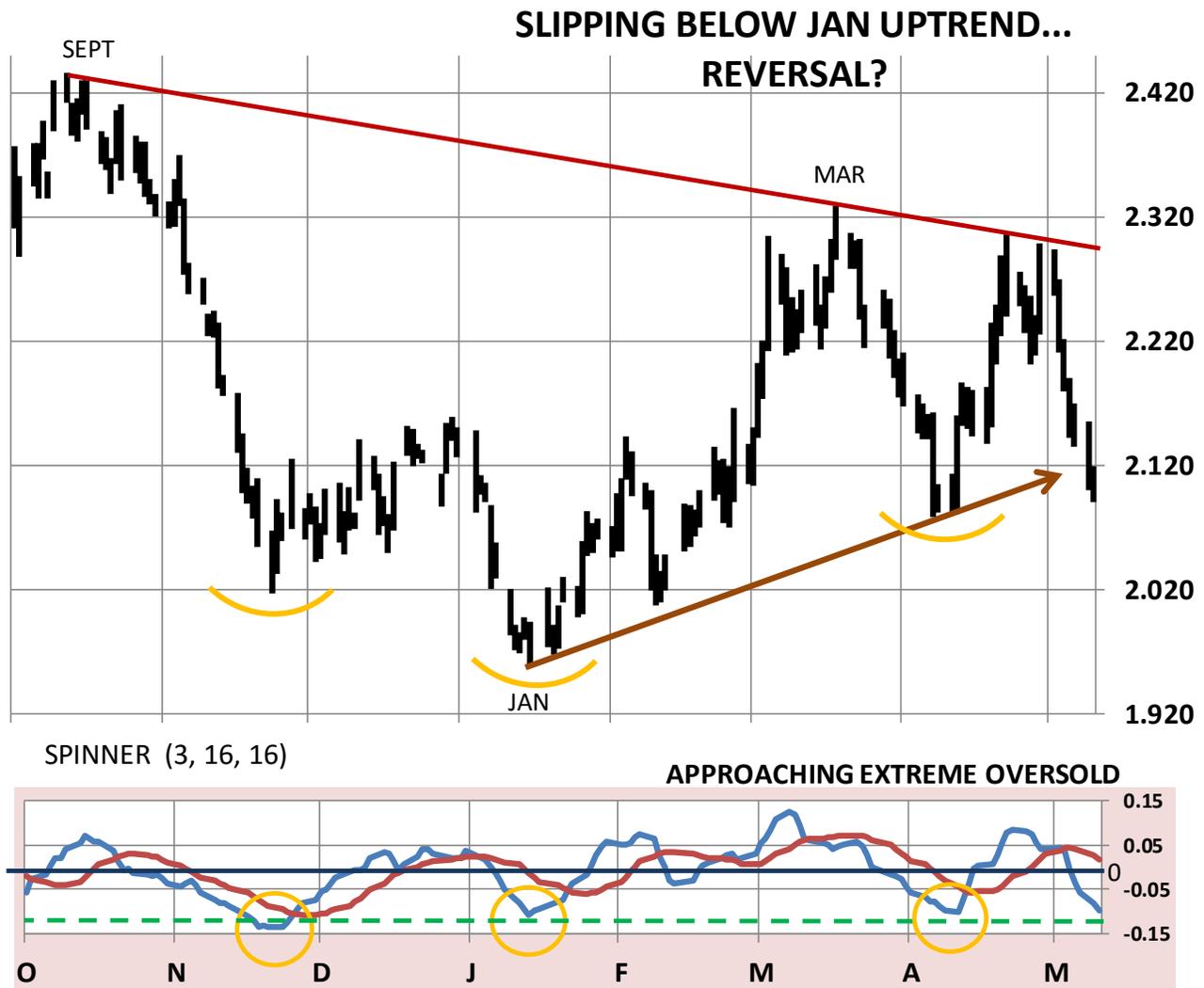
SPINNER (3, 16, 16)



CBOE Interest Rate 10 Year T No (^TNX) - Chicago options

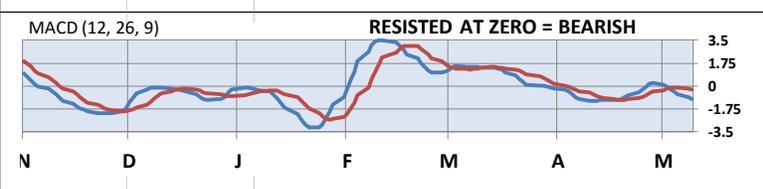
TNX failed to hold on to its Feb uptrend showing weakness while Spinner sunk below zero showing dying momentum. This tells us weakness could push TNX to the Feb lows near 1.60. On the upside, TNX must rise above the Mar downtrend near 1.90, then rise above the Mar highs on a 2dc above 2 to see signs of renewed strength. However, keep in mind, TNX's key resistance remains the Dec downtrend near 2.15. As long as the 10 year yield stays below 2.15, the bear will continue to dominate.

COPPER JULY 2016 (HGN16) 5/10/2016 CLOSE= 2.0925

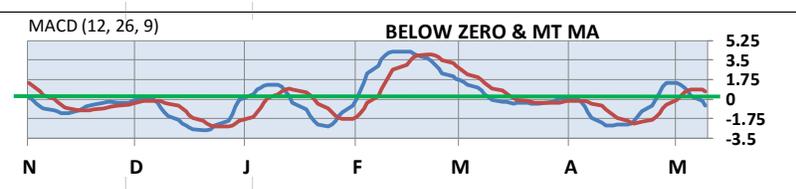
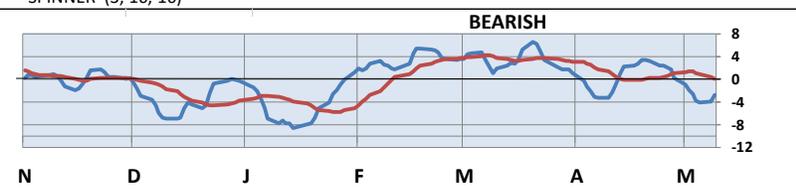


Copper took a dive this past week after failing to break above the Sept downtrend & resistance. Also, negative news from China's economy (which accounts for 45% of total global demand) and a stronger dollar, added to the pressure. Copper is now breaking below a bullish uptrend & support showing weakness is taking control. Spinner is confirming weakness, telling us momentum has turned bearish. Keep in mind, weakness in copper and the resource sector could push silver into a long-awaited correction. Stay out for now.

**SPDR DOW JONES INDUSTRIAL (DIA) 5/10/2016
CLOSE= 179.2**



**Shares Transportation Average (^IYT) 5/10/2016
CLOSE= 140.56**



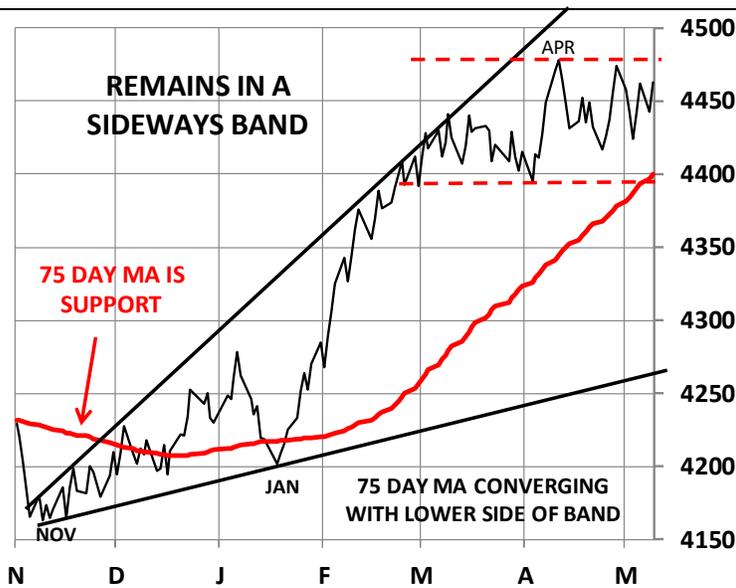
New Recom

Stay out.

Both averages jumped up after reaching a key ST support level. The Transportation Average, which has been leading, has entered a sideways band between 136 and 146 (DJT: 7650 and 8100). A break in either direction on a 2dc will confirm what to expect moving forward. However, weakness in crude and in the resource sector in general are pointing towards sluggishness in the economy which could continue to put pressure on the stock market. Moreover, remember, as long as the Averages stay below their highs, Dow Theory will continue signaling a bear market and further weakness in stocks. Sell in May and go away is likely here to stay. Continue to keep your short position through SDS or buy at mkt if not in already.

ADEN GOLD STOCKS ADV/DEC LINE 5/10/2016

CLOSE = 4463



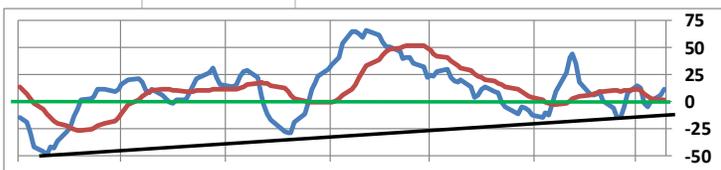
HUI GOLD BUGS INDEX (HUI) 5/10/2016

CLOSE= 219.06



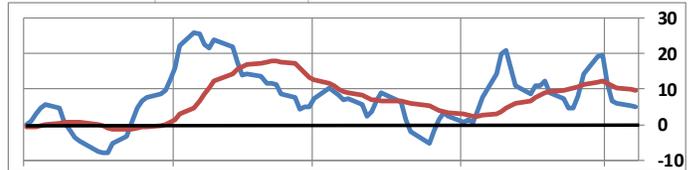
SPINNER (3, 16, 16)

BULLISH ABOVE UPTREND



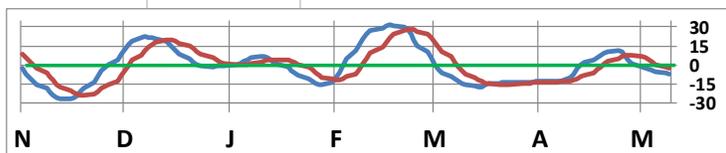
SPINNER (3, 16, 16)

DOWN, BUT LOOKING FOR A BOTTOM?



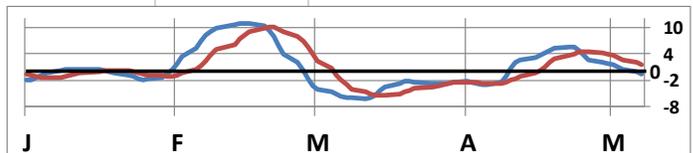
MACD (12, 26, 9)

BELOW MT MA, AND ZERO



MACD (12, 26, 9)

VULNERABLE, UPSIDE LIMITED BELOW MT MA



Chugging away! HUI remains impressively bullish above 207 a key support level where its 5wk MA and the Jan uptrend are converging. Spinner is confirming strength by staying above zero, but the A/D Line, is showing mixed signals. On the one hand, it has stayed above its 75 day MA and near the highs. The A/D Line's Spinner remains within an uptrend and it's once again breaking above its MT MA and zero line showing strength and rising momentum. On the downside, the A/D Line has not risen to new highs since the early days in Apr. The A/D Line remains within a sideways band between 4400 and 4475. By failing to rise to new highs, the A/D Line is showing signs of exhaustion, and a decline to the bottom side of the sideways band, where the 75 day MA is converging with the bottom side of the band, is likely. A break below 4400 on a 2dc would show a shift in trend ST that could push the A/D Line to the bottom side of the bullish funnel near 4275. Keep in mind, the A/D Line is a leading indicator and breaking below its 75 day MA would likely bring HUI and gold shares down in a much awaited bull market correction. We've scaled back on our gold shares and protected profits. We remain with exposure to AEM and GG, which are two solid senior mines. We recommend keeping them for now with tight stops. We'll be looking to load up on gold shares during a likely up and coming bull market correction.

STOCKS



Agnico Eagle Mines Limited (AEM) 5/10/2016 CLOSE= 45.35



Agnico Eagle Mines Limited (AEM) - Nyse

Long at: 39.25 (Apr-14-16). Sold half at 45 for a 14% gain.

Stop: 2dc below 44.50

Profit Target 48 & 55

New Recom: Keep your position. Sell all at our second profit target.

AEM continues to hold near the highs, and it's forming a rising wedge. It slipped below our stop loss at 44.50 but quickly jumped back above it. Spinner peeked below its MT MA but it's holding firmly above the zero line showing momentum remains to the upside. This tells us AEM continues to show impressive strength despite slipping below a key level earlier this week. Keep in mind a break below 44.50 (5wk MA) on a 2dc would show signs of weakness that could push AEM to the lower side of the Jan uptrend near 40. We recommend holding on to the second half of your position as long as AEM holds above 44.50 on a 2dc. Be quick to sell if our profit target at 48 is reached or our stop is triggered.

New Gold, Inc. (NGD) 5/10/2016 CLOSE= 4.54 US\$



New Gold, Inc. (NGD) -Nyse mkt

Long: 3.99 (Apr-14-16). **Sold all at 4.46 for an approximate 12% gain!.**

New Recom: **Stay out for now.**

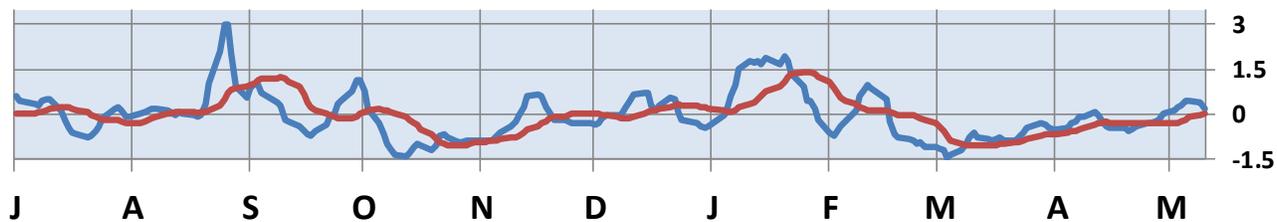
NGD continues to show signs of a top. It broke below its uptrend since Jan. Moreover, it's been fluctuating between 4.25 and 4.75 during the past month and Spinner is starting to show weakness as it flirts with the zero line. It's noteworthy that resurgence in gold shares today are pushing NGD back to the middle of the band. However, our strategy remains to have a limited exposure to gold shares as a correction is still very likely.

PROSHARES ULTRASHORT S&P500 (SDS) 5/10/2016 CLOSE= 18.36



SPINNER (3, 16, 16)

LOOKS GOOD ABOVE ZERO & MT MA



ProShares UltraShort S&P500 (SDS)-NYSEArca

Long at:	18.90 (May-4-16).
Stop:	2dc below 18.
Profit Target:	21.50 & 23.50
New Recom:	Keep your positions. If not in, buy at mkt.

The stock market had a strong rise today pushing SDS back to test its Apr uptrend and near our stop at 18. However, the stock market continues to show signs of weakness and leading indicators are showing the trend is to the downside, rather than the upside. Moreover, notice SDS's Spinner. It continues to rise from the Mar lows showing momentum inching upward plus, the downside wedge breakout is still in process. We recommend keeping your position in SDS because stocks are poised to resume their bear market decline.

OPEN POSITIONS

Symbol	Trade Update &/or Current Position	Status (L=Long, S=Short, O=Out P= Put C= Call)	Initial Entry Date	Initial Entry Price	Traders re-bot/ -sold at	Last Closing Price	Stops	Target #1	Target #2
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SHARES

GG	Sell your second half position above 19.	L	Apr-14-16	16.65	16.90	18.65	2dc below 17.50	19+	
AEM	Keep your position. Sell all at our second profit target.	L	Apr-14-16	39.25		45.35	2dc below 44.50	48.00	55.00
NGD	Stay out for now.	O							
SDS	Keep your positions. If not in, buy at mkt.	L	May-4-16	18.90		18.36	2dc below 18	21.50	23.50

MARKET LEADERS

Gold - GCM16	Keep your positions. Buy some again near 1210 and more on a decline to 1175.	L	Mar-4 & 7-16	1260.00		1264.80	2dc below 1210	1400.00	1500.00
Crude- CLM16	Keep your put spread.	P				44.66			
Silver SIN16	Buy again below 16.	O				17.09			
US Dollar DXM16	Stay out.	O				94.27			
COPPER HGN16	Stay out.	O				2.09			

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Spinner: Spinner is an in-house momentum indicator (not always shown on charts). Momentum indicators use the rate of change in price to determine predominant energy flows. Spinner trading signals are generated when the faster timing line crosses above or below the slower confirming line. Upside crosses in the lower range of positive territory offer the most reliable signals for longs; downside crosses in the top range of negative territory for shorts. Avoid trading against the timing line, ie, buying/selling if the timing line is in corrective mode (against direction of trade) unless the confirming line is positioning for a new 'confirming cycle'. It's important to always be aware of location, direction & cycling phase of the confirming line. Spinner signals are more effective in trending mkt's than in trading ranges where indicators such as Stochastics & Williams %R should be used.

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ABBREVIATIONS	
	1-day close (the share price must close above or below the indicated price level, before our recommendation is activated)
1dc	
2dc	2-day close (consecutive)
bot	bought
CAD\$	Canadian dollar
H&S	head & shoulder
LOC	line on close
LT	long term
MT	medium term
NL	neckline
PF	portfolio
PO	price objective
Recom	recommended
RH&S	reverse head & shoulder
RS	relative strength
ST	short term
Sym/tri	symmetrical triangle
Tgt	target
Unch	unchanged
Vol	volume
Wk	week
Ystdy	yesterday
C	close