

# - GCRU -

Weekly Trading Service



## DECLINING... ONE BY ONE



●●● GCRU #691

●●● June 2, 2016 (in its 15<sup>th</sup> year)

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### KEY PRICES

Name/Symbol	June 01, 2016 price	Change	May 24, 2016 price
Gold (GCQ16)	1214.70	-17.50	1232.20
Silver (SIN16)	15.927	-0.327	16.254
HUI (HUI)	202.53	1.43	201.10
Copper (HGN16)	2.0730	0.0065	2.0665
Oil (CLN16)	49.01	0.39	48.62
S&P500	2099.33	23.27	2076.06
U.S.Dollar (DXM16)	95.46	-0.120	95.58
30 Year T-Bond (ZBU16)	163 - 17	0.28	162 - 21
10 Year T-Note Yield	1.8460	-0.0130	1.8590
13-week Treasury bill	0.295	-0.048	0.343

*"In risk there is reward..."*

- Carl Icahn -

## LOOKING AT THE DOWNSIDE

**M**ay ended up being the month of the biggest decline in the gold price since it fell to its major low last December. This is good. A decent decline finally happened, and it still has room to decline further.

But that sure didn't stop the strong gold coin sales! May sales increased more than 200% from last year, according to the U.S. Mint from Kitco news. While gold coin sales are down from April, it's still impressive because May is usually the start of a slow season.

2016 bucked this trend by being the strongest May since 2011, when gold reached its record peak. It's saying investors have been waiting for some weakness to buy gold.

In hindsight it looks like 2016 will go down as the year a new bull market in gold got started. And we're happy to see you picked up some gold this week when gold declined below \$1210.

Gold could still reach our next open position to buy below \$1190. Keep your eyes peeled on this. We continue to average into weakness during this downward correction.

Silver fell even more this week, and it too triggered our open order to buy silver once again. We've been buying silver and taking profits, off and on this year averaging 15%, and we're now buying again.

Our **Chart of the Week** shows the metals' arena declining one by one. Gold started the fall, silver gained steam this week, and gold shares look set to decline further.

Perhaps gold shares are the next ones. And we picked up some DUST this week when it dipped into our buy order. You'll remember DUST rises when gold shares decline. And we think this is a great ETF to take advantage of the downside.

Once the gold share weakness is near maturity, we'll get back into gold and silver shares once again.

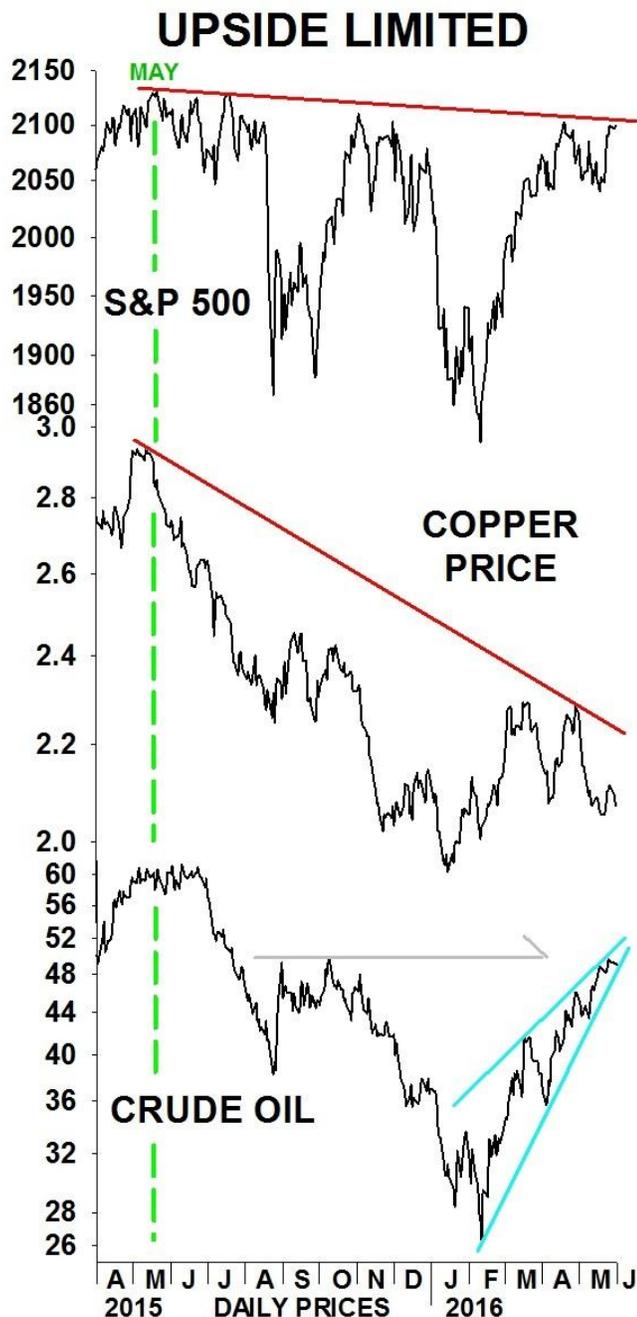
But take note... Commodities, namely crude oil, has yet to decline, see the **Lower Chart** on the front page. It's the last holdout. But you can see, unlike gold, silver and gold shares, it's resisting at its key 65 week MA, and looks poised to roll over.

This ties in with the oil price forming a rising wedge this year, see the **Chart Below**. It's now resisting at the \$50 cap level, and it's overbought MT. This oil strength has been helping to keep the stock market up, as you can see, but it's more likely ready to follow copper down into sluggishness.

For this reason, as you'll see inside this edition, we're buying some SCO, an ETF that rises 3X when crude oil declines. This is a ST speculative play.

Once oil declines, it'll put pressure on the stock market. And the S&P500 has already been losing steam since reaching

its peak a year ago May, see the **Chart Below**. In fact, that was the start of a steep fall in all three. That is, the resource sector was hit once again at that time.



In other words, the upside looks limited, at least for now. And we'll keep our SDS. It moves opposite to the stock market.

The Fed continues to dominate the markets as we get closer to hear Janet Yellen's

words...Will they raise rates once again this month, or wait? We'll soon find out, but considering we're in an election year, they don't want to rock the boat, and it'll likely be that interest rates will be raised by a small amount.

But the markets will look ahead, and considering the growing demand, we can see this year will be different. It's impressive to see a change in Ken Rogoff. A now Harvard economics professor who was at the IMF, is recommending that countries diversify out of government bonds and into gold. And it seems Russia is clearly doing this because it's now passing up China as the second largest country to buy gold this year.

Our strategy for this week is to watch the downside. With our shorts via ETFs with DUST for gold shares, SDS for the stock market and now SCO for crude oil, we'll clearly keep an eye on our profit targets and entry points. We bought more gold and silver, and we'll look forward to picking up more on further weakness. Keep in mind, once gold gets closer to maturity, we'll look forward to going long in gold shares once again.

Best wishes and good trading,

Omar Ayales  
Chief **Trading** Strategist  
**GCRU**

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# MARKET LEADERS

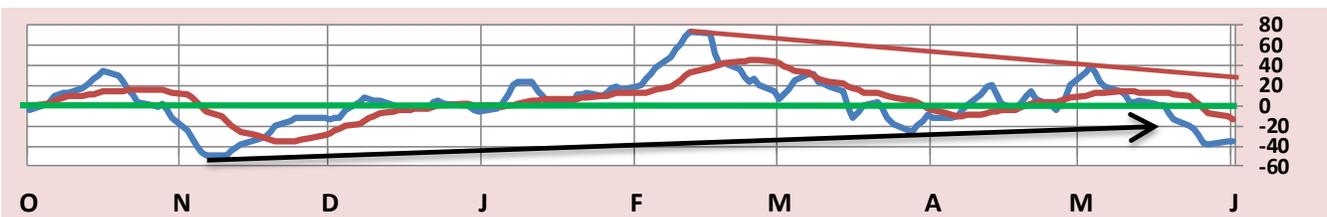


## GOLD AUGUST 2016 (GCQ16) 6/1/2016 CLOSE = 1217.5



SPINNER (3, 16, 16)

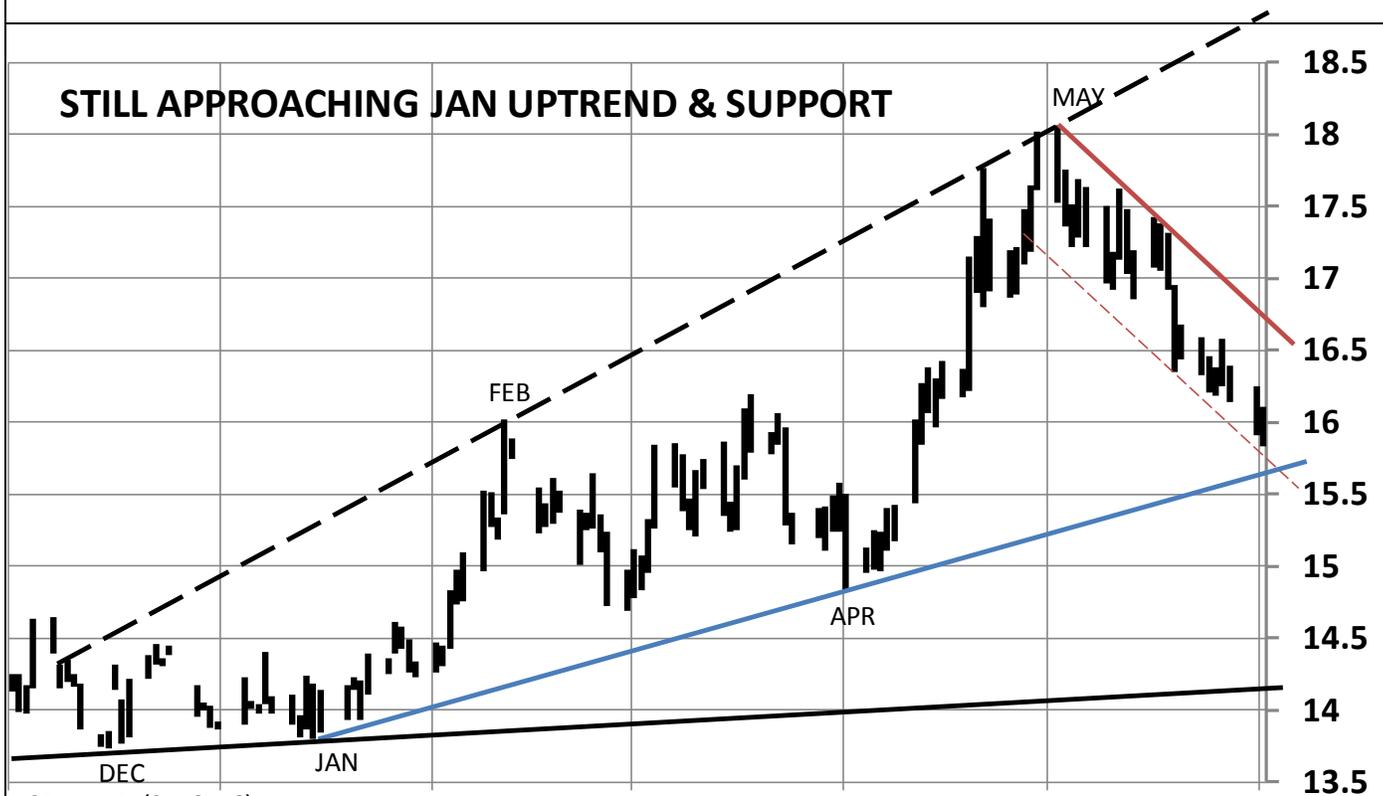
BROKE BELOW UPTREND = BEARISH



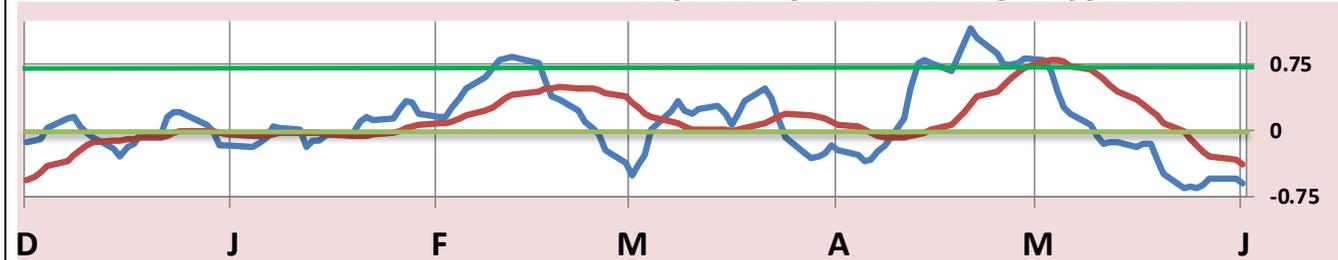
Long	1260 (Mar-4 & 7 - 16) (GLD: 121), 1208 (May-31-16) (GLD: 115.50)
Stops	2dc below 1165 (GLD: 112) (adj).
Profit Targets	1400 & 1500 (GLD: 133 & 143).
New Long Recom	<b>Keep your positions. Buy more below 1190.</b>

Gold's bull market decline remained in full swing this past week as gold declined to the upside wedge target and key support near 1200. Notice Spinner breaking below an uptrend of its own showing momentum clearly shifting to the downside ST. Spinner is now near an extreme oversold level telling us more downside is possible, but it also seems limited. Further weakness in gold this week allowed us to buy at our entry target near 1210. If gold now holds above its Dec uptrend at 1190, it'll prove to be very bullish and a renewed rise to the top side of the Dec upchannel would then be likely. Keep in mind, however, gold remains in a correction. If gold breaks clearly below 1190 on a 2dc below 1185, it'll show extended weakness that could push gold down further, to possibly the 1165 level. Keep your positions.

# SILVER JULY 2016 (SIN16) 6/1/2016 CLOSE= 15.927



**DECLINED TO AN EXTREME OVERSOLD AREA**



Long at:	15.95 (May-31-16) (SLV: 15.25).
Stop	2dc below 15.50 (SLV: 2dc below 14.75)
Profit Target	18 & 21
New Recom:	<b>Keep your positions.</b>

Silver followed gold in its decline, reaching the Jan uptrend near 15.50 as Spinner looks for a bottom at an extreme oversold level. Spinner is showing a shift in momentum ST but also it's showing silver's downside is likely limited to the Jan uptrend. If silver holds above the uptrend (15.50) and rises above the May downtrend on a 2dc above 16.50, we could see it resume its bullish rise. Silver's first upside target would be the May highs near 18. On the other hand, if silver fails to rise above 16.50, it'll continue to show weakness and could re-test the Jan uptrend. A clear break below this level could push silver to the Dec uptrend near 14.25. Keep your positions for now as silver's bull market decline could hold at its key uptrend & support near the 15.50 level.

**U.S. DOLLAR INDEX JUNE 2016 (DXM16) 6/1/2016 CLOSE= 95.456**

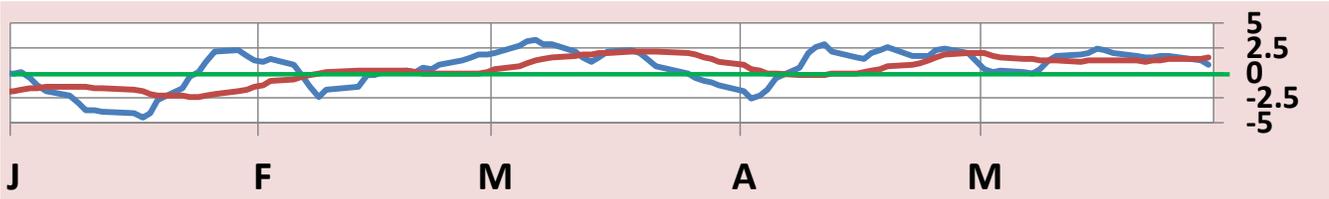


New Recom      **Stay out.**

The U.S. dollar index peeked above the Jan downtrend yesterday after an impressive run up that started a month ago. However, in an attempt to break above the Jan downtrend and resistance level, the dollar failed and declined. More telling is Spinner. Last week we showed how it broke above a year long downtrend for the first time in over a year. Although it did, it continues to show strong downside pressure. The dollar index must now break above 96 on a 2dc to see it rise further to possibly 98. Keep in mind, the key level to the upside remains the 101 level near the Dec highs. The dollar must break above that level to show major strength.

# LIGHT CRUDE OIL JULY 2015 (CLN16) 6/1/2016

CLOSE= 49.01



Put Spread	Nov 2016 33/30 Bear Put Spread at \$600 (Mar-30-16).
Recom:	<b>Keep your put spread.</b>

Crude continues to rise within a bearish wedge pattern with a downside target near 42. Spinner remains lackluster as it's been unable to clearly separate from its MT MA showing signs of weakness. If crude now breaks below 47.50 on a 2dc, the wedge pattern would be complete and a decline to the Jan uptrend near 42 would then be likely. On the other hand, for the bearish wedge to fail, crude must rise clearly above the top side of the wedge on a 2dc above 51. Keep your bear put spread and consider adding to the spread or buying SCO, an inverse ETF to crude, per our recommendation on page 15.

**CBOE Interest Rate 10 Year T No (^TNX) 6/1/2016 CLOSE= 1.85 US\$**



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

The 10 year yield showed weakness by failing to break above the mid-channel line once again yesterday. Since Mar, the 10 year yield has failed to break above this resistance on 3 separate occasions showing resistance is strong. Spinner is also showing weakness as it's resisting at a downtrend of its own. This also tells us momentum is fading and downside pressure is increasing. On the upside, notice the Feb uptrend at 1.75. The 10 year yield is clearly firm above it. Moreover, both the uptrend and the mid-channel line are forming a symmetrical triangle. A break in either direction will hint towards the 10 year yield's next intermediate move.

**COPPER JULY 2016 (HGN16) 6/1/2016 CLOSE= 2.073**

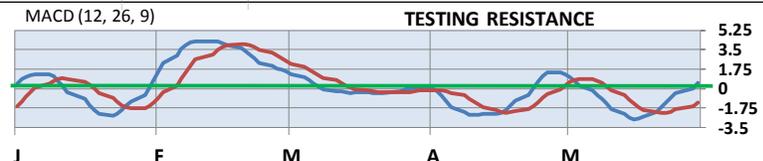
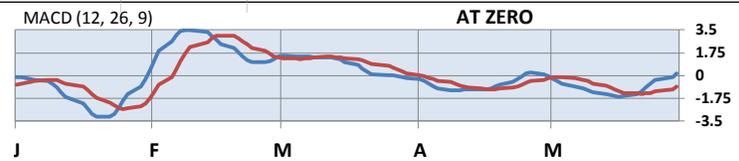
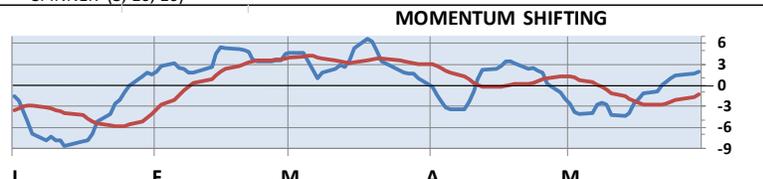
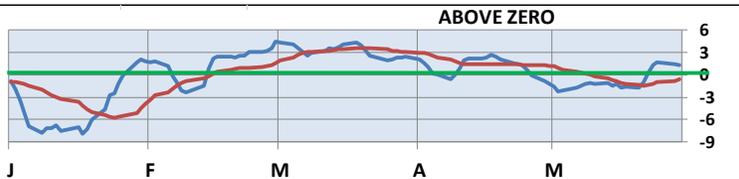


Copper continues to chug upward, holding on to its Jan uptrend showing a steady rise and strength. Spinner broke above zero for the first time in almost a month showing momentum could be shifting and copper could be at the brink of a rise that could push it to re-test the Sept downtrend. As long as copper holds above the Jan uptrend near 2.07, it'll be poised to rise and test this key resistance once it surpasses 2.12. However, a clear break below 2.07 on a 2dc could push copper to the Jan low below 2.

**SPDR DOW JONES INDUSTRIAL (DIA) 6/1/2016**  
CLOSE= 177.75



**Shares Transportation Average (^IYT) 6/1/2016**  
CLOSE= 139.7



New Recom

**Stay out.**

This week stocks fluctuated on speculation how Fed hikes will effect economic growth. However, no real support or resistance level was broken. The chart on the right shows the Transportation average. Notice it continued to rise from the May lows and forming a bear flag. It reached the Apr downtrend yesterday but failed to break above it today showing signs of weakness. The double top pattern from Mar and Apr are strong resistance levels that must be surpassed before the Transports can show strength. The Industrial average continues to form a bearish H&S top formation with the neckline at 174.50. A clear break below this level on a 2dc would confirm the pattern and a decline to the 168 level would then be likely. For the bearish pattern to fail, the Industrials must rise above the Apr highs on a 2dc above 181.50. Otherwise, pressure will remain to the downside. We continue to recommend holding on to your position in SDS. Remember SDS is an ETF that is inverse to the S&P 500.

**ADEN GOLD STOCKS ADV/DEC LINE 6/1/2016**  
CLOSE = 4498

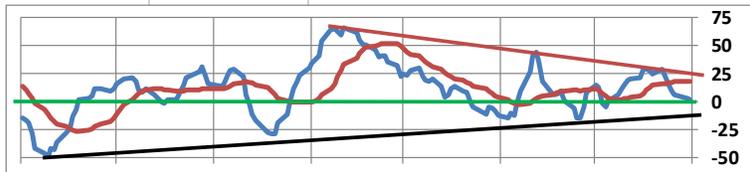


**HUI GOLD BUGS INDEX (HUI) 6/1/2016**  
CLOSE= 202.53



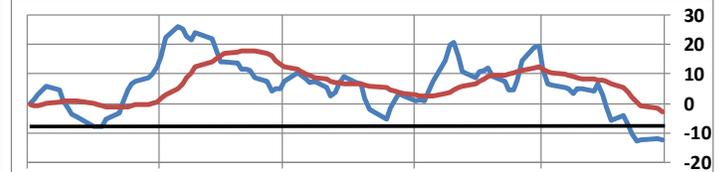
SPINNER (3, 16, 16)

**RESISTED AT DOWNTREND = WEAKNESS**



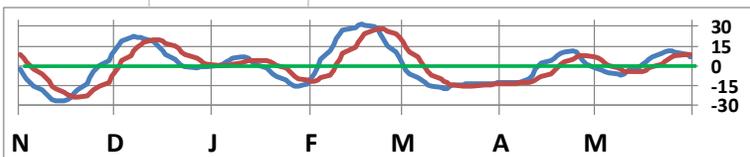
SPINNER (3, 16, 16)

**BEARISH**



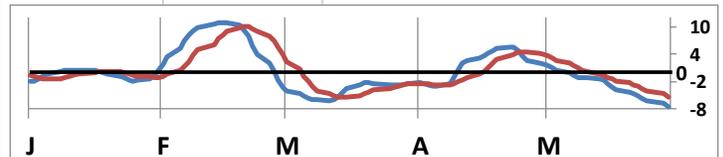
MACD (12, 26, 9)

**LACKLUSTER RISE = VULNERABLE**



MACD (12, 26, 9)

**BEARISH**



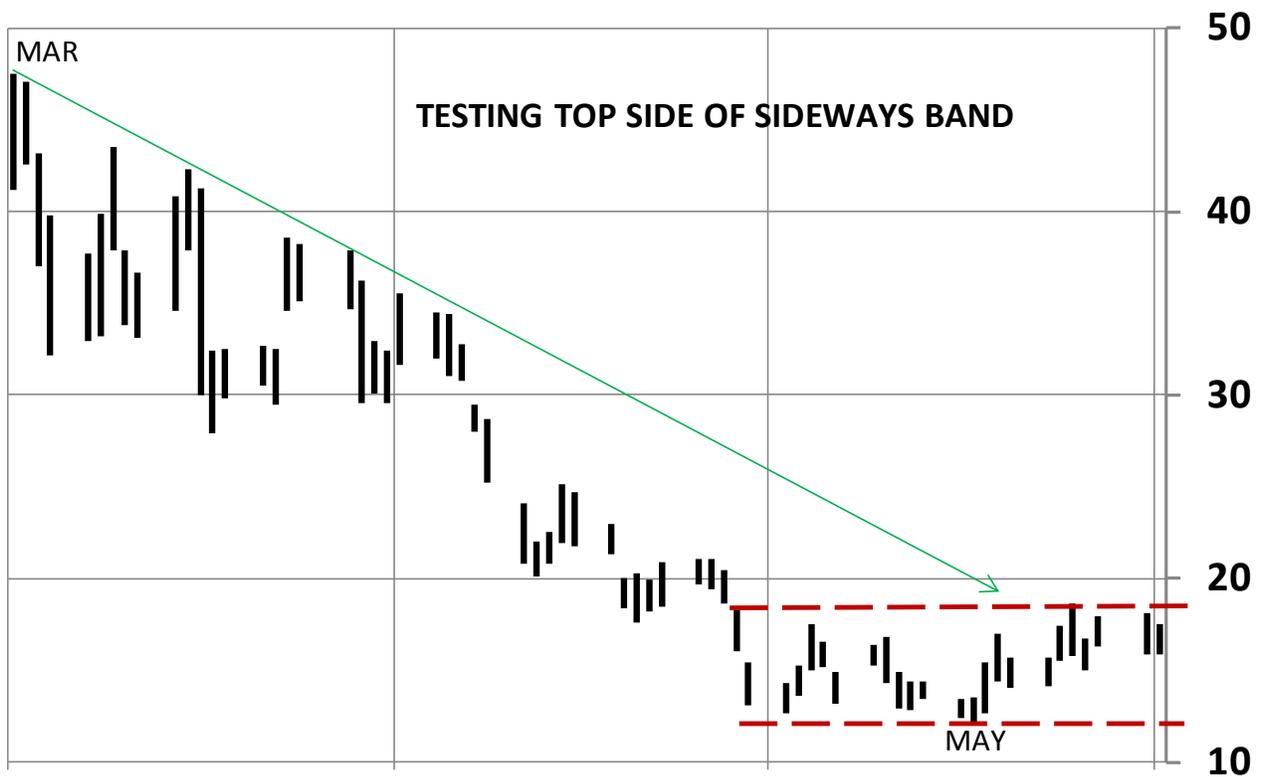
Gold shares continue to form an intermediate top. HUI is well below its recent Apr high and the A/D Line seems to be rolling over because it's detached from the top side of a bullish funnel since Nov. Moreover, notice HUI's Spinner is breaking below an extreme oversold level. This tells us momentum is clearly to the downside and the lows for the move are still to be seen. The A/D Line's Spinner is not as bearish as the HUI. However, its Spinner is showing weakness by resisting at a downtrend and declining to the zero level. A clear break below the zero line and Spinner's uptrend since Nov would confirm weakness seen in HUI. You should be completely out of gold shares at this time with a speculative position in DUST. DUST will bring us a handsome return if HUI declines to its next real support near 165. Keep in mind, longer term, gold shares, like gold, remain bullish. A decline to HUI's 165 level would still show a bullish picture for gold shares. Take advantage of weakness for now. We'll be looking to buy gold shares later on when signs of a bottom become clear.

# STOCKS



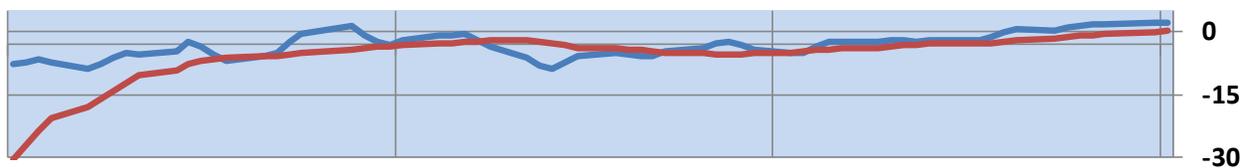
**DIREXION GOLD MINERS BEAR 3X Shrs (DUST) 6/1/2016**

**CLOSE= 16.6**



SPINNER (3, 16, 16)

RISING...



M

A

M

J

**GOLD MINER BEAR 3X DIREXION (NYSE: DUST)**

Long at:	16.50 (May-25-16).
Stop:	2dc below 13.75.
Profit Target	27 & 50
New Recom:	<b>Keep your positions. If not in, buy near 16.50 or lower.</b>

DUST continues to consolidate within a sideways band during May. The support near 12.50 is strong and DUST will remain poised to rise by staying above it. If DUST now breaks above the top side of the band on a 2dc above 19, we could see a burst up to the 75 day MA near 27.50 (our first profit target). A break above this level could push DUST to the Mar highs just below 50. We recommend keeping your position for now as gold shares are ripe for a correction and DUST is the vehicle to profit from that correction.

**ProShares UltraShort Bloomberg Crude Oil (SCO) 6/1/2016**  
**CLOSE= 80.9**



**ProShares UltraShort Bloomberg Crude Oil (SCO)-NYSEArca**

New Recom: **Buy at mkt. Place stops at 2dc below 70. Profit targets at 100 & 125**

SCO is triple inverse ETF to crude. This means, if crude falls, SCO rises 3x as much. SCO has formed a bullish downside wedge with an upside target at 125. Spinner continues showing momentum is shifting to the upside. As long as SCO stays above its support near 70, it'll be poised to rise to the wedge target. We recommend buying at mkt for speculators only.

**PROSHARES ULTRASHORT S&P500 (SDS) 6/1/2016 CLOSE= 17.99**



**ProShares UltraShort S&P500 (SDS)-NYSEArca**

Long at:	18.90 (May-4-16), 18.55 (May-11-16), 18.85 (May-18-16).
Stop:	2 more dcs below 18
Profit Target:	21.50 & 23.50
New Recom:	<b>Keep your positions. If not in, buy at mkt. Sell half at first profit target.</b>

SDS continues to hold at a key support level near 18 as it forms a bearish descending triangle. Remember, a descending triangle is a bearish continuation pattern that will show more downside if the support level is broken to the downside. This tells us, downside pressure remains strong as stocks remain near the highs. However, momentum for stocks continues to wane and are poised for a correction. If SDS continues to hold above the 18 level, it'll then be positioned to rise. Keep in mind, a key level for SDS is at 18.50. A clear break above this level on a 2dc could ignite a rise that could take SDS all the way to the Jan downtrend near 23.50 (our second profit target). Keep your positions for now. We're changing our stop loss to 2 more dcs below 18. If you're not in, now would be a good time to buy.

# 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

DUST	Keep your positions. If not in, buy near 16.50 or better.	L	May-25-16	16.50		16.60	2dc below 13.75	27.00	50.00
SCO	Buy at mkt. Place stops at 2dc below 70. Profit targets at 100 & 125	O				80.90	2dc below 70	100.00	125.00
SDS	If not in, buy some at mkt. Sell half at first profit target.	L	May-4-16	18.90	18.55, 18.85	17.99	2dc below 18	21.50	23.50

## MARKET LEADERS

Gold - GCQ16	Keep your positions. Buy more below 1190.	L	Mar-4 & 7-16	1260.00		1214.70	2dc below 1165	1400.00	1500.00
Crude- CLM16	Keep your put spread.	P				49.01			
Silver SIN16	Keep your positions.	L	Dec-17-15	13.75	13.9, 13.90, 14.75, 14.90	15.93	2dc below 15.50	18.00	21.00
US Dollar DXM16	Stay out.	O				95.46			
COPPER HGN16	Stay out.	O				2.07			

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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

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