

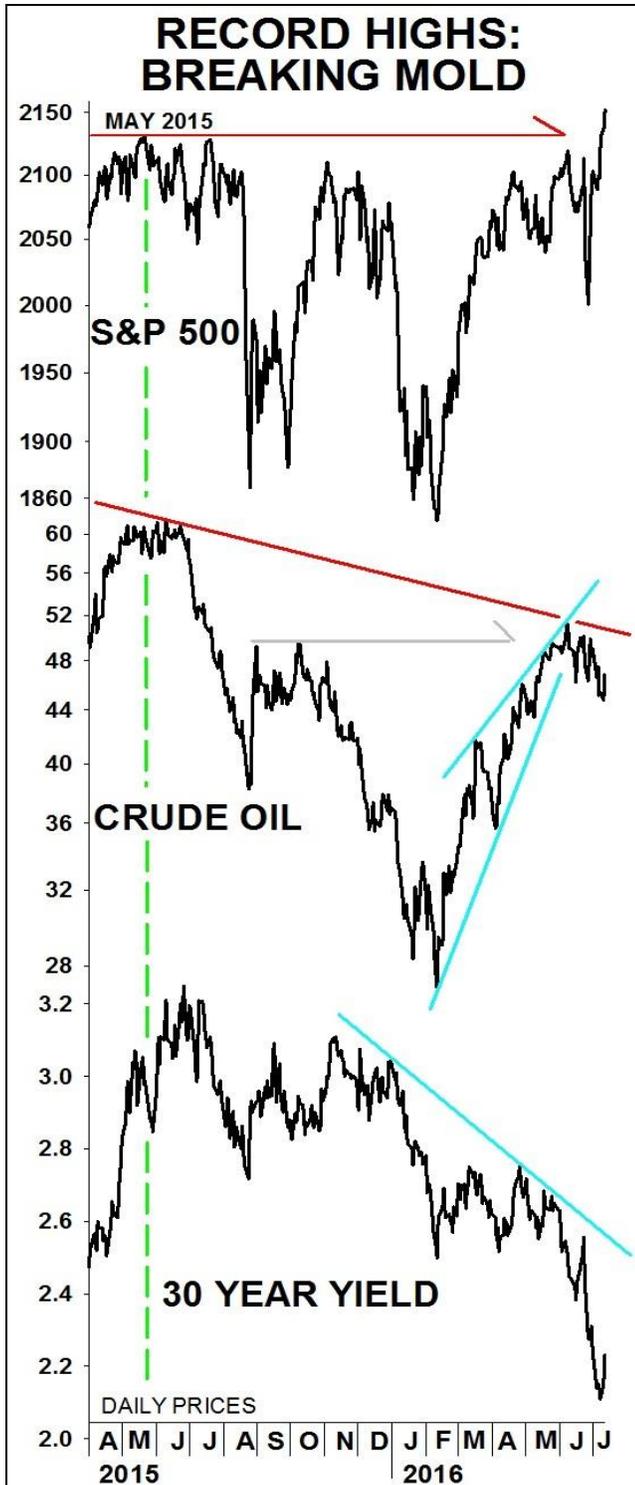
# - GCRU -

Weekly Trading Service



●●● GCRU #697

●●● July 13, 2016 (in its 15<sup>th</sup> year)



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## KEY PRICES

Name/Symbol	July 12, 2016 price	Change	July 5, 2016 price
Gold (6CQ16)	1335.30	-23.40	1358.70
Silver (SIU16)	20.171	0.264	19.907
HUI (HUI)	262.49	-1.17	263.66
Copper (HGU16)	2.2130	0.0295	2.1835
Crude Oil (CLQ16)	46.80	0.20	46.60
S&P500	2152.14	63.59	2088.55
U.S.Dollar (DXU16)	96.49	0.228	96.259
30 Year T-Bond (ZBU16)	173-26	-2.14	176 - 08
10 Year T-Note Yield	1.5130	0.1460	1.3670
13-week Treasury bill	0.2950	0.057	0.2380

“Change is the investor's only certainty”

– T.Rowe Price Jr–

## SAFE HAVEN BUYING: COOLING DOWN

Gold, silver, gold shares, bonds and the yen are taking a breather from their stellar rises when investors ran to safety.

All of a sudden, optimism sprang up with the much-larger-than-expected U.S. jobs growth last Friday. By accelerating more rapidly than even the most optimistic forecast, it sent global stock markets soaring. The S&P 500 shot up to new record highs. A timely move.

The positive momentum is coinciding with the announcement of the new prime minister in the U.K. This calmed the Brexit jitters, as least for now, and the British Pound bounced up from 31 year lows.

Safe haven investments are taking a breather as the **Chart to the Right** shows. Gold and the bond market have been moving together for almost two years now. And they'll likely continue to move together in a downward correction.

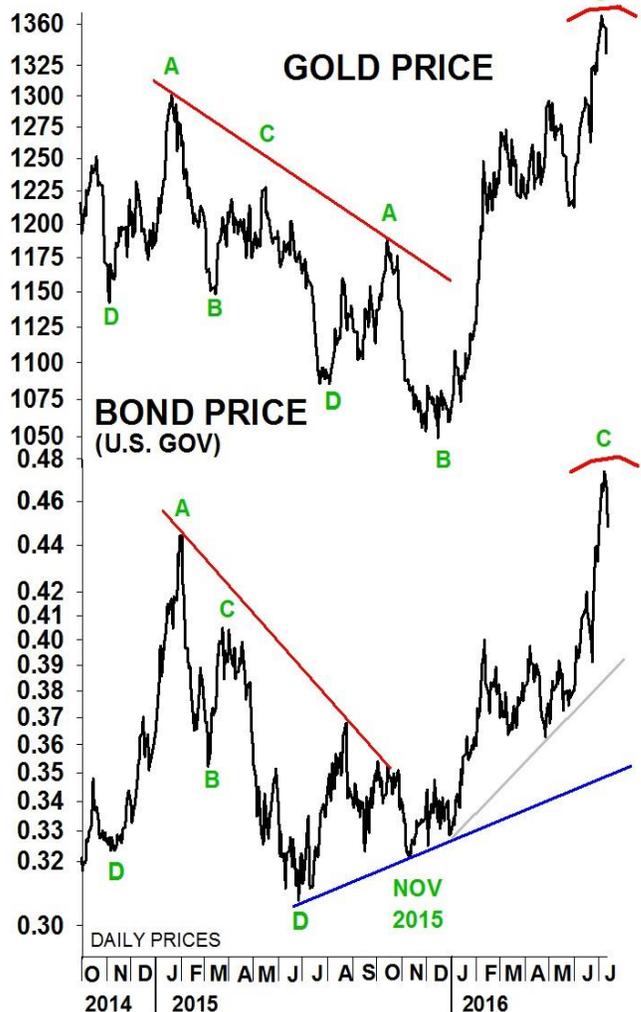
Both gold and U.S. government bonds are resisting at key highs. Gold resisted below its March 2014 highs (\$1380) while bonds overshot their February 2015 highs.

A much needed correction is getting started, and especially during these seasonally slow Summer months. You'll remember the 15wk MAs are our guide for this year's move. Gold is very strong above \$1300, but once it declines and stays below \$1270 a full correction will be underway.

And if this decline proves to be a steeper D decline, then we could see the \$1184-\$1200 level tested. As for the bond market, the 30-year yield could bounce up to the 2.50% level, and still be very weak (bonds strong).

We look forward to buying gold, gold shares, bonds and more silver on weakness. If you want to sell some gold at this intermediate top, now is the time to do it, but our main strategy continues to focus on buying and accumulating at key low areas.

### SAFE HAVENS: Taking a break



Negative interest rates are having side effects. One being more gold buyers.

Japanese investors are buying gold to store in Switzerland due to negative rates and fears of a depreciating yen. The government grapples with the heaviest public debt burden in the developed world. And Abe's fiscal stimulus plans are heavy on the yen.

But the Japanese are not alone. This is becoming more evident as time passes. The yen's weakness together with a bounce up in the British Pound could help give the already rebounding dollar a further boost.

And it looks like the Dollar index is set to rise further, to possibly the 100 level before reaching a ceiling. Dollar strength could put pressure on the gold universe, and it tends to affect world markets as currencies decline.

Plus, a further bounce up in long term interest rates will likely help the Dollar ST.

What's not fitting into this "mold" is the record high in the S&P500, which is why we have it as our Chart Of The Week. The Dow Jones Industrials is also peeking into record high territory, but it's not as impressive as the S&P500. And a lagging Dow Jones Transports is casting doubts.

This jump up started with the strong jobs growth on Friday, but it broke away from the rolling over crude oil price for the first time in over a year. In spite of yesterday big jump, crude is still rolling over. It currently has strong resistance near \$49 and remains declining within a downchannel since Jun.

This shows weakness in crude, which is why we're keeping our SCO position. Crude weakness is yet another big question mark hanging over the stock market.

Moreover, the 30 year yield is poised to rise ST which could too put a damper on the stock market. For this and other reasons, we recommend keeping SDS even though our trigger was hit yesterday. We now recommend selling on a rebound rise (a decline or pull back in the stock market) to possibly the 19 level. See our guidelines inside this edition.

Our strategy for this week is to keep an open eye on dollar resistance near 96.50-97. Also keep an eye on crude and the stock market, particularly our shorts, SCO and SDS. Wedges are coming up in several markets, and a ST turn looks like it may be getting started. Safe havens are correcting and poised to decline further ST. Keep an eye on gold, silver, gold shares and bonds as they're looking ripe for a breather. Take advantage of weakness to buy.

Good luck and good trading,



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

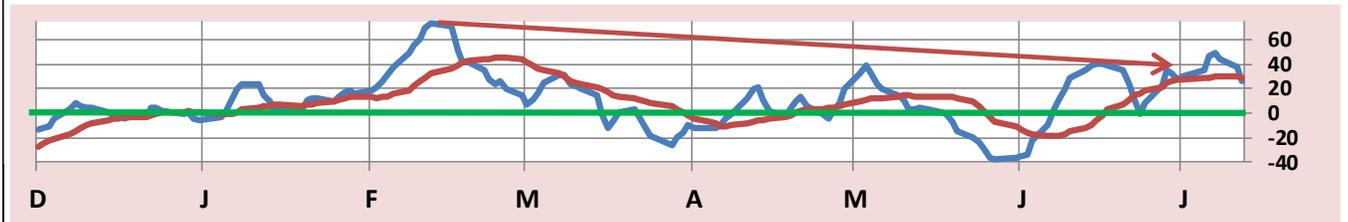
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# MARKET LEADERS



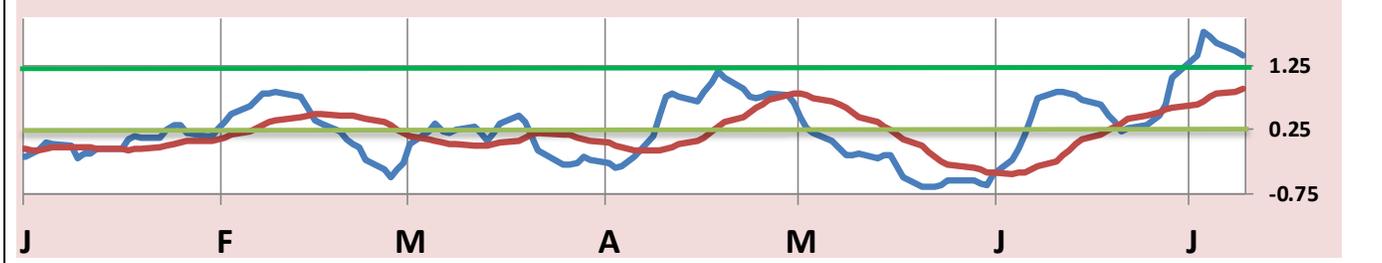
**GOLD AUGUST 2016 (GCQ16) 7/12/2016 CLOSE = 1335.3**



Long	1260 (Mar-4 & 7 - 16) (GLD: 121), 1208 (May-31-16) (GLD: 115.50)
Stops	2dc below 1200 (GLD: 115)
Profit Targets	1400 (almost reached!) & 1500 (GLD: 133 & 143).
New Long Recom	<b>Keep your positions. Sell half at first profit target. Buy more at 1240.</b>

Gold inched closer to our first profit target near 1400 failing to break above its first resistance at the Mar 2014 highs near 1380. Coincidentally, gold is breaking below a bearish upside wedge with downside target at 1240 (2016 uptrend). If gold now continues to resist below its next key resistance at 1380, we could see the wedge mature, taking gold down to its key 2016 uptrend and support at 1240. Spinner is also showing signs of weakness as it broke below its MT MA, failing to maintain upside momentum. This tells us, gold is likely to continue weakening ST. We'll be buying gold once again once the wedge fully develops, ideally near 1240. Although we have changed our strategy and will not be liquidating our positions during weakness, it's not a bad idea to sell half of your position at mkt to protect profits built so far (average of 8%). Be ready to buy more soon.

# SILVER SEPTEMBER 2016 (SIU16) 7/12/2016 CLOSE= 20.171



Long at:	20.15 (Jul-12-16) (SLV: 19.10)
Stop	2dc below 16.50 (SLV: 2dc below 15.75)
Profit Target	25 & 28 (SLV: 24 & 27)
New Recom:	<b>Buy again near 18.25 and more near 17.</b>

Silver remains very bullish as it holds near the recent highs above 20. And although Spinner is looking topy as it declines from the highs, it also continues to show strong potential for upside by staying above its MT MA. We recommend adding to your positions on dips and declines to silver's support levels, initially near 18.25 and on a further decline to the 16.50 level. Allow silver some wiggle room as volatility is likely to remain high but it's on clear path to the upside.

**U.S. DOLLAR INDEX SEPTEMBER 2016 (DXU16) 7/12/2016**  
**CLOSE= 96.487**



New Recom

**Stay out.**

The U.S. Dollar index continues to hold near its recent highs. It's looking strong by staying above 95.50 (5wk MA). Spinner is also showing momentum remains to the upside by staying above its MT MA and zero line. However, strong resistance is keeping the dollar at bay. It's struggling to break above its bullish flag at 96.50 thereby failing to confirm the bullish pattern with an upside target near 100. Adding to dollar's resistance is the Dec downtrend near 97. The dollar must now break above both of these levels on a 2dc above 97 to confirm strength that could push the dollar to the 100 target level. Keep in mind, the dollar is poised to rise further and this could put pressure on commodities and currencies alike. Keep your cash and cash equivalents in U.S. dollars as it's poised to outperform most other currencies.

# LIGHT CRUDE OIL AUGUST 2015 (CLQ16) 7/12/2016

## CLOSE= 46.8



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

Recom:        **Keep your short positions.**

Crude jumped up with strength today erasing most of its losses for the week. Yet, downside pressure remains strong and unless crude breaks above the Jun downtrend on a 2dc above 49, it'll be positioned to decline to the bottom side of the Jun downchannel, initially. Spinner is confirming weakness by staying below its MT MA and zero line. Additionally, keep in mind a strengthening dollar will add downside pressure to crude and other commodities. Keep SCO and your put spread for now.

**CBOE Interest Rate 10 Year T No (^TNX) 7/12/2016 CLOSE= 1.513 US\$**



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

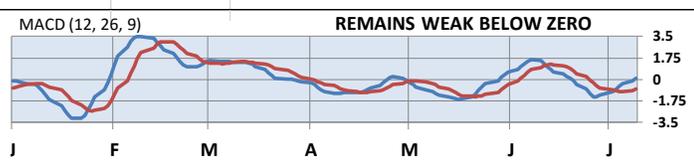
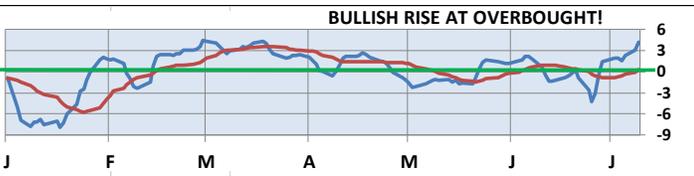
The U.S 10 year yield reached a new all time low this past week as it pierced below the bottom side of the Mar downchannel. But today, TNX rebounded from these lows showing signs a rebound rise is starting. TNX is approaching a key resistance level at the May downtrend near 1.60. A break above this level could push TNX to the Mar downtrend near 1.82. Spinner rising from an extreme, peeking above its MTMA, as it confirms recent rebounding strength. Keep in mind, a stronger rebound in interest rates will be supportive of a stronger dollar ST, and will also put pressure on stocks and commodities alike. We recommend staying out for now as a declining tendency MT is likely to continue if TNX stays below 1.82.

**COPPER SEPTEMBER 2016 (HGU16) 7/12/2016 CLOSE= 2.213**

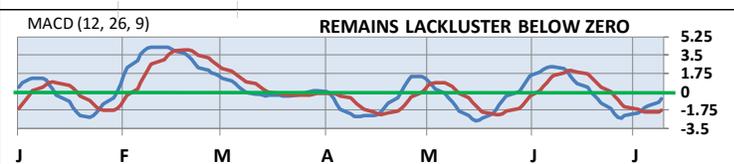
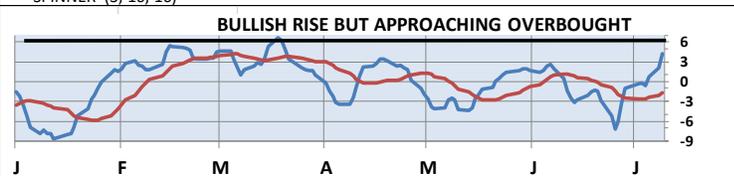


Copper declined after failing to break above the Oct downtrend & resistance level. However, it held at a short but bullish uptrend since Jun near 2.12. Also, Spinner is forming a bottom at the zero level telling us momentum remains to the upside. Keep in mind, copper must rise above the Oct downtrend on a 2dc above 2.25 to see signs of reversal that could push copper to the 2.40 level. On the downside, if copper fails to break above the Oct downtrend, it'll likely decline to the Jun uptrend initially or even the Jan uptrend near 2.02. A stronger dollar and rising interest rates will add pressure on copper and the entire resource sector, including silver.

**SPDR DOW JONES INDUSTRIAL (DIA) 7/12/2016**  
CLOSE= 183.38



**Shares Transportation Average (^IYT) 7/12/2016**  
CLOSE= 141.44



New Recom

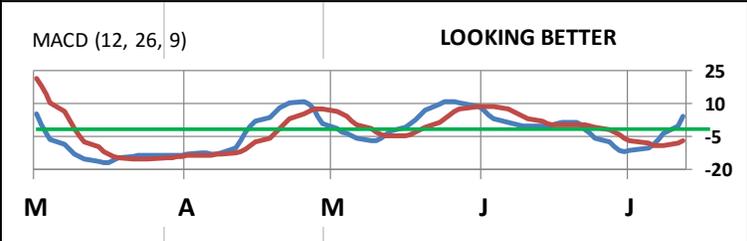
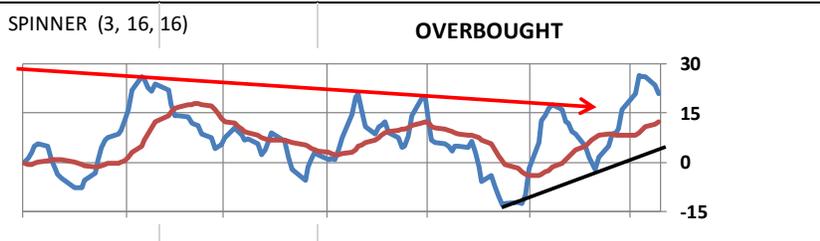
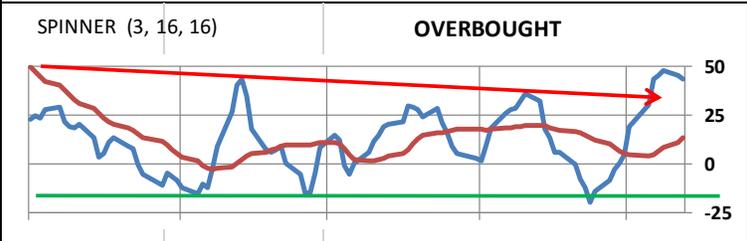
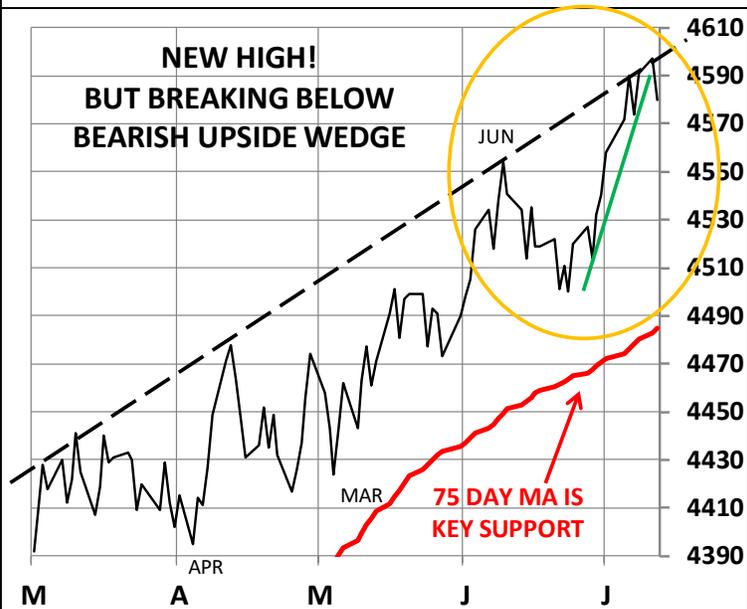
**Stay out.**

Will Transports fail to confirm the Industrial's bullish rise? Dow Theory is the study of the price movement of both Dow Industrial Average (DIA) and the Dow Transportation Average (DJT). It's said price movement in the averages discount everything and anything. And a rise to new highs by both averages would trigger a bullish Dow Theory confirmation which would show a clear trend reversal in stocks from their current bear market. There is no time frame when the lagging average needs to confirm, but the shorter the time, the stronger the move. And by contrary, the longer it takes for the lagging average to confirm, the weaker the signal.

Today, the Industrial Average closed just above the record high. However, the new highs were not confirmed by the Transportation Average in spite of its bullish rise. The Transports continue to test a key downtrend since Apr. If it were to surpass the double top resistance and rise to new highs in the weeks to come, we would be before a trend reversal and a Dow Theory bull market confirmation. However, if the Transports fail to rise to new highs, a non-confirmation will be triggered showing weakness. Notice Spinner (ST gauge) for both averages above. They rose with strength but are reaching extreme overbought levels. Moreover, MACDs for both averages (MT gauge) continue to resist below zero, showing weakness. This is saying we could be seeing a simple overshoot in stocks followed by more downside in the months to come. The S&P 500 rose above its high twice this week. However, it too is overbought and the volatility index at a low, which tends to coincide with stock market tops. Although our stop loss for SDS (short S&P 500) was triggered today, we recommend holding on to this position and selling on a bounce, as you'll see in the chart section below.

**ADEN GOLD STOCKS ADV/DECLINE 7/12/2016**  
CLOSE = 4580

**HUI GOLD BUGS INDEX (HUI) 7/12/2016**  
CLOSE= 262.49



Gold shares rose to new highs for the move this week showing impressive strength! Once again, HUI followed the A/D Line to new highs for the move re-confirming strength. This means gold shares remain poised to rise further. It appears clear that gold share momentum MT is on the upswing. MACDs on the charts above clearly confirm this. MACD for HUI has formed a bottom above zero and has resumed its rise while the MACD for A/D Line is turning bullish as it crosses above zero. Our intermediate bullish view on gold shares remains intact. The ST, however, is not so perky and the charts are telling us we could see some weakness develop in the coming weeks. Notice both the A/D Line and HUI breaking below bearish rising wedges as Spinners roll over at extreme overbought levels. This tells us if both HUI and A/D Line stay below their recent highs at 272 and 4600, respectively, we could see a ST correction develop, pushing gold shares to the 230-240 level (wedge target). Although we typically recommend shorting gold shares at this moment to take advantage of ST weakness, we'll refrain from doing so at this moment as we concentrate on building up our gold, silver and gold share position during weakness. We'll also recommend holding on to AEM and waiting for weakness to develop before adding more.

# STOCKS



**PROSHARES ULTRASHORT S&P500 (SDS) 7/12/2016 CLOSE= 16.9**



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

Long at:	18.90 (May-4-16), 18.55 (May-11-16), 18.85 (May-18-16), 18 (Jun-2-16), 18.30 (Jun-15).
Stop:	Sell on a rebound to 18.90 or better.
New Recom:	<b>Stop loss hit, don't sell just yet.</b>

The S&P 500 rose to new highs twice this week showing impressive strength. However, several signs are showing some downside is still likely. For one, the Dow Transportation Average did not confirm the Industrials rise to new highs yet. Plus the Volatility Index is near an extreme. Lastly, SDS, the chart above, is forming a downside wedge with an upside target at 19. We recommend waiting for a rebound to the 19 level before selling your position.

## ProShares UltraShort Bloomberg Crude Oil (SCO) 7/12/2016

CLOSE= 85.34



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

Long at: 82 (Jun-2-16), 74.50 (Jun-8-16).

Stop: 2dc below 78.

Profit Target: 95 (almost reached!) & 115

New Recom: **Keep your positions. Sell half at first profit target.**

Higher lows and higher highs continue to point to an uptrending path. Yesterday, SCO rose to its 75 day MA but failed to break above it exposing some weakness. Today, it collapsed, erasing all gains made during this week. Spinner continues to trend upward as upside momentum continues to grow. As long as SCO stays above the Jun uptrend near 80, it'll be poised to rise to the top side of the upchannel near 100. Crude remains weak, despite today's surge. Moreover, a strengthening dollar and rebounding rates could give SCO the boost it needs to reach our profit targets. Keep your positions, and sell half of your positions at each profit target.

## Agnico Eagle Mines Limited (AEM) 7/12/2016 CLOSE= 54.28



### Agnico Eagle Mines Limited (AEM) - Nyse

Long at:	52 (Jun-27-16), 52 (Jun-28-16)
Stop:	2dc below 47.50.
Profit Target	60 & 72
<b>New Recom:</b>	<b>Keep your position. Sell half at first profit target. Buy more on a decline that holds above 47.</b>

AEM rose to yet another high for the move this past week confirming strength. AEM is very bullish above the May uptrend near 54 and it's solid above the Jan uptrend near 48. Spinner is rolling over from overbought levels telling us some downtime is now likely. However, it's clear that AEM remains bullish on a longer term basis like gold and gold shares are. We recommend keeping your positions and buying more on a dip to the Jan uptrend near 49.

**PROSHARES ULTRA 20+Year Treasury (UBT) 7/12/2016 CLOSE= 100.01**



**ProShares Ultra 20+ Year Treasury (UBT) -NYSEArca**

**New Recom: Buy on a decline to 94 and more near 90. Place stops at 2dc below 88. Profit targets at 104 & 120.**

UBT is breaking below a rising wedge with a downside target near 94 as Spinner rolls over at an extreme overbought level. This tells us upside is limited and more downside is now likely. Although the downside target is at the 94 level, UBT has solid support at the Jan uptrend near 89. We recommend buying some on a decline to 94 and more on a further decline to 90. However, keep in mind, if the Jan uptrend is broken to the downside on a 2dc below 89, we could see UBT fall further, initially to the Apr lows near 80. Get ready to buy on weakness!

# 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

AEM	Keep your position. Sell half at first profit target. Buy more on a decline that holds above 47.	L	June-27-16	52.00	52.00	54.28	2dc below 47.50	60.00	72.00
SCO	Keep your positions. Sell half at first profit target.	L	June-2-16	82.00	74.50	85.34	2dc below 78	95.00	115.00
SDS	Stop loss hit, don't sell just yet.	L	May-4-16	18.90	18.55, 18.85, 18, 18.35	16.90	Sell on a rebound to 19 or better.		
UBT	Buy on a decline to 94 and more near 90. Place stops at 2dc below 88. Profit targets at 104 & 120.	O				100.10	2dc below 88	104.00	120.00

## MARKET LEADERS

Gold - GCQ16	Keep your positions. Sell half at first profit target. Buy more at 1240.	L	Mar-4 & 7-16	1260.00	1208.00	1335.30	2dc below 1200	1400.00	1500.00
Crude- CLQ16	Keep your short positions.	P				46.80			
Silver SIU16	Buy again near 18.25 and more near 17.	L	Jul-12-16	20.15		20.17	2dc below 16.50	25.00	28.00
US Dollar DXU16	Stay out.	O				96.49			
COPPER HGU16	Stay out.	O				2.15			

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**Note:** U should NOT feel our recommended prices are set in concrete. If mkts suddenly feel hot or cold to U, or dramatic news occurs, U can buy or sell, or stop at slightly higher or slightly lower prices. It also hinges on your experience level. Some people can use our prices as guides & know when they can take bigger risks.

**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.

ABBREVIATIONS	
1dc	1-day close (the share price must close above or below the indicated price level, before our recommendation is activated)
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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