



-GCRU-

Weekly Trading Strategies



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Achieves gains by trading commodities, currencies and stocks

Oct 23, 2019

IN ITS 18th YEAR - Nº 856

MONEY FLOWING OUT OF SAFE HAVENS, INTO RISK ASSETS... AND THEY ALL FELL DOWN!

DR. COPPER HAS SOMETHING TO SAY

**TRADE TENSIONS COULD BE EASING...
I'M GETTING SOME EXPOSURE TO CHINA**

U.S. BANKS LOOK GOOD TOO!

The shift continues to develop. Contra-trends are picking up steam. More and more it's becoming apparent that money is flowing out of safe havens and into risk assets...

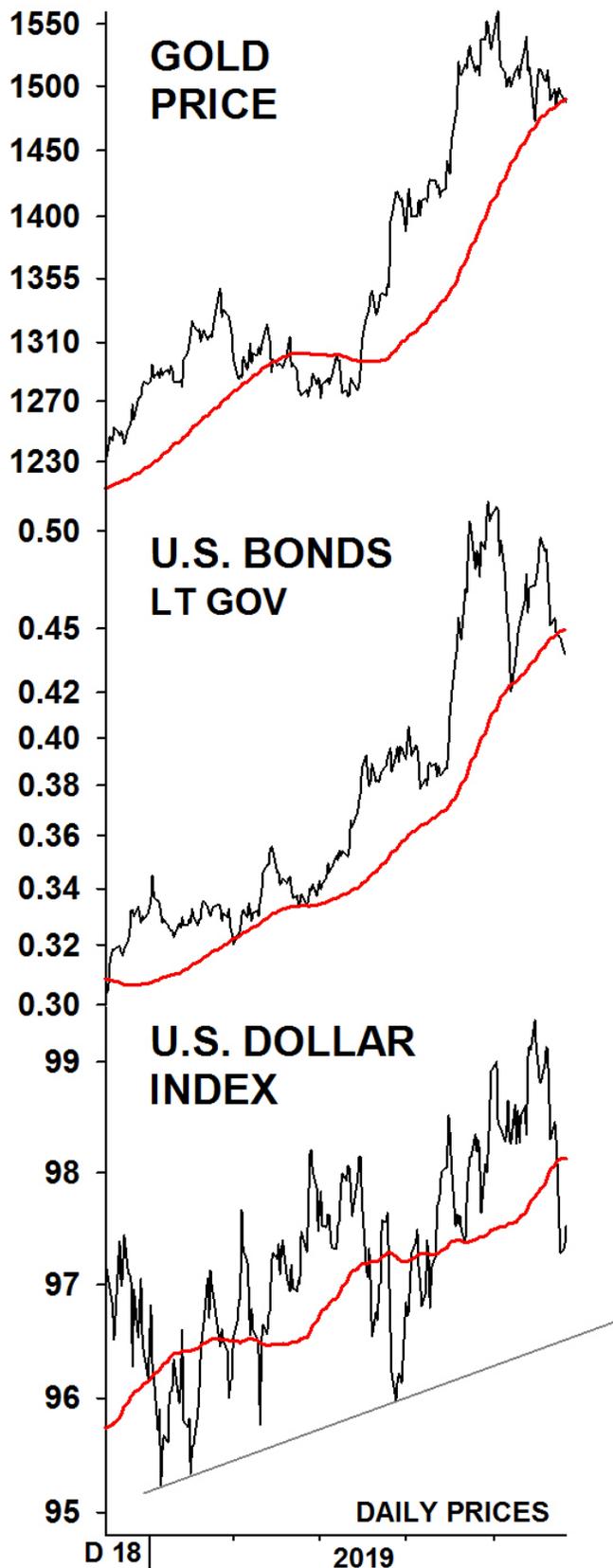
During the past year, some of the top performers have been gold, bonds and the U.S. dollar index.

And although gold and the U.S. dollar don't normally move together, at least historically speaking, the dollar has risen on safe haven demand, supported by a strong U.S. economy.

But as soon as gold topped out recently just below \$1,600 and started its cyclical 'D' decline, U.S. bonds and the U.S. dollar index followed.

"Human behavior flows from three sources: desire, emotion, and knowledge." - Plato

THE 2019 SAFE HAVEN TRADE



15 WEEK MOVING AVERAGE

Our first chart shows how gold, bonds and the U.S. dollar have been moving in tandem during the past year.

U.S. bonds and the dollar index have now outpaced gold's decline. Both bonds and the U.S. dollar broke below their 15 wk MAs confirming an intermediate top and showing the trend has shifted to the downside for the foreseeable future.

The chart is the face of the safe haven trade in 2019. It's also telling us more downside is likely, suggesting investors and traders could be eyeing risk assets to park their money as global uncertainties subside.

Of the three markets, gold is holding up best. But by staying below \$1,505, gold will likely continue to decline as the 'D' decline develops further.

The next chart on the following page shows this a bit differently.

You'll notice the yield on the 10 year U.S. government bond with its leading indicator below.

The 10 year yield has fallen to its historical low area, which is

also the bottom side of a nearly decade long sideways band. Notice the 10 year yield holding at support and starting to jump up, looking to establish a renewed bounce up rise.

The indicator below is testing a downtrend of its own, and if it breaks the resistance, it'll show strength that could push the 10 year yield to the top side of the channel, possibly back to 3%.

The rise in longer term rates could be suggesting a pick up in inflation expectations as investors and traders would seemingly be shifting toward risk assets.

BOTTOMING AT HISTORICAL LOWS



Price action in gold mining stocks (gold shares) are also a strong indicator for weakness within the gold universe.

GOLD SHARES: ERASING THE EXCESS



As we've mentioned before, gold shares tend to sell at a premium when gold is bullish and at a deep discount when gold is bearish. In other words, gold shares are more volatile than gold.

Developing price action in gold shares suggests more downside is likely, which confirms gold's 'D' decline is indeed in force.

The chart to the left shows the 3+ year uptrend in gold shares since Dec 2015, the secular bottom in gold. The chart below HUI is its leading indicator. Notice their relationship; the indicator has been declining since Aug this year with room to fall further.

This chart suggests gold shares are poised to fall further confirming the safe haven pull back.

Two of the trades that we've purchased, representing nearly 11% of our portfolio have been: TBT (an inverse ETF to TLT, a long term U.S. government bond ETF) and DUST (an inverse ETF to HUI or gold shares).



We've been looking to gain from the rise in long term rates by using the ETF, TBT. Notice on the chart, TBT has been uptrending from the Aug lows with Spinner showing rising momentum.

Just recently, TBT broke above the Apr downtrend. It's now poised to rise to the top side of the upchannel near \$27. A clean break above \$27 could push TBT to our profit target near \$32. Keep your positions.

We originally started buying DUST as gold's 'C' rise reached maturity suggesting gold, silver and their shares would likely commence a cyclical decline. It was like having some insurance against downside risk in our core, reduced positions in gold and silver. Since then, we've been adding to our DUST position to also take advantage of the developing trend.

**Direxion Daily Gold Miners Index Bear 3X Shares
(DUST) 10/22/19 CLOSE = 8.18**



Notice DUST has formed a bullish H&S bottom with neckline resistance at \$9 just as Spinner starts to separate from its MT MA. This tells me if DUST breaks above \$9, a rise to the bullish pattern's target near \$13 would be likely. Our positions are up nearly 15% since Aug. Keep your positions and sell at our profit target.

The shift towards risk assets is not all that obvious. We recently reduced positions in U.S. equities given the liquidity crunch exposed by the Fed's (continuing) intervention in the repo market (QE to infinity?).

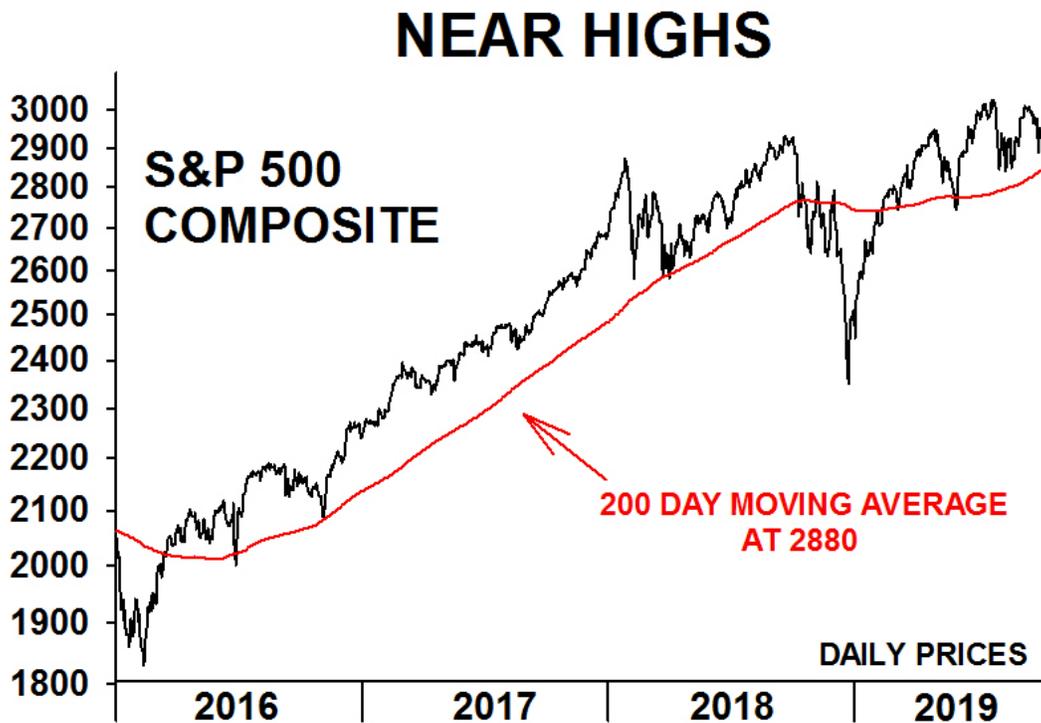
However, the Fed's intervention is providing security to the already nervous investors and traders.

Not only that, advancements in trade talks between the U.S. and China, as well as a potential extension for Brexit are easing uncertainty, allowing for a risk on environment.

The decline in equities last year during December is still fresh in the trader and investors' minds. However, keep in mind, the waterfall decline last Dec was

mainly a reaction to an interest rate hike when the markets had already been pricing in fears of a recession or at the very least, a slower growth outlook.

The decline then had broken below the Oct decline lows, triggering a bearish Dow Theory confirmation as both averages, the Dow Industrials and Transports, had confirmed weakness. The S&P 500 had broken below its critical 200 day MA support.



Then as 2019 got started, the S&P 500 broke back above its 200 day MA and has held above it since.

Although certain stocks (like the Transports) have struggled to reach new highs, the bull market tag remains.

Yet another strong indication that an intermediate shift towards risk assets is developing is the action seen in resources.

It's still at a very early stage, but Dr. Copper is looking like it could be staging a renewed rise.

Copper found support at the new low near \$2.55, and it's been edging upward since. It's now testing/breaking a downtrend since Apr suggesting a rise towards the Apr highs near \$3 is likely.

Notice Spinner on the rise, looking strong well above its MT MA and with room to rise further. Price movement in copper suggests demand for resources is rising and a leg up rise is upcoming.



Silver is a precious metal that tends to follow in gold's footsteps, but it also has a high industrial use.

The silver to gold ratio we showed back in Jul was showing the relationship was near a historical extreme. This motivated us to buy silver using the profits from cashing in on our gold shares.

One of the reasons why silver is positioned to hold up better than gold

during gold's current 'D' decline is due to its value as a widely used resource.



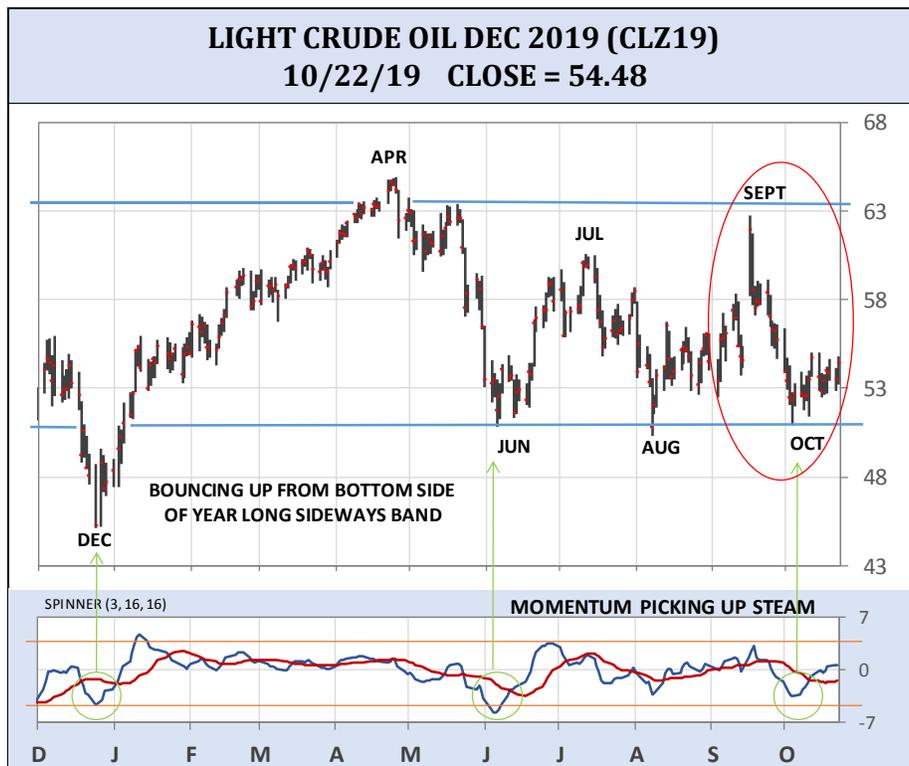
In other words, strength in resources, as shown by Dr. Copper, could give silver a boost allowing it to fall less than gold, hold near current levels, or maybe even rise.

The chart to the left shows silver testing its Sept downtrend, trying to reverse the ST downtrend. However,

pressure remains down telling us we could see silver edge lower before resuming its rise. One thing seems certain... that it will hold up better than gold given its historical relationship.

We'll be waiting for silver to fall back to the May uptrend near \$16.50 to add to our existing positions. We're also eyeing several silver shares to include. However, it's still premature and we must allow the 'D' decline to develop further. Timing is everything.

Crude oil is also working on setting an uptrend of its own. It fell hard and fast since the Sept highs (when a Saudi facility was subject to a drone strike whipping up sizable oil reserves). However, crude is holding strong above support at \$52. We continue to wait for a rise to the top side of the band before unloading for a profit.



On the downside, crude's Spinner is struggling and the decline since Sept, together with the bounce up looks like a bear flag with pole like support at \$52. This means, if \$52 is broken and the bear flag confirmed, a decline to crude's long term support near \$40 would then be likely.

Keep your positions as long as crude stays above \$52.

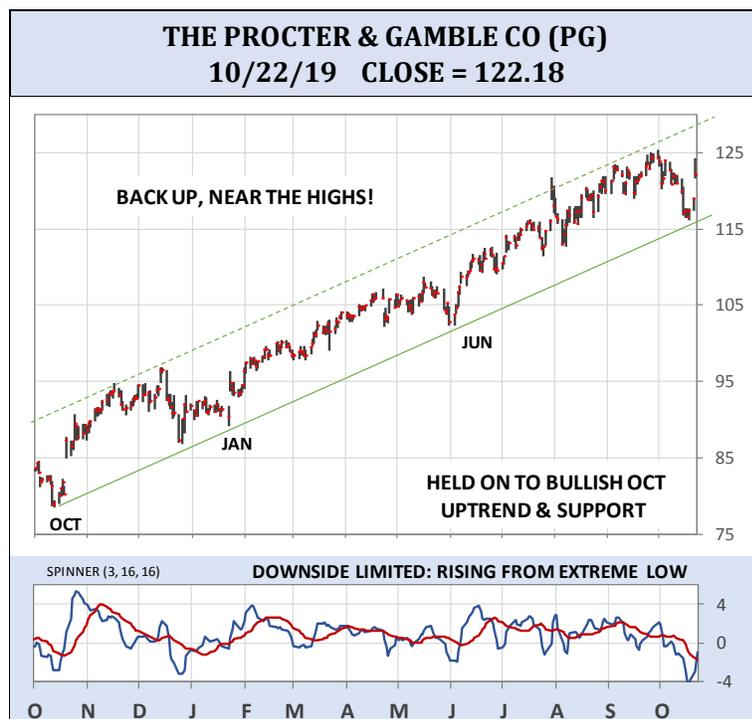
We're also holding Danbury Resources (DNR) as a play within the energy sector. DNR has been forming a solid base above \$1. We've been slowly accumulating at the lower end of its price range.

DNR is now showing strong signs of support, and if it holds above \$1 it'll be poised to rise further, to likely our profit target. Keep your positions.



As mentioned, there are pockets of stocks with great value, that have been showing steady growth (even in a quarter where sentiment for earnings was low).

Procter & Gamble (PG) for example, has been a great holding. We've already taken 20% profits on the first half of our position and we continue to keep the rest.



PG tested the Oct uptrend, but quickly jumped up above it showing support and strength. PG nearly reached new highs today as Spinner jumps up with strength.

The jump up was violent and PG is currently near the highs. Keep your positions, buy some more near \$120, or lower to increase exposure to a strong U.S. company.

One of the sectors that is poised to thrive in an extended easing cycle are bankers, particularly those in the U.S.

There are several offering great opportunities such as Wells Fargo (WFC) (4% dividend yield with a 1% dividend being paid out to investors recorded as owners prior to Nov 8th 2019) and JP Morgan Chase (JPM).



JPM is not offering a dividend yield as attractive as other banks (i.e. Wells Fargo has an annual dividend yield of 4%). JPM only yields about 2.5%.

However, JPM had its strongest quarter ever showing net income of \$9.1 billion, up 8%. Not only that, income from non-interest earnings outpaced everyone in its industry, showing management's capacity to weather any storm.

JPM reached a new high today. Spinner is showing strength, but also a bit over-extended telling us a pull back to the breakout level near \$120 is likely. Consider JPM has strong bullish support near \$110, the Dec uptrend.

However, JPM has been so strong that I would not want to miss the sailing ship. I'm buying some during intraday weakness, ideally near \$120 and more on a decline to the Dec uptrend near \$110, if given the chance.

The Guangshen Railway (GSH) is a company that operates transportation services within the region of Shenzhen in China transporting raw materials, commodities and energy.

The Shenzhen community is a special economic zone in China. This is a city created by central government that has been dubbed the Chinese Silicon Valley. The growth of this city has been astounding going from a few dozen thousand people in the 80s, to nearly 20 million today. It's expected Shenzhen will be the most relevant city worldwide by 2025. It's also the most liberal city in China.

With its growth, I believe GSH can grow too because it provides transportation of essential services and goods connecting Shenzhen with Hong Kong.

GSH allows us some exposure to a targeted Chinese stock that is poised to rise faster and catch up to U.S. equities as trade concerns subside.



Notice on the chart GSH is forming a bottom near \$15.50. It's testing resistance at the Apr downtrend near \$16. A break above this level means it's off to the races. Buy at market.

Our strategy this week is to take advantage of a risk on environment we'll see in the foreseeable future. Buy selectively. Pick one of our stocks. But don't load up just yet, I continue to hold large cash reserves to be ready to buy gold shares when signs of a bottom approach.

Good luck and good trading,



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www.goldchartsrus.net
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KEY PRICES			
Name/Symbol	Oct 22, 2019 Price	Change	Oct 15, 2019 Price
Gold (GCZ19)	1487.50	4.00	1483.50
Silver (SIZ19)	17.50	0.12	17.38
HUI (HUI)	203.37	4.25	199.12
Copper (HGZ19)	2.63	0.02	2.61
Crude Oil (CLZ19)	54.48	1.60	52.88
S&P500	2995.99	0.31	2995.68
U.S.Dollar (DXZ19)	97.26	-0.74	98.00
30 Year T-Bond (ZBZ19)	160.06	0.12	159.94
10 Year T-Note Yield	1.77	0.00	1.77
13-week Treasury bill	1.62	0.00	1.62

TRADER SHEET

Symbol	Trade Update &/or Current Position	Status L=Long S=Short O=Out P=Put C=Call	Long or Short	Last Closing Price	Stops	Targets
PRECIOUS METALS PORTFOLIO (19%)						
GOLD (GCZ19)	Gold's 'D' decline continues to develop. More downside is likely if gold stays below the Sept downtrend at \$1505. Notice that previous ST support is now turning into resistance, yet another bearish indication. Plus momentum remains lackluster as safe haven demand eases. A break below \$1480 would confirm recent weakness which could push gold to its downside target below \$1400. I recommend keeping a reduced position in gold and silver for now and remain short gold shares (via DUST) to gain from the current contra-trend. Cash reserves remain healthy and ready to pick up gold, silver and their shares at lower levels. Be patient.	L	Bot: 1170 (Jan-5-17), 1220 (Mar-16-17). Sold half at 1287 for an average 8% gain. Bot: 1225 (Jul-3-17). Sold half at 1345 for an average 11% gain. Bot: 1289 (May-16-18), 1265 (Jun-21-18), 1258 (Jul-5-18), 1205 (Aug 30, 18). Sold half at 1290 for 5% gain. 1282 (May-8-19). Sold half at \$1420 for a 14% gain (Jun-24-19).	1487.50	Sell on a 2dc below \$1365	Open
PHYS	Keep your positions. Wait for weakness to buy more.	L	Bot: 9.63 (Jan-5-17), 10.12 (Mar-16-17). Sold half at 10.54 for an average gain of 7%. Bot: 9.98 (Jul-3-17). Sold half at 10.95 for an average 10% gain. Bot: 10.58 (May-1-18), 10.15 (Jun-28-18), 10.20 (Jul-5-18), 9.65 (Aug 30, 18). Sold half at 10.39 for 5% gain. 10.20 (May-8-19). Sold half at \$11.30 for a 14% gain (Jun-24-19).	11.93	10.85	Open
SILVER (SIZ19)	Silver continues to consolidate the recent bullish rise since May. It's resisting near the Sept downtrend but Spinner is struggling to show a relevant pick up in momentum. Consider silver will continue to get dragged down with gold as the 'D' decline develops but it's likely to hold up better than gold as resources rebound. Silver has good support at the May uptrend near \$16.50 and deeper support at the May lows. Buy more silver near \$16.50 and more on a further decline below \$16.	L	Bot: 15.80 (Jul-17-19), 16.50 (Aug-7-19).	17.500	2dc below 15	Open
PSLV	Keep your positions. Wait for weakness to buy more.		Bot: 5.50 (Jul-17-2019), 6.25 (Aug-7-19).	6.410	2dc below 5.25	Open
HUI Index	Gold shares continue to show weakness with increased risk of further downside. HUI's break below the H&S top is a strong indication of weakness. Spinner is near an extreme low showing momentum is down. A break below 200 could be the catalyst for a renewed leg down, to possibly the Oct uptrend near 165, the H&S top's target. The A/D Line has not broken down, but it's looking topy suggesting weakness still developing. We've been out of gold shares and have been building a position in DUST, an inverse ETF to gold shares to protect reduced positions in gold and silver and to gain from gold's 'D' decline. Stay out for now. I'm keeping DUST for the rest of the decline.	--	N/A	203.37	N/A	N/A
DUST	DUST continues to trend up. It's now testing the top side of a 3 month long sideways band near \$9. A break above this level could be the catalyst for DUST to rise to our profit target, or maybe higher. Remember, DUST is an inverse ETF to gold shares that we're using as insurance against downside risk in core positions in gold and silver and to profit from the developing 'D' decline. Keep your positions.	L	7.40 (Aug-14-19), 7.20 (Aug-21-19), 7.45 (Sept-11-19), 6.90 (Sept-26-19).	8.18	Keep	13 (adj).
BONDS (7%)						
TBT	TBT continues to uptrend. The flight out of risk assets seems to be fueling inflation expectations which could continue giving long term interest rates a boost upward. Notice TBT breaking above the Apr downtrend, suggesting a rise to the top side of the Aug upchannel initially near \$27 is now likely. Keep your positions. TBT is poised to rise further.	L	25.40 (Sept-11-19), 24.60 (Sept-26-19), 24 (Oct-2-19).	25.6	2dc below 23	32

TRADER SHEET CONTINUED

Symbol	Trade Update &/or Current Position	Status L=Long S=Short O=Out P=Put C=Call	Long or Short	Last Closing Price	Stops	Targets
CURRENCIES (52%)						
U.S. DOLLAR (DXZ19)	The U.S. dollar index broke below the developing rising wedge pattern as Spinner sunk to an extreme showing weakness suggesting a continued downside. The dollar was also affected from a flight out of safety and into risk assets. However, the dollar index has support at the Jan uptrend near 96. If it holds, it'll show longer term strength. On the contrary, if the dollar breaks below the Jan uptrend, we could see an intermediate trend reversal with an extended downside risk. Keep cash reserves in U.S. dollars or highly liquid U.S. dollar denominated assets.		Holding cash in highly liquid, low interest bearing instruments in U.S. Dollars.	97.26		
RESOURCES AND ENERGY (12%)						
Crude (CLZ19)	Crude continues to bounce up from key support at \$52. Spinner rising from an extreme, breaking above zero, showing momentum could be shifting to the upside ST. This tells us, if crude oil holds on to the recent gains, a renewed leg up rise to the top side of the year long sideways band near \$63 would be likely. On the downside, the decline since Sept together with the recent bounce up could also be interpreted as a bearish flag pattern. This tells us, if crude oil breaks below \$52, crude oil could decline to longer term support near \$40. Keep your positions as long as crude holds above \$52.	L	57.90 (May-24-19), 53.75 (May-31-19), 54 (Jun-19-19).	54.48	2dc below 52	62
DNR	DNR continued to re-test the low and support near \$1. If it holds and bounces up to the top side of the sideways band, it could complete a bullish H&S bottom with handsome upside potential. Keep your positions for now and as long as DNR holds above \$1. If you're not in, or looking for increased exposure, buy at mkt.	L	1.40 (Sept-11-19), 1.23 (Sept-13-19), 1.10 (Oct-7-19)	1.05	2dc below 1	2.50 & 4
COPPER	Copper is bouncing up from recent lows showing support. The breakout suggests a rise to the top side of the channel near \$3 is now likely. Spinner is rising showing momentum picking up steam. Dr. Copper is telling us we could see a pick up in global resources which could coincide with a flight to risk assets and resources in the foreseeable future.	O		2.6330		
OTHER STOCKS (10%)						
ACB.TO	Cannabis stocks continue to struggle. The environment is not favorable for growth stocks. However, ACB.TO continues to allow us exposure to an industry that is poised to grow by leaps and bounds. We continue to hold a small position with reduced exposure. Noteworthy, the industry was recently affected severely by health concerns over the usage of products that lack regulation, causing severe illness or death. However, it's part of the growing pains the industry will go thru. The use of medicinal and recreational cannabis will be subject to changes, but will continue to grow. It's expected to grow 100 times over the next 5 years. Keep your reduced positions during weakness.	L	Bot: 9.90 (Nov-8-18), 9.40 (Nov-9-18)) (ACB: 7.60 (Nov-8-18), 7.15 (Nov-9-18)). Sold half for 25% gain (Mar-13-19). 11.75 (May-2-19). Sold half for a 4% loss. Bot: 9.97 (Jun-6-19). Sold half for 12% loss. 8.25 (Sept-11-19).	4.69	Hold during weakness	14.5 (ACB: 12)
PG	PG tested support at the Oct uptrend near \$117 and held. It's now bouncing up with strength. Spinner bouncing up from an extreme suggesting momentum could be shifting ST. I'm ready to increase positions in PG as more upside seems likely. However, wait for a pull back to \$120 or lower to add to your reduced position.	L	103 (Apr-24-19), 106 (May-22-19), 105.50 (Jun-5-19). Sold half at \$124.50 for 20% profit!	122.18	2dc below 117.	125 (reached!) & 150
GSH	The Guanghen Railway operates the sole railroad between Guangzhou and Shenzhen in the China's Pearl River Delta, with a connection to Hong Kong, providing passenger and freight transportation services. The Shenzhen region is a special economic zone created by China. It's considered the most liberal part of China and it's compared to the U.S. Silicon Valley. The growth potential of the city is astounding and it's poised to be a leader by 2025. GSH is poised to benefit greatly as it will be a key component of its continued future growth, transporting raw materials and energy. GSH has been affected by trade war concerns, but has been showing signs of a bottom. A break above \$16 would show a trend reversal and continued upside potential. Buy some at mkt.	O	-	15.88	2dc below 15.40.	19 & 25.
JPM	JPM is showing great upside potential, especially after breaking above the recent Sept highs. Spinner is very strong, near a high, but it's also suggesting a pull back to the breakout level near \$120 is likely. It also has ST support at 115, and the Dec uptrend near \$107 is major support. Buy some near \$120 and more on a decline below \$115.	O	-	124.79	2dc below 105	150 & 200

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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, i.e., 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 mkts than in trading ranges where indicators such as Stochastic & Williams %R should be used.

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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