



-GCRU-

Weekly Trading Strategies



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Achieves gains by trading commodities, currencies and stocks

Oct 9, 2019

IN ITS 18th YEAR - Nº 855

**THE U.S. CONSUMER COMES TO SAVE THE DAY!!
BUT IT'S GETTING PRETTY LONELY UP THERE...**

CASH POSITION IS THE LARGEST IN YEARS.

GOLD BOUNCING UP BUT STILL UNDER-PRESSURE BELOW \$1540

**RESOURCES CONTINUE TO BOTTOM...
WHAT'S UP WITH CRUDE OIL?**

Amid global economic growth concerns and negative yields on a big portion of sovereign bonds, the U.S. posted employment data showing the lowest unemployment rate in 50 years is keeping the U.S. consumer robust.

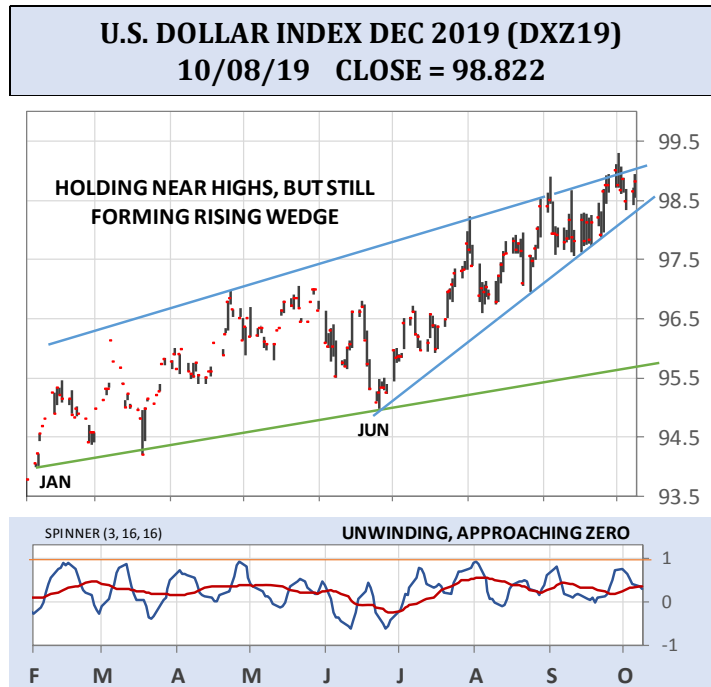
The news has been very bullish for the dollar, keeping it a float near the recent highs. Talks over monetary policy have tamed as concerns over growth prospects are subsiding.

Keep in mind, that although the report issued last week was not as strong as many had anticipated, it shows the U.S. has not yet started to import or is hurting from lackluster global growth.

"Virtue is more to be feared than vice, because its excesses are not subject to the regulation of conscience." - **Adam Smith**

Moreover, an intermediate chart of the dollar index shows it has more upside potential ST, especially if it breaks out of the on going rising wedge above 99.50. This means we could continue seeing stronger king dollar and more downside pressure on global currencies and precious metals during the following weeks or maybe months.

This burst of strength from the dollar could coincide with gold's 'D' decline that has been developing for over a month now.



Downside Pressure on Gold Remains Strong ST.

Gold bounced up from its 15wk MA showing support and strength near \$1500. However, the declining tops in gold since Aug suggest a downtrend has emerged. This means gold must break above the downtrend to show signs of a trend reversal (currently near \$1540).



If gold fails to rise above this level, it'll remain down trending. A break below its 15wk MA on a 2dc below \$1480 exposes further weakness and a continued decline to deeper support near \$1365 would then be likely. Keep your reduced positions. We'll buy more once clearer signs of a bottom emerge, ideally below \$1400.

Silver has also been falling. It too lost the \$18 handle and it's holding near ST support above \$17.

However, silver has stronger support near \$16-\$16.50, the recent uptrend. I'm looking at this level to add to my positions. Be patient, allow for more weakness to develop before adding positions.

We also have our eye on some silver shares to start buying, once we identify a clear bottom in silver, after gold's 'D' decline reaches maturity.

Our positions in gold and silver are reduced and represent about 15% of our portfolio. We're protecting against downside risk in gold and silver thru DUST, a 3x inverse ETF to the HUI (gold shares).

Initially we had purchased DUST as an insurance, but we've been quietly adding to the position. It's higher than I would normally buy for insurance, but still less than a full long position.

DUST continues to show higher lows, with a solid base forming at \$6. A break above \$9 confirms a breakout rise from the low that could push DUST to our profit target at \$12.



Keep your positions and sell at the profit target when reached.

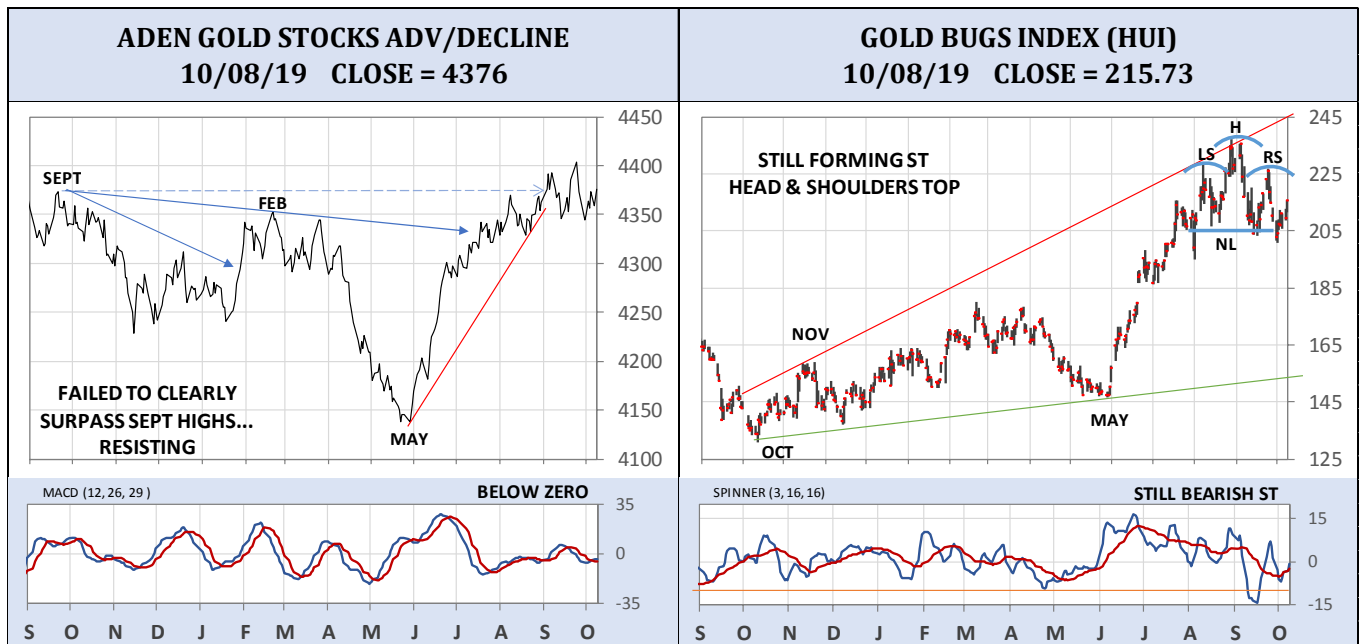
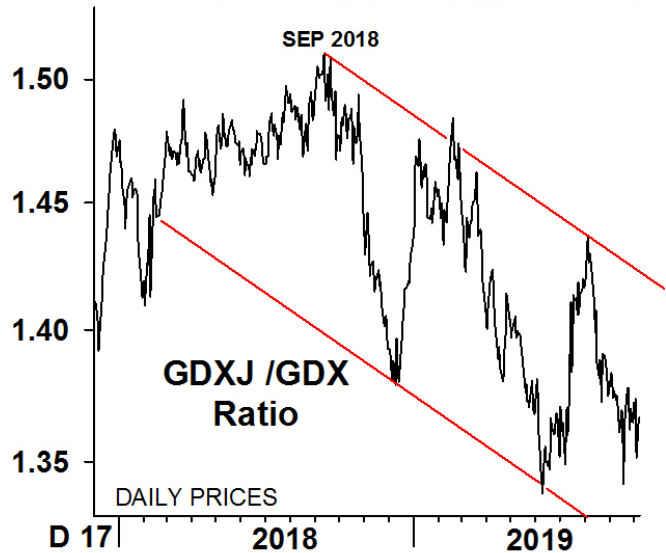
The Junior mines are weaker as a whole versus the Senior mines. This is a weak sign for gold shares overall.

Gold shares remain under pressure. We showed last week HUI breaking below a H&S top pattern with downside target near 165.

The recent bounce up hasn't shown any legs, meaning, it hasn't broken above ST resistance that could show signs of renewed strength.

Our in-house A/D Line is also showing weakness as it failed to surpass the Sept 2018 high, exposing a clear resistance at current levels. The overall picture suggests lower lows for gold shares. We'll continue to wait before buying.

GOLD SHARES: JUNIORS WEAKER THAN SENIORS



One of the gold shares that I'm keeping a close eye is a long term favorite Agnico Eagle Mines (AEM). It's fallen nearly 20% from top to bottom and although I'm allowing for more downside to develop, I would consider picking up some near \$46.

Don't buy just yet. I will start to include charts of gold shares that I think could be top performers when the lows in gold after the 'D' decline settle in.

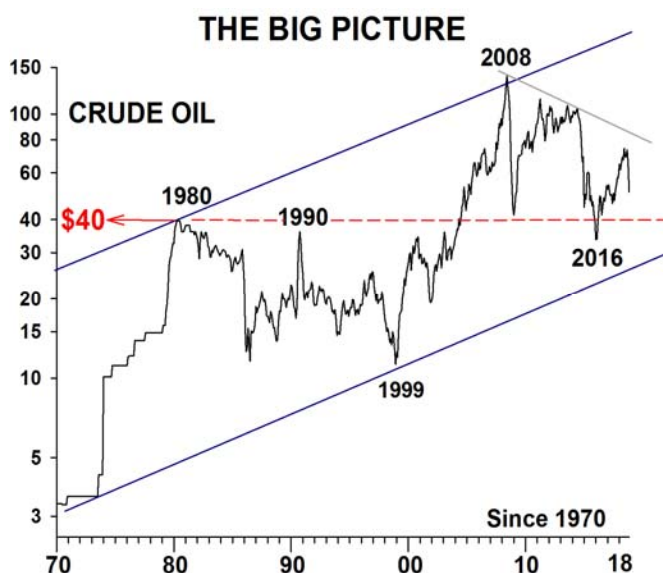
What's wrong with Crude Oil?

The amount of capacity production of crude oil worldwide is so great, that less and less geopolitical issues influence its price.

Supply shocks like the ones in the 70s are no longer likely since production is so distributed worldwide.

Because of potential global production capacity, supply disruption can easily be made up, minimizing any impact due to individual or isolated supply disruptions.

In the past, issues such as the drone strike at the Saudi facility, or the sequestered English ship at the Strait of Hormuz, or production reduction like seen in Venezuela would have a bigger impact as production capacity was concentrated mostly in those areas.



Most of which has changed since the U.S. individually but even jointly with Canada, have become a crude oil producing power house.

“Recent” historical price support in crude oil suggests \$40.

Moreover, when one considers the cost of production per barrel of oil, profit margins are poised to scale back.

It can be argued longer term that crude will end falling back near the \$40 level, or even lower.

The longer term dynamic is important to take into consideration to identify developing mega trends.

Short term, we continue to hold crude oil at an average price of about \$55.

Notice Spinner is near a low area that when reached, it typically has suggested a floor. Moreover, notice crude is bouncing up from the bottom side of the yearlong sideways between \$52.

Price action suggests crude could float to the top side of the consolidation band ST. Keep your positions for now. Buy a bit more at mkt. Lower your profit target to \$62. Sell all when target is reached.

We're also holding Denbury Resources (DNR). We added some to our position as DNR fell to the lower \$1, near its rock solid support.

Notice DNR continues to form a bottom. It's holding up well, even as crude oil tests support at \$52. It's forming a H&S bottom with bullish break-out level near \$1.70. We've been accumulating at the lows and are now waiting for a bounce up.

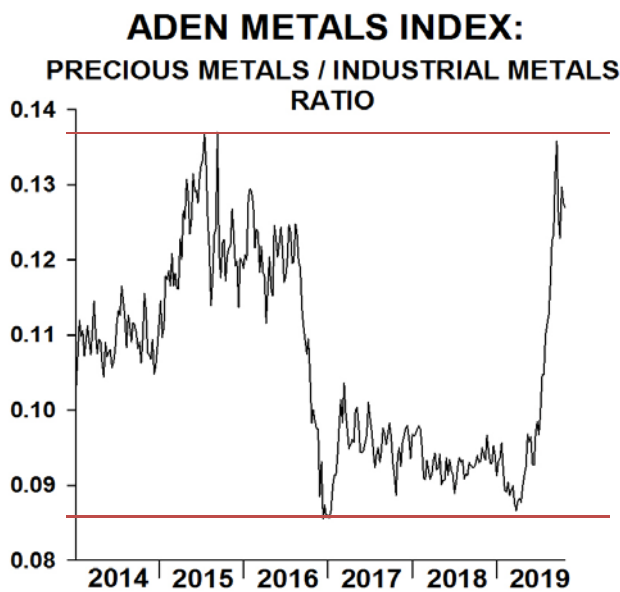
Resources overall remain under-pressure. Copper continues to hold (reluctantly it seems) at support near \$2.55, the new recent low. Global sluggishness is putting pressure on copper and lower levels are likely.





Copper must rise above ST resistance at \$2.65 initially to show signs of renewed strength. Remember \$2.65 was copper's previous support. It's turning into resistance. A bearish indication.

Precious metals have far outpaced industrial metals in recent months. Notice the ratio below has reached a high after a violent upsurge, suggesting a pull back is likely.



This means, conditions will likely be favoring resources over precious metals ST. Yet another confirmation of gold's 'D' decline.

Palladium (PALL) on the other hand, continues to defy gravity. Demand for PALL remains high and it continues to rise with strength. It has recently consolidated the breakout above \$148 but could be pulling back to its breakout level.



Notice on the chart PALL has bullish uptrend and support at the Oct 2018 uptrend near \$140. Although PALL has held up strong, Spinner is unwinding suggesting some downtime could be likely.

We'll take advantage of a pull back to buy.

Stocks Looking Topy...

The stock market seems to be correcting. There have been sectors

and individual stocks that have performed better than the broader market, like Procter & Gamble (PG).

We recently took 20% profits and continue to hold the rest of our position. But you can see weakness from the broader market is weighing in.

More importantly, telltale signs of exhaustion in the overall market continue to emerge.



The Transportation Average, a leading component of Dow Theory, continues to show weakness. Despite the recent rally, its year long chart looks topy, with downside risk developing. If Transport companies are leading, the path seems down.

I mentioned in past issues my concern over the Fed's backing of the repo market to keep repo rates low amid what seems to be a liquidity crunch developing in the U.S., adding to the global sluggish picture.

Certain strong data out of the U.S. continues to support a stronger U.S. consumer (unemployment at 3.5% low). As we've mentioned before, the U.S. consumer has held up this market and it's seemingly the only strong fundamental justifying higher stocks.

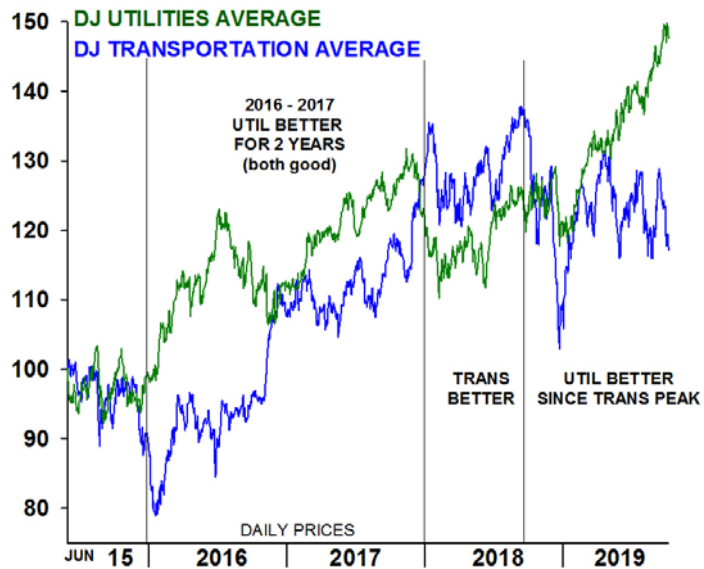
I say, never keep your eggs in one basket... I like the U.S. consumer basket. It has allowed to profit from trading U.S. equities. But at this moment I believe in limiting exposure to U.S. equities and hedge against downside risk on the assets that we still have.

The case for a bear market continues to gain steam, with more and more reasons evolving for a bear to break-down.

Consider Dow Theory continues to tell us U.S. equities are in a bull mkt. Support on most indicators that are used to measure strength remain on the bullish side.

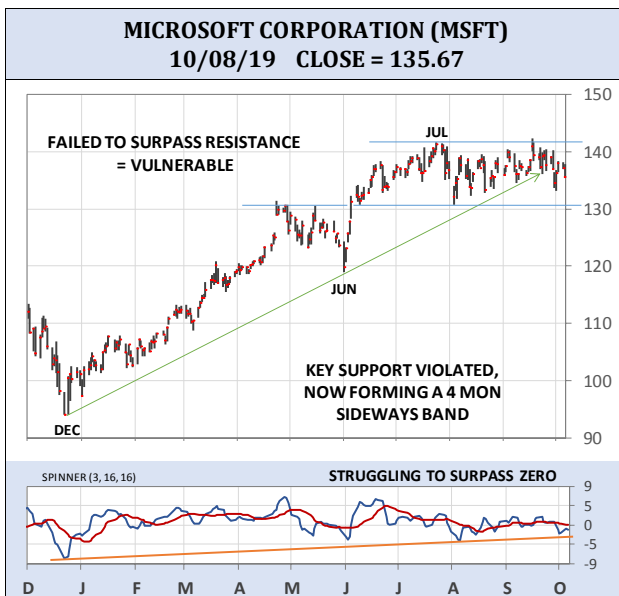
But although the Transports haven't fallen to new lows, they've remained downtrending and lackluster with respect to Utilities, which tend to trade as safe havens within U.S. equities.

UTILITIES: MUCH BETTER THAN TRANSPORTATION STOCKS



Both seasonality and growth concerns could taper stock market outlook. And if sentiment shifts and investors and traders suddenly realize the best case scenario has already been priced into stocks, there will only be one way to go: DOWN.

To counter weakness affecting our longs in U.S. equities, I use SDS. SDS is an 2x levered ETF that moves opposite to the S&P500. That is, when the S&P 500 rises SDS falls 2x as much. When the S&P 500 falls, SDS rises 2x as much. As with DUST, I use this vehicle for ST moves only, as insurance, to counter risk developing in my long positions. It's almost like using options.



SDS is forming a solid bottom with recent breakout above its 5wk MA. It pulled back, but it's holding above important support near \$30. It's on our radar to buy for downside risk to our stocks.

We unloaded Microsoft (MSFT) as it hit our stop loss. We'd been monitoring MSFT closely. It had been forming a bullish ascending triangle with breakout level at \$141.

However, resistance is winning the game and MSFT is breaking below uptrend and support suggesting price exhaustion. We sold for a small gain, but essentially break even.

Aurora Cannabis (ACB.TO) failed to sustain upside momentum last week after it attempted to surpass resistance at \$6.

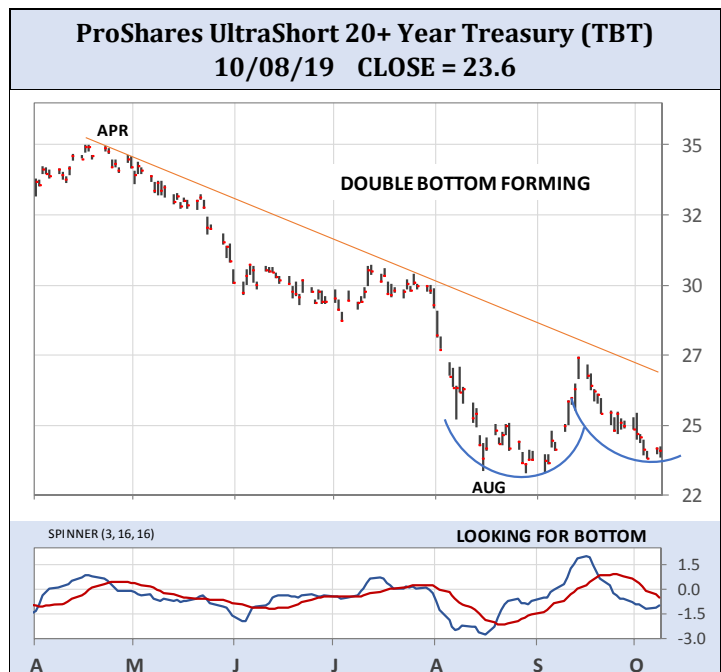
But the current environment is punishing growth stocks. Our exposure to ACB.TO remains limited, allowing us to keep skin in the game within the multibillion dollar medicinal cannabis industry that continues to grow and evolve, regardless of trade disputes or economic duress.



If you don't want to continue holding on to ACB.TO, wait for a rebound above CA\$8 before unloading.

We also increased positions in TBT, an inverse ETF to TLT, a U.S. government bond ETF. TBT rises with long term U.S. government bond yields.

TBT is testing its lows. However, it's at an extreme and could see a trend reversal or secondary reaction pushing longer rates higher.



Bought a bit more last week and recommend lowering your stop to 2dc below \$23 (as opposed to \$23.50).

Our strategy this week is stay patient. My cash position is at the highest level in a long time. Part of the reason is that most upside potential seems limited and capped. Markets are frothy. The shift or contra-trends, continue to develop. Be patient; many times the best trade is the one that's not done.

Good luck and good trading,



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A division of Aden Research

Please join us at the Annual New Orleans Investment Conference. It'll be a great one from Oct 31 to Nov 4.

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KEY PRICES			
Name/Symbol	Oct 8, 2019 Price	Change	Oct 1, 2019 Price
Gold (GCZ19)	1503.90	14.90	1489.00
Silver (SIZ19)	17.70	0.40	17.30
HUI (HUI)	215.73	11.44	204.29
Copper (HGZ19)	2.57	0.01	2.56
Crude Oil (CLX19)	52.63	-0.99	53.62
S&P500	2893.06	-47.19	2940.25
U.S.Dollar (DXZ19)	99.13	0.35	98.78
30 Year T-Bond (ZBZ19)	164.56	1.87	162.69
10 Year T-Note Yield	1.54	-0.10	1.64
13-week Treasury bill	1.66	-0.09	1.75

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 (18%)						
GOLD (GCZ19)	Dead rat bounce? Gold broke below a rising wedge pattern recently confirming a shift in trend, giving way to a developing 'D' decline. Spinner resisting below zero showing momentum remains weak. This week's rebound suggested support at \$1500, which caused some enthusiasm. However, it's important to keep in mind that any rebound rise that fails to surpass \$1540 is just a reaction within the developing trend. Gold's 'D' decline is 1+ mo old today and it'll likely continue to develop further. We remain with limited exposure and holding positions in DUST to counter the downside.	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).	1503.90	Sell on a 2dc below \$1365 (adj).	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).	12.09	10.85 (adj)	Not selling!
SILVER (SIZ19)	Downside pressure continues to weigh silver down. The Oct downtrend is steep, but remains indicative of ST trend. Silver's Spinner is below zero in a low area, struggling to surpass its own MA suggesting weakness. Silver's next real support is at the May uptrend near \$16.50, but it's quickly rising. Buy some silver below \$17 and more near \$15, if given the chance. Consider silver's stronger support remains the year + long support near \$15. Keep your positions as long as silver holds above that level. We're also looking at silver shares.	L	Bot: 15.80 (Jul-17-19), 16.50 (Aug-7-19).	17.700	2dc below 15	21.5 & 25
PSLV	Keep your positions. Wait for weakness to buy more.		Bot: 5.50 (Jul-17-2019), 6.25 (Aug-7-19).		2dc below 5.25	6.5 & 7.
HUI Index	The 'D' decline is just getting warmed up. There's more downside pressure on the horizon. HUI's H&S top with downside target near 165 (coincidentally near the Oct uptrend) continues to develop. Look for a decline below 200 for weakness to exacerbate. HUI's Spinner is lackluster below zero showing momentum is down. Our in house A/D Line nominally broke above a year long high resistance recently, but failed to sustain the gains and it too is now looking topy. Stay out of gold shares for now. Keep positions in DUST.	--	N/A	215.73	N/A	N/A
AEM	AEM has fallen nearly 20% from the Aug peak to the current low. Spinner remains under pressure below zero suggesting more downside is likely. Price action suggests, if AEM breaks below \$52, a continued decline to the Nov uptrend near \$46 would be likely. AEM will remain under pressure below the Aug downtrend near \$56.50. Buy some near the Nov uptrend.	O	Out	54.97	-	-
DUST	DUST continues to hold above support near \$6 with growing upside potential as weakness develops in gold shares. Resistance for DUST at \$9 is key. And if broken to the upside, DUST could rise to our profit target, its next resistance. Keep your positions for now and sell at our profit target. Remember, our position is a small one. It's originally intended for insurance and it grew a bit larger, but still smaller than a normal long position would be. DUST is highly speculative and you've seen it has wild moves. It's not for the faint of heart!	L	7.40 (Aug-14-19), 7.20 (Aug-21-19), 7.45 (Sept-11-19), 6.90 (Sept-26-19).	6.85	Keep	12
BONDS (7%)						
TBT	TBT slipped below our stop, but jumped back above it, showing support. It's holding at the lows, reluctantly breaking below them. If TBT holds, it will be building a base from where to bounce up from. A break above the Apr downtrend on a 2dc above \$27 would confirm strength opening the door for TBT to rise to our profit target. Spinner bottoming, suggesting a shift could be near. Keep your positions. Lower stop to \$23, the low. Allow for some leeway. Sell when target is reached.	L	25.40 (Sept-11-19), 24.60 (Sept-26-19), 24 (Oct-2-19).	23.6	2dc below 23 (adj)	32 12

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 (53%)						
U.S. DOLLAR (DXZ19)	The dollar remains strong, near the highs. The recent robust jobs numbers could provide support and strength for the dollar to rise further. The Dollar Index's chart shows, however, that it's still forming a rising wedge with support at 98 just as momentum is turning down. This means, if the dollar breaks support 98, a decline to the Jan uptrend near 96 would be likely. Consider that even above 96, the dollar index remains uptrending with strength.		Holding cash in highly liquid, low interest bearing instruments in U.S. Dollars.	98.82		
RESOURCES AND ENERGY (12%)						
Crude (CLX19)	Crude oil is bouncing up from the bottom side of a year long sideways band between 52 and 63. Lackluster growth and a liquidity crunch could add downside pressure to an already oversupplied oil market. And if growth prospects outside of the U.S. do not improve, we could see further downside pressure. ST however, crude seems to have reached an extreme. Spinner is bottoming just as crude bounces up from support, suggesting a bounce up to the top side of the band is likely. Adjust profit targets to \$62. Sell all on a bounce up to target area.	L	57.90 (May-24-19), 53.75 (May-31-19), 54 (Jun-19-19).	52.63	2dc below 52	62 (adj).
DNR	DNR continues to form a bottom above \$1. I picked up some more DNR near \$1.10, near the current lows. If you're not in or looking to increase exposure, buy some at mkt, ideally near \$1.10 or lower. The floor seems set at \$1 with upside potential. Keep your positions.	L	1.40 (Sept-11-19), 1.23 (Sept-13-19), 1.10 (Oct-7-19)	1.05	2dc below 1	2.50 & 4
PALL	Consolidating. PALL is consolidating the recent breakout rise a few weeks ago. PALL could decline to the breakout level near \$147 or even the Oct uptrend near \$140. Spinner above zero, but rolling over. We continue to wait for a deeper pull back near \$145 before buying.	O	-	158.20	-	-
COPPER	Copper continues to hold above \$2.55. The Apr downtrend and descending triangle suggests downside pressure persists. If copper breaks below \$2.55 on a 2dc, it'll likely continue to decline. Copper must break above \$2.65 initially to shows signs of a reversal. Stay out.	O		2.5685	Out	
OTHER STOCKS (10%)						
ACB.TO	Continues to form downside wedge pattern in an attempt to rebound. The rebound target is the Mar downtrend near \$8.00. I recommend waiting for a bounce up before unloading. We're currently holding a reduced position. It allows some exposure to the growing industry, even though it's not favored under current conditions. If you're looking to unload, wait for a rebound to the Mar downtrend.	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).	5.52	Holding during weakness	14.5 (ACB: 12).
PG	PG remains near the highs. The recent decline in stocks took a toll, but overall PG remains on a solid upward path. PG is very strong above our stop at \$120 and remains on a solid uptrend above \$115. PG is a great company to buy and hold. I trade it to profit from intermediate moves, but it's one of those you can hold long term.	L	103 (Apr-24-19), 106 (May-22-19), 105.50 (Jun-5-19). Sold half at \$124.50 for 20% profit!	120.93	2dc below 120	125 (reached!) & 150
MSFT	MSFT failed to break above resistance at \$141 showing exhaustion, and broke below the bullish ascending triangle pattern. The chart now shows MSFT forming a 4 mon side ways band and it could fall back to the lower side near \$130. If broken, it could fall lower. Stay out for now.	O	135 (Aug-14-19), 134 (Aug-26-19). Sold half at 139.50 for small gain. Sold second half via stop at \$138 for a small gain.	135.67		

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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	
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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