



# -GCRU-

## Weekly Trading Strategies



Omar Ayales

Achieves gains by trading commodities, currencies and stocks

Nov 13, 2019

IN ITS 18<sup>th</sup> YEAR - Nº 859

**GOLD BREAKS BELOW KEY ST SUPPORT LEVEL...**

**THE 'D' DECLINE GAINS STEAM...**

**GOLD SHARES ARE FOLLOWING...**

**STOCKS HAVE BULLISH UNDERTONE**

**BUT A ST PULL BACK IS LIKELY**

**I'VE ADDED SOME POSITIONS BUT**

**STILL HOLDING LOTS OF CASH**

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**C**ontra-trends are starting to pick up steam... Long term rates continue to rise, the yield curve continues to steepen as fears of an economic slow-down seemingly scale back... for now.

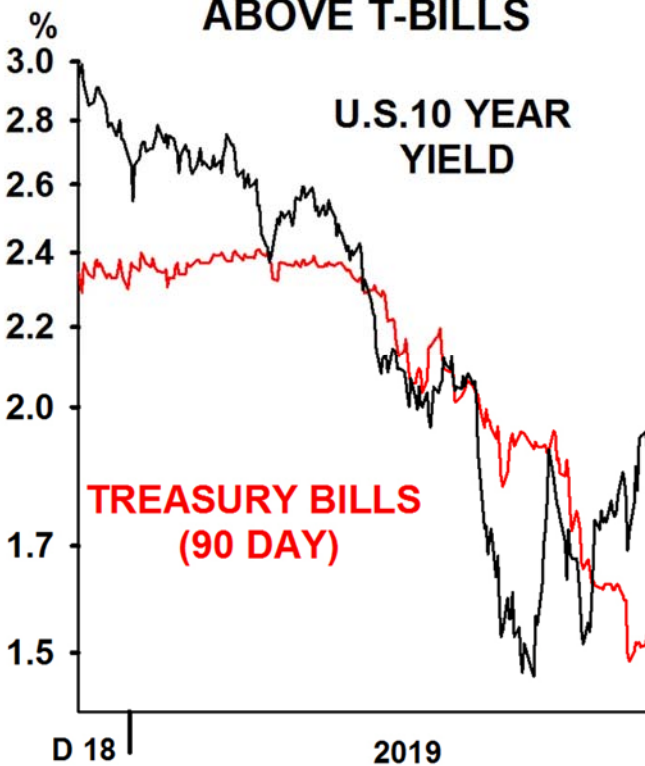
The yield on 10 year U.S. Treasuries has jumped up from a multi-year support level. The bounce up has been strong with potential for more upside, to possibly 3%.

Keep in mind earlier in the year, even longer term rates had fallen to historical lows. But interestingly, the recent Fed induced rate cuts have helped steepen the yield curve, keeping short rates down while pushing the longer term rates higher.

*"Bank on the trends and don't worry about the tremors."*

*-J. Paul Getty*

## 10 YY TRYING TO STAY ABOVE T-BILLS



Notice on our chart of the week, the 10 year yield and 90 day T-Bill rate since Dec 2018. Both rates had fallen together sharply from a high area. More recently the 10 year yield has been bouncing up from historical lows, surpassing the low 90 day T Bill rate, reverting to a more historical normal.

We've been anticipating this move for the past months as we had started seeing capital exit the safe haven trade while going into higher risk such as U.S. equities. It is no coincidence the U.S. stock market reached new highs yet again.

Moreover, inflation expectations are at a high with concerns over economic slowdown or economic recession in the U.S. on the back burner.

During the past few months, we've been picking up TBT, an inverse ETF to TLT, which is an ETF made up of long duration U.S. government bonds. Owning this ETF is the exact equivalent of being short long term U.S. bonds (or you can say, it rises when long term rates rise, like now).

The play on TBT was a bet that long term rates in U.S. government bonds would rise as the Fed cut ST rates. So far, so good.

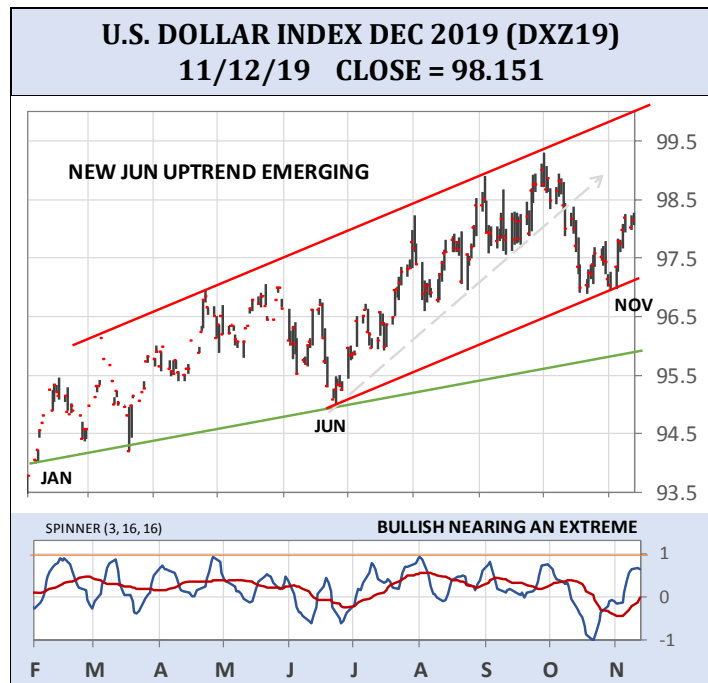
Notice TBT broke above resistance at \$27. It's showing lots of upside potential. Spinner is just getting heated up.



Price movement suggests TBT is going higher, meaning long term rates on U.S. government bonds are poised to rise further (as confirmed with the 10 year yield above).

We'll continue to hold on to our positions. If you're not in or looking for exposure, consider buying below \$27. You will not get the full upside since buying in Aug, but it would still be profitable.

The steepening of the yield curve, with longer term rates rising considerably higher than shorter term rates, as much as it suggests strength of the U.S. economy, it will remain bullish for the U.S. dollar.



Notice the dollar pulled back after breaking below a rising wedge pattern. However, it held at the wedge target and it's bounced up showing renewed upside potential.

The U.S. dollar index looks strong, but it's yet to be seen if it can break above the recent highs above 99.50. Keep in mind, continued weakness in Europe and emerging markets will also help keep the dollar afloat.

The "risk on" trade has not affected the U.S. dollar much, it's rather putting downside pressure on gold as safe haven demand wanes.

Gold reached an intermediate peak in September (3+months!) and has since been down-trending. Just last week we saw gold's 'D' decline unfold with still some room to develop further.

I mentioned support at \$1480 was key and that the rise above \$1505, although noteworthy, it wasn't trend reversing and more downside pressure was still likely.



Just this week gold broke below \$1480 to a new low for the move. My indicators suggest the decline is not over just yet and more downside pain is still likely. Gold could fall below \$1400.

Our ideal entry target would be the mid \$1300s, but I'll be ready to buy on dips below \$1400.

Silver is a different story. It had not risen as much as gold has and its recent

bullish breakout and its value in relation to gold suggests silver is poised to outperform gold MT.

As we've been pointing out, this also means silver's downside could be limited during gold's 'D' decline. Strength in resources could also help give silver a boost.

Silver broke below \$17, completing the expected pull back to the original breakout level. I picked up some silver near \$16.80 but still believe more downside is likely.

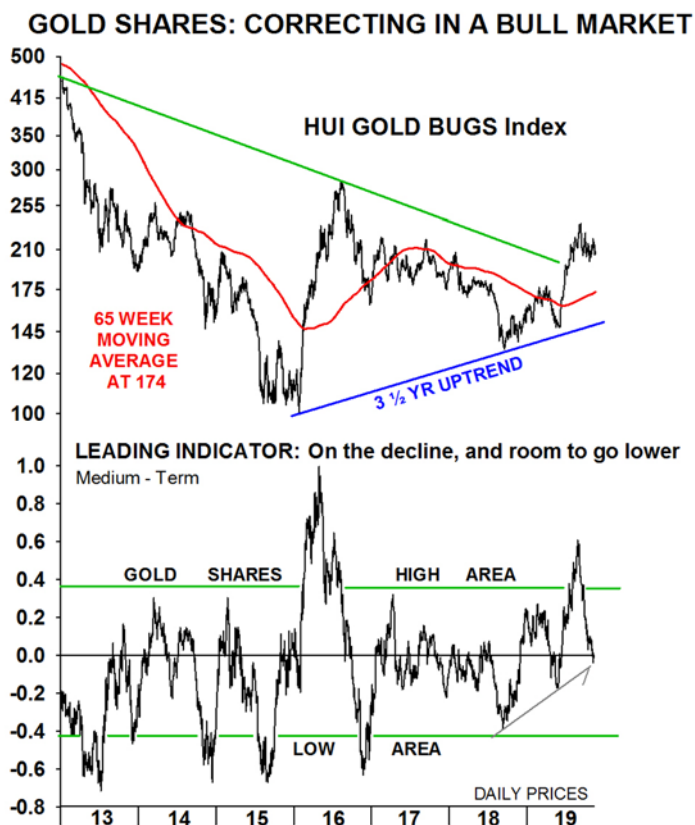
I'm not done buying silver and I'd pick up more below \$16.

The miners, on the other hand, have not yet broken below any meaningful support. HUI is still holding above 200 and it's looking steady.

However our leading indicators suggest the downside



could start picking up some steam, particularly now as gold consolidates its recent decline below \$1480.



Just this past week, HUI broke back below its critical 5wk MA. The move shows weakness and if HUI now breaks below 200, renewed weakness could push HUI to its next support near 170.

Slowly but surely, growing weakness in HUI has been pushing our position in DUST higher. It has strong resistance below \$9, an equivalent to HUI's 200 support level.

But the higher lows are a constant with DUST holding near \$8 longer and longer. A break above \$9 would be a catalyst, and a rise to our profit target would then be likely.

Notice Spinner on the chart below DUST. It's starting to break away from its MT MA with room to rise further. Price movement suggests further upside is now likely.

Keep your positions for now and until signs emerge that gold's 'D' decline is over.

Also rising with risk assets are resources. Dr. Copper recently had shown a break above a key downtrend since Apr, confirming support at \$2.55.

The bounce up is now showing signs of resistance below \$2.75, the recent high. A break



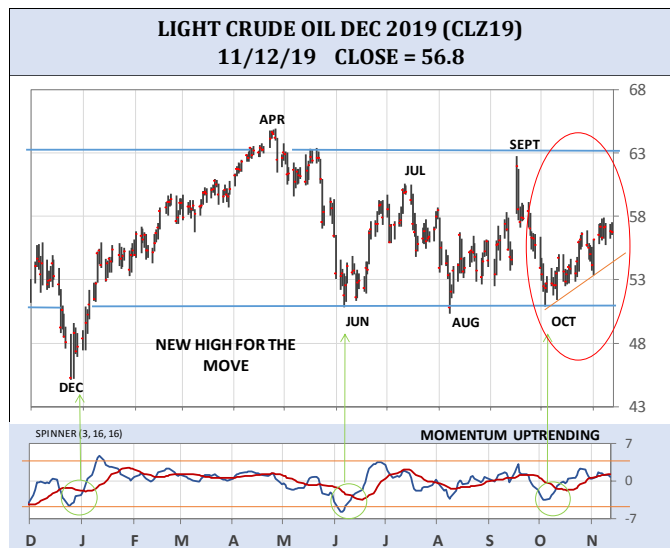
above this level confirms upside momentum with a probable rise to the top side of the year long sideways band near \$3.

Resistance in resources is also evident in crude oil and in palladium's recent pull back, as well as most other resources.

Crude oil remains in a clear uptrend after bouncing up from intermediate support near \$52. But resistance at \$58 is weighing down.

Watch crude to pierce above \$58 before showing renewed strength that could push it to the lower to mid \$60s.

I will continue to keep my positions as long as crude oil holds above support at \$52.



Although palladium has been super strong, breaking out to new highs, it's finally pulling back.

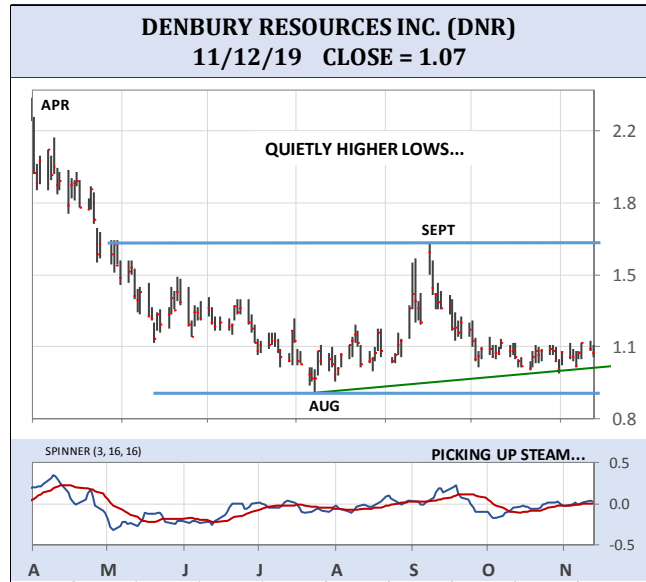
We've been waiting for a pull back or correction to pick up some PALL. Notice on the chart below PALL retracing to its breakout level. Spinner continues to roll over and falling, suggesting more downside is likely. We'll



continue to wait for a deeper pull back below \$155 to buy some and then again ideally below \$145.

Consider PALL's intermediate uptrend shows bullish support below \$140. Current value seems a bit frothy. And our indicators are telling us to have more patience.

We're also playing resources thru Denbury Resources (DNR). DNR has confirmed solid support at \$1 over the past few months.



This past week DNR tested the key level once again and bounced up. It's still struggling to gain momentum going. But rock solid support is allowing for a strong floor with handsome upside potential.

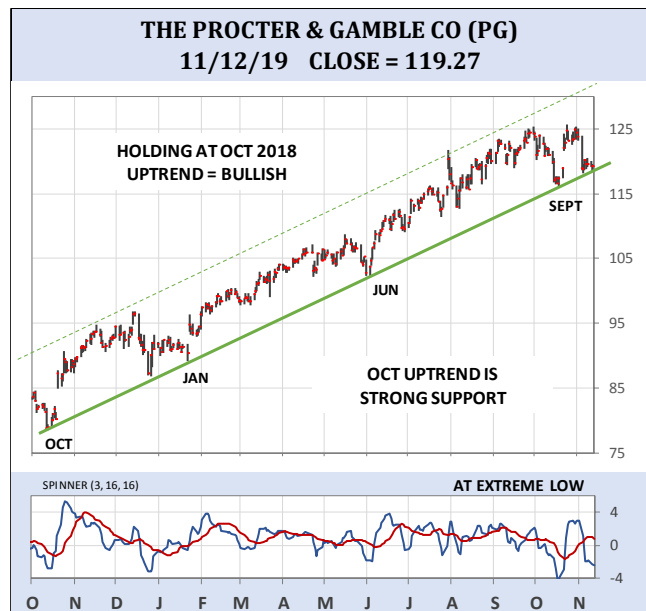
Keep your positions as long as DNR holds above \$1. If you're not in and looking for exposure to this trade, consider buying at mkt.

U.S. equities rose to new highs! The S&P 500, the NASDAQ, the Dow Industrials and several other indices rose to or near new highs showing broad strength in U.S. stocks.

And although I'm ready to buy on a pull back or correction, I'm not ready to buy at the highs.

Although some conditions creating uncertainty may have been seemingly cleared, most issues linger and could revive at any moment. I'd like to see key support levels tested before jumping in.

We're holding Procter & Gamble (PG). A very strong play on everything that the U.S. has going



for it. It's a play on the strong U.S. consumer. On growing online shopping sales, among others.

We recently added to our positions at a key Oct 2018 uptrend. The level has served as strong support for PG during the past year or so. If U.S. equities are going up, PG is going up with them.

PG is also a solid company, with solid yearly earnings growth. Almost too safe to play. It will also hold up better than most on a decline.

We've also tiptoed into upside potential in Chinese stocks from a potential trade deal. Our play is in the Guangshen Railway (GSH). A key transportation company for people in the inter cities and also delivering raw materials to the growing economic zone of Shenzhen.

It's also a company with solid earnings growth over the past 5 years and a strong play in China's consumer within the growing economic zone (one of the most liberal in China).



GSH has strong support at \$15.40. Keep your positions as long as this support level holds.

We're also holding a reduced position Aurora Cannabis. We recently added a bit to help offset losses on a bounce up to ACB.TO's next key resistance near CA\$8.50.

ACB.TO continues to build a solid base above CA\$4.50. Price patterns suggests we could see a bounce up ST. We'll be taking

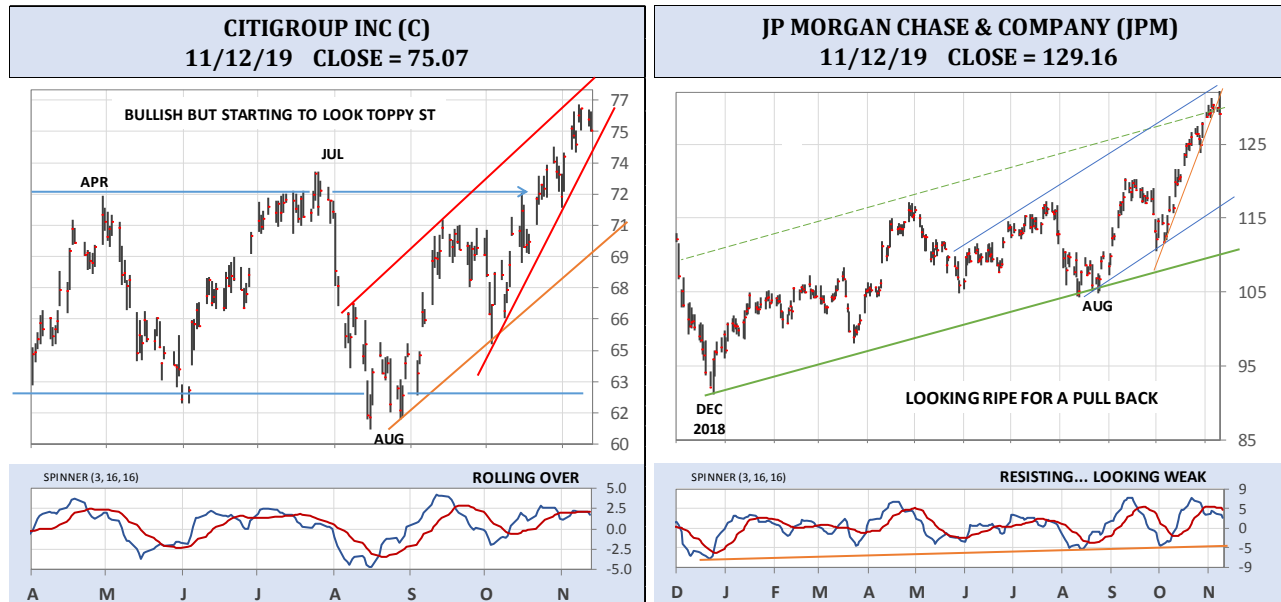




advantage of the upmove to unload.

One of the pockets within stocks that we'd been seeing could be ripe for a handsome upside potential were U.S. banks.

I like JP Morgan Chase (JPM) and Citigroup (C). Both have risen with strength to new highs. Both are showing signs the upside is overdone suggesting a pull back is likely.



I'll continue to wait for the pull back to buy some of these bankers. But don't load up! Remember we want to have sufficient buying power to pick up great gold mining shares. My cash position remains at just over 40% of my portfolio.

Our strategy this week is to continue to look at the interest rate rise unfold. We're long long-term rates and have hedged our core position in gold and silver thru DUST.

We're well positioned for contra-trends to develop while taking advantage of weakness in key markets to pick up great buys.

Good luck and good trading,

Omar Ayales  
Chief Trading Strategist/GCRU  
[www.goldchartsrus.net](http://www.goldchartsrus.net)  
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<b>KEY PRICES</b>			
<b>Name/Symbol</b>	<b>Nov 12, 2019 Price</b>	<b>Change</b>	<b>Nov 6, 2019 Price</b>
Gold (GCZ19)	<b>1453.70</b>	-39.40	<b>1493.10</b>
Silver (SIZ19)	<b>16.69</b>	-0.91	<b>17.60</b>
HUI (HUI)	<b>207.46</b>	-6.93	<b>214.39</b>
Copper (HGZ19)	<b>2.65</b>	-0.02	<b>2.67</b>
Crude Oil (CLZ19)	<b>56.80</b>	0.45	<b>56.35</b>
S&P500	<b>3091.84</b>	15.06	<b>3076.78</b>
U.S.Dollar (DXZ19)	<b>98.15</b>	0.39	<b>97.76</b>
30 Year T-Bond (ZBZ19)	<b>157.00</b>	-1.97	<b>158.97</b>
10 Year T-Note Yield	<b>1.91</b>	0.10	<b>1.81</b>
13-week Treasury Bill	<b>1.53</b>	0.01	<b>1.52</b>

**TRADER SHEET ON PAGES 11 & 12**

## 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
<b>PRECIOUS METALS PORTFOLIO (22%)</b>						
<b>GOLD (GCZ19)</b>	Gold's 'D' decline is picking up steam! Gold fell to a new 3+ mo low for the move. It's approaching the bottom side of the Sept downchannel near \$1425, gold's next ST support area. Spinner is at an extreme low showing weakness, but also suggesting the downside may be limited ST. Keep in mind any bounce up in gold must break convincingly the Sept downtrend to show a trend reversal. Otherwise, downside pressure will remain and a decline to the Nov uptrend is possible.	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).	<b>1453.70</b>	Sell on a 2dc below \$1365	Open
<b>PHYS</b>	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).	<b>11.67</b>	10.85	Open
<b>SILVER (SIZ19)</b>	Silver fell back to its mega trend reversal breakout level at \$16.50. It pierced below the May uptrend but Spinner suggests support could develop at current levels. Consider gold's 'D' decline is not over yet and, it could still push gold down further, it could also bring silver down with it. However, strength in the resource and industrial sector could be supportive of silver at current prices. We picked up some below \$17 and will be ready to buy more at lower levels.	L	Bot: 15.80 (Jul-17-19), 16.50 (Aug-7-19), 16.80 (Nov-8-19).	<b>16.692</b>	2dc below 15	Open
<b>PSLV</b>	Keep your positions. Wait for weakness to buy more.		Bot: 5.50 (Jul-17-2019), 6.25 (Aug-7-19).	<b>6.16</b>	2dc below 5.25	Open
<b>HUI Index</b>	Gold shares have been holding above support at 200 on the HUI Index, showing resilience during times of weakness within the gold universe. The bullish undertone pushing gold shares is very indicative of the strength behind gold's secular bull mkt. Although gold shares have held strong, particularly the junior mines, more weakness should be seen as normal, as gold's 'D' decline continues to develop. We remain "short" gold shares thru the ETF: DUST. It's up double digits already, but we'll continue to hold to counter declines in core (and growing) positions in gold and silver. Be patient. We're about to see the opportunity of a lifetime.	--	N/A	<b>207.96</b>	N/A	N/A
<b>DUST</b>	DUST bounced back to re-test resistance at the Sept highs just below \$9. A break above this resistance could exacerbate the upmove and a rise to the Jun highs near \$13 would be likely. Keep your positions for now. Remember, we entered this trade as insurance initially and then bot a bit more for speculation, but still remains a relatively small position. If you're not in but want exposure to this trade, there's still some room, buy below \$8. Be careful as it's wild one. Try to avoid big placements and getting greedy!	L	7.40 (Aug-14-19), 7.20 (Aug-21-19), 7.45 (Sept-11-19), 6.90 (Sept-26-19).	<b>7.98</b>	Keep	12 (adj).
<b>BONDS (7%)</b>						
<b>TBT</b>	Long term rates are on the rise! The Fed rate cut is allowing the yield curve to steepen. Interestingly, on a recent survey, inflation expectations are rising. This will continue to fuel the rout in bonds and a further rise in yields. Keep your positions, more upside is likely. Sell all at our profit target.	L	25.40 (Sept-11-19), 24.60 (Sept-26-19), 24 (Oct-2-19).	<b>26.87</b>	2dc below 23	30+ (adj).

## 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
<b>CURRENCIES (42%)</b>						
<b>U.S. DOLLAR (DXZ19)</b>	Chugging... the U.S. dollar index continues to rebound from the Nov low area. The Nov lows, together with the Jun lows, are now forming a clear 4½ month upchannel. The dollar is showing some resistance and Spinner is approaching a ST overbought area. However, keep in mind, overall the dollar remains very strong, particularly if it holds above its newly formed Jun uptrend, currently at 97.		Holding cash in highly liquid, low interest bearing instruments in U.S. Dollars.	<b>98.15</b>		
<b>RESOURCES AND ENERGY (12%)</b>						
<b>Crude (CLZ19)</b>	Uptrending... Crude oil has stalled its rebound rise at \$58. Spinner is above zero, but starting to roll over. However, crude continues to show upside potential by holding above the Oct uptrend near \$54. A rise to the top side of the year + long sideways band near \$63 is still probable. Look for a break above \$58 for renewed strength.	L	57.90 (May-24-19), 53.75 (May-31-19), 54 (Jun-19-19).	<b>56.80</b>	2dc below 52	62
<b>DNR</b>	Uptrending... DNR is quietly but surely rising... Spinner is also picking up steam, separating from its MT MA, showing strength with upside potential. The chart suggests we could see DNR rise to the Sept highs near \$1.65 initially. Keep your positions. If you're looking for exposure to this trade, consider buying at mkt.	L	1.40 (Sept-11-19), 1.23 (Sept-13-19), 1.10 (Oct-7-19), 1.07 (Oct-23-19).	<b>1.07</b>	2dc below 1	2.50 & 4
<b>COPPER</b>	The rebound rise in resources is starting to struggle near the recent highs, but remains strong overall. Copper's breakout from the Apr downtrend shows the rise since the Sept lows has legs and a bounce up to \$3 is possible. The move was very indicative of the broader resources market and economic expectations. ST however, some downside pressure is noticeable. Copper is resisting below the previous Jul highs near 2.75 and while Spinner is sluggish. Watch for a break above this level to see resources rise stronger.	O	-	<b>2.6455</b>	Out	-
<b>PALL</b>	PALL is pulling back after reaching impressive new highs. Interestingly, it's reaching a key breakout level, yet. Spinner is still rolling over suggesting more weakness is likely. PALL could now test the Oct uptrend below \$145. We've been waiting for weakness in PALL to buy some. Pick up some PALL below 155 and more below 145.	O	-	<b>159.76</b>	-	-
<b>OTHER STOCKS (17%)</b>						
<b>ACB.TO</b>	ACB.TO continues to form a solid base above CA\$4.50. Spinner remains on a (subtle) rise, above zero with room to rise further. This tells us we could see ACB.TO rise to the Sept high near CA\$8.50 in the foreseeable future. Keep your positions for now.	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), 4.75 (Oct-30-19).	<b>4.71</b>	Hold during weakness	8.5 & 13.
<b>PG</b>	PG continues to hold above the Oct uptrend as Spinner fell back to extreme lows. Volatility at the highs could be indicative of a top. The key will be if PG can hold above key support levels and breakout above developing resistance. If PG can hold above the Sept lows at \$115 and rise above the recent highs at \$125, the outlook would remain bullish. On the downside, if PG fails to breach resistance and falls below \$115, we could see a clear trend reversal. We've taken good profits and recently added to our positions as a way to increase exposure to U.S. equities. Keep your positions for now.	L	103 (Apr-24-19), 106 (May-22-19), 105.50 (Jun-5-19). Sold half at \$124.50 for 20% profit! 119 (Nov-4-19).	<b>119.27</b>	2dc below 115.	150
<b>GSH</b>	GSH failed to surpass the recent Oct highs showing weakness. Spinner is also showing momentum waning. Price action suggests we could see weakness ST. GSH has support at the Aug lows near \$15.40. If this level holds during weakness, we could see GSH then resume its rise and reach the price potential. We continue to hold a reduced position and we're open to buying during weakness.	L	15.90 (23-10-19).	<b>16.07</b>	2dc below 15.40.	19 & 25.
<b>JPM</b>	JPM is looking great. But its bullish rise seems to have reached an extreme high situation, and a pull back is now likely. JPM continues to form a rising wedge pattern with downside target near \$115. Spinner sluggish below MT MA, confirming JPM's toppy price action. Wait for a pull back to buy.	O	-	<b>129.16</b>	2dc below 105.	150 & 200
<b>C</b>	Toppy at the highs... the bullish run from the Aug lows has been impressive. There's also more upside longer term. However, short term indicators suggest the upside is limited and a pull back is likely. C continues to form a rising wedge with a downside target near \$70. Wait for the pull back before buying.	O	-	<b>75.07</b>	-	-

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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, 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.

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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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