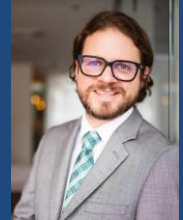




# -GCRU-

## Weekly Trading Strategies



Omar Ayales

Achieves gains by trading commodities, currencies and stocks

Nov 20<sup>th</sup>, 2019

IN ITS 18<sup>th</sup> YEAR – Nº 860

### U.S. EQUITIES PLOW HIGHER! BUT WHAT'S DRIVING THEM?

### GOLD REBOUNDED, BUT STILL WITHIN 'D' DECLINE

### LONG TERM RATES TAKE GAS OFF THE PEDAL

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I must admit I might have jumped the gun as it related to our positioning in U.S. equities. The lowering of the Fed Funds rate together with the liquidity injection in the repo market have been significant moves that expose cracks in the economy (for whatever reason, foreign or domestic) that raise the question ... can business get all much better moving forward?

But stocks have traded higher. The bull market in stocks is looking very strong as indices across the board break to new highs. And although the U.S. economy remains among the strongest relative to others, the disconnect between stock prices and fundamentals is widening.

The old adage “the markets can remain irrational longer than I can stay liquid” has never been truer.

But the reality is the biggest loser from the trade war have been Chinese equities. The biggest winner: U.S. equities. The fact of the matter remains that as Chinese products become more expensive due to tariffs, the competition, many times from local manufacturers out of the U.S. seems more reasonably priced, a better deal.

“Markets can remain irrational longer than one can stay liquid”.

- Wall Street Adage

Overall, the U.S. consumer will be more inclined to buy U.S. manufactured goods and services than foreign made products. One could argue the U.S. consumer has veered off over the past 30 years to purchase goods and services manufactured abroad due to cost efficiencies.

So while it is true the U.S. consumer ends up paying for the tariffs and not the Chinese companies, it is also true the increase in the final price of a product people are buying inherently because it's cheaper will drive consumers away from that product, affecting sales of those companies that otherwise would have made a sale and moved their supply chain.

Depending on the goods manufactured by those Chinese companies that have decreased sales due to tariffs, the build up in inventories and its carrying cost could be devastating with rippling effects.

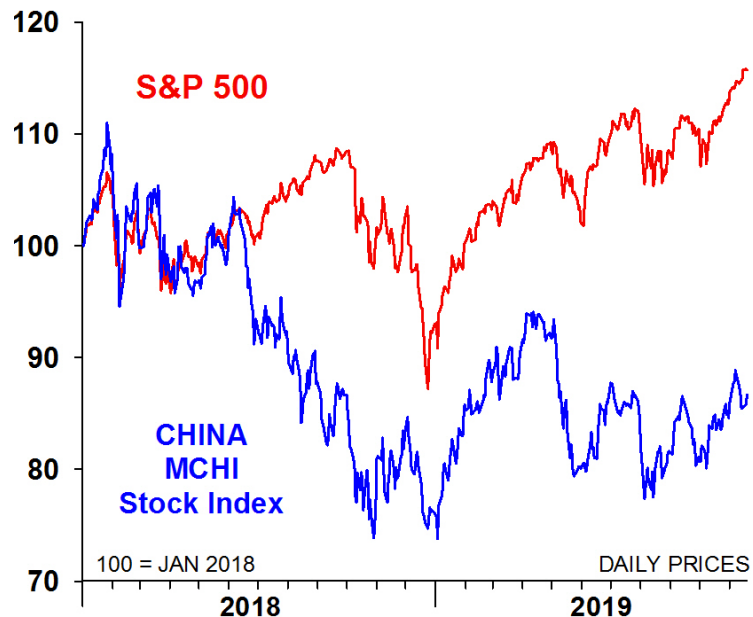
This also begs the question, are U.S. equities strong *because* of the tariffs?

Since January 2018, when trade wars were starting to make news with President Trump's tariff-talk tweets, the Chinese stock market has been on a massive downtrend. It's down about 30% since while the S&P 500 is up 10% during the same time.

Another key moment was last Dec, nearly a year ago, when trade war concerns peaked pushing most stocks to extreme lows. From those lows, U.S. equities are up nearly 30%, while Chinese equities are up only about 12%.

If a trade agreement is reached business could then carry on as usual. Capital markets will find efficiencies which will translate into pricing schemes that consumers will select. This reasoning suggests the U.S. consumer could go back

## TRADE DISPUTE: WINNERS AND LOSERS



to diversifying their purchases which could affect U.S. producers and give Chinese producers (and others) an upward boost.

Under this reasoning, a real trade agreement could end up being the catalyst for a decline in U.S. equities and a rise in Chinese stocks (*buy the rumor...*)

Until investors and traders realize this scenario, they'll continue to push U.S. stocks higher into a blow off stage where price valuation and its fundamentals become widely disconnected in a highly heated game of musical chairs. With one or a few finding themselves without a chair when the music stops...



The reduction in the Fed Funds rate and the intervention in the repo market are helping grease the chains. Call it QE or not, it's central bank intervention, providing liquidity in a time of need.

It's helping.

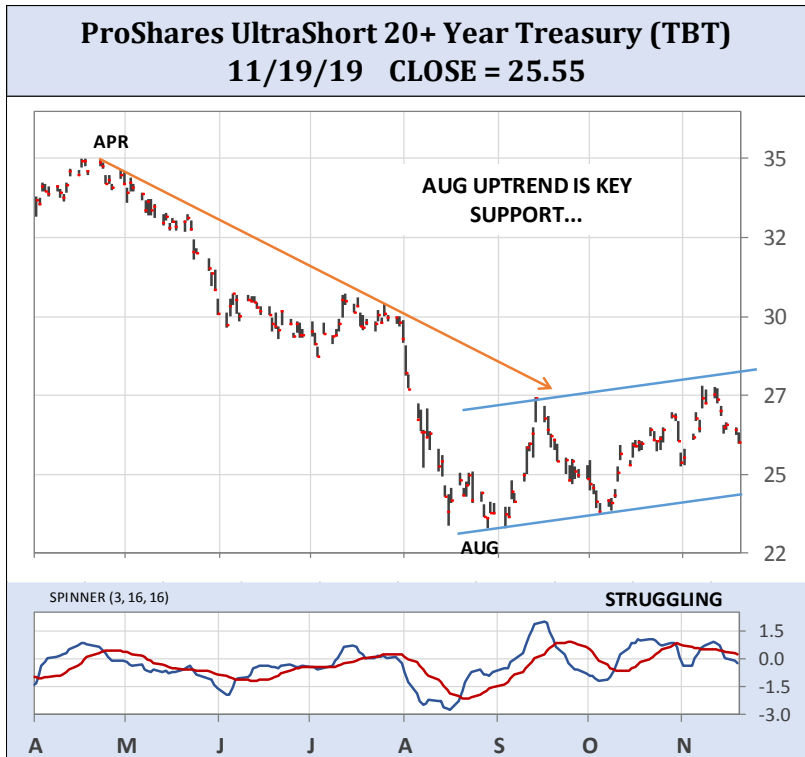
There's a strong feeling financial markets are protected, ultimately by central bank intervention. The Fed has delivered its message loud and clear and the business community is listening. Risk on sentiment is being engineered.

Interestingly, a ratio between the Dow Jones Industrials and the Dow Utilities shows a clear uptrend favoring the Industrials with the leading indicator showing lots of room for upside.

The chart suggests risk assets are likely to be favored over assets that are traditionally sought out for safety (Utilities). The trend is just starting to develop with room to develop further longer term.

One of the trades we entered into recently to benefit from the rise in longer term rates was TBT. Remember TBT is an inverse ETF to TLT, another ETF whose purpose is to own long duration U.S. Treasuries (20+ years).

TBT is essentially shorting long-term bonds, which will move with the yield. TBT recently reached a new high, breaking above resistance at \$27. Just this past week, it's pulling back as Spinner drifts lower suggesting continued weakness ST is likely.



The current move is allowing a great opportunity for those that wanted to be in the trade before but couldn't get to it.



Although TBT is pulling back, long term rates still have some room to rise and organically offset the waterfall decline of the last year. Keep your positions.

Another trade we've done great on in playing the trade disruptions is with Procter & Gamble (PG). PG's a strong play on the U.S. consumer with a diversity of products that are part of most people's daily staples.

We bot PG earlier this year and already took a 20% profit last quarter. We bot more recently and it's back on the up move.

Notice on the chart above, PG is bouncing up from at a long-term uptrend confirming support and showing hints of strength. Notice Spinner is picking up steam with room to rise further.

A break above the 2019 highs near \$125 could exacerbate strength fueling a continued rise.

Keep your positions. If you're not yet in this trade, buy on weakness, especially below \$120.

We've also been waiting for bank stocks to pull back. They've held strong and are likely to continue rising ST.

Citigroup (C) remains within an adjusted rising wedge pattern. And while it's very strong above \$73.50, it's strong nonetheless above \$71.



I'm buying some at mkt and more on a decline that holds above \$70. Place stops at C's 15wk MA at 2dc below \$69. Profit target at \$90.

JP Morgan Chase (JPM) is another one of my favorites. It's the leading Commercial bank in the U.S. with great management and diversified income.

However, we'll have some exposure thru C. Let's wait for a deeper pull back before buying JPM and increasing exposure to banks. Although I like the banks, I don't want to fill up on them either.

I'll wait for a pull back to the 15wk MA near \$120 before buying JPM.

Guangshen Railway (GSH) fell below \$16. Continued riots and turmoil in Hong Kong is starting to take a toll. Remember GSH operates the railway transportation between the growing economic zone of Shenzhen and Hong Kong transporting goods, services and people.

GSH is a strong company with strong fundamentals and it's poised to benefit from any trade agreement between China and the U.S.. It should benefit too with any headlines suggesting turmoil in Hong Kong are subsiding.

Keep your positions as long as GSH holds above \$15.40 support.



Aurora Cannabis (ACB.TO) fell below support at CA\$4.50 to new lows. The decline in most cannabis stocks have been harsh with little room for a pull back. We haven't had a chance to get out from our reduced position.

I'm selling ACB.TO at mkt for a loss. It's offsetting a big chunk of gains made on ACB.TO last year. It's also a smaller position we were holding waiting to unload. We'll increase cash positions to take advantage of other better performing markets.



Noteworthy, the reduction in the Fed Funds Rate, as seen in the past, also benefits foreign countries whose debt obligations are in U.S. dollars. In the past, this has fueled investment appetite outside the U.S., in particular in emerging economies.

An uptick in global demand for goods and services could re-ignite strength in emerging markets which could put some weakness on the U.S. dollar.

The U.S. dollar index has held up strong. It's been a top currency the past year but the recent decline shows some cause for concern.

Although the dollar is very strong above the Jun uptrend, it's also concerning it failed to surpass ST resistance at 98.50 earlier. If the dollar fails to confirm strength by breaking this level, it could fall and re-test support.

The dollar index's key uptrend and support is at 96, the 2019 bullish uptrend. The dollar is strong above this level. But a break below this 96 could signal a trend reversal.

Resources are already showing signs of life as I've been showing. They tend to move together with emerging markets. Dr. Copper has bottomed at \$2.55 and started to rise, reaching a recent high at \$2.75. That's nearly an 8% increase in about a month.

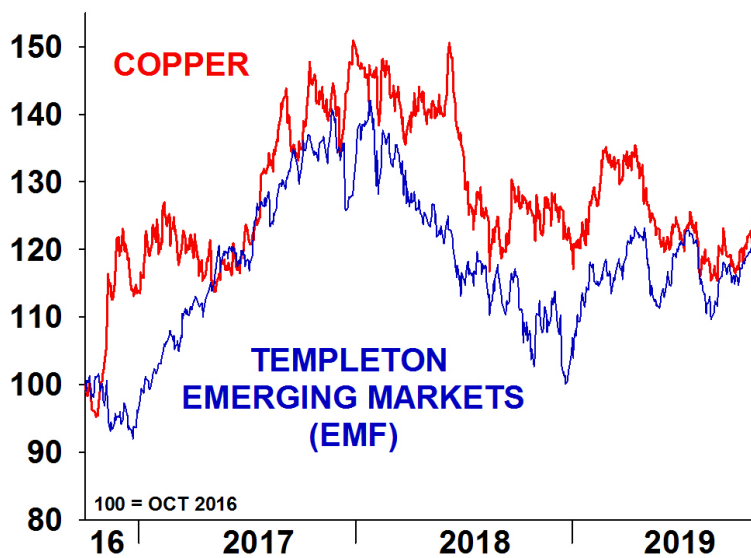
Copper has since pulled back, but it's now showing subtle signs of a bottom near \$2.60. Higher lows...



We've been out of copper but I like to monitor it as it tends to provide insight as to what's going on globally. Copper's lackluster price is very indicative of global growth. It's been moving in lock step with emerging markets.

The chart to the right shows copper and Templeton Emerging Mkts (EMF) indexed to 100 since 2016. It's pretty amazing how close they've moved together.

## MOVING IN SYNC



Notice, however, EMF fell further than copper in 2018. Since then, while copper has been forming a bottom, EMF has been rising.

Action suggests resources could have bottomed and could start moving up if EMF continues to rise.



We've been out of resources for the most part with the exception of energy.

We're holding crude oil and Denbury Resources (DNR) as a play on resources. Crude oil has been showing strong support at \$52. While DNR at \$1.

Resources and energy have upside potential, particularly if sentiment globally starts picking up.



We'll continue to hold on to crude oil and DNR as long as they both hold above \$52 and \$1, respectively.



One of the resources that continues to defy gravity is palladium. We've been trying to get into this trade but its pull backs have been short lived.

Last week PALL had been showing signs of a deeper pull back. It retraced just shy from its breakout level and jumped back up. PALL is very bullish above the Oct uptrend near \$145.

I will continue to wait for a decline below \$155 before buying.

Meanwhile, the 'D' decline in gold continues to develop. Gold fell to new lows recently and has since rebounded. However, it remains in a downtrend below \$1505.

Gold's solid support and technical target for the 'D' decline remains near \$1365. However, I'll be ready to start buying during weakness below \$1400.

The longer term outlook for gold hasn't changed. Its outlook potential is explosive. Concerns over a looming longer term monetary crisis and rising inflation will continue being supportive of the secular upmove.

Unraveling uncertainties and geopolitical turmoil will add to gold's luster as the ultimate safe haven. Let's not forget the most significant occurrence in 2019 was gold's breakout of a multi-year resistance confirming the secular mega trend that began in Dec 2015.



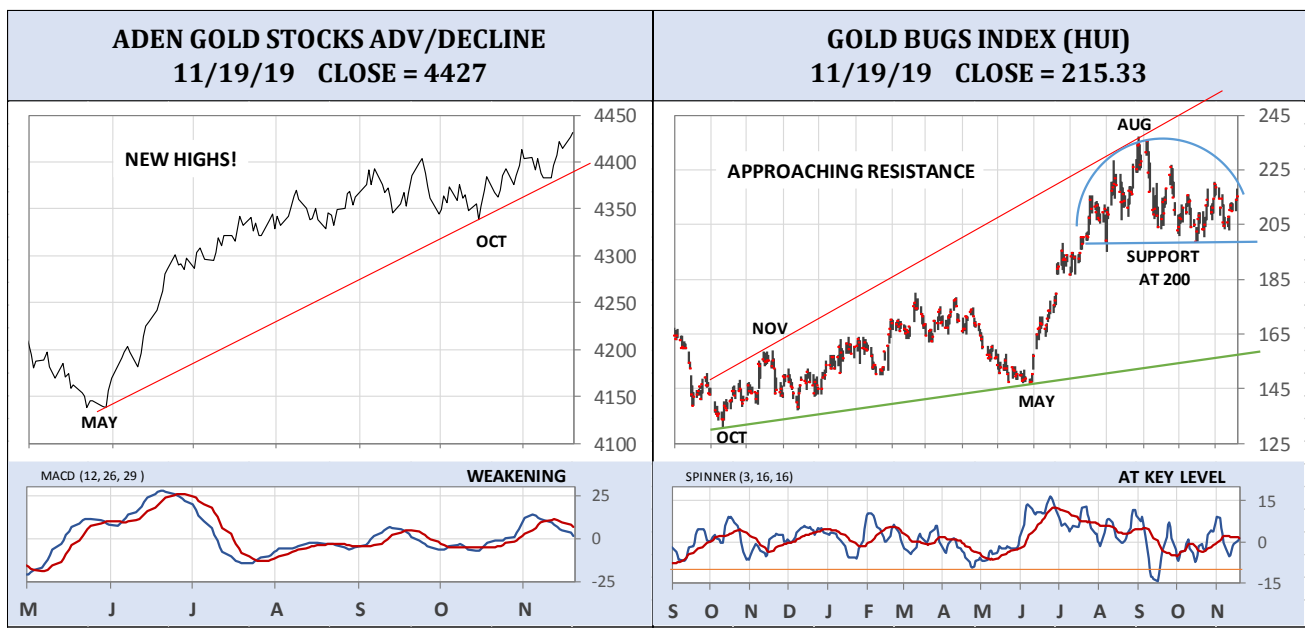
The extent of weakness during the current 'D' decline will also be very telling as to gold's longer term outlook.



The gold miners are holding up strong. They've held up above key support level (HUI at 200) in spite of gold weakness. Strong gold share performance is a hallmark of bull markets in gold.

I'm still out of gold shares. Having taken profits in gold shares during the high area, gold's 'D' decline has not yet played out much in gold shares. And even though some indicators may be suggesting the decline could be closer to maturity, it's also during these last stages that weakness tend to increase, with swift double digit declines.

I'm keeping an eye on HUI's support at 200. A break below this level could open the door for more weakness. Keep a close eye on this level. If HUI holds at this level during gold's entire 'D' decline, then the bull mkt in gold shares would prove to be extraordinarily strong.



Another trade we've secured during gold's 'D' decline has been DUST. It's a 3x inverse ETF to HUI Index. This means it performs inversely to HUI. If HUI rises, DUST falls. Same if HUI falls, DUST rises.

DUST's chart shows resistance at \$9, which would be the equivalent to HUI's 200 support.

If DUST breaks above \$9, it's off to the races and a rise to our target near \$12 would then be likely. Keep your position for now and during gold's 'D' decline.



Remember, we initially bot DUST as insurance to offset losses in core positions in gold and silver. We then added some to speculate on the downside. Our exposure is limited and smaller than a long position would be.

Silver has been among the best positions. We recently added to silver below \$17. Due

to its price relationship to gold, silver is poised to outperform gold during the current 'D' decline.

We're taking advantage of weakness to buy. I won't be buying more at current levels, but I'm sure ready to pick up more at lower levels, below \$16.

Looking into 2020, rebounding resources and a renewed upward cycle in precious metals could be major catalysts for silver.



Our strategy this week is to keep patient. Unload your duds. Raise cash, buy companies that are great with solid exposure to the strongest parts of the U.S. economy. Stay away from the miners for now. They could still fall further before rising.

Good luck and good trading,

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<b>KEY PRICES</b>			
<b>Name/Symbol</b>	<b>Nov 19,19 Price</b>	<b>Change</b>	<b>Nov 12,19 Price</b>
Gold (GCZ19)	<b>1474.30</b>	20.60	<b>1453.70</b>
Silver (SIZ19)	<b>17.12</b>	0.43	<b>16.69</b>
HUI (HUI)	<b>215.33</b>	7.87	<b>207.46</b>
Copper (HGZ19)	<b>2.66</b>	0.01	<b>2.65</b>
Crude Oil (CLZ19)	<b>55.25</b>	-1.55	<b>56.80</b>
S&P500	<b>3120.18</b>	28.34	<b>3091.84</b>
U.S.Dollar (DXZ19)	<b>97.74</b>	-0.41	<b>98.15</b>
30 Year T-Bond (ZBZ19)	<b>159.34</b>	2.34	<b>157.00</b>
10 Year T-Note Yield	<b>1.79</b>	-0.12	<b>1.91</b>
13-week Treasury Bill	<b>1.53</b>	0.00	<b>1.53</b>

**TRADER SHEET ON PAGES 14 & 15**

# 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>	Bouncing up from recent low near \$1450. However, more downside is still likely, especially if gold stays below the Sept downtrend near \$1505. The 'D' decline continues to develop and another leg down is likely. Gold's stronger support is the Nov uptrend near \$1350. I'll wait for a decline below \$1400 to buy.	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>1474.30</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>11.83</b>	10.85	Open
<b>SILVER (SIZ19)</b>	Silver is holding at May uptrend & support. Momentum seemingly rising from lows, but downside pressure remains. Silver's decline since Nov and recent consolidation is also looking like a bear flag with downside target near \$15 if the \$16.50 support level is broken. We have enough silver for now, but will buy more on a potential washout decline to \$15.	L	Bot: 15.80 (Jul-17-19), 16.50 (Aug-7-19), 16.80 (Nov-8-19).	<b>17.118</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>6.28</b>	2dc below 5.25	Open
<b>HUI Index</b>	Gold shares are rebounding from the recent decline while gold reached new lows for decline last week. HUI Index is approaching resistance at the Aug downtrend near 218-220. A break above this level is necessary for the recent rebound rise to show legs and upside potential. If HUI fails to break above this level, it could fall back to re-test key support at 200. Consider gold's 'D' decline continues to develop which suggests downside pressure persists. Indicators are showing softness. We'll continue to wait before buying. We'll also continue to hold our short position in gold shares thru the ETF: DUST.	--	N/A	<b>215.33</b>	N/A	N/A
<b>DUST</b>	Coiling... DUST continues to form a bullish ascending triangle at the bottom suggesting upside potential. DUST must break above resistance at \$9 for confirmation. I'll continue to keep DUST thru gold's 'D' decline.	L	7.40 (Aug-14-19), 7.20 (Aug-21-19), 7.45 (Sept-11-19), 6.90 (Sept-26-19).	<b>7.39</b>	Keep	12
<b>BONDS (7%)</b>						
<b>TBT</b>	Pull back from the highs... TBT pulled back after reaching new highs for the move. The pull back is normal. The uptrend continues. TBT remains very strong above the Aug uptrend near \$24. If you haven't bot yet, take advantage of weakness to buy at these lower levels.	L	25.40 (Sept-11-19), 24.60 (Sept-26-19), 24 (Oct-2-19).	<b>25.55</b>	2dc below 23	30+
<b>CURRENCIES (42%)</b>						
<b>U.S. DOLLAR (DXZ19)</b>	The U.S. dollar strength is seems to be waning. However, the dollar remains very strong above the Jun uptrend near 97 and it has solid support at the 2019 uptrend near 96. Indicators are suggesting some downtime is likely ST. This doesn't mean the dollar will turn bearish, but if the index breaks 96, it would trigger signs of a trend reversal.		Holding cash in highly liquid, low interest bearing instruments in U.S. Dollars.	<b>97.74</b>		14

## 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>RESOURCES AND ENERGY (12%)</b>						
<b>Crude (CLF20)</b>	Crude oil's rebound from the bottom side of the year long sideways band continues to develop. It's been unable to surpass \$58 resistance. A break above this level could see crude oil rise to the top side of the band near \$63, just above our profit target. The recent rise in stocks could pull crude oil up with it. It would be consistent with historic performance. Keep your positions.	L	57.90 (May-24-19), 53.75 (May-31-19), 54 (Jun-19-19).	<b>55.25</b>	2dc below 52	62
<b>DNR</b>	DNR continues to trade above \$1, but has struggled to regain the \$1.10 handle. A break above \$1.10 could stir things up and a rise to the top side of the 6 month long band could occur. Keep your positions as long as DNR holds above \$1.	L	1.40 (Sept-11-19), 1.23 (Sept-13-19), 1.10 (Oct-7-19), 1.07 (Oct-23-19).	<b>1.01</b>	2dc below 1	2.50 & 4
<b>COPPER</b>	Copper continues to pull back, the rise since Sept is fading. Indicators are losing steam suggesting price could remain sluggish ST. But on a more intermediate basis, price recovery seems to be on an upward footing. The lows are seemingly in. Current weakness could be the formation of the right shoulder of a bullish H&S bottom formation. Price action suggests a break above \$2.75 would be very bullish. We're on the sidelines for now, with some exposure to energy.	O	-	<b>2.6565</b>	Out	-
<b>PALL</b>	PALL's pull back has not been moderate. It hasn't allowed me to pick up some positions. PALL remains very strong above the Oct uptrend. I'll continue to wait for a decline below \$155 to buy.	O	-	<b>166.50</b>	-	-
<b>OTHER STOCKS (17%)</b>						
<b>ACB.TO</b>	Broke down. ACB.TO failed to hold on to support at CA\$4.50. Weakness is extreme and could last longer. We've been waiting for a 'dead rat bounce' to unload but to no avail. We have a reduced position but at this point prefer to take the loss. Sell at mkt.	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>3.11</b>	Hold during weakness	8.5 & 13.
<b>PG</b>	PG had coiled at the Oct 2018 uptrend showing support and it confirmed strength when PG broke to a new week high. Indicators are turning bullish and PG is now poised to re-test the highs at \$125. A break above this level opens up the upside. Keep your positions.	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>121.42</b>	2dc below 115.	150
<b>GSH</b>	GSH fell to a 5 week low after re-testing the Apr downtrend. This week it drifted below \$16. It's still above our support level at \$15.40 and recommend keeping GSH as long as this level holds. The events in Hong Kong could be having some impact due to proximity and the fact that GSH operates the main railway transportation between Shenzhen and Hong Kong. Keep your positions as long as support at Aug lows hold.	L	15.90 (23-10-19).	<b>15.60</b>	2dc below 15.40.	19 & 25.
<b>JPM</b>	Bullish! JPM continues to look very strong. It hasn't allowed a decline to pick up some positions at our ideal entry targets. The recent rise does seem a bit over-extended however and a retracement is likely. I'll continue to wait for a deeper pull back to buy.	O	-	<b>130.58</b>	2dc below 105.	150 & 200
<b>C</b>	Buy a bit at mkt. C is pulling back and now rising from the recent highs. I adjusted the rising wedge shown last week and it's still strong. U.S. equities have been strong and suggest picking up some positions to have "skin in the game" and adding more again on weakness.	O	-	<b>74.82</b>	-	-



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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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