



-GCRU-

Weekly Trading Strategies



Omar Ayales

Achieves gains by trading commodities, currencies and stocks

Jan 3rd, 2020

IN ITS 19th YEAR – Nº 865

HAPPY NEW YEAR!

YEAR END RALLY IN OIL ALLOWS US TO CASH IN ON MORE GAINS!

GOLD HOLDING UP STRONG, IS IT OUT OF THE WOODS?

YEAR END REVIEW

It's a wrap!

The final days of the trading year in 2019 ended on a high note. Everything from stocks to bonds to commodities seemingly rose to new highs for the move.

It was a good representation of what went on during the year with some exceptions that are very telling of what we might expect moving forward.

One of those exceptions was the U.S. dollar index.

The dollar has been rising for nearly 2 years, from the depth's of 2018 lows. Although the dollar had been pulling back in recent months as the safe haven trade faded, it was holding above bullish support (Jun uptrend) suggesting the upside move was not yet over.

"Fear sells better than greed." Old Madison Ave adage



But just this past week, the dollar index fell to a 5 month low, breaking below the Jun uptrend and support level showing stronger signs of a major trend reversal in the dollar.

The weaker dollar means stronger global currencies. It also means stronger emerging markets. Dollar weakness also contributes to asset price inflation.

Recently I've been eyeing the British pound sterling. Due to the U.K.'s support of the Conservative party and what that means in regards to Brexit and the implementation of the agenda that follows the break-up with Europe makes me optimistic about the pound sterling. There's a floor built on the price and lots of upside potential.

We're still waiting for a deeper pull back in pound sterling before buying some. Interestingly, timing seems to be in our favor as the U.S. dollar's Spinner is at an extreme low, suggesting limited downside for the time being.

This could mean that ST, the dollar could rebound to the 98 level where it has its next key resistance, while the pound falls below 1.30, our ideal entry level.

Dollar weakness can also be seen in gold.

You'll recall gold and the dollar have been moving in tandem since the second half of 2018. It's not a common thing, but safe haven demand was



giving both the dollar and gold an upward boost.

Recently it seems they're parting ways.

Notice gold had also peaked a couple of months ago in Aug/Sept. Gold declined since and bottomed in Nov. The main difference with the dollar index was that after Nov, gold rose breaking above the Sept downtrend & resistance while the dollar fell further, breaking below support.

But although the dynamic for 2020 is shaping to be bullish for gold and bearish for the U.S. dollar, as mentioned above, the dollar is poised to rebound first, which could put some downside pressure on gold before it resumes its bullish secular rise.

Moreover, for gold the 'D' decline, while nearing maturity, isn't yet over.



As I've indicated in recent issues, the current 'D' decline has been one of the weakest I've seen and studied. Moreover, the recent breakout rises above \$1500 was on thin trading volume which fails to validate the up-move, allowing for skeptics to throw gold under the bus.

Both of these issues make me doubt as to the extent of the decline and if risk of a continued downside in gold remains. This is why I'm recommending to wait for a clear break to new closing highs on a 2dc above \$1550 before discarding the 'D' decline.

I continue to hold healthy, yet reduced, positions in gold and recommend keeping them for now. We haven't bought new positions during the current 'D' decline, but have triggers ready to pick up good value and opportunity.

We did start buying silver during the second half of the year. With the silver to gold ratio near a historic extreme, it suggested silver had only been this cheap compared to gold a couple of times in the past.

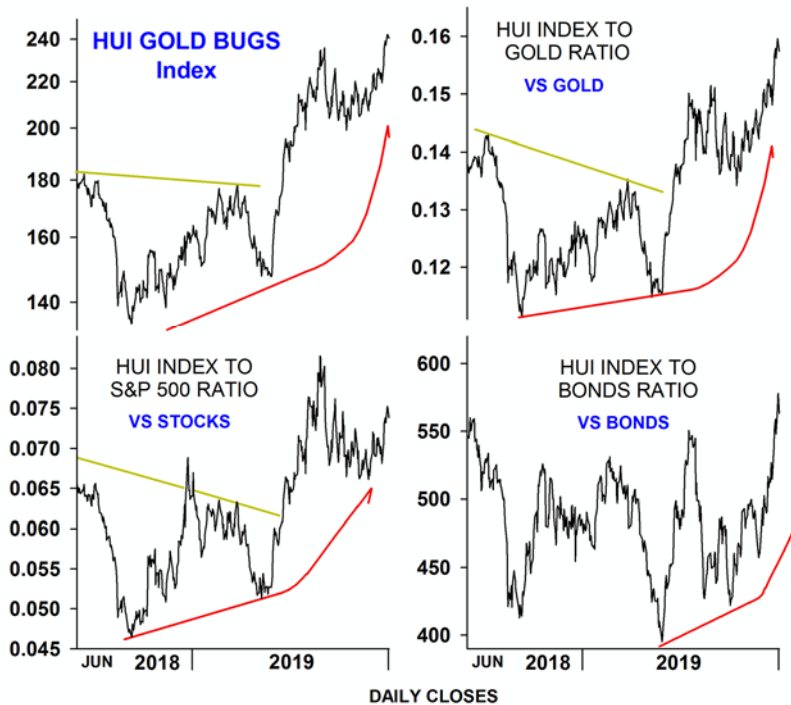
Silver has been showing strong support at a past resistance level near \$16.50. It recently tested this level and bounced back above \$18 showing impressive strength. Silver has been holding up well due to its double condition as an industrial and a precious metal, with resources staging a bullish comeback in 2020.



Silver remains very bullish above this key support with an open upside. A break below \$16.50 would expose ongoing weakness and a decline to silver's key support near \$14.50-\$15 would be likely. We're ready to buy more

silver on any decline below \$16. In the meantime, keep your positions.

GOLD SHARES: ONE OF THE STRONGEST!



If the 'D' decline is still developing, we could see great value trades in gold shares as weakness in gold continues to develop.

Gold and silver shares had a nice run up in 2019. Many miners rose triple digits. But more recently, some resistance within the space was noticeable.

Notice the past year gold shares have outperformed most other asset classes. Notice the ratios with gold, stocks and bonds. HUI beats them all.

We've been out of gold shares since they peaked last Aug 2019. But we were able to capture the entire rise since Aug 2018. We've kept healthy but reduced positions in gold, started to pick up silver (since Aug 2019) and sold our gold shares for a handsome profit. We also hedged downside risk of our core long positions in gold and silver through DUST.

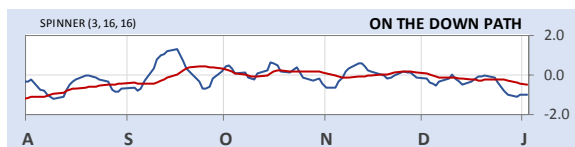
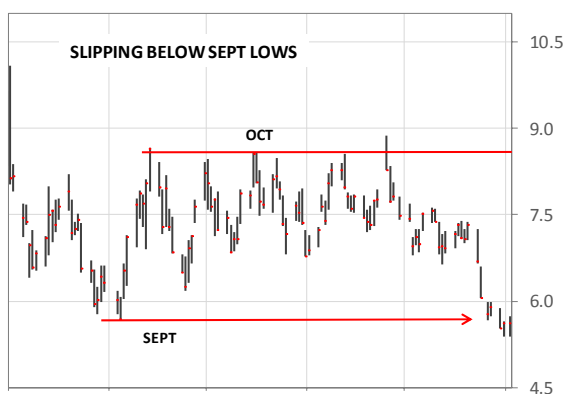
This ETF moves opposite to the HUI.

I must admit gold shares have held up stronger than I anticipated. The stronger junior mines versus the senior mines should've been telling. Remember junior mines tend to outperform the seniors during bull mkts in gold.

GOLD SHARES: Juniors picking up!



Direxion Daily Gold Miners Index Bear 3X Shares (DUST) 01/02/20 CLOSE = 5.62



Because gold did break above \$1500 last week, even though it was on low trading volume, I decided to remain cautious and sell half of DUST for a loss. Remember, we're taking the loss into account for quarterly performance but its original intent and function has been fulfilled, which was to provide insurance against downside risk.

We'll continue to hold on to our reduced position in DUST until I can see confirmation from price action in gold that the 'D' decline is behind us.



In trying to anticipate and time gold's 'D' decline, we've also started to look into gold shares to buy when the time is right. We've been waiting for a pull back on several positions that will help make up a precious metals' portfolio.

The companies that I'm monitoring closely continue to consolidate the recent rise.

Kirkland Lake Gold (KL) broke above a bearish flag pattern

showing signs of strength. Spinner is starting to roll over, about to test its MT MA, suggesting downside pressure may be increasing. A decline to the bottom side of the sideways band seems likely ST. Wait for a pull back below \$40 to buy.

Price action in AEM is among the most telling. It has been declining since the Aug peak and failed to surpass resistance at the Aug downtrend near \$62.50.

Notice Spinner for AEM is rolling over suggesting momentum could wane further. If AEM breaks below the May uptrend & support on a 2dc below \$58, AEM could fall down to the lower \$50s.

We're waiting for weakness to buy.

Silvercorp Metals (SVM) is another of my favorites. Technically it's doing great, having reached a new high for the move, near the top side of the Jun 2019 upchannel.



Once again, price action seems frothy and recommend waiting for a deeper pull back, below \$5.50 before securing new positions.

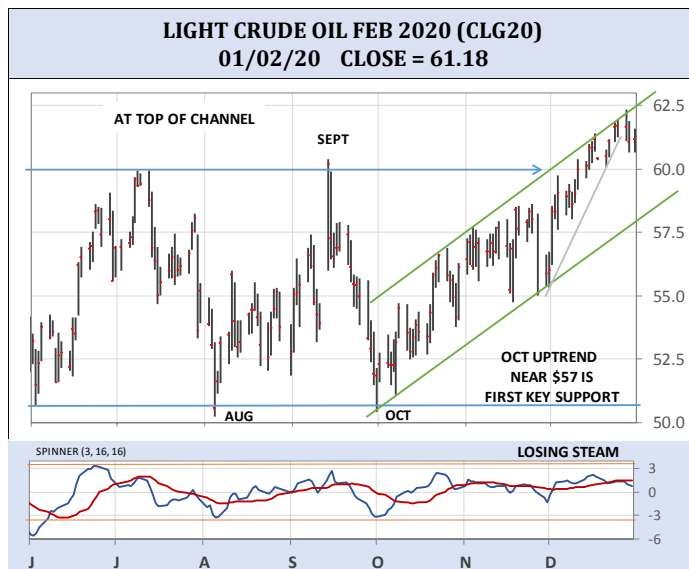
Another move that was very telling has been the resurgence of resources.

Dr. Copper bottomed near \$2.55 recently and has started to rise. It broke above a bullish H&S bottom and it's poised to rise to the top side of its sideways band near \$3. A break above this level would confirm strength with more upside potential. If it fails to breakout, however, a decline would likely ensue, to possibly the 2.55 support.



The resurgence in copper is also a testament to the 'risk on' mode that has overtaken markets. As safe haven demand shrinks and risk on sentiment blows up, resources and industrial metals are poised to outperform precious metals.

Price action in copper suggests resources could be a highly profitable trade in 2020. We were already trading resources through crude oil and Denbury Resources (DNR) and have done well.



Crude oil has been rising all year. It's been one of our most profitable trades. The recent profit taking pushed our overall gains in crude oil for 2019 to nearly 40% annualized.

Crude oil has rock solid support at \$52, but will remain on a bullish upward path as long as it stays above the Oct uptrend

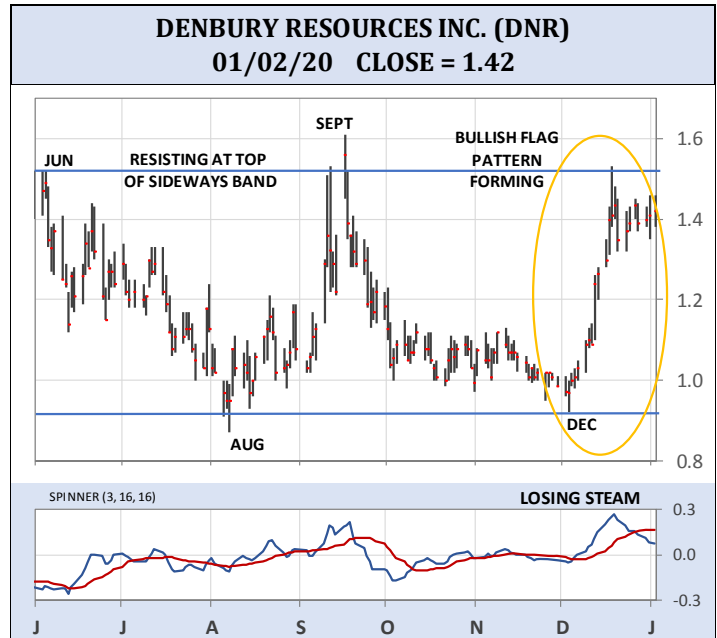
near \$57. Moreover, a break above the \$62.50 resistance could push crude to our second profit target, above \$70.

Keep your reduced positions as long as crude holds above \$57.

Denbury Resources (DNR) is also looking very good. The recent up move is forming a bullish flag pattern, just below a key resistance level near \$1.55.

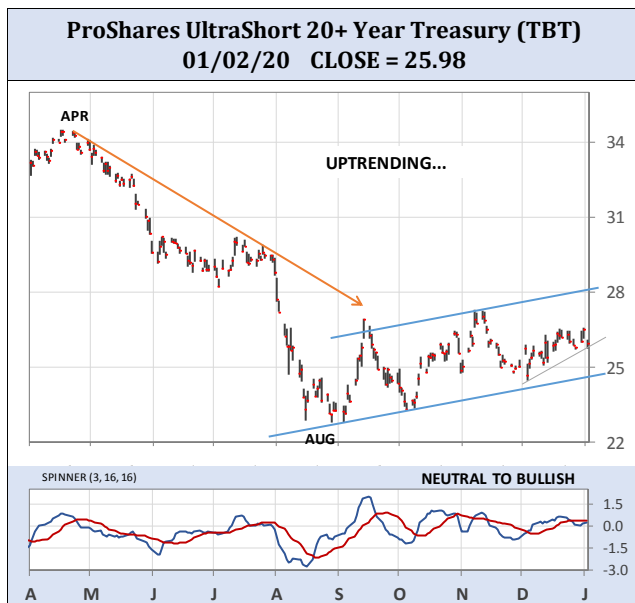
This suggests that a break above the \$1.55 flag pole resistance level would confirm the bullish pattern and a rise to our first adjusted profit target near \$2 would be likely.

DNR could be a big winner if resources end up picking up steam in 2020. Keep your positions.



And as we continue to see capital fleeing safe havens and into riskier assets, long term yields on U.S. government bonds are poised to rise.

With shorter term yields poised to remain low, the yield curve is set to continue steepening.



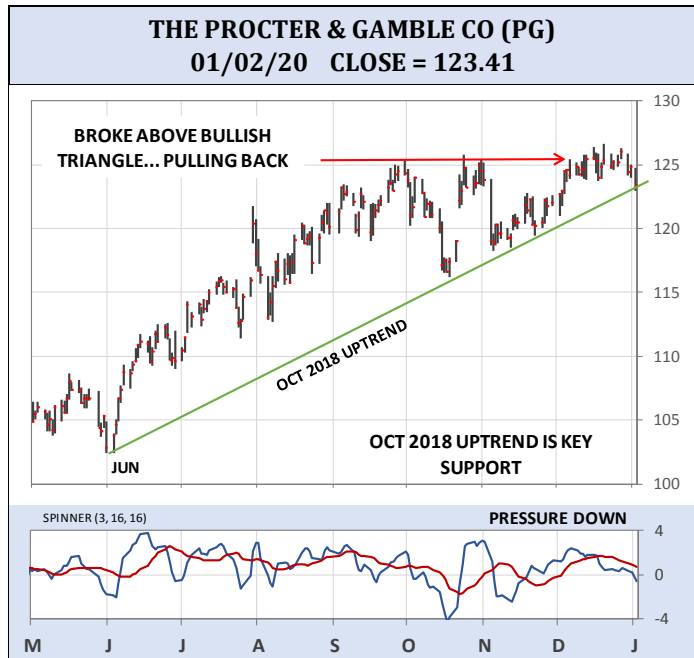
We continue to hold on to our position in TBT. Remember TBT is an inverse ETF to long duration U.S. government bonds. This means, when long term yields rise, TBT rises. When longer term yields fall, so will TBT.

Keep your positions for now as longer term yields are poised to continue rising in 2020.

Current monetary policy, coupled with an engineered 'risk on' sentiment is likely to continue giving U.S. stocks an upward boost.

We're holding solid positions with good exposure to the economic growth story out of the U.S.

One of our best stock picks has been Procter & Gamble (PG). We picked up some earlier this year and have already taken handsome profits. We've also taken advantage of weakness to buy more.



The decline of the past week, however, is not very encouraging. PG rose to new highs above \$126, but quickly gave the gains back and it's now testing its key uptrend and support since 2018.

A break below \$120 would be bearish and could signal a trend reversal. Keep your positions as long as PG holds above this level.

Another great stock pick we recently added and already are up nearly double digits is Citigroup (C). C has been rising non-stop since we bot. It reached a new high again today and looks poised to continue rising. C remains very bullish above \$76. Raise your stops. Keep your positions. Sell half at our first profit target near \$85.



I also have exposure to emerging markets through Guangshen Railway (GSH). It operates the railway that connects Hong Kong to the growing economic zone of Shenzhen.



GSH broke above resistance at \$17 looking very strong. It reached the top side of the Aug up channel with growing support at \$16.35. Spinner vulnerable exposing downside risk.

Raise your stops at the Aug uptrend, a proven support level near \$15.50. Keep your position for now.

YEAR END REVIEW

Another year is in the books and a new one about to start. Although we weren't able to keep up our stellar performance during the fourth quarter of the year in part due to tricky price movements, our year end annualized return was not bad at all at 25%.

Our best performance was in precious metals. Year to date we secured a 50% annualized return in gold shares and a 19% return in gold. We also are holding positions with handsome profits built in gold (+22%) and in silver (+11%).

Crude oil was also one of our great performers. We secured an annualized return of nearly 40%. We also continue to own some crude oil and Denbury Resources (DNR), an energy share, with solid profits built (13% in crude oil and in DNR).

We also did well trading industrial stocks, gaining 18% annualized return in 2019. We're still holding solid positions with gains logged on in PG (+15%) and C (+10%). We have a smaller gain built in GSH (5%).

Although our approach this year was a bit more conservative than in prior years, we've managed to make great gains with low risk exposure.

It has been a pleasure navigating with you through these markets and I'm excited about what's coming. 2020 is shaping to be a strong year for many markets. We'll continue identifying great trading opportunities in 2020.

Our strategy for this week is to keep a close eye on the U.S. dollar index level at 96. A break below this level will exacerbate weakness, boosting gold and most other asset classes. Gold must break above \$1550 to confirm the end of the 'D' decline and to show renewed solid strength. Be patient. Great opportunities are upcoming.

Good luck and good trading,

Omar Ayales
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TRADER SHEET ON PAGE 12 & 13

KEY PRICES			
Name/Symbol	Jan 02,20 Price	Change	Dec 18,19 Price
Gold (GCG20)	1528.10	49.40	1478.70
Silver (SIH20)	18.05	1.00	17.05
HUI (HUI)	240.59	16.54	224.05
Copper (HGH20)	2.83	0.01	2.81
Crude Oil (CLF20)	61.18	0.33	60.85
S&P500	3257.85	66.71	3191.14
U.S.Dollar (DXZ19)	96.53	-0.43	96.96
30 Year T-Bond (ZBH20)	156.59	0.56	156.03
10 Year T-Note Yield	1.88	-0.04	1.92
13-week Treasury Bill	1.50	-0.02	1.52

UPCOMING LIVE PRESENTATIONS

Vancouver Resource Investment Conference (VRIC)
 January 19 – 20, 2020;
 Vancouver, Canada

MoneyShow
 February 6-8, 2020;
 Orlando, Florida, USA

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
PRECIOUS METALS PORTFOLIO (20%)					
GOLD (GCG20)	Showing strength! Gold broke above the Sept downtrend and back above its 5wk MA near the 2019 highs. But although gold is showing strong signs the 'D' decline is over, it's been on low trading volume during the holiday season while indicators showing downside pressure remains. Moreover, consider the 'D' decline has been the shallowest in over 20 years of recorded data. For those reasons, I'll wait before gold breaks above \$1550 to confirm the end of the 'D' decline. We continue to hold healthy, but reduced positions in precious metals. I also reduced my hedge against downside risk by half last week. I'm open to re-buying more insurance against downside risk if gold resists below \$1550.	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).	1528.10	Sell on a 2dc below \$1300
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).	12.28	10.00
SILVER (SIH20)	Silver broke above the Sept downtrend confirming strength and support at the \$16.50 level. Silver must break above resistance at \$19 to confirm renewed strength that could push silver above \$20. If silver fails to surpass this resistance, it'll likely fall back and test the May uptrend, initially, but also its key support at \$16.50. Keep your positions. If you're not yet in, wait for a decline below \$17 to buy.	L	Bot: 15.80 (Jul-17-19), 16.50 (Aug-7-19), 16.80 (Nov-8-19).	18.046	2dc below 15
PSLV	Keep your positions. Wait for weakness to buy more.		Bot: 5.50 (Jul-17-2019), 6.25 (Aug-7-19), 6.19 (Nov-8-19).	6.60	2dc below 6.10 (adj)
HUI Index	Gold shares rose higher during the lightly traded holiday season. As with gold and silver, HUI rose with strength confirming the upward path for gold shares since the lows in Oct. Noteworthy, HUI is at the top side of the Oct upchannel, also coinciding with the previous Aug high resistance, with the leading indicators showing a limited upside ST. This suggests that although the move since Oct has been impressive, gold shares are not out of the woods just yet and a decline back to support at the 200-220 level, or lower, remains possible.	--	N/A	240.61	N/A
DUST	Broke below the bottom side of consolidation band suggesting further weakness. I'm not convinced gold's 'D' decline is over, but we reduced hedge against downside given gold's recent bullish action. Keep the rest unless gold breaks clearly above \$1550.	L	7.40 (Aug-14-19), 7.20 (Aug-21-19), 7.45 (Sept-11-19), 6.90 (Sept-26-19). Sold half for loss (Dec-2019).	5.62	Keep
KL	KL broke out from its bearish flag pattern showing resilience. KL remains on an upward path above \$40. We're ready to buy on a pull back to that level and more lower if given the chance.	O	Out	44.23	-
AEM	AEM failed to break above the Aug downtrend resistance near \$62.50 showing underlying weakness. AEM is now pulling back and could soon test the May uptrend near \$58. A break below this level is bearish with more downside likely. Stay out for now. I'm still waiting for more downside before buying.	O	Out	60.81	-
SVM	SVM is pulling back from the highs. We've been waiting for some weakness below \$5.50 to buy some. Be patient. Indicator suggests we could see a deeper decline ST. Buy some below \$5.50 and more below \$5. Place stops at 2dc below \$4.75.	O	Out	5.60	-

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
BONDS (7%)					
TBT	Continues to gain momentum... TBT remains on a solid upward path. Indicators are showing longer term rates are poised to rise further as we head into 2020. As capital flows out of safe havens and into risk assets, long term bond yields are likely to continue rising. Keep your positions.	L	25.40 (Sept-11-19), 24.60 (Sept-26-19), 24 (Oct-2-19), 25 (Nov-27-19).	25.98	2dc below 24.50.
CURRENCIES (45%)					
U.S. DOLLAR (DXZ19)	The U.S. dollar index broke below the Jun uptrend at the close of the year. Indicators are showing more downside is likely. This would coincide with renewed strength in emerging markets and resources. Capital seemingly continues to flow out of safe havens and into risk assets. I suspect downside pressure will keep the dollar below the Oct highs in 2020. We're putting some of our sidelined U.S. Dollar cash into British pounds.		Holding cash	96.53	
FXB	Rising. A strong democratic process is allowing for the U.K. to act and move with decision as it pertains to Brexit and what follows. The stage is set for the U.K. to move forward and implement the economic agenda that can make its economy thrive. As concerns over Brexit ease, stronger signs of support in pound sterling emerge exposing its upside potential. Buy some below \$126.		Holding cash	127.4	-
RESOURCES AND ENERGY (9%)					
Crude (CLG20)	Crude oil broke above the top side of the sideways consolidation band between \$52 & \$60 showing impressive strength. Resources are poised to rise further into 2020. Thus far, crude oil has been leading the pack. ST, however, the rise seems overextended and a decline to the Oct uptrend near \$57 is now likely. We sold half of our position protecting some profits before the end of the year but would be ready to buy again on a pullback.	L	57.90 (May-24-19), 53.75 (May-31-19), 54 (Jun-19-19). Sold half at \$62 for 13% profit.	61.18	2dc below 57.
DNR	Holding up near highs. DNR is forming a bullish flag pattern at the upper end of the 7 month long sideways consolidation band. This suggests a break above the flag's pole & resistance near \$1.55 confirms the bullish pattern and a continued rise to the flag's target near \$2 would be likely. Keep your positions.	L	1.40 (Sept-11-19), 1.23 (Sept-13-19), 1.10 (Oct-7-19), 1.07 (Oct-23-19).	1.42	2dc below 0.90
COPPER	Breakout, pullback... blast off! Copper's break above the NL resistance level near \$2.75 was a strong confirmation more upside is now likely. Copper is pulling back after reaching a high near \$2.85. If copper now stays above the breakout level at \$2.75, a continued rise to \$3 is likely.	O	-	2.8250	Out
OTHER STOCKS (19%)					
PG	PG broke above \$126 but has failed to hold above it since. It's pulling back, testing the Jun uptrend near \$123. Spinner below MT MA and breaking below the zero line showing weakness. Keep your positions for now. Raise your stops to 2dc above 120.	L	103 (Apr-24-19), 106 (May-22-19), 105.50 (Jun-5-19). Sold half at \$124.50 for 20% profit! (Oct-19) 119 (Nov-4-19).	123.41	2dc below 120 (adj).
GSH	GSH rose to the top side of the Aug upchannel showing impressive strength. GSH pierced resistance at \$17. It's now pulling back but the rebounding strength has been confirmed. Keep your positions for now.	L	15.90 (Oct-23-19), 15.90 (Nov-27-19).	16.67	2dc below 15.50 (adj).
C	Rose to new highs above \$80 for the first time showing impressive strength. C is a great way to have exposure to U.S. stocks. Keep your positions for now. Raise stops to 2dc below \$75. I'll be looking to buy more on a dip near \$76.	L	73.75 (Nov-20-19).	81.23	2dc below 75 (adj).

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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.

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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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