



# -GCRU-

Weekly Trading Strategies



*Omar Ayales*

Achieves gains by trading commodities, currencies and stocks

Jan 8<sup>th</sup>, 2020

IN ITS 19<sup>th</sup> YEAR – Nº 866

## **GOLD BREACHES RESISTANCE, REACHES 7 YEAR HIGH + CONFIRMS SECULAR STRENGTH**

### **IS GOLD LEADING SILVER, PLATINUM and GOLD SHARES... WHAT'S THE DEAL?**

### **CRUDE OIL ALSO REACHES A NEW HIGH ENERGY SHARES FOLLOW**

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**O**ne interesting thing about the price movement of gold is that for a period of almost 40 years, prior to President Nixon taking the dollar off the gold standard in early 1970s, its price was fixed. There was no price fluctuation, patterns or other movements that could be mapped.

A true challenge for the technical analysts that constantly look for support, resistance, key reversals, breakouts, and others.

Analyst would instead map the price movement of gold shares in an attempt to identify market forces of supply and demand that would be powering gold.

**“Investment success accrues not so much to the brilliant as to the disciplined.” – William J. Bernstein**

Once the fix was removed, a more direct and pure interpretation of gold's price movement could be identified, traced and analyzed.

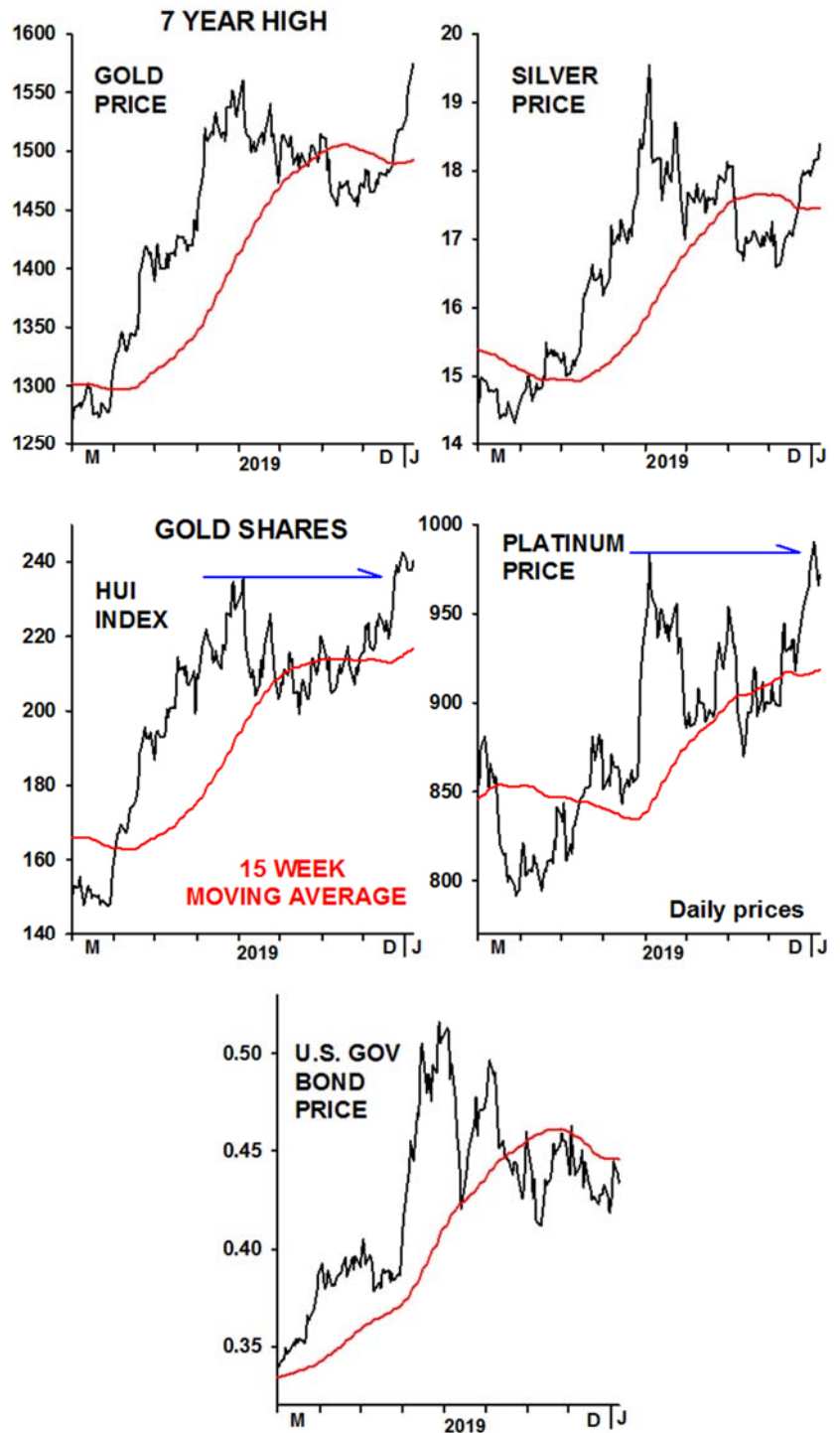
And although individual gold shares are subject (like any stock) to the quality of its management and other elements that go over and beyond the supply/demand mechanics of gold, as a whole, they're still a key component in analyzing the price movement of gold.

The sector as a whole tends to map gold's moves. They follow but many times lead as well.

Recent price action following a U.S. drone strike and killing of an important Iranian military general fueled gold's breakout rise, above \$1550 and even above the Sept peak, reaching a new 7 year high.

Impressive to say the least and one of the reasons why we didn't cash out all of our gold assets when we identified the peak in early Sept.

## IS GOLD LEADING?



Not to say this was on the horizon. It wasn't, at least not in mine even though we had analyzed rising tensions with Iran as a supportive cause for gold. Nevertheless, gold's breakout rise above \$1365 was so powerful that it was poised to continue rising, regardless of the reason behind it.

After last year's breakout performance, there is no reason why anyone shouldn't have gold in their portfolios in some relevant and permanent way.

We can increase gold holdings, reduce them, take profits here and there... but upward pressure is so strong at a secular level that one should always keep some gold or a base in your portfolio. Whatever makes you feel comfortable. At this moment, precious metals represent about 20% of my portfolio.

I sold the second half of our insurance position in DUST after gold rose and stayed above \$1550 resistance.

We're currently out and would only consider buying again if conditions warrant.

As of this moment, the profits built on our core positions in gold and silver are healthy and strong. We don't need insurance on our core precious metals positions for now. If you haven't sold the second half of DUST, sell at mkt.

We've kept healthy positions in precious metals and have been waiting for deeper weakness than we've seen thus far to buy more. The decline thought to be a 'D' decline to the \$1460 closing low seemed shallow.

However, we have increased exposure since the Sept peak in precious metals mainly through silver.

The reason we started buying silver then was due to its extreme relationship to gold on a grand, historic scale. The trade has worked well as silver has outperformed gold, even after this past week's surge.

Silver is still poised to outperform gold down the road.

We're also waiting for more weakness to buy more silver. If you don't own any silver, consider buying some below \$17.50. If you have positions and are looking to buy more, wait for a deeper pull back below \$16.50.

It's noteworthy that gold's bullish rise since the drone strike was mostly an isolated move.

What I mean is that although gold rose to a new 7 year high, silver, platinum and gold shares have not.

Most readers will remember that I like correlated and collective moves to show if strength is broad based. Whenever a movement is isolated, it has proven to be temporary, which is why my approach thus far has been tapered.

The lackluster performance in gold shares and silver during gold's explosive rise this week is being watched closely.

But what if... what if the current breakout rise is part of an extended 'C' rise, rather than the end of a 'D' decline? Although not particularly a very common theme, an extended 'C' rise has happened before on two different occasions, the first during gold's 'C' rise in 2003-2004 and then again in 2007-2008. Both times the 'C' rise lasted 9 months starting around Jun. The current 'C' rise would be now 8 months long, having started in May 2019. Sound familiar?

If this proves to be an extended 'C' rise, gold could rise further with silver and gold shares poised to catch up. Gold's next resistance and extended 'C' rise target would be \$1650. This could also explain why the 'D' decline was a shallow one: it hasn't yet happened.

Ultimately, I do believe gold is poised to reach \$1800 and beyond. It's not a question of "if", but more as to "when".

You see, we don't want to commit all of our spare cash to what could be an expensive asset at this moment. Remember, the secular upmove in gold is long term and we're here to take advantage of it all.

We did, however, buy some Silvercorp Metals (SVM) just below \$5.50. We want to start increasing exposure to gold and silver shares but must do so with caution. I still believe we will get better opportunities down the road.

We continue to wait patiently for price action to develop. The low volume days in December were not to be trusted.

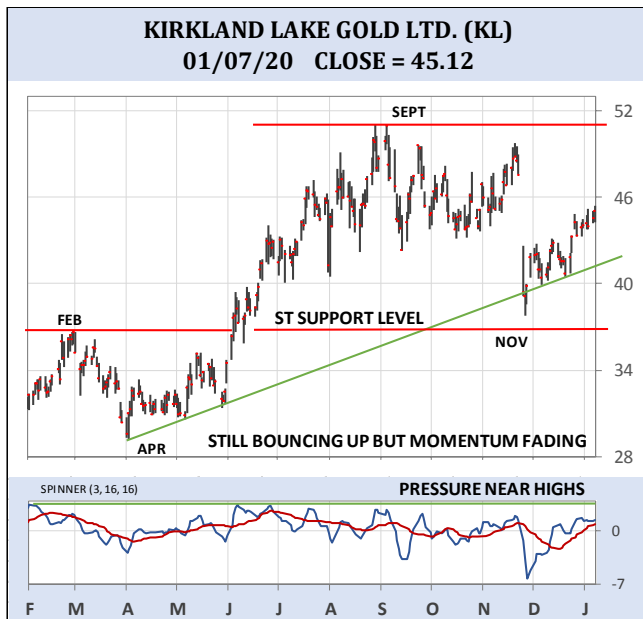
I'm looking at Agnico Eagle Mines (AEM), Kirkland Lake Gold (KL), and Sabina Gold & Silver (SBB.TO). For the fifth one, I'm still debating on whether to include another silver share or another senior gold mine. The gold mine I have in mind would be B2Gold (BTG) and the silver mine would be either Pan American Silver (PAAS), SSRM Mining Inc. formerly Silver Standard (SSRM) or Hecla Mining (HL).

AEM remains within a tight trading range between \$58 and \$62.50. It's also holding above its 5wk MA, a bullish sign. Notice on the chart Spinner also holding at zero looking ready to resume its rise. If Spinner picks up the pace, it would suggest momentum rising. If AEM were to break above the top side of its trading range on 2dc above \$62.50, it could be off to the races!



On the downside, keep an eye on the 5wk MA near \$60.50. A break below this level shows weakness and a sign that a decline to the bottom side of the range near \$58 is likely. A break below this level would then confirm weakness and push AEM lower, to possibly the lower \$50s.

Buy a bit of AEM below \$59 and more on a pull back below \$55. Place stops at 2dc below \$50.



KL nudged higher... it's breaking above its 15wk MA at \$44.50 showing signs of strength. However, this breakout has been on lower than average volume and could be a fake.

Wait for a pull back below \$43 to buy some. Buy more below \$40. Place stops at 2dc below \$38.

SBB.TO broke below a month-long sideways band with its floor at CA\$1.80. SBB.TO is now holding at its 15wk MA. Spinner is falling quickly, showing momentum plummeting and pointing to more downside ST. We'll be looking to buy some below CA\$1.70.



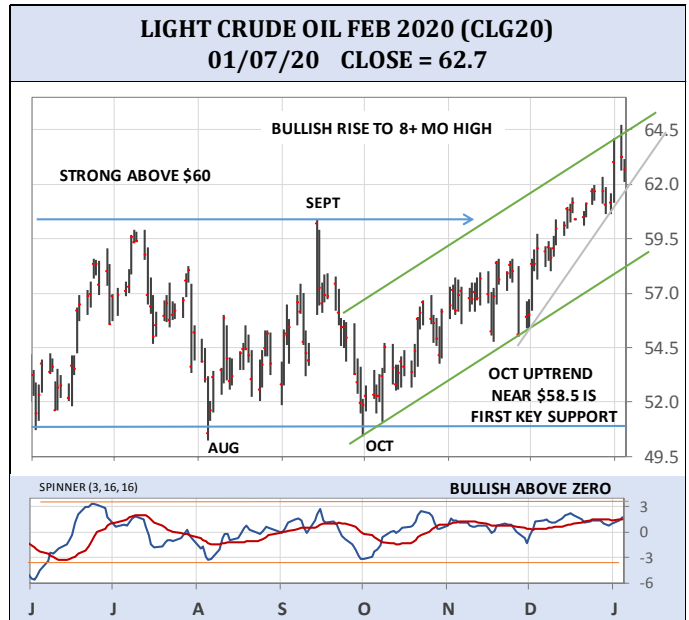
Hecla Mining (HL) is a great mine that has had lots of problems in the past with debt loads and management. But many of those issues have been resolved and HL now seems to be on the right path to recovery and offers great upside potential.

We'll show a chart of HL in a future edition depending on price movement.

Pan American Silver (PAAS) and Silver Standard Resources (SSRM) are also great, established and well run silver mines. They're both near recent highs and offer a safe bet.

Crude oil also got bot this past week after the U.S. drone strike in Iraq fueled concerns supply disruptions could push crude oil higher.

Crude broke to new highs showing impressive strength. It's now pulling back but showing strength by holding above the Oct uptrend near \$58.50. Raise your stops to 2dc below \$58.50. Sell second half of position at profit target at/or near \$70.



We're holding a reduced position in crude oil after recently taking profits on half of our position. I also have exposure to energy through Denbury Resources (DNR).

This past week, DNR broke above a bullish flag pattern with upside potential above our first profit target at \$2.10. It has been explosive to say the least.

We have solid profits built in. Wait for price action to develop further before selling. Raise stops to 2dc below \$1.30.

U.S. Treasuries also got bot this past week after the drone strike. They spiked, sending yields tumbling.

The uptrend since Aug that has been developing in longer term yields of U.S. Treasuries was not broken.

Since those lows we've been betting on rising longer term rates through the ETF: TBT. But with safe haven buying returning, it's best to take your profits and sell TBT.

Naturally, global stocks paused and pulled back a bit. The U.S. stock market was not an exception. It has, however, held up well for the most part.

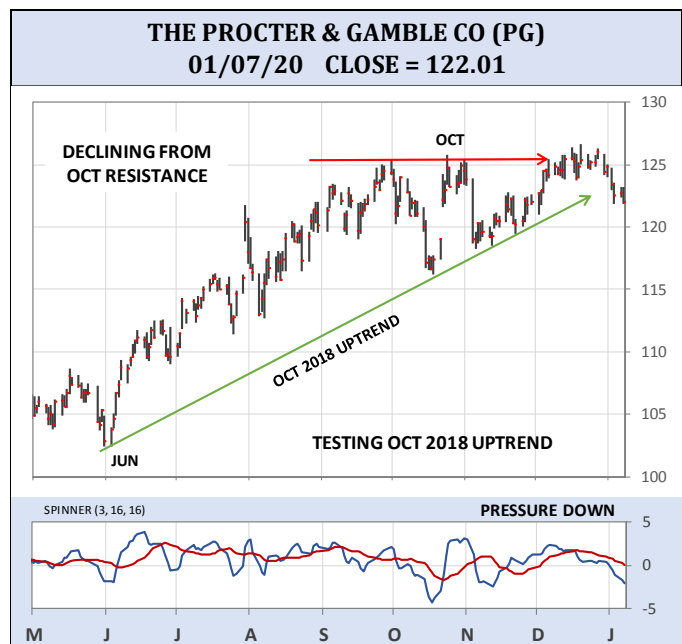
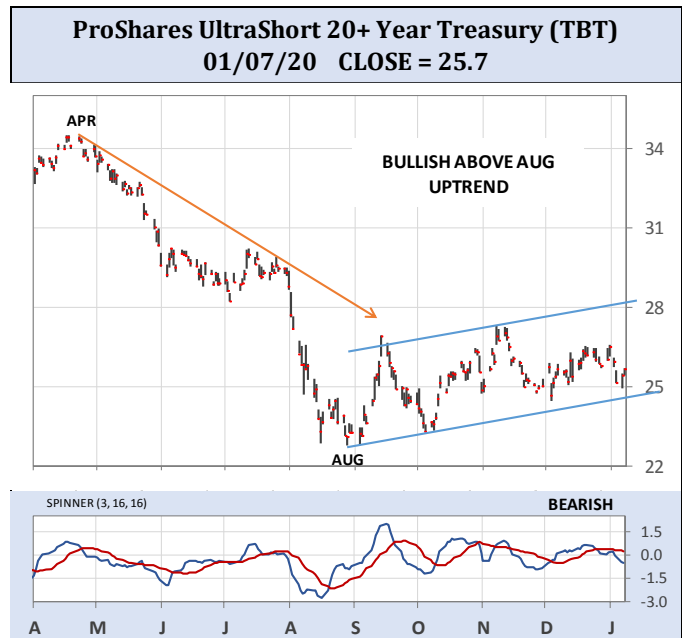
With a real war seemingly about to break out in the Middle East, the trade war with China was pushed to the back burner and has barely made news headlines.

Our individual stocks are holding up well. But could suffer with global uncertainty surrounding the U.S. – Iran conflict. I'm going to lighten up sections of my portfolio that could be vulnerable.

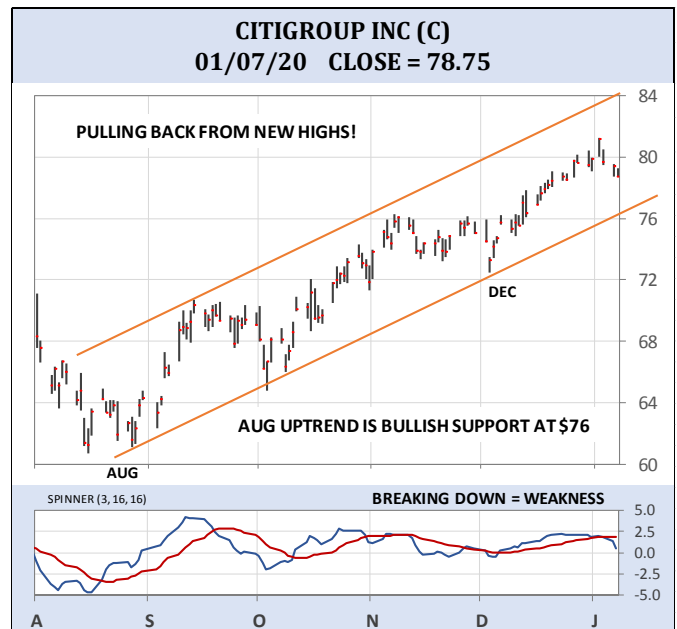
Procter & Gamble (PG) continued to edge lower. It slipped below its 15wk MA today showing weakness. PG is at a new 1 month long closing low. Spinner continues to fall, it's approaching an extreme level. This suggests more downside pressure is likely ST.

I recommend taking profits and sell PG. I might buy some again later on.

Citigroup (C) also pulled back from the highs last week. The geopolitical turmoil is putting some downside pressure. Momentum has taken a turn







and continued weakness seems likely. However, C will remain bullish above the Aug uptrend near \$76. Keep your positions.

We have exposure to emerging market through Guangshen Railway (GSH) in China. GSH continues to uptrend, although the drone strike is also taking a toll. Spinner is trending towards zero but remains in bullish territory.

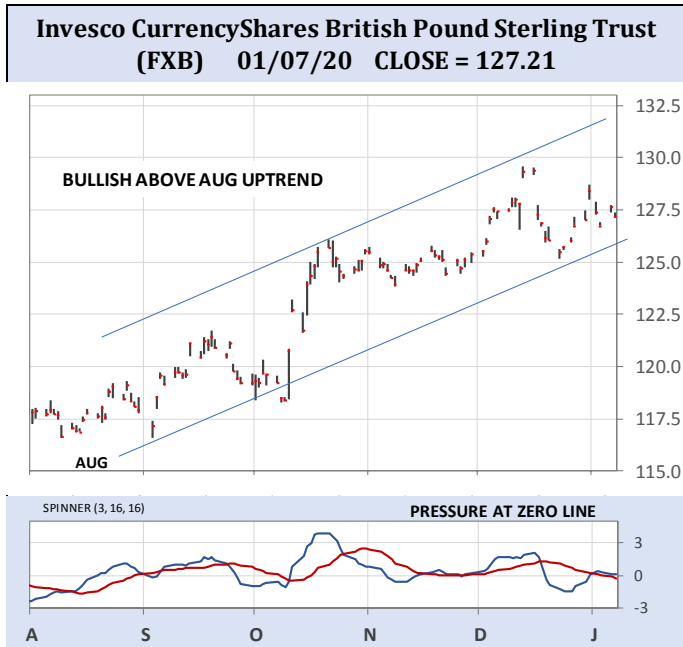
GSH remains bullish above \$16.50. Keep your positions.

The U.S. dollar is bouncing up after reaching a new low for the move recently. The bounce up is likely on safe haven demand as the dollar is showing strength since the drone strike.

We continue to hold considerable cash load in U.S. dollars as it has been the best and most liquid currency.

However, the dollar seems to have turned the corner and more downside is likely medium term. Moreover, emerging markets could start soaking up demand, adding downside pressure to the U.S. dollar.

Also, other circumstances such as a stronger defined political scenario in the U.K. are positioning the pound to be a top performer during 2020. We've been waiting on weakness to buy some.



We're ready to diversify some of our U.S. dollars into pound sterling. Buy some below 127.

Our strategy for this week is to continue keeping a close watch on gold and precious metals. Watch closely to see if gold shares and silver start picking up the pace or dragging gold down. Be sensitive to crude oil. Raise your stops.

Good luck and good trading,

Omar Ayales  
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**TRADER SHEET ON PAGE 12 & 13**

<b>KEY PRICES</b>			
<b>Name/Symbol</b>	<b>Jan 07,20 Price</b>	<b>Change</b>	<b>Jan 02,20 Price</b>
Gold (GCG20)	<b>1574.30</b>	46.20	<b>1528.10</b>
Silver (SIH20)	<b>18.39</b>	0.35	<b>18.05</b>
HUI (HUI)	<b>240.13</b>	-0.46	<b>240.59</b>
Copper (HGH20)	<b>2.79</b>	-0.03	<b>2.83</b>
Crude Oil (CLF20)	<b>62.70</b>	1.52	<b>61.18</b>
S&P500	<b>3237.18</b>	-20.67	<b>3257.85</b>
U.S.Dollar (DXZ19)	<b>96.70</b>	0.18	<b>96.53</b>
30 Year T-Bond (ZBH20)	<b>157.41</b>	0.82	<b>156.59</b>
10 Year T-Note Yield	<b>1.83</b>	-0.05	<b>1.88</b>
13-week Treasury Bill	<b>1.50</b>	0.00	<b>1.50</b>

### **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	Targets
<b>PRECIOUS METALS PORTFOLIO (20%)</b>						
<b>GOLD (GCG20)</b>	Gold rose on fears of war-like escalations between the U.S. and Iran after the U.S. killed a key military general for Iran in the area. Gold breached \$1600 on Iran's retaliation. Indicators suggest gold is at overbought levels which would normally indicate a limited upside. However, ongoing uncertainty will continue being supportive of gold. We're holding reduced but healthy positions in gold. We'll wait for weakness before adding to our positions. If you're not yet in, be aware of loading up on safe haven hype. Wait for a correction.	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>1574.30</b>	Sell on a 2dc below \$1300	1800 & 2000
<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>12.64</b>	10.00	Open
<b>SILVER (SIH20)</b>	Silver rose further, breaking above \$18 showing impressive strength behind the move. Silver continues to show strong signs of resistance at \$19. If silver fails to break above this level, it could fall back to the May uptrend near \$17 or lower. Keep in mind, silver also has strong support at the Dec low near \$16.50. If you're not in, buy some below \$17. If you're holding positions, wait for a deeper decline to buy some (below \$16). Keep your positions.	L	Bot: 15.80 (Jul-17-19), 16.50 (Aug-7-19), 16.80 (Nov-8-19).	<b>18.393</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), 6.19 (Nov-8-19).	<b>6.76</b>	2dc below 6.10 (adj)	Open
<b>HUI Index</b>	HUI rose above the Aug highs, reaching the top side of its Oct upchannel near 245. However, indicators are showing momentum waning suggesting a pull back or downside is likely. Consider HUI could fall back to the Oct uptrend near 215 initially. It also has strong support at the 200 level. Our in-house gold share A/D line continues to form a top at the Dec highs. A break below the band (4400) suggests more downside would be likely. We bot some SVM and have open orders to buy several gold shares, waiting for the right time.	--	N/A	<b>240.14</b>	N/A	N/A
<b>DUST</b>	Weakness in DUST was confirmed by gold's rise above \$1550. We sold DUST earlier this week per our indication last issue. Stay out for now. We'll consider bring it back if warranted.	O	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). Sold second half for loss (Jan-2019).	<b>5.53</b>	Keep	12
<b>KL</b>	The rebound rise continues. KL reached a new high for the move but momentum could be fading particularly as KL and gold shares overall failed to follow gold during the recent leg up rise. Stay out for now; wait for a decline to \$40 to buy some. Buy more near \$36.	O	Out	<b>45.12</b>	-	-
<b>AEM</b>	AEM has failed to surpass the Aug downtrend & resistance level near \$62.50 even as gold rallies to new 7 year highs. A break above this level would confirm strength and a continued upside would be likely. However, gold shares overall are stalling. Be aware of a sudden shift in momentum. If AEM breaks below \$58, a decline to the Oct lows near \$50 would be likely. Stay out for now, waiting to buy.	O	Out	<b>61.48</b>	-	-
<b>SVM</b>	SVM failed to rise to new highs, yet again, suggesting the upmove in gold lacks stronger fundamentals that could contribute to a broader rise. SVM continues to roll over, piercing below \$5.50 today, which allowed us to pick up some. I'll buy more on a further decline near \$5 or lower.	L	5.49 (Jan-6-20).	<b>5.69</b>	2dc below 4.75	6.75 & 9

## 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>BONDS (7%)</b>						
<b>TBT</b>	Breaking down... the recent surge in Treasuries, given the rise of fear and uncertainty following the attack on an Irani official, is putting downside pressure on TBT. Spinner breaking below zero showing weakness. TBT has support at the Aug uptrend. A break below this level on a 2dc below 24.90 would expose weakness with more downside. With safe havens making a comeback, it's best to sell at mkt for small gain.	L	25.40 (Sept-11-19), 24.60 (Sept-26-19), 24 (Oct-2-19), 25 (Nov-27-19).	<b>25.7</b>	2dc below 24.50.	30+
<b>CURRENCIES (43%)</b>						
<b>U.S. DOLLAR (DXZ19)</b>	The U.S. dollar index is trying to hold near a key Jun uptrend and support near \$96.50. However, technical damage has been done and a continued downside for the U.S. dollar is now likely. Downside pressure on the dollar suggests strength for other global currencies. But its indicators are also near an extreme low exposing a floor. Moreover, a pull back may be in the works. However, keep an eye on 97, its ST Nov downtrend, and especially the Oct downtrend near 98. If this 98 level is broken, signs of a trend reversal could emerge.		Holding cash	<b>96.70</b>	-	-
<b>FXB</b>	FXB failed to maintain upside momentum and continues to show signs of weakness. A break below the Aug uptrend near \$126 could push FXB lower. We're waiting for a pull back to buy. Increase buy orders to below \$127. This means, buy some at \$127 or lower.		Holding cash	<b>127.21</b>	-	-
<b>RESOURCES AND ENERGY (10%)</b>						
<b>Crude (CLG20)</b>	Crude oil rose further on concerns over supply disruptions within the Middle East, given the rising tensions between the U.S. and Iran could cause prices to boost upward. Crude oil rose to the top side of the Oct upchannel near \$65 showing impressive strength. However, a rising wedge continues to form. A break below \$62 could confirm the wedge and a decline to the Oct uptrend near \$58.50 would be likely. Keep your positions. Buy again on weakness.	L	57.90 (May-24-19), 53.75 (May-31-19), 54 (Jun-19-19). Sold half at \$62 for 13% profit.	<b>62.70</b>	2dc below 58.50 (adj)	70 (new).
<b>DNR</b>	Bullish! DNR broke above a bullish flag pattern at \$1.50 showing impressive strength! Indicators are showing further upside is now likely. A rise to the flag target could see DNR rise to \$2.10. Keep your positions but sell half if first target is reached. If you're looking for exposure and are not yet in, consider buying near \$1.50 and more lower.	L	1.40 (Sept-11-19), 1.23 (Sept-13-19), 1.10 (Oct-7-19), 1.07 (Oct-23-19).	<b>1.62</b>	2dc below 1.30 (adj).	2 & 3 (adj)
<b>COPPER</b>	Breakout, pullback... blast off? Copper's break above the NL resistance level near \$2.75 was a strong confirmation of more upside. 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	-	<b>2.7935</b>	Out	-
<b>OTHER STOCKS (20%)</b>						
<b>PG</b>	PG fell further with a broader stock market decline following the escalating tensions between Iran and the U.S. PG is breaking its key uptrend and support, the Oct 2018 uptrend. Indicators suggests more downside is likely. More weakness seems likely. Sell at mkt to protect a 10% gain on the second half of your position. We'll be looking to buy again on further weakness.	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).	<b>122.01</b>	2dc below 120.	150
<b>GSH</b>	GSH continues to uptrend, showing higher lows. GSH is great exposure to emerging market stocks. GSH will remain bullish above the Nov uptrend and a break above the top side of the channel, on a 2dc above \$17.25 would confirm recent strength and push GSH into a stronger phase. Keep your positions for now.	L	15.90 (Oct-23-19), 15.90 (Nov-27-19).	<b>16.60</b>	2dc below 15.50	19 & 25.
<b>C</b>	Rose to new highs. Looking very bullish above the Aug uptrend near \$76. C is now pulling back and could test the Aug uptrend. A break below this level could exacerbate weakness pushing C down to the Dec lows, and possibly the Aug lows. Keep your position for now.	L	73.75 (Nov-20-19).	<b>78.75</b>	2dc below 75.	85 & 100.

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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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