



# -GCRU-

## Weekly Trading Strategies



*Omar Ayales*

Achieves gains by trading commodities, currencies and stocks

October 28<sup>th</sup>, 2020

IN ITS 19<sup>th</sup> YEAR - Nº 908

# U.S. DOLLAR CAN'T GET PAST THE MAR DOWNTREND

## ELECTION UNCERTAINTY WEIGHS DOWN ON MARKETS

### THE GLOBAL ECONOMIC RECOVERY REMAINS THE UNDERLYING THEME

#### I'M BUYING ANOTHER RESOURCE COMPANY

**U**ncertainty took its toll on the market this week as the U.S. election gets closer...

Moreover, a new wave of Covid cases is breaking out, adding to bubbling tensions...

Stocks pulled back from the highs; a return to trading dynamics seen during the lockdowns economy is seeping back.

But as far as rising cases of Covid-19 goes, this time it is different...

The reason being the higher level of knowledge of the virus, and overall first responders and medical staff are better equipped and prepared.

**"Chance favors only the mind that is prepared."  
- Louis Pasteur**

Testing and tracing is helping identify sources of contagion to quarantine and limit the spread of the virus.

And although not everyone is complying with all safety recommendations, overall people are more conscious, aware and apply one or another safety protocol.

Panic days are over and the death rate continues to decline.

It's becoming more accepted, and Covid-19 is something we'll have to live with for some years to come. Just as I've been saying since the depth of the lockdowns in March, society will adapt and prevail. It always has.

Remember the primary trend that started in March, during the depth of the pandemic led lockdowns, remains in tact. The global economic recovery from those lockdowns will continue to fuel assets across the board globally.



In the U.S., regardless of who is elected, the need for more stimulus seems bi-partisan. And it'll likely continue to put a lid on the U.S. dollar and fuel broad asset inflation.

The macro trading theme could remain U.S. dollar weakness, especially if the dollar stays below the Mar downtrend at 94. Watch for a break below 92, the bearish descending triangle's support level, because it'll open the door for a continued decline.

Most of our cash pile, which accounts for 50% of our portfolio is in U.S. dollars.

Some is in British Pound Sterling and Australian Dollars, both of which have held up stronger, offsetting any loss of purchase power due to dollar weakness.

You'll notice on the chart, British Pound Sterling is back to feeling comfortable near the \$1.30 handle and could strengthen further and move closer to the \$1.50 level. Keep some of our cash in British Pound Sterling, but not more than a fourth.

The Australian dollar hasn't been as strong as the British Pound in recent weeks but it continues to gain ground against the U.S. dollar. The Australian dollar remains strong above \$0.70.

I'm also bullish on the Canadian dollar. Although I don't have cash in Canadian dollars currently, some of the companies I have exposure to are Canadian, traded in Canadian exchanges in Canadian dollars. Any currency appreciation would materialize during stock liquidation.

Dollar weakness is also supportive of gold.

Gold continues to hold above the late September lows near \$1865. It's above \$1900 showing signs of strength.

However, gold's upside is limited as long as it trades below the Aug downtrend near \$1950. Spinner on the chart is lackluster at best, struggling to surpass zero. It's suggesting momentum is slipping.

Interestingly, with heightened uncertainty, gold should be rallying, above ST resistance. But it's not. This is a strong sign the 'D' decline is still underway, keeping gold under pressure.





I'm holding a bit of gold after taking great profits this year. I bought during the Sept low level at \$1900. And I'm ready to buy more as weakness reaches an extreme... If you're not in, buy some gold below \$1900. Personally, I'm waiting for gold to re-test support at \$1865 before buying more.

Silver has held up better than gold, clearly above the Mar uptrend. Developing strength in resources, as shown by copper, remains a tailwind for silver.



I'm holding a full position in silver after taking handsome profits this year too, and wouldn't discard buying more on a decline below \$20. Watch the Mar uptrend at \$24 as a break below it will suggest more weakness could push silver to a deeper support at \$19.

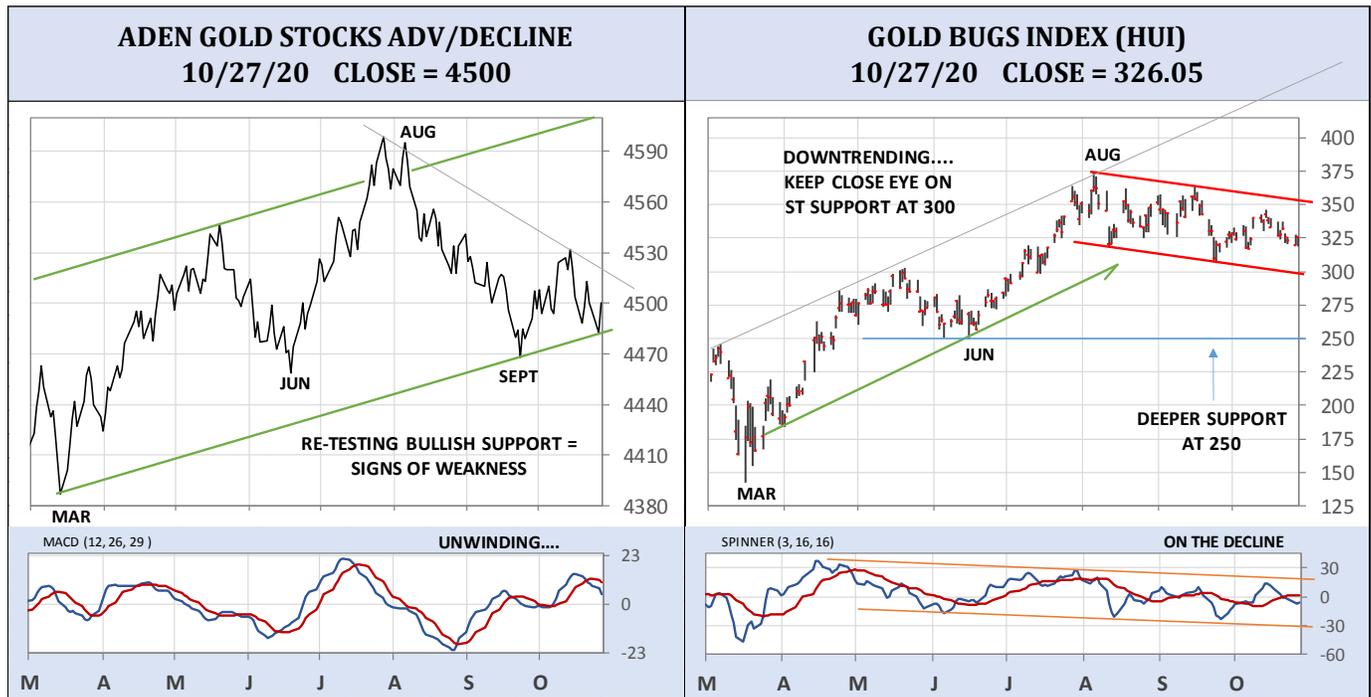
Price action in gold and silver miners is also very telling.

Gold shares continue to trend down, showing lower highs, suggesting weakness is not over just yet.

The HUI Index has been in a steady decline since early Aug. If it now falls to the bottom side of the Aug downchannel, it could reach ST support at 300. With Spinner on the decline, breaking below support it's showing more weakness ST.

The chart on the left is our in house A/D Line. It's been testing the Mar uptrend since Sept. The A/D Line is telling us weakness remains. And a break below the Mar uptrend opens the door for more downside.

I'm still holding a bit of DUST, an ETF that moves 2x opposite to the HUI, as a hedge against downside risk.



Our precious metals portfolio is at a low level. It's net 16% of our total portfolio (down from 50% earlier this year). The gold miners we have, I'll keep through weakness. I believe in their growth stories and allow for some exposure as weakness plays out.



Take Nova Gold (NG) for example. It's been great. A solid junior miner with world class assets in North America with top notch management. NG has held up stronger than most. It's very bullish above the Mar uptrend near \$9.50.

It's formed a double top at \$12, which is becoming a strong resistance. If NG fails to break above resistance, it could re-test the Mar uptrend. I'm ready to buy more below \$10. We've done great with NG overall this year, having recently taken profits.

Another one of my favorites is Hecla Mining (HL). It's also done great for us this year. It's been having great success since increasing gold production and paying off debt with excess cash flow generated over the past 2+ years.

It too has been declining steadily since the Aug highs (when we last took profits). However, HL's Spinner is showing weakness suggesting more downside is likely.

HL could now fall below \$5 and test the Mar uptrend near \$4.50. I'm buying some on a decline below \$5, near \$4.50.



My two other positions are reduced positions in junior mines. I started buying given the growth stories behind both Black Rock Gold Corp (BRC) and Bonterra Resources (BTR). They're both junior miners with great assets and experienced management.

They've been declining recently, but that's fine. Their upside potential is open when the gold markets starts picking up steam. I'll be looking to buy more when bottoms emerge ... for BRC it's near the Mar uptrend at CA\$0.50, and for BTR it's below CA\$0.90.



When the time comes, I'll be buying gold, silver and the miners more aggressively, increasing exposure 2 or 3 times.

### Resources Poised

Recently, I've been showing how resources and base metals are poised to outperform precious metals in the foreseeable future.

And it makes sense within a global economic recovery. Governments globally will continue to spend money, looking to stimulate their economies. Demand for resources across the board are poised to rise.

I've been out of resources, for the most part and we're only holding BHP Billiton (BHP).

BHP is a great company, involved in the production of copper and other resources including oil. It's one of the largest in the world and it's Australian based. BHP has a solid record of keeping a handsome dividend and it's poised to continue benefiting from rising commodity prices.



But I've also started to look into other resource companies that could bolster our anemic resource portfolio. Just last week I added Ivanhoe Mines (IVN.TN), a Canadian company traded on the Toronto Exchange.

IVN is developing one of the largest copper mines in the world at the Kamoakakula site in Central Africa and it's online to start production next

year. I bought some last week at CA\$5.22 to have some exposure but I'm waiting for further weakness below \$5 to buy more.

Notice IVN coiling at the Mar uptrend. If it holds, it could then rise to the top side of the Mar upchannel near \$6.50.



I recently came across several resource companies while talking with Matt Geiger (MJG Capital). Matt was on the precious metals panel at the New Orleans Conference with me. He's a young talented investor with great insights within resources.

One of the companies I was most drawn to was EMX Royalty (EMX). It's a royalty company with over 200 high quality sites world wide. It trades in both Canadian exchanges and in the NYSE.

EMX is not a pure resource play (since it does have exposure to precious metals). But it'll likely benefit from the move in base metals. Moreover, its business model allows it to stay away from liability producers face (operational and many times political).

On the chart, notice EMX is bouncing up from the Mar uptrend. As long as it stays above \$2.60, it could rise to the top side of the upchannel.

Buy at mkt.

Even after adding EMX, exposure in resources remains low. I'll be open to buy more EMX and IVN as well as others that I'll be adding as opportunities emerge.

### **Stocks Pull Back on Uncertainty**

For the first time stocks traded like Biden was going to win the election.

The initial knee jerk reaction to a Biden win will likely be a decline. The thought of capital gains tax hikes could push investors who have handsome gains to liquidate their positions before any roll back in Trump's tax cuts.

The change in direction, for good or bad, generates uncertainty.

However, the economic recovery, continued stimulus and a weaker dollars seems to be the bigger driver for stocks. This means, any market sell off from a Biden win could end up being an excellent “buy the dip” opportunity.

I continue to believe that holding on to large cash amounts, diversified, together

with a handful of great companies in key sectors is the most prudent strategy.

You want to have liquidity during extreme situations given the underlying conditions.

The stocks I’ve been including in our stock market portfolio are solid companies with growth stories that are developing, and will continue to do so.

Walmart (WMT) being one of them. The world’s largest physical retailer going digital with stronger online presence. WMT will be taking advantage of tech and e-commerce to reduce operating costs and increase profitability.

The ‘amazonification’ of WMT could see it rise 6x over the medium to long term. Keep your positions. Buy on weakness if you don’t have exposure.

Shopify (SHOP) is another of our great holdings. A leader in putting business and online consumers together.

Not only that, SHOP is a critical part of WMT’s ‘amazonification’ and their close



relationship will open the door for SHOP's customers to showcase their products and services with the largest retailer in the world.

Keep your positions.

I recently added PayPal (PYPL) to our list, buying some in the lower \$180s just before it took off.

PYPL is positioned to benefit from growing online retail and sales. It's the first of its kind and any innovation within the industry could come from within. Just this past week, for example, PYPL announced it'll be accepting transactions in crypto currencies. The news pushed PYPL to new highs, above key resistance levels.

It's pulling back now, back to the \$200 level. It's allowing an opportunity to buy more on weakness. Buy more below \$200.

I also have exposure to the SPXL. An ETF that triples the action on the S&P 500.

It's holding above support at \$50. If it continues to hold during weakness, it'll show resilience and a renewed upmove towards the top side of the channel into the \$60s would be likely. Keep your positions for now.

TBT, another ETF, that moves with long term yields on U.S. government bonds. Or, put it differently, it's like shorting long term U.S. government bonds.



Notice on the chart it's been forming a massive bottom since the pandemic led collapse in Mar. TBT has been up trending since the Aug lows, and it almost reached the top side of the Aug upchannel at \$17.50.

It also has growing support at the Aug uptrend near \$16. Keep your positions. TBT must break above the Jul highs at \$18 before showing renewed strength.

Last week I picked up a small position in the 3M Company (MMM), an American, industrial company with a good dividend yield.

This week, MMM fell after failing to surpass resistance at \$170 clearly. It's now retesting the Mar uptrend near \$160, our stop. Spinner is on the decline, showing more downside is likely.

Keep your positions, allow leeway, and adjust stops to 2dc below \$150.

I'm also holding onto Citigroup (C). We've been looking to unload and we'll wait for a bounce up to the higher \$48s. I haven't rushed into selling it since we still have healthy cash reserves and volatility remains.

Sell at mkt or on a rebound to the higher \$40s.





Our overall positioning remains adequate. We have some exposure to U.S. stocks and precious metals, with growing exposure to resources. Our biggest position is in cash, in highly liquid low interest bearing instruments and/or diversified with other currencies to maintain purchase power while we wait for opportunities to develop.

And remember, if it's Wednesday, it's Gold Charts R Us!

Good luck and good trading,

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TRADER SHEET PAGES 13 & 14

SPECIAL NOTES

KEY PRICES			
Name/Symbol	Oct 27,20 Price	Change	Oct 20,20 Price
Gold (GCZ20)	1911.90	-3.50	1915.40
Silver (SIZ20)	24.57	-0.41	24.98
HUI (HUI)	326.05	-1.68	327.73
Copper (HGZ20)	3.09	-0.05	3.15
Crude Oil (CLZ20)	39.57	-2.13	41.70
S&P500	3390.68	-52.44	3443.12
U.S.Dollar (DXZ20)	92.93	-0.12	93.05
30 Year T-Bond (ZBZ20)	174.09	0.59	173.50
10 Year T-Note Yield	0.778	-0.019	0.797
13-week Treasury Bill	0.090	-0.005	0.095

Next week's issue will be published on the morning of Thursday the 5th of November.

Also please join me next week at a Money Show event from the 4th through the 6th of November, where I'll go over what's shaping the trading dynamics we're seeing today.

Press [here](#) to register free!

## TRADER SHEET

Symbol	Trade Update &/or Current Position	Status B=Buy S=Sell O=Out H=Hold	Long or Short	Last Closing Price	Stops	Targets
<b>PRECIOUS METALS PORTFOLIO (20%)</b>						
<b>GOLD (GCZ20)</b>	Continue to hold small position purchased at the Sept lows. Gold remains sluggish below \$1950, but support at \$1850 is growing. Still waiting for weakness to buy more. If you're not in yet and are looking for exposure, buy some at or below \$1900.	H	Bot: 1485 (Mar-18-20). Sold via alert for 35% gain (Aug-11-20). Bot 1900 (Sept-21-20)	<b>1911.90</b>	2dc below \$1680 (adj)	2100 & 3000
<b>PHYS</b>	Keep your positions.	H	11.75 (Mar-18-19). Sold via alert for 35% gain (Aug-11-20). 15.20 (Sept-21-20)	<b>15.28</b>	2dc below \$11.20	-
<b>SILVER (SIZ20)</b>	Holding full position with 30%+ gains after achieving solid gains throughout this year. Silver testing support at \$24, a break below it could push silver to deeper support at \$19. I'll consider buying more on a decline below \$20.	H	Bot: 15.80 (Jul-17-19), 16.50 (Aug-7-19), 16.80 (Nov-8-19), 12 (Mar-18-20), \$15.20 (May-6-20). (AVG: \$15.275) Sold half at \$18 for 17% gain (Jun-22); Sold more at \$26 for a 70% gain (Aug-4-20). \$23 (Sept 23-20) (AVG: \$19).	<b>24.570</b>	2dc below \$19	28 & 50
<b>PSLV</b>	Keep your positions.	H	Bot: 5.50 (Jul-17-2019), 6.25 (Aug-7-19), 6.19 (Nov-8-19), 4.65 (Mar-18-20) (AVG: 5.65). Sold half for 17% gain.	<b>8.62</b>	2dc below \$5.25	-
<b>HUI Index</b>	Gold shares continue to downtrend, showing weakness. More downside is likely, initially to 300. A break below this ST support could push HUI to the Jun lows near 250. We've reduced exposure to gold shares and waiting for weakness to play out to buy more. I'm also holding a bit of DUST, as insurance, to counter gold share weakness.	H	-	<b>326.05</b>	-	-
<b>DUST</b>	Holding small position to hedge the downside risk within the gold universe.	H	19.4 (Sept 28, 20).	<b>18.95</b>	2dc below 16.20	35
<b>HL</b>	Holding reduced position after protecting profits. Resisted yet again at the Aug downtrend showing weakness. Still waiting for weakness to buy more. If you're not in, wait for a decline to the Mar uptrend before buying some.	H	2.96 (Jan-28 -20), 2.65 (Mar-4-20), 1.65 (Mar-18-20). Sold half at \$3.50 (May-20-20) for 46% gain. New Positions: 2.90 (Jun-24-20) (AVG: \$2.85). Sold half at \$6 for 105% gain (Aug-4-20).	<b>5.08</b>	2dc below \$4	8
<b>NG</b>	Holding reduced position after protecting some profits. Waiting for a decline to Mar uptrend near \$9.50 to buy more.	H	8.30 (Jul-15-20), 8.70 (Jul-22-20), 8.99 (Aug-7-20) (AVG: 8.65). Sold half for 40% gain (Sept 18-2020).	<b>11.10</b>	2dc below 8.	12
<b>BTR.V</b>	Keep small position through weakness. It's now testing support at \$1. Allow leeway.	H	1.32 (Jul-23-20).	<b>0.97</b>	2dc below \$1 (hold thru weakness).	\$2.20 & \$3
<b>BRC.V</b>	Keep small position for now. Waiting for more weakness to buy more.	H	1.10 (Sept, 21- 20)	<b>0.79</b>	2dc below 0.40	2 & 4
<b>CURRENCIES (50%)</b>						
<b>U.S. DOLLAR (DXZ20)</b>	Continues to show weakness below the Mar downtrend at 94, but holding firm above the Sept lows near 92. A break in either direction will provide a hint towards the next intermediate move. Keep cash in dollars mainly but diversified into Australian dollars and British pound sterling.	H	-	<b>92.93</b>	-	-
<b>FXB</b>	Keep cash reserves liquid and diversified. BPS is looking good above the Mar uptrend.	H	-	<b>126.25</b>	-	-
<b>FXA</b>	Keep cash reserves liquid and diversified. More upside is likely as long as the Aussie holds above support.	H	-	<b>71.12</b>	-	-

## TRADER SHEET CONTINUED

Symbol	Trade Update &/or Current Position	Status B=Buy S=Sell O=Out H=Hold	Long or Short	Last Closing Price	Stops	Targets
<b>RESOURCES AND ENERGY (4%)</b>						
<b>COPPER (HGZ20)</b>	We're out. Copper is pulling back from 2 year high. It has strong support at Mar uptrend near \$2.95. Resources continue to look ripe for more upside. We've been adding positions, rebuilding our resource portfolio.	O	-	<b>3.0935</b>	-	-
<b>BHP</b>	Keep your positions. Sold some recently protecting profits. Showing more weakness suggesting a decline to the Jun lows near \$47 is likely.	H	54.75 (Jan-15-20), 52.50 (Jan-30-20), 43 (Mar-5-20), 31.50 (Mar-18-20) (AVG: 45.40). Sold half per alert at \$53.50 protecting 18%+ gain (Sept-8-20).	<b>49.74</b>	2dc below \$47	\$64 & \$72
<b>IVN.TO</b>	Bought some last week. Looking good above Mar uptrend at \$4.75. Keep your positions.	H	5.20 (Oct-21-20).	<b>5.21</b>	2dc below \$4.50	6.50 & 10
<b>EMX</b>	EMX is a royalty company concentrating on resources across the board including gold and copper. EMX is a great play on resources. It's a great company, with a great business model and management. Buy at mkt.	B	-	<b>2.77</b>	-	-
<b>MELT UP RISE PORTFOLIO (26%)</b>						
<b>C</b>	Waiting for bounce up to unload.	S	73.75 (Nov-20-19), 40 (Mar-25-20), 50 (May-27-20), 50 (Jul-1-20) (AVG: \$55).	<b>41.88</b>	-	-
<b>WMT</b>	Holding full position. Keep it for now; we'd buy more on weakness. WMT is bullish above Mar uptrend near \$135. Keep your positions.	H	130 (Aug-26-20), 136 (Sept-18-20).	<b>142.87</b>	2dc below 115.	300 & 600
<b>SPXL</b>	Holding full position. SPXL is bullish above Mar uptrend near \$50; next target is top side of Mar channel near \$70. Keep your positions.	H	\$53 (Aug-11-20), 54 (Aug-12-20) (AVG: \$53.50).	<b>53.80</b>	2dc below \$49	\$70 (adjusted), \$85
<b>SHOP</b>	Overweight. SHOP is bullish above Mar uptrend near \$950. Keep stop at deeper support level at \$800. Consider selling half at profit target to protect a nearly 50% gain.	H	930 (Jul-16-20), 900 (Jul-24-20), 875 (Sept-18-20), (AVG: 900)	<b>1082.89</b>	2dc below \$800.	1300 & 1800
<b>TBT</b>	Holding small position. TBT is looking good above \$16 but must overcome resistance at \$18 (Jul highs). Support at Mar lows near \$14.50 remain key.	H	15.40 (Aug-12-20).	<b>16.16</b>	2dc below 14.50	\$18 & \$26
<b>PYPL</b>	Holding full position. Would buy more on weakness, ideally below \$200. Keep as long as PYPL holds above \$160.	H	183 (Sept 23-20).	<b>200.43</b>	2dc below 160	230 & 300
<b>MMM</b>	Bought some last week. Failed to surpass resistance at recent high. Now testing support at Mar uptrend near \$160. Keep your positions.	H	169.50 (Oct-21-20).	<b>161.03</b>	2dc below 150	200 & 300

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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.

ABBREVIATIONS	
	1-day close (the share price must close above or below the indicated price level, before our recommendation is activated)
1dc	
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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