-GCRU-

Weekly Trading Strategies

Achieves gains by trading commodities, currencies and stocks

Omar Ayales

Feb 26th, 2020 **IN ITS 19th YEAR – Nº 873**

WHEN WILL FEAR PEAK?

GOLD & U.S. TREASURIES JUMPED TO NEW HIGHS!

GOLD SHARES CONFIRM STRONG MOVE IN GOLD

WE SOLD UBT FOR 17.50% PROFIT IN 6 WEEKS!

RESOURCES FALL FURTHER

Fear continues to drive panic into the markets. Volatility is spiking pushing many markets into extremes.

Coronavirus is far from being contained. The rising number of infected people and places globally exposed continues to surge.

Worse off, there's no cure in sight and measures taken to contain dissemination are crippling the Chinese economy and with it, global supply chains.

Fear has pushed gold to new 7 year highs, showing a clear break above the Sept high & resistance level near $1600.

> "Don't put all your eggs in one basket."
> **-Old Banker Line**

Our first chart show's gold's ST ABCD cycle. You'll recall A rises tend to be mild, followed by mild declines identified as B, followed then by a stronger rise called 'C' ending with a stronger decline called 'D' before it starts all over again.

The rise from the August lows in 2018 was the start of a stronger bull market, gaining 42% to yesterday's closing high.

Interestingly, the ABCD moves within this rise was impressive. D declines tend to be violent, but the latest D decline was a shallow one, from last Sept to Nov. It was the most moderate 'D' decline in 20 years. A true testament to gold's secular strength.

The decline bottomed in late Nov before starting its 'A' rise. The 'A' rise has interestingly been a fear move. It started with the killing of an Iranian general and it's now being fueled by fears of a spreading virus (very similar to the start of the secular bull mkt back in early 2000s with Sept 11, 2001 and the SARS virus breakout soon after).

Nevertheless, the rise has gained 15.35% so far. How much longer will gold rise? Has fear reached a tipping point?

There is no data to suggest that. But chart patterns and indicators suggest we're near extremes in many correlated markets and a reversion to the mean would be normal and probably healthy.

Notice the indicator below the price of gold. It's a MT indicator that measures sentiment allowing us a glimpse as to gold's intermediate moves.

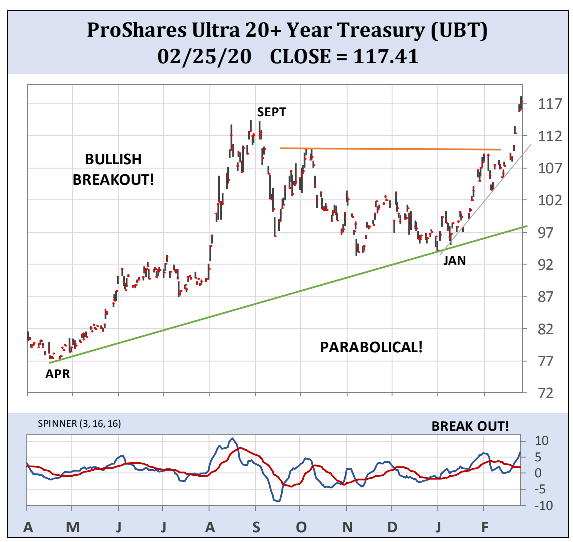
The indicator is reaching a high area, suggesting gold is bullish, but it's also telling us the rise is near an extreme.

Until recently, gold's rise was isolated, with the notable exception of other traditionally safe haven assets like bonds.

About six weeks ago we bot UBT, an ETF holding long term U.S. bonds. It went parabolic, rising past our profit target. We sold via our alert of Monday for a handsome gain of nearly 18%.

One of the reasons I sold UBT is that the chart to the left is now telling us bonds have risen far and fast. Momentum is clearly exposed particularly when correlated with the upmove in gold and its leading indicator.... However, the rise is also reaching an extreme...

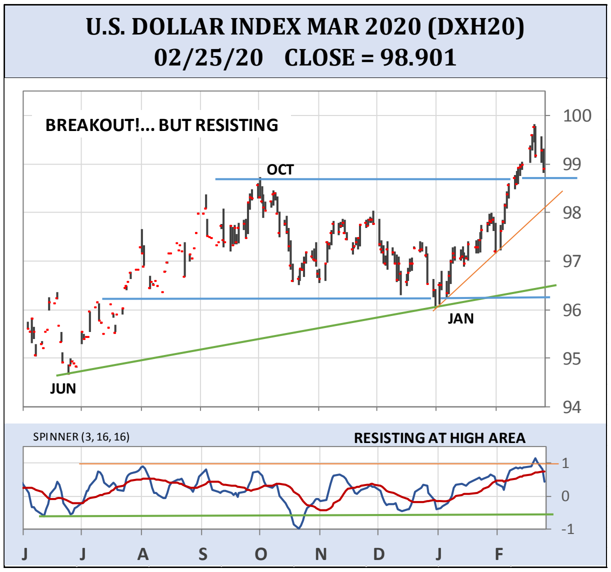
This chart is a good timing tool. We bot our bond position when the indicator was rising from an extreme low. And it's now reaching an extreme high. We continue to have exposure to the safe haven trade thru gold and related assets.

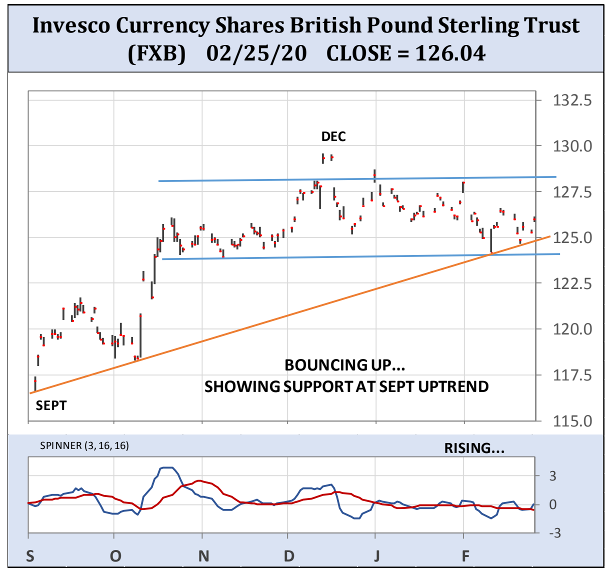


Could technical extremes in gold and bonds suggests virus fears could be reaching a turning point?

The U.S. dollar index also rose to a new 3 year high, nearly reaching 100 on safe haven demand. Together with U.S. treasuries and gold, the dollar has been among the best performing currencies.

The recent pull back, although still very premature, could be telling us strength may have reached an extreme and could now snap back. Keep in mind the dollar index is bullish above 98 and has strong support above 96.





The dollar must break below 96 to show a trend reversal that would expose further downside.

Another great currency, one that has held in the wake of dollar strength is the British pound.

Pound sterling held while other currencies continued to decline versus the U.S. dollar. Price action in pound sterling confirms my view that the pound has developed strong support after the political landscape was reshaped. It's favoring conservatives, allowing for Brexit and the implementation of an economic agenda that could unleash an economic boom, unshackled by europe's red tape.

Keep your positions.

The recent breakout rise in gold shares is very telling too, which is validating gold's move on a secular basis.

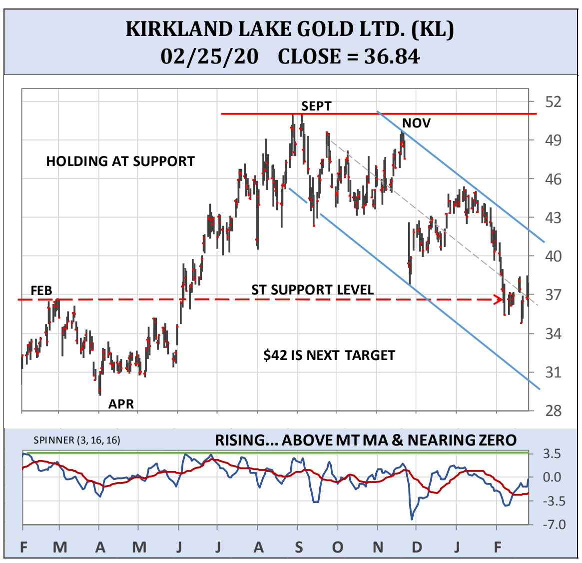
Until HUI's rise above the recent highs, it had remained lackluster. Moving more in tune with resource companies than with gold.

Could the rise in gold shares tell us that the renewed strength is more than just virus fears?

HUI's breakout to new highs is a bold statement, exposing a stronger floor for miners and an open upside. Last Friday I unloaded DUST as it fell to new lows (confirmed) and added exposure to gold shares by buying a bit more of Agnico Eagle Mines (AEM) below $50 and Kirkland Lake Gold (KL) below $38.

Notice AEM is bouncing up from an extreme low. It's validating support and showing upside potential. AEM remains very strong above $50. Keep your positions.

Kirkland Lake Gold (KL) is also bouncing from the lows, showing support at $35. It's also showing resistance at its 5wk MA near $39. A break above this level shows strength that could fuel a rise to the Jan highs in the mid $40s.



KL's recent rises have been on higher volume and while Spinner picks up steam. Keep your positions for now.

Silver interestingly, is moving more like an industrial metal than a precious metal. It should be noteworthy silver didn't rise to new highs for the move together with gold shares, even though both have been moving similarly recently.

Silver is firm but continues to show resistance at $19. The decline after failing to surpass it exposes weakness. Silver has since declined and it's now testing ST support at $18.

Volatility spikes are getting stronger, gut wrenching.

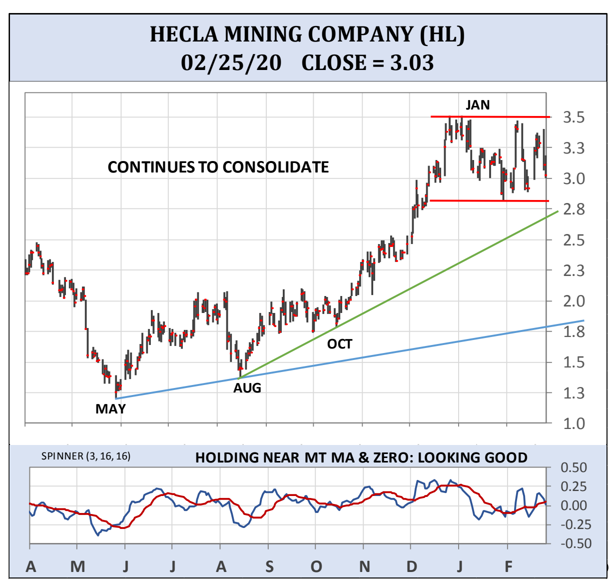
The silver to gold ratio is back to near an extreme high in favor of gold. The extreme relationship has not been very common for very long during history and could unwind.

The ratio itself suggests silver is the better value longer term.

Our two silver shares Silvercorp Metals (SVM) and Hecla Mining (HL) are under pressure too.

SVM is breaking to a new lows, below $4 showing weakness. It's testing the 200 day MA, a key intermediate support level. Our limit has not been violated.

We'll continue to hold during weakness and wait for further signs of a bottom before adding at the lower levels.



HL is holding up better than SVM. It also has more exposure to gold, helping it hold on stronger as a gold share.

HL is trading within a range at the recent highs. It must break above $3.50 to show renewed strength and further upside potential.

On the downside, the 15wk MA near $2.90 is telling. A break below it could expose further weakness. If it holds, a stronger upmove may start to develop. We're holding on to HL during weakness; I'll buy more when a clearer signs of a bottom emerge.

Any pull backs or corrections in gold and gold shares should be used to your advantage to increase exposure. Don't sweat the downside. We're positioned to gain from gold's secular upmove.

We'll be looking to buy more on further weakness…

Resources have been hit the hardest.

Copper for example has been declining since 2018 on concerns over a weak global economy. Weakness exacerbated with growing concerns over trade wars with China and are now seemingly being crippled by concerns about supply disruptions.

However, if disruptions to global supply chains of resources are truly impaired, it could lead to a sharp rise in prices (remember oil supply shocks of the 70s?).

Notice copper still holding above a key support level at $2.50. If copper confirms support, it could then shoot up to the 2019 highs near $3. But if copper fails and breaks below support, it would confirm the bear market that began in 2018 opening the way for further downside.

Remember, as a good friend Rick Rule says, "bear markets are authors of bull markets, and bull markets are authors of bear markets."

Crude oil is also on the decline. The slowdown out of China due to policy that looks to contain the spreading virus is fueling speculation that slack in demand will drive prices lower.

However, it is yet to be seen the effects on supply disruption once global fears and uncertainty subside, giving way to longer term economic fundamentals.

Crude oil is now testing support at $49, with its indicators showing more downside is likely. The chart suggests crude oil could remain weak for longer before picking up steam.

As mentioned above, it could become the catalyst for a stronger rise.

Nonetheless, exposure to Energy and Resources is at rock bottom lows. We lightened up after after selling DNR (via alert Monday) for a loss.

Downside pressure continues to increase in resources crippling many energy stocks. DNR is not the exception as it broke below key support at $0.90.

Even scarier, the charts don't really reflect the sell off we've seen. Weakness in resources is likely, just as key support levels are being tested.

Indicators continue to show extreme-like situations, suggesting a reversion to a mean is imminent.

The 2 other resource companies I'm holding are solid and high dividend paying companies, Exxon Mobile (XOM) and BHP Billiton (BHP).

These companies have solid operations and cash flow that are likely to withhold shocks, as bad as they may get. By keeping reduced exposure to a bombed out and extremely out of favor sector is at the heart of our contrarian spirit.

Don't fear the panic, use it to your advantage.

Keep in mind, panics are trendless and one must not buy into it. Wait until the dust settles before making decisions.

Exxon Mobile (XOM) got dumped the past two days, falling about 10% reaching an extreme. It broke below a bearish flag pattern and overshot the pattern's target at $55.

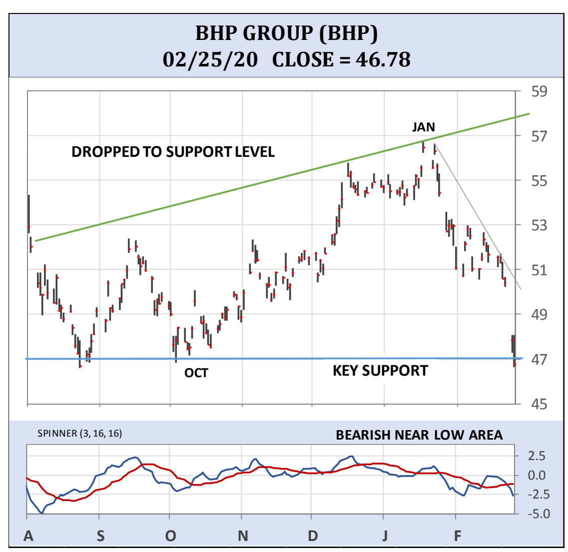
The sell off was on the highest volume XOM has seen since the 2016 peak.

Could sentiment possibly get any worse?

The reality is... yes. That's because there's no such thing as a bottom for worse. Markets can (and will) remain more irrational than I can stay solvent, said someone.

The question really is, where can you find a good return/yield in a market where everything is falling irrationally?

Take our company that still provides exposure to resoruces: BHP Billiton (BHP).

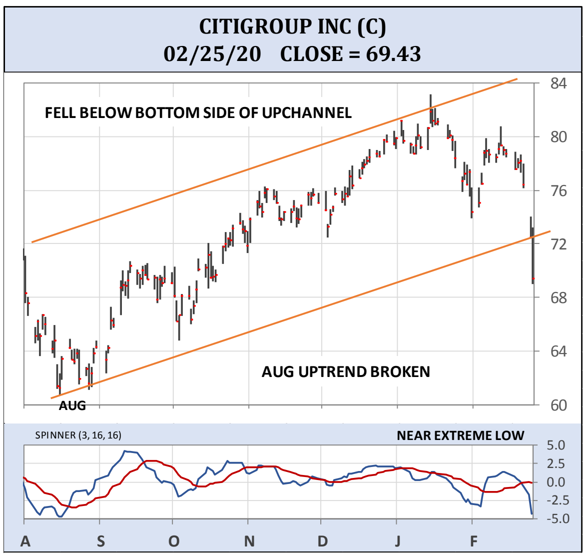


BHP is another senior company. A leader within its industry, and well diversified. We also locked in a great dividend yield.

And yes it too is falling below our stop loss.

But as with XOM and particularly because exposure overall to resources and energy is reduced, I will keep these positions for now. However, if you are over-exposed, you may want to consider lightening up a bit.

I'm lowering stops on both BHP and XOM and allowing some leeway during weakness. Remember, in a market where everything falls, stay with the stable high yielding assets.



The Melt Up Rise portfolio is also getting hit hard. When markets panic, irrational behaviors can push to manic highs or lows.

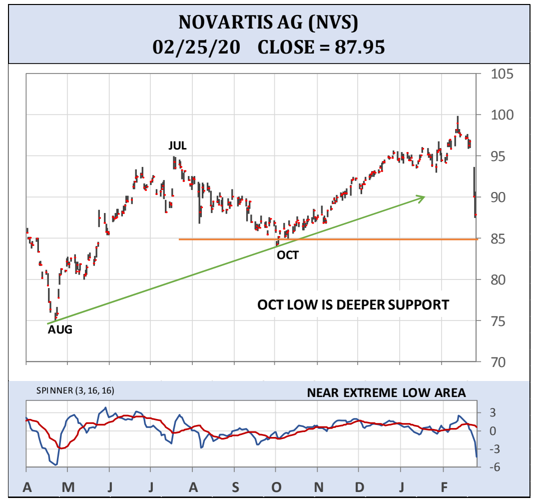
Although our stocks are being hit, they're great companies to hold during weakness as they've proved time and time again to be able to hold strong during weakness and uncertainty.

Downside pressure on interest rates is affecting Citigroup's (C) core business. But lower rates have been a constant normal over the past 10 years and many bankers have learned to adjust and generate income in different ways.

The adjusted uptrend for C shows support near $70. Keep your positions. Wait for panic selling to end and or the dust to settle. Lower stops.

ATT (T) is also showing weakness. It too is falling even though it is holding up better than most. Remember T has strong support at the bottom side of the consolidation band near $36.50.

T is yet another company with a great dividend yield, and price stability that allows us to weather the storm and ride thru some weakness until panic dies down.



Keep your positions.

Novartis (NVS) has been hit the hardest of the 3. It's breaking below $90 after recently having reached a new high. Volatility is high and increasing.

Price fluctuation is more in line with speculation and anticipation rather than performance. Keep NVS thru weakness. Weakness is at an extreme. Be patient and once again, let the panic emotions settle.

Our exposure to U.S. stocks also remains tapered. We had been waiting for pull backs and declines to buy more at better entry levels.

The irrational decline (although seemingly not over yet) could provide great opportunities down the road. One of the companies that I'm looking to add to after identifying a low is Shopify (SHOP). It's an Amazon-like company hosting an online platform linking manufacturers of all sizes with end buyers.

Last quarter SHOP beat estimates, leading it to rise 10% in a single day. The decline is now pushing SHOP lower. I'm tempted to buy, but will wait for a further decline below 430 before buying.

Our strategy for this week is to stay patient. Don't react to panics. We unloaded a toxic asset (DNR) and took handsome profits in UBT, increasing our overall cash position. We'll remain vigilant, ready for weakness to hollow out before buying.

Good luck and good trading,

Chief Trading Strategist/GCRU
www.goldchartsrus.net
A division of Aden Research

TRADER SHEET ON PAGES 13 & 14

KEY PRICES			
Name/Symbol	**Feb 25,20 Price**	**Change**	**Feb 18,20 Price**
Gold (GCJ20)	**1650.00**	46.40	**1603.60**
Silver (SIH20)	**18.19**	0.04	**18.15**
HUI (HUI)	**245.12**	9.47	**235.65**
Copper (HGH20)	**2.58**	-0.02	**2.60**
Crude Oil (CLJ20)	**49.90**	-2.15	**52.05**
S&P500	**3128.21**	-242.08	**3370.29**
U.S.Dollar (DXH19)	**98.90**	-0.43	**99.33**
30 Year T-Bond (ZBH20)	**167.69**	4.53	**163.16**
10 Year T-Note Yield	**1.33**	-0.23	**1.56**
13-week Treasury Bill	**1.49**	-0.04	**1.54**

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
			PRECIOUS METALS PORTFOLIO (30%)			
GOLD (GCJ20)	Bullish! Gold finally broke clearly above key resistance showing renewed strength. The breakout rise was on higher-than-average-volume further validating the move. Consider gold's recent leg up rise is being tightly correlated to coronavirus concerns (although there are others that have been fueling gold's secular bull mkt for longer). As uncertainty persists, the fear trade could see gold reach the top side of the May upchannel near $1700. We could also see a pull back if virus concerns ease. Keep your positions!	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).	**1650.00**	Sell on a 2dc below $1300	1800 & 2000
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).	**13.11**	10.00	Open
SILVER (SIH20)	Testing resistance at top side of 6 month long sideways band near $19. A break above this level will reconfirm strength, following the recent breakout rises in gold and gold shares. Spinner breakout suggests momentum continues to build in favor of silver. Keep your positions for now. More upside seems likely.	L	Bot: 15.80 (Jul-17-19), 16.50 (Aug-7-19), 16.80 (Nov-8-19).	**18.191**	2dc below 15	Open
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).	**6.63**	2dc below 6.10	Open
HUI Index	Gold shares finally caught a bid, rising to the top side of the Oct upchannel near 260 on higher than average volume. Although HUI is already giving back some of the gains, the technical breakout is real and exposes renewed strength within the secular bull mkt. Spinner at an extreme showing strength. It could also be telling us the upside could be limited ST and a bullish pull back likely. We've increased exposure to gold shares recently and will be ready to buy more on weakness.	--	N/A	**245.12**	N/A	N/A
AEM	Bouncing up from an extreme… AEM is rebounding from the bottom side of the Aug downchannel, below $50. We picked up some more last week below $50. If AEM can hold above $50, it could rise to re-test the Aug downtrend near $62. Notice Spinner rising, showing momentum is picking up steam with room to rise further. Keep your positions. If you're not in, or underweight, buy some at mkt, more on weakness.	L	58.75 (Jan-9-20), 49.50 (Feb-19-20)	**51.94**	2dc below 46	65 & 80
KL	KL is bouncing up, confirming support at $35. KL could now rise to its first resistance at the Nov downtrend near $42. A break above this level would show renewed strength that could fuel a rise to the Sept highs near $50. Spinner holding above its MT MA showing momentum is pulling KL's way. We bought some last week.	L	37.50 (Feb-19-20).	**36.84**	2dc below $30	-
HL	Continues to consolidate within the sideways band. HL must break above the Jan highs on a 2dc above 3.50 to show renewed strength that could push HL to our profit targets. HL's other important level is the Aug uptrend, which is coincidently converging with the bottom side of the consolidation band near $2.80, exposing stronger support. Buy more on weakness below $3.	L	2.96 (Jan 28 - 2020)	**3.03**	2dc below 2.45	3.50 & 6
SVM	SVM continues to coil above its 200 day MA, below $4. Spinner is picking up steam too, as it breaks above its MT MA. Renewed upside momentum within the gold universe is giving gold and silver shares a floor.	L	5.49 (Jan-6-20), 4.92 (Feb-4-20).	**3.88**	2dc below 3.75.	6.75 & 9
			BONDS			
UBT	UBT broke above ST resistance showing impressive strength as yields on long term U.S. treasuries collapsed on concerns over a spreading virus. UBT's Spinner is very bullish and on the rise. On Monday, UBT opened much higher than my first profit target and sold for a handsome profit. Although upside momentum could remain as virus fears continue globally, we'll have ongoing exposure to the safe haven trade thru gold, silver, their shares and cash mainly in U.S. dollars but also some British pounds.	O	99 (Jan-16-20). Sold at $116.50 for 17.50% gain!	**117.41**	0	114 (reached!) & 125

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
CURRENCIES (43%)						
U.S. DOLLAR (DXZ19)	Bullish breakout rise! The U.S. dollar index surged past resistance near 99, almost reaching 100 for the first time in nearly 3 years. The breakout suggests renewed strength telling us we could see demand for the dollar as a safe haven remain strong for now. The dollar index is bullish above the Jan uptrend near 98 with stronger support at 96. Any shift in momentum must be confirmed with a break below the Jan lows at 96.		-	**98.90**	-	-
FXB	Downside pressure continues to weigh in as the U.S. dollar benefits from safe haven demand. Not surprisingly, pound sterling is holding best against the dollar than most other currencies, including other havens such as the yen. The pound's reaction thus far to fears and haven demand from the dollar confirms growing support above $1.29 (FXB 124); the lower side of the 5 mo long sideways band.		Bot Pound Sterling below 1.30 (FXB: $126.60)	**126.04**	-	-
RESOURCES AND ENERGY (15%)						
Crude (CLJ20)	Crude oil is holding near the Aug/Oct low support near $50. However, recent escalating fears are putting downside pressure on stocks and commodities across the board. Spinner's rise is near a high area suggesting limited upside. OPEC+ is chattering production cuts, but it's way to early to determine organic supply disruption. Keep your positions for now and as long as crude oil holds above $49.	L	$52.50 (Jan-30-20), 50.50 (Feb-6-20).	**49.90**	2dc below 49.	59 & 63
DNR	DNR is falling below a key support level as weakness remains a drag on the global growth outlook. At the same time, Spinner is breaking below its MT MA after resisting below zero, suggesting more weakness ST is likely. Because the outlook remains bearish, we will stay out and remain exposed to senior energy and resource companies and crude oil itself.	O	1.40 (Sept-11-19), 1.23 (Sept-13-19), 1.10 (Oct-7-19), 1.07 (Oct-23-19), 1.40 (Jan-9-20). Sold after special alert for a loss :(	**0.84**	0.00	0
XOM	XOM broke lower, falling further together with most shares and commodities. Our strategy has been to have exposure to the more established companies to weather the storm during weakness. Increased concerns over the spreading virus is as bad as it gets and downside pressure will likely persist. However, the effects of the virus are still highly speculative, way more than the impact itself. Exposure overall to resources and energy remains low, particularly with the recent sale of DNR. I'm keeping my position since we bought near the lows, and ride thru weakness.	L	61.90 (Feb-6-20), 61 (Feb-12-20)	**54.20**	Open	69 & 75
COPPER	Downside pressure remains on commodities and resources across the board as virus concerns continue to escalate. Concerns over supply chains and overall rebalancing of global demand continue to grow. Copper is holding above a key support level at $2.50. If fears continue to escalate pushing copper below this support level, serious intermediate technical damage would be done, showing more downside would be likely. We continue to hold limited exposure to senior resources companies with good dividend yields and crude oil.	O	-	**2.5780**	Out	-
BHP	BHP dropped to a key intermediate support at the Oct lows near $47. Spinner bearish, showing more weakness is likely ST. We'll continue to hold on to our positions during weakness since exposure to resources overall is low. If you are overweight and are looking to raise cash, consider reducing positions. I'll be looking to buy more when signs of a bottom emerge.	L	54.75 (Jan-15-20), 52.50 (Jan-30-20)	**46.78**	Open	63 & 70
MELT UP RISE PORTFOLIO (12%)						
C	C failed to surpass resistance at $80, falling deeper. Recent fears are putting further pressure on rates, ultimately impacting the bankers' core money lending business. However one of the reasons we chose C is due to its ability to stay dynamic in a falling rate environment. Our newly adjusted Aug uptrend was broken today. We're lowering our stop to 69; if broken on a 2DC, sell C. Wait for signs of a bottom to emerge before buying new positions. Spinner at extreme low showing a limited downside.	L	73.75 (Nov-20-19)	**69.43**	2dc below 68 (adj)	85 & 100
T	T is holding up the best within this portfolio. Its solid customer base and strong exposure to the U.S. allows it to remain stable. T continues to consolidate between $36.50 and $39.50. A break in either direction will hint towards T's next move. Keep your positions.	L	38.75 (Jan-22-20), 37.50 (Feb-4-20).	**37.35**	2dc below 36.50	50
NVS	The medical industry is getting hit the hardest on speculation policy will be passed that could curtail corporate profits within the healthcare industry. However, one of the reasons health care remains dynamic within the U.S. is due to its leading role of product innovation, technology development, approval processes and others that tend to have a hefty price tag to keep. The real impact is yet to be seen. Don't sell on panic. Lower stops to deeper support (Oct lows near $85) and ride thru some weakness. Don't buy new positions yet.	L	94.75 (Jan-23-20)	**87.95**	2dc below 85 (adj).	120
SHOP	This is a tech company I actually like. It's an Amazon type company that hosts an online retail platform. SHOP beat expected projections for the fourth quarter and the current decline could offer great opportunities to buy some. We're watching price development closely before buying. I'm interested on a price decline below $430.	O	0.00	**466.46**	-	-

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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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