



-GCRU-

Weekly Trading Strategies



Omar Ayales

Achieves gains by trading commodities, currencies and stocks

Feb 6th, 2020

IN ITS 19th YEAR - Nº 870

RISK ASSETS ON DISCOUNT

**CORONAVIRUS KEEPS PRESSURE ON MKTS;
ALLOWS GREAT OPPORTUNITIES TO
BUILD UP POSITIONS**

**BOT SOME CRUDE OIL, BUT WHAT ARE DIVIDEND
YIELDS IN EXXON TELLING US?**

**GOLD PULLS BACK TO \$1550, COULD THIS BE THE
START OF A DEEPER PULL BACK?**

BOT MORE SVM BELOW \$5

— — —

Risks from the coronavirus breakout are seemingly subsiding, giving way to trading and investing based on stronger fundamentals such as global economic growth.

The thought of a global pandemic is horrible, and the lives that have been lost thus far and others at risk is sad. However, the entire concept a global pandemic breakout is apocalyptic at best, and unlikely to develop.

Maybe it's because I'm an optimist at heart and truly believe in the 'ascent of man.' I do believe the effects of the virus will be contained and/or a cure will be found (if it hasn't been found already).

**"A man always has two reasons for what he does – a good one,
and the real one." - J.P. Morgan**

One could also be led to think the entire hype behind the virus breakout is ultimately to promote the cure and its producer...

As I've mentioned time and time before, rallies (or declines) based on fear factors tend to be short lived. And they could present great opportunities to reposition portfolios, whether you're taking profits or buying new positions.

The suspension of work and business due to concerns over the virus breakout are temporary at worst. Stronger economic and financial fundamentals will likely continue shaping market trends.

Keep in mind, the trends that broke out last year (such as gold), or could breakout this year (like resources) have been developing trends leading up to these key moments since the depths of the 2015-2016 cyclical lows.



The fundamentals that have been fueling markets since then remain in place, even though headline news blew the virus story out of proportion and it's currently distracting markets.

Gold's \$30 decline from the highs this week is a testament of this, as some froth was removed when fears subsided.

Despite weakness, gold continues to hold above \$1550 showing impressive strength.

However, gold's inability to clearly break above the Sept 2019 high resistance area is concerning and it could be suggesting exhaustion.

Could the decline that began after the Sept highs resume?

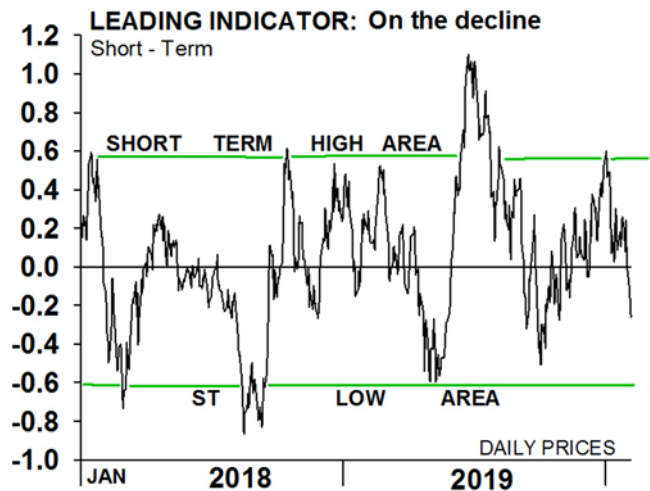
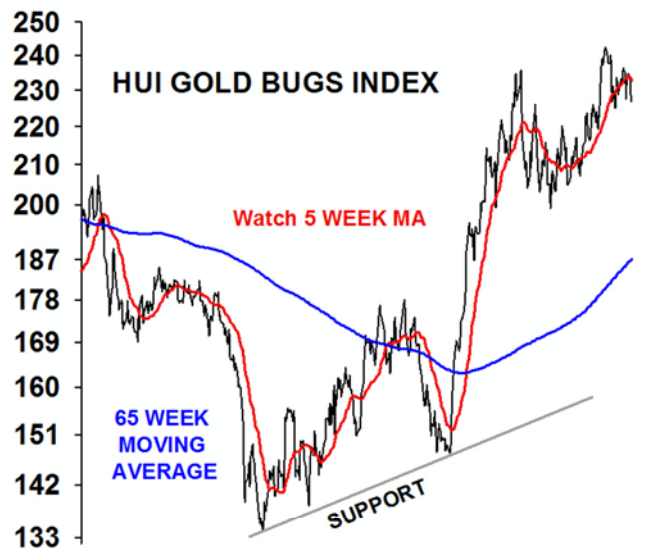
Although gold has not shown signs of weakness, underneath the hood, we can see weakness in surrounding assets such as gold shares and silver.

Gold shares failed to rally to new highs with gold this past week, but tanked when gold gave back the gains made. The reaction is bearish and could be telling us some downside in gold is likely if fear factors subside.

HUI's break below its 5wk MA is telling us more downside is likely ST. HUI has its next support level at 220, the Oct 2019 uptrend. But if this level is broken, HUI could fall to its deeper, stronger support near 200.

Notice the Spinner is turning bearish. This tells me more weakness within the gold universe is likely.

ON THE DECLINE, ROOM FOR MORE



Silver is yet another big tell-tale sign weakness continues to brew.

It also failed to rally with gold to new highs for the move, trading more with resources and base metals, showing weakness.

Silver is holding up better than most resources, given its association with gold. The relationship in value between gold and silver remains at an extreme. Silver still seems the better place to be for now.

Silver has ST support near \$17.50. Silver will stay very bullish above it. But if that level is broken, a decline to silver's deeper support at \$16.50 would be likely.

We started buying silver in Jul of last year and continue to hold. I'm willing to buy more on further weakness below \$16, however.

Our individual gold/silver shares are also doing great. I picked up a bit more Silvercorp Metals (SVM) below \$5 and now have positions in Hecla Mining (HL) and Agnico Eagle Mines (AEM).

SVM has been pulling back from the highs. It's been very strong and one of my favorites to ride during the secular bull mkt in gold (and silver).

SVM is holding above its uptrend showing impressive strength. Moreover, its reaction after breaching below \$5 confirms strong support.

Keep your positions. I reduced stops to 2dc below \$4.50 to allow some leeway.

HL held up better as it didn't fall to new lows for the move. It is holding above its 15wk MA and it's now jumping back above \$3.

Spinner is not providing lots of indication of a pick up in momentum or strength, which is concerning. Overall, HL is looking strong and well positioned for handsome capital gains. Keep your positions. Take



advantage of weakness to buy if you're not yet in.

Agnico Eagle Mines (AEM), one of the best and established gold miners out there, continued to show signs of exhaustion as it failed once again to rise above the Aug downtrend near \$62.50.



Notice the Spinner is breaking below zero, suggesting momentum could fall further.

The consistent declines within the gold universe suggest downside pressure will likely persist ST. We're holding a small position in AEM and would buy more on further weakness, below \$55.

We continue to monitor other gold shares, waiting for weakness to develop further before buying.

Kirkland Lake Gold (KL) fell the most. It broke below support at \$40 and it's poised to fall further. Spinner is bearish but with room to continue falling.

Just this past week, the merger with Detour Gold (DTR) was completed. This has weighed down on KL making underlying weakness within the gold universe more evident.



Wait for a further decline below \$35 before buying.

[SBB.TO](#)'s trading range is narrowing... Rising support and declining resistance is squeezing [SBB.TO](#). Where will it pop?

Technical analysis suggests that a breakout in either direction will determine the next intermediate move. We're still waiting for price action development before buying. I'm not putting an entry level just yet either.

NovaGold (NG) is also showing weakness. It's at a new 10 wk low, testing its 5wk MA near \$8.90. A break below this level suggests a continued decline is likely. I'll be looking to buy some near deeper support, below \$8.

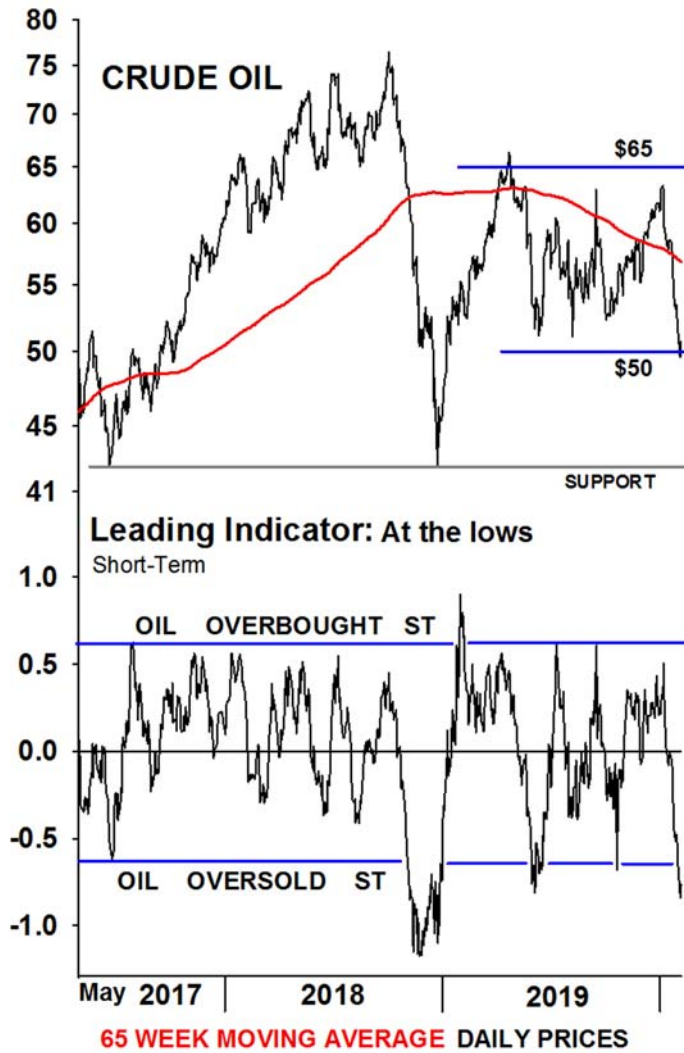
The recent pull back is allowing for great opportunities in different markets we're also monitoring.

In resources, for example, the current decline could be a gift worth considering.

We took profits in crude oil in Dec and sold the rest when our stop was hit more recently for a net profit.

But the decline in crude has continued. It has been harsh and long (about 25% from the recent highs to the recent lows.) But our indicators are showing crude oil is extremely oversold exposing sentiment.

OIL: OVERSOLD



The decline has been so linked to the coronavirus that one can hear chatter of production cuts from OPEC+ due to concerns over the developing virus.

I suspect that supply disruptions of the past several years will lead to supply crunches later on...if and when we see emerging markets and other stronger economies that have been sluggish start performing better, given global monetary policy remains accommodative.

The lag due to the virus breakout is transient and if anything, should be taken advantage of to pick up some positions.

The decline in crude oil took away the gains we had built in Denbury Resources (DNR).

DNR is testing a key low area and it has lots of upside potential. However, we could profit from upside potential in other energy shares that pose a lesser risk.

The decline in resources has also put downside pressure on the more established energy companies and they are now trading at a deep discount.

Take Exxon Mobile (XOM), for example. It's a company with a solid and formidable balance sheet with a dividend yield of near 6%.

I'm now swapping my positions in DNR for positions in XOM. More speculative traders may want to consider buying XOM and keeping DNR and still wait for a rebound to unload.

Sell DNR on a stronger bounce // Buy XOM at mkt.

DENBURY RESOURCES INC. (DNR)
02/05/20 CLOSE = 1.06



EXXON MOBILE CORP. (XOM)
02/05/20 CLOSE: 62.73



This week's decline in resources also pushed other stocks lower, allowing us opportunities to buy more at great prices.

We also picked up more BHP Billiton (BHP) at \$52.50 and recommend picking it up at lower levels if you're not yet in.

Notice BHP bouncing up from the Aug uptrend with strength. Price action suggests support at the Aug trend near \$47 is very strong. If BHP holds above this level we could see it rise further.

Spinner is also forming a bottom near an extreme low telling us the downside is limited ST.

BHP is poised to rise with strength on any hints of global growth. Consider BHP also has a yearly dividend yield of nearly 6%. Keep your positions. But just this past week bot some more at these extreme lows near \$52.

Not surprisingly, fears that have been moving the market gave a boost to the

BHP GROUP (BHP)
02/05/20 CLOSE = 52.85





safe havens of choice (other than gold) during 2019: U.S. bonds and the U.S. dollar.

The dollar is holding up strong. It recently rose, but it has yet to break above key resistance at 99. However, as long as the U.S. dollar index holds above 96, it'll show strength.

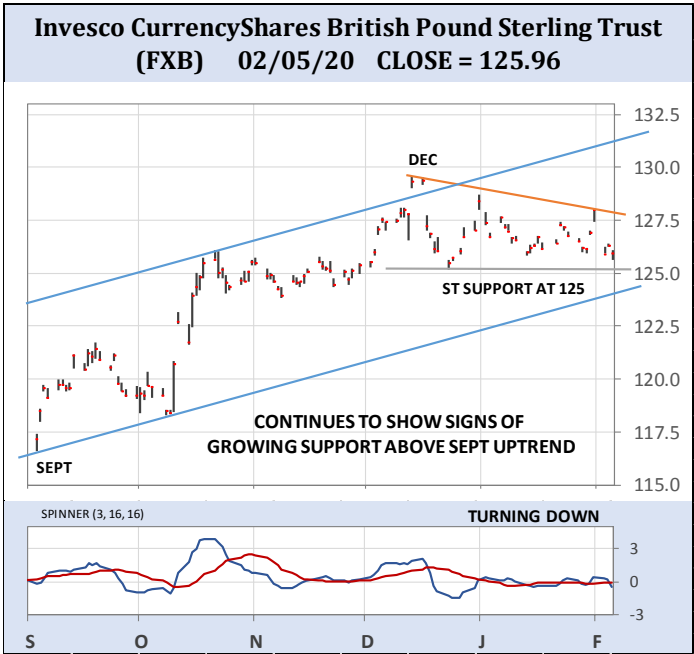
However, I still believe the theme for the dollar in 2020 will be to the downside.

This has made us diversify some of those U.S. dollars for British pound sterling. We picked up some below \$1.30 (FXB: S126). It hasn't done much, but it has lots of upside potential given the political landscape in the U.K.

Pound sterling has held up stronger than most currencies during the U.S. dollar's fear driven upswing.

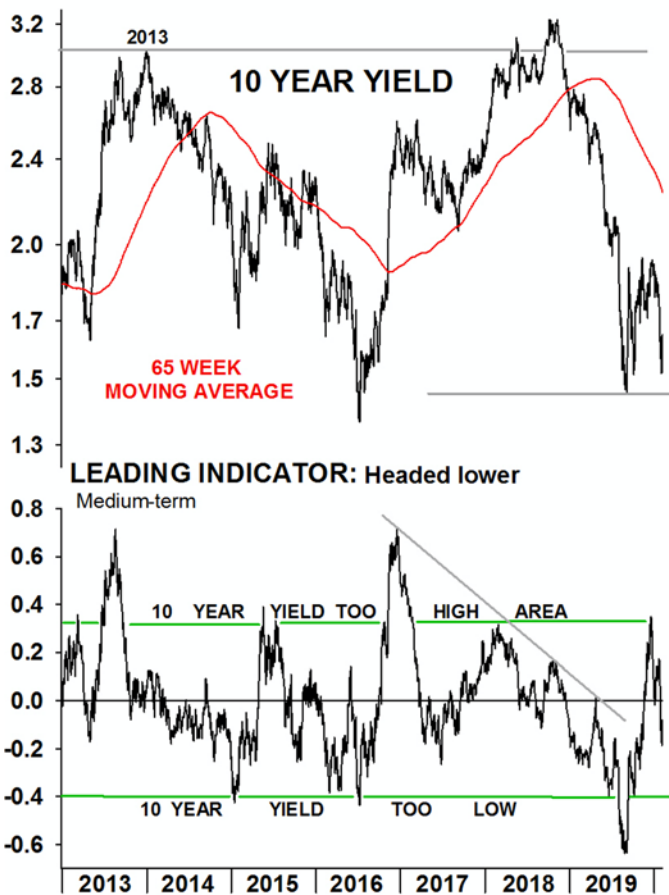
As currencies, commodities and stocks go back to trading based on fundamentals, the pound will likely outperform the dollar.

The rise in bonds is yet another confirmation the recent rise in gold has been fear driven.



The charts suggest bonds could still rise further. The next chart below shows the U.S. 10 year yield with its leading MT indicator. Notice the 10 year yield has been basing near the 2019 lows. However, its leading MT indicator is falling with room to fall further.

ALSO HAS ROOM TO FALL FURTHER...



Both charts suggest, long term yields could fall further, possibly the 2016 lows.

We had some more exposure to the rise in long term bonds thru our ETF: UBT. Remember, UBT is an ETF that tracks the movement of the well-known long-term bond ETF called TLT by a factor of 3. This means UBT rises (or falls) 3 times as much as TLT.

We picked up UBT below \$100, just before it exploded to the upside. We had shown bonds were oversold and due for a bounce up rise.

It's pulling back now as fears of the virus subside. However, UBT remains very bullish above \$97. Keep your positions.

The U.S. stock market also took a dive. The news eclipsed strong manufacturing data out of the U.S.

But, the State of the Union address allowed Trump to ease concerns and remind everyone about the economic boom in the U.S.

Concerns over impeachment, viruses and trade were put on the back burner. The DJIA rose nearly 500 points and it's at the brink of breaking into new highs.

Our Melt Up Rise portfolio, made up of U.S. stocks is poised to benefit greatly. I unloaded GSH just before the collapse, but still at a loss.

Guangshen Railways (GSH) is one of the companies that hasn't only been affected by the virus hype, but it



could suffer more since it services the area where the breakout was strongest. It's best to stay out now and make it up elsewhere.

On the positive side, the decline allowed us to pick up more ATT (T) at a lower level.

ATT (T) offers great value with a great dividend yield. It allows to play the melt up rise in stocks with a nice big safety net.

T is showing support at the \$36.50 level. However, it must break above resistance at \$38.50 on a 2dc to show signs of renewed strength. T's Spinner is near a low area showing weakness. Keep your positions. If you're not in, or are looking to increase exposure, consider buying at mkt.



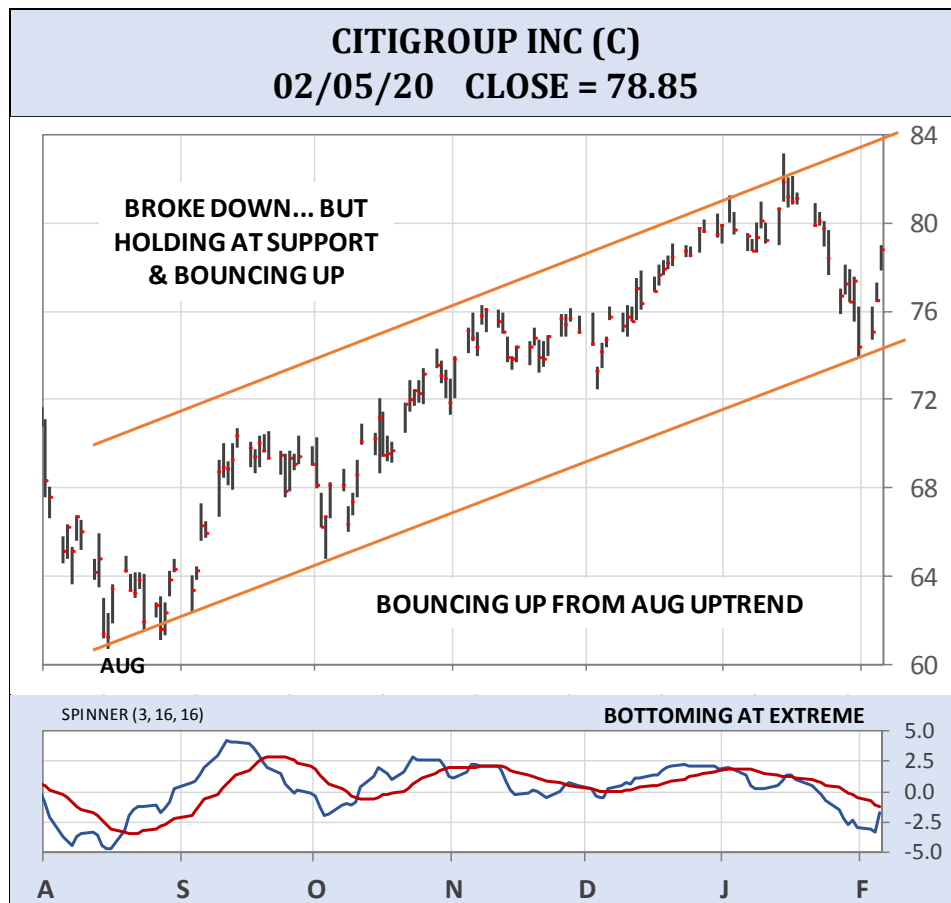
We also stashed Novartis (NVS) in our Melt Up Rise portfolio. It reached new highs today, surpassing \$96. It's looking very strong above \$93.



Spinner has been testing the zero line, but it's once again starting to show promise of further upside. Keep your positions for now. If you're looking to buy, buy on weakness/dips.

Citigroup is the third stock of the bunch. It tested support breaking below \$75 on a single day. It bounced up, however, and it's now showing strength.

C could rise to the top side of the up channel near \$85 on a renewed leg up rise. C must first break above \$80 to confirm strength shown thus far. Keep your positions. If you're looking to buy, buy some at mkt.



Our strategy for this week is to be on the lookout for good deals. We have great positions and we'll continue to increase on weakness. We'll stay patient with gold and hold on for now. Same with silver and silver shares.

Good luck and good trading,

Chief Trading Strategist/GCRU
www.goldchartsrus.net
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KEY PRICES			
Name/Symbol	Feb 05,20 Price	Change	Jan 28,20 Price
Gold (GCG20)	1562.80	-13.00	1575.80
Silver (SIH20)	17.60	0.14	17.46
HUI (HUI)	227.21	-0.34	227.55
Copper (HGH20)	2.57	-0.01	2.58
Crude Oil (CLH20)	50.75	-2.73	53.48
S&P500	3334.69	58.45	3276.24
U.S.Dollar (DXH19)	98.16	0.32	97.84
30 Year T-Bond (ZBH20)	161.13	-0.18	161.31
10 Year T-Note Yield	1.65	0.01	1.64
13-week Treasury Bill	1.52	-0.01	1.53

UPCOMING LIVE PRESENTATIONS

Join me in Orlando, Florida. It will be a pleasure to see you there and talk about the markets!

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

Looking forward to seeing you there!

TRADER SHEET ON PAGES 13 & 14

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
PRECIOUS METALS PORTFOLIO (26%)						
GOLD (GCJ20)	Gold continues to struggle to clearly surpass the Sept highs as fears driving gold's leg up rise since Dec subside. The decline that began in Sept, thru Nov 2019, could continue. This means over the next weeks, gold could edge lower and test the May uptrend and support near \$1500. We'll continue to hold our position in gold for now.	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).	1562.80	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).	12.54	10.00	Open
SILVER (SIH20)	Silver remains bullish above the May uptrend. However, it's losing steam. It continues to decline since failing to break resistance at \$19 last month. Dwindling momentum suggests silver could break below the May uptrend. If it does, a decline to a stronger intermediate support level at \$16.50 would be likely. We've been building our position since last Jul based on the extended nature of the silver to gold ratio. We'll consider buying more below \$16.	L	Bot: 15.80 (Jul-17-19), 16.50 (Aug-7-19), 16.80 (Nov-8-19).	17.602	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).	6.47	2dc below 6.10	Open
HUI Index	Gold shares continue to show weakness near the highs. HUI failed to break above key resistance at 240 and it's now showing signs of weakness. HUI has support at 220, the Oct uptrend. If this level is pierced, HUI could fall back to test stronger/deeper support at 200. Spinner suggests momentum will likely continue to fall ST telling us downside pressure in gold shares will remain. We've been tip toeing into gold shares, particularly silver shares. We currently have AEM, SVM and HL. We will hold on to these positions thru any weakness and buy more when signs of a bottom emerge. We have other gold shares in our sight that we'll be buying too on further weakness.	--	N/A	227.22	N/A	N/A
AEM	AEM failed to break above resistance at \$62.50, the Aug downtrend showing exhaustion. It's now breaking down. It's breaking the May uptrend exposing room for downside risk ST. Keep in mind, we started buying into gold shares since the longer term dynamic in gold is very bullish. We're still open to buying more on further weakness. This is why we're keeping low stop limits too. Keep your positions. Buy again below \$55.	L	58.75 (Jan-9-20).	59.59	2dc below \$50	65 & 80.
KL	KL broke below \$40 support level and uptrend since Apr showing more downside is likely. KL is nearly testing its next support near \$35. Spinner sliding, nearing an extreme, but with room to fall further. Buy below \$35.	O	Out	37.47	-	-
SVM	SVM continued to pull back as resources tanked. However, SVM remains above 4.75, a level where the Jun uptrend and SVM's 15wk MA converge into a strong support level. We bot some more below \$5 and will hold during weakness. Spinner at extreme oversold, showing weakness, but also suggesting downside may be limited.	L	5.49 (Jan-6-20), 4.92 (Feb-4-20).	5.09	2dc below 4.5 (adj).	6.75 & 9
HL	Downside pressure continues to put a lid on HL. HL continues to show weakness and could test key support at \$2.60 where the Aug uptrend and the precious Apr 2019 high converge. Keep your position, we will wait for a clear sign of a bottom before buying more.	L	2.96 (Jan 28,2020)	3.08	2dc below 2.45	3.50 & 6
SBB.TO	SBB.TO continues to trade within a narrowing trading range between the May uptrend and Aug downtrend. The pattern is a clear symmetrical triangle. A break in either direction usually provides a hint towards the next movement. Spinner breaking down means momentum could continue to fall suggesting SBB.TO could test or break below the May uptrend and support. We're still looking at different stocks to add to our precious metals portfolio. We're waiting for further weakness before buying any precious metals or their shares.	O	-	1.78	-	-
NG	Although the pull back has been nominal considering NG's explosive growth, it's broken below a rising wedge pattern suggesting a decline to the Jun uptrend below \$8 is now likely. Spinner is turning bearish too, confirming downside pressure. Wait for a deeper pull back below \$8 to buy some.	O	-	8.85	-	-

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 (4%)					
UBT	UBT exploded with uncertainty surrounding the coronavirus. As concerns have subsided, demand for bonds have been easing too. However, UBT has been in a solid uptrend showing strength. Spinner near a high area, but still showing strength. We have a small position in UBT. Keep it for now.	L	99 (Jan-16-20).	103.69	2dc below 94
CURRENCIES (39%)					
U.S. DOLLAR (DXZ19)	The U.S. dollar index continues to rebound. It held near the bottom side of a 6 month long sideways band and recently broke above the Oct downtrend, suggesting a rise to the top side of the band near 99 is likely. Spinner pulled back from the highs, but it's now showing bullish support above zero telling us momentum remains to the upside. We continue to hold sidelined cash in U.S. dollars or dollar denominated products mainly.		Holding cash	98.16	-
FXB	The British pound continues to back and fill above a level that's becoming a key support level near \$1.30 dollars to the pound (or FXB: 125). We've been diversifying slowly some U.S. dollars into some British pounds as the intermediate trend continues to point towards a weaker dollar and strength in the British pound.		Bot Pound Sterling below 1.30 (FXB: \$126.60)	125.96	-
RESOURCES AND ENERGY (12%)					
Crude (CLH20)	Concerns over spreading coronavirus and its potential impact on global growth pushed crude oil down further. It's now down nearly 25% from the recent highs. More interestingly, it's near a key support level. An uptrend in a chart from the 2016 'turnaround' lows exposes support at \$49. Place stops on 2dc below \$49. If not in, or if looking to increase exposure, buy at mkt, ideally below \$51.	L	\$52.50 (Jan-30-20).	50.75	2dc below 49..
DNR	We're waiting for a rebound rise to unload. It's seemingly starting. DNR is bouncing up from longer term support level at \$0.90. Keep your positions for now, wait for stronger rebound rise to unload. In the meantime, we'll shift our strategy and look to buy bigger, more established oil companies with high dividend yields, such as Exxon (XOM).	L	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)	1.06	2dc below 1.20
XOM	Great company, with a dividend yield of nearly 6% per year bouncing up from an extremely oversold situation. Take advantage of the extreme to buy. Buy at mkt.	O	-	62.73	
COPPER	Copper seems to have found a bottom at the Sept lows. Spinner and indicators showing the decline thus far has been extreme and a rebound is now likely. Moreover, the fundamentals prior to the decline remain in force. The recent decline is allowing great opportunities to buy new positions. Just last week we bot a bit more BHP.	O	-	2.5745	Out
BHP	Buy some at mkt and more on weakness. BHP is looking ripe for a renewed rise. With copper and resources potentially making a comeback in 2020, BHP could be a shining star. A break above \$57 would confirm strength and extend the bullish rise. Conversely, the Oct uptrend near \$53 is key ST support. A break below this level could see BHP fall back to the Oct lows near \$47.	L	54.75 (Jan-15-20), 52.50 (Jan-30-20).	52.85	2dc below 47
MELT UP RISE PORTFOLIO (19%)					
C	If not in, buy some at mkt. C is holding at the Aug uptrend as Spinner bottoms at an extreme oversold level (last seen only in Aug last year!). This tells us a rise to the top side of the upchannel near \$85 is now likely. Keep your positions. Take advantage of weakness, if you're not in or are looking to buy more.	L	73.75 (Nov-20-19)	78.85	2dc below 75
T	T fell to support at the \$36.50 level, the bottom side of 5 mo long sideways band. T is great value. T is primed to rise with strength during a melt up rise. Also, keep it during weakness... it'll yield nearly 6% per year on dividends alone.	L	38.75 (Jan-22-20), 37.50 (Feb-4-20).	37.81	2dc below 36.50
NVS	NVS is breaking above a bullish ascending triangle showing upside potential. NVS is very strong above the Aug uptrend near \$92. Keep your positions for now. NVS is solid, with good dividend yield and technically bullish. Buy on weakness if not in yet.	L	94.75 (Jan-23-20)	96.37	2dc below 90 (adj)

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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.

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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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