



-GCRU-

Weekly Trading Strategies



Omar Ayales

Achieves gains by trading commodities, currencies and stocks

Mar 25th, 2020

IN ITS 19th YEAR – Nº 877

LOLR COMES TO THE RESCUE!

GOLD, SILVER AND THE MINERS SURGE

SO ARE U.S. EQUITIES!

THE U.S. DOLLAR YIELDS...

—

While Washington argues over who can spend more, the Fed doubled down on its support for the business community extending an artificial lifeline.

The Fed in essence stole the show from Washington, from both sides of the aisle.

What about the \$2 or \$3 trillion relief package from Congress?

It's all froth from here!

The Fed's aggressive approach has been one of a kind, unprecedented to say the least.

"Never underestimate the size of a panic nor the power of a politician."

-Sir Harry Schultz

And although the Fed has not gone on an all out equity-buying-spree (yet) -due to congressional limitations- it has done the next closest thing: purchase of investment grade corporate bonds.

Not only that, the Fed will also provide a relief window for businesses to get loans cheaply (details are developing).

Chairman Powell didn't hold back and vowed to do whatever it takes to provide support to the equity market.

It shouldn't come to as a surprise the Fed acting as the Lend Of Last Resort (LOLR).

It has a long history of doing so and it has become more loose about it since the financial crisis in 2008. Moreover, central banks globally have been engaging in wide asset purchases for the past 10 years. The Fed is just walking into the party!

As I've mentioned before, this will allow the music to play longer... "Water down that punch bowl, why don't ya?"

Companies will have access to an unlimited supply of money at zero or negative (real) interest rates. It will foster accounting engineering and allow companies to pass some of the excess liquidity to their shareholders at a record low cost.

It will give support to the economy and financial markets.

It will also water down the dollar, and give further support to gold and other real assets.

This exact scenario is what has been fueling gold's secular bull market since the early 2000s...

Gold is shining.



Recently we sold our position in gold near the highs after a year+ run, topping off a magnificent run-up in gold and gold shares.

Even more recently (last week), I bot some gold again below \$1500 and increased our positions in gold shares. I haven't gone all in and I'm saving some room for more in case gold breaks \$1450 (Dec lows).

The chart above shows gold has strong support at this level. Moreover, notice Spinner breaking out from a V shape bottom. It's telling us gold will likely remain strong ST.

However, I will not buy new positions at the highs and I'll wait for weakness, ideally below \$1400, to buy more.

Silver is also following gold, finally.



After siding with resources during most of the recent decline, it's now catching a bid.

Silver found support at the \$12 level. Last week we showed a ratio favoring silver over crude and decided to swap some crude for silver. We took a loss in our crude position, but the move was timely. Crude oil fell an extra 20% while silver rose over 20% at the same time.

A combined turnaround of approximately 40% that gives us back some of what we lost in the crude trade this quarter.

But we're not cashing in on silver just yet!

Silver is one of the most undervalued asset out there. As the secular bull market in gold continues to develop, silver is poised to outperform gold and other precious metals.

Gold shares are looking better!

Gold shares are also at extreme low levels.

They're coming out of the pits!

The HUI Gold Bug Index rose with strength after re-testing the May 2019 lows near 150 this past week.

Its leading indicator above shows it has declined to an extreme low and it could see more upside ahead.

Gold shares, it seems, are primed for a bullish rise.

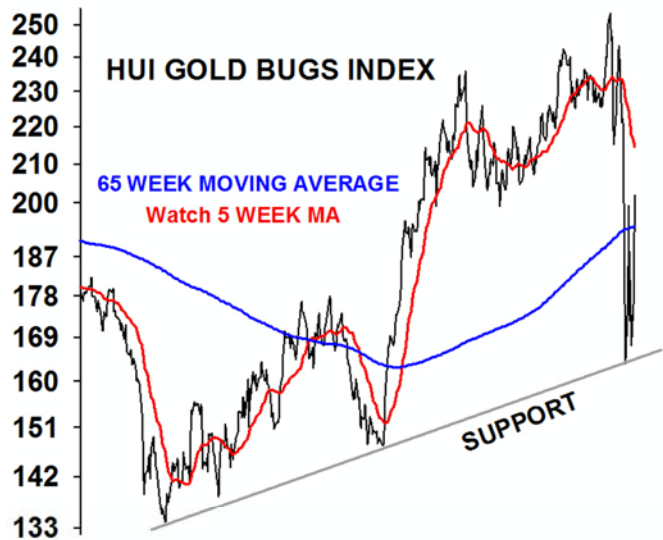
We've been adding to our positions during weakness and have solid exposure. I'm not shy about buying more on another dip or further weakness.

Just this past week we added to positions in Agnico Eagle Mines (AEM), Hecla Mining (HL), and NovaGold (NG).

Last week, just as gold shares made a push lower, we increased positions in AEM below \$40. It allowed us to buy at the extreme low, topping a string of purchases this quarter.

AEM confirmed support near \$35 and it's now bouncing up. Today, AEM rose a whopping 15%, and has regained the \$40 handle, and then some. AEM is a stone's throw away from our average entry level with room to test the recent Feb highs.

GOLD SHARES: LOOKING FOR A BOTTOM





Notice Spinner rising from an extreme suggesting the rebound rise has legs. Keep your positions.

NG is my favorite junior mine. With a great asset and great management, it's primed to rise triple digits during gold's secular bull mkt.

NG also pushed lower this past week, allowing us to buy some below \$8, increasing our exposure. NG confirmed support above \$6.50 and it's now showing a handsome upside potential.

Spinner rising from an extreme suggest momentum brewing...

NG is already above our average entry level and could see double digit gains ST. Keep your positions.

Hecla was another steal and great opportunity. We bot some below \$2, adding to our exposure. HL quickly regained the \$2 handle and it's threatening with further upside potential. HL is also in a great position to thrive during gold's secular bull mkt.

Its Spinner is looking very promising which confirms bullish price movement in HL.



We're also holding three other gold shares that are also great assets, even though we didn't increase exposure this past week. If you did, you did well!

Kirkland Lake (KL) is one of my all time favorites. And like I said... it's a true bargain below \$30. KL is positioned to become a major gold producer with the recent take over of Detour Gold (DTG), eliminating doubters' concerns over limited production capacity MT.

KL's rise today confirms strong support at the recent lows and shows lots to look forward too. KL's Spinner is also on the rise, with room to rise further. Keep your positions.

Silvercorp Metals (SVM) has been one of my favorites all year long. I've been impressed with their business operation and their drive towards keeping cost low. Moreover, SVM is flush with cash and it's in a healthy position to grow further.

SVM is reclaiming the \$4 handle. The upswing has been violent suggesting price support at the lower levels is very strong.

Keep your positions.

Sabina is another junior mine we have small exposure in. It has confirmed support near CA\$1, and it's rising together with most gold shares.





Notice Sabina essentially held at the May 2019 lows while Spinner is breaking above its MT MA. Price action suggests support at the May low with rebound potential to the Aug downtrend near \$1.80.

Keep your positions.

The red hot asset that didn't rise with everything else was the U.S. dollar.

After reaching a new high for the move, confirming strength, it yielded a few points. Sideline cash and the quest for liquidity had peaked, pushing the dollar up and all other assets down.

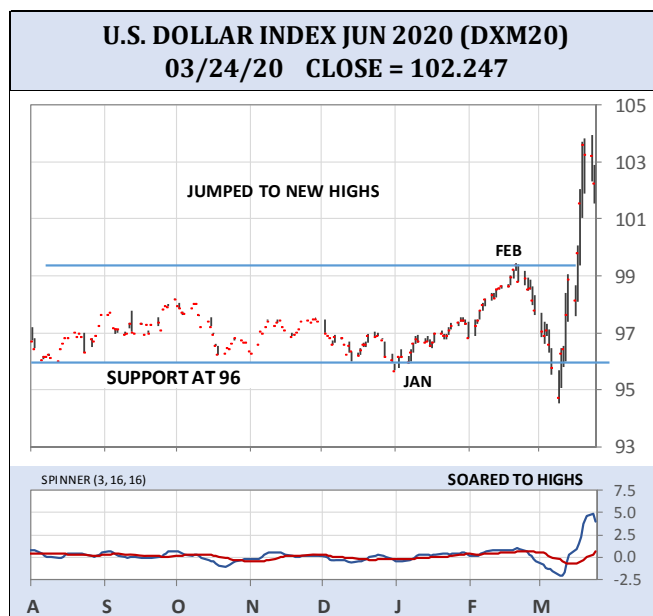
But the promise of endless dollars puts a strong ceiling on the greenback and more downside is now likely.

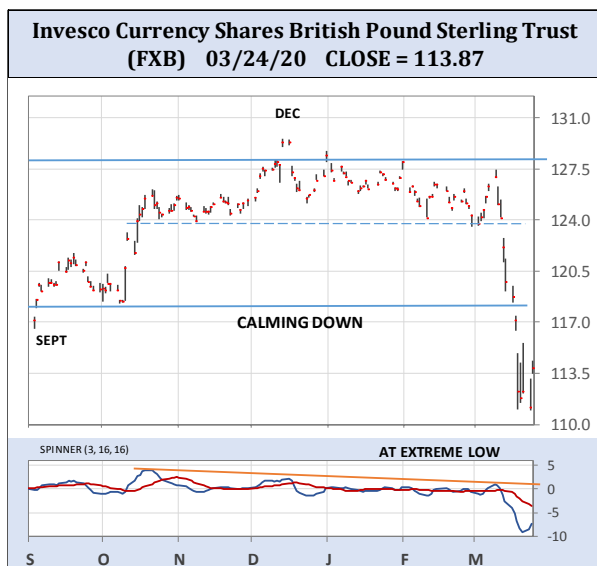
Since we've been buying assets at dirt cheap prices, our cash pile has been reducing. I still have a nice chunk and I'm happy with our portfolio asset allocation that holds about 70% between gold, silver, miners and cash.

Like everything else, growth prospects were placed on hold within the U.K. and stimulus measures are being put in motion, pushing pound sterling lower.

The pound has fallen due to the U.S. dollar soaking up demand as the preferred liquidity haven.

However, the pound's growth potential remains strong given the conservative majority held in the British Parliament, that will likely be pro-growth.





Continue to keep reduced, yet healthy cash reserves. Volatility remains high and uncertainty lingering despite the recent found optimism.

Resources remain a drift.

Copper broke to new lows. It's testing \$2. Spinner is bombed out and bearish. But the extreme level suggest the lows are near. Optimistically, some

upside potential, to the Jan downtrend near \$2.40 could be likely if signs the global economic machine turn back on.

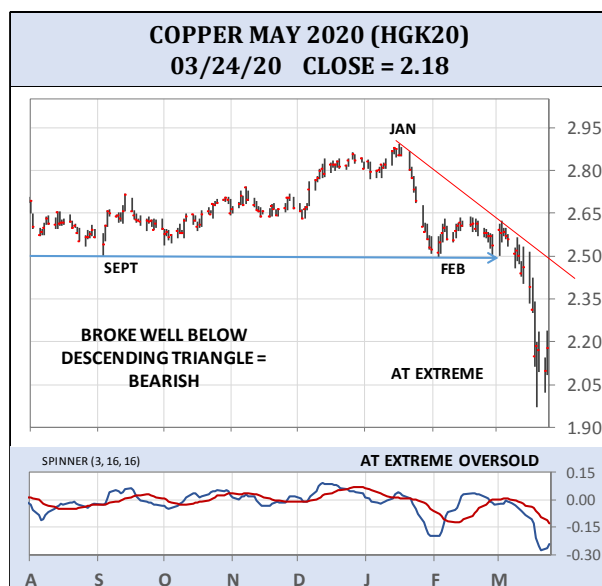
However, it can't go unnoticed Copper is quietly forming a bearish flag pattern with pole support at \$2. This suggest, if copper breaks below \$2, a decline to the \$1.50 would then be likely.

The price level seems unjustified fundamentally; but given the complete shutdown, it's difficult to define value when there is no demand.

Similarly we can see it with crude oil.

It too has fallen drastically. We showed last week a ratio between silver and crude. The chart favored silver, which motivated us to swap some of our crude for silver and others.

I sold crude last Wednesday, just before the collapse. I took a loss of nearly 40%. It's never pretty.



However, crude fell an additional more after I sold. At one point it dipped below the \$20 level. It's currently 20%+ below where I sold. Moreover,



as mentioned above, the swap allowed us to get more exposure to silver at \$12, which has risen 20%+ since last week.

The saving + profit built are basically paying off the recent loss in crude!

Although the resource commodities are weak, resource companies could have found a bottom.

We also swapped some crude oil for some BHP Billion (BHP) and Exxon Mobil (XOM) at extreme lows.

Liquidity promises made by the LORL benefit companies precisely like XOM and BHP. The artificial life line will allow these companies to keep their juicy dividends and continue buy-back programs (although Chevron did announce it would back down).

Since we added to our positions last week, XOM and BHP are up about 15% each. Silver has clearly outperformed both, but not too shabby as we look to recuperate some 'lost time.'



Notice both XOM and BHP are breaking out from a bullish downside wedge with an upside target near the 2020 highs.

Spinners on both is rising from oversold levels showing momentum growing. Could this be a sign of the bottom?

We will see. Both XOM and BHP must stay above \$30 to show a bottoming process that would precede a rise to the 2020 highs.

Exposure to both XOM and BHP was increased at the lows, but exposure to resources overall was reduced.

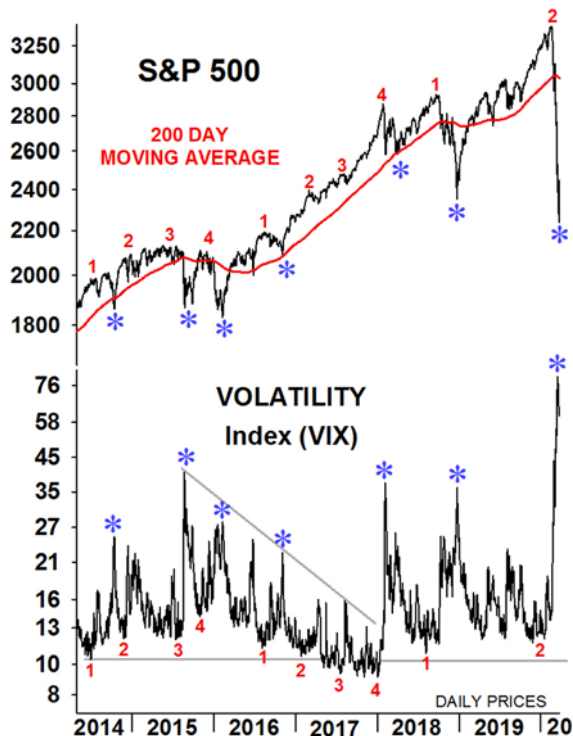
The rest of the stock market also reacted positively to the Fed's surprise stimulus package. Senior companies especially are poised to benefit from the artificial lifeline being given to them.

Just imagine, companies will be able to refinance debt at zero or negative real rates; or invest in CAPEX at the lowest cost they ever had. They can continue buying back shares or paying juicy dividend yields at zero real cost.



Income of course falls, but costs fall too. The declines allow for companies to tidy up. And when demand rises to levels that are more normal within our society, asset value appreciation is inevitable.

VIX: SOARED TO NEW HIGHS!



Equities: Wild moves

Coincidentally, notice this next chart showing the S&P 500 and the volatility index (VIX).

It is no secret to this crowd that the S&P 500 moves inversely proportional to volatility as measured by the VIX.

Notice that whenever volatility has peaked, it has marked a significant low within a decline.

The recent record setting peak in VIX is a sign of an overextended downside and some consolidation is now likely.

The broad asset rise yesterday is yet another strong indication that a bottom has formed or is forming.

If the recent lows hold, we could see equities rise to test the 2020 highs.

We've been hesitant to increase positions in stocks with the notable exception of Shopify (SHOP). We bot a second time last week near \$300.

SHOP is up an average 20%+ since we started buying about a month ago. SHOP is a great representation of what would "post-virus-era normal" be like.

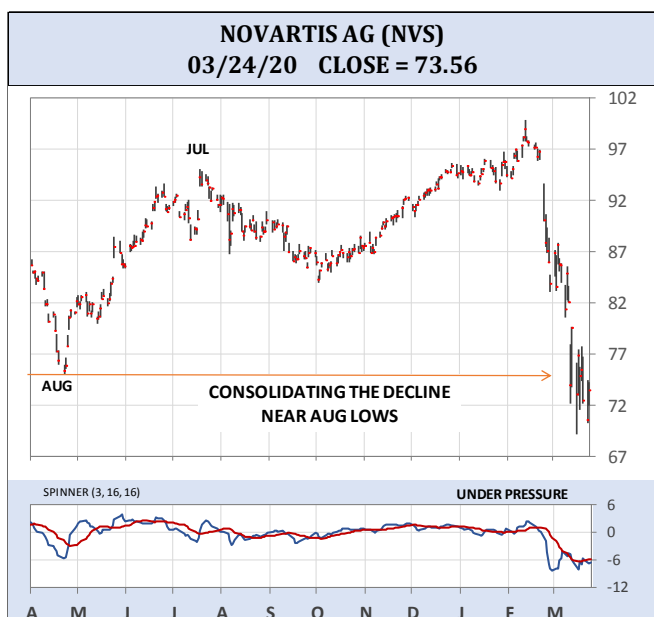


Notice SHOP held at the May uptrend near \$300. It's bouncing up with strength, and it has room to rise further. Spinner is confirming rising momentum.

Keep your positions.

We also are holding smaller positions in Citigroup (C), Novartis (NVS) and ATT (T).

All three are great companies that are bombed out.



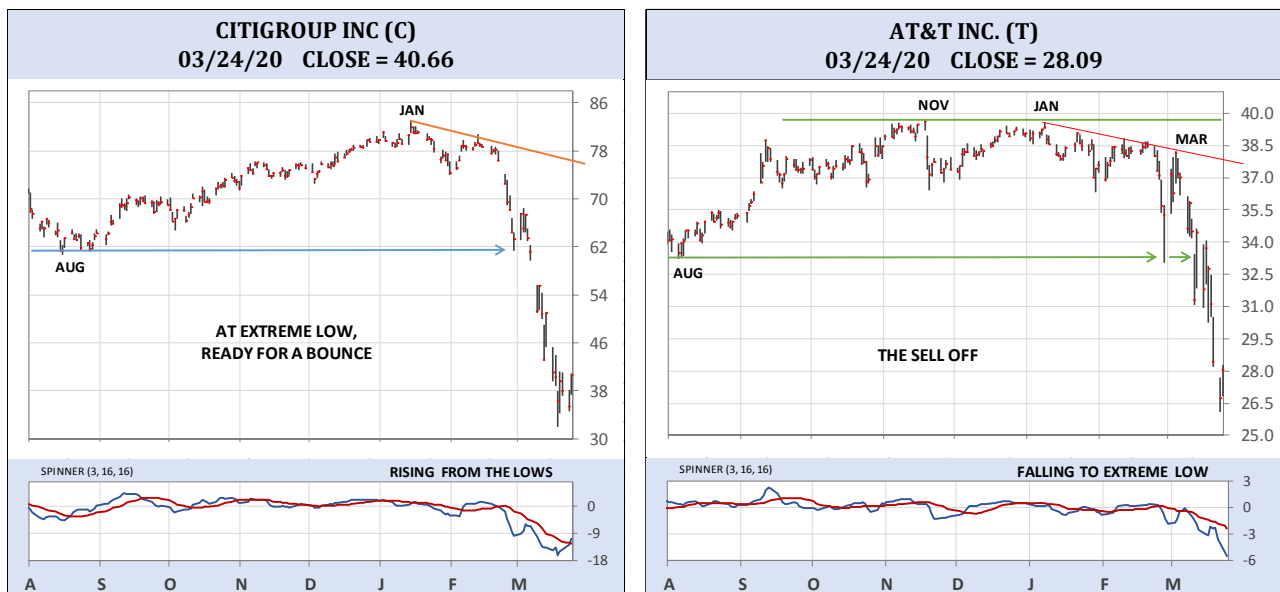
Citigroup (C) is looking the best. It's seemingly forming a bottom above the recent lows. It's up with strength today with Spinner picking up steam. The chart suggests momentum could be rising. Keep your positions. Buy a bit at mkt.

NVS is trying to hold on to the Aug lows. Volatility spikes are getting wild, which tends to be another sign of a bottom.

Spinner is under pressure, but near an extreme telling us although weakness remains, the downside is limited ST. We have a small position that has held better than many. Keep your positions for now as healthcare companies are also poised to thrive in the post-virus-normal.

ATT (T) had held up strong, but just this past week it caved in, catching down to most other equities. Spinner collapsed too, showing weakness. Although T rose today, there is no clear sign of a bottom yet.

We'll continue to hold our position and wait for further price action that confirms a support to consider buying more.



Keep your positions.

The strategy for this week is to hold on to your positions. We've been buying and patiently waiting. Our day could be upcoming. Hold on to your positions. If you didn't buy gold, don't chase the bull, wait for a pull back. Or look for developing opportunities in silver and gold shares.

Chief Trading Strategist/GCRU
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TRADER SHEET PAGES 14 & 15

KEY PRICES			
Name/Symbol	Mar 24,20 Price	Change	Mar 17,20 Price
Gold (GCJ20)	1660.80	135.00	1525.80
Silver (SIK20)	14.26	1.76	12.50
HUI (HUI)	201.89	2.60	199.29
Copper (HGK20)	2.18	-0.13	2.31
Crude Oil (CLK20)	24.01	-2.94	26.95
S&P500	2447.33	-81.86	2529.19
U.S.Dollar (DXM20)	102.25	2.44	99.80
30 Year T-Bond (ZBM20)	178.84	5.22	173.63
10 Year T-Note Yield	0.82	-0.18	1.00
13-week Treasury Bill	0.003	-0.167	0.17

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 (40%)						
GOLD (GCJ20)	Gold fell to the Dec low after breaching the May uptrend showing weakness due to the global asset sell-off. We picked up some gold below \$1500 and we're ready to buy more on further weakness. Spinner and leading indicators suggest weakness could be short lived as they're now rising from extreme bombed out areas. ST, gold is now re-testing the Feb-Mar highs near \$1700. A break above this level would be bullish! ST, gold could also re-test support at the Dec lows (\$1450). If broken, a decline to deeper support near \$1365 would be likely. Keep your positions. Take advantage of further weakness below \$1400 to buy. We bought a bit last week below \$1500.	L	Bot: 1485 (Mar-18-20).	1660.80	2dc below 1300.	Sold
PHYS	Keep your positions. Wait for weakness to buy more.	L	11.75 (Mar-18-19).	13.15	Holding	Open
SILVER (SIK20)	Silver is showing support at the \$12 level, just as Spinner forms a V shape bottom at an extreme low. Both charts together suggest the downside is limited and a rebound rise (together with gold) is now likely. We swapped some crude for silver last week to take advantage of the extreme lows. If you're looking for more exposure, at current levels silver is a steal.	L	Bot: 15.80 (Jul-17-19), 16.50 (Aug-7-19), 16.80 (Nov-8-19), 12 (Mar-18-20).	14.257	Holding.	Open
PSLV	Keep your positions. Wait for weakness to buy more.	L	Bot: 5.50 (Jul-17-2019), 6.25 (Aug-7-19), 6.19 (Nov-8-19).	5.95	Holding	Open
HUI Index	Gold shares are showing stronger signs of support at the May low. Spinner forming a bottom at an extreme low suggesting the downside is overdone and some time for upside is now likely. HUI's price pattern suggests, a bounce up to the recent Feb high resistance near 250 is likely. On the downside, keep an eye on the May 150 level. Its key for now. Overall gold shares are looking poised for a rebound. Keep your positions. We bot more last week on weakness.	--	N/A	201.89	N/A	N/A
AEM	Bot more last week on weakness and as AEM continued to form a bottom near the May low support area. Spinner is also showing signs of a bottom suggesting support at the current level is strong. AEM could rise and retest the recent highs near \$62.50. Keep your positions. If you're looking for exposure, buy at mkt, ideally below \$40.	L	58.75 (Jan-9-20), 49.50 (Feb-19-20), 36.50 (Mar-18-20).	44.08	Holding.	65 & 80
KL	Keep your positions. If you're not in, KL is bargain below \$30.	L	37.50 (Feb-19-20), 34.50 (Mar-4-20), 26 (Mar-12-20).	31.47	Holding.	-
HL	Bot more at the low last week! HL is bouncing up with strength. It's struggling to regain the \$2 handle. However, Spinner is finally piercing above its MT MA after several weeks, which tells us HL's consolidation at the lows could give way to a bounce up rise to the Feb highs near \$3.50. Keep your positions. If you're looking for more exposure, buy on weakness below \$1.80.	L	2.96 (Jan-28 -20), 2.65 (Mar-4-20), 1.65 (Mar-18-20).	2.07	2dc below 1.30	3.50 & 6
SVM	SVM is blowing up! It pierced below support at \$2 and rose with strength! It rose above \$4 today on intraday strength, but failed to keep the gains suggesting selling pressure at that level. Spinner rising briskly with room to rise further. Keep your positions. Consider buying more on weakness below \$3.50.	L	5.49 (Jan-6-20), 4.92 (Feb-4-20), 3.40 (Mar-4-20).	3.93	2dc below 2.25	6 & 9
SBB.TO	Like many others, Sabina is trying to hold on to support at the May low. For Sabina it's near CA\$1. Spinner suggests we could now see stronger signs of a rebound rise, to possibly the Aug downtrend near CA\$1.75. Keep your positions for now.	L	1.55 (Mar-4-20)	1.21	Holding	-
NG	NG has seen volatile swings, pushing it above and below \$8. We picked up some more last week during weakness. Support at the Oct lows near \$6.50 seems strong with lots of buyers near the \$7 level. If the support holds, a rise to the Feb highs near \$10 would be likely. Keep your position. Buy again in the lower \$7s on any weakness.	L	8.50 (Mar-4-20), 7.65 (Mar-18-20).	8.13	2dc below 6.50	10.50 & 13

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 (30%)						
U.S. DOLLAR (DXM20)	Blow off! The broad asset sell-off is fueling demand for the U.S. dollar as investors and traders cash in. Tons of cash is sidelined fearing a liquidity crunch. Spinner and price action are at extremes, but so is the world currently. Our cash position is demising as we buy more and more great deals at great prices. I suspect we could see the dollar back down a bit more when buying starts taking place.		-	102.25	-	-
FXB	The pound continued to fall. It broke below the Oct low level, reaching an extreme. You'll notice Spinner is at an extreme oversold level showing a reversion to the mean is inevitable and likely imminent. Keep your positions for now.			113.87	-	-
RESOURCES AND ENERGY (14%)						
Crude (CLK20)	We're out. We sold crude oil last week at the open, just before it collapsed. We logged in a loss on this one. However, crude continued to decline, breaching \$20. Weakness is extreme and oil producers continue to pump production without hesitation. It's seemingly a staring game to see who winks first. The U.S. is already looking for ways to curb production to help provide price support before the entire industry is in shambles. Stay out of crude for now.	O	\$52.50 (Jan-30-20), 50.50 (Feb-6-20), 46 (Mar-5-20). Unloaded for loss :(24.01	0.00	0
XOM	We swapped some crude for XOM at the low last week. XOM is bouncing up today with most asset classes likely on stimulus bets. XOM remains a global leader and it'll be poised to recuperate faster when things go back to normal. Spinner continues to bottom, but looking perky above its MT MA. Keep your positions.	L	61.90 (Feb-6-20), 61 (Feb-12-20), 50 (Mar-5-20), 32 (Mar-18-20).	35.44	2dc below 30.	69 & 75
COPPER	Resources overall continued to decline. Copper is starting to stabilize, and it looks like it could have some support at \$2. Support is seemingly being confirmed by Spinner as it looks for a bottom at an extreme low. We're out of copper for now and continue to have limited exposure with resource companies like Exxon Mobil and BHP Billiton.	O	-	2.1800	Out	-
BHP	BHP fell lower, reaching \$30. We swapped some of our crude oil for a bit of BHP at the extreme low too. It's now bouncing up and the swap is seemingly paying off. BHP's Spinner is rising too, breaking into new ground, and suggesting the BHP rebound rise has legs. Keep your positions.	L	54.75 (Jan-15-20), 52.50 (Jan-30-20), 43 (Mar-5-20), 31.50 (Mar-18-20).	36.46	2dc below 30.	60
MELT UP RISE PORTFOLIO (16%)						
C	C continued to move lower. It's now bouncing up after nearing \$30, trying to regain the \$40 handle. The stimulus bets are bullish for banks and they're reacting with strength. Our exposure is low. Keep your position for now.	L	73.75 (Nov-20-19)	40.66	Holding.	85 & 100
T	T was one of the stocks holding up the best but it suddenly collapsed, after breaking below the Aug low and support level near \$33. Coincidentally, it fell with the utility companies. T is now looking like the weakest link. However, T offers a great dividend yield which we'll continue to keep while the dust continues to settle.	L	38.75 (Jan-22-20), 37.50 (Feb-4-20)	28.09	Holding.	50
NVS	NVS is consolidating the fall near the Aug lows. Spinner is under pressure. However, stimulus measures due to virus concerns are giving corporate america a lifeline. Keep your positions for now.	L	94.75 (Jan-23-20)	73.56	Holding.	120
SHOP	SHOP confirmed support above the May uptrend. SHOP dropped to nearly 300 last week and jumped up with strength. It's regained the \$400 handle and it's looking ripe for more upside, particularly as consumers turn to online sales. Notice SHOP's Spinner bottoming at an extreme. It's forming a V shape bottom exposing upside potential. Keep your positions.	L	350 (Mar-16-20), 315 (Mar-18-20).	430.00	Holding	600

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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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