-GCRU-

Weekly Trading Strategies

Achieves gains by trading commodities, currencies and stocks

Omar Ayales

May 6th, 2020 **IN ITS 19th YEAR – Nº 883**

GOLD SHARES BREAK TO 7+ YEAR HIGH!

INDICATOR INSIDE SHOWS SILVER IS READY TO RISE!

ENERGY IS ALSO GETTING BOT

TAKING OFF FROM GROUND ZERO

—

Gold shares are soaring! They reached a 7+ year high, surpassing the 2016 peak and resistance.

And as Q2 earnings season unravels, silver and gold shares get sexier…

Only two months ago it was March and the miners had just been whacked due to the virus collapse.

Since then, miners have been rising, emerging from extreme depths, looking better and stronger than ever.

And it shouldn't come as a surprise given the current path central banks globally have -inevitably- embarked upon.

It's causing investors to double down on gold as the ultimate hedge against inflation. Strong demand is keeping gold at the highs.

This also means miners are able to sell their product at a premium. A year ago, today, gold was near $1285. It's risen 32% since then!

To top it off, production costs are falling!

> "The Golden Rule: He who owns the gold, makes the rules" – old adage

As gold has risen, commodities have fallen.

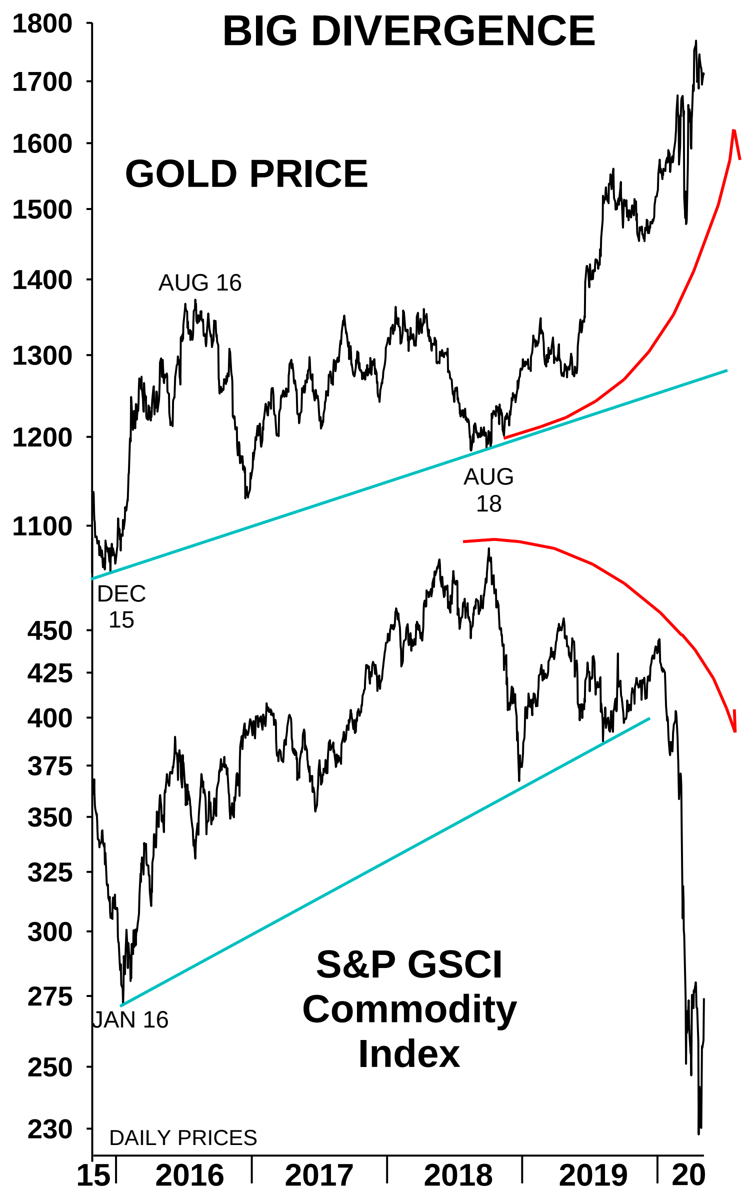
Our chart of the week shows gold and the commodity index together since the 2015-2016 lows.

Notice from the lows then, both gold and commodities rose together through Aug 2018 (2+ years).

You'll remember Aug 2018 was around the time of deepest uncertainty in the U.S. - China trade war.

At that moment, gold and commodities parted ways and ever since both have been moving in opposite directions. Commodities fell into a bear market, even breaking below the 2016 lows.

For example, crude oil, one of the miners' key cost of production, is down 65% from a year ago.



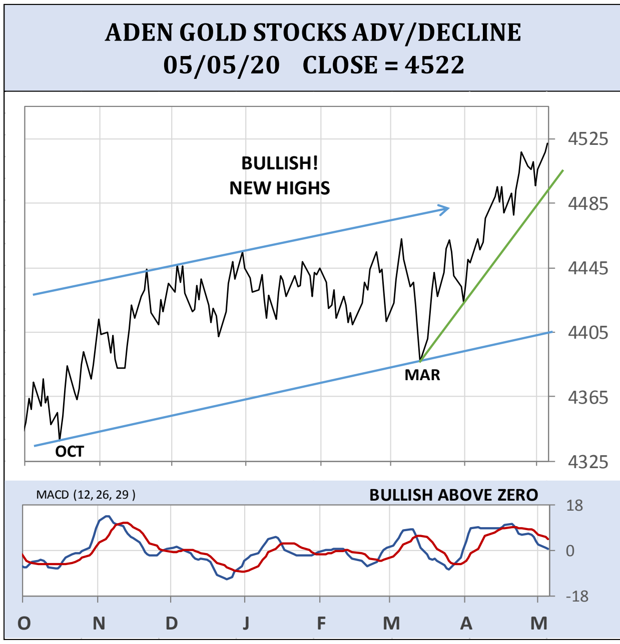
Gold mining companies are generating so much free cash flow it's not even funny.

Precious metals still represent the biggest chunk of my total portfolio.

The main reason is the fundamentals driving gold remain strong. Those fundamentals were recently confirmed by the HUI Index's jump above the 2016 peak (278).

The breakout was huge.

It confirmed strength shown in our Gold Stock Advance/Decline Line.



The A/D Line and HUI's joint price action tells me gold shares are primed to rise further. HUI could rise to 300 before the current leg up in gold is over!

We protected some profits as gold shares reached their 2016 highs, and have kept a big chunk to ride further.

I protected more profits built in Kirkland Lake (KL) last week (+40%). I continue to hold good exposure, waiting for further upside.

Notice KL is holding near the highs as it consolidates its rise. If it breaks above $45 on a 2dc, it could shoot up to $50 initially.

Interestingly, KL's 5wk MA crossed above its 15wk MA for the first time since Oct 2019. The bullish cross confirms strength.

Keep your positions.

Agnico Eagle Mines (AEM) is also looking great. It broke to new highs above $63, and it's looking ripe for more upside. AEM's 5wk MA also just broke above its 15wk MA for the first time in a few months, suggesting more upside is likely.

We recently protected some profits, and we continue to hold solid positions. This allows good exposure to let the rest of your positions ride!

NovaGold (NG) is holding near the highs. It's consolidating its bullish rise since the Mar lows while the rest of the gold shares catch up to it.

NG was edging lower since peaking in Apr. But it's now showing support above its 5wk MA near $10.50. A break below this level could push NG lower.

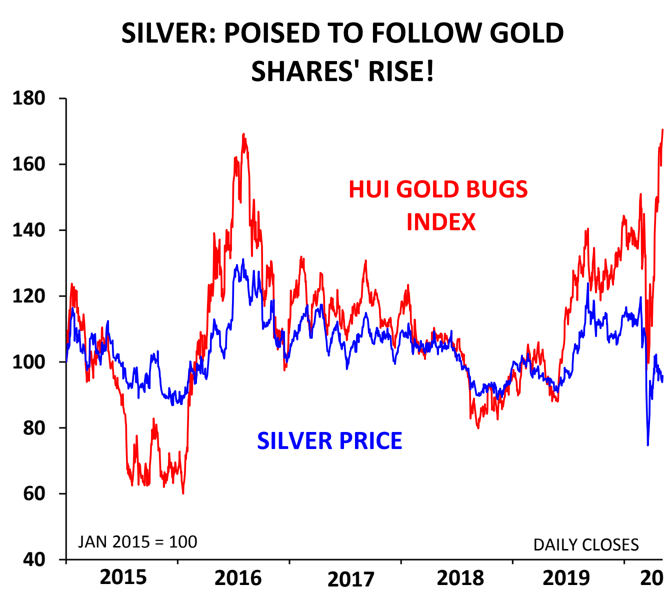
Keep your positions your now.

Silver and silver shares have been lackluster.

They haven't followed gold or gold shares, yet.

Interestingly, since the 2015-2016 lows, both silver and gold shares have moved on an eerily similar path.

The chart to the right shows the HUI gold bugs index and silver indexed to 100 since Jan 2015.



Notice HUI (gold shares) has been more volatile than silver during that time frame.

They've also led silver to the upside and downside.

Most recently, while HUI blasted to the upside, silver has stalled. It's lagging.

But could silver be poised to catch up?

Another chart, that provides more insight, is a ratio between HUI and silver.

Notice the ratio since 2015 has been rising in favor of gold shares. This means gold shares have been overall stronger than silver.

The ratio also shows the past couple of times when the ratio touched the top side of the upchannel, a decline has ensued.

The leading indicator below the ratio is telling us the ratio has swung way too strong in favor of gold shares and we could now see the ratio start swinging in favor of silver.

This by no means implies gold shares will fall. It means silver is poised to outperform gold shares moving forward, as it catches up to their rise.

That is, silver could rise to our initial profit target of $19 ST.

Keep your positions! If you don't own silver, especially our new subscribers, then buy some at market.

Silver shares have also been under pressure. But a pick up in silver should give silver shares the spark needed to catch up to gold shares.

We have positions in Silvercorp Metals (SVM) and Hecla Mining (HL).

SVM continues to show strong resistance below the Dec downtrend near $4.20. It also has growing support at $3.20. A break in either direction could hint toward SVM's next move.

SVM has been sitting on a bunch of cash. Last time I met with Kathy Li, head of investor relations for SVM, she confirmed and said she was looking for assets to expand and diversify production.

Just last week, SVM announced the purchase of Guyana Goldfields (GUY).

This purchase will allow SVM to diversify into gold production.

Although the acquisition is likely putting some downside pressure, it's a purchase that will allow SVM to benefit greatly.

Keep your positions.

HL has been stronger, likely due to its gold operation. HL broke above a key resistance level at $2.50 and is showing renewed upside potential.

HL is holding above the breakout level and could now rise to $3 or higher.

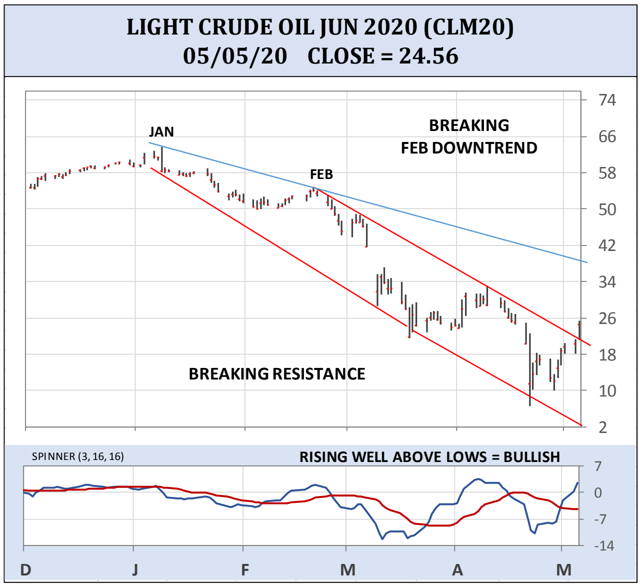
If silver pushes higher, silver shares will benefit greatly.

Keep your positions.

Resources are still in shambles but are now starting to show signs of life.

Crude oil had a solid rise, and it's starting to show it has legs.

Notice crude is breaking above a ST resistance ... the Feb downtrend and its 5wk MA.



Price action shows strength and suggests a continued rise to $40 is now likely. Spinner is breaking out, showing momentum picking up steam.

Crude oil is poised to catch up to rising stocks.

As the lockdown slowly ends and the economic recovery process begins, demand for resources and energy could continue to pick up.

The same goes for copper as it holds above its 5wk MA at $2.30.

We've stayed out of trading crude oil and copper directly but have exposure through solid multi-national companies that offer great dividends such as BHP Billiton (BHP) and Exxon Mobil (XOM).

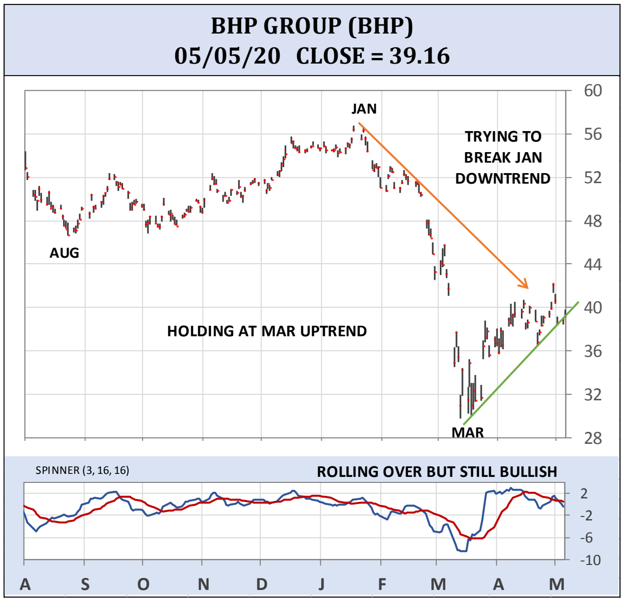
Our position in BHP and XOM are down in the lower single digits. We're almost break-even. Moreover, the handsome dividend yield of both companies (north of 5% per year) allows for some leeway.

XOM is very strong above its 5wk MA at $42. If it holds, and breaks above resistance at $50, XOM could rise to the 2020 highs above $60.

BHP is very similar. It too is above its 5wk MA showing strength. But it continues to struggle to hold on to the $40 handle.

Price action exposes resistance at the recent high near $42. A break above this level is necessary for BHP to rise to the 2020 highs in the higher $50s.

Keep your positions.



You'll remember the virus took no prisoners and pushed business activity to ground zero.

Price support for many stocks was (and in many respects continues to be) on mere hope.

Many industries and businesses will have to reinvent themselves.

Many will not make it, while others are poised to thrive.

The "too big to fail" slogan is back on everyone's mind.

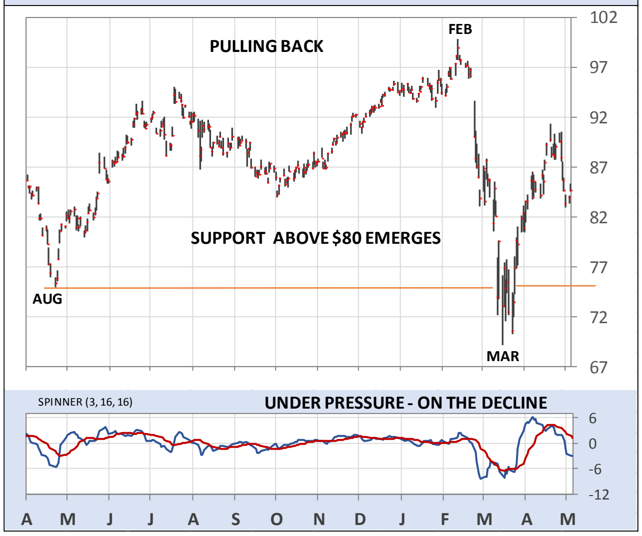
The question begs: are big companies, that pose systemic risk considered too big to fail, a new safe haven?

As part of our diversified approach, we've invested in companies that could thrive given the virus lockdown and in a post-virus normal.

I'm holding positions in Novartis (NVS), ATT (T) and Citigroup (C).

NVS is a healthcare company. A Big Pharma company within an industry that will likely become even more important in the post-virus new normal. Sales of healthcare products are not likely to decline significantly. If anything, they could rise.

NOVARTIS AG (NVS)
05/05/20 CLOSE = 84.75



AT&T INC. (T)
05/05/20 CLOSE = 29.74

CITIGROUP INC (C)
05/05/20 CLOSE = 43.95

NVS pulled back nearly 10% from the highs recently. It held above $80 and is now bouncing up again. It's trying to regain the $85 handle. However, the key resistance remains at $92. A break above this level could push NVS to the highs earlier this year near $100.

Keep your positions for now.

ATT is yet another great company. It's 100+ million users give it rock solid stability. Moreover, connectivity during lockdowns will remain priority in people's lives which could maintain business activity.

Moreover, ATT is rolling out HBO Max later on this year and will no doubt play a significant role in the implementation of 5g (particularly as the U.S. limits China's influence over technology moving forward).

Keep your positions.

Citigroup (C) is likely the weakness link. It doesn't offer anything special to the post-virus new normal.

But it will be a principal channel where stimulus that has been created will flow through.

Banks could see increased business activity as they're pushed to issue loans. And although interest is at or near zero, rising origination fees could pick up some of the slack.

We'll wait for a further bounce up before selling. Keep it for now.

Much seems to hinge on the U.S. dollar index.

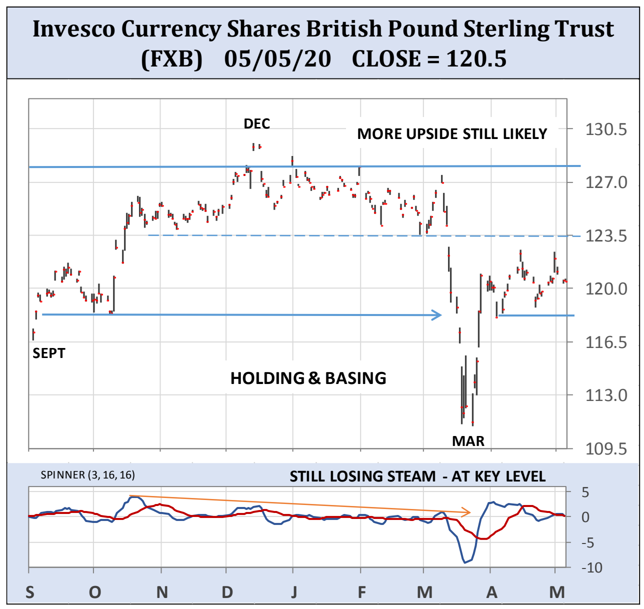
It continues to consolidate between key levels at 99 and 101. A break in either direction could push the dollar to deeper support at 96, or higher resistance near 104.

A break above 104 would be very bullish for the dollar but could continue putting downside pressure on most asset classes. A break below 99 shows signs of weakness that could push the dollar to 96.

Keep in mind 96 is a key support. The dollar remains bullish above this level.

The dollar remains among the strongest currencies out there with the highest liquidity globally.

I'm keeping my growing cash pile mainly in U.S. dollars.



The pound is also consolidating its recent bounce up rise. It's holding above $1.20. However, increased concerns over the virus breakout could put a damper on the pound for a bit longer.

Keep in mind, however, pound sterling could recuperate lost ground once coronavirus concerns plateau in the U.K.

Our strategy for this week is to sit back and enjoy the ride! Gold shares are looking primed for more upside. Enjoy the rest of the upmove but be ready to take profits if our second targets are reached. Moreover, keep a close eye on silver. It might be its time to shine.

Good luck and good trading,

Chief Trading Strategist/GCRU
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TRADER SHEET PAGES 12 & 13

KEY PRICES			
Name/Symbol	**May 05,20 Price**	**Change**	**Apr 28,20 Price**
Gold (GCM20)	**1710.60**	-11.60	**1722.20**
Silver (SIN20)	**15.11**	-0.22	**15.33**
HUI (HUI)	**286.22**	10.84	**275.38**
Copper (HGN20)	**2.33**	-0.01	**2.35**
Crude Oil (CLM20)	**24.56**	12.22	**12.34**
S&P500	**2868.44**	5.05	**2863.39**
U.S.Dollar (DXM20)	**99.76**	-0.17	**99.93**
30 Year T-Bond (ZBM20)	**180.28**	-1.56	**181.84**
10 Year T-Note Yield	**0.66**	0.05	**0.61**
13-week Treasury Bill	**0.110**	0.025	**0.085**

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 (GCM20)	Support above $1680 is growing. Price action is bullish suggesting more upside is likely. Look for a break above $1800 for renewed strength that could push gold up to the 2011-2012 highs near $1900 initially. Interestingly, our leading ST indicator (Spinner) remains under pressure, suggesting momentum is losing steam. If gold fails to surpass $1800 and falls below $1680, more downside will be likely. It'd then be opening the door for a decline to the May uptrend near $1500. Keep your positions.	L	Bot: 1485 (Mar-18-20).	**1710.60**	2dc below 1300.	1900
PHYS	Keep your positions. Sell when gold reaches profit target.	L	11.75 (Mar-18-19).	**13.73**	Holding	Open
SILVER (SIN20)	Silver continues to form a bullish flag with an upside target at $19. However, the longer silver's consolidation, the weaker the pattern. Moreover, Spinner is also showing momentum is waning. Silver must hold at current levels and rise above $16.10 to show renewed strength. Otherwise, it could fall back to $14 ST.	L	Bot: 15.80 (Jul-17-19), 16.50 (Aug-7-19), 16.80 (Nov-8-19), 12 (Mar-18-20) (AVG: $15.275)	**15.110**	Holding.	19 & 25
PSLV	Keep your positions. Sell when silver reaches first profit target.	L	Bot: 5.50 (Jul-17-2019), 6.25 (Aug-7-19), 6.19 (Nov-8-19), 4.65 (Mar-18-20) (AVG: 5.65).	**5.52**	Holding	Open
HUI Index	Bullish! HUI broke out to a 7+ year high! It surpassed the 2016 resistance near 278-280 and it's showing signs of renewed strength. If HUI holds above its 5wk MA near 240, it'll show strength with more upside potential. And a rise to 300 would then be likely. Our in house A/D Line is also at new highs. It remains very bullish suggesting more upside is possible. Interestingly, silver shares have been lagging. But they could catch up. I'm allowing more leeway to our silver miners. I recently sold some of the froth built in our gold shares securing great profits. Yet, gold (and silver) shares are still my largest holding representing about 30% of my portfolio.	--	-	**286.22**	-	-
AEM	AEM is breaking out from the Jan 2020 highs at a key resistance level near $63. If AEM holds above the bullish Mar uptrend near $58, it'll continue to rise with strength. AEM recently posted its quarterly report. And although there was some damage due to lockdowns, forward guidance for the second half of 2020 is very bullish. It's adding price support. Let the rest of your positions ride!	L	58.75 (Jan-9-20), 49.50 (Feb-19-20), 36.50 (Mar-18-20), 39.65 (Apr-1-20) (AVG: $46); Sold half via alert at $61+ for 32 ½ % gain.	**63.76**	2dc below 46.	62 (surpassed) & 80
KL	KL continues to hold near the recent highs. It fell on some profit taking last week, but held at the uptrend since Mar showing growing support above $40. We sold some last week protecting a 40% profit and will keep the rest.	L	37.50 (Feb-19-20), 34.50 (Mar-4-20), 26 (Mar-12-20), 29 (Apr-1-20) (AVG: $31.75). Sold half at $43.50 for average 40% gain (Apr-29-20).	**43.07**	2dc below 30.	Open
HL	Breakout! HL broke above key resistance at the $2.50 level showing impressive strength. HL is rising within a bullish upchannel since Mar, with uptrend support at $2.30 and a target at $3.30-$3.50 (our first target). HL could be getting demand due to its gold production (as opposed to silver), but it could also be paving the way for a broader rise that include silver mines. Keep your positions.	L	2.96 (Jan-28 -20), 2.65 (Mar-4-20), 1.65 (Mar-18-20) (AVG: $2.42).	**2.64**	2dc below 1.50	3.50 & 6
SVM	SVM continues to show higher lows since bouncing up from its ST low & support at $3.20 in Apr. However, resistance below the Dec downtrend near $4.20 is also proving to be strong. SVM must break above the resistance to show signs of renewed strength. Otherwise, it could fall back and re-test the $3.20 support. Keep your positions.	L	5.49 (Jan-6-20), 4.92 (Feb-4-20), 3.40 (Mar-4-20), 3.45 (Apr-7-20) (AVG: $4.40).	**3.88**	2dc below 2.25	6 & 9
NG	NG is edging lower after reaching an intraday high last week just below our second profit target. NG remains one of my favorite gold miners due to its great assets and management. It's been one of the strongest gold shares. Definitely an early riser and could be now entering into a consolidation phase. NG remains bullish. We recently sold some for handsome profits and continue to hold the rest.	L	8.50 (Mar-4-20), 7.65 (Mar-18-20) (AVG: $8). Sold half at 11.50 (Apr-15-20) for 45% gain.	**11.73**	2dc below 6.50	10.50 (surpassed!) & 13 (almost reached!)

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 (33%)						
U.S. DOLLAR (DXM20)	Consolidating. The dollar Index is confirming support above the bottom side of the month long sideways band near 99. If it holds above this level, the dollar could re-test the top side near 101. There's still much uncertainty as to how the global economy will recover from the nearly 2 month long lockdown. Fears of a continued lockdown and speculation of a weak economic recovery could continue giving the dollar support. Conversely, speculation the global economy will recover faster could put downside pressure on the dollar (as other global currencies strengthen). For now, and under both scenarios, I will hold cash in U.S. dollars mainly.		-	**99.76**	-	-
FXB	Pound sterling is also consolidating its rise since Mar. The stronger dollar is putting downside pressure on FXB. However, with certain exceptions, pound sterling is holding strong. It also has lots to look forward to once the economic recovery in the U.K. starts gaining steam. Keep a smaller portion of sidelined cash in pound sterling.		-	**120.5**	-	-
RESOURCES AND ENERGY (13%)						
Crude (CLM20)	Bouncing up... crude is showing subtle higher lows since the historic collapse. It's now breaking above a resistance since Feb near $22. If it now stays above this level the rebound has legs and it could push crude oil to its next resistance at the Jan downtrend near $40. The supply/demand mechanics for crude remain a big mystery. Stay away for now. I'll continue having exposure to energy through Exxon Mobil (XOM).	O	Out	**24.56**	-	-
XOM	New highs for move! XOM broke above the mid channel line showing strength. XOM is resisting, but once it stays above $46, it could rise to test the Jan downtrend, above $50. Spinner bullish, but seemingly under pressure. As supply/demand mechanics reshuffle in the energy markets, bigger companies like Exxon are poised to benefit the most. Keep your positions for now.	L	61.90 (Feb-6-20), 61 (Feb-12-20), 50 (Mar-5-20), 32 (Mar-18-20) (AVG: $51)	**44.83**	2dc below 30.	69 & 75
COPPER	Under pressure. Copper's rebound rise may be fading. Its recent break above the Jan downtrend was starting to show a sign of strength. But it's yet to confirm a bullish breakout. Copper continues to resist at key levels with signs it could start to roll-over. Stay out for now. I will keep some exposure to resources through BHP Billiton (BHP).	O	-	**2.3325**	Out	-
BHP	BHP is jumping up from the Mar uptrend, confirming support and opening the door for further upside. If BHP holds above this growing support, a continued rise to the Jan highs will be likely. Spinner is under pressure. Much uncertainty about the global economic recovery will continue to weigh down resources and resource companies. However, demand for too big to fail companies could rise. Keep your positions.	L	54.75 (Jan-15-20), 52.50 (Jan-30-20), 43 (Mar-5-20), 31.50 (Mar-18-20) (AVG: 45.40)	**39.16**	2dc below 30.	56
MELT UP RISE PORTFOLIO (14%)						
C	C bounced up but still testing the Mar lows near $44. It's bullish ascending triangle remains in tact. A break above $50 on a 2dc, confirms strength that could push C to the Jan downtrend near $70. Keep your positions for now. Banks always have a key role to play during any crisis.	L	73.75 (Nov-20-19), 40 (Mar-25-20) (AVG: $57).	**43.95**	2dc below 36.	75 & 85
T	ATT failed to break clearly above the resistance level at $31.50 and fell below the Mar uptrend showing weakness. Downside pressure remains firm. Spinner on the decline too showing weak momentum. However T is one of those companies that will likely maintain its core business (or maybe even increase thru new services and offerings). Its steady flow of revenue also allows it to keep its rockstar dividend. Keep your positions for now.	L	38.75 (Jan-22-20), 37.50 (Feb-4-20), 28 (Apr-1-20). (AVG: $34.75).	**29.74**	2dc below 29.	50
NVS	NVS gave back a big portion of its gains since the Mar lows after failing to break above the $92 resistance. NVS is now showing growing signs of support at $80. If NVS holds above this new support level, it could spring back up to the recent highs, above $90. Healthcare and pharma will continue to play a big role during current lockdown and in a post-virus-normal environment. Keep your positions.	L	94.75 (Jan-23-20), 80.75 (Apr-1-20) (AVG: 87.75).	**84.75**	2dc below 80.	100

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Spinner: Spinner is an in-house momentum indicator (not always shown on charts). Momentum indicators use the rate of change in price to determine predominant energy flows. Spinner trading signals are generated when the faster timing line crosses above or below the slower confirming line. Upside crosses in the lower range of positive territory offer the most reliable signals for longs; downside crosses in the top range of negative territory for shorts. Avoid trading against the timing line, i.e., buying/selling if the timing line is in corrective mode (against direction of trade) unless the confirming line is positioning for a new 'confirming cycle'. It's important to always be aware of location, direction & cycling phase of the confirming line. Spinner signals are more effective in trending mkts than in trading ranges where indicators such as Stochastic & Williams %R should be used.

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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